

# Sustainability Report

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# Sustainability Report

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## CEO Message

The year marks the 10-year milestone for the Fund as we embark on the next decade of growth. Our primary objective is to ensure that the Fund's asset portfolio provide Unitholders with long-term and sustainable distribution of income, achieving long-term growth in the net asset value per Unit.

A well-defined strategy and proper follow through in the execution will create sustainable business operations, drive business performance while taking into account the long-term impact of the operations on the stakeholders and communities that we serve.

Keeping in mind the importance of sustainability in creating value for both MRCB-Quill REIT's ("MQREIT") asset portfolio and stakeholders, we are pleased to present our inaugural Sustainability Report this year. This report has documented our sustainability performance for the year ending 31 December 2017, with data for FY2016 wherever possible.

We will strive to meet our objective through the practice of good corporate governance, sound and responsible business and asset management practices and a forward-looking strategy that will strengthen resiliency in our business. In order to ensure that these are encompassed in all business operations, we have in place various strategic initiatives as we forge ahead – Property Management Strategy, Leasing Strategy, Capital Management Strategy and Investment Strategy.

Our business model factors in the impact that our day-to-day activities have on the ecosystem and society. While engaging with the local community is not one of MQREIT's material sustainability issue, we are committed to continue to take care of and give back to the community in which we operate in as a responsible corporate citizen. We have implemented community projects which focuses on improving the lives of the vulnerable groups in society, which includes children in need. We provide financial aid to children to meet their immediate needs and education. We are proud to have garnered the participation of all our employees in this year's corporate social responsibility project.

Employees are the key to the success of our business. Our key sustainability initiatives encompass employee attraction and retention, and talent management and succession planning. Our remuneration policy and processes reiterates our Group's corporate philosophy to attract and train the best talents and reward high achievers. We continuously seek innovative, dynamic and talented employees to improve our business performance. Talent management strategies are also in place to ensure that we meet the current and future human capital requirements.

Moving forward, we will continue to learn from the best sustainability practices to improve our sustainability performance, sharing our achievement in subsequent reporting.

# Sustainability Report

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## Introduction

### About the Report

This report is MRCB-Quill REIT's ("MQREIT") inaugural Sustainability Report. Through this report, we as the Manager hopes to reiterate our commitment to sustainability, highlighting our non-financial performance and initiatives across nine prioritised areas from 1 January 2017 to 31 December 2017, and presenting data from the previous year, where possible, for comparative purposes.

This report has been prepared in accordance with the internationally recognized Global Reporting Initiatives ("GRI") Standards – "Core", covering all of MQREIT's operations in Malaysia as shown in Figure 1. Going forward, the Manager will report its non-financial performance annually and work towards seeking independent verification of its Sustainability Report in the near future.



Platinum Sentral



Quill Building 2-HSBC



Quill Building 5-IBM



Quill Building 1-DHL 1



Menara Shell



Quill Building 4-DHL 2



Tesco - Penang



Part of  
Plaza Mont' Kiara



Quill Building 8-DHL (XPI)



Wisma Technip



PLAZA MONT' KIARA



Quill Building 3-BMW

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Figure 2: List of operations within the scope of the report

| List of operations within the scope of the report   |  |
|---|--|
| Quill Building: <ul style="list-style-type: none"> <li>● Building 1 – DHL1</li> <li>● Building 4 – DHL2</li> <li>● Building 2 – HSBC</li> <li>● Building 3 – BMW</li> <li>● Building 5 – IBM</li> <li>● Building 8 – DHL XPJ</li> </ul> | Wisma Technip<br>Part of Plaza Mont' Kiara<br>Platinum Sentral<br>Menara Shell |

Tesco Penang has been excluded from the scope of the report as it is fully self-managed by the tenant.

For any queries in relation to this report, please feel free to contact:

Ms. Joyce Loh  
 General Manager, Investment and Investor Relations  
 03-2859 7175  
 joyce.loh@mrcb.com

### About the Business

MQREIT is a Real Estate Investment Trust ("REIT") incorporated in Malaysia and listed on the main board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 January 2007 as Quill Capita Trust. It subsequently changed its name to MQREIT on 14 April 2015. Managed by MRCB Quill Management Sdn Bhd ("MQM" or "the Manager"), the main thrust of MQREIT's activities include acquiring and investing in commercial properties in Malaysia to provide unitholders with long-term and sustainable distribution income and to achieve long-term growth in the net asset value per Unit. In December 2016, MQREIT completed the acquisition of Menara Shell, its most recent asset, located in KL Sentral. Currently, MQREIT owns 11 commercial buildings comprising five in Cyberjaya, four in Kuala Lumpur, one each in Shah Alam and Penang, valued cumulatively at RM2.20 billion as at 31 December 2017. Since 2011, MQREIT has been a member of the Malaysian REIT Managers Association (MRMA).

During the year there were no significant changes in locations of operations and in share capital structure. However, the property manager was changed to Zaharin Nexcap Property Management Sdn Bhd.

Figure 3: Geographical Diversification (By valuation)

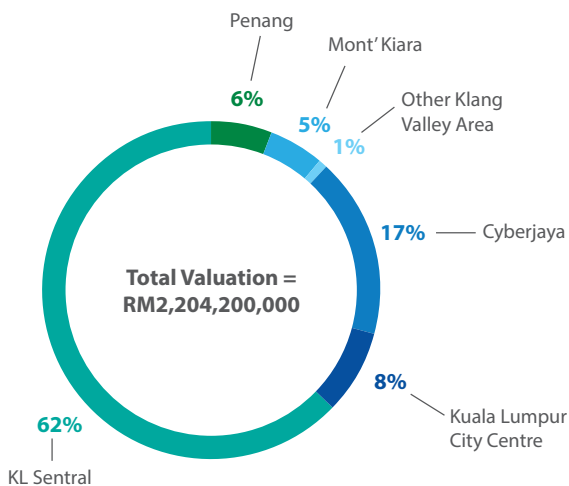
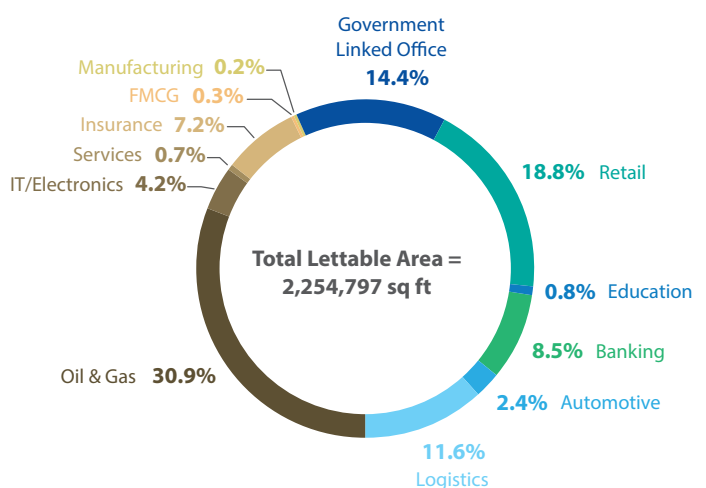


Figure 4: Tenancy mix (By Net Lettable Area)

