



KHAZANAH
NASIONAL

The Khazanah Report 2019

Growing Malaysia's Long-Term Wealth



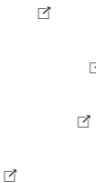
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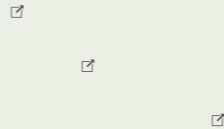


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A Fully Digital Report



As part of our sustainability efforts and move towards digitisation, we will no longer print The Khazanah Report. You may now view the report via our website or click the QR code to download this report.

Our website:
<https://www.khazanah.com.my/our-performance/the-khazanah-report/>

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CHAPTER 1

Introduction & Overview





Introduction

The Khazanah Report 2019 highlights the vision, goals and strategies that define Khazanah Nasional Berhad's (Khazanah) role as the sovereign wealth fund of Malaysia.

The Malay word Khazanah traces its origin from an Arabic word, which means "treasure". The word is also found in other languages carrying the same meaning. Put together, the name Khazanah Nasional means "national treasure".

The cover of The Khazanah Report 2019 draws inspiration from our mandate in growing the nation's long-term wealth to safeguard the needs of future generations.

The images depict the way we have transformed industries, economies and communities. Focused on growing intergenerational wealth, we take lessons from the past, plant the seeds today and create an impact tomorrow in moving the nation forward.

This report is available online at www.khazanah.com.my

July 2020

Who We Are

Khazanah Nasional Berhad (Khazanah) was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company and began operations a year later. Except for one share owned by the Federal Land Commissioner, all the share capital of Khazanah is owned by the Ministry of Finance Incorporated.

Our listed portfolio includes Axiata Group Berhad, CIMB Group Holdings Berhad, IHH Healthcare Berhad, Malaysia Airports Holdings Berhad, UEM Sunrise Berhad, Telekom Malaysia Berhad and Tenaga Nasional Berhad.

In 2018, Datuk Shahril Ridza Ridzuan was appointed as the Managing Director of Khazanah to lead the corporate restructuring and reorganisation, and to execute a refreshed mandate and objectives. He reports to the Board of Directors, chaired by Malaysia's current Prime Minister Tan Sri Muhyiddin Mohd Yassin.



Our Mandate

KHAZANAH'S MANDATE IS TO GROW MALAYSIA'S LONG-TERM WEALTH.

Grow in this context is to sustainably increase the value of investments while safeguarding financial capital injected into the fund. Long-term refers to a period spanning generations and focuses on ensuring future generations' ability to meet their needs. Wealth refers to the value of Khazanah's financial assets and economic development outcomes for the nation.

We achieve our mandate by pursuing two investment objectives – commercial and strategic.

- **Commercial objective**
Achieve optimal risk-adjusted returns, to grow financial assets and diversify sources of revenue for the nation.
- **Strategic objective**
Undertake strategic investments with long-term economic benefits for Malaysia and Malaysians, including holding strategic national assets.

OBJECTIVES

COMMERCIAL

Grow financial assets and diversify revenue sources for the nation

STRATEGIC

Hold strategic assets that bring long-term economic benefit

OUR MANDATE

Khazanah's role is to grow Malaysia's long-term wealth

OUR PHILOSOPHY

Attain appropriate risk-adjusted financial returns

Generate sustainable returns

Integrate ethical and responsible investing considerations

2019 in Review

2019 saw several key events and transactions undertaken by Khazanah. These include corporate exercises, strategic investments and divestments.

MARCH	APRIL	JUNE	JULY	SEPTEMBER	OCTOBER	DECEMBER
<p>5 MARCH Khazanah Annual Review 2019 & Announcement of Khazanah Refreshed Mandate</p>  <p>5 MARCH Launch of "Structure of the Malaysian Economy: An Input-Output Analysis" report</p> 	<p>10 APRIL Launch of "The Status of the Paddy and Rice Industry in Malaysia" report</p>  <p>25 APRIL Launch of "Rethinking Housing: Between State, Market and Society" report</p> 	<p>26 JUNE Appointment of To' Puan Azian Mohd Aziz, Prof Xiao'ou Tang and Lau Seng Yee as new members of the Board of Directors</p> 	<p>12 JULY Placement of RM2.0 b Exchangeable Bond with CIMB as underlying shares</p>  <p>15 JULY Divestment of 40% stake in Malaysia Shoaiba Consortium</p> <p>29 JULY M+S Pte Ltd's divestment of Duo office and retail space</p> 	<p>16 SEPTEMBER UEM Group's divestment of 55% stake in PT Lintas Marga Sedaya</p>  <p>17 SEPTEMBER Khazanah entered into agreement to divest 100% of Prince Court Medical Centre to IHH Healthcare Berhad</p> 	<p>3 OCTOBER Launch of "Time to Care: Gender Inequality, Unpaid Care Work and Time Use Survey" report</p>  <p>7-8 OCTOBER Khazanah Megatrends Forum 2019</p>  <p>8 OCTOBER M+S Pte Ltd's divestment of Andaz Singapore at Duo</p> 	<p>11 DECEMBER Launch of "Demarcating Households: An Integrated Income and Consumption Analysis" report</p> 

Chairman's Message

Bismillahirrahmanirrahim,

The year 2019 was punctuated by much uncertainty in the global landscape, which saw a prolonged Brexit process as well as a heightening of tensions that impacted international trade and the global economy. We ended the year with the start of the COVID-19 pandemic, which spread to many countries around the world. Alhamdulillah, despite the volatility and uncertainty, Malaysia's Gross Domestic Product (GDP) grew 4.3% in 2019, as we continued further down the path of long-term social and economic progress and development.

I'm pleased to see Khazanah also reporting a strong performance in 2019, achieving record profits and robust portfolio gains while having to navigate an environment of low returns and generally slower global economic growth. Khazanah has shown resilience and tenacity in these trying times to achieve significant progress in delivering on its mandate to grow Malaysia's long-term wealth. It is these characteristics that will also enable us as a country to overcome the challenges posed by the COVID-19 pandemic.

In the face of it all, the Government has implemented comprehensive measures and initiatives across our society and economy, in order to protect lives and preserve the livelihoods of all Malaysians. It is also heartening to see many of us, from all walks of life, stepping forward and coming together to contribute and volunteer their time, effort and resources to help those in need amongst

us. It is a hallmark of our people that we unite to meet any adversity that comes before us, and in the process, we become stronger together.

Alhamdulillah, we have been successful so far in bringing the situation under control, thanks in large part to the selfless dedication and sacrifice of those who are at the frontlines. We owe them no small amount of gratitude. In this regard, we have also been successful because of the support and self-discipline of Malaysians in complying with the measures and guidelines that we introduced to mitigate the spread of the coronavirus and help break the chain of infection. All of us look forward to the day when Malaysia and the world are free of COVID-19.

As Prime Minister, I am fully aware that during times of uncertainty, Malaysians look to the Government to provide security, safety and stability to their lives. Like other countries, Malaysia has been impacted by the effects and fallout from the pandemic, which has brought about a grim global economic outlook. It is the Government's duty to steer the country through the current environment and ensure that the nation recovers quickly and emerges stronger. Rest assured, the Government is doing all it can and will continue do all that's necessary.

Moving forward, I am also aware Khazanah faces a tough year with the current conditions in both the global and domestic markets. We are living in unprecedented

times, even as the world becomes more interconnected than ever. Nevertheless, Khazanah as the sovereign wealth fund of Malaysia will forge ahead in pursuing its long-term investment objectives and fulfilling its mandate. In this regard, I am confident that Khazanah will remain resilient while continuing to uphold good governance and strong risk management to deliver long-term sustainable returns for the country. On its part, the Government will continue to lead responsibly in implementing the necessary measures to not only address the immediate challenges, but to also ensure that the fundamentals of our economy remain in good stead for continued growth. We are confident that we are doing what is right for the nation's sustained progress.

As Chairman of Khazanah, I would like to take this opportunity to thank the senior management and staff for their continuous passion, commitment and hard work. I would also like to thank the Board members for their contribution and guidance to Khazanah. The journey ahead is a demanding one, but with perseverance and dedication, we will succeed, *Insha-Allah*.

TAN SRI MUHYIDDIN MOHD YASSIN
Chairman
July 2020

**“
KHAZANAH WILL REMAIN
RESILIENT WHILE CONTINUING
TO UPHOLD GOOD
GOVERNANCE AND STRONG
RISK MANAGEMENT TO DELIVER
LONG-TERM SUSTAINABLE
RETURNS FOR THE COUNTRY
”**

Board of Directors



TAN SRI MUHYIDDIN MOHD YASSIN

Chairman

Tan Sri Muhyiddin Mohd Yassin was appointed as the Chairman of Khazanah effective 1 April 2020. He is the current Prime Minister of Malaysia and was Deputy Prime Minister of Malaysia from 2009 to 2015. He had also held various ministerial posts since 1995, including Minister of Youth and Sports, Minister of Domestic Trade and Consumer Affairs, Minister of Agriculture, Minister of International Trade and Industry, Minister of Education and his last position was Minister of Home Affairs. He was also the Menteri Besar of Johor from 1986 to 1995.



TENGGU DATO' SRI ZAFRUL TENGGU ABDUL AZIZ

Director

Tengku Dato' Sri Zafrul Tengku Abdul Aziz was appointed as a Board member of Khazanah effective 1 April 2020. He is currently the Minister of Finance of Malaysia and a Senator of Dewan Negara, the upper house of the Malaysian Parliament. Tengku Zafrul has over 22 years of experience in the banking and finance industry. Prior to his ministerial position, he was the Group CEO/Executive Director of CIMB Group Holdings Berhad. He had also served as CEO of Maybank Investment Bank Berhad and Maybank Kim Eng Holdings, as well as held senior positions in Citigroup Malaysia, Kenanga Holdings Berhad and Avenue Securities. Tengku Zafrul graduated from University of Bristol, UK in Economics and Accounting. He also holds a Masters in Finance and Management from University of Exeter, UK and is a certified Fellow Chartered Banker by the Asian Institute of Chartered Bankers.



