

KLCC PROPERTY HOLDINGS BERHAD
(Company No. 641576-U)

BOARD CHARTER

1. INTRODUCTION

The Board of Directors (the “Board”) of KLCC Property Holdings Berhad (the “Company”) regard corporate governance as important principles and practices to be upheld, and it will continuously strive to ensure that good corporate governance is implemented and carried out by the Company and its subsidiaries (the “Group”), with the ultimate objective of adopting good governance practices as an integral part of its business culture. The Company will publish its Board Charter and all other relevant documents as required by the Malaysian Code on Corporate Governance (“MCCG”).

2. OBJECTIVES

The Board Charter shows that the Board remains fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the practice of good corporate governance that will safeguard and enhance shareholders’ investment and value and at the same time protect the interests of its stakeholders.

3. THE BOARD

3.1 Overview

The Board shall actively strive and be collectively responsible to promote the success of the Group by directing and supervising its business and affairs.

In addition to fulfilling its commitment for increased shareholder value, the Board shall endeavour to uphold the interests of the Group’s customers, employees, suppliers and to the communities where it operates. The Board has a formal schedule of matters reserved to itself for decisions, including the overall Group strategy and direction as well as significant financial matters. There is a clear division of responsibilities between the Chairman, Chief Executive Officer and Non-Executive Directors.

The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, and other regulatory guidelines and requirements that are in force.

3.2 Roles and Responsibilities

Having regard to its commitments, the Board is expected to direct and supervise the management of its business by fulfilling the following responsibilities: -

1. Ensure that the Group's goals are clearly established;
2. Review and approve strategies, business plans and significant policies and to monitor its implementation and performance thereof;
3. Observe its legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
4. Ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;
5. Evaluate whether the business is being properly managed, ensure the solvency of the Group and its ability to meet contractual obligations, and safeguard the Group's assets;
6. Ensure that the Group has appropriate business risk management process including adequate control environment, systems for compliance with applicable laws and regulations, and controls in areas of significant financial and business risks;
7. Establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various Board Committees and acting on their reports;
8. Ensure that the statutory accounts of the Company and Group are fairly stated and otherwise conform to the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
9. Ensure that there is an appropriate succession plan for members of the Board and senior management;
10. Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of its business, and Directors are required to comply with the Directors' Code of Conduct; and

11. Ensure that there is an appropriate investor relations and communications policy.

Directors should consult the Company Secretary and / or the Chairman, as required, for any clarifications on their responsibilities and duties and any dealings from which potential conflict of interest situation may arise.

3.3 Role of the Chairman and Chief Executive Officer

To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities between the Chairman and the Chief Executive Officer.

(a) Position of Chairman

The Chairman of the Board shall be a non-executive director who does not involve in the day-to-day management and operations of the Group. Chairman is primarily responsible for the orderly conduct and function of the Board and ensures its effectiveness in all aspects of its roles.

The Chairman of the Board shall also act as Chairman at general meetings. The role of the Chairman is provided in **Appendix A**.

(b) Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day running of the Group's business, implementation of Board's policies and making operational decisions. He is assisted in the management of the Group's business by the Management. The role of the Chief Executive Officer is provided in **Appendix B**.

3.4 Role of Non-Executive Directors

The Board comprises Non-Executive Directors (which includes Independent Directors) that provides considerable depth of knowledge gained from experiences across diverse public and private companies.

The Independent Directors shall provide independent judgment and objectivity without being subordinated to operational considerations. The Independent Directors help to uphold the interests of all shareholders and not only the interests of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The views and opinions of the Independent Directors shall carry significant weight in the Board's decision-making process.

The Board in fostering greater objectivity in the boardroom, is committed to maintain a majority of Independent Directors as its members.

3.5 Role of Senior Independent Non-Executive Director

The Board appoints a Senior Independent Non-Executive Director amongst the Independent Non-Executive Directors, to whom concerns may be conveyed when normal channel of communication is considered to be inappropriate or inadequate. The Senior Independent Non-Executive Director shall be the chair of the Nomination and Remuneration Committee.

The Senior Independent Non-Executive Director's roles are as follows:

- a) to act as a sounding board for the Chairman;
- b) to be the point of contact between the Independent Directors and Chairman on sensitive issues; and
- c) to be identified as a designated point of contact to whom shareholders' and other stakeholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

4. GUIDELINES FOR BOARD MEMBERSHIP

4.1 Attributes and Composition

The Board shall consist of individuals who possess diverse experiences, knowledge, qualifications, and expertise besides having high standards of professionalism and integrity. The size of the Board should facilitate the making of informed and sound decisions.