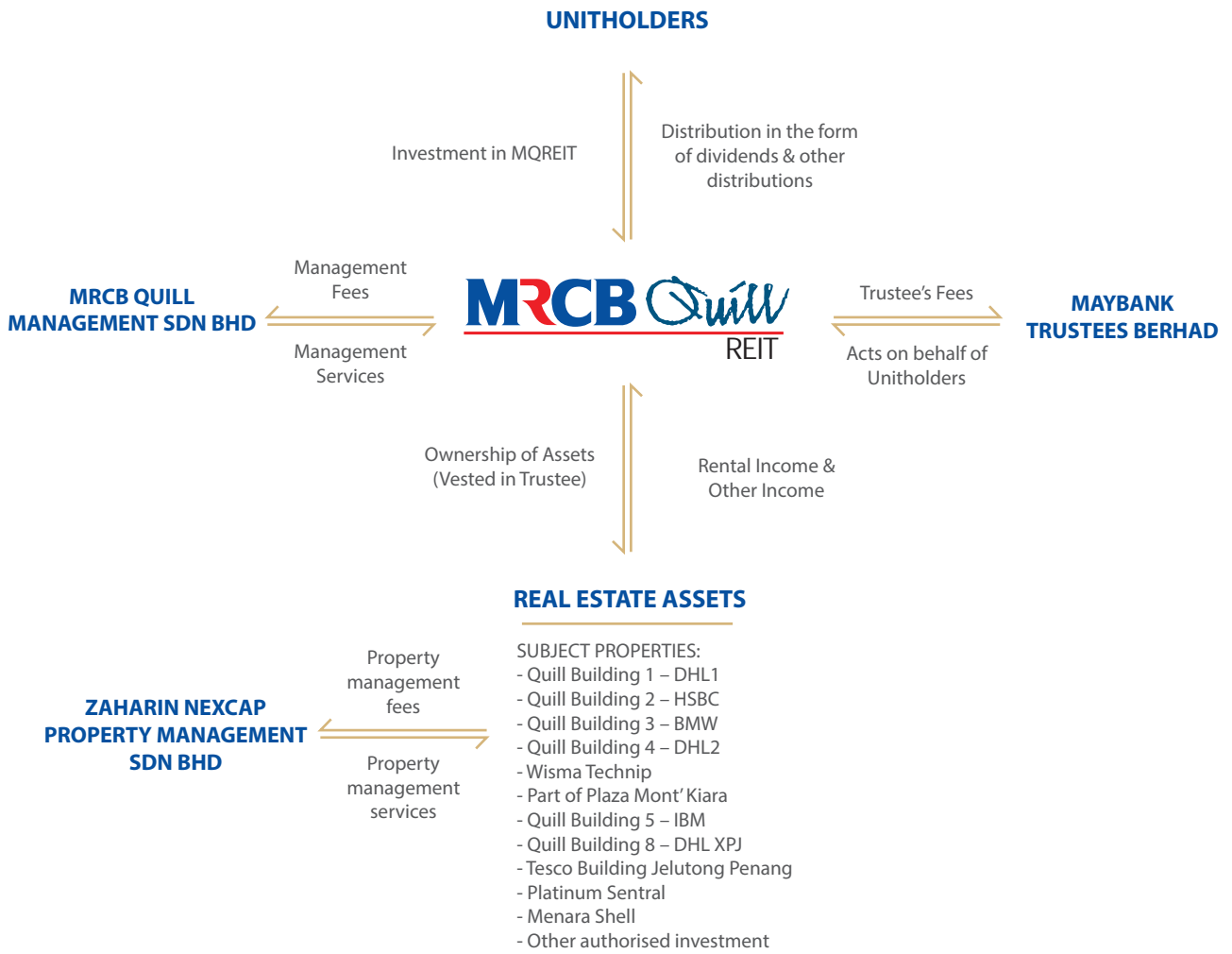


# Sustainability Report

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MQREIT's structure is described in figure below.

Figure 5: MQREIT Structure



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## Highlights in 2017

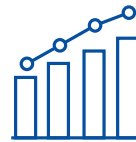
*We strive to ensure that the Fund's portfolio assets provides our Unitholders with long-term and sustainable distribution of income, achieving long-term growth.*

## FINANCIAL HIGHLIGHTS



# 11

Commercial buildings  
valued at **RM2.2 billion** as at  
31 December 2017



# 48.8%

Increase in realised net income



# RM2.29 billion

Total asset value



# 32.8%

Increase in gross revenue to  
**RM181.5 million**



# 8.39 sen

Distribution per unit

## SUSTAINABILITY HIGHLIGHTS



# 18

employees receiving  
an average of

# 22.9

hours of training for  
each staff

## AWARDS HIGHLIGHTS

Awarded the

### Best of the Breeds REITs Award

**2017** for Office REIT Malaysia (Gold) in the  
4<sup>th</sup> REITs Asia Pacific Conference 2017

Won the

### "Fastest Growing REIT - Malaysia"

**award** for at the 5<sup>th</sup> International Finance  
Magazine Award 2017

Nominated for

**Best Company for IR** award for  
small cap companies listed on Bursa  
Securities at the 7<sup>th</sup> MIRA Awards 2017



# Sustainability Report

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## Sustainability in MQREIT

### Materiality Assessment

Our first formal materiality assessment was conducted under the guidance of independent sustainability consultants this year with participation and contributions from key personnel from the respective departments. While the materiality assessment did not involve any external stakeholders, representatives from the Manager took into consideration both internal and external perspectives during the material matters prioritization process. The materiality assessment process adopted a four-step approach as outlined below.

1

### IDENTIFICATION

A long list of Economic, Environmental, Social and Governance (EESG) matters were identified through a desktop analysis of Sustainability Reports published by industry players and interviews with key personnel across departments.

2

### PRIORITISATION

The identified EESG matters were rated and prioritised through an anonymous voting exercise by the representatives from the various departments, taking into consideration both internal and external stakeholders' perspective.

3

### VALIDATION

Material matters that were identified in step 2 were represented to the Board for validation and approval.

4

### REVIEW

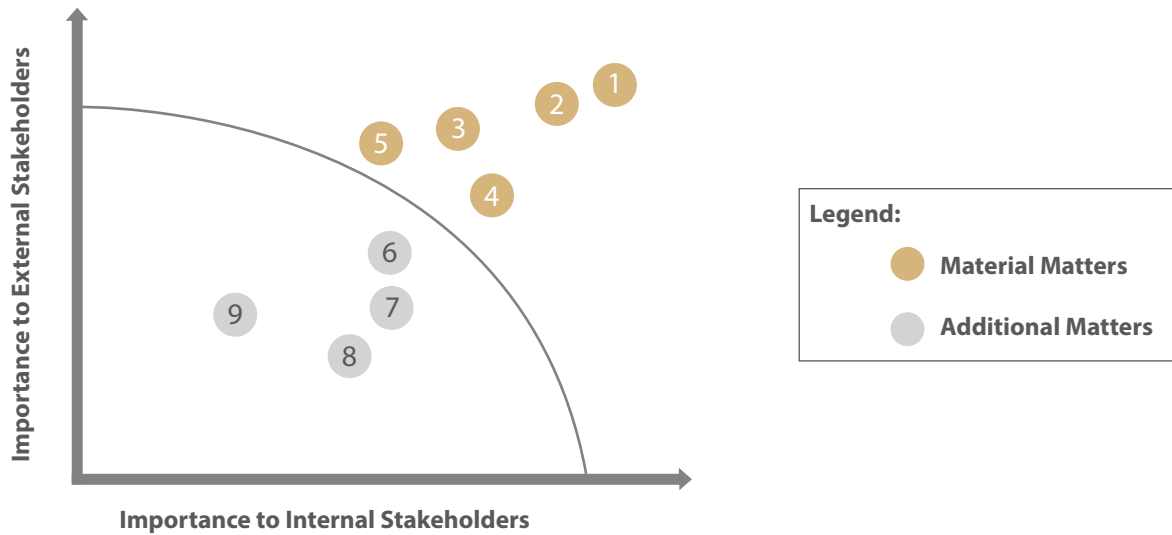
Material matters that were approved by the Board will continue to be re-assessed in subsequent reporting period to ensure that reported topics remain relevant and material.

# Sustainability Report

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The results of the materiality assessment are reflected in Figure 6. Five material matters have been identified. For more comprehensive coverage, the Manager has selected four additional matters for reporting.

Figure 6: Materiality assessment



| Material Matters |                                    | Corresponding GRI Standards Topic                                      |
|------------------|------------------------------------|--|
| 1                | Regulatory Compliance              | GRI 307: Environmental compliance<br>GRI 419: Socioeconomic compliance |
| 2                | Anti-Corruption                    | GRI 205: Anti-corruption   |
| 3                | Talent Attraction and Retention    | GRI 401: Employment  |
| 4                | Turnover Rate of Senior Management | GRI 401: Employment  |
| 5                | Governance (Sustainability)        | GRI 102: General disclosures   |

| Additional Matters for reporting |  | Corresponding GRI Standards Topic     |
|----------------------------------|--|---------------------------------------|
| 6                                | Health, Hygiene & Safety Protection of Tenants, Visitors and Local Communities | GRI 416: Customer health and safety   |
| 7                                | Quality of Assets and Services   | G4 CRE8: Product and service labeling |
| 8                                | Employee Capacity Building   | GRI 404: Training and education       |
| 9                                | Water Management   | GRI 303: Water                        |



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## Stakeholder Engagement

The Manager recognises the importance of stakeholder engagement for the sustainability of the business. By engaging with our stakeholders on a fairly regular basis, the Manager attempts to address the key concerns of its stakeholders. Table 1 summarises our approach to stakeholder engagement.

