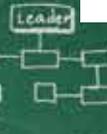
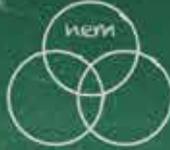




KHAZANAH NASIONAL

KHAZANAH MEGATRENDS FORUM



$$k=rf+b(rm-rf)$$

TalentCorp



Pintar



institutions



inclusion

innovation



thinkCITY



CIMB



malaysia

regional champion

KHAZANAH RESEARCH INSTITUTE



high income nation



YAYASAN KHAZANAH

# BUILDING TRUE VALUE

THE KHAZANAH REPORT 2014

KHAZANAH GLOBAL LECTURES



KHAZANAH MERDEKA SERIES

GEC Transformation Programme



PLUS



iHH Healthcare Berhad

UEM



CONNECTION



TMI

axiata



CIMB

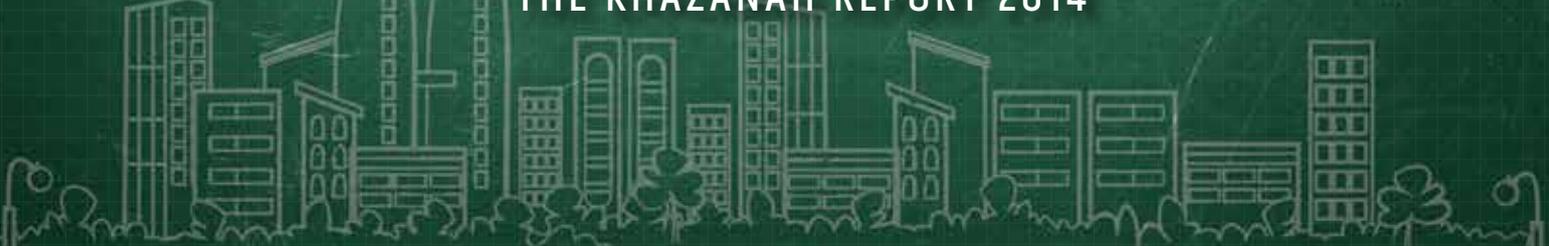


ISKANDAR

11.1%



Alibaba.com



The *Khazanah Report 2014* outlines the goals, strategies and vision embraced by Khazanah Nasional Berhad (Khazanah) in our role as the strategic investment fund of the Government of Malaysia.

Khazanah is a Malay word of Arabic origin, meaning "treasure". The same word can also be found in many other languages and carries the same meaning. The name Khazanah Nasional, meaning "national treasure", and the design of Khazanah's logo, which draws inspiration from the *cembul*, a traditional Malay jewellery box, represent the organisation's role as one of the trustees of the nation's commercial assets. The criss-cross of lines represents our investments across multiple sectors and geographies, and highlights our role as a catalyst for new and strategic ventures. Seen as a whole, the logo embodies the holistic role Khazanah plays as the strategic investment fund of the Government.

The theme *Institutions, Innovation and Inclusion*, is reflected on the cover of this report, with the overall graphic design symbolising the interconnectedness of the three thrusts, and the broad array of activities that Khazanah undertakes.

This report is available online at [www.khazanah.com.my](http://www.khazanah.com.my)

May 2015



KHAZANAH  
NASIONAL

## "Merapat sambil belayar, belayar sambil memapan"

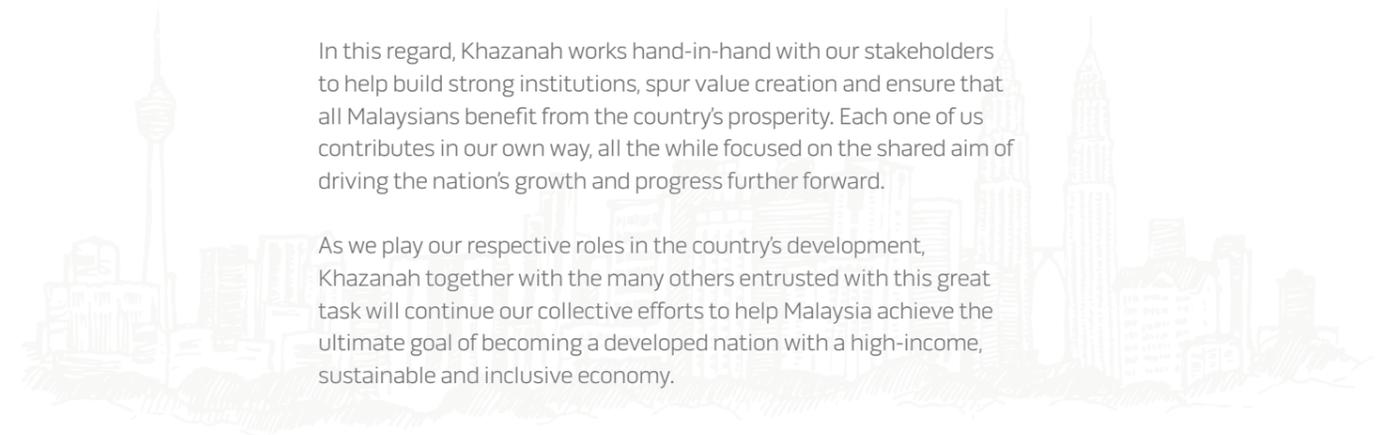


is a Malay saying that has its roots in the 17th century, during which the Malay Archipelago was an active center of maritime trade. It literally means to steadily approach ("*merapat*") your destination after setting sail ("*belayar*"), at the same time being able to do other things, such as woodwork ("*memapan*"), on board the vessel.

In essence, the saying means an endeavour that achieves multiple objectives while moving towards an ultimate destination or goal. This goes to the core of Khazanah's efforts to help build true value for Malaysia through long-term value creation and sustainable value distribution, across a broad array of sectors.

In this regard, Khazanah works hand-in-hand with our stakeholders to help build strong institutions, spur value creation and ensure that all Malaysians benefit from the country's prosperity. Each one of us contributes in our own way, all the while focused on the shared aim of driving the nation's growth and progress further forward.

As we play our respective roles in the country's development, Khazanah together with the many others entrusted with this great task will continue our collective efforts to help Malaysia achieve the ultimate goal of becoming a developed nation with a high-income, sustainable and inclusive economy.



