



# SUSTAINABILITY

## OUR COMMITMENT FOR

### SUSTAINABILITY STRATEGY AND APPROACH

Sustainability is a big agenda for KLCCP Stapled Group and is in the heart of everything that we do. As one of the leading real estate players, we are committed to managing our business in a responsible manner taking into consideration the risks and opportunities impacting our business and the industry at large. We strongly believe that sustainability is a force that will shape the future of our business and the way we live. Thus, we continue to focus on addressing our material matters that may impact our business and stakeholders.





# Y STATEMENT

## A SUSTAINABLE FUTURE



Pg. 122 **ECONOMIC**



Pg. 126 **ENVIRONMENT**



Pg. 136 **SOCIAL**



Pg. 146 **CORPORATE GOVERNANCE**



Our full fledged Sustainability Report 2019 is available at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

# SUSTAINABILITY STATEMENT

KLCCP Stapled Group's ultimate objective is to create, deliver and share value with our stakeholders, to be future ready and be part of a sustainable society. As we progress towards achieving this objective and to further strengthen our sustainability approach, we continue to pursue our sustainability agenda through the Group's corporate strategy and culture which is deeply embedded in our business model. We champion sustainability development premised on our strategies and initiatives to drive our sustainable goals economically, environmentally and socially, across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

In line with this year's theme, "The Place: Spaces Inspired for the People", we have continued to elevate our services and offerings to create a progressive lifestyle experience for our customers within the KLCC Precinct. We aspire to transform KLCC Precinct into a smart city, creating a sustainable environment and enriching the lives of our community.

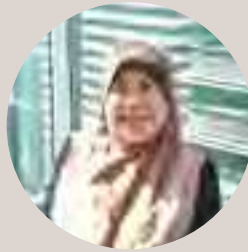


To read more, refer to Material Matters on pages 56 to 59 and Stakeholder Management on pages 67 to 69

## SUSTAINABILITY STEERING COMMITTEE CO-CHAIRMAN MESSAGE



**Annuar Marzuki Abdul Aziz**  
Head, Strategy, Finance and Investor Relations



**Zalina Ibrahim**  
Head, Health, Safety and Environment

At KLCCP Stapled Group, we place sustainability high on our agenda as it is an integral part of our business strategy. We align our business, processes and our corporate culture to adopt strategies that support sustainable development and investment for the Group and the community at large.

Today, the sustainability agenda has become even more pressing, driven by global economic volatility, climate change risk, infringement in business ethics and integrity, and changing consumer expectations on the role of businesses. Consequently, many of the EES and governance issues are coming under close scrutiny by regulators and investors.

As one of the leading real estate players, KLCCP Stapled Group echoes and supports the country's stand and commitment in combating global climate change by addressing climate change risks through reduction of energy consumption and carbon emission across our business operations. We are also committed to good governance practices with our Boards setting the right tone from the top. With digitalisation at the forefront of today's businesses, we are taking a proactive approach to ensure our leaders and employees integrate digital technology into the business operations, fundamentally evolving towards a digitally competent organisation.

Communication with stakeholders is imperative for understanding and managing their expectations. With the rapid changes in the real estate industry, our stakeholders are continuously seeking for greater levels of transparency with respect to the EES issues. Through our regular stakeholder engagement and materiality assessments, we have identified and deliberated the emerging trends and other material matters which shaped our sustainability strategy and helped us set time-based targets with intended results and impact. With the conclusion of our 3-Year (2016-2018) Sustainability Roadmap, which saw us achieving targets against a 2015 baseline, we embarked on a 5-Year (2019-2023) Sustainability Roadmap covering three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; and Combating Climate Change and Reducing Environmental Impact. Aligned to our five prioritised UNSDGs, we aim to monitor our progress year-on-year against the set targets.

Our sustainability journey which began in 2014 have seen us made significant progress through the years, reflecting our people's efforts and commitment towards building a sustainable future. This forms a strong foundation that will steer us towards achieving our 2023 targets. Testament to our steadfast commitment in advancing sustainability practices within the organisation, KLCCP Stapled Group has been recognised both locally and globally by the industry, for demonstrating strong and transparent EES practices.

In what has been another successful year in our sustainability journey, we continue to work hard to deliver value for our stakeholders. We hope this report gives you a deeper insight into our sustainability performance for the year and our aspirations in building a sustainable future. We will maintain our commitment towards sustainable development, and be ambitious and share our experiences, whether challenging or successful, to accelerate wider progress.



# SUSTAINABILITY STATEMENT

## THE REAL ESTATE LANDSCAPE

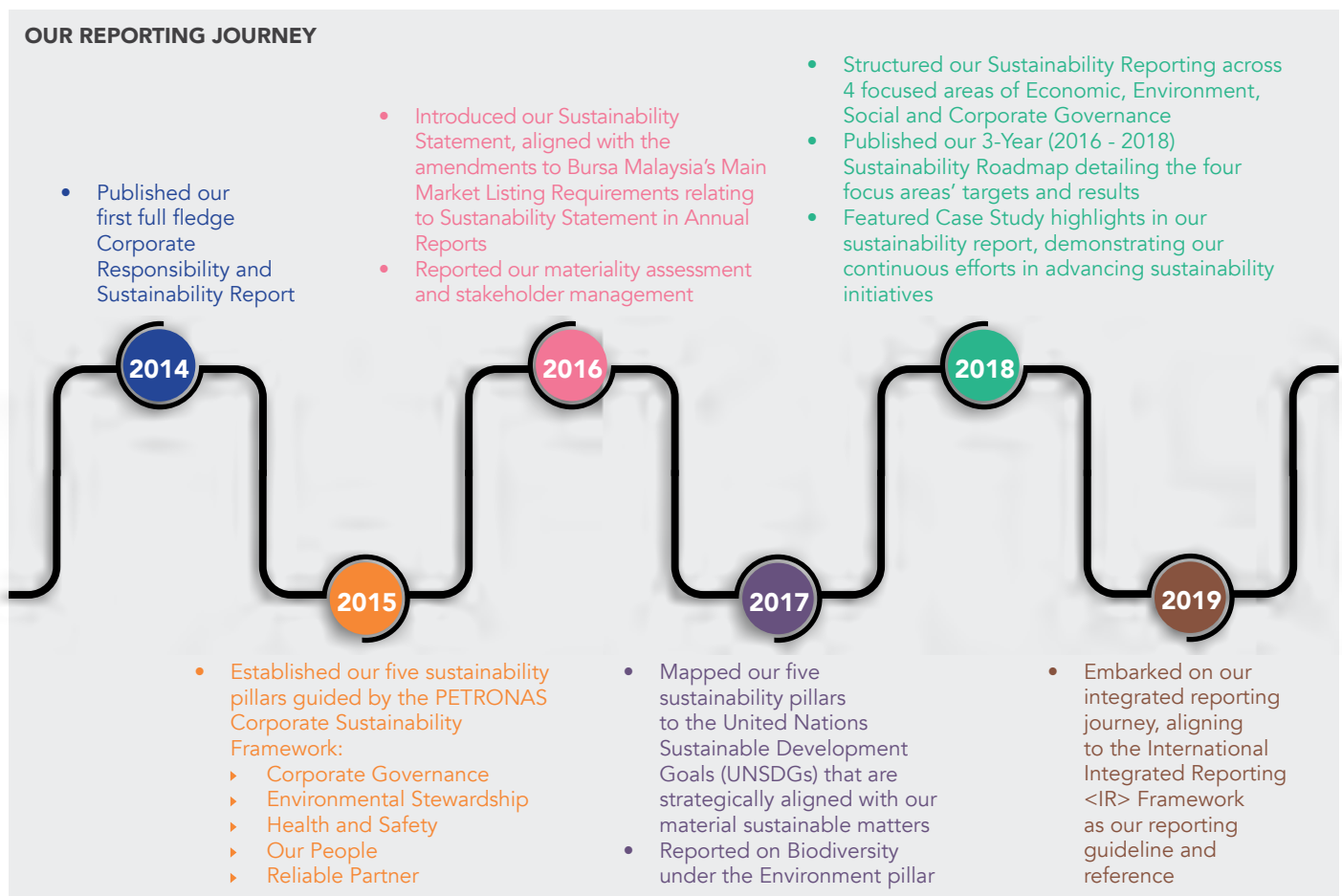
The year 2019 saw a myriad of challenges for the real estate and construction sector with subdued economy and market volatility impacting the global and domestic economies. The office segment faced downward pressure on rentals due to growing mismatch between supply and demand. The retail segment continued to face intense competition but saw a moderate growth during the year contributed by cautious consumer spending while the hotel segment faced strong competition from the new luxury hotels which came into the market.

Despite these challenges, the real estate and construction sector is moving towards implementing innovative solutions and adopting new technological advancements in the ways of doing business in order to stay relevant and ahead of its competitors. It is seeing a shift from a mindset of “using” social media to a mindset of adapting and thriving in an ecosystem where a highly connected, social, empowered consumer is now the norm.

The country’s continued commitment in combating climate change has also seen the real estate sector giving more attention towards environmental conservation and stepping up efforts in support of this move. Malaysia, as a Paris Agreement signatory has pledged to reduce its GHG emission intensity in relation to Malaysia’s 2005 gross domestic production by 45% by 2030. This commitment represents Malaysia’s pledge to contribute to the mitigation of adverse climate change impacts. There was also increased awareness in voluntary disclosure of climate-related risks and information in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) which could see more companies embarking on this initiative.

## OUR REPORTING JOURNEY AND MILESTONES

Our significant progress in our sustainability journey saw us achieve milestones through the years in our pursuit to advance our sustainability reporting and practices. This year, as we embark on our Integrated Reporting journey, we look ahead to progressively adopting best practices towards transparent and effective corporate reporting.



# SUSTAINABILITY STATEMENT

## OUR MILESTONES

2015

- 1<sup>st</sup> Malaysian REIT included on FTSE4Good Bursa Malaysia Index
- Attained Provisional GBI Certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)

2016

- Formalised the Sustainability Governance Structure and formation of Sustainability Steering Committee (SSC) and Sustainability Working Committee (SWC)
- Developed a Sustainability Framework and a 3-Year Sustainability Roadmap
- Conducted the first Materiality Assessment with SSC and SWC
- Inclusion onto FTSE4Good Emerging Index – One out of only two Malaysian companies in the real estate and construction

2018

- Conducted our inaugural online Materiality Assessment survey covering employees of KLCCP Stapled Group and our business partners, Suria KLCC and MOKL Hotel
- Maintained our inclusion on the FTSE4Good Emerging Index and FTSE4Good ASEAN 5 with an improved score

2017

- Inclusion of Biodiversity theme into our Corporate Sustainability Framework

2019

- Established our 5-Year Roadmap aligned with prioritised UNSDGs
- Attained full GBI certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)
- Positioned within the top 11 percentile among our supersector peers under FTSE4Good Index Series



To read more on our Sustainability Framework, kindly refer to our Sustainability Report 2019 at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

### SCOPE OF REPORTING

Our scope of reporting in the KLCCP Stapled Group's Sustainability Report 2019 underlines our sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of our business activities. This report is based on KLCCP Stapled Group's financial year from 1 January to 31 December 2019.

Our scope of reporting for the year covers all of KLCCP Stapled Group's operations in Malaysia comprising office, retail and hotel assets as well as our operations in facility management and car parking management. The scope is in accordance with the reporting scope of our Integrated Annual Report.

### GOVERNANCE STRUCTURE

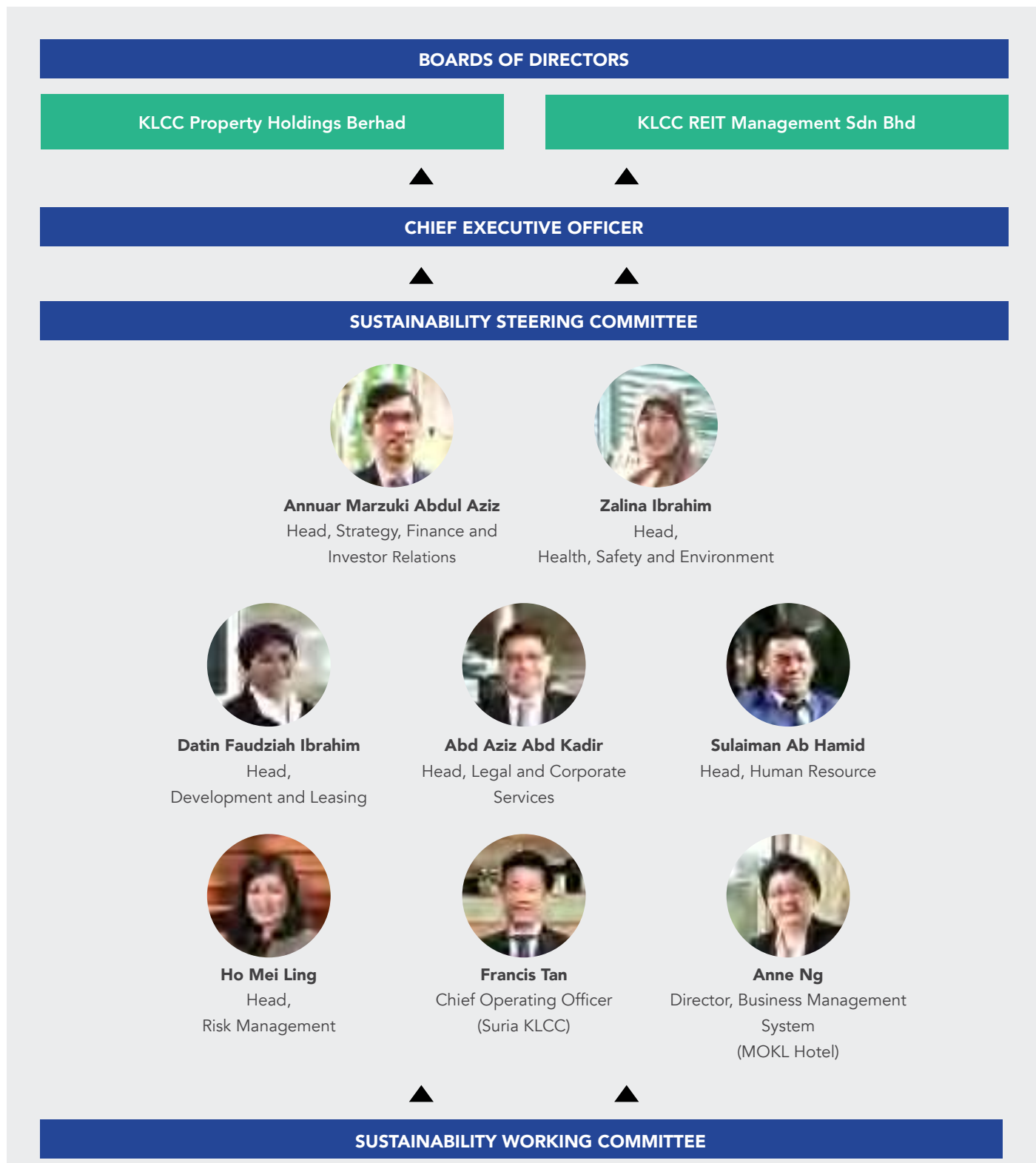
The Groups' sustainability governance structure which was formalised in 2016 was designed to build on the capacity to pursue sustainable goals. KLCCP Stapled Group's Sustainability Steering Committee (SSC) forms the core of the governance structure and plays a very important role in driving sustainability within the organisation. The SSC is co-chaired by Annuar Marzuki Abdul Aziz, Head, Strategy, Finance and Investor Relations and Zalina Ibrahim, Head, Health, Safety and Environment. Members of the SSC comprises heads from all major business functions which ensures the development of sustainability strategies represent the wider interests of the Group.

Key responsibilities of the SSC:

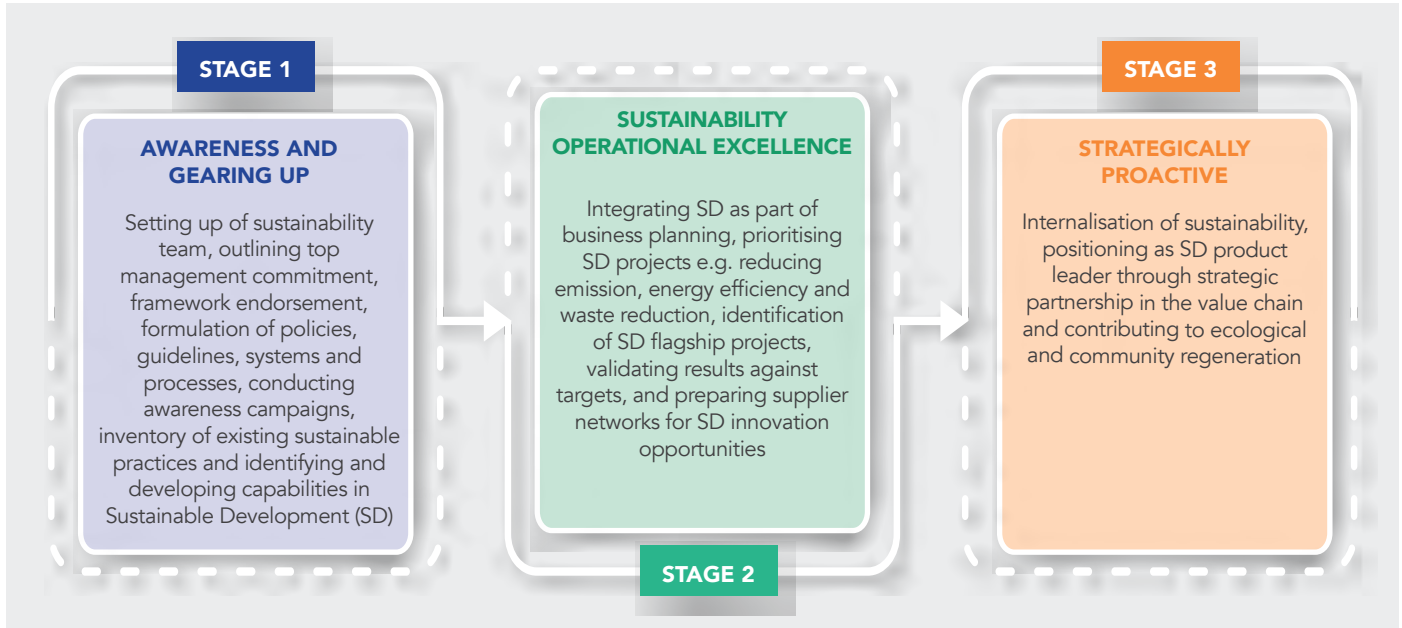
- Reports to the Chief Executive Officer (CEO) and ensures accountability, oversight and review in the identification and management of material matters within the Group
- Overseeing the corporate sustainability strategy and progress of the Group's sustainability performance
- Identifying and prioritising material matters
- Reviewing and endorsing policies, practices, targets and achievements for key sustainability initiatives and ensures regulatory sustainability requirements and reporting are met

# SUSTAINABILITY STATEMENT

The SSC is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The CEO is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and together with the SSC, reports the progress to the Boards of KLCCP and KLCCRM (the Boards) annually and seeks their advice on related issues. The Boards represent the highest authority and is ultimately accountable for managing sustainability matters within the Group.



# SUSTAINABILITY STATEMENT



## PROGRESS TO DATE

Underpinned by our Sustainability Framework and our five sustainability pillars, our sustainability journey began way back when KLCCP first started its operations in 2004. However, subsequent to KLCCP becoming a stapled security in 2013, we then embarked on a longer-term view of sustainability and began our journey in embedding it as part of our business model. We officially commenced documenting our journey in 2014 where we framed our Sustainability Journey in three stages, reflecting our commitment towards achieving our goals to deliver long-term values to our stakeholders.

To-date, we have progressed substantially in Stage 2 of our Sustainability Journey which has seen us integrating sustainability as part of our business strategy, prioritising our efforts in reducing emission and energy consumption, reducing water use and responsibly managing our waste.

Our key achievements in 2019 included:

- Supported our tenant initiatives in greening the PETRONAS Twin Towers and Menara 3 PETRONAS which obtained the GBI Gold and Silver rating respectively.
- Identified several flagship projects in the areas of environmental conservation and business innovation i.e. zero single-use plastics at our hotel, recycling of waste through placement of sorting bins throughout our retail mall, enhancement of KLCC Precinct security through installation of dynamic and high technology security features and implementation of cashless payment initiatives at our North West Development car park.

- Completed the transformation of office space into the Workplace For Tomorrow (WFT) for our tenants in PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil.
- KLCCP Stapled Group is ranked at the top 11<sup>th</sup> percentile among our supersector peers in the FTSE4Good Index Series.

2019 also saw us establishing our 5-year Roadmap (2019-2023), upon the completion of our 3-year (2016-2018) roadmap which saw the Group achieving the targets set across the Economic, Environment, Social (EES) and Corporate Governance areas. The 5-year roadmap is aligned to our strategies in future-proofing our position to becoming the Solutions Partner for all our stakeholders, focusing on 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.

**We aligned our goals to 5 prioritised UNSDGs where we believe we can make the most difference to our stakeholders.**



We continue to ensure the sustainability of our business is centred on EES and Corporate Governance issues and opportunities that matter most to our stakeholders and work collaboratively with our business partners and community to create a positive lasting legacy.

# SUSTAINABILITY STATEMENT

## 5-YEAR SUSTAINABILITY ROADMAP (2019-2023)

<p><b>GOAL 1: Building a Smart, Safe and Sustainable KLCC Precinct</b></p> 			
   	<p><b>MATERIAL MATTERS:</b></p> <ul style="list-style-type: none"> <li>Financial Sustainability</li> <li>Economic, Social and Industry Growth</li> <li>Security, Safety and Health</li> <li>Customer and Tenant Management</li> <li>Corporate Social Investment</li> <li>Risk and Crisis Management</li> </ul>	<p><b>FOCUS AREAS:</b></p> <ul style="list-style-type: none"> <li>Smart Park</li> <li>Smart Security System</li> <li>Innovation and Digitalisation</li> </ul>	<p><b>5-YEAR TARGET [2019-2023]:</b></p> <p>To be a digitally competent organisation</p>
<p><b>GOAL 2: Building an Agile, Inclusive and Sustainable Workforce in a VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world</b></p> 			
	<p><b>MATERIAL MATTERS:</b></p> <ul style="list-style-type: none"> <li>Our People</li> <li>Security, Safety and Health</li> <li>Human Rights and Labour Practices</li> </ul>	<p><b>FOCUS AREAS:</b></p> <ul style="list-style-type: none"> <li>People and Culture Fit</li> <li>Career Potential</li> <li>Work Life Balance</li> <li>HSSE Maturity Culture</li> </ul>	<p><b>5-YEAR TARGET [2019-2023]:</b></p> <ul style="list-style-type: none"> <li>To invest RM9.3 million for training and development programmes in future skills</li> <li>To foster a culture that embodies high performance, integrity, HSE, innovation and rewards and recognition</li> <li>To create a purposeful workforce - empowered, agile and enabled</li> <li>To achieve Generative HSSE Culture</li> </ul>
<p><b>GOAL 3: Combating Climate Change and Reducing Environmental Impact</b></p> 			
	<p><b>MATERIAL MATTERS:</b></p> <ul style="list-style-type: none"> <li>Climate Change</li> <li>Environmental Management</li> </ul>	<p><b>FOCUS AREAS:</b></p> <ul style="list-style-type: none"> <li>Carbon Emission</li> <li>Energy Consumption</li> <li>Water Use</li> <li>Waste Generation</li> <li>Zero Single-Use Plastics</li> </ul>	<p><b>5-YEAR TARGET [2019-2023]:</b></p> <ul style="list-style-type: none"> <li>To reduce carbon emission by: <ul style="list-style-type: none"> <li>• 8.0% from 2015 baseline for office</li> <li>• 18% from 2015 baseline for retail</li> <li>• 3.0% from 2015 baseline for hotel</li> </ul> </li> <li>To reduce energy consumption by: <ul style="list-style-type: none"> <li>• 6.8% from 2015 baseline for office</li> <li>• 5.0% from 2015 baseline for retail</li> <li>• 1.8% from 2015 baseline for hotel</li> </ul> </li> <li>To reduce water consumption by: <ul style="list-style-type: none"> <li>• 1.0% from 2015 baseline for office</li> <li>• 7.0% from 2015 baseline for retail</li> <li>• 20.0% from 2015 baseline for hotel</li> </ul> </li> <li>To reduce total waste generation by: <ul style="list-style-type: none"> <li>• 12.0% from 2015 baseline for office</li> <li>• 18.0% from 2017 baseline for retail</li> <li>• 15.0% from 2015 baseline for hotel</li> <li>• 90% removal of single-use plastic in hotel operations</li> </ul> </li> </ul>