

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

We began 2021 with optimism and hope that the year would be better; as we all know, 2020 was unprecedented. As we eagerly hoped for a clean break from the COVID-19 pandemic, the mutated virus from Delta to the latest Omicron continues to dominate headlines, keeping lives, economies, and industries on edge.

While it had been a challenging period for many, the future is still looking hopeful as concerted efforts on vaccination programmes have yielded encouraging results. More than 98% of the adult population are already vaccinated and many have also lined-up to get booster shots which is imperative in enabling us to live with endemic COVID-19 effectively.

The devastating massive floods that struck many states in Malaysia on December 2021 had placed a hiatus on many of us. The Group activated a Banjir Care taskforce and quickly deployed assistance for the affected employees and their families. Our thoughts are with those who have suffered from these events and stand in solidarity as we continue to work through these challenges as a nation.

In all of these, our people have remained resilient and gone beyond their comfort zones. I view resilience as a positive outcome as we navigated the year and beam with pride when I think about the dedication shown by our KLCC family this past year.

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 Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2021.

ANOTHER CHALLENGING YEAR

The global economy was on a recovery path in 2021 but weakened in the third quarter due to localised lockdowns to curb the highly transmissible Delta variants. This resulted in the International Monetary Fund's (IMF) growth projection for the year revised marginally to 5.9% from 6.0%. The revision masks significant downgrades for some countries, as prospects continued to diverge, driven by disparities in policy support.

On the local front, the impact of the repeated lockdowns on Gross Domestic Products (GDP) has been severe with the already stressed economy. Malaysia's full year 2021 GDP growth was 3.1%, well below the initial Bank Negara Malaysia projection of between 6.5% to 7.5%. The growth was backed by the rebounded 4Q 2021 performance, as economic activities resumed with the easing of containment measures coupled with the impressive vaccine rollout. For 2022, the domestic economy is expected to remain on its recovery path, supported by increased economic activities as containment measures have been progressively relaxed as well as the resumption of projects with high multiplier effects and strong external demand.

Managing the uncertainties of COVID-19 has been a dominant feature for the last two years. Our decisions have been focused on supporting our stakeholders whilst keeping our people safe and adapting the way we work. We are pleased to inform that RM127.1 million has been extended to support our retail partners through the various rental assistance programmes in 2021. Our profit attributable to holders of Stapled Securities, excluding fair value adjustments recovered 11.4% from RM547.1 million in 2020 to RM609.4 million. The improved result was primarily due to lower finance cost and minimal asset impairment recorded during the year.

Notwithstanding the effect of a turbulent year, we remained focused on fulfilling our commitment to a stable dividend payout to the holders of Stapled Securities. The Boards of KLCCP and KLCCRM approved four interim dividends totalling 33.60 sen per stapled security, exceeding last year's distribution of 30.00 sen. The total payments to the holders of Stapled Securities comprised 8.59 sen from KLCCP and 25.01 sen from KLCC REIT. This translates to a full-year dividend payment of RM606.6 million to the holders of Stapled Securities from RM541.6 million in 2020.



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TAN SRI AHMAD NIZAM BIN SALLEH

Chairman



2021 Highlights

Delivered sustainable value to our holders of Stapled Securities, Dividend of **33.60 sen** per stapled security

Focused on supporting our stakeholders whilst keeping our people safe and adapting the way we work
RM127.1 million in rental assistance was extended to our retail partners

Refreshed the Boards composition to strongly reflect the strategic priorities of the business
56% Women Directors
67% Independent Non-Executive Directors

Commenced **solidifying our Sustainability Agenda** and formulating our path to support the global climate change agenda

LETTER FROM THE CHAIRMAN

STRENGTHENING CORPORATE GOVERNANCE

During the year, the Boards' focus has been to accelerate the Group's fulfilment of its strategic priorities while managing the ongoing uncertainties associated with COVID-19. It is clear that having a sound governance framework is particularly important in times of uncertainty and is key to allowing the Board and Management to ensure the safety and health of our employees, understand and respond to the increasing expectations of our stakeholders around sustainability and drive forward our strategy.

As we have seen growing calls for companies to secure a sustainable planet for future generations, the Boards have increased its oversight of this area and made new commitments to support this agenda. During the year, the Group established the Board Risk Committee (BRC), to enhance board effectiveness. Besides providing direction, guidance, and oversight on Risk Management, the BRC is also responsible for Environmental, Social & Governance (ESG) compliance and sustainability matters.

During the year, we also benchmarked our governance practices to the recommended approach in the newly published Malaysian Code on Corporate Governance (MCCG) 2021 and have made good progress in implementing these recommendations in the areas of strengthening Board oversight and integration of sustainability in the Group's strategy and operations. The new and enhanced best practices introduced in MCCG 2021, provide greater alignment of corporate governance with today's realities. It reconnects people and processes with purpose and is also timely to further guide companies in stepping up their governance strategies, priorities, compliance and processes.

 To read more on the Group governance matters, refer to Corporate Governance Overview Statement, pages 152 to 163



SOLIDIFYING OUR SUSTAINABILITY AGENDA

The Group recognises climate change as one of the most critical issues facing generations today and into the future. Investors, regulators and other stakeholders are now challenging companies to take responsibility by taking an integrated, strategic approach to addressing climate change.

Domestically, the 12th Malaysia Plan aims to achieve net zero emissions by 2050 at the earliest, whilst PETRONAS has also declared its aspiration to achieve net zero carbon emissions by 2050. Taking the cue from the ambition and aspiration of the Government and PETRONAS, we at KLCCP Stapled Group have commenced solidifying our Sustainability Strategic Agenda and formulating our path to ensure our properties and our businesses are committed to supporting the global climate change agenda.

During the year, the industry recognised KLCCP Stapled Group for demonstrating strong sustainability leadership when the Group bagged the Platinum award for excellence in ESG at The Asset ESG Corporate Awards 2021, for the second consecutive year. The Group also received Significant Achievement for Supply Chain Management and Business Ethics & Responsibility at the Sustainability Business Awards 2020/2021.

 To read more on sustainability matters, refer to our online Sustainability Report at www.klcc.com.my/sustainability.php

SBA Sustainable Business Awards

Sustainability Business Awards 2020/2021

Significant Achievement for Supply Chain Management and Business Ethics & Responsibility

The Asset ESG Corporate Awards 2021

Platinum Award for Excellence in Environmental, Social and Governance (ESG)



A BALANCED BOARD

On behalf of the Boards of KLCCP and KLCCRM, we are pleased to welcome the Group's new CEO, En. Md. Shah Mahmood who took over the helm with effect 1 May 2021 following the retirement of Datuk Hashim Wahir, who served the Group for 14 years. With over 27 years of experience, I am confident that En. Shah will bring KLCCP Stapled Group to new heights as the Group pivots to position itself to effectively deliver sustainable solutions to its stakeholders.

During the year, we also bid farewell to our long serving director, Datuk Pragasa Moorthi A/L Krishnasamy and welcomed 3 new Board members, Pn. Chong Chye Neo, Datin Noor Lily Zuriati Abdullah, and Dato' Sr. Mazuki A. Aziz to the Boards. They bring strong credentials with extensive experience and deep commercial awareness and we look forward to their contributions towards the stewardship of KLCCP Stapled Group. This refreshed Boards composition brings diversity and independence and now boasts 56% representation of women directors and 67% Independent Non-Executive Directors on the Boards.

On behalf of the Boards, I would like to register my utmost appreciation to Datuk Hashim for his astute leadership in transforming KLCC to be **The Place** and also to Datuk Pragasa Moorthi, collectively, for their immense contributions to the Boards.



To read more on the Board of Directors profile, refer to pages 136 to 146 & Corporate Governance Overview Statement, refer to pages 152 to 163

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MOVING FORWARD TOGETHER

Notwithstanding the progressive roll-out of the vaccines, there remains considerable uncertainties around how quickly global economies will normalise. Our focus will be on executing our refreshed strategic agenda in delivering our targets while ensuring that we remain ahead of emerging trends towards sustained value creation for our stakeholders. I am confident that with our strong organisational culture coupled with a strong balance sheet and our iconic portfolio of assets, KLCCP Stapled Group will continue to deliver value to stakeholders and take advantage of opportunities that arise.

APPRECIATION

As another challenging year comes to a close, I am proud of how our people have continued to respond to the many challenges presented during the year while taking action to collectively rally for each other and ensure we win as a team. My sincere gratitude goes to the Management and our employees for their resilience and in driving the business towards recovery in a trying year.

I would also like to thank my fellow Board Members for ensuring the Boards meet the highest standards of governance and oversight and their supportive contribution to boardroom debate. To all our stakeholders, including our holders of Stapled Securities, our business partners, associates, customers and tenants, thank you for the unwavering support and the trust you continue to place in KLCCP Stapled Group.

Let's together look forward to 2022 and emerge stronger. Till then, keep well and stay safe.

Tan Sri Ahmad Nizam bin Salleh
Chairman