



CORPORATE

GOVERNANCE

Good corporate governance and sound risk management enable KLCCP Stapled Group to function efficiently, effectively and more importantly, responsibly by providing clarity on acceptable and expected standards of behaviour. We seek to uphold transparency in our action and disclosures, upholding integrity whilst addressing the current and emerging risks in the real estate sector.

Material Sustainable Matters

- Corporate Governance and Business Ethics
- Risk Management

Context

In our increasingly competitive corporate landscape, effective corporate governance is a vital foundation for a company's positive environmental and social track record. The environmental and social impacts are amongst the most prominent issues that responsible investors consider when investing in a company but not without a meaningful and indepth review of its corporate governance practices.

KLCCP Stapled Group is subject to corporate governance requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and voluntarily comply with the best practices recommendations as stipulated by the Malaysian Code of Corporate Governance (MCCG) 2012.

With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance that will ultimately secure long term value for its stakeholders.



Approach

KLCCP Stapled Group takes a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the sustainability of the organisation and safeguarding the interests of the holders of Stapled Securities and maximising long-term stakeholder value.

Our commitment to good corporate governance is reflected in our Code of Conduct and Business Ethics (CoBE), which guides the organisation in fulfilling its business obligations with utmost integrity and transparency.

Sustainability Report

Overseeing the overall strategic and operational business performance are KLCCP's and KLCCRM's Board of Directors. The Board Governance and Risk Committee as well as the Board Audit Committee were established to assist the Boards in discharging their functions in relation to internal controls, risk management, compliance with applicable laws and regulations, as well as reviewing internal policies and procedures. Together, they are entrusted to further fortify the levels of accountability and integrity in KLCCP Stapled Group.

Key initiatives for the year

Board Composition and Diversity

- Launched the Board Diversity Policy for KLCCP and KLCCRM to ensure a diverse and inclusive board and support country's aspiration of 30% representation of women directors on boards

Risk Management

- Conducted Enterprise Risk Management workshops for identified Business Units of critical business areas
- Conducted INTERISK system training to risk focals, risk owners and risk representatives where identified Risks Profiles are uploaded into the system
- Carried out the Business Continuity Plan simulation exercise for specific identified scenarios

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Our Boards take pride and place importance on strong governance culture and implementing international best practices across the business segments. In carrying out our business activities, we are guided by the KLCC Shared Values to uphold integrity in fulfilling our obligations in an ethical, responsible and transparent manner. This is supported by our strict conformance with the respective laws, rules and regulations in the country where we operate.

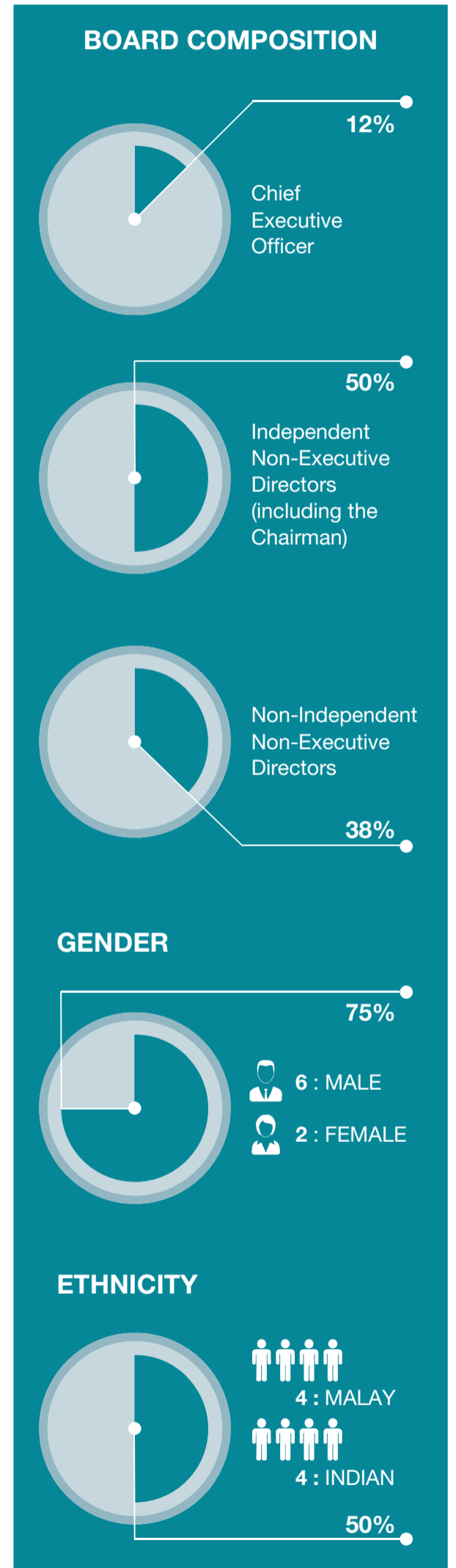
During the year, KLCCP Stapled Group was included in MSWG's Top 100 companies for demonstrating good disclosures and best practices in corporate governance, pursuant to MSWG's Malaysia-ASEAN Corporate Governance Awards 2016 and was also a recipient of the Gold Award in The

