

# SUSTAINABILITY MANAGEMENT

## ABOUT CMMT

Listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) on 16 July 2010, CMMT is a shopping mall-focused REIT in Malaysia with an income-producing and geographically-diversified portfolio of five shopping malls and a complementary office block. As at 31 December 2017, CMMT had a market capitalisation of approximately RM3.7 billion and its portfolio was independently valued at approximately RM4.0 billion.

## REPORTING SCOPE AND PERIOD

This report covers CMMT's portfolio from 1 January to 31 December 2017, which is aligned with CMMT's financial year.

## SUSTAINABILITY COMMITMENT

As CMMT is part of CapitaLand Group (CapitaLand or CL Group), the Manager has aligned and adopted CapitaLand's established sustainability structure and framework of policies and guidelines, as well as ethics and code of business conduct for CMMT where relevant and appropriate.

CMMT's sustainability focus is aligned with CapitaLand's, which is based on its credo 'Building People. Building Communities.' And is integrated with CMMT's asset and portfolio strategies, daily operations management and stakeholder engagements. There is regular review, assessment and feedback in the areas of environment, social and governance (ESG) in line with CapitaLand's practices.

## TOP MANAGEMENT SUPPORT AND STAFF INVOLVEMENT

Members of CapitaLand's top management constitute a Sustainability Council which oversees sustainability management and receives support from its Sustainability Steering Committee (SSC). Representatives from all CapitaLand's business units (BUs) formed the SSC and two working teams. SSC manages the working teams with the aim of furthering CapitaLand's progress in terms of ESG performance. The Chief Executive Officers of the BUs are responsible for their respective BU Environmental, Health and Safety (EHS) performance in their role as BU EHS Champions.

The Manager identifies and reviews material issues which could have significant impact to CMMT's business and operations as well as others derived through regular stakeholder engagements.

## MATERIALITY

Through regular stakeholder engagement, the Manager identifies and reviews material issues that are most relevant and significant to its stakeholders. Priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to society and applicable to CMMT. The Manager therefore prioritises its sustainability efforts and reporting on issues that are most material to its business and stakeholders. The following areas are the issues that are most material to CMMT:

### Financial Performance

For detailed financial results and performance, please refer to the following sections of this Annual Report – Financial Highlights (page 3), 2017 Highlights (page 2), Financial Review (pages 70 to 72) and Financial Statements (pages 101 to 154).

### Governance

The Manager is committed to the highest level of corporate governance and transparency in its policies and processes. We see governance as essential for the sustainable value and success of CMMT and to be in the best interests of our Unitholders. For details on CMMT's Corporate Governance, please refer to pages 24 to 48 of this Annual Report.

As a member of the Malaysian Investor Relations Association (MIRA) and The Malaysian REIT Managers Association (MRMA), CMMT actively participates and supports the activities organised by these associations.

### Enterprise Risk Management (ERM)

An integral part of good corporate governance, a comprehensive ERM framework enables CMMT to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessment. Fraud and corruption risks and property management risk have been identified as material to ensure sustainability. Details on ERM can be found on pages 52 to 54 of this Annual Report.

## STAKEHOLDER ENGAGEMENTS

Stakeholders are the groups that our business has a significant impact on and those with a vested interest in our operations. CMMT's key stakeholders include shoppers, tenants, suppliers, investors, employees and the local community. Through the various engagement channels, CMMT seeks to understand our stakeholders' views, communicate effectively with them and respond to their concerns.

# SUSTAINABILITY MANAGEMENT



## ▼ SHOPPERS

### **Why We Engage**

To increase stickiness with local communities and followers online and convert to offline shoppers

### **Issues/Interests**

- ▼ Shopping malls with local communities' engagement
- ▼ Increase usage trend in Uber and Grab
- ▼ Increase online store offerings by tenants
- ▼ Shopping rewards

### **How We Engage**

- ▼ Social media content management and engagement strategy skewed towards interest and lifestyle of shoppers and communities
- ▼ Loyalty programmes new offering – car park rebates
- ▼ Experiential events and offline engagement with social media influencers
- ▼ Increase partnerships with Uber and Grab



## ▼ TENANTS

### **Why We Engage**

To understand our tenants' needs and support tenants' initiatives to help drive shopper traffic

### **Issues/Interests**

- ▼ Embark on CapitaStar loyalty programmes
- ▼ Opening of new shops/malls
- ▼ Introduce tenants' new offerings and new concept stores
- ▼ Knowledge sharing