DATO' SERI MOHAMED AZMIN ALI

Director

Dato' Seri Mohamed Azmin Ali was appointed as a Board member of Khazanah effective 30 July 2018. He is the Senior Minister and Minister of International Trade and Industry. Previously, he was the Minister of Economic Affairs. He is a Member of the Economic Action Council and was previously the Dato' Menteri Besar of Selangor. He holds a Bachelor's degree in Economics and Mathematics and a Master's degree in Education and Economics from the University of Minnesota.



GOH CHING YIN

Director, Chairman of Executive Committee (EXCO) and Member of Nomination & Remuneration Committee (NRC)

Goh Ching Yin was appointed as a Board member of Khazanah effective 31 July 2018. He was a former Executive Director of the Chairman's Office, Strategy & Development, and Market Oversight at the Securities Commission Malaysia. Prior to that, he was CEO of Southern Investment Bank, Managing Director, Corporate Finance for BNP Paribas Group, and Chief Representative of BNP Peregrine Sdn Bhd. He also served at RHB Sakura Merchant Bankers Berhad, Renong Group and Price Waterhouse Associates. He currently sits on the boards of Maybank Investment Bank Berhad, Maybank Asset Management Group Berhad, Allianz Life Insurance Malaysia Berhad, Allianz General Insurance Company Malaysia Berhad and Shangri-La Hotels Malaysia Berhad. He holds a MBA from Cranfield University, United Kingdom.

Board of Directors



TO' PUAN AZIAN MOHD AZIZ

Director and Member of Audit & Risk Committee (ARC)

To' Puan Azian Mohd Aziz was appointed as a Board member of Khazanah effective 26 June 2019. She graduated with a Bachelor of Laws (LL.B) (Hons) degree from the University of Malaya. Her career began on 1 October 1987 with her appointment as a Federal Counsel in Attorney General's Chambers.

She held various position throughout her career, such as a Legal Advisor to the Ministry of Transport, Senior Federal Counsel in Advisory Division and Research Division of the Attorney General's Chambers, Senior Assistant Parliamentary Draftsman and Legal Advisor to the Ministry of Defence.

In 2010, To' Puan Azian was made the Director General of the Judicial and Legal Training Institute (ILKAP) at the Prime Minister's Department. Subsequently in 2012, To' Puan was appointed as the Treasury Solicitor, Ministry of Finance. In 2014, To' Puan Azian was then made the Deputy Head of Advisory Division (Municipal) I of the Attorney General's Chambers. In late 2016, To' Puan was promoted as the Head of International Affairs Division, Attorney General's Chambers.

To' Puan is currently the Head of Advisory Division, Attorney General's Chambers, since 1 November 2018.



LAU SENG YEE

Director, Member of Executive Committee (EXCO) and Member of Nomination & Remuneration Committee (NRC)

Lau Seng Yee was appointed as a Board member of Khazanah effective 26 June 2019. He has been affiliated with Tencent Holding Company since 2006 as part of its top management team. Today, Tencent ranks as one of the top global technology public listed company with market capitalisation of more than USD430 billion. Lau champions the cause of using technology for universal good and the sustainable development of humanity. He is a committed social evangelist at various international forums including the United Nations, UNESCO, Dubai International AI Conference, and IMF.

Recognised as "Global Media Person of the Year" by Cannes Lions in 2015, he joins a list of previous recipients includes Facebook founder Mark Zuckerberg, former Microsoft CEO Steve Balmer, and former Google Chairman Eric Schmidt, among others. A distinguished alumnus of Universiti Kebangsaan Malaysia and Rutgers University in New Jersey, where he received his Executive MBA; he completed the Advanced Management Program at Harvard Business School, and now serves as Harvard Business School Asia Pacific Advisory Board member since 2015.



DATO' MOHAMMED AZLAN HASHIM

Director, Chairman of Nomination & Remuneration Committee (NRC) and Member of Executive Committee (EXCO)

Dato' Mohammed Azlan Hashim was appointed as a Board member of Khazanah effective 1 April 2020. He is currently the Chairman of several public listed entities including D&O Green Technologies Berhad, Marine & General Berhad and IHH Healthcare Berhad. He also serves as a Board Member of Labuan Financial Services Authority a government-related organisation.

He has extensive working experience in the corporate sectors including financial services and investments. Among others, he served as Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Berhad.

Dato' Mohammed Azlan Hashim holds a Bachelor of Economics from Monash University, Melbourne and is a qualified Chartered Accountant. He is a Fellow Member of the Institute of Chartered Accountants, Australia, Institute of Chartered Secretaries and Administrators, and Member of the Malaysian Institute of Accountants.



DATUK SHAHRIL RIDZA RIDZUAN

Managing Director and Member of Executive Committee (EXCO)

Datuk Shahril Ridza Ridzuan joined Khazanah on 20 August 2018 from the Employees Provident Fund (EPF) where he was CEO. Prior to that, he was Managing Director of Malaysian Resources Corporation Berhad (MRCB). He is currently the Chairman of M+S Pte Ltd and Iskandar Investment Berhad, and is a Non-Executive Board Member of Malaysia Aviation Group Berhad and Malaysia Airlines Berhad. He holds a Master of Arts (First Class) from Cambridge University and a Bachelor of Civil Law (First Class) from Oxford University.



We thank Tun Dr Mahathir Mohamad, Dr Sukhdave Singh, Tan Sri Mohd Hassan Marican and Prof. Xiao'ou Tang, who resigned on 25 March 2020, 1 January 2020, 6 March 2020 and 6 April 2020 respectively, for their commitment and contributions to Khazanah.

Message from the Managing Director

Welcome to The Khazanah Report 2019 (TKR 2019), the eighth edition of our annual report and the first time that we are going fully digital. Sustainable investment returns have to be aligned with our continuing efforts to enhance sustainability practices throughout Khazanah. While we will no longer publish hardcopies, we've ensured that the information and content continue to be broadly accessible through multiple digital versions across a variety of platforms.

This was our first full year of operations under the refreshed mandate and strategic priorities that were put in place at the tail end of 2018. To recap, we have been tasked with growing the nation's long-term wealth by pursuing distinct commercial and strategic objectives. Our ultimate goal is to sustainably increase the value of our financial assets and enhance economic outcomes to meet the nation's needs over the generations to come.

The past year certainly had its challenges, with uncertainties in the global geopolitical and economic landscape. Despite this backdrop, Khazanah recorded significant progress on multiple fronts. We achieved an excellent turnaround in overall performance for 2019 with record profits from operations, contributed by higher divestment gains and lower impairments, and robust portfolio returns.

There was solid progress across our strategic priorities and the targets that we had set for the year, including generating returns in line with long-term targets for the Commercial Fund, delivering financial and strategic outcomes for assets in the Strategic Fund, and strengthening our financial position through significant operating expenditure reductions and debt repayments.

For 2019, Khazanah recorded profit from operations of RM7.36 billion, increased gains on divestments to RM9.9 billion, and made lower impairments of RM4.9 billion compared to the previous year. In addition, costs of running Khazanah fell by 28.2% to RM484 million, gross debt was reduced by 17.0% to RM45.8 billion, and Realisable Asset Value cover improved to 3.0 times from 2.4 times.

Our Commercial Fund generated a time-weighted rate of return of 8.3%, surpassing the long-term targeted rate of return equivalent to the Malaysian Consumer Price Index + 3% on a five-year rolling basis. We also made significant strides towards diversifying the Commercial Fund, as we continue our portfolio rebalancing efforts.

At the same time, we achieved financial and strategic outcomes for the Strategic Fund, despite the sluggish market. In particular, we engaged productively with the Government to enhance the regulatory landscape, refreshed and strengthened the leadership bench at investee companies, and commenced restructuring initiatives to improve financial performance and unlock value. The Strategic Fund generated an overall return of 2.9%, against the targeted 10-year Malaysian Government Securities yield.

Internally, Khazanah continued to further strengthen corporate governance and enhance transparency. These include publishing new policies on our responsible investment commitments, voting guidelines for nominee directors, as well as integrity-related initiatives such as the Khazanah Integrity & Anti-Corruption Plan. We also embarked on efforts to further develop talent and enhance organisational culture, as well as a digital strategy for enterprise architecture.

Beyond our investment activities, Khazanah supports initiatives in the social development and research spheres in 2019, including new forest trails in Taman Tugu (www.tamantuguproject.com.my), broad-ranging research by Khazanah Research Institute (www.krinstitute.org), and further corporate responsibility efforts in education, public spaces and knowledge via our foundation, Yayasan Hasanah (www.yayasanhasanah.org).

All in all, we've done much in the past year to meet the targets we had set out to achieve and fulfill the various roles and responsibilities we've been entrusted with. This was made possible through the hard work and efforts of our Board of Directors, management and staff, working hand-in-hand for the benefit of the country and its people.

I would like to take this opportunity to thank all of those involved, including our former Chairman Tun Dr Mahathir Mohamad and former Board members Tan Sri Mohd Hassan Marican, Dr Sukhdave Singh and Prof Xiao'ou Tang, for the steer and guidance that they provided throughout their respective tenures on the Board.

There is undoubtedly more that needs to be done, especially in meeting the challenges of these trying times posed by the global COVID-19 pandemic. We are confident that through the collective effort of our Board led by our Chairman Tan Sri Muhyiddin Mohd Yassin, management and staff, we will be able to navigate through the current difficult environment and continue to deliver on our mandate.

SHAHRIK RIDZA RIDZUAN
Managing Director
July 2020



“
OUR ULTIMATE GOAL IS TO SUSTAINABLY INCREASE THE VALUE OF OUR FINANCIAL ASSETS AND ENHANCE ECONOMIC OUTCOMES
”

Senior Management

Our Senior Management comprise professionals with backgrounds from various industries and areas of specialisation. Their collective wealth of knowledge and experience helps to ensure the implementation and delivery of our strategic and commercial objectives, based on the direction from our Board, and in line with our refreshed mandate.