Asset Awards 2016 for excellence in Governance, CSR and Investor Relations Benchmarking.

Board Composition and Diversity

Board composition for KLCCP and KLCCRM takes into consideration the gender diversity which has been one of our most significant corporate governance practices. This diverse composition is seen as contributing towards improving organisational value and performance, providing the Boards with new insights and new perspectives.

KLCCP and KLCCRM Boards of Directors comprise eight members respectively, a Chief Executive Officer, four independent non-executive directors including a Chairman and three non-independent non-executive directors, fulfilling the requirement of the MMLR on independence. Currently, there are two female directors on each Board. The



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Boards are responsible for overseeing the overall management of KLCCP and KLCCRM and responsible for providing oversight and stewardship of the organisation. Harnessing strength from a variety of backgrounds and experiences, the Boards bring diversity and add depth to deliberations.

Board Diversity Policy

MCCG 2012 recommends the formulation and disclosure of gender diversity policies and targets to be mandatory, where companies must disclose in their Annual Reports, policies and targets with respect to composition of women on their boards. The Diversity Policy for KLCCP and

KLCCRM, which was rolled out in August 2016, aspires to ensure a diverse and inclusive board that will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender to achieve effective stewardship and management which in turn will lead to its competitive advantage. In line with the country's aspirational target of 30% representation of women directors, the Boards will strive to maintain the pursuit of the same target underpinned by meritocracy in order to maintain an optimum mix of skills, knowledge and experience of the Boards.

Business Ethics and Integrity

The Board of Directors of KLCCP and KLCCRM are guided by the corporate governance principles, CoBE and charters for each board committee and is committed to representing the long-term interests of all holders of Stapled Securities.

KLCCP Stapled Group's commitment to good corporate governance is reflected through its effort in promoting compliance, integrity and transparency through the adoption of KLCCP Stapled Group's Shared Values, PETRONAS' CoBE, Anti Bribery and Corruption (ABC), No Gift Policy and Whistleblowing Policy.

	Employees	Supply Chain
Communication Channels	<ul style="list-style-type: none"> • KLCCP Stapled Group Shared Values • PETRONAS Code of Conduct and Business Ethics • PETRONAS Anti-Bribery and Corruption Manual • No Gift Policy • PETRONAS Integrity Compliance Framework • PETRONAS Whistleblowing Policy • Induction Trainings 	<ul style="list-style-type: none"> • Imposed provision in all contracts requiring third parties to comply with CoBE • Imposed provision of anti-bribery and corruption clauses in all contracts requiring third parties to comply with • Continuous engagement with third parties to ensure compliance with CoBE and ABC Manuals
Feedback Channels	<ul style="list-style-type: none"> • Whistleblowing Reporting Platform 	

Code of Business Ethics (CoBE)

At KLCCP Stapled Group, we adhere to the PETRONAS' CoBE which contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual. The CoBE applies to all employees and Directors within the KLCCP Stapled Group and we continue to pursue good business ethics amongst the employees and stakeholders and endeavour to achieve the highest standards of integrity through the adherence to the CoBE.

