

# CEO'S YEAR IN REVIEW

DATUK HASHIM BIN WAHIR



THE YEAR TOTALLY REFLECTED HOW WE, AS A GROUP, CAME TOGETHER AND SHOWED CARE FOR THE WELLBEING, SAFETY AND SECURITY OF OUR STAKEHOLDERS

## In your words, how would you describe 2020?

**"A TOTAL RESET"** ... 2020 has indeed been a wake-up call and has forced everyone to hit the reset button - a reset of the workplace and work itself, a reset of the employer and employee relationship, and a reset of the whole business ecosystem. The year totally reflected how we, as a Group, came together and showed care for the wellbeing, safety and security of our stakeholders. With the Business Continuity Plan and technology, we were able to put into action our business continuity as well as that of our tenants, retail and hotel partners.

We supported PETRONAS, as our main tenant through the set-up of the KLCC Pandemic Preparedness and Response Team (KPRT) and by becoming front liners for them - responding to their needs and as a solutions partner, we ensured our physical spaces were reset and well equipped with stringent adherence to Standard Operating Procedures in order for our tenants who are part of the essential services to trust that they can safely do their jobs at the offices, curbing the risk of spreading the virus.

We had thermal cameras installed at building entrances for temperature check and reinforced social distancing to make them feel confident to return to work and transition back to the new norm. Similarly, our retail and hotel committed themselves to define conditions for a safe experience that restored confidence and trust in their shoppers and hotel guests to return to shop and stay.

With 2020 as a year of "We Care", we are now **Together, Looking Beyond** to clearly deliver the experience of KLCC as the trusted place for our tenants, shoppers, hotel guests and the community at large.

To read more, refer to Coming Together, During Unprecedented Times on pages 28 to 31

## Trust this had been the most challenging year yet for KLCC Stapled Group. How did KLCC Stapled Group perform for the financial year 2020?

It certainly has been - it was tough seeing the performance of the Group negatively impacted quarter-on-quarter, setting us back almost 7 years. The only saving grace was, we were not alone - many others were also in the same boat with us.

Reflecting on the impact of the pandemic on our business operations, KLCCP Stapled Group achieved revenue of RM1.2 billion, a decrease of 12.9% from last year on the back of a stable office segment, lower revenue from retail reflecting the tenant assistance provided to our retail partners coupled with the unprecedentedly low volume of business and almost non-existent Meetings, Incentives, Convention and Exhibition (MICE) events in the hotel segment. Profit Before Tax (PBT) excluding impairment and fair value loss saw a 19.1% decline resulting from the negative impact to the retail and hotel business. The non-cash impairment charges on the Phase 3 of Kompleks Dayabumi - redevelopment of City Point podium of RM81.4 million was for an investment property under construction which was delayed, mainly due to the fact that we were actively trying to secure