DATUK SHAHRIL RIDZA RIDZUAN
Managing Director

Datuk Shahril Ridza Ridzuan joined Khazanah in August 2018 from the Employees Provident Fund (EPF) where he was CEO. Prior to that, he was Managing Director of Malaysian Resources Corporation Berhad (MRCB). He is currently the Chairman of M+S Pte Ltd and Iskandar Investment Berhad, and is a Non-Executive Board Member of Malaysia Aviation Group Berhad and Malaysia Airlines Berhad. He holds a Master of Arts (First Class) from Cambridge University and a Bachelor of Civil Law (First Class) from Oxford University.



DATO' MOHAMED NASRI SALLEHUDDIN
Executive Director
Head, Corporate & Support Services, Company Secretary and Head, Legal

Dato' Mohamed Nasri Sallehuddin joined Khazanah in September 2009. Prior to that, he was a partner with a leading law firm in Malaysia, advising clients on corporate law and the legal aspects of corporate restructuring, take-overs and mergers. He obtained his Bachelor of Laws (Hons) degree from University of Wales, Aberystwyth, United Kingdom in 1993. He sat for his bar examination in 1994 and was admitted to Gray's Inn as a barrister-at-law in 1995. Having completed his pupillage, he was admitted to the High Court of Malaya as an advocate and solicitor in 1996. He also holds an MBA from University of Strathclyde, United Kingdom.



TENGGU DATO' SRI AZMIL ZAHRUDDIN RAJA ABDUL AZIZ
Chief Investment Officer

Tengku Dato' Sri Azmil joined Khazanah in October 2011 from Malaysian Airline System Berhad where he was Managing Director and CEO. Prior to that, he was Managing Director and CEO of Penerbangan Malaysia Berhad. He has also worked at PricewaterhouseCoopers in London and Hong Kong. He is a graduate in Economics from University of Cambridge, United Kingdom and a Chartered Accountant.



DATUK HISHAM HAMDAN
Executive Director
Head, Public Markets

Datuk Hisham Hamdan joined Khazanah in April 2011 from Sime Darby Berhad, where he served in various senior capacities, covering strategy and business development, healthcare, energy & utilities, and China. He holds two degrees in Chemical Engineering and Industrial Management from Purdue University, in the United States. He has also attended the Harvard Business School's Advanced Management Programme.

Senior Management



FARIDAH BAKAR ALI

*Executive Director
Chief Financial Officer*

Faridah Bakar Ali joined Khazanah in May 2006. She started her career with PricewaterhouseCoopers Malaysia before joining BP Malaysia. She is a University of Lancaster graduate and a member of the Malaysian Institute of Accountants (MIA) and a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).



LATIFAH DAUD

*Executive Director
Head, Strategic Human Capital Management*

Latifah Daud joined Khazanah in April 2015. She has over 20 years of experience in human resources in multinational companies including Honeywell Inc., and Motorola/Freescale Semiconductor. She has also worked in a Singapore-based consulting firm as well as Hatibudi Nominees/Renong Group and Arab Malaysian Bank. She holds an MBA and a BSc. in Computer Management from Eastern Illinois University, USA.



SUHANA DEWI SELAMAT

Head, Governance, Risk & Compliance

Suhana Dewi Selamat joined Khazanah in November 2012 and was appointed Chief Risk Officer on 1 February 2017. Previously she was the Director/Country Head of Compliance with Credit Suisse in Malaysia. She has more than 20 years of experience in legal, regulatory and compliance roles. She read law at London School of Economics. She was called to the Malaysian Bar in 1997.



MOHD IZANI ASHARI

*Executive Director
Head, Special Projects Office*

Mohd Izani Ashari joined Khazanah in April 2009 and had 35 years cumulative working experience mainly with multi-nationals/large companies including Shell, Maybank, Sime Darby, PETRONAS Dagangan, PETRONAS Carigali and Malaysia Airlines. He holds a Master's Degree in Construction Management from Reading University, United Kingdom and Bachelor's Degree in Quantity Surveying from John Moores University, Liverpool, United Kingdom.

Senior Management



AMRAN HAFIZ AFFIFUDIN

*Executive Director
Head, Power and Head, Iskandar*

Amran Hafiz Affifudin joined Khazanah in June 2011. He started his career with PETRONAS in corporate finance and treasury functions. Amran also has experience in the private equity industry, where he served in various roles and responsibilities with several firms. He holds a B.Sc. in Commerce, majoring in Accounting and Finance from the McIntire School of Commerce at the University of Virginia.



SERENA TAN MEI SHWEN

*Executive Director
Head, Private Markets
(Southeast Asia & Private Funds Group)*

Serena Tan joined Khazanah in February 2005. Prior to Khazanah, she was with Boston Consulting Group and McKinsey & Co. She holds a Bachelor of Commerce degree in Accounting and Finance from Macquarie University, Australia, and a Master's in Business Administration under the MIT Sloan Fellows programme from the Massachusetts Institute of Technology.



BRYAN LIM

*Executive Director
Head, Private Markets (North Asia)*

Bryan Lim joined Khazanah in December 2005 and was a key member of the team that set up Khazanah's first foreign office in Beijing in 2008. Prior to Khazanah, he was with Ernst & Young, Rating Agency Malaysia Bhd (RAM) and ECM Libra Securities Sdn Bhd. He holds a Master's in Business Administration from the MIT Sloan Fellows programme at the Massachusetts Institute of Technology, and a Bachelor of Commerce and Management degree from Lincoln University, New Zealand. He is also a Chartered Financial Analyst (CFA) charterholder.



NIK RIZAL KAMIL

*Executive Director
Head, Private Markets (North America, EMEA and India)*

Nik Rizal Kamil joined Khazanah in April 2011. He started his career as an accountant and auditor with Coopers & Lybrand United Kingdom and Arthur Andersen & Co in Malaysia before a stint with RHB Sakura Merchant Bankers. He was then attached with the Royal Dutch Shell Group in Malaysia, Asia Pacific region and the UK, covering Shell's global upstream and downstream businesses. He holds a B.Sc. (Hons) in Economics and Accounting from University of Bristol, and a M.Sc. (Finance) from London Business School. He is also a Fellow of the Institute of Chartered Accountants England and Wales (ICAEW).

Senior Management



DR FARID MOHAMED SANI

Head, Telecommunications

Dr Farid Mohamed Sani rejoined Khazanah in December 2018 after serving as Chief Strategy Officer of UEM Group. Prior to that, he was with Telekom Malaysia from 2012 to 2017. Dr Farid first joined Khazanah in July 2004 and stayed until 2011. He was previously a consultant at McKinsey & Co. He holds a Bachelor's and Master's degree in Chemical Engineering, as well as a PhD in Chemical Engineering, all three from the University of Cambridge.



SELVENDRAN KATHEERAYSON

Head, Real Assets

Selvendran Katheerayson has been with Khazanah since January 2006. Prior to this, he has worked at Motorola Inc and Maxis Communications Berhad. He started his career at Ernst & Young in June 1994. He holds a Master in Public Administration degree from Harvard University, a Master of Business Administration (Finance) degree from the University of Hull and an Honours degree in Law from the University of London.



SHAHIN FAROQUE JAMMAL AHMAD

Head, Leisure & Tourism

Shahin Faroque Jammal Ahmad joined Khazanah in November 2016. He has over 20 years of experience in investment banking. Prior to joining Khazanah, he worked with various commercial and investment banks in both domestic and regional roles. Shahin holds a Bachelor of Science in Economics (Accounting & Finance) from the London School of Economics and Political Science, University of London.



WONG SHU HSIEN

Head, Infrastructure

Wong Shu Hsien joined Khazanah in February 2005 from Binafikir Sdn Bhd. Prior to that, she worked in a private equity firm, Emerging Markets Partnership, the Principal Adviser to AIG Infrastructure Fund II. She holds a degree in Economics from University of Cambridge and a Masters in Economics from London School of Economics.

Senior Management



NICHOLAS KHAW

Head, Research

Nicholas Khaw joined Khazanah in April 2011 from the Economic Planning Unit of the Prime Minister's Department, where he started his career as a macroeconomist. At present, Nick is also responsible for overseeing operations at Khazanah Research Institute. Nick holds a Master in Public Administration in International Development (MPA/ID) from Harvard Kennedy School and completed his Bachelor of Arts in Economics at Harvard College.



MOHD RASLAN MD SHARIF

Head, Corporate Communications

Mohd Raslan Md Sharif joined Khazanah in October 2011. Prior to this, he was a communications consultant with Hill & Knowlton. Raslan has more than 10 years of journalism experience with Star Media Group. He has also worked at Multimedia Development Corporation and CIMB Securities Sdn Bhd. He is a graduate of Universiti Pertanian Malaysia.

CHAPTER 2

Corporate Governance



Governance and Accountability

We uphold rigorous standards of transparency and accountability, guided by a framework that sets a clear responsibility, authority and governance structure.

We operate within the framework of a clearly defined mandate that is aligned with the national development objectives of the Government.

Our Framework of Integrity, Governance and Risk Management (FIGR) (Figure 1) serves as a guide for the effective management of risks, and to inculcate a culture of good corporate governance and risk management throughout the institution. The Framework was adopted by the Board in 2004 and was updated in November 2018 to highlight the Board's oversight function and Khazanah's core values. The FIGR sets the parameters to guide our overall business operations according to our core values of integrity, teamwork, mutual respect, diligence and professionalism, and with accountability to the Board at its core.

