

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5235SS
COMPANY NAME : KLCC PROPERTY HOLDINGS BERHAD &
KLCC REAL ESTATE INVESTMENT TRUST
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards are responsible to shareholders and stakeholders for achieving KLCCP Stapled Group's strategic objectives and to deliver sustainable growth in shareholders and stakeholders' values.</p> <p>The Boards' core responsibilities include the setting of KLCCP Stapled Group's direction and long term strategic plans, taking into account any changes of the external environment that may impact the KLCCP Stapled Group's performance. The Boards also oversee the business operation, resource management, assessment of risks aim at providing effective oversight.</p> <p>Our stakeholders are informed of KLCCP Stapled Group's performance through engagements and public releases of the relevant information that are also available at KLCCP's corporate website www.klcc.com.my.</p> <p>Outlined below are some of the activities undertaken by the Boards and Boards' Committees during the financial year ended 31 December 2017 ("FY2017"):</p> <p>(a) <u>Business strategy, budget, funding and financial performance</u></p> <p>The Boards, with recommendations of the Audit Committees ("ACs") reviewed, deliberated, in consideration of the foreseeable external environment changes that may impact the performance of KLCCP Stapled Group and resolved the long term strategic plans for FY2018 as well as the 4-year financial forecasts FY2019 - FY2022 at Board meetings held during the year.</p>

Management frequently provided reports on the progress of the respective business operations, status which included update to the operation budget and funding in the form of the periodic financial performance review reports for deliberation by the Boards. Invariably, the Boards challenge the Management with the view to achieve a broader perspective of strategic issues highlighted by Management.

(b) Internal control and risk management

The Boards, with recommendation of the ACs, reviewed and deliberated the overall risk exposure presented by the Management under the agenda Update on Corporate Risk Profile (“CRP”) for KLCCP Stapled Group during the year. In particular, the Boards resolved the relevant principal risks identified e.g.

- (i) KLCC Property Holdings Berhad (“KLCCP”) - key risks pertaining to business activities covering property investment, property development and asset management; and
- (ii) KLCC REIT Management Sdn Bhd (“KLCCRM”) as the Manager of KLCC Real Estate Investment Trust (“KLCC REIT”), the key risks in relation to the KLCC REIT investment activities.

In addition and on quarterly basis, the Boards, with recommendation of the ACs, reviewed and assessed the Key Risk Indicators Results with respect to the updated CRP for KLCC Stapled Group for FY2017 during the year. Often, the Boards challenged and provided directions to the Management on key issues relating to the principal risks as highlighted to the Boards.

(c) Succession planning

The Board of KLCCP delegated its duty on succession planning to the Nomination and Remuneration Committee (“NRC”). During FY2017, NRC had carried out the review of succession plans for the Directors and Management. The main objective of the review is to ensure that the skills and experience of the Directors and Management are appropriate and relevant to their contribution to the success of KLCCP and in the larger scheme, KLCCP Stapled Group.

During FY2017 the NRC endorsed the proposal to revise the Succession Management Framework of KLCC Group (“KLCC Group SMF”) whereby critical positions and talent pool were identified so as to be able to support the on-going business operations of KLCCP Stapled Group. With the KLCC Group SMF in place, KLCCP Stapled Group is able to better manage challenges arising from unforeseen circumstances, especially with regards the long term business strategy, peculiar to specific skills and/or talent.

	<p>During the year in review, the Boards reviewed and approved enhancements to the KLCC Group’s Employee Benefits as recommended by KLCCP Human Resource Division as a result of the outcome of an industry benchmarking study on employee benefits. Part of the design of the enhancement introduced targets toward optimising the benefits of the existing talent demography.</p> <p>(d) <u>Supervision and assessment of management performance</u></p> <p>At the Annual CEO Townhall 2017, employees of the Group engaged with the CEO on the KLCC Group Balanced Scorecard and Key Performance Indicators (“KPIs”). Main purpose of this annual session is to ensure alignment of the management strategy and business performance vis-a-vis the group strategic plans and objectives.</p> <p>During the year, strategic tasks and performance of the CEO which include KPIs setting for FY 2018 were reviewed and evaluated by a special committee comprised representatives from both Boards.</p> <p>In addition, management performance as well as the KPIs setting for FY2018 have also been reviewed and deliberated by a special committee comprising representatives from top management of the KLCC Group.</p> <p>(e) <u>Effective communication with stakeholders</u></p> <p>Our stakeholders are updated with the performance and results of KLCCP Stapled Group through engagements and public releases of the relevant information which are also available at KLCCP’s corporate website.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>In KLCCP Stapled Group, it is the responsibility of the Chairman to lead and manage the board performance by providing leadership and guidance to the Boards.</p> <p>The Chairman, as a matter of fact:</p> <ul style="list-style-type: none"> a) sets the board agenda with the Company Secretaries together with the CEO and ensures that board members are able to receive the meeting papers 6 days prior to the meeting date and that minutes of meetings are circulated within 7 days upon conclusion of the Board meetings ; b) leads Board meetings discussions and encourages debate on issues and seek views from the Directors on matters requiring decisions of the Boards; c) reviews the draft minutes of meetings before circulation to the Directors for review and comment(s); d) chairs the annual general meetings (“AGMs”) of KLCCP and KLCC REIT and provides responses to holders of the Stapled Securities on issues raised by them; e) instils leadership in promoting good governance practices and adherence across KLCCP Stapled Group. The Chairman makes sure that relevant board governance are adhered to and there is reasonable interaction between the Boards and Management as part of the effective decision making process; and f) attends informal meetings and events throughout the year to help build constructive and productive relationships between the Board members and Management.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Chairman and the CEO of KLCCP and KLCCRM are held by two different individuals.</p> <p>The Board Charter of KLCCP provides that the Chairman should be held by a Non-Executive Director. The roles of Chairman are distinguished from that of the CEO's roles with clear division of responsibilities as outlined in the Board Charter. Our Board Charter is available at KLCCP's corporate website www.klcc.com.my.</p> <p>The Chairman, is primarily responsible for the orderly conduct and function of the Boards as well as ensuring effectiveness thereof.</p> <p>The CEO has delegated authority from, and is accountable to, the Boards in managing the day-to-day running of the KLCCP Staples Group's businesses, implementing the approved policies by Boards. The CEO is empowered to make decisions for operational matters defined in the company Limits of Authority approved by the Boards.</p> <p>In managing the business affairs, the CEO is assisted by the Management of KLCCP Stapled Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	: Applied
Explanation on application of the practice	<p>KLCCP and KLCCRM appointed 2 qualified Company Secretaries, namely En Abd Aziz Abd Kadir and Mr Yeap Kok Leong who are responsible for advising the Boards on regulatory requirements and corporate governance matters to ensure that the Boards discharge their duties and responsibilities effectively.</p> <p>En Abd Aziz Abd Kadir is a Licensed Secretary by the Companies Commission Malaysia. Details of En Abd Aziz Abd Kadir's experience and qualifications are set out in the section on Profile of Senior Management Team in the KLCCP Stapled Group 2017 Annual Report.</p> <p>Mr Yeap Kok Leong, the external Company Secretary to KLCCP and KLCCRM is the Managing Director of a leading company secretarial firm, Tricor Corporate Services Sdn Bhd. Mr Yeap Kok Leong is a Fellow (ICSA) and Member of the Malaysian Institute of Chartered Secretaries And Administrators.</p> <p>Below is a summary of the relevant activities in FY2017 carried out by En Abd Aziz Abd Kadir as in-house Company Secretary of KLCCP and KLCCRM:</p> <ul style="list-style-type: none">a) Advised the Boards and the Directors on their roles and responsibilities and provided regular updates on new statutory and regulatory requirements relating to the discharge of the Directors' duties and responsibilities;b) Ensured that the Boards and the Board Committees function effectively based on the Board Charter and the respective Terms of Reference ("TORs");c) Monitored the developments in corporate governance and facilitated the Board's application of the best practices of Malaysian Code on Corporate Governance ("MCCG") taken into account the Boards' needs and stakeholders' expectations;d) Managed all board and committee meetings logistics, attendance of the Boards of Directors and Board Committees and facilitated board communications;

