MATERIAL MATTERS

Corporate Governance and Business Ethics

Risk and Crisis Management

MAPPED TO OUR CAPITALS

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RELATED PRINCIPAL RISKS

Market

Finance

Asset Management

Security

PEACE
EMBODYING GOOD GOVERNANCE

Corporate governance defines a company's commitment to values and ethical business conduct. Good corporate governance serves to enhance the effective deployment of capital and ultimately contributes towards growth and positive sustainable performance.

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KLCCP Stapled Group is subject to corporate governance requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and best practices as stipulated by the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia. With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance, anchoring it to its organisational culture and aligning it to our shared values that will ultimately secure the confidence and support of the Group's holders of Stapled Securities

KLCCP Stapled Group is also fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the Group's continued progress and sustainability and in safeguarding our integrity values and shareholders' interest. This commitment was further reinforced with the implementation of the corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 which came into force on 1 June 2020 and in support of the National Anti-Corruption Plan (2019 – 2030).

Our Approach

At KLCCP Stapled Group, corporate governance practices are more than just compliance. It is our corporate culture encompassing values, attitude and behaviour that we embrace in all areas of conduct and it forms a foundation for our organisation's success. We take a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the reputation 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 the CoBE which guides the organisation in fulfilling its business obligations with utmost integrity and transparency. Our commitment in driving the culture of openness, transparency and accountability are reflected through our adoption of the No Gift Policy and Whistleblowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC Manual).

Our continuous effort in managing integrity risk within the organisation reflects our commitment to conduct business responsibly in support of the Group's zero tolerance to bribery and corruption.

In managing the risk, the Group has a robust KLCC Resiliency Model which provides an integrated view on the overall strategy for managing risk, focusing on three key areas - Enterprise Risk Management, Crisis Management and Business Continuity Management.

⊙ **FOCUS FOR THE YEAR**

- **Balance gender representation in Board membership of KLCCP and KLCCRM**
- **Independent expert evaluation of Boards Committees for KLCCP and KLCCRM**
- **Establishment of Non-Executive Directors Remuneration Framework**
- **Voting in absentia for remote participation in Annual General Meetings (AGMs)**
- **AMBS ISO 37001:2016 certification for KLCCP, KLCCUH, KLCCRM and KPM**
- **Integrated assurance exercise on risks and controls for KLCCP Stapled Group**

CORPORATE GOVERNANCE AND BUSINESS ETHICS

KLCCP Stapled Group implements good corporate governance that promotes openness and transparency in all aspects of our business, addressing the risk of corruption and bribery, misconducts and conflict of interests.

Initiatives for the Year

Corporate Governance	• Achieved 43% representation of women directors on the Boards of KLCCP and KLCCRM • Conducted the onboarding programme for two newly appointed Directors. Company Secretary provided assistance in Directors' training and development, and to facilitate the onboarding programme for the newly appointed Directors • The Boards discussed and revisited the business strategies for the KLCC investment portfolio during COVID-19 to ensure business continuity of the Group
Remuneration	• KLCCP established Non-Executive Directors Remuneration framework which is made available on our corporate website
Business Ethics and Transparency	• Rolled out CoBE awareness programmes to all new employees. In addition, refresher programmes on PETRONAS Anti-Bribery and Corruption Policy and Guidelines (ABC Manual) for all existing employees were conducted • Establishment of KLCCP Stapled Group's Policy Statement on Anti-Bribery and Corruption with zero tolerance to any form of bribery and corruption culture. On 11 December 2020, KLCCP, KLCCRM, KLCCUH and KPM attained the ABMS ISO 37001:2016 certification

PROSPERITY

PLANET

PEOPLE AND PARTNERSHIP

PEACE

Anti-Bribery Management Systems

KLCCP Stapled Group's continuous effort in managing integrity risk within the organisation reflects our commitment to conduct business with high integrity and in support of the Group's zero tolerance against all forms of bribery and corruption. During the year, we embarked on implementing the Anti-Bribery Management Systems (ABMS) to strengthen corporate governance particularly in addressing bribery and corruption issues and concerns on Section 17A of the MACC Act towards attaining ABMS ISO 37001:2016 certification.

Initiatives for the Year

- Rolled out Policy Statement on Anti-Bribery and Corruption on 11 August 2020
- Conducted groupwide awareness session and programme on corporate liability (Section 17A of the MACC Act), Anti-Bribery and Corruption and Code of Conduct and Business Ethics
- Completed groupwide Internal and external audit exercises towards attaining ABMS ISO 37001:2016 certification
- Know Your Customer (KYC) Form included in Invitation To Bid (ITB) document which is to be completed by vendors. Prior to engaging a third party to perform work or services on behalf of the Group, third party due diligent must be conducted to understand the business and background of our prospective business counter parties to ensure they subscribe to the same values and ethical standards of integrity in the conduct of their business. This requirement was effective June 2020.

RISK AND CRISIS MANAGEMENT

Risk management is an integral part of KLCCP Stapled Group's business at both strategic and operational levels. KLCCP Stapled Group has an established Enterprise Risk Management Governance Framework which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system.

Our Risk Management Oversight Structure comprise the Boards, Audit Committee (ACs), Risk Management Committee (RMC) and the top Management. The structure is used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP Stapled Group has developed a robust KLCC Resiliency Model to provide an integrated view on the overall strategy for managing risk focusing on three key areas:

Enterprise Risk Management	Crisis Management	Business Continuity Management

Enterprise Risk Management

KLCCP Stapled Group's 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 enable KLCCP Stapled Group to manage risks in an integrated, systematic and consistent manner.
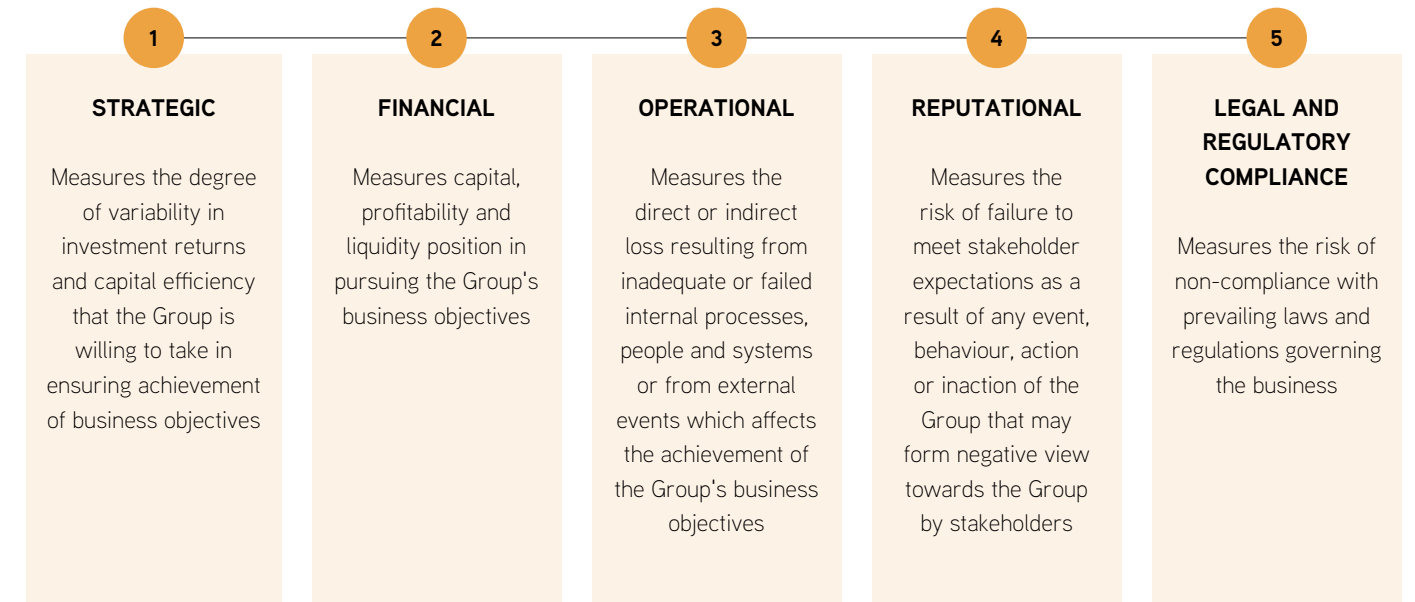
The framework provides a standard and consistent approach across KLCCP Stapled Group in achieving the following key attributes in risk management:

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

Risk assessment is carried out prior to any decision point using the risk assessment guideline which is aligned to ISO 31000. This is to provide a balanced view for informed decision making through richer risk conversations and considerations of risk reward trade-off.

During the year, the Group Risk Management Department reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold are reviewed and presented to the RMC, AC and the KLCCP and KLCCRM Boards.

The risk appetite covers five main areas:

1 STRATEGIC	**2** FINANCIAL	**3** OPERATIONAL	**4** REPUTATIONAL	**5** LEGAL AND REGULATORY COMPLIANCE
Measures the degree of variability in investment returns and capital efficiency that the Group is willing to take in ensuring achievement of business objectives	Measures capital, profitability and liquidity position in pursuing the Group's business objectives	Measures the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events which affects the achievement of the Group's business objectives	Measures the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction of the Group that may form negative view towards the Group by stakeholders	Measures the risk of non-compliance with prevailing laws and regulations governing the business

Annually, the Group Risk Management Department also 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/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.

During the year, Group Risk Management Department facilitated and coordinated the group-wide Risk Profiling exercise to review the principal risk and ascertain their relevant and potential impact from the COVID-19 pandemic to safeguard KLCCP Stapled Group's investment and key business activities and to ensure the precaution and mitigation measures are implemented.

Crisis Management

KLCCP Stapled Group has in place a comprehensive set of processes aims 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. The CMP addressed the following credible scenario in the area of HSE; Finance; Human Resources; ICT; Legal and Governance in managing crisis.

The plan include the objective and scope of emergency/crisis management plan; emergency/crisis team structure with roles and responsibilities; activation thresholds and procedures; communication process with updated contact numbers and integration with relevant parties (i.e. government authorities and relevant stakeholders); strategies and actions for responding pre, during and post emergency/crisis; escalation process for escalating relevant emergency/crisis information to potential impacted parties within KLCCP Stapled Group and resource requirement during emergency/crisis.

Business Continuity Management

A Business Continuity Plan (BCP) for KLCCP Stapled Group was established to cover 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.

The review of BCP where Business Impact Analysis (BIA) was carried out to ensure the critical business functions is identified, assessment of the impact of unavailability of the functions over time, setting prioritised timeframes for resuming these functions and specifying Minimum Resources Requirements (e.g. people, equipment, assets, facilities, technology, vital record, interdependencies) to be allocated to recover and resume these functions following prolonged business disruption.

The BIA is conducted annually for all Business Unit (BU) and Operating Units (OPUs) in compliance to Business Continuity Management (BCM) framework. The updated BIA and BCP were presented to Risk Committee and the Approving Authority.

Initiatives for the Year

Enterprise Risk Management	• Reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold are reviewed and presented to the Risk Management Committee, Audit Committee and the KLCC Property Holdings Berhad and KLCC REIT Management Sdn Bhd Boards
Crisis Management	• Conducted briefing on Fire and Life Safety programme for floor safety managers and tenants and tabletop exercise to test the scenario on breach of contract by major service providers (contractors) under the scope of Facility Management. Both exercises are to ensure the readiness and effectiveness of the communication process and the recovery action plan in responding to the crisis
Business Continuity Management	• A Call Tree Verification exercise was conducted via the Emergency Notification System (ENS) through INTERISK system to ensure effectiveness of communication on continuity of BCP activation message from BCM coordinator to the critical business function staff during crisis The BCP was activated upon implementation of Movement Control Order (MCO) period from 18 March 2020 until 14 June 2020 where KLCCP Stapled Group was able to continue its key business function as per the recovery plan Ensure all vendors (including suppliers and service providers) are prepared on the measurement to be taken in managing the impact of COVID-19 pandemic in order to provide continuous support to our business operation without disruption

Integrated Assurance

The design and implementation of effective risk management and internal control system is important in assuring a level of confidence on the adequacy and effectiveness of the KLCCP Stapled Group's control systems which is also aligned with the Malaysian Code of Corporate Governance (MCCG) 2017 principle.

During the year, KLCCP Stapled Group undertook the Integrated Assurance exercise to provide overall reasonable level of confidence to the Group's Management that risks and controls within the Group were being adequately, effectively and safely managed.

The Key characteristics of Integrated Assurance are:

It promotes risk management and its assurance as an **integrated process**	It provides an **overall view of risk assurance**	It is based on a **Methodical process**

INTEGRATED ASSURANCE

SYSTEM AND PROCESSES	ACCOUNTABILITY AND OVERSIGHT
1 **A single and standardised assurance process** for KLCC Groupwide based on Corporate Driven and Self-Assurance Philosophy **2** **Introduction of three lines of Assurance** for demarcated functions of assurance at organisation levels **3** **Integrated planning** for Corporate and Self-Assurance driven programs	Strengthen **Line of Sights** for Assurance reporting and **oversight** with **clear roles and responsibilities** for better empowerment and Self-Assurance.

COMPETENCY

Specific **assurance capability and competency** for assurance implementation.

DIGITAL SYSTEM

myASSURANCE

Real time monitoring through intelligent **assurance digital platform via myASSURANCE** for transparency and timely reporting.