Table 1: Stakeholder Engagement table

| Stakeholder           | Objective   | Mode  | Frequency   | Stakeholder's key concerns  | Our responses  |
|-----------------------|---|---|---|---|--|
| Analysts              | <ul style="list-style-type: none"> <li>To provide information to allow analysts to disseminate accurate information to the investment community</li> </ul>  | <ul style="list-style-type: none"> <li>One-on-one meetings</li> <li>Analyst briefings</li> <li>Investor conferences</li> </ul>  | <ul style="list-style-type: none"> <li>Quarterly</li> <li>When required</li> <li>When required</li> </ul>   | <ul style="list-style-type: none"> <li>Timely and transparent disclosure of information and announcements</li> <li>Accessibility to management/ Investor Relations (IR) team</li> </ul> | <ul style="list-style-type: none"> <li>Improved responsiveness towards feedback and queries</li> </ul>   |
| Employees             | <ul style="list-style-type: none"> <li>To provide fair and equal opportunity</li> <li>To ensure employee development and career progression</li> </ul>  | <ul style="list-style-type: none"> <li>Quarterly employee appraisals</li> <li>One-on-one meetings</li> <li>Team meetings</li> <li>Staff retreat/team building retreat</li> <li>Staff briefings</li> </ul> | <ul style="list-style-type: none"> <li>Quarterly</li> <li>As appropriate</li> <li>As appropriate</li> <li>As appropriate</li> <li>As appropriate</li> </ul> | <ul style="list-style-type: none"> <li>Employee welfare &amp; benefits</li> <li>Work opportunity and career advancement</li> </ul>  | <ul style="list-style-type: none"> <li>Transparent, open and consistent approach to appraisals</li> <li>Feedback sessions with senior management</li> <li>Trainings, team building and staff retreats</li> </ul> |
| Government            | <ul style="list-style-type: none"> <li>To seek clarification from government agencies on the guidelines under their purview</li> <li>To ensure compliance and proper administration of the legislations effecting the operations of the REIT</li> </ul> | <ul style="list-style-type: none"> <li>Consultation meetings together with consultants/ advisers and industry associations</li> <li>Seminars and workshops</li> </ul>                                     | <ul style="list-style-type: none"> <li>On a case-to-case basis</li> <li>As appropriate</li> </ul>   | <ul style="list-style-type: none"> <li>Adherence to legislations and guidelines affecting the REIT</li> </ul>   | <ul style="list-style-type: none"> <li>Professional consultants/advisers are appointed to assist us during the consultations</li> </ul>  |
| Industry Associations | <ul style="list-style-type: none"> <li>To be a contributing members to the industry sectors' professional objectives</li> </ul>   | <ul style="list-style-type: none"> <li>To participate in consultation and feedback to regulators</li> </ul>   | <ul style="list-style-type: none"> <li>As appropriate</li> </ul>  | <ul style="list-style-type: none"> <li>Fair representation of industry's needs and demands to regulators</li> </ul>   | <ul style="list-style-type: none"> <li>Active membership involvement and contribution</li> </ul>   |

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| Stakeholder                                | Objective  | Mode   | Frequency  | Stakeholder's key concerns  | Our responses   |
|--|--|--|--|---|---|
| Investment Community<br>i.e. Fund Managers | <ul style="list-style-type: none"> <li>To engage existing and potential investors to provide information to allow these investors to make sound investment decisions in relation to MQREIT</li> </ul>  | <ul style="list-style-type: none"> <li>One-on-one meetings</li> <li>Investor conferences</li> </ul>  | <ul style="list-style-type: none"> <li>As appropriate</li> <li>As appropriate</li> </ul>   | <ul style="list-style-type: none"> <li>Profitability and financial health of MQREIT</li> <li>Timely and transparent disclosure of information and announcements</li> <li>Accessibility to management/IR team</li> </ul> | <ul style="list-style-type: none"> <li>Improved responsiveness towards feedback and queries</li> </ul>  |
| Local Community                            | <ul style="list-style-type: none"> <li>To give back to the community in which we operate, specifically to improve the welfare of needy children</li> <li>To contribute funds to meet the immediate needs of at least 1 children's NGO</li> <li>To involve all staff in the fund raising event</li> </ul> | <ul style="list-style-type: none"> <li>Cash contribution to meet immediate needs</li> </ul>  | <ul style="list-style-type: none"> <li>Annually</li> </ul>   | <ul style="list-style-type: none"> <li>To provide sustained support after the completion of each CSR project</li> </ul>   | <ul style="list-style-type: none"> <li>Alignment of goals of charities with our CSR objectives</li> <li>Continue to maintain relationship with charitable organisations</li> </ul>                          |
| Tenants                                    | <ul style="list-style-type: none"> <li>To engage existing customers to ensure tenant satisfaction and high retention rate</li> <li>To forge new relationships with potential tenants</li> </ul>  | <ul style="list-style-type: none"> <li>Direct feedback from tenants at all stages of the tenancy</li> <li>Regular meetings and discussions</li> </ul>  | <ul style="list-style-type: none"> <li>As appropriate</li> <li>When required</li> </ul>  | <ul style="list-style-type: none"> <li>Maintenance of the properties</li> <li>Quick response time by property managers</li> </ul>   | <ul style="list-style-type: none"> <li>Scheduled maintenance for each property</li> <li>Notify and resolve disruptions caused to tenants promptly</li> <li>Timely response to tenant's queries</li> </ul>   |
| Unitholders                                | <ul style="list-style-type: none"> <li>To proactively provide up-to-date disclosures and information to allow shareholders to make informed decisions on their investments</li> </ul>  | <ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Annual reports</li> <li>Website (<a href="http://www.mrcbquillreit.com">www.mrcbquillreit.com</a>)</li> <li>Announcements on Bursa Malaysia</li> <li>Interactions with IR personnel</li> </ul> | <ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>As appropriate</li> <li>As appropriate</li> <li>As appropriate</li> </ul> | <ul style="list-style-type: none"> <li>Profitability and financial health</li> <li>Timely and transparent disclosure</li> </ul>   | <ul style="list-style-type: none"> <li>Sound investment and capital management strategy</li> <li>Tested leasing and property management</li> <li>Robust corporate governance procedures in place</li> </ul> |
| Vendors                                    | <ul style="list-style-type: none"> <li>To have fair, proper and transparent dealings with vendors</li> </ul>   | <ul style="list-style-type: none"> <li>One-on-one meetings</li> </ul>  | <ul style="list-style-type: none"> <li>As appropriate</li> </ul>   | <ul style="list-style-type: none"> <li>Fair and transparent selection of vendors</li> </ul>   | <ul style="list-style-type: none"> <li>Professional approach in reviewing proposals from vendors</li> </ul>   |

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## Governance

Corporate governance has always been our priority as a listed issuer. An effective corporate governance culture is critical to the management of our Economic, Environmental, Social and Governance (EESG) risks and opportunities, and consequently the success of MQREIT. Effective risk management is a fundamental part of the Manager's business strategy in order to mitigate any potential loss of value of the Unitholders' investment in MQREIT. The Manager places strong emphasis on risk management and operates strictly within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed for an understanding of the risk involved and appropriate controls and measures are put in place before the Manager proceeds to execute these transactions. The Board has determined that significant risk for MQREIT will most likely arise when making property investment decisions. In accordance with this policy, the Board requires comprehensive due diligence exercises to be carried out with the help of third party consultants with the requisite specialised knowledge if necessary. The Board also requires that each major investment proposal submitted for decision includes a detailed risk assessment, including where appropriate, sensitivity analysis and management's proposed risk mitigation or control strategies.