	<p>e) Attended all Board meetings and ensured that the deliberations and decisions made by the Boards and Board Committees are accurately minuted, and the records of the proceedings of the Board meetings are properly kept;</p> <p>f) Recorded the Directors' interests disclosures and advised the interested Directors the requirements on restrictions in voting or deliberation on related matters during the meetings;</p> <p>g) Facilitated the orientation of new Director and assisted the Directors' on their training and development needs;</p> <p>h) Advised and facilitated the conduct of annual Board Effectiveness Evaluation;</p> <p>i) Facilitated and collaborated with external professional trainers for in-house management training on Related Party Transactions for KLCC Stapled Group and also on Companies Act 2016;</p> <p>j) Overseeing the contents and conduct of Engagement Sessions on Tender and Procurement Governance;</p> <p>k) Facilitated and attended Engagement with the Regulators;</p> <p>l) Managed processes of the annual shareholder meetings of KLCCP and KLCC REIT; and</p> <p>m) Served as the focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>During FY2017, the Company Secretaries undertaken continuous professional development by attending the following trainings:</p> <p>(i) En Abd Aziz Abd Kadir</p> <ul style="list-style-type: none"> • Corporate Governance Directors Duties and Regulatory Update Seminar; • General Managers Strategic Excellence (Cohort 1) Program; • Seminar on the New Companies Act 2016; • PETRONAS Board Excellence – Essentials for Directorship Program; and • Integrity Compliance Risk Assessment Workshop. <p>(ii) Mr Yeap Kok Leong</p> <ul style="list-style-type: none"> • Anatomy of Company under the New Regime of Companies Act 2016; • Managing the Registered Office, Statutory Books, Returns and Other Documents under Companies Act 2016; • ADP Partner Executive Convention;
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	<ul style="list-style-type: none"> • Key Offences under Companies Act 2016 and Role and Responsibilities of Directors; and • Auditors and Company Secretaries under Companies Act 2016.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>In FY2017, a total of 5 and 4 Board meetings of KLCCP and KLCCRM were held respectively. In addition, there were total of 4 scheduled Audit Committee Meetings and 3 scheduled Nomination & Remuneration Committee Meetings of KLCCP and KLCCRM respectively held during the year.</p> <p>Each meeting serves the purpose for the Boards and Board Committees to properly discharge their duties. The Boards and Board Committees are provided with relevant information on matters for consideration in a timely manner hence facilitated effective boardroom deliberation. All deliberations and decisions of the Boards are recorded by the Company Secretaries including whether any director abstained from voting or deliberating on particular matter.</p> <p>The meeting agenda was set by the Chairman, assisted by the Company Secretaries and CEO. The Boards and Board Committees Meeting Packs, comprising agenda items, reports and papers, are provided to the Directors 6 days prior to each meeting. Minutes of meetings of the Boards are circulated to Board members within 7 days upon the conclusion of meetings.</p> <p>The Boards have easy access to the Board and Board Committees Meeting Packs which are available in the form of "Cloud Database" accessible through mobile devices. With technology, the Boards have the flexibility to review all the meeting materials that are being made handy hence facilitated the Boards to make informed decisions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The way the Boards function is guided by KLCCP Board Charter, which was adopted on 27 November 2012. KLCCP Board Charter was last reviewed and approved by the Boards, with revisions made to it as recommended by the Board Committees on 13 November 2017.</p> <p>Revisions made to the relevant sections in the Board Charter in accordance with the applicable corporate governance practices as set out in the MCCG are with respect to:</p> <ul style="list-style-type: none">i. Separation of positions of Chairman and CEO;ii. Position of Chairman;iii. Majority of Independent and Non-Executive Directors (“INED”);iv. Role of Senior INED;v. Board Diversity Policy; andvi. Board Meeting Administration. <p>The updated version of the Board Charter is available on KLCCP's corporate website at www.klcc.com.my. The Board Charter will be periodically reviewed as and when necessary.</p> <p>The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Boards (both individually and collectively), Board Committees, Chairman, CEO as well as of the Senior Independent Non-Executive Director, in setting the direction, management and control of the organisation.</p> <p>As KLCCRM is wholly owned by KLCCP, the Board, Board Committees, Chairman and CEO of KLCCRM are also guided by the Board Charter of KLCCP.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	: Applied
Explanation on application of the practice	<p>KLCCP Board has adopted PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE"), effective 1 April 2012 which sets out the standard of behaviour and ethical conduct that must be complied with by the Directors, management and employees of KLCCP Stapled Group. PETRONAS CoBE aims to ensure that the Directors, management and employees as well as third parties which perform work or services for KLCCP Stapled Group will act ethically and remain above board at all times, and their individual behaviour is in line with PETRONAS' Shared Values.</p> <p>The PETRONAS CoBE governs the daily conduct of the employees on matters relating to conflict of interest, anti-corruption, competition, anti-money laundering, international trade and export controls, amongst others. The PETRONAS CoBE also emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and wellbeing of the PETRONAS Group. The link to PETRONAS CoBE is available on KLCCP's corporate website.</p> <p>As part of management efforts to cast wider reach of the PETRONAS CoBE to KLCCP Stapled Group's patrons, KLCCP Human Resources Division and KLCC Young Professional Executive Club have jointly initiated "CoBE Weeks" programme as a mean to embed the essence of complying PETRONAS CoBE in the overall organisational system.</p> <p>Apart from the above, the Directors also have its own Code of Conduct which set out in the Board Charter. The Board Charter was reviewed and updated by the Board on 13 November 2017 in accordance with the applicable corporate governance practices of MCGG.</p>