The Company's Constitution provides that the number of Directors shall not be less than five (5) nor (unless otherwise determined by the Company in general meetings) more than thirteen (13).

The Board through the Nomination and Remuneration Committee shall review the size and composition of the Board and Board Committees, which include the skill sets, experience and functional knowledge of its members, on a periodic basis to ensure an appropriate balance of skills, experience and diversity.

4.2 Board Appointment

New Board Members are to be appointed by appropriate recommendation of the Nomination and Remuneration Committee for the Board's consideration and decision of the full Board.

Newly appointed Directors are expected to declare their time commitment to the Board, and if they sit in other listed corporations as a Director then they are to consult with the Chairman of the Board.

The number of directorships in listed corporations held by any Board Member at any one time shall comply with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The Company Secretary shall be responsible in ensuring that all relevant procedures and compliances are fulfilled relating to the appointment of new Directors.

4.3 Tenure of Directorship

(a) Tenure of Independent Director

The Board has adopted a tenure limit for independent directors that should not exceed 9 years policy.

(b) Retirement by Rotation

All Directors shall be subject to retirement by rotation in accordance with the Listing Requirements and the Company's Constitution.

4.4 Diversity Policy

The Company's Board Diversity Policy aspires to ensure the mix and profiles of Board members of KLCCP, in terms of age, ethnicity and gender, provide the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management. With a truly diverse and inclusive board, the Board members will leverage differences in perspective, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender which will ensure that KLCCP retains its competitive advantage.

4.5 Remuneration Framework

The Board is guided by the Remuneration Framework for KLCC Property Holdings Berhad Non-Executive Directors which provide the Board with the remuneration principles and procedures applicable for its Non-Executive Directors.

4.6 Induction and Training for Board Members

The Board shall ensure compliance with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") mandatory accreditation programme for newly-appointed Directors and assess further training programme needs of the Directors on an on-going basis.

Appropriate induction programme for newly-appointed Directors shall be carried out as advised by the Company Secretary.

The Board shall adopt a continuous educational and training programme to update Board members on new developments in risks control, laws, regulations and other business and management-related subjects that may affect the Company's business and compliance requirements.

5. BOARD PROCESS AND SUPPLY OF INFORMATION

The Company shall provide all Directors with timely and quality information and in the form and manner appropriate for them to discharge their duties effectively. Where necessary, the Directors at the expense of the Company may consult with experts and professionals for advice.

5.1 Board Meetings

The Board shall meet at least once every quarter throughout the year. The Chairman, assisted by the Company Secretary and Chief Executive Officer, shall assess the type of information to be furnished at Board Meetings. At each scheduled meeting, a full and comprehensive Board Paper shall be circulated to all Board Members at least five (5) business days in advance to enable the Directors to make an informed decision.

In convening the Board Meetings, all procedures to meet the requirements of a valid Board Meeting shall follow the Company's Constitution, Listing Requirements, and other relevant regulatory guidelines and requirements that are in force. All proceedings in Board Meetings are minuted and signed by the Chairman of the meeting or Chairman of the next meeting, in accordance with the provisions of the Companies Act 2016. Minutes of the Board Meetings include a record of the decisions and resolutions of the Board Meetings and are properly maintained by the Company Secretary.

Upon conclusion of the board meetings, the minutes are circulated in a timely manner pursuant to the MCGG.

5.2 Codes of Conduct

The Board has adopted PETRONAS Code of Conduct and Business Ethics (“PETRONAS COBE”) that seeks to ensure that the Company’s and/or Groups’ Directors, employees and third parties which perform work or services for the Company and/or Group will act ethically and remain above board at all times, and that their individual behaviour is in line with PETRONAS’ Shared Values i.e. Loyalty, Professionalism, Integrity and Cohesiveness. PETRONAS COBE is available at PETRONAS’ corporate website.

The Directors shall have its own Code of Conduct as provided in **APPENDIX C**.

5.3 Board’s Access to External Independent Professional Advice

The Board is entitled to obtain external independent professional advice at the Company’s cost based on proper guidelines set up by the Board. An external independent advice shall exclude those of personal interests such as the Director’s personal disputes, where they do not affect the Board or Company as a whole.

