

LETTER FROM THE CHAIRMAN

TAN SRI
AHMAD NIZAM
BIN SALLEH

DESPITE THE ENORMOUS CHALLENGES THROUGHOUT THE YEAR, KLCCP STAPLED GROUP HAS MANAGED TO DELIVER SUSTAINABLE VALUE TO ITS STAKEHOLDERS AND PLACE PEOPLE AT THE CENTRE OF WHAT WE DO



DEAR SHAREHOLDERS,

The year 2020 will be long remembered as a defining moment in the history of mankind. The outbreak and spread of the COVID-19 pandemic have inevitably impacted many individuals and companies. Nevertheless, it has been a timely awakening for us to realise that it is not just about achievements alone - it is also about surviving during these unprecedented times and braving the impact of the pandemic together.

Despite the enormous challenges throughout the year, KLCCP Stapled Group has managed to deliver sustainable value to its stakeholders and place people at the centre of what we do. I wish to take this opportunity to commend all our dedicated employees who have come together with their creativity and adaptability in navigating the crisis, keeping the organisation intact and working in tandem with the Leadership Team. The resilience in delivering results and unity in action have indeed enabled us to sustain the Group during this intense period of need.

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), it gives me great pleasure to present the second Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2020.

BUILDING A STRONGER SENSE OF COMMUNITY

Our development within the KLCC Precinct has long been the catalyst for economic growth and a place where people converge for business and leisure, thus building a stronger sense of community. We continued to focus on driving enduring demand for our spaces, towards delivering both financial and societal value to our many stakeholders.

The KLCC Precinct partners strategically collaborated to heighten vibrancy and drive shoppers and alleviate guest traffic through a range of promotional offers, incentives and packages to boost sales. Both the retail and hotel segments also leveraged on social media and digital communications and worked closely with "Brand Ambassadors" and influencers to promote KLCC as "The Place". Suria KLCC together with MOKL Hotel collaborated with MHHolidays, the tour operating arm of Malaysian Airlines, providing customers with the opportunity to explore and experience the capital of Kuala Lumpur with packages of flights, hotel stays and shopping, as well as dining and entertainment discounts.

In our effort towards contributing positively to the community, we extended support to the front liners who had tirelessly carried out their duties, as well as employees who were affected by the pandemic. In addition to this, we embarked on the "Buy Malaysian Product" campaign not only to ease the pain of local entrepreneurs but also to help revive the domestic economy. It is our hope that this campaign will assist the affected businesses in their time of need and provide some relief in this difficult period.

A CHALLENGING YEAR

The COVID-19 crisis has resulted in the contraction of the global economy by 3.5% in 2020 - the worst recession since the Great Depression of the 1930s. The Malaysian economy was also adversely impacted, registering a negative growth of 5.6% - the sharpest decline since the 1997 Asian Financial Crisis.

With the effects of the pandemic on the business felt across the board, the Group's financial performance was not spared. The profit attributable to holders of Stapled Securities, excluding fair value adjustments declined 25.3% from RM732.8 million in 2019 to RM547.1 million this year, mainly owing to the significant impact in the retail and hotel segments.


In mitigating the effect, the Group took prompt action by focusing on prudent balance sheet management, strong capital discipline and cash management to strengthen liquidity. We also supported our retail partners to sustain their business operations and survive the impact of the pandemic with various tenant assistance during the year, exceeding RM90 million. The malls embarked on experiential reward-driven shopper engagements to boost footfall and drive sales. Our hotel, Mandarin Oriental, Kuala Lumpur (MOKL Hotel) implemented a comprehensive action plan to sustain its business operations. Amidst the aggressive cost-reduction efforts within the hotel, MOKL Hotel capitalised on the domestic leisure business and innovated its food and beverage offerings to gain traction and keep its business intact.

Notwithstanding the adverse impact on the business, we were able to fulfill our commitment in delivering reasonable returns to the holders of Stapled Securities. The Boards of KLCCP and KLCCRM approved four interim dividends totaling 30.0 sen per Stapled Securities, amounting to a declared dividend payment of RM541.6 million for the year ended 31 December 2020.

INSTITUTIONALISING A CULTURE OF INTEGRITY

While facing the challenges posed by the pandemic, we remained focused in strengthening our governance and integrity across the Group. Following the Boards' approval and roll-out of the Group's Anti-Bribery Management System (ABMS) in 2019, during the year, the ABMS team embarked on auditing, training and risk assessments on various units under the Group. I am pleased to announce that as of December 2020, KLCCP, KLCCRM and the business units of KLCC Urusharta Sdn Bhd (KLCCUH), and KLCC Parking Management Sdn Bhd (KPM) achieved their respective ABMS ISO 37001:2016 certifications.

Moving forward, we will continue to uphold the Group's commitment and enforce Anti-Bribery and Anti-Corruption principles, in line with the Group's Code of Conduct and Business Ethics.

 To read more, refer to Institutionalising Integrity Culture on pages 34 to 35

COMMITMENT TO OUR SUSTAINABILITY AGENDA


KLCCP Stapled Group is committed to manage its business in a socially responsible and holistic manner for long-term growth and sustainability. We strongly believe that sustainability will shape the future of our business and the way we live. Thus, our sustainability agenda has been entrenched in our business model and form an integral part of the "Business As Usual" for KLCCP Stapled Group.

For the year under review, our priority remained on the health, safety and wellbeing of our people and stakeholders. We transitioned into the new ways of working, evolving our processes to ensure a safe, secure, and conducive environment for people to work, live and conduct leisure activities. We also accelerated our digital transformation, improving our systems and technology to support our workforce. In future-proofing our business, we continue to focus on understanding our customer needs, including shifting our approaches to optimise customers' experience and satisfaction. In fact, the pandemic has served as the first real learning experience for us in integrating economic, environmental, and social considerations into our businesses.

During the year, our sustainability efforts have resulted in the Group receiving Platinum Award for Excellence in Environment, Social and Governance (ESG) at The Asset ESG Corporate Awards 2020, a recognition of our efforts on ESG disclosures. Our commitment in maintaining KLCC Park as "The Peoples' Park" was acknowledged by the International Large Urban Parks Award 2020 as the World's Top Urban Park (Silver Award) in a ceremony held in Albania. KLCCUH was also awarded the Gold Award by the Malaysia Green Building Council for Best Sustainability Leadership for Facility Management 2020,

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a testament to KLCCUH's capabilities in providing sustainable focused solutions while ensuring a comfortable, safe and secure environment for our tenants and visitors to our properties.

 To read more, refer to Together Towards A Sustainable Future on pages 130 to 141

BOARD CHANGES

On behalf of the Boards of KLCCP and KLCCRM, I would like to express my sincere appreciation to Tengku Muhammad Taufik for his contribution and wish him all the very best in his new role as the President and Group CEO of PETRONAS. Whilst we bid farewell to Tengku Taufik, I would like to welcome Puan Liza Mustapha, the Senior Vice President and Group Chief Financial Officer of PETRONAS who was appointed to the Boards of KLCCP and KLCCRM, as a Non-Independent Non-Executive Director effective from 12 October 2020. With the appointment of Puan Liza to the Boards, I am pleased to announce that the Group's women representation on the Boards now stands at 43%, surpassing the country's aspirational target of 30% women representation at the Board level for public listed entities.



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LOOKING AHEAD

With the battle against COVID-19 being far from over and its impact continuing to unfold, the availability of vaccines and the concerted effort to provide this to the public is indeed encouraging news. It is our hope that the vaccine roll-out, which has already commenced in February 2021, will lift consumers' confidence, providing the much-needed boost in the retail and hotel segments.

Our focus will continue to be on strengthening KLCCP Stapled Group's core competencies as we adapt and pivot seamlessly to the new norm. With our offices fully occupied, we expect our office segment to remain stable on the back of the long-term profile of office leases and high-quality tenants.

The retail and hospitality outlook going into 2021 will remain a great challenge. The second Movement Control Order, which came into effect on 13 January 2021, is expected to delay recovery in the retail and hospitality sectors. Our retail mall, Suria KLCC will continue to leverage its core strengths in understanding customers' needs and retailer partnerships whilst creating an engaging and safe environment for mall visitors. Amidst the uncertainty surrounding the pandemic and



expectations of Malaysian borders opening only in mid-2021, MOKL Hotel will continue to focus on strengthening its position as the most desired hotel for staycations.

I remain confident that **Together**, KLCCP Stapled Group will be **Looking Beyond** to drive positive momentum towards a sustainable future. We will continue to deliver value to our stakeholders and steer through this challenging environment.

APPRECIATION

I would like to thank the Management and our employees for their perseverance despite the headwinds faced during the pandemic. I would also like to thank my fellow Board Members for sharing their wisdom and experiences amid the 'new normal'. My heartfelt gratitude to all our stakeholders, including our holders of Stapled Securities, our business partners, associates, customers and tenants, whose continued support gives us strength in these times of adversity.

I am certainly eager for the day when we can all see each other again, face-to-face. Until that time, keep safe and stay well.

TAN SRI AHMAD NIZAM BIN SALLEH
Chairman