### **How We Engage**

- ▼ Biz+ Series event
- ▼ Extend social media influencers engagements to tenants' offerings
- ▼ Extend CapitaStar recruitment initiatives to tenants' customers



## ▼ SUPPLIERS

### **Why We Engage**

To be a fair and reasonable buyer of goods and services and sharing industry best practices

### **Issues/Interests**

- ▼ Fair and reasonable treatment
- ▼ Ensure alignment with ESG objectives

### **How We Engage**

- ▼ Term contractor/vendor evaluation system
- ▼ Standard operating procedures, guidelines and house rules for compliance
- ▼ Share CapitaLand's EHS policy with suppliers
- ▼ Collaborate with suppliers to handle EHS challenges



## ▼ INVESTORS

### **Why We Engage**

To create an informed perception of CMMT and manage investors' expectations

### **Issues/Interests**

- ▼ Business performance
- ▼ Business expectations and strategy
- ▼ Economic, social and environmental concerns

### **How We Engage**

- ▼ Annual general meetings
- ▼ Bursa Securities announcements
- ▼ Annual reports, results briefings to analysts and media
- ▼ Website updates
- ▼ Roadshows, conferences and meetings
- ▼ CMMT mall tours



## ▼ EMPLOYEES

### **Why We Engage**

To develop employees to achieve optimal levels, align their personal goals with company performance and create a positive work environment for them

### **Issues/Interests**

- ▼ Communicating business strategy and developments
- ▼ Reward and recognition
- ▼ Training and development
- ▼ Employee wellbeing

### **How We Engage**

- ▼ Intranet, emails, staff communication
- ▼ Recreational and team building sessions
- ▼ Employee engagement surveys
- ▼ Performance appraisals
- ▼ Training courses



## ▼ COMMUNITY

### **Why We Engage**

To contribute to the communities in which we operate in

### **Issues/Interests**

- ▼ Philanthropy
- ▼ Environment

### **How We Engage**

- ▼ Employee volunteerism
- ▼ Management of ESG issues
- ▼ Corporate social responsibility programmes

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## CUSTOMERS

To reinforce our relationship with customers, we focused on key areas of social media content management, brand presentation and social media influencers engagement. Our social media content strategy was revised to increase organic growth of geo-targeted followers and content engagement. Content of social media was revamped and skewed towards lifestyle and community updates as well as observing feedback from our followers. We increased engagement with social media influencers and YouTubers to extend the reach of social media content particularly

content that were in relation to tenants' products and services, as well as our malls' campaigns. We tailored the CapitaStar rewards to skew towards seasonal festive, Asian culture as well as in-mall ongoing campaigns to ensure our members enjoyed extra privileges such as discounts and additional rewards when shopping at our malls. Car park rebates were introduced from June 2017 across Gurney Plaza, Tropicana City Mall, The Mines and East Coast Mall as one of the key initiatives to encourage patronage and stickiness.

## ENVIRONMENT

CMMT is committed to environmental sustainability and the enhancement of value as a real estate owner. By leveraging on technologies and analytics in optimising the usage of energy, water as well as waste management across our properties, we believe that we can manage our business better and create long-term value for all stakeholders.

Having identified key environmental issues, CMMT keeps track of its performance to ensure its properties are on track to meet CL Group's targets.

Key Environmental Issue	CL Group's Targets	CMMT Performance 2017
<b>Operational Efficiency</b>	<ul style="list-style-type: none"> <li>▼ Reduce carbon emissions intensity by 23% by 2020, and 30% by 2030.</li> <li>▼ Reduce energy intensity by 20% by 2020, and 25% by 2030</li> <li>▼ Reduce water intensity by 20% by 2020, and 30% by 2030</li> </ul> <p>(Using 2008 as base year)</p>	<ul style="list-style-type: none"> <li>▼ Achieved 11.4% carbon emissions intensity reduction, 17.1% of Energy Intensity reduction and 21.1% water intensity reduction.</li> </ul> <p>(Using 2009 as base year)</p>
<b>Resources Consumption Management</b>	<ul style="list-style-type: none"> <li>▼ To achieve Green Building ratings for all properties by 2020</li> </ul>	<ul style="list-style-type: none"> <li>▼ Three CMMT malls – Gurney Plaza, The Mines and East Coast Mall – have achieved Green Mark Gold certification awarded by the Building and Construction Authority of Singapore</li> </ul>
<b>Environment Management System</b>	<ul style="list-style-type: none"> <li>▼ ISO 14001 certification</li> <li>▼ Risk management of environmental aspects and impacts</li> </ul>	<ul style="list-style-type: none"> <li>▼ Retained ISO 14001 certification</li> <li>▼ No environmental non-compliance</li> </ul>
<b>Stakeholder Engagement</b>	<ul style="list-style-type: none"> <li>▼ Organise environmental outreach activities to cultivate an environmental mindset among stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▼ All CMMT malls participated in Earth Hour organised by CapitaLand</li> <li>▼ All CMMT malls participated in the recycling of waste programme</li> </ul>