5.4 Board Effectiveness Evaluation (BEE)

The Board entrusts the Nomination and Remuneration Committee with the responsibility to carry out the annual BEE. The Nomination and Remuneration Committee shall engage an external independent expert to conduct the BEE exercise periodically to facilitate an objective and candid board evaluation.

6. BOARD COMMITTEES

The Board shall establish the following Board Committees which are entrusted with specific responsibilities and operate within specific terms of reference primarily to assist the Board in the execution of its duties and responsibilities:

1. Audit Committee; and
2. Nomination and Remuneration Committee.

No Alternate Director can be appointed as a member of these Committees. All Board Committees shall be established in accordance with the Listing Requirements.

The Terms of Reference for Board Committees are available on the Company’s website at www.klcc.com.my.

7. COMPANY SECRETARY

The Board shall have at least one suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

8. FINANCIAL REPORTING & INTEGRITY

The Board aims to present a balanced and comprehensible assessment of the Group's financial position and prospects, and ensures that the financial statements are a reliable source of information for shareholders and other stakeholders.

8.1 Sound Risk Management Framework and Internal Control System

The Board ensures that there is an ongoing process for identifying and managing significant risks faced by the Group.

A risk management structure outlines the responsibilities of the Risk Management Unit established under the KLCC Group Enterprise Risk Management Governance Framework ("ERM"). The ERM Governance Framework serves to inform and provide the foundation to Directors, senior management, line management, executives and non-executives in identifying, evaluating and developing processes and systems for managing risks within the Group. In implementing the ERM, the Group shall be guided by PETRONAS Risk Governance Framework.

The Management has carried out a risk assessment review on the Company's and Group's operations, which covers all aspects of its business activities. The risk profiles including its tolerance level thereof, and risk registers are shared by the Management with the Audit Committee. The Chairman of the Audit Committee reports the significant risks and controls issues to the Board for its consideration, as and when necessary.

8.2 Enhancement to System of Internal Control

The internal audit function provides assurance on the efficiency and effectiveness of the internal control systems. The adequacy and effectiveness of the internal control is assessed by adopting a systematic approach in reviewing the Group's business and operational control, risk management and governance process.

8.3 Internal Audit Function

The internal audit function is undertaken by the Group Internal Audit Division of KLCC (Holdings) Sdn. Bhd. It adopts a risk-based approach and prepares its audit strategy and plans based on the updated risk profile of the Company.

Its objectives are to independently review the system of internal control as established by the Management, the adequacy of such internal control system and make appropriate recommendations for improvement. The Management shall carry out internal audit according to the audit plan or as required, and findings from the internal audit shall be communicated to the Audit Committee for review and endorsement.

The Audit Committee considers the report from the internal audit function and the Management's responses before reporting and making recommendations to the Board to strengthen the risk management and internal control systems.

9. GENERAL MEETINGS

The Board shall take reasonable steps to encourage shareholders participation at general meetings by serving notices for meetings as required by law and regulation, and disclosing all relevant information so that they could vote accordingly. To facilitate greater shareholder participation, the Board may consider adopting electronic voting.

All Directors shall attend the Company's general meetings with the chairmen of board committees being present to facilitate discussion on matters such as audit, nomination and remuneration.

10. INVESTORS RELATION AND EFFECTIVE COMMUNICATION

The Board acknowledges the need for effective investor relation and communication with shareholders and to provide them with all relevant information affecting the Company; as such, it adopts an open and transparent policy. The Board shall also endeavor to ensure timely release of information to shareholders.

The Annual Report has comprehensive and timely information pertaining to the Group, while various disclosures on quarterly financial results that provide investors with up-to-date financial information can be found on the Company's corporate website.

11. RELATIONSHIP WITH OTHER STAKEHOLDERS

As a corporate citizen, the Board is cognizant of the need to formulate strategies that promote sustainability and stakeholders' interests through internal policies, which are, among others: -

11.1 Employees

Employees are invaluable assets of the Company and play a vital role in helping the Company achieve its vision and mission. The Board endeavors to provide a conducive working environment and adopts a comprehensive and documented policies and procedures regarding Occupational Safety and Health.

11.2 Social Responsibility

The Board acknowledges that the Company should play an important role in contributing towards the welfare of the community in which it operates, and shall continuously identify opportunities to support charitable causes and initiatives in community development projects.

11.3 Environment

The Board acknowledges the need to safeguard and minimize the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

12. APPLICATION OF THE CHARTER

In promoting good corporate governance, the Board Charter sets out the principles and guidelines that are to be applied by the Board and the Board Committees, as well as identifying their roles, responsibilities and functions in the Company and/or Group.

The Board and Board Committees of KLCC REIT Management Sdn Bhd (the Manager of KLCC REIT) shall be guided by the Board Charter.

The Board Charter shall be made public in the Company's corporate website.

Updated as at 11 November 2019

ROLE OF THE CHAIRMAN

The role and responsibilities of the Chairman include: -

1. Leading the Board in setting the values and ethical standards of the Company;
2. Chairing the Board Meetings and stimulating debates on issues and encouraging positive contributions from each Board Member;
3. Consulting with the Chief Executive Officer and Company Secretary in setting agenda for Board Meetings and ensuring that all relevant issues are on the agenda;
4. Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
5. Ensuring the provision of accurate, timely and clear information to Directors;
6. Ensuring effective communication with shareholders and relevant stakeholders;
7. Arranging evaluation of performance of Board Members, its Committees and individual Directors, including assessment of the independence of Independent Directors;
8. Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at Board Meetings.
9. Ensuring that, in determining policy-related matters, the following are carried out: -
 - All directors are properly briefed on issues arising at Board Meetings;
 - There is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations;
10. Allowing every Board Resolution to be voted on and ensuring the will of the majority prevails;
11. Casting his votes in accordance with the prescribed Constitution of the Company;
12. Together with the Chief Executive Officer, representing the Company and/or Group to external groups such as major shareholders, creditors, consumer groups, and other stakeholders;
13. Ensuring that all Board Members, upon taking up their office, are fully-briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of the Group; and
14. Acting as liaison between the Board and Management, and between the Board and the Chief Executive Officer.

ROLE OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has executive responsibilities for the day-to-day operations of the company's business and shall implement policies, strategies and decisions approved by the Board. He shall be accountable and responsible for the management functions of the Company and/or Group including conduct and discipline, and for its results and performance thereof.

The Board shall delegate through the Chief Executive Officer its authority in carrying out the Company's business policies and the Chief Executive Officer shall be supported by the Board Members in undertaking these responsibilities.

The role of the Chief Executive Officer can be summarised as follows: -

1. With Regard to the Board and Company: -

- to develop and recommend to the Board a long-term strategy and vision for the Company and/or Group that leads to the creation of long-term prosperity and shareholder value;
- to develop and recommend to the Board the operational plan and budget that support the Company's and/or Group's long-term strategy;
- to foster a corporate culture that promotes ethical practices, encourages individual integrity and the fulfillment of the Company's corporate social responsibilities;
- to maintain a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse work-force at all levels.

2. With regard to the Management and business operation: -

- to recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management;
- to ensure an effective management team below the level of the Chief Executive Officer and to develop an active succession plan;
- to formulate and oversee implementation of major corporate policies;
- to be accountable to the Board for the financial management and reporting, including forecasts and budgets of the Company and/or Group;
- to make reports to the Board periodically on its financial positions, key performance indicators, market conditions and business development from time to time;
- to ensure continuous improvement in quality and value of the Company's products and services;
- to serve as spokesperson for the Group; and
- to refer to Board Committees on matters as requested from time to time.

CODE OF CONDUCT FOR DIRECTORS

1. To uphold the best interest of the Company and/or Group and its stakeholders;
2. To act with integrity, professionalism and in good faith;
3. To meet regularly with the Chief Executive Officer to continuously establish and approve policies;
4. To assess, question and challenge the policies and procedures with the intent to identify and initiate management action on issues;
5. To keep the Board discussions and deliberations confidential;
6. To observe its fiduciary duties to the Company and/or Group by not making improper use of the information gained and take improper advantage of his position as a Director;
7. To avoid any potential conflict of interests arising from related party transactions, potential misuse of corporate assets, and privileged information;
8. Not to be in competition with the Company;
9. To declare any potential conflict of interest;
10. To maintain sufficient detailed knowledge of the Company's and/or Group's business and performance and make informed business decisions;
11. Newly appointed Directors are expected to declare their time commitment to the Board, and if they sit in other listed corporations as a Director then to consult with the Chairman of the Board.