# INSTITUTIONS, INNOVATION AND INCLUSION

## THE FOUNDATIONS FOR SUSTAINABLE LONG-TERM GROWTH



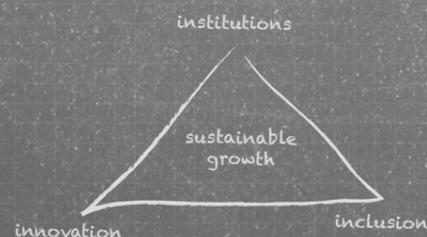
The theme of *The Khazanah Report 2014 (TKR2014)* is *Institutions, Innovation and Inclusion*

Sustainable long-term growth is driven by institutions, innovation, and inclusion, which reinforce each other in a virtuous cycle. These three factors drive the productive capacity of an economy. Institutions provide the appropriate environment and incentives to establish a level playing field and encourage innovation. Through innovation, entrepreneurs discover new technologies, processes and solutions that improve efficiency and productivity, thereby generating greater value and economic growth, and ultimately, enhanced national wealth. Finally, a focus on inclusion helps to ensure that the value and wealth created is appropriately distributed and shared with all members of society.

Khazanah's on-going institutionalisation efforts are aimed at building a strong institution that stands the test of time, able to withstand and overcome challenges, while continuing to create and distribute value in a sustainable manner. Khazanah is also embarking on initiatives to encourage greater focus and effort on innovation, both internally and externally in our investee companies. In addition, we place an equal emphasis on inclusion through a broad array of measures that support the broader national development agenda underpinned by the New Economic Model, in which inclusion is a key component.

This theme of TKR2014 is reflected on the cover of this report, with overall graphic design symbolising the interconnectedness of the institution, innovation and inclusion, which permeate the broad array of activities that Khazanah undertakes in executing its mandate.

Inside, the theme is fleshed out in more detail through case studies that elaborate further on Khazanah's initiatives to drive innovation and inclusion. To provide further insight into the theme throughout the report, the following pages feature call-outs on the efforts of our investee companies and quotes from our staff that collectively highlight their approach, focus and understanding of institutions, innovation and inclusion.



**EACH ONE OF US CONTRIBUTES IN OUR OWN WAY, ALL THE WHILE FOCUSED ON THE SHARED AIM OF DRIVING THE NATION'S GROWTH AND PROGRESS FURTHER FORWARD**



Datuk Hisham Hamdan  
Executive Director, Investments

### ON INCLUSION

“Khazanah is an inclusive organisation where we have been able to accommodate people with different levels of competency and sophistication. This has in turn strengthened our adaptive capacity to execute various broad mandates throughout the years.”



Maslina Mansor  
Vice President, Managing Director's Office

### ON INSTITUTIONS

“Institutionalisation is an on-going process to build Khazanah into a strong national institution by embedding knowledge into the organisation so that success can be repeated while mistakes can be avoided in the future. People come and go but we want all the lessons we have learnt to be kept in what we call an institutional memory.”



Babar Ali Khan  
Director, Investments

### ON INNOVATION

“Being part of the India team, one of my goals is to identify interesting investment opportunities for us that are underpinned by innovation. For emerging economies where income levels are still lower than the developed world, innovation in products and services is not a luxury but rather a severe necessity to overcome cost and infrastructure hurdles.”

# TABLE OF CONTENTS

## INTRODUCTION

Who We Are and Our Mandate	2
2014 In Review	4

## AN OVERVIEW OF AN INSTITUTION 7

Chairman's Message	8
Our Governance and Accountability Framework	12
Board of Directors	13
Message from the Managing Director	14
Strategic Planning Group	20

## FINANCIAL REVIEW 25

Financial Highlights	26
Independent Auditors' Report	30
Selected Financial Indicators	31
Islamic Finance and Capital and Liability Management	34

## CREATING TRUE VALUE THROUGH OUR INVESTMENTS 37

Investing in Growth and Development	38
Empowering Our Companies	40
Driving Performance and Charting New Paths	42
Investment Holding Structure	44
Building a Regional Footprint	56
Government-Linked Companies Transformation Programme	58

## DELIVERING BENEFITS TO STAKEHOLDERS 63

Sharing Gains with Stakeholders	64
Being a Responsible Corporate Citizen	68
Selected Highlights of Corporate Responsibility Initiatives in 2014	70
Supporting National Transformation	72

Case Study: Building An Inclusive Institution	74
Case Study: A Framework for Innovation and Entrepreneurship	80
Case Study: Formulating the MAS Recovery Plan	86

## BUILDING AN INSTITUTION 93

Khazanah as a Learning Organisation	94
Our People, Our Values	98

## WHO WE ARE



Khazanah Nasional Berhad (Khazanah) is the strategic investment fund of the Government of Malaysia

Khazanah holds and manages selected commercial assets of the Government and undertakes strategic investments on behalf of the nation. We are involved in sectors such as power, telecommunications, finance, healthcare, aviation, infrastructure, leisure and tourism, and property, amongst others.

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

We play a catalytic role in driving various strategic industries and national initiatives. In our capacity as the Secretariat to the Putrajaya Committee on GLC High Performance (PCG), we also help to enhance shareholder value creation, heighten efficiency gains, and enhance corporate governance in Government-Linked Companies (GLCs).

Khazanah was incorporated under the Companies Act, 1965 in Malaysia on 3 September 1993 as a public limited company and commenced operations a year later. Khazanah is owned by the Minister of Finance Incorporated, except for one share held by the Federal Land Commissioner.

In 2004, Tan Sri Dato' Azman Mokhtar, the present Managing Director, was appointed to lead Khazanah and undertake a strategic revamp based on its new mandate. He reports to a nine-member Board of Directors chaired by Malaysia's Prime Minister and Minister of Finance, Dato' Sri Mohd Najib Tun Abdul Razak.

## OUR MANDATE



Khazanah's vision is to be a leading strategic investment house that creates sustainable value for a globally competitive Malaysia. Our proactive investment approach includes the management of our existing investments and the Government-Linked Companies (GLC) Transformation Programme, and making strategic investments in new sectors and geographies that are deemed important to Malaysia's future. We are also involved in the active development of human, social, and knowledge capital for the country.



This illustration encapsulates Khazanah's mandate, with the roof representing our vision, supported by four pillars that define our work and are anchored on our core foundations.

