

PEACE

EMBODYING GOOD GOVERNANCE

At the core of everything we do, and the way that we do it, lies our commitment to the highest standards of governance excellence. It is not enough for us to deliver world class assets; we must do so while upholding standards of integrity and ensuring risks are managed at acceptable levels.

OUR ALIGNMENT TO THE UNSDGs



MATERIAL SUSTAINABLE MATTERS

- Corporate Governance and Business Ethics
- Risk and Crisis Management

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

- Market
- Finance
- Asset Management
- Security



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FOCUS FOR THE YEAR

- ▶ Establishment of the Board Risk Committee to provide oversight on Risk Management, ESG compliance and sustainability matters
- ▶ Reconstitution of Boards composition to strongly reflect the strategic priorities of the business
- ▶ Communication and upskilling on Anti-Bribery Management System (ABMS)

OUR APPROACH

We have a strong corporate governance framework, reflecting our commitment to safeguarding the interests of our stakeholders. The corporate governance framework comprise the governing bodies, the corporate governance policies and procedures that define the competencies of the governing bodies and other corporate governance rules, in line with regulations and best practice standards.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust.

We have a strong culture of entrenched values, which form the cornerstone of our behaviour towards stakeholders and against which we measure practices and activities to

assess the characteristics of good governance. Directors and employees are required to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour that promotes trust.

This commitment to good corporate governance is reflected in the CoBE, our foundation in fulfilling our business obligations with utmost integrity and transparency. Our culture of openness, transparency and accountability are strengthened with the adoption of the No Gift Policy and Whistle Blowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC manual).

In managing the risk, the Group has a robust KLCC Resiliency Model which provides an integrated view on our overall strategy in managing risks.

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CORPORATE GOVERNANCE AND BUSINESS ETHICS

Corporate Governance and Compliance

At the highest governance level, the Boards has the ultimate responsibility to monitor that the Group is operating as a responsible organisation. This includes considerations around climate-related risks and opportunities when reviewing the group's strategy.

Principal and emerging risks are identified through robust assessments by the Boards and its various sub-committees. The Boards recognise that a balanced board is vital for sustainable value creation and that competency skills are adequately represented within the Board Committees. The Boards composition is both qualitatively and quantitatively balanced in terms of skills, gender, experience, tenure and independence. The Boards regularly review its own effectiveness and undertakes a formal evaluation of its performance and that of its committees and individual directors once in three years.



Establishment of the Board Risk Committee (BRC) on 9 December 2021 to provide direction, guidance, and oversight on:

- ▶ Risk Management
- ▶ Environmental, Social and Governance (ESG), compliance and sustainability matters



**Dato' Jamaludin
bin Osman**
Chairman



**Farina binti
Farikhullah Khan**
Member



**Datin Noor Lily
Zuriati binti Abdullah**
Member

Duties and functions of the BRC

- Good governance practices consistent with the Board's risk appetite, guided by applicable laws and regulations
- Adequacy and effectiveness of KLCC Property Holdings Berhad (KLCCP) compliance and ethics programme as framework for enhancement and monitoring of good business ethics and conduct of employees and other stakeholders, including the Code of Conduct and Business Ethics (CoBE), Anti-Bribery and Corruption Policy and Guidelines (ABC Manual), No Gift Policy and ongoing awareness programmes, communication, training and education on compliance
- Determination of KLCCP's sustainability strategy and governance structure in alignment with the KLCCP's business strategy; and
- Any other matters related to Environmental, Social & Governance (ESG), compliance and sustainability as defined by the Board or Board Committees

Reconstitution of Boards composition to strongly reflect the strategic priorities of the business

- 1** Chairman/Non-Independent Non-Executive Director
- 1** Executive Director
- 6** Independent Non-Executive Directors
- 1** Non-Independent Non-Executive Directors

56%
Women Directors on Boards

67%
Independent Non-Executive Directors on Boards

Stakeholder Management

Our Board is committed to continuous improvement in our corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and through seeking regular feedback from other stakeholders.