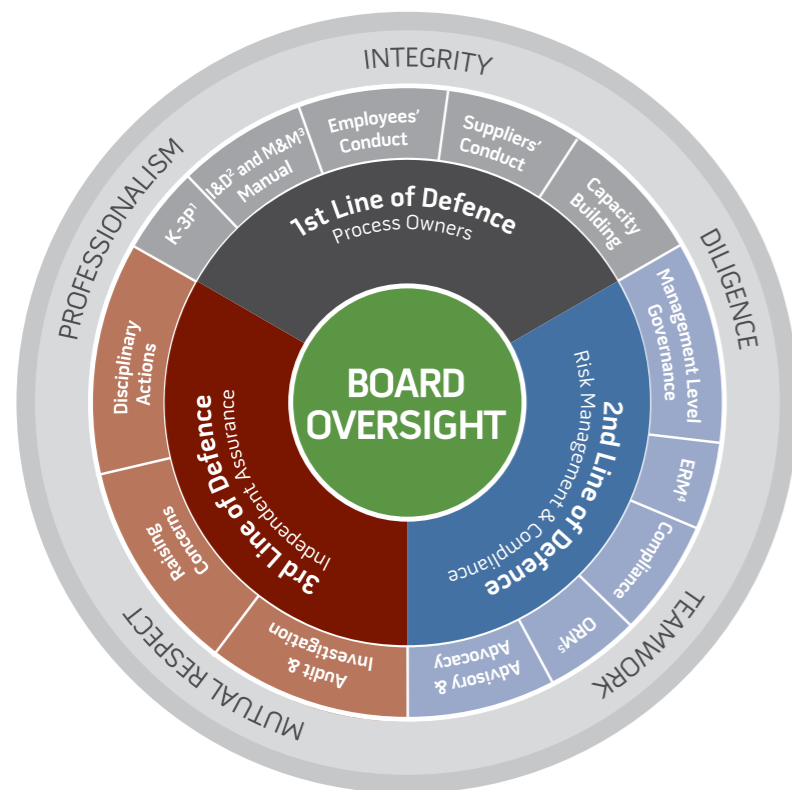


Figure 1: Framework of Integrity, Governance and Risk Management

¹ K-3P - Khazanah Policies, Processes & Procedures
² I&D - Investment & Divestment
³ M&M - Management & Monitoring
⁴ ERM - Enterprise Risk Management
⁵ ORM - Operational Risk Management

The Board of Directors (Board) governs our operations and is ultimately accountable and responsible for Khazanah's overall governance – this includes both performance and conformance matters. The Prime Minister of Malaysia is the Chairman of our Board and is supported by a group of qualified individuals with diverse professional backgrounds and expertise as Board members. A Board Charter sets out the roles and responsibilities of the Board in overseeing the management of Khazanah, and the FIGR includes a Schedule of Matters for the Board, Limits of Authority for Management, a Risk Management Policy, a Code of Conduct, and other relevant matters.

The Board is assisted by three subcommittees – the Executive Committee (EXCO), the Audit and Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC). The four-member EXCO comprises three non-Executive Directors and an Executive Director; and the three-member NRC comprises three non-Executive Directors. The ARC is to have not less than three members, with a majority (including its Chairman) comprising independent non-executive directors. The Board is currently in the process of appointing two new ARC members due to the recent changes on the Board.

At the management-level, a Management Committee (MC) and an Investments Committee (IC) are in place to manage operational and investment-related matters.

We comply with statutory public disclosure requirements concerning our investments, divestments, and capital-raising exercises. Notwithstanding the same, we make appropriate disclosures of our performance and operations, be they required by law and the relevant authorities or voluntary dissemination

of information to our stakeholders, including the public, across various platforms and forums.

Our accounts are audited by an independent external auditor, and the audited financial statements are submitted to the Companies Commission of Malaysia. Financial data are disclosed to our shareholders (Minister of Finance, Inc), Bank Negara Malaysia and the Department of Statistics on a regular basis. We also made public key information on our official website and through annual publications including The Khazanah Report.

Stakeholder engagement remains a priority for us. Various outreach programmes are organised for the media, fund managers, government agencies, parliamentarians and civil society organisations, to inform them of our operations, activities and performance. This is intended to enhance their understanding of Khazanah.



Malaysia Anti-Corruption Commission (MACC) Deputy Chief Commissioner Dato' Shamshun Bahari bin Mohd Jamil sharing his insights at Khazanah Integrity Event to an audience comprising integrity officers from Khazanah and other Government-linked companies (GLCs)

In our ongoing efforts to further enhance our governance and accountability framework, we also support and contribute to initiatives and best practices that promote good governance, strong risk management, and long-term sustainability, at both domestic and international levels. Such initiatives include:

INITIATIVE 01

Member of the international Forum of Sovereign Wealth Funds (IFSWF), where we voluntarily endorse the Santiago Principles promoting transparency, good governance, accountability and prudent investment practices whilst encouraging a more open dialogue and deeper understanding of SWF activities.

INITIATIVE 02

Signatory of the United Nations-supported Principles for Responsible Investment (UNPRI), where we subscribe to the six principles that provide options for incorporating Environmental, Social and Governance (ESG) elements into our investment practice.

INITIATIVE 03

Signatory of the Malaysian Anti-Corruption Commission's (MACC) Corporate Integrity Pledge, which underlines our firm commitment to integrity and good governance.

INITIATIVE 04

Signatory of the Malaysian Code for Institutional Investors (MCII) and a member of the Institutional Investors Council Malaysia (IIC).

Under Khazanah's Integrity & Anti-Corruption Plan (IACP), approved by the Board's Audit & Risk Committee in April 2019, various processes and procedures have been and continue to be enhanced, including those related to investigations, the information barrier, staff training, and outreach to our investee companies.

Governance and Accountability

COMMITMENT TO INSTITUTIONAL GOOD GOVERNANCE

Khazanah is a signatory of the Malaysian Code for Institutional Investors (MCII) and a member of the Institutional Investor Council Malaysia (IIC). We fully support the six principles of the Code and our full Statement of Compliance is publicly available on our website.

1. Institutional investors should disclose the policies on their stewardship responsibilities

Our FIGR provides a clear responsibility, authority and governance structure for Khazanah; and guides all our investments activities and business conduct.

2. Institutional investors should monitor their investee companies

Khazanah's investment portfolios are actively monitored and managed by investment teams in accordance with our Statements of Practice for Management and Monitoring. This includes the development of Value Creation Plans, where appropriate, and monitoring performance against identified targets.

3. Institutional investors should engage with investee companies as appropriate

We are guided by a Five-Point Engagement Framework in our collaborative investment approach with our investee companies. The framework helps us to monitor the progress of the companies while empowering them to become high-performing entities.

4. Institutional investors should adopt a robust policy on managing conflicts of interest which should be publicly disclosed

Khazanah has robust policies and processes in place to manage conflicts, which include our Staff Code of Conduct Handbook and the Supplier Code of Business Ethics. Both documents are publicly available through our website.

5. Institutional investors should incorporate corporate governance and sustainability considerations into the investment decision-making process

Khazanah has been active in monitoring the governance aspect of our investee companies through a diligent management and monitoring process. In 2019, the environment and social aspects of corporate behaviours was included via the Responsible Investment (RI) Policy which outlines Khazanah's principles and commitments as a responsible investor, taking into account environmental, social and governance (ESG) factors to aid the management of risks and generate long-term, sustainable returns.

6. Institutional investors should publish a voting policy

Khazanah is proactive in making sure that its voting policy is updated and consistent with the latest provision in Malaysia Code of Corporate Governance. This Policy was approved in 2019 and is available on Khazanah's website.

COMMITMENT TO RESPONSIBLE INVESTMENT

Khazanah is a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI). As Malaysia's sovereign wealth fund and guardian of Malaysia's inter-generational wealth, we have a duty to act in the best long-term interests of our beneficiaries. We believe that environmental, social, and corporate governance (ESG) issues affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time. We also recognise that applying these Principles may better align investors, including ourselves, with broader objectives of society.



We will incorporate ESG issues into investment analysis and decision-making processes

Khazanah is actively reassessing our investment processes and how ESG can be further enhanced. This has translated to efforts in developing the Responsible Investment Policy which was approved in 2019. Our Investment Policy outlines our commitment to sustainability as a long-term investor and to consider environmental, social and governance factors in the investments we undertake.



We will be active owners and incorporate ESG issues into our ownership policies and practices

We actively exercise our ownership rights and apply various methods of engagement with our key investee companies to drive responsible business practices and deliver sustainable returns.



We will seek appropriate disclosure on ESG issues by the entities in which we invest

As part of our active engagement initiatives, we continuously advocate for better disclosure and transparency.



We will promote acceptance and implementation of the Principles within the investment industry

We promote inclusive development and the sustainability agenda with the investment sector in Malaysia through sharing of insights and experience at industry events and in knowledge sharing platforms.



We will work together to enhance our effectiveness in implementing the Principles

We take a collaborative stance in partnering, sharing and learning best practices as we believe in harnessing our collective knowledge to improve the investment ecosystem.



We will each report on our activities and progress towards implementing the Principles

We started reporting to UNPRI in 2019 and will continue to enhance relevant reporting in the coming years. This includes relevant disclosures on our ESG activities and progress.

CHAPTER 3

Performance Review



2019 Financial Highlights

Khazanah, in the first full financial year of our refreshed mandate, reported a turnaround in overall performance for 2019 with record profits from operations contributed by higher divestment gains and lower impairments, and robust portfolio returns.

[Scan or click here for the full set of Financial Statements 2019](#)

Khazanah achieved a profit from operations of RM7.36 billion, compared to a loss from operations of RM6.27 billion in 2018. Profitability was boosted by robust divestment gains which increased to RM9.9 billion compared to RM1.4 billion and lower impairments at RM4.9 billion compared to RM7.3 billion in the previous year. Khazanah declared a dividend of RM1.0 billion for 2019.

rate of return equivalent to the Malaysian Consumer Price Index (CPI) + 3% on a five-year rolling basis. The Commercial Fund's Net Asset Value (NAV) stood at RM73.1 billion as at 31 December 2019.

Khazanah managed to achieve significant progress in delivering on our mandate to grow Malaysia's long-term wealth.

We strengthened our financial position with expenses reduced by 28.2% to RM484 million, which translates to 35 basis points (bps) as a percentage of assets under management, compared to 50 bps the previous year.

As part of the refreshed mandate introduced in 2018, Khazanah pursued two distinct objectives through a dual-fund investment structure.

The Strategic Fund, which is a developmental fund to meet Khazanah's strategic objectives, achieved financial and strategic outcomes for specific assets despite a sluggish market in 2019. It generated an overall return of 2.9%¹ compared to the targeted rate of return of the 10-year Malaysian Government Securities (MGS) yield² on a five-year rolling basis.

We also enhanced our capital structure by reducing debt by 17% to RM45.8 billion, while Realisable Asset Value (RAV) cover improved to 3.0 times from 2.4 times.