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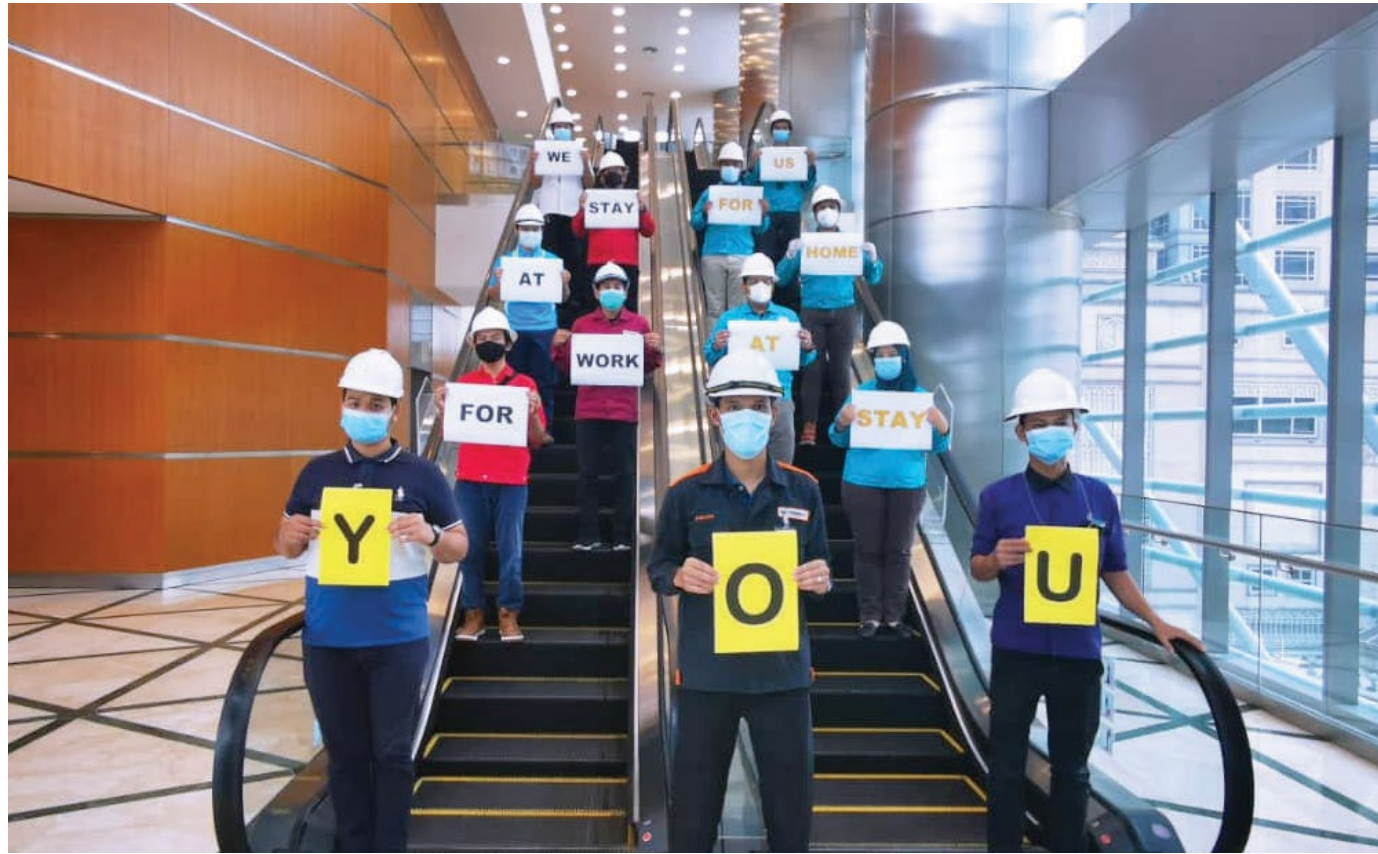
an anchor tenant, prior to proceeding with the development, as we are not a speculative developer.

Despite the challenging business environment, KLCCP Stapled Group distributed 98% of its distributable income to deliver on its commitment to the holders of Stapled Securities, bringing the total distribution to 30.0 sen per stapled security for the year.

## What was the strategic approach to combat the impact of the crisis on the business and performance of the Group? How will this redefined strategy strengthen the business?

The year saw us facing strong headwinds from the onset of the pandemic in March 2020 followed by the economic aftershocks of a soft real estate market, oil price rout coupled with the uncertainties in the capital markets. We acted quickly to stabilise our cash position, shored up risk and crisis management capabilities to rethinking and reinforcing resilience in response to the sudden economic shock. We had to be brave, to uproot and reimagine our strategies, prioritising long-term value and growth versus the short-term disruptions, towards a new reality.

We reset our strategies to manage risk holistically and ensured appropriate controls were embedded and applied into our overall working environment in



pivoting to the new normal. This strategy reset entailed a business re-evaluation in respect to digital transformation, our peoples' skillsets and sustainability strategies. We will not be able to do this alone, thus purposeful engagement across our stakeholder group was critical and continued collaboration with our partners, customers, supply chain and business community will be key in making KLCC as **The Place** remain relevant, in our quest of delivering an unbeatable tenant and customer experience.

**How did the change in the retail landscape due to the pandemic affect Suria KLCC and what did the mall do to reinvent itself for survival?**

The pandemic changed shopper behaviour drastically – safety concerns and new expectations towards safety precautions and the negative impact on the economy and labour market caused shoppers to re-evaluate their needs, impacting footfall to the malls. With the prolonged pandemic and the various lockdown impositions, tenant survival was also a big concern.

Suria KLCC focused on regaining shopper confidence and loyalty by providing a safe, easy and experiential shopping environment. The mall was a first mover to introduce top of the line thermal scanning with facial recognition at their key entrances and the first to communicate clearly to their customers the need to socially distance, with signages, both physical and digital throughout the mall.

Through Suria KLCC's retailer partnership commitment, the mall supported their retail tenants and together, they shared the economic pain to preserve business continuity. Suria KLCC's leasing team relentlessly worked through hundreds of leases and engaged each and every tenant to understand their concerns, financial constraints and feedback. The mall extended various tenant assistance on a lease by lease basis throughout most of the year exceeding RM90 million to assist the retailers to weather the crisis. Suria KLCC also developed strategic partnerships and collaborated with tenants to highlight their brand in order to drive sales and enhance shopper experience. Suria KLCC's Golden Ticket Campaign, a customer reward programme was very successful in driving traffic and sales, bringing in almost 5,000 shoppers in the 45 days of the campaign, increasing sales by 24%. Though there were various phases of lockdown throughout the year, Suria KLCC recorded the highest tenant sales in December 2020 since February 2020, hitting over 80% recovery to pre-COVID-19 levels of December 2019.

Despite the challenges in the retail landscape, Suria KLCC fully completed its reconfiguration of the anchor-to-specialty space which commenced in March 2019. The final phase of the Signatures Food Court refurbishment was completed and opened to public on 1 November 2020. The mall maintained its occupancy at 97% as at year end and even brought in 40 new tenants during the year, many of which are first stand-alone stores in Malaysia and exclusive to Suria KLCC. The mall also intensified its efforts in digital technology by leveraging on its YouTube channel and social media platforms to stay connected with customers with a series of video contents on safety, promotions and opening of new stores.

Retail performance aside, Suria KLCC put their customers and retail partners at heart - creating an engaging environment for the customers with "Always Something New", elevating shopper experience and supporting their retail tenants to survive the impact of the pandemic together.

**The hospitality industry has been decimated by the pandemic. What was Mandarin Oriental, Kuala Lumpur's business model in staying afloat and surviving this unprecedented magnitude of a crisis?**

2020 is indeed a year no hotelier has ever lived being one of the worst-hit industries due to the pandemic. The travel bans, border closures, event cancellations, quarantine requirement and fear of the virus spread placed extreme challenges on the hospitality sector which saw many hotels forced to shut their operations. Mandarin Oriental, Kuala Lumpur (MOKL Hotel) was not spared either. We actually went through the exercise on whether to consider total shutdown of the hotel and if it made economic sense. However, as a Group, we decided that brand value was important to us. The hotel implemented strict measures to remain afloat, from extensive cost reduction practices, sturdier negotiations with suppliers for mutual sustenance, taking care of the MOKL team and maintaining effective communication with guests and business partners.

When the lockdown was lifted, the hotel promoted its "We Care" programme to regain guests' confidence and adapted itself to the local leisure market. The hotel had to innovate and adapt to customer-centricity and technology where it was the first in town with the "assisted buffet" arrangement concept which was a great success for its F&B revenues. It also utilised its MO Online

Suria KLCC granted over **RM90 mil** in assistance packages to its affected tenants

Suria KLCC brought on board **40** new tenants many of which are first stand-alone stores and exclusive to Suria KLCC

MOKL Hotel was the **FIRST** in town with the "assisted buffet" arrangement concept

Shop to increase its revenues and bring the hotel's signature products onto the guests' doors, multiplying the revenues generated. During the period when the restrictions were eased, MOKL Hotel saw encouraging recovery where the weekend occupancy increased to a high of 44% from locally tailored staycation promotions, improved corporate and group demand and saw growth in F&B from banqueting and weddings.

