



# THE PLACE



KLCCP Stapled Group

ANNUAL  
REPORT  
2018



# THE PLACE TO PLAY

Making every first impression a perfect one, KLCC is THE PLACE to Play. With wholesome choices of attractions to visit and enjoy, from the art gallery, the science discovery centre, state-of-the-art oceanarium, the Malaysian Philharmonic, KLCC Park and the Lake Symphony Fountains, it is an endless discovery. You'll find yourself in paradise



/ **CONGRESS ORGANISER** /

Due to its strategic location in the heart of the city, KLCC provides a great experience for conference delegates because of its proximity to hotels, shopping malls and numerous entertainment options - the delegates really enjoyed the experience!

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# SUSTAINABILITY STATEMENT



## OUR SUSTAINABILITY JOURNEY AND COMMITMENT

### SUSTAINABILITY STRATEGY

Sustainability is an important agenda of KLCCP Stapled Group's corporate strategy and culture and is deeply embedded in our business model to deliver long-term growth and value for our multiple stakeholders. We champion sustainability development premised on our strategies and initiatives to drive our sustainable goals economically, environmentally and socially, across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

# SUSTAINABILITY STATEMENT

As a real estate player, our business strategy takes into perspective the risks and opportunities impacting the real estate industry and organisation, while keeping abreast of current expectations of our tenants, customers, shoppers and investors. We continued our focus in addressing our material matters across our priority areas under the Economic, Environment and Social (EES) aspects to further strengthen our approach to sustainability. The Boards have the overall responsibility for sustainability and considers EES matters that are material to our business in the formulation of our strategy.

With THE PLACE as our theme this year, we are proud of how KLCC Precinct has transformed into this remarkable destination, the people's place – a place to work, live, shop, play, meet, visit and dine. As one of the world's largest integrated real estate development and Malaysia's landmark and pride of the nation, THE PLACE has evolved into a dynamic city-within-a-city, creating an engaging and sustainable environment which brings together a diverse group of community, setting the benchmark in sustainability. The value created supports and strengthens our business sustainability which enables us to continue to deliver lasting outcomes to all our stakeholders.

As testament to our steadfast commitment in advancing sustainability practices within the organisation, KLCCP Stapled Group has been recognised both locally and globally for demonstrating strong EES practices. Among our notable achievements this year include being awarded the Gold Award in the Environmental, Social and Governance category at The Asset Corporate Awards 2018 for the third successive year, the Gold Award for The Best Governed and Transparent Company Award at the 10<sup>th</sup> Annual Global CSR Summit & Awards 2018 and winner of "Best Workforce" at the Sustainable Business Awards Malaysia 2018.

With profound leadership, commitment and experience, we will continue to drive sustainability in broader perspectives to deliver strategic sustainable goals with clearly defined targets, material to our business and stakeholders with the aim of maintaining a robust business model which embodies our commitment and focus on the sustainability priority areas and aligning our practices to the United Nations Sustainable Development Goals (UNSDGs).

## AN INTERVIEW WITH THE SUSTAINABILITY STEERING COMMITTEE CO-CHAIRMAN

■ Annuar Marzuki Abdul Aziz    ■ Zalina Ibrahim  
*Chief Financial Officer/*                      *Head, Group Health,*  
*Chief Investment Officer*                      *Safety and Environment*

### Q What does Sustainability mean to KLCCP Stapled Group?

A To us, sustainability means transitioning our business to be relevant, agile and responsive to the internal and external environment without losing momentum or vision, whilst embracing ethical responsibility in driving this change.

It is also about the well-being of our employees, the partners whom we do business with, the safety, security and experiences we give our customers, tenants, shoppers and the community we serve around our operations.

We are committed in managing the environmental impact resulting from our business activities, by responsibly managing the resources by promoting the use of eco-friendly products, reducing our energy consumption and water use, tracking our carbon footprint and responsibly managing our waste.

### Q What role does sustainability play in the Group's overall strategic plan and how does it support value creation?

A We started our sustainability journey in 2014 as we realised that there is value to be created through sustainability, be it differentiating our offerings with a wide range of economic, environmental and social benefits or through cost savings by introducing efficient technology or supply chain practices. Such initiatives actually form the basis of our competitive advantage, ensuring our offices, retail and hotel maximise occupancy and growth for the benefit of our stakeholders and at the same time contributing towards industry, social and economic growth.

We place sustainability high on our agenda as it is an integral part of our business strategy. We align our business, processes and our corporate culture to adopt strategies that support sustainable development and investment for the Group and the community at large.

## SUSTAINABILITY STATEMENT

### **Q What is the Group's goal of sustainable development and its aspiration in progressing in its sustainability journey?**

**A** We are proud to have created this landmark destination as THE PLACE which offers a balance between commercial and public spaces, natural greenery, engineered infrastructure whilst preserving the culture and heritage of Malaysia. We have created an environment that caters to all.

Our aspiration is for THE PLACE to remain relevant for future generations to come as we envision KLCC Precinct to be a smart city, where the community engages with smart city ecosystems and for the value of nature to be factored into business decisions. We will keep advancing our sustainable practices to improve performance and embrace the challenge of stretch-goals for a future-proof sustainable business.

### **Q Climate change is a huge global agenda in today's business operations. What is the Group's stand on climate change?**

**A** We echo and support the country's stand and commitment in combating global climate change and we are very proud that Malaysia is working towards a National Adaptation and Mitigation Plan on Climate Change. As a corporate, we remain committed in addressing climate change risks through reduction of our energy consumption and carbon emission in our business operations. Through our own small way, we hope to contribute towards the bigger global agenda.

### **Q What are the challenges faced in implementing sustainability practices within the Group?**

**A** To achieve excellence in economic, environmental and social performance is indeed a huge challenge for any organisation. What we are doing now is creating greater awareness and better understanding among our stakeholders. Sustainability is a huge global agenda and in support of this, we have in place our sustainability strategies and objectives to guide us in pursuing our sustainability journey.

A concerted effort from our employees and business units in translating sustainability into actions is crucial and it does not stop within the organisation. We are also encouraging responsible and sustainable practices across our supply chain to align their practices to our sustainable values and commitment. As our business partners, they have an impact in our sustainability performance which further contribute towards the Group's bigger sustainability agenda.

## THE REAL ESTATE LANDSCAPE

The real estate and construction sector is one of the largest contributors to the Malaysian economy. 2018 saw a myriad of challenges in the global and domestic economies, industry sub-sectors and the equity markets.

The challenges in the office, retail and hospitality industries heightened the lackluster outlook, impacted consumer sentiment and increased competitive pressures. The real estate industry was further hampered by:

- Oversupply in the office and retail sectors
- Growing mismatch between supply and demand exerting pressure on occupancy and rental rates
- Softer consumer sentiment in view of economic and market uncertainties coupled with the reintroduction of the Sales and Service Tax (SST)
- Intense competition for retail tenants due to changing consumer behaviour and cautious consumer sentiment
- Growing popularity of e-commerce activities disrupting traditional brick and mortar retail business
- Intensifying competition from new hotels with increased supply of rooms entering the hospitality market and impact from the slower growth in tourists arrivals
- Sharing economy disrupting traditional channels in hotels i.e. Airbnb
- The emergence of co-working spaces challenging established commercial office locations

Responding to these challenges, the real estate landscape has been moving towards lifestyle needs, new-age real estate investments, ranging from design to materials used and sustainable operational efficiency of buildings. The real estate industry is also impacted by resource constraints, demographic change, environmental impact, urbanisation and emerging technologies.

The country's commitment towards contributing to meeting sustainable development goals and its effort in combating global climate change in support of the 2015 Paris Agreement has seen real estate companies now giving more focused attention towards green investment to compete at the global level. With Malaysia working towards a National Adaptation and Mitigation Plan on Climate Change, an Energy Efficiency Conservation Act and putting in place various programs, initiatives and incentives on climate change, renewable energy, environment quality, green financing and research in science and technology, there are numerous opportunities for companies to embrace new technology and innovation to meet environmental goals and enhance business performance in the long run whilst creating value for its stakeholders.

# SUSTAINABILITY STATEMENT

## DRIVING SUSTAINABILITY AT KLCC

At KLCCP Stapled Group, we create long-term stakeholder value by having business strategies that consider every dimension of how our business operates in the ethical, social, environmental and economic spheres. We believe that to create, deliver and capture value, we need to be future ready and be part of a sustainable society. As such, our business model is anchored on sustainability strategies to create, deliver and share value with our stakeholders.

Our sustainability approach focuses on the EES sustainability aspects, reflecting the FTSE4Good themes and indicators for the Real Estate Holding and Development sector which KLCCP Stapled Group is categorised under, taking into consideration our unique business requirements, the global and domestic industry landscape and also the needs of our stakeholders.

We embed sustainability in all our business operations and believe participation by top management and employees is vital to the successful implementation of the strategies for sustainable development. We aim to deliver financial value and societal benefits by balancing the commercial objectives with the environment and social needs of our stakeholders, underpinned by solid governance and ethical business practices.

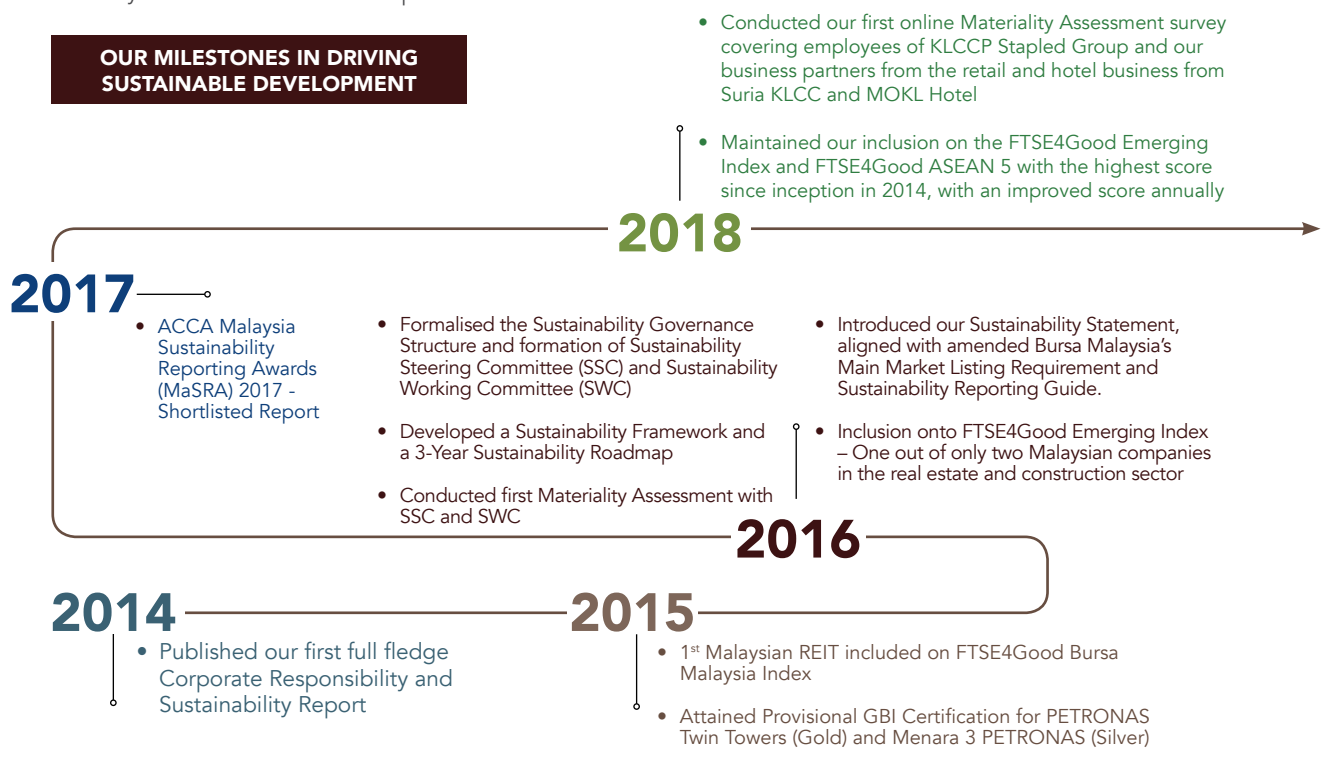
## In our quest to achieve our sustainable goals, we had framed our KLCC Corporate Sustainability Journey in three stages:



To-date, we have substantially completed stage one and have moved into stage two in driving sustainability operational excellence across the businesses. Our 3-year Sustainability Roadmap from 2016 saw completion this year with our 3-year targets being achieved against a 2015 baseline across the four focus areas of Economic, Environment, Social and Corporate Governance. The results are further elaborated in the respective sections accordingly.

Our sustainability journey in the last five years saw us achieve milestones through the years in our continued learning and driving sustainability initiatives within the Group.

### OUR MILESTONES IN DRIVING SUSTAINABLE DEVELOPMENT



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# SUSTAINABILITY STATEMENT

This year, pursuant to our exclusion from the FTSE Bursa Malaysia Index (FBM KLCI) with effect from 24 December 2018 attributable to the share volume trading and liquidity not meeting the stipulated threshold, we have also been automatically removed from the FTSE4Good Bursa Malaysia Index. Nevertheless, we still remain a constituent of the FTSE4Good Emerging Index and FTSE4Good ASEAN 5 and will continue to pursue our sustainability journey, aligned to best practices.

## SCOPE OF REPORTING

The information covered in KLCCP Stapled Group's Sustainability Statement 2018 underlines our sustainability performance as well as its strategies and practices, while highlighting the EES impact of our business activities. This report is based on KLCCP Stapled Group's financial year from 1 January to 31 December 2018.

Our scope of reporting for the year covers all of KLCCP Stapled Group's operations in Malaysia comprising office, retail and hotel assets as well as our operations in facility management and car parking management services. The scope is in accordance with the reporting scope of our Annual Report.

## GOVERNANCE STRUCTURE

The Groups' governance structure which was formalised in 2016 was designed to build on the capacity to pursue sustainable goals. KLCCP Stapled Group's Sustainability Steering Committee (SSC) forms the core of the governance structure and plays a very important role in driving sustainability within the organisation. The SSC comprises heads from all major business functions which ensures the development of sustainability strategies represent the wider interests of the Group.

Reporting to the Chief Executive Officer (CEO), the SSC ensures accountability, oversight and review in the identification and management of sustainability matters within the Group and have the overall responsibilities in overseeing the corporate sustainability strategy and progress of the KLCCP Stapled Group's sustainability performance, identifying and prioritising material matters, reviewing and endorsing policies, practices, targets and achievements for key sustainability issues and ensures regulatory sustainability requirements and reporting are met.

The SSC is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The CEO is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and

together with the SSC, report the progress to the Boards of KLCCP and KLCCRM annually and seeks their advice on related issues. The Boards represent the highest authority and is ultimately accountable for managing material matters in KLCCP Stapled Group.

## KLCCP STAPLED GROUP SUSTAINABILITY GOVERNANCE STRUCTURE



## SUSTAINABILITY FRAMEWORK

In 2016, we established the KLCCP Stapled Group's Corporate Sustainability Framework (CSF) which encapsulates our principles on sustainability and aligns to our priority areas under the EES sustainability aspects. The CSF serves as a guide in managing the strategic and operational risks and opportunities which supports our business strategies, sustainability approach and objectives. Premised on the PETRONAS' Corporate Sustainability Framework, we adopted it to our context with eight focused areas – Governance and Business Ethics, Climate Change, Natural Resource Use, Health, Safety, Security and Environment, Workforce Development, Human Rights, Shareholder Value and Corporate Social Investment.



# SUSTAINABILITY STATEMENT

In 2017, with changes made by FTSE Russell to include Biodiversity as a theme exposure for the Real Estate Holding and Development sector, we included Biodiversity as one of its key focus areas into our CSF. Although the impact of biodiversity is nominal for KLCCP Stapled Group as our investments and developments are centred within the city centre, on the basis that Malaysia is identified as a Primary Impact Country, biodiversity is classified as high priority for the Real Estate Holding and Development sector. Our CSF now constitutes nine focused areas, applicable across all our business operations.

## KLCCP STAPLED GROUP SUSTAINABLE DEVELOPMENT

To deliver financial value and societal benefits in a responsible and holistic manner, by balancing the economic, environment and social needs of our stakeholders, steered by solid governance and ethical business practices



### KLCCP STAPLED GROUP CORPORATE SUSTAINABILITY FRAMEWORK



### OUR FIVE SUSTAINABILITY PILLARS



### ALIGNING OUR SUSTAINABILITY PRACTICES TO THE UNITED NATION'S SUSTAINABILITY DEVELOPMENT GOALS

As a real estate investment and development player, we aspire to contribute and make a positive impact to the communities and the world we live in. In pursuing this aspiration, we aligned our sustainability practices to the UNSDGs for sustainable development by operating responsibly, increasing opportunities, reducing corporate risk arising from sustainable development issues whilst maximising value creation over the long-term.

Last year, we mapped our practices to the UNSDGs which were relevant to KLCCP Stapled Group's sustainable material matters. Progressing from last year, we looked into prioritising the UNSDGs in promoting sustainable development as a real estate player taking into account the context of our operating and business environment and aligning with our risk profile and strategic objectives. We have chosen to focus on four UNSDGs where we believe we can make the most impactful contributions. This takes into account our sustainability pillars, the markets we operate in and our businesses.



We are in the midst of developing our next **5-year Sustainability Roadmap (2019-2023)** and will be aligning and measuring our contribution to these four UNSDGs with the targets and indicators once formalised.

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# SUSTAINABILITY STATEMENT

## 2018 SUSTAINABILITY PERFORMANCE HIGHLIGHTS

### ECONOMIC

REVENUE  
**RM1.4bil**

DIVIDEND  
**RM668.0mil**

TAX PAID  
**RM104.5mil**

### ENVIRONMENT

**GHG Emission**  
(mtCO<sub>2e</sub>)

**OFFICE & CAR PARK**  
Scope 1 **4.66**  
Scope 2 **82,667**

**RETAIL**  
Scope 1 **1,635**  
Scope 2 **27,141**

**HOTEL**  
Scope 1 **1,192**  
Scope 2 **16,583**

**Energy Consumption**  
(kWh)'000

**88,044**

**14,293**

**13,621**

**Water Consumption**  
(m<sup>3</sup>)

**589,491**

**497,347**

**154,530**

### WASTE MANAGEMENT (metric tonnes)

#### OFFICE & CAR PARK

**9.88**

Hazardous waste generated

**9.88**

Hazardous waste disposed

#### RETAIL

**0.755**   **0.970**

Hazardous waste generated

Hazardous waste disposed

**4,232**

Recycled waste (tonne)

#### HOTEL

**0.50**   **0.50**

Hazardous waste generated

Hazardous waste disposed

**2.35**

Waste intensity (kg per room/night)

**25.76**

Waste diversion (% diverted from landfills)

### SOCIAL

#### SAFETY AND HEALTH

Loss Time Injury (LTI) — **5 cases**

Loss Time Injury Frequency (LTIF) — **0.47**

Number of Fatalities — **0**

Loss of Primary Containment (LOPC) — **0**

#### EMPLOYEES

Workforce Diversity

**38%** Female

**62%** Male



**78%**

Staff sent for Training



**RM1.4mil** Spent on Staff Learning and Development

#### COMMUNITIES



**RM2.0mil**

Community Investment

#### CORPORATE GOVERNANCE

Board Diversity

**37.5%** women on board

# ECONOMIC



As a real estate player, KLCCP Staped Group plays a part in contributing towards the nation's economic and industry growth. Since its inception, KLCCP Staped Group has achieved significant milestones, being the largest Malaysia REIT, constituting 34% of Malaysia's REIT industry. With a diversified asset portfolio strategically located in Kuala Lumpur's most premium location, we are committed to deliver sustainable returns and long term value to our holders of Staped Securities.