The Manager incorporated EHS key performance indicators linked to the remuneration of all staff, as well as top management. These include:

- ▼ Energy and Water Usage Reduction: The rainwater harvesting system, which provides the cooling towers and the restroom/urinal flushing system, has been operational since 2013 at Gurney Plaza, The Mines and East Coast Mall. Water efficient fittings (endorsed by the Water Efficiency Labelling Scheme) are installed in the restrooms.
- ▼ Zero Fatality/Permanent Disability: In 2017, no CMRM staff met with work-related fatality or permanent injury.
- ▼ Stakeholder engagement initiatives:
  - ▼ **Earth Hour: Pedal for Power Fun Ride**  
In conjunction with Earth Hour in March, Tropicana City Mall joined Singapore, China, India and Japan malls under CapitaLand in creating awareness of green environment through the Pedal for Power Fun Ride. Approximately 401 cyclists joined this worthy cause in creating awareness of alternative transportation by clocking the earth's equatorial circumference of 40,075 km on bikes.
  - ▼ **Community Development:** On 28 Nov 2017, more than 150 staff volunteers participated the first Volunteer Day in Malaysia in conjunction with the inaugural philanthropic programme, My Schoolbag, by helping to refurbish three children charity homes in Kuala Lumpur, Penang and Kuantan. 322 underprivileged children benefited from a donation of school and daily necessities worth approximately RM165,000.
  - ▼ **Biz+ Series:** The 7th instalment of CapitaLand's Biz+ Series was organised in October 2017 and was about "Digilogue: How to Win the Digital Minds & Analogue Hearts and Even Stomachs of Tomorrow's Customers" by renowned futurist Anders Sorman-Nilsson. A special guest, the award-winning Chef Ian Kittichai, made a special appearance to share about his entrepreneurial journey and secrets in managing successful restaurants around the world.

### Our People

As an externally managed REIT, CMMT has no employees and is managed by CMRM, the Manager of CMMT, a 70% indirect wholly owned subsidiary of CapitaLand. Meanwhile, Knight Frank Property Management Sdn. Bhd. is the property manager for Gurney Plaza, Tropicana City Mall and Tropicana City Office Tower, The Mines and East Coast Mall. Zaharin Nexcap Property Management Sdn. Bhd. manages CMMT's majority interest in Sungei Wang.

The teams behind the Manager and Property Managers responsible for property and portfolio operations in Malaysia are identified as people or employees that are integral to CMMT's success.

### Fairness and Diversity

Both the Manager and the Property Managers have a common goal of developing a high performance culture that embraces diversity and teamwork.

The Manager and the Property Managers have in place an integrated human capital strategy designed to recruit, develop and motivate employees. It adopts stringent principles of fair employment and equal remuneration. Both define the human resource policy on equal opportunities and fair employment practices and all job applicants are treated fairly regardless of ethnicity, age or gender. The Manager and the Property Managers adhered to CapitaLand Group's policies on non-discriminatory employment practices, to attract top talent, all job opportunities in the Manager and the Property Managers are with selections based entirely on merit. Skill and ability are the key criteria in the selection process. CapitaLand has signed the Employers' Pledge for Fair Employment Practices with The Tripartite Alliance for Fair and Progressive Employment Practices. CapitaLand adheres to five key principles of fair employment:

- ▼ Recruit and select employees on the basis of merit, such as skill, experience and ability, regardless of age, race, gender, religion or family status
- ▼ Treat employees fairly and with respect and implement progressive human resource management systems
- ▼ Provide employees with equal opportunities for training and development based on their strengths and needs, to help them achieve their full potential
- ▼ Reward employees fairly based on their ability, performance, contribution and experience
- ▼ Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices

The total workforce comprises an almost equal proportion of male (54.0%) and female (46.0%) employees. The female employees are well represented with 50.0% at the middle and senior management levels.

As per CapitaLand's non-discriminatory employment practices, to attract top talent, all job opportunities in the Manager and Property Managers are advertised publicly via online job portals and newspapers, with selections based entirely on merit. Skill and ability are the key criteria in the selection process.