# 2014 IN REVIEW



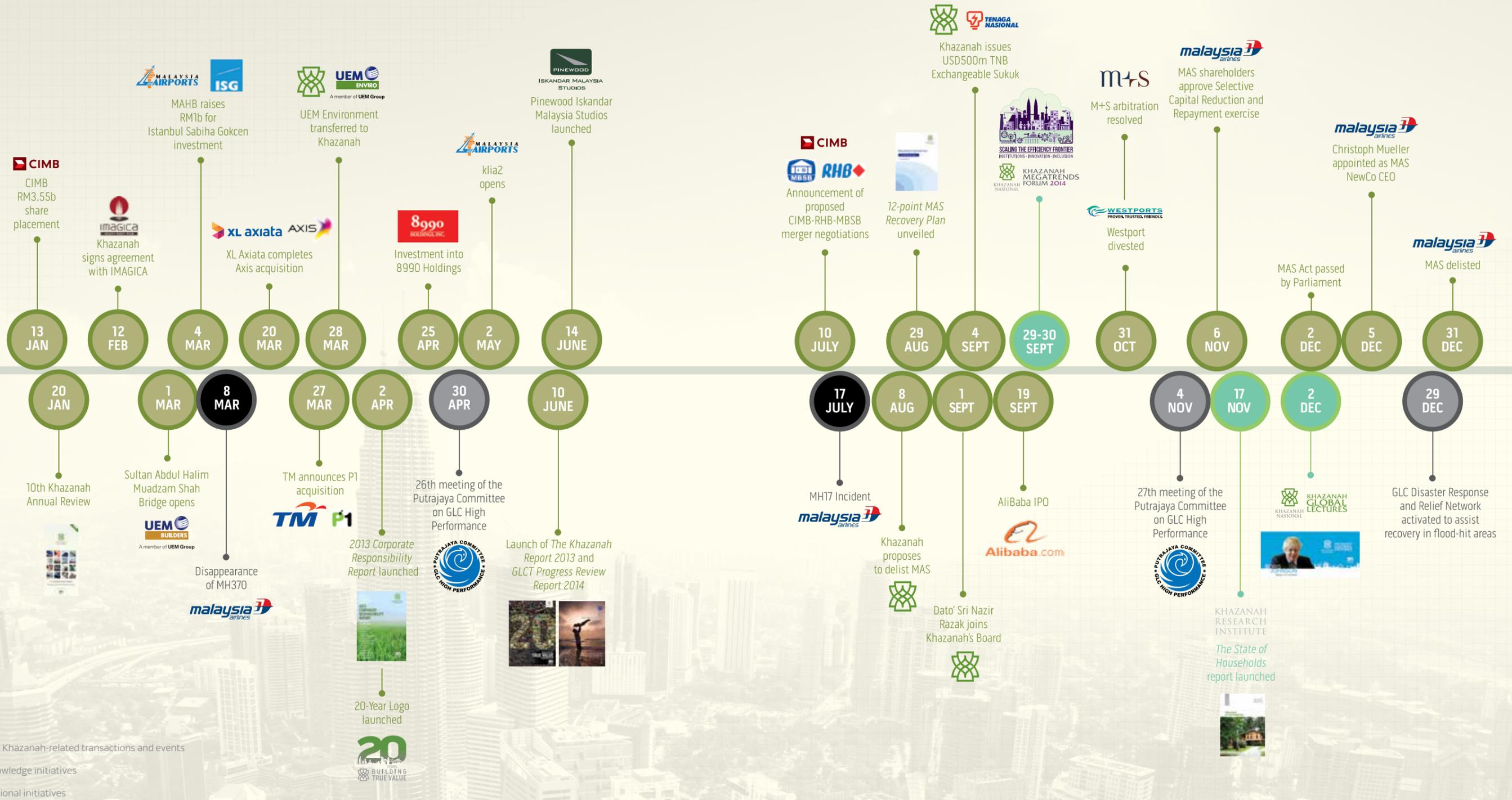
2014 saw several key transactions that further underlined our role as a strategic investment fund. These include corporate exercises, restructuring activities and strategic divestments to support national development objectives, acquisitions to tap into new growth areas and launch of catalytic projects.



Nik Rizal Kamil Nik Ibrahim Kamil  
Director, Investments

## ON INNOVATION

“Championing innovation involves readiness for change, commitment to do things differently and sometimes, embarking on a complete paradigm shift beyond leveraging the collective resources of human and financial capital.”  
- Nik Rizal looks after the innovation and technology sector at Khazanah





01

# AN OVERVIEW OF AN INSTITUTION

Khazanah continues to grow as an institution, underpinned by a robust governance and accountability framework. Our Board of Directors, led by our Chairman, Dato' Sri Mohd Najib Tun Abdul Razak, guides the efforts of our management in executing our mandate.

- Chairman's Message 8
- Our Governance and Accountability Framework 12
- The Khazanah Board of Directors 13
- Message from the Managing Director 14
- Strategic Planning Group 20



## CHAIRMAN'S MESSAGE



Malaysia continues to face increasing challenges in the coming years, as globalisation and a borderless economy become a reality

*Alhamdulillah*, Malaysia has been able to persevere through the many challenges in 2014. We registered a strong economic growth of 6%, exports continued to rise, trade balances stayed positive, and unemployment remained low. The country's banking system stayed strong and well capitalised while inflation remained at an acceptable level. Fiscal management continues to be the main agenda of the Government, and the subsidy rationalisation implemented last year will strengthen the Government's fiscal budget.

Conditions in the past year have been anything but easy. Malaysia continues to face a few headwinds. The slump in oil prices, lower commodity prices, the depreciation of the ringgit, and the challenge in maintaining fiscal balance are matters of concern. These are being addressed accordingly. Malaysia though is not alone. Many countries around the world including our neighbours, are wrestling with similar challenges.

Against this backdrop, the Government nonetheless remains confident in the strength of our fundamentals and the measures we have and are putting in place to weather any difficulty. There remains much positivity. Businesses continue to thrive and many job opportunities have been created. Efforts to effectively implement our New Economic Model (NEM) which we embarked on in 2010 are progressing well. As explained in the 2014 Economic Transformation Programme (ETP) and Government Transformation Programme (GTP) reports launched in April, we continue to deliver tangible results that keep Malaysia on track to achieving developed nation status with a high-income, sustainable and inclusive economy.

In 2014, Malaysia's Gross National Income (GNI) per capita grew to RM35,334, total investments hit a record RM264 billion, while the total number of jobs created within the ETP's 12 National Key Economic Areas (NKEA) since 2010 increased to 1.5 million. In addition, the Government reduced the fiscal deficit to 3.5% while increasing revenue to an estimated RM225.1 billion.



KHAZANAH'S STEWARDSHIP OF SOME OF MALAYSIA'S LARGEST COMPANIES, ITS STRATEGIC ACTIVITIES, AND INTERNATIONALISATION DRIVE, HAVE PRODUCED SIGNIFICANT GAINS



Dato' Sri Mohd Najib sharing a light moment with Board members during the Khazanah Board Retreat in December 2014 at The Datai Langkawi

DATO' SRI  
MOHD NAJIB  
TUN ABDUL RAZAK

Chairman  
Khazanah  
Nasional  
Berhad



Dato' Sri Mohd Najib addressing delegates at the Malaysia Business Luncheon, held in conjunction with the World Economic Forum 2015, in Davos, Switzerland

Thursday 22 January  
12.00 - 14.00  
Dome 2, Hotel Panorama



**A** Dato' Sri Mohd Najib launches 'Agenda Lokalism 2014' at Malaysian Global Innovation & Creativity Centre (MaGIC), Cyberjaya, witnessed by Moharmustaqeem Mohammed, Vice President, Mass Market Marketing Operation. TM is one of the sponsors of Agenda Lokalism - a targeted campaign to celebrate local ventures, brands and youth entrepreneurs, helping them create opportunities and assisting them in developing their business.