## SUSTAINABLE MATTERS



Supporting the UNSDGs

Financial Sustainability

Economic, Social and Industry Growth

## WHY IT MATTERS

- Ensure improving sustainable returns and yields for our holders of Staped Securities through stable dividend payout
- High quality office buildings and good track record enable us to secure high quality tenants
- Delivering our role in contributing towards industry and the nation's growth

## VALUES CREATED

- Our strong fundamentals and management capabilities underpin our sustainable growth which is reflected through our credible performance for the year
- Diversified portfolio of iconic and high quality assets offering balance between commercial and public spaces
- Spurring commercial and residential development and heightened economic activities surrounding the KLCC Precinct

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# ECONOMIC

## OUR APPROACH

In the pursuit of creating values and delivering long-term financial sustainability to our stakeholders, KLCCP Stapled Group is committed to manage its business responsibly and aligning its business processes and strategies to support sustainable development and growth across our operations.

As a property investment and development group, and the owner of the iconic properties which placed Malaysia firmly on the world map, we acknowledge our role in contributing positively to the industry's and the nation's growth. We are focused in our commitment to drive sustainable growth through efficient cost management, service level improvements and capitalise growth opportunities to maximise value of investments and ensuring sustainable returns to our stakeholders.

## FINANCIAL SUSTAINABILITY

The past year saw volatility in the equity markets with capital outflows from emerging markets, growing uncertainties in the global economy, political changes on the domestic front, mixed performance of the ringgit, further heightened by the challenging industry landscape and

technological advancements. KLCCP Stapled Group continued to focus its priority to drive sustainable growth and create significant value for its stakeholders through various strategic efforts in our portfolio during the year.

Our strategies of maximising value of investments, resilience in soft market conditions and creating sustainable value saw us responding to the new pace of change to ensure business agility and robustness. Our value creation ensures that our properties are well maintained in pristine condition to drive longer term tenancy prospects. The asset repositioning strategy and asset enhancements transform KLCC Precinct into THE PLACE creating the experience for our customers in driving enduring demand for our spaces.

These strategic priorities coupled with our diligent monitoring of our financial, operational initiatives and cost optimisation efforts resulted in KLCCP Stapled Group delivering a stable performance and sustainable returns to the holders of Stapled Securities. We distributed 96% of our overall distributable income with a distribution of 37.00 sen per stapled security. This is in line with our continued quest in delivering value and growth to the holders of Stapled Securities.

## ECONOMIC, SOCIAL AND INDUSTRY GROWTH

KLCCP Stapled Group has been involved in nation building, realising the vision of making Kuala Lumpur a world class city. The development within KLCC Precinct has marked a milestone in the growth of Kuala Lumpur and is the benchmark for the urban spatial planning and development in Malaysia. Designed to be a city within a city, the KLCC Development sits on a 100-acre precinct and is an integrated mixed development with residential, hotel, convention, retail and leisure components. Our properties within the KLCC Precinct have bridged people together and built a stronger sense of community where people can work, live, shop, play, meet, visit and dine. Our development within the KLCC Precinct has also created significant value enhancements to the properties surrounding and in the periphery of the KLCC Precinct.

KLCCP Stapled Group is committed to building and managing our properties to ensure safety, accessibility and vibrancy to meet social integration and enhance lives of its tenants, shoppers, guests and community.

### Delivering Economic and Social Value

OUR COMMITMENTS	VALUES	IMPACT
<b>Nation Building</b>	<ul style="list-style-type: none"> <li>Malaysia's landmark and pride of the nation</li> <li>Iconic development and major tourists attraction</li> </ul>	<ul style="list-style-type: none"> <li>Approximately two million visitors annually to PETRONAS Twin Towers and the major attractions within the KLCC Precinct</li> <li>Kuala Lumpur Convention Centre hosted over 12,000 events to-date, bringing into Kuala Lumpur over 12 million delegates and visitors</li> </ul>
<b>Catalyst for Surrounding Development</b>	<ul style="list-style-type: none"> <li>Spurred commercial and residential development in the periphery surrounding KLCC Precinct</li> <li>Created significant value enhancement for surrounding properties</li> <li>Selling point for developers of high-rise properties with KLCC view</li> </ul>	<ul style="list-style-type: none"> <li>Notable Developments surrounding KLCC Precinct</li> <li>Offices: Menara TH@ Platinum Park, Menara Darussalam, Menara Prestige</li> <li>Hotels: Four Seasons, Grand Hyatt, W Kuala Lumpur</li> <li>Residential: The Troika, Four Seasons Place, The Ruma</li> </ul>

## ECONOMIC

## Delivering Economic and Social Value

OUR COMMITMENTS	VALUES	IMPACT
<b>Connectivity</b>	<ul style="list-style-type: none"> <li>Convenient accessibility in built environment within our properties for children, the elderly and the disabled</li> <li>Building-to-building connectivity via air-conditioned pedestrian walkways, providing convenient access to surrounding areas, light-rail and mass rapid transit</li> <li>Unparalleled infrastructure with five entry/exit points from KLCC Precinct connecting various city centre roads and highways</li> </ul>	<ul style="list-style-type: none"> <li>Approximately three million pedestrian ply the walkways and connectivity to and from the KLCC Precinct monthly</li> <li>Approximately 2.7 million vehicles enter/exit KLCC Northwest Development car park annually</li> </ul>
<b>Customer Experience</b>	<ul style="list-style-type: none"> <li>Provides Malaysia's Iconic Experience in Kuala Lumpur in collaboration with our business partners, promoting Kuala Lumpur City Centre as a must visit destination for tourists, travelers and locals</li> <li>Powerful collective offerings from best hotels, restaurants, prime convention centre and entertainment experience</li> <li>Point of business of MICE activities, events, exhibitions, government and global ministerial meetings</li> </ul>	<ul style="list-style-type: none"> <li>Houses 15 oil and gas multinational companies and Fortune 500 companies with over 21,000 employees occupying our assets within the KLCC Precinct</li> <li>Over 400 new concepts/tenancies at our retail mall over the last 13 years</li> <li>Exceeding 48 million annual footfall to our retail mall</li> <li>92% hotel guest satisfaction</li> </ul>

## Promoting Industry Growth through Affiliations

KLCCP Stapled Group seeks to promote industry growth through its various industry associations it supports that are aligned with our shared values. Our memberships enable us to contribute towards the development of the real estate, retail and hotel industries, directly or indirectly through our participation in event, discussions and working groups network with our industry peers. Through the memberships, we are also able to promote professionalism as well as share best practices in the industry.

OUR PROPERTY	MEMBERSHIP	VALUES AND IMPACT
<b>KLCC Property Holdings Berhad (KLCCP)</b>	<b>Council of Tall Buildings and Urban Habitat (CTBUH)</b> KLCCP has been a member of the Council at Patron Level since 1996 and has been actively participating as participants and speakers in conferences organised by the Council	Our contribution has helped put the latest information from research and advanced design practice into the hands of professionals throughout the world
	<b>Federation Internationale des Administrateurs de Bien-Conselis Immobiliers (FIABCI) Malaysian Chapter</b> KLCCP is a member of FIABCI Malaysian Chapter and supports the Federation through its various events, seminars and talks organised annually	Keeping employees abreast of the happenings related to the industry through participation in seminars, workshops and publications  We also receive updates from FIABCI through their newsletter and emails
	<b>Malaysian Investor Relations Association (MIRA)</b> KLCC Property Holdings Berhad registered as a member since 2014. MIRA is the first and only professional association committed to developing and advancing the status and integrity of Investor Relations (IR) professionals	Our participation in seminars, workshops, networking session and awards ceremony enable us to reach out to network with IR professionals in the industry

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# ECONOMIC

## Promoting Industry Growth through Affiliations

OUR PROPERTY	MEMBERSHIP	VALUES AND IMPACT
<b>KLCC REIT</b>	<p><b>Malaysian REIT Managers Association (MRMA)</b></p> <p>KLCC REIT Management Sdn Bhd is a member of the Malaysian REIT Managers Association (MRMA). MRMA also represents its members' interests through engagement with the Malaysian Government and regulators for functional regulations, viable structures and tax harmonisation. This ensures Malaysian REITs remain competitive within the region and internationally</p>	Our active participation keeps us abreast of the development in the REIT industry and also provides us the platform to share ideas and opinions for the betterment of the industry
<b>Suria KLCC</b>	<p><b>Persatuan Pengurusan Kompleks Malaysia International Council of Shopping Centres</b></p> <p>Suria KLCC has been a member of the Persatuan Pengurusan Kompleks (PPK) Malaysia since 1995 and a member of the International Council of Shopping Centres (ICSC) since 2003</p>	As a member of PPK and ICSC, Suria KLCC is able to network with the management of other shopping centres in Malaysia and also benchmark with the retail industry best practices worldwide. Suria KLCC also receives information pertaining to the shopping centre industry, statistical data and other statistical research from the ICSC
<b>Mandarin Oriental, Kuala Lumpur (MOKL Hotel)</b>	<p><b>KLCC Business Events Alliance</b>  <b>Malaysian Employers Federation</b>  <b>Jactim Foundation</b>  <b>Malaysian Association of Hotel Owners</b>  <b>The Japanese Chamber of Commerce</b>  <b>Persatuan Hotel Malaysia</b></p>	<p>MOKL Hotel's membership in these association enables them to expand their business networking, leverage on the Association's database and solicit for potential business</p> <p>MOKL Hotel participates in initiatives carried out by the associations from time to time, contribute opinions and comments when requested. MOKL Hotel also participates in any surveys initiated</p>

## Commitment to Capital Market Development

We are committed to promote REIT as an investment asset class to retail investors. We intensified our communication with retail investors in collaboration with Bursa Malaysia and the Malaysian REIT Managers Association (MRMA). This year, we participated in the Bursa Malaysia's Shariah Investing Fair 2018 via a large track presentation and the Bursa Malaysia-i Shariah Investing Webinar 2018 Series sharing insights on Shariah compliant investment to the retail investors. Both events held in Kuala Lumpur were well received with participation from over 100 retail investors.

**OVER 100**  
PARTICIPATION FROM  
RETAIL INVESTORS

**7 July 2018**  
**BURSA MALAYSIA SHARIAH**  
**INVESTING FAIR 2018 – Kuala Lumpur**

**21 November 2018**  
**BURSA MALAYSIA-I SHARIAH INVESTING**  
**WEBINAR 2018 SERIES – Kuala Lumpur**

# ENVIRONMENT



**KLCCP Stapled Group’s commitment towards promoting environmental sustainability focuses on delivering sustainable developments, enhancing a sustainable society and cultivating a green and safe corporate culture. We continue to take proactive measures in minimising environmental impact through efficient management of our operations in the areas of Greenhouse Gas emission(GHG), energy efficiency, responsible water and waste management.**

## SUSTAINABLE MATTERS



Supporting the UNSDGs

Climate Change  
Environmental Management

## WHY IT MATTERS

- Shows our support towards the global agenda on Climate Change and the country’s initiatives towards energy efficiency, environment and climate change
- Growing level of environmental awareness to protect the planet
- Cultivates an eco-mindset among employees

## VALUES CREATED

- Creating a greener environment for the well-being of our community through responsible practices in reducing GHG emission, energy consumption, water use and waste management
- Achieved cost savings with reduced energy consumption, water use for our tenants and the use of renewable energy in operating costs for our retail
- Conservation of natural habitat and eco system within our KLCC Park, providing a green convenient, tranquil and conducive destination for our community
- Increased awareness amongst employees through participation in various environmental programmes organised

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# ENVIRONMENT

Our commitment in environmental stewardship is focused on improving our environmental practices and operational sustainability through:

<p><b>Driving down energy consumption in our operations</b></p> 	<p><b>Minimising use of water throughout our assets</b></p> 
<p><b>Influencing suppliers/contractors on commitment in conserving the environment</b></p> 	<p><b>Minimising quantities of waste generated at our assets</b></p> 
<p><b>Promoting biodiversity</b></p> 	

## OUR APPROACH

At KLCCP Stapled Group, we acknowledge our responsibility and emphasise the needs in raising awareness and understanding of environmental sustainability amongst our business units, stakeholders and the broader community. In line with our Code of Conduct and Business Ethics (CoBE) and as a real estate owner, developer and manager, we aim to minimise disruptions to the community and the environment by lowering the environmental footprint of our buildings and use energy, water and resources more efficiently.

With inherent focus on mitigating the environmental related challenges, and in achieving operational sustainability, KLCCP Stapled Group has embarked to strengthen its foothold in the areas of energy efficiency and waste management in all its assets and operations. In our 3-year Sustainability Roadmap (2016 – 2018), we have identified our baseline and targets for improving our environmental sustainability performance in these areas.

We strive to ensure our decisions contribute to improvements in environmental sustainability, working in-tandem with our tenants in green building initiatives, the local authority, Government and other stakeholders in achieving our targets.

KLCCP Stapled Group is committed in achieving its aspiration to be recognised as a responsible organisation that places great importance on environmental best practices throughout our operations.

With the growing awareness of environmental concerns, particularly in relation to climate change, it is imperative to all companies to address and mitigate the adverse effect resulting from business operations worldwide and the risks aggressively. The alarming rate of ozone depletion, the 2 degrees scenario, chemical pollution and biodiversity loss among others, call for the need to have in place initiatives for environmental conservation to ensure a safe and healthy environment for the future generations.

## CLIMATE CHANGE

Climate change results in adverse weather and global warming which will have impact on our wear and tear of assets and cost associated with repair and maintenance. Increased demand on ventilation and air-conditioning will also result in higher energy consumption. With the increasing awareness on climate change, there are also increasing demand for greener products and services which puts pressure on organisations to shift towards greener economy.

Climate change is fast becoming a global agenda and Malaysia is stepping up efforts in combating global climate change with the implementation of initiatives which include the development of the Climate Change Act in 2019, tax incentives to companies that invest in energy efficient set ups and target to increase use of renewable energy from 2% to 40% by 2025. In support of these initiatives, KLCCP Stapled Group is committed to address climate change risks through reduction of its energy consumption and carbon emission in its business operations. To-date, our facility management company, KLCC Urusharta Sdn Bhd, our car parking management company, KPM and hotel, MOKL Hotel are ISO 14001 EMS certified.

KLCCP Stapled Group anticipates, mitigates and develops adaptation strategies to face the upcoming carbon risks and opportunities, which may affect our tenants, users, guests and community. We monitor our GHG emission based on:

<b>Scope ONE</b>	<b>Scope TWO</b>
<p><b>DIRECT COMBUSTION</b> (Natural Gas and Diesel Consumption)</p>	<p><b>INDIRECT COMBUSTION</b> (Electricity and Chilled Water Consumption)</p>



## ENVIRONMENT

## MEASURING CARBON EMISSION

Carbon management in our business operations is in relation to utilities (electricity, natural gas, chilled water) and diesel. We have developed a carbon inventory to establish our emission baseline and monitor our carbon emission on a quarterly basis and track our progress.

At our hotel, the tracking of GHG emission is carried out through sampling of generator dust and smoke stack, chemical hazard risk assessment and local exhaust ventilation, among others. Our hotel also complies with the Clean Air Regulation 2014 and by 2018/2019 for boilers and generators.

## Performance for the Year

GreenHouse Gas Emission by Segments					
	2018	2017	2016	2015	2014
	⇩	⇩	⇩	⇩	⇩
<b>SCOPE 1</b> (mtCO <sub>2e</sub> )					
<b>OFFICE AND CAR PARK</b>	<b>4.66</b>	9.63	5.47	5.47	8.32
<b>RETAIL</b>	<b>1,635</b>	1,573	1,540	1,540	1,537
<b>HOTEL</b>	<b>1,192</b>	1,913	1,925	1,946	1,892
<b>TOTAL</b>	<b>2,831.66</b>	3,496	3,471	3,491	3,437
<b>SCOPE 2</b> (mtCO <sub>2e</sub> )					
<b>OFFICE AND CAR PARK</b>	<b>82,667</b>	87,078	90,214	90,138	90,699
<b>RETAIL</b>	<b>27,141</b>	27,462	33,103	32,819	21,422
<b>HOTEL</b>	<b>16,583</b>	18,003	17,511	17,330	17,924
<b>TOTAL</b>	<b>126,391</b>	132,543	140,828	140,287	130,045

Overall, KLCCP Stapled Group's GHG emission for 2018 totaled 129,223 metric tonnes, a decrease of 5% as compared to 2017. The reduction was contributed by the continued installation of the LED lighting and replacement of old fittings with new and more efficient fittings at Menara 3 PETRONAS, Suria KLCC and MOKL Hotel.

## ENERGY MANAGEMENT AND EFFICIENCY

As one of our sustainability agendas and a pillar to our carbon emission reduction strategy, we continue to implement energy efficient initiatives to consistently achieve our energy reduction performance across our business operations. We monitor and track our energy consumption and continued to install energy saving fixtures in our effort to reduce energy consumption in our office, retail and hotel properties as it is vital to achieve KLCCP Stapled Group's energy efficient goals and impact on overhead, cost, return on investment and the commensurate reduction of GHG emission.

## Key Initiatives for the Year

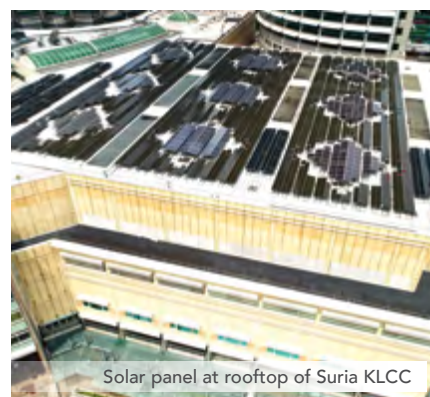
<b>PETRONAS Twin Towers</b>	<ul style="list-style-type: none"> <li>The establishment of the Energy Audit Committee in May 2018 to address our energy efficiency management. It is a platform to review and deliberate potential energy saving ideas and initiatives, share best practices and explore opportunities within the Group to target improvement of energy use towards better asset sustainability and longevity.</li> <li>Replacement of secondary valve for heat exchanger</li> <li>Reconditioning of heat exchanger plate</li> </ul>
<b>Menara 3 PETRONAS</b>	<ul style="list-style-type: none"> <li>Retrofitting Programmable Lighting Controller (PLC) type lighting to LED lighting at lift lobby area</li> <li>Re-scheduling of Air Handling Unit (AHU) operations to start from 6.30 a.m. to 7.30 a.m.</li> </ul>
<b>Menara Dayabumi</b>	<ul style="list-style-type: none"> <li>Implementation of LED lighting at common areas, office and car park</li> <li>Revision of schedule and usage of chillers during office hours: Monday to Wednesday – chillers in operation at 3,000 tonnes Thursday to Friday – chillers in operation at 2,600 tonnes</li> <li>Replacement of cool water system piping resulting in less water friction thus reducing running of pump</li> </ul>
<b>Suria KLCC</b>	<ul style="list-style-type: none"> <li>Replacement of all recess lights from normal tubes to LED lights</li> <li>Progressive escalators modernisation at Park Mall under Phase 3 to 5</li> </ul>
<b>MOKL Hotel</b>	<ul style="list-style-type: none"> <li>Installation of LED lights in the renovated guestrooms as per design specifications, resulting in a 32% reduction in wattage per room</li> <li>Installation of all walk-in refrigerators and freezers with plastic curtains to reduce cold air from escaping</li> <li>Upgrading of InnCom (Integrated room management system i.e. interfaces and energy savings software and hardware) in all guestrooms to improve guest comfort and energy saving</li> </ul>

# ENVIRONMENT

## 3-Year (2016-2018) Sustainability Roadmap – Driving Down Energy Consumption

3-YEAR TARGET (against 2015 baseline)	STATUS	
<b>Office</b> Reduction of 5%	● ○ ○	Achieved Reduction of 19%
<b>Retail</b> Reduction of 3%	● ○ ○	Achieved Reduction of 27%
<b>Hotel</b> Reduction of 3%	● ○ ○	Achieved Reduction of 10%

● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met



### Performance for the Year

Energy Consumption by Segments					
('000 kWh)	2018	2017	2016	2015	2014
	∨	∨	∨	∨	∨
<b>OFFICE AND CAR PARK</b>	<b>88,044</b>	82,900	95,426	99,656	100,209
<b>RETAIL</b>	<b>14,293</b>	14,851	15,791	15,412	13,641
<b>HOTEL</b>	<b>13,621</b>	14,141	13,541	13,830	14,678
<b>TOTAL</b>	<b>115,958</b>	111,892	124,758	128,898	128,528

Energy consumption registered an increase of 3.6% from 111,892,000 kWh in 2017 to 115,958,000 kWh in 2018 contributed by ongoing works for the “Workplace For Tomorrow” at all office buildings.