	<p>KLCCP Stapled Group has implemented a Memorandum on Insider Trading whereby Directors and employees of KLCCP Stapled Group are prohibited from trading in the Stapled Securities, particularly when they are in possession of price sensitive information and knowledge of facts which have not been publicly announced.</p> <p>Notices on Closed Period for trading in Stapled Securities are sent to the Directors and principal officers on a quarterly basis specifying the timeframe during which the Directors and principal officers are prohibited from dealing in Stapled Securities and to comply with relevant requirements governing their trading in securities during Closed Period.</p> <p>The Boards are also reminded not to deal in Stapled Securities when price sensitive information is shared with them on any proposed transactions presented to them.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>KLCCP Stapled Group has adopted the PETRONAS' Whistle-blowing Policy ("Policy") and Anti-Bribery and Corruption Manual ("Manual") effective 1 April 2012 which provide and facilitate appropriate communication and feedback channels of misconduct or malpractices between KLCCP Stapled Group and its employees as well as members of the public.</p> <p>PETRONAS Policy and the Manual provide the avenue for employees or any parties to report on corruption, fraud and dishonest practices at the workplace.</p> <p>The PETRONAS Policy and Manual being available on KLCCP's corporate website include also the process and procedure that allow for independent investigation on any improper conduct with appropriate follow up action.</p> <p>In line with group practice, as and when any changes are made to the PETRONAS Policy and Manual, KLCCP Stapled Group will adopt the said changes.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure															
Explanation on application of the practice	:																
Explanation for departure	:	<p>Appropriate board composition is fundamental to the success in providing strong and effective leadership. The breadth of knowledge, skills and experience of the individual Directors of KLCCP and KLCCRM are outlined in the Directors' Profile section of the KLCCP Stapled Group 2017 Annual Report.</p> <p>KLCCP and KLCCRM Boards continued to have a strong mix of experienced individuals as Directors with Non-Executive Directors who are able to offer views and perspective on the business and often, constructively challenge the CEO.</p> <p>All debates with the participation of all Directors, Executive and Non-Executive, allow the Boards to utilise the experience and skills of the individual Directors to their maximum potential and make decisions that are in the best interest of the company.</p> <p>Current status of the KLCCP and KLCCRM boards composition is:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Designation</th> <th style="text-align: center;">Number of Directors</th> <th style="text-align: center;">Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Executive Director</td> <td style="text-align: center;">1</td> <td style="text-align: center;">12.50</td> </tr> <tr> <td>Non-Independent Non-Executive Directors</td> <td style="text-align: center;">4</td> <td style="text-align: center;">50.00</td> </tr> <tr> <td>Independent Directors</td> <td style="text-align: center;">3</td> <td style="text-align: center;">37.50</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">8</td> <td style="text-align: center;">100.00</td> </tr> </tbody> </table> <p>The Boards take cognisance that the current composition of both Boards is not align with the desired practice of at least half to comprise independent directors since 22 May 2017 following the appointment of the new Chairman who is designated as Non-Independent Non-Executive Director.</p> <p>Currently, the Non-Independent Non-Executive Directors of KLCCP and KLCCRM are classified into 2 groups:</p>	Designation	Number of Directors	Percentage (%)	Executive Director	1	12.50	Non-Independent Non-Executive Directors	4	50.00	Independent Directors	3	37.50	Total	8	100.00
Designation	Number of Directors	Percentage (%)															
Executive Director	1	12.50															
Non-Independent Non-Executive Directors	4	50.00															
Independent Directors	3	37.50															
Total	8	100.00															

	Name of Directors	Remarks
	Tan Sri Mohd Sidek Hassan (Chairman)	They are standing as board representatives of major shareholder of KLCCP Stapled Group, namely PetroliaM Nasional Berhad.
	Datuk Manharlal Ratilal	
	Datuk Ishak Imam Abas	They do not have any direct or indirect interest in the Stapled Securities of KLCCP and KLCC REIT as well as any shareholdings in the subsidiaries or holding company of KLCCP. Further, they also do not hold any directorships in the subsidiaries of or holding company of KLCCP, other than as Directors in KLCCRM.
	Datuk P. Krishnasamy	
<p>Although Datuk Ishak bin Imam Abas and Datuk P. Krishnasamy are Non-Independent Non-Executive Directors, their willingness to challenge the Management with questions without fear, and debate constructively during board meetings helps to reinforce the check and balance of Boards' decision making process. The lack of majority independent directors in the current Boards composition, does not jeopardise independent Boards' deliberations and all decisions are made in the best interests of company.</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>: KLCCP Board, with NRC' recommendation, revised the Board Charter by incorporating, among others, the following clause into the Board Charter, demonstrating the board commitment in attempt to adhere to Practice 4.1 of the MCGG:</p> <p>“A board comprising a majority of Independent Directors allows for more effective oversight of management. The majority of the Independent Non-Executive Directors also provides the necessary checks and balances in the Boards' exercise of their functions by facilitating an independent evaluation of the Boards' decisions and decision-making process.”</p> <p>KLCCP Board had further deliberated the matter and committed to achieve the objective of having a majority of independent directors by 2020.</p>	
<p>Timeframe</p>	<p>: Within 3 years</p>	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>The Boards considered the independence of the Directors and their other commitments when they were first appointed or in the event there are changes in circumstances that warrant re-evaluation of the Directors' independence.</p> <p>The Boards, with NRCs' recommendation, amended the Terms of Reference of the respective NRCs by requiring the NRCs to assist the Boards in reinforcing the independence of the Independent Non-Executive Director by stating that <i>"If the Board continues to retain the Independent Director after the 12th year, shareholders' approval will be sought through a two-tier voting process at the Company's general meeting"</i>.</p> <p>There are 2 Independent Non-Executive Directors whose tenure have exceeded 9 years in KLCCP. These Directors are Dato' Halipah binti Esa ("Dato' Halipah") and Mr. Augustus Ralph Marshall ("Mr. Marshall") who were appointed to the Board on 1 March 2007 and 1 September 2005 respectively.</p> <p>During FY2017, the Directors conducted Self and Peer Evaluation based on the following criteria:</p> <ul style="list-style-type: none">(i) Board dynamic and participation;(ii) Technical competencies;(iii) Skills and contribution;(iv) Integrity; and(v) Reinforce Independence of Independent Directors. <p>In respect of item (v) above, the following key characteristics were considered by peer Directors to determine whether Dato' Halipah and Mr. Marshall remain independent in character and judgment:</p> <ul style="list-style-type: none">(a) consistently demonstrates independence of judgment during deliberations at Board meetings;

	<p>(b) can act independently of management;</p> <p>(c) helps to uphold the interests of all shareholders and not only the interests of a particular group by continually demonstrates clarity of thought, objectivity and impartiality on problem solving during deliberations at Board meetings;</p> <p>(d) their views and opinions carry significant weight in the Board's decision-making process; and</p> <p>(e) refrains any action that would lead to loss of her/his independence.</p> <p>It was established that the 2 Directors are found to remain independent in character and judgment and that the Board was satisfied with the level of independence demonstrated by them throughout the year and their ability to act in the best interest of KLCCP Stapled Group.</p> <p>Subsequently, Mr. Marshall indicated that he would not offer himself for re-election as a Director of KLCCP at the 2018 Annual General Meeting of KLCCP. Hence, he will cease office as a Director of KLCCP upon conclusion of the 2018 Annual General Meeting of KLCCP.</p> <p>In the case of Dato' Halipah, the Board had deliberated and proposed to seek approval of the holders of Stapled Securities on the proposed continuation of Dato' Halipah as the Independent Non-Executive Director of KLCCP, at the 2018 Annual General Meeting of KLCCP.</p> <p>As of the date of this report, none of the Independent Directors of KLCCRM has served the Board for more than 9 years as KLCCRM was incorporated on 5 December 2012.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	: Applied
Explanation on application of the practice	<p>KLCCP and KLCCRM have put in place the necessary selection criteria for the appointment of Directors. Through Board Effectiveness Evaluation, the Directors are assessed annually and the findings are consolidated in a performance report which is analysed and tabled to the NRCs for review and endorsement by the Boards.</p> <p>All nominees and candidates to the Board are first considered by the NRCs taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The NRCs will then endorse the nominees and candidates for approval by the Boards.</p> <p>The Boards adopted the Board Diversity Policy in August 2016 which aspires to ensure a diverse and inclusive board that will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender to achieve effective stewardship and management which in turn will lead to its competitive advantage. The Board Diversity Policy is made available at KLCCP's corporate website www.klcc.com.my.</p> <p>The Boards are committed to achieve the target of 30% representation of women Directors in order to have optimum mix of skills, knowledge and experience of the Directors on Boards. Pursuant to requirements of the Board Diversity Policy, the appointment of women Directors to the Boards must be on merit.</p> <p>On specified senior management appointment, candidates are first considered by the NRCs (where applicable) focus in their skills set, competencies, experience, integrity and other qualities prior to recommendation for approval by the Boards.</p> <p>In respect of workforce diversity, KLCCP Stapled Group is committed to provide equal employment opportunities and practices merit-based promotion regardless of gender. Out of all our employees, 61% are male while 39% are female. The share of women employees has grown about 9% in 2017 compared to 2016. For positions of managerial and above, male employees account for 59% with female at 41%.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>KLCCP Board has approved the Board Diversity Policy in August 2016. The Policy seeks to ensure the mix and profiles of the Board members of KLCCP and KLCCRM, in terms of age, ethnicity and gender, ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective board stewardship.</p> <p>Currently, there are 2 female Directors on each Board which accounts for 25% combination. The Boards are committed to achieve the target of 30% women directors on both Boards by 2018 and that such appointment is subjected to appropriate due diligence on the mix of skills as well as the necessary diversities.</p> <p>As of the date of reporting, the ratio of gender diversity of the Boards is 2:8. The Board Diversity of KLCCP is disclosed in the KLCCP Stapled Group Annual Report 2017 and is also available on KLCCP's corporate website www.klcc.com.my.</p> <p>The Boards have taken steps to pursue its target of 30% women directors on both Boards in line with the nation's target of 30% representation of women directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	It is expected that an additional woman Director will be appointed in 2018. However, any appointment to the Boards is subject to appropriate due diligence on the mix of skills, diversity, knowledge and experience.
Timeframe	:	Within 1 year

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>KLCCP and KLCCRM practice formal and transparent procedures on sourcing and appointment of new directors - either via nominations by the holding company or independent sources. All appointments of new Directors are subject to screening and appropriate recommendation of the NRCs prior to consideration and approval of the Boards.</p> <p>YBhg Tan Sri Mohd Sidek Hassan was appointed as a Director and the Chairman of KLCCP and KLCCRM during the year following nomination by the ultimate holding company. Chairman of the Board is the highest office and occupies the key leadership position for KLCCP Stapled Group.</p> <p>The NRCs deliberated the proposal to appoint YBhg Tan Sri Mohd Sidek Hassan as a Director and the new Chairman of KLCCP and KLCCRM Boards on 11 May 2017 and were satisfied with the declaration made by YBhg Tan Sri Mohd Sidek Hassan on his independence. The NRCs' recommendations were subsequently approved by the Boards on 22 May 2017.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	<p>The NRCs of KLCCP and KLCCRM are chaired by Dato' Halipah Esa, who is also designated as the Senior Independent Director.</p> <p>During the year, Dato' Halipah had led deliberations on succession planning and appointment of the Director and new Chairman for the KLCCP and KLCCRM Boards as detailed in Practice 4.6 of the MCCG above.</p> <p>Dato' Halipah had also led the annual review of Board effectiveness for FY2017, in order that independent assessment of the performance of each individual Director as well as of Board as a whole are carried out amongst all the Board Members.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Departure						
Explanation on application of the practice	:							
Explanation for departure	:	<p>Following implementation of the MCCG, NRCs had deliberated and recommended that periodic Board Evaluation to be facilitated by independent expert will be necessary pursuant thereto.</p> <p>During FY2017, Board and Board Committees Evaluation and Directors' Self/Peer Evaluation ("Board Evaluation") was carried out by the NRCs assisted by an external company secretarial firm, based on questionnaires tailor-made for KLCCP and KLCCRM incorporating best practices of MCCG as the method of evaluation. The Directors have completed the Board Evaluation documents, and have provided their comments and recommendations on board's improvements.</p> <p>The assessment on Board and Board Committees and individual Directors was based on the following criteria:</p> <table border="1"> <tr> <td>Board</td> <td> <ul style="list-style-type: none"> • Structure; • Operations and Interaction; • Communication; and • Roles and Responsibilities. </td> </tr> <tr> <td>Audit Committee ("AC")</td> <td> <ul style="list-style-type: none"> • Terms of Reference and Composition; • Skills and Competencies; • Meeting Administration and Conduct; • Board Communication; • Internal Audit; and • External Audit. </td> </tr> <tr> <td>NRC</td> <td> <ul style="list-style-type: none"> • Terms of Reference and Composition; • Skills and Competencies; • Meeting Administration and Conduct; • Board Communication; • Nominating Matters; and • Remuneration Matters. </td> </tr> </table>	Board	<ul style="list-style-type: none"> • Structure; • Operations and Interaction; • Communication; and • Roles and Responsibilities. 	Audit Committee ("AC")	<ul style="list-style-type: none"> • Terms of Reference and Composition; • Skills and Competencies; • Meeting Administration and Conduct; • Board Communication; • Internal Audit; and • External Audit. 	NRC	<ul style="list-style-type: none"> • Terms of Reference and Composition; • Skills and Competencies; • Meeting Administration and Conduct; • Board Communication; • Nominating Matters; and • Remuneration Matters.
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NRC	<ul style="list-style-type: none"> • Terms of Reference and Composition; • Skills and Competencies; • Meeting Administration and Conduct; • Board Communication; • Nominating Matters; and • Remuneration Matters. 							

	Individual Directors / Peer Evaluation	<ul style="list-style-type: none"> • Board dynamic and participation; • Technical competencies; • Skills and contribution; • Integrity; and • Reinforce Independence of Independent Directors.
<p>The areas for improvement identified out of the Board Evaluation are (i) The need for additional Independent Non-Executive Directors with industry knowledge, (ii) Additional women Directors are needed but must be based on merit, and (iii) Senior management should challenge status quo and benchmark business performance against world class corporations to enhance productivity and efficiency to higher levels.</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Boards had reviewed and endorsed the NRCs recommendation to carry out the first exercise on board evaluation review by an independent expert within 3 years.
Timeframe	:	Within 3 years