Despite the hardships, MOKL Hotel played a huge part in contributing to the community through social-relief deeds, charitable efforts, supporting community commitment and local businesses, making a positive impact to the society during trying times.

**As the management services segment complements the property portfolio of the Group, what action did KLCC Urusharta Sdn Bhd (KLCCUH) and KLCC Parking Management Sdn Bhd (KPM) take in order to transform themselves in line with the Group's aim of creating a KLCC Smart Precinct?**

KLCCUH, our facilities management company, has embarked on a comprehensive business transformation program, KLCCUH 4.0 - with the vision of transforming facility management into a more integrated and efficient team enabling the Group to better manage asset efficiency and performance, energy consumption, reduce operating costs and make smarter intuitive decisions. This transformation leverages the technology of Internet of Things (IoT), Cloud and Big Data.



CEO's Express'O session with employees of the Group

During the year, KLCCUH successfully executed the pilot launch of the new Integrated Building Command Center (IBCC) to manage our facilities in real time and leverage on the power of data to be more efficient. Sensors and devices capitalising on IoT have been put in place throughout our Green Building Index (GBI) buildings – PETRONAS Twin Towers and Menara 3 PETRONAS, to improve energy efficiency and proactively manage the comfort level of our tenants. Security enhancements to the existing infrastructure within KLCC Precinct was also installed to include real-time facial recognition and Crowd Management Sensors. The Group is also in the midst of elevating the experience of visitors to the PETRONAS Twin Towers via a Visitor Management System which we hope to have ready by 2021.

Our parking management company, KPM, continued to elevate its quality of services and improved operational efficiency. In an effort of going fully digital and contactless for our customers' convenience, KPM successfully transitioned the North West Development (NWD) car park of 5,092 bays to ticketless and cashless, using a smart parking system to embrace multiple e-wallet and cashless payment options, creating a safe space for its customers. Currently, KPM is in the final stage of completion of its Premium Parking area at the NWD car park which includes features such as security personnel, valet services, surveillance cameras and electric vehicle charger. This new service offered which is targeted to be opened to the public in Quarter 1 2021 will elevate the standard of car parking and deliver an exceptional level of parking experience for our customers.

### As businesses accelerate their migration to digital technologies, driven by the COVID-19 pandemic, what were some of the milestones for KLCCP Stapled Group in respect to digitalisation?

We started our digitalisation journey in 2018 by integrating it as part of our strategy, driving business enhancements towards a connected and seamless experience. Following last year's establishment of a digital department, we accelerated our digital journey in 2020 by establishing a Digital Committee (DigiCo) represented by key business leaders to shape business digital adoption on the new ways of working. Given today's challenges of reopening physical workspaces, leading business recovery and returning to growth, we accelerated the implementation of digital technologies within the organisation. We identified five focus areas under the 4-Year Digital Roadmap to create a delightful experience for stakeholders and to benefit via reduced operational cost, increased revenue contribution and ensuring we have a sustainable and efficient future.

Heading this paradigm shift in 2020, the Group focused on virtual events and digital marketing initiatives to engage its broad-based investors and customers. In transforming towards a digital native mindset amongst the employees, the Group also introduced digital in a fun and interactive way through a digital immersion program which featured lessons to develop digital skills. We also launched the KLCC Group Innovation Hub in September 2020 and rolled-out the first phase of the lab which was a test bed to identify the capacity and capability of KLCC Group talents in working in an unknown environment, from ideation to prototyping towards delivering value for the organisation. We continue to remain committed in enabling dynamic and innovative digital solutions while creating an environment which allows our people to embrace digital as a new way of working for a sustainable future. By expanding and enhancing the digital infrastructure and producing a seamless digital experience, we also aim to keep our customers and guests always connected, to deliver an unmatched lifestyle experience.