### Performance for the Year

Energy Intensity (kWh Per Square meter)	
	2018
	∨
<b>PETRONAS Twin Towers</b>	<b>70.10</b>
<b>Menara 3 PETRONAS</b>	<b>83.93</b>
<b>Menara Dayabumi</b>	<b>97.53</b>
<b>Menara ExxonMobil</b>	<b>97.67</b>
<b>Suria KLCC</b>	<b>99.56</b>
<b>MOKL Hotel</b>	<b>441</b>

### Renewable Energy

Suria KLCC’s photovoltaic system located at the rooftop has contributed towards the mall’s electricity saving of approximately 15.8 million kWh, equivalent to RM1.4 million since it began operations in 2012. It generates about 30% of Suria KLCC’s power requirement per month and contributes to the GHG emission reduction by approximately 360,000 kg carbon dioxide (CO<sup>2</sup>) per year.

Solar Energy 5-Year performance					
('000 kWh)	2018	2017	2016	2015	2014
	∨	∨	∨	∨	∨
<b>ENERGY GENERATED FROM SOLAR</b>	<b>512,257</b>	510,000	553,093	591,216	551,162
<b>SAVINGS (RM)</b>	<b>187,000</b>	186,000	324,000	282,000	201,000

### WATER MANAGEMENT

Water is a key element in our everyday life. Despite its abundance in some areas, millions of people around the world are still facing water scarcity due to lack of infrastructure, uneven distribution and access, contamination and adverse weather conditions. Rapid industrialisation, deforestation, unsustainable agricultural practices and fast growing populations are putting pressure on companies to understand how water issues can destabilise, radically alter, or halt business performance.

Despite having plenty of rainfall, Malaysia still encounters water shortages in some states for a certain period each year. Water rationing and unscheduled interruptions over recent years have adversely affected various industries and investors’ confidence.

## ENVIRONMENT

Though our business operations are located within water abundance areas, we are equally concerned about the recurring water crisis faced by the people in some areas. In responding to this issue, we are taking several initiatives to effectively and efficiently manage our water use as water resources is critical to our business sustainability and investments. As a real estate owner, developer and manager, we aim to keep consumption to a minimum, reuse water and prevent water pollution. Efficient water management also translates to less energy which reduces carbon footprint and in-turn lowers our operational cost.

### 3-Year (2016-2018) Sustainability Roadmap – Minimising water consumption

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
<b>Office</b> Reduction of 28%	○ ○ ●	Recorded a reduction of 0.2% Target reduction not met due to: 1. Water tank cleaning activity at PETRONAS Twin Towers 2. Massive work on transforming offices into “Workplace For Tomorrow” (WFT at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi. New equipment in place i.e vending machine. 3. Water tank lining refurbishment works.
<b>Retail</b> Reduction of 10%	● ○ ○	Achieved reduction of 13%
<b>Hotel</b> Reduction of 6%	● ○ ○	Achieved reduction of 13%

● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met

### Key Initiatives for the Year

<b>OFFICE</b>	<ul style="list-style-type: none"> <li>Installation of water aerators and split valve at all lavatories at Menara 3 PETRONAS</li> <li>Installation of Variable Speed Drive (VSD) to regulate the domestic water pump operating speed at Menara 3 PETRONAS</li> <li>Replacement of vertical domestic water piping at Menara Dayabumi</li> </ul>
<b>RETAIL</b>	<ul style="list-style-type: none"> <li>Installation of water meter for all tenants that use water to track consumption</li> <li>Progressively change of water saving water tap in all toilets</li> </ul>
<b>HOTEL</b>	<ul style="list-style-type: none"> <li>Use of water restrictors and “seat” between pipe and faucet to stop drips in all kitchens</li> <li>Installation of aerator at hand basin tap in renovated guestrooms</li> </ul>

### Performance for the Year

Water Consumption by Segments					
(m <sup>3</sup> )	2018	2017	2016	2015	2014
	⇓	⇓	⇓	⇓	⇓
<b>OFFICE AND CAR PARK</b>	<b>589,491</b>	591,444	646,355	681,605	754,269
<b>RETAIL</b>	<b>497,347</b>	569,490	607,715	627,125	-
<b>HOTEL</b>	<b>154,530</b>	169,103	181,678	191,796	211,715
<b>TOTAL</b>	<b>1,241,368</b>	1,330,037	1,435,748	1,500,526	965,984

With our ongoing initiatives, overall water consumption for 2018 reduced by 6.7% being contributed by the installation of water aerators and variable speed drive at Menara 3 PETRONAS and Menara Dayabumi and use of water restrictors at MOKL Hotel.

# ENVIRONMENT

## WASTE MANAGEMENT

KLCCP Stapled Group continued its effort in managing waste disposal in a responsible manner to ensure the wellbeing of our tenants, guests, customers and the community at large. Besides being one of the key platforms in which we create sustainability awareness among employees, it is also part of our commitment and contribution towards our environment for the benefit of our future generation.

As a property investment and development group, our approach to waste management covers construction waste produced during development and renovation of our buildings, municipal waste produced

during operation of our buildings by the various users and occupants, which includes domestic and hazardous waste. Domestic waste comprises solid waste, compostable materials, recyclable materials and reusable materials whilst hazardous waste generated include used fluorescent bulbs, used batteries, spent lubricating oil, spent solvents and electronic wastes.

In respect to hazardous waste, KLCCP Stapled Group complies with the Scheduled Wastes Regulation 2005 (Environmental Quality Act 1974) by the Department of Environment (DOE), Malaysia. All the generated hazardous waste from our respective assets are disposed to the waste facility managed

by Kualiti Alam, Sdn Bhd, registered and licensed with DOE. All scheduled waste will be weighed and inventory will be tracked on a monthly basis. Collection of scheduled waste are undertaken within 180 days by Kualiti Alam, and e-consignment note are filed into DOE's eSwis website.

At our hotel, segregation of waste has been implemented at source - at kitchens, guestrooms and engineering. Waste for landfill or recycled waste are submitted by the waste vendor and tracked on a monthly basis. The data is collected and trended for any abnormalities prior to corrective actions being taken. The waste vendor uses a weighing machine at the Waste Management Center to obtain a more accurate data on recycled waste.

### 3-Year (2016-2018) Sustainability Roadmap – Minimising water consumption

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
<b>Office</b> Reduction of 9%	○ ○ ●	Waste Generation Recorded an increase of 100% Target reduction was not met due to: 1. Massive work on transforming offices into "Workspace For Tomorrow" at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi 2. Ongoing initiatives of changing fluorescent bulbs to LED lights under GBI initiatives at PETRONAS Twin Towers and Menara 3 PETRONAS 3. Major disposal of electronic waste at PETRONAS Twin Towers
<b>Retail</b> Reduction of 3%	● ○ ○	Waste Generation Achieved reduction of 17%
<b>Hotel</b> Waste generation Expected increase of 11% (Due to hotel's masterplan refurbishment)	● ○ ○	Waste Generation Achieved reduction of 47%
Waste intensity Reduction of 1%		Waste intensity Achieved reduction of 39%
Waste diversion Increase of 23.00%		Waste diversion Achieved increase of 24.71%

● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met

## ENVIRONMENT

## Key Initiatives for the Year

<b>Recycling</b>	<ul style="list-style-type: none"> <li>Ongoing awareness training for employees and suppliers on smart purchasing and diligent practices of reuse, reduce and recycle</li> <li>Waste bins for recycle waste placed at office floors, NWD car park, kitchens and common areas</li> </ul>
<b>Waste segregation</b>	<ul style="list-style-type: none"> <li>Waste bins allocated for segregation of hazardous waste at office floors of the PETRONAS Twin Towers and NWD basement car park</li> <li>Reuse of coffee beans as compost for employees of MOKL Hotel to use for their gardens</li> <li>Engagement with tenants on schedule waste handling</li> </ul>
<b>Waste reduction</b>	<ul style="list-style-type: none"> <li>Implementation of a food bio-digester machine at MOKL Hotel, in partnership with waste vendor</li> <li>Monitoring, tracking and analysis of waste collection data is conducted monthly by MOKL Hotel</li> </ul>

## Performance for the Year

## Waste Generation and Disposal by Segments

	2018	2017	2016	2015	2014
	∨	∨	∨	∨	∨
<b>OFFICE AND CAR PARK</b>					
<b>Total Hazardous Waste Generated</b> (metric tonnes)	<b>9.88</b>	9.133	2.173	4.640	3.975
<b>Total Hazardous Waste Disposed</b> (metric tonnes)	<b>9.88</b>	10.284	1.750	4.122	1.920
<b>RETAIL</b>					
<b>Recycled Waste</b> (tonnes)	<b>4,232</b>	3,819	2,997	-	-
<b>Total Hazardous Waste Generated</b> (metric tonnes)	<b>0.755</b>	0.920	-	-	-
<b>Total Hazardous Waste Disposed</b> (metric tonnes)	<b>0.970</b>	0.920	-	-	-
<b>HOTEL</b>					
<b>Total Hazardous Waste Generated</b> (metric tonnes)	<b>0.50</b>	0.746	0.903	0.903	0.901
<b>Total Hazardous Waste Disposed</b> (metric tonnes)	<b>0.50</b>	0.970	0.903	0.903	0.901
<b>Waste Intensity</b> (kg per room)	<b>2.35</b>	3.80	4.70	4.08	3.52
<b>Waste Diversion</b> (%)	<b>25.76</b>	23.13	22.39	17.06	14.16

In 2018, KLCCP Stapled Group generated approximately 11.14 metric tonnes of hazardous waste from its office and hotel operations. This increase was mainly due to the ongoing initiative of changing fluorescent tubes to LED lights under our GBI initiatives for PETRONAS Twin Towers and Menara 3 PETRONAS and the generation and disposal of spent solvent due to break down of dry cleaning machine at MOKL Hotel.

As at December 2018, MOKL Hotel's Waste Intensity (landfill waste per overall guests' room nights) was at 2.35kg per room compared to 3.8 kg per room in 2017. This decrease was mainly due to the ongoing campaign on educating guests to reduce waste, implementation of Electronic Direct Marketing and MO Digital Library where guests can download newspapers and magazines eliminating print flyers and hard copy newspapers. MOKL Hotel's focus on the requirement to practice the 3R of Reduce, Reuse and Recycle paid off when the hotel's waste diversion increased to 25.76% from 23.13% in 2017 which contributed less to landfill waste.

# ENVIRONMENT



## CASE STUDY

### MANAGING WET FOOD WASTE AT MOKL HOTEL

When compared to overall waste generated by the hotel, wet food waste consists of 26% of the hotel's total waste. Waste disposal companies are not provided with environmental alternatives where disposal is concerned, thus all wet food waste are dumped into landfills.

From the middle of 2018, MOKL hotel initiated the implementation of a bio-digester, Ecowiz Pte Ltd, which uses aerobic digestion of food waste in a mixer chamber using microbes and enzymes to break down the food waste into water slurry within 24 hours. The slurry will then be directed to the sewer system for treatment by Indah Water.

The implementation of bio-digester is environmentally beneficial as it enables MOKL Hotel to save wet food waste from being dumped into landfills. In addition, it saves one trip per day of haulage to landfills. MOKL Hotel's daily wet food waste is approximately 300 – 600 kg per day. The bio-digester machine can take up to 500 kg of waste per day and the balance is stored in wet food waste chiller to be digested at the next slow day.



## RESPONSIBLE MATERIAL USE

KLCCP Stapled Group takes pride in ensuring our assets and facilities are managed diligently to ensure they are always in pristine condition and cater to the comforts of our users and occupants whilst adhering to environmental friendly products and material use in their maintenance. We promote the use of sustainable building and fit out materials in our assets and eco-friendly products throughout our operations as part of our roles in inculcating environmental values and behaviours within the organisation and delivering environmental, social and business benefits.

### Promoting the use of Eco-Friendly Products

At KLCCP Stapled Group, we continue to promote the use of eco-friendly products throughout our business operations in our effort towards minimising adverse impact to the environment and for the safety and health of our employees and customers.

### Key Initiatives for the Year

<p><b>PETRONAS Twin Towers and Menara 3 PETRONAS</b></p>	<ul style="list-style-type: none"> <li>• Implementation of green product requirement as part of Invitation To Bid (ITB) submission</li> <li>• Carpet flooring and adhesive used for fit out are from recycled materials and low in Volatile Organic Compound (VOC)</li> <li>• Materials for ceiling insulation were of recycled content materials and non-toxic</li> <li>• All wiring outlet plates are PVC free to minimise outgassing of toxic substances and the lifecycles issues are also consideration in terms of production and disposal</li> </ul>
<p><b>MOKL Hotel</b></p>	<ul style="list-style-type: none"> <li>• Sourced from locally farmed fish, and locally grown vegetables, fruits, herbs and spices</li> <li>• Photocopying paper purchase from FSC approved paper (Forest Stewardship Council) from UPM Asia Pacific Pte. Ltd</li> <li>• Bedroom amenities such as shampoo, body wash, conditioner and body lotion tubes are made of Polyethylene (PE) which are recyclable. The ingredients are derived from natural plants and with essential oils.</li> <li>• The Mandarin Oriental Spa utilises:                         <ul style="list-style-type: none"> <li>- Essential oils derived from organically grown plants</li> <li>- All oils, fragrances and essences contain 100% natural ingredients</li> <li>- All treatment oils come in recyclable glass bottles</li> </ul> </li> </ul>

## ENVIRONMENT



## CASE STUDY

## PROMOTING SUSTAINABLE FISH FARMING AT PULAU KETAM BY MOKL HOTEL

With the increase in human population, the demand for food production increases. Where seafood is concerned, the fisherman will harvest from the oceans and seas. With this increase in demand, many have witnessed the decline of numerous ocean species. Thus with sustainable fishing, this has helped with meeting the demand whilst alleviating the depletion of ocean species.

In order to ensure or help to sustain fresh fish supply, MOKL Hotel's fish vendor, Dragon Taste/ Aqua Ceria has embarked on aquaculture, creating their own fish farm located at Pulau Ketam. Employees from MOKL Hotel paid a visit to the farm whereby the owner explained about fish farming, creating quality fish food and maintaining quality fishes.

A floating cage system farm with approximately 720 cages can be found in the open sea of Pulau Ketam. Among the quality marine fish species farmed are Tiger Grouper, Green Grouper, Giant Grouper (Asian Cod), Red Snapper and Barramundi (Asian Seabass).

Since purchasing from Dragon Taste, MOKL Hotel have been able to maintain their quality of seafood served due to daily delivery of fresh live, chilled, and frozen fish. This also allows the hotel to support sustainable fishing by vendors who are certified by Aquaculture Stewardship Council (ASC).

Live fish such as Pearl Tiger Garoupa and Soon Hock, are served at Lai Po Heen restaurant and Banquet events. Also available and served in banquets are the chilled and frozen fishes such as Red Snapper, Seabass and Garoupa (cooked whole and fillet).

The hotel's investment is in supporting companies who are doing their part in sustainable fishing. Approximately 20% to 30% of the total seafood purchased in 2018 comes from Dragon Taste. MOKL Hotel will continue to support vendors who venture into sustainability practices that will benefit mankind.



## BIODIVERSITY

Protecting and improving biodiversity is an integral part of our well-being as well as the environment and the eco-system surrounding us. KLCCP Stapled Group acknowledges the critical need to conserve our environment for our current and future generations. Over the years, we continue to upscale our efforts in maintaining and conserving our ecosystem and biodiversity through landscaping, conservation of native species and habitat protection and tree planting to leave a positive and lasting legacy in the areas where we operate.

Our biodiversity efforts are reflected through our KLCC Park, which is located in the middle of the 100-acre KLCC Development. The KLCC Park is a botanical wealth that showcases a rich composition of tree species carefully sourced throughout the country. Annually, we spend approximately RM1.6 million for the maintenance of the KLCC Park.

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

# ENVIRONMENT



## CASE STUDY

### KLCC PARK'S ECO-SYSTEMS

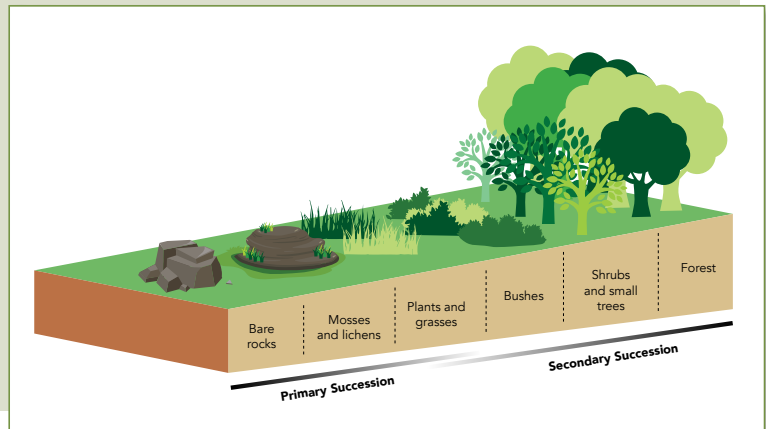
Malaysia's terrestrial ecosystems and its succession process (as featured in diagram below) is well represented within the KLCC Park which hosts 44 species of woody and flowering plants; shrubs and small trees as well as large dipterocarps and palms. The tree species also represent the different elevations at which they grow from the coastal area i.e. sea hibiscus, nibong and sea coconut and lowland dipterocarp i.e. Borneo camphor, penaga, chengal and shorea and together they form a profile of a mixed dipterocarp forest.

In addition to these important forest species, KLCC Park also comprises fruit trees such as rambutan, langsung and mangosteen as well as plants with medicinal properties such as sandal bead tree and Malayan teak.

These tree species are carefully maintained and to ensure longevity and adaptation to the environment, various treatment are carried out which include enriching of fertiliser, pest and diseases control and pruning to remove dead branches. This is also part of the preventive

maintenance carried out on a regular basis which will help sustain the growth and survival of plants and trees to support the ecology of the park.

With its diversity of plant species from different ecosystems, KLCC Park could be viewed as an important urban green area that also functions as a small botanic garden and habitat to bird species, insects and possibly small mammals although this may need to be studied and inventoried in greater detail.



Our environmental sustainability involves KLCCP Stapled Group playing its part as a good corporate citizen and encourage our employees to develop environmental and community outreach initiatives to appreciate and inculcate the back-to-nature awareness. Through such activities, we endeavor to make a difference and inspire others to do the same in our quest for a sustainable future.

### Envirocomm 2018

As an environmentally and socially responsible organisation, KLCCP Stapled Group carried out its annual Envirocomm 2018 as part of our effort in promoting environmental conservation and reaching out to the native community. Envirocomm also encourages employees' participation to create environmental awareness.

This annual activity was successfully held at the RISDA Eco Park at ULU Slim, Perak, focusing on environmental conservation and supporting the local communities. Among the programme conducted include building rock bed at Sungai Bernama Recreational Area to minimise erosion, planting of trees along Sungai Bernama and donated basic needs to the native community in the area.

Envirocomm 2018 marked our support towards environment conservation and the wellbeing of the communities. It has also become a program that promotes healthy lifestyle as well as addressing various social objective, establishing a cohesive relationship among corporates, our employees, customers and also the underprivileged community surrounding us.

