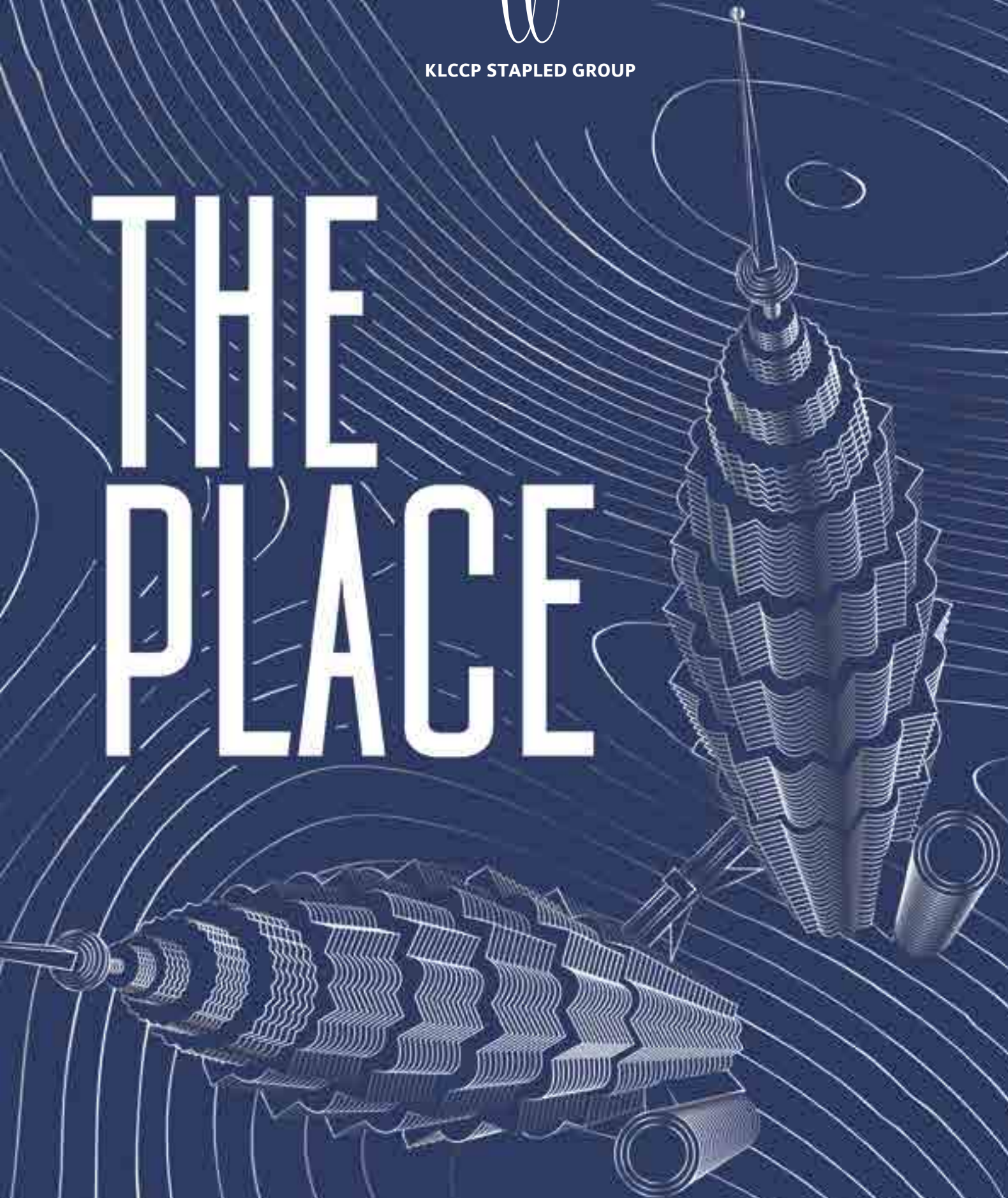




KLCCP STAPLED GROUP

# THE PLACE



Integrated Annual Report 2021



# THE PLACE

We have come together with an open and honest culture, creating a positive, effective and collaborative environment, where all our people are empowered to deliver our success.

We have defined our strategic priorities, set our targets and risk appetites and monitored our progress and the likely outcomes.

We have understood views, perspectives, concerns and ideas from inside and outside the Group knowing that this is vital to ensuring our operations meet the changing needs of our stakeholders.

Our tomorrow remains positive, as we seek to be at the forefront of understanding and responding to the challenges in creating **The Place** for all our stakeholders.

The design of the PETRONAS Twin Towers represents stability, growth and fortitude. A symbol of the values which we have held dear during these challenging times. We have all come together and demonstrated resilience, agility, creativity, as well as a clear commitment to our Statement of Purpose.



# INSIDE THIS REPORT

## CREATING VALUE FOR OUR STAKEHOLDERS

- 32 Market Report
- 48 Stakeholder Management
- 54 Material Sustainable Matters
- 58 Strategic Blueprint
- 60 Our Strategic Value Creation
- 62 Understanding our Principal Risks

## ABOUT THIS REPORT

- 02 Our Reporting Journey

## A STRONG INVESTMENT CASE

- 04 We Are KLCCP Stapled Group
- 06 Our Iconic Portfolio in the Heart of Kuala Lumpur
- 13 Our Investment Proposition
- 14 A Strong Corporate Structure

## DRIVEN BY COMMITTED LEADERSHIP

- 16 Letter from the Chairman
- 20 CEO's Year in Review
- 26 Commitment to a Culture of Accountability
- 28 Digitalisation at the Forefront
- 30 Empowering Positive and Healthy Minds



## BUILDING TRUST THROUGH THE STRENGTH OF OUR GOVERNANCE

- 136 KLCCP and KLCC REIT  
Boards of Directors
- 147 KLCCP and KLCC REIT  
Management Team
- 151 Profile of Shariah Adviser
- 152 Corporate Governance  
Overview Statement
- 164 Nomination and  
Remuneration Committees  
Report
- 173 Board Audit Committees  
Report
- 177 Statement on Risk  
Management and Internal  
Control
- 182 Additional Compliance  
Information

## PERFORMANCE REVIEW

- 70 A Statement from the CFO

### KLCCP STAPLED GROUP

- 72 5-Year Financial Highlights
- 75 5-Year Financial Summary
- 76 Value Added Statement
- 77 Financial Review
- 81 Capital Management
- 84 Operations Review

### KLCC REIT

- 112 Financial Highlights
- 113 Value Added Statement
- 114 Fund Performance
- 118 Manager's Financial and  
Operational Review

### TOGETHER TOWARDS A SUSTAINABLE FUTURE

- 126 Sustainability Strategy and  
Approach
- 128 Sustainability Steering  
Committee Co-Chairman's  
Message
- 130 Towards Supporting the  
United Nation's 2030  
Agenda for Sustainable  
Development

## FINANCIAL STATEMENTS

- 183 KLCC Property Holdings  
Berhad (KLCCP)
- 261 KLCC Real Estate  
Investment Trust  
(KLCC REIT)

## OTHER INFORMATION

- 319 Corporate Information
- 320 Analysis of Shareholdings  
and Unitholdings
- 323 List of Properties of KLCCP  
Stapled Group
- 325 Notice of Annual General  
Meeting
- 331 Administrative Details

- Proxy Form
- Corporate Directory

## OUR REPORTING JOURNEY

# OUR APPROACH TO INTEGRATED THINKING

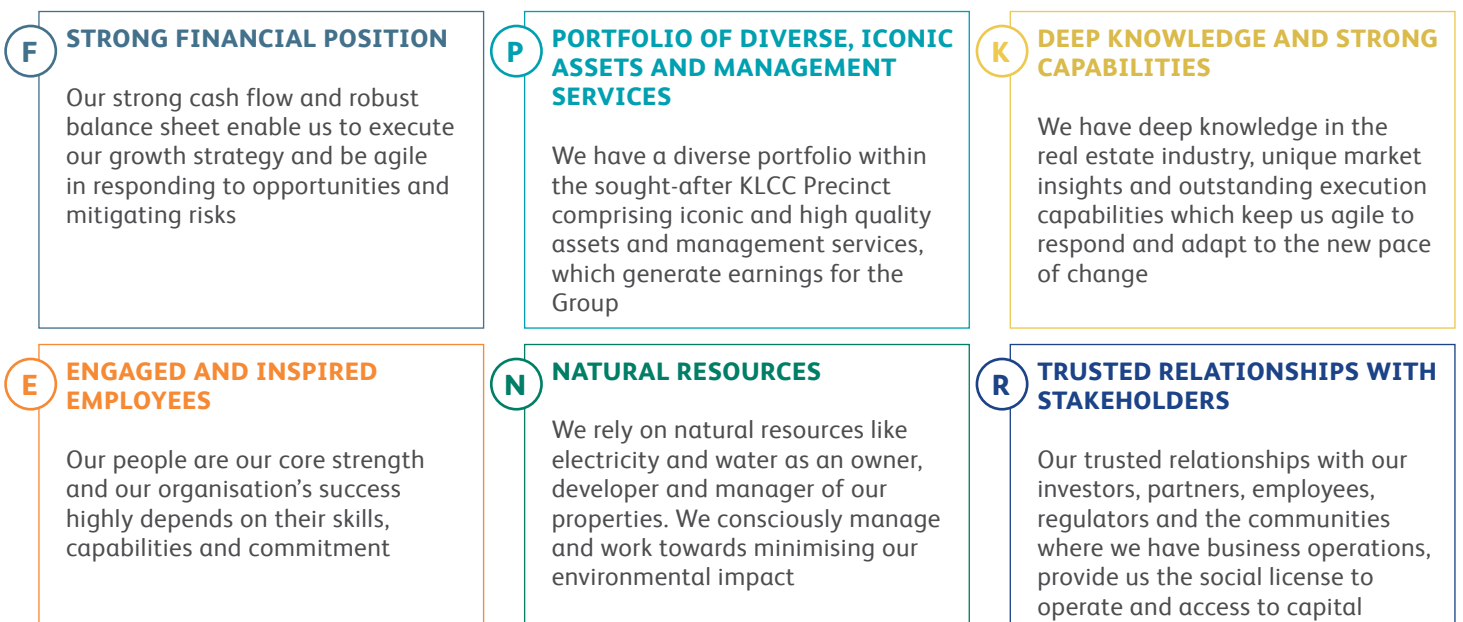
We are pleased to present our Integrated Annual Report (IAR) as the primary source of information on our Group’s financial and non-financial performance for year ended 31 December 2021. At KLCCP Stapled Group, we strive to continuously deliver a coherent, transparent, and balanced assessment of the Group’s ability to create and sustain value to ensure short, medium and long term viability for all our stakeholders.

### SCOPE AND BOUNDARY

This Integrated Annual Report has been prepared by KLCCP Stapled Group to provide stakeholders with an understanding of the Group’s business model, strategy, past performance and future prospects. The report is written primarily for shareholders and investors. It covers the activities of the Group for the financial year 1 January 2021 to 31 December 2021, and addresses the material financial and non-financial risks and opportunities that impact value creation and strategy development. Any material events after year-end, but before publication of this report, have been included.



### OUR CAPITALS





Reporting Suite



Scan to read our Integrated Annual Report 2021



Scan to read our Sustainability Report 2021

REPORTING FRAMEWORK AND REGULATIONS

- International Integrated Annual Reporting Council’s <IR> Framework (2021)
- Companies Act, 2016 (Companies Act)
- Bursa Malaysia’s Main Market Listing Requirements (MMLR)
- International Financial Reporting Standards (IFRS)
- Malaysian Financial Reporting Standards (MFRS)
- Malaysian Code on Corporate Governance 2021
- Bursa Malaysia’s Corporate Governance Guidelines 4th Edition, Sustainability Guidelines 2nd Edition and MD&A Guidelines
- World Economic Forum’s Stakeholder Capitalism Metrics (WEF SCM)
- Securities Commissions Malaysia, Listed REIT Guidelines
- FTSE4Good themes and indicators for Real Estate Holdings and Development Sector

MATERIALITY

This report provides information on all those matters that we believe are key to KLCCP Stapled Group’s ability to create value over time and which are likely to have a significant impact on our business and stakeholders. These matters were identified, prioritised and validated via a four-step materiality assessment.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements that involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour”, “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and KLCCP Stapled Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Navigation Icons

Six Capitals

- F** Strong Financial Position
- P** Portfolio of Diverse, Iconic Assets and Management Services
- K** Deep Knowledge and Strong Capabilities
- E** Engaged and Inspired Employees
- N** Natural Resources
- R** Trusted Relationships with Stakeholders

Strategic Pillars

- S1** Maximising Value of Investments
- S2** Resilience in Soft Market Conditions
- S3** Creating Value through Sustainability
- S4** Embracing Digital for Business Enhancement

Find more information inside this report

Link to corporate website at [www.klcc.com.my](http://www.klcc.com.my)

BOARD RESPONSIBILITY STATEMENT

The Boards of Directors of KLCCP and KLCCRM acknowledge its responsibility in ensuring the integrity of this Integrated Report, which in the Boards’ opinion addresses all key issues that are material to the Group’s ability to create value and fairly presents the integrated performance of KLCCP Stapled Group. This report has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the Boards on 28 January 2022.

**Tan Sri Ahmad Nizam Salleh**  
Chairman

**Md. Shah Mahmood**  
Chief Executive Officer

# WE ARE KLCCP STAPLED GROUP

## SHARED VALUES

### LOYALTY

Loyalty to corporation and nation

### INTEGRITY

Honest and upright

### PROFESSIONALISM

Committed, proactive and always striving for excellence

### COHESIVENESS

United in purpose and fellowship

## CULTURAL BELIEFS

### CUSTOMER FOCUSED

I deliver solutions from the customer lens

### INNOVATE NOW

I challenge norms and push boundaries

### BE ENTERPRISING

I seek opportunities and make them happen

### SPEAK UP

I express my views openly

### COURAGE TO ACT


I take action to progress with pace

## STATEMENT OF PURPOSE

# WE CREATE PLACES PEOPLE LOOK FORWARD TO, PROGRESSING LIFESTYLE FOR A SUSTAINABLE FUTURE

## WHO WE ARE

Malaysia's largest REIT and only Stapled Security in the country, comprising KLCCP and KLCC REIT. KLCC REIT focuses on active asset management and acquisition growth strategies, whilst KLCCP is the development arm of the Stapled Group. At the forefront of Malaysia's real estate industry, our unique structure allows us to maximise the value we create for all our stakeholders.

 To read more, refer to A Strong Corporate Structure on pages 14 to 15

## HOW WE DO IT

We are committed to creating a progressive lifestyle experience within the KLCC Precinct while enhancing the value of our property portfolio. We are focused on optimising sustainable value creation through a strategic approach that capitalises on our unique Stapled Group structure and our competitive differentiators, well positioned for the future.

 To read more, refer to Strategic Blueprint and Our Strategic Value Creation on pages 58 to 61

## WHAT WE DO

We own, manage, develop and invest in a portfolio of premium assets comprising office, retail and hotel properties in the heart of Kuala Lumpur. This is complemented by our award winning asset management services provided by KLCC Urusharta Sdn Bhd (KLCCUH) and KLCC Parking Management Sdn Bhd (KPM). This synergy of property investment and asset management strengthens the earning potential of our stable of iconic properties.

 To read more, refer to Operations Review on pages 84 to 111





**PETRONAS TWIN TOWERS**  
An iconic landmark, the world's tallest twin towers

**SURIA KLCC**  
The premier shopping destination in the heart of Kuala Lumpur

**MENARA MAXIS\***  
Home to one of the leading communications service provider in Malaysia

**MENARA 3 PETRONAS**  
Premium office and retail space, seamlessly connected to Suria KLCC

**MANDARIN ORIENTAL, KUALA LUMPUR**  
A 5-star award winning luxury hotel

**KOMPLEKS DAYABUMI**  
An integrated office and retail development (located outside the KLCC Precinct)

**MENARA EXXONMOBIL**  
Office tower tenanted by major oil and gas corporations



\* KLCCP owns a 33% stake in Menara Maxis



# Diversified office-focused REIT

## OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR



**Tenure:** Freehold

**Age of Building:** 24 years

**Acquisition Date:** 10 April 2013

**Location:**

Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Acquisition Price:** RM6,500,000,000

**Encumbrances:** Nil

**Title:**

GRN 43697, Lot 169, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur,  
Wilayah Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Leased to a single lessee, Petroliam Nasional Berhad (PETRONAS) vide a Triple Net Lease Agreement for a term of 15 years, expiring on 30 September 2027. PETRONAS has exercised its option to extend the lease to 30 September 2042, for a further term of 15 years

**Net Book Value as at  
31 December 2021:**

RM6,635,156,156

**Appraised Value:**

RM6,940,000,000

**Date of Valuation:**

31 December 2021

**Independent Valuer:**

Savills (Malaysia) Sdn Bhd

\* North West Development Car Park, shared by PETRONAS Twin Towers, Suria KLCC and Menara Maxis

# PETRONAS TWIN TOWERS

An iconic landmark and the world's tallest twin towers.  
The corporate headquarters of PETRONAS, the national petroleum company





**Tenure:** Freehold

**Age of Building:** 10 years

**Acquisition Date:** 10 April 2013

**Location:**  
Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Acquisition Price:** RM1,790,000,000

**Encumbrances:** Nil

**Title:**  
GRN 43699, Lot 171, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur,  
Wilayah Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Leased to a single lessee, PETRONAS vide a Triple Net Lease Agreement for a term of 15 years, expiring on 14 December 2026. PETRONAS has exercised its option to extend the lease to 14 December 2041, for a further term of 15 years. The retail Podium of Menara 3 PETRONAS is tenanted to various retailers on a 3 to 5-year term tenancy

**Net Book Value as at 31 December 2021:**

RM1,946,397,088

**Appraised Value:**  
RM2,020,000,000

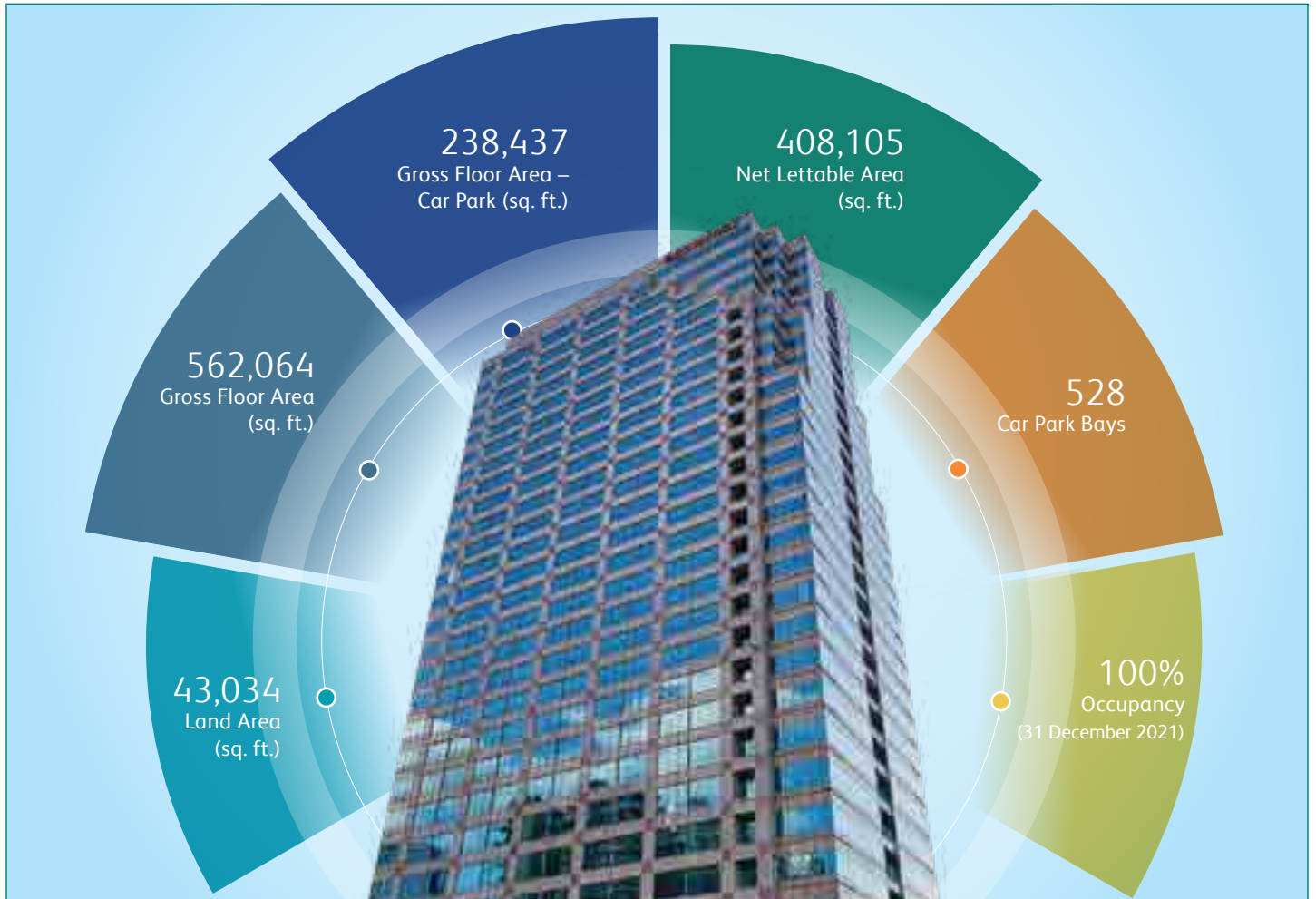
**Date of Valuation:**  
31 December 2021

**Independent Valuer:**  
Savills (Malaysia) Sdn Bhd

# MENARA 3 PETRONAS

A Premium Grade-A, 58-storey office tower with exclusive retail and sky dining

## OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR



**Tenure:** Freehold

**Age of Building:** 25 years

**Acquisition Date:** 10 April 2013

**Location:**

Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Acquisition Price:** RM450,000,000

**Encumbrances:** Nil

**Title:**

GRN 43685, Lot 157, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur,  
Wilayah Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Leased to two lessees, ExxonMobil Exploration and Production Malaysia Inc for an initial period of 9 years with an option to renew for 3 successive terms of 3 years each; and another with PETRONAS for an initial period of 3 years with an option to renew for 5 successive terms of 3 years each

**Net Book Value as at  
31 December 2021:**

RM532,000,000

**Appraised Value:**

RM532,000,000

**Date of Valuation:**

31 December 2021

**Independent Valuer:**

Savills (Malaysia) Sdn Bhd

# MENARA EXXONMOBIL

29-storey office building strategically located at the south-eastern portion of the KLCC Development and is home to major oil and gas corporations





**Tenure:**

99 years leasehold interest expiring on 27 January 2079 (lot 38 and lot 45), 9 November 2081 (lot 39) and 98 years leasehold interest expiring on 21 January 2079 (lot 51)

**Age of Building:** 39 years

**Acquisition Date:** 31 May 2004

**Location:**

Kuala Lumpur City Centre, 50050 Kuala Lumpur

**Encumbrances:** Nil

**Title:**

PN 2395, PN 53463, PN 33471, PN 32233, Lot 38, 39, 45 & 51 Seksyen 70, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Leased to a single lessee, PETRONAS vide a Triple Net Lease Agreement for a term of 6 years expiring on 31 December 2025, with an option to extend the lease for further 6 years

**Net Book Value as at 31 December 2021:**

RM677,000,000

**Appraised Value:**

RM677,000,000

**Date of Valuation:**

31 December 2021

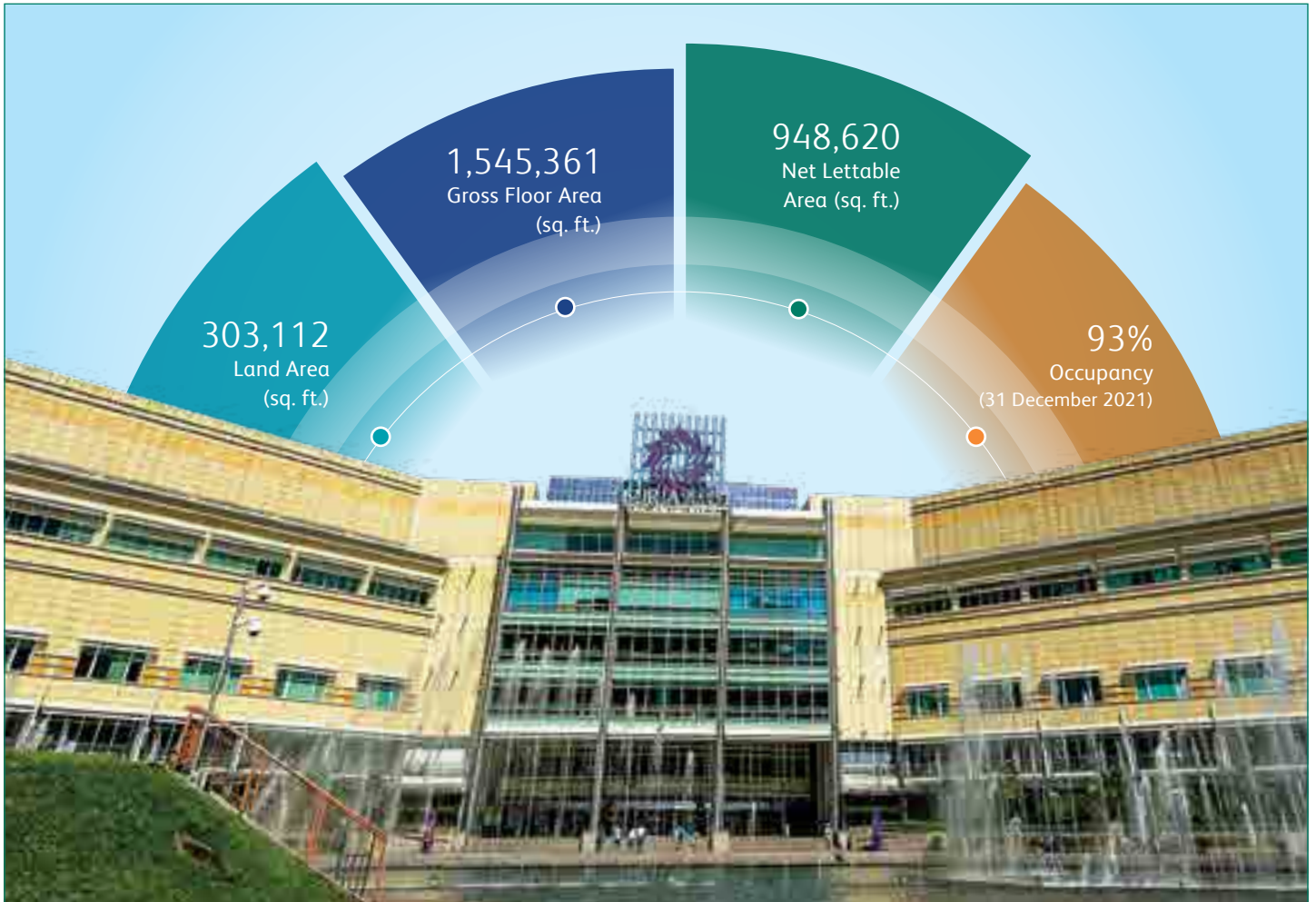
**Independent Valuer:**

Cheston International (KL) Sdn Bhd

# KOMPLEKS DAYABUMI

An integrated office development with retail podium located within the former city centre of Kuala Lumpur

## OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR



**Tenure:** Freehold

**Age of Building:** 23 years

**Acquisition Date:** 31 May 2004

**Location:**

Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Encumbrances:** Nil

**Title:**

GRN 43698, Lot 170, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur, Wilayah  
Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Tenanted to various retailers on a  
3 to 5-year term tenancy

**Net Book Value as at  
31 December 2021:**

RM5,495,250,230

**Appraised Value:**

RM5,510,000,000

**Date of Valuation:**

31 December 2021

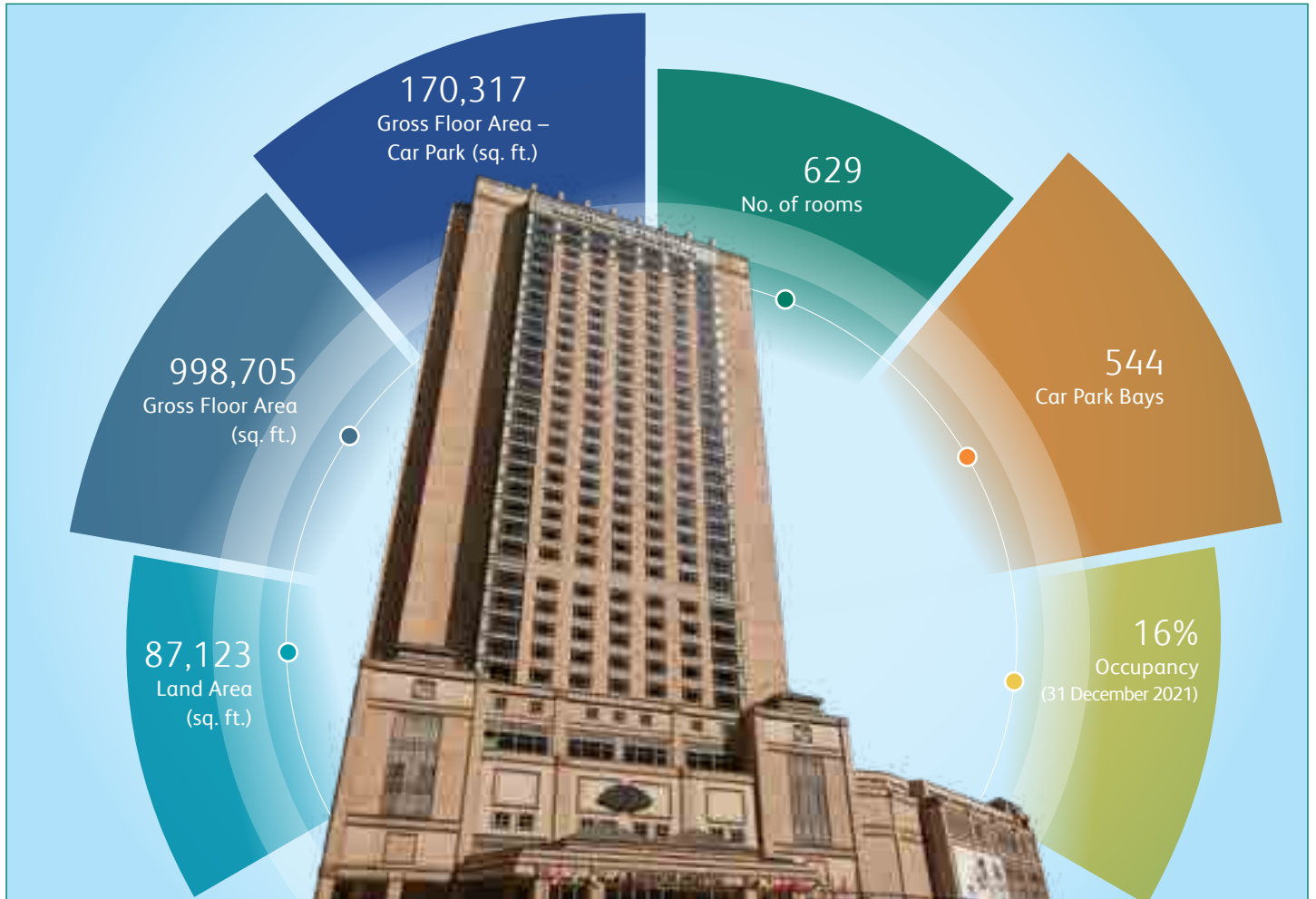
**Independent Valuer:**

Nawawi Tie Leung Consultants  
Sdn Bhd

# SURIA KLCC

Premier shopping destination in Malaysia with exclusive specialty stores, making it the best place for shopping, dining and entertainment





**Tenure:** Freehold

**Age of Building:** 23 years

**Acquisition Date:** 31 May 2004

**Location:**

Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Encumbrances:**

Charged by Asas Klasik Sdn Bhd to  
Public Bank Berhad registered on  
12 June 2008

**Title:**

GRN 43700, Lot 172, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur, Wilayah  
Persekutuan Kuala Lumpur

**Net Book Value as at  
31 December 2021:**

RM568,471,924

**Appraised Value:**

RM807,000,000

**Date of Valuation:**

31 December 2021

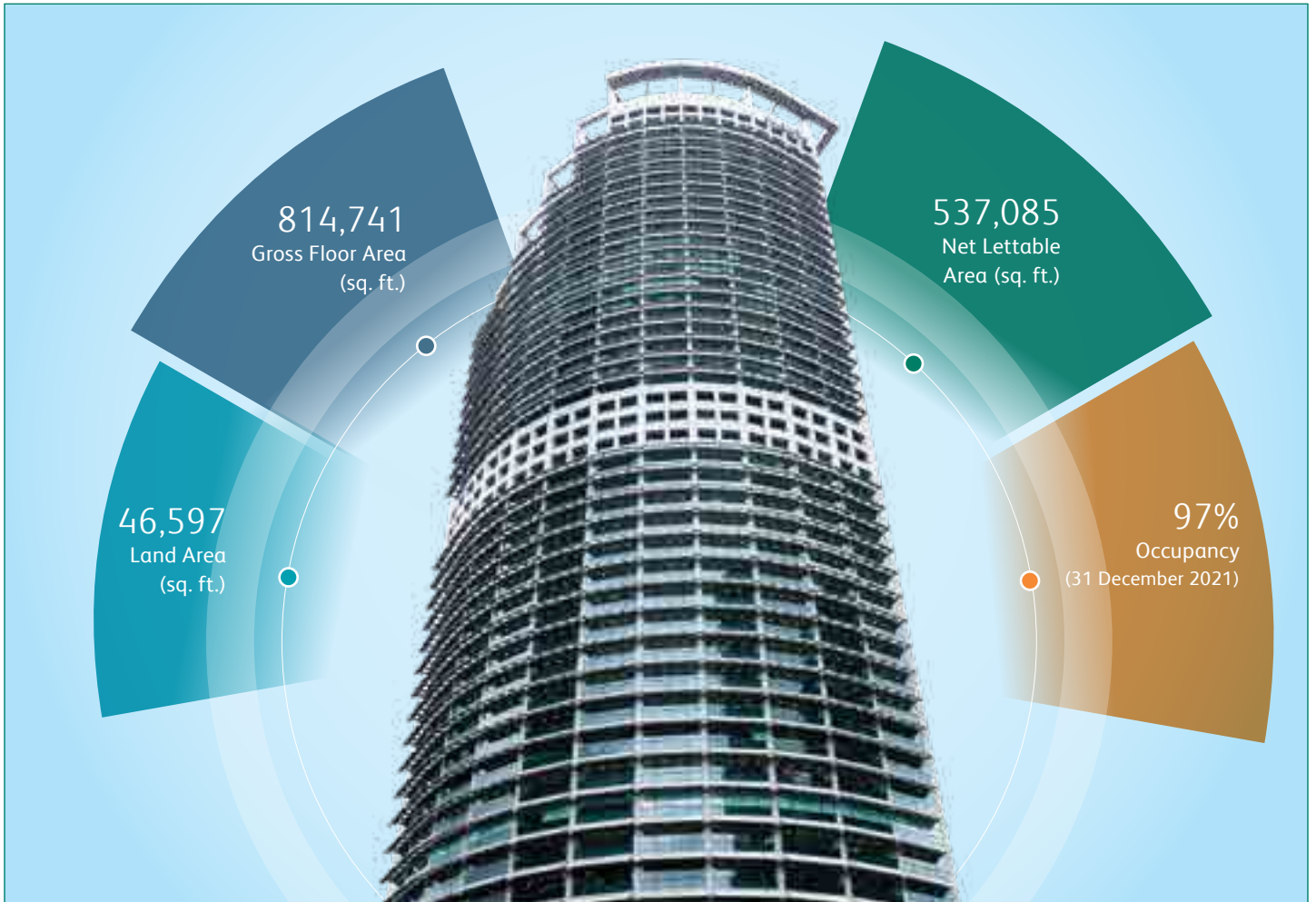
**Independent Valuer:**

Nawawi Tie Leung Consultants  
Sdn Bhd

# MANDARIN ORIENTAL, KUALA LUMPUR

A five-star luxury hotel in the heart of Kuala Lumpur,  
offering impressive views with elegant interiors, spacious  
rooms, fabulous facilities and a wealth of dining options

## OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR



**Tenure:** Freehold

**Age of Building:** 23 years

**Acquisition Date:** 31 May 2004

**Location:**

Kuala Lumpur City Centre,  
50088 Kuala Lumpur

**Encumbrances:** Nil

**Title:**

GRN 43696, Lot 168, Seksyen 58,  
Bandar Kuala Lumpur,  
Daerah Kuala Lumpur, Wilayah  
Persekutuan Kuala Lumpur

**Lease/Tenancy Profile:**

Lease between Impian Klasik  
Sdn Bhd and Tanjung City Centre  
Property Management Sdn Bhd vide  
a Triple Net Lease Agreement for a  
term of 15 years, expiring 31 May  
2028

# MENARA MAXIS

49-storey office tower with unique and distinctive architecture. Houses one of the leading communications service provider in Malaysia and its associate companies

*Note: KLCCP owns a 33% stake in Menara Maxis*



# OUR INVESTMENT PROPOSITION

Business Highlights			
Office	Retail	Hotel	Management Services
<p><b>Upward rental revision</b> for PETRONAS Twin Towers</p>	<p><b>Brought in 17 new retail tenants</b>, some are first and stand-alone stores to Suria KLCC</p>	<p><b>Guest Satisfaction Score of 87%</b> for bespoke hotel experiences</p>	<p><b>Launched</b> the <b>Integrated Building Command Centre</b> towards a real-time integrated facilities management services</p>
	<p><b>Extended RM127.1 mil</b> of <b>rental assistance</b> to affected tenants</p>		<p><b>Launched Premium Parking</b> for customer convenience and easy access to the mall with <b>49 bays</b> and <b>20 EV chargers</b></p>

KLCCP STAPLED GROUP	
REVENUE	RM1.2 bil (2020: RM1.2 bil)
PROFIT FOR THE YEAR	RM0.5 bil (2020: RM0.5 bil)
PROPERTY VALUE	RM15.6 bil (2020: RM15.7 bil)
NET ASSET VALUE PER STAPLED SECURITY	RM7.21 (2020: RM7.21)
DISTRIBUTION PER STAPLED SECURITY	33.60 sen (2020: 30.00 sen)

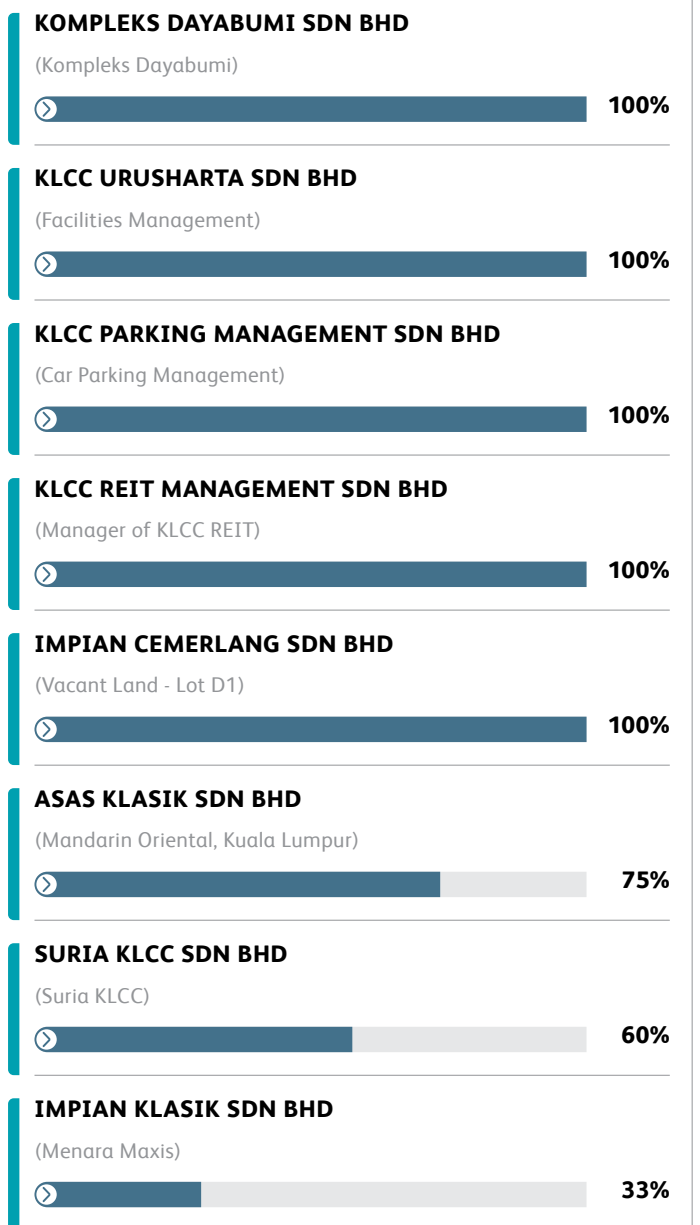
Sustainability Highlights			
People	Planet	Peace	Prosperity
<p><b>Introduced KLCC MyWellness</b> Employee Assistance Programme in addressing physical and mental health</p>	<p><b>21.5% Reduction in GHG emission</b> (2020: 4.2%)</p>	<p><b>56% Women Directors</b> on Boards (2020: 43%)</p>	<p><b>RM81.9 mil Tax paid to Government</b> (2020: RM87.9 mil)</p>
<p><b>Invested RM600,000</b> on staff learning and development</p> <p><b>Spent RM3.0 mil</b> on staff wellness and digital tools</p>	<p><b>100% Elimination of Single-Use plastic</b> in hotel operations (2020: 68%)</p>	<p><b>67% Independent Non-Executive Directors</b> on Boards (2020: 43%)</p>	<p><b>Launched Safe Space @ Suria KLCC</b> - first mall in Malaysia to drive the concept of a safe space for members of the community to address mental health</p>
<p><b>Zero</b> fatalities and Loss time injury (LTI) incidents recorded</p>	<p><b>27% Reduction in Water Usage</b> (2020: 20%)</p>	<p><b>Zero</b> bribery and corruption cases reported</p>	<p><b>Strategic partnership</b> between <b>MOKL Hotel and Tatler House</b> – first of its kind in Malaysia, where the Presidential Suite was converted into space for exclusive events and guests</p>

# A STRONG CORPORATE STRUCTURE

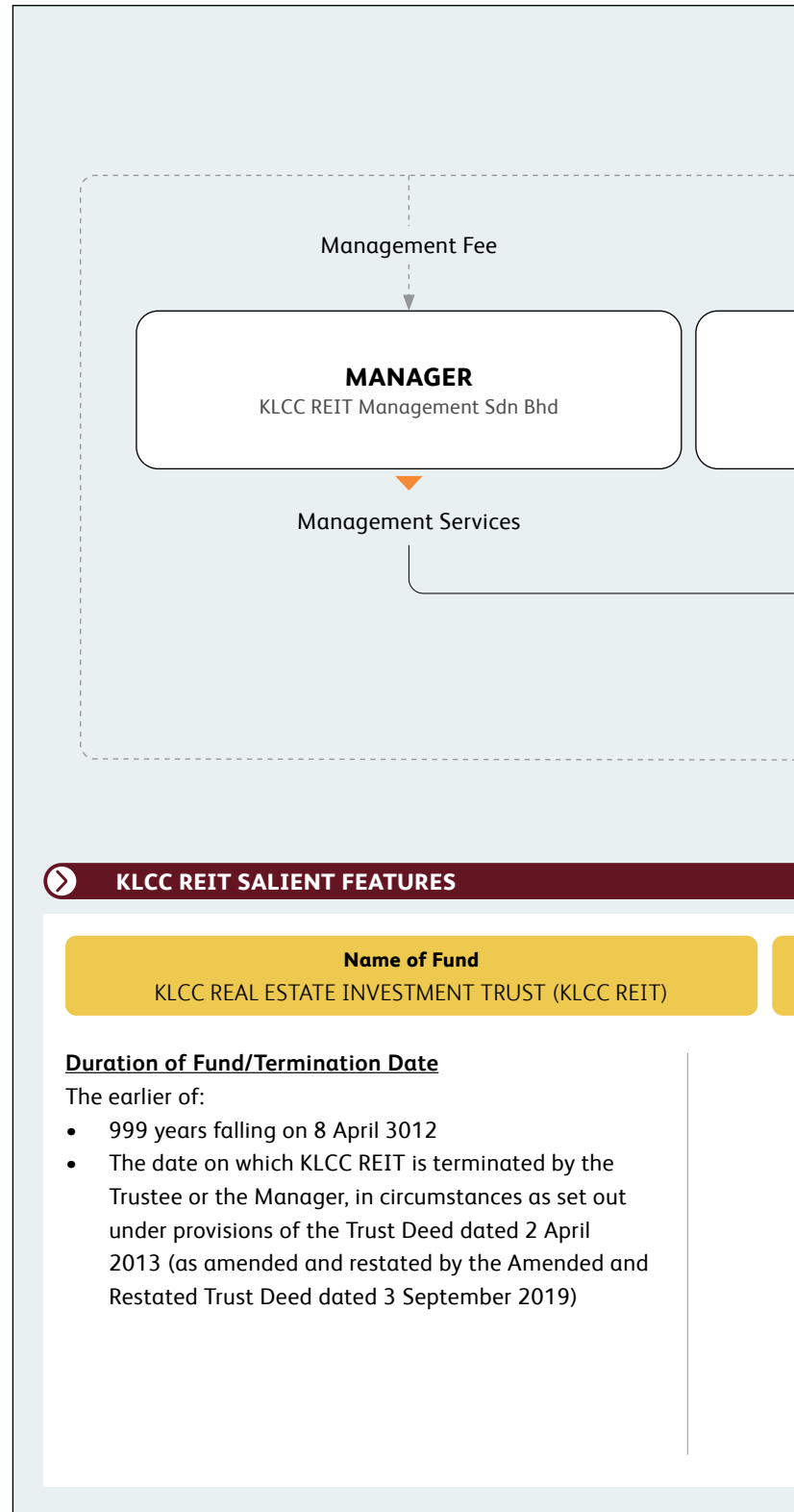


Each ordinary share is stapled to each unit ("Stapled Securities")

## KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")



Note: Inactive companies have been excluded from this corporate structure. The detailed corporate structure of KLCCP Group can be found on the Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my)



### KLCC REIT SALIENT FEATURES

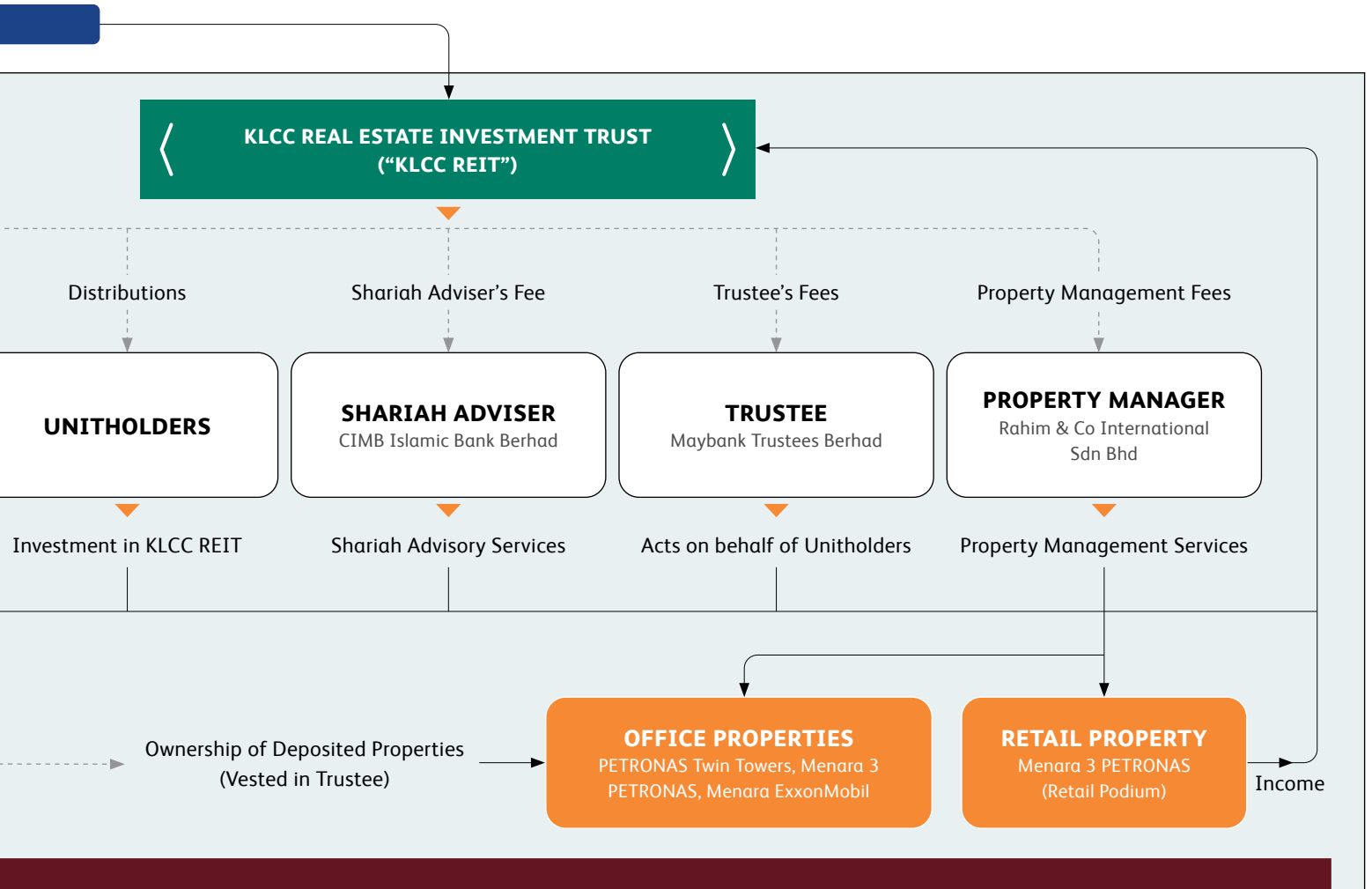
**Name of Fund**  
KLCC REAL ESTATE INVESTMENT TRUST (KLCC REIT)

#### Duration of Fund/Termination Date

The earlier of:

- 999 years falling on 8 April 3012
- The date on which KLCC REIT is terminated by the Trustee or the Manager, in circumstances as set out under provisions of the Trust Deed dated 2 April 2013 (as amended and restated by the Amended and Restated Trust Deed dated 3 September 2019)





<b>Fund Type</b> Income and Growth	<b>Fund Category</b> Islamic Real Estate Investment Trust	<b>Listing Date</b> 9 May 2013	<b>Stock Name &amp; Code</b> KLCC & 5235SS
---------------------------------------	--	-----------------------------------	---

**Approved Fund Size**  
1,805,333,085 units

**Market Capitalisation**  
RM11,824,931,000 (as at 31 December 2021)

**Investment Objective**  
To provide the unitholders with regular and stable distributions, improving returns from property portfolio and capital growth, while maintaining an appropriate capital structure

**Investment Policy**

To invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes in Malaysia and overseas

**Distribution Policy**

95% of KLCC REIT's distributable income for FY2013 and FY2014 and at least 90% for each subsequent financial year

Distributions can be on a quarterly basis or such other intervals

**Gearing Policy**

Up to 50% of total asset value of the Fund

# LETTER FROM THE CHAIRMAN

## DEAR SHAREHOLDERS,

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

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

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

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

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), it gives me great pleasure to present the Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2021.

