

SUSTAINABILITY STATEMENT

Value creation for our valued stakeholders

KIP REIT is committed to being a contributory part of the community in our areas of operations. We are committed to leveraging our six sources of capital coupled with our business strategies to better serve communities which surrounds our investment properties.



Understanding our stakeholders

To effectively be a part of the community, the Manager identified relevant groups of key stakeholders to align their areas of interests with our sustainability plans. The following table lists KIP REIT's outreach efforts to its various stakeholder groups in the financial year of 2019: -

Stakeholder Group	Areas of Interest	KIP REIT's Engagement
Unitholders	<ul style="list-style-type: none"> - Sustainable income distribution - Long term growth and capital appreciation - Prudent risk management - Strong financial performance - Transparency in communication - Effective management of operations - Strong corporate governance 	<p>KIP REIT value proposition Prompt communication of material corporate developments to facilitate informed investment decisions.</p> <p>Method of engagement Leveraging multiple channels of communication to provide timely update on corporate exercises:</p> <ul style="list-style-type: none"> - Annual General Meetings - Extraordinary General Meetings - Investor Relations Events - Quarterly statements - Bursa Announcements - Annual Report
Investors	<ul style="list-style-type: none"> - Sustainable income distribution - Long term growth and capital appreciation - Strong financial performance - Effective management of operations - Strong corporate governance - Prudent risk management 	<p>KIP REIT value proposition Prompt communication of material corporate developments to facilitate informed investment decisions.</p> <p>Method of engagement Facilitating open dialogue through:</p> <ul style="list-style-type: none"> - Investor road shows - Analyst briefings - Media interviews - Annual General Meetings - Extraordinary General Meetings

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder Group	Areas of Interest	KIP REIT's Engagement
Local community	<ul style="list-style-type: none"> - Economic and social development - Health, safety and environmental impact - Support in local projects around the community 	<p>KIP REIT value proposition Contribute to the economic and social development within the immediate community.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Championing local causes and charities - Staff volunteering days - Partaking in corporate social responsibilities events - Partaking in environmental initiatives to minimise local pollution
Shoppers	<ul style="list-style-type: none"> - Attractive and competitive offerings within community centric mall - One stop shopping destination - Improved occupancy rates - Customer satisfaction - Safe and orderly environment 	<p>KIP REIT value proposition Providing a one-stop shop destination for our shoppers with a wide array of offerings tailored to customer demand.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Customer feedback management - Social media - Events - Promotional events
Business partners	<ul style="list-style-type: none"> - Competitive rental rates - Heavy footfall of shoppers - Business opportunities - Ability to expand businesses - Maintenance of common area - Improved occupancy rates 	<p>KIP REIT value proposition Platform for local SMEs to expand businesses together with growing portfolio of assets</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - One on one meetings - Joint promotional events - Responses to tenant's request and feedback
Media	<ul style="list-style-type: none"> - Timely announcement of corporate exercises - Immediate notification of financial releases and material development - Provision of content (e.g. editorial pieces) 	<p>KIP REIT value proposition Provision of accurate and timely updates on corporate exercises</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Press releases/conferences - Media interviews - Annual gatherings - Company updates - Quarterly reports
Human Capital	<ul style="list-style-type: none"> - Professional and personal development - Safety and well-being - Competitive remuneration - Diversity and gender equality - Conducive workplace environment - Work life balance 	<p>KIP REIT value proposition Recognises talents of individuals and provides support for personal and professional development.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Training and development - Appraisals/formal feedback channels - Annual dinners - KIP Sports and Recreation Club
Regulators	<ul style="list-style-type: none"> - Compliance with relevant laws and regulation - Contribution to economic and industry growth - Setting of industry benchmarks 	<p>KIP REIT value proposition Compliance with regulatory requirements and striving to promote corporate governance best practices.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Attending meetings and conferences organised by regulators - Provision of data for the furtherance of industry study

SUSTAINABILITY STATEMENT (CONT'D)

Leveraging our resources

(1) Financial capital

KIP REIT appreciates that the priority for unitholders and the investing community is our ability to deliver long term sustainable distribution and potential capital appreciation. The Manager also recognises that the economic value produced during the year will impact members of other key stakeholders groups.

For FY 2019, KIP REIT has generated and distributed economic to a number of key stakeholders. These include total distribution of RM30.47 million made to unitholders, which translates into an annualised yield of 7.18%. Furthermore, it has made payments to local causes for a total amount of approximately RM20,000.

Further information on KIP REIT's economic performance can be found with the Letters to Unitholders and Management Discussion and Analysis sections.

(2) Manufactured capital

Part of KIP REIT's core capabilities is our know-how at selecting investment properties and managing the assets currently within our portfolio. KIP REIT's investments currently consists of six community-centric malls strategically located within suburban townships across the Malaysian Peninsula. During FY 2019, an announcement was made to kick-start the acquisition process for AEON Mall Kinta City in Ipoh, Perak.

