

# CEO'S YEAR IN REVIEW

## Q WITH THE CHIEF EXECUTIVE OFFICER

### A

**Datuk Hashim Wahir answers questions on KLCCP Stapled Group's performance for the year, the initiatives during the year, the realignment of the business and longer-term challenges and focus**

#### HOW DID KLCCP STAPLED GROUP PERFORM THIS YEAR GIVEN THE CONTEXT OF THE OPERATING ENVIRONMENT AND MARKET LANDSCAPE? WHAT WERE THE KEY DRIVERS?

2019 was a year marked by uncertainties, volatility and challenges in the market – market volatility muting overall sector growth, incoming supply of office, retail and hotels outstripping demand, rapidly evolving consumer preferences coupled with the wave of the digital revolution reshaping markets and societies. The silver lining was the easing interest rate environment which came as a reprieve for the REIT sector, amplifying its attractiveness as a defensive play.

Our performance was anchored by the stable office segment and improved performance in the retail and hotel segments, which contributed to the overall top-line growth of 1.2% whilst Profit Before Tax (PBT) excluding fair value gain saw a RM8.3 million increase. KLCCP Stapled Group delivered sustained value despite the headwinds in the market. Testament to our commitment in delivering value to our holders of Stapled Securities, we distributed a distribution per Stapled Security of 38.00 sen, an increase of 2.7% from the prior year. This achievement demonstrates our track record of delivering consistent distribution growth, resulting in a 4.6% compounded annual growth rate since FY2013.



*We strongly believe our numbers are due to the efforts and trust of the KLCC team and our customers. To read more about the results of the Group, refer to Financial Review in the Management Discussion and Analysis on pages 88 to 91*

**DURING THE YEAR, WE SOLIDIFIED OUR STRATEGIES AND CONTINUED TO FOCUS ON OUR EXISTING ASSETS AND IN FUTURE-PROOFING OUR POSITION TO BECOME THE SOLUTIONS PARTNER TO ALL OUR STAKEHOLDERS**

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**TODAY'S MARKET IS EVER MORE CHALLENGING TO NAVIGATE. HOW DO YOU ENSURE THE APPEAL OF KLCC AS "THE PLACE" EVOLVES TO MEET CUSTOMERS CHANGING BEHAVIOUR PATTERNS AND HOW IS KLCC RESPONDING TO THESE CHALLENGES?**

Aligned with this year's theme, it is our customers who continue to inspire us to create a progressive lifestyle experience within the KLCC Precinct. Thus, "Spaces Inspired for the People". During the year, we solidified our strategies and continued to focus on our existing assets

# DELIVERING VALUE AND GROWTH

Testament to our commitment in delivering value to our holders of Stapled Securities, we distributed a distribution per Stapled Security of 38.00 sen, an increase of 2.7% from the prior year. This achievement demonstrates our track record of delivering consistent distribution growth, resulting in a 4.6% compounded annual growth rate since FY2013.



2.7  
%

**DATUK HASHIM BIN WAHIR**  
Chief Executive Officer

and in future-proofing our position to become the solutions partner to all our stakeholders. This involved us strategising and collaborating with our strategic brand retailers and business alliance partners on solutions to embed resilience for the longer-term and create sustainable value, leveraging opportunities and technology.

At our offices, we progressed in supporting the evolving needs of our tenants in providing the right solution to create a renewed office experience through the PETRONAS' "Workplace for Tomorrow" – collaborative workspaces designed to encourage a new way of

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**THE RECONFIGURATION EXERCISE SPANNING A SPACE OF APPROXIMATELY 120,000 SQ. FT. OF NLA HAS BEEN EXCLUSIVELY FITTED OUT WITH APPROXIMATELY 80 SPECIALTY STORES INCLUDING FASHION, FOOD AND BEVERAGE AND COSMETICS.**

working, shifting from a linear mode to a more dynamic, digital one. Our facility management team worked together with our tenant to transform 151 floors across 2.5 mil sq. ft. of net lettable area (NLA) within our four office buildings into the office of tomorrow, which saw full completion as at 31 December 2019.

Our retail, Suria KLCC, following the lease expiration of one of its anchor tenant in March 2019, embarked on a strategic anchor-to-specialty reconfiguration exercise to broaden the retail offer and introduce a diverse mix of prominent local and international brands. The reconfiguration exercise spanning a space of approximately 120,000 sq. ft. of NLA has been exclusively fitted out with approximately 80 specialty stores including fashion, food and beverage and cosmetics. The first phase of the reconfigured space saw its opening on 24 January 2020 with the second phase expected to open in mid-2020.

The luxury men's precinct was successfully launched in April 2019, following the entry of the final two major brands during the year to fully complete the men's precinct. This men's precinct is touted to be the first of its kind in a shopping mall in the country and has seen increased foot traffic and double-digit sales growth in its tenant sales compared to the prior year since the launch. During the

year, the retail podium of Menara 3 PETRONAS also saw renewed vibrancy with 16,000 sq. ft. over two floors being taken up by an ultra-luxurious gym with state-of-the-art equipment, making it one of Malaysia's iconic wellness club.

Living up to its tagline of "Always Something New", Suria KLCC has continued to differentiate itself providing its customers quality and convenience alongside a diverse blend of experiences with 33 new tenants during the year. To-date the mall has a total of nine first-to-market stores in Malaysia, exclusive to Suria KLCC. Despite the cautious consumer sentiment during the year, Suria KLCC together with the retail podium of Menara 3 PETRONAS sustained and surpassed its Moving Annual Turnover – tenant sales, hitting the RM2.67 billion mark with customer footfall in excess of 48 million, retaining its position as the highest grossing sales per sq. ft. mall in the country.

With the full completion of the guestroom renovation in June 2018, Mandarin Oriental, Kuala Lumpur (MOKL Hotel) enthralled its guests with a refreshed product and together with the hotel's luxury spa, swimming pool and recreational facilities continued to receive a high satisfaction score of 92% from its guests. The robust growth in 'Fans of MO', MOKL Hotel's global guest recognition program, continued to boost



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the hotel's loyal guests following. In June 2019, the hotel completed the refurbishment of its Mandarin Grill restaurant. The newly renovated restaurant boasts a contemporary modern Italian grill concept, offering guests the best in dining experience.

Thus, by understanding our customers' needs, and the people and community who use our spaces every day, we can then be responsive to the trends that impact them by providing real estate services and solutions at each customer touchpoint. In doing so, we create a myriad of experiences to tantalise, engage and connect with our customers and community seamlessly. This enables our spaces to meet the evolving needs and aspirations and keep our customers coming back to the KLCC Precinct for more. As a forward-thinking organisation, we keep challenging ourselves to drive incremental value for the Group and our stakeholders and continue to evolve to stay relevant.



*We understand that trends are ever changing. To see how we respond to them, refer to Operations Review in the Management Discussion and Analysis on pages 92 to 107*

# ALWAYS SOMETHING NEW

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**33**  
New  
Tenants

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### **CULTURE COMMITMENT SETS THE TONE FOR DESIRED VALUES AND TRANSFORMATION OF AN ORGANISATION. HOW HAS THE GROUP EMBEDDED CULTURE AND ASSESSED THE ORGANISATIONAL CULTURE IN RESPONSE TO THE CHANGING BUSINESS NEEDS AND MARKET ENVIRONMENT?**

At KLCCP Stapled Group, we have a culture that values our people, offers mutual support, promotes trust, rewards employees' efforts, contributing to a unique social environment that gives meaning to employees' work. Our business culture transformation started way back in 2010 with the 1KLCC Agenda, which streamlined our objectives and aligned all business units through initiatives - inculcating the right mindset and behaviour, providing access to one common platform and institutionalising core business capabilities through structured capability development plans.

Making quality our pride, 5QPs, was another initiative in elevating the level of quality adoption within respective business units and divisions which ultimately heightened the quality spirit throughout the Group. This fortified KLCC's employees with the highest standard of quality practice and with the right quality mindset in propelling the Group in achieving its vision. We have also over the years, strengthened our HSE culture and capabilities through the strict adherence of our ZeTo Rules, achieving a "Proactive" culture in our aim towards a HSSE "Generative" culture.

In our focus to sustain competitive edge and elevate performance to the next level, the Group rolled out a cultural development programme for management and all employees in 2016, adopting the PETRONAS Cultural Beliefs (PCB) to instill a high performance culture in delivering results. We developed the KLCC Group desired culture and embraced the principles in inculcating a culture of accountability to drive result-oriented performance through focused execution, aimed at encouraging synergistic collaboration and shared success within the KLCC Group.



**AT KLCCP  
STAPLED GROUP, WE  
HAVE A CULTURE THAT  
VALUES OUR PEOPLE,  
OFFERS MUTUAL SUPPORT,  
PROMOTES TRUST,  
REWARDS EMPLOYEES'  
EFFORTS, CONTRIBUTING  
TO A UNIQUE SOCIAL  
ENVIRONMENT THAT  
GIVES MEANING TO  
EMPLOYEES'  
WORK**

We measure the progress on culture clarity and alignment across the KLCC Group via the PETRONAS Organisational Culture Survey which was rolled out to the KLCC Group in 2011. This survey is conducted every 2 years and is measured in respect to mission, consistency, involvement and adaptability. The Employee Engagement score has seen a huge improvement, from 70% in 2014 to 85% in 2018 reflecting employees' adoption and alignment to our Cultural Beliefs.

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This year, the Strategy team revamped our organisational survey, adopting the PETRONAS survey methodology (using a 4-point Likert scale) and also made improvements on the survey questions and simplified the layout after taking into consideration employee feedback from the roadshows conducted. This led to a high survey participation of 85% with a 62% satisfaction score.

In assessing the PCB values in our leaders, the Peer Review Survey demonstrated that our leaders walk the talk with a satisfaction score of 70%.

To-date, through the building blocks we have put in place, we are proud to have a culture that embodies high performance, integrity, HSE, innovation, rewards and recognition. It is this that shapes our people towards achieving performance excellence. Our people are the heart of our business, and we continue to invest in them, broadening and developing their skills and capabilities with the right skillsets to future-proof our talents in facing the ever-changing global landscape. We aim to always provide an ecosystem where personal growth and professional development thrives.

### HOW HAS KLCCP STAPLED GROUP CREATED VALUE THROUGH ITS SUSTAINABILITY INITIATIVES?

I believe that to create, capture and deliver value, we need to be future ready and be part of a sustainable society. Year-on-year, we have built upon our strength to demonstrate growth and how our responsible approach to business creates a powerful business model for the long-term. This year, with our journey towards Integrated Reporting, we reviewed our business model, re-identified our key resources and through our clear operational activities and business practices, we have delivered value across our business - through nation building, spurring social development, enhancing customer experiences, providing building-to building connectivity, being the catalyst for surrounding development and providing the balance between commercial, public space and greenery through sustainable development.

We are also proud that our sustainability efforts have been clearly recognised by the industry, with the numerous awards and recognition received during the year including, improving our ranking to within the top 11 percentile among our supersector peers in the FTSE4Good Index series.

With the conclusion of our 3-Year (2016-2018) Sustainability Roadmap, during the year, we established a 5-Year (2019-2023) Sustainability Roadmap going forward covering three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; Combating Climate Change and Reducing Environmental Impact. Aligned to our 5 chosen UNSDGs, we aim to monitor our progress year-on-year across the organisation against the targets we have set.



*We are always endeavouring to do more, delivering value beyond numbers. To know more on our initiatives, refer to Sustainability Statement on pages 114 to 149*

### COULD YOU SHARE WITH US THE GROUP'S DIGITALISATION JOURNEY THUS FAR AND THE SIGNIFICANT INITIATIVES EMBARKED UPON?

Digital transformation is forcing companies to change their business models to adapt to the new market reality. However, in actual fact, it is not the companies that are driving this change but it is being driven by the customers. Today, customers expect relevant content in relation to what they are doing anytime, anywhere and in the format and on the device of their choosing. It is their journey that is dictating our strategies.

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This year, we set up a new department – Digital Strategy & Collaboration to spearhead the digital transformation within the KLCC Group. With a four-year Digital Transformation Roadmap in place, we aim to be a digitally competent organisation by 2023. To us, the digital transformation embodies the integration of digital technology into all areas of a business, fundamentally changing how we operate and deliver value to our users and customers. It is actually a cultural change that requires us to continually challenge the status quo, experiment, and get comfortable with a new way of working.

Safety and security of our customers and community within the KLCC Precinct is of utmost importance to us and as such, this year, we invested in a smart security and surveillance system – CCTV, Automatic Number Plate Recognition and Network Video Recording with video analytics, alarm handling systems and virtual fencing. This enables an enhanced security monitoring with live video surveillance that leverages on high data speeds, allowing real-time monitoring and high definition picture quality, transforming The Place into a more secure destination for our people.

In delighting our customers to improve the efficiency and comfort of the car parking experience at our North West Development, (NWD) car park, KLCC Parking Management Sdn Bhd, (KPM) our car parking company actively pursued cashless initiatives whilst keeping pace with the advancement in technology. KPM implemented the License Plate Recognition which leverages on AI solution, installed the first in Malaysia integrated payment reader at the entries and exits of our car parks as well as launched the ICONIK mobile app which enables cashless parking payments. To-date, 45% of our customers are utilising the cashless payment mode.

At our retail mall, we have been reinventing the store experience for the connected customers. Our largest double-sided rotating LED screen in the world, together with the media advertising screens and panels allow our retail malls to engage with the broader community and simultaneously evolve to stay relevant. These digital exertions which provide great opportunity for branding and a highly effective advertising tool has resulted in a new revenue stream for Suria KLCC increasing their casual mall revenues from retailers' advertising by double-digit growth.

By expanding and enhancing the digital infrastructure and producing a seamless digital experience, we aim to keep our customers and community always connected, to deliver an unmatched customer experience.

### **IN AN ENVIRONMENT OF UNCERTAINTY AND DISRUPTIONS, WHAT IS KLCCP STAPLED GROUP DOING TO STAY ON TRACK OF ITS GROWTH TRAJECTORY? WHAT CAN INVESTORS EXPECT IN THE NEXT THREE TO FIVE YEARS?**

The uncertainties surrounding the global and domestic economy will continue to pose challenges. We will continue to be responsive to mitigate disruptions in the market such as the Coronavirus (COVID-19) outbreak and normalise the situation, leveraging on our core competencies in key market segments, technology and taking advantage of opportunities. We will focus on creating value from KLCC as a destination brand and enhance the progressive lifestyle experience within the KLCC Precinct for our customers and community – personalising tenant experience that engage the "Connected Tenant" in our office properties; delivering

bespoke and engaging retail experiences that meet lifestyle needs of our customers; intensifying digital marketing in our hotel to broaden network and capture market share; elevating quality and convenience of our car parking services and operational efficiency of our assets.

**BY EXPANDING AND ENHANCING THE DIGITAL INFRASTRUCTURE AND PRODUCING A SEAMLESS DIGITAL EXPERIENCE, WE AIM TO KEEP OUR CUSTOMERS AND COMMUNITY ALWAYS CONNECTED, TO DELIVER AN UNMATCHED CUSTOMER EXPERIENCE**

With our aim of creating a KLCC Smart Precinct, we are working towards inculcating a digital-first mindset where our leaders will be equipped to maintain a forward focus and inspire ongoing innovation and improvement within the Group as it transitions into a digital future. Building upon our initiatives in 2019, we intend to focus on creating a delightful customer experience at our KLCC Smart Precinct by using the full potential of technology advancement as an enabler.

Our car parks will be transformed to fully cashless and with total digital surveillance, ensuring our customers feel secure through their handheld devices. Our facilities management will leverage on Industrial Revolution 4.0 technologies, namely Internet of Things (IoT), Cloud and Big Data and evolve to take the lead in real-time solutions for sustainable energy and facility management, needed for critical building and utility operations. The advanced analytics will provide insights on the facilities' performance enabling

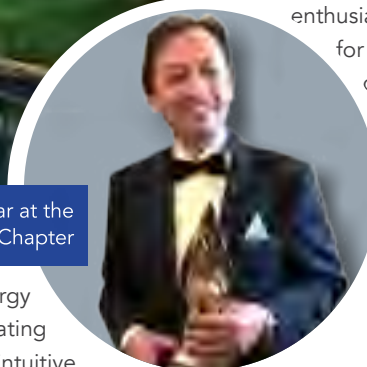


Your safety is our priority. To read more, refer to Operations Review in the Management Discussion and Analysis on pages 106 to 107

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Datuk Hashim Wahir was awarded Property CEO of the Year at the Malaysia Property Award 2019 by FIABCI Malaysian Chapter



### IN APPRECIATION

I would like to express my appreciation to Dato' Halipah Esa and Datuk Ishak Imam Abas, who retired from both the KLCCP and KLCCRM Boards with effect from 3 April 2019 and 1 January 2020 respectively. They have been our long serving Board members and have contributed immensely to the stewardship of the Group. On behalf of the Management Leadership Team, we wish Dato' Halipah and Datuk Ishak the very best in their future endeavours.

I would like to express my deepest gratitude to the Boards for their ongoing guidance and invaluable contribution in steering the organisation to exceed excellence. My sincere appreciation to the holders of Stapled Securities for your continued trust and investment in KLCCP Stapled Group. We look forward to many more years of your valued support in us.

The success and achievements of the Group would not have been possible without our most treasured employees. Your hardwork, enthusiasm and passion in striving for greater heights keeps the organisation moving towards operational excellence, stretching its targets and delivering value to the stakeholders. My utmost appreciation to the whole KLCC team.

us to better manage energy consumption, reduce operating costs and make smarter intuitive decisions.

I am confident that KLCCP Stapled Group with its future potential will continue to deliver on its strategies and build on its capabilities to provide incremental value to the holders of Stapled Securities and make a real difference to the people in the community in which it operates.

**DATUK HASHIM BIN WAHIR**  
Chief Executive Officer

**WE WILL FOCUS ON  
CREATING VALUE  
FROM KLCC AS A  
DESTINATION BRAND  
AND ENHANCING  
THE PROGRESSIVE  
LIFESTYLE  
EXPERIENCE WITHIN  
THE KLCC PRECINCT  
FOR OUR CUSTOMERS  
AND COMMUNITY**