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Boards delegated to NRCs the responsibility to consider and approve the remuneration arrangements of the Directors' and of specified Senior Management positions in KLCCP Stapled Group.</p> <p>The Boards, in determining the directors' remuneration policies and procedures are guided by the recommendation of the NRCs. The NRCs had, at NRC meetings held in January 2018 recommended the implementation of the Public Listed Companies Non-Executive Directors Remuneration Guidelines and Remuneration Package. Upon subsequent endorsement, the Boards then recommended the same for approval by the holders of Stapled Securities at the 2018 AGM of KLCCP.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards had on 27 November 2012 and 21 August 2013 established the NRCs of KLCCP and KLCCRM respectively which comprise exclusively of Non-Executive Directors with majority of Independent Directors. The NRCs combine the Remuneration Committee with Nomination Committee to implement policies and procedures including, among others, the following:</p> <ul style="list-style-type: none">a) Review and recommend matters relating to remuneration for the Directors and Senior Management.b) Establish formal and transparent remuneration policy for adoption by the Boards, the policy of which is also designed to attract and retain Executive Director.c) Recommend to the Boards, the remuneration packages for specified senior management and executive staff with benchmarking of the property industry. <p>During FY2017, a total of 3 meetings of the NRCs of KLCCP and KLCCRM were held respectively.</p> <p>The NRCs' roles and responsibilities are governed by their respective Terms of Reference which are available at KLCCP's corporate website www.klcc.com.my.</p> <p>In November 2016, the NRC of KLCCP, with the assistance of Head of Human Resource Division, recommended for the Board approval, the proposals on salary increment 2017 benchmarked to property industry and the 2016 performance reward for employees of KLCCP as well as for 2 wholly-owned subsidiaries of KLCCP Stapled Group. The proposals were subsequently approved by the Board in March 2017.</p>