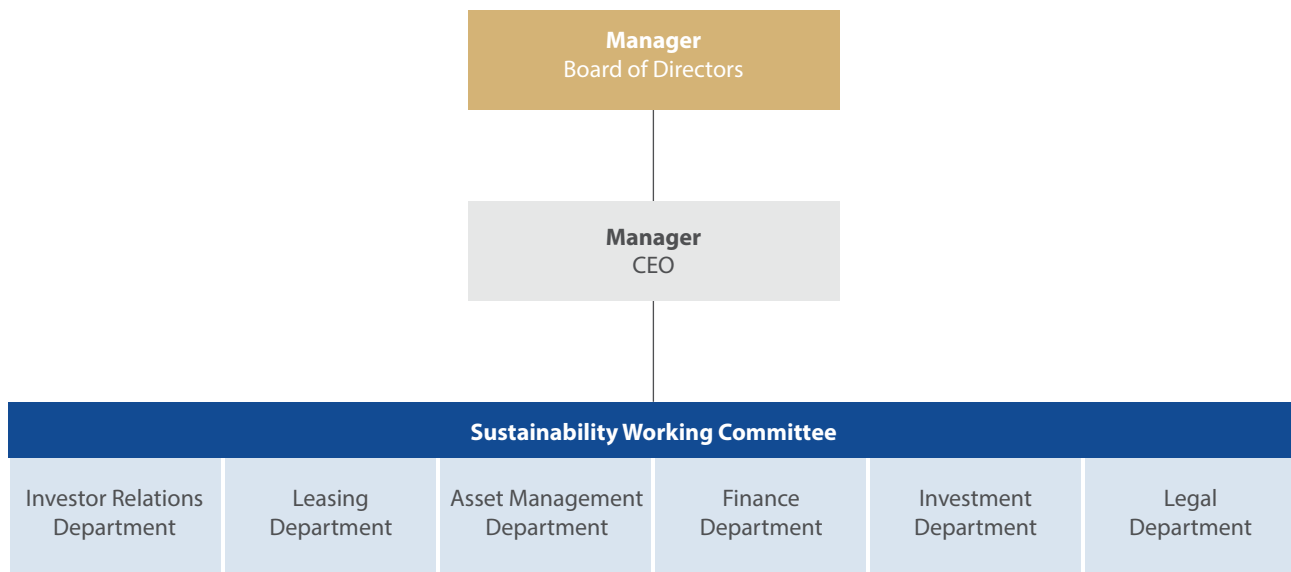
The Board also reviews the risks to the assets of MQREIT and acts upon any comments by the auditors of MQREIT. In assessing business risk, the Board considers the economic environment and the property industry risk. The Board reviews and approves all investment decisions. The management meets regularly to review the operations of the Manager and MQREIT and to discuss continuous disclosure issues. The management is required to ensure that appropriate controls are in place to effectively manage those risks, and such risks and controls are monitored by the Board on a regular basis.

For more information, refer to our Corporate Governance discussion in pages 52 to 65 of our Annual Report and our Corporate Government Overview Statement in pages 48 to 51 of our Annual Report.

## Managing Sustainability

A Sustainability Working Committee, comprising of key personnel from the relevant departments was formed to review the sustainability performance of our organisation. The committee is headed by the CEO, who reports to the Board.

Figure 7: Sustainability Governance Structure



# Sustainability Report

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Figure 8: MQM's organizational values



In 2016, the Corporate Communication Department of Malaysian Resources Corporation Berhad ("MRCB") developed and introduced the organisation's values to all staff as illustrated in Figure 8. The values will be introduced to every new staff during their orientation. The organisation's core values serves as a guidance to all employees at work. MQM has adopted these organisation values.

## Regulatory Compliance

The Manager is committed to be in compliance with all rules and regulations issued by the relevant authorities, including Bursa Malaysia, Securities Commission Malaysia and Inland Revenue Board of Malaysia. The Company Secretaries and Finance department work closely to ensure that internal controls and procedures have been put in place to measure and monitor performance in relation to compliance to rules and regulations. The Manager also engages an external consultant to review their internal processes. In order to ensure that employees are kept up-to-date on the developments in rules and regulations, MQREIT sends employees for trainings organized by Bursa Securities Malaysia, Securities Commission Malaysia and Malaysian Institute of Accountants.

This has allowed the Manager to maintain zero incidence of reported non-compliance with rules and regulations in FY2016 and FY2017. The Manager will continue to strive to maintain this record.

# Sustainability Report

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## Economic

### Anti-Corruption

At MQM, we operate MQREIT's business based on the principles of fairness, honesty, transparency, decency, integrity and ethics, which we believe are crucial to our success. Our employees are also kept up-to-date on corporate policies such as the 'Whistleblowing policy' and 'No Gift policy'.

The Whistleblowing policy aims to encourage employees and other stakeholder groups to disclose any improper conduct that they have become aware of. Concerns can be raised directly to the CEO and Chairman at MRCB Quill Management Sdn Bhd, Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, 50470 Kuala Lumpur. The Manager is committed to ensuring that all cases will be treated in the strictest of confidence and promptly investigated. There were zero cases reported in 2016 and 2017.

Our No Gift policy prohibits all employees from directly or indirectly receiving or providing any gifts, kickbacks or gratuities in any form that may compromise their judgment and decision making. Any gift offered must be politely declined and returned without causing offence or disrupting business relations. If an external party insists on giving a gift after No Gift Policy has been explained to them, the employee must inform them that any gifts will be donated to Yayasan MRCB Foundation, immediately. Non-compliance with this policy is classed as major misconduct and the employee involved will be subjected to disciplinary action, which may lead to dismissal.

The Manager communicates its anti-corruption policies and procedures to all of its clients and business customers through an anti-corruption clause in the agreement. However, the Manager does not currently communicate its anti-corruption policies and procedures to suppliers and agents. Moving forward, the Manager intends to include the anti-corruption clause in the agreements entered into with all service providers and tenants as well.

During the year, all staff also signed the Corporate Integrity Pledge by Malaysian Anti-Corruption Commission which signifies a unilateral declaration that it will not commit corrupt acts and will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia.

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## Environmental

### Water Management

Water is an essential utility in all our buildings. Without water, our services such as the air-conditioning system, washroom facilities, cleaning, landscaping, fire protection, and water for pantries will be disrupted and our clients operating in our buildings affected. According to the UN World Water Development Report 2017, water demand is predicted to increase significantly over the coming decades<sup>1</sup> and hence pressure on water availability is going to be felt as evidenced by the water shortage faced by Penang in 2016 and anticipated in Selangor in 2017-18 and repeated disruptions experienced in the Klang Valley<sup>2</sup>. The Manager is conscious about minimising our water usage and recognises the importance of proper water management.

The building managers from the Property Manager of the respective buildings are jointly responsible for the water management in each building. Each month, building managers record and report the monthly consumption unit in the Asset Control Group ("ACG") report. Should there be any hike in monthly consumption, buildings managers are to investigate the cause and provide the explanation for the variations.

The Manager takes a proactive approach in managing and conserving water, some of the initiatives being:

- Exploring new methods and technologies to conserve and reduce water usage
- Ensuring clean water for consumption
- Utilizing Rain Water Harvesting System for landscaping and toilet flushing in Platinum Sentral
- Installation of water-efficient technology such as the "self-closing" taps installed in refurbished toilets in Quill Building 2 - HSBC, Quill Building 3 - BMW in Cyberjaya

<sup>1</sup> The United Nations World Water Development Report 2017 (<http://unesdoc.unesco.org/images/0024/002471/247153e.pdf>)

<sup>2</sup> News articles (<http://www.themalaymailonline.com/malaysia/article/penang-on-water-shortage-alert-despite-rainy-weather#hGJilq35ZxgEi8Ev.97>, <http://www.themalaymailonline.com/malaysia/article/selangor-to-face-critical-water-shortage-from-2017-2019-mb-says#kllejreJx2rcyh66.97>, <https://www.nst.com.my/news/nation/2017/04/231590/revamp-needed-end-water-woes-klang-valley-ngos>)

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## **CASE STUDY: Rain Water Harvesting System (RWHS) in Platinum Sentral**

RWHS was installed in Platinum Sentral during its construction in order to be compliant with the Green Building Index. Rain water is harvested at Level 3 Courtyard A & B, which will be collected at the compartmented reinforcement concrete cold water suction tank at Level 1 with a capacity of 360m<sup>3</sup> (the average consumption of Platinum Sentral is 200m<sup>3</sup> per month. This harvested rain water is utilised for Block B Level 2 toilet flushing and for the irrigation to the landscape plants.