The Commercial Fund, which is an inter-generational wealth fund, generated a time-weighted rate of return of 8.3%, surpassing the long-term targeted

Against a backdrop of uncertainties in the global landscape, coupled with the continued low returns environment and generally slow economic growth,

COMMERCIAL FUND
Target Return of Malaysia Consumer Price Index (CPI) +3.0% on a 5-year rolling basis

2019 NAV
8.3%
TWRR** for
Commercial Fund

2019 NAV*
RM73.1 b

* Net Asset Value is adjusted for movements in cash and debt attributed to the fund
** NAV Time Weighted Rate of Return equivalent to CPI + 7.6% for 2019

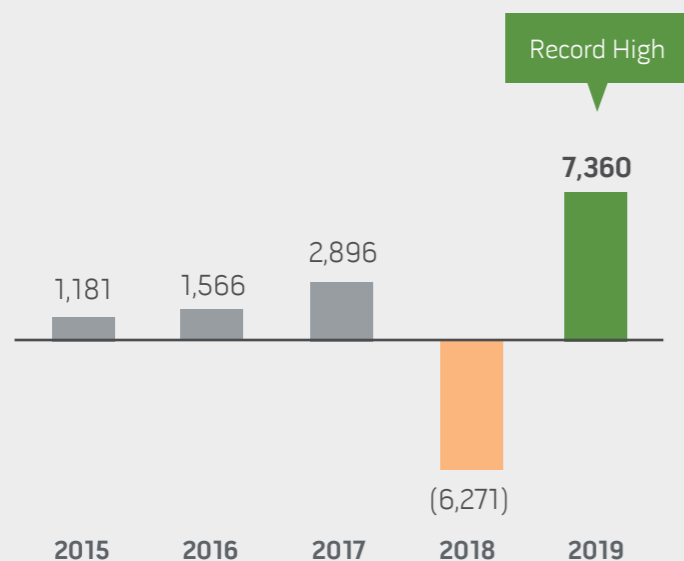
STRATEGIC FUND
Target Return of 10-year Malaysia Government Securities (MGS) yield on a 5-year rolling basis

2.9%
Overall Return*

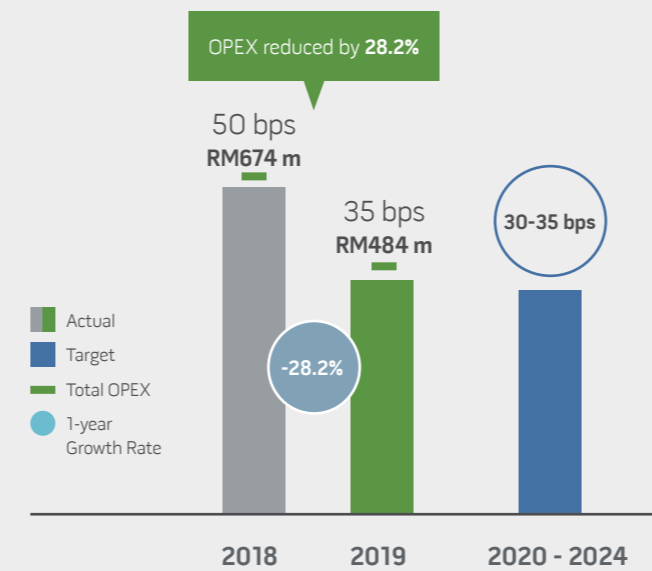
* 2019 Aggregate Net Profit/Net Tangible Asset ex-MAS is a full year estimate as at 31 December 2019

¹ Aggregate Net Profit over Net Tangible Asset, excluding MAS. Full year estimate as at 31 December 2019
² 10-year MGS yield was 3.3% as of 31 December 2019

PROFIT FROM OPERATIONS (RM MILLION)

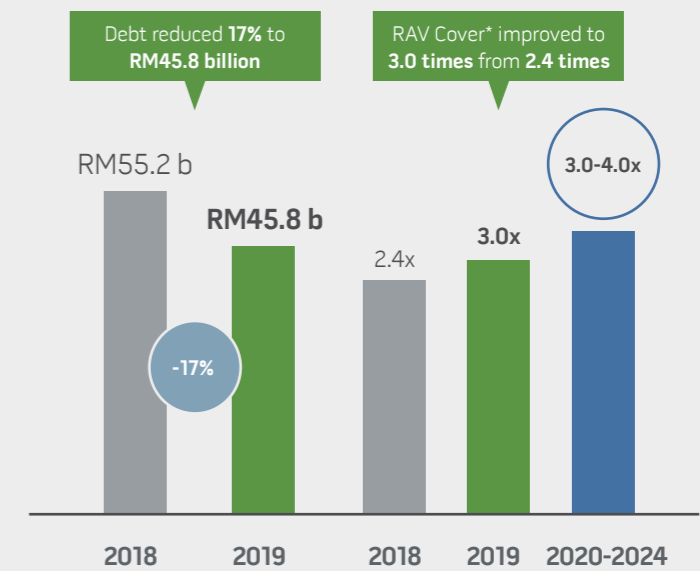


OPERATING EXPENDITURE AS A PERCENTAGE OF ASSETS*



* OPEX over Realisable Asset Value of our total AUM

DEBT AND RAV COVER



* RAV over Total Debt as at 31 December 2019

Independent Auditors' Report

REPORT ON THE SUMMARY FINANCIAL INFORMATION

Opinion

The summary financial information, which comprises the summary balance sheets as at 31 December 2019, 2018, 2017, 2016 and 2015, the summary income statements for the years then ended, and related notes, are derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2019, 2018, 2017, 2016 and 2015.

In our opinion, the accompanying summary financial information are consistent, in all material respects, with those audited financial statements and the management accounts, in accordance with the basis described on Selected Financial Indicators.

Summary financial information

The summary financial information does not contain all the disclosures required by the Financial reporting Standards and the requirements of the Companies Act 2016 in Malaysia. Reading the summary financial information and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements of Khazanah Nasional Berhad and the auditors' report thereon. The summary financial information and those audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on those audited financial statements in our reports for the respective years.

Directors' responsibility for the summary financial information

Directors are responsible for the preparation of the summary financial information in accordance with the basis described on Selected Financial Indicators.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial information are consistent, in all material respects, with those audited financial statements based on our procedures, which were conducted in accordance with Malaysian Approved Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".



Ernst & Young PLT
21 April 2020
Kuala Lumpur

Selected Financial Indicators

INCOME STATEMENTS (RM MILLION) For the years ended 31 December

	2019	2018	2017	2016	2015
Revenue	14,290	4,471	6,112	6,210	5,763
Profit/(loss) from operations	7,360	(6,271)	2,896	1,566	1,181
Taxation	(82)	(249)	(88)	(129)	(126)
Net profit/(loss) for the year	7,278	(6,520)	2,808	1,437	1,055
Dividends declared:					
- Normal dividend	(1,000)	(1,000)	(700)	(650)	(650)
- Special dividend	-	(500)	(300)	-	(400)
Net profit/(loss) for the year after dividends	6,278	(8,020)	1,808	787	5

BALANCE SHEET (RM MILLION) As at 31 December

	2019	2018	2017	2016	2015
Current assets	8,289	3,852	6,141	5,071	6,089
Non-current assets	74,777	82,967	86,426	83,378	78,253
Total assets	83,066	86,819	92,567	88,449	84,342
Current liabilities	12,063	17,109	12,064	10,338	13,575
Non-current liabilities	34,521	38,793	39,136	40,280	34,414
Total liabilities (see Note A)	46,584	55,902	51,200	50,618	47,989
Share capital	12,284	12,284	12,284	6,644	6,644
Share premium	-	-	-	3,840	3,840
Retained profits	15,866	9,587	17,607	16,983	16,010
Other reserves	8,332	9,046	11,476	10,364	9,859
Shareholders' funds	36,482	30,917	41,367	37,831	36,353
Total equity and liabilities	83,066	86,819	92,567	88,449	84,342

Note A - Included in total liabilities are borrowings as follows:

BORROWINGS (RM MILLION) As at 31 December

	2019	2018	2017	2016	2015
Khazanah's Government-guaranteed bonds	10,639	12,626	14,013	14,373	15,683
Other bonds and notes	24,997	23,015	19,449	17,253	17,123
Term loans	2,500	5,067	5,022	5,286	4,215
Exchangeable Sukuk	3,133	2,899	4,622	4,826	3,423
Revolving credit facilities	4,500	11,628	6,766	7,525	6,012
	45,769	55,235	49,872	49,263	46,456

1. The above income statements and balance sheets are derived from Khazanah's Extended Company Financial Statements, which refers to consolidation of the financial statements of Khazanah (Company) and its Special Purpose Vehicles (SPVs). These SPVs are wholly-owned subsidiaries of Khazanah, which have been set up to actively hold investments or as funding vehicles of the Company.

2. Revenue consist of realised divestment gains of investments classified as fair value through other comprehensive income.

3. Profit/(loss) from operations consist of profit/(loss) before tax, realised divestment gains and permanent reduction value of assets classified as fair value through other comprehensive income that was recycled to retained earnings.

Five Strategic Priorities

In transitioning our portfolios and organisation in line with the refreshed mandate, Khazanah identified Five Strategic Priorities (SP) to be executed from 2019 to 2023.






Under SP1, we aim to lower Khazanah's debt to more optimal levels and prudently manage our operating expenditures. Our focus under SP2 is to rebalance our Commercial Fund portfolio by further diversifying across asset classes and geographies towards achieving our long-term strategic asset allocation and risk adjusted return targets. Through SP3, we seek to continue to develop our strategic assets to ensure their continued sustainability for the nation. Our focus under SP4 is to embed Khazanah with policies and procedures, enabling us to effectively govern the new dual fund mandate and manage any and all potential risks. Finally, with SP5 we intend to refresh our digital & talent frameworks and initiatives to better support Khazanah in delivering its new mandate.

We were able to reduce OPEX from RM674 million in 2018 to RM484 million in 2019, due to several contributing factors such as a decrease in non-recurring costs and closure of selected regional offices. At the same time, we were able to reduce debt levels from RM55.2 billion to RM45.8 billion.