### Key Initiatives for the Year

<b>Waste Not Want Not Sale</b>	<ul style="list-style-type: none"> <li>The objective was to raise funds for CSR initiatives in 2018, to encourage employees to Reuse, Recycle and Reduce, employees engagement</li> <li>A total of RM 6,000 was raised with items donated from employees for sale</li> </ul>
<b>Earth Hour</b>	<ul style="list-style-type: none"> <li>The objective was to create awareness on the need to conserve the natural resources of our planet by being responsible for our actions as well as understand the impact to our environment</li> <li>Shut-down of non-essential lights and equipment in the commercial and retail space and at the hotel</li> <li>Worked to engage and educate our tenants, guests and visitors to encourage participation and to create awareness on climate change</li> <li>Concerted effort made to identify and eliminate electricity usage resulting in savings</li> </ul>
<b>Give a Book, Take a Book</b>	<ul style="list-style-type: none"> <li>Encouraged employees to read as well as to reuse books. This also helps the environment by allowing employees to borrow or donate books from the library located in the staff cafeteria at MOKL Hotel</li> </ul>
<b>Beach Cleaning</b>	<ul style="list-style-type: none"> <li>The objectives of the programme was to improve the quality of facilities and promote hygienic and cleanliness of beaches and to instill civic awareness</li> <li>Beach Cleaning at Pantai Bagan Lalang was held in collaboration with Majlis Perbandaran Sepang in September 2018</li> </ul>
<b>Mangrove Plants Conservation</b>	<ul style="list-style-type: none"> <li>To create awareness and encourage employees participation in environmental conservation programme</li> <li>Conservation of mangrove plants at Kilim Geo-Forest Park, Pulau Langkawi completed in March 2018</li> </ul>



# SOCIAL



Social sustainability is a proactive way of managing and identifying business impact on our employees, workers in the value chain, customers, and local communities. It involves a process of creating sustainable places that promote safe, secured and conducive environment whilst maintaining long-term partnerships across our business portfolios.

## OUR SOCIAL COMMITMENT THROUGH SUSTAINABILITY PILLARS



### Security, Safety and Health

Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) societal spheres



### Our People

Nurturing a diverse and talented workforce to drive business growth strategies



### Reliable Partner

Strengthening financial position, business competitiveness and spurring socio-economic growth

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

SOCIAL  
SECURITY, SAFETY AND HEALTH

**SECURITY, SAFETY AND HEALTH**

Safety is the pre-requisite for sustainable operations excellence and integrity. KLCCP Stapled Group has robust Health, Safety and Environment (HSE) policies and practices in place to minimise and prevent workplace injuries, accidents, medical illnesses and even fatalities. As a property owner, developer and manager, KLCCP Stapled Group imposes strict adherence to the Group’s HSE Policy in all areas of our operations. Our leadership’s commitment in enhancing and improving HSE is testament to this.

**SUSTAINABLE MATTERS**



Supporting the UNSDGs

- Safety and Health Management
- Security Management

**WHY IT MATTERS**

- Protecting our people and caring for their well-being is essential to our business operations
- Safety at worksite is one of the highest safety issues due to increasing number of rate of work-related injuries, illnesses and inherent risks associated with working in the real estate sector

**VALUES CREATED**

- Strengthened HSE capability and culture and occupational health of employees within the organisation
- Sustained HSE excellence with every employee ensuring HSE accountability within the organisation
- Being the leader in the industry, surpassing our peers

**OUR APPROACH**

KLCCP Stapled Group is committed to conducting business in a manner that protects the health, safety and security of our employees, tenants, contractors, suppliers and the community who visit our properties. Our business activities are conducted in accordance with our policies on HSE and comply with the highest standards of occupational safety and health regulations.

We place utmost importance on safety management to prioritise safe work practices, building HSE capability and culture within our organisation and occupational health in sustaining ideal health levels of our employees, visitors to our properties and at project sites. Regular HSE programs are conducted to strengthen our HSE culture and capability and ensure our operations are carried out with the highest safety standards. We make continuous improvement in our HSE practices, measure and track our performance against industry best practices in our effort to raise the bar on HSE.

**3-Year (2016-2018) Sustainability Roadmap**

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
Zero Fatality at workplace	● ○ ○	Maintained zero fatality
Zero Loss of Primary Containment (LOPC)	● ○ ○	Maintained zero LOPC
0.7 Loss Time Injury Frequency (LTIF)	● ○ ○	Achieved 0.47 LTIF (below threshold limit of 0.7)

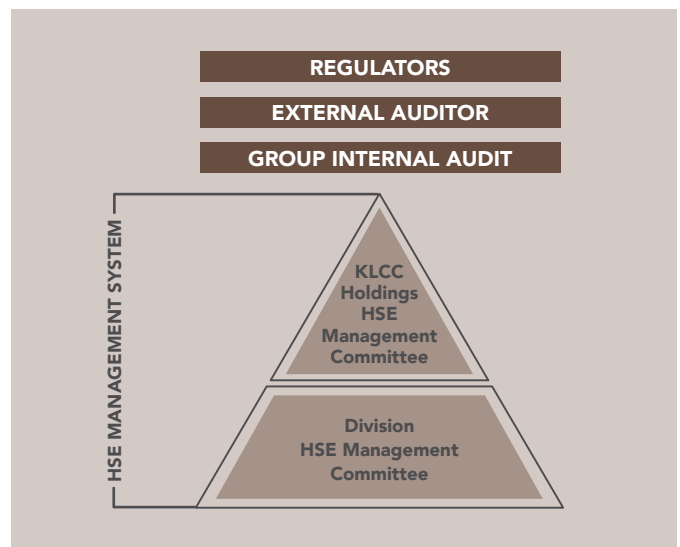
● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met

**HSE GOVERNANCE**

KLCCP Stapled Group work jointly with the Department of Occupational, Safety and Health, Department of Environment, BOMBA and other certification bodies in enforcing the relevant acts and regulations to achieve appropriate standards in health and safety performance. A health and safety management audit is conducted by our external

auditors based on ISO 14001 and OHSAS 18001. It is a structured process of collecting independent information on the efficiency, effectiveness and reliability of our HSE practices and drawing up plans for corrective actions. The Group Internal Audit ensures all our HSE practices complies to the legal and conditions of contract in controlling risk and safeguarding against any harmful safety and health effects.

HSE at KLCCP Stapled Group is driven from the top through two HSE Management Committees (HSE MC) within the organisation subscribing to the HSE Management System (HSEMS). At the holding company level, the KLCC Holdings HSE MC is chaired by the CEO and its members comprise heads of business units and representatives from our joint ventures and hotel operations. Under KLCCP Stapled Group, we have a Division HSE MC chaired by the respective Division Heads and comprise representatives from the Employer and Employee.



These committees meet every quarter to proactively discuss on mitigating potential HSE risks and investigate root causes of incidents, and report back to Group level. The members of the committees actively undergo training on the roles and responsibilities of the National Institute of Occupational Safety and Health. With this governance structure, KLCCP Stapled Group ensures effective practice and implementation of HSE culture.

## SOCIAL SECURITY, SAFETY AND HEALTH

### SAFETY AND HEALTH MANAGEMENT

KLCCP Stapled Group has a robust safety system in place, demonstrating our strong commitment to uphold the KLCC HSE Policy which governs and reinforces our commitment towards safeguarding the employees, preserving the reliability of assets, facilities and operations. This is supported by our HSE Management System, HSE Mandatory Control Framework (MCF) and PETRONAS Technical Standards to strengthen HSE

Governance within the KLCCP Stapled Group while providing clear requirements on operational safety, environment and health for consistent and effective implementation.

Our employees, and third party personnel serving at our properties and development sites are mandated to comply with our standards and rules on HSE. We comply to the Zero Tolerance (ZETO) Rules, a principle to ensure all activities are carried out in a safe manner and where any non-compliance is not tolerated.

#### Key Initiatives for the Year

INITIATIVES	DETAILS	BENEFITS
<b>HSE MS Assurance Tier 2 Audits</b>	<ul style="list-style-type: none"> <li>KLCCP adopts the PETRONAS HSEMS. HSEMS integrates the Business Controls, Quality Management System and Risk Management into a single management system. It consists of 88 elements with 36 sub-elements</li> <li>The governance of HSEMS is conducted annually, through tier 2 assurance, a cross business assurance exercise</li> </ul>	Examines every stage in our HSEMS to measure our compliance with the controls, assess our effectiveness and draw up plans for corrective actions
<b>Top Management HSE Walkabout</b>	<ul style="list-style-type: none"> <li>Leadership walkabouts were conducted group wide by the Management Leadership Team – from project sites to plant environment and from buildings to parking management sites</li> <li>A total of 17 HSE Walkabouts were conducted in 2018 by the Management Leadership Team</li> </ul>	Promotes leadership visibility in driving HSE at our workplace and provides clarity to staff and contractors that they are not alone in preventing fatalities and accidents at workplace.
<b>Workplace Health Assessment</b>	<ul style="list-style-type: none"> <li>The workplace health assessment was conducted in accordance to DOSH requirements as minimum (industrial hygiene) identified workplace health risk through:               <ul style="list-style-type: none"> <li>Chemical health risk assessment</li> <li>Chemical exposure monitoring</li> <li>Noise exposure monitoring</li> <li>Indoor air quality                   <ul style="list-style-type: none"> <li>Monitoring and tracking were followed through in HSE committee meetings and monitored in Tier 2 HSEMS assurance exercise</li> <li>No health incidents recorded for the Group in year 2018</li> </ul> </li> </ul> </li> </ul>	Reduces and prevents occupational health disease incidents reported
<b>Emergency Preparedness</b>	<ul style="list-style-type: none"> <li>Fire drill held in Menara Dayabumi in May 2018</li> <li>Simulation exercises (dry run for responder deployment) held at PETRONAS Twin Towers to test the effectiveness of the Emergency Response Plan, Crisis Management Plan and Business Continuity Plan</li> </ul>	<p>Provides common understanding of emergency response management and consistent approach in managing risk to all employees</p> <p>Better able to respond and manage crises in the risk areas to protect and save people, environment, assets and reputation</p>
<b>Safety Engagement With Contractors</b>	<ul style="list-style-type: none"> <li>Programme on safe work practices towards achieving zero LTI included sharing on HSE best practices, lessons learnt and safety pledge on working safely. A total of 15 employees and 70 contractors attended the programme</li> </ul>	Better understanding of HSEMS, MCF and other HSE requirement translating to zero fatalities
<b>Investigations and Findings of Reported Incidents/Action Taken</b>	<ul style="list-style-type: none"> <li>Inclusion of new accident investigation analysis tools i.e. Tripod Beta for better analysis on human factor</li> <li>Standardisation of HSE incident management reporting at all operating units (OPUs), and incident investigation team appointment base on capability and competency</li> <li>All incidents are investigated with proper accident and root cause methodology to identify the cause of the incident</li> <li>The action items from incidents were discussed at various platforms i.e. within the HSE team, OPU level and tracked accordingly by corporate HSE</li> </ul>	Lessons learnt LTI incidents and dangerous occurrence/ near miss incidents were highlighted and shared with all employees within the Group for reflective learning

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# SOCIAL

## SECURITY, SAFETY AND HEALTH

### Strengthening HSE Capability and Culture

KLCCP Stapled Group continued to drive efforts towards values, attitudes, goals and proficiency of the organisation’s health and safety programs to strengthen HSE capability and culture among its employees and contractors. Our Management is committed to workplace safety and encourages the safety culture with everyone playing a part in keeping themselves and others safe.



#### CASE STUDY

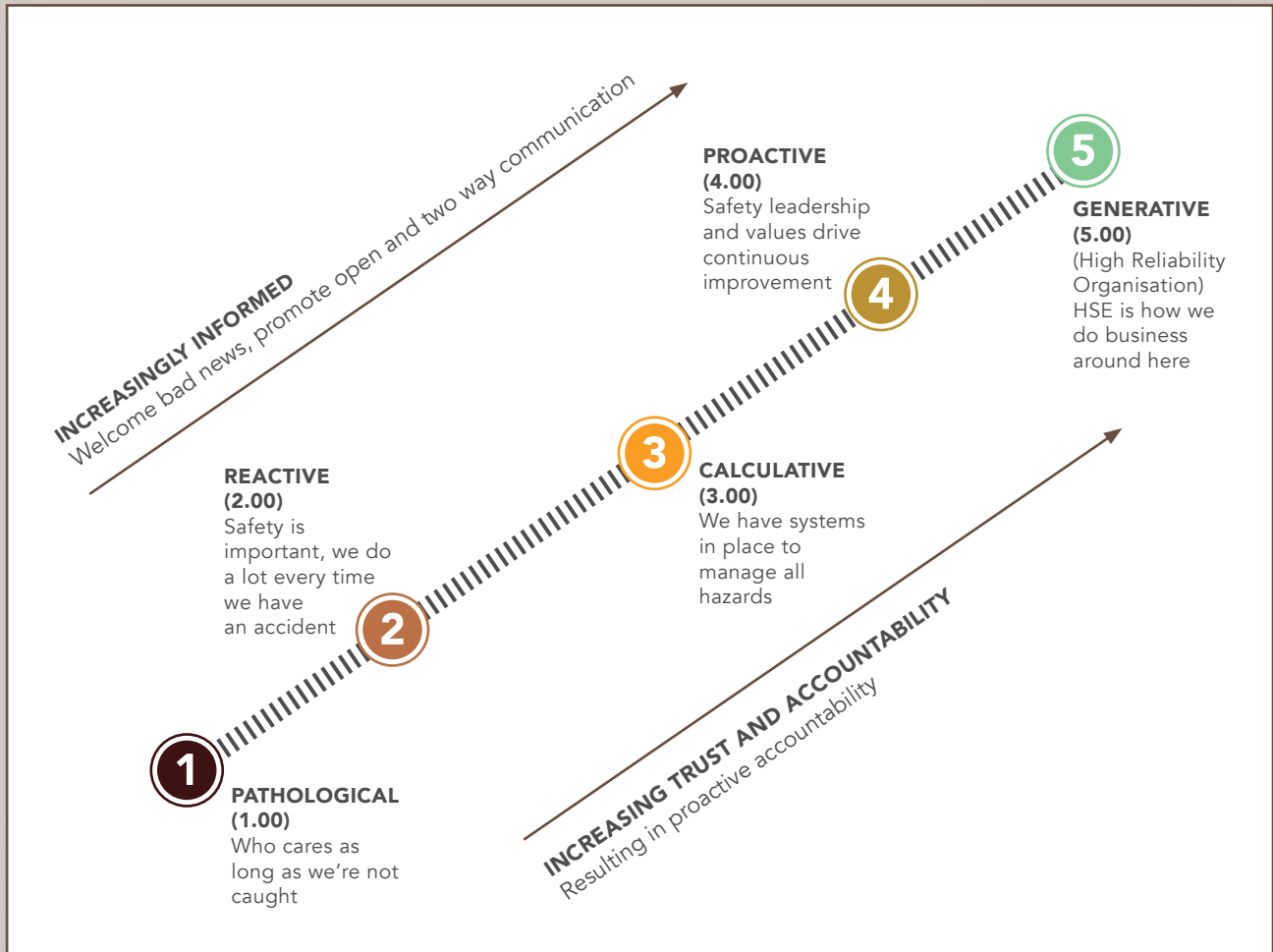
### HEALTH, SECURITY, SAFETY AND ENVIRONMENT (HSSE) MATURITY SURVEY 2018 IN COLLABORATION WITH GHSE PETRONAS

The PETRONAS Group is working towards a step change improvement in HSSE and it is perceived that behavioral and cultural issues need to be addressed to achieve this improvement.

In aligning ourselves to this initiative, KLCCP Stapled Group collaborated with Group HSSE PETRONAS to conduct a HSSE Culture Maturity Survey which was customised based on the Energy Institute’s “Understanding Your Culture Toolkit”.

The objective of the survey was to gauge the level of HSSE maturity culture in our organisation and to understand our strengths and areas of improvements.

The survey was conducted between 16 April and 4 May 2018 which saw a response rate of 67%. The results of this survey is tabulated and given a scoring of 1-5 for maturity levels; 1 – Pathological, 2 – Reactive, 3 – Calculative, 4 – Proactive and 5 – Generative.



KLCCP Stapled Group achieved a score of 4.11, reflecting a level 4 HSSE maturity of ‘Proactive’ which confirms that we are on track to develop a Generative HSSE culture within our organisation. Moving forward, our GHSE division will be using insights from this survey to develop action plans and intervention program to strengthen our HSSE culture within our organisation.

## SOCIAL SECURITY, SAFETY AND HEALTH

For workplace safety, we continued our initiatives in ensuring strict adherence to ZeTo Rules, safety management systems, enforcing safety culture, compliance and leadership and lessons learnt. In 2018, numerous HSE programmes were conducted:

### Key Initiatives for the Year

INITIATIVES	DETAILS	BENEFITS
<b>Instilling HSE in each employee via Key Performance Indicators in Employee Performance Contract</b>	<ul style="list-style-type: none"> <li>Reporting on Potential Incident/Near Miss (PI/NM) of potential hazards or incidents at our properties or sites – there were 2,245 PI/NM reported in 2018</li> <li>Identified corrective actions are taken into account prevent injury/illness or recurring of similar incidents</li> </ul>	It encourages HSE excellence and awareness, making each employee responsible towards safety of the workplace
<b>HSE Awareness Programmes</b>	<ul style="list-style-type: none"> <li>HSE Awareness Session with staff – theory and practical.</li> <li>HSE induction for new staff, KLCCUH on-boarding training on daily basis for new tenants and contractors, Stress Management Training for Floor marshals and assistant floor marshals, sustainable development training, Mandatory Control Framework awareness training for KPM staff</li> <li>Education program – Re-inforce ZeTo Rules Training with consequence management for KLCCUH staff and HSE Fraternity</li> <li>Competency program- first aid training for first aiders, HSEMS Tier 2 auditor training, internal auditors training, ISO 14001 and OHSAS 18001 Lead Auditor trainings</li> <li>Training on identification of HSE risk – identifying the impact to people, environment, assets and reputation through hazard and effect management process (HEMP)</li> <li>Monthly KPM HSE Contest launched in February 2018</li> </ul>	An on-going initiative to train and educate our people, raise awareness, and develop HSE competencies within the organisation
<b>HSE Communication</b>	<ul style="list-style-type: none"> <li>Updates on HSE news, events and lessons learnt are published on the KLCC Group intranet portal</li> <li>HSE alerts on HSE incidents within the PETRONAS Group are communicated to all employees for awareness</li> <li>HSE sharing sessions with business units facilitated by the HSE team on environmental awareness and conservation, basic hazards and risk at workplace</li> </ul>	<p>Promotes awareness and understanding of health management and safety as well as specific risk issues</p> <p>Improves the overall effectiveness and efficiency of the implementation of the HSEMS</p>

### Performance for the Year

KLCCP Stapled Group maintained its impressive zero fatal incidents rate in 2018, stretching its record to 6 years. This was contributed by stringent safety measures implemented throughout our business operations. This achievement was also the result of employees' and leaders awareness and commitment towards the importance of upholding and embracing safety culture in all aspects of their work be it at site or offices.

	2018	2017	2016	2015	2014
	⇓	⇓	⇓	⇓	⇓
<b>FATALITIES</b>	0	0	0	0	0
<b>LOSS TIME INJURY (LTI) INCIDENTS</b>	5	9	4	8	2
<b>LOSS TIME INJURY FREQUENCY (LTIF)</b>	0.47	1.19	0.46	0.23	0.14
<b>LOPC</b>	0	0	0	0	0

During the year, KLCCP Stapled Group recorded 5 LTI incidents with a LTIF of 0.47 contributed by mishap of contractors at worksite. Our group has worked on the tightening of permit to work enforcement and intensified training development to reduce the LTI incidents. Loss of Primary Containment (LOPC) was maintained at zero.

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## SOCIAL

### SECURITY, SAFETY AND HEALTH

#### Independent Verification and Certifications

KPM received its ISO 14001:2015, ISO 9001:2015 and OHSAS 18001:2007 certification (renewal) in August and September 2018 by Llyod's Register

MOKL Hotel successfully received ISO 14001:2015, ISO 22000:2005 and OHSAS 18001:2007 certification (renewal) in September 2018 by SIRIM

MOKL Hotel successfully received ISO 14001:2015, ISO 22000:2005 and OHSAS 18001:2007 certification (renewal) in September 2018 by SIRIM



Top Management HSE walkabout

#### SECURITY MANAGEMENT

At KLCCP Stapled Group we have the responsibility of keeping our guests, tenants, customers and visitors safe by strengthening our security measures in light of the rising global security threats. It is even more so critical that we put in place the best security measures within and surrounding our premises as the KLCC Development is located in the iconic belt and receives millions of visitors each year.