The CoBE is benchmarked to international standards and outlines the behaviour and ethical conduct expected of employees, directors and other stakeholders in the way we do business which is reflected by the policies and procedures which deals with confidentiality, conduct and work discipline and corporate gifts and workplace harassment.

For the year under review, KLCCP Stapled Group continued to communicate the CoBE to all employees as well as third parties performing work for or on behalf of KLCCP Stapled

Group through its corporate website, meetings, corporate events and inclusion of CoBE in all new employees induction program. In 2016, 54 new employees were introduced to the CoBE and were required to sign a declaration of adherence to the CoBE.

Anti-Bribery and Corruption

The ABC Manual and the *No Gift Policy*, as adopted from PETRONAS has been KLCCP Stapled Group's reference in dealing with unethical conduct and is now part of the culture in our efforts to eliminate all forms of bribery and

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corruption within the organisation. The ABC Manual was developed to supplement the general policy statements set out in the CoBE on fighting corruption and unethical practices and outlines detailed explanation on procedures for dealing with improper solicitation, bribery and corruption and addressing of ethical issues.

KLCCP Stapled Group's strong stance of zero-tolerance against bribery and corruption extends to its business dealings with third-party service providers and vendors. Pursuant to the ABC Manual, KLCCP Stapled Group requires that its agreements with third-party service providers and vendors incorporate anti-bribery and anti-corruption provisions.

To further strengthen our efforts in promoting ethical practices across the organisation, KLCCP Stapled Group continued to communicate and engage with employees at all levels through displays of posters at all office sites as well as conducted talks on integrity to uphold the core values and not engage in corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity at work and in all business dealings.

Whistleblowing Policy

The Whistleblowing Policy, as adopted from PETRONAS provides an avenue for employees and members of the public to disclose any misconduct or malpractices within KLCCP Stapled Group. It encourages openness and transparency and heightens ethical business conduct and provides trusted and accessible channels to report corruption, fraud and dishonest practices at the workplace.

Employees and members of the public who raise or disclose any malpractices can do so without doubt or fear of

reprisals as the whistleblower is assured confidentiality of identity, to the extent reasonably practicable, even post completion of investigation, so long as the disclosure is made in good faith. Whistleblowers are also kept updated on outcomes of the disclosure made, adhering to procedures in place.

As part of the PETRONAS group, all reported whistleblowing incidents are escalated to the PETRONAS Whistleblowing Committee set up to deliberate upon the disclosures made, determine next course of action and monitor progress until case closure. The Committee meets at least once a month and provides updates to the Internal Audit Management Committee as well as Board Audit Committee.

The organisation's ongoing efforts to promote the Whistleblowing Policy and its established platforms entailed displaying communication collateral at strategic locations within KLCCP Stapled Group's office premises such as the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi.

Our Whistleblowing Policy is available at <http://www.klcc.com.my/sustainability/governance.php>

Dealings in Stapled Securities

KLCCP Stapled Group has adopted a dealing in Stapled Securities Policy, a Memorandum of Insider Trading, for Directors and employees which advocates best practices pursuant to the MMLR. It sets out prohibitions against dealing in the Stapled Securities when in possession of un-published price sensitive information and knowledge of facts or materials. The Directors have been issued guidelines and are notified in advance of the closed period for trading in Stapled Securities and are regularly reminded of

the laws of insider trading and to refrain from dealing in Stapled Securities on short-term basis.

RISK MANAGEMENT

Risk management is an intergral part of KLCCP Stapled Group's business at both strategic and operational levels. An effective and sound risk management system is important for KLCCP Stapled Group to achieve its business strategies and objectives. KLCCP Stapled Group has an established KLCC Group Enterprise Risk Management Governance Framework which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system.

The Risk Management Oversight Structure which consists of the Boards, Audit Committees, Management Committee and Risk Management Committee sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on three key areas:

Enterprise Risk Management

KLCCP Stapled Groups' Enterprise Risk Management (ERM) Framework is a structured and holistic approach to identify, assess, treat and monitor risk aimed to reduce the likelihood and impact of all identified risks to enhance ability to achieve strategic objectives. It sets out the six key elements comprising Governance, Context Setting, Risk Assessment, Risk Treatment, Risk Monitoring and Review and Continual Improvement which

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enable KLCCP Stapled Group to manage risks in an integrated, systematic and consistent manner.

The framework provides a standard and consistent approach across KLCCP Stapled Group in achieving the following key attributes in risk management:

- Full accountability in managing risk at respective entity
- Application of risk management in decision making
- Continuous communication with external and internal stakeholders, including comprehensive and frequent reporting on risk management performance
- Risk management as part of KLCCP Stapled Group's management processes and culture in achieving the organisation's objective.

Annually, the Group Enterprise Risk Management Department facilitates and coordinates the group-wide Risk Profiling exercise that requires business and corporate executive leaders to proactively identify, assess and document material risks and the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed at KLCCP Stapled Group level before they are presented to the Risk Committee, Audit Committee and the KLCCP and KLCCRM Boards.

KLCCP Stapled Group utilises the INTERISK system as a risk tool to effectively manage and monitor risk profiles. It embeds the industry standard risk management process of ISO 31000. The INTERISK system drives active risk conversation and analysis monitoring through a dashboard, reinforces effective risk governance and assurance practices and provides a seamless flow of

information and processes along the risk management value chain.

Based on the ERM framework established and the reviews conducted by Management, both internal and external auditors, and the assurance from the CEO, the Boards concur with the recommendation of the KLCCP and KLCCRM Audit Committee and is of the opinion, that KLCCP Stapled Group's system of risk management and internal controls addressing financial, operational and compliance risks are adequate and effective to meet the needs of its current business environment as at 31 December 2016.

Crisis Management

A comprehensive set of processes aimed to prepare the organisation to respond and manage crisis in the risk areas to protect and save people, environment, assets and reputation.

A Crisis Management Plan (CMP) is in place to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely. This includes the emergency response, emergency management and crisis management.

During the year, KLCCP Stapled Group conducted Fire Drill and Evacuation exercises that include tenants for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan. A demonstration on proper usage of fire extinguishers was also conducted for tenants at the PETRONAS Twin Towers to promote awareness of the dangers of fire hazards and the proper and effective operation of fire extinguishers within the workplace.

At MOKL Hotel, the Crisis Management Team members have responsibility with

reference to their sections based on time sequence and direct responsibilities. The Hotel Manager and General Manager chair monthly meetings to outline simulation schedules and participate in the simulations. The local police authorities work with the hotel during some simulations to reflect a "real time authentic" scenario. Our hotel staff are trained yearly on the Business Continuity Management Plans and simulations are held yearly to ensure that we are prepared for any eventualities.

Business Continuity Management

The Business Continuity Plan (BCP) for KLCCP Stapled Group covers the failure of ICT, business supply chain, assets and people. The BCP aims to provide guidance in resuming key business functions in the event the CMP fails to contain the incident and it escalates into a prolonged disaster that has a major or catastrophic impact on the business in terms of financial, operation and reputation.

Annual BCP simulation exercises are carried out to test the recovery strategy at virtual office and the effectiveness of identified Primary and Alternate Workforce for business resumption of the Critical Business Function.

At MOKL Hotel, the Crisis Management Team, Emergency Response Team and Business Recovery Team are responsible in dealing with incidents and crisis related to hotel operations. Senior leadership is part of this organisation as well as other department heads who, under the guidance of the Deputy Crisis Management Team member and Crisis Management Leader conduct over 24 yearly Emergency Response Plan scenarios and simulations involving hotel leadership and staff participation to increase the hotels readiness. All simulations are documented and then audited by senior leadership and independent auditor yearly.