We progressed significantly towards rebalancing our Commercial Fund portfolio, while achieving a target return 8.3% with a RM73.1 billion NAV. For the Strategic Fund, we conducted regular engagement with Government to enhance the regulatory landscape, refreshed and strengthened the leadership bench at investee companies, and commenced restructuring initiatives to improve financial performance and unlock value.

In 2019, Khazanah introduced new governance policies to reflect and support our new mandate and investment strategy, such as Responsible Investments Policy, Voting Policy and Information Barrier Policy.

At the same time, Khazanah continued initiatives to develop our talent and organisation culture, as well as established a Digital & Technology Unit and governance framework to commence work in formulating our new digital strategy.

STRATEGIC PRIORITIES		2019 ACHIEVEMENTS AGAINST OUR STRATEGIC PRIORITIES		
	SP1 Strengthen financial position	Reduced OPEX 50 bps to 35 bps	Increased RAV* cover 2.4x to 3.0x	Managed debt level RM55.2 b to RM45.8 b
	SP2 Rebalance Commercial Fund	Targeted a return of Malaysian Consumer Price Index (CPI) + 3.0% 2019 NAV TWRR** at 8.3%		
	SP3 Develop Strategic Fund	Achieved asset specific financial and strategic outcomes despite sluggish market (Tenaga Nasional Berhad, Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad, Malaysia Aviation Group Berhad and PLUS Malaysia Berhad)		
	SP4 Align governance structure and framework	Approved and implemented new policies and processes to assist the organisation in realigning to the new mandate		
	SP5 Build organisational capacity	Outlined digital strategy and governance framework	Implemented individual development plan for employees	

* RAV: Realisable Asset Value

** NAV TWRR: Net Asset Value Time Weighted Rate of Return

CHAPTER 4

Our Investments



Our Investments

In line with our mandate to grow Malaysia's long-term wealth, we invest only where an appropriate risk-adjusted financial return can be achieved. In addition, strategic investments must also deliver identified economic impact outcomes.

We believe in creating sustainable value through appropriate engagement with the companies we invest in and the external investment managers and advisors we use.

Source of Funding

Our principal funding is in the form of shareholder equity. We utilise debt financing and proceeds from our divestment activities to fund our investment activities.

Investment Structure

We pursue our overall mandate through a two-fund investment structure. The two funds, the Commercial Fund (CF) and the Strategic Fund (SF), are established with distinct objectives, policies and strategies, and are to be managed separately via separate investment management divisions.

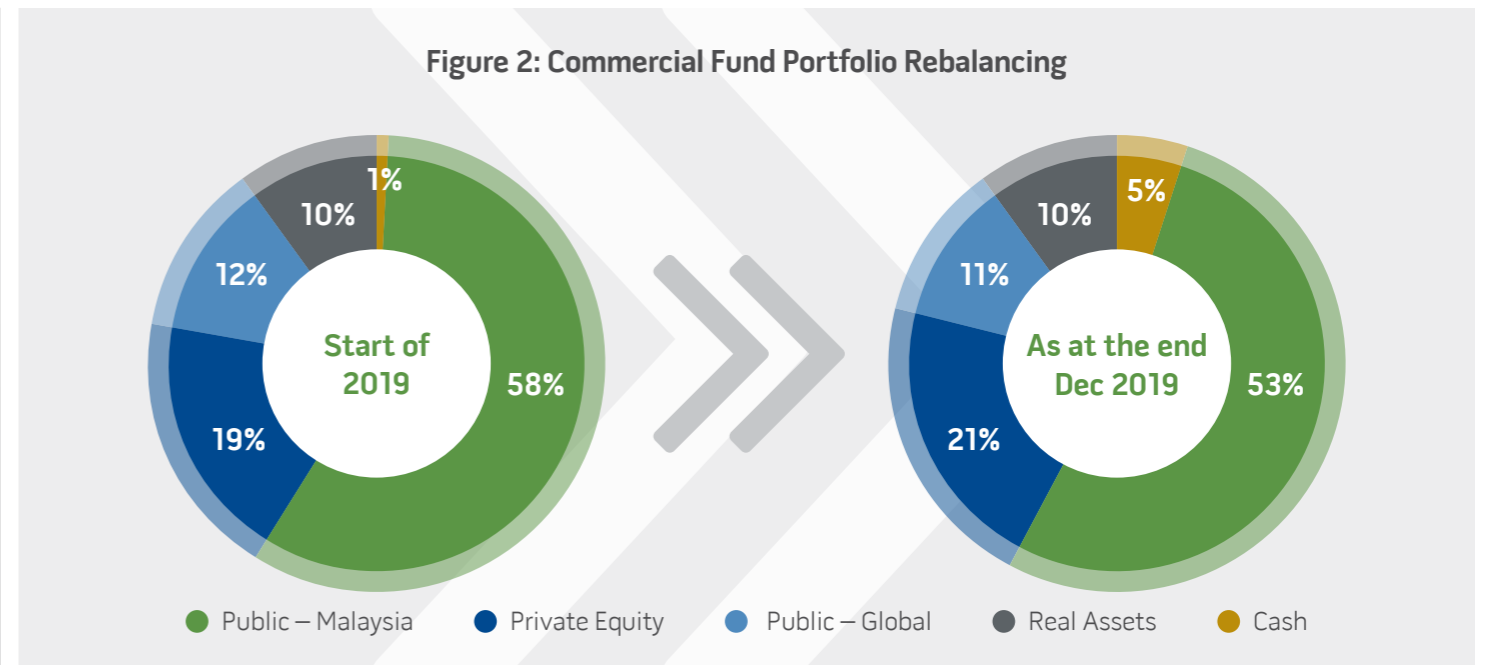
Commercial Fund

The Commercial Fund (CF), an inter-generational wealth fund for Malaysia, seeks to generate positive risk-adjusted returns on a long-term basis, to grow its financial assets, and to diversify sources of revenue for the nation.

In 2019, the CF generated a time-weighted rate of return of 8.3% with a Net Asset Value (NAV) of RM73.1 billion.

The annual returns are reinvested into the Fund and distributed to the Government based on an identified payout ratio. Any additional outflow of capital will be subject to approval of the Board.

The Fund has the flexibility to invest across multi-asset classes in different geographies in accordance



to our Long-Term Strategic Asset Allocation (SAA) with a mix of active & direct investment strategies, and external fund managers.

2019 marked the first year of rebalancing the portfolio towards our SAA, and we have progressed incrementally towards diversifying the Commercial Fund under the refreshed mandate (refer to Figure 2).

Moving forward, we will continue to diversify the CF portfolio over the next seven to ten years towards achieving our SAA.

Strategic Fund

The Strategic Fund (SF), a developmental fund, seeks to undertake strategic investments, with long-term economic benefits, including holding strategic national assets.

The Fund intends to be self-sustaining, with the primary source of funding for the Fund's activities to be generated from any internal surplus; any additional capital required above this available amount will be subject to the approval of the Board.

COMMERCIAL FUND

TARGET

A return of at least the Malaysian Consumer Price Index + 3% on a 5-year rolling basis with a moderate risk tolerance level as follows:

Underperformance no more than 10% chance of a 30% annual loss

Funding no more than 10% chance of not achieving 1.5% portfolio yield

The CF's return target and risk tolerance are set by the Board and may be reviewed from time to time.

STRATEGIC FUND

TARGET

A return of at least the yield of the 10-year Malaysian Government Securities on a 5-year rolling basis and achieve its strategic objectives.

The Fund's return target is set by the Board and may be reviewed from time to time.

Our Investments

In 2019, the SF achieved financial and strategic outcomes for specific assets, while generating an overall return of 2.9%. Khazanah successfully achieved a resolution on the PLUS Malaysia (PLUS) toll restructuring, which sees an 18% reduction in toll rates on PLUS highways and savings to the Government totaling RM42 billion over the new concession period ending 2058.

Khazanah also evaluated options to resolve key issues facing Malaysia Airlines (MAB) and launched a process to evaluate potential partners for the airline in 2019. A total of nine proposals were received, of which four were shortlisted. For 2020, Khazanah will continue to work closely with the Government and MAB to further review the proposals and finalise a decision on the appropriate strategic option moving forward.

Under SF, Khazanah can also explore new investment opportunities which will provide a broader economic benefit for the country. While the investment time horizon can be long term, these investments are still required to provide a commercial return in line with overall SF targets.

We will review the investment themes on a regular basis based on global economic megatrends and national needs, and investment assets within the portfolio will be similarly reviewed and assessed for relevance to strategic targets.

Overall, Khazanah has set long-term five-year rolling targets set for CF and SF, and as long-term investor, we will continue to execute our investment strategy towards achieving and hopefully exceeding our targets.

Responsible Investing

WE ABIDE BY RESPONSIBLE INVESTING PRACTICES THAT CONSIDERS ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS TO BETTER MANAGE RISK AND GENERATE SUSTAINABLE, LONG-TERM RETURNS.



We are committed to the United Nations Principles for Responsible Investment (UNPRI) and the Malaysian Code for Institutional Investors (MCII) which promote the active integration of ESG considerations into investment analysis and decision-making, and asset ownership.

In addition, we have put in place various policies (refer below) that govern the way we invest.

- **Investment Policy** outlines our investment mandate, objectives and principles

Click or scan the QR code to view our full Investment Policy

- **Responsible Investment Policy** provides a framework of our principles and commitments towards responsible investment, taking into account ESG factors to aid management of risk, and generate long-term, sustainable returns

Click or scan the QR code to view our full Responsible Investment Policy

- **Voting Policy** outlines the voting principles and guidelines of Khazanah, drawn from international and local codes and best practices for corporate governance, and our mandate to grow Malaysia's long-term wealth

Click or scan the QR code to view our full Voting Policy

Portfolio of Selected Companies

As at 31 December 2019 | List is not exhaustive.