*(Image 1: Level 3 Courtyard A)*



*(Image 2: Level 3 Courtyard B)*



*(Image 3: Level 1 Pump Room & Water Storage)*



*(Image 4: Level 1 Water Storage & Filtration Tank)*



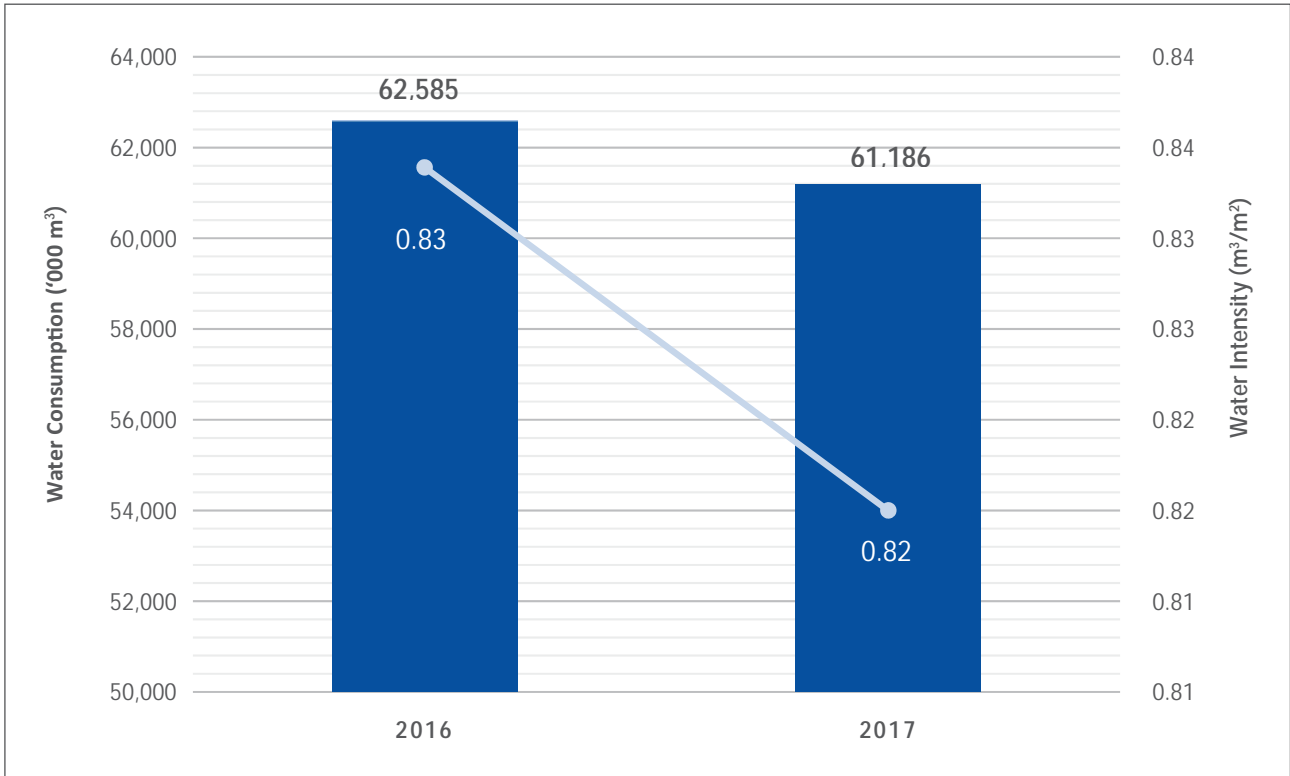
*(Image 5: Reinforce Concrete Storage Tank)*



# Sustainability Report

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Figure 9: MQREIT's water consumption



We are glad to report that in 2017, our initiatives have allowed us to achieve a small reduction in both water consumption and water intensity.

Currently, Wisma Technip and Menara Shell have water filters installed. Moving forward, we plan to assess the suitability of installing water filters in MQREIT's other buildings to be even more effective in our water usage.



# Sustainability Report

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## Social

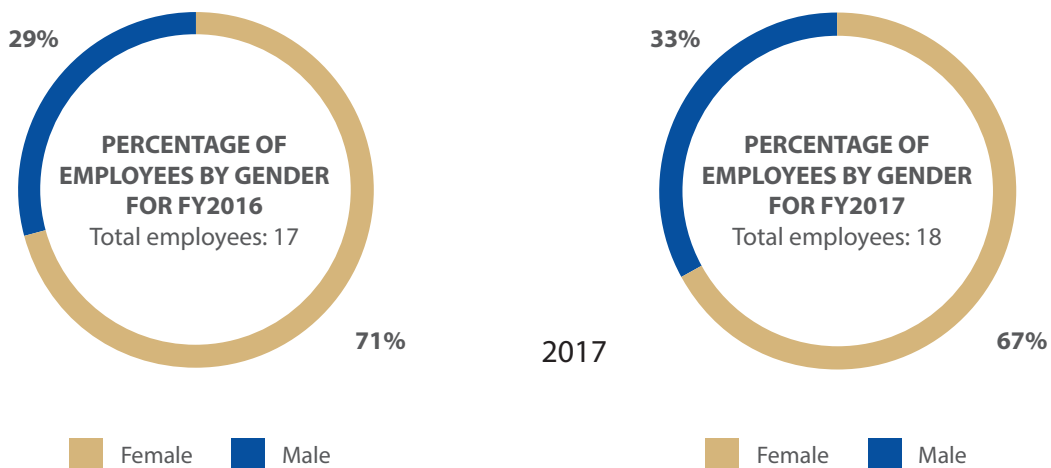
### Our People

People are our most valuable resource and the success of our business is driven by the skills, talent, passion, work ethics and professionalism, and commitment of our employees and workers. The Manager is committed to ensuring that robust practices are in place to attract, develop, retain and engage with employees and workers. To do so, we will work towards providing a conducive work environment with ethical employee practices and a culture of inclusion, embedding diversity and inclusion concepts and principles in our people process.

### Turnover Rate of Senior Management

As at 31 December 2017, the Manager had a total of 18 staff, an increase of one staff member as compared to the previous year. None of our employees are covered by collective bargaining agreements. As at year end, the Manager had a total of 34 workers<sup>3</sup>, an increase of 3 workers as compared to last year. Over the past year, there was no turnover in senior management. MQREIT ensures that their senior management are provided with appropriate compensation packages and staff benefits.

Figure 10: MQM's employee profile



<sup>3</sup> For the purposes of this report, the workers of the Manager only includes its property managers. A significant portion of the Manager's activities are performed by these appointed property managers who oversee all property operational matters such as proposed repair and replacement of mechanical and electrical works, attend to tenants' complaints, monitor and supervise the performance of service providers, and implement Standard Operation Procedures (SOPs).