 To read more, refer to Embracing Digital, Driving Innovation on pages 32 to 33




KLCCUH and KPM received the Royal Society for the Prevention of Accidents (RoSPA) Award for excellence in health and safety, at a virtual ceremony streamed live from the United Kingdom

### As an employer that cares, how did KLCCP Stapled Group shape employees towards becoming empowered, agile and enabled for the future?

Our greatest asset is human capital - our people. As an employer that cares, we have a responsibility to our people - to nurture agility, adaptability and re-skilling. In line with our 5-Year Sustainability Roadmap (2019 - 2023) Goal #2, our aim is to build an agile, inclusive and a sustainable workforce within the Group to adapt to the new volatile, uncertain and complex world. Having the right culture in place was instrumental in enabling the Group navigate the external shocks of the pandemic. With this roll-out of the refreshed Cultural Beliefs, we aim to deliver on our commitment to our stakeholders and in moving the organisation forward to a digital future. The Employee Feedback Survey conducted during the year returned a score of 64%, an improvement from 62% the previous year. Our people experienced improved management leadership quality as leaders exhibited the Cultural Beliefs. In promoting transparency, the Management team will look into the constructive feedback from our people for continuous improvement and to build and uphold the trust they have in our organisation.

Pivotal talent is also crucial to move the organisation forward - talent with critical skills that the organisation needs. We enhanced the succession planning framework, to realign the critical position successors in enhancing and retaining qualified and competent talent for business sustainability. Our Group Human Resource Division also refreshed the Capability Development Working Committee with new members to steer organisational capability development and review capability inventory and standards to set the benchmark and thresholds. We will continue to focus on developing our leadership capability to achieve our business outcomes, while nurturing our top talents.

 To read more, refer to Measuring Progress in Pursuing Sustainability Goals on pages 137 to 139 and Our People, in our online Sustainability Report at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

### What is your hope for 2021 personally and for your organisation?

I went into 2021 with renewed hope - that 2021 will show a path out of the pandemic that has upended our way of life and be back into what we yearn to experience again. I want this not just for our economic health but equally for our societal health.

As an organisation, I believe the head-on challenges and opportunities have given us courage and confidence for the future. My hope is for us to have a better year ahead. We at KLCCP Stapled Group will remain committed to caring for our stakeholders and positioning KLCC as **The Place**, progressively adapting to the new norm and reimagining the experiential customer lifestyle, embracing digital towards a sustainable future.

**In line with our 5-Year Sustainability Roadmap (2019 - 2023) Goal #2, our aim is to build an agile, inclusive and a sustainable workforce within the Group to adapt to the new volatile, uncertain and complex world**

### As we leave 2020 behind, what would you like to say to your KLCC team and stakeholders?

I am very thankful to my Management Leadership team and my KLCC family for standing with me and coping with the extraordinary demands the pandemic had dealt us. I have had the opportunity to have more individual contact with each of you and I believe these connections frame the behaviours and ambitions we want as a team. A special thank you to

our facility management team, KLCCUH and the KPRT for all your hard work and commitment in ensuring office readiness and safeguarding the health and wellbeing of our workforce and stakeholders.

I would also like to express my deepest gratitude to the Boards of KLCCP and KLCCRM for their care especially during these tough times and ongoing guidance and stewardship in steering the organisation towards excellence. My sincere appreciation to the holders of Stapled Securities for their continued loyalty, support and confidence in KLCCP Stapled Group. Some of you have invested in us right from the time KLCCP was listed in 2004 and have supported us when we become a stapled security in 2013 and till today. We are in it for the long haul and remain committed to creating sustainable value and growth for you.

**DATUK HASHIM BIN WAHIR**  
Chief Executive Officer