	<p>The NRCs, at its meetings held in November 2017 and January 2018, reviewed and recommended for Boards' consideration the following on directors remuneration:</p> <p>a) Directors' fee and benefits for financial year ended 31 December 2016;</p> <p>b) Directors' fee and benefits from 1 January 2017 until the 2018 AGM date; and</p> <p>c) Proposed new remuneration package for Non-Executive Directors.</p> <p>In addition, the NRCs also oversee the qualitative and quantitative disclosures of remuneration made in the annual report as well as stated in the notice of 2018 AGM of KLCCP:</p> <p>(i) Breakdown of the directors' remuneration for FY2017;</p> <p>(ii) The new directors remuneration package for FY2018;</p> <p>(iii) Analysis on Senior Management remuneration in each successive band of RM50,000.</p> <p>In January 2018, KLCCP Board reviewed and endorsed the NRCs recommendation for the revised Non-Executive Directors' fees and benefits for approval by the holders of Stapled Securities at the 2018 AGM of KLCCP to be effective from 1 January 2018 until the next AGM in 2019:</p> <table border="1" data-bbox="557 1120 1406 1668"> <thead> <tr> <th>Category</th> <th>Non-Executive Chairman</th> <th>Non-Executive Directors</th> </tr> </thead> <tbody> <tr> <td>KLCCP</td> <td>(RM per annum)</td> <td>(RM per annum)</td> </tr> <tr> <td>Directors' Retainer Fees</td> <td>240,000</td> <td>120,000</td> </tr> <tr> <td>Petrol Allowance</td> <td>6,000</td> <td>6,000</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>(RM per attendance)</td> <td>(RM per attendance)</td> </tr> <tr> <td>Attendance fee or Tele-Conferencing Fee</td> <td>3,500</td> <td>3,500</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>KLCCRM</td> <td>(RM per attendance)</td> <td>(RM per attendance)</td> </tr> <tr> <td>Attendance fee or Tele-Conferencing Fee</td> <td>3,500</td> <td>3,500</td> </tr> </tbody> </table>	Category	Non-Executive Chairman	Non-Executive Directors	KLCCP	(RM per annum)	(RM per annum)	Directors' Retainer Fees	240,000	120,000	Petrol Allowance	6,000	6,000					(RM per attendance)	(RM per attendance)	Attendance fee or Tele-Conferencing Fee	3,500	3,500				KLCCRM	(RM per attendance)	(RM per attendance)	Attendance fee or Tele-Conferencing Fee	3,500	3,500
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<p>Explanation for departure :</p>																															
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Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	Details of the Directors Remuneration for KLCCP and KLCCRM on named basis comprising remuneration received from KLCCP and KLCCRM or subsidiary company during 2017 are disclosed in the Nomination & Remuneration Committees Report of the KLCCP Stapled Group 2017 Annual Report. Remuneration of the individual Directors consist of the breakdown in fees and meeting allowance of the Board and Board Committees.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Applied	
Explanation on application of the practice	:	Disclosure on the remuneration of top 5 Senior Management in the bands of RM50,000 (including the components of salary, bonus, benefits in-kind and other emoluments) is provided in the Nomination and Remuneration Committees Report of KLCCP Stapled Group 2017 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committees of KLCCP and KLCCRM each comprises 3 non-executive independent Directors and a non-executive non-independent Director, all of whom are equipped with the breadth of financial expertise and commercial acumen that are most needed for them to discharge their responsibilities and fulfil their roles as audit committee members.</p> <p>The Chairman of the respective Audit Committees is not the Chairman of the Boards, so as not to impair the objectivity of the Board's view of the Audit Committees' findings and recommendations. Details of the composition and activities of the Audit Committees are set out in the Audit Committees Report of KLCCP Stapled Group 2017 Annual Report.</p> <p>The Audit Committees met 4 times in 2017. The Chief Executive Officer, Chief Financial Officer, and the Internal Auditors have attended those 4 meetings whilst representatives of the External Auditors and the respective Heads of Divisions also attended by invitation appropriately.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	Following review of the respective Terms of Reference of the Audit Committees, whereby revisions were approved by the Boards in November 2017, both the Terms of Reference of the Audit Committees of KLCCP and KLCCRM now provide for the requirements that former key audit partner is subject to observe a cooling-off period of at least 2 years before he or she could be appointed as a member of the Audit Committees in order to safeguard independence and to avoid potential disadvantage which may arise in view that a former key audit partner is deemed to be in advantageous position to exert significant influence over the audit and preparation of the audited financial statements.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>In practice, the assessment on suitability, objectivity and independence of the external auditors is conducted annually. This is as per provided in the respective Term of Reference of the Audit Committees and is based on the following considerations, among others:</p> <p>(a) the competence, audit quality and resource capacity of the external auditor in relation to the audit;</p> <p>(b) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and</p> <p>(c) assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>During FY2017, the Audit Committees had performed annual evaluation on the performance of the external auditors principally to further enhance the objectivity of their audit views. In addition, private sessions with the external auditors were also conducted by Audit Committees twice a year to gauge the extent of concerns of matters raise by the external auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied								
Explanation on application of the practice	:	<p>Existing members of the Audit Committees have vast experience and skills in accounting and finance as well as other relevant fields of expertise. All of them are highly-qualified to review the accuracy of KLCCP and KLCCRM and the consolidated KLCCP Stapled Group's financial statements prior to recommending the same to the Boards for approvals.</p> <p>Training attended by the Audit Committees members during 2017 are:</p> <table border="1"><thead><tr><th>Members</th><th>Trainings Attended</th></tr></thead><tbody><tr><td>Augustus Ralph Marshall</td><td><ul style="list-style-type: none">• Khazanah Megatrends Forum 2017</td></tr><tr><td>Datuk Manharlal a/l Ratalil</td><td><ul style="list-style-type: none">• World Economic Forum 2017• PETRONAS Top Leadership Dialogue• 19th Asia Oil and Gas Conference• Digital Learning Expedition/ Workshop organised by PETRONAS• PETRONAS Leadership Dialogue</td></tr><tr><td>Dato' Halipah binti Esa</td><td><ul style="list-style-type: none">• Sustainability Forum for Directors/ CEOs –The Velocity of Global Change & Sustainability: The New Business Model by Bursa Malaysia• Boards in the Digital Economy by Securities Industry Development Corporation• PNB Investment Series 2017-The Future of Globalisation & Liberalisation: Are We Losing The Battle?</td></tr></tbody></table>	Members	Trainings Attended	Augustus Ralph Marshall	<ul style="list-style-type: none">• Khazanah Megatrends Forum 2017	Datuk Manharlal a/l Ratalil	<ul style="list-style-type: none">• World Economic Forum 2017• PETRONAS Top Leadership Dialogue• 19th Asia Oil and Gas Conference• Digital Learning Expedition/ Workshop organised by PETRONAS• PETRONAS Leadership Dialogue	Dato' Halipah binti Esa	<ul style="list-style-type: none">• Sustainability Forum for Directors/ CEOs –The Velocity of Global Change & Sustainability: The New Business Model by Bursa Malaysia• Boards in the Digital Economy by Securities Industry Development Corporation• PNB Investment Series 2017-The Future of Globalisation & Liberalisation: Are We Losing The Battle?
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		<ul style="list-style-type: none"> • Workshop on Talent to Value by Permodalan Nasional Berhad • MICS Berhad Annual Directors Training 2017
	Habibah binti Abdul	<ul style="list-style-type: none"> • Board and C Level Executive: Balancing Trust and Constructive Tension • Making Wise Decision organised by The Iclif Leadership and Governance Centre • PETRONAS Cultural Beliefs Upskilling Program • Tax Seminar organised by Ernst & Young
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards have established sound risk management practices to safeguard KLCCP Stapled Group's business interests from risk events that may impede the achievement of business strategies and growth opportunities as well as providing assurance to all stakeholders.</p> <p>The Boards have also established the following governance framework and guidelines which are expected to provide a structured and consistent approach in managing risks and guidance on resuming key business function in the event of crisis.</p> <ul style="list-style-type: none"> • KLCC Group ERM Framework • Reference in operationalizing Risk Appetite • Enterprise Risk Management Process Guideline • Enterprise Risk Management Assurance Guideline • Risk Library • BCM Framework • Business Impact Analysis Guideline • Business Recovery Strategy Guideline • Business Continuity Plan Guideline • Testing and Exercising (T&E) Guideline
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Enterprise Risk Management ("ERM") Framework outlines the risk policy, risk governance and structure, risk measurement and risk operation and system for the Group. It is implemented to identify, assess, monitor, report and mitigate risks impacting the Group's business and supporting activities in accordance with <i>ISO 31000:2009 – Principles and Guidelines on Implementation</i>.</p> <p>The Boards also have established Risk Management Oversight Structure for effective and strategic risk communication to take place between the Boards, ACs and the Management on a quarterly basis where the status of the principal risks and key risk indicator performances are reported and deliberated.</p> <p>The Boards carried out annual review of the Group's risk profiles in compliance with the ERM Framework where the risk profiles were reviewed, assessed and updated to safeguard KLCCP Stapled Group's investment and key business activities and to ensure the risk exposures are relevant and up to date taking into account emerging risks.</p> <p>The Boards also have put in place a structured process for risk assessment as part of decision making where risk assessment process is to be carried out prior to any decision point to assist decision makers in making well informed decision taking into consideration calculated risk in order to provide a balanced view for informed decision making through richer risk conversation and considerations of risk reward trade-off.</p> <p>The Group has an organizational structure with defined lines of responsibilities, delegation of authority and accountability. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. Limits of Authority manuals are in place to define the lines of accountability and responsibility in relation to the Group's operations and functions. Information on the financial performance of associate companies is provided monthly through representation on their Boards.</p>