**B** Axiata Group Berhad and Malaysia Venture Capital Management Berhad (MAVCAP) collaborate on the establishment of a RM100 million venture capital fund, the Axiata Digital Innovation Fund. The signing ceremony was witnessed by Dato' Sri Mohd Najib and by Dato' Sri Ahmad Shabery Cheek, Minister of Communications and Multimedia of Malaysia.

**C** klia2 was officially launched by Dato' Sri Mohd Najib on 24 June 2014. At the close of 2014, this world's largest purpose built terminal for low cost carriers had successfully handled more than 16 million passenger movements and 330,000 aircraft movements.

**D** Dato' Sri Mohd Najib presenting a customised antique Malacca trishaw to the Mayor of London, Boris Johnson at the 2014 Khazanah Global Lectures

**E** Dato' Sri Mohd Najib speaking at the Malaysia Business Luncheon during the World Economic Forum in Davos, Switzerland on 22 January 2015



At the same time, various initiatives under the GTP to address socio-economic issues continued to have a positive impact on the well-being of Malaysians, including improving rural development through better basic infrastructure, addressing the rising cost of living and raising living standards of low-income households.

In my speech at the Invest Malaysia 2015 conference this year, I reiterated that inclusiveness and sustainability were key pillars of our vision for Malaysia's growth. They are embedded in our transformation efforts and are at the core of our 11th Malaysia Plan to be introduced soon. Increasing our national prosperity means nothing if it is not shared. The fruits of our success must be available to all.

In this regard, Government-Linked Companies (GLCs) and Government-Linked Investments Companies (GLICs) like Khazanah, continue to take a leadership role in transforming the country, while ensuring that the gains and benefits are shared with all stakeholders, especially the public. GLCs under the 10-year GLC Transformation Programme have contributed significantly to economic growth and development, nation-building and structural change as laid out in the NEM.

2015 will also see the graduation of GLCs from the GLC Transformation Programme. I congratulate the GLICs and GLCs for their tremendous efforts that have brought them to where they are today. Credit is also due

to Khazanah as the secretariat of Putrajaya Committee on GLC High Performance (PCG), which has spearheaded the transformation of the GLCs over the past decade. The results are evident and for all to see.

Khazanah's mission does not stop there. The challenge to put our national carrier Malaysian Airlines on the path to recovery and sustainable profitability is most significant. The twin tragedies of MH370 and MH17 remain in our memories, and our thoughts and prayers continue to be with everyone affected. As we move forward, the 12-point MAS Recovery Plan to save our national icon is progressing and on track. Key developments include Parliamentary approval of two significant pieces of legislation related to the restructuring of MAS, namely, the MAS Act, which will help to ensure a smooth transition from Malaysian Airline System Berhad (MAS) to the new company Malaysia Airlines Berhad; and the Malaysian Aviation Act, which will enable the setting up of an aviation commission. I am also pleased to welcome Christoph Mueller as the CEO and Managing Director of MAS. Mr Mueller, who will lead the new company once it is operationalised on 1 September 2015, has solid expertise and experience in airline turnarounds. I believe that through the united efforts of everyone involved, we will see a successful outcome to the restructuring and once again, have an airline that all Malaysians will be proud of. To achieve this, the support of all is necessary. Failure is certainly not an option.

Overall, Khazanah continues to record strong financial and strategic performance, and this puts it in good stead to further deliver on its mandate as the strategic investment fund of the Government. Khazanah's stewardship of some of Malaysia's largest companies, its strategic activities such as those in Iskandar Malaysia, and the internationalisation and regionalisation drive of both Khazanah and its investee companies, have produced significant gains. This has come on the back of careful planning and the measured pursuit of viable opportunities.

As Chairman of Khazanah, I would like to take the opportunity to thank all the staff at Khazanah for their passion, commitment and hard work. I would also like to thank my fellow Board members for their collective efforts and contribution in steering Khazanah to new heights.

Our journey in building true value for the nation continues. *Insya-Allah*, with perseverance and dedication, our efforts will come to a success.

Thank you.

**Dato' Sri Mohd Najib Tun Abdul Razak**  
Chairman  
Khazanah Nasional Berhad



## OUR GOVERNANCE AND ACCOUNTABILITY FRAMEWORK



We are guided by a framework that establishes a clear responsibility, authority and governance structure

Khazanah upholds rigorous standards of transparency and accountability. Our governance and accountability framework establishes a clear responsibility, authority and governance structure. These perimeters guide our overall operations. Internal systems and controls in the form of policies, procedures and guidelines on matters ranging from risk management and investment approvals to corporate values and ethical standards strengthen our governance practice.

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 as well as the Auditor-General's Office, and the audited financial statements are submitted to the Companies Commission of Malaysia. We have also shared key information to the Public Accounts Committee (PAC).

We also make known to the public key information on our official website and annual publications including The Khazanah Report, Khazanah Corporate Responsibility Report, and Government-Linked Companies Transformation (GLCT) Programme Progress Review.

Stakeholder engagement remains a priority for us. We organise various outreach programmes for the media, analysts and fund managers, government agencies, parliamentarians and civil society organisations. We hope these engagements will enhance their understanding about Khazanah.

Our mandate is closely tied to the Government's development aspirations. It guides our investment and operational approach. While it ensures consistency to our overall operation, it fulfils the objectives set out by our shareholders.

Like other strategic investment funds, Khazanah taps into international capital markets when the need

arises. But we are mindful of any endeavour into the capital markets. Our security and investments are rated accordingly. We provide adequate and frequent disclosure of our financial position through rating agencies and market participants.

We comply with statutory public disclosure requirements concerning our investments, divestments, and capital-raising exercises. We also disclose financial data to our shareholder (Minister of Finance, Inc), Bank Negara Malaysia, and the Department of Statistics on a regular basis.

The Board of Directors governs our operations. The board members consist of representatives from the Government and the corporate sector with diverse professional backgrounds and expertise. Dato' Sri Mohd Najib Tun Abdul Razak, the Prime Minister of Malaysia and Minister of Finance, is the Chairman of our Board.

The Board meets regularly and is ultimately accountable and responsible for Khazanah's overall governance and performance.

A Board Charter sets out the roles and responsibilities of the Board in overseeing the management of Khazanah.

