



VALUES

REDEFINED



KLCCP Stapled Group
ANNUAL REPORT 2017

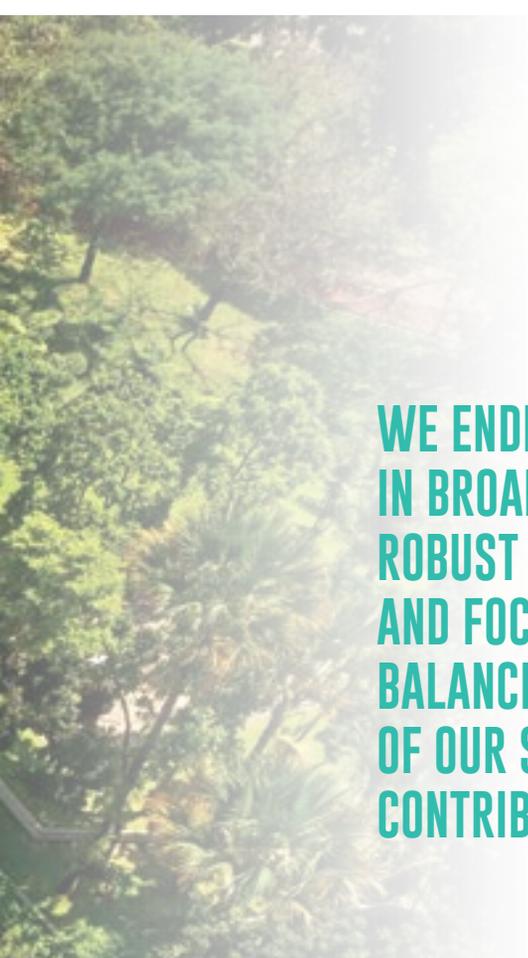
SUSTAINABILITY AT THE HEART OF OUR BUSINESS

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SUSTAINABILITY STATEMENT





WE ENDEAVOUR TO PROGRESS OUR SUSTAINABILITY JOURNEY IN BROADER PERSPECTIVES WITH THE AIM OF MAINTAINING A ROBUST BUSINESS MODEL WHICH EMBODIES OUR COMMITMENT AND FOCUS ON THE SUSTAINABILITY PRIORITY AREAS BY BALANCING THE ECONOMIC, ENVIRONMENT AND SOCIAL NEEDS OF OUR STAKEHOLDERS IN DELIVERING LONG-TERM VALUE AND CONTRIBUTING TO THE WELL-BEING OF OUR COMMUNITY

Sustainability and Strategy

KLCCP Stapled Group champions sustainability development through the creation of sustainable values economically, environmentally and socially, embedding sustainable strategies across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

Our business strategy takes into perspective the risks and opportunities impacting the industry and organisation, while keeping abreast of current expectations of stakeholders in the discipline of sustainability, such as climate change and social risks including human rights. This year, we continued our focus

in addressing our material sustainable matters across our five sustainability pillars – Corporate Governance, Environmental Stewardship, Security, Safety and Health, Our People and Reliable Partner to further strengthen our approach to sustainability.

With Values Redefined as our theme this year, KLCCP Stapled Group had set out to create differentiation in the spaces we have, redefining the “place to be of choice”, creating engaging, sustainable environment which brings the community together. This supports and strengthens our business sustainability in the way we make choices and deliver lasting outcomes to all our stakeholders. Reflecting on our sustainability journey thus far, we have been putting the building blocks in place to gear ourselves towards sustainability operational excellence. It has been a

notable achievement year for us with KLCCP Stapled Group being awarded the Best Strategic Corporate Social Responsibility for Malaysia at Southeast Asia’s Corporate-Institutional Awards and The Asset Corporate Awards for Excellence in Environmental, Social and Corporate Governance. We were also recognised as a ‘Shortlisted Report’ at the ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2017.

We endeavour to progress our sustainability journey in broader perspectives with the aim of maintaining a robust business model which embodies our commitment and focus on the sustainability priority areas by balancing the economic, environment and social needs of our stakeholders in delivering long-term value and contributing to the well-being of our community.

SUSTAINABILITY STATEMENT

Context

The real estate and construction sector is one of the largest contributors to the Malaysian economy. In spite of Malaysia’s economic and political uncertainties led by external factors, the local real estate market has been stable. This important element of the economy has nevertheless been evolving rapidly, reacting to macroeconomic trends such as interest rates hikes, population growth, and economic strength. With technological evolution and innovative disruptions, the real estate landscape has been moving towards lifestyle needs, new-age real estate investments, ranging from design to materials used and sustainable operational efficiency of buildings. Despite higher GDP growth in 2017 and recovery in crude oil prices, the real estate industry continued to be hampered by various factors.

- Overhang and oversupply in the commercial sector – office and retail
- Growing mismatch between supply and demand in the commercial sector exerting pressure on occupancy and rental rates

- Cautious retail market due to continuous weak consumer sentiment
- Intense competition for retail tenants due to changing consumer behaviour
- Growing appeal of e-commerce activities disrupting traditional brick and mortar consumer business
- Intensifying competition of incoming supply of hotels impacting market share
- Sharing economy disrupting traditional channels in hotels i.e. Airbnb
- The emergence of co-working spaces challenging established commercial office locations

The real estate industry is at the heart of important and far reaching issues with resource constraints, demographic change, environmental impact, urbanization and emerging technologies. The design, building materials used and operation of the buildings drive and potentially mitigate the impact on tenants, owners, communities and society at large. Environmental sustainability has taken on increased importance with Malaysia’s keen interest in stepping up its pledge to the

environment and long-term sustainability in the 11th Malaysia Plan and the country’s commitment in combating global climate change in the 2015 Paris Agreement. This has seen real estate companies now giving more focused attention towards green investment to compete at global level. With continued challenges in the global economic front, financial landscape and the volatility in commodity prices, sustainability of companies is more so critical to position themselves to benefit for the next decade whilst creating value for its stakeholders.

Approach

At KLCCP Stapled Group, we create long-term stakeholder value by having business strategies that consider every dimension of how our business operates in the ethical, social, environmental and economic spheres. We believe that to create, deliver and capture value, we need to be future ready and be part of a sustainable society. As such, our business model is anchored on sustainability strategies to achieve value and satisfy stakeholder expectations.

In 2016, upon the establishment of our governance structure, we framed our KLCC Corporate Sustainability Journey in three stages:



Awareness and Gearing Up
Setting up of sustainability team, outlining top management commitment, framework endorsement, formulation of policies, guidelines, systems and processes, conducting awareness campaigns, inventory of existing sustainable practices and identifying and developing capabilities in Sustainable Development (SD)



Sustainability Operational Excellence
Integrating SD as part of business planning, prioritising SD projects e.g. reducing emission, energy efficiency and waste reduction, identification of SD flagship projects, validating results against targets, and preparing supplier networks for SD innovation opportunities



Strategically Proactive
Internalisation of sustainability, positioning as SD product leader through strategic partnership in the value chain and contributing to ecological and community regeneration

SUSTAINABILITY STATEMENT

Subsequently, we launched our Sustainability Roadmap with targets and measures as mile markers, towards our sustainability journey. The Sustainability Roadmap is focused on:

ECONOMIC

- Strengthening occupancy rate of our assets to optimum levels

ENVIRONMENT

- Driving down energy consumption in our operations
- Minimising quantities of waste generated at our assets
- Influencing suppliers/contractors on commitment in conserving the environment

SOCIAL

- Building leadership pipeline
- Promoting safe environment

GOVERNANCE

- Board Diversity
- Compliance & Transparency

Over a 3-year horizon, the Sustainability Roadmap sets out specific targets from 2016 to 2018 against a 2015 baseline target, defining concrete measures to be undertaken which are measured and monitored on a bi-annual basis. This represents our conscious commitment through which the organisation as a whole is continuously improving societal and economic performance.

As an integrated property developer and investor, KLCCP Stapled Group is in a position to create engaging and sustainable spaces, from office towers to retail malls, hotels and community precincts. We also own and manage our buildings and use our insights into the customers' needs to deliver value, lifestyle experiences and collaborate for the long-term. With rapid advancements in technology changing the way we work, live and communicate, connectivity, safety and security have also come to the forefront of our focus. By integrating sustainable features into our development, we are focused on maximising performance of our assets and investments, managing expectations of our stakeholders and driving positive change in the communities where we operate.

Our sustainability approach focuses on the five sustainability pillars, reflecting the FTSE4Good themes and indicators for the Real Estate Holding and Development sector where KLCCP Stapled Group is categorised and taking into consideration our unique business requirements, the global and domestic industry landscape and also the needs of our stakeholders.

We embed sustainability in all our business operations and believe participation by top management and employees is vital to the successful implementation of the strategies for sustainable development. We aim to deliver financial value and societal benefits by balancing the commercial objectives with the environment and social needs of our stakeholders, underpinned by solid governance and ethical business practices.

**CORPORATE GOVERNANCE**

Upholding transparency in our actions and disclosures to ensure the highest standards of governance, business ethics and integrity in our operations

**ENVIRONMENTAL STEWARDSHIP**

Striving for improved environmental practices and operational sustainability

**SECURITY, SAFETY & HEALTH**

Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) societal spheres

**OUR PEOPLE**

Nurturing a diverse and talented workforce to drive business growth strategies

**RELIABLE PARTNER**

Strengthening financial position, business competitiveness and spurring socio-economic growth

SUSTAINABILITY STATEMENT

SCOPE OF REPORTING

KLCCP Stapled Group’s Sustainability Report underlines the Group’s sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of our business activities. This report is based on KLCCP Stapled Group’s financial year from 1 January to 31 December 2017.

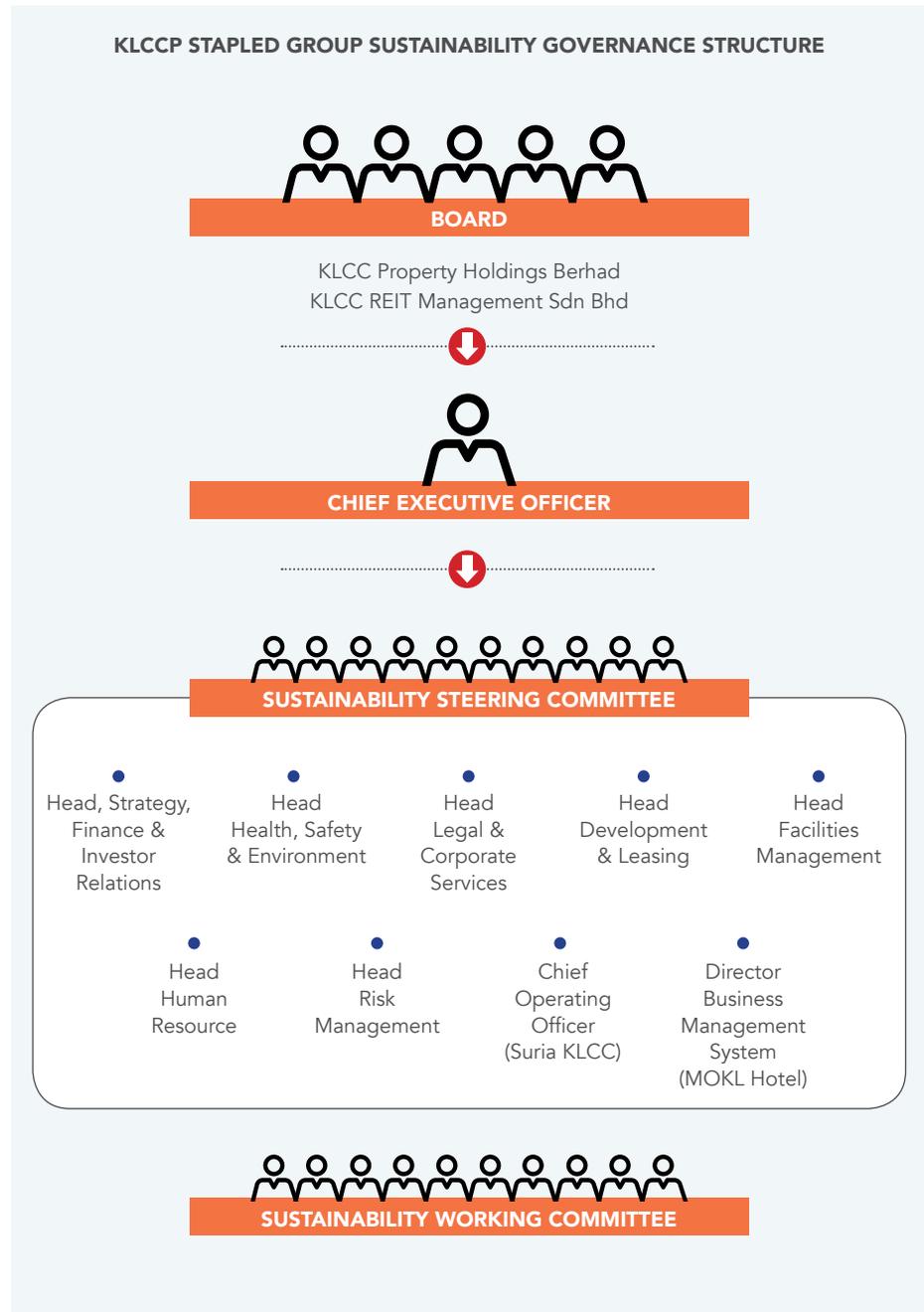
Our scope of reporting for the year covers all of KLCCP Stapled Group’s operations in Malaysia comprising office, retail and hotel assets as well as our operations in facility management and car parking management. The scope is in accordance with the reporting scope of our Annual Report.

GOVERNANCE STRUCTURE

In the course of our journey towards sustainability, our sustainability governing body, the KLCCP Stapled Group’s Sustainability Steering Committee (SSC) plays a very important role in driving sustainability within the organisation. The SSC ensures accountability, oversight and review in the identification and management of sustainability matters within the Group and have the overall responsibilities in overseeing the corporate sustainability strategy and progress of KLCCP Stapled Group’s sustainability performance, identifying and prioritising material sustainability matters, reviewing and endorsing policies, practices, targets and achievements for key sustainability issues and ensures regulatory sustainability requirements and reporting are met.

The Sustainability Steering Committee is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The SSC reports on a bi-annual basis to the Chief Executive Officer (CEO) who is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and reports the progress to the Boards of KLCCP and KLCCRM (the Boards). The Boards represent the highest authority and is ultimately accountable for managing sustainability matters in KLCCP Stapled Group.

KLCCP STAPLED GROUP SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT

SUSTAINABILITY FRAMEWORK

The KLCCP Stapled Group’s Corporate Sustainability Framework (CSF) outlines our principles on sustainability and aligns to our five sustainability pillars. It serves as a guide in managing the strategic and operational risks and opportunities which supports our business strategies, sustainability approach and objectives.

During the year, FTSE Russell made several changes to the sustainability reporting methodology. One of which was the applicability of biodiversity as a theme exposure for the Real Estate Holding and Development sector. Although the impact of biodiversity is nominal for KLCCP Stapled Group as our investments and developments are centred within the city centre, however on the basis that Malaysia is identified as one of the Primary Impact Country, and with the Group being categorised under the Real Estate Holding

and Development sector, we have now included biodiversity into our CSF, in line with best practices.

As such KLCCP Stapled Group’s CSF now embodies nine focused areas, comprising Shareholder Value, Corporate Social Investment, Climate Change, Natural Resource Use, Biodiversity, Security, Health, Safety and Environment, Workforce Development, Human Rights and Governance and Business Ethics.

KLCCP STAPLED GROUP SUSTAINABLE DEVELOPMENT

To deliver financial value and societal benefits in a responsible and holistic manner, by balancing the economic, environment and social needs of our stakeholders, steered by solid governance and ethical business practices



KLCCP STAPLED GROUP CORPORATE SUSTAINABILITY FRAMEWORK

Governance and Business Ethics Safeguarding the organisation’s integrity and trustworthiness in delivering value through strong governance mechanisms and ethical business practices	Climate Change Strengthening our assets’ resilience against climate impacts and managing energy efficiency	Security, Health, Safety & Environment Ensure our properties and services are in accordance with all legal requirements and industry best practices to safeguard the health, safety and well-being of employees, contractors, tenants, shoppers, hotel guests, communities and local environment	Workforce Development Equipping our workforce with skills and mindset to deliver sustained high performance	Shareholder Value Delivering returns to our Stapled Security holders through long-term creation of economic value
	Natural Resource Use Promoting optimum use of environmentally-friendly materials in our properties, operations through efficient processes and application of technology		Human Rights Respecting human rights in our areas of operations, complying to our code of conduct and business ethics and all legal requirements	Corporate Social Investment Investing in sustainable initiatives to contribute to the well-being of society
	Biodiversity Ensuring projects and operations do not have significant effect on biodiversity and local ecosystems			

OUR FIVE SUSTAINABILITY PILLARS



<p>CORPORATE GOVERNANCE Upholding transparency in our actions and disclosures to ensure the highest standards of governance, business ethics and integrity in our operations</p>	<p>ENVIRONMENTAL STEWARDSHIP Striving for improved environmental practices and operational sustainability</p>	<p>SECURITY, SAFETY & HEALTH Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) societal spheres</p>	<p>OUR PEOPLE Nurturing a diverse and talented workforce to drive business growth strategies</p>	<p>RELIABLE PARTNER Strengthening financial position, business competitiveness and spurring socio-economic growth</p>
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SUSTAINABILITY STATEMENT

ALIGNING OUR SUSTAINABILITY PRACTICES TO THE UNITED NATION'S SUSTAINABILITY DEVELOPMENT GOALS

The National Transformation 2050 (TN50) introduced by the Government is setting a new vision for the Nation. It is a clear agenda that Malaysia is committed to sustainable development as evident through its Sustainability Development Framework where it encapsulates the vision towards addressing basic necessities, tackling people's well-being and catalysing key economic sectors for wealth creation.

Aligned to Malaysia's commitment in 2015 to adopt the United Nation's Sustainable Development Goals (UNSDG) for sustainable development, KLCCP Stapled Group aspires to support the Nation's commitment towards achieving the 17 Sustainable Development Goals. The UNSDGs framework highlights the needs of billions of people and by aligning our practices with these needs for development, we hope that our small act will help make an impact to the communities and the world we live in by looking beyond our businesses.

In this year's Sustainability Report, we have mapped our sustainability practices to the UNSDGs priority areas that are most strategically aligned with our sustainable matters and where we can have the greatest impact.

MATERIALITY ASSESSMENT

Identification

In our efforts to determine the top material sustainable matters for 2017, we revisited our material sustainable matters for the 2016 financial year. The team comprising of employees from cross-functional business units collaborated to review feedback from KLCCP Stapled Group's key stakeholders through their observation and enquiries received in the course of their daily operations. We also considered internal factors as well as industry megatrends such as oversupply of offices, changing landscape of the retail market, intensifying competition, consumer trends and climate change. We also reviewed source documentation to understand how the stakeholders viewed us, the perception of where business is heading, and what challenges and opportunities they anticipated ahead. Based on these feedback and findings, we identified potential risks and opportunities, both generally and in terms of our ESG goals, and any emerging issues that could affect KLCCP Stapled Group's business success and stakeholder relationships in the future.

We also benchmarked against our real estate and REIT players, both globally and locally to identify the material sustainable matters that are common to the Real Estate Holding and Construction sector. Being a constituent of FTSE4Good Bursa Malaysia Index and FTSE4Good Emerging Index, our identification of sustainable material matters were also based on the FTSE4Good themes and indicators for the Real Estate Holding and Construction sector which we are categorised under. The identification step was also aligned to the boundaries in which we operate in and determined if the issues were within or outside our direct operational control. Following the identification process, we arrived at a list of 12 material sustainable matters under which there are 26 priority areas.

Identified Material Sustainable Matters

SEGMENT	MATERIAL SUSTAINABLE MATTERS	PRIORITY AREAS	KEY INDICATORS
 Governance	Corporate Governance and Business Ethics	<ul style="list-style-type: none"> Corporate Governance & Compliance Business Ethics, Integrity & Corruption Management 	<ul style="list-style-type: none"> Compliance of regulatory requirements Promote transparency and disclosure Committed to ethical practices guided by the corporate governance principle
	Risk Management	<ul style="list-style-type: none"> Risk & Crisis Management 	<ul style="list-style-type: none"> Reference made to external standards to inform the risk management system and reporting transparency Describes the risk management framework Prepares for major Environmental, Social and Governance (ESG) catastrophic events and incidents
 Economic	Financial Sustainability	<ul style="list-style-type: none"> Sustained Returns & Profitable Growth 	<ul style="list-style-type: none"> Commitment in delivering stable and sustainable returns to holders of Stapled Securities and endeavour to stay competitive and resilient
	Economic, Social & Industry Growth	<ul style="list-style-type: none"> Promoting Economic, Social & Industry Growth 	<ul style="list-style-type: none"> Current or expected impact on communities and local economies

SUSTAINABILITY STATEMENT

Identified Material Sustainable Matters

SEGMENT	MATERIAL SUSTAINABLE MATTERS	PRIORITY AREAS	KEY INDICATORS
 Environment	Climate Change	<ul style="list-style-type: none"> GHG Emissions Reduction Efficient Energy Management Renewable Energy 	<ul style="list-style-type: none"> To reduce GHG emissions To promote and support energy saving initiatives To reduce energy consumption and to seek new technologies/innovation with low carbon footprint for our business operations Amount of energy reduction consumption achieved as a result of conservation and efficiency initiatives Cost saved from renewable energy
	Environmental Management	<ul style="list-style-type: none"> Water Management Waste Management Green Buildings Responsible Material Use Biodiversity 	<ul style="list-style-type: none"> Total water consumed and amount of water reduction achieved as a result of efficiency initiatives Total volume of hazardous waste generated and disposed Total waste intensity and waste diversion Total waste recycled To achieve full GBI Certification for PETRONAS Twin Towers and Menara 3 PETRONAS To promote the use of eco-friendly materials in our business operations Conservation of the ecosystem
 Social	Security, Safety & Health	<ul style="list-style-type: none"> Safety & Health Management Security Management 	<ul style="list-style-type: none"> Awareness programme for employees and contractors Ensuring safety work culture at workplace Amount of workers undergoing safety and health training per annum Rate of work-related injuries per annum, number of work-related fatalities To ensure safe environment within and surrounding our premises for our guests, tenants, customers and visitors
	Our People	<ul style="list-style-type: none"> Equality, Diversity & Inclusion Skills & Capability Development Talent Management Workforce Engagement 	<ul style="list-style-type: none"> Number of employees by gender, age group, ethnicity and position Leadership training conducted and succession ratio Number of training per annum for employees & amount invested on learning & development programmes
	Human Rights & Labour Practices	<ul style="list-style-type: none"> Responsible Employment Practices Non-Discrimination 	<ul style="list-style-type: none"> Equality in employment Compliance to Malaysian Labour Laws and Minimum Wage regulation Number of discrimination incidents, number of child/forced labour incidents Measures taken to support freedom of association Addressing and monitoring grievance and complaints
	Supply Chain Management	<ul style="list-style-type: none"> Local Procurement Management Responsible Product Sourcing 	<ul style="list-style-type: none"> Assessment of new and existing suppliers to identify potential negative social impact, results of supplier monitoring/audit, action on supplier's non-compliance to social impacts assessment To encourage procurement from responsible and reputable suppliers
	Corporate Social Investment	<ul style="list-style-type: none"> Societal Well-being 	<ul style="list-style-type: none"> Amount of contribution towards the well-being of the society
	Customer & Tenant Management	<ul style="list-style-type: none"> Tenant Engagement Customer Satisfaction 	<ul style="list-style-type: none"> Improvement in customer service Meeting the needs of guests, tenants and customers Committed to provide the highest standard of product and services to our guests, tenants and customers

Note: Key indicators are with reference to Bursa & FTSE4Good reporting guidelines as well as benchmarked against industry's best practices.

SUSTAINABILITY STATEMENT

Materiality Assessment

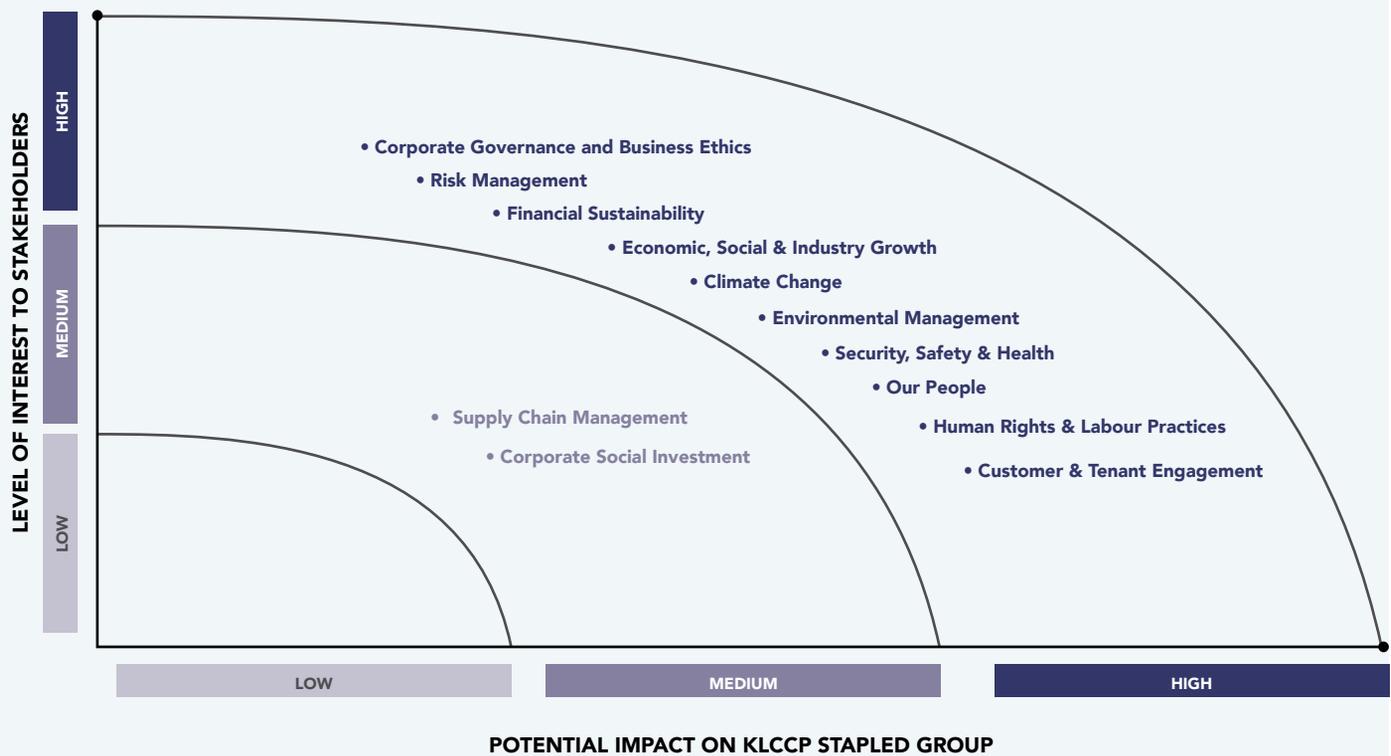
At our Sustainability Working Committee (SWC) meeting, we organised for the members of the SWC who represented facets of KLCCP Stapled Group’s business operations namely, Development and Leasing, Facilities Management, Health, Safety and Environment, Procurement, Legal, Corporate Communications, Investor Relations and Business Development as well as our retail and hotel operations, to break-out into groups and conduct the process of ranking the 12 material sustainable matters identified in accordance to the impact on the external and internal stakeholders as high, medium and low. This was also facilitated by the team from the Group Health, Safety, Security and Environment (GHSSE) PETRONAS.

Review and Feedback

The materiality assessment conducted by the SWC was then presented and tabled at the SSC meeting subsequently for review and feedback. The SSC reviewed the 12 material sustainable matters and undertook the materiality assessment where they ranked them in similar manner as the SWC, in accordance to the impact on the external and internal stakeholders as high, medium and low. Both the assessments by SWC and SSC were then rationalised and averaged to arrive at our final materiality assessment for 2017. This was subsequently presented to the CEO and also Board for endorsement.

Results of our materiality assessment

Pursuant to the materiality assessment undertaken, 10 material sustainable matters were ranked high whilst two were ranked medium.



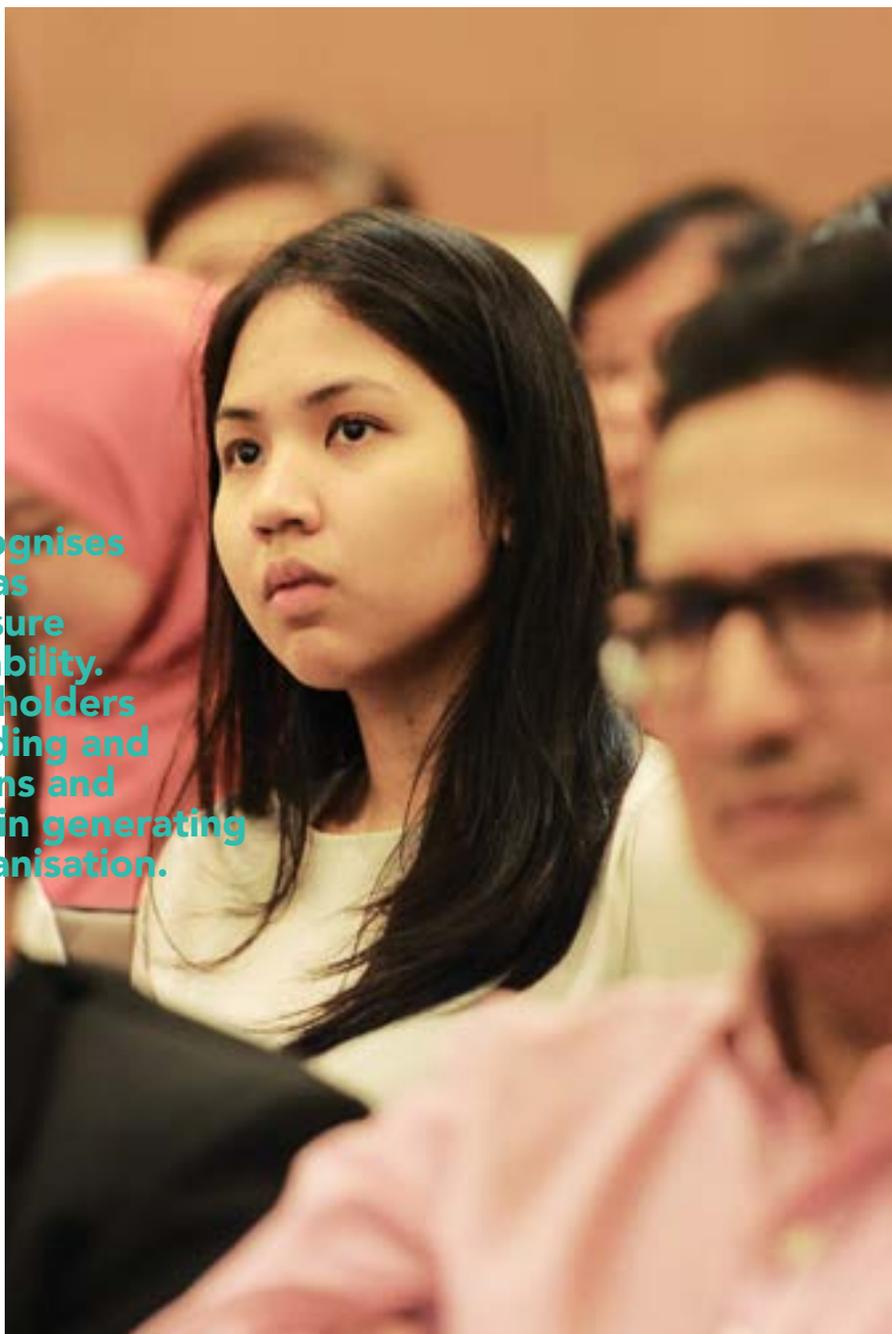
In our reporting for the Sustainability Report 2017, we have reported on the 10 material sustainable matters which were ranked as high impact. Nevertheless we feel that the sustainable matters identified as medium to our organisation are in line with our stakeholders' expectations and as such we still included and reported on these initiatives and performances within this Sustainability Report, in line with best practices.

STAKEHOLDER MANAGEMENT

KLCCP Stapled Group recognises stakeholder management as an important aspect to ensure transparency and accountability. Communication with stakeholders is imperative in understanding and managing their expectations and provide new perspectives in generating positive impact to the organisation.

With expectations changing rapidly in the real estate industry, investors, community, regulators and other stakeholders are continuously seeking for greater levels of transparency with respect to the economic, environment and social issues. We continue to engage and manage our stakeholders' needs and expectations, taking into consideration their viewpoints towards more tangible business value creation.

KLCCP Stapled Group has a diverse group of stakeholders comprising both internal and external stakeholders. Engagements with our stakeholders takes many forms including face to face meetings, media interactions and surveys to identify and understand the issues that are most important to them. We endeavour to build a stronger relationship with our stakeholders and we are guided by our principles to create value for all our stakeholders through innovative development and growth.



SUSTAINABILITY STATEMENT

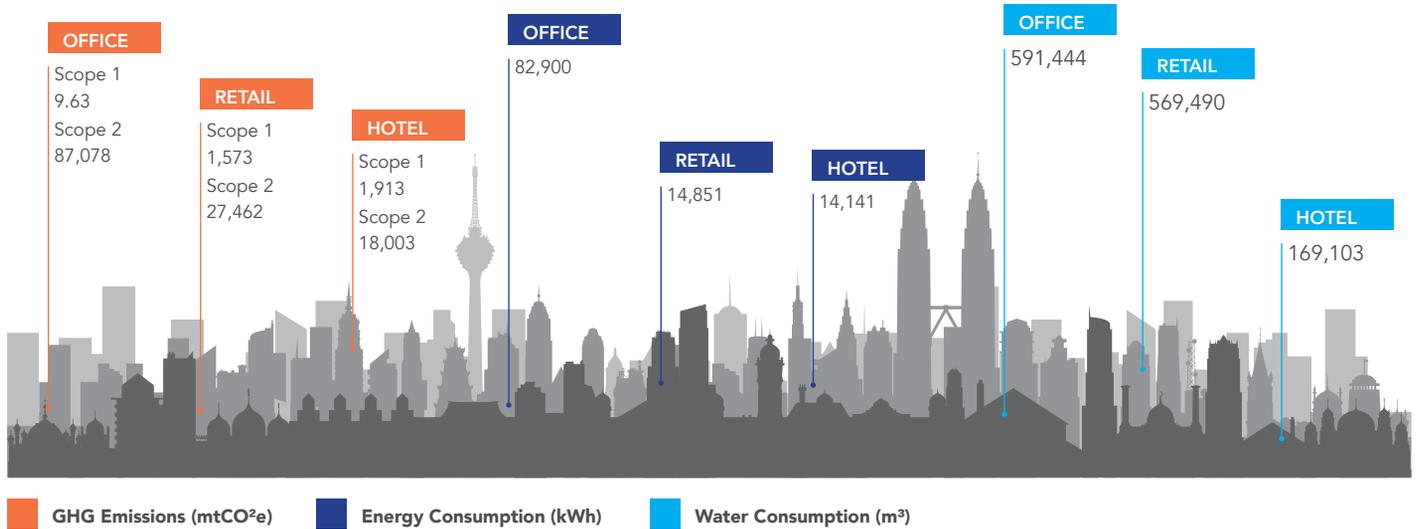
Our key stakeholder groups were identified by their significance and potential impact to our business. The following table demonstrates our key stakeholder groups, our engagement approach and their areas of interest and how we addressed their concerns

	STAKEHOLDER GROUP						
	SHAREHOLDERS/ INVESTORS/ BUSINESS PARTNERS	EMPLOYEES	GOVERNMENT/ LOCAL AUTHORITIES/ REGULATORS	CUSTOMERS & CONSUMERS	SUPPLIERS & SERVICE PROVIDERS	COMMUNITY	MEDIA
ENGAGEMENT APPROACH	<ul style="list-style-type: none"> Annual General Meeting One-on-one/ small group meetings Website Investor relations events Quarterly reports Annual report 	<ul style="list-style-type: none"> Townhall sessions Dialogue and engagement Intranet portal Employee satisfaction survey Annual dinner Recreational and sports club events 	<ul style="list-style-type: none"> Emails/letters Discussions on government initiatives Formal meetings Inspections 	<ul style="list-style-type: none"> Customer Feedback Management – hotline, surveys, email queries Loyalty programmes Events Dialogue and engagement Social Media 	<ul style="list-style-type: none"> Face-to-face meetings Evaluation/ Performance Review Corporate presentations Supplier training programmes Signing ceremonies 	<ul style="list-style-type: none"> Community engagement activities Annual reports Website/ Information leaflet/kiosks 	<ul style="list-style-type: none"> Press release/ media invites Press conferences, question and answer sessions Media coverage Media engagement
AREAS OF INTEREST	<ul style="list-style-type: none"> Distribution per Stapled Security Annual Total Return Efficient operations leading to sustainable profitability Long-term growth and stability Board and governance sustainability 	<ul style="list-style-type: none"> KLCCP Stapled Group's long-term growth, strategies and performance Staff safety and well-being Employee benefits Training and career development Employee performance 	<ul style="list-style-type: none"> Governance compliance Construction and Building By-Laws compliance Industrial and workplace relations Environmental management and compliance Security and Safety management 	<ul style="list-style-type: none"> Standards of customer relations Safety and Security KLCCP Stapled Group's competitive edge and differentiating factor in the marketplace Innovative and trend setting practices 	<ul style="list-style-type: none"> Fair practices Transparent tender processes Compliance with laws and regulations 	<ul style="list-style-type: none"> Health and safety impact Environmental impact 	<ul style="list-style-type: none"> Financial performance Growth strategies, new projects and prospects Operational issues and financial impact Board and governance Corporate responsibility
HOW WE ADDRESSED THEIR INTEREST	<ul style="list-style-type: none"> Sharing of information at meetings/ events/property tours Responding to general queries on KLCCP Stapled Group's performance Improved information on corporate website to cater to investors' needs 	<ul style="list-style-type: none"> Conducted HR open days Conducted face-to-face informal session Enhancement of employment benefits Offered strategic training programmes 	<ul style="list-style-type: none"> Conducted programmes to support Government initiatives Conducted face-to-face meeting to provide updates Provided Group's operation and financial information through email 	<ul style="list-style-type: none"> Carried out customer satisfaction surveys Heightened security measures within the precinct Providing a wider range of tenant mix and trend setting concept stores 	<ul style="list-style-type: none"> Supplier training workshops Pre-Tender briefing 	<ul style="list-style-type: none"> Conducted CSR programmes Provided Group's information through website & print and electronic media 	<ul style="list-style-type: none"> Responding to media queries on KLCCP Stapled Group's on quarterly reports and programmes

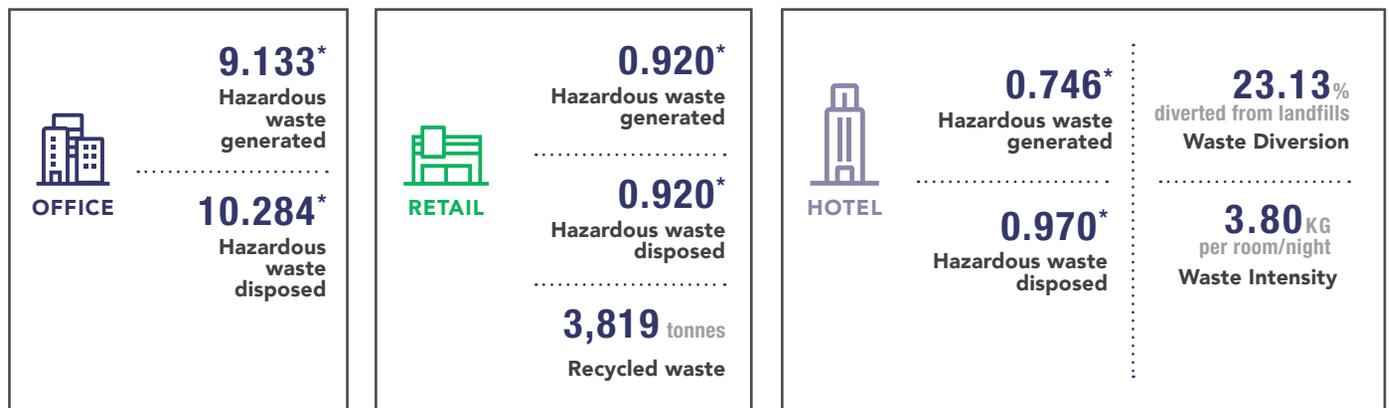
2017 PERFORMANCE OVERVIEW



ENVIRONMENTAL STEWARDSHIP



■ GHG Emissions (mtCO₂e)
 ■ Energy Consumption (kWh)
 ■ Water Consumption (m³)



* metric tonnes



SAFETY AND HEALTH

Loss Time Injury (LTI)

9

cases

Loss Time Injury Frequency (LTIF)

1.19

man-hours

Number of Fatalities

ZERO

Loss of Primary Containment (LOPC)

ZERO



OUR PEOPLE

Workforce Diversity

61%

Male

39%

Female

Staff sent for Training



96%
of the total population

Spent on Learning & Development



RM2.1
million



RELIABLE PARTNER



Community Investment

RM2.0 million

BENCHMARKS AND AWARDS

SOUTHEAST ASIA'S CORPORATE- INSTITUTIONAL INVESTOR AWARDS 2017

Recognition by our institutional investors for Best Strategic Corporate Social Responsibility

THEEDGEPROPERTY.COM MALAYSIA'S BEST MANAGED PROPERTY AWARDS 2017

PETRONAS Twin Towers was awarded the Gold Award in the Non-Strata Commercial category for Best Managed Property and the Editor's Choice Award for Iconic Innovation

THE ASSET CORPORATE AWARDS 2017

Gold Award for excellence in Environmental, Social and Corporate Governance recognising our efforts in upholding our commitment and accomplishment towards the journey of socially responsible and sustainable investment

ASIA PACIFIC BEST OF THE BREEDS REITs AWARDS 2017

Awarded Best of the Breeds REIT in Retail [Malaysia] and Best of the Breeds REIT in Office [Malaysia] in recognition of our excellence in portfolio management and financial performance whilst maintaining the highest standards of corporate governance

MOSHPA OSH EXCELLENCE AWARD 2017

KLCC Parking Management (KPM) received the Platinum Award for its commendable achievement in occupational, health and safety management in its car park operations

THE MALAYSIA BOOK OF RECORDS

KPM was listed in the Malaysia Book of Records as the first parking management company to receive the integrated ISO certifications of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 in 2016

ASEAN GREEN HOTEL AWARD 2016-2018

Awarded to MOKL Hotel for meeting the green requirement set by Ministry of Tourism Green Award in terms of environmental policy, use of green products and collaboration with community on green initiatives



CORPORATE GOVERNANCE



GOOD GOVERNANCE PRACTICES REPRESENT A CRITICAL BENCHMARK IN DETERMINING AN ORGANISATION'S SUCCESS AND MANAGEMENT STABILITY. OUR BOARDS FORM THE PILLARS OF A ROBUST CORPORATE GOVERNANCE FRAMEWORK IN SETTING THE TONE FROM THE TOP AND DRIVING A CULTURE OF STRONG GOVERNANCE



Sustainability Matters

- Corporate Governance and Business Ethics
- Risk Management

Context

The growth of institutional investors, their improved organisation and focus, and the regulatory and legislative initiatives in recent years have generated significant change to the corporate governance landscape. The widespread public criticism of boards of directors arising from the financial crisis, and the ensuing governance reform initiatives, are part of a series of developments in the evolving relationship between shareholders and their boards.

Investors have also become more organised and focused on exerting the influence inherent in their substantial ownership stakes, accelerating shift in the "balance of authority" exercised by boards and shareholders in the corporate decision-making process.

In Malaysia, the Malaysian Institute of Corporate Governance (MICG) continues to raise the bar of corporate governance in Malaysia for greater transparency and accountability with less scope of corruption and bribery.

KLCCP Stapled Group is subject to the corporate governance mandatory requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and by virtue of being a listed entity, the Group in turn has to comply with the requirements of the Malaysian Code on Corporate Governance (MCCG) 2017, which was recently updated from MCCG 2012.

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

MCCG 2017 is the result of a comprehensive review undertaken by the Securities Commission (SC) in 2016 drawing inputs from domestic and international stakeholders, lessons from past and recent governance failures and changes in market structures and business needs. The code, which was first introduced in 2000 following the recommendations made by the High Level Finance Committee in 1999, had been reviewed twice by the SC in 2007 and 2012.

With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance that will ultimately secure the confidence and support of the Group's holders of Stapled Securities.

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.

Key Initiatives for the Year

Board Composition and Diversity	<ul style="list-style-type: none"> • Outlining strategy to increase quota for women on Board • Identifying women candidates to fill Board positions • To comply with the minimum requirement of MCCG 2017 in respect to a majority of independent directors
Compliance and Transparency	<ul style="list-style-type: none"> • Enhancement of Board Charter and Terms Of Reference (TOR), approved by Board Committees and Boards of Directors
Development of Integrity Action Plan	<ul style="list-style-type: none"> • To manage integrity risk within KLCCP Stapled Group in ensuring our commitment to do business with integrity and to support the Group's zero tolerance against all forms of bribery and corruption • Organised a talk on Institutionalising Integrity - An Introduction of Corruption Risk Management attended by all management personnel • Conducted a 3-day workshop on integrity compliance risk assessment attended by all management personnel of the Group
Anti-Bribery and Corruption	<ul style="list-style-type: none"> • The Corruption-Free Pledge event was held in December 2017 involving managerial staff and the signing of the Corruption-Free Pledge document by the Management Leadership Team

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 its 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.

CORPORATE GOVERNANCE AND COMPLIANCE

Our Boards take pride and places importance on a strong governance culture and implementing international best practices across the business segments. In conducting our business operations, we are guided by the KLCC Shared Values to uphold integrity

CORPORATE GOVERNANCE

in fulfilling our obligations in an ethical, responsible and transparent manner. We strictly conform to the respective laws, rules and regulations in the country where we operate.

Our Board Charter incorporates elements of sustainability with the Boards recognising the responsibilities to our stakeholders and acknowledging that the organisation should play an important role in contributing towards the welfare of the community in which it operates. The Boards also acknowledge the need to safeguard and minimise the impact to the environment in achieving KLCCP Stapled Group's objectives. The Boards' agenda reflects commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

On 13 November 2017, following the issuance of MCCG 2017, the Boards reviewed and approved revisions to the Board Charter, which included updating various provisions to ensure the document remains relevant and consistent with applicable rules, regulations and recommended best practices. The Board Charter is periodically reviewed to determine its appropriateness to the needs of KLCCP Stapled Group and to reflect the changing regulatory environment.

During the year, KLCCP Stapled Group was recognised in the top 100 public-listed companies at the MWSG-ASEAN Corporate Governance Recognition 2017 for demonstrating corporate governance practices based on the ASEAN Corporate Governance Scorecard methodology. KLCCP Stapled Group was ranked 31st for good corporate governance disclosures and ranked 36th for excellent overall corporate governance and performance. KLCCP Stapled Group was also a recipient of the Gold Award for excellence in corporate governance practices under the Environmental, Social and Corporate Governance category at The Asset Corporate Awards 2017.

Board Composition and Diversity

KLCCP and KLCCRM Boards of Directors comprise eight members respectively, one of whom is a Chief Executive Officer, three Independent Non-Executive Directors, fulfilling the requirement of the MMLR on independence, while the remaining four Non-Executive Directors are Non-Independent Directors. Currently, there are two female Directors on each Board which accounts for 25% women representation on board. The 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.

MCCG 2017 recommended for 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 Group's Diversity Policy, 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 will lead to its competitive advantage.

In the year under review, the Boards have taken steps to identify female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill board positions and outline strategies to increase this quota, in line with the country's aspirational target of 30% representation of women directors. The KLCCP and KLCCRM Boards are working towards increasing the participation of women at the Boards as well as in senior roles and functions throughout the Group.

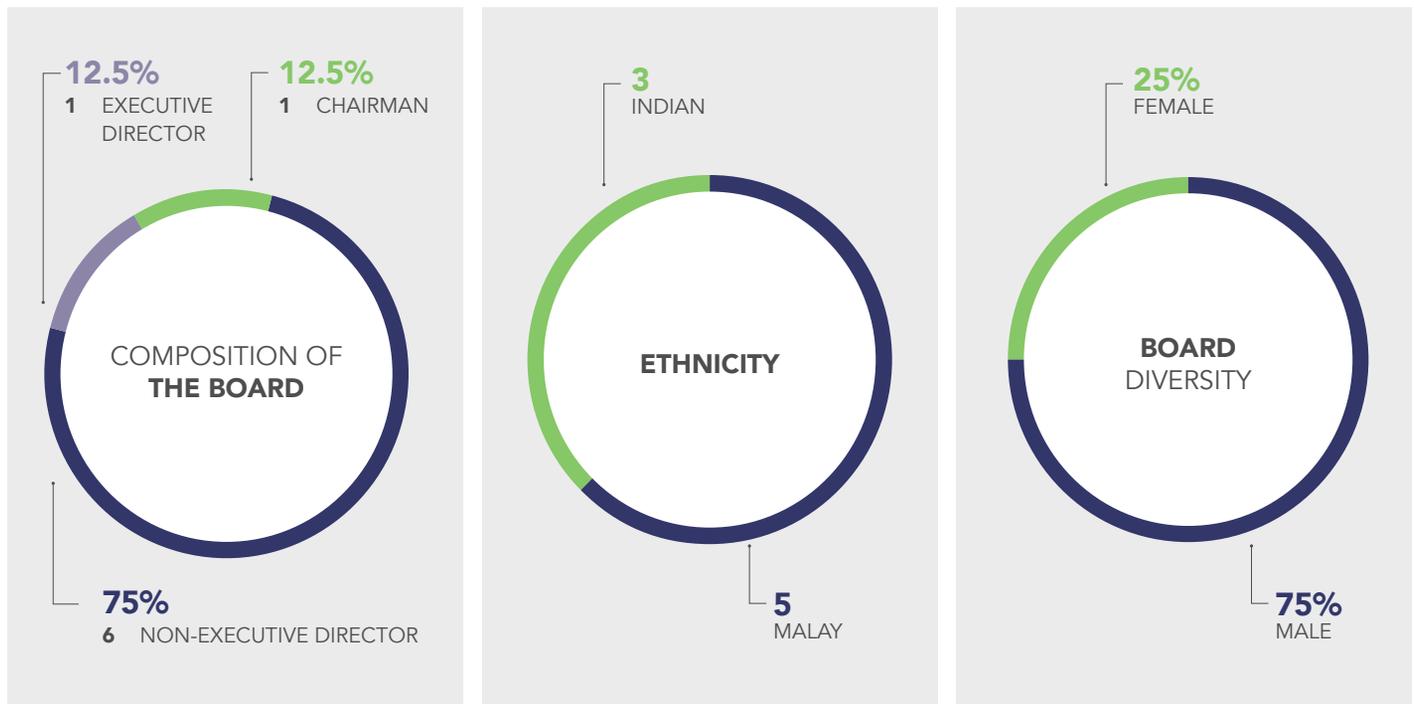
BUSINESS ETHICS AND INTEGRITY

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' Code of Business Ethics (CoBE), Anti-Bribery & Corruption (ABC), No Gift Policy and Whistleblowing Policy.

	Employees	Supply Chain
Communication Channels	<ul style="list-style-type: none"> • KLCC Shared Values • PETRONAS Code of Conduct & Business Ethics • PETRONAS Anti-Bribery & Corruption Manual • No Gift Policy • Gift Register • Asset Declaration • 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 Manual
Feedback Channels	<ul style="list-style-type: none"> • Whistleblowing Reporting Platform 	

CORPORATE GOVERNANCE



Code of Business Ethics (CoBE)

At KLCCP Stapled Group, we adhere to the PETRONAS' Code of Business Ethics (CoBE) which contains detailed policy statements on the standards of behavior and ethical conduct expected of each individual. The CoBE which was rolled out to the KLCC Group in 2012, serves as a guiding principle on how every employee, management and directors are expected to conduct his or her work. 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. It not only promotes legal and procedural compliance, but also provides guidance to ensure individual behavior is in line with the KLCC Shared Values.



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 programme. During the year, 51 new employees were introduced to the CoBE and were required to sign a declaration of adherence to the CoBE. Our Human Resource also organised the CoBe WEEK with the topic of the day focusing on fighting corruption and ethical practices covering matters relating to solicitation, bribery and corruption, gifts, entertainment and corporate hospitality and money laundering. Among the activities conducted include the CoBE conversation and knowledge sharing with employees, CoBE Refresher on selected topic, CoBE e-Learning and CoBE Feedback Survey from staff on the superior in supporting CoBE.

Anti-Bribery and Corruption (ABC)

The Anti-Bribery and Corruption (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 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. New initiatives will continue to be rolled out to create greater awareness on integrity as prescribed in the ABC Manual.

CORPORATE GOVERNANCE

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. In line with this commitment, every reported case has been dealt with meticulously, with all fairness and according to lawful practices. In the past two years, we have had 11 cases reported and investigated which resulted in either termination of services, resignation or non-renewal of contract.

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.

Assets Declaration and Gift Register

The KLCC Group's Assets Declaration and Gift Register was launched in December 2017. This Assets Declaration is for the Group to ensure Management and employees do not abuse their power for personal gain or acquire assets through unlawful means or dealings. This Assets Declaration will be a means to anchor the issue of ethics and integrity within the Group. Employees will be required to declare their assets to the organisation through the Human Resource Division via sealed envelopes to ensure confidentiality.

KLCC Group also subscribes to the *No Gift Policy* which we have implemented since 2012. Under this policy, employees are prohibited to give or receive gifts of any kind from any parties it has dealings with. With the launch of the Gift Register and in accordance to the *No Gift Policy*, all gifts received by employees would need to be registered and returned to the sender to ensure adherence to this policy.

Whistleblowing Policy

The KLCCP Stapled Group adopts a zero tolerance policy against all forms of bribery and corruption. The Whistle-Blowing Policy facilitates as a communication and feedback channel for employees to report on any misconduct within the organisation. This reflects our commitment and strong stance against any misconduct within this organisation. 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.



i The Corruption-Free Pledge signing by the Group's Management Leadership Team

CORPORATE GOVERNANCE



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 at 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 adopts the Dealings 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 unpublished price sensitive information and knowledge of facts or materials. The directors are 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 integral 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 enable KLCCP Stapled Group to manage risks in an integrated, systematic and consistent manner.

CORPORATE GOVERNANCE

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.

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

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 conversations 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.

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 for tenants at 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 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 the 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 KLCCP Stapled Group's Business Continuity Plan (BCP) covers the failure of business operations in ICT, business supply chain, assets and its people. The BCP aims to provide guidance in resuming key business functions in the event the CMP fails to contain the incident and when 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 Functions.

At MOKL Hotel, BCP is demonstrated in an organisational chart that outlines the Crisis Management Team, Emergency Response Team and Business Recovery Team who are responsible in dealing with incidents and crisis related to hotel operations.

Senior leadership and other department heads are part of this structure led by the Deputy Crisis Management team member and Crisis Management Leader. They conducted over 24 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 an independent auditor on an annual basis.

Integrity Action Plan

During the year, KLCCP Stapled Group embarked on the journey to develop the KLCC Integrity Action Plan to manage integrity risk within the KLCCP Stapled Group in ensuring our commitment to do business with integrity and to support the Group's zero tolerance against all forms of bribery and corruption.

CORPORATE GOVERNANCE

The aim of the KLCCP Stapled Group’s Integrity Action Plan is to strengthen the existing system and procedures to address the root causes of integrity issues resulting from poor enforcement, weak internal control and acceptance culture. The Integrity Action Plan is also aligned to the requirements governed under ISO 37001 Anti-Bribery Management System.

THE 6 PRINCIPLES SAFEGUARDING OUR BUSINESSES

<p>1 PROPORTIONATE PROCEDURES to prevent potential integrity issues through clear, practical, accessible, effectively implemented and enforced procedures.</p>	<p>4 DUE DILIGENCE in respect of the entities who will perform services for or on behalf of the Group in order to mitigate potential issues</p>
<p>2 TOP LEADERSHIP COMMITMENT to fight corruption and foster the culture of zero tolerance against all forms of bribery and corruption</p>	<p>5 COMMUNICATION AND TRAINING to ensure good understanding and effective implementation of anti-corruption and bribery policy</p>
<p>3 RISK ASSESSMENT on internal and external factors to identify potential integrity issues</p>	<p>6 MONITORING AND REVIEWING procedures and integrity programmes for effective implementation</p>

An online survey was also conducted to gauge the level of awareness and understanding of the whole integrity management system. This included assessing the extent of the institutionalised integrity compliance standard in the Group’s daily operations, the response to integrity issues and issues and insights into corporate integrity based on the experiences and perception of the employees. About 440 employees participated in the survey and the result concluded that majority of participants are fully aware and familiar with the KLCC Shared Values, the Culture Beliefs and the CoBE.

Another initiative which we undertook during the year as part of our integrity journey was the Corruption-Free Pledge event held in December 2017. The event was attended by the managerial staff of the Group which witnessed members of the Management Leadership Team led by the Chief Executive officer signing the Corruption-Free Pledge document in the presence of representatives from the Malaysian Anti-Corruption Commission (MACC).

The Integrity Action Plan addresses five categories of integrity risk concerns.

This Integrity Action Plan will be implemented across the key critical business units during the course of 2018 and will enable KLCCP Stapled Group to identify potential corruption risk and the appropriate mitigation to further strengthen our resiliency model.

Category	Description
Bribery	Offering, promising, giving, accepting, or soliciting of an advantage as an inducement for an action, which is illegal, unethical, or a breach of trust or to refrain from acting.
False Claim	False/fraudulent claim is a financial fraud scheme whereby contractors make unentitled claims (i.e. approve claim beyond progress payment); falsify financial statement to qualify for bidding process; and fraudulent claims by staff.
Non-compliance	Non-compliance to standard operating procedures (SOP) occurs when employees collude with other employee/external parties to override administrative procedures and internal controls
Abuse of Power	Abuse of power occurs when employees misuse their position for personal gains such as procuring favours/gifts from contractors.
Misappropriation	Misappropriation of funds involving fake invoices, forged signatories and duplicate invoices occurs due to weakness in internal controls.



ENVIRONMENTAL STEWARDSHIP



KLCCP STAPLED GROUP'S SUSTAINABLE ENVIRONMENTAL INITIATIVES ARE FOCUSED ON ENHANCING A SUSTAINABLE SOCIETY AND CULTIVATING A GREEN AND SAFE CORPORATE CULTURE

3 GOOD HEALTH AND WELLBEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITY AND COMMUNITIES	13 CLIMATE ACTION	15 LIFE ON LAND

Sustainability Matters

- Climate Change
- Environmental Management

We continue to take proactive measures in improving environmental performance and efficiency of the assets we manage in the areas of Greenhouse Gas emissions (GHG), energy efficiency, responsible water and waste management.

Our retail and hotel properties and asset management company continue to support and step up KLCCP Stapled Group's efforts in responsible energy management, water efficiency and environmental

conservation programmes in its many areas of operations to make a positive difference and ensure that the best practices have minimum adverse effects on the general well-being of customers, guests and employees.

Context

Whilst it is far from sustainable, there is a growing level of environmental awareness for the need to sustainably manage our planet's resources and ecosystems. This paradigm shift is exerting pressure on many day-to-day actions routinely undertaken by corporations, government agencies and non-profit organisations, along with behaviours seen in communities and households. The change in private organisations can be evident as people assert the need to protect the environment along with typical corporate goals such as profit, market share and return to equity. Hence, critical business needs for energy, water and raw materials must coincide and be balanced with care for the stakeholders and environment.

ENVIRONMENTAL STEWARDSHIP

In the 11th Malaysia Plan, Malaysia has stepped up its pledge to the environment, marching towards green growth in the efficient use of natural resources, minimising pollution and environmental impact and environmental management. The Government's 2018 Budget also saw the push for green technology in support of Malaysia's pledge to cut carbon emission intensity.

With the growing awareness of environmental concerns, particularly in relation to climate change, it is imperative to address and mitigate the adverse effect resulting from business operations worldwide and the risks aggressively. The alarming rate of ozone depletion, chemical pollution and biodiversity loss among others, call for the need to have in place initiatives for environmental conservation to ensure a safe and healthy environment for the future generations.

Our Approach

At KLCCP Stapled Group, we acknowledge our responsibility and emphasise the needs in raising awareness and understanding of environmental sustainability amongst our business units, stakeholders and the broader community. In line with our CoBe and as a real estate owner, developer and manager, we aim to minimise disruptions to the community and the environment by lowering the environmental footprint of our buildings and use energy, water and resources more efficiently.

With inherent focus on mitigating the environmental related challenges, and in achieving operational sustainability, KLCCP Stapled Group has embarked to strengthen its foothold in the areas of energy efficiency and waste management in all its assets and operations. In our 3-year Sustainability Roadmap, we have identified our baseline and targets for improving our environmental sustainability performance in these areas.

We strive to ensure our decisions contribute to improvements in environmental sustainability, working in-tandem with our tenants in green building initiatives, the local authority, Government and other stakeholders in achieving our targets.

KLCCP STAPLED GROUP IS COMMITTED IN ACHIEVING ITS ASPIRATION TO BE RECOGNISED AS A RESPONSIBLE ORGANISATION THAT PLACES GREAT IMPORTANCE TO ENVIRONMENTAL BEST PRACTICES THROUGHOUT ITS OPERATIONS

CLIMATE CHANGE

Climate change results in adverse weather and global warming which will have impact on our wear and tear of assets and cost associated with repair and maintenance. Increased demand on ventilation and air-conditioning will also result in higher energy consumption. With climate change fast becoming a global agenda, Malaysia has committed to combating global climate change with a pledge to cut its greenhouse gas emissions by 45% by 2030. In support of this initiative, KLCCP Stapled Group is committed to address climate change risks through reduction of its energy consumption and carbon emissions in its business operations and externally certified Environmental Management System (EMS) 14001 certification. To-date, our facility management company, KLCC Urusharta Sdn Bhd, our car parking operations and our hotel, MOKL Hotel are ISO 14001 EMS certified.

KLCCP Stapled Group anticipates, mitigates and develops adaptation strategies to face the upcoming carbon risks or opportunities, which may affect our tenants, users, guests and community. We monitor our GHG emissions based on:



Measuring Carbon Emissions

Carbon management in our business operations is in relation to utilities (electricity, natural gas, chilled water) and diesel. In compliance with the PETRONAS Technical Standards, we have developed a carbon inventory to establish our emission baseline and monitor our carbon emissions on a quarterly basis and track our progress. The consumption of each business based on utilities and diesel are compiled with a GHG emission factor assigned and thereafter monitored. Energy reduction initiatives are then put in place to drive our action towards our reduction target.

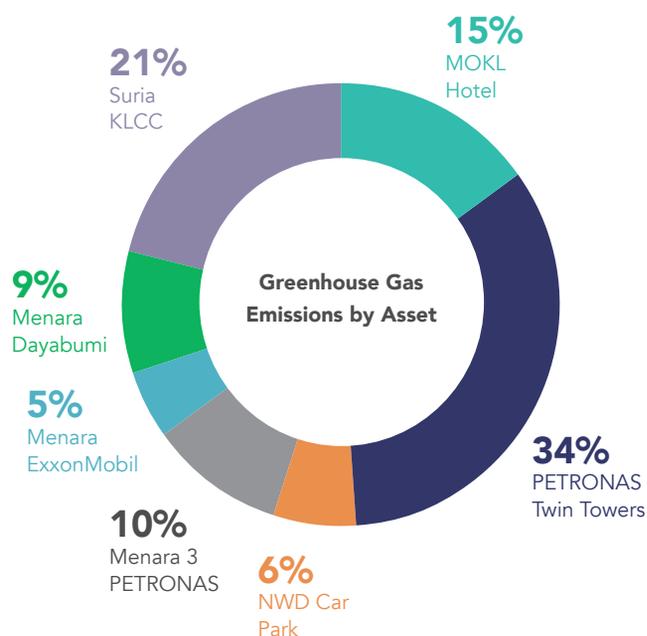
At our hotel, the tracking of GHG emissions in the dry cleaning operations reported a lower airborne concentration while the ergonomic assessment for steward, laundry and housekeeping operation reported no concern of high risk exposure. Our hotel also complies with the Clean Air Regulation 2014 and by 2018/2019 for boilers and generators.

ENVIRONMENTAL STEWARDSHIP

PERFORMANCE FOR THE YEAR

Greenhouse Gas Emissions by Segments

	2017	2016	2015	2014
Scope 1 (mt CO₂-e)				
OFFICE & CAR PARK	9.63	5.47	5.47	8.32
RETAIL	1,573	1,540	1,540	1,537
HOTEL	1,913	1,925	1,946	1,892
Scope 2 (mt CO₂-e)				
OFFICE & CAR PARK	87,078	90,214	90,138	90,699
RETAIL	27,462	33,103	32,819	21,422
HOTEL	18,003	17,511	17,330	17,924



Overall, KLCCP Stapled Group's GHG emissions for 2017 totalled 136,039 metric tonnes, a decrease of 6% as compared to 2016. The reduction was contributed by the continued installation of the LED lighting, lighting and motion sensors in staircases of Menara 3 PETRONAS, Suria KLCC and MOKL Hotel.

During the year, PETRONAS Twin Towers recorded the highest emission at 34% whilst Menara ExxonMobil and North West Development (NWD) Car Park recorded the lowest at 5% and 6% respectively. Scope 2 emissions from electricity and chilled water account for 97% whilst Scope 1 recorded minor emissions totaling 3,496 metric tonnes, recording a slight reduction of less than 1% as compared to 2016.

Energy Management and Efficiency

As one of our sustainability agendas and a pillar to our carbon emissions reduction strategy, we continue to implement energy management actions to consistently achieve energy performance improvements across our business operation. We monitor and track our energy consumption and continued to install energy saving fixtures in our effort to reduce energy consumption in our office, retail and hotel properties as it is vital to achieve KLCCP Stapled Group's energy efficiency goals and impact on overhead, cost, return on investment and the commensurate reduction of GHG emissions.

During the year, the Group worked towards establishing an Energy and Asset Audit Committee to monitor and maximise the reduction on energy consumption via coordinated energy savings initiatives without compromising on the operational comfort and quality aspect of the buildings. We continued our efforts in ensuring the Green Building Index (GBI) requirements are fulfilled for the year as we geared towards attaining the full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS by 2018.

ENVIRONMENTAL STEWARDSHIP

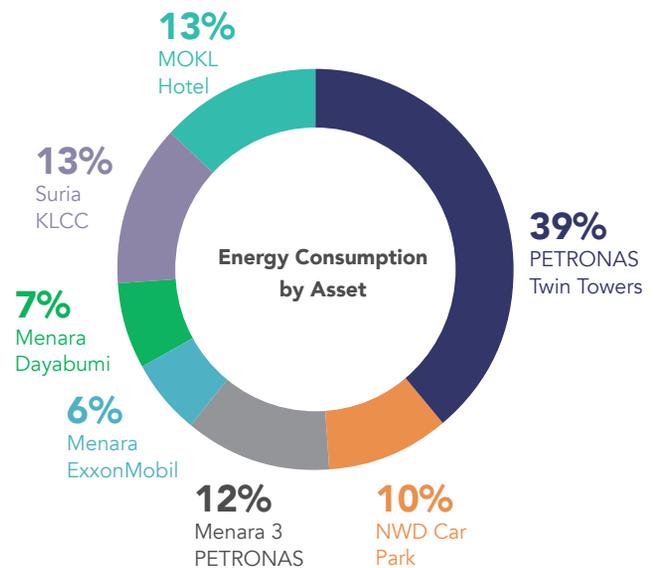
Key Initiatives for the Year

PETRONAS Twin Towers	<ul style="list-style-type: none"> Establishment of an Energy and Asset Audit Committee to monitor and identify solution to maximise the reduction of energy consumption Implementation of Energy Management System (EMS) consisting of hardware and software modules to ensure real time energy management i.e. monitoring and identification of power leakages
Menara 3 PETRONAS	<ul style="list-style-type: none"> Implementation of EMS consisting of hardware and software modules to ensure real time energy management i.e. monitoring and identification of power leakages Implementation of LED lighting replacement at common areas - levels 4, 5, 5M and the sky lobby at level 6 Installation of lighting and motion sensors in the staircases Continuous commissioning of electrical and air conditioning mechanical ventilation
Menara Dayabumi	<ul style="list-style-type: none"> Implementation of LED lighting at common area Engagement of an Energy Manager to identify energy saving initiatives
Suria KLCC	<ul style="list-style-type: none"> Upgrading of Fire Alarm System Replacement of all recess lights from normal tubes to LED lights Replacement of Fan Coil Unit (FCU) in several retail outlets Escalators modernization at Park Mall under Phase 1 & 2
MOKL Hotel	<ul style="list-style-type: none"> Installation of LED lights in the renovated rooms as per design specifications, resulting in a 32% reduction in wattage per room Upgrading of InnCom (Integrated room management system i.e. interfaces and energy savings software and hardware) in all guest rooms to improve guest comfort and energy saving Room occupancy detection for air-conditioner set back and room lighting power supply cut off during unoccupied status Use of induction hobs with 90% input energy efficiency compared with gas range of 55% Utilisation of cloud based application for emails, eliminating the need for servers and energy required for running the servers

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PERFORMANCE FOR THE YEAR

Energy Consumption by Segments



Energy consumption registered a 10% decrease from 124,758,000 kWh in 2016 to 111,892,000 kWh in 2017 contributed by intensive efforts in replacement of old fixtures in Suria KLCC and the GBI initiatives in PETRONAS Twin Towers and Menara 3 PETRONAS. MOKL Hotel recorded a marginal increase in consumption from 11% in 2016 to 13% in 2017 whilst Menara Dayabumi, Menara ExxonMobil and Menara 3 PETRONAS recorded a total of 25% decrease in consumption.

ENVIRONMENTAL STEWARDSHIP

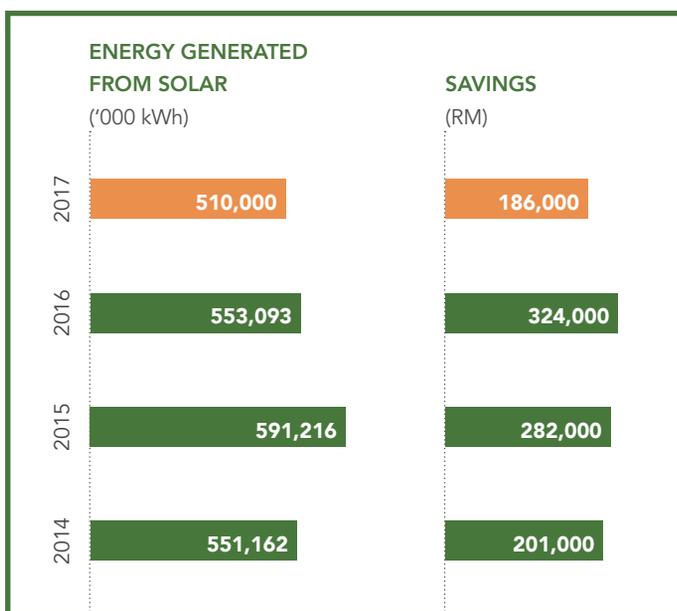


↑ Solar Photovoltaic panels on the rooftop of Suria KLCC

Renewable Energy

Suria KLCC's photovoltaic system located at the rooftop has contributed towards the mall's electricity saving of approximately RM1.4 million since it was installed in 2012. It generates about 30% of Suria KLCC's power requirement per month and contributes to the GHG emission reduction by approximately 360,000 kg carbon dioxide (CO₂) per year.

Solar Energy 5-Year Performance



WATER MANAGEMENT

Water is a key element of life on our planet. More than 71% of the Earth's surface is covered with water, yet millions of people the world over are facing water scarcity due to lack of availability, uneven distribution and access, and contamination. Rapid industrialisation, deforestation, unsustainable agricultural practices and fast growing population are putting pressure on companies to understand how water issues can destabilise, radically alter, or halt business performance.

Despite having over 907 billion cubic metres of rainfall a year, Malaysia is still faced with water shortages in some states for certain periods each year. Water rationing and unscheduled interruptions over recent years have adversely affected various industries and investor confidence.

Though our business operations are located within water abundance areas, effective and efficient management of our water resources is critical to our business sustainability and investments. As a real estate owner, developer and manager, we aim to keep consumption to a minimum, reuse water and prevent water pollution. Efficient water management also translates to less energy which reduces the carbon footprint and in-turn lowers our operational cost.

As part of our target to achieve full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS, KLCCP Stapled Group continued to enhance our implementation of initiatives in reducing our water consumption.

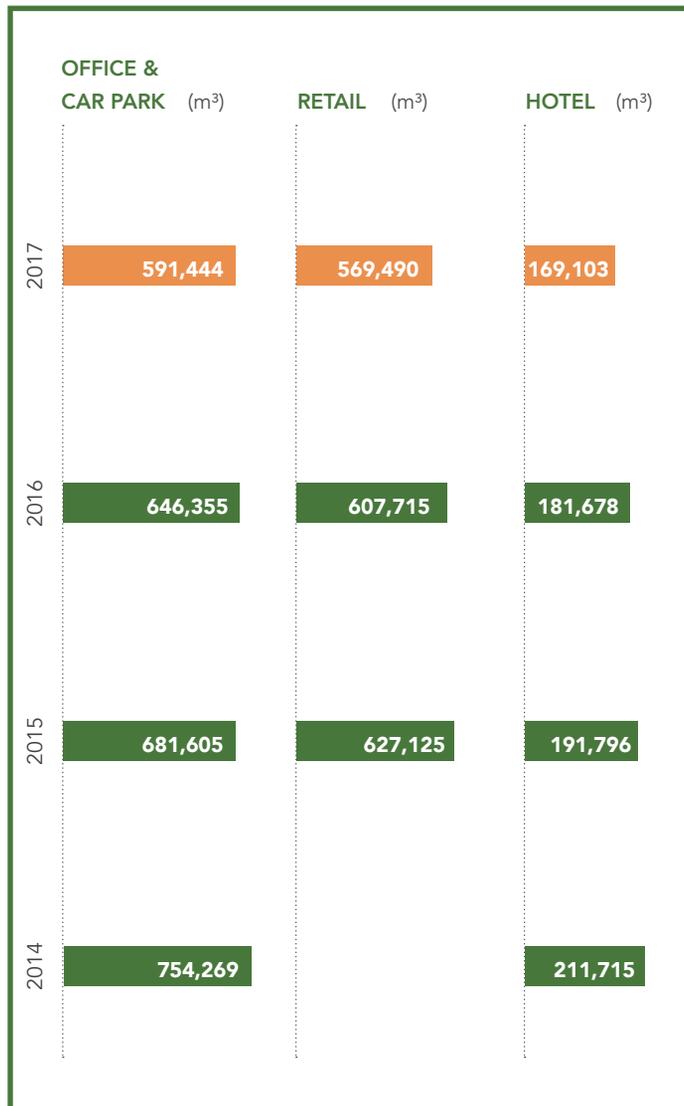
ENVIRONMENTAL STEWARDSHIP

Key Initiatives for the Year

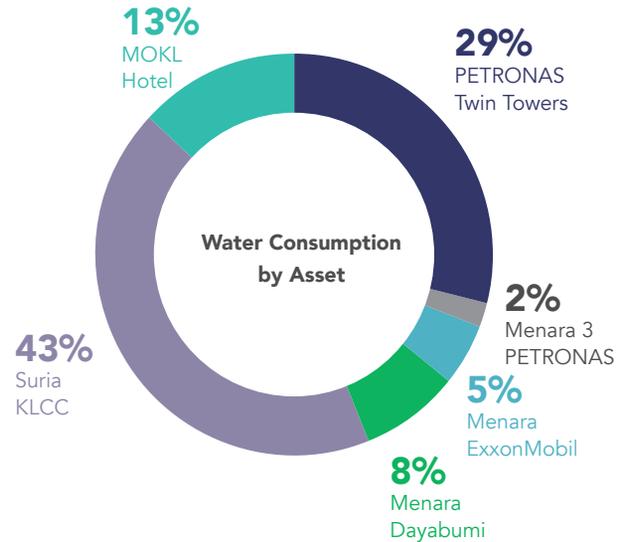
Office	<ul style="list-style-type: none"> • Individual isolating valve to control water flow rate and acting as emergency isolation valve during pipe burst to prevent excessive water usage and loss of treated water • Installation of water aerators at hand basin taps • Installation of water leak detection at strategic area i.e. sump pit area to prevent flooding occurrence at common area
Retail	<ul style="list-style-type: none"> • Installation of water meter in all F&B outlets to track consumption • Replacement of old water pipes to avoid leakage
Hotel	<ul style="list-style-type: none"> • Installation of water restrictors in all renovated rooms to manage flow rates • Installation of water restrictors at all kitchens to the concealed type and use of "seat" between pipe and faucet to stop drips in the kitchens • Installation of new tunnel washer for batch washer in Laundry

PERFORMANCE FOR THE YEAR

Water Consumption by Segments



Water Consumption by Assets



With our ongoing initiatives, overall water consumption for 2017 reduced by 7% being largely contributed by the installation of water aerators, water leak detectors and individual isolating valve at the PETRONAS Twin Towers and the replacement of old water pipes at Suria KLCC.

ENVIRONMENTAL STEWARDSHIP



WASTE MANAGEMENT

KLCCP Stapled Group continued to encourage responsible practices in waste management to ensure the well-being of our tenants, guests, customers and the community at large. Besides being one of the key platforms in which we create sustainability awareness among employees, it is also part of our commitment and contribution towards our environment for the benefit of our future generation.

As a real estate owner and developer, our approach to waste management covers construction waste produced during development and renovation of our buildings, municipal waste produced during operation of our buildings by the various users and occupants, which includes domestic and hazardous waste. Domestic waste comprises solid waste, compostable materials, recyclable materials and reusable materials waste whilst hazardous waste generated include used fluorescent bulbs, used batteries, spent lubricating oil, spent organic solvents and electronic wastes.

In respect to hazardous waste, KLCCP Stapled Group complies with the Scheduled Wastes Regulation 2005 (Environmental Quality Act 1974) by the Department of Environment (DOE), Malaysia. All the generated hazardous waste from our respective assets are disposed to the waste facility managed by Kualiti Alam, Sdn Bhd, registered and licensed with DOE. All scheduled waste will be weighed and inventory will be tracked on a monthly basis. Collection of scheduled waste are undertaken within 180 days by Kualiti Alam, and e-consignment note are filed into DOE's eSwis website.

At our offices, as part of our sustainability practices and in line with our targets of achieving the full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS, we have a Waste Management and Recycling Plan (WMP&R) in place which outlines measures to achieve our identified goals on waste management.

Short Term Goals	Long-term Goals
Identification of the type of waste produced for identified area	Minimising generation of unnecessary waste
Establishing the amount of waste for every type of waste produced	Minimising the quantities of waste generated ending up as landfill
Generate statistical database for deriving a custom and successful waste management and recycling plan	Recovering, reusing and recycling waste generated onsite where possible
Establishing baseline waste production	

At our hotel, segregation of waste has been implemented at source — at kitchens, guestrooms and engineering sections. Other areas of segregation which has helped the environment is the reuse of coffee beans in compost. This recycling campaign which was launched by MOKL Hotel and staff, recycles the coffee grounds as compost for their gardens.

Waste for landfill or recycled waste are submitted by the waste vendor and tracked on a monthly basis. The data is collected and trended for any abnormalities prior to corrective actions being taken. The waste vendor uses a weighing machine at the Waste Management Center to obtain a more accurate data on recycled waste.

ENVIRONMENTAL STEWARDSHIP

Key Initiatives for the Year

Recycling	<ul style="list-style-type: none"> Ongoing awareness training for employees and suppliers on smart purchasing and diligent practices of reuse, reduce and recycle Waste bins for recycle wastes placed at office floors, NWD car park and kitchens
Waste segregation	<ul style="list-style-type: none"> Waste bins allocated for segregation of hazardous waste at office floors of the PETRONAS Twin Towers and NWD basement car park Implementation of e-waste disposal processes to authorised landfill
Waste reduction	<ul style="list-style-type: none"> Analysis and monitoring or tracking of waste collection data Awareness training for all tenants and staff through emails, posters and briefings Collaboration with local authorities – conducted talks to create awareness on responsible waste management by relevant authorities Award recognition to employees or tenants involved in responsible waste management

PERFORMANCE FOR THE YEAR

Waste Generation and Disposal by Segments



ENVIRONMENTAL STEWARDSHIP

In 2017, KLCCP Stapled Group generated approximately 10.80 metric tonnes of hazardous waste from its office and hotel operations. This significant increase was mainly due to the ongoing initiative of changing fluorescent tubes to LED lights under our GBI initiatives for PETRONAS Twin Towers and Menara 3 PETRONAS whilst at Menara Dayabumi it was from the disposal of electronic equipment such as old computers and printers. Of the hazardous waste generated, almost 100% was disposed to approved facilities. We commenced the collection of hazardous waste data for our retail segment during the year.

As at December 2017, MOKL Hotel's Waste Intensity (landfill waste per overall guests' room nights) was at 3.8kg per room compared to 4.7 kg per room in 2016. This decrease was mainly due to the ongoing campaign on educating guests to reduce waste, implementation of Electronic Direct Marketing and MO Digital Library where guests are able to download newspapers and magazines eliminating print flyers and hard copy newspapers. MOKL Hotel's focus on the requirement to practice the 3R of Reduce, Reuse and Recycle paid off when the hotel's waste diversion increased to 23.13% from 22.39% in 2016 which contributed less to landfill waste.

Our Waste Management Best Practices

Recycling	<ul style="list-style-type: none"> • Guest rooms items such as garment bags, laundry bags, etc are made from non-woven materials which can be washed and reused • Recycle toners used for printers • Reuse of photocopying paper and printing on both sides before waste paper are shredded for recycling • Recycled newsprint body pencils are used for guests and offices • Slightly damaged linen and towels are turned into smaller items such as tray mats, pillow protectors, rags, etc • Reusable material placemats which are durable and do not need to be laundered
Waste segregation	<ul style="list-style-type: none"> • Waste bins and recycled containers of old drums allocated for segregation of hazardous waste • Collection of batteries and light bulbs extended to the homes of hotel staff to encourage the staff and their families to be responsible for toxic waste disposal • Implementation of e-waste disposal processes to authorised landfill • Minimise e-waste with eliminating servers by having cloud based storage data
Waste reduction	<ul style="list-style-type: none"> • Paperless e-leave for all leave applications, schedules and rosters, payroll sheets, etc. This eliminated tonnes of manually generated forms. Processes are also streamlined by having approvals on-line • Show kitchens as an alternative to buffet spread in our hotel's 24-hour restaurant which produces food on demand thus reducing wastage • Paperless e-folios are encouraged when guests check out of the hotel • Flyers for hotel guests information take the form of EDM (Electronic Direct Marketing) and Electronic Direct Mailers broadcasted to over 13,000 email addresses • Glass bottled water (<i>Natura</i> – patented three-step filtration process with high grade long-lasting carbon filter) in hotel meeting and function rooms • Digital Library for all in-house guests which allows them to digitally download newspapers and magazines, in various languages, reduce wastage of hard copy newspapers

ENVIRONMENTAL STEWARDSHIP

Construction Waste Management

As part of our sustainability practices, KLCCP Stapled Group is committed to ensuring responsible waste management at our construction sites. We require our main contractor to implement responsible waste management procedures to reduce the negative environmental impact arising from construction activities. The contractor is required to submit the designated location of the dumping sites and proof of authority approval prior to disposing the waste from our construction sites.

At our construction site, generated waste is segregated for recycling purposes in order to reduce the waste disposal to landfill. The diversion of waste is carried out according to the waste management hierarchy that prioritises reducing waste, reusing and recycling before it is disposed to landfill or incinerated.

Reduce	<ul style="list-style-type: none"> Excess concrete from concrete sampling test were used to patch holes on project site to reduce waste generated
Reuse	<ul style="list-style-type: none"> Temporary formwork, framing and structures were reused during construction Crushed waste concrete from demolition works were used to build ramp on project site
Recycle	<ul style="list-style-type: none"> Various forms of construction waste were recycled and segregated Domestic waste bin and scrap metal waste bin are located at project site
Composting	<ul style="list-style-type: none"> Domestic waste generated were segregated in separate bins for plastic, paper, cardboard, glass, food waste and general waste Food waste were composted on project site to be reused as fertiliser
Disposal of Hazardous Materials	<ul style="list-style-type: none"> Schedule waste at project site were collected and disposed by DOE's licensed scheduled waste contractor

Other responsible practices at our construction site

Pollution control	<p>Water, noise, vibration and air quality at construction site were monitored and audited. All monitoring results complied with the relevant Malaysian standards</p> <ul style="list-style-type: none"> <i>Noise Pollution:</i> noise monitoring devise are installed at prime locations and the reports are analysed monthly and highlighted during site progress meetings for any necessary action <i>Water Pollution:</i> water pollution is controlled by monitoring the quality of water through water test sampling at identified locations. Water is sampled for total suspended solid (TSS), pH value, Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) <i>Air Pollution:</i> handling of air pollution is mainly through prohibition of open burning at site. Other practices include spraying water on tyres of trucks exiting the site and on localised hacking to reduce dust. Air sampling and monitoring were carried out in compliance with the Malaysian Air Quality Guidelines. The parameters used for air quality test are Total Suspended Particles (TSP), Sulfur Dioxide and Nitrogen Dioxide <i>Ground & Soil Pollution:</i> handling of potential oil leak from machines help prevent the pollution of soil and water at site. Electricity generator and portable diesel tank are provided with drip tray. Diesel skid tank are provided with a proper bundwall with concrete containment
Erosion sedimentation control	<p>A measure to help prevent destruction of property and natural resources caused by soil erosion and sedimentation resulting from construction activities. Practices implemented at our construction site include:</p> <ul style="list-style-type: none"> building a temporary earth drain to prevent water and silt seeping to building basement drainage system cleaned periodically mechanical silt trapped allows water to be reused on site slope covered with plastic sheets to prevent erosion
Site environmental awareness	<p>Staff trainings and campaigns were conducted to create awareness on recycling, health & hygiene and no smoking policy at site office and workers' rest area. Site inspections are regularly carried out to check if there is stagnant water and presence of mosquito larvae, cleanliness of site and to observe waste handling. Visit to construction waste diversion site are also conducted to ensure responsible waste handling.</p>

ENVIRONMENTAL STEWARDSHIP

RESPONSIBLE MATERIAL USE

As a real estate owner, developer and manager, KLCCP Stapled Group takes pride in ensuring our assets and facilities are managed diligently to ensure they are always in pristine condition and cater to the comforts of our users and occupants whilst adhering to environmental friendly products and material use in their maintenance.

The use of sustainable building and fit out materials in our assets and the eco-friendly products which we promote throughout our operations play a part in influencing environmental values and behaviours within the organisation and delivering environmental, social and business benefits.

Promoting the use of Eco-Friendly Products

At KLCCP Stapled Group, we continue to promote the use of eco-friendly products throughout our business operations in our effort towards minimising adverse impact to the environment and for the safety and health of our employees and customers.

Eco-friendly products and initiatives in our operations

PETRONAS Twin Towers	<ul style="list-style-type: none"> • Carpet flooring and adhesive used for fit out are from recycled materials and low in Volatile Organic Compound (VOC) • Materials for ceiling insulation were of recycled content materials and non-toxic • All wiring outlet plates are PVC free to minimise outgassing of toxic substances and the lifecycles issues are also consideration in terms of production and disposal
MOKL Hotel	<ul style="list-style-type: none"> • Sourced from locally farmed fish, and locally grown vegetables, fruits, herbs and spices • Photocopying paper purchased from Forest Stewardship Council (FSC) approved paper • Bedroom amenities such as shampoo, body wash, conditioner and body lotion tubes are made of Polyethylene (PE) which are recyclable. The ingredients are derived from natural plants and with essential oils • The Mandarin Oriental Spa utilises all oils, fragrances and essences which contain 100% natural ingredients. All treatment oils come in recyclable glass bottles • Packaging and literature are sourced to cause as little damage as possible to the environment. Cartons and brochures are from FSC accreditation stock • Housekeeping rooms has implemented Ecolab's range of chemicals called Oasis Pro with Earth Friendly formulas that does not contain Alkylphenol Ethoxylates (APE) for more sustainable cleaning • Chemicals that are biodegradable are given first priority for testing and implementation - Food and Beverage (11 chemicals); Housekeeping and Laundry (5 and 6 chemicals respectively) • Chemical containers/drums are returned to suppliers to be recycled or reused • Biodegradable chemicals (Phosphorous free, APE free and Nitrilotriacetic Acid (NTA) free) used in laundry under the Ecolab's Ensure Program - uses much lower temperatures - only 40 degrees Celcius for effective wash and contribute to longevity of towels and linen

BIODIVERSITY

Protecting and improving biodiversity is an integral part of our well-being as well as the environment and the eco-system surrounding us. KLCCP Stapled Group acknowledges the critical need to conserve our environment for our current and future generations. Over the years, we continue to upscale our efforts in maintaining and conserving our ecosystem and biodiversity through landscaping, native species and habitat protection and tree planting to leave a positive and lasting legacy in the areas where we operate.

Our biodiversity efforts are reflected through our KLCC Park, which is located in the centre of the 100-acre KLCC Development. The land where the KLCC Park is located was originally part of the Selangor Turf Club. Under the KLCC Masterplan, the area was designated for a green lung in the city centre to provide city dwellers and foreign and local visitors a sanctuary where one can relax and enjoy the lush greenery and calm environment of a beautifully landscaped park.

The KLCC Park was designed by world renowned landscape artist, the late Roberto Burle Marx from Brazil. Transplanting of trees that were originally located at the Selangor Turf Club was also undertaken. This was part of our effort to conserve the original species grown in the area. With the planting and transplanting of more than 1,600 trees and palms which were sourced throughout the country showcasing the country's rich heritage, we are proud to have completed the project with the ecosystem fully restored.

A section of the park was also designed to attract migratory birds where a selection of fruit trees were planted. Some of the bird species identified include the Black-naped Oriole, Eurasian Tree Sparrow, Purple-backed Starling and Asian Glossy Starling.

ENVIRONMENTAL STEWARDSHIP



↑ Envirocomm 2017 at Royal Belum promotes awareness among employees on the importance of environmental conservation

INCULCATING ECO-MINDS

Our environmental sustainability involves KLCCP Stapled Group playing its part as a good corporate citizen and encourage our employees to develop environmental and community outreach initiatives to appreciate and inculcate the back-to-nature awareness. Through such activities, we endeavour to make a difference and inspire others to do the same in our quest for a sustainable future.

Envirocomm 2017

As an environmentally and socially responsible organisation, KLCCP Stapled Group carried out its annual Envirocomm 2017 as part of its effort in promoting environmental conservation and reaching out to the native community. Envirocomm also encourages employees’ participation to create environmental awareness among them.

This annual activity was successfully held at the Taman Negara Pahang from 7th to 9th September 2017, focusing on environmental conservation and supporting the local communities. The programme started off with outreach services to the natives of the Batek tribe who reside in *Kampung Atok*, a settlement located 45 minutes boat ride from *Kuala Tahan*. Around 170 people of this tribe lives in this village. This recreational programme has included teamwork activities such as telematch and coloring contest for the children. Employees of the Group also planted 20 fruit trees at the surrounding village area. In this year’s programme, KLCCP Stapled Group donated basic needs such as food, clothing and

solar lamp to the native community. The participating employees also helped to paint the “*Bumbun*” which is the animal observation hut, managed and maintained by PERHILITAN of Pahang.

Envirocomm 2017 marked our support towards environment conservation and the well-being of the communities. It has also become a programme that promotes healthy lifestyle as well as addressing various social objectives, establishing a cohesive relationship among corporates, our employees, customers and also the underprivileged community surrounding us.

Other Community Programmes

<p>Waste Not Want Not Sale</p>	<ul style="list-style-type: none"> • The objective was to raise funds for CSR initiatives in 2017 and to encourage employees to Reuse, Recycle and Reduce • A total of RM9,846.00 was raised with items donated from employees for sale
<p>Earth Hour</p>	<ul style="list-style-type: none"> • The objective was to create awareness on the need to conserve the natural resources of our planet by being responsible for our actions as well as understand the impact to our environment • Shut-down of non-essential lights and equipment in the commercial and retail space and at the hotel • To engage and educate our tenants, guests and visitors and encourage participation • Concerted effort made to identify and eliminate electricity usage resulting in savings
<p>Give a Book, Take a Book</p>	<ul style="list-style-type: none"> • Encouraged employees to read more. Promote environment conservation by allowing employees to borrow or donate books from the library located in the staff cafeteria
<p>Raja Musa Forest Reserve, Selangor — Canal blocking</p>	<ul style="list-style-type: none"> • The Canal blocking is part of the peat swamp forest rehabilitation activity to increase the natural water table in Raja Musa Forest Rehabilitation Programme

SAFETY IS THE PRE-REQUISITE FOR SUSTAINABLE OPERATIONS EXCELLENCE AND INTEGRITY. KLCCP STAPLED GROUP HAS ROBUST HEALTH, SAFETY AND ENVIRONMENT (HSE) POLICIES AND PRACTICES IN PLACE THAT MINIMISES AND PREVENT WORKPLACE INJURIES, ACCIDENTS, MEDICAL ILLNESSES AND FATALITIES



SECURITY, SAFETY AND HEALTH



Sustainability Matters

- Safety & Health Management
- Security Management

Protecting our people and caring for their well-being is essential to our business operations. As a property owner, developer and manager, KLCCP Stapled Group imposes strict adherence to the Group's HSE Policy in all areas of our operations. Our leadership's commitment in enhancing and improving HSE is testament to this. Regular HSE programmes are conducted to strengthen our HSE culture and capability and ensure our operations are carried out with the highest safety standards.

SECURITY, SAFETY AND HEALTH



1 Top Management HSE Walkabout at a project site

Context

Safety at worksite is of utmost importance for the real estate and construction industry as it has one of the highest safety issues due to the increasing number and rate of work-related injuries, illnesses and inherent risks associated with working in the industry. There is an ever-present chance of serious injury not only for workers but also site visitors and those travelling and working around sites or even at the workplace. Safety considerations are embedded and given the highest priority in all that we do at KLCCP Stapled Group be it at the workplace or project sites and every person is entrusted to take collective ownership in upholding safety at all times.

Our Approach

KLCCP Stapled Group is committed to conducting business in a manner that protects the health, safety and security of our employees, tenants, contractors, suppliers and the community who visit our properties and is compatible with environmental and economic needs of the communities in which we operate. Our business activities are conducted in accordance with our policies on Health, Safety and Environment and comply with the highest standards of occupational safety and health regulations.

We place utmost importance on safety management to prioritise safe work practices, building HSE capability and culture within our organisation and occupational health in sustaining ideal health levels of our employees and visitors to our properties and at project sites.

We believe continuous improvement of our HSE and engagement with our stakeholders is essential to create a leading organisation and to make it the responsibility of every employee, ensuring accountability within the organisation. We measure and track our performance against industry best practices in our effort to raise the bar on HSE.

SECURITY, SAFETY AND HEALTH

HSE Governance

HSE at KLCCP Stapled Group is driven from both top down and bottom up through the various HSE committees within the organisation. At the Group level, the HSE Management Review is chaired by the CEO and its members comprise heads of business units and representatives from our joint ventures and hotel operations. The HSE Management Review which is a requirement under ISO 14000, OHSAS 18000 and the PETRONAS Management System (HSEMS), oversees all HSE matters, review of HSE performance and all ongoing improvement efforts.

In compliance with OSHA 1994, the entities under KLCCP Stapled Group have their respective HSE Committees. The HSE Committees are chaired by the respective Division Heads and comprise representatives from the Employer and Employee. These committees meet every quarter to proactively discuss on mitigating potential HSE risks and investigate root causes of incidents, and are reported back to Group level. The members of the committee actively undergo training on the roles and responsibilities of the National Institute of Occupational Safety and Health.

With this governance structure, KLCCP Stapled Group ensures effective practice and implementation of HSE culture.

SAFETY AND HEALTH MANAGEMENT

Managing the safety of our people, assets and the environment is KLCCP Stapled Group's top priority. Our emphasis is to develop effective controls on identified HSE risks. We are committed to conducting our business activities in accordance with our policies on

HSE and complying to the highest standards of occupational safety and health regulations.

KLCCP Stapled Group has a robust safety system in place, demonstrating our strong commitment to uphold the KLCC HSE Policy which governs and reinforces our commitment towards safeguarding the employees, preserving the reliability of assets, facilities and operations. This is supported by our HSE Management System, HSE Mandatory Control Framework and PETRONAS Technical Standards to strengthen HSE Governance within the KLCCP Stapled Group while providing clear requirements on operational safety, environment and health for consistent and effective implementation.

Our employees, and third party personnel serving at our properties and development sites are mandated to comply with our standards and rules on HSE. We comply to the Zero Tolerance (ZETO) Rules, a principle to ensure all activities are carried out in a safe manner and where any non-compliance is not tolerated.

KLCCP Stapled Group have the responsibilities in providing a safe workplace and healthy working environment for its employees. Ergonomics, stress, and anxiety can have significant impact on job performance, employee satisfaction, and retention, which ultimately affect organisational goals and objectives. In this regard, our facilities management company, KLCC Urusharta Sdn Bhd conducted a workplace health assessment in accordance to the Department of Safety and Health's (DOSH) requirement where chemical health risk, chemical exposure, noise exposure and Indoor air quality were assessed and monitored.



↑ KLCCP Stapled Group's HSE team participated in a HSE visit to a project site

SECURITY, SAFETY AND HEALTH

Key Initiatives for the Year

<p>HSE MS Assurance Tier 2 Audits</p>	<ul style="list-style-type: none"> • KLCCP adopts the PETRONAS HSEMS. HSEMS integrates the Business Controls, Quality Management System & Risk Management into a single management system. It consists of 88 elements with 36 sub-elements • The governance of HSEMS is done through tier 2 assurance, a cross business assurance exercise which is conducted on an annual basis
<p>KLCC Safety Leadership Workshop</p>	<ul style="list-style-type: none"> • Two sessions were conducted • The objectives of the workshop was to internalise ownership and nurture HSE values in the KLCC Management Leadership Team • It helps to condition KLCC leaders on expected leadership roles, mind-set and behavior in driving safety within the organisation • This programme will be continued in years to come as part of the HSE awareness programmes and to be extended to all Management with the aim to establish common understanding on HSE towards achieving operational sustainability
<p>Top Management HSE Walkabout</p>	<ul style="list-style-type: none"> • In 2017 a total of 40 leadership walkabouts were conducted group wide by the Management Leadership Team – from project sites to plant environment and from buildings to parking management sites. • The main objective of the walkabout was to promote leadership visibility in driving HSE at our workplace and provide clarity to staff and contractors that they are not alone in preventing fatalities and accidents at workplace.
<p>Workplace Health Assessment</p>	<ul style="list-style-type: none"> • The workplace health assessment was conducted in accordance to DOSH requirements as minimum (industrial hygiene) identified workplace health risk through: <ul style="list-style-type: none"> • Chemical health risk assessment • Chemical exposure monitoring • Noise exposure monitoring • Indoor air quality <ul style="list-style-type: none"> - Monitoring and tracking were followed through in HSE committee meetings and monitored in Tier 2 HSEMS assurance exercise - No health incidents recorded for the Group in year 2017
<p>Emergency Preparedness</p>	<ul style="list-style-type: none"> • Fire and evacuation drills held in all premises • Simulation exercises held for our offices, hotel and car park operations to test the effectiveness of the Emergency Response Plan, Crisis Management Plan and Business Continuity Plan
<p>Safety Engagement with Contractors</p>	<ul style="list-style-type: none"> • KLCC Urusharta Sdn Bhd's Safety Engagement with Contractors was held at Dayabumi Auditorium. The programme on safe work practices towards achieving zero LTI included sharing on HSE best practices, lessons learnt and safety pledge on working safely. A total of 20 employees and 60 contractors attended the programme
<p>Investigations and Findings of Reported Incidents/Action Taken</p>	<p>In cases of injuries or fatalities:</p> <ul style="list-style-type: none"> • All incidents are investigated with proper accident and root cause methodology to identify the cause of the incident • The action items from incidents were discussed at various platforms i.e. within the HSE team, OPU level and tracked accordingly by corporate HSE • Major incidents which involved lost time injury and property damage were tracked and monitored by PETRONAS Group HSSE • Lessons learnt and any LTI incidents and dangerous occurrence/ near miss incidents were published and shared for reflective learning

SECURITY, SAFETY AND HEALTH

Strengthening HSE Capability and Culture

KLCCP Stapled Group continued to drive efforts towards values, attitudes, goals and proficiency of the organisation's health and safety programmes to strengthen HSE capability and culture among its employees and contractors. Our Management is committed to workplace safety and encourages the safety culture with everyone playing a part in keeping themselves and others safe.

For workplace safety, we continued our initiatives in ensuring strict adherence to ZETO Rules, safety management systems, enforcing safety culture, compliance and leadership and lessons learnt. In 2017, numerous HSE programmes were conducted:

Key Initiatives for the Year

Instilling HSE in each employee via Key Performance Indicators in Employee Performance Contract	<ul style="list-style-type: none"> Reporting on Potential Incident/Near Miss (PI/NM) of potential hazards or incidents at our properties or sites to prevent injury/illness or recurring of similar incidents In 2017, 528 PI/NM were reported and corrective actions were identified, implanted, monitored and reviewed for effectiveness
HSE Awareness and Training Programmes	<ul style="list-style-type: none"> HSE Awareness Session with Staff – Theory and practical. To elevate HSE awareness among staff, value-add information on safety reaction and emergencies – basic first-aid response, basic fire emergency response and fire extinguisher hands-on training HSE Briefings conducted for new hire on-boarding programme
HSE Communication	<ul style="list-style-type: none"> Regular updates on HSE news and events and lessons learnt in KLCC Group intranet portal HSE alerts on HSE incidents within the PETRONAS Group communicated to all employees for awareness HSE sharing sessions with business units facilitated by the HSE team on environmental awareness & conservation and basic hazards and risk at workplace

KLCCP Stapled Group's HSE performance monitoring includes both full-time and part-time employees involved in the daily operations and project sites.



KLCCP Stapled Group maintained its impressive zero fatal incidents rate in 2017, stretching its record to five years. This was contributed by stringent safety measures implemented throughout our business operations. This achievement was also the result of employees' and leadership awareness and commitment towards the importance of upholding and embracing safety culture in all aspects of their work be it at site or offices.

During the year, KLCCP Stapled Group recorded nine LTI incidents with a LTIF of 1.19 contributed by manual handling, kitchen activities and housekeeping chores at MOKL hotel and incidents at car park areas. LOPC was maintained at zero.

SECURITY, SAFETY AND HEALTH

Independent verification by Third Party for HSE Data/ international assurance used

- KLCC Urusharta Sdn Bhd successfully received ISO 9001:2015, ISO 14 001:2015 and OHSAS 18 001:2004 certification (renewal) on 21st July 2017 by Llyod’s Register
- KPM received its ISO 14001:2015 in 2016. In September 2017, KPM completed its 1st surveillance audit by Llyod’s Register

SECURITY MANAGEMENT

At KLCCP Stapled Group we have the responsibility of keeping our guests, tenants, customers and visitors safe by strengthening our security measures in light of the rising global security threats. It is even more so critical that we put in place the best security measures within and surrounding our premises as the KLCC Development is located in the iconic belt and receives millions of visitors each year.

Our facility management company, KLCC Urusharta Sdn Bhd reviewed the KLCC Precinct Security Master Plan to enhance the Security Surveillance System and HELP Points within the KLCC Precinct Common Area. We continued to collaborate with the Police and PETRONAS Group Security to manage the customers and visitors’ safety and security across all asset classes. We also reviewed various measures to ensure security standards of all our assets in relation to monitoring systems, physical controls, emergency and crisis management plans and administrative systems are intact.

Precinct Security Initiatives within our Premises

<p>KLCC Precinct & PETRONAS Twin Towers</p>	<ul style="list-style-type: none"> • Implementation of Integrated Command Centre for the KLCC Precinct to enhance the Precinct Security command, control and communication through technology enhancement. Communication for all Security offices within the precinct is linked for a more efficient and effective operation • Setting up of the Police Beat Base equipped with X-Ray machine manned by auxiliary police to screen suspected character, prior to their entrance into densely occupied premises • Adopted the “Crime Prevention through Environmental Design” principles into premise design to mitigate threats and potential attacks using vehicles or other means through surveillance and physical check • Development of the Security Management System for a holistic approach for managing security, human resource and technologies systematically
<p>MOKL Hotel</p>	<ul style="list-style-type: none"> • Business Continuity Management (BCM) Plan, Crisis Management Team Alert System, Key Management System, Management of Lost and Found, Deployment of Walkie Talkie for Security Communication, Management of Assets with Gate Pass System, Management of Fire Fighters and First Aid Equipment, Security Deployment System, Installation of Panic Button System, Fire Alarm Control Room, Addressable Fire Alarm Panel and Audit exercise <p><i>To ensure effective roll-out of best practices on building safety and asset integrity:</i></p> <ul style="list-style-type: none"> • 24 hours coverage of hotel security • Deployment of security personnel on Route Assignment • Visitor Management System • CCTVs coverage and maintenance system • Deployment of Team Forced Guards for Building Parameter Security • Security Assessment by Intelligent Risk Private Limited • Public Announcement System • Bomb threat training with Polis Diraja Malaysia • Fire fighting training • BCM training & simulation on security risk
<p>Suria KLCC</p>	<ul style="list-style-type: none"> • Upgrade of CCTV at control room • Tightened security at all mall entrances • Daily briefing to all security personnel



OUR PEOPLE ARE OUR CORE STRENGTH AND OUR ORGANISATION'S SUCCESS HIGHLY DEPENDS ON THEIR CAPABILITIES AND COMMITMENT. OUR EMPLOYEES STAND GUIDED BY A STRICT COMPLIANCE TO CoBE WITHOUT ANY COMPROMISE TO THE ORGANISATION'S INTEGRITY

OUR PEOPLE



3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH

Material Sustainable Matters

- Our People
- Human Rights & Labour Practices

At KLCCP Stapled Group, we embrace the Cultural Beliefs which unleash potential in our employees to deliver excellent results while creating better day-to-day experiences.

Context

Every company aspires to promote greater inclusiveness and retain best talent, develop and nurture a highly engaged and capable workforce to form an efficient organisation. As part of the Government's initiatives under the Economic Transformation Plan (ETP), Malaysia has made significant progress in the past years in increasing the number of women in the workforce and in leadership roles to enhance the contribution of women to Malaysia's economy and promote inclusiveness in the workforce. Under the plan, our country has also taken proactive steps in attracting and nurturing the millennials who are motivated to take ownership of their work and empowered by the 'work hard, play hard' culture, and demand quick career progression.

OUR PEOPLE

Acknowledging this, we elevate the robustness of our workforce to deliver superior performance against these challenges in the pursuit of continued sustainability of our organisation and making our workforce the capital driver for success.

Our Approach

At KLCCP Stapled Group, our key focus for employees is to build the most diverse and inclusive workplace with appropriate capability development efforts and fair employment practices for our people to make better and informed decisions for superior business performance against the challenges in the real estate and property sector. We believe human capital is fundamental for us and we are guided by a high performance culture based on meritocracy, performance and delivery subscribing to our KLCC Shared Values of Innovative, Cohesiveness, Loyalty, Integrity, and Professionalism which are reflected in our daily work practices. Our Human Resource policies adhere to the strict guidelines on non-discrimination and fairness.

EQUALITY, DIVERSITY AND INCLUSION

We view equality, diversity and inclusion within our workplace as a business imperative and continuously strive to provide equal

opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability. We value the diversity of our employees and treat all with respect and dignity and provide equal opportunities for employees to contribute to the organisation based on their expertise, experience and talent. As at 31 December 2017, KLCCP Stapled Group has a total of 1,139 employees.

Type of Employment

Close to 91% of our workforce constitute permanent employees. This demonstrates KLCCP Stapled Group's commitment to provide opportunities and nurture local talent by promoting talent retention within the organisation and ensuring that employees make the best of our organisation.



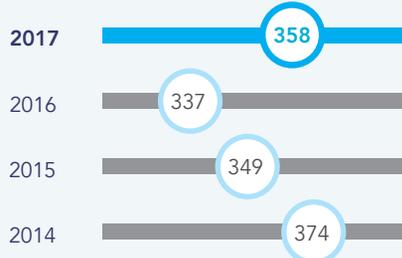
i Divisional Away Day brought employees together in fostering stronger teamwork

OUR PEOPLE

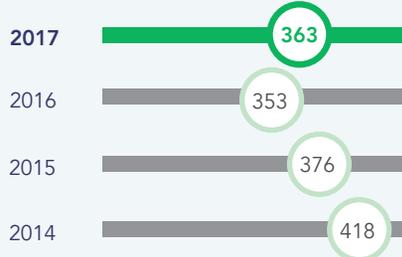
Age Profile

We have a diversified workforce across all age-groups. In 2017, about 31% fall below the age group of 30 while about 69% range from 30-60 years old.

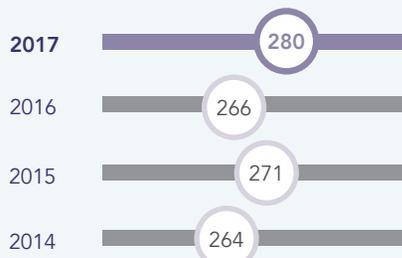
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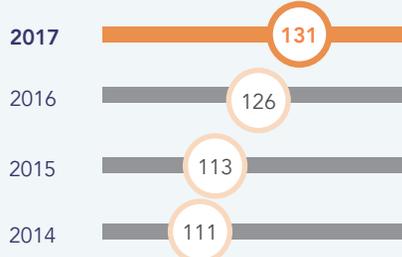
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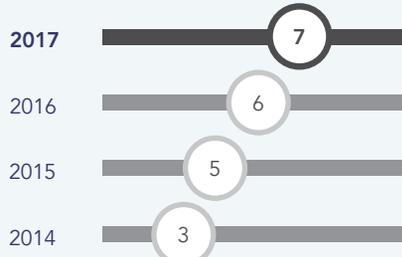
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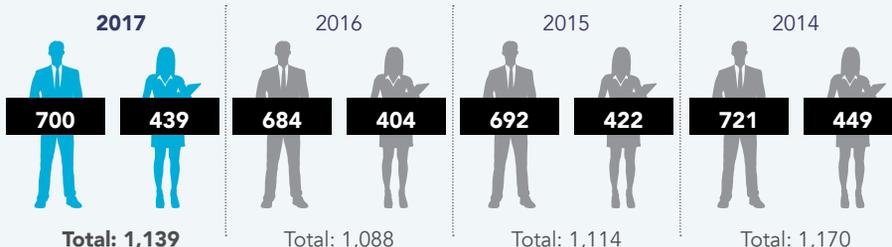


60 above



Gender Diversity

KLCCP Stapled Group is committed to provide equal employment opportunities and practices merit-based promotion regardless of gender. Out of all our employees, 61% are male while 39% are female. The share of women employees has grown about 9% in 2017 compared to 2016. For managerial position and above, male account for 59% with female at 41%.



Top Management



Senior & Mid Management

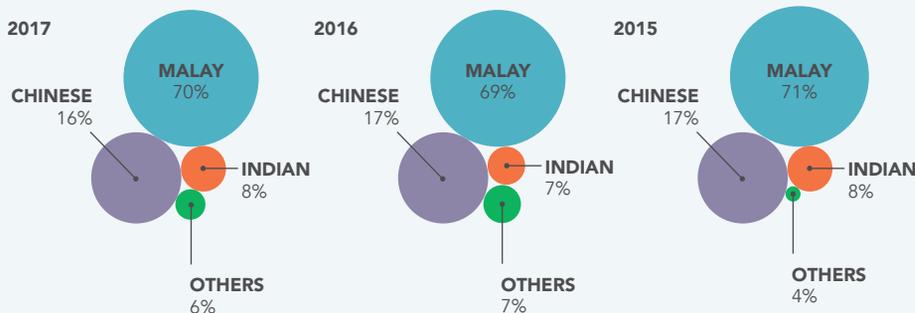


Other Levels



Ethnicity and Disability Inclusion

KLCCP Stapled Group embraces an inclusive workplace practices by having a diverse racial workforce. Our workforce is inclusive of the three major races in the country with the remaining being the natives of Sabah and Sarawak, East Malaysia. We also provide fair employment opportunities for the disabled. As at 2017, we have two employees who collectively have been with the organisation for 29 years.



OUR PEOPLE



1 The KLCC Group Townhall provides a platform for employees to engage with the Management Leadership Team

SKILLS & CAPABILITY DEVELOPMENT

Workforce Training and Investment

KLCCP Stapled Group strongly believes in investing in training and development initiatives as this leads our organisation towards gaining competitive advantage for future growth and success. Our training and development strategy is results driven in order to meet the needs of the business. We are focused on developing talent with the right competencies, knowledge and leadership skills at all levels. We groom and grow our internal talents by setting high standards of expectations and encourage employees to take personal ownership of their career that is reinforced through the 70:20:10 learning philosophy wherein 70% is experiential learning, 20% through coaching, mentoring and networking while the 10% is through formal classroom training.

In our efforts of enhancing the functional and technical competencies of employees, in 2015, we embarked on the development of Skill Group (SKG) competencies to assess the baseline competency levels of employees. In 2016, the SKG competencies for the Finance fraternity was completed whereby employees underwent an assessment to identify gaps for closure. The effort is continued this year with the SKG assessment for the Legal and Corporate Services and the Human Resource fraternity.

In 2017, KLCCP Stapled Group continued its leadership development programmes in order to help prepare its new and existing leaders for successful performance in future roles. The programmes bring together leaders across the entire organisation in a learning context where they are faced with business and leadership concepts, allowing them to position themselves and get better equipped for current and future leadership roles. For the executive levels, the programmes are intended towards the fundamentals of leadership in order to prepare themselves into future leadership roles whereas for managerial levels and above, the programme is tailored towards

enhancing the effectiveness of their current leadership roles. In 2017, 131 employees were given the opportunity to attend various leadership programmes – Leap Strategic Excellence, Maximising Your Leadership Values, Coaching for Action and Women in Leadership to name a few.

During the year, the Human Resource division introduced the “brown bag” learning series sessions where the learning is facilitated during the lunch hour to ensure time is well spent. This voluntary learning session encourages employees to attend as it is organised at the workplace, making it hassle-free and non-disruptive to other work engagements. In relation to the Group’s effort of supporting the Government’s initiative in providing employment opportunity for young graduates in the country, KLCCP Stapled Group participated in the *Skim Latihan 1 Malaysia* (SL1M) whereby candidates were interviewed in December 2017 for the 2018 intake. A total of 20 SL1M trainees are expected to join various business units within our organisation in the coming year.

In MOKL Hotel, the approach to learning and development also emphasises on continuous and experiential learning over traditional classroom methods. Training for competency rather than hours of training continues to be their option to ensure success. Their training is personalised rather than a ‘one-size-fits-all’ approach and focuses on the skills and abilities needed for each position. On-the-job



2 Sporting activities held annually to promote work-life balance for employees



↑ Employees participated in a cooking class organised by MOKL Hotel

training and Group Training Techniques are the programmes developed for our hotel employees to enhance the department's trainer skills in order for them to conduct training according to the hotel standards. Trainings conducted are divided into two categories – Generic Quality Trainings and Fire Life, Health, Safety, Security and Environment trainings. The hotel also undergoes training with the Malaysian Employers Federation that covers the entire spectrum of Industrial Relations, Human Resources Management and Development and Occupational Safety & Health (OSH).

Our retail employees continued their Competency Based Learning Curriculum with a focus on Customer Experience Excellence for Concierge and Front Liners, English programmes for Front Liners, Objective Setting and Planning, Standard Operating Procedures Drafting Guide, Procurement Optimisation workshops and Specialised Trainings for competent handling of Photovoltaic Solar Panel.

For KLCCP Stapled Group, the high performance culture remains a big agenda as it is merit-based where top performers are rewarded for their contributions whilst poor performers will be required to undergo a performance improvement plan to give them an opportunity to improve and get back on track.

In 2017, we invested RM2.1 million on learning and development which saw 96% of employees undergoing training programmes that were planned for the year with an average of 31 hours per employee. This saw a total of close to 900 man-days for a total of 500 training programmes provided by the Group.

Student Internship Programme

KLCCP Stapled Group also partners with local tertiary education institutions to offer student internship opportunities for students interested in the real estate sector. In 2017, there were 15 interns assigned to various departments within the organisation.

At MOKL Hotel, a structured 6-month global internship programme for key operational departments is available in line with the hotel school internship schedule. Successful interns will be given an opportunity to apply for the Management Development Programs upon their graduation. During the year, five students who have shown outstanding performance during the internship training were absorbed into employment at the hotel.

TALENT MANAGEMENT

Dynamic, talented and dedicated employees play a crucial role in our organisation's long-term success. KLCCP Stapled Group continues to retain experienced and skilled employees for long-term and aspires to attract highly qualified and motivated new generation professionals as it is becoming more and more difficult to attract and retain talented young employees. We see the recruitment, promotion and retention of young talents as a key strategic task. This requires flexible talent management that meets the current challenges of the labour market and transparent career opportunities. We have in place a Talent Strategy Blueprint detailing the strategies on attracting, retaining and developing talents, spanning a 5-year horizon. The blueprint outlines the HR roadmap and milestones focusing on three strategic thrusts – getting the right talents, putting them in the right environment and building credible leaders.

OUR PEOPLE

KLCCP Stapled Group identifies talent from within the organisation as well as externally. In 2017, our Human Resource Division participated in two career fairs – Mega Career and Study Fair and Malaysia’s 100 Career Fair 2017 to attract potential candidates to be part of the Group. Our talent management programmes covers all stages from entry-level talent development programmes to top-tier executive programmes which are varied year-on-year to remain relevant to the changing needs of our employees and business while being impactful and meaningful.

We recognise that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly strengthen our performance management system, engaging our high-performing employees to set stretched key performance indicators and assume bigger roles and responsibilities. Career development planning based on employees’ development needs and the input of their superiors are also important for us to build our pool of future leaders. Our Human Resource Planning and Development Committee (HRPDC) also continuously reviews our succession planning strategy on an annual basis to identify and develop high potential employees to ensure sufficient talent pool for future succession and leadership needs. In 2017, KLCCP Stapled Group identified 8 critical positions with 18 successors to fill the next leadership roles within the organisation. The succession management ratio for the Group as at 31 December 2017 stands at a ratio of 1 to 2.3. KLCCP Stapled Group was also recognised in Malaysia’s 100 Leading Graduate Employers, the most popular employers to work for, voted by Malaysian students and fresh graduates.

Performance Appraisals

As KLCCP Stapled Group is committed to meritocracy, our rewards and compensation policies emphasise on employees’ performance, taking into account the challenges faced and efforts put in. Our employees’ performance management was reviewed periodically and incorporated into a well-structured appraisal system through the Online Employee Management System (EMS) which covers all levels of employees. The EMS comprises of 3 stages – goal setting, periodic review and year-end review. Following the year-end review, a challenge session at division level with the Heads of Department and Heads of Division ensues, followed by a challenge session at organisation level prior to the final round of challenge at the HRPDC. In 2017, 100% of our employees completed their performance appraisals via the EMS.

Our hotel performance appraisal system for the Management team supports the Mandarin Oriental Hotel Group (MOHG) Performance Management process, called “PROFILE”. The annual performance and succession planning reviews were completed at all levels of the organisation and feedback were given to ensure that employees are aware of their potential career progress.



i The KLCC Group’s Long Service Award recognised the long-serving employees, their commitment and loyalty to the Group

WORKFORCE ENGAGEMENT

Our employees play pivotal roles in advancing our business towards sustainable growth with the unique and valuable skill sets that they bring. To that end, we consistently engage our employees and empower our Management to interact transparently with their teams. Close employee relation is critical in maintaining employee motivation while fulfilling their needs. KLCCP Stapled Group engage with its employees in a myriad of ways – informal interaction through occasional activities such as birthday celebrations get together, or a more formal annual retreat, annual dinner or open days. We constantly come up with new initiatives to foster valuable relationships with our people.

Our engagements focuses on employees' well-being, performances, results and outlooks, and recognition. During the year, we continued our proactive engagement with our workforce through various avenues for effective flow of information and alignment to business goals and strategies across our operations.

In 2017, 84% of employees participated in the Employee Feedback Questionnaire (EFQ) achieving a satisfaction score of 85%, an improvement of 5% from 2016. As at year end, the attrition rate for KLCCP Stapled Group stood at 6.7% compared to the property and development industry average of 11%.

Key Initiatives for the Year

Recognition of employees' loyalty and contribution to organisation	<ul style="list-style-type: none"> • Long Service Awards – provision of additional reward for retirees and service for 10-35 years • Laureate Awards and Annual Dinner
Promote camaraderie, teamwork and cohesiveness	<ul style="list-style-type: none"> • CEO Townhall • HR Open Day • CoBE Week
Encourage stronger interpersonal networks and improved communication	<ul style="list-style-type: none"> • HR Roadshow • A Coffee Date with HR • Leadership Development Workshop & Teambuilding • Cultural Exchange Ambassador • Induction for new employees • Round Table Conference • Employees Briefing • Management Retreat • Divisional Away Day • Social & Recreational Day • Health Talks
Employees' feedback on organisational culture	<ul style="list-style-type: none"> • Peer Review Survey • Online Employee Engagement Survey • PETRONAS Organisation Climate Survey (POCS)
Promote work-life balance	<ul style="list-style-type: none"> • Talent competition • Cooking Class for hotel employees • Sports and Games

Enhancing Service Delivery to Employees

In an effort of improving service delivery to employees, our Human Resource Division embraced digitalisation by continuing its efforts to relook at its current processes for automation. The journey started in 2012 via the outsourcing of its administrative and transactional activities through a shared services company, PETRONAS Human Resource Centralised Services ("PETRONAS HRCS"). In 2017, our HR Division embarked on several digitalisation initiatives namely the eRecruitment system and the eLearning modules which promote self-learning and learning on-the-go. The year also saw the revamp of the intranet portal which serves as a communication and engagement platform between employees and Management with interactive features to align to current trends.

OUR PEOPLE

KLCC Young Professional Executive Club (YPEXC)

Nurturing young talents is an agenda of KLCCP Stapled Group as our young professionals constitute 27% of the workforce. In developing our future leaders, we provide an avenue for them to unlock their potential and leadership capabilities. Young Professional Executive Club (YPEXC) is a platform for the young executives to elevate their talent and focus on promoting KLCC values, work-life balance and breakthrough performance culture.

Key Initiatives for the Year

YPEXC Clan Jumpa	<ul style="list-style-type: none"> • Address concerns and issues on YPEXC activities and its members • Encourage camaraderie among members and strengthen YPEXC community ties
YPEXC Away Day	<ul style="list-style-type: none"> • Held at the Avillion Port Dickson between 7-8 April 2017 • Enabled members to interact in a different setting and to spur creative thinking to improve personal and professional skills
Help the Homeless	<ul style="list-style-type: none"> • During the month of Ramadhan, 60 YPEXC members in collaboration with Traders Hotel Kuala Lumpur contributed blankets and pillows to the homeless in the city • Donated mats, clothes, toys, bags and food • Collaborated with Prince Court Medical Centre (PCMC) and provided free glucose and blood pressure checkup and medical advice • Efforts in engaging with and giving back to society
Sampul Raya	<ul style="list-style-type: none"> • Distributed a total of 1,200 <i>sampul raya</i> to the employees of KLCC Group, in the month of Ramadhan for the <i>Hari Raya</i> Festive season
Bubur Lambuk Distribution	<ul style="list-style-type: none"> • A total of 1,200 packed <i>Bubur Lambuk</i> were distributed to KLCC Group's of employees in an effort to foster effective teamwork as well as promoting the presence of YPEXC
Property Games & Wellness Carnival 2017	<ul style="list-style-type: none"> • Collaborated with the HR Division and KLCC Sports and Recreational Club (KSRC) to organise several activities for KLCC Group of employees and their children • Activities held were 3km Fun-Run and 400metre Sprint, Petanque and Tug of War, <i>Sukan Rakyat</i>, Wellness Challenge and kids event such as face painting, colouring competition, sand art and bouncy castle • This event achieved its objective of promoting healthy lifestyle amongst our employees and families
HR Open Day	<ul style="list-style-type: none"> • Collaborated with HR Division in organising activities during the CoBE Week to alleviate the understanding of CoBE among employees • Activities organised were "CoBE Mannequin Challenge" and "Keva Plank Challenge" which fostered teamwork and improving teamwork performance

Employee Wellness

The ability to provide a healthy life that includes work-life balance is a vital part of our commitment to our employees. We believe that investing in employees' health and well-being benefits both the employees and organisation. Healthy employees show better productivity, improved morale, positive contribution to work environment, and drive down overall healthcare costs. We are committed to creating a healthy workplace that encourages our employees to stay healthy and engage in a wide range of health programmes and initiatives.

Workforce Health

KLCCP Stapled Group acknowledges the importance of its employees' well-being and encourage all its employees to live a healthy lifestyle by providing entry passes to the Twin Towers Fitness Centre (TTFC) which includes gym facilities, squash and badminton courts and studios for group fitness classes and sports activities. Our Group also registered itself with the Malaysia's Healthiest Workplace Survey conducted by AIA Malaysia and RAND Europe, a leading research organisation with counsel from an Advisory Board. This is the first survey in Asia and Malaysia that examines employees' health as well as workplace health strategies and initiatives. Employees were required to complete the Employee Health Survey online and upon completion they received a personal health report covering topics on Body Mass Index (BMI), cholesterol, glucose, blood pressure, physical activities, nutrition, mental well-being and age vitality.

OUR PEOPLE

Our HR division also encouraged all employees to attend the various Health Talks and Medical Helpdesk held during the year e.g. Nutrition and Your DNA Talk in order to promote knowledge sharing, gain better understanding of our current state of health and maintaining a healthier and productive workplace. During the year, our hotel participated in the Blood Donation Campaign held in collaboration with the National Blood Bank and also organised MOHG Global Employees' Wellness Week with programmes on health talks, grooming classes, wellness class, sports and social activities as well as healthy food offerings.

Sports and Recreational Activities

Employees of KLCCP Stapled Group are also encouraged to participate in sports, recreational and social activities held annually. During the year, KLCC Group organised a Property Games and Wellness Carnival for the employees as part of the efforts in promoting wellness and sports development. This was also complimented with a fitness programme called Fit4Life 2.0 which aims to provide an avenue for all employees to participate in physical exercise activities after working hours. This programme is conducted by professional trainers and is a highly effective programme for those who aim to get an ideal weight with an appropriate diet plan and physical exercise.

MOKL Hotel has its own in-house committee to organise social and recreational activities for their employees. Activities are carried out almost every month and this includes invitations to participate in external activities organised by external hotels and other organisations. Regular activities organised by the team are

volleyball, takraw, football, futsal, fishing, table tennis, snooker, paintball, bowling, badminton and KARAOKE challenge. Some of their external activities participated are Inter-Hotel Bowling Tournament by Melia Hotel & Malaysian Association of Hotels (MAH), Inter-Hotel British Pool Championship by St Giles Premier Hotel & MAH, PETRONAS Sports Carnival and Inter-Hotel Football/Futsal/Veteran Football. Our retail employees organise quarterly get-togethers, jogs in the KLCC Park, movie outings and bowling to encourage bonding and understanding between managers and their teams.

HUMAN RIGHTS AND LABOUR PRACTICES

A strong commitment to human rights is an integral part of KLCCP Stapled Group's business etiquette. We also demonstrate responsible workplace practices with respect to employment and fully comply with the legislations on the welfare and rights of our employees and workers as well as our service providers at our project sites. In 2017, there were no incidents and grievances of discrimination, child labour and forced labour reported in KLCCP Stapled Group.

RESPONSIBLE EMPLOYMENT PRACTICES

KLCCP Stapled Group is a performance-driven organisation, adopting fair and responsible employment practices. We abide by the Malaysian Labour Laws encompassing the Employment Act 1955 (ACT 265), Trade Union Act 1959 (ACT 262), Industrial Relation Act 1967 (ACT 177), amongst others, together with all related regulations and guidelines which promote fair and



↑ Outdoor activities that promote camaraderie among employees of the Group

OUR PEOPLE

responsible employment practices. We also benchmarked against the property development and management industry wherein the Group's policy is above the 50th percentile of the property development and management industry. As part of the PETRONAS Group, we keep abreast with the compliance or adoption of policies in PETRONAS through quarterly meetings with the PETRONAS Group Human Resource Management in order to align ourselves with our parent company whilst taking into account the relevance of the industry KLCCP Stapled Group is operating in. We also focus on the areas of leadership and talent management where best practices from PETRONAS are shared and implemented in KLCCP Stapled Group.

During the year, we participated in the quarterly Property and Construction Industry Networking HR Meeting to benchmark against industry best practices in the areas of remuneration and benefits. For the same purpose, we also participated in the annual Korn Ferry Hay Group's Market Remuneration Survey and Willis Towers Watson Remuneration Survey to benchmark ourselves within and other industries. Our remuneration packages comply with Malaysia's Minimum Wage regulation while the overtime compensation, working hours and fatigue management are in accordance with the Employment Act. Our benefits typically exceed the requirements stipulated within the Employment Act. We offer fair and competitive remuneration packages based on employees' competencies and expected roles and responsibilities which are aligned to industry's best practices and market benchmarks with review conducted annually. This is to ensure our competitiveness in attracting talent for sustained growth.

In an effort to foster responsible employment practices whilst enhancing employee welfare and catering to the growing needs of our people, KLCCP Stapled Group during the year has enhanced several benefits by extending flexible optical or dental benefits for employees as well as their dependents, increasing maternity leave to three months, and introduction of half day leave. Our Group also provides flexible work arrangements (FWA) for employees with special family needs to manage their personal and work commitments more effectively giving a well-balanced lifestyle.

Our HR Division had also introduced a "HR Dashboard" to highlight to the respective heads of business units in respect to their division employees' statistics in terms of gender composition, manpower costs, attrition rate and disciplinary issues. This information helps the superiors to make necessary analysis on fair contribution of employees in terms of gender, manpower cost, acceptable attrition rate and disciplinary acts. This ensures the respective heads make better business decisions on human capital.

Anti-Child and Anti-Forced Labour

In Malaysia, risks and incidents of child and forced labour is mitigated through various legislations, for example the Employment Act 1955 (ACT 265), Minimum Retirement Age Act 2012 (ACT 753), Occupational Safety and Health Act 1994 (ACT 514), Factories and Machinery Act 1967 (ACT 139), Merchant Shipping Ordinance 1952, and the Children And Young Persons (Employment) Act 1966 (ACT 350). The Children And Young Persons (Employment) Act 1966 prohibits employment of children below 18 years of age. The legislations has a clear set of laws for the employment of children below 15 years and between 15 and 18 years old, including their number of working days, working hours and type of work to be engaged in. KLCCP Stapled Group ensures that all employees are issued employment contracts specifying clear employment terms and conditions.

Respect for Freedom of Association

KLCCP Stapled Group respects all employees' fundamentals rights to freedom of association and the rights to be members of trade unions. Although KLCC Stapled Group is not a unionised organisation, we stand guided by the Industrial Relations Act which allows trade unions to act on behalf of employees for collective bargaining, providing them with an additional avenue to seek redress for disputes.

Grievance Mechanism

We aim to address any grievance or complaints amongst employees or third party fairly and effectively. The grievance mechanism that we have in place enables employees to raise issues such as dissatisfaction regarding conditions of employment, relationship with colleagues or supervisor, or discrimination. In our efforts to establish fairness in the workplace, our employees can voice their grievances through multiple communication channels such as submission of official grievance form or even through face to face conversation with HR representative. When a grievance report is filed, our HR team will closely monitor any concerns and conduct an investigation with due process which may include disciplinary actions within the framework of local laws and practices, if necessary.



RELIABLE PARTNER



KLCCP STAPLED GROUP IS COMMITTED TO TAKING AN ACTIVE AND LONG-TERM ROLE IN MANAGING THE RELATIONSHIP WITH OUR STAKEHOLDERS AND WORKING AS A RELIABLE PARTNER WITH THE COMMUNITIES, TO ENGAGE BOTH CITIZENS AND COMMUNITY PARTNERS TO ENSURE CONTINUOUS IMPROVEMENT IN OUR APPROACH TO SUSTAINABILITY AND IN GIVING BACK TO THE COMMUNITY



Material Sustainable Matters

- Financial Sustainability
- Economic, Social & Industry Growth
- Customer & Tenant Engagement
- Supply Chain Management
- Corporate Social Investment

We are conscious of our role in promoting economic, social and industry betterment to ensure the interest and well-being of our stakeholders is optimised.

Context

As a property investment and development group, creating value and delivering lasting impact to the community is integral to our role as a reliable partner. We believe that building dynamic, long-lasting partnerships help us achieve our sustainability goals and be a supporter of the community, strategically, financially and socially.

RELIABLE PARTNER



f Workplace For Tomorrow at the PETRONAS Twin Towers

A number of growing agenda recognises the importance of diverse development pathways in achieving an environmentally and socio-economically better world. Integrated development incorporates the well-being of all citizens through economic development, social development and environmental protection. This is achieved by stepping-up necessary efforts at the educational, economic, social, political, technological and environmental levels for a better living.

Our Approach

Our objective as a reliable property investment and development group is to make meaningful contributions economically and socially and grow with our stakeholders which includes our suppliers, customers, tenants and business partners to maintain long-term partnerships across our business portfolios. We also invest in community and sustainable development programmes in the areas of education, health, environment and special community needs. Our contributions include the development of infrastructure, the support for charity associations through fundraising activities, as well as education and environmental initiatives.

FINANCIAL SUSTAINABILITY

The year saw an upswing in the market sentiment from the confluence of recovering inflation, higher employment and improved sentiments providing a positive backdrop for corporate earnings. With this, KLCCP Stapled Group continued to focus its priority to drive sustainable growth and create significant value for its stakeholders through various repositioning efforts in our portfolio during the year.

We successfully reverted the office segment back to 100% occupancy through the lease transition at Menara ExxonMobil generating a stable income for the office portfolio. Taking the cue of unfolding new demands for more efficient office space, we worked closely with our tenant, PETRONAS in undertaking a revamp of their office space under their "Workplace For Tomorrow" (WFT) project. This transformation does not only encourage more collaborative interaction among employees but at the same time saves costs for employers and building owners by enabling them to right-size their office space and operate buildings more efficiently.

Despite the ongoing challenges faced in the retail sector, Suria KLCC has seen good results from its tenant remixing exercise in meeting the customers' demand as well as its intensive research and engagement with tenants. Suria KLCC together with the adjacent retail podium of Menara 3 PETRONAS achieved RM2.6 billion in Total Moving Annual Turnover with customer footfall exceeding 48 million annually.

RELIABLE PARTNER

The performance of our hotel segment also saw stronger performance during the year backed by higher occupancy for its newly refurbished Club Rooms and Suites, supported by the improved demand in the banqueting and F&B segment. The hotel had also redirected its efforts to leverage on its newly refurbished ballroom and function rooms, boosting the revenue growth in 2017 compared to 2016.

Our strategy and focus to deliver stable and sustainable returns to the holders of Stapled Securities remained paramount during the year. We distributed 97% of our overall distributable income with a distribution per stapled security of 36.15 sen, an increase of 1.4% from 2016. This is in line with our continued quest in delivering value and growth to the holders of Stapled Securities.

PROMOTING ECONOMIC, SOCIAL AND INDUSTRY GROWTH

KLCCP Stapled Group has been involved in Nation building, realising the vision of making Kuala Lumpur a world class city.

The development within KLCC Precinct has marks a milestone in the growth of Kuala Lumpur and is the benchmark for the urban spatial planning and development in Malaysia. Designed to be a city-within-a-city, the KLCC Development sits on a 100-acre precinct and is an integrated mixed development with residential, hotel, convention, retail and leisure components. Our properties within the KLCC Precinct have bridged people together and built a stronger sense of community where people can work, live, shop, play, meet, visit and eat. Our development within the KLCC Precinct has also created significant value enhancements to the properties surrounding and in the periphery of the KLCC Precinct.

KLCCP Stapled Group is committed to building and managing our properties to ensure safety, accessibility and vibrancy to meet social integration and enhance lives of its tenants, shoppers, guests and community.

Malaysia's Iconic Experience in Kuala Lumpur (MIEKL)	<p>MIEKL is KLCCP's 'Iconic Malaysia' project in collaboration with its business partners to promote the Kuala Lumpur City Centre precinct as a must visit destination</p> <p>To create awareness and promote the attractions in KLCC Precinct as well as provide convenient access to information on the places of interest to further boost the tourism industry</p> <p>Various communication modes such as website, touch-screen kiosks, product pamphlets and digital screen advertisement have been established to ensure easy access of information to both local and international visitors</p>
KLCC Park	<p>The KLCCP Stapled Group continued to promote public awareness on environmental protection and the importance of environmental conservation and this is reflected through its exemplary efforts in the upkeep and maintenance of the 50-acre KLCC Park</p> <p>The park signifies the Group's contribution towards social and community well-being by providing a green, convenient, tranquil and conducive destination in the midst of a bustling and dynamic city centre</p> <p>KLCCP Stapled Group also collaborates with local authorities and the KLCC community to observe effective compliance for provision of local facilities. The common cost sharing management policy between landowners of commercial properties known as the Common Estate Committee for the upkeep and maintenance of the park continues to promote positive impact on the commercial environment for local and foreign tourists</p> <p>In 2017, KLCCP Stapled Group incurred approximately RM1.7million for the upkeep and maintenance of KLCC Park</p>
Pedestrian walkways	<p>KLCCP Stapled Group continues to maintain the pedestrian walkways of Kompleks Dayabumi and the National Mosque, and Kompleks Dayabumi to Pasar Seni Light Rail Transit (LRT) for the benefit of the pedestrians' convenient access to surrounding areas</p> <p>In 2017, KLCCP Stapled Group incurred approximately RM40,000 for the costs of maintenance of the pedestrian walkways</p>
As Syakirin Mosque	<p>The As Syakirin Mosque, also known as "The Jewel in the Park", is one of the Group's contributions to the Muslim community living and working around and within the KLCC Precinct, accommodating a congregation of 12,000 people</p> <p>The mosque is being maintained by KLCCP Stapled Group as part of our continuous CSR initiatives involving the community around us</p>
Accessibility in Built Environment	<p>KLCCP Stapled Group places great care and attention to providing convenient accessibility within our properties for children, the elderly and the disabled</p> <p>In addressing the needs of these groups, we have made available child-friendly and disabled-friendly amenities within and surrounding our precinct such as ramps for wheelchairs, disabled-friendly washrooms for our customers, tenants and guests, baby strollers and wheelchair services, elevators at the pedestrian bridge and designated parking bays on every floors of the basement car park as well as other car parks within the KLCC Precinct</p> <p>At our hotel, three disabled rooms are made available on the 9th floor. There are also public toilets with disabled facilities and ramps around public areas for ease of mobility</p> <p>In our basement car park, a total of 43 disabled parking bays are allocated for handicapped drivers, spread over four floors. Ladies parking is also allocated at Level P1 of our North West Development car park to provide a convenient and much safer parking facility for our female customers. A total of 142 parking bays constituting 7% of the total visitor parking bays is allocated under this initiative</p>

RELIABLE PARTNER

<p>KLCC Property Holdings Berhad (KLCCP)</p>	<p>Council of Tall Buildings and Urban Habitat (CTBUH) KLCCP has been a member of the Council at Patron Level since 1996 and has been actively participating as participants and speakers in conferences organised by the Council. Our contribution has helped put the latest information from research and advanced design practice into the hands of professionals throughout the world.</p> <p>Federation Internationale des Administrateurs de Bien-Conselis Immobiliers (FIABCI) Malaysian Chapter KLCCP is a member of FIABCI Malaysian Chapter and supports the Federation through its various events, seminars and talks organised annually. We also receive updates from FIABCI through their newsletter and emails.</p> <p>Malaysian Investor Relations Association (MIRA) KLCC Property Holdings Berhad registered as a member since 2014. MIRA is the first and only professional association committed to developing and advancing the status and integrity of IR professional. KLCCP participated in 7 MIRA seminars, workshops, networking session and awards ceremony that enable us to reach out to network with IR professionals in the industry.</p>
<p>KLCC REIT</p>	<p>Malaysian REIT Managers Association (MRMA) MRMA represents its members’ interests through engagement with the Malaysian Government and regulators for functional regulations, viable structures and tax harmonisation. This ensures Malaysian REITs remain competitive within the region and internationally.</p>
<p>Suria KLCC</p>	<ul style="list-style-type: none"> • Persatuan Pengurusan Kompleks Malaysia (PPK) • International Council of Shopping Centres (ICSC) <p>Suria KLCC has been a member of PPK Malaysia since 1995 and a member of the ICSC since 2003. Suria KLCC is able to network with the management of other shopping centres and benchmark with the retail industry best practices worldwide. Suria KLCC also receives information pertaining to the shopping centre industry, statistical data and other statistical research from the ICSC.</p>
<p>Mandarin Oriental, Kuala Lumpur (MOKL Hotel)</p>	<p>American Malaysian Chamber of Commerce KLCC Business Events Alliance Malaysian Employers Federation Jactim Foundation Malaysian Association of Hotel Owners Malaysian International Chamber of Commerce & Industry The Japanese Chamber of Commerce Persatuan Hotel Malaysia</p> <p>MOKL Hotel’s membership in these associations enables them to expand their business networking, leverage on the Association’s database and solicit for potential business. MOKL Hotel participates in initiatives and surveys carried out by the associations from time to time, contribute opinions and comments.</p>

Membership and Roles

KLCCP Stapled Group seeks to promote industry growth through the various industry associations it supports that are aligned with our shared values. Our memberships enable us to contribute towards the development of the real estate, retail and hotel industries, directly or indirectly through our participation in event, discussions and working groups network with our industry peers. Through the memberships, we are also able to promote professionalism as well as share best practices in the industry.

SUPPLY CHAIN MANAGEMENT

Managing our supply chain effectively is integral to our business strategy. This means having a robust system in place to continuously review our supply chain, taking concrete actions to enhance the quality of services and products we procure, and working closely with our suppliers to improve their sustainable performances.

KLCCP Stapled Group maintains a list of registered suppliers/ vendors. Due diligence of contractors and suppliers are undertaken prior to them being registered/licensed with KLCCP Stapled Group. Suppliers are selected in accordance with established procurement processes and are determined through a tender engagement process. Factors influencing supplier selection include cost, performance and project experience. Suppliers’ performance evaluation is performed in a frequent and consistent manner to measure the post award performance of a vendor against defined performance criteria. The evaluation includes discussion on the performance results and identification of improvement opportunities.

LOCAL PROCUREMENT MANAGEMENT

KLCCP Stapled Group practices sustainable procurement by ensuring its entire procurement process takes into account the economic, environmental and social impacts of our business practices. Our procurement department ensures that we uphold responsible procurement practices and our initiatives start right at the supplier selection process till the procurement of supplies or services, where various sustainability considerations including fair labour practices and safety requirements are embedded into our terms and conditions. In ensuring that our supplies and services are ethically sourced, we work towards meeting the standards of ethics and business integrity on both social and environmental criteria. Our procurement team prioritises on minimising any non-compliance risks in the supply chain and encourage our business partners to make continuous improvement towards sustainable business conduct.

Sustainable Supply Chain and Ethical Behaviour

Procurements are made through tendering and bidding process that screens the bidders' capability and credibility through transparent procurement guidelines, processes and procedures to ensure bidders are evaluated fairly. All contracts with our contactors, consultants and suppliers have imposed provisions requiring them to adhere to and comply with CoBE. Contractors, consultants or suppliers performing works and services for KLCCP Stapled Group are expected to abide by the relevant sections of CoBE. Non-compliance by them shall result in legal consequence which may include termination of contract.

Supplier's Code of Conduct

To ensure transparent and fair practices by vendors, the bid documents includes a provision in the contract terms and conditions on:

Conflict of interest and fighting corruption and unethical practices	<ul style="list-style-type: none"> • The contractor shall comply with all relevant requirements and policies throughout the contract period • Promptly report any request or demand for undue financial or other advantage of any kind received in connection with the performance of the contract
Business Ethics	<ul style="list-style-type: none"> • The contractor shall take no action on behalf of the employer in the performance of the works or rendition of the works or the conduct of operation that would subject either party to liability or penalty under any laws, rules, regulations or decrees of any governmental authority • All invoices, financial settlements, reports and billings by the contractor shall properly reflect the facts about all activities and transactions handled for the employer's accounts • The contractor agrees to notify the employer promptly upon discovery of any instance where the contractor has not complied with the requirements of the contract
Health, Safety and Environment (HSE)	<ul style="list-style-type: none"> • HSE policy, targets and requirements • Prevailing laws and regulations • Risk assessment including preventing and mitigating measures • Emergency response plan • Incident reporting and investigation

Supplier Diversity and Local Procurement

At KLCCP Stapled Group, we recognise that our suppliers are an extension of our organisation. We are committed to collaborating with a diverse supplier base and improve our collective environmental sustainability efforts. We also encourage sourcing of local products among the suppliers. In 2017, 97% of our products were sourced locally with a contract value of approximately RM750million, contributing positively to the local economy.

RESPONSIBLE PRODUCT SOURCING

We work together with our suppliers to develop a shared commitment to quality and safety of our product and services and ensure that all of our suppliers abide by our quality performance standards, requirements, processes and procedures. We source responsibly and apply rigorous systems to ensure our products meet or exceed the highest standards of quality and safety. It is part of our sustainability strategy to promote efforts towards prioritising on quality.

Supplier Audits

As food and beverage contributes approximately 40% of our hotels' revenue, food hygiene and safety is critical in sustaining MOKL Hotel's revenue. MOKL Hotel's Supplier Chain Management focuses on food and beverage suppliers in respect to compliance to food safety requirements. This is also in line with our certification in ISO 22000 – Food Safety Management and Halal Assurance Management System. We have in place a policy and the procedures include supplier audits for local F&B suppliers. These local suppliers are classified into "High Risk" or "Low Risk", depending on product type supplied. The audits are conducted yearly for "High Risk" and conversely once every 2 years for "Low Risk". Suppliers are encouraged to obtain accreditation (HACCP – MS 1480/ISO 22000) and accredited suppliers are preferred and given "nominated supplier" status. The premises of the suppliers are audited based on food safety management, raw materials, product and materials, structure and facilities, pest control, cleaning and housekeeping. There are a total of 58 local F&B suppliers out of which 39 are "High Risk" and 19 "Low Risk" which is scheduled to be audited. This year in MOKL Hotel, a total of 29 suppliers were audited.

Purchasing Policy and Scope

In MOKL Hotel, the Materials Management Department has a purchasing policy and procedures in place and spearheads the placement of orders for all goods and services required in the daily operations of the hotel. The department will ensure that there are competitive quotes from nominated or preferred suppliers capable of meeting the specifications in terms of quality, timely delivery, adherence to Food Safety, Environmental and OSH requirements and providing competitive price. This policy and procedure covers the requirements of the purchase requisition to the execution of the purchase order and was further enhanced to include green purchasing within the supplier chain.

RELIABLE PARTNER



KLCCP Stapled Group promotes fun learning for students at the “Sahabat Pintar” programme

Green Procurement

KLCCP Stapled Group acknowledges the increasing importance of green procurement and is further enhancing its efforts to move towards a more responsible procurement practice. We continue to expand our procurement scope by procuring products and services to support the green building initiatives especially at the PETRONAS Twin Towers, Menara Dayabumi and the Car Park.

MOKL Hotel further enhanced green purchasing within our supplier chain to comply and raise awareness of procurement as a pollution prevention tool and facilitate continual improvement in environmental performance through proactive green purchasing and contracting activities. In compliance with the hotel’s certification in ISO 14001 – Environment Management System, consideration of products that are environmentally friendly will be given priority and accredited suppliers are given “preferred” status. Special attention is paid on ozone depleting materials. The policy further covers guidelines for Safety and Health requirements.

Our hotel team continues to seek-out suppliers who have accreditations in Hazard Analysis and Critical Control Point (HACCP) - ISO 22000 or certifications and who can provide quality products at competitive prices. The team continues to provide guidance to nominated F&B suppliers in food safety requirements by performing scheduled value added audits and inspections of their premise. Supplier audit findings were communicated to vendors

via the Food Supplier Action Report for future improvement and guidance. In 2017, 36% of MOKL Hotel’s nominated suppliers have accreditation or certification in food safety requirement.

Other sustainable practices by our hotel team include sourcing from locally farmed or grown products — farmed fishes, vegetables and fruits, herbs and spices and non-serving of shark’s fin in the hotel’s Chinese restaurant and banquet. Our retail partner at Suria KLCC places high priority for suppliers who have proven track record, credentials and certification. Performance of service providers are guided and monitored through scheduled audit checks and inspections.

CONNECTING WITH OUR COMMUNITY, TENANTS AND CUSTOMERS

Connecting with our stakeholders especially with our community, tenants and customers is becoming more prominent, particularly in expanding the outreach and quality of service to build a shared sense of responsibility and societal development. Efforts to promote social betterment, building strong tenant relationship and managing customer expectations are conducted through extensive engagement with these stakeholders. This is in line with the 11th Malaysia Plan where the Government aspires Malaysia to become more citizen-centric and focus on enhancing programmes, services and platforms for greater interaction, engagement, and collaboration among Malaysians.

CORPORATE SOCIAL INVESTMENT

We recognise the importance in contributing towards the welfare of the community in which we operate in and continue to engage with the communities surrounding us to foster goodwill towards their well-being and social development. Being part of the society within which KLCCP Stapled Group operates in, we are conscious of our role in promoting social betterment of the community around it. We support various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as reaching out to the underprivileged community.

Key Initiatives for the Year

EDUCATION

"Sahabat Pintar" programme

- Sekolah Kebangsaan Felda Kg. Sertik, Karak, Pahang was selected for the programme
- Selection of school focused on the underprivileged and those deprived of opportunities to experience fun learning outside their classrooms
- A Creative Science Workshop was conducted at Petrosains to bring science to life with experimental activities and discovery programme designed to complement and support the maths and science curriculum
- A total of 40 students & 4 teachers attended the visit

- Visit to Petrosains and Aquaria KLCC for underprivileged school children

- Visit to Sekolah Kebangsaan Sungai Dua, Bentong, Pahang on 5 May 2017
- To create awareness and develop interest among students (tertiary level) in the field of Science, Technology, Engineering, Arts and Mathematics (STEAM)
- A science workshop was conducted where students learned about pressure and the force of gravity
- A total of 70 students of the native community participated in this programme

- Visit to school to promote learning in the field of STEAM

- Focusing on students majoring in engineering, architecture, facilities management and other related courses
- In 2017, 5 students were on board the programme from University of Malaya (UM) and University Kuala Lumpur (UniKL)

"Projek Apprentice" programme

- Student Training Placement within KLCC Group

- Focusing on students majoring in engineering, architecture, facilities management and other related courses
- In 2017, 5 students were on board the programme from University of Malaya (UM) and University Kuala Lumpur (UniKL)

ENVIRONMENT

Environmental Conservation

- Visited Eco Rhimba Bukit Nanas to improve condition of public areas – 49 employees participated in the painting of the open gym area and road curbs

SOCIETAL WELL-BEING

Charity/ Donation Drives/ Fundraising/ Community Service

- Donated RM13,000 for the Bursa Bull Charge Run. Funds were channeled to 34 deserving beneficiaries
- Participated in "Wish a Grant for Fikri" – Sponsored a night stay at the MOKL Hotel, 3D Lego Welcome Cake, lunch at Lai Po Heen, and dinner at the KL Revolving Tower for a terminally-ill boy and his family
- Contributed RM5,000 to the PETRONAS' Orchid Run & Ride 2017. Funds were channeled to three charitable bodies – Pediatric & Congenital Heart Centre of the National Heart Institute (IJN), Institut Telinga Pendengaran dan Pertuturan (Institute HEARS) and the Spastic Children's Association of Selangor & Federal Territory. 100 employees participated in the 5km run
- Involved in Reach Out Program – donation of food to the homeless
- Conducted car wash activity to foster camaraderie amongst staff whilst raising RM6,497 for charitable initiatives
- Visited Rumah Kirtash (handicap and orphanage) to help clean, tidy and organise their burnt down home in Rawang. Donated essential items and foodstuff and repainted the interior and exterior of the home

Festive Celebrations with the underprivileged community

- MOKL Hotel
 - Invited three Old Folks Homes' residents to a Deepavali buffet lunch at Mosaic Restaurant and provided them with goodie bags
 - Christmas Party held at MOKL Hotel with the underprivileged children from House of Joy, Sunbeams Home & Rumah Charis
- Suria KLCC
 - Chinese New Year charity programme in collaboration with the Shelter Homes to raise funds for the orphanages
 - Hari Raya charity programme called "Tabung BersamaMu" in collaboration with Media Prima to raise funds for needy homes
 - Christmas Charity programme in collaboration with We Care Journey organisation

HEALTH & SAFETY

Awareness campaigns

- Supported Breast Cancer Awareness with Breast Cancer Welfare Association Malaysia
- Visit to Maahad Tahfis Al-Quran Ibnu Nafis, Kulai Johor to raise awareness on fire safety, evacuation procedure. Conducted practical session on handling fire extinguishers and fire-fighting and fire safety audit

RELIABLE PARTNER



Premium services for our valued tenants and customers

KLCCP Stapled Group continues to build strong tenant relationship through the "Tenants' Nite" held annually for tenants of PETRONAS Twin Towers and Menara 3 PETRONAS. The event is an avenue to express our appreciation and recognition of tenants' support and pay tribute to the roles played by tenant representatives and floor safety managers and assistants at our commercial properties in the tenant-building working relationship.

Despite the rapid transformation taking place in the retail landscape, Suria KLCC takes pride in understanding its customers' changing needs by enhancing and uplifting the quality of services it delivers. During the year, Suria KLCC brought in exclusive brands that offer exclusive services and differentiation namely, "Customisation Atelier", "personalisation station" and the offerings of several new concepts. Suria KLCC also enhanced its facilities with the replacement of the two Centre Court bubble lifts with three brand new glass lifts, catering to larger customer volumes and improving the visibility of shops behind the lifts. They also commenced with the modernization of the escalators with more reliable and safety features, in several phases. Being in the era where social media and digital revolution is the trendsetter, Suria KLCC launched its new website with interactive features and upgraded all its mall directories with targeted search content. Suria KLCC also introduced media advertising screens and panels within the mall to facilitate retailers' promotions. This digitalisation effort allows our mall to engage with the larger community whilst evolving to stay relevant and embracing the challenges moving ahead.

During the year, KPM embarked on several initiatives to enhance the level of customer satisfaction whilst providing an excellent parking experience. For customers' convenience and to reduce cash handling, 7 autopay machines located at strategic areas within the Suria KLCC parking were equipped with debit/credit card facilities. For season card holders, KPM provided an alternative payment mode via online payment at the KPM website covering Visa, Mastercard and Debit card transactions. To assist customers in locating their cars, KPM implemented a Car Finding System (CFS) by installing the license plate recognition (LPR) camera at all the entry and exit barrier gates of the North West development car park. This provides an avenue for customers to seek their vehicles via the CFS kiosk with location map features. This initiative is currently at 95% completion. KPM also enhanced their digital and directional LED signages to improve visual messaging to customers and to guide them to the vacant parking bays creating a smooth and efficient traffic flow.

Delighting Guests with Quality Service

The quality service at our MOKL Hotel underpins everything that we do, and we are committed to exceeding guests' expectations on a daily basis. Our hotel focuses on providing personalised service to every guest every day, and on the sincerity of the people who deliver it. We encourage colleagues to know our guests, to anticipate what they want, in order to provide them with the best experience throughout their stay at MOKL Hotel.

RELIABLE PARTNER

During the year, the hotel completed the first phase of guestroom renovations transforming the 157 Club Rooms and Suites and a further 116 rooms of the Deluxe Rooms and Park Suites to meet guests' expectations for a luxury hotel experience. MOKL Hotel stepped up its service quality and innovative signature offerings across all its food and beverage outlets and growing its banqueting business by leveraging on the renovated ballrooms and function rooms facilities. Complimentary high speed internet access at MOKL Hotel has also been enhanced to offer guests a mobile and safe digital experience with multi-device availability throughout the hotel, making it easy for guests to access and use the technologies. These new enhancements will keep the hotel's guests and patrons engaged as the hotel improves its offerings.

Feedback from our guests is also vital to our success. MOKL Hotel conducts an annual customer satisfaction and loyalty survey with the help of a third-party organisation that sends an online questionnaire following a guest's stay. In 2017, our hotel received approximately 2,800 guest satisfaction surveys with an overall satisfaction rate of 85%. MOKL Hotel's overall satisfaction ratings indicate a consistently high level of guest satisfaction and loyalty to the brand.



SUSTAINABILITY PERFORMANCE DATA

ECONOMIC IMPACT

	2017	2016	2015	2014
Distribution per Stapled Security (sen)	36.15	35.65	34.65	33.64
Property Value (RM'mil)	15,667.5	15,454.0	15,166.7	14,496.2
Fair Value Gain (RM'mil)	182.5	171.1	578.8	386.1
Infrastructure Maintenance (RM'mil)	1,799.0	1,238.0	-	-

ENVIRONMENTAL IMPACT

Energy Used (kWh)				
Office & Car Park	82,900,000	95,426,000	99,656,000	100,209,000
Retail	14,851,000	15,791,000	15,412,000	13,641,000
Hotel	14,141,000	13,541,000	13,830,000	14,678,000
Total Energy Used	111,892,000	124,758,000	128,898,000	128,528,000

GHG Emissions (mt CO _{2-e})				
Scope 1				
Office	9.63	5.47	5.47	8.32
Retail	1,573	1,540	1,540	1,537
Hotel	1,913	1,925	1,946	1,892
Total Scope 1 Emissions	3,496	3,471	3,491	3,437

Scope 2				
Office & Car Park	87,078	90,214	90,138	90,699
Retail	27,462	33,103	32,819	21,422
Hotel	18,003	17,511	17,330	17,924
Total Scope 2 Emissions	132,543	140,828	140,287	130,045

Energy Generated from Solar (kWh)				
Retail	510,000	553,093	591,216	551,162

Water Used (m ³)				
Office & Car Park	591,444	646,355	681,605	754,269
Retail	569,490	607,715	627,125	-
Hotel	169,103	181,678	191,796	211,715
Total Water Used	1,330,037	1,435,748	1,500,526	965,984

Waste Management				
Hazardous Waste Generated (metric tonnes)				
Office & Car Park	9.133	2.173	4.640	3.975
Retail	0.920	-	-	-
Hotel	0.746	0.903	0.903	0.901

SUSTAINABILITY PERFORMANCE DATA

Waste Management	2017	2016	2015	2014
Hazardous Waste Disposed (metric tonnes)				
Office & Car Park	10.284	1.750	4.122	1.920
Retail	0.920	-	-	-
Hotel	0.970	0.903	0.903	0.901
Waste Intensity (kg per room)				
Hotel	3.80	4.70	4.08	3.52
Waste Diversion (%)				
Hotel	23.13	22.39	17.06	14.16

SOCIAL IMPACT

Our Workforce				
Workforce by age group				
Below 30	358	337	349	374
30 - 39	363	353	376	418
40 - 49	280	266	271	264
50 - 59	131	126	113	111
60 above	7	6	5	3
Total workforce	1,139	1,088	1,114	1,170
Workforce by gender				
Male	700	684	692	721
Female	439	404	422	449
Employee Position & Gender Profile				
Top Management : Male	20	27	7	10
Female	6	18	4	6
Senior Management : Male	151	151	93	126
Female	115	124	78	100
Other Levels : Male	529	506	592	585
Female	318	262	340	343
Workforce by ethnicity				
Malay	797	750	794	795
Chinese	185	182	191	222
Indian	86	81	88	89
Others	71	75	41	64
Health & Safety				
Number of fatalities	0	0	0	0
Loss Time Injury (LTI) Incidents	9	4	8	2
Loss Time Injury Frequency (LTIF)	1.19	0.46	0.23	0.14
Loss of Primary Containment (LOPC)	0	0	0	0

SUSTAINABILITY PERFORMANCE DATA

SUSTAINABILITY BENCHMARKS AND CERTIFICATIONS

Sustainability benchmarks	2017	2016	2015	2014
FTSE4Good Bursa Malaysia Index	Constituent since 2015			
FTSE4Good Emerging Index	Constituent since 2016			

Sustainability certifications				
KLCC Urusharta Sdn Bhd				
National Occupational Health and Safety Excellence Award 2014				Achieved in 2014
ISO 9001:2015 (Quality Management System)	Achieved since 2014 (latest recertification in 2017)			
ISO 14001:2015 (Environmental Management System)	Achieved since 2014 (latest recertification in 2017)			
OHSAS 18001:2007 (Occupational Health and Safety Management System)	Achieved since 2014 (latest recertification in 2017)			
Mandarin Oriental, Kuala Lumpur				
ISO 14001:2004 (Environmental Management System)	Achieved since 2003 (latest recertification in 2015)			
ISO 22000:2005 (Food Safety Management Systems)	Achieved since 2008 (latest recertification in 2015)			
OHSAS 18001:2007 (Occupational Health and Safety Management Systems)	Achieved since 2003 (latest recertification in 2015)			
KLCC Parking Management				
ISO 9001:2015 (Quality Management System)	Achieved in 2016			
ISO 14001:2015 (Environmental Management System)	Achieved in 2016			
OHSAS 18001:2007 (Occupational Health and Safety Management System)	Achieved in 2016			
MOSHPA OSH Excellence Award - Platinum - Gold	2017	Awarded in 2015 & 2016		

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