COMMITMENT TO SUSTAINABILITY

SUSTAINABILITY REPORT 2019

CORPORATE GOVERNANCE

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

WHY IT MATTERS TO US

• Our reputation and Shareholders’ trust and confidence in us is imperative to our future growth and attainment of long-term goals
• Building a culture of trust and accountability sets an organisation up for success
• Increased agility for our organisation to deliver on its purpose and goals

VALUES WE CREATE

• Integrity and ethical practices amongst management, employees, business partners and stakeholders
• Sustainable financial performance delivering long-term values and returns to our holders of Stapled Securities
• Accountability on control systems which commensurate with the risks involved

OUR APPROACH

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

FOCUS FOR THE YEAR

• Heighten awareness and instill integrity culture among employees
• Rolling out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest
• Review of the Risk Appetite to ensure the financial and non-financial risk exposure and type of risk to be pursued or retained in achieving its strategic objectives are properly defined

With Malaysia moving in the right direction with institutional reforms forming the bedrock of the country’s governance resilience, KLCCP Stapled Group believes in good governance practices as a critical benchmark in determining its success and management stability. Whilst rules and regulations are important in improving integrity, our Boards are also there to set the right tone from the top.

SUPPORTING THE UNSDGs

MATERIAL MATTERS

1 Corporate Governance and Business Ethics
2 Risk and Crisis Management

RELATED PRINCIPAL RISKS

1 Market
2 Finance
3 Asset Management
4 Security

Institutionalising integrity in our people and promoting high standards of leadership governance continued to be our priorities.

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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND BUSINESS ETHICS

KLCCP Stapled Group implement good corporate governance that promotes openness and transparency in all aspects of our business, addressing the risk of corruption and bribery, misconduct and conflict of interests. Our commitment in combatting corruption was recognised when KLCCP Stapled Group was ranked Second in the Malaysian Institute of Corporate Governance's (MIGC) assessment of top 100 Public Listed Companies. This milestone achievement is a testament of our commitment in combatting corruption through strategic approaches such as conducting bribery risk assessments, implementing the recommended controls, training and communication on the Group’s policies and procedures and establishing an effective monitoring and reporting system.

To further embed the culture of integrity among employees, new hires underwent training on CoBe and on the Anti-Bribery and Corruption. The CoBe and the ABC guidelines were also extended to our business partners, contractors as well as all third parties who have dealings with us or are representing us in business transactions.

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RISK AND CRISIS 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 us to achieve our 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 Committee, (“ACs”), and the Management represented and risk operations and system.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on three key areas comprising Enterprise Risk Management, Crisis Management and Business Continuity Management.

INITIATIVES FOR THE YEAR

Corporate Governance

• Terms of Reference (TOR) of the respective NRCs were reviewed and endorsed by the NRCs, and subsequently approved by the Boards. This implementation is in line with the MCCG best practices, specific requirements of the MMLR, and the Companies Act 2016

• KLCCP and KLCCRM adopted the policy to limit the tenure of Independent Non-Executive Directors up to nine years as recommended by the MCCG

Business Ethics and Transparency

• Four awareness and refresher programme was conducted:
  - Continuation of the awareness and refresher programme on the company’s CoBe which also covered topics on anti-bribery and corruption. Held in March, May, August and September for all employees of the Group. Awareness on the Personal Data Protection Act (PDPA) was also conducted in conjunction with the CoBe programme
  - Rolled out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest as prescribed in the CoBe and ABC manual in areas such as accepting of gifts, having relatives within the PETRONAS Group or subsidiaries, taking up other employment or gainful activity, etc. During the year, 95% of total employees submitted the Declaration of Conflict of Interest

Anti-bribery and corruption

• The Boards of KLCCP executed the Integrity Pledge in combating bribery and corruption also approved for the Group to work towards attaining the ISO 37001: 2016 certification on Anti-Bribery Management System

Audit Committee and External Auditor

• KLCCP and KLCCRM adopted their respective Framework on External Auditors to establish a formal policy and procedure for the respective ACs to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of MCCG

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ABILITY

Enterprise Risk Management

• Reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Group Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold are reviewed and presented to the Risk Management Committee, Audit Committee and the KLCC Property Holdings Berhad and KLCC REIT Management Sdn Bhd Boards

Crisis Management

• KLCCP Stapled Group conducted fire drill and evacuation exercises for tenants at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara Maxis and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan

• Briefing on Fire and Life Safety program, table top exercise, Emergency Response Plan (ERP) Awareness were conducted to promote awareness of the danger of fire hazards, guidance on effective operation of the fire extinguishers and carried emergency evacuation procedures within the workplace

Business Continuity Management

• A Call Tree Verification exercise was conducted to ensure phone numbers and contact lists of relevant personnel and stakeholders are correct and preparedness of the critical business function staff during crisis

Risk Assessment in Decision Making (RADM)

• A structured process for risk assessment as part of decision making. This risk assessment process is to be carried out prior to any decision point to assist decision makers in making informed decision taking into consideration calculated risk

• to provide a balanced view for informed decision making through richer risk conversation and considerations of risk reward trade off

• Risk assessment is carried out prior any decision point using the risk assessment guideline which is aligned to ISO 31000

• Three phases in conducting risk assessment include the planning, assessment, monitoring and review

To read more, refer to our Statement on Risk Management and Internal Control on pages 180 to 191 of the KLCCP Stapled Group Integrated Annual Report 2019 at www.klcc.com.my/investor-relations/annual_report.html

Integrity Action Plan

KLCCP Stapled Group’s continuous effort in managing integrity risk within the organisation reflects our commitment to conduct business with high integrity and in support of the Group’s zero tolerance against all forms of bribery and corruption.

INITIATIVES FOR THE YEAR

Risk Category

Bribery

To mitigate poor enforcement

• Conducted background screening on new recruits and employees on need basis

• Conducted CoBe upskilling and Whistleblowing Policy awareness programme for all employees in September

• Brieﬁng on CoBe was conducted for vendors and contractors during tender processes

Non-Compliance

• To mitigate weak internal control

• Inclusion of owner’s representative in the Variation Order (VO) Committee for all projects

• Briefing on CoBe was conducted for vendors and contractors during tender processes

• Conducted background screening on new recruits and employees on need basis

• Conducted CoBe upskilling and Whistleblowing Policy awareness programme for all employees in September

• Brieﬁng on CoBe was conducted for vendors and contractors during tender processes

• Vendor Relationship Management (VRM) to review the process and identify the technology to be used in the establishment of in-house corporate cost database

• Conducted background screening on new recruits and employees on need basis

• Conducted CoBe upskilling and Whistleblowing Policy awareness programme for all employees in September

• Brieﬁng on CoBe was conducted for vendors and contractors during tender processes

Abuse of Power

• To mitigate acceptance culture

• Declaration of Assets was rolled out to new employees

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