We have in place a KLCC Precinct Security Master Plan comprising the Security Surveillance System for KLCC Precinct Common Area and we also collaborate with the Police and PETRONAS Group Security to manage the customers and visitors' safety and security across all asset classes. We also reviewed various measures to ensure security standards of all our assets in relation to monitoring systems, physical controls, emergency and crisis management plans and administrative systems are intact.

In 2019, we will be embarking on our initiatives to strengthen the overall security within KLCC Precinct in our efforts to safeguard our people and assets.

#### CyberSecurity

With cyber-attacks becoming more prevalent and damaging, KLCCP Stapled Group is working towards reinforcing our systems and procedures to detect, respond and mitigate potential cyber disruptions for upholding information security protection. Our ICT infrastructure is fully supported by PETRONAS ICT, and we adhere to the PETRONAS' Baseline Security policy requirements which are accredited by the International Organisation for Standardization (ISO) 27001:2013 – Information Security Management System. Our Business Continuity Plan also serves to mitigate security risk for our critical business applications.

#### Key Initiatives for the Year

INITIATIVES	DETAILS	BENEFITS
<b>Virtual Parking Management System</b>	<ul style="list-style-type: none"> <li>Our car parking management services company, KPM, implemented the first-ever virtual Parking Management System in Malaysia utilising a private cloud, which is centralised and located at our data centre managed by our internal ICT experts</li> </ul>	<p>A secured network for data storage and transfer, in combating cybersecurity risk</p> <p>Strengthening our Business Continuity Plan for critical business applications</p>

## OUR PEOPLE

Our people are our core strength and our organisation’s success highly depends on their capabilities and commitment. Our employees stand guided by a strict compliance to CoBE without any compromise to the organisation’s integrity. At KLCCP Stapled Group, we embrace the Cultural Beliefs which unleash potential in our employees to deliver excellent results while creating better day-to-day experiences.

### SUSTAINABLE MATTERS



Supporting the UNSDGs

Our People  
Human Rights and Labour  
Practices

### WHY IT MATTERS

- Our people define the culture of the organisation and their diverse capabilities enable us to deliver quality outcomes and achieve business results
- We aim to be the Employer of Choice to be able to attract, nurture and retain the best talent in the industry

### VALUES CREATED

- Greater inclusiveness towards talent retention
- More focused and engaged workforce making results matter



A Kembara 2.0 - Mount Kinabalu Challenge hosted by KLCC Sports & Recreation Club (KSRC)

## SOCIAL OUR PEOPLE

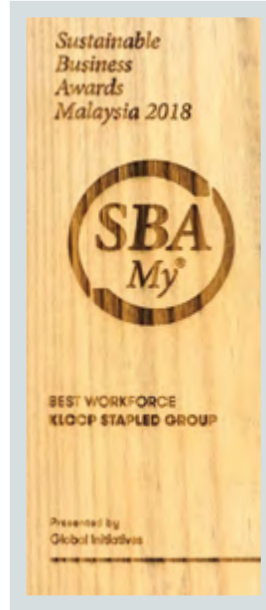
### OUR APPROACH

At KLCCP Stapled Group, our key focus for employees is to build the most diverse and inclusive workplace with appropriate capability development efforts and fair employment practices for our people to make better and informed decisions for superior business performance against the challenges in the real estate and property sector. We believe human capital is fundamental for us and we are guided by a high performance culture based on meritocracy, performance and delivery, subscribing to our KLCC Shared Values of Innovative, Cohesiveness, Loyalty, Integrity, and Professionalism, which are reflected in our daily work practices. Our Human Resource policies adhere to the strict guidelines on non-discrimination and fairness.

### 3-Year (2016-2018) Sustainability Roadmap

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
Succession ratio of 1:1.2	● ○ ○	Achieved a succession ratio of 1:2.6 as at December 2018
100% completion of leadership program for the remaining identified critical positions	● ○ ○	Completed 100% of leadership program for identified successors in critical position

● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met



**Winner of  
"Best Workforce"  
at Sustainable  
Business Awards  
Malaysia 2018**

**in recognition of our  
commendable approach on  
employee engagement and  
diversity**

### EQUALITY, DIVERSITY AND INCLUSION

We view equality, diversity and inclusion within our workplace as a business imperative and continuously strive to provide equal opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability. As at 31 December 2018, KLCCP Stapled Group has a total of 1,126 employees.

### Type of Employment

91% of our workforce constitute permanent employees. We still have contract employees as they are hired based on their specific skills for certain projects for a particular time duration. This demonstrates KLCCP Stapled Group's commitment to provide opportunities and nurture local talent by promoting talent retention within the organisation and ensuring that employees make the best of our organisation.



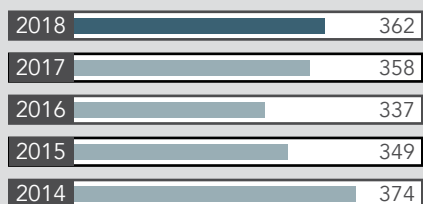


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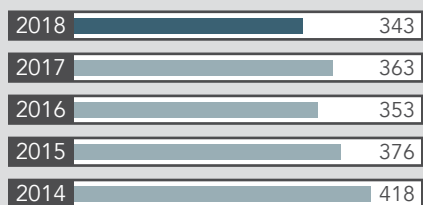
**Age Profile**

We have a diversified workforce across all age-groups with majority being in the millennials age-group. In 2018, 32% of our employee population are below the age of 30 years while 67% range from 30-60 years old.

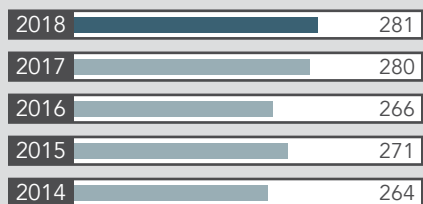
**Below 30**



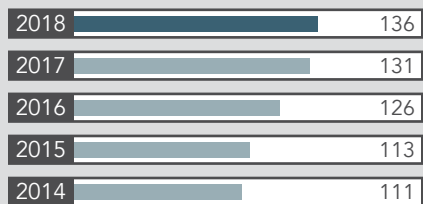
**30 - 39**



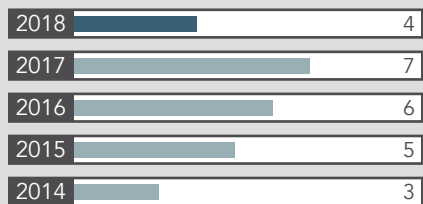
**40 - 49**



**50 - 59**

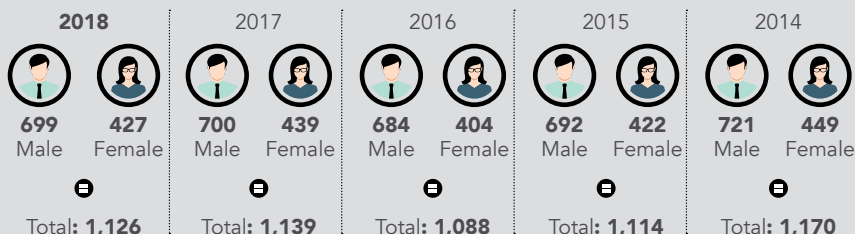


**60 Above**



**Gender Diversity**

KLCCP Stapled Group is committed to provide equal employment opportunities and practices merit-based promotion regardless of gender. Though our employee population is still dominated by males with a 62% to 38% female, there is still continuous efforts to balance the gender diversity within the organisation. For managerial position and above, male account for 57% with female at 43%.



**Top Management**



**2018**  
12 Male, 2 Female

**2017**  
20 Male, 6 Female

**2016**  
27 Male, 18 Female

**2015**  
7 Male, 4 Female

**2014**  
10 Male, 6 Female

**Senior and Mid Management**



**2018**  
151 Male, 122 Female

**2017**  
151 Male, 115 Female

**2016**  
151 Male, 124 Female

**2015**  
93 Male, 78 Female

**2014**  
126 Male, 100 Female

**Other Levels**



**2018**  
536 Male, 303 Female

**2017**  
529 Male, 318 Female

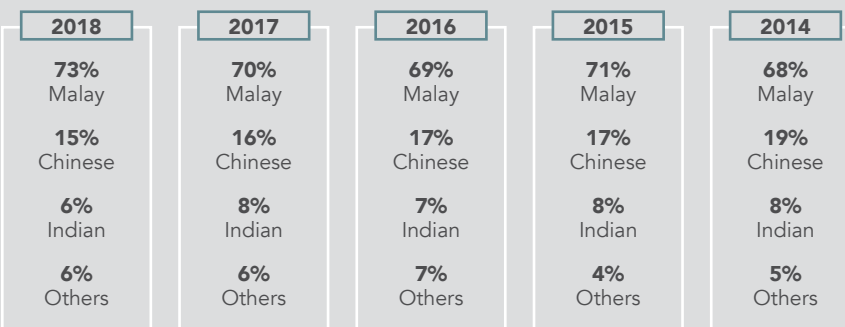
**2016**  
506 Male, 262 Female

**2015**  
592 Male, 340 Female

**2014**  
585 Male, 343 Female

**Ethnicity and Disability Inclusion**

KLCCP Stapled Group embraces an inclusive workplace practices by having a diverse racial workforce. Our workforce is inclusive of the three major races in the country with the remaining being the natives of Sabah and Sarawak from East Malaysia. We also provide fair employment opportunities for the disabled. As at 2018, we have two employees who collectively have been with the organisation for 30 years.



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## SOCIAL OUR PEOPLE

### SKILLS AND CAPABILITY DEVELOPMENT

#### Workforce Training and Investment

KLCCP Stapled Group strongly believes in investing in training and development initiatives as this leads our organisation towards gaining competitive advantage for future growth and success. Our training and development strategy is results driven in order to meet the needs of the business. We are focused on developing talent with the right competencies, knowledge and leadership skills at all levels. We groom and grow our internal talents by setting high standards of expectations and encourage employees to take personal ownership of their career that is reinforced through the 70:20:10 learning philosophy wherein 70% is experiential learning, 20% through coaching, mentoring and networking while the 10% is through formal classroom training.

#### Key Initiatives for the Year

INITIATIVES	BENEFITS
<b>Development of Skill Group (SKG) competencies for the Finance, Legal and Corporate Services and Human Resource fraternity between 2016 and 2018</b>	<ul style="list-style-type: none"> <li>• Enable employees to undergo assessments to identify gaps for closure to enhance functional and technical competencies</li> <li>• As at to-date, SKG assessment for Finance, Legal and Corporate Services and Human Resource fraternity have been completed</li> </ul>
<b>Establishment of KLCC Group Elite Leadership Program (KELPRO)</b>	<ul style="list-style-type: none"> <li>• Focuses on building future leaders for second-tier succession line: senior executives and managers</li> <li>• Talents are subjected to a 1½ year programme to prepare themselves to take up future leadership roles</li> </ul>
<b>Conducting of "Brown Bag" learning series sessions during lunch hour</b>	<ul style="list-style-type: none"> <li>• Ensure time is well spent making it hassle-free and non-disruptive to other work engagements</li> <li>• 12 learning sessions conducted covering areas such as technical and financial skills, personal development, economy, real estate industry and balanced scorecard framework</li> </ul>
<b>Participation in Skim Latihan 1 Malaysia (SL1M) employment program</b>	<ul style="list-style-type: none"> <li>• 4 SL1M trainees joined for a duration of one year, positioned at various business units within our organisation to gain exposure of the business operations</li> <li>• These trainees are from varied backgrounds - Human Resource, Property Management, Business Administration and Quantity Surveying</li> </ul>
<b>On-the-job training and Group Training Techniques for hotel employees</b>	<ul style="list-style-type: none"> <li>• Enhance the department trainer's skills in order for them to conduct training according to the hotel standards</li> <li>• Trainings are conducted in two categories:               <ol style="list-style-type: none"> <li>a) Generic Quality Trainings</li> <li>b) Fire Life, Health, Safety, Security and Environment trainings</li> </ol> </li> </ul>
<b>Leadership Development Workshop and Teambuilding for hotel management supervisors</b>	<ul style="list-style-type: none"> <li>• Solidify the management team and enhance its effectiveness by giving members time to get to know each other and execute strategic planning for the organisation</li> </ul>
<b>"Management Job Swap" for hotel management employees</b>	<ul style="list-style-type: none"> <li>• Opportunity to assume the role of their down line staffs for a minimum of half a day</li> <li>• Encouraging stronger interpersonal networks, improved communications, gain broader experience and develop new skills and awareness</li> </ul>
<b>Culture Exchange Ambassador at MOKL Hotel</b>	<ul style="list-style-type: none"> <li>• Ambassador is assigned to support and assist in the operational processes, conducting specific training, coaching new colleagues and sharing the Mandarin Oriental Hotel Group culture in other subsidiaries</li> <li>• 9 employees were sent to Guangzhou, Bangkok, Singapore and Dubai to build personal relationships, learn about the hotel's uniqueness, working style and culture</li> </ul>

Our retail employees continued their Competency Based Learning Curriculum with a focus on Customer Experience Excellence for Concierge and Front Liners, English programmes for Front Liners, Objective Setting and Planning, Standard Operating Procedures Drafting Guide, Procurement Optimisation Workshops and Specialised Trainings for competent handling of Photovoltaic Solar Panel.

In 2018, we invested RM1.4million on learning and development which saw 78% of employees undergoing training programmes that were planned for the year with an average of 34 hours per employee. This saw a total of close to 4,055 man-days for a total of 326 training programmes provided by the Group.

#### Student Internship Programme

KLCCP Stapled Group also partners with local tertiary education institutions to offer student internship opportunities for students interested in the real estate sector. In 2018, there were 9 interns assigned to various departments within the organisation. Our Human Resource Division also engaged with almost 30 fresh graduates from various universities via "Meet the Grads" session held in December 2018 to reach-out to potential talents for our 2019 internship program. They were inspired by the talks given by our various business unit heads and the graduates were offered an opportunity to initiate conversations with them. This program which was also to promote KLCCP Stapled Group as part of our branding initiative, ended with interview sessions to identify potential talents.

At MOKL Hotel, a structured 6-month global internship programme for key operational departments is made available in line with the hotel school internship schedule. Successful interns are given an opportunity to apply for the Management Development Programs upon their graduation. During the year, 18 students who have shown outstanding performance during the internship training were absorbed into employment at the hotel. MOKL Hotel also partners with the Bandung Institute of Tourism, a leading hotel school in Indonesia to train their students for a duration of 6 months at our hotel. This exposure is essential as part of their curriculum assessment and their accommodation is provided in-house including all meals.

#### TALENT MANAGEMENT

Dynamic, talented and dedicated employees play a crucial role in our organisation's long-term success. KLCCP Stapled Group continues to retain experienced and skilled employees for long-term and aspires to attract highly qualified and motivated new generation professionals. We see the recruitment, promotion and retention of young talents as a key strategic task. This requires flexible talent management that meets the current challenges of the labour market and transparent career opportunities. We have in place a Talent Strategy Blueprint detailing the strategies on attracting, retaining and developing talents, spanning a 5-year horizon. The blueprint outlines the HR roadmap and milestones focusing on three strategic thrusts – getting the right talents, putting them in the right environment and building credible leaders.

KLCCP Stapled Group identifies talent from within the organisation as well as externally. In 2018, our Human Resource Division participated in the Mega Career and Study Fair 2018 to attract potential candidates to be part of the Group. Our talent management programmes covers all stages from entry-level talent development programmes to top-tier executive programmes which are varied year-on-year to remain relevant to the changing needs of our employees and business while being impactful and meaningful.

We recognise that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly strengthen our performance management system, engaging our high-performing employees to set stretched key performance indicators and assume bigger roles and responsibilities. Career development planning based on employees' development needs and the input of their superiors are also important for us to build our pool of future leaders. Our Human Resource Planning and Development Committee (HRPDC) continuously reviews our succession planning strategy on an annual basis to identify and develop high potential employees to ensure sufficient talent pool for future succession and leadership needs. In 2018, KLCCP Stapled Group identified 8 critical positions with 21 successors to fill the next leadership roles within the organisation. The succession management ratio for the Group as at 31 December 2018 stands at a ratio of 1 to 2.6. KLCCP Stapled Group was also recognised in Malaysia's 100 Leading Graduate Employers as the most popular employers to work for which is voted by Malaysian students and fresh graduates.

#### Appraisals and Rewards

As KLCCP Stapled Group is committed to meritocracy, our rewards and compensation policies emphasise employees' performance, taking into account the challenges faced and efforts put in. Our employees' performance management was reviewed periodically and incorporated into a well-structured appraisal system through the Online Employee Management System (EMS) which covers all levels of employees. The EMS comprises of 3 stages – goal setting, periodic review and year-end review. Following the year-end review, a challenge session at division level with the Heads of Department and Heads of Division ensues, followed by a challenge session at organisation level prior to the final round of challenge at the HRPDC.

As part of our employee performance appraisal, our Human Resource Division initiated the inclusion of Behavioral Evaluation – PETRONAS Cultural Beliefs (Be PCB) to nurture and instill the Cultural Beliefs elements amongst employees. Each employee is required to nominate themselves for the Cultural Beliefs elements they have exhibited for the year and subsequently be assessed by their superior for feedback in the areas of strength and improvement. In 2018, 100% of our employees completed their performance appraisals via the EMS.

KLCCP Stapled Group also places emphasis on internal rewards recognition for our employees. In 2018, the Human Resource Division introduced the KLCC Group Choice Awards in recognition of our employee's relentless efforts to excel, through the quality of their performance and efforts in achieving excellent results. We recognise employee of choice for Manager, Executive and Non-Executive levels, best Sports person, for both men and women and employees who displayed exemplary efforts in embracing the Cultural Beliefs values. The selection was based on individual performance, participation in company events, and online voting by all employees.

Our hotel performance appraisal system for the Management team supports the Mandarin Oriental Hotel Group (MOHG) Performance Management process, called "PROFILE". The annual performance and succession planning reviews were completed at all levels of the organisation and feedback were given to ensure that employees are aware of their potential career progress.

## SOCIAL

### OUR PEOPLE

#### KLCC Young Professional Executive Club (YPEXC)

Nurturing young talents is an agenda of KLCCP Stapled Group as our young professionals constitute 27% of the workforce. In developing our future leaders, we provide an avenue for them to unlock their potential and leadership capabilities. YPEXC is a platform for the young executives to elevate their talent and focus on promoting KLCC values, work-life balance and breakthrough performance culture. The establishment of YPEXC Leadership Team has been endorsed in February 2018 to help empower youth leadership as the culture activator towards sustainable performance and growth.

#### Key Initiatives for the Year

ACTIVITIES	DETAILS AND BENEFITS
<b>YPEXC Annual Grand Meeting 2018</b>	<ul style="list-style-type: none"> <li>Annual gathering of YPEXC members as a platform to deliberate YPEXC initiatives and activities throughout the year</li> <li>Election of YPEXC Leadership Team (LT) and committee members</li> </ul>
<b>YPEXC Team Building</b>	<ul style="list-style-type: none"> <li>A platform for the LT and committees to communicate and align YPEXC organisational vision, mission and core values with clarity and effectiveness</li> <li>Enable the LT's to conceptualise learning experience and draw upon a cognizant plan of action to achieve a common goal in a fun and exciting settings</li> </ul>
<b>Confab session YPEXC LT-GCEO</b>	<ul style="list-style-type: none"> <li>A face-to-face opportunity to connect with the company's top management to achieve common understanding and to share concerns and challenges of being a Leader</li> </ul>
<b>YPEXC Clan Jumpa 2018</b>	<ul style="list-style-type: none"> <li>Address concerns and issues on YPEXC activities and its members</li> <li>Encourage camaraderie among members and strengthen YPEXC community ties</li> </ul>
<b>Sharing Session with UKM Students</b>	<ul style="list-style-type: none"> <li>Helps University students to connect their learning with the workplace challenges and expectations</li> <li>Sharing information about the property and construction industries and the career options it provides</li> </ul>
<b>YPEXC visit to Rumah Perlindungan Nur Hati</b>	<ul style="list-style-type: none"> <li>A joint effort with Human Resource (HR) Division to ease the burden of Rumah Perlindungan Hati residents in preparation for Aidilfitri</li> <li>Among the CSR activities include: monetary donations, visit to the orphanage and raya shopping with the unfortunate</li> </ul>
<b>KLCC Projek Knowledge Day</b>	<ul style="list-style-type: none"> <li>YPEXC was given the opportunity to be one of the invited speakers to share on Digital Transformation in Property and Construction Industries during Knowledge Day</li> <li>A platform for sharing knowledge about new technologies, products and services, as well as current challenges within the industry</li> </ul>
<b>Toastmaster Series Program/Stand Up, Speak Out Competition</b>	<ul style="list-style-type: none"> <li>Equip YPEXC with the skills of thinking clearly, speaking persuasively and listening to the opinions of others critically and constructively</li> <li>To develop their capacity for leadership and promote advance mutual understanding through more effective communication</li> </ul>

**WORKFORCE ENGAGEMENT**

Our employees play pivotal roles in advancing our business towards sustainable growth with the unique and valuable skill sets that they bring. To that end, we consistently engage our employees and empower our Management to interact transparently with their teams. Our engagements focus on employees' well-being, performances, results and recognition. During the year, we continued our proactive engagement with our workforce through various avenues for effective flow of information and alignment to business goals and strategies across our operations.