KIP REIT recognises that the quality of our investments plays a large role in our sustainability growth plans. For this reason, the new acquisition of AEON Mall Kinta City announced in FY 2019 was subjected to stringent conditions to determine whether the investment made is aligned with KIP REIT's investment strategies and our sustainability objectives. The Manager has among other things:

- considered the valuation and purchase price of the property;
- considered of whether the property currently meets the REIT's internal set of criteria; and
- completed of legal and physical due diligence by qualified and independent third parties.

Additionally, to ensure that the quality of the existing properties is not compromised over the passage of time, the Manager shall on an ad-hoc basis decide whether to initiate any Asset Enhancement Initiatives ("AEI") to improve the overall environment of the assets. The following AEI works were proposed during FY 2019:-

Property	Works performed	Status as at FY 2019
All KIP REIT properties	New signages following the rebranding exercise to KIPMall were installed across all six assets.	Completed
KIPMall Tampoi	Relocation of old car sales show space to the car park area to expand net lettable space.	Completed
KIPMall Masai	Works performed on air-conditioning ducts and works to bring down ceiling for improvement of overall temperature control	Completed
KIPMall Senawang	Renovation works to expand the F&B area by approximately 20,000 sq. ft. in alignment with the changes made to the property's tenancy mix.	In progress
KIPMall Bangi	AEI works performed on the chiller system.	Complete
	Renovation works to improve frontage of mall.	In progress

SUSTAINABILITY STATEMENT (CONT'D)

(3) Social and relationship

KIP REIT is committed to being an active part of the community in the localities of its operations. Among the activities involved:

Stakeholders	Engagement
Community	During FY 2019, KIP REIT has participated in the following events to promote local causes and a sense of community: <ul style="list-style-type: none"> • Donations to charity • Adoption drives • Supporting local causes: breaking fast ceremony during Ramadan period with Anak Yatim, • Sporting events: KIP Komuniti Run, Merdeka Run, KIP Fit Kick Fat
Business Partners/ Tenants	KIP REIT aspires to be a resourceful platform to allow local SMEs to expand their businesses. Therefore, the Property Managers from all of our assets strives to provide assistance during one-on-one meetings (where necessary) to discuss issues relating to tenant relationship.
Shoppers	To promote community engagement, KIP REIT has allocated some funds within its annual budget to host events to bring together a sense of community. Some examples of these include:- <ul style="list-style-type: none"> • The Melaka Culinary Challenge 2019 officiated by KDYMM Seri Paduka Baginda Raja Permaisuri Agong Tunku Hajah Azizah Aminah Maimunah Iskandariah Binti Almarhum Al-Mutawakkil Alallah Sultan Iskandar Al-Haj • Competitions: Pertandingan Mewarna 1Malaysia • Trolley Dash
Investors	KIP REIT believes that an open and transparent relationship between our community of investors is integral to our success. Management from KIP REIT has therefore committed themselves to providing periodic updates to our investors during road shows and press briefings.

(4) Human capital and Intellectual capital

At the core of KIP REIT's operational success is our People who are involved in the day-to-day management of all of the properties within its portfolio. Therefore, while the Fund itself does not employ individuals in our own right, KIP REIT nonetheless values the well-being of those involved in the daily management of the properties. For this reason, the Manager has made it their priority to promote a sense of empowerment by way of a three-pronged approach:-

1. Provision of clear guidelines on appraisals
During FY 2019, the Manager has formalised its procedure for appraisals. This exercise saw the clarification of performance indicators and reward programmes to motivate the service providers of KIP REIT.
2. Provision of training and development
During FY 2019, the Manager has provided training and development as an avenue for further personal and professional development. The topics covered during these sessions include introduction to automation system, PMS system trainings and Team Building Workshops.
3. Provision of other benefits and Recognition of service
During FY 2019, the Manager has demonstrated their appreciation for our human capital by providing events including but not limited to:
 - Annual dinners held for teams at each of our assets;
 - Buka puasa dinners;
 - Monetary rewards to recognise service; and
 - Lion dance performance.

The Manager also recognises that part of the successes of each of the assets within KIP REIT's portfolio is due to its insight in the demographics of its localities. To further our footprint around our communities, many of our service providers are recruited from the surrounding areas.

(5) Natural capital

The financial year under review saw an important milestone in KIP REIT's initiative to reduce carbon footprint with the completion of the installation of the solar photovoltaic system on all six of KIP REIT's investment properties. This 80:20 joint venture initiative with Pekat Solar has significantly reduced our electricity usage. At financial year ended 2019, 1,701 megawatt hours of electricity was produced by solar power, thereby reducing our coal electricity usage by approximately 10% for the past six months.