	<p>The Boards are of the view that the risk management and the internal control system is sound and effective to safeguard the Stapled Securities holders' investment, the interest of customers, employees and other stakeholders and the Group's assets.</p> <p>The Boards have established Business Continuity Plan ("BCP") to provide guidance in resuming key business functions in the event crisis occurs that has a major or severe impact on business in terms of financial, operation and reputation.</p> <p>The Boards carried out BCP simulation exercises for specific identified scenarios to ensure practicality of the BCP for its implementation during crisis. The BCP simulation exercises include testing of the recovery strategy at virtual office and the effectiveness of identified Primary and Alternate Workforce for business resumption of the Critical Business Function</p> <p>Further details on how key risk areas were evaluated and the controls in place to manage those key risks can be found in Statement of Risk Management and Internal Control in KLCCP Stapled Group 2017 Annual Report.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>Governed by the Internal Audit Charters, Group Internal Audit Division ("GIAD") of KLCC (Holdings) Sdn Bhd ("KLCCH") maintained their independence, impartiality and proficiency and due professional care by having their plans and reports directly under the purview of the Audit Committees.</p> <p>To support the Audit Committees in discharging their responsibilities, the Head of GIAD of KLCCH reports directly to the Audit Committees.</p> <p>The appointment of the Head of GIAD is reviewed and endorsed by the Audit Committees. The Head of GIAD has unrestricted access to the Audit Committees, the Boards and Management. The Head of GIAD and a majority of internal auditors under GIAD are members of The Institute of Internal Auditors Malaysia.</p> <p>Further details of the internal audit activities are set out in the Audit Committees Report and Statement on Risk Management and Internal Control of the KLCCP Stapled Group 2017 Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>None of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>Currently, Group Internal Audit Division of KLCCH comprises 8 managerial and executives positions, and 2 non-executive positions.</p> <p>The Group Internal Audit Division is led by En Khairul Nizam bin Ghazali, who holds a Bachelor of Commerce (Accounting) and is a member of The Institute of Internal Auditors Malaysia.</p> <p>The internal audit function of KLCCP Stapled Group is carried out in accordance with a risk-based approach steered by internal policies, procedures and the Internal Control – Integrated Framework issued by The Committee of Sponsoring Organisations of Treadway Commission.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards recognised the importance of maintaining transparency and accountability to their stakeholders. KLCCP Investor Relations and Business Development Department ("IRBD") plays its role to ensure proper channels of communication between KLCCP Stapled Group and the stakeholders.</p> <p>The IRBD manages the investing community and conducted engagement between the Management and analysts/fund managers/media in the form of briefings, announcements and press statements to keep the stakeholders updated and well-informed on the progress and affairs of KLCCP Stapled Group.</p> <p>During FY2017, the Boards ensured the supply of clear, comprehensive and timely information to the stakeholders via the following manners:</p> <ul style="list-style-type: none">a) Publication of 2016 annual report and provide other disclosures including quarterly financial results of the KLCCP Stapled Group;b) Engagement with analysts, journalists through press release and analysts' briefing after announcement of the quarterly financial results of KLCCP Stapled Group;c) Participation in conferences such as Invest ASEAN 2017, Singapore, Daiwa ASEAN REIT Day 2017, Singapore, Invest Malaysia Kuala Lumpur 2017 and Daiwa Investment Conference Hong Kong 2017;d) Frequent updating of information relevant to Investor Relations, such as financial information, financial reports, minutes of 2017 AGMs, stock information and presentation slides on the quarterly financial results through KLCCP's corporate website;e) Announcements on dividends and income distributions and other disclosures under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

	f) Engagement with shareholders through 2017 AGM where: <ul style="list-style-type: none"> • the CEO delivered a management presentation “Year in review of KLCCP Stapled Group”; • Chairman had provided ample time to the holders of Stapled Securities to raise questions and their concerns which were then properly answered and clarified by the Chairman, CEO and other Directors therein. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	KLCCP Stapled Group has yet to adopt integrated reporting based on the globally recognised framework.	
		Efforts have been put in place to enhance the disclosures in KLCCP Stapled Group Annual Report towards adopting the integrated reporting framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	To keep abreast with the latest developments in integrated reporting requirements.	
Timeframe	:	Within 3 years	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The 2017 AGMs for KLCCP and KLCC REIT were held on 6 April 2017. The notice for both AGMs was issued more than 28 days prior to the date of the AGMs allowing sufficient time for the holders of Stapled Securities to consider the proposed resolutions tabled at the AGMs.</p> <p>In addition, the notice of KLCCP and KLCC REIT AGMs also included details and relevant explanatory notes to the resolutions proposed to enable the holders of Stapled Securities to make informed decisions in exercising their voting rights.</p> <p>Likewise, the Notice of 2018 AGMs for KLCCP and KLCC REIT have included details of the resolutions proposed together with explanatory notes for reference by the holders of Stapled Securities.</p> <p>KLCCP Stapled Group 2017 Annual Report dated together with the Notice of 2018 AGMs for KLCCP and KLCC REIT dated 28 February 2018 are available on KLCCP's corporate website www.klcc.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors, including members of ACs and NRCs, attended and participated at KLCCP and KLCC REIT AGMs in 2017.</p> <p>The presence of all directors presented opportunities for the holders of Stapled Securities to engage with each Director and also allowed the holders of Stapled Securities to raise questions and concerns directly to the Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<p>The AGMs of KLCCP and KLCC REIT are always held in Kuala Lumpur City Centre.</p> <p>KLCCP has about 5,557 holders of its Stapled Securities as at 19 January 2018, and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>However, KLCCP is always mindful and ensure the ease of access by encouraging all holders of Stapled Securities to participate at the AGMs. In this respect, a section on “Administrative Details” accompanies the notice of AGMs and despatch to all holders of Stapled Securities with reminder to them to submit the Form of Proxy on timely basis.</p> <p>KLCCP and KLCC REIT conducted electronic poll voting at the AGMs held in 2017 having considered the system reliability and applicability as well as the associated cost and efficiency in terms of administrative procedures and effectively removed the traditional need for using poll slips.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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