## ANOTHER CHALLENGING YEAR

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

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

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

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



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



**TAN SRI AHMAD NIZAM BIN SALLEH**

Chairman



**2021 Highlights**

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

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

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

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



# LETTER FROM THE CHAIRMAN

## STRENGTHENING CORPORATE GOVERNANCE

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

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

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

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




## SOLIDIFYING OUR SUSTAINABILITY AGENDA

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

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

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

 To read more on sustainability matters, refer to our online Sustainability Report at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)



  
**Sustainability Business Awards 2020/2021**  
 Significant Achievement for Supply Chain Management and Business Ethics & Responsibility

  
**The Asset ESG Corporate Awards 2021**  
 Platinum Award for Excellence in Environmental, Social and Governance (ESG)



## A BALANCED BOARD

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

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

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



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

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

## MOVING FORWARD TOGETHER

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

## APPRECIATION

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

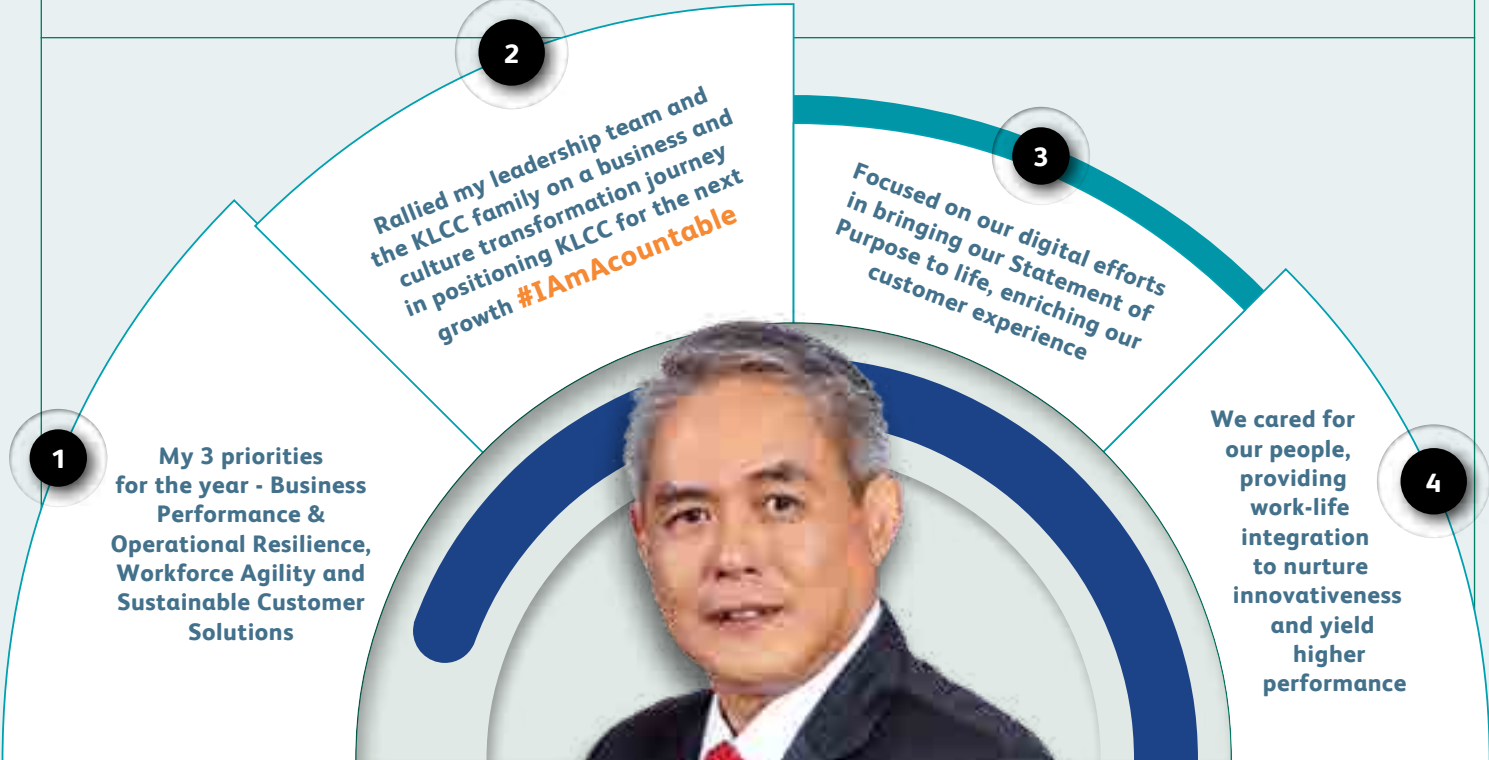
I would also like to thank my fellow Board Members for ensuring the Boards meet the highest standards of governance and oversight and their supportive contribution to boardroom debate. To all our stakeholders, including our holders of Stapled Securities, our business partners, associates, customers and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

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

**Tan Sri Ahmad Nizam bin Salleh**  
Chairman



# CEO'S YEAR IN REVIEW



**MD. SHAH MAHMOOD**

Chief Executive Officer





Q1

**How would you describe your first year at the helm of KLCCP Stapled Group?**

Exciting yet challenging! I came on onboard amidst the chaos of the prolonged COVID-19 pandemic when the whole organisation was practically working from home. I did not have the opportunity to meet most of the KLCC family in person. I had to contend in engaging with the Board members, my leadership team, and the employees all virtually. Nevertheless, it has been a good 8 months since my tenure took effect on 1 May 2021 and I am thankful to the Boards for entrusting me to lead the largest REIT in the country. I would like to also extend my gratitude to my leadership team and all the KLCC family who had fully supported and worked with me towards ensuring the business remains well-placed to continue generating value for our stakeholders.

Q2

**What were your main priorities during the year and what steps did you take to position the Group's business strategy for 2021 and beyond, in responding to external challenges of the COVID-19 pandemic and adapting to the new trends that emerged from it?**

Business Performance & Operational Resilience, Workforce Agility and Sustainable Customer Solutions. Those were my 3 priorities. It was a case for change – to transform and pivot the organisation with a focused and aligned workforce, positioning the Group in the new norm and winning as a Solutions Partner to our many stakeholders. We prioritised our overall health, focused on long-term survival, and move forward with pace and urgency.

Together with my leadership team, we set about to co-create the Group's strategic agenda and agree on a set of goals and targets with our resolution in mind as we steer our strategies and initiatives. This also entails a fit for purpose structure reorganisation to drive commercial, project and operational excellence with an integrated and efficient operating model as well as institutionalising a culture which reinforces mindset and behaviour to support the implementation of our strategies - the **#IAmAccountable** culture with an enterprise mindset. The Group embarked on a structured and holistic culture transformation programme to anchor on our Cultural Beliefs, with defined strategies and outcomes. Retooling our human capital was also critical in equipping our people with the right capabilities to navigate the new norm and deliver new value. This involved assessment on the core capabilities, digital learning series including focused talent and leadership development programs. All these efforts towards positioning the Group in delivering our targets with credible and proven performance.

**The Group embarked on a structured and holistic culture transformation programme to anchor on our Cultural Beliefs, with defined strategies and outcomes. Retooling our human capital was also critical in equipping our people with the right capabilities to navigate the new norm and deliver new value.**



## CEO'S YEAR IN REVIEW

Q3

### What were the key highlights and achievements during the year?

2021 was definitely a tougher year compared to 2020. With three lockdowns and movement control order of 162 days in the year, our performance as a Group was impacted which saw revenue decrease by 5.5% to RM1.2 billion, mainly contributed by our retail and hotel segments. In spite of that, KLCCP Stapled Group achieved a Profit Before Tax (excluding fair value adjustments) of RM712.5 million, a 3.2% increase from the corresponding year driven by lower impairment recorded on the investment property under construction (IPUC) for Phase 3 Redevelopment of Kompleks Dayabumi. We distributed 95% of the Group's distributable income, a total of 33.60 sen per stapled security for the year, delivering on our commitment to the holders of Stapled Securities.

**Our highlights during the year were centered on supporting our stakeholders. We ensured the health and safety preparedness of our office buildings including meeting relevant standards of air quality and provided a digitalised experience for our visitors to our buildings.**

Our highlights during the year were centered on supporting our stakeholders. We ensured the health & safety preparedness of our office buildings including meeting relevant standards of air quality and provided a digitalised experience for our visitors to our buildings. It was heartwarming to see more of our office tenants, physically return to work in the office buildings, commencing 1 November 2021, after almost a 2-year absence. Our retail mall, Suria KLCC continued to support its retail partners through various rental assistance

programmes amounting to RM127.1 million, 36% more compared to 2020 and rewarded its shoppers with almost RM400,000 in Suria KLCC vouchers during the "The Great Giveaway" and the "The Golden Ticket Campaign", bringing in increased footfalls and significant direct sales for our retail partners. Suria KLCC was also the first mall in the country to create a "Safe Space" for its community to drive mental health awareness campaign whilst promoting an environment of acceptance and compassion.



At our North-West Development basement carpark beneath the PETRONAS Twin Towers, KLCC Parking Management Sdn Bhd (KPM), our car-parking company, launched its premium parking of 49 car park bays, fitted with 20 Electric Vehicle Charging Stations, providing its customers convenience, safety and security. This was also in support of the Government's initiative for green economy by 2050 and our 5-year Sustainability Roadmap, in minimising our carbon footprint. KPM also secured management of 3 new car parks in Putrajaya and successfully embarked on cashless and ticketless operations at these sites.

Our operational excellence achievements did not go unnoticed by the industry and we are proud that KLCCP was recognised as the "Pembayar Cukai Terbaik 2020" in March 2021 by the Inland Revenue Board for our commitment and highest standards of compliance to tax rulings and documentations. KLCCUH and KPM received the ROSPA awards of Gold and Silver respectively on the 10 September 2021, upholding the Group's commitment to health & safety excellence. KLCCUH had also received the MSOSH OSH Gold Class 2 award for proactively and continuously improving their occupational safety and health standards across their facilities management services.

Q4

## How has the Group strengthened its organisational capabilities particularly in leveraging digitalisation to optimise asset performance and safety and security of the KLCC Precinct?

We have been looking at ways to reimagine our services to better meet the demands of our tenants, customers, and community. In April 2021, we launched our Integrated Building Command Centre (IBCC) located at PETRONAS Tower 2 which is able to integrate all the facilities management services and safety features of our office buildings. This is truly “hands off, eyes on”! The IBCC is a real-time monitoring dashboard of Building Management Systems – chilled water, alarm systems, and Building Energy Index. Currently 3 facilities are operated through IBCC – PETRONAS Twin Towers, Menara 3 PETRONAS, and the KLCC Park Irrigation System. Through the IBCC, KLCC Park is now digitally operated via the KLCC Park System Automation, which reduces the number of manual manning activities by 93% and in turn saving costs and reducing the risk of working at height in confined spaces. The IBCC project is expected to be fully completed by the end 2022 with a more seamless integration of facilities management operations.

We also embarked on a new security operating model, transforming our KLCC Precinct Security Operating to risk-based intelligent patrolling and rapid response auxiliary police, with heavy reliance on digital technology. This entails an integrated security operation centre which serves as a central nerve for the KLCC Precinct Security, an integrated Security Surveillance System with high-definition CCTV cameras, multi camera search and video synopsis, intrusion detection and automated number plate recognition, amongst others. In November 2021, the crowd management and people counting feature was implemented at KLCC Precinct. The presence of sensor counters enabled us to perform intelligent patrolling and security operations at high density areas with large numbers of visitors more effectively.

 To read more, refer to Digitalisation at the Forefront on pages 28 to 29





## CEO'S YEAR IN REVIEW

Q5

**Your KLCC family is your greatest asset. How did you keep the workforce intact whilst providing work-life integration amidst the protracted COVID-19 pandemic?**

Indeed, our people are the essence of the organisation and the ones responsible for ensuring our Statement of Purpose comes to life. We take pride in our collective decision not to downsize our workforce nor cut any salaries during the tough times of the pandemic. Throughout the year, our priority has been the wellbeing of our people. We have worked hard to foster employee engagement through virtual platforms to create a culture of support and understanding where everyone has access to the assistance they need. Regular communication, employee pulse surveys, and increased visibility of our leaders have encouraged feedback via regular check-ins.

We introduced the flexwear or smart casual dress code in September 2021 to provide a positive, flexible, and inclusive workplace environment. Through our KLCC Sports Club in collaboration with the Ministry of Federal Territories, we facilitated about 1,000 of our frontliners with their COVID-19 vaccination via the MYMedic @ Wilayah Mobile Vaccine Truck programme at two locations, in Kuala Lumpur and Putrajaya.

With flexible working arrangements supported by technology-enabled working environment, our employees were able to manage work whilst balancing their personal needs. Nevertheless, mental health wellbeing was a focus area during the year. Based on the Mental Wellbeing Survey conducted in September 2021, 82% of our people were able to maintain a healthy mental health whilst 18% experienced challenges to their mental health conditions. The Group took steps to address this and collaborated with Naluri Life

Sdn Bhd as our partner, to provide an Employee Assistance Programme under the KLCC MyWellness banner. This programme was launched in early January 2022 and aims to provide a comprehensive and personalised experience in creating a conducive and healthy working environment which nurtures innovativeness and yields higher performance.

 To read more, refer to **Empowering Positive and Healthy Minds** on pages 30 to 31

When the major floods affected many parts across the country towards the end of 2021, 35 of our people were affected, suffering loss of belongings, and damage to their homes. It was heartwarming to see how expeditiously the KLCC taskforce of “*Banjir Care*” was set up and 100 volunteers of our KLCC family came together to assist in the cleaning up of the damaged homes and rendering aid relief of basic necessities to their colleagues. The Group contributed over RM32,000 to assist these affected employees. In prioritising the health and safety of our people, we also reviewed our employee insurance health coverage across the Group and extended the coverage to include hospitalisation and treatment for COVID-19 as well as mental health, for staff and its dependents with effect from 2022.

**Throughout the year, our priority has been the wellbeing of our people. We have worked hard to foster employee engagement through virtual platforms to create a culture of support and understanding where everyone has access to the assistance they need.**

Q6

## What is the Group's outlook for 2022 and strategic direction to generate value for its holders of Stapled Securities?

After two tough years, we remain hopeful that 2022 will provide the reprieve which we are all in search of though we are still cautious as waves of new COVID-19 variants are surging across the world, as we speak. Nevertheless, with the Strategic Agenda for the Group being completed and rolled-out by quarter 1, 2022 coupled with an aligned organisation design, I am confident that this will provide clear purpose and priorities for all segments of the business and renewed strategic direction, supported by our values and cultural beliefs to future-ready the Group and be in a position of strength.

As a Group, we remain committed to creating iconic and lifestyle experiences at KLCC **The Place** for our stakeholders and strengthening our Sustainability Agenda as well as to

guide our sustainability initiatives for the greater good of the society and the environment.

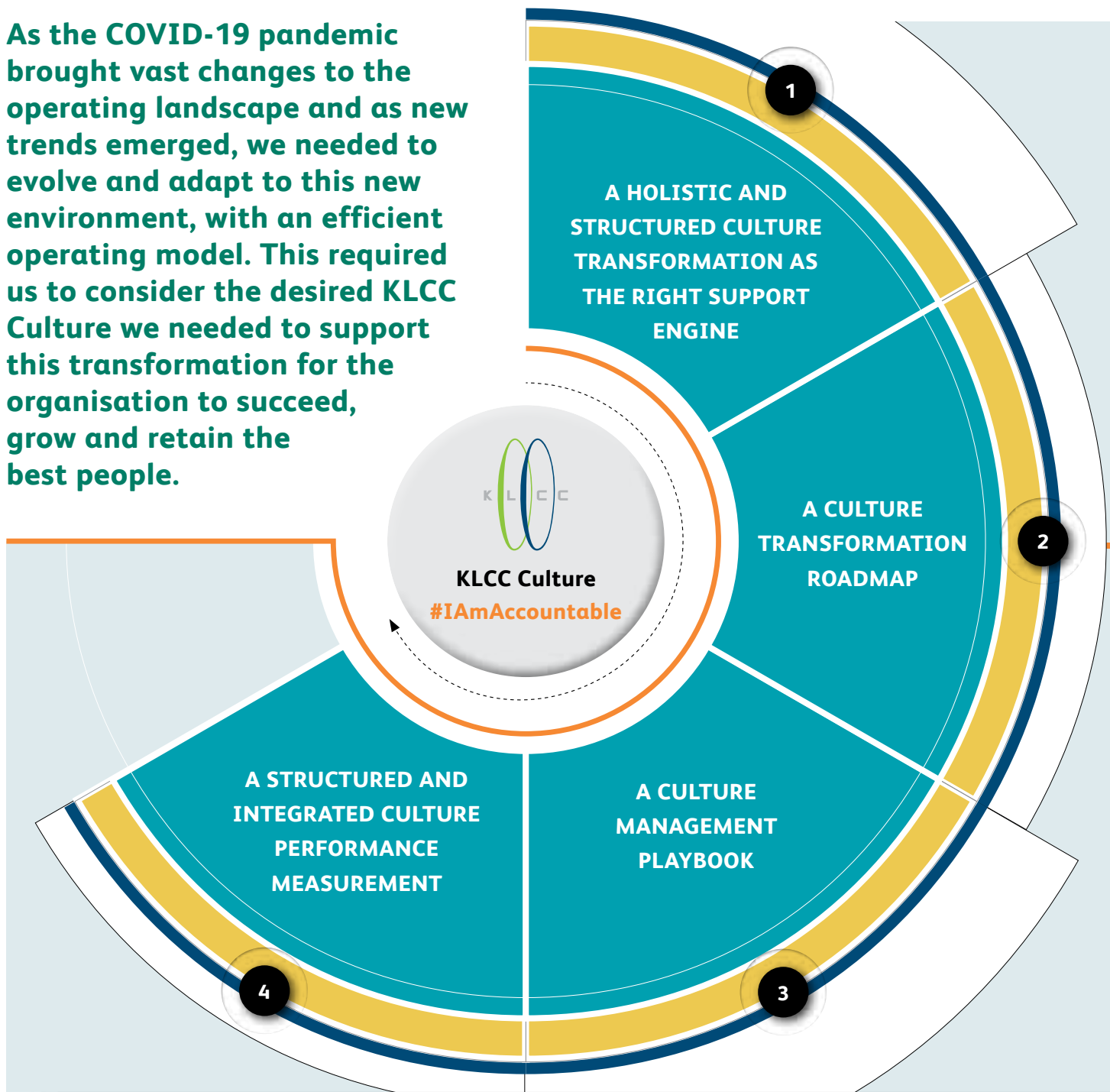
My heartfelt appreciation to the Boards of KLCCP and KLCC REIT for their astute insights, counsel, and stewardship during this challenging year. My thanks to my immediate predecessor, Datuk Hashim Wahir, for making the transition a smooth one for me. To my leadership team and the KLCC family, my utmost gratitude for your resilience, commitment, and willingness to be on this transformation journey towards our readiness as a Group and fostering a culture of greater accountability. To our holders of Stapled Securities, thank you for your trust in our ability and we look forward in continuing to deliver on our commitment towards sustainable value creation for the long-term.



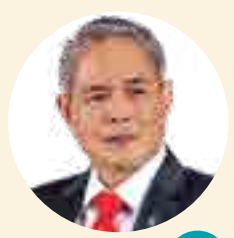
**Md. Shah Mahmood**  
Chief Executive Officer

# COMMITMENT TO A CULTURE OF ACCOUNTABILITY

As the COVID-19 pandemic brought vast changes to the operating landscape and as new trends emerged, we needed to evolve and adapt to this new environment, with an efficient operating model. This required us to consider the desired KLCC Culture we needed to support this transformation for the organisation to succeed, grow and retain the best people.



Culture is important. Culture to me, is a must and needs to be embraced. I aspire that the Group will emerge from the pandemic in a stronger position and with a deeply entrenched unified KLCC Culture.  
**#IAmAccountable**



Md. Shah Mahmood  
 Chief Executive Officer



2021

**March**

**Formation of Culture Core Teams**

Main custodian for culture programmes and initiatives

**Nomination of Culture & Change Associates**

The Group's agents in supporting business leaders in engagements and communication



**September – December**

**Culture & Change Onboarding Programme**

Upskill Culture & Change Associates (CCAs) on culture transformation and how to lead, role model, and assist business units in cascading communication plans

**Leadership Profiling Campaign**

Evaluation of leaders' behaviour in becoming the *desired result* and *desired culture* Champion



**January**

**Formal Appointment of Culture & Change Associates**

Recognising the Group's agents on their roles and responsibilities in supporting the culture and change transformation activities

**Culture & Change Associates Network Day**

Reflection and preparing CCAs for culture transformation programmes in 2022

**Improvement to KLCC's Group Performance Management**

Development of a centralised and standardised KLCC Group KPI Tree to drive the right mindset and behaviour



2022



# DIGITALISATION AT THE FOREFRONT

With digitalisation at the forefront of today’s operating landscape and with customer centricity at the focal of all what we do, the Group established an Integrated Building Command Centre (IBCC) with smart facilities management systems to provide a centralised 24-hour control and command of building management systems in real time.



## Integrated Command Centre

manage our facilities from a centralised location



**IBCC Features** – designed in a modular way to monitor and control key and subservices



Energy Management



Automation System



Sensor Monitoring System



Life & Safety



CCTV



Chilled Water System



HSSE



Vertical Transportation (VTS)



Serves as the platform to enable **Real-Time Operations and Automation**

**Facilities operated through IBCC**



PETRONAS Twin Towers



Menara 3 PETRONAS



KLCC Park

# MANAGING KLCC PARK DIGITALLY



Through the IBCC, KLCC Park is now digitally operated via the **KLCC Park System Automation**



Reduce risk of working **at heights and in confined spaces**

1

Switching and Monitoring of all Pump Rooms

2

**Manual**

**Remote Operation**

**93%**

Reduction of Activities

**8,760**

activities

**624**

activities


3

**KLCC PARK SYSTEM AUTOMATION**

4

Reduce

**Cost and Risk**

  
Work Order Management System (WORMS)



# EMPOWERING POSITIVE AND HEALTHY MINDS

## Safe Space @ Suria KLCC

Suria KLCC was the **first mall in Malaysia** to launch the concept of a **Safe Space** for the community to address mental health

In partnership with



### Activities



Workshops



Talks



Panel discussions



Dialogue sessions with mental health professionals

Converted retail space of over 2,000 sq. ft. on Level 1 of Ampang Mall into an **educational gallery** for the **community** to **converge** and **discuss mental health**



The Mental Health Awareness Campaign was held from 8 November 2021 and extended to 31 December 2021 due to an **overwhelming response from thousands of visitors** from the community

The campaign under the theme, "We Are With You - A Mental Health Awareness Campaign" was launched by YAM Tengku Puteri Raja Tengku Puteri Iman Afzan Al-Sultan Abdullah, Green Ribbon Group Founder and President and the CEO of Suria KLCC, Mr Andrew Brien



Scan to see our **We Are With You - A Mental Health Awareness Campaign video**

# KLCC MyWellness



In partnership with



leading digital care provider



**Personalised Professional Coaching**



**Dedicated Health Journey**



**Interactive Lesson Playlist**



**Motivational Challenges**

Employees are the heart and soul of our organisation

Rolled out an **Employee Assistance Programme MyWellness** a comprehensive and personalised programme to improve employees' physical and mental health

We aim to create a conducive and healthy working environment to nurture innovativeness and yield higher performance

**MyWellness** is a **digitally integrated wellness coaching solution** that addresses the root causes of physical and mental health risks



# MARKET REPORT

## EXECUTIVE SUMMARY

Economic Overview							
<p><b>Gross Domestic Product (GDP) Growth</b></p> <table border="1"> <tr><th>Year</th><th>Growth</th></tr> <tr><td>2020</td><td>-5.6%</td></tr> <tr><td>2021</td><td>3.1%</td></tr> </table>	Year	Growth	2020	-5.6%	2021	3.1%	<p>Despite the implementation of periodic movement restrictions in 1H 2021, GDP registered an improved growth in 2021, backed by the high vaccination rates in the latter half of the year, limited restrictions on economic activities and greater adaptability to restrictions.</p>
Year	Growth						
2020	-5.6%						
2021	3.1%						
<p><b>Consumer Price Index (CPI)</b></p> <table border="1"> <tr><th>Year</th><th>CPI</th></tr> <tr><td>2020</td><td>-1.2%</td></tr> <tr><td>2021</td><td>2.5%</td></tr> </table>	Year	CPI	2020	-1.2%	2021	2.5%	<p>Higher CPI was driven mainly by transport components and other segments, including food, non-alcoholic beverages, housing, water, normalisation of electricity prices, gas and other fuels.</p>
Year	CPI						
2020	-1.2%						
2021	2.5%						
<p><b>Overnight Policy Rate (OPR)</b></p> <table border="1"> <tr><th>Year</th><th>OPR</th></tr> <tr><td>2020</td><td>1.75%</td></tr> <tr><td>2021</td><td>1.75%</td></tr> </table>	Year	OPR	2020	1.75%	2021	1.75%	<p>OPR maintained as monetary policy continued to remain accommodative.</p>
Year	OPR						
2020	1.75%						
2021	1.75%						
<p><b>Unemployment Rate</b></p> <table border="1"> <tr><th>Year</th><th>Rate</th></tr> <tr><td>2020</td><td>4.5%</td></tr> <tr><td>2021</td><td>4.6%</td></tr> </table>	Year	Rate	2020	4.5%	2021	4.6%	<p>The average unemployment rate was lower in 2020 mainly due to normalcy during 1Q 2020. As a result of disruptions in the economic activities for a longer duration, average unemployment rate increased in 2021.</p>
Year	Rate						
2020	4.5%						
2021	4.6%						
<p><b>Private Investment</b></p> <table border="1"> <tr><th>Year</th><th>Investment</th></tr> <tr><td>2020</td><td>-11.9%</td></tr> <tr><td>2021</td><td>2.6%</td></tr> </table>	Year	Investment	2020	-11.9%	2021	2.6%	<p>Higher investment activity due to capital spending on transportation, automation and digitalisation efforts of private firms, national digital infrastructure investments and investment projects amid improving external demand, particularly in the export-oriented industries.</p>
Year	Investment						
2020	-11.9%						
2021	2.6%						
<p><b>Public Investment</b></p> <table border="1"> <tr><th>Year</th><th>Investment</th></tr> <tr><td>2020</td><td>-21.3%</td></tr> <tr><td>2021</td><td>-11.4%</td></tr> </table>	Year	Investment	2020	-21.3%	2021	-11.4%	<p>Public investment registered a smaller decline supported by improvement in capital spending by the Government and public corporations.</p>
Year	Investment						
2020	-21.3%						
2021	-11.4%						
<p><b>Private Consumption</b></p> <table border="1"> <tr><th>Year</th><th>Consumption</th></tr> <tr><td>2020</td><td>-4.3%</td></tr> <tr><td>2021</td><td>1.9%</td></tr> </table>	Year	Consumption	2020	-4.3%	2021	1.9%	<p>Private consumption turned around to register a positive growth, mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants, hotels and recreational services rebounded.</p>
Year	Consumption						
2020	-4.3%						
2021	1.9%						
<p><b>Public Consumption</b></p> <table border="1"> <tr><th>Year</th><th>Consumption</th></tr> <tr><td>2020</td><td>3.9%</td></tr> <tr><td>2021</td><td>6.6%</td></tr> </table>	Year	Consumption	2020	3.9%	2021	6.6%	<p>Public consumption growth expanded further attributable to a moderate growth in supplies and services expenditure. However, government spending remained supported by COVID-19 related spending and small maintenance and repair works.</p>
Year	Consumption						
2020	3.9%						
2021	6.6%						



**Office Market Overview**

The office market in KL City remained challenging due to demand lagging behind supply, pressure on rents and the transition to remote working. The pandemic has changed workplace behaviour and impacted office demand from existing occupiers. Nonetheless, the majority of office workers will always require physical office space. A post-pandemic shift to a hybrid work model between remote working and working in the office could be expected.