# Sustainability Report

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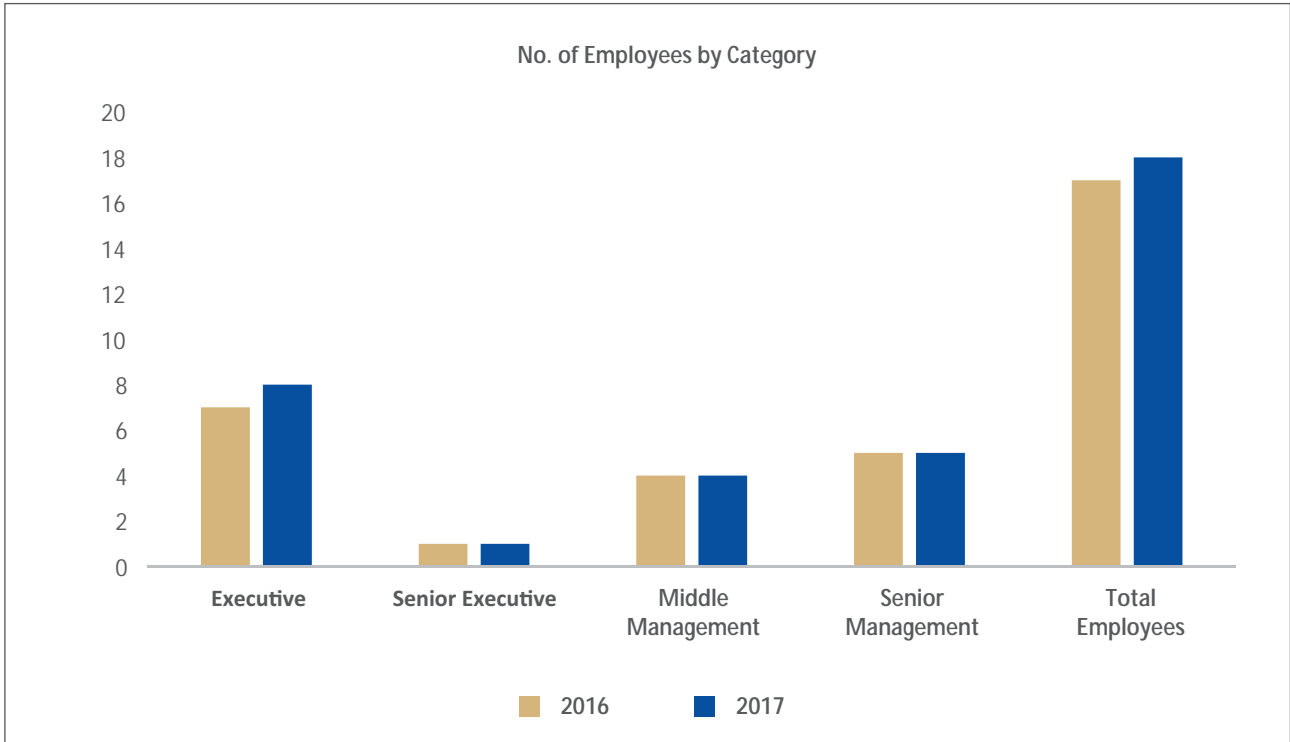
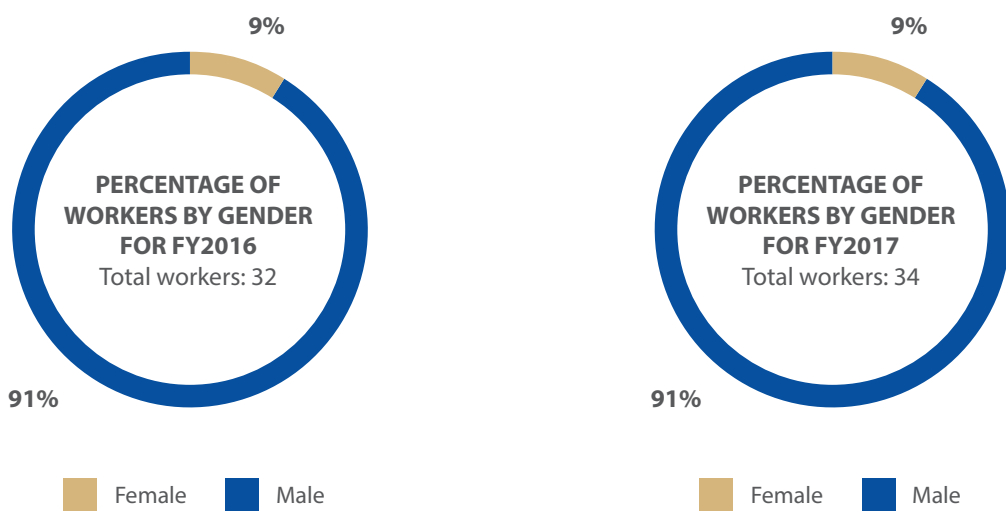


Figure 11: MQM's worker profile



# Sustainability Report

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## Talent Attraction and Retention

The Manager places great emphasis on the well-being of all staff. All employees are entitled to benefits such as life insurance, health care, disability and invalidity insurance coverage, parental leave, retirement provision and stock options. We also extend healthcare benefits to the employee's family members.

As part of the management's efforts to provide a conducive and inclusive work environment, the office was recently renovated to include a break-out area. This area is equipped with discussion spots, recreational spaces, projectors, providing a venue for employees to gather, work and play. In addition, various company events have been organised to encourage staff participation, such as the Family Day events and the annual year-end dinner which are activities that are celebrated Group-wide. Activities focused on staff and the celebrations serve as a good avenue for the staff and Board members to interact and foster better bonding.

### **CASE STUDY: Sabbatical Leave**

One of our Finance executive was granted a one year sabbatical in 2015 to take care of her sick child. Although the management was not able to guarantee that she will be able to take back her existing work portfolio in the finance department, she was guaranteed employment upon return. This staff has returned to work at MQM and has rejoined the finance department.

## Employee Capacity Building

Continual learning is a fundamental building block of growth. Guided by our Group-wide Training and Development policies (Figure 12), the Manager has adopted and actively supports the training and development programmes, which allow employees to acquire relevant knowledge and skills.

Figure 12: MRCB's training and development policies



# Sustainability Report

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To support our employees in upgrading their current skills sets, internal training courses are conducted at the MRCB Training Academy, providing a year-round calendar of technical, functional, job-related and soft skills training programs which all MRCB staff may enroll in. MQM staff have tapped into the MRCB Trading Academy platform for their respective learning needs. Funding for external training is also available to encourage our staff to enrich relevant skills and knowledge.

To monitor the performance in this aspect, the Manager began to require each staff to submit a self-declared training logbook on a half-yearly basis starting from the middle of 2017. This is to ensure the monitoring of training hours and courses that are taken throughout the year. Employees are continuously encouraged and reminded to enroll in relevant training courses via email blasts sent by the training coordinators. In 2017, we have successfully reached our target of a minimum of 20 CPE points for each Capital Markets & Services Representatives License Holders and an average of 20 hours of training per year for each employee. In 2018, we will continue to work towards improving our performance in this aspect and reduce the differences between average training hours of males and females, as well as between employee categories.

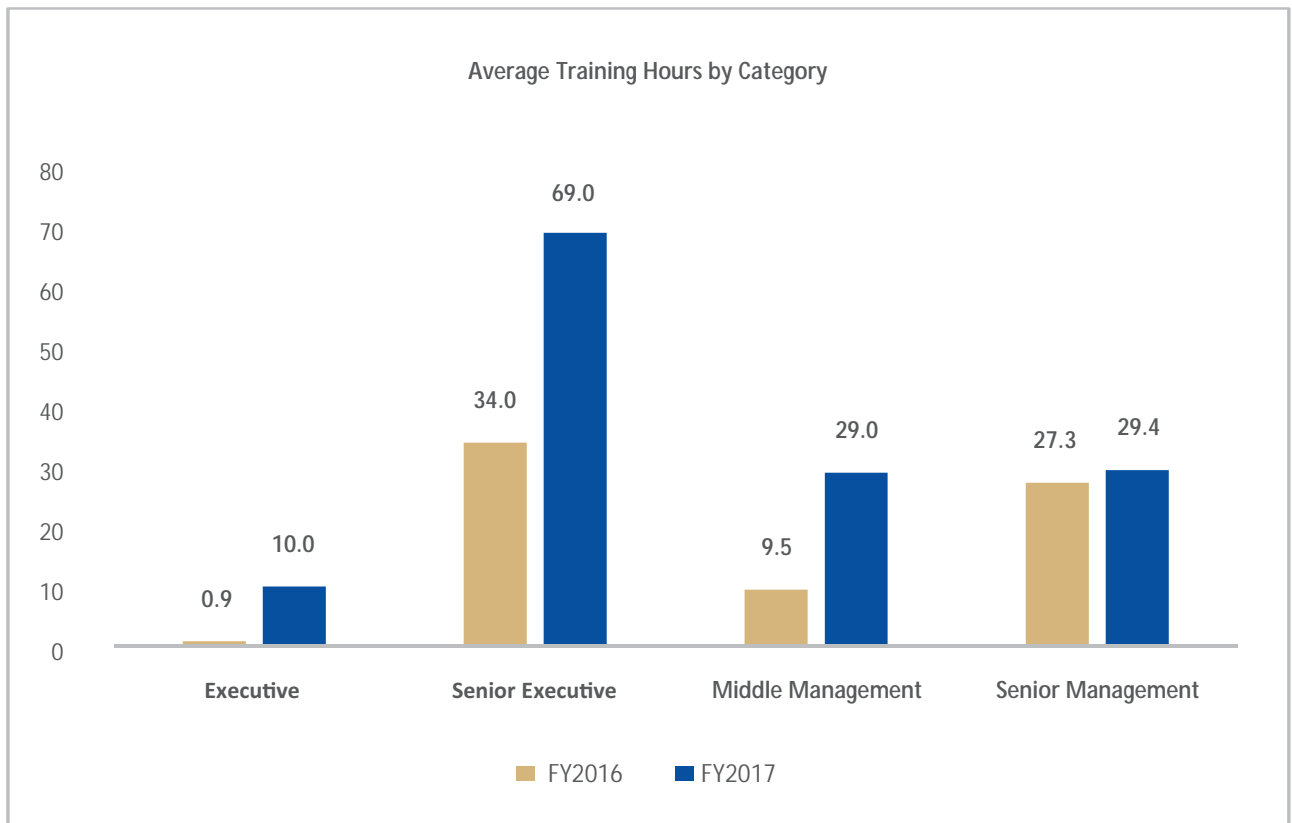
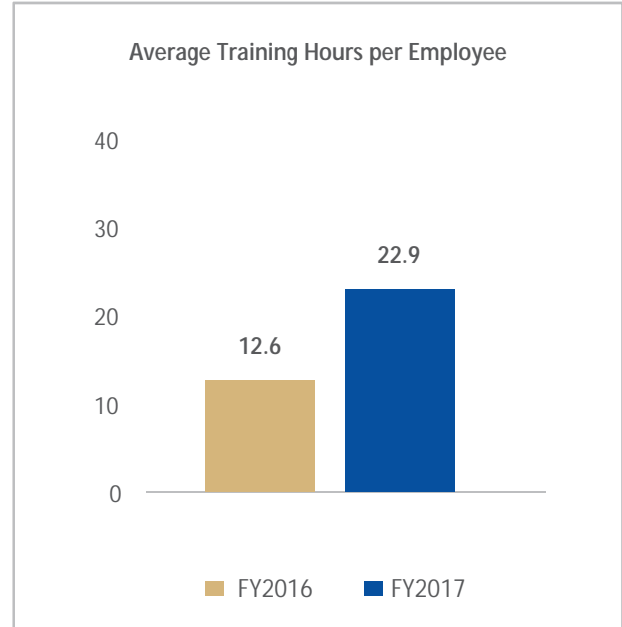
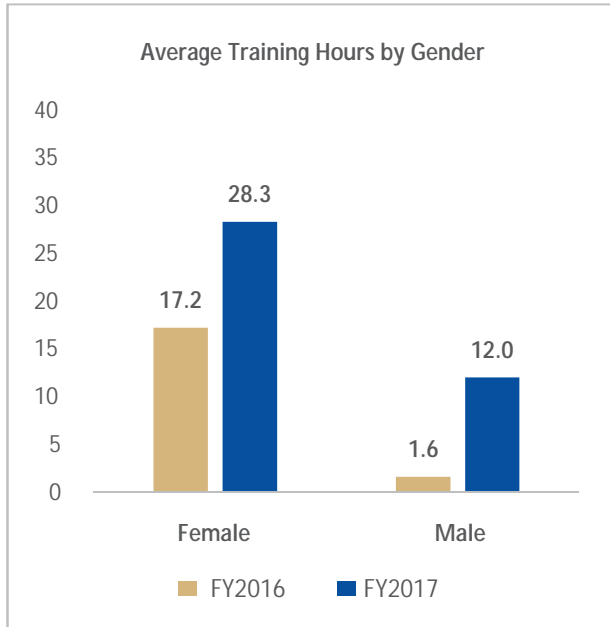
## **CASE STUDY: MRCB Learning Zone**