In 2018, we maintained the employee engagement score at 85%, well above the property and development industry benchmark of 63%. This is reflective of the trust the employees have in our organisation and for providing a workplace that inspires them. As at year end, the attrition rate for KLCCP Stapled Group stood at 6% compared to the property and development industry average of 11%.

**Key Initiatives for the Year**

INITIATIVES	BENEFITS
<b>Recognition of employees' loyalty and contribution to organisation</b>	<ul style="list-style-type: none"> <li>• Long Service Awards – provision of additional reward for retirees and long service for 10-35 years</li> <li>• Annual Dinner</li> </ul>
<b>Promote camaraderie, teamwork and cohesiveness</b>	<ul style="list-style-type: none"> <li>• CEO Townhall</li> <li>• Leadership Development Workshop and Teambuilding</li> <li>• Induction for new employees</li> <li>• Round Table Conference</li> </ul>
<b>Encourage stronger interpersonal networks and improved communication</b>	<ul style="list-style-type: none"> <li>• Employees Briefing</li> <li>• Management Retreat</li> <li>• Division Away Day</li> <li>• Social and Recreational Day</li> <li>• Employees Year End Party</li> <li>• Informative Talks</li> <li>• Social Get Together Fund</li> </ul>
<b>Employees' feedback on organisational culture</b>	<ul style="list-style-type: none"> <li>• Peer Review Survey</li> <li>• Online Employee Engagement Survey</li> </ul>
<b>Promote work-life balance</b>	<ul style="list-style-type: none"> <li>• Talent competition</li> <li>• Cooking Class for hotel employees</li> <li>• Sports and Games</li> </ul>



KLCC Group's Long Service Award ceremony is held annually to appreciate and recognise long serving employees

## SOCIAL

### OUR PEOPLE

#### Employee Wellness

We believe that investing in employees' health and well-being benefits both the employees and organisation. Healthy employees show better productivity, improved morale, positive contribution to work environment, and drive down overall healthcare costs. We are committed to creating a healthy workplace that encourages our employees to stay healthy and engage in a wide range of health programmes and initiatives.

#### Key Initiatives for the Year

INITIATIVES	DETAILS AND BENEFITS
<b>Free entry passes to the Twin Towers Fitness Centre (TTFC) for employees</b>	<ul style="list-style-type: none"> <li>Employees are able to utilise the gym facilities, squash, badminton courts and studios for group fitness classes and sports activities</li> </ul>
<b>KLCC Group Family Carnival and Property Games</b>	<ul style="list-style-type: none"> <li>Held in November 2018 as part of the efforts in promoting togetherness amongst families and encourage sports development</li> <li>Activities held include:               <ul style="list-style-type: none"> <li>- Zumba warm up</li> <li>- Telematch games</li> <li>- Food trucks</li> <li>- Carnival game booth</li> <li>- Petting zoo</li> <li>- Pony rides</li> <li>- Face painting</li> <li>- Clowns and mascots</li> <li>- Colouring contest</li> <li>- Magic show</li> </ul> </li> </ul>
<b>Fitness programme - Fit4Life 3.0 and JomFit</b>	<ul style="list-style-type: none"> <li>Aimed at providing an avenue for all employees to participate in physical exercise activities after working hours</li> <li>Conducted by professional trainers and highly effective for those who aim to get an ideal weight with an appropriate diet plan and physical exercise</li> </ul>
<b>MOHG Global Employees' Wellness Week</b>	<ul style="list-style-type: none"> <li>MOKL Hotel participated in the Blood Donation Campaign held in collaboration with the National Blood Bank</li> <li>Programmes on health talks, grooming classes, wellness class, sports and social activities as well as healthy food offerings</li> </ul>
<b>Suria KLCC staff get-together</b>	<ul style="list-style-type: none"> <li>Organises monthly zumba class, quarterly get-togethers and jogs in the KLCC Park to encourage bonding and understanding between managers and their teams as well as keeping fit.</li> </ul>

#### TOWARDS DIGITALISATION

In an effort of improving service delivery to employees, our Human Resource Division embraced digitalisation by continuing its efforts to relook at its current processes for automation. The journey started in 2012 via the outsourcing of its administrative and transactional activities through a shared services company, PETRONAS Human Resource Centralised Services ("PETRONAS HRCS"). In 2018, our HR Division embarked on several automation and simplification efforts for their systems. These enhancement initiatives were communicated with our employees at the ICT Pit-Stop event held in November 2018 which was in collaboration with PETRONAS-ICT to provide employee experience on the new digitalised services offered.

## SOCIAL OUR PEOPLE

The year also saw the “New Room Reservation System” go-live for meeting rooms. The goal is to make room bookings much easier whereby employees can book the meeting rooms using the outlook calendar without leaving the desk to check on every meeting rooms that are available. It saves time and in line with our goal to reduce paper usage.

### EMPLOYEE BENEFITS

In an effort to attract, motivate and retain employees, KLCCP Stapled Group emphasises on enhancing employee welfare and catering to the growing needs of our people. In 2018, KLCC Group of Companies were given the opportunity to leverage on PETRONAS’ exclusive vehicle offer for certain brand names. In light of the increasing importance of smart phones making them a necessity for everyone, KLCCP Stapled Group under the Employee Purchase Program provides employee with great discounts to own smart phones.

MOKL Hotel on the other hand introduces MObstay programme which provides its employees and their families discounts on hotel stays giving them the opportunity to experience Mandarin Oriental hospitality. “MOKL Family and Relatives Promo Rate” is also applicable to all permanent employees’ family and/or relatives who are travelling on leisure.

### HR ONE-STOP POINT

Aiming to assist both employers and employees, the Human Resource Division established a centralised contact centre called HR One-Stop Point to serve as a one-stop focal point that manages all enquiries that come in through emails, phone calls as well as walk-ins. Part of this initiative, the division introduced “HR Careline” in early 2018 to address HR-related matters for employees and to improve HR’s service level.

We also aim to address any grievance or complaints amongst employees or third party fairly and effectively. The grievance mechanism that we have in place enables employees to raise issues such as dissatisfaction regarding conditions of employment, relationship with colleagues or supervisor, or discrimination. In our efforts to establish fairness in the workplace, our employees can voice their grievances through multiple communication channels such as via the HR Careline, submission of official grievance form or even through face to face conversation with a HR representative. When a grievance report is filed, our HR team will closely monitor any concerns and conduct an investigation with due process which may include disciplinary actions within the framework of local laws and practices, if necessary.



KLCCP Stapled Group participates annually in the Bursa Bull Charge Run in aid of the underprivileged communities

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06









SEC 07

# SOCIAL

## OUR PEOPLE

### RESPONSIBLE EMPLOYMENT PRACTICES

KLCCP Stapled Group is a performance-driven organisation, adopting fair and responsible employment practices. We abide by the following laws:

<p><b>Employment Act 1955 (ACT 265)</b></p> 	<p><b>Trade Union Act 1959 (ACT 262)</b></p> 
<p><b>Industrial Relations Act 1967 (ACT 177)</b></p> 	<p><b>Minimum Retirement Age Act 2012 (ACT 753)</b></p> 
<p><b>Occupational Safety and Health Act 1994 (ACT 514)</b></p> 	<p><b>Factories and Machinery Act 1967 (ACT 139)</b></p> 
<p><b>Merchant Shipping Ordinance 1952</b></p> 	<p><b>Children and Young Persons (Employment) Act 1966 (ACT 350)</b></p> 

We also benchmark against the property development and management industry wherein the Group's policy is above the 50<sup>th</sup> percentile of the property development and management industry. Our remuneration packages comply with Malaysia's Minimum Wage regulation while the overtime compensation, working hours and fatigue management are in accordance with the Employment Act. We offer fair and competitive remuneration packages based on employees' competencies and expected roles and responsibilities which are aligned to industry's best practices and market benchmarks with review conducted annually.

Our Group also provides flexible work arrangements (FWA) for employees with special family needs to manage their personal and work commitments more effectively giving a well-balanced lifestyle. We keep abreast with the compliance or adoption of policies and best practices in PETRONAS through quarterly meetings with the PETRONAS Group Human Resource Management in order to align ourselves with our parent company whilst taking into account the relevance of the industry KLCCP Stapled Group is operating in.

### HUMAN RIGHTS AND LABOUR PRACTICES

A strong commitment to human rights is an integral part of KLCCP Stapled Group's business etiquette. We also demonstrate responsible workplace practices with respect to employment and fully comply with the legislations on the welfare and rights of our employees and workers as well as our service providers at our project sites. In 2018, there were no incidents and grievances of discrimination, child labour and forced labour reported in KLCCP Stapled Group.

#### Respect for Freedom of Association

KLCCP Stapled Group respects all employees' fundamental rights to freedom of association and the rights to be members of trade unions. Although KLCC Stapled Group is not a unionised organisation, we stand guided by the Industrial Relations Act which allows trade unions to act on behalf of employees for collective bargaining, providing them with an additional avenue to seek redress for disputes.



SOCIAL  
RELIABLE PARTNER

**RELIABLE PARTNER**

KLCCP Stapled Group is committed to taking an active and long-term role in managing the relationship with our stakeholders and working as a reliable partner with the communities, to engage both citizens and community partners to ensure continuous improvement in our approach to sustainability and in giving back to the community.

**SUSTAINABLE MATTERS**



Supporting the UNSDGs

Supply Chain Management

Customer and Tenant Engagement

Corporate Social Investment

**WHY IT MATTERS**

- We are conscious of our role in delivering lasting impact to the community
- Our customers, tenants, shoppers, community create the vibrancy in KLCC Precinct for us and we in turn need to give them the experience of THE PLACE

**VALUES CREATED**

- Strategic business partnerships which contribute towards social development and long-term community value
- Made KLCC Precinct the people’s place where they can converge and enjoy the various experiences through excellent infrastructure, accessibility, connectivity with the attractions within the development



KLCCP Stapled Group supported the “Speak Up - There’s an Elephant in the Room” awareness campaign on life-limiting illnesses organised by Hospis Malaysia

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## SOCIAL RELIABLE PARTNER

### OUR APPROACH

Our objective as a reliable property investment and development group is to make meaningful contributions economically and socially and grow with our stakeholders which includes our suppliers, customers, tenants and business partners to maintain long-term partnerships across our business portfolios. We also invest in community and sustainable development programmes in the areas of education, health, environment and special community needs. Our contributions include the development of infrastructure, the support for charity associations through fundraising activities, as well as education and environmental initiatives.

### 3-Year (2016-2018) Sustainability Roadmap

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
Strengthening retail occupancy rate to optimum level		Achieved 98% occupancy rate
Increase % of accredited/certified hotel suppliers in food safety requirements by 3%		Increased accredited suppliers by 6.5%

Met 2018 target      2018 target not met

### SUPPLY CHAIN MANAGEMENT

KLCCP Stapled Group has a robust system in place to continuously review our supply chain, take concrete actions to enhance the quality of services and products we procure, and work closely with our suppliers to improve their sustainable performances.

KLCCP Stapled Group maintains a list of registered suppliers/vendors. Due diligence of contractors and suppliers are undertaken prior to them being registered/licensed with KLCCP Stapled Group. Suppliers are selected in accordance with established procurement processes which includes technical and commercial evaluation. The evaluation criteria cover acceptable technical offer, benefits in terms of value for money, experience of suppliers/vendors, total project requirement and well-being. Suppliers' performance evaluation is also performed in a frequent and consistent manner to measure the post award performance of a vendor against defined performance criteria. The evaluation includes discussion on the performance results and identification of improvement opportunities. We have also established several tender committees which made up of formally appointed cross-functional members from KLCCP Stapled Group's various business units to review, deliberate and endorse/approve tender documents for the sourcing of goods and services for the Group's projects and operational requirements.

### LOCAL PROCUREMENT MANAGEMENT

KLCCP Stapled Group practices sustainable procurement by ensuring its entire procurement process takes into account the EES impacts of our business practices. Our procurement department ensures that we uphold responsible procurement practices and our initiatives start right at the supplier selection process till the procurement of supplies or services, where various sustainability considerations including fair labour practices and safety requirements are embedded into our terms and conditions. Our procurement team prioritises on minimising any non-compliance risks in the supply chain and encourage our business partners to make continuous improvement towards sustainable business conduct.

### Sustainable Supply Chain and Ethical Behaviour

Procurements are made through the tendering and bidding process that screens the bidders' capability and credibility through transparent procurement guidelines, processes and procedures to ensure bidders are evaluated fairly. All contracts with our contractors, consultants and suppliers have imposed provisions requiring them to adhere to and comply with CoBE. Non-compliance by them shall result in legal consequence which may include termination of contract.

**Key Initiatives for the Year**

INITIATIVES	BENEFITS
Reviewed and tightened procurement policies in shortlisting bidders – screening of suppliers' background and registration with regulated bodies	Able to select bidders that offer services at the best value for money
Established guidelines for separate tender evaluation teams – 2 teams for technical and commercial analysis respectively	Evaluation process will not be influenced by the other party
Reviewed and improved SOP on Tender Evaluation by incorporating anti-bribery due diligence on contractor's experience and workload	Thorough screening based on the improved SOP to weed out contractors who are inclined towards acts of bribery
Included anti-bribery assessment for Contractor's Risk Assessment (CORA) for all projects	
Assigning a Quantity Surveyor Consultant in certifying the percentage of completion for projects before payment process	Payment is released based on completion of projects to avoid any form of overpayment
Incorporated notice on good governance and anti-bribery at common/public area	Create awareness amongst employees and business partners in promoting integrity and adopting zero- tolerance stance against bribery and corruption
Inculcating CoBE culture to business partners - contractors/consultants/service providers to report on corruption via whistle-blower	

**Supplier's Code of Conduct**

To ensure transparent and fair practices by vendors, the bid documents include a provision in the contract terms and conditions on:

<b>Conflict of interest and fighting corruption and unethical practices</b>	<ul style="list-style-type: none"> <li>The contractor shall comply with all relevant requirements and policies throughout the contract period</li> <li>Have in place and maintain throughout the contract period its own policies and procedures to ensure compliance with relevant requirements and policies</li> <li>Promptly report any request or demand for undue financial or other advantage of any kind received in connection with the performance of the contract</li> </ul>
<b>Business Ethics</b>	<ul style="list-style-type: none"> <li>The contractor shall take no action on behalf of the Employer in the performance of the works or rendition of the works or the conduct of operation that would subject either party to liability or penalty under any laws, rules, regulations or decrees of any governmental authority</li> <li>All invoices, financial settlements, reports and billings by the contractor shall properly reflect the facts about all activities and transactions handled for the employer's accounts</li> <li>The contractor agrees to notify the employer promptly upon discovery of any instance where the contractor has not complied with the requirements of the contract</li> </ul>
<b>Health, Safety and Environment (HSE)</b>	<ul style="list-style-type: none"> <li>HSE policy, targets and requirements</li> <li>Prevailing laws and regulations</li> <li>Risk assessment including preventing and mitigating measures</li> <li>Emergency response plan</li> <li>Incident reporting and investigation</li> </ul>

## SOCIAL

### RELIABLE PARTNER

#### Supplier Diversity and Local Procurement

At KLCCP Stapled Group, we recognise that our suppliers are an extension of our organisation. We are committed to collaborating with a diverse supplier base and improve our collective environmental sustainability efforts. We also encourage sourcing of local products among the suppliers. In 2018, 90% of our products were sourced locally with a contract value of approximately RM700million, contributing positively to the local economy.

#### RESPONSIBLE PRODUCT SOURCING

We work together with our suppliers to develop a shared commitment to quality and safety of our product and services and ensure that all of our suppliers abide by our quality performance standards, requirements, processes and procedures. We source responsibly and apply rigorous systems to ensure our products meet or exceed the highest standards of quality and safety. It is part of our sustainability strategy to promote efforts towards prioritising on quality.

#### Supplier Audits

As food and beverage contributes approximately 40% of our hotels' revenue, food hygiene and safety is critical in sustaining MOKL Hotel's revenue. MOKL Hotel's Supplier Chain Management focuses on food and beverage suppliers in respect to compliance to food safety requirements. This is also in line with our certification in ISO 22000 – Food Safety Management and Halal Assurance Management System. We have in place a policy and the procedures include supplier audits for local F&B suppliers. These local suppliers are classified into "High Risk" or "Low Risk", depending on product type supplied. The audits are conducted yearly for "High Risk" and conversely once every 2 years for "Low Risk". Suppliers are encouraged to obtain accreditation (HACCP – MS 1480/ISO 22000) and accredited suppliers are preferred and

given "nominated supplier" status. The premises of the suppliers are audited based on food safety management, raw materials, product and materials, structure and facilities, pest control, cleaning and housekeeping.

There are a total of 53 local F&B suppliers out of which 35 are "High Risk" and 18 "Low Risk" which is scheduled to be audited. This year in MOKL Hotel, a total of 32 suppliers were audited.

#### Purchasing Policy and Scope

In MOKL Hotel, the Materials Management Department has a purchasing policy and procedures in place and spearheads the placement of orders for all goods and services required in the daily operations of the hotel. The department will ensure that there are competitive quotes from nominated or preferred suppliers capable of meeting the specifications in terms of quality, timely delivery, adherence to Food Safety, Environmental and OSH requirements and providing competitive price. This policy and procedure covers the requirements of the purchase requisition to the execution of the purchase order and was further enhanced to include green purchasing within the supplier chain.

#### Green Procurement

KLCCP Stapled Group acknowledges the increasing importance of green procurement and is further enhancing its efforts to move towards a more responsible procurement practice. We continue to expand our procurement scope by procuring products and services to support the green building initiatives especially at the PETRONAS Twin Towers, Menara Dayabumi and the Car Park.

MOKL Hotel further enhanced green purchasing within our supplier chain to comply and raise awareness of procurement as a pollution prevention tool and facilitate continual improvement in environmental performance through proactive green purchasing and contracting activities. In

compliance with the hotel's certification in ISO 14001 – Environment Management System, consideration of products that are environmentally friendly will be given priority and accredited suppliers are given "preferred" status. Special attention is given to ozone depleting materials. The policy further covers guidelines for Safety and Health requirements.

Our hotel team continues to seek-out suppliers who have accreditations in Hazard Analysis and Critical Control Point (HACCP) - ISO 22000 or certifications and who can provide quality products at competitive prices. The team continues to provide guidance to nominated F&B suppliers in food safety requirements by performing scheduled value added audits and inspections of their premise. Supplier audit findings were communicated to vendors via the Food Supplier Action Report for future improvement and guidance. In 2018, 42% of MOKL Hotel's nominated suppliers have accreditation or certification in food safety requirement.

Other sustainable practices by our hotel team include sourcing from locally farmed or grown products — farmed fishes, vegetables and fruits, herbs and spices and non-serving of shark's fin in the hotel's Chinese restaurant and banquet. Our retail partner at Suria KLCC places high priority for suppliers who have proven track record, credentials and certification. Performance of service providers are guided and monitored through scheduled audit checks and inspections.