**KL City Office Supply**  
**52.4 million sq. ft.**  
 (2020: 50.2 million sq. ft.)

**Average Occupancy Rate:**  
**70.2 %**

Year	Occupancy Rate
2020	70.5%
2021	70.2%





**Retail Market Overview**

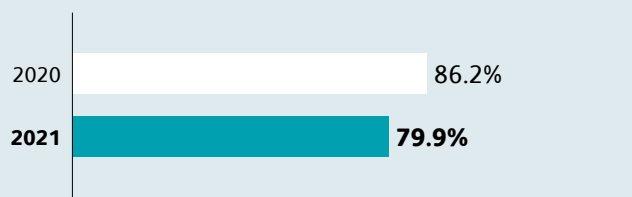
The retail market is still recovering from the effects of the COVID-19 pandemic. As consumer confidence increases and travel restrictions are lifted, retail sales have gradually improved. The surge in shopper traffic in major shopping centres in the KL City is encouraging, especially during weekends. Nevertheless, the KL City retail market is expected to face greater competition with upcoming shopping malls such as The Exchange TRX, Mitsui Shopping Park Lalaport @ BBCC and Warisan Merdeka Mall. Meanwhile, retailers are cautious about opening new retail stores in the current challenging time, the flexibility of new lease terms and rent reduction are key strategies for retaining leases and securing new tenants in the future.

**KL City Retail Supply**

**11.5 million sq. ft.**  
(2020: 11.5 million sq. ft.)

**Average Occupancy Rate:**

**79.9 %**



**Hotel Market Overview**

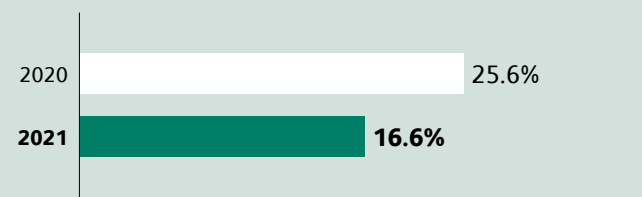
As the restrictions on inter-state travel loosened, domestic tourism began to recover. Consequently, hotels that were temporarily closed down last year started to re-open, reflecting an increase in the supply. However, the occupancy rate remains low because of the cautious approach among travellers. The situation will likely improve in 2022 once the international border opens, albeit not to the pre-COVID levels.

**KL City 5-Star Hotel Supply:**

**33 hotels, 13,419 rooms**  
(2020: 31 hotels, 12,367 rooms)

**Average Occupancy Rate Of 5-Star Hotels**

**16.6 %**



# MARKET REPORT

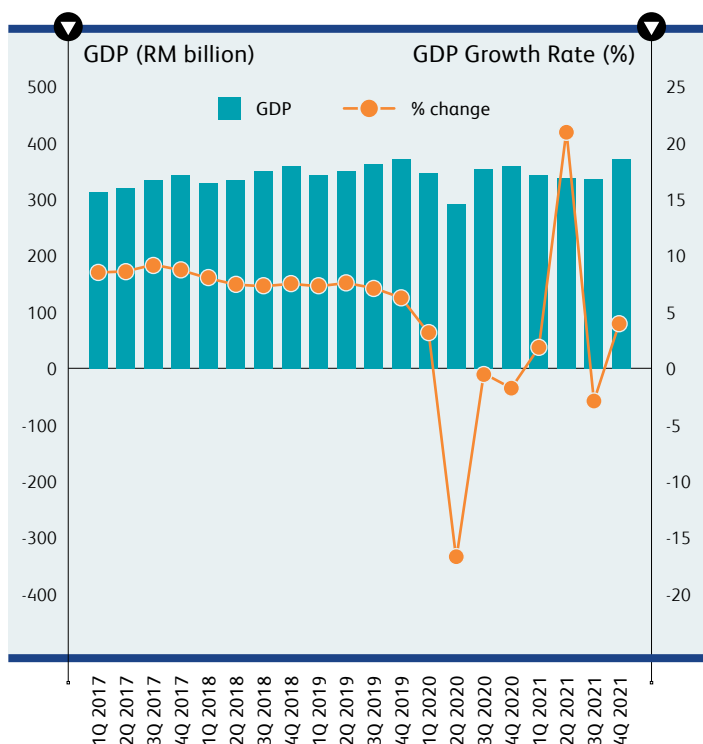
## ECONOMIC OVERVIEW

Malaysia's economy grew by 3.1% in 2021 compared to a drop of 5.6% in 2020. This year's economic rebound was aided by a recovery in the labour market and continued policy support.

The quarterly GDP remained modest between RM335 billion and RM343 billion in the first 3 quarters, affected by the re-imposition of movement restrictions due to the COVID-19 pandemic (Figure 1.1). However, a significant economic decline was mitigated due to greater adaptability to restrictions and new stimulus and assistance packages worth RM530 billion, complemented by ongoing measures under Budget 2021 worth RM322.5 billion. This resulted in improved domestic demand, robust export performance, particularly for electrical and electronics (E&E) products and improvement in the manufacturing sector, particularly in 1H 2021. In 4Q 2021, GDP grew by 3.6% y-o-y as economic activities resumed with the easing of COVID-19 pandemic-driven containment measures.

For 2021, yearly inflation increased by 2.5%, compared to a deflation of 1.2% in 2020. After a minor change in 1Q 2021, it increased by 2.2% in 3Q 2021 due to the base effects of the low domestic retail fuel prices last year and the lapse from the tiered electricity tariff rebate. In terms of the monthly trajectory, it peaked at 4.7% in April 2021 and moderated to 3.2% in December 2021.

**Figure 1.1: Gross Domestic Product (GDP)**



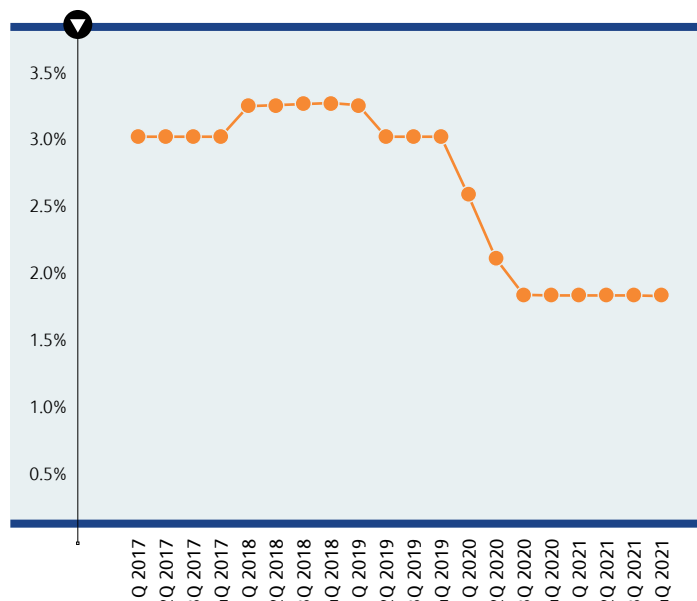
Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia (BNM)

On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity at the beginning of the year. However, later implementation of Full Movement Control Order (FMCO) imposed restrictions on mobility, especially on inter-district and inter-state travel. As a result, domestic demand was weighed down by a contraction in private consumption and investment activities. Moving forward, progressive lifting of containment measures and continued improvements in the labour market will be vital in supporting the recovery.

As per the Bank Negara Malaysia, the domestic economy is likely to expand by 6.5% for 2021, supported by increased economic activities as containment measures are relaxed amid continued policy support. With 97.9% of the adult population fully vaccinated and 51.2% of the adult population boosted with the 3rd dose as of 31 January 2022, the people now face fewer restrictions and are allowed interstate travel. This would also spur higher domestic demand and tourism-related activities. In addition, the strength in global demand will continue to support export growth in the near-term future.

Overnight Policy Rate (OPR), which was reduced to the historical low of 1.75% in 3Q 2020, was maintained at the same time as monetary policy in 2021 continued to remain accommodative to support economic recovery (Figure 1.2). While fiscal and financial measures continued to cushion the economic impact on businesses and households and provide support to economic activity, the Federal Bank remained committed to utilising its policy levers as appropriate to foster enabling conditions for a sustainable economic recovery.

**Figure 1.2: Overnight Policy Rate (OPR)**

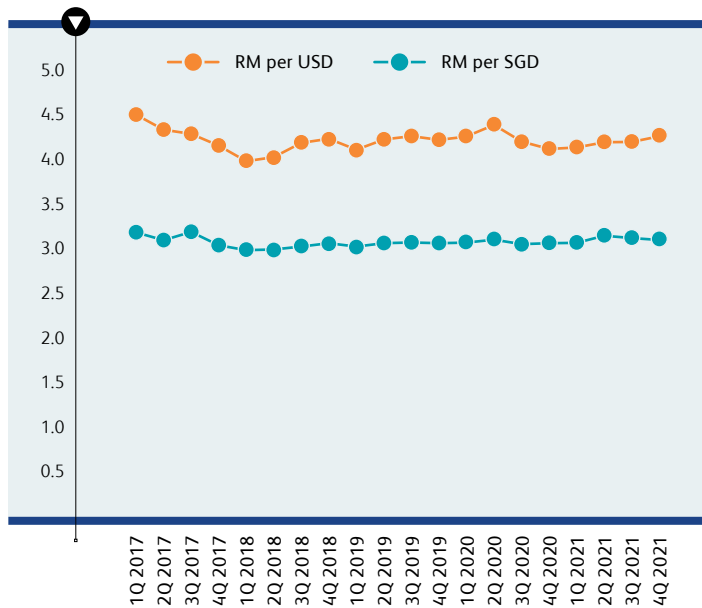


Source: Bank Negara Malaysia (BNM)

The labour market remained highly volatile in 2021 because of the challenging economy and uncertainty. Broadly the unemployment rate remained elevated between 4.5% – 4.8%. At the beginning of the year, despite initial signs of recovery in line with the pick-up in economic activity, temporary weakness was caused by the imposition of MCO 2.0. Further, the employment issues turned slightly more critical with longer and stricter movement restrictions. As the economic activities have started to normalise, conditions are improving due to lower retrenchments and higher placement rates.

The Malaysian Ringgit, which recorded an improvement towards the end of 2020, has been on a constant downward trend in 2021 because of a surge in US Treasury yields, anticipation of a faster economic recovery in the US and greater clarity from the US Federal Reserve (Figure 1.3). This ringgit depreciation was in line with the performance of most other regional currencies amid the broad strengthening of the US dollar. Going forward, as uncertainties regarding global liquidity adjustments and developments surrounding the path of the pandemic remain, financial and foreign exchange markets are expected to be subject to periodic bouts of volatility.

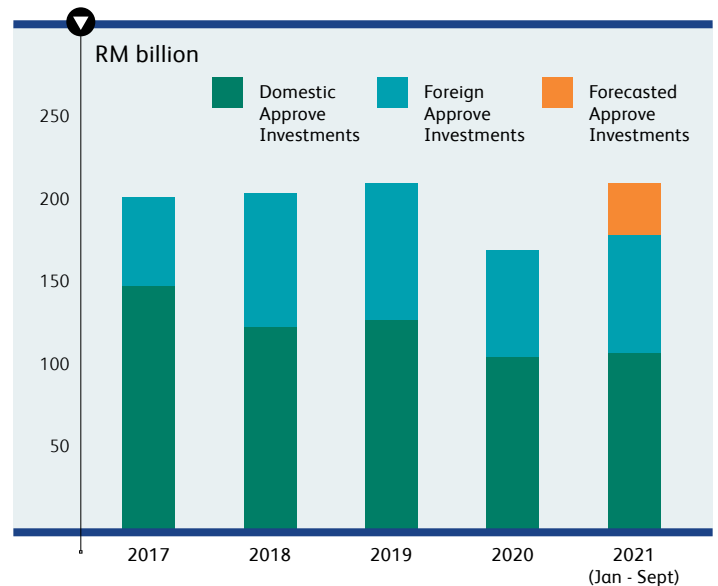
**Figure 1.3: Exchange Rate**



Source: Bank Negara Malaysia (BNM)

Yearly approved investments crossed the RM200 billion mark from 2017-2019, followed by an approximate 20% drop in 2020 (Figure 1.4). This year, as vaccination rollout picked pace and the economy is recovering from the pandemic, combined investments by domestic and foreign investors reached RM177.8 billion in 1Q-3Q 2021. It is expected to have reached to pre-pandemic threshold by end-2021. This is mainly due to recovery in capital spending from both private and public sector investments, capital expenditure from new and ongoing investment projects, particularly in export-oriented industries in services and manufacturing sectors, capital spending in telecommunication as firms’ automation and digitalisation efforts, national digital infrastructure investments and the higher spending on fixed assets by the general government sector in Malaysia.

**Figure 1.4: Approved Investments**



Source: Malaysian Investment Development Authority (MIDA)

Domestic demand recorded a smaller decline weighed down by the contraction in private sector expenditure amid various MCOs. However, the impact was smaller than the MCO last year amid relatively less stringent containment measures and mobility restrictions, permission to operate to most economic sectors, and continued policy support for households and businesses. Spending on online platforms also continued to increase, cushioning the impact of the drop of in-store spending. This was supported by stimulus measures including the EPF i-Sinar withdrawals, i-Citra withdrawals, wage subsidies, Bantuan Prihatin Rakyat, Bantuan Khas COVID-19 (BKC) as well as the Targeted Repayment Assistance (TRA). Public consumption expanded due to rebound in supplies and services spending, particularly by the Federal Government also supported by faster expansion in emoluments and COVID-19 related expenditure, including vaccine procurement and logistics spending.

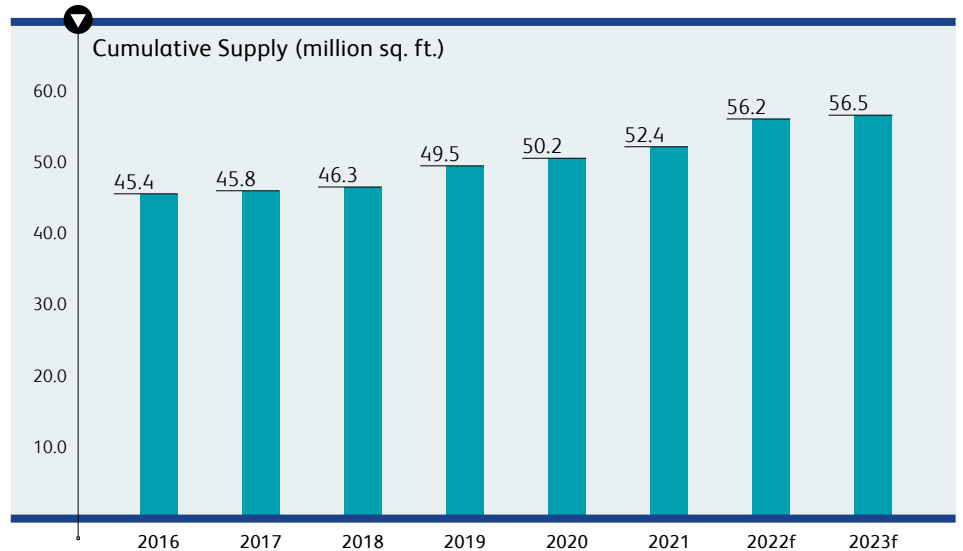


# MARKET REPORT

## OFFICE MARKET OVERVIEW

The cumulative supply of office space in KL City stood at circa 52.4 million sq. ft. as of 2021. KL City recorded five new office buildings completed to date, which has amounted to 2.21 million sq. ft. in the supply pipeline (Figure 2.1). Recent completed new office buildings in the KL City include Permata Sapura @ KLCC, TSLaw Tower, Plaza Conlay and International Quarter (IQ) @ TRX; all are located in the Golden Triangle (GT), while Menara Great Eastern 2 is located in the Central Business District (CBD). Within the next two years, KL City’s office space will reach a cumulative supply of over 56.5 million sq. ft. representing a supply growth of 8%.

**Figure 2.1: Cumulative Office Supply in KL City**



Source: Savills Malaysia

Note: KL City Region is subdivided into two zones, i.e., Golden Triangle (GT) and Central Business District (CBD)

Many upcoming office buildings have reported delays in completion because of the re-imposition of MCO. Seven new office buildings in KL City offering about 3.79 million sq. ft. are expected to be ready in 2022, followed by another 300,000 sq. ft. in Oxley Tower by 2023.

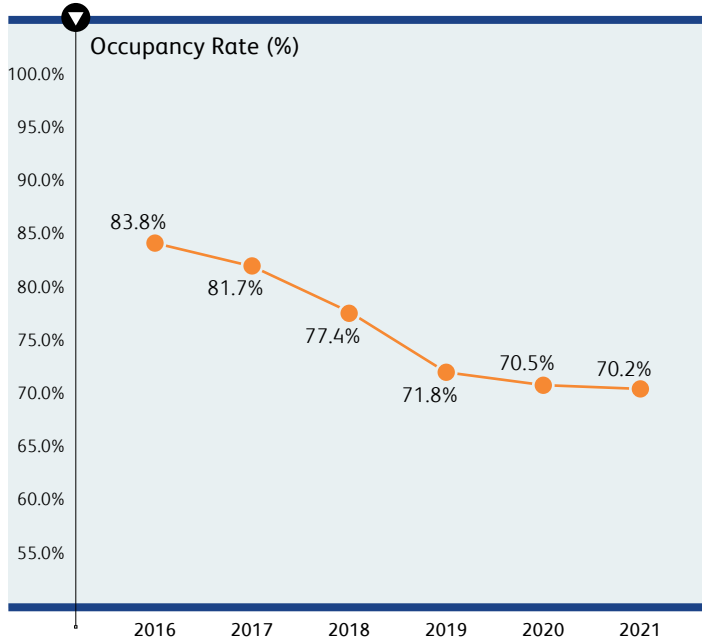
**Figure 2.2: Selected New Office Developments in KL City**

Selected Major Office Buildings	Location	Expected Completion	Estimated Net Lettable Area (sq. ft.)
PNB 1194	Jalan Sultan Ismail	2022	3,790,000
Affin Bank HQ @ TRX	Tun Razak Exchange		
Lifestyle Quarter @ TRX	Tun Razak Exchange		
Pavilion Embassy	Jalan Ampang		
The Stride @ BBCC	Bukit Bintang		
Merdeka PNB 118	Jalan Stadium		
UOB Tower 2	Jalan Raja Laut		
Oxley Tower	Jalan Ampang	2023	300,000

Source: Savills Malaysia

As a result of the city’s continuous new office completions, total occupancy has declined from 83.8% in 2016 to below the 80% mark since 2018 (Figure 2.3). The rise in the vacancy rate for the past five years is also attributed to the relocation and downsizing of companies reviewing their space use efficiency. The large impending supply has resulted in prospective tenants having more flexibility in choosing spaces to occupy. A total of 12.9 million sq. ft. of vacant spaces was reported in the KL City as of 2021, a decrease of 0.9% observed from 2020. Nonetheless, following the gradual improvement of economic sectors, KL City’s office leasing market is forecasted to increase momentum as businesses reactivate their relocation and expansion plans in the coming months.

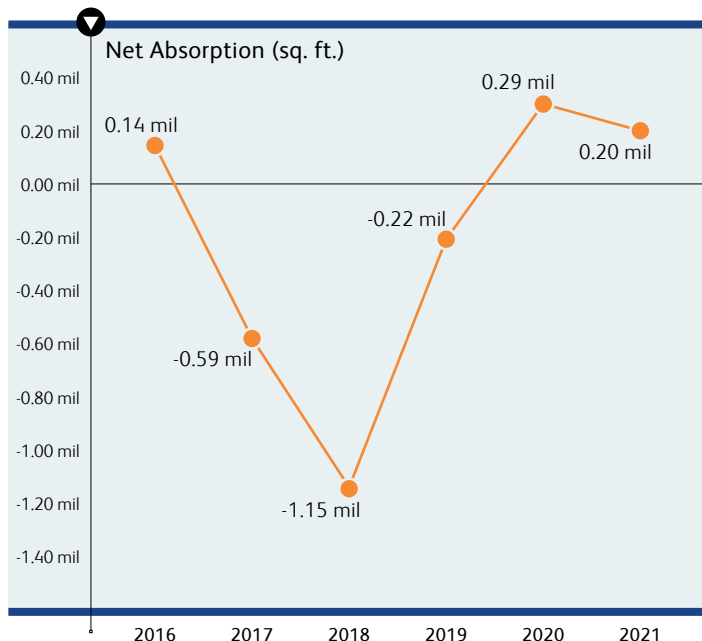
**Figure 2.3: Office Occupancy Rate in KL City**



Source: Savills Malaysia  
 Note: The chart for occupancy rate includes all grades of office buildings

KL City’s office net absorption has breached negative figures since 2017 as demand lagging behind supply (Figure 2.4). The overall net absorption recorded a take-up at circa 0.20 million sq. ft. in 2021, declined by 31% from 2020 (0.29 million sq. ft.) due to the slowdown in leasing activities caused by a series of lockdowns and business closure.

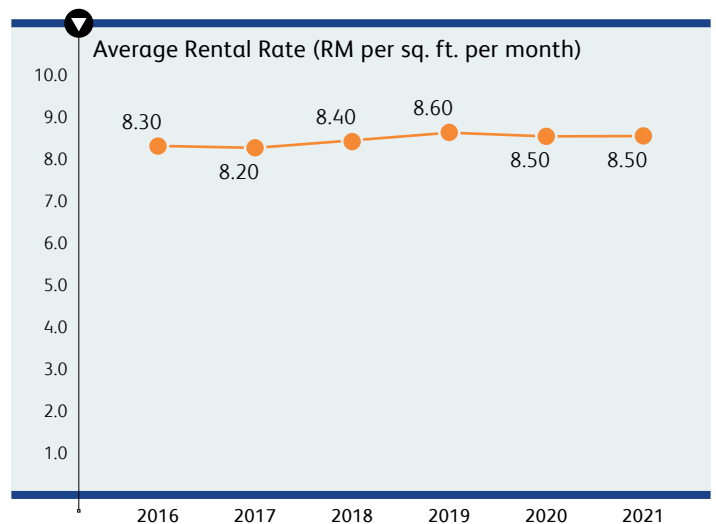
**Figure 2.4: Net Absorption of KL City Office**



Source: Savills Malaysia

On the rental side, KL City prime rent remains strong at RM8.50 per sq. ft. per month in 2021, with no changes compared to 2020 (Figure 2.5). With more tenants expecting landlords to offer incentives, the current weak sentiment may limit rental growth prospects. Some new office buildings also provide longer rent-free periods and fit-out assistance (in some cases) to entice new tenants over a long lease term.

**Figure 2.5: KL City – Prime Office**



Source: Savills Malaysia

Amidst the pandemic, the opportunistic investment and the divestment of office portfolios remain relevant. As of 2021, 13 major office transactions were reported, amounting to RM3.53 billion. While this reflects a 126% growth in transaction value compared to the full year of 2020, 90% of it comes from the injection of assets into IGB Commercial REIT. In April 2021, IGB Berhad injected ten office properties into IGB Commercial REIT, valued at RM3.16 billion. Three office buildings are in the Golden Triangle, namely Menara Tan & Tan, GTower and Hampshire Place Office. Meanwhile, the rests are Menara IGB and IGB Annexe, Centrepoint South, Centrepoint North, Boulevard Properties, Gardens South Tower, Gardens North Tower, Southpoint properties, situated at Mid Valley City. In May 2021, Nextgreen Global Berhad purchased Level 37 of Menara The Met, which consists of 12 stratified office lots totalling 16,105 sq. ft. for RM19.0 million. Also, New Straits Times Press (Malaysia) Berhad paid RM156 million to PNB Development in July 2021 to repurchase its headquarters, Balai Berita Bangsar. Meanwhile, in December 2021, Hap Seng Consolidated Bhd acquired Wisma KFC in Jalan Sultan Ismail for RM190 million from a Singapore-based property developer and manager of Royal Group. The office building has a net lettable area of 175,292 sq. ft., with 268 car park bays.

## MARKET REPORT

**Figure 2.6: Major Office Transactions in 2021**

Location	Net Lettable Area (sq. ft.)	Price (RM million)	Buyer
KL Suburban	261,993	RM189 mil	IGB Commercial REIT
KL Suburban	232,237	RM191 mil	
KL Suburban	232,051	RM197 mil	
KL Suburban	53,715	RM78 mil	
KL Suburban	422,381	RM392 mil	
KL Suburban	425,612	RM382 mil	
KL Suburban	515,501	RM574 mil	
KL City	339,385	RM239 mil	
KL City	746,194	RM740 mil	
KL City	239,253	RM181 mil	
KL Suburban	327,310	RM156 mil	New Straits Times Press (Malaysia) Berhad (98.17% owned by Media Prima Bhd)
KL City	175,292	RM190 mil	Hap Seng Consolidated Bhd

Source: Savills Malaysia

### Impact of COVID-19 and Outlook

The office market has been severely impacted by the prolonged restriction and imposition of MCO due to the exponential increase in COVID-19 cases. The demand lags behind supply, resulting in the office vacancy rate rising.

Various concerns over the future of the workplace have led to an uncertain demand; however, Savills local survey of office workers' needs and preferences reveals that the demand for physical office will still prevail. According to the findings, 81% of Malaysian office workers believe that the physical workplace will be necessary 'always' or at least for the foreseeable future. Furthermore, most employees will not hesitate to return to the office because they believe it enhances their physical and mental health, as well as their professional and personal growth.

Going forward, the office leasing activity is expected to pick up as more companies reactivate their expansion and relocation plans in the coming months. Nevertheless, the overall office market is expected to remain challenging in 2022.

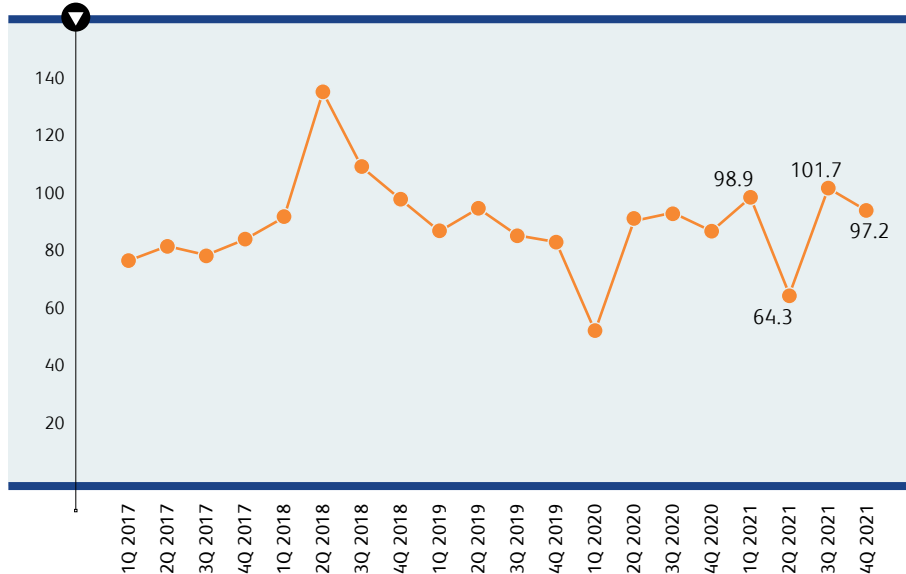
KLCCP Stapled Group's office portfolio performance remained positive, backed by its full occupancy rate and long-term Triple Net Lease (such as PETRONAS Twin Towers, Menara 3 PETRONAS, Menara Dayabumi). Despite the current challenging market, the office portfolio remains a significant contributor to the Group's revenue, thanks to its high-quality tenant's profile and prime location of the assets.

### RETAIL MARKET OVERVIEW

Consumer confidence has seen a rebound when the COVID-19 vaccine rollout started in February 2021 and the easing of movement restrictions by the Malaysian Government for those who are fully vaccinated in August 2021 (Figure 3.1). According to the Malaysia Institute of Economic Research (MIER), the consumer sentiment index has improved significantly in 3Q 2021 to 101.7 points passing the 100-point optimism threshold set by MIER. This is a massive increase by 50.6 points from the lowest figure ever recorded of Malaysia consumer sentiment index in 1Q 2020 at 51.1 points, following the economic fallouts because of the country's first move into a complete lockdown in March 2020. However, in 4Q 2021, Malaysia consumer sentiment index retracted to 97.2 points, indicating the ongoing consumers' concerns of the potentially higher cost of living, inflation and economic uncertainties. Notwithstanding this, the expectation of a better income and job opportunities in the immediate future due to the resumption of businesses will likely prompt healthier spending plans and increase consumers' appetite to shop.



**Figure 3.1: Malaysia Consumer Sentiment Index**



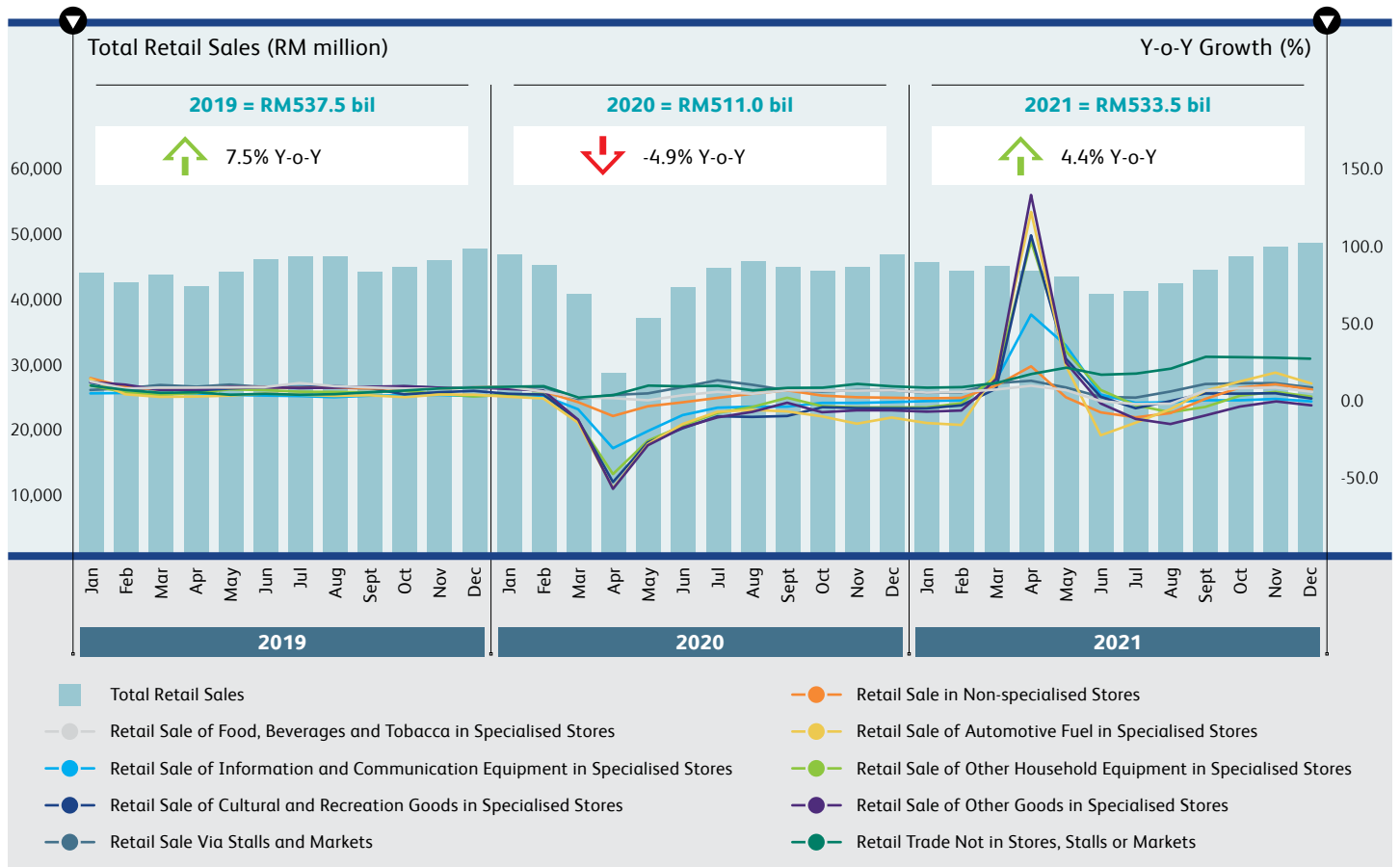
Source: Malaysia Institute of Economic Research (MIER)

The Department of Statistics Malaysia reported that Malaysia retail sales have increased by 4.4% year on year (y-o-y) to RM533.5 billion in 2021 after a decline of 4.9% in 2020 (Figure 3.2). The top 5 retail trade categories with the highest growth are:

- 1) retail sale of automotive fuel in specialised stores;
- 2) retail sale of any kind of products not in stores, stalls, or markets, i.e., via mail order, internet, television;
- 3) retail sale via stalls and markets;
- 4) retail sale of household equipment; and
- 5) retail sale of cultural and recreation goods in specialised stores.

However, in terms of total sales value, the retail sale in supermarkets or convenience stores, personal items, i.e., clothing, beauty & wellness, and household equipment, contributed the largest share.

**Figure 3.2: Total Retail Sales by Trade Categories, Y-o-Y Growth (%)**



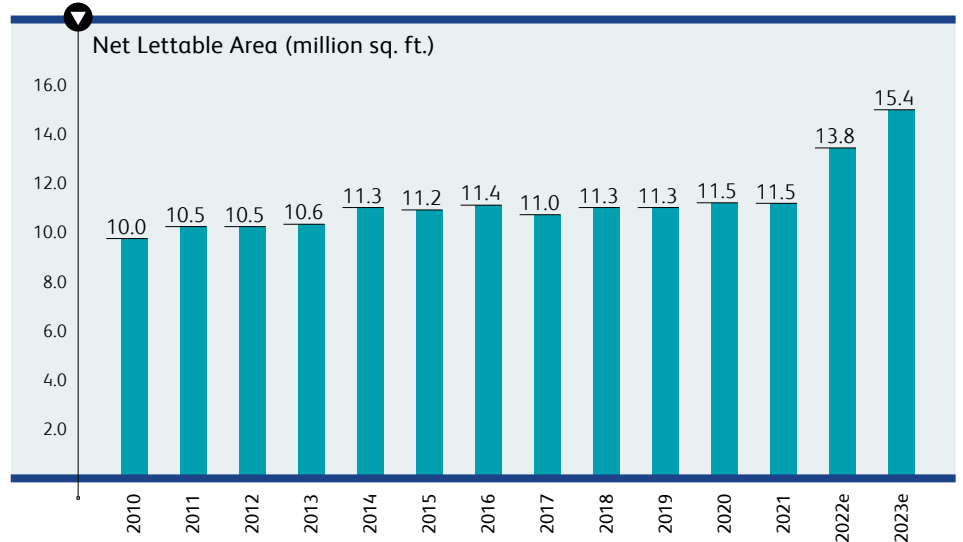
Source: Department of Statistics Malaysia

# MARKET REPORT

In 2021, the cumulative retail space supply in KL City registered at 11.5 million sq. ft. of net lettable area (NLA), spread across a total of about 28 retail malls (Figure 3.3). Most of the retail malls in KL City was built more than 20 years ago, and some of these malls are in poor or secondary locations of KL City. Nevertheless, retail malls located along the shopping belt of Bukit Bintang have managed to sustain leveraging on the spill over of crowds from other malls in the area. The major retail malls like Suria KLCC, Pavilion KL and Berjaya Times Square have continued to retain their popularity and relevancy while attracting footfall. The Starhill, positioned as a modern luxury retail mall, has recently completed asset enhancement, comprises a mixed-use retail and hospitality development. The retail mall features approximately 300,000 sq. ft. of NLA across four retail floors and three upper floors of 162 hotel rooms under the JW Marriot Kuala Lumpur brand. The mall will be looking at adding a variety of high-end stores, including Taiwan’s renowned lifestyle bookstore chain, Eslite Spectrum as its anchor tenant and several new flagship stores such as Balmain, Tom Ford, Paul & Shark, Stefano Ricci and Phillip Plein.

Within the next three years, KL City will see the completion of 6 retail malls, adding at least 3.9 million sq. ft. of NLA to the market. Major upcoming completions include The Exchange TRX, Mitsui Shopping Park Lalaport @ BBCC and Warisan Merdeka Mall; all actively secure pre-leases. These malls are expected to impact the retail malls in the KL City and see the market facing more significant competition.

**Figure 3.3: Cumulative Retail Space Supply in KL City**



Source: Savills Malaysia

Note: The retail landscape in KL City is typically divided into two zones, i.e., Golden Triangle (GT) including Bukit Bintang area and Central Business District (CBD)

Retail mall occupancy rates in KL City dropped by 7.3% from 2020 to 79.9% in 2021 (Figure 3.4). This was largely contributed by the low occupancy of the new refurbished Starhill Gallery and the weakened occupancy of several existing malls in KL City because of the subtle progression in leasing activities and stores closure brought about by the pandemic. However, occupancy rates for prime malls remained steady.

Alternatively, the vacancy rate of retail malls in KL City reached a record 20.1% in 2021, a further increase from 13.8% in 2020. The vacancy rate of KL City malls in 2020 marked the highest rate it has ever seen since a decade ago. This is mainly attributable to the malls that have experienced high vacancy rates, prior to the impact of COVID-19.

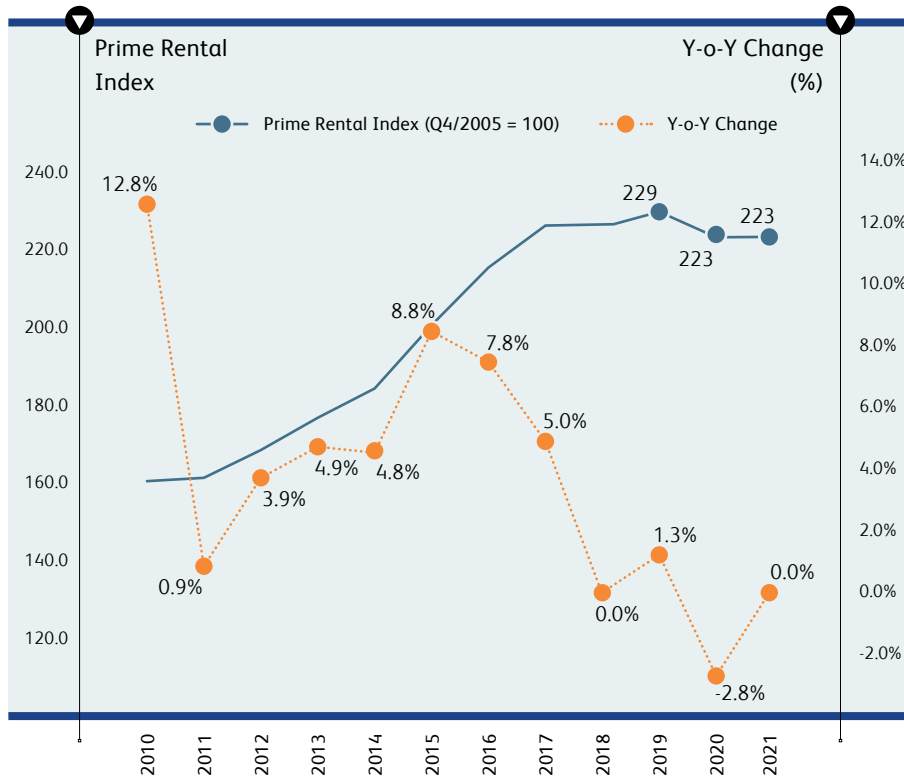
**Figure 3.4: Occupancy Rate of Retail Malls in KL City**



Source: Savills Malaysia

The prime rental index saw a drop of 2.8% in 2020 due to replacing new leases on some retail lots during the pandemic (Figure 3.5). The prime base rent saw a slight decline of 5% to 10% in offer rates for new leases in some prime malls, especially for larger format retailers and some new-to-market international brands. In 2021, the prime rental index did not change due to minimal movement observed in leasing activities in prime retail floors.

**Figure 3.5: Prime Rental Index Q4/2005 = 100**



Source: Savills Malaysia

**Impact of COVID-19 and Outlook**

Retail malls in KL City is highly dependent on the office crowd. Due to reduced capacity in several workplaces and encouragement to work from home, these malls are expected to see the slow return of office crowd and hence lower the sales turnover. In addition, the restrictions on international tourist arrivals also mean erosion of business for the KL City's malls. Nevertheless, shopper traffic for prominent-located and established retail malls was seen improving driven by the locals, thanks to the easing of domestic movement restrictions. Following that, retail sales has seen pick up, especially in categories such as food, information & communication equipment, household, recreational and personal items.

Demand for luxury brands is primarily driven by Malaysia's high-income earners, expatriates, and international tourists. Due to international travel restrictions, the sales of luxury brands have been affected to a certain extent. Recovery may take time as the returning of high-spending foreign tourists will not be immediate, and the market would need to rely on local shoppers to stimulate demand. The return of tourists largely depends on how fast Malaysia opens its international borders. However, the complete rebound of luxury tourists is the least expected in the short term as long as the number of virus infections rises.

Continuous pressure on malls' occupancy is likely to further pressure on rents caused by the pandemic through several factors. These factors include changes in consumer spending patterns, the inability of tenants to pay rents despite assistance, and loss of attractiveness in terms of the mall's offerings. However, occupancy rates of prime retail malls remain stable, mainly due to the financial ability of major landlords to maintain zero tenancy termination.

On the investment front, retail investment activities have toned-down due to the uncertainty of retail malls' recovery at least in the short term. While the pandemic profoundly affected the retail sector, the delay in recovery has impacted the investors' investment decisions. Thus, no known major transactions have been recorded since 2020 until to date. In December 2021, property developer Malton Bhd announced the possible sale of its Pavilion Bukit Jalil Mall, which was recently opened on 3<sup>rd</sup> December 2021, to Pavilion Real Estate Investment Trust (REIT). Through its subsidiary, Regal Path Sdn Bhd, Pavilion REIT has agreed to commence discussion for the potential sale of the mall. Nevertheless, retail investment deals are forecast to increase in tandem with economic growth.

Looking ahead, the KL City retail landscape is expected to be divided into three strong clusters, namely Suria KLCC, Pavilion KL and the upcoming The Exchange TRX with high-end positioning. Despite the similar positioning, the two former malls have different collections of stores. Suria KLCC's shopper traffic ranks first in the country, mainly because its landmark status attracts tourists and large office crowds from the PETRONAS Twin Towers and nearby areas. On the other hand, Pavilion KL benefited from being in the Bukit Bintang area, attracting more tourists and night crowds due to its lifestyle and food & beverage (F&B) offerings. The upcoming Exchange TRX is expected to have Suria KLCC and Pavilion KL footfall generators upon its full completion, enabling it to be the leading contender and capture significant footfall.



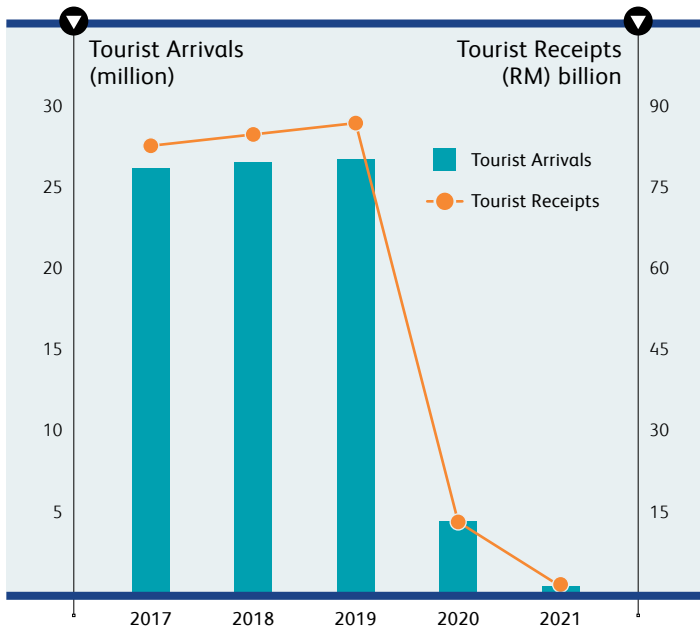
# MARKET REPORT

Suria KLCC Mall has maintained its landmark status for the longest time and has acted as the catalyst for the surrounding land. Given its strategic location and accessibility, its shopper traffic ranks first in the country, attracting local and foreign tourists around the globe as well as a large office crowd from the PETRONAS Twin Towers and the immediate area. Amid on-going challenges from the COVID-19 pandemic and the uncertainties in economic recovery, Suria KLCC managed to thrive through maintaining its occupancy, bringing in first-to-market brands and has seen an encouraging return of crowd, particularly the locals.

## HOTEL MARKET OVERVIEW

The hospitality sector has felt one of the most substantial impacts of the COVID-19 pandemic in the past two years. As the international borders have remained closed since early 2020, only a handful of international tourists visited Malaysia (Figure 4.1). In addition, domestic tourism was also significantly impacted due to several MCOs imposing restrictions on inter-state travels and hesitation to travel amidst fear of infection.

**Figure 4.1: Tourist Arrivals & Receipts**

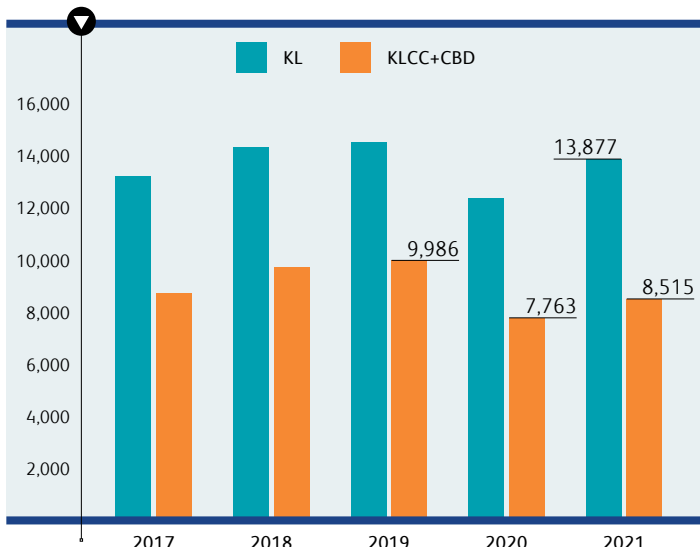


Source: Ministry of Tourism Malaysia

According to the Ministry of Tourism, international tourist arrivals dropped by 73,309 in Jan-Sep 2021, compared to 4.29 million in Jan-Sep 2020. Most of these tourists from 2020 visited Malaysia between January until March before COVID-19 started impacting. Ever since then, for the rest of the year, the monthly tourist arrivals remained between 5,400 to 18,700. The year 2021 witnessed stable monthly arrivals between 6,200 – 9,800 owing to government policies; however, following the y-o-y decline in arrivals, tourist receipts tumbled by approximately 99.0% to RM122.88 million in Jan-Sep 2021 (Jan-Sep 2020: RM12.63 billion).

The Federal Government is very keen on opening international borders to help the economy. In order to promote international travel, the Vaccinated Travel Lane (VTL) programme was introduced to allow fully vaccinated travellers from one country to enter into another country without quarantine, subject to COVID-19 testing and further requirements determined by the country of destination. However, with the introduction of the new variants, stringent procedures to get the entry permits and continuation of strict SOPs (namely COVID testing and quarantine requirements upon arrival), tourist arrivals are likely to remain subdued in the immediate future.

**Figure 4.2: Total Number of 5-Star Hotel Rooms**



Source: Savills Malaysia

Unprecedented challenges brought by COVID-19 directly impacted the hotel supply as well. As the COVID-19 pandemic brought unprecedented challenges, the Malaysian tourism industry gasped for air. Malaysian Association of Hotels (MAH) revealed that 100 hotels were forced to close in 2020 nationwide because of financial losses, while 20 more have shut down operations this year.

Although the city centre was slightly more resilient to the downturn, 5-star rooms supply in the KL City area dipped to 7,763 rooms in 2020 (Figure 4.2). While Westin Kuala Lumpur (443 rooms) and MiCasa All Suite (242 rooms) were temporarily closed, other hotels such as Maya Kuala Lumpur took an opportunity to partially close down and renovate its premises to suit future needs.

Rebound in the supply in 2021 mainly reflects the re-opening of a few hotels that were temporarily closed down last year and a change in the number of rooms post-renovation, in a few cases. Unfortunately, as the market remains soft and investors hold on to their cautious approach, no new 5-star hotels were opened or transacted in KL City.

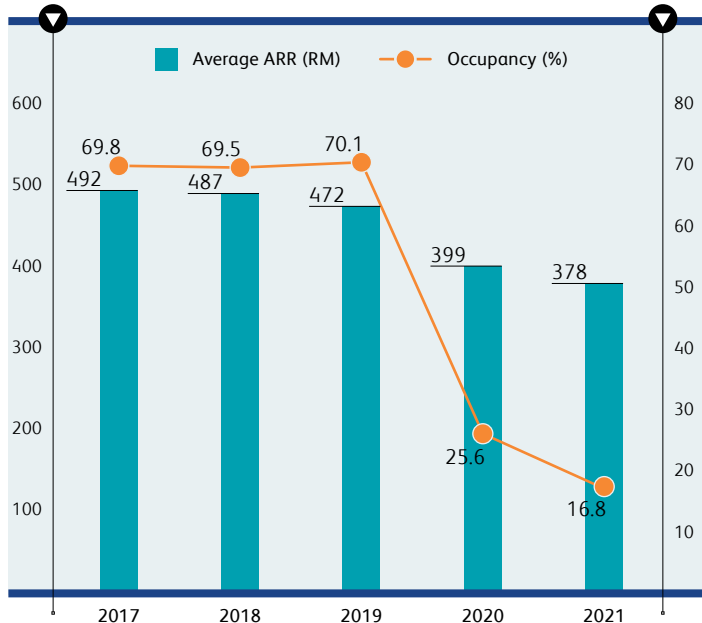
Moving forward, a few hotels are gearing to open in coming years as the situation recovers. By 2024, the total supply for 5-star hotels in KL City is expected to increase to 41 hotels. (Figure 4.3)

**Figure 4.3: Future Hotel Supply in Kuala Lumpur**

No	Name	Location	Hotel Rating	No. of Keys
<b>Expected Completion in 2022</b>				<b>1341</b>
1	Monopoly Mansion	Jalan Baba	5	255
2	Crowne Plaza	Jalan Yap Kwan Seng	5	338
3	Kempinski Hotel	Jalan Conlay	5	260
4	Conrad Kuala Lumpur	Jalan Sultan Ismail	5	488
<b>Expected Completion in 2023</b>				<b>922</b>
1	Park Hyatt Kuala Lumpur	Jalan Hang Jebat	5	232
2	Fairmont Kuala Lumpur	KLCC Area	5	690
<b>Expected Completion in 2024</b>				<b>397</b>
1	Jumeirah Hotel	Jalan Ampang	5	190
2	So Sofitel Kuala Lumpur	Jalan Ampang	5	207

Source: Savills Malaysia

**Figure 4.4: Average Room Rate (ARR) and Occupancy Rate (%)**



Source: STR Global

Note: The chart for ARR and % occupancy includes only 5-star hotels in KL City

After a drastic drop of almost 15% in 2020, the Average Room Rates (ARR) of the 5-star hotel in KL City further dropped to RM378 in 2021 (Figure 4.4). Similarly, the average occupancy declined to 16.8% in 2021 (2020: 25.6%). The higher occupancy rate in 2020 is a result of normalcy in operations at the beginning of 2021 before the effects of the COVID-19 pandemic were felt in Malaysia. The average hotel occupancy rate was 60.1% in Jan-Feb 2020, pushing the yearly average slightly higher. In the following months, challenges worsened.

To help the industry in these trying times, the Government continued to announce new policies. While leisure travellers were not encouraged during the pandemic, the Government initiated a pro-business One Stop Centre (OSC) initiative, recognising the importance of businesses continuing their operations. The OSC serves to ease the movement of Business Travellers by expediting their entry to do business in Malaysia. This, in turn, provided some support to the local hospitality industry in catering to business travellers. The Malaysian Investment Development Authority (MIDA) has evaluated 18,659 travellers for long-term business travel, and 90.8% have been approved.

## MARKET REPORT

Moving forward, with a high vaccination rate in Malaysia, fewer restrictions on fully vaccinated individuals, improvement in consumer confidence and initiatives to promote domestic tourism, the hospitality industry is gearing up for recovery with the expectation that the new normal includes a difference in the way people travel and view leisure. Furthermore, as the global vaccination rate improves and international borders open, it will speedily revitalise due to Malaysia's tourists' profile.

The bulk of the tourists coming to Malaysia is from neighbouring countries, including Singapore, Thailand, the Philippines and Brunei. These visitors frequented Malaysia for visiting friends and family (VFR), holidays and shopping. First-time visitors only accounted for an insignificant ratio for this group of tourists. Approximately one-third of the Indonesians travel to Malaysia for health treatment purposes, aside from visiting family and friends or holidays. Knowing the familiarity and comfort of the frequent visitors, it is likely that tourism and consequently the hospitality industry will recover promptly once the international borders open.

### Impact of COVID-19 and Outlook

The hospitality industry is the most severely affected by COVID-19. The tourism industry's contribution to GDP was halved in terms of percentage during the pandemic. Prolonged travel restrictions and closure of international borders caused a sudden drop in occupancy rate, resulting in lower ARR and eventually forcing many hotels to close down either temporarily or permanently.

As challenges due to the COVID-19 pandemic persisted, MOKL Hotel continued to focus on domestic travellers. Through intense digital marketing and; continuously offering creative packages for staycations and special occasions or festivals, MOKL Hotel successfully navigated through testing 2021.

Moving forward, as the world navigates towards normalcy, situations may recover. However, the addition of newly completed projects is likely to result in a more challenging competition. As a result, ARR may remain under pressure and improve rather slowly. Star-rated hotels may become a preferred accommodation with a heightened sense of hygiene and commitment to fulfil the SOPs.



#### Disclaimer:

The information is presented for the purpose of general information only and exclusively for use by KLCCP Stapled Group. All rights to the material are reserved and cannot be reproduced without prior written permission. Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we make no guarantee, warranty or representation about it. Reasonable care has been taken in preparing this report and Savills accepts no responsibility or liability for any loss arising from the use of this report.



## KEY TRENDS SHAPING OUR MARKET

### 2021 was another challenging year for the real estate industry as we navigated the year with the resurgence in COVID-19 and the prolonged period of economic uncertainty.

This pandemic created several new challenges and accelerated the key trends we had previously identified in shaping the industry. Through our insights from our customers and our business, we identified five key trends that have shaped our market and impacted us in 2021. This section outlines the key trends that have shaped our market and how we responded to them in 2021.

#### Bumpy Reopening of the Economy

##### Description

After many false starts in 2021, Malaysia's economy began its recovery process, buoyed by the COVID-19 vaccination progress. However, there still remains uncertainties over the new forms of variants in the future as we move to the endemic phase.

Malaysia's GDP rebounded to 3.6% in last quarter of 2021 (3Q 2021: -4.5%) supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan (NRP).



##### How we monitored and responded to the trend

- Disciplined cost and cash preservation measures to ensure our financial position remains strong and continues to provide a conducive business environment for long-term stability.
- Proactively managed our liquidity risk through active renegotiation of debt maturities, optimisation of debt maturity profile, monitoring forecast and actual cash flows in ensuring optimal funding and cash management plan is in place.
- In supporting the sustainability of our retail partners, we extended rental assistance of RM127.1 mil (2020: RM92.6 mil) to the affected tenants at the mall.
- Our hotel operations continued to capitalise on domestic business with attractive and innovative promotions as well as strategic partnership collaborations to stay afloat throughout the protracted pandemic.



To read more

Letter from The Chairman  
on **pages 16 to 19**

CEO Year's in Review on  
**pages 20 to 25**

Understanding Our Principal  
Risks on **pages 62 to 69**

# MARKET REPORT

## Social Impact of the COVID-19 Pandemic

### Description

The widespread adoption of remote-working has led to a pronounced shift in working patterns since the onset of the pandemic.

While working from home had a positive impact on productivity at the start of the pandemic, the longer employees went without the physical interactions that come with an office, the deeper was the impact on employee wellbeing and mental health.

Many in the community continued to be financially impacted by the prolonged lockdowns and were required to adapt to a new environment for survivability.

### How we monitored and responded to the trend

- Across the Group, supporting our people as they adapt and respond to the uncertainty and impact of the COVID-19 pandemic was a top priority.
  - For our employees:
    - Increased employee engagement on various communication mediums to ensure transparency and openness.
    - Carried out an employee mental wellness survey to gauge employees' satisfaction with their working conditions.
    - Introduced the New Ways of Working - flexible working arrangements and flex-wear dress code for our employees in providing a relaxed and inclusive workplace environment.
    - Introduced EAP in collaboration with a digital health care provider – KLCC MyWellness as well as Talian Kasih @ Mandarin Oriental.
  - For our communities:
    - Creation of Safe Space @ Suria KLCC to raise public awareness on mental health issues.
    - Invested over RM128.3 mil on social relief deeds and charitable efforts, including rental assistance to our retail partners.



To read more

Empowering Positive and Healthy Minds on **pages 30 to 31**



Sustainability Report  
[www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

## Evolving Customer Behaviour and Expectations

### Description

The most basic everyday activities, from working to shopping and going to school, have entirely transformed during the COVID-19 pandemic and may never be the same again. Customer needs, preferences and behaviour continue to evolve rapidly, with customers increasingly seeking more convenience and variety in the products and services offered.

There is a growing demand for personalisation of products and services as well as high-quality customer experiences.

### How we monitored and responded to the trend

Future-proofing our business as a Solutions Partner on focused customer centricity:

- Promoted our shopping malls as safe space – Safe & Easy Shopping 2.0 video.
- Rolled out rewards driven campaigns with almost RM400,000 vouchers given to lucky shoppers.
- Expanded offering on MO online shop platform from just F&B to all desired products, ranging from bed linen to in-room amenities.
- Launched the Premium Parking at NWD car park for customer convenience and easy access to the mall.
- Collaborated with SETEL Ventures Sdn Bhd to provide alternative cashless payment method via mobile application for a seamless parking payment customer experience.
- Launched the Integrated Building Command Centre (IBCC) towards a real-time integrated facilities management services and Integrated Security Operations Centre (ISOC) and New Security Operating Model (NSOM) to enhance KLCC Precinct security posture.



To read more

Operations Review on **pages 84 to 111**

## Digital and Technological Innovation

### Description

Digitalisation continues to shape the world we live in, connecting billions of people every day, with information generated and distributed at unprecedented speed and scale.

It also opens up opportunities to change how we work and make our processes more precise and efficient with automation and data analytics.

### How we monitored and responded to the trend

- Offered continuous learning and upskilling in digital competencies for all employees – via SWITCH and Digital Academy.
- Conducted series of ICT Awareness and Engagement Sessions - Digitalisation Journey, Cyber Security, M365, Cloud.
- Migration of all KLCC Group files and document (in phases) into a Sharepoint portal platform to fully utilise Microsoft365 features - Sharepoint Online Cloud.
- Digitalised our Procurement process to enable more efficient, transparent and auditable supplier interactions.
- Introduced a new Digital Project Management Framework (DPMF) as a standard reference for digital project procedures in guiding the Business Units and Operating Performance Units with the DPMF phases and process for accommodating any new digital request.
- MOKL Hotel introduced QR Codes in its guest room TVs. The service allows our guests to access latest information of the hotel, digital map, in-room dining and minibar menu, shop MO and digital library.



To read more

Digitalisation at the Forefront on pages 28 to 29

Operations Review on pages 84 to 111



Sustainability Report [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

## Combating Climate Change

### Description

The will to tackle climate change continues to gain momentum as the need becomes more urgent. Businesses are under increasing pressure to reduce their climate impact from shareholders, customers and employees, expressing a clear preference for those who demonstrate good progress.

Therefore, the environmental and commercial imperatives for sustainability are closely aligned, driving a three fold increase in the number of companies making net zero commitments in 2020.

Malaysia has accelerated its steps in the fight against climate change agenda and has committed to reducing its carbon emissions by 45% based on the GDP in 2030. PETRONAS has also announced its aspiration to achieve Net Zero Carbon Emission by 2050.

### How we monitored and responded to the trend

- In our journey towards promoting and supporting the global Climate Change agenda, particularly on the call for Net Zero Carbon Emission (NZCE), we collaborated with PETRONAS GHSE to conduct a NZCE workshop which was attended by over 80 participants representing various Department, Divisions, Business Units across KLCC Group.
- Commencement on our readiness towards supporting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
- KLCCP Stapled Group officially became a member of the United Nation Global Compact Malaysia (UNGCMY) to further elevate our sustainability objectives through efficient access to guidance, training, tools and support, access to global/local connections and partnerships.
- Referenced 2021 Sustainability Report to the WEF SCM towards supporting the UN's 2030 Agenda for Sustainability Development.



To read more

Together Towards a Sustainable Future on pages 126 to 135



Sustainability Report [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)





## STAKEHOLDER MANAGEMENT

# CREATING VALUES FOR OUR STAKEHOLDERS







Our stakeholders have their significance, interest, impact and influence on our businesses. To keep our stakeholders informed, we constantly engage them to address their concerns, obtain their views and manage their interests and expectations through the varied existing engagement and communication platforms. We have a diverse group of stakeholders who have their own set of interests and every group is important to us. Inside is a summary of our stakeholder engagement, why they are important to us and our value proposition to them.



# STAKEHOLDER MANAGEMENT

▶ SHAREHOLDERS, INVESTORS AND BUSINESS PARTNERS	▶ EMPLOYEES	▶ GOVERNMENT, LOCAL AUTHORITIES AND REGULATORS
<p>◉ ENGAGEMENT AND COMMUNICATION PLATFORMS</p>		
<ul style="list-style-type: none"> <li>• Annual General Meetings (AGM)</li> <li>• Business Partners' Board Meetings</li> <li>• Investors and analysts' briefings</li> <li>• Results announcements</li> <li>• Corporate website</li> <li>• Annual report</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Townhall session by CEO</li> <li>• Dialogue and engagement with Leadership Team</li> <li>• Training/workshop/teambuilding/sharing sessions</li> <li>• Intranet/Emails/HR Careline/memos</li> <li>• Mental health survey</li> <li>• Health and recreational activities</li> <li>• KLCC MyWellness Website and App</li> </ul>	<ul style="list-style-type: none"> <li>• Emails/letters to provide feedback, updates and queries</li> <li>• Formal meetings, briefings, forums, visits, and consultations</li> <li>• HSE inspections of business premises</li> <li>• Collaboration with local authorities in managing KLCC Precinct's safety and security</li> </ul>
<p>◉ KEY TOPICS AND CONCERNS</p>		
<ul style="list-style-type: none"> <li>• Financial management</li> <li>• Business resilience and sustainability</li> <li>• Environment, Social and Governance (ESG) practices</li> <li>• Business strategy and long-term growth</li> <li>• Governance practices</li> <li>• Negative reports in conventional and social media</li> </ul>	<ul style="list-style-type: none"> <li>• Company's long-term growth and performance</li> <li>• Skills and capability development</li> <li>• Career progression</li> <li>• Employee benefits and compensation</li> <li>• Security, safety, health, and well-being</li> <li>• Work life balance</li> <li>• Job security</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to economic, and industry growth</li> <li>• Compliance with government policies, laws, and regulatory requirements</li> <li>• Compliance to COVID-19 SOPs</li> <li>• Ethical business practice</li> </ul>
<p>◉ OUR RESPONSES</p>		
<ul style="list-style-type: none"> <li>• Updates via quarterly results announcements, analyst briefings, one on one video conference, Board meetings, AGM and news coverage</li> <li>• Updated Economic, Environmental, Social and Governance practices through our Sustainability Report, corporate website, emails and online ESG World Platform</li> <li>• Developed strong corporate strategies that provide clear business direction</li> <li>• Communicated timely and real-time data on the impact of the pandemic to the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Updated on financial performance, growth plans and employees' matters</li> <li>• Provided structured training and e-learning for all levels</li> <li>• Human Resource Planning and Development Committee discussed employees' career advancement on a quarterly basis</li> <li>• Conducted various HSE awareness programmes</li> <li>• Carried out awareness programmes on COVID-19</li> <li>• Provided COVID-19 self-test kit for all employees for mandatory self-test prior to returning to work in office</li> <li>• Addressed staff well-being and provided support via curated KLCC MyWellness programme on mental health</li> <li>• Assured staff of job security through staff engagement sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing to relevant ministries, government departments, and agencies on Group's operations or areas of interest</li> <li>• Monitored compliance through periodic internal assessments</li> <li>• Reported on compliance in Annual Report and corporate website</li> <li>• Implemented containment strategies initiatives and adhered strictly to the COVID-19 SOPs and health and hygiene protocols throughout our business operations</li> <li>• Provided updates to regulators on COVID-19 related financial impact and sustainability of REITs</li> </ul>
<p>◉ VALUES CREATED</p>		
<ul style="list-style-type: none"> <li>• Delivered stable returns to holders of Stapled Securities – distributed 95% of distributable income amounting to a full year dividend payment of RM606.6 million</li> <li>• Identified opportunities for operational excellence and long-term sustainable returns</li> <li>• Enhanced brand positioning to sustain competitive advantage by communicating our business strength and future prospects</li> <li>• Promoted transparent practices which contributed to better-informed investment community</li> </ul>	<ul style="list-style-type: none"> <li>• Equal employment opportunities and career progression</li> <li>• Healthy and safe work environment that promotes sustainability</li> <li>• Long-term employment from hire to retire</li> <li>• Opportunities for learning, development and growth. Spent RM600,000 on learning and development</li> <li>• Well-informed and competent employees</li> <li>• Competitive remuneration and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Complied with policies, regulations, guidelines, and standards set forth in relation to the industry</li> <li>• Regular feedback/data to regulators for analysis and in promoting the REIT industry</li> <li>• Paid RM81.9 million in taxes to the Government and recognised as the "Pembayar Cukai Terbaik 2020" in March 2021 by the Inland Revenue Board</li> <li>• Advanced industry standards through adoption of best practices across our operations</li> <li>• Achieved a reduction of 21.5% in GHG emission compared to 2020 from proactive measures in minimising our carbon footprint coupled with reduced building occupancy and operational capacity</li> </ul>



▶ TENANTS, CUSTOMERS AND GUESTS	▶ SUPPLIERS AND SERVICE PROVIDERS	▶ COMMUNITY	▶ MEDIA
<ul style="list-style-type: none"> <li>• Hotline, surveys, email to manage queries, customers/tenants' feedback</li> <li>• Awareness campaigns on environmental conservation i.e. energy conservation, water use, promoting use of digital platforms</li> <li>• Loyalty programmes for shoppers and hotel guests</li> <li>• Dialogue and engagement sessions</li> <li>• Social media</li> <li>• Website</li> <li>• Online platforms to promote products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and workshops</li> <li>• Safety briefings</li> <li>• Evaluation/performance review/audit</li> <li>• Corporate presentations</li> <li>• Supplier training programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility (CSR) programmes</li> <li>• News portals, Emails, websites, leaflets, kiosks, posters</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Emails</li> <li>• Press conferences</li> <li>• Interviews</li> <li>• Media events</li> </ul>
<ul style="list-style-type: none"> <li>• COVID-19 safety measures</li> <li>• Security within the KLCC Precinct</li> <li>• Customer satisfaction on products and services</li> <li>• Product safety</li> <li>• Condition of amenities provided in our properties</li> <li>• Promotions and rewards</li> </ul>	<ul style="list-style-type: none"> <li>• Fair competition and compliance to procurement guidelines</li> <li>• Potential business opportunities</li> <li>• Transparency of tender processes</li> <li>• Compliance with laws and regulations</li> <li>• Contract expansion and expiry</li> <li>• Prompt issuance of payment</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to the community through donations, sponsorships and infrastructure development and maintenance</li> <li>• Health and safety measures and environmental impact on business operations</li> <li>• Security within KLCC Precinct</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance, growth strategy and future plans</li> <li>• Media investment i.e., media buy, subscription of media services</li> <li>• Participation in events and engagement with media</li> </ul>
<ul style="list-style-type: none"> <li>• Provided safe and convenient environment</li> <li>• Enhanced security features within KLCC Precinct</li> <li>• Offered diverse retail mix to cater to lifestyle and trends</li> <li>• Held promotional campaigns and reward programmes to enhance attraction</li> <li>• Improved customer/guest experience via digitalisation initiatives such as online shopping, use of digital menu at restaurants and touchless payment options</li> <li>• Extended rental assistance amounting to RM127.1 million to affected retail partners</li> <li>• Launched "Safe Space" at our retail mall to drive mental health, awareness campaign whilst providing an environment of acceptance and compassion for the community</li> <li>• Curated hotel staycation packages to cater to domestic market which offered attractive discounts for rooms, food and beverage</li> <li>• Continued "WeCare Programme" to enhance high standards of hygiene awareness at hotel</li> <li>• Enhanced product offerings at MOKL Hotel Online Shop</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunities for eligible suppliers</li> <li>• Request for information to meet the project/ service requirements</li> <li>• Conducted online evaluation</li> <li>• Engagement with suppliers on HSE related matters, procurement procedures and Anti-Bribery Management System</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in CSR programmes i.e. fundraising activities, environmental conservation programmes</li> <li>• Enhanced security measures within KLCC Precinct through 24/7 monitoring via CCTV with analytics</li> <li>• Extended support to frontliners by distributing essential items</li> <li>• Contributed to welfare fund of the local authorities</li> <li>• Financial support for Malaysian AIDs Foundation</li> <li>• Contributed to hospitals via PETRONITA's Orchid Run &amp; Ride event</li> </ul>	<ul style="list-style-type: none"> <li>• Issuance of press releases on quarterly results, events and notifications</li> <li>• Participated in media events and interviews</li> <li>• Organised virtual media interview with EdgeProp</li> <li>• Networked with media at "Malam Wartawan Malaysia 2021"</li> </ul>
<ul style="list-style-type: none"> <li>• Safe and secured place to work, shop, stay and enjoy leisure</li> <li>• Brought onboard 17 new retail tenants, creating greater vibrancy and elevating shopping experience</li> <li>• Innovative and trend setting products and services</li> <li>• High service level standards and enhanced customer experience resulted in continued patronage therefore increased in tenant sales</li> <li>• Reliable professional services, safe shopping environment and innovative trend setting products and services resulting in guest satisfaction score of 87%</li> <li>• Rewarded our customers through experiential reward programmes and campaigns which resulted in increased footfall and tenant sales</li> <li>• Supported our retail tenants towards business sustainability to weather the crisis, recover quickly and rebuild loyal customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for growth and business expansion</li> <li>• Maintained local procurement at 95%</li> <li>• Instilled a culture of sustainable procurement through supply of environmentally friendly products</li> <li>• Promoted a culture of ethical practices by complying to Code of Conduct and Business Ethics (CoBE)</li> </ul>	<ul style="list-style-type: none"> <li>• Enriched the lives of our community and improved societal well-being</li> <li>• Contributed RM1.2 million in community investment</li> <li>• A safer and secure environment for tenants, shoppers and guests</li> </ul>	<ul style="list-style-type: none"> <li>• Fostered good relationship with the media</li> <li>• Provided accurate information for error-free reporting</li> <li>• Enhanced brand equity and public confidence</li> <li>• Higher and positive exposure of brand</li> </ul>

# STAKEHOLDER MANAGEMENT

## INVESTOR RELATIONS

**As the world slowly moves to a new state of working, the Investor Relations (IR) landscape has transformed over the last few years due to the COVID-19 pandemic. IR priorities have shifted from mere updating investors on company results to embracing a more holistic view of the shareholder base, including crisis communications, ESG updates and guidance on what to expect from the Group.**

Our IR team has adapted successfully to the new norm in one way or another this year. While virtual interaction cannot match up to face-to-face interactions, video conferencing and online meetings via virtual platforms have created opportunities for us to reach new investors conveniently and open up more channels of communication and more creative ways to engage. As the bridge between internal and external stakeholders, it has also allowed for more regular interactions with our investment community and offered retail investors, who have increasing influence in the markets, more access to our management.

The Group always has active engagement programs with its key financial audience, including investors and sell-side analysts and potential shareholders. It was more important than ever that we maintained an open dialogue with investors through the uncertainty of 2021, particularly during the first half of the year, to address the near and long-term impact of COVID-19 to our business.

# 2021: A REPLAY OF 2020

### Our Highlights

#### Connecting with the broader investment community

Engaged

101

institutional investors, analysts, fund managers

Connected with

24

foreign investors via Zoom, Microsoft Teams and other online platforms

Participated in

7

conferences/briefings virtually

### Our focused initiatives:

#### COVID-19 Content

Throughout the year, we further improved our content in the presentation decks, covering the pandemic impact on our business operations and on how the Group navigated the crisis. We outlined our key action in mitigating the risks of the crisis, how our business segments were adapting to the changes in the landscape and the values we created for our stakeholders.

#### Quarterly Analyst Briefings

We continued to host virtual analyst briefings for our quarterly and full-year results announcement due to the numerous lockdowns and restrictions during the year. These briefings were made accessible to both our sell-side and buy-side analysts, facilitating management discussion and analysis of the results, as well as interaction with the participants through Q&A sessions.

Presentation materials and audio recordings for the briefings were made available on our website to enable all stakeholders – locally and internationally – to better understand the financial results, our strategies and the initiatives going forward.

#### RESEARCH HOUSE COVERAGE



J.P.Morgan



kenanga



A year after the pandemic hit the entire world, 2021 saw a pretty similar situation whereby the country had to face multiple lockdowns and businesses had to remain closed or allowed to reopen but with limited capacity. The ongoing pandemic has changed the trends and innovations in IR whereby there is higher expectation for more prompt, proactive levels of disclosures and response to shareholders' queries with regards to business decisions and corporate governance. The Group focused on active engagement with various stakeholders and consistently updated the corporate website to act as our virtual shopfront. Tailoring our engagements based on our target audience, we enabled ease of access to investors through the myriad of engagements held.



2021

Q1	Q2	Q3	Q4
<p><b>27 January</b> Analysts Briefing - 4Q 2020 Results (Teleconference)</p> <p><b>22 April</b> KLCCP and KLCC REIT Annual General Meeting (Virtual)</p>	<p><b>04 May</b> Analysts Briefing - 1Q 2021 Results (Teleconference)</p> <p><b>24 June</b> Citi Asia Pacific Property Conference 2021 (Virtual)</p>	<p><b>17 August</b> Analysts Briefing - 2Q 2021 Results (Teleconference)</p> <p><b>30 August</b> Daiwa Pan-Asia REIT Conference 2021 (Virtual)</p>	<p><b>08 November</b> Analysts Briefing - 3Q 2021 Results (Teleconference)</p>

Analyst Coverage

We believe it is important to foster good relationships with our research houses which is why we conducted various engagement meetings including one-on-one catch up sessions and introductory briefings for new analysts who have come on board to cover our stock. This serves to strengthen our direct engagements with the broader investment community. Presently, KLCCP Stapled Group is covered by 12 analysts, both from local and foreign research houses.

Analysts' call recommendations saw great improvements this year:

Analyst Recommendations	Dec-20	Dec-21
Buy	2	6
Hold	10	6

Growing ESG Disclosures

Leveraging on our ESG World platform, the investment community can easily access our Group's ESG database on our corporate website. The platform is used to communicate our latest ESG disclosures. It provides KLCC's information on ESG indicators and sustainability metrics referenced to globally recognised sustainability frameworks which enabled us to gauge our standing, benchmarked against our peers.

Our IR team remains a primary point of contact as we continuously update ESG questionnaires from analysts and fund managers. The Group has also actively participated in the S&P Global Corporate Sustainability Assessment (CSA) 2021.

1,679  
VIEWS  
since its launch  
in November  
2020



Scan here to view the ESG World platform



# STAKEHOLDER MANAGEMENT

## Financial Calendar



### Embedding Digital Content

- CEO’s Year in Review video – The CEO addressed the transformation that was taking place in the organisation, how the Group was coping with the crisis, and the future activities of the Group as we became acquainted with the new normal. The video was shared with our holders of Stapled Securities during the Virtual AGM and subsequently uploaded onto the corporate website
- Bitesite for 2020 Integrated Annual Report – A condensed version of the Integrated Annual Report featuring key information was accessible through QR code for holders of Stapled Securities
- Introduction of QR codes in our Integrated Annual Report in certain sections, such as Operations Review and our cover stories, to provide easy navigation and access to information or videos

### Committed to IR Excellence

In 2021, our IR Team remained committed to disclosing information in line with best practice and on a consistent basis. KLCCP Stapled Group has been recognised by the investment community for its good IR practices and was nominated for Best Company for IR in the Mid category at the Malaysian Investor Relations Awards (MIRA) 2021. This recognition was made possible through effective teamwork between the IR Team and various information providers and leaders within the Group in driving value creation for our stakeholders.

### Hosted Our Second Virtual Annual General Meeting (AGM)

**18<sup>th</sup> Annual General Meeting**  
- KLCCP

**8<sup>th</sup> Annual General Meeting**  
- KLCC REIT

Thursday,  
22 April 2021



Our Annual General Meeting (AGM) provides the opportunity for us to engage with holders of Stapled Securities, particularly the retail investment community. At the AGM, we presented a detailed presentation on the Group’s performance, prospects, and strategy as well as answered shareholders’ questions prior to the electronic poll-voting session. This was the second time the AGMs were conducted in a fully virtual mode to ensure the health and safety of everyone concerned. Given the ease of restrictions, all members of the Boards were present at the broadcast venue.

Our CEO at the time, Datuk Hashim Wahir, presented the year in review, updating attendees on the financial and operational performance of KLCCP Stapled Group, as well as the future opportunities in responding to the impact of COVID-19. Datuk Hashim emphasised on the challenges ahead for the hotel and retail segments with the office segment expected to remain stable. During the Question & Answer session, all pre-submitted and live questions raised by holders of Stapled Securities and a few major shareholders, such as Employee Provident Fund, Minority Shareholder Watch Group and Permodalan Nasional Berhad, were addressed.

Live Streaming from Mandarin Oriental, Kuala Lumpur

**1,082 shareholders** registered for the event

**1,003 shareholders** logged-on to the Remote Participation and Voting Facility

All **74 questions** were answered during the live event

The CEO’s Year in Review video was played

All proposed resolutions tabled were duly passed

● Announcement of Quarterly Results    ● Date of Payment of the Interim Dividend    ● Annual General Meeting

Dec 2021

Jan 2022

Feb 2022

Apr 2022

16

28

28

12

4<sup>th</sup> quarter ended  
31<sup>st</sup> December 2021

- Date of Notice of KLCCP 19<sup>th</sup> Annual General Meeting and KLCC REIT 9<sup>th</sup> Annual General Meeting
- Date of Issuance of FY2021 Integrated Annual Report

KLCCP 19<sup>th</sup> Annual General Meeting  
KLCC REIT 9<sup>th</sup> Annual General Meeting

### LONG-TERM COMMITMENT TO ESG

ESG has increasingly become part of IR professionals’ vernacular as more investors are using ESG screens in their decision-making process. We aim to deliver financial value and societal benefits by balancing the economic, environment and social needs of our stakeholders. As a leader in the REIT sector, we recognise the importance of the role we play within the industry. Industry stakeholders are increasingly concerned about sustainability practices and we continue to respond to these expectations in parallel with our own ambitions towards sustainability.

Our sustainability journey in the last five years saw us achieve milestones through the years in our continued learning and driving sustainability initiatives within KLCCP Stapled Group. We continue to incorporate our communication to investors on ESG in our IR presentation materials and briefing decks, mainly in respect to our sustainability initiatives and performance across the Group. We will keep advancing our sustainable practices to improve performance and embrace the challenge of stretch-goals for a future-proof sustainable business.

In our journey towards promoting and supporting the global Climate Change agenda, particularly on the call for Net Zero Carbon Emission (NZCE), we have collaborated with PETRONAS to conduct a workshop and brainstorming session

on the Group’s NZCE aspirations and the technicality involved in moving forward. We strive to increase sustainability awareness by creating bitesize information through Sustainability Bulletins and ‘Do You Know?’ campaigns which is communicated to all internal stakeholders as well as our investing community through our ESG World platform.

This year, the Group subscribed to the Minority Shareholder Watch Group’s (MSWG) Asean Corporate Governance Scorecard (ACGS) assessment to provide an avenue for us to evaluate our own corporate governance quality and identify gaps for improvement. We also became a member of the United Nations Global Compact Network Malaysia (UNGCMY) which allows us to leverage on the platform’s sustainability content, tools, and best practices. We are currently assessing our readiness in aligning to the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations in our reporting going forward, to provide useful climate-related financial information to our investment community.

### LOOKING FORWARD

Looking ahead, our emphasis will be on aligning our business to growth and value opportunities which leverage our competitive strengths. The pandemic has shown how vital an IR team is and how important it is to keep reinventing as the world continues to change. Once borders reopen and we get closer to herd immunity, we look forward to meeting our stakeholders physically and will focus on investor targeting to tap into new pools of capital.

As there is an increasing drive for ESG-centric plans and stronger digital presence, the team will continue to learn new skills, dedicate our resources, and strengthen our disclosures to play an even more active role in engaging with stakeholders. With a mindset of embracing change and keeping an open mind, the team remains positive on the future outlook despite the challenges.

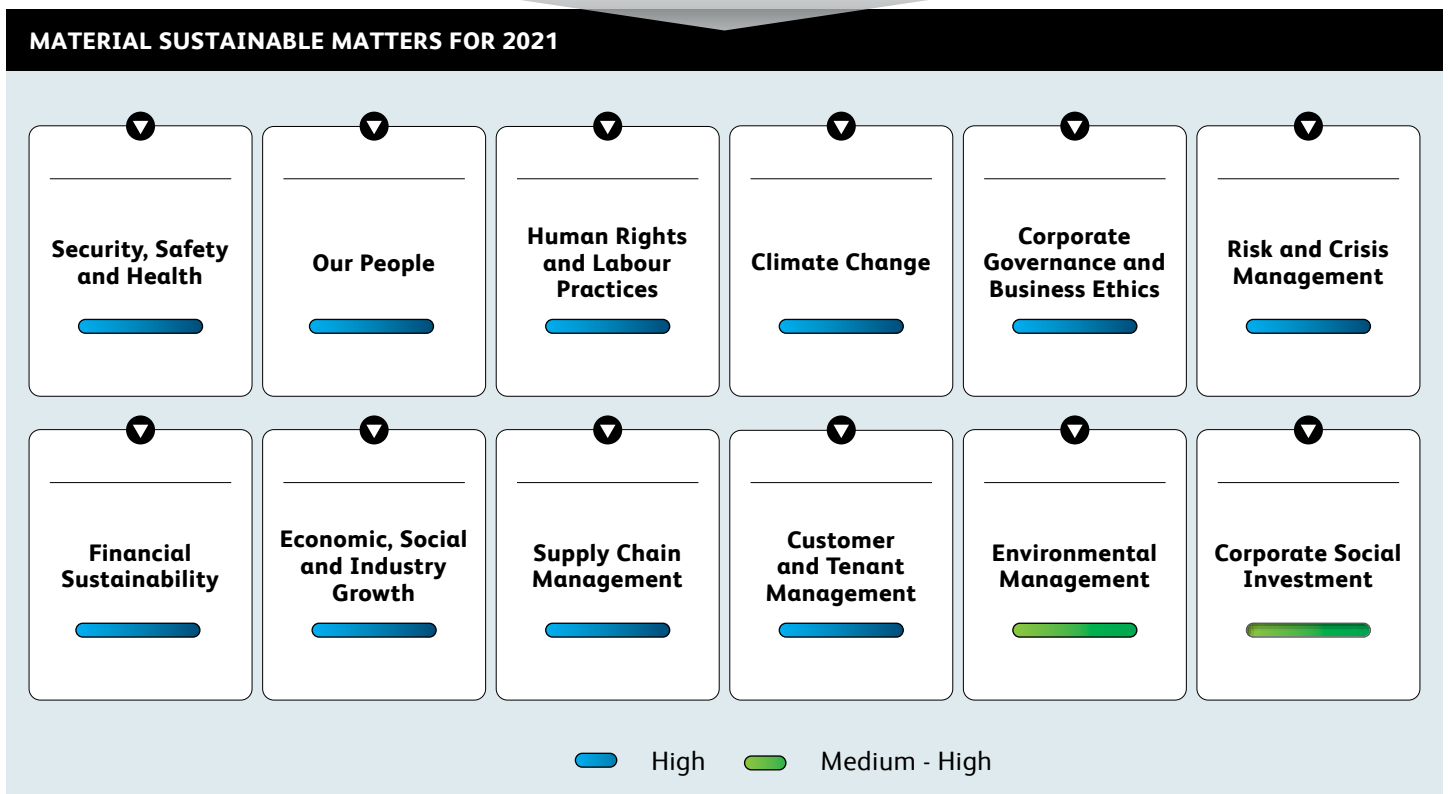
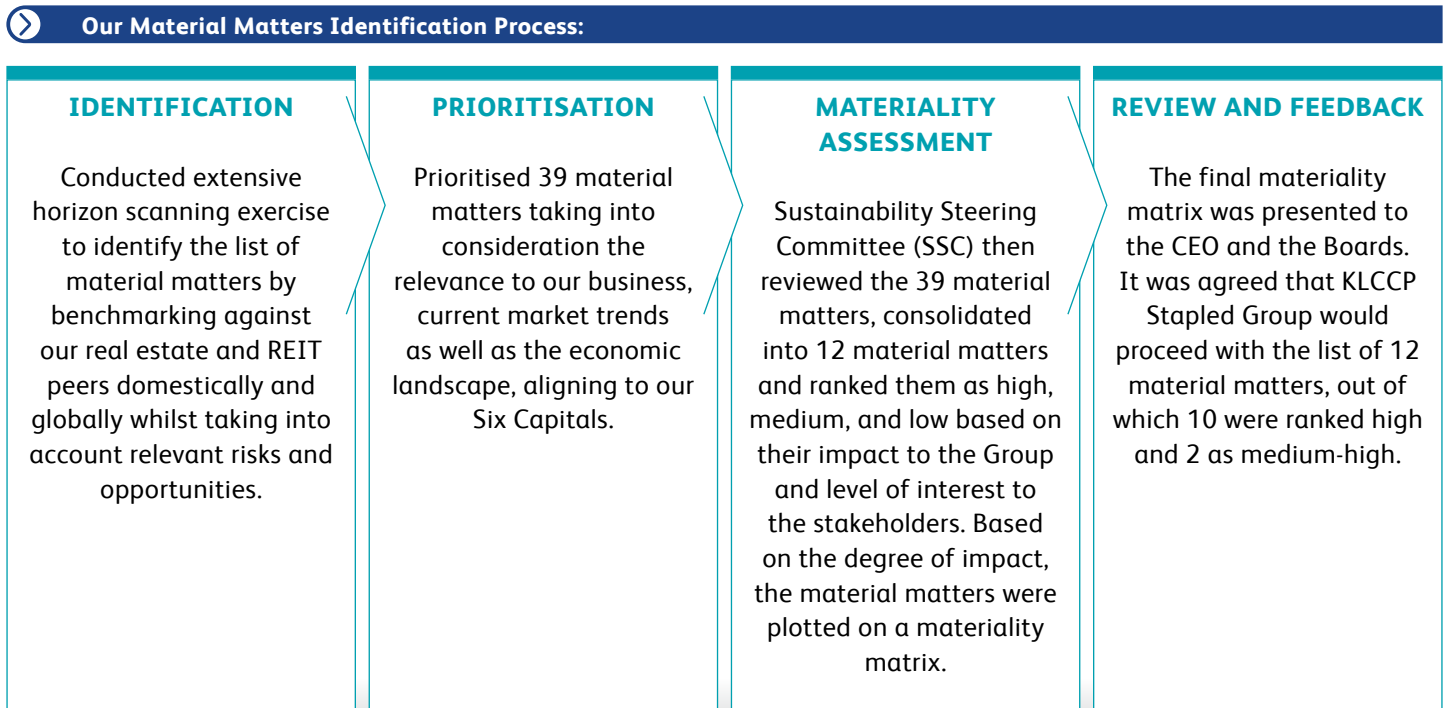
Notwithstanding the changing ways of working, we continuously strive to maintain accessibility to our stakeholders. For investor related queries and feedback, we can be reached at [investorrelations@klcc.com.my](mailto:investorrelations@klcc.com.my). We look forward to continued and effective engagements with our holders of Stapled Securities and investment community.



# MATERIAL SUSTAINABLE MATTERS

In identifying the Group’s material matters, we benchmarked against our industry peers, evaluated our sustainability context, stakeholder issues and the associated risks and opportunities. We considered both internal and external factors affecting the industry in our review and assessed their impact on our business and importance to our stakeholders.

Taking into account the prolonged health crisis, the Sustainability Steering Committee identified two new material matters, namely Building Air Quality and Mental Wellness to be included in 2021.





**PEOPLE**

**MATERIAL MATTERS:**

**Security, Safety and Health**

- Safety and Health Management
- Security Management
- Building Air Quality

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Threats to employees' health and safety – pandemic, work related illnesses, and occupational hazards</li> <li>• Threats to safety of our guests, tenants, customers, and assets in relation to any global security threats</li> <li>• Cyber disruption to data security</li> <li>• Threats to employees' mental health due to work stress, job security and other personal issues</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining a healthy workforce and safe workplace for a sustainable business</li> <li>• Leadership commitment in heightening safety standards</li> <li>• Engaging with stakeholder and community to create awareness on data protection and accountability</li> <li>• Providing support to improve health and wellbeing for a sustainable work-life balance</li> </ul>

**MATERIAL MATTERS:**

**Our People**

- Equality, Diversity and Inclusion
- Skills and Capability Development
- Talent Management
- Workforce Engagement
- Women Empowerment
- Job Security
- New Ways of Working
- Mental Wellness

**Human Rights and Labour Practices**

- Responsible Employment
- Non-Discrimination

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Failure to retain employees</li> <li>• Employees not well-equipped with skillsets required with advancements in technology</li> <li>• Reputational damage if perceived to practice discrimination</li> <li>• Financial and emotional stress leading to lack of productivity</li> <li>• Unable to minimise or manage the spread of COVID-19 at workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Transforming our workforce with the right mindset and culture</li> <li>• Elevating women leadership within the Group, in line with the nation's aspiration</li> <li>• Keeping a resilient organisation with passionate and competent employees</li> <li>• Supporting the Government in suppressing the spread of COVID-19 and achieve herd immunity</li> </ul>

# MATERIAL SUSTAINABLE MATTERS

## PLANET

**MATERIAL MATTERS:**

- Climate Change**
  - GHG Emission
  - Efficient Energy Management
  - Renewable Energy
- Environmental Management**
  - Water Management
  - Waste Management
  - Responsible Material Use

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Negative impact to the environment resulting from our operations</li> <li>• Threats to human health – physical and psychological wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• In support of the Government’s efforts to transition to a low-carbon economy by 2050</li> <li>• Committed to operate and grow in an environmentally responsible and sustainable development</li> <li>• Reduced our energy usage by adopting responsible practices</li> </ul>

## PEACE

**MATERIAL MATTERS:**

- Corporate Governance and Business Ethics**
  - Corporate Governance and Compliance
  - Business Ethics, Integrity and Corruption Management
  - Cyber Security and Data Privacy
- Risk and Crisis Management**

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Heightened legal, regulatory and reputational risks</li> <li>• Lack of control and strategic alignment leading to corruption, negligence, fraud, and lack of accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Promote good governance practices that contribute to growth and management stability</li> <li>• Improve organisational efficiency and effectiveness in managing bribery and corruption risks to foster trust and integrity</li> <li>• Engage shareholders in making investment decisions and promote management transparency</li> <li>• Create awareness on network and data protection to minimise cyber risks</li> <li>• Licence to operate</li> </ul>

## PROSPERITY

**MATERIAL MATTERS:**

- Financial Sustainability**
  - Sustained Returns and Profitable Growth
  - Capital Management
  - Business Strategy and Innovation
  - Cost Containment
- Economic, Social and Industry Growth**
  - Contribution to Nation Building and Industry Growth
  - Digitalisation

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Unexpected increase in costs resulting from the pandemic</li> <li>• Insufficient working capital leads to financial insolvency</li> <li>• Inability to compete in a challenging market</li> <li>• Lack of efficiency and competitiveness to survive in the digital era</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce operating costs to conserve cash for survival</li> <li>• Unlocking value through optimisation of our portfolio of assets</li> <li>• Leveraging on our core competencies to promote economic and industry growth</li> <li>• Staying connected with our stakeholders during the pandemic, leveraging digitalised services</li> </ul>

**PROSPERITY**

**MATERIAL MATTERS:**

**Supply Chain Management**

- Local Procurement Management
- Responsible Product Sourcing
- Food Safety and Quality

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Lead to potential conflict of interest, corruption and unethical practices</li> <li>• Quality and safety of products and services at stake</li> </ul>	<ul style="list-style-type: none"> <li>• Own a database of reputable and reliable suppliers</li> <li>• Better collaboration with suppliers in managing procurement processes</li> <li>• Wide selection of suppliers for the procurement of quality products and services</li> </ul>

**MATERIAL MATTERS:**

**Customer and Tenant Management**

- Tenant Engagement
- Customer Experience and Satisfaction
- Tenant Sustainability
- Customer Confidence
- Marketing and Promotions

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Failure to keep up with the rapid changes in customer expectations and digital revolution</li> <li>• Impedes market leader position from intensifying competition and disruption to business trends</li> <li>• Losing tenants as they are unable to sustain during the pandemic</li> <li>• Customers/guests avoiding the mall/hotel resulting in loss of business</li> <li>• Losing customer/guest loyalty and reduced sales</li> </ul>	<ul style="list-style-type: none"> <li>• Reimagining office spaces to meet the evolving needs of our tenants</li> <li>• Re-strategising retail with refreshing tenant and trade mix to drive footfall</li> <li>• Differentiate the consumer offering with a focus on experience</li> <li>• Innovating hotel's services and offerings to adapt to the new norm to provide quality guest experience</li> <li>• Retaining tenants by providing rental assistance to help their businesses recover</li> <li>• Boost shopper traffic, guest's arrival, and sales upon re-opening of businesses</li> </ul>

**MATERIAL MATTERS:**

**Corporate Social Investment**

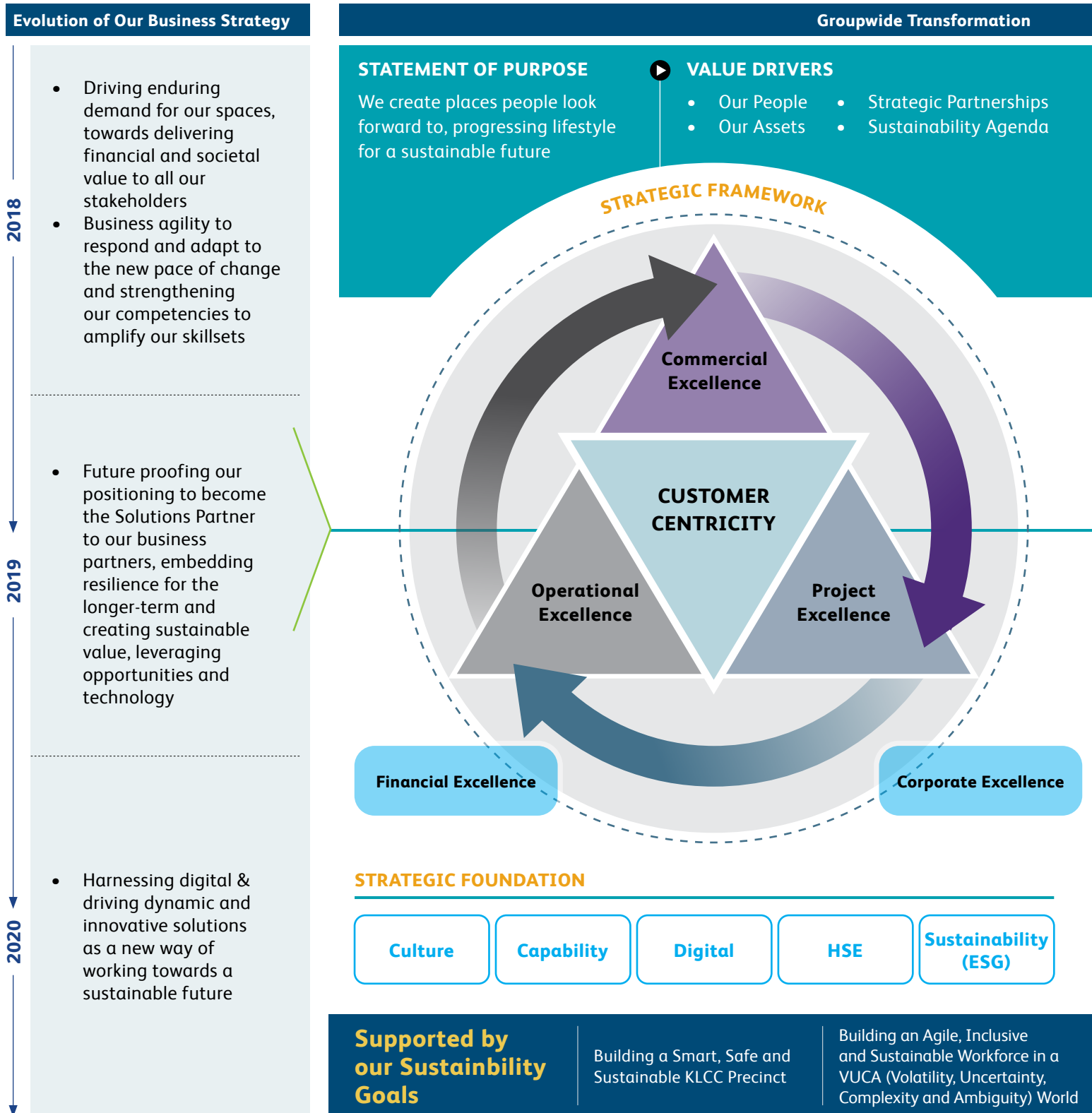
RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Unfavorable image for the company</li> <li>• Preferences to a particular charitable beneficiary</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance brand visibility to a wider community</li> <li>• Increase employees' awareness and involvement</li> <li>• Giving back and creating a positive and lasting impact to the community</li> </ul>



# STRATEGIC BLUEPRINT

# REFINING OUR STRATEGY TO BE

Our efforts to be a customer centric organisation over the long-term is guided by our Statement of Purpose and our aspiration to be a Solutions Partner to our stakeholders, enriching lives for a sustainable future.



# CUSTOMER CENTRIC

As we progress from our 3 phases of strategy as outlined in our Integrated Annual Report 2020, in 2021, the Group embarked on a Groupwide Transformation exercise in reshaping the organisation towards positioning for growth trajectory, post pandemic.



# OUR STRATEGIC VALUE CREATION

## STRATEGIC PILLARS

**S1** MAXIMISING VALUE OF INVESTMENTS

**S2** RESILIENCE IN SOFT MARKET CONDITIONS

## OUR CAPITALS AND INPUTS

**F**

### Strong Financial Position

Total equity attributable to holders of Stapled Securities

**RM13.0 bil**

Total financing

**RM2.4 bil**

To read more, refer to A Statement from the CFO on pages 70 to 71 and KLCCP Stapled Group 5-Year Financial Highlights and Summary on pages 72 to 75

**P**

### Portfolio of Diverse, Iconic Assets and Management Services

Iconic and high-quality asset  
**5 Offices, 2 Retails, 1 Hotel**

Property Value

**RM15.6 bil**

To read more, refer to Our Iconic Portfolio on pages 6 to 12 and Operations Review on pages 84 to 111

**K**

### Deep Knowledge and Strong Capabilities

Deep **real estate experience**  
**Digital enablers** to create value through innovation

To read more, refer to KLCCP and KLCC REIT Boards of Directors on pages 136 to 146 and Management Team on pages 147 to 150, Operations Review on pages 84 to 111 and Digitalisation at the Forefront on pages 28 to 29

## VALUES CREATED

### People: Progressing Our Social Agenda

#### Material Matters:

- Our People
- Human Rights and Labour Practices
- Security, Safety and Health

#### Capitals Involved: **K E R**

Invested **RM600,000** for staff training

**RM3.0 mil** on staff wellness and digital tools

**99.74%**

fully vaccinated employees as of December 2021

Rolled out

**KLCC MyWellness**

in addressing physical and mental health

**Zero**

Number of fatalities recorded since 2014

### Planet: Protecting Our Environment

#### Material Matters:

- Climate Change
- Environmental Management

#### Capital Involved: **N**

**21.5%**

Reduction in GHG emission from 2020

**RM1.8 mil**

Energy cost saving since 2014 from the solar panel at the rooftop of Suria KLCC mall

**100%**

Elimination of Single-Use plastic in hotel operations

#### Risks and Opportunities:

To read more, refer to Material Sustainable Matters on pages 54 to 57

## TRADE-OFF

**F** Financial capital is applied to enable us to execute our growth strategy and in mitigating risks to sustain performance typically with positive impacts on Portfolio, Employees, Knowledge and Relationships capitals. This however may result in depletion of Natural resources.

**P** Investing in asset enhancement initiatives and reducing the environmental footprint will benefit the Natural, Knowledge, Employees and Relationships capitals, but comes at a cost to Financial capital. However, in the long-term, these investments expand our business capacities, and grow our financial position.

**K** Investment in leadership capabilities development, ongoing business processes and digital technology lead to positive impact on the Portfolio, Employees, Natural and Relationships capitals but will negatively impact the Financial capital. However, this will benefit all our six capitals in the longer term.



**S3 CREATING VALUE THROUGH SUSTAINABILITY**

**S4 EMBRACING DIGITAL FOR BUSINESS ENHANCEMENT**

**E**

**Engaged and Inspired Employees**

Total Employees  
**785 permanent, 128 contract**  
**High performing people and future driven culture**

 To read more on Our People, refer to online Sustainability Report at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

**N**

**Natural Resources**

**50 acres** of KLCC Park (green lung) with **1,700 trees**  
**693,278 m<sup>3</sup>** of water used in our buildings  
**102,073,000 kWh** of electricity used in our buildings

 To read more on our Environmental practices, refer to online Sustainability Report at [www.klcc.com.my/sustainability.php](http://www.klcc.com.my/sustainability.php)

**R**

**Trusted Relationships with Stakeholders**

**High integrity, trust and transparent communication** with our key stakeholders

 To read more, refer to Stakeholder Management on pages 48 to 53

**Peace: Embodying Good Governance**

**Material Matters:**

- Corporate Governance and Business Ethics
- Risk and Crisis Management

**Capital Involved: **K****

**56%**  
Women directors on Boards

**67%**  
Independent Non-Executive Directors on Boards

**Zero**  
bribery and corruption cases reported

**Prosperity: Advancing Economic Resilience**

**Material Matters:**

- Financial Sustainability
- Economic, Social and Industry Growth
- Customer and Tenant Management
- Supply Chain Management
- Corporate Social Investment

**Capital Involved: **F****

**RM1.2 bil**  
Revenue

**RM0.5 bil**  
Profit for the year

**33.60 sen**  
Distribution per Stapled Security

**RM128.3 mil**  
Spent on community investment and rental assistance to retail partners

**95%**  
Products sourced locally

**87%**  
Hotel guest satisfaction score

**E** Investment in employees' continuous training and development as well as to support employees working from home during the pandemic have depleted our Financial capital. However, this will benefit our Financial, Portfolio, Natural and Relationships capitals in the longer term.

**N** Utilisation of natural resources in our business operations negatively impacts the Natural capital. We manage our emission, electricity consumption and water use to minimise environmental degradation resulting in positive impact to Financial capital and indirectly boost other capitals that create value for our stakeholders.

**R** Our commitment in providing rental assistance to our retail partners and giving back to the community have reduced our Financial capital. Studier negotiations with stakeholders in our effort to preserve cash may impede relationship throughout our supply chain. However, this will uplift all our six capitals in the long run.

# UNDERSTANDING OUR PRINCIPAL RISKS

**Malaysia implemented various movement control measures to combat the pandemic since early 2020 which adversely impacted the economy.**

**The COVID-19 pandemic is seen as a catalyst for the changes in influencing new ways of working and lifestyle, reshaping and shifting consumer attitudes, values and purchasing behaviour.**

The Government introduced assistance and various stimulus packages amounting to RM530 billion to date. Although the government fiscal stimulus and liquidity support were expected to boost domestic demand, the weak labour market conditions under persistent layoffs and pay cuts adversely affected consumer spending and appetite.

The economy slowly reopened from September 2021 in phases and was on the recovery, subsequent to the introduction of the national vaccine immunisation program with over 98% of the adult population fully vaccinated to date.

The economy saw gradual recovery by end of 2021 and is expected to rebound further in 2022 according to Bank Negara Malaysia. The progress and efficacy of vaccinations, compliance with Standard Operating Procedures (SOPs) as well as the ability to effectively contain outbreaks from any new COVID-19 variants of concern (VOCs) will be key to the expected recovery.

Our overall strategy is managing risks covering three areas of business resiliency:

- ▶ reducing the likelihood and impact of potential risks on our business operation
- ▶ responding and managing crisis impacting our people, environment, assets and reputation
- ▶ recovering to ensure business continuity helps to reinforce our resiliency in this challenging landscape

## OUR APPROACH TO RISK MANAGEMENT

Risk is a key strategic tool which forms an integral part of KLCCP Stapled Group's business that supports delivery of our strategy and underpins our business model. Our risk management policy and procedures are designed to embrace best practices for risk management, reduce the potential of financial and non-financial risk exposure and to protect our assets and reputation.

The principal risks and opportunities in managing KLCCP Stapled Group are assessed and evaluated against our risk appetite and tolerance levels whilst mitigation plans and key risk indicators are identified to reduce the risk exposure and monitor performance of the risks.

## RISK STRATEGY AND APPROACH

Our risk strategy is based on the belief that risk management is everyone's responsibility and that it must be integrated into strategy formulation, capital allocation, decision making and day-to-day operations.

