

# LETTER FROM THE CHAIRMAN



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**DEAR SHAREHOLDERS,**

**The year 2022 began with optimism after two long years of being engulfed in the pandemic that saw many unprecedented events in our lives. As we sailed through the year, we saw 2022 as a year of opportunity and recovery.**

**TAN SRI AHMAD NIZAM BIN SALLEH**  
Chairman

Economic activities started to pick up even though the cautious sentiment was very much in the air and people gradually started to go about their daily lives in a more normalised way. The country also witnessed the much anticipated borders reopening in April 2022 and the Nation's 15th general election in November 2022.

# WE REMAINED STEADFAST AS A GROUP, IN NAVIGATING THE CHALLENGES THAT CAME OUR WAY AND AS A RESULT, WE ACHIEVED SIGNIFICANT BUSINESS RECOVERY

Though the year continued to be clouded with the Covid-19 flare-ups, businesses progressively stabilised and gained momentum, with more vigorous economic and social activities. However, we witnessed few unprecedented incidents that affected our country - landslide disasters and floods in various states across Malaysia. As a mark of solidarity, we stood united in our hope for a brighter, better future for all Malaysians.

We remained steadfast as a Group, in navigating the challenges that came our way and as a result, we achieved significant business recovery. This is evident, particularly from the second half of the year and this has translated to our overall stronger performance in 2022. Thanks to the strength and commitment of our people and the Leadership Team in continuously striving to deliver long-term value to all our stakeholders.

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), I am pleased to present to you, the Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2022.

## RECOVERY AMIDST CONTINUED CHALLENGES

Globally, 2022 was the year Covid-19 pandemic became endemic. The global economic growth confronted a mix of headwinds - shaped by the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflationary pressures, the slowdown in China, disruptions in supply chains and a pressing need to address climate change.

## 2022 Highlights

The Group delivered profit for the year excluding fair value adjustments of **RM793.3 mil**, a **17.9% growth** compared to 2021

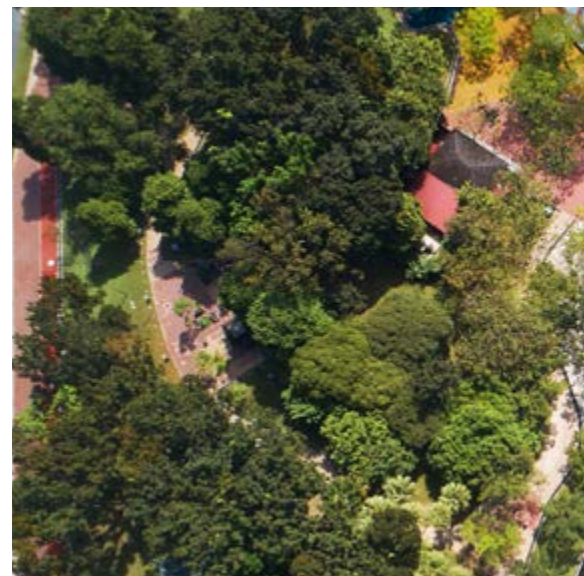
The Boards of KLCCP and KLCCRM approved four interim dividends totalling **38.00 sen** per Stapled Security, **up 13.1%** from last year's distribution of 33.60 sen. This translates to a full-year dividend payment of **RM686.0 million** compared to RM606.6 million in 2021



At the domestic front, the economy was set to re-bounce as travel restrictions eased and international borders re-opened. Malaysia's economic growth rose to a 22-year record high of 8.7% in 2022 against 3.1% in the previous year. This was boosted by strong expansion of domestic and external demand, improvement in the labour market conditions as well as ongoing policy support, amid a high-cost environment.

## LETTER FROM THE CHAIRMAN

# THE GROUP CONTINUES TO UPHOLD THE HIGHEST STANDARDS OF GOVERNANCE AND INTEGRITY AS A CULTURE, AND IS COMMITTED TO BE A RISK RESILIENT ORGANISATION



During the year, we continued our focus on delivering sustainable value as we embarked on various strategic initiatives underpinned by our prudent financial management and strong capital discipline which enabled us to remain agile to navigate the challenging market conditions. We continued to support our retail partners with RM15.0 million in rental assistance programmes and also our tenants, customers and our employees by making our spaces Covid-safe, helping them to manage social distancing and bringing mental health to the forefront.

The Group delivered profit for the year excluding fair value adjustments of RM793.3 mil, a 17.9% growth compared to 2021, attributable to the improved performance in the retail and hotel segments since the transition to the endemic phase.

Reflecting the underlying growth of the Group's performance, the Boards of KLCCP and KLCCRM approved four interim dividends totalling 38.00 sen per Stapled Security, up 13.1% from last year's distribution of 33.60 sen. This comprises 10.71 sen from KLCCP and 27.29 sen from KLCC REIT, translating to a full-year dividend payment of RM686.0 million compared to RM606.6 million in 2021.

## UPHOLDING CORPORATE GOVERNANCE

The Boards recognise the way we do business is key in delivering our purpose and strategy, and that good governance continues to be pivotal in our responses to the challenges we face.

During the year, the Boards implemented several governance enhancements which included the Directors' Fit and Proper Policy as a guide for future appointment and re-election of Directors within the Group and the addition of Sustainability questionnaire for the 2022 Board Effectiveness Evaluation. This is to further promote openness in communication and foster a culture of trust between the Boards and Management.