The MRCB Learning Zone has been implemented since September 2016. This digital learning platform provided in conjunction with Course Networking and Leaderonomics, will be a great opportunity for all staff to learn and grow together. At MRCB Learning Zone, staff will be able to access multiple skills and personal development courses for free and learn, not just from the courses, but also from the discussions staff can have around those using this platform – online and offline. The skills and personal development courses have been chosen to make the platform as inclusive as possible. Everyone will be able to find something interesting and useful, regardless of the job grade or position. In wanting to provide a systematic and limitless learning source, digital learning fits the bill because staff can access it from any place, allowing them to learn at their own pace and convenience. In addition, it can also act as a refresher course and provide guidance on the application of the learning materials. MQM staff have tapped into the MRCB Learning Zone for their respective training needs.

# Sustainability Report

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Figure 13: MQM's training hours



# Sustainability Report




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## Our Communities

### Health, Hygiene & Safety Protection of Tenants, Visitors and Local Communities

We recognise the importance of developing a positive health and safety culture for our tenants, visitors and communities. The Manager is committed to ensuring that health and safety measures are in place and ensuring that the buildings are in good condition without posing any safety and health hazards. By periodically reviewing methods and procedures, re-appraising working practices when circumstances change or arise, identifying hazards through incident reporting, potential hazards and risks over the long term are minimised.

In addition to this, the Manager carries out regular inspection of lifts and escalators, fire systems, electrical switch gears maintenance and re-calibration of electrical safety equipment of the buildings. Annual audits by external auditors are also carried out to maintain the integrity of equipment and buildings.

| Perpetual Targets  | Actions taken in FY2017   | Performance in FY2017  |
|--|---|--|
| To comply with Occupational Safety & Health Act (OSHA) 1994 and all relevant legislation                             | <p>Conduct safety briefing for all contractors, vendors and visitors to ensure compliance with building safe work procedures</p> <p>Routine inspection of building facilities, plants and other equipment to ensure that they are in good working condition</p> |  Achieved  |
| Engage only chargemen who are registered with Energy Commission and contractors who comply with safe work procedures | Assigning a qualified chargeman, who is endorsed by the Energy Commission, to properties in our portfolio   |  Achieved |
| Conduct fire drill and evacuation exercises for MQREIT properties (when necessary)                                   | Conducted fire and evacuation drill exercise in collaboration with Fire & Rescue Department (BOMBA) for Platinum Sentral and Menara Shell   |  Achieved |

| Future additional targets  | Forthcoming plans  |
|--|--|
| Improve on the safety procedures to maintain zero incidents rate   | Support, promote and raise health and safety awareness and compliance at work place through joint training with tenants, employees and authorised visitors |
| Conduct annual fire drill exercises for all MQREIT properties with the exception of Plaza Mont' Kiara <sup>4</sup> (under strata management) and all single tenanted buildings where exercises will be coordinated by the tenant | Push forth fire safety training, first aid training and emergency management training  |

<sup>4</sup> For Plaza Mont' Kiara (PMK), it is a mixed development with 5 blocks of offices and MQREIT only owns the car park and retail lots. The responsibility of conducting a fire drill falls under the purview of the Management Corporation, under the Strata Management Act.

# Sustainability Report

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In FY2017, there has been no incidence of non-compliance with regulations concerning Health and Safety.

## **CASE STUDY: Fire evacuation and drill at Platinum Sentral**

On 9 August 2017, the first fire drill and evacuation exercise was carried out together with the Fire & Rescue Department (BOMBA) at Platinum Sentral for all tenants and occupants. Platinum Sentral is a campus styled low rise building consisting of 5 blocks, ranging from 4-7 storeys. The exercise involved a total of 848 people.

MQREIT has in place a grievance mechanism for external stakeholders to raise their concerns, including those involving health, hygiene and safety protection via the following means:

| Channel      | Description of channel  |
|--------------|---|
| Telephone    | Stakeholders can call on Building Management Offices and request to speak to a stakeholder contact officer                            |
| Email        | Grievances can be sent to the respective Property Managers' email which can be found from the respective property management's office |
| Face-to-face | Stakeholders can voice their grievance to Property Managers   |

Every case will be acknowledged, investigated and followed up on before the case is closed. Should the external stakeholder be unhappy with the resolution, they can escalate the matter to the executive management team through the respective building property manager or directly to MQM by writing to [enquiries@mrcbquillreit.com](mailto:enquiries@mrcbquillreit.com) or by directly reaching out to MQM staff in the case of tenants. There were zero cases reported through this channel in 2016 and 2017.

## Quality of Assets and Services

The quality of assets and services has a direct impact on our tenants' satisfaction. Guided by the policies put in place (Figure 14), we will continue to strive towards improving the quality of the services, providing assurance and comfort to our tenants during their tenancy at our properties.

Figure 14: The Manager's policies on assets, tenants and service providers.

|   |   |
|---|---|
| <p><b>Service Provider Pre-Qualification Policy*</b></p> <p><i>Prequalification is required for all service providers to ensure the appointed service providers possess the financial, technical and manpower capability to carry out the appointed tasks</i></p> | <p><b>Service Contractors Evaluation Policy*</b></p> <p><i>Standard Performance Appraisal is adopted to reevaluate the performance of the service contractors and improvement on a yearly basis</i></p> |
| <p><b>Tenants Complaints Policy</b></p> <p><i>Tenant Complaints Form is made available for tenant to express their improvement suggestions or complaints for improvement on the quality of services</i></p>   | <p><b>Asset Enhancement Policy</b></p> <p><i>Yearly asset enhancement plan is tabled to the Board to enhance the quality of the assets</i></p>  |

\* Policy covers all properties except for Tesco Penang.