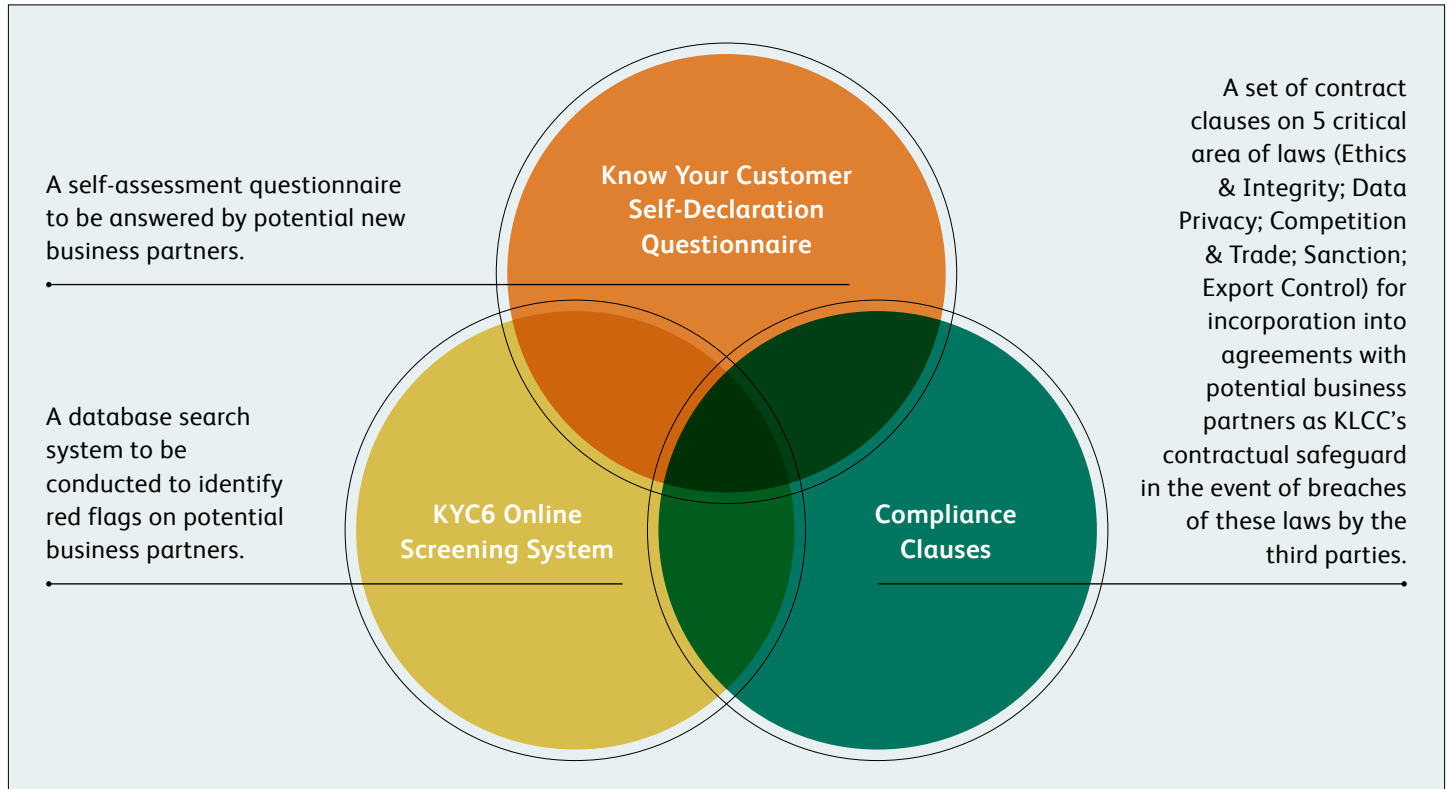
Our Management is fully committed to fostering a strong risk centric culture, setting the appropriate tone at the top, and demonstrating strong support for risk management. KLCCP and KLCC REIT risk policy is to equip the Group towards the next level of preparedness in facing the volatility, uncertainty and complexity of the industry. The risk policy is imperative for risk management to be in line with the organisation's aspirations for the future and evolving industry landscape.



Annually, the Group Risk Department inculcates risk management knowledge and concepts by conducting workshops for all levels and functions. This is to promote a culture of risk awareness and embed risk management principles in decision making and business processes. We continued to reinforce risk based decision making Board papers to provide a balanced and holistic view.

**We enhanced our Third Party Risk Management (TPRM) to instill business discipline of having a robust due diligence process to enable detection of possible red flags of our potential third-party business partners prior to onboarding.**

We enhanced our Third Party Risk Management (TPRM) to instill business discipline of having a robust due diligence process to enable detection of possible red flags of our potential third-party business partners prior to onboarding. The TPRM covers the following three areas:



**RISK APPETITE**

The KLCCP Stapled Group’s risk appetite reflects the nature and extent of risks the Group is willing to pursue to achieve its strategic objectives. The risk appetite was established covering 5 main areas which flows across our business.

<p><b>Strategic</b></p> <p>Measures the degree of variability in investment returns and capital efficiency that the Group is willing to take in ensuring achievement of business objectives</p>	<p><b>Financial</b></p> <p>Measures capital, profitability and liquidity position in pursuing the Group’s business objectives</p>	<p><b>Operational</b></p> <p>Measures the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events which affects the achievement of Group’s business objectives</p>	<p><b>Reputational</b></p> <p>Measures the risk of failure to meet stakeholder expectations as a result of any event, behavior, action or inaction of the Group that may form negative view towards the Group by stakeholders</p>	<p><b>Legal and Regulatory Compliance</b></p> <p>Measures the risk of non-compliance with prevailing laws and regulations governing the business</p>
---	---	---	---	--

During the year, the Group Risk Department reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold were reviewed and presented to the Risk Management Committee, Audit Committee and the Boards of KLCC Property Holdings Berhad and KLCC REIT Management Sdn Bhd.

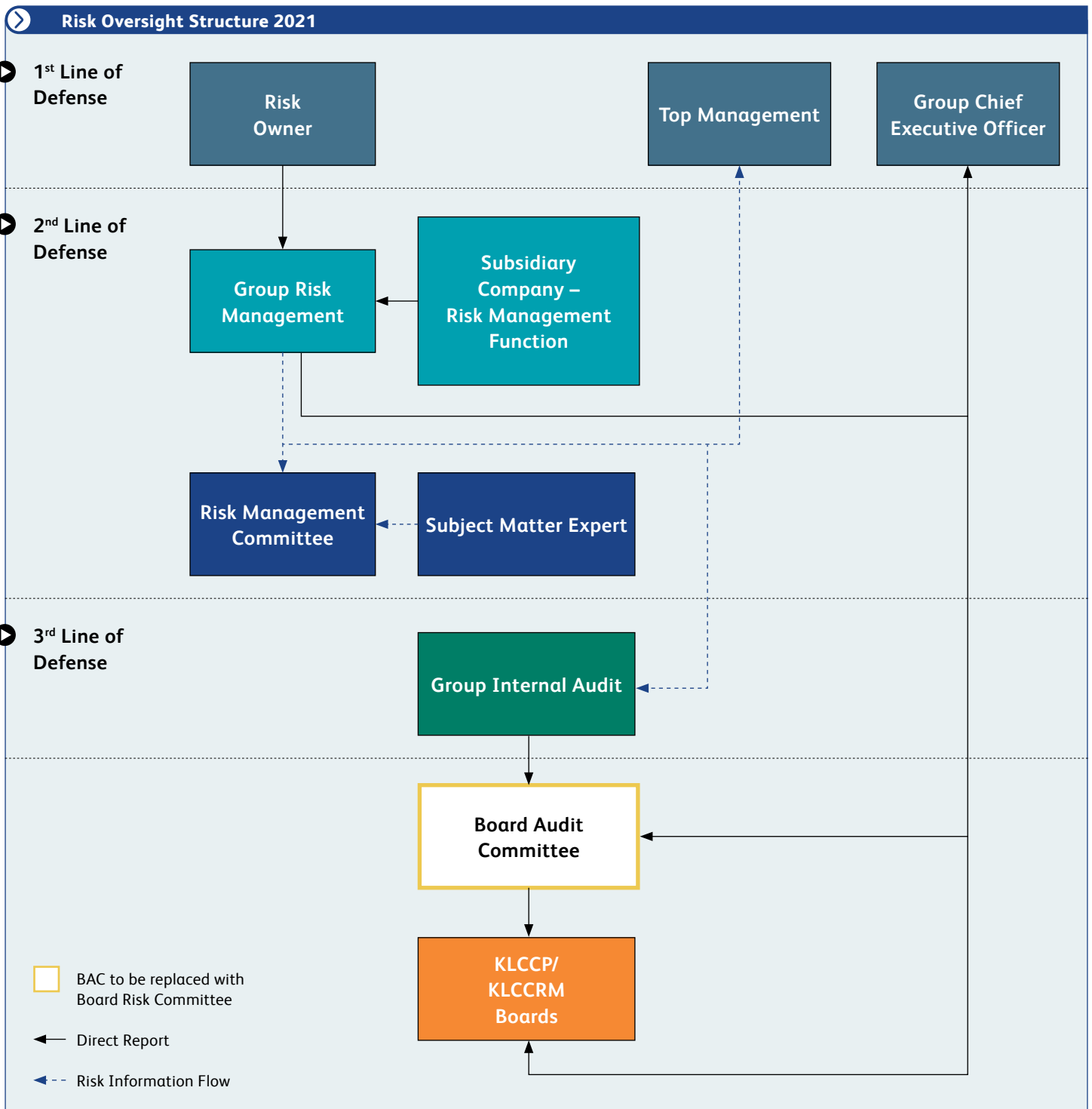


# UNDERSTANDING OUR PRINCIPAL RISKS

## RISK GOVERNANCE STRUCTURE

The risk governance structure is organised such that risk management is institutionalised and becomes a culture. The mechanism ensures that the risk information flow is comprehensive and timely for each respective authority to manage risks effectively at all levels. In December 2021, a Board Risk Committee comprising 3 Independent Non-Executive Directors was established to provide direction, guidance and oversight on risk policies, strategies, principal risks and risk practices as well as ESG compliance and sustainability matters.

KLCCP Stapled Group adopts a three-line of defense model which propagates clear demarcation of roles, responsibility and accountability.




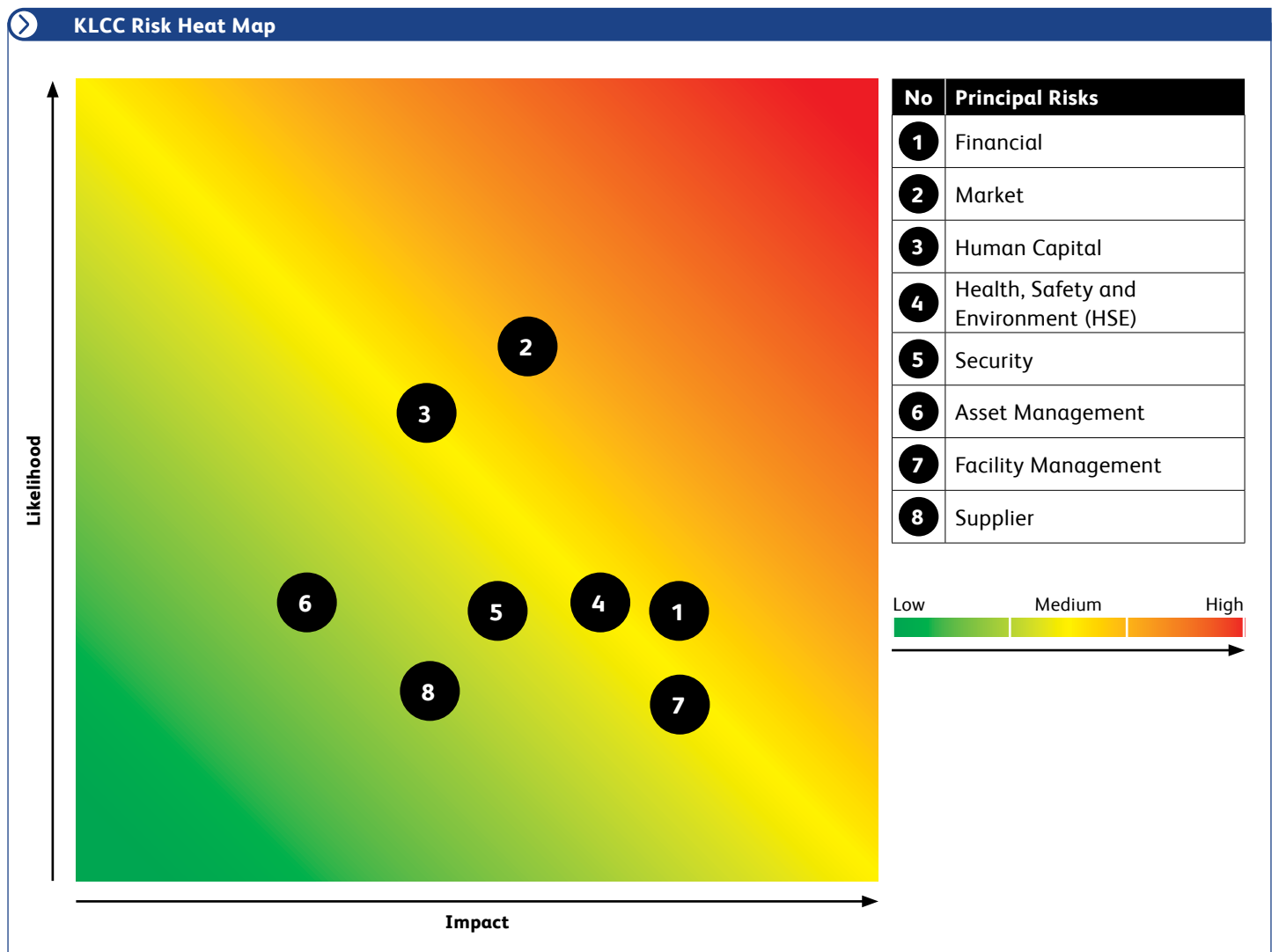
**PRINCIPAL RISKS AND ASSESSMENT**

**We actively review and manage the risks facing our businesses over the short, medium and long-term, overseen by the Risk Management Committee where both hospitality and retail segments were severely affected industries caused by the COVID-19 pandemic arising from the movement restrictions and border closure across the world. It will be a slow recovery even upon lifting of the movement restrictions due to travel restrictions, social distancing and reticence to travel by individuals.**

The principal risks and opportunities of KLCCP Stapled Group are assessed by the Boards and evaluated against our risk appetite and tolerance levels whilst mitigation plans and key risk indicators are identified to reduce the risk exposure and monitor performance of the risks. The risk management is operationalised through the Enterprise Risk Management Framework and is monitored via our Interisk system, a dedicated web-based risk management tool. In 2021, our principal key risks reduced from 9 to 8 risks, as Project Management risk is no longer relevant in view that the Phase 3 Redevelopment of Kompleks Dayabumi under KLCCP has been deferred due to current unfavorable market conditions.



In this section we outline our key risks and KLCCP Stapled Group’s approach to responding to them, combined with how the key risks link to our material matters and key resources.

 For more information on our material matters, refer to Material Sustainable Matters on pages 54 to 57



# UNDERSTANDING OUR PRINCIPAL RISKS

1 **FINANCIAL**

<p><b>Change in Impact:</b></p> <div style="text-align: center; border: 1px solid #ccc; padding: 5px; width: fit-content; margin: 0 auto;">  </div> <p><b>Change in Likelihood:</b></p> <div style="text-align: center; border: 1px solid #ccc; padding: 5px; width: fit-content; margin: 0 auto;">  </div> <p><b>Material Matters:</b></p> <p>Financial Sustainability</p>	<p><b>Risk Management Strategy</b></p> <p>We have put in place all practical measures to ensure any potential financial risk exposures which may impair the ability to provide adequate return on investment.</p> <p>We have an established Integrated Financial Risk Management (IFRM) Guidelines consisting 7 principles of financial risks.</p> <p><b>Principal Mitigation</b></p> <p>We maintain strong capital, profitability and liquidity position in pursuit of business objectives to support sustainability and growth of the business operation and activities.</p> <p>Our gearing ratio is one of the lowest in the Malaysian REIT industry which provides us a sizeable debt headroom and greater financial flexibility to tap into the equity markets, as excessive debt could lead to financial risk exposure. We maintain adequate cash and bank balances to meet the working capital requirements and we maximise the return from cash balances via fund placements in the money market whilst minimising counterparty risk exposure. We diligently manage trade</p>	<p>receivables to avoid trapped liquidity. We deal with approved counterparties with minimum A-rating for fund investment on best terms and limits</p> <p><b>Activities in 2021</b></p> <p>Continued diligence on monitoring our financial, operational and cost optimisation efforts towards driving sustainability of our business.</p> <p>Undertook effective containment measures and established new SOPs to comply with the authorities' new requirements since recommencement of business operations in order to restore customers' trust and confidence.</p> <p>Rental assistance was provided to the affected retail tenants.</p> <p>Due to the prolonged COVID-19 pandemic and uncertainty in the hospitality industry, risk assessments were carried out to identify potential options available for the hotel operations towards sustaining business.</p>
---	---	---

2 **MARKET**

<p><b>Change in Impact:</b></p> <div style="text-align: center; border: 1px solid #ccc; padding: 5px; width: fit-content; margin: 0 auto;">  </div> <p><b>Change in Likelihood:</b></p> <div style="text-align: center; border: 1px solid #ccc; padding: 5px; width: fit-content; margin: 0 auto;">  </div> <p><b>Material Matters:</b></p> <p>Economic, Social and Industry Growth, Risk and Crisis Management, Corporate Social Investment</p>	<p><b>Risk Management Strategy</b></p> <p>We undertake a comprehensive and robust study on the viability of potential investment proposal in line with the Group's business plan.</p> <p>A structured process for new investment and ventures is in place, encapsulating feasibility and market studies, analysis report, negotiation on terms and conditions and execution of agreement.</p> <p><b>Principal Mitigation</b></p> <p>A structured risk assessment process as part of decision making is to be carried out prior to any decision point to provide decision makers with balanced view for informed decision making through richer risk conversation and considerations of risk reward trade-off.</p> <p>All proposed capital investment shall meet the business return risk appetite threshold and maximise capital efficiency through a healthy portfolio distribution.</p>	<p><b>Activities in 2021</b></p> <p>Unlocked value through the repositioning of our assets, taking into consideration the tougher market conditions and operating landscape, the change in tenant-customer dynamics and the need to stay ahead of the intensifying competition.</p> <p>Continued to seek yield accretive assets for opportunistic acquisitions.</p>
--	---	---

**3 HUMAN CAPITAL**

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Our People,  
Human Rights and  
Labour Practices

**Risk Management Strategy**  
We maintain an effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talent for business sustainability.

Anchoring on the theme of Right Leader and Right Environment, talents are managed from hire to retire.

**Principal Mitigation**  
Competency validation study to identify the gap for succession plan.

Structured program for knowledge transfer and cross business mobility.

Annual employee feedback survey/peer survey to identify gaps for improvement.

**Activities in 2021**  
Refining our organisational review to strengthen and enhance business & operating model, realignment of organisation structure as well as improvement in talent mix and capability development.

The talent review will be part of the overall organisational review which is currently ongoing. The aligned organisational design is expected to be completed by Q1, 2022.

Ongoing monitoring of talent management programmes for the second-tier succession line – KLCC Group Elite Leadership Program (KELPro) which covers the 3Ps leadership competencies Passion, Performance and People centric. The modules include Individual Personality Assessment, Individual Leadership Development Profiling (ILDLP), Emotional-Social Spiritual Programs, Coaching and Mentoring Techniques, Image Positioning & Impression Management Workshop, Team Dynamics, Personal Conference, Leadership Certification Program and Leading Business (Business Simulation, Project Assignment & Presentation).

Self-driven E-Learning programmes and development of Skill Groups to upskill technical competencies and knowledge.

Capability assessments for E1, E2, E3 were carried out in 3 stages: 1. Self-Assessment, 2. Superior Assessment and 3. Panel Assessment and assessment at all levels were completed for Property Development, Facility Management, Investment Management and Marketing, Sales & Commercial Leasing.

**4 HEALTH, SAFETY AND ENVIRONMENT (HSE)**

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Security, Safety and  
Health, Climate  
Change, Environmental  
Management

**Risk Management Strategy**  
Zero tolerance towards fatality and major fire that could lead to damage of assets and business disruption.

A robust and institutionalised HSE culture is in place to ensure safe working environment through the establishment of HSE Management Systems (HSEMS).

**Principal Mitigation**  
Scheduled HSE assurance audit (tier 1-yearly, tier 2-yearly, tier 3-once every 5 years) is conducted to ensure compliance to Department of Occupational Safety & Health (DOSH) and PETRONAS Technical Standard (where applicable). Take all reasonable, practicable and proactive steps to prevent and eliminate the risk of injuries, occupational illness, damage to properties and to protect the environment wherever we operate. Consequence management process to justify ZETO HSE non-compliance. Maintain minimum HSEMS rating at 3.00.

**Activities in 2021**  
Accelerating the HSE Generative Culture programme through upskilling the leadership team and frontliners to support the journey towards HSE Generative Culture.

Our HSE Management Systems (HSEMS) includes management of communicable disease where effective implementation and compliance of new norm requirements by authorities on the management of COVID-19 were carried out and monitored.

Coordinate monitoring programmes on the ground as assurance to the requirements e.g. daily monitoring program, Return To Work (RTW) readiness assurance and drills.

Organised Vaccination Programmes in collaboration with Kementerian Wilayah Persekutuan (KWP) for KLCCP Stapled Group to ensure all staff are fully vaccinated prior to returning to work and towards achieving internal herd immunity among staff.

Regular engagement with staff on the physical and mental health wellbeing in coping with the pandemic. A wellness survey was also conducted to gauge the current state of mental health wellbeing among staff in identifying solutions implementation and improvement. KLCC MyWellness was rolled out in January 2022 to improve physical and mental health covering Personalised Health Coaching, 24/7 Emotional Wellbeing Careline, one-on-one Remote Therapy and Educational Articles and Videos.



# UNDERSTANDING OUR PRINCIPAL RISKS

## 5 SECURITY

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Security, Safety and Health

**Risk Management Strategy**

We put in place all practical and precautionary steps to safeguard our assets and people against crime.

Our KLCC Precinct Security Master Plan details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets. The Security Master Plan was updated in 2017 to suit the current security risk environment.

We also successfully implemented the CPTED (Crime Prevention Through Environment Design) in our design maintenance and use of our buildings and environment to enhance quality of life and to reduce incidence of crime.

Our security team also works closely with the respective security team of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates.

**Principal Mitigation**

Established Security Coordination Platform to coordinate security matters within the KLCC Precinct - KLCC Precinct Security Management Working Group (PSMWG) and Dayabumi Heritage Trail comprising representatives from surrounding building owners e.g. Masjid Negara, Muzium Textile, Agro Bank, POS Malaysia, Central Market and RAPID KL.

KLCC Precinct Security Operation Centre (KPSOC) was established as a security focal point by all facilities within the KLCC Precinct and Local Authorities.

Implemented Automatic Number Plate Recognition (ANPR) System within the KLCC Below Grade Parking which captures vehicles registration number and face recognition.

Incident Action Plan briefing to stakeholders on preparedness in handling different types of incidents e.g.: unattended packages, bomb threat/call.

Set up a police beat base at KLCC Park.

**Activities in 2021**

Implemented enhanced security measures under the Integrated Security Operation Center (ISOC) within KLCC Precinct common area, leveraging existing infrastructure for Menara ExxonMobil and KL Convention Center perimeter CCTV with KLCC Precinct Security Management Centre (KPSMC).

Deployment of Auxiliary Police through New Security Operating Model (NSOM) for KLCC Precinct.

## 6 ASSET MANAGEMENT

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Customer and Tenant Management

**Risk Management Strategy**

Our properties and assets are properly managed with the aim of creating value and maximising returns.

Robust procedures and guidelines for selection of operators and asset management are in place and currently all our assets are managed by well accredited international operators to ensure tenant sustainability.

**Principal Mitigation**

A comprehensive leasing strategy to attract quality tenants.

Constant engagement with our retailers and tenants to understand their needs and keep them updated on the evolving trends.

Annual customer satisfaction survey and shopper exit survey to identify gaps for improvement.

**Activities in 2021**

Dynamic review and enhancement of tenant mix and placement to ensure a balance of retail spaces between the new brands with younger market appeal and luxury brands with exclusive services.

**7 FACILITY MANAGEMENT**

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Customer and Tenant Management, Security, Safety and Health, Environmental Management

**Risk Management Strategy**

Our assets are professionally managed to ensure effectiveness and efficiency of the performance and integrity sustenance of the assets.

Our facility management arm is accredited with ISO 14001, ISO 9001 and OSHAS 18001. Our facility management team are involved in the design and construction stage (Day 1 and 2) in ensuring the practicality of layout design and appropriate systems and technology used functions effectively and efficiently upon building completion.

The facility management team also conducts annual building technical audits for continual improvement and provide assurance that the buildings are maintained in pristine condition.

**Principal Mitigation**

Implementation of predictive, preventive and corrective maintenance strategies and initiatives to provide high level of service standard with minimal service interruption.

- 100% compliance with agreed Service Level Agreement (SLA) with customers:

**1. Emergency Power Supply Availability:**

(Gen set) to provide alternate power supply during disruption from service provider.

**2. Mechanical system for Air-Conditioning:**

To control Indoor Air Quality for room temperature, humidity and airflow, not only for the comfort of the tenants/ occupants but also to protect sensitive electronic equipment at data center, electrical and telecommunication rooms.

**3. Vertical Transportation:**

To facilitate smooth movement of building occupants.

**4. Mechanical Systems for Domestic Water:**

Water storage tank to ensure 24 hours supply for drinking, domestic use and fire-fighting system.

**Activities in 2021**

Continue implementation and monitoring of predictive, preventive and corrective maintenance strategies and initiatives.

Staff engagement on preparedness to activate Business Continuity Plan as and when needed.

**8 SUPPLIER**

**Change in Impact:**



**Change in Likelihood:**



**Material Matters:**

Supply Chain Management, Corporate Governance and Business Ethics

**Risk Management Strategy**

The performance of supplier in meeting the deliverables commitment is important to mitigate disruption and support sustainability of the business.

We have stringent selection of suppliers and contractors selection guidelines and an established tender management system consisting of:

- Overall contracting strategy
- Tender plan
- Invitation to Bid
- Technical and Commercial evaluation
- Contractor Risk Assessment

**Principal Mitigation**

Annual review of suppliers' and contractors' performance is carried out for continual improvement.

Database of potential qualified suppliers.

**Activities in 2021**

Implemented tender documents submission by vendors through secured manage file transfer.

Carried out Third Party Risk Management (TPRM) assessment as part of due diligence process to enable detection of possible red flags of our potential third-party business.

Tightened procurement policies in shortlisting bidders, established guidelines for separate tender evaluation teams, included Anti-Bribery assessment for Contractor's Risk Assessment for all projects.

Ensured all vendors (including suppliers and service providers) preparedness on the measures to be taken in managing the impact of COVID-19 in order to provide continuous support to our business operation without disruption.

Continuous assessment of existing and potential suppliers to meet standards of operational excellence.