The Board is assisted by two subcommittees – the Executive Committee (EXCO) and the Audit and Risk Committee (ARC). The four-member EXCO comprises three Non-Executive Directors and an Executive Director, while the ARC consists of three Independent Directors.

Our Governance and Risk Management Framework 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 comprises a Risk Management Policy, Schedule of Matters for the Board, Limits of Authority applicable to the Management, Code of Conduct as well as Policies and Procedures, which guide our employees in their actions and behaviours.

## BOARD OF DIRECTORS

### **DATO' SRI MOHD NAJIB TUN ABDUL RAZAK**

*Chairman*

Dato' Sri Mohd Najib is the current Prime Minister of Malaysia and Minister of Finance. He previously held various ministerial posts including Minister of Culture, Youth and Sports, Minister of Defence, and Minister of Education, as well as Deputy Prime Minister from 2004 to 2009. Dato' Sri Mohd Najib also served as the Chief Minister of Pahang from 1982 to 1986.



From left to right: Raja Tan Sri Dato' Seri Arshad Raja Tun Uda, Dato' Sri Nazir Tun Abdul Razak, Tan Sri Andrew Sheng Len Tao, Tan Sri Dato' Azman Mokhtar, Tan Sri Dato' Seri Utama Nor Mohamed Yakcop, Dato' Sri Mohd Najib Tun Abdul Razak, Dato' Seri Ahmad Husni Mohamad Hanadzlah, Tan Sri Md Nor Md Yusof, Tan Sri Mohamed Azman Yahya and Dato' Mohammed Azlan Hashim

### **TAN SRI DATO' SERI UTAMA NOR MOHAMED YAKCOP**

*Deputy Chairman and Executive Committee Chairman*

Tan Sri Nor was formerly Minister in the Prime Minister's Department in charge of the Economic Planning Unit. He had also previously served as Minister of Finance II and Special Economic Adviser to the Prime Minister, and spent over 30 years with Malaysia's central bank, Bank Negara in various capacities.

### **DATO' SERI AHMAD HUSNI MOHAMAD HANADZLAH**

Dato' Seri Ahmad Husni is the current Minister of Finance II. He was formerly Deputy Minister of Finance I and Deputy Minister of International Trade and Industry. Dato' Seri Ahmad Husni has extensive corporate sector experience and has also served at several state government-linked agencies.

### **TAN SRI MD NOR MD YUSOF**

*Executive Committee member*

Tan Sri Md Nor is the Chairman of Malaysian Airline System Berhad, and sits on various Boards, including Pelaburan Hartanah Berhad and several key investee companies. He sits on the Board of Trustees of Yayasan Khazanah and was formerly the Executive Chairman of the Securities Commission and Adviser to the Minister of Finance.

### **TAN SRI MOHAMED AZMAN YAHYA**

*Audit and Risk Committee member*

Tan Sri Mohamed Azman is the founder and Group Chief Executive of Symphony House Berhad, and Executive Chairman of Symphony Life Berhad. He also sits on the Boards of Ekuiti Nasional Berhad and several Khazanah investee companies. He was formerly the Chief Executive of Danaharta and Chairman of the Corporate Debt Restructuring Committee.

### **DATO' MOHAMMED AZLAN HASHIM**

*Executive Committee member*

Dato' Mohammed Azlan is the Chairman and Board member of several public listed companies and Government-related organisations. Dato' Mohammed Azlan was formerly Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad, and Executive Chairman of Bursa Malaysia Berhad.

### **RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA**

*Chairman of Audit and Risk Committee*

Raja Tan Sri Arshad is the Chairman of Maxis Berhad, Ekuiti Nasional Berhad, Asia Capital Reinsurance Malaysia Sdn Bhd and Yayasan Raja Muda Selangor. He was formerly the Executive Chairman and Senior Partner of PricewaterhouseCoopers Malaysia for 18 years.

### **DATO' SRI NAZIR TUN ABDUL RAZAK**

Dato' Sri Nazir is the Chairman of CIMB Group, a member of the Investment Panel and Chairman of the Investment Panel Risk Committee of the Employees Provident Fund. He is also a Trustee of Rahah Foundation. He was formerly the Group Managing Director / Chief Executive Officer of CIMB Group between November 2006 and August 2014 after having joined the banking group in 1989.

### **TAN SRI ANDREW SHENG LEN TAO**

*Audit and Risk Committee member*

Tan Sri Andrew is the Chief Adviser to the China Banking Regulatory Commission and a Board member of Qatar Financial Centre Regulatory Authority. He is also the Distinguished Fellow of Fung Global Institute. His previous senior appointments include Chairman of the Securities and Futures Commission of Hong Kong, Deputy Chief Executive of Hong Kong Monetary Authority, and Chief Economist and Assistant Governor of Bank Negara Malaysia.

### **TAN SRI DATO' AZMAN MOKHTAR**

*Executive Committee member*

Tan Sri Dato' Azman is the Managing Director of Khazanah and chairs and sits on the Boards of several key Khazanah investee companies. He is also the co-founder and former Managing Director of BinaFikir Sdn Bhd, and was previously Director and Head of Research at Salomon Smith Barney and Union Bank of Switzerland in Malaysia.

## MESSAGE FROM THE MANAGING DIRECTOR



Our work at Khazanah never ends; Malaysia needs to constantly innovate and upgrade its economic competitiveness and human capital, and we continue to deliver progress in these spheres for the country



Tan Sri Dato' Azman at the media briefing to announce the MAS Recovery Plan on 29 August 2014

Welcome to *The Khazanah Report 2014* (TKR2014). Our theme for this year's report is *Institutions, Innovation and Inclusion*. We believe this accurately encapsulates the journey which a revamped Khazanah undertook in 2004. The journey since then, which is still a work in progress, continues to inspire us to deliver value to the nation. The Khazanah Report has been an annual publication since 2013 and is an extension of the Khazanah tradition of disclosure and accountability. Feedback from our stakeholders on the reports we have issued thus far have been positive, as the TKR series help ensure stakeholders are duly updated and informed on Khazanah's operations and performance. Our work at Khazanah, never ends; Malaysia needs to constantly innovate and upgrade its economic competitiveness and human capital, and we continue to deliver progress in these spheres for the country. We have tried to reflect the thematic journey in TKR2014 as best as we could, and we hope that you will find this report useful and informative.

The year 2014, was a challenging and – it would not be wrong to state – an emotionally-charged year. The tragic aviation incidents involving Malaysian Airline System Berhad's (MAS) airplanes MH370 and MH17, took a deep and painful toll on all Malaysians as well as on the world. Khazanah, a major shareholder in MAS, worked hand-in-hand with multiple stakeholders including the



Panel discussion during the Khazanah Megatrends Forum 2014

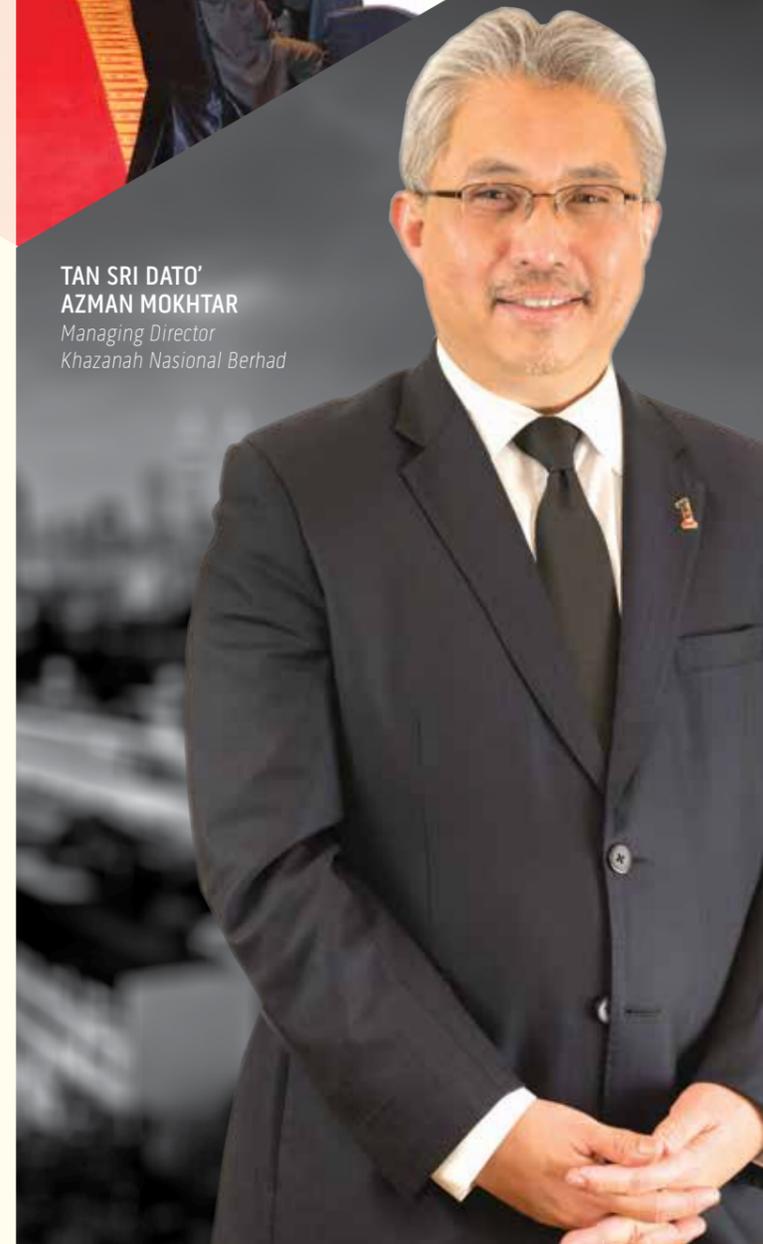


### KHAZANAH DEMONSTRATED STEADY PROGRESS AND CONSISTENT RESULTS, INCLUDING FINANCIAL AND STRATEGIC PERFORMANCE, SOCIETAL AND DISTRIBUTIONAL ACTIVITIES, AND ON-GOING CAPACITY BUILDING AND INSTITUTIONALISATION

Government and business partners to help take the airline forward. The result was the unveiling of the *12-point MAS Recovery Plan* to rebuild the national carrier and restore it to sustained profitability. The restructuring of our beloved MAS will not be easy; in fact, it will call upon all those involved to maximise their ability and talent to the utmost in order to undertake the complete overhaul of our national airline. I will touch on this important transformative work a bit later. The restructuring of an airline is by far, one of the most complex undertakings by Khazanah.

In other facets of our mandated areas of focus, Khazanah demonstrated steady progress and consistent results, including financial and strategic performance, societal and distributional activities, and on-going capacity building and institutionalisation. In 2014, our portfolio grew significantly, by nearly 7.7% to RM145.5 billion in terms of its realisable asset value (RAV), and by 9.1% to RM110.7 billion in terms of net worth adjusted (NWA). Khazanah also registered a proforma profit before tax (PBT) of RM3.2 billion. Khazanah also made 12 investments totalling RM7.2 billion and six divestments with a gain on divestment of RM3 billion for the year.

**TAN SRI DATO'  
AZMAN MOKHTAR**  
Managing Director  
Khazanah Nasional Berhad



2014 was replete with activities guided by our mandate, which saw several of Khazanah's investee companies posting robust performances. The growth in our portfolio was helped by the likes of Tenaga Nasional Berhad, IHH Healthcare Berhad and the telecommunications sector comprising Telekom Malaysia Berhad (TM) and Axiata Group Berhad. We were also helped significantly by Alibaba Group's global initial public offerings (IPO) last year, which boosted our financial position.

Our involvement in Iskandar Malaysia continued to show steady progress, with earmarked catalytic projects such as Pinewood Iskandar Malaysia Studios officially launched in 2014. In addition, Khazanah's investments in theme parks – LEGOLAND® Malaysia and Puteri Harbour Family Theme Park in Iskandar Malaysia, and KidZania Kuala Lumpur – have collectively recorded attendance of approximately 6.6 million since they opened. In the realm of infrastructure to boost Malaysia's economic competitiveness, our core portfolio companies also delivered on several critical national projects in 2014, including the Sultan Abdul Halim Muadzam Shah Bridge by UEM Group Berhad, Klia2 by Malaysia Airports Holdings Berhad, and the National High Speed Broadband Project by TM.

One of the key initiatives driven by Khazanah in its role as the Secretariat of the Putrajaya Committee on GLC High Performance (PCG), the GLC Transformation Programme, is now in its tenth and final year. The Programme, which was officially launched on 29 July 2005, continues to record successes, ensuring that GLCs remain a core lynchpin of the national economy. To mark the "graduation" of the GLCs from

Mount Elizabeth Novena Hospital, the flagship hospital of Parkway Pantai Limited in Singapore, commenced its first phase of operation in July 2012. The hospital heralds a new era in specialist healthcare that delivers world-class medical services for the region.



## WE SET IN MOTION A DEFINITIVE PLAN TO RETURN MAS TO SUSTAINED PROFITABILITY AND REVIVE THE COUNTRY'S NATIONAL AIRLINE

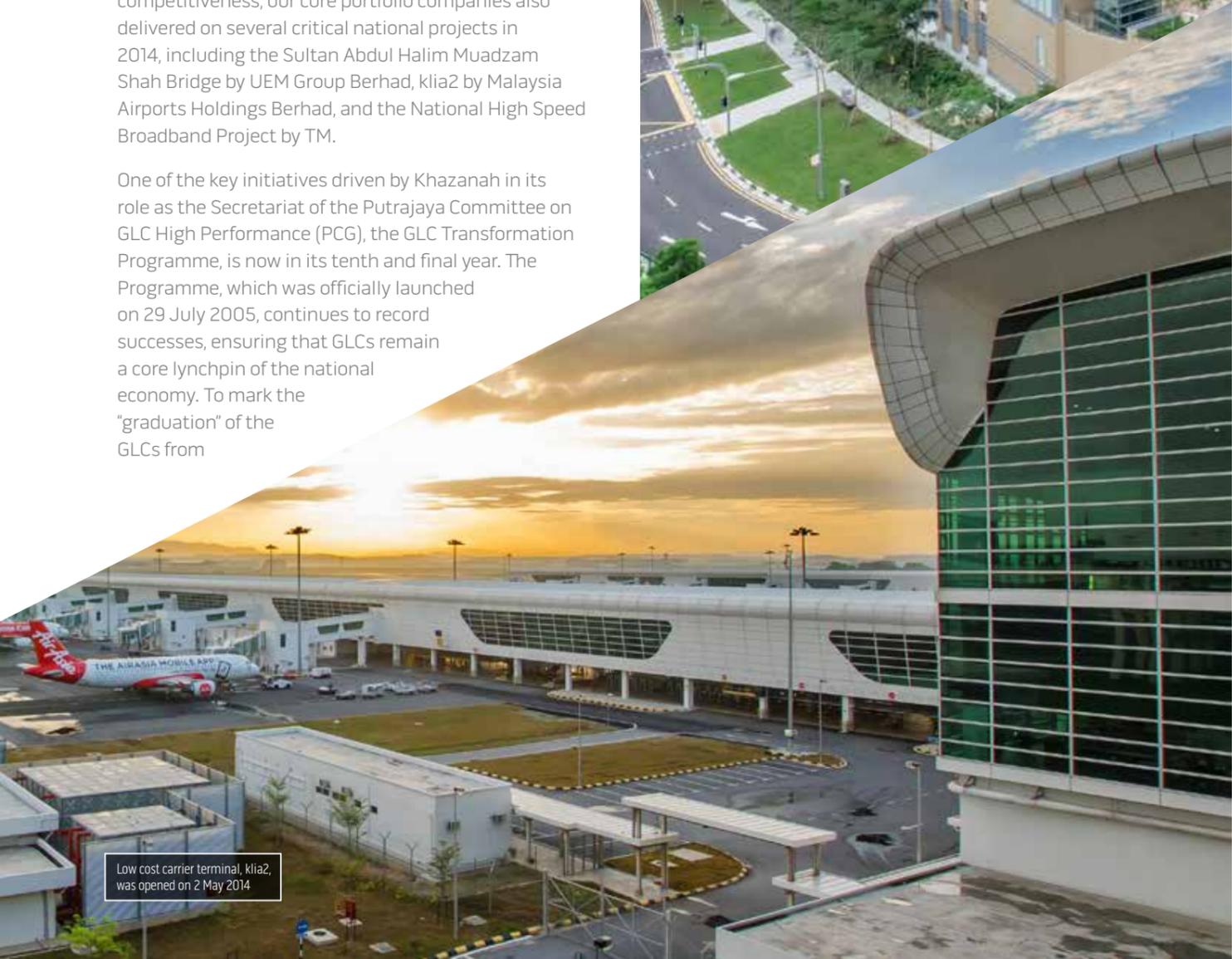
the Programme, a GLC Open Day will be held for the public on 7-9 August 2015. Khazanah continues to provide support to the various national transformation programmes and initiatives. The on-going divestments of our non-core assets and collaboration with the private sector have helped to encourage the development of a more robust and inclusive corporate landscape via key institution-building measures taken over the years.

As mentioned earlier, we set in motion a definitive plan to return MAS to sustained profitability and revive the country's national airline. In 2014, Khazanah conducted a thorough review of all relevant aspects of the airline's operations and operating environment. A plan was then devised which involved a comprehensive overhaul of the airline, including a specific 12-point package of measures whose combined delivery will enable MAS to achieve sustained profitability within three years

of delisting, by the end of 2017. At its core, the plan involves the creation of a new company (NewCo), which will house the 'New MAS', a right-sized workforce, new work practices and appropriate contracts. It also includes details of the strict conditionality attached to restructuring into current MAS and further Khazanah investment into NewCo, amounting to up to RM6 billion on a staggered and conditional basis over a three-year period. We also thought it appropriate that a world-class chief executive officer be appointed to ensure this long and complex exercise is successfully executed. In a historic appointment, veteran aviation executive Christoph Mueller was asked to helm MAS and he became the first foreign Managing Director and CEO of a major GLC.

Khazanah continues to enhance and institutionalise its Corporate Responsibility (CR) efforts through the establishment of Yayasan Hasanah (Hasanah), which focuses on five core areas: Education, Community Development, Environment, Arts, Heritage and Culture, and Knowledge. Khazanah has provided a RM3 billion endowment to Hasanah, with the endowment positioned to provide a targeted RM150 million in annual funding for the foundation. Overall, Khazanah has spent RM468 million on CR initiatives since 2006, including under Hasanah. Over the past two years, Khazanah has committed RM30 million for flood relief and disaster preparedness efforts.

Low cost carrier terminal, klia2, was opened on 2 May 2014



A

B

NET WORTH  
ADJUSTED  
(NWA)RM101.5b  
31 Dec 2013RM110.7b  
31 Dec 2014REALISABLE  
ASSET VALUE  
(RAV)RM135.1b  
31 Dec 2013RM145.5b  
31 Dec 2014

A The Khazanah Annual Review 2014 briefing to investee company board members and CEOs B School kids colouring in a group organised by Yayasan AMIR C Johan Cruyff having a kick-about with children with special needs at Cruyff Court Kuala Lumpur in Brickfields D Tan Sri Azman and Mayor of London, Boris Johnson on stage at the Khazanah Global Lectures 2014

C

## STRATEGIC PLANNING GROUP

As at May 2014



We draw on the broad experience and capabilities of our people for the work that we do

The Strategic Planning Group (SPG) represents a team of about 100 senior staff from Senior Vice Presidents to Executive Directors. It is a diverse group of individuals from a broad range of industries and areas of specialisation, bringing to Khazanah a wealth of knowledge and experience.

The SPG, which includes the Senior Leadership Team (SLT), helps to collectively ensure the implementation and delivery of our strategic and commercial objectives, based on the direction from our Board, and in line with our mandate.



**KHAZANAH HAS A DEEP-SEATED INTEREST IN ASSISTING THE GOVERNMENT FORMULATE POLICY AS WELL AS CREATING LINKAGES ACROSS GLOBAL KNOWLEDGE NETWORKS**

We continue to support Malaysia's broader national development agenda in areas where we have the capacity, ability and resources, including providing input towards policy formulation as well as creating linkages across global knowledge networks. In this aspect, we hosted the annual Khazanah Megatrends Forum which focused on scaling efficiencies through institutions, innovation and inclusion; the annual Khazanah Global Lectures series which featured the Mayor of London Boris Johnson; and the publication of *The State of Households* by the Khazanah Research Institute, which analyses the state of households and household incomes, the Malaysian workforce, and related trade and investment policy.

In closing, I hope TKR2014 will be a useful guide for our stakeholders to learn more about our *raison d'etre* and our activities. Khazanah has recorded good progress in its journey thus far, and we look forward to continue helping to build true value for Malaysia, for many more years to come.

Thank you.

**Tan Sri Dato' Azman Mokhtar**  
Managing Director  
Khazanah Nasional Berhad  
22 May 2015

D

### SENIOR LEADERSHIP TEAM



**TAN SRI DATO' AZMAN MOKHTAR**  
Managing Director  
The team is led by Tan Sri Dato' Azman Mokhtar, who has served as Managing Director since his initial appointment to the post in June 2004.



**DOMINIC SILVA**  
Executive Director, Investments and Head of Investments  
Dominic joined Khazanah in 2008 after 18 years in the banking sector, 12 of which were with ABN AMRO in several regional and international capacities. Prior to that, he worked with a major Japanese group's corporate finance division in Asia.



**BEN CHAN**  
Executive Director, Investments  
Ben joined Khazanah in 2005. He was previously Director of Research at several investment houses in Malaysia, covering Malaysia and Singapore. Previously, he was head of China research with Cazenove & Co and ING Barings, based in Hong Kong.



**DATO' NOORAZMAN ABD AZIZ**  
Executive Director, Investments  
Dato' Noorazman joined Khazanah in 2010 from Fajr Capital Ltd based in Dubai, where he was the Managing Director. Prior to that, he held a succession of international banking and finance positions, including with Citigroup, Bank Islam, Kuala Lumpur Stock Exchange and Labuan Offshore Financial Services Authority.



**DATUK HISHAM HAMDAN**  
Executive Director, Investments and Head of Khazanah Research & Investment Strategy  
Datuk Hisham joined Khazanah in 2011 from Sime Darby Berhad, where he served in various senior capacities, covering strategy and business development, healthcare, energy and utilities, and China. He also has significant prior experience in equity research and investment banking.



**TENGGU DATO' SRI AZMIL ZAHRUDDIN RAJA ABDUL AZIZ**  
Executive Director, Investments  
Tengku Dato' Sri Azmil joined Khazanah in 2011 from Malaysian Airline System Berhad where he was Managing Director and Chief Executive Officer. Prior to that, he was Managing Director and Chief Executive Officer of Penerbangan Malaysia Berhad. He has also worked at PricewaterhouseCoopers in London and Hong Kong.

# STRATEGIC PLANNING GROUP



- Khazanah Americas Inc, San Francisco (from left)
  - Shahril Ibrahim Director, Investments
  - Sundhiraj Sharma Director, Investments
- Khazanah Turkey Regional Office, Istanbul (from left)
  - Zafer Sonmez Director, Investments
  - Abang Rahmat Shobra Yusuf Director, Investments
  - Al-Azmy Azizi Senior Vice President, Investments

**Legend**  
 CSS: Corporate & Support Services  
 KRI: Khazanah Research Institute  
 KRIS: Khazanah Research & Investment Strategy  
 MDO: Managing Director's Office  
 SHCM: Strategic Human Capital Management

**Members and Titles:**

- May Quah Bee Fong Director, Investments
- Hafizuddin Sulaiman Director, Finance
- Shamsuddin Abdul Jalil Senior Vice President, CSS
- Mohd Redza Abdul Rahman Senior Vice President, KRIS
- Effizal Faiz Zulkifly Senior Vice President, Investments
- Ahmad Khairul Razi Ismail Senior Vice President, MDO
- Haris Hardi Zakaria Senior Vice President, Investments
- Wong Wai Seng Senior Vice President, Investments
- Wong Wai Seng Senior Vice President, Investments
- Wan Ab Aziz Ariffin Director, MDO
- Stephanie Saw Ai Lin Director, Investments
- Tan Sze Meng Senior Vice President, MDO
- Jamilah Hashim Director, CSS
- Firdaus Suffian Abdul Latif Senior Vice President, MDO
- Nik Rizal Kamil Nik Ibrahim Kamil Director, Investments
- Mohd Nazah Nik Abdul Aziz Senior Vice President, Finance
- Mohamed Nasri Sallehuddin Executive Director, CSS
- Mohamed Razip Mohammad Zin Senior Vice President, SHCM
- Eric Hong Kang Wei Senior Vice President, Investments
- Amran Hafiz Affudin Director, Investments
- Wong Shu Hsien Director, Investments
- Mohamed Rozani Mohamed Osman Senior Vice President, Finance
- Yap Kheng Han Director, Investments
- Dr Muhammed Abdul Khalid Director of Research, KRI
- Roseman Hassan Senior Vice President, CSS
- Aminuddin Rezal Jaafar Senior Vice President, MDO
- Shahira Ahmed Bazari Director, MDO
- Ramana Rajalingam Senior Vice President, MDO
- Filza Zainal Abidin Senior Vice President, CSS
- Azmir Zain Director, Investments
- Faridah Bakar Ali Director, Finance
- Serena Tan Mei Shwen Director, Investments
- Selvendran Katheerayson Director, Investments
- Leong Soon Kong Senior Vice President, Investments
- Imran Ejaz Ahmad Director, KRIS
- Bahareh Samsudin Senior Vice President, CSS
- Iwan Rashman Gulamoydeen Senior Vice President, CSS
- Aida Ang Siew Ting Senior Vice President, Finance
- Pang Hee Min Director, Investments
- Suraya Ismail Senior Vice President, KRI
- Kenneth Shen Executive Director, Investments
- Ong King How Director, Investments
- Dato' Noorazman Abd Aziz Executive Director, Investments
- Kamarul Bahrein Sharif Director, SHCM Yayasan Khazanah
- Chee Kok Lim MDO
- Mohd Johari Rahmat Senior Vice President, Investments
- Ahmad Farouk Mohammed Executive Director, