

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. 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.

The mandate is to be achieved by pursuing commercial investments to preserve and grow long-term value of our assets, as well as undertaking investments that 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 actively 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 the following investment structure:
 - a) **Investments Portfolio**
 - b) **Dana Impak Portfolio**
 - c) **Developmental Assets**
 - d) **Special Situation Assets**

5. Investments Portfolio

- 5.1. The Investments Portfolio is intended to be an intergenerational portfolio 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 Investments Portfolio targets to generate a return of at least the Malaysian Consumer Price Index + 3% on a 5-year rolling basis. The Investments Portfolio's return target is set by the Board and may be reviewed from time to time.
- 5.3. The annual returns of the Investments Portfolio will be reinvested into the Fund and distributed to the Government based on the payout framework approved by the Board.
- 5.4. The Investments Portfolio has the flexibility to invest across different geographies and asset classes in accordance with the strategic asset allocation.

6. Dana Impak Portfolio

- 6.1. The Dana Impak Portfolio is intended to invest in increasing Malaysia's economic competitiveness and in building national resilience while delivering socioeconomic impact for Malaysians.
- 6.2. The Dana Impak Portfolio 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 societal benefits and outcomes. The aforementioned returns target and pre-determined societal benefits and outcomes are set by the Board and may be reviewed from time to time.
- 6.3. The portfolio will invest and manage the assets according to investment themes for the benefit of the nation. The investment themes will be reviewed on a regular basis based on global economic megatrends and national priorities, taking into account Khazanah's available resources and alignment with Khazanah's mandate.
- 6.4. The portfolio has the flexibility to invest across capital structures.

7. Developmental Assets

- 7.1. The Developmental Assets is intended to deliver high economic impact through long-term developmental investments.
- 7.2. These assets will be developed to achieve commercial viability at which point value realisation options may be considered.
- 7.3. The assets are subjected to the target of generating a return of at least the yield of the 10-year Malaysian Government Securities on a 5-year rolling basis and achieve its relevant national and/or societal benefits and outcomes. The aforementioned return target is set by the Board and may be reviewed from time to time.

8. Special Situations Assets

- 8.1. Special Situations Assets are defined and classified as assets that require turn-arounds in terms of profitability and sustainable operating cash flows.
- 8.2. These assets will have specific targets and action plans that are approved by the Board on an annual basis.
- 8.3. These assets may be reclassified when they achieve commercial viability or undertakes a process to explore value realisation options upon approval of the Board.

9. Risk Management

- 9.1. Khazanah's risk appetite is an important component of the overall Khazanah risk management framework. The Board Audit and Risk Committee specifies and approves Khazanah's risk appetite. The risk appetite will be reviewed periodically by the Board Audit and Risk Committee or when deemed necessary to do so. The risk appetite is articulated through a set of Risk Appetite Statements for key material risks identified under the investment mandate.
- 9.2. Khazanah's risk appetite allows the Board and Senior Management to communicate, understand and assess the types and level of risks that Khazanah is willing to accept in pursuit of its commercial, economic, and societal returns for the nation, while taking into consideration constraints under normal and stressed market conditions. The risk appetite provides a consistent and structured approach in understanding risk for the organisation, and it is embedded into the investment activities and decision-making process of Khazanah.

10. Governance

- 10.1. 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.
- 10.2. 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.

11. Transparency and Disclosures

- 11.1. 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.
- 11.2. 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.