

This document outlines the investment mandate, objectives and principles.

1. Investment Mandate

- 1.1. Khazanah's mandate is investing to deliver sustainable value for Malaysians. As a strategic investor, we strive to find a balance between growing financial returns and being a responsible organisation for future generations of Malaysians to benefit from what we do today.
- 1.2. The mandate is to be achieved by pursuing the following investment objectives:
 - a) **Commercial objective:** Investing responsibly and commercially to preserve and grow the long-term value of our assets
 - b) **Strategic objective:** Undertake strategic investments to deliver economic or societal returns for the nation

2. Investment Philosophy

- 2.1. In accordance with our mandate, we apply a long-term perspective to deliver sustainable risk-adjusted returns. A long-term investment approach enables us to weather through short-term market volatilities proactively. We also strive to maximise returns without taking undue risk.
- 2.2. We are disciplined in continually assessing our portfolio with an investor mindset. This includes appropriately engaging with our investee companies to ensure focus on delivering value to shareholders.
- 2.3. We advocate and demonstrate responsible and sustainable actions through our investments. We are committed to the UN Principles for Responsible Investment (UNPRI) and the Malaysian Code for Institutional Investors which promote the active integration of ESG considerations into investment analysis and decision-making, and asset ownership.

3. Source of Funding

- 3.1. Our principal funding is in the form of shareholder equity. Khazanah may also receive additional inflow of capital.
- 3.2. We may also utilise debt financing and proceeds from our divestment activities to fund our investment activities.

4. Investment Structure

- 4.1. Khazanah pursues its overall mandate through a two-fund investment structure. The two funds, the Commercial Fund and the Strategic Fund, are established with distinct objectives, policies, and strategies.

5. Commercial Fund

- 5.1. The Commercial Fund is intended to be an intergenerational fund that seeks to generate risk-adjusted returns on a long-term basis, to preserve and grow the long-term value of our assets.
- 5.2. The Fund targets to generate a return of at least the Malaysian Consumer Price Index + 3% on a 5-year rolling basis. The Fund's return target is set by the Board and may be reviewed from time to time.
- 5.3. The annual returns of the Fund will be reinvested into the Fund and distributed to the Government based on the dividend policy approved by the Board.
- 5.4. The Fund has the flexibility to invest across multi-asset classes in accordance to the strategic asset allocation.
- 5.5. The Fund has the flexibility to invest across different geographies with a preference for active and direct investment strategies.

6. Strategic Fund

- 6.1. The Strategic Fund is intended to be a developmental fund that seeks to undertake strategic investments with capacity to deliver economic and/or social benefit for Malaysia.
- 6.2. The Fund targets to generate 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.
- 6.3. The Fund will invest and manage strategic assets as defined and classified below:
- a) *Infrastructure assets:*
 - i. Domestic assets of national importance, such as critical infrastructure.
 - b) *Developmental assets:*
 - i. Long-term developmental investments with potential to deliver high economic impact.
 - ii. These assets will be developed to achieve commercial viability at which point value realisation options may be considered.
 - c) *Impact investments:*
 - i. Thematic investments, aligned to national Government initiatives, with clearly measurable socio-economic benefits.
- 6.4. The Fund will pursue opportunities with the potential to become commercially viable or will earn sufficient returns to operate without recourse to its shareholders.
- 6.5. The Fund has the flexibility to invest across capital structures.
- 6.6. The investment themes will be reviewed 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 strategic relevance.

7. Risk Management

- 7.1. A key priority for Khazanah is to ensure the appropriate balance of risk and return in delivering our mandate and investment objectives.
- 7.2. The Board Audit & Risk Committee specifies Khazanah's asset-liability risk appetite, and the investment risk appetite for the Commercial Fund and the Strategic Fund. These risk aspects guide Khazanah's funding priorities, informs strategic asset allocation and portfolio construction, and is embedded in investment decision-making processes. These risk appetite statements are reviewed from time to time by the Board Audit & Risk Committee.

8. Governance

- 8.1. Our Framework of Integrity, Governance and Risk Management ("FIGR") establishes a clear responsibility, authority, and governance structure. It serves as a guide for the effective management of risks, and to inculcate a culture of good corporate governance and responsibility throughout Khazanah.
- 8.2. The Schedule Matters for the Board provides a structure of authority of the Board and its sub-committees, and the Limits of Authority enables execution of day-to-day transactions by the Senior Management of Khazanah.

9. Transparency and Disclosures

- 9.1. As Malaysia's sovereign wealth fund acting in the best interest of stakeholders, we are committed to publish our Funds' investment activities and performance on an annual basis.
- 9.2. Further, as a signatory to the UN Principles for Responsible Investment (UNPRI), we will also disclose and report on our responsible investment measures to on an annual basis.