Commercial Fund



Astro Malaysia Holdings Berhad
www.astro.com.my



Axiata Group Berhad
www.axiata.com



Bank Muamalat Malaysia Berhad
www.muamalat.com.my



Beijing Enterprises Environment Group
www.beegl.com.hk



Biotropics Malaysia Berhad
www.biotropicsmalaysia.com



A member of **UEM**
Cement Industries of Malaysia Berhad (CIMA)
www.cima.com.my



Cenergi SEA Sdn Bhd
www.cenergi-sea.com



Cenviro Sdn Bhd
www.cenviro.com



CIMB Group Holdings Berhad
www.cimb.com



i2M Ventures Sdn Bhd
www.gbs-iskandar.my



IHH Healthcare Berhad
www.ihhhealthcare.com



LeapEd Services Sdn Bhd
www.leapedservices.com



M+S Pte Ltd



Malaysian Technology Development Corporation Sdn Bhd
www.mtdc.com.my



Monoluxury Sdn Bhd
www.gentinggarden.com.my



NL Cold Chain Network (M) Sdn Bhd
www.coldchain.com.my



Prince Court Medical Centre Sdn Bhd
www.princecourt.com



ReGen Rehabilitation International Sdn Bhd
www.regen.rehab



Sun Life Malaysia Assurance Berhad
www.sunlifemalaysia.com



The Holstein Milk Company Sdn Bhd
www.farmfresh.com.my



A member of **UEM Group**
UEM Edgenta Berhad
www.uemedgenta.com.my



UEM Group Berhad
www.uem.com.my



A member of **UEM Group**
UEM Sunrise Berhad
www.uemsunrise.com



Valuecap Sdn Bhd
www.valuecap.com.my



Xeraya Capital Sdn Bhd
www.xeraya.com



Actoserba Active Wholesale Private Limited (Zivame)
www.zivame.com

Portfolio of Selected Companies

As at 31 December 2019 | List is not exhaustive.

Strategic Fund



Iskandar Investment Berhad
www.iskandarinvestment.com



Iskandar Malaysia Studios Sdn Bhd
www.iskandarmalaysiastudios.com



Malaysia Airports Holdings Berhad
www.malaysiaairports.com.my



Malaysia Aviation Group Berhad
www.malaysiaairlines.com



Medini Iskandar Malaysia Sdn Bhd
www.medini.com.my



PLUS Malaysia Berhad
www.plus.com.my



SilTerra Malaysia Sdn Bhd
www.silterra.com



Southern Marina Development Sdn Bhd
www.southernmarina.com.my



SUNWAY ISKANDAR
NATURE'S CAPITAL CITY™
Sunway Iskandar Sdn Bhd
www.sunwayiskandar.com



Telekom Malaysia Berhad
www.tm.com.my



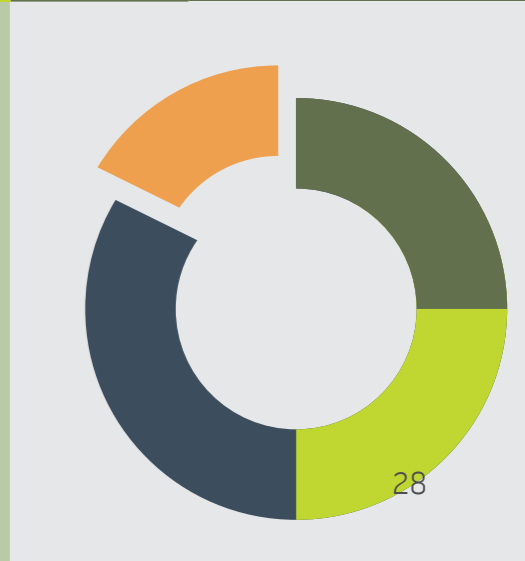
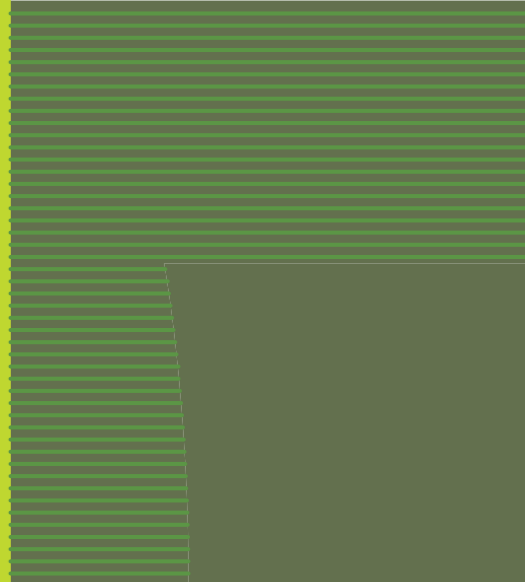
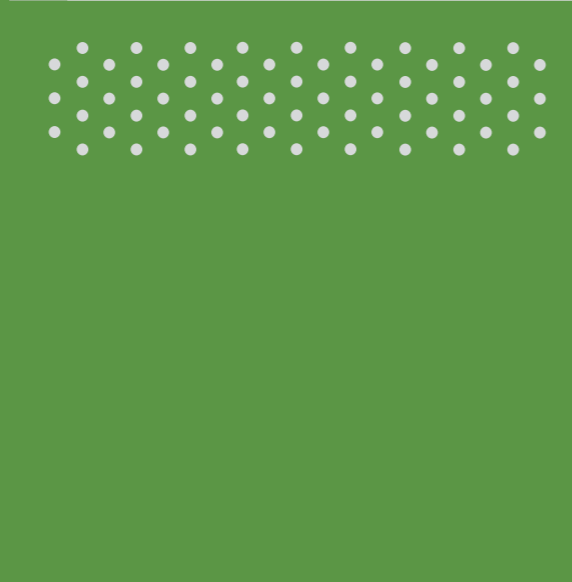
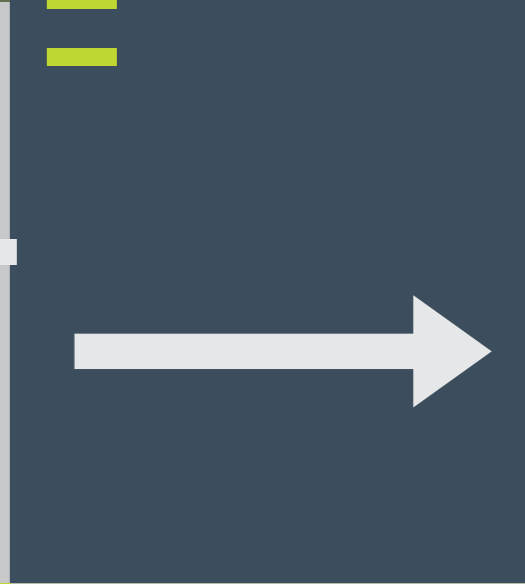
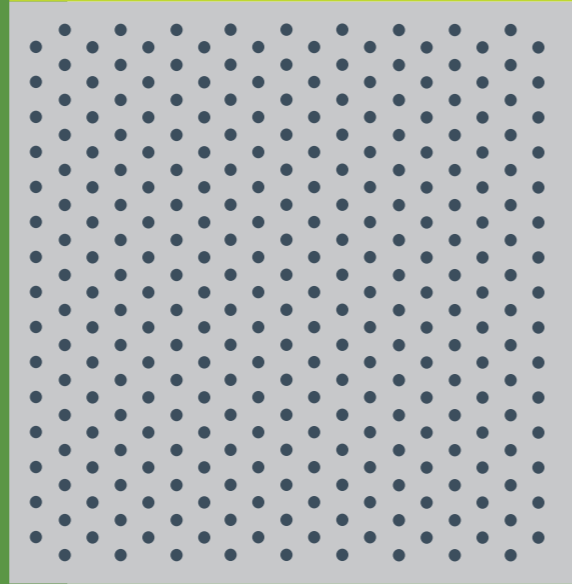
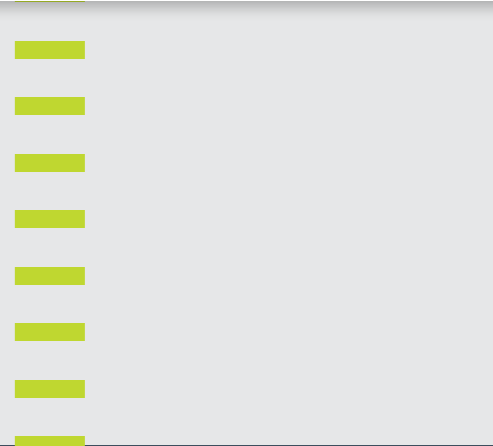
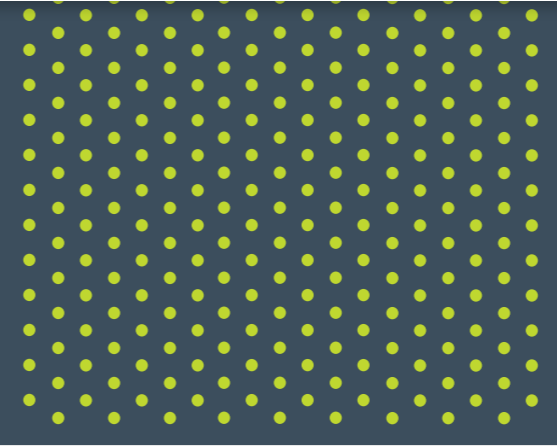
Tenaga Nasional Berhad
www.tnb.com.my



Themed Attractions Resorts & Hotels Sdn Bhd
www.tarh.com.my

CHAPTER 5

People & Knowledge



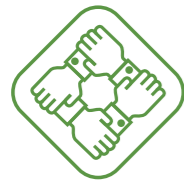
Our Values

Our core values guide us in our conduct, shape our culture and define who we are as an organisation, and how we operate with one another, partners and stakeholders.



INTEGRITY

We do what is right with uncompromising adherence to good governance and ethical principles; consistently stay within the letter and spirit of the law.



TEAMWORK

As a group of highly motivated individuals, we encourage cooperative efforts across all levels and activities, and will continually share ideas and knowledge towards a common goal.



DILIGENCE

We strive for speed and accuracy, giving every task our full degree of care and commitment with a sense of urgency. We seek for new opportunities and ensure sustainability in each of our investment and initiatives.



MUTUAL RESPECT

We value diversity and treat everyone with the same respect that we expect from others. We are fair and honest in our dealings. We empower our people to achieve high performance, believing that all individuals want to achieve their fullest potential.



PROFESSIONALISM

We are accountable and responsible for all that we do. Timeliness is fundamental to our work processes: we always keep to our word and promises made. To ensure the best value possible for our partners and stakeholders, we do not wait for opportunities to arise but take pro-active measures to make them happen.

Our People

We leverage on our employees' strengths to deliver our mandate



Around The Office

Khazanah is only as strong as its people and our people are the centre of our organisation. We strive to foster a culture of professionalism and diligence, but in a supportive environment with strong teamwork, mutual respect and a spirit of good humour. A positive and enjoyable workplace is not only healthy for employees and the organisation. It delivers better results.



Outside The Office

Our people also excel in other spheres of life. We encourage them to receive continuing education and contribute to civil society organisations. Khazanah organises regular events such as our annual family day and multi-event sports carnival, and group retreats. Our employees are individuals with diverse talents, from different backgrounds; and actively participate in many extracurricular activities including music, writing, sports, environmentalism, and community activism.

Khazanah as a Learning Organisation

Khazanah provides various platforms for active networking to encourage continuous learning among employees and stakeholders, and enabling a dynamic exchange of views and knowledge.



(From left) Datuk Hisham Hamdan, Khazanah Executive Director; Dr Joseph Henrich, Professor of Human Evolutionary Biology, Harvard University; Prof Harvey Whitehouse Chair of Social Anthropology and Director of the Institute of Cognitive and Evolutionary Anthropology, University of Oxford; Prof Nathan Nunn, Frederic E. Abbe Professor of Economics, Harvard University; and Zainah Anwar Co-Founder, Sisters in Islam and Executive Director of Musawah speaking at one of the core sessions of Khazanah Megatrends Forum 2019.

The Khazanah Residency Programme aims to develop young Malaysian talents in the fields of arts, media, design and public service by equipping them with the latest knowledge, skills and network in their respective areas. Our Fellows go through programmes selected from established short-term residencies, fellowships or courses run by world renowned institutions. This is a non-binding, fully-sponsored programme, whereby upon completion, participants are required to pay it forward in various forms to benefit Malaysians at large. To date, 36 Malaysians talents have benefitted from this programme including 14 mid-career journalists, six architects, six emerging artists, six Khazanah and Khazanah-related companies employees and four public servants.



Tomi Heri (far left), a participant from Cohort 3 of the Khazanah Nasional Associate Artist Residency Programme undergoing his residency at Acme Studios, London
Photo: Acme Studios



The Khazanah Megatrends Forum is held annually, preceding Khazanah's strategy and business planning cycle. The conference gathers thought leaders from around the world – in front of an audience of over a thousand influential participants from business, government, academia and society – to conduct in-depth discussions of current critical issues from four key perspectives: markets, firms, society and people. The Forum entered its 14th annual installment in 2019 with the theme “From the Past to the Future: Building our Collective Brain”.



(From left) Malaysian Press Fellows Sakina Mohamed, Serina Joon and Tina Carmillia with Matt Nippert (far right), Press Fellow from New Zealand in a group photo on the grounds of Wolfson College, University of Cambridge.

Khazanah Tea Talk Series is a knowledge-sharing activity held since 2005 whereby speakers from various backgrounds are invited to speak to Khazanah staff on topics of interest, ranging from macroeconomics to business strategy to leadership and social entrepreneurship.



Khazanah Board Member, Lau Seng Yee, shares his life experience from a kampung boy to Tencent's top management and the learnings he picked up along the way.

Khazanah Resource Centre provides leading-edge information sources and databases, and compiles regular news and information update.



Society and Community

Khazanah contributes to the community through its related entities.



Yayasan Hasanah Head of Community Development Anita Ahmad at one of its partners' fundraising event selling home cooked meals prepared by the beneficiaries of Women of Will.

**YAYASAN
HASANAH**
A foundation of Khazanah Nasional

Yayasan Hasanah (Hasanah) is Khazanah's flagship foundation set up in December 2013 to lead our corporate responsibility (CR) initiatives through development and implementation of solutions that empower communities, encourage social inclusivity and improve local environments. Its focus areas include Education; Community Development; Environment; Arts, Heritage and Culture; and Knowledge.

For more info on the initiatives supported by Hasanah in 2019, visit www.yayasanhasanah.org



The launch of "The Status of the Paddy and Rice Industry in Malaysia" report on 10 April 2019, with (left to right) Ahmad Ashraf Ahmad Shahrudin, KRI Research Associate and author; Dr David Dawe, Food and Agriculture Organization, Senior Economist; Dr Sarena Che Omar, KRI Senior Research Associate and author; Dr Nungsari Ahmad Radhi, KRI then Chairman; Datuk Hisham Hamdan, KRI Trustee; Siti Aiyshah Tumin, KRI Research Associate and author.

**KHAZANAH
RESEARCH
INSTITUTE**

Khazanah Research Institute (KRI) was set up in February 2014 to undertake analyses and research on the pressing issues of the nation, and based on the research, provide policy recommendations to improve the well-being of Malaysians. In 2019, KRI published 12 discussion papers and five major publications - "Structure of the Malaysia Economy: An Input-Output Analysis", "The Status of the Paddy and Rice Industry in Malaysia", "Rethinking Housing: Between State, Market and Society", "Time to Care: Gender Inequality, Unpaid Care Work and time Use Survey" and "Demarcating Households: An Integrated Income and Consumption Analysis".

For more info on KRI, visit www.krinstitute.org

**YAYASAN
KHAZANAH**

Yayasan Khazanah (YK) empowers future talent through its scholarship programmes at premier universities locally and around the world. Its scholars are also provided with leadership and character development programmes, volunteering opportunities with non-governmental or non-profit making bodies and job attachment in companies including Government-Linked Companies, Government-Linked Investment Companies or Government Agencies.

For more info on Yayasan Khazanah, visit www.yayasankhazanah.com.my



Scholars at Yayasan Khazanah Leadership Conference 2019 with Dato' Dr Sheikh Muszaphar, Malaysia's first astronaut, as one of the speakers.

Society and Community



The Taman Tugu Project is a non-profit corporate social responsibility (CSR) effort led by Khazanah with the support of various public sector agencies, private sector companies and civil-society organisations. Its scope and budget has been rationalised and currently entails the following two components:

1) Taman Tugu

Conserving a 66-acre green lung in the heart of Kuala Lumpur and turning it into an urban forest park for the community.

2) National Public Trust

Establishing a public trust to own, manage and protect Taman Tugu as well as other potential assets of heritage value, including our natural heritage.

About 40 acres of the Park consisting of approximately five kilometres of forest trails is open free of charge daily to the public from 7:00am to 6:30pm.

Since its phased opening in September 2018, the park has received more than 150,000 visitors including for various community based educational and recreational programmes – many of which are opened to the public at no cost. Feedback has been encouraging and Taman Tugu was recognised as one of the top ten Best New Openings in the world by Lonely Planet magazine in 2019.

The rest of the Park, which includes additional forest trails, a Surau-Jumaat, Hindu temple and more outdoor activity spaces, will be completed progressively over 2020 to 2022.

The public trust, known as Amanah Warisan Negara (AWAN) or the National Heritage Trust, has been officially established under the Trustees Incorporation Act (1952). We are currently working with the relevant ministries on the transfer of the Taman Tugu site into AWAN – to be preserved into perpetuity as a public green space.

For more info on the Taman Tugu Project, visit www.tamantuguproject.com.my



The many activities held in Taman Tugu for the public to attract visitors.

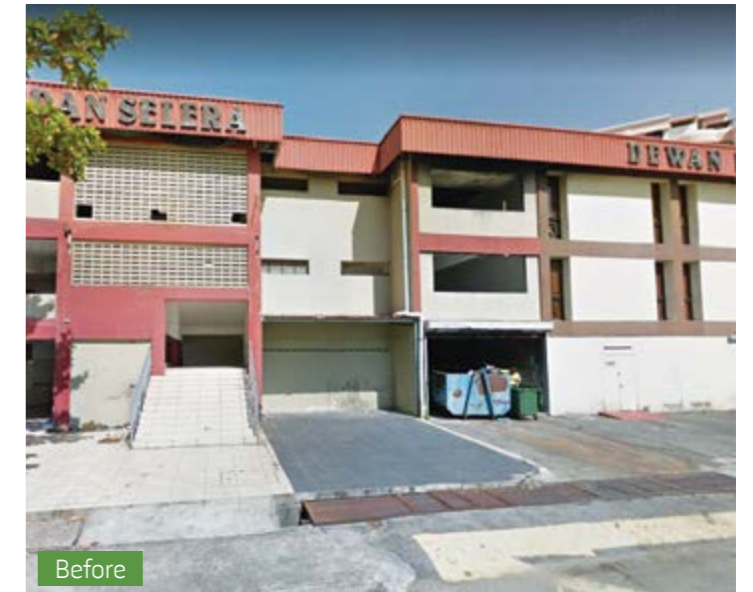


Think City, established in 2009, is a social purpose organisation dedicated to making cities people-friendly and resilient. It strives to be a catalyst for change in the way cities are planned, curated, developed and celebrated.

As a regional citymaking agency, Think City provides urban policy thinking, management and implementation of urban solutions in Southeast Asia and beyond. Established as a social purpose vehicle by Khazanah Nasional Berhad in 2009 to spearhead urban regeneration in George Town, their impact and successes have led to expansion into Butterworth, Kuala Lumpur, and Johor Bahru. Adopting a community-first, evidence-based approach, Think City focuses on four main communities of practice: Placemaking, Resilience, Analytics and Conservation.

Owing to their position as a neutral party, Think City has enabled synergies between the public and private sectors, the community and international partners. Together, they work to implement projects that enhance the arts, heritage, culture, environment, economy and resilience of cities in the Asean region.

For more info on Think City, visit www.thinkcity.com.my



Before



After

An unused badminton court cum waste depot is transformed into the Butterworth Digital Library equipped with high speed internet, digital equipment and facilities for seminars and meetings, with co-investment in the form of technical support and construction consultancy by Think City.



KHAZANAH
NASIONAL

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