# Sustainability Report

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The Manager has adopted a Standard Performance Appraisal to continually evaluate the performance of the service contractors, to upkeep the standards of services provided. Service providers are required to achieve a minimum of 60% rating in their annual assessment. Should the service provider achieve a rating below 60%, they will be given three months to improve their performance before another appraisal is conducted. If rating fails to improve, the service provider will be terminated. In addition to this, improvement points and action plan will be developed at each assessment to seek continual improvement for the subsequent years. So far, two service providers have been terminated for failing the second appraisal.

To ensure our tenants enjoy the highest level of satisfaction, all tenant complaints are collated through a complaint form system. We work towards acknowledging and responding to the complaints within a 24 hour period.

In 2015, Menara Shell won the Malaysia Property Award for the Office category. In 2016, Menara Shell achieved a World Silver Winner Office at the Federal International des Administrateurs de Bien-Conseils Immobiliers (FIABCI) Award, which rewards project on its overall merit and not just aesthetics, functionality or size.

Asset Enhancement Initiatives carried out in Year 2017:

| Item | Building             | Asset Enhancement Initiatives Description   |
|------|----------------------|---|
| 1    | QB1 (DHL1) Cyberjaya | Refurbish and replace with new waterproofing flooring at the rooftop                                |
| 2    | QB3 (BMW) Cyberjaya  | Refurbish all washrooms from Ground Floor to 4th Floor  |
| 3    | QB3 (BMW) Cyberjaya  | Repaint basement carpark and parking bay line marking   |
| 4    | QB3 (BMW) Cyberjaya  | Install card access system with high speed roller shutter at the entrance and exit basement carpark |
| 5    | QB4 (DHL2) Cyberjaya | Refurbish and replace with new waterproofing flooring at the rooftop                                |
| 6    | QB8 (DHL) Shah Alam  | Repaint perimeter wall  |



# Sustainability Report

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## GRI Content Index

| GRI Standard Disclosure Reference   | Description   | Section of Report                                |
|-------------------------------------|---|--|
| <b>GRI 102: General Disclosures</b> |   |  |
| Organizational profile              |   |  |
| 102-1                               | Name of the organization  | Introduction: About the Business                 |
| 102-2                               | Activities, brands, products, and services                                    | Introduction: About the Business                 |
| 102-3                               | Location of headquarters  | Introduction: About the Business                 |
| 102-4                               | Location of operations  | Introduction: About the Business                 |
| 102-5                               | Ownership and legal form  | Introduction: About the Business                 |
| 102-6                               | Markets served  | Introduction: About the Business                 |
| 102-7                               | Scale of the organization   | Introduction: About the Business                 |
| 102-8                               | Information on employees and other workers                                    | Social: Turnover Rate of Senior Management       |
| 102-9                               | Supply chain  | Introduction: About the Business                 |
| 102-10                              | Significant changes to the organization and its supply chain                  | Introduction: About the Business                 |
| 102-11                              | Precautionary Principle or approach   | Governance                                       |
| 102-12                              | External initiatives  | Earth Hour                                       |
| 102-13                              | Membership of associations  | Introduction: About the Business                 |
| Strategy                            |   |  |
| 102-14                              | Statement from senior decision-maker  | CEO Message                                      |
| Ethics and integrity                |   |  |
| 102-16                              | Values, principles, standards, and norms of behavior                          | Governance: Managing Sustainability              |
| Governance                          |   |  |
| 102-18                              | Governance structure  | Governance: Managing Sustainability              |
| 102-20                              | Executive-level responsibility for economic, environmental, and social topics | Governance: Managing Sustainability              |
| 102-21                              | Consulting stakeholders on economic, environmental, and social topics         | Sustainability in MQREIT: Materiality Assessment |
| 102-29                              | Identifying and managing economic, environmental, and social impacts          | Sustainability in MQREIT: Materiality Assessment |
| 102-31                              | Review of economic, environmental, and social topics                          | Sustainability in MQREIT: Materiality Assessment |
| 102-32                              | Highest governance body's role in sustainability reporting                    | Governance: Managing Sustainability              |

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| GRI Standard Disclosure Reference   | Description  | Section of Report  |
|-------------------------------------|--|--|
| <b>Stakeholder engagement</b>       |  |  |
| 102-40                              | List of stakeholder groups                                 | Sustainability in MQREIT: Stakeholder Engagement   |
| 102-41                              | Collective bargaining agreements                           | Social: Turnover Rate of Senior Management   |
| 102-42                              | Identifying and selecting stakeholders                     | Sustainability in MQREIT: Stakeholder Engagement   |
| 102-43                              | Approach to stakeholder engagement                         | Sustainability in MQREIT: Stakeholder Engagement   |
| 102-44                              | Key topics and concerns raised                             | Sustainability in MQREIT: Stakeholder Engagement   |
| <b>Reporting practice</b>           |  |  |
| 102-45                              | Entities included in the consolidated financial statements | Refer to Annual Report   |
| 102-46                              | Defining report content and topic Boundaries               | Introduction: About the Report   |
| 102-47                              | List of material topics                                    | Sustainability in MQREIT: Materiality Assessment   |
| 102-48                              | Restatements of information                                | No restatements as it is the first year of reporting   |
| 102-49                              | Changes in reporting                                       | No changes as it is the first year of reporting  |
| 102-50                              | Reporting period   | Introduction: About the Report   |
| 102-51                              | Date of most recent report                                 | This is MQREIT's inaugural report  |
| 102-52                              | Reporting cycle  | Introduction: About the Report   |
| 102-53                              | Contact point for questions regarding the report           | Introduction: About the Report   |
| 102-54                              | Claims of reporting in accordance with the GRI Standards   | Introduction: About the Report   |
| 102-55                              | GRI content index  | GRI Content Index  |
| 102-56                              | External assurance   | Introduction: About the Report   |
| <b>GRI 103: Management Approach</b> |  |  |
| 103-1                               | Explanation of the material topic and its Boundary         | Sustainability in MQREIT: Materiality Assessment   |
| 103-2                               | The management approach and its components                 | Governance: Managing Sustainability<br>Governance: Regulatory Compliance<br>Economic: Anti-Corruption<br>Social: Talent Attraction and Retention<br>Social: Turnover Rate of Senior Management |
| 103-3                               | Evaluation of the management approach                      | Governance: Managing Sustainability<br>Governance: Regulatory Compliance<br>Economic: Anti-Corruption<br>Social: Talent Attraction and Retention<br>Social: Turnover Rate of Senior Management |

# Sustainability Report

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| GRI Standard Disclosure Reference                       | Description   | Section of Report  |
|---|---|--|
| <b>Category: Economic</b>                               |   |  |
| GRI 205: Anti-Corruption                                |   |  |
| 205-2   | Communication and training about anti-corruption policies and procedures  | Economic: Anti-Corruption  |
| 205-3   | Confirmed incidents of corruption and actions taken   | Economic: Anti-Corruption  |
| <b>Category: Environmental</b>                          |   |  |
| GRI 303: Water  |   |  |
| 303-1   | Water withdrawal by source  | Environmental: Water Management  |
| GRI 307: Environmental Compliance                       |   |  |
| 307-1   | Non-compliance with environmental laws and regulations  | Governance: Regulatory Compliance  |
| <b>Category: Social</b>                                 |   |  |
| GRI 401: Employment                                     |   |  |
| 401-1   | New employee hires and employee turnover  | Social: Turnover Rate of Senior Management   |
| 401-2   | Benefits provided to full-time employees that are not provided to temporary or part-time employees  | Social: Talent Attraction and Retention  |
| GRI 404: Training and Education                         |   |  |
| 404-1   | Average hours of training per year per employee   | Social: Employee Capacity Building   |
| 404-2   | Programs for upgrading employee skills and transition assistance programs   | Social: Employee Capacity Building   |
| GRI 416: Customer Health and Safety                     |   |  |
| 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services   | Social: Health, Hygiene & Safety Protection of Tenants, Visitors and Local Communities |
| GRI 419: Socioeconomic Compliance                       |   |  |
| 419-1   | Non-compliance with laws and regulations in the social and economic area  | Governance: Regulatory Compliance  |
| GRI G4 Sector Disclosures: Construction and Real Estate |   |  |
| CRE-2   | Building water intensity  | Environmental: Water Management  |
| CRE-8   | Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment | Social: Quality of Assets and Services   |