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## Human Rights

In adherence to CapitalLand's principle of Human Rights, one of the common goals for the Manager and Property Managers is to uphold the spirit of international human rights conventions, such as the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions, against coerced labour and discrimination in any form. There has no acts of discrimination or human rights violation reported in 2017.

## Positive Work Environment

The Manager and Property Managers are committed to provide staff with a positive and vibrant workplace that promotes personal development, good health and well-being as well as a rewarding career, which in turn results in a high-performance culture and work-life harmony. Initiatives include flexible work hours, a flexible medical and benefits plan, flexible work arrangements and employee engagement programmes.

The Manager and Property Managers advocate a pay-for-performance philosophy to drive ownership of collective goals, leading to a high-performance culture which creates long-term unitholder value. The robust performance management system ensures that all employees receive regular performance and career development reviews.

In 2017, 11 eligible female employees went on maternity leave and all returned to work. In Malaysia, the Employees Provident Fund (EPF) is a comprehensive social security savings plan introduced by the Malaysian Government to enforce savings by salaried workers to help EPF members work towards a secure retirement. Similarly, both employees and employer are required to register and contribute to Social Security Fund. The Social Security Organization (SOCSO) provides social security protection by social insurance including medical and cash benefits, provision of artificial aids and rehabilitation to employees to reduce the sufferings and to provide financial guarantees and protection to the family. Under the EPF and SOCSO scheme, employees and employer make monthly contributions to the employees' EPF and SOCSO accounts in accordance with the prevailing regulations.

## Talent Management and Succession Planning

The Manager and Property Managers actively seek innovative, dynamic and talented employees both internally and externally to strengthen the Management's bench strength in order to optimise the performance of the assets in CMMT's portfolio and facilitate CMMT's future expansion within Malaysia. High potential individuals are recruited at different points in their careers, from fresh graduates to young, mid-career professionals and industry veterans.

A robust succession planning and talent management strategies are in place to ensure that the Manager's and Property Managers' current and future human capital requirements are met. For members of the management team with proven track records and leadership potential, the Manager and the Property Managers partner with CapitalLand Institute of Management and Business (CLIMB) to provide leadership and management programmes to sharpen their management, leadership and business skills.

## Compensation and Benefits

The Manager and Property Managers' remuneration policy and process reiterate their corporate philosophy to attract and retain the best talent as well as to reward high achievers. The total rewards scheme includes both short-term incentives, in the form of cash bonuses, and long-term incentives, in the form of either restricted shares (equity) or restricted shares (cash). The total rewards scheme strengthens organisation-employee alignment as employees are rewarded based on business performance, and encourages talent retention.

A flexible benefits plan is provided to cater for the diverse needs of employees which enables them to complement their personal medical and insurance needs. Employees can then customise their benefits for themselves and their families.

The Manager and Property Managers conduct regular benchmarking exercises across markets and seek to be innovative in developing compensation strategies to remain competitive in attracting and retaining talent.

Almost 50.0% of employees have been with the Manager and Property Managers for five years or longer. Resigning employees will be interviewed as part of the continuing efforts to improve retention policies and initiatives.

## Learning and Development

The Manager and Property Managers believe that continual learning is the fundamental building block of growth, which offers comprehensive training and development programmes for employees to acquire relevant knowledge and skills to achieve business excellence.

In 2017, about 1.1% of the annual payroll was allocated for programmes relating to employee learning and growth. There is a training roadmap in place with a wide variety of courses, ranging from core competency development programmes, skills development programmes to jobs rotations/special projects/new assignments.

At the core of the staff development programme is a systematic programme for all new hires to gain insights of the business operations, strategies, core values and management philosophy. As part of their orientation, new hires can gain easy access to company information, policies and processes during their initial day of familiarisation.

Staff are also being sponsored for diplomas, degrees and masters programmes which helps in their career advancement. Throughout the year, staff also participated in overseas study visits to gain exposure to new retail trends, mall management concepts and network with industry players in different parts of the world.

A new programme namely "Fireside Chat" was introduced to Malaysia in 2017 with the aim to equip staff with knowledge to navigate the digital age and to inculcate a spirit of lifelong learning. Fireside Chat is a fun and informal learning platform where industry experts share insights on topics and trends. Two sessions were held in 2017 with theme "Retail of the Future" and "Redefining Spaces".

In 2017, staff clocked an average of 52 training hours per employee, which was well above the recommended industry guide of 40 hours. 99.3% of staff attended at least one training event. Staff are encouraged to upgrade themselves by attending courses or obtaining professional qualifications relevant to their work. Staff are granted with paid examination leave for their studies.

### Job Security

The Manager and Property Managers are committed to providing meaningful jobs for its employees.

There are various arrangements to ensure job security such as providing company retraining programmes for employees, redeployment of employees to alternative areas of work and implementing flexible work arrangements.

In the event of termination or employee resignation, there is a minimum notice period of one month that needs to be fulfilled, depending on the employee's job grade.

### Re-employment Opportunities

The Manager and Property Managers have a re-employment policy in place for employees who have reached the mandatory retirement age of 60 but are still able and willing to continue working for the Company. In 2017, there was six employees who were above retirement age.

### Ethics and Integrity

The Manager and Property Managers adopt a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, employees are required to make declaration on an annual basis where they pledge to uphold CapitaLand's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The zero tolerance policy towards bribery and corruption also extends to business dealings with third parties.

A whistle-blowing policy and other procedures are put in place to provide employees and parties who have dealings with CMRM and CMMT with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the fullest extent possible, be protected from reprisal.

The Manager and Property Managers adhere to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place. The policies implemented aim to help to detect and prevent occupational fraud in the following ways:

- ▼ Offer of fair compensation packages based on practices of pay-for performance and promotion based on merit, to employees. There are various healthcare subsidies and financial assistance schemes provided to alleviate the common financial pressures employees face.
- ▼ Clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.
- ▼ Initiatives to build and maintain the right organisational culture through CapitaLand's core values, educating employees on good business conduct and ethical values.

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This is reinforced by CapitaLand's policy and procedure on Business Malpractice Incidents (BMIs) that facilitates functional managers to swiftly report any BMI discovered in their workplace or in the course of their work directly to their respective Chief Executive Officers. Substantiated BMI cases are reported quarterly to the Audit Committee and shared with the risk champions regularly. Actions taken could include the termination of staff contract, and/or reporting to the appropriate external authorities.

To instill CapitaLand's core values and principles, new hires undergo the Orientation Programme which includes a mandatory module on anti-corruption policies and procedures. Employees were retrained to see how these values can apply to their daily work.

## People Engagement

The Manager and Property Managers endeavour to foster an open work culture with a focus on communication, teamwork and open exchange of ideas. In line with this staff engagement strategy, senior management conducts regular staff communication sessions to keep staff abreast of strategies, new developments and financials with a view to encourage the sharing of ideas, views and suggestions for business improvements.

The HR shared folder is a valuable platform for employees to find out the details of employment terms, benefits, human resource policies and practices including the whistle-blowing policy, as well as ethics and code of business conduct policy. The Manager also publishes a newsletter to provide quarterly updates to employees on the latest development within the Manager including highlights of the staff activities and key events. In addition, recreational and teambuilding events are regularly organised to foster cohesiveness and team spirit.

## People Welfare

The Manager and Property Managers organise various welfare and health-related activities to encourage a well-balanced and healthy lifestyle among employees. Activities include thematic dinner and dance, family movie screening, offsite staff gatherings, health talks and workout classes. The Manager and the Property Managers are committed to preserving a culture that embraces diversity and fosters inclusion. To promote mutual respect and a harmonious working environment among the different ethnic groups within the organisation, a series of cultural festive celebrations were organised, including Raya get-together, Deepavali gathering, Chinese New Year yee sang (prosperity) tossing ceremonies and Christmas get-together and gift exchange.

The Manager and Property Managers value and care for employees as the success of an organisation will be shaped by the people. The Manager and Property Managers will endeavor to continue to develop the human capital to achieve optimal performance.

## Health and Safety

All employees are expected to take ownership of Occupational Health and Safety (OHS) issues, and are encouraged to be proactive in reporting all OHS-related incidences alongside non-compliance and non-conformities.

In 2017, the Manager and Property Managers recorded a zero absentee rate of seven days with no workplace injuries, fatal workplace injuries nor occupational diseases cases reported.

We have a duty of care to ensure occupational health and safety of all employees and monitor our operations to ensure safety risks are controlled. We have adopted an OHSMS which was certified to OHSAS 18001 international standards in 2009. The OHSMS is audited by a third-party accredited certification body. Our OHS targets are:

- ▼ Zero incident resulting in staff permanent disability or fatality
- ▼ All main contractors for major projects have to be OHSAS 18001 certified (or equivalent)

We comply fully with OHS laws and regulations in Malaysia. During the year, we reported zero staff work-related permanent disability or fatality. All main contractors appointed in 2017, for projects with GFA of at least 2,000 square metres, were ISO 14001 and OHSAS 18001 certified.