#### CUSTOMER AND TENANT ENGAGEMENT

Connecting with our stakeholders especially with our tenants and customers is becoming more prominent, particularly in expanding the outreach and quality of service to build a shared sense of responsibility and societal development. Efforts to promote social betterment, building strong tenant relationship and managing customer expectations are conducted through extensive engagement with these stakeholders.

## Valuing Tenants and Creating Premium Shopping Experiences

ASSET	INITIATIVES	BENEFITS
<b>PETRONAS Twin Towers</b> <b>Menara 3 PETRONAS</b>	Annual "Tenants' Nite" held for tenants of PETRONAS Twin Towers and Menara 3 PETRONAS	Building strong tenant relationship by expressing our appreciation and recognition of tenants' support and pay tribute to the roles played by tenant representatives and floor safety managers and assistants at our commercial properties
<b>Suria KLCC</b>	Introduced 28 new tenants including 9 first-to-market stores in Malaysia, exclusive to Suria KLCC	Creating value across our retail mall to differentiate ourselves in the market and delivering a unique shopping experience tailored to customer preferences
	Escalator modernisation project which commenced in 2017 and will be completed in phases	Further enhancing safety of customers with higher balustrades and reliable safety features for the convenience of our shoppers
	Installation of the largest rotating double-sided LED screen in the world in the center court	Able to facilitate retailers' promotions and advertising and provide a better view for customers as they shop
	Embarked on eWallet payment service via Alipay	Providing customers with convenience of cashless payments
	Customer exit survey which is conducted monthly by an external consultant on 500 random customers	Gather valuable consumer behavioral and demographic data which gleans useful insights to solicit ideas for new stores, understanding customer preferences and demands
<b>North west Development Carpark</b>	Upgrading of the parking entry and exit terminals with integrated credit/debit card and Touch n Go readers	92% of customers support the convenience of this cashless initiative
	Created a mobile application for customers' ease of payment which will take effect from first quarter 2019	

## Delighting Guests with Quality Service

The quality service at our MOKL Hotel underpins everything that we do, and we are committed to exceeding guests' expectations on a daily basis. Our hotel focuses on providing personalised service to every guest every day, and on the sincerity of the people who deliver it. We encourage colleagues to know our guests, to anticipate what they want, in order to provide them with the best experience throughout their stay at MOKL Hotel. Some of the significant initiatives embarked in delighting guests with quality service:

INITIATIVES	BENEFITS
<b>Reconfigured the original mix of rooms and suites to meet the current and future demand</b>	Completion of guestroom renovation showcasing 152 Club Rooms and Suites, 435 Deluxe and Park Suites, 1 Royal and Presidential Suite respectively  Able to offer guests a resolutely new hotel experience which transcends accommodation driving a healthy pace gain for stronger demand of guestrooms resulting in a 7% increase in guest satisfaction to 92%
<b>Upgraded guest service standards which were re-written using neuro-linguistic elements, implemented throughout the hotel</b>	This enables the hotel staff to better understand the service standards where guests are rewarded with a special, unique and consistent experience at each visit
<b>Launched exclusive new retail products, unique treatments and a series of educational wellness programs with visiting wellness practitioners</b>	Created strong awareness and interest in MOKL's Spa. The Spa delivered an excellent performance in the face of strong new competition, posting revenue growth of 16.5%
<b>Embraced new systems and digital technology:</b> - Launch of new loyalty program – Fans of MO - Improved on-line conversion from MO.com platform - Smart technology for conference room facilities with eco-conscious initiatives - Smart Digital Thermostats in all guest rooms for room occupancy detection	Able to promote hotel offerings and provide world class hospitality services exceeding guests' expectations for a luxury hotel experience and making guests' journey seamless  Offer guests more personalised stay tailored to their preferences upon arrival
<b>Providing convenient accessibility for children, the elderly and disabled:</b> - manual or powered wheelchairs - ramps in lobby - handicap-friendly front desk and check-in area - restroom with handicap-friendly cubicle	Place great care and attention in providing convenient accessible amenities within the hotel for all guests

SOCIAL  
RELIABLE PARTNER

**CORPORATE SOCIAL INVESTMENT**

We recognise the importance in contributing towards the welfare of the community in which we operate in and continue to engage with the communities surrounding us to foster goodwill towards their well-being and social development. Being part of the society within which KLCCP Stapled Group operates in, we are conscious of our role in promoting social betterment of the community around it. We support various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as reaching out to the underprivileged community.

**Key Initiatives for the Year**

PROGRAMME	DETAILS	IMPACT
<b>"Projek Apprentice" programme (2016-2018)</b>  - Student Training Placement within KLCC Group	<ul style="list-style-type: none"> <li>Focusing on students majoring in engineering, facilities management and other related courses</li> <li>In 2018, 7 students were on board the programme from University Teknologi PETRONAS (UTP) and University Teknologi Mara (UiTM)</li> </ul>	Impact to KLCCP Stapled Group: <ul style="list-style-type: none"> <li>Enhance our Group's visibility in the market</li> <li>Able to identify future workforce to be absorbed into the Group</li> </ul> Impact to students: <ul style="list-style-type: none"> <li>Gain exposure to the working environment in the industry</li> <li>Assist them to understand and plan their career path</li> </ul>
<b>Charity/ Donated Drives/ Fundraising/ Community Service</b>	<ul style="list-style-type: none"> <li>Participated in beautifying and cleaning Zoo Negara Malaysia under the Glow Green program in March 2018 – painting, clearing and cleaning surrounding of the Zoo</li> </ul>	RM3,410 was spent for beautifying the zoo with 69 employees participated in the engaging event
	<ul style="list-style-type: none"> <li>Involved in Reach Out Program – donation of food to the homeless</li> </ul>	Contributed 35 packets of food per day to the homeless around Kuala Lumpur  Approximately RM100,000 was spent for a year for the contribution
	<ul style="list-style-type: none"> <li>Participated in "Make a Wish Malaysia" for Xuan Ying in August 2018 – Sponsored a night stay at the MOKL Hotel with a party for herself and family</li> </ul>	To grant a wish for the less fortunate - Provided encouragement and love to the 7 year-old who has been diagnosed with Acute Lymphoblastic Leukemia  RM2,500 was spent for the accommodation, meals and decorations
	<ul style="list-style-type: none"> <li>Visited Rumah Kasih Murni at Keramat in October 2018 (orphanage) to replace old fans, changed lights to LED, installed new water pump, painted the home and followed by lunch with them</li> </ul>	Contributed to the less fortunate in terms of monetary assistance to provide them with a more comfortable environment  Spent a total of RM10,600 for the effort
<b>Festive Celebrations with the underprivileged community</b>	<ul style="list-style-type: none"> <li>Chinese New Year charity programme in collaboration with We Care Journey (children) – between 25 January - 18 February 2018</li> <li>Hari Raya charity programme in collaboration with We Care Journey between 17 May - 14 June 2018</li> <li>Deepavali charity programme in collaboration with Hospis Malaysia between 26 October - 7 November 2018</li> <li>Christmas charity programme in collaboration with Hospis Malaysia between 23 November - 25 December 2018</li> </ul>	Donated approximately RM34,710 to the needy and less fortunate

# CORPORATE GOVERNANCE



**Good governance practices represent a critical benchmark in determining an organisation’s success and management stability. Our Boards form the pillars of a robust corporate governance framework in setting the tone from the top and establishing a corporate culture of ethical conduct within the Group guided by the Code of Conduct and Business Ethics (CoBE).**

## SUSTAINABLE MATTERS



Supporting the UNSDGs

Corporate Governance and Business Ethics  
 Risk Management

## WHY IT MATTERS

- Our reputation and Shareholders’ trust and confidence in us is imperative to our future growth and attainment of long-term goals
- Building a culture of trust and accountability sets an organisation up for success
- Increased agility for our organisation to deliver on its purpose and goals

## VALUES CREATED

- Integrity and ethical practices amongst management, employees, business partners and stakeholders
- Sustainable financial performance delivering long-term values and returns to our holders of Stapled Securities
- Accountability on control systems which commensurate with the risks involved

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# 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 as stipulated by the Malaysian Code of Corporate Governance ("MCCG") issued by the Securities Commission Malaysia.

With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance, anchoring it to its organisational culture and aligning it to our shared values that will ultimately secure the confidence and support of the Group's holders of Stapled Securities.

## OUR APPROACH

KLCCP Stapled Group takes a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the sustainability of the organisation and safeguarding the interests of the holders of Stapled Securities and maximising long-term stakeholder value.

Our commitment to good corporate governance is reflected in the CoBE which guides the organisation in fulfilling its business obligations with utmost integrity and transparency. Our commitment in driving the culture of openness, transparency and accountability are reflected through our adoption of the "No Gift Policy" and Whistleblowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC) Manual.

Overseeing the overall strategic and operational business performance are KLCCP's and KLCCRM's Board of Directors. The Board Governance and Risk Committee as well as the Board Audit Committee were established to assist the Boards in discharging its functions in relation to internal controls, risk management, compliance with applicable laws and regulations, as well as reviewing internal policies and procedures. Together, they are entrusted to further fortify the levels of accountability and integrity in KLCCP Stapled Group.

### 3-Year (2016-2018) Sustainability Roadmap

3-YEAR TARGET (against 2015 baseline)	STATUS	RESULTS
Women on Board to achieve 30%	● ○ ○	Achieved 37.5% women on Board

● ○ ○ Met 2018 target      ○ ○ ● 2018 target not met

## CORPORATE GOVERNANCE AND COMPLIANCE

Our Boards take pride and places importance on strong governance culture and implementing international best practices across the business segments. In conducting our business operations, we are guided by the KLCC Shared Values to uphold integrity in fulfilling our obligations in an ethical, responsible and transparent manner. We strictly conform to the respective laws, rules and regulations in the country where we operate.

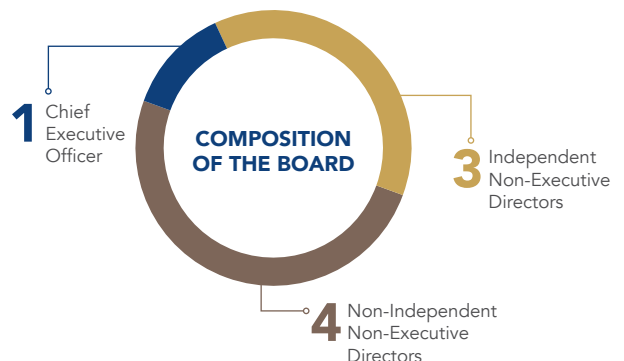
Our Board Charter incorporates elements of sustainability with the Boards recognising the responsibilities to our stakeholders and acknowledging that the organisation should play an important role in contributing towards the welfare of the community in which it operates. The Boards also acknowledge the 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.

During the year, KLCCP Stapled Group was recognised for demonstrating good corporate governance practices and was awarded the Gold Award under the category, The Best Governed and Transparent Company at the 10<sup>th</sup> Annual Global CSR Summit and Awards 2018 and The Global Good Governance Awards and Summit 2018 in recognition of its effort in practicing a culture of openness and transparency across all levels of the organisation while implying a high degree of ethics in the marketplace.

## Board Composition and Diversity

The Boards are responsible for overseeing the overall management of KLCCP and KLCCRM and responsible for providing oversight and stewardship of the organisation. Harnessing strength from a variety of backgrounds and experiences, the Boards bring diversity and add depth to deliberations.

KLCCP and KLCCRM Boards of Directors comprise eight members respectively, one of whom is a Chief Executive Officer, three Independent Non-Executive Directors, in compliance with the requirement of the MMLR on independence, while the remaining four Non-Executive Directors are Non-Independent Directors. Currently, there are three female directors on each Board which accounts for 37.5% women representation on board.





# CORPORATE GOVERNANCE

MCCG recommended for the formulation and disclosure of gender diversity policies and targets to be mandatory, where companies must disclose in their Annual Reports policies and targets with respect to composition of women on their boards. The Group's Diversity Policy, which was rolled out in August 2016, aspires to ensure a diverse and inclusive board that will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender to achieve effective stewardship and management which lead to its competitive advantage. The representation of women on Boards surpassed the country's aspirational target of 30% whilst maintaining an optimum mix of skills, knowledge and experience of the Boards underpinned by meritocracy.

## **Separate Non-Executive Chairman and CEO**

The positions of the Chairman and the CEO of KLCCP and KLCCRM are held by two different individuals. The Chairman, a Non-Independent and Non-Executive Director of the Company and KLCCRM, is primarily responsible for the orderly conduct and functions of the Boards whilst the CEO has delegated authority from, and is accountable to the Boards in managing the Group's businesses, organisational effectiveness and implementation of strategies and policies.

## **Sustainability Governance**

Our Board Charter incorporates elements of sustainability with the Boards recognising the responsibilities 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.

## **Financial Transparency, Cost of Fines, Penalties or Settlement in relation to Corruption**

In providing timely, transparent, comprehensive and up-to-date disclosures of KLCCP Stapled Group's overall performance, the Boards ensures that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are presented in all the disclosures made to the holders of Stapled Securities, potential investors and the regulatory authorities through various announcements on quarterly financial results, annual reports and press releases, which are made available in Bursa's website and our corporate website.

The Management of KLCCP and KLCCRM also conducted financial performance briefing for the investor community and issued press statements in conjunction with the announcements of the quarterly results of KLCCP Stapled Group. All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as investors' need for timely release of price-sensitive information such as the financial performance results, material disposals/acquisitions, and significant corporate proposals. In all circumstances, KLCCP and KLCCRM are conscious of the timeliness in providing material information about KLCCP Stapled Group and continually stress the importance of timely and equal dissemination of information to stakeholders.

During the financial year, there was no public sanction or penalty imposed by the relevant regulatory bodies on the management company of KLCC REIT.

## **Boards Training and Engagement**

The relevant development and training programmes are recommended to the Directors with assistance from Company Secretary according to Director's individual needs to keep abreast of business and regulatory development and to enhance their ability in discharging their duties and responsibilities. The relevant development and training programmes attended by Directors have during the year under review were reported in the CG Statement of the Group's Annual Report.

As provided in the Board Charter and in line with MCCG, the Company Secretary also facilitates with the induction programme for newly-appointed Directors.

## **Appointment, Re-appointment and Re-election of Directors**

The appointment, re-appointment and re-election of Directors are governed by the Companies Act 2016, MMLR, REIT Guidelines and other applicable rules and regulations. Both Constitutions of KLCCP and KLCCRM provide that at every AGM at least one third of all Directors for the time being and for those appointed during the financial year shall retire from office but shall be eligible for re-election in line with the MMLR.

## **Remuneration for Senior Management**

Remuneration of senior management is based on the approved remuneration policy by the Boards and benchmarked against the industry practice. Benchmarking exercise is conducted on an annual basis with information from independent external party. The senior management are also remunerated based on performance.

Appointment of senior management is based on merit and performance as well as undergoing leadership assessment based on the Group's leadership competency model to ensure their fitness to the position.

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## CORPORATE GOVERNANCE

Matters relating to remuneration for the Directors and Senior Management are reviewed by the NRCs and, where relevant, recommended to the Boards. The NRCs established formal and transparent remuneration policy for adoption by the Boards.

### Audit Committee and Rotation of Auditor

Audit Committees of KLCCP and KLCCRM comprise three independent members, two of whom are accounting graduates and have vast working experience in audit, finance and business advisory services. Puan Farina Farikhullah Khan is a Fellow member of the Institute of Chartered Accountants in Australia and Cik Habibah Abdul is a member of the Institute of Chartered Accountants of England and Wales, a Member of Malaysian Institute of Certified Public Accountants as well as Malaysian Institute of Accountants.

In line with the best practices stipulated by MCCG, the Boards have obtained written assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement annually in Audited Financial Statement. The respective Terms of Reference of the Audit Committees includes the policy that requires a former key audit engagement partner of the Company's external auditors firm to observe a cooling-off period of at least two years before he or she could be appointed as a member of the Committee. With this in effect, the last rotation and appointment of our audit partner, Ernst & Young, was done in 2017.

### BUSINESS ETHICS AND INTEGRITY

The Board of Directors of KLCCP and KLCCRM are guided by the corporate governance principles, CoBE and charters for each board committee and is committed to representing the long-term interests of all holders of Stapled Securities.

KLCCP Stapled Group's commitment to good corporate governance is reflected through its effort in promoting compliance, integrity and transparency through the adoption of KLCCP Stapled Group's Shared Values, PETRONAS' CoBE, ABC, No Gift Policy and Whistleblowing Policy.

	EMPLOYEES	SUPPLY CHAIN
<b>Communication Channels</b>	<ul style="list-style-type: none"> <li>• KLCCP Shared Values</li> <li>• PETRONAS Code of Conduct and Business Ethics</li> <li>• PETRONAS Anti-Bribery and Corruption Manual</li> <li>• No Gift Policy</li> <li>• Gift Register</li> <li>• Asset Declaration</li> <li>• PETRONAS Integrity Compliance Framework</li> <li>• PETRONAS Whistleblowing Policy</li> <li>• Induction Trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Imposed provision in all contracts requiring third parties to comply with CoBE</li> <li>• Imposed provision of Anti-Bribery and Corruption clauses in all contracts requiring third parties to comply with</li> <li>• Continuous engagement with third parties to ensure compliance with CoBE and ABC Manual</li> </ul>
<b>Feedback Channels</b>	<ul style="list-style-type: none"> <li>• Whistleblowing Reporting Platform</li> </ul>	

### Code of Business Ethics

At KLCCP Stapled Group, we adhere to the PETRONAS' CoBE which contains detailed policy statements on the standards of behavior and ethical conduct expected of each individual. The CoBE which was rolled out to the KLCC Group in 2012, serves as a guiding principle on how every employee, management and directors are expected to conduct his or her work. The CoBE applies to all employees and directors within the KLCCP Stapled Group and we continue to pursue good business ethics amongst the employees and stakeholders and endeavour to achieve the highest standards of integrity through the adherence to the CoBE.

The CoBE is benchmarked to international standards and outlines the behaviour and ethical conduct expected of employees, directors and other stakeholders in the way we do business which is reflected by the policies and procedures which deals with confidentiality, conduct and work discipline and corporate gifts and workplace harassment. It not only promotes legal and procedural compliance, but also provides guidance to ensure individual behavior is in line with the KLCC Shared Values.

For the year under review, KLCCP Stapled Group continued to communicate the CoBE to all employees as well as third parties performing work for or on behalf of KLCCP Stapled Group through its corporate website, meetings, corporate events and inclusion of CoBE in all new employees' induction program. During the year, 74 new employees were introduced to the CoBE and were required to sign a declaration of adherence to the CoBE.

# CORPORATE GOVERNANCE

## Anti-Bribery and Corruption

The ABC Manual and the No Gift Policy, as adopted from PETRONAS has been KLCCP Stapled Group's reference in dealing with unethical conduct and is now part of the culture in our efforts to eliminate all forms of bribery and corruption within the organisation. The ABC Manual was developed to supplement the general policy statements set out in the CoBE on fighting corruption and unethical practices and outlines detailed explanation on procedures for dealing with improper solicitation, bribery and corruption and addressing of ethical issues. Our Human Resource also rolled out the Anti-Bribery and Corruption Policy and Guidelines as part of our continuous effort in creating greater awareness on integrity as prescribed in the ABC Manual.

KLCCP Stapled Group's strong stance of zero-tolerance against bribery and corruption extends to its business dealings with third-party service providers and vendors. Pursuant to the ABC Manual, KLCCP Stapled Group requires that its agreements with third-party service providers and vendors incorporate anti-bribery and anti-corruption provisions. In line with this commitment, every reported case has been dealt with meticulously, with all fairness and according to lawful practices. During the year, we have had one case reported and investigated and the employee is no longer assigned to KLCCP Stapled Group.

To further strengthen our efforts in promoting ethical practices across the organisation, KLCCP Stapled Group continued to communicate and engage with employees at all levels through displays of posters at all office sites as well as conducted talks on integrity to uphold the core values and not engage in corrupt or unethical practices. During the year, we put emphasis on the anti-bribery and corruption with the rollout of the ABC Manual across all employees of the Group. This serves as a reminder to all employees to maintain the highest standards of integrity at work and in all business dealings

## Assets Declaration and Gift Register

The KLCC Group's Assets Declaration and Gift Register which was launched in December 2017 has been put in force during the year where employees declared their assets to the organisation through the Human Resource Division via sealed envelopes to ensure confidentiality. This Assets Declaration is for the Group to ensure management and employees do not abuse their power for personal gain or acquire assets through unlawful means or dealings. This Assets Declaration will be a means to anchor the issue of ethics and integrity within the Group.

KLCC Group also subscribes to the *No Gift Policy* which we have implemented since 2012. Under this policy, employees are prohibited to give or receive gifts of any kind from any parties it has dealings with. With the launch of the Gift Register and in accordance to the *No Gift Policy*, all gifts received by employees would need to be registered and returned to the sender to ensure adherence to this policy.

## Whistleblowing Policy

The KLCCP Stapled Group adopts a zero tolerance policy against all forms of bribery and corruption. The Whistleblowing Policy facilitates as a communication and feedback channel for employees to report on any misconduct within the organisation. This reflects our commitment and strong stance against any misconduct within the Group. The Whistleblowing Policy, as adopted from PETRONAS provides an avenue for employees and members of the public to disclose any misconduct or malpractices within KLCCP Stapled Group. It encourages openness and transparency and heightens ethical business conduct and provides trusted and accessible channels to report corruption, fraud and dishonest practices at the workplace.

Employees and members of the public who raise or disclose any malpractices can do so without doubt or fear of reprisals as the whistleblower is assured confidentiality of identity, to the extent reasonably practicable, even post completion of investigation, so long as the disclosure is made in good faith. Whistleblowers are also kept updated on outcomes of the disclosure made, adhering to procedures in place.

As part of the PETRONAS Group, all reported whistleblowing incidents are escalated to the PETRONAS Whistleblowing Committee set up to deliberate upon the disclosures made, determine next course of action and monitor progress until case closure. The Committee meets at least once a month and provides updates to the Internal Audit Management Committee as well as Board Audit Committee.

The organisation's ongoing efforts to promote the Whistleblowing Policy and its established platforms entailed displaying communication collateral at strategic locations within KLCCP Stapled Group's office premises such as at the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi.



Our Whistleblowing Policy is available at <http://www.klcc.com.my/sustainability/governance.php>

## Dealings in Stapled Securities

KLCCP Stapled Group adopts the Dealings in Stapled Securities policy, a Memorandum of Insider Trading, for Directors and employees which advocates best practices pursuant to the MMLR. It sets out prohibitions against dealing in the Stapled Securities when in possession of unpublished price sensitive information and knowledge of facts or materials. The directors are issued guidelines and are notified in advance of the closed period for trading in Stapled Securities and are regularly reminded of the laws of insider trading and to refrain from dealing in Stapled Securities on short-term basis.

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## CORPORATE GOVERNANCE

### RISK MANAGEMENT

Risk management is an integral part of KLCCP Stapled Group's business at both strategic and operational levels. An effective and sound risk management system is important for KLCCP Stapled Group to achieve its business strategies and objectives. KLCCP Stapled Group has an established KLCC Group Enterprise Risk Management Governance Framework which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system.

The Risk Management Oversight Structure which consists of the Boards, Audit Committees, Management Committee and Risk Management Committee (RMC) sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on three key areas.

#### Enterprise Risk Management

KLCCP Stapled Groups' Enterprise Risk Management (ERM) Framework is 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. It sets out the six key elements comprising Governance, Context Setting, Risk Assessment, Risk Treatment, Risk Monitoring and Review and Continual Improvement which enable KLCCP Stapled Group to manage risks in an integrated, systematic and consistent manner.

The framework provides a standard and consistent approach across KLCCP Stapled Group in achieving the following key attributes in risk management:

- Full accountability in managing risks at respective entity
- Application of risk management in decision making
- Continuous communication with external and internal stakeholders, including comprehensive and frequent reporting on risk management performance
- Risk management as part of KLCCP Stapled Group's management processes and culture in achieving the organisation's objective.

This is to provide a balanced view for informed decision making through richer risk conversations and considerations of risk reward trade-off. Risk assessment is carried out prior to any decision point using the risk assessment guideline which is aligned to ISO 31000.

Annually, the Group Enterprise Risk Management Department facilitates and coordinates the Group-wide Risk Profiling exercise that requires business and corporate executive leaders to proactively identify, assess and document material risks and the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed at KLCCP Stapled Group level before they are presented to the Risk Committee, Audit Committee and the KLCCP and KLCCRM Boards.

KLCCP Stapled Group utilises the INTERISK system as a risk tool to effectively manage and monitor risk profiles. It embeds the industry standard risk management process of ISO 31000. The INTERISK system drives active risk conversations and analysis monitoring through a dashboard, reinforces effective risk governance and assurance practices and provides a seamless flow of information and processes along the risk management value chain.

#### 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.

During the year, KLCCP Stapled Group conducted fire drill and evacuation exercises for tenants at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan. Briefing on Fire and Life Safety, on boarding program for new tenants and demonstration on Fire Extinguisher were amongst the fire safety program conducted for tenants to promote awareness of the dangers of fire hazards, prevention, guidance on effective operation of the fire extinguishers and carry out emergency evacuation procedures within workplace.

At MOKL Hotel, the Crisis Management Team members have responsibility with reference to their sections based on time sequence and direct responsibilities. The Hotel Manager and General Manager chair monthly meetings to outline simulation schedules and participate in the simulations. The local police authorities work with the hotel during the simulations to reflect a "real time authentic" scenario. Our hotel staff are trained yearly on the Business Continuity Management Plans and simulations are held yearly to ensure that we are prepared for any eventualities.

#### 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.

During the year, the review of BCP on business impact analysis (BIA) was carried out to ensure the critical business functions are identified, assessment of the impact of unavailability of the functions over time, set prioritised timeframes for resuming these functions and specified Minimum Resources Requirements (e.g. as people, equipment, assets, facilities, technology, vital record, interdependencies) to be allocated to recover and resume these functions following prolonged business disruption. The BIA was conducted for all Business Units (BU) and Operating Units (OPUs) in compliance to BCM framework to review the BCP annually. The updated of BIA and BCP was presented to RMC and subsequently the updated BCP approved by GCEO.

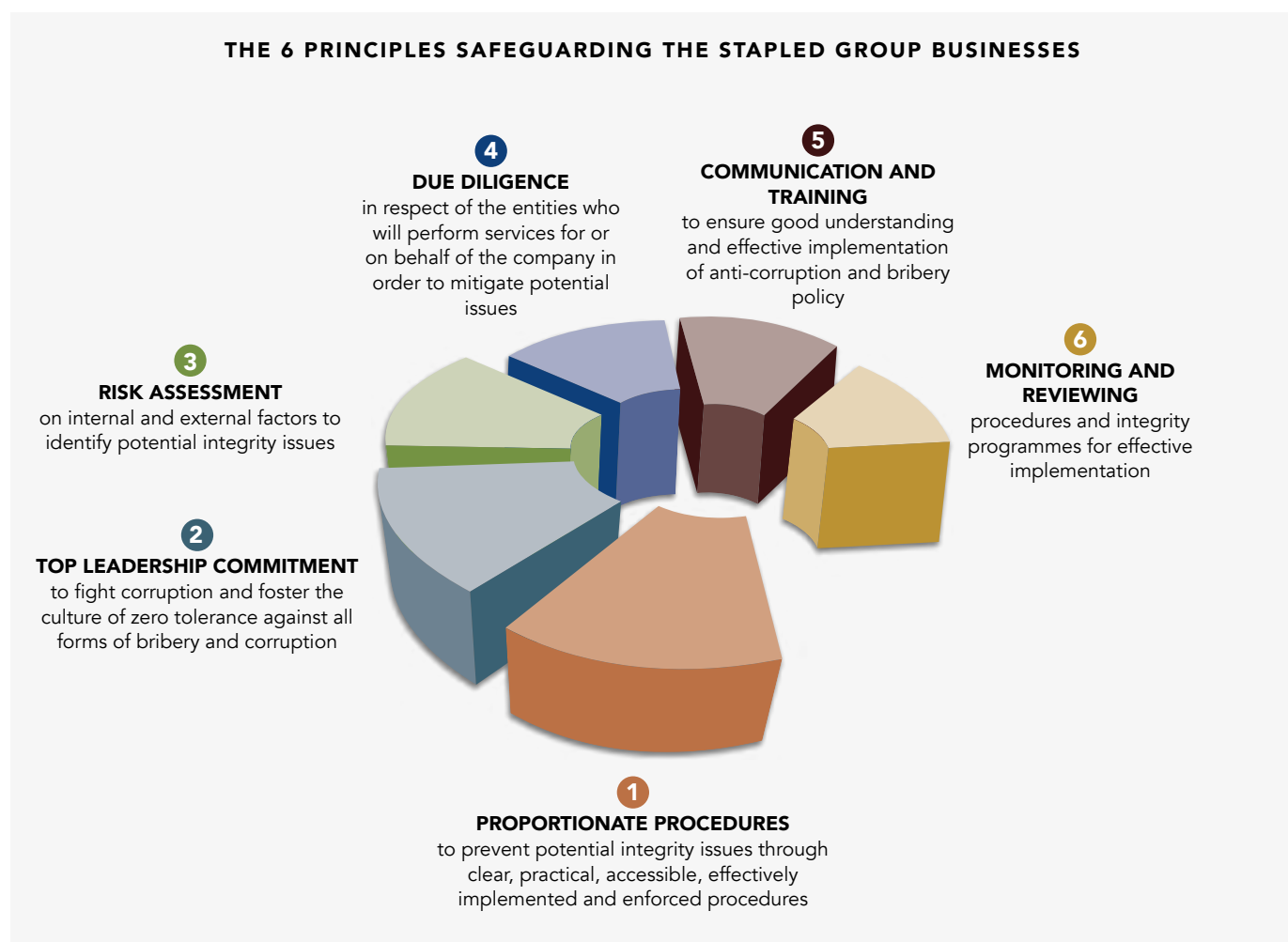
## CORPORATE GOVERNANCE

BCP simulation exercise comprising testing of BCP for specific identified scenario was carried out to ensure practicality of the BCP for its implementation and preparedness of the Critical Business Function staff during crisis. The BCP simulation exercise includes testing of the recovery strategy at virtual office and the effectiveness of identified Primary and Alternate Workforce for business resumption of the Critical Business Function. During the year, the critical business function tested was from the Strategy, Finance and Investor Relations Division including the Information Technology team.

At MOKL Hotel, BCP is demonstrated in an organisational chart that outlines the Crisis Management Team, Emergency Response Team and Business Recovery Team who are responsible in dealing with incidents and crisis related to hotel operations. Senior leadership and other department heads are part of this organisation led by the Deputy Crisis Management team member and Crisis Management Leader conducted over 24 yearly Emergency Response Plan scenarios and simulations involving hotel leadership and staff participation to increase the hotels readiness. All simulations are documented and then audited by senior leadership and independent auditor yearly.

### Integrity Action Plan

KLCCP Stapled Group's Integrity Action Plan guides us in managing integrity risk within the organisation as well as those whom we conduct business with. It reflects our commitment to do business with integrity and to support the Group's zero tolerance against all forms of bribery and corruption.



The aim of the KLCCP Stapled Group's Integrity Action Plan is to strengthen the existing system and procedures to address the root causes of integrity issues resulting from poor enforcement, weak internal control and acceptance culture. The Integrity Action Plan is also aligned to the requirements governed under ISO 37001 Anti-Bribery Management System.

## CORPORATE GOVERNANCE

During the year, we embarked on several initiatives addressing the integrity risks concerned:

RISK CATEGORY	INITIATIVES
<b>Bribery</b>	<ul style="list-style-type: none"> <li>Conducted CoBE and Whistleblowing Act Awareness Programme to all staff and on CoBE and whistleblowing for new recruits through induction programme</li> <li>Roll Out of Anti-bribery and Corruption (ABC) manual to all staff and stakeholders</li> <li>Review and improve Standard Operating Procedures (SOP) on Tender Evaluation by incorporating Anti Bribery Due Diligence on contractor's experience and workload</li> <li>Included anti-bribery assessment for contractor's risk assessment (CORA) for all projects. Currently CORA is carried out on projects valued at RM50 million and above and as and when requested by Tender Committee to avoid giving and accepting bribes</li> <li>Included notice on good governance/anti bribery at common, public area and easy access platform such as on tender box</li> <li>Inculcate CoBE culture to business partners e.g. contractors, consultants, service providers, to report on corruption via whistleblower. The Clause on CoBE and whistleblowing are incorporated in the Conditions of Contract</li> <li>Establishment of separate evaluation team for Technical and Commercial Analysis</li> </ul>
<b>False Claim Misappropriation</b>	<ul style="list-style-type: none"> <li>Reviewed and tighten Procurement, Certification of Work Done, QA/QC and Payment Procedures on pre-award process to deter false/fraudulent claim, falsification of financial statement to qualify for bidding process</li> <li>Reviewed existing system to facilitate detecting of duplicate invoices to mitigate issues on overpayment</li> </ul>
<b>Non-Compliance</b>	<ul style="list-style-type: none"> <li>Inclusion of owner's representative in Variation Order (VO) Committee to enforce compliance to standard operating procedures (SOP), administrative procedures, internal controls and governance</li> </ul>
<b>Abuse of Power</b>	<ul style="list-style-type: none"> <li>Background screening for General Manager's position and above was conducted to deter potential abuse of power or wrongdoings</li> <li>Declaration of Assets by all staff to facilitate investigation when issues arises</li> </ul>

# SUSTAINABILITY PERFORMANCE DATA

## Economic Impact

	2018	2017	2016	2015	2014
Dividend paid to Shareholders (RM'mil)	<b>668.0</b>	652.6	643.3	625.5	603.3
Tax paid to Government (RM'mil)	<b>104.5</b>	104.0	103.2	108.5	110.9
Revenue (RM'bil)	<b>1.41</b>	1.37	1.34	1.34	1.35
Infrastructure Maintenance (RM'000)	<b>1,647,000</b>	716,000	1,238,000	-	-

## Environmental Impact

Energy Consumption (kWh)	2018	2017	2016	2015	2014
Office and Car Park	<b>88,044</b>	82,900,000	95,426,000	99,656,000	100,209,000
Retail	<b>14,293</b>	14,851,000	15,791,000	15,412,000	13,641,000
Hotel	<b>13,621</b>	14,141,000	13,541,000	13,830,000	14,678,000
<b>Total Energy Used</b>	<b>115,958</b>	111,892,000	124,758,000	128,898,000	128,528,000
Energy Intensity (kWh per square meter)					
PETRONAS Twin Towers	<b>70.10</b>	-	-	-	-
Menara 3 PETRONAS	<b>83.93</b>	-	-	-	-
Menara Dayabumi	<b>97.53</b>	-	-	-	-
Menara ExxonMobil	<b>97.69</b>	-	-	-	-
Suria KLCC	<b>99.56</b>	-	-	-	-
MOKL Hotel	<b>441</b>	-	-	-	-
GHG Emission (mtCO <sub>2e</sub> )					
Scope 1					
Office	<b>4.66</b>	9.63	5.47	5.47	8.32
Retail	<b>1,635</b>	1,573	1,540	1,540	1,537
Hotel	<b>1,192</b>	1,913	1,925	1,946	1,892
<b>Total Scope 1 Emission</b>	<b>2,832</b>	3,496	3,471	3,491	3,437
Scope 2					
Office and Car Park	<b>82,667</b>	87,078	90,214	90,138	90,699
Retail	<b>27,141</b>	27,462	33,103	32,819	21,422
Hotel	<b>16,583</b>	18,003	17,511	17,330	17,924
<b>Total Scope 2 Emission</b>	<b>126,391</b>	132,543	140,828	140,287	130,045
Energy Generated from Solar (kWh)					
Retail	<b>512,257</b>	510,000	553,093	591,216	551,162
Water Used (m <sup>3</sup> )					
Office	<b>589,491</b>	591,444	646,355	681,605	754,269
Retail	<b>497,347</b>	569,490	607,715	627,125	-
Hotel	<b>154,530</b>	169,103	181,678	191,796	211,715
<b>Total Water Used</b>	<b>1,241,368</b>	1,330,037	1,435,748	1,500,526	965,984

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## SUSTAINABILITY PERFORMANCE DATA

### Environmental Impact

Waste Management	2018	2017	2016	2015	2014
<b>Hazardous Waste Generated (metric tonnes)</b>					
Office	9.88	9.133	2.173	4.640	3.975
Hotel	0.50	0.746	0.903	0.903	0.901
Retail	0.755	0.920	-	-	-
<b>Hazardous Waste Disposed (metric tonnes)</b>					
Office	9.88	10.284	1.750	4.122	1.920
Hotel	0.50	0.970	0.903	0.903	0.901
Retail	0.970	0.920	-	-	-
<b>Waste Intensity (kg per room)</b>					
Hotel	2.35	3.80	4.70	4.08	3.52
<b>Waste Diversion (%)</b>					
Hotel	25.76	23.13	22.39	17.06	14.16

### Social Impact

Employee Engagement	2018	2017	2016	2015	2014
<b>Workforce by Age Group</b>					
Below 30	362	358	337	349	374
30 - 39	343	363	353	376	418
40 - 49	281	280	266	271	264
50 - 59	136	131	126	113	111
60 above	4	7	6	5	3
Total workforce	1,126	1,139	1,088	1,114	1,170
<b>Workforce by Gender</b>					
Male	699	700	684	692	721
Female	427	439	404	422	449
<b>Employee Position and Gender Profile</b>					
Top Management : Male	12	20	27	7	10
Female	2	6	18	4	6
Senior Management : Male	151	151	151	93	126
Female	122	115	124	78	100
Other Levels : Male	536	529	506	592	585
Female	303	318	262	340	343
<b>Workforce by Ethnicity</b>					
Malay	822	797	750	794	795
Chinese	169	185	182	191	222
Indian	68	86	81	88	89
Others	67	71	75	41	64



# SUSTAINABILITY PERFORMANCE DATA

## Social Impact

Health and Safety	2018	2017	2016	2015	2014
Number of fatalities	0	0	0	0	0
Loss Time Injury (LTI) Incidents	5	9	4	8	2
Loss Time Injury Frequency (LTIF)	0.47	1.19	0.46	0.23	0.14
Loss of Primary Containment (LOPC)	0	0	0	0	0

## Sustainability benchmarks and certifications

Sustainability benchmarks	2018	2017	2016	2015	2014
FTSE4Good Bursa Malaysia Index	Constituent till December 2018				
FTSE4Good Emerging Index	Constituent since 2016				

Sustainability certifications	2018	2017	2016	2015	2014
<b>KLCC Urusharta Sdn Bhd</b>					
National Occupational Health and Safety Excellence Award 2014					Achieved in 2014
ISO 9001:2015 (Quality Management System)			Achieved since 2014 (latest recertification in 2017)		
ISO 14001:2004 (Environmental Management System)			Achieved since 2014 (latest recertification in 2017)		
OHSAS 18001:2007 (Occupational Health and Safety Management System)			Achieved since 2014 (latest recertification in 2017)		
<b>Mandarin Oriental Hotel, Kuala Lumpur</b>					
ISO 14001:2004 (Environmental Management System)		Achieved since 2003 (latest recertification in 2018)			
ISO 22000:2005 (Food Safety Management Systems)		Achieved since 2008 (latest recertification in 2018)			
OHSAS 18001:2007 (Occupational Health and Safety Management Systems)		Achieved since 2003 (latest recertification in 2018)			
<b>KLCC Parking Management</b>					
ISO 9001:2015 (Quality Management System)		Achieved in 2016			
ISO 14001:2015 (Environmental Management System)		Achieved in 2016 (latest recertification in 2018)			
OHSAS 18001:2007 (Occupational Health and Safety Management System)		Achieved in 2016 (latest recertification in 2018)			
MOSHPA OSH Excellence Award (Platinum)		2017	Awarded in 2015 and 2016		
(Gold)					
Silver Platinum Premier Award	Awarded in 2018				

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

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**KLCC PROPERTY HOLDINGS BERHAD (641576-U)**  
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