We establish and maintain proactive dialogue with all our stakeholders and recognise that stakeholder needs are dynamic and that we need to be responsive to the evolving stakeholder landscape. We manage our stakeholders’ needs and expectations by taking into consideration their viewpoints towards more tangible business value creation.

Our Stakeholder Management Framework, as set out on pages 16 to 17 of this report demonstrate how we engage and create values for our diverse group of stakeholders. Communication with stakeholders is imperative in understanding and managing their expectations and providing new perspectives in generating a positive impact to the organisation.

Business Ethics, Integrity and Corruption Management

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.



ISO 37001:2016 Anti-Bribery Management Systems

KLCCP Stapled Group adopts a zero-tolerance towards bribery and corruption by our Board of Directors, management, employees and vendors and we are committed to acting professionally with integrity in our business.

The Group has the responsibility to ensure that the anti-bribery management system, policies and practices are understood by all group levels and communicated through the various internal communication channels and training sessions. During the year, we reinforced our zero tolerance to bribery and corruption commitment and continued to upskill our people through relevant trainings. We underwent a Surveillance Audit by SIRIM QAS International Sdn Bhd to evaluate on our continued compliance of the Group’s management system to the required standards. We will undergo a recertification audit in 2023.

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Cybersecurity and Data Privacy

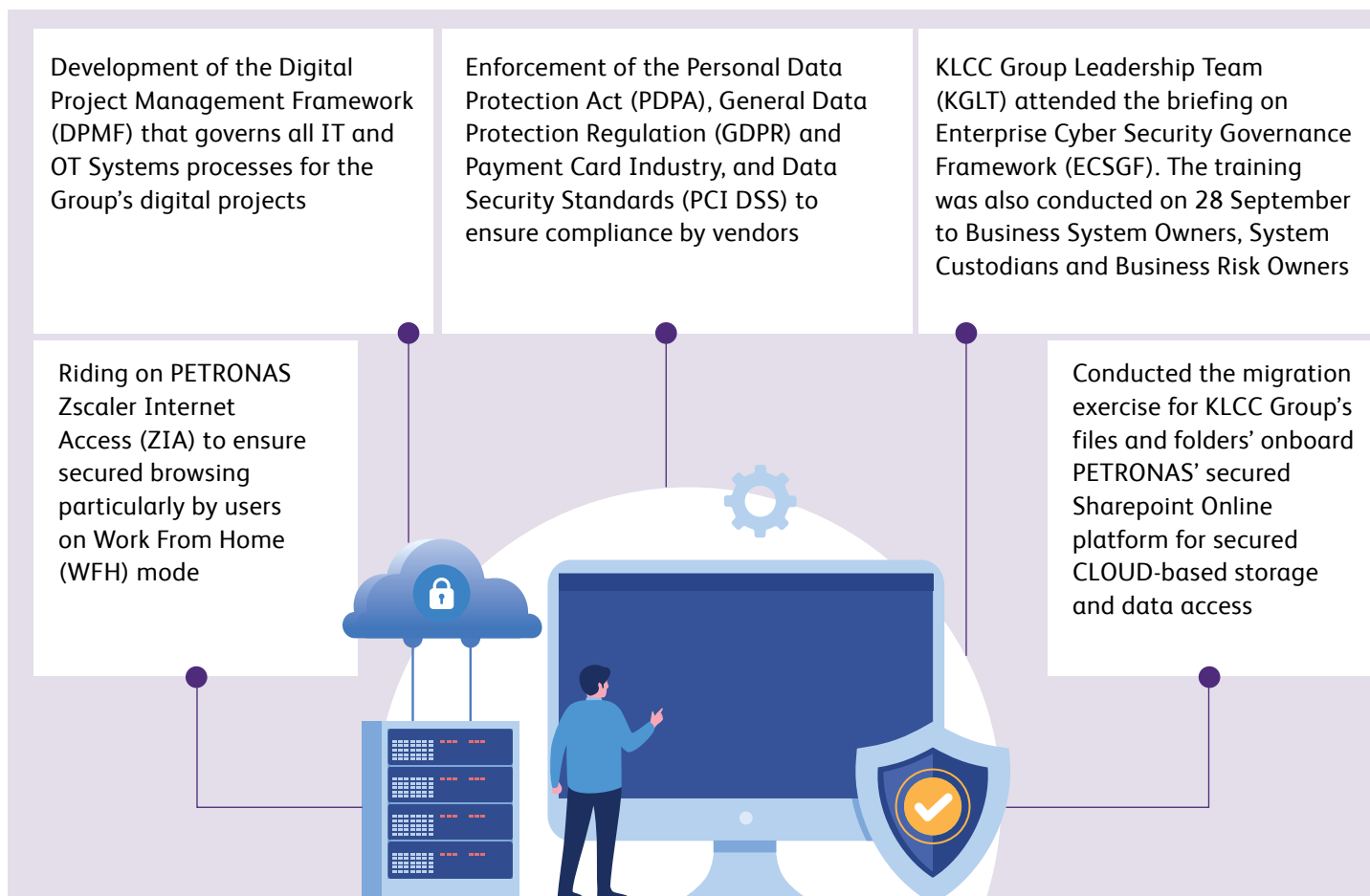
Safeguarding the data within our stewardship throughout its lifecycle and ensuring ongoing compliance with data protection regulations globally remains a key priority for the Group. At KLCCP Stapled Group, our IT infrastructure is fully supported by Group Digital, PETRONAS. Through the cybersecurity alerts and other initiatives, we continue to educate and create awareness among employees on cyber threats.

As our employees are the first line of defence in keeping the organisation secure, it is important for them to understand the threats and be equipped with the necessary cybersecurity knowledge. We continue to create greater awareness and compliance on cybersecurity, via awareness training programmes on cybersecurity. In dealing with external parties, we make transparent the Data Privacy Policy, requiring strict adherence to prevent unauthorised usage of data. We have in place a series of controls to provide further protection assurance, including robust validation of system access and obligations on external parties who may have the data access.

The KLCC Group ICT cybersecurity is responsible to govern and manage cybersecurity of the KLCC Group which encompasses ownership, responsibility, and accountability for assessing, controlling and mitigating risks. The team works very closely with PETRONAS Digital and leveraging on PETRONAS cybersecurity expertise and guidance to manage, monitor and mitigate all matters or issues pertaining to cybersecurity.

Our cybersecurity efforts are guided by PETRONAS Enterprise Cyber Security Governance Framework, which aims to protect our systems and data from malicious attacks. The PETRONAS Cyber Security Governance oversees the Enterprise Cyber Security Governance Framework, which defines the guidelines, standards, boundaries and procedures required to ensure our cybersecurity risks are effectively managed and mitigated. In 2020, we developed The Cyber Security Action Plan in our effort to mitigate cybersecurity crime and to strengthen the existing system and procedures to address the root causes of cybersecurity issues resulting from poor enforcement, weak internal control and acceptance culture.

INITIATIVES FOR THE YEAR



RISK AND CRISIS MANAGEMENT

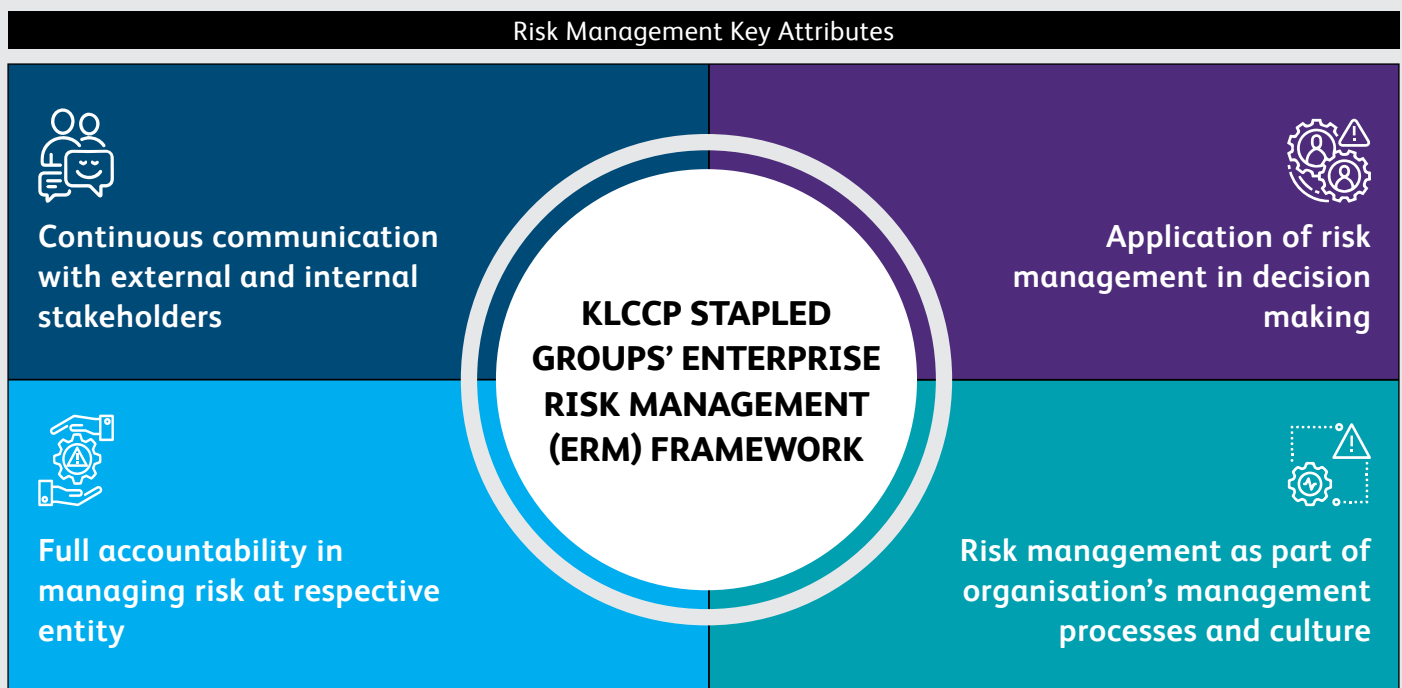
Risk management is an integral part of KLCCP Stapled Group’s business at both strategic and operational levels. An effective and sound risk management system is important for KLCCP Stapled Group to achieve its business strategies and objectives. KLCCP Stapled Group has an established KLCC Group Enterprise 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 Committee, (“ACs”), and the Management represented by Risk Management Committee (“RMC”) and Top Management. 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 the KLCC Resiliency Model to provide an integrated view on the overall strategy for managing risk focusing on the three key areas.



Enterprise Risk Management

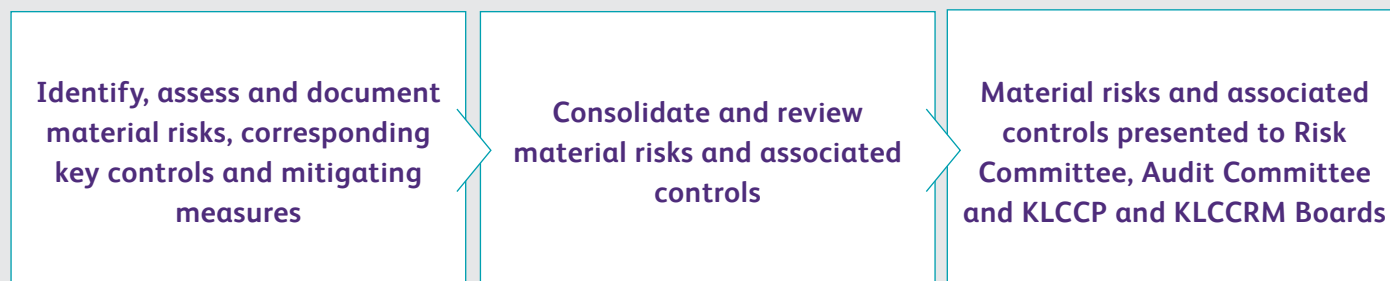
KLCCP Stapled Groups’ Enterprise Risk Management (ERM) Framework is a structured and holistic approach to identify, assess, treat and monitor risk aimed to reduce the likelihood and impact of all identified risks to enhance ability to achieve strategic objectives. It sets out the six key elements comprising 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.



Risk assessment is carried using the risk assessment guideline aligned to ISO31000. to provide a balanced view for informed decision making through richer risk conversations and considerations of risk reward trade-off.

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ANNUAL GROUP-WIDE RISK PROFILING EXERCISE



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 ISO31000. The INTERISK system drives active risk conversation/analysis monitoring through a dashboard, reinforces effective risk governance and assurance practices and provides a seamless flow of information and processes along the risk management value chain.

Crisis Management

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

Our Crisis Management Plan (CMP) is in place to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely. The CMP addressed the following credible scenario in the area of HSE; Finance; Human Resources; ICT; Facility Management; Legal & Regulatory in managing crisis.

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

Business Continuity Management

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

The review of BCP involves a business impact analysis (BIA) to ensure the critical business functions are identified, assessment of the impact of unavailability of the functions over time, setting prioritised timeframes for resuming these functions and specifying Minimum Resources Requirements (e.g. as people, equipment, assets, facilities, technology, vital record, interdependencies) to be allocated to recover and resume these functions following prolonged business disruption.

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

The testing and exercising for Call Tree Verification exercise is conducted twice a year to ensure effectiveness of communication to Critical Business Function (CBF) staff upon activation of BCP. From these exercises, the CBF staff are contactable and responded accordingly.

Integrated Assurance to Management

The MyAssurance system provides overall reasonable level of confidence to KLCCP Stapled Group management that risks and controls are being adequately, effectively and safely managed to safeguard the Group.

It provides integrated assurance to management based on real time monitoring for transparency and timely reporting. The system covers three lines of assurance that helps to strengthen the line of sight for assurance reporting and oversight with clear roles & responsibilities for better empowerment and self-assurance.

INITIATIVES FOR THE YEAR

<p>Review of Risk Appetite</p>	<ul style="list-style-type: none"> Reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statement in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined The risk appetite statement, risk tolerances and risk threshold were reviewed and presented to the Risk Management Committee, Audit Committee, KLCC Property Holdings Berhad and KLCC REIT Management Sdn Bhd Boards <div data-bbox="343 925 1478 1578" data-label="Diagram"> <p>STRATEGIC Measures the degree of variability in investment returns and capital efficiency that the Company is willing to take in ensuring achievement of business objectives</p> <p>OPERATIONAL Measures the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events which affects the achievement of Company's business objectives</p> <p>REPUTATIONAL Measures the risk of failure to meet stakeholder expectations as a result of any event, behavior, action or inaction of the Company that may form negative view towards the Company by stakeholders</p> <p>FINANCIAL Measures capital, profitability and liquidity position in pursuing the Company's business objectives</p> <p>LEGAL AND REGULATORY COMPLIANCE Measures the risk of non-compliance with prevailing laws and regulations governing the business</p> <p>Five Main Areas of Risk Appetite</p> </div>
<p>Group-wide Risk Profiling Exercise</p>	<ul style="list-style-type: none"> Group Risk Management Department facilitates and coordinates the Group-wide Risk Profiling exercise to review, assess and update the principal risks to safeguard KLCCP Stapled Group's investment and key business activities and to ensure the risk exposures are relevant and up to date taking into account emerging risks
<p>Briefing on Fire and Life Safety</p>	<ul style="list-style-type: none"> Conducted briefing on Fire and Life Safety program for floor safety managers and tenants, testing and exercising via walk through sessions with all risk owners to review tier 1 (Response is within the control and capability of the Emergency Response Team) emergency/crisis management plan for all the identified credible scenarios From these exercises, risk owners are aware of their roles and response preparedness in the event of emergency/crisis. These exercises are to ensure the readiness and effectiveness of the communication process and the recovery action plan in responding to the crisis