

# LETTER FROM THE CHAIRMAN

**THIS REPORT IS KLCCP STAPLED GROUP'S FIRST INTEGRATED REPORT, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK**

comprehensive overview of KLCCP Stapled Group's performance in 2019, in both financial and non-financial dimensions.

### DRIVING SUSTAINABLE VALUE

The year 2019 saw the weakening of global economic growth with the continued external headwinds of the US-China trade war weighing down Malaysia's export sector. As a result, the Malaysian economy grew moderately at 4.3%, the slowest pace of growth since 2009.



### DEAR SHAREHOLDERS,

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), it is my pleasure to present the Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2019.

This report is KLCCP Stapled Group's first Integrated Report, prepared in accordance with the International Integrated Reporting Framework. It provides a

## SUSTAINING CREDIBLE PERFORMANCE

### PROFIT FOR THE YEAR (RM'mil)

2019	945.7
2018	838.9
2017	1,013.6
2016	1,011.0
2015	1,403.2

### TOTAL ASSETS (RM'mil)

2019	18,211.3
2018	17,860.3
2017	17,792.6
2016	17,782.1
2015	17,537.1

### SUSTAINING OPERATIONAL EXCELLENCE

We have progressed to enhance the physical and digital spaces, aligned to our core tenets of safety, security, connectivity and convenience towards a seamless experience

### CULTURE OF INTEGRITY AND TRUST

We have committed to undertake anti-corruption measures and have given our full support in the Group's journey to implement the Anti-Bribery Management Systems towards ISO37001:2016 certification

## LETTER FROM THE CHAIRMAN



**DATUK AHMAD NIZAM BIN SALLEH**  
Chairman

### BOARD CHANGES

In accordance with the Malaysian Code on Corporate Governance, we are planning to increase the number of independent directors and will endeavour to have a more balanced gender representation in the Board membership by 2021

### LOOKING AHEAD - 2020

We will continue to embark on realising our digital journey across our operations and capture value from new opportunities in the market

## LETTER FROM THE CHAIRMAN

Amidst the challenging environment, KLCCP Stapled Group delivered a commendable performance for the financial year ended 31 December 2019. I am pleased to report that KLCCP Stapled Group achieved profit attributable to the holders of Stapled Securities of RM732.8 million (excluding fair value gain), representing a RM6.1 million increase from the previous year.

In upholding our continued commitment to a stable dividend payout to the holders of Stapled Securities, the Boards of KLCCP and KLCCRM have approved four interim dividends totaling 38.00 sen per Stapled Security, amounting to a declared dividend payment of RM686.0 million for financial year 2019. This represents an increase of RM18.0 million from the preceding year, a testimony of the Group's commitment to creating value for our holders of Stapled Securities.

### SUSTAINING OPERATIONAL EXCELLENCE

Living up to its tagline of "Always Something New", Suria KLCC undertook an "anchor-to-specialty" space reconfiguration to further enhance Suria KLCC's value proposition. The reconfiguration exercise spanning a space of approximately 120,000 sq. ft., will house approximately 80 specialty stores, offering a diverse mix of fashion, food and beverage and cosmetics outlets, further strengthening Suria KLCC's position as the premier retail spot in Kuala Lumpur.

In the office segment, we added value to our tenants by providing them with the right solutions to create a renewed office experience through the PETRONAS'



"Workplace for Tomorrow" effort. This exercise which covered 151 floors across our four office buildings, was fully completed by the end of 2019. The Group has also made further strides in the sustainability space when PETRONAS Twin Towers was named one of the winners at the Top 10 Green Buildings of the

Decade Awards organised by the Malaysia Green Building Council in June 2019. Later in October, the PETRONAS Twin Towers was also ranked among the Top 50 Most Influential Tall Buildings for the past 50 Years by the Council of Tall Building and Urban Habitat (CTBUH) based in Chicago. This esteemed accolade is testament to the PETRONAS Twin Towers' great influence and impact to the society and skyscrapers industry at large, creating social and economic values to the people and the nation.



**We delivered a credible performance for the financial year ended 31 December 2019, achieving profit attributable to the holders of Stapled Securities (excluding fair value gain) of RM732.8 million, representing a RM6.1 million increase from 2018.**

## LETTER FROM THE CHAIRMAN



**INSTITUTIONALISING  
INTEGRITY AND PROMOTING  
HIGH STANDARDS OF  
LEADERSHIP GOVERNANCE  
CONTINUE TO BE OUR  
PRIORITY. AT THE SAME TIME,  
WE BELIEVE THAT BUILDING  
TRUST IS PARAMOUNT TO  
GROWING A SUSTAINABLE  
BUSINESS**

As we embrace the digital wave and keep our customers connected, we have progressed to enhance the physical and digital spaces, aligned to our core tenets of safety, security, connectivity and convenience towards a seamless experience. This has seen an increase in customer satisfaction to 76% from 73% in 2018, based on the Group's internal survey. With a four-year Digital Transformation Roadmap in place, we aim to be a digitally competent organisation by 2023.

### TALENT DEVELOPMENT

I would also like to take this opportunity to commend our dedicated employees who share our passion in creating vibrant and inspiring spaces for customers to look forward to. The skills and experience they bring, together with a unifying KLCC culture enabled us to preserve and continue to create value for the Group. In recognition of KLCC's people-centric approach, KLCCP Stapled Group won the Top Workplace in Asia at the Asia Corporate Excellence and Sustainability (ACES) 2019 awards. The Group was also awarded the Best Workforce at the Sustainable Business Awards Malaysia 2019 for the second consecutive year.

During the year, the Nomination and Remuneration Committee enhanced the criteria of succession management to develop a pool of quality and competent employees for leadership roles and responsibilities. The Group has also realigned the salary structure of employees to retain and attract the best talents as well as to enhance the Group's competitive advantage.

### CULTURE OF INTEGRITY AND TRUST

At KLCCP Stapled Group, we strongly believe that the right culture must encourage sound decision-making by managing risks and upholding

business ethics. Institutionalising integrity and promoting high standards of leadership governance continue to be our priority. The Board of KLCCP executed the Corporate Integrity Pledge in November 2019 in collaboration with the Malaysian Anti-Corruption Commission (MACC). In the pledge, our Boards of Directors have committed to undertake anti-corruption measures in all aspects of business operations. The Boards have also given their full support in the Group's journey to implement the Anti-Bribery Management Systems, towards attaining the Malaysian Standard ISO37001:2016 certification.

During the year, the Malaysian Institute of Corporate Governance (MICG) assessed top 100 Public Listed Companies on their anti-corruption programmes and the state of readiness for corporate liability when the law becomes effective in June 2020. In the assessment, KLCCP Stapled Group was ranked second in the overall ranking of corporate reporting and transparency category.

At the same time, we believe that building trust is paramount to growing a sustainable business. In a climate of diminishing trust, the Group is also focusing on efforts to make trust building a priority across every aspect of the business. KLCCP Stapled Group was a Top 20 finalist in PwC's Building Trust Awards 2019 upon appraisal of its significant efforts to build trust through communications and interactions with stakeholders.



*Our people are our greatest asset. To read more on our people, refer to our Sustainability Statement on pages 140 to 143*

## LETTER FROM THE CHAIRMAN

### BOARD CHANGES

The year 2019 is also a year we say thank you and bid farewell to our directors namely Dato’ Halipah Esa and Datuk Ishak Imam Abas, both of whom retired from the Boards. Both directors have been our long serving members and have contributed immensely to the Board and the business growth of the Group. On behalf of the Board, I would like to express my sincere appreciation for their contributions, and I would like to wish them all the very best in their future endeavors.

While we bid farewell to Dato’ Halipah Esa and Datuk Ishak Imam Abas, I am also delighted to welcome Dato’ Jamaludin Osman, who was appointed to the Boards of KLCCP and KLCCRM, effective from 1 January 2020.

Dato’ Jamaludin has wide experience in the real estate industry, including township development and infrastructure management. I am confident that he would make an excellent addition to our team and we look forward to his valuable contribution to the Board.

In accordance with the Malaysian Code on Corporate Governance, we are planning to increase the number of independent directors and will endeavour to have a more balanced gender representation in the Board membership by 2021.

### LOOKING AHEAD - 2020

As we look ahead to 2020, we remain focused on providing solutions to our customers and stakeholders. We will continue to embark on realising our digital journey across our operations and capture value from new opportunities in the market.



*We hold good governance very close to our hearts. To read more, refer to Corporate Governance Overview Statement on pages 169 to 176*

## LETTER FROM THE CHAIRMAN

**I TRUST THAT  
THE STRONG  
FUNDAMENTALS WE  
HAVE ESTABLISHED  
WILL ENABLE US TO  
FACE THE CHALLENGES  
AND SUSTAIN OUR  
GROWTH IN 2020**

It is expected that the macroeconomic environment will remain challenging as global growth across most regions remain relatively subdued amidst slowing global trade. The recent COVID-19 outbreak will add another level of uncertainty especially in the tourism, retail and hospitality sectors. Nonetheless, the potential economic stimulus package and the eventual discovery of antidote would help to cushion the negative impact arising from the outbreak.

In view of the challenging business environment, KLCCP Stapled Group remains steadfast in leveraging on its core competencies in key market segments to ensure its business remains agile amid volatile business conditions.

We expect our office segment to remain stable on the back of the long-term profile of office leases and high-quality tenants. The full opening of the reconfigured space by mid-2020 at Suria KLCC is expected to sustain the retail segment's performance, while the hotel segment will focus on intensifying its digital marketing to broaden its network and personalise its guest service to capture market share.

With the clear and ongoing focus to deliver long-term value for our holders of Stapled Securities, I trust that the strong fundamentals we have established will enable us to face the challenges and sustain our growth in 2020.

### APPRECIATION

2019 has been a year of many milestones. The passion and commitment of our employees and the Leadership Management Team have supported our many achievements over the past years. Accordingly, I would like to thank the entire KLCC family for their hard work, perseverance, commitment and dedication in delivering creditable performance amid the challenging market dynamic.

I would also like to express my heartfelt appreciation to all our stakeholders, including our holders of Stapled Securities, business partners, associates, customers and tenants who have jointly contributed to our accomplishments.

Finally, I would like to thank my fellow Board members for their continuing counsel, commitment and efforts to guide KLCCP Stapled Group realise its long-term strategy for success.



**DATUK AHMAD NIZAM BIN  
SALLEH**  
Chairman