The Group continues to uphold the highest standards of governance and integrity as a culture and is committed to be a risk resilient organisation. In 2022, several initiatives were implemented to reinforce groupwide awareness of the Code of Conduct and Business Ethics (CoBE) and the Anti-Bribery and Corruption Manual, empowering employees to speak up on any wrongdoing, under the Whistleblowing Policy. In November 2022, the Group completed the Anti-Bribery Management System (ABMS) ISO 37001:2016 Surveillance Audit by SIRIM QAS International Sdn Bhd, providing

assurance that the risk management processes are effectively addressing all bribery risks throughout the organisation and its operations. The Boards also reviewed the risk appetite to provide comprehensiveness to the existing risk statements taking into consideration the transitional period to the Covid-19 endemic phase. In respect to the governance process on Cyber Security, the Boards discussed Cyber Security policies regarding disaster recovery procedures for critical applications, reviewed risk profiles and mitigation steps to reduce incidents related to Cyber Security.

Our Boards comprise 63% Independent Non-Executive Directors with a 50% representation of Women Directors on the boards. We seek to maintain Board diversity across gender, skills and experience. During the year, Cik Habibah Abdul retired from the Boards at the conclusion of the Annual General Meetings on 12 April 2022. On behalf of the Boards, I would like to register my utmost appreciation to Cik Habibah for her invaluable and immense contributions after nine years of serving at the KLCCP and KLCC REIT Boards and as the Chairperson of the Nomination and Remuneration Committees (NRC) of KLCCP and KLCCRM. I welcome Puan Chong Chye Neo as the new chair of the NRC which took effect from 29 April 2022.

**LETTER FROM THE CHAIRMAN**



**PROGRESSING OUR ESG PRIORITIES**

In navigating the ever-evolving sustainability landscape and to demonstrate our commitment to sustainability, the Board Risk Committees which has oversight on ESG compliance and sustainability matters of the Group was established in November 2021. Following the reorganisation of the Group’s structure in 2022, a dedicated Sustainability team under the Group was formed to drive more focused efforts in elevating its initiatives and agenda.

During the year, KLCCP Stapled Group submitted its first United Nations Global Compact (UNGC) Communication on Progress (CoP) to demonstrate its commitment and progress made in implementing the 10 principles of the UNGC in the areas of human rights, labour, environment and anti-corruption.

In September 2022, Bursa Malaysia announced a phased approach in implementing the enhanced sustainability reporting requirements for public-listed companies (PLCs) aimed at elevating sustainability practice and disclosures of listed issuers, commencing financial year 2023. Taking guidance from this, the Boards reviewed the gap analysis in respect to these new indicators and the Group has disclosed additional seven new sustainability indicators in this year’s Sustainability Report. In respect to climate change related disclosures aligned to the

Task Force on Climate Related Financial Disclosures (TCFD) recommendations, the Group has conducted a preliminary assessment and is working towards progressive disclosures commencing FY2023.

With the growing global call for Net Zero Carbon Emission (NZCE), the Group is also aspiring towards low carbon emission in support of its ultimate holding company, PETRONAS’ aspiration of net zero emissions by 2050. In 2023, the Group will focus on crafting its carbon reduction strategy and establishing targets for its business units achieving its targeted milestones between 2023 and 2050.

The year also saw the Group being recognised for demonstrating strong sustainability leadership, when, for the third consecutive year, it bagged the Platinum award for excellence in ESG at The Asset ESG Corporate Awards 2022. Our retail mall, Suria KLCC was bestowed the Gold Award for Best Experiential Marketing 2020-2022 at the Malaysia Shopping Malls Association awards ceremony in recognition of its CSR initiative – We Are With You – A Mental Health Awareness Campaign. KLCC Urusharta Sdn Bhd and KLCC Parking Management Sdn Bhd were awarded the Gold Award respectively by the Royal Society for Prevention of Accidents in recognition for excellence in Occupational Health and Safety management systems, and in ensuring

compliance to the applicable laws within their business operations.

**THE YEAR TO COME**

2023 is expected to be a year of normalisation though there is still much uncertainty in the macroeconomic and geopolitical environments with continued headwinds in the external market conditions. As we sharpen our strategy, aligning our business to growth and value opportunities, we will continue to maintain a culture that safeguards the responsible and sustainable business practices, underpinned by our strong moral values and deep sense of integrity. We seek to maintain our leadership position in the market and continue to reward our holders of Stapled Securities with strong returns.

**APPRECIATION**

Reflecting on how we have weathered another challenging year, I am honoured to acknowledge the people, who are the strength behind this organisation. On behalf of the Boards, my sincere gratitude to the Management and our employees for their commitment and agility as one team that has made it possible for the organisation to navigate the challenges towards recovery and contribute to this year’s performance. My thanks also go to my fellow Board Members for their support and stewardship in ensuring the highest standards of governance and oversight on matters that are critical to the organisation.

To all our stakeholders, I thank you for your confidence and continued journey with us despite the challenging period. We will continue to ensure that the trust you place in KLCCP Stapled Group will be rewarding in the longer term. Together, let us move into 2023 stronger, with higher hope amidst the uncertainty.

**Tan Sri Ahmad Nizam bin Salleh**  
Chairman