



CORPORATE GOVERNANCE

KLCCP STAPLED GROUP IS SUBJECT TO CORPORATE GOVERNANCE REQUIREMENTS SET OUT BY THE MAIN MARKET LISTING REQUIREMENTS (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD AND BEST PRACTICES RECOMMENDATION AS STIPULATED IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012.

Good governance enables KLCCP Stapled Group to function efficiently, effectively, and more importantly, responsibly, by providing clarity on acceptable and expected standards of behaviour.



Board Composition and Diversity

KLCCP and KLCCRM Boards of Directors comprise of 8 members respectively, a Chief Executive Officer, four independent non-executive directors including a Chairman and three non-independent non-executive directors, fulfilling the requirement of the MMLR on independence. Currently there are two female Directors on each Board. The Boards are responsible for overseeing the overall management of KLCCP and KLCCRM and responsible for providing oversight and stewardship of the organisation. Harnessing strengths from a variety of backgrounds and experiences, the Boards bring diversity and add depth to deliberations.

KLCCP and KLCCRM Boards do not practice any form of gender, ethnicity and age bias as both Boards believe both genders are to be given fair and equal treatment and any new appointments to the Boards are based solely on merit. The Boards have continued to apply high standards of corporate governance during the year, operating in compliance to protect and enhance interests of holders of Stapled Securities and stakeholders.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Business Ethics and Compliance

KLCCP and KLCCRM Boards and Senior Management acknowledge their roles in establishing a corporate culture comprising ethical conduct within KLCCP Stapled Group. They are committed to conducting business with integrity, consistent with high standards and business practices and in compliance with all applicable laws and regulatory requirements.

KLCCP Stapled Group adopts and complies with the PETRONAS Code of Conduct and Business Ethics (CoBE) which is embedded throughout our organisation and form the basis for all our policies, procedures, and actions, as well as the personal behaviour of our stakeholders. It is rolled out through various training as well as communication programmes. The CoBE is applicable to all Directors, employees and third parties performing work or services for or on behalf of the organisation and governs the behaviour and ethical conduct expected of each individual.

The compliance to CoBE was made compulsory by having all the new recruits attend a mandatory training on the CoBE which was part of KLCCP Stapled Group's on-boarding programme. The CoBE is also disseminated to key stakeholders, including employees, through a series of training and communication programmes and made available on our corporate website.

Anti-Bribery and Corruption

KLCCP Stapled Group adopts the PETRONAS Anti-Bribery and Corruption (ABC) Manual and has zero tolerance for all forms of bribery as well as corruption and a *No Gift Policy* has been implemented since 1 April 2012. PETRONAS Integrity Compliance Framework (PICF) was developed and adopted within our organisation to nurture a stronger culture of ethics and integrity. The ABC Manual, one of the core components under the PICF was developed to supplement the general policy statements set out in the CoBE on fighting corruption and unethical practices. It applies across the KLCCP Stapled Group and contains details on improper solicitation, bribery and corruption, dealing with gifts, entertainment and corporate hospitality.

Whistleblowing Policy

KLCCP Stapled Group also adopts the PETRONAS Whistleblowing Policy which encourages openness and transparency in our commitment to the highest standard of integrity and accountability. Through the Whistleblowing policy, employees and members of the public can raise in confidence concerns on possible criminal offence and malpractices relating to numerous matters including financial reporting, internal controls, audit matters, any breach of CoBE, without fear of reprisals in any form.

Dealings in Stapled Securities

KLCCP Stapled Group has implemented a Memorandum on Insider Trading whereby Directors and employees of KLCCP Stapled Group are prohibited from trading in the Stapled Securities particularly when they are in possession of price sensitive information and knowledge of facts which have not been publicly announced. The Directors are notified in advance of the closed period for trading in Stapled Securities and reminded not to deal in Stapled Securities when price sensitive information is shared with them on any proposed transactions presented.

Prudent Risk Management

Risk management plays an integral part of KLCCP Stapled Group's business activities and continues to be an essential component of the planning process. The Boards have overall responsibility to ensure KLCCP Stapled Group has the capability and necessary framework to manage risks in existing and new businesses and that the risks appetite are aligned with the business plans and strategies.

KLCCP and KLCCRM Boards developed an integrated approach in managing risk in the Group focusing on three areas of business resiliency:

Enterprise Risk Management

A structured and holistic approach to identify, assess, treat and monitor risk aimed to reduce the likelihood and impact of all identified risks to enhance ability to achieve strategic objectives.

Risk profiling exercise is conducted to ensure KLCCP Stapled Group's risk exposures are properly mitigated and annually updated in line with current economic environment and new regulations imposed by the Government.

Crisis Management

A comprehensive set of processes aimed to prepare the organisation to respond and manage crisis in the risk areas to protect and save people, environment, assets and reputation.

A Crisis Management Plan (CMP) is in place to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely. This includes the emergency response, emergency management and crisis management.

Business Continuity Management

A Business Continuity Plan (BCP) for KLCCP Stapled Group was established to cover the failure of ICT, business supply chain, assets and people. The BCP aims to provide guidance in resuming key business functions in the event the CMP fails to contain the incident and it escalates into a prolonged disaster that has a major or catastrophic impact on the business in terms of financial, operation and reputation.

With the high incidents of terrorist and bomb attacks globally in 2015, Crisis Management was a main focus for KLCCP Stapled Group this year. KLCCP Stapled Group conducted integrated simulation exercises for Menara Dayabumi and PETRONAS Twin Towers to test the effectiveness and robustness of the Crisis Management and the Business Continuity Plan which would result in prolonged business disruption.

Sustainability Governance

Our Board Charter incorporates elements of sustainability with the Boards recognising the responsibility to our stakeholders and acknowledging that the organisation should play an important role in contributing towards the welfare of the community in which it operates. The Boards also acknowledge the need to safeguard and minimise the impact to the environment in achieving KLCCP Stapled Group's objectives. The Boards' agenda reflects commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

KLCCP Stapled Group is working towards strengthening sustainability governance practices across the Group. Our Boards acknowledge that given the emerging trends of EES risks and opportunities affecting business value and share prices, incorporating sustainability considerations into the workings of an organisation leads to value creation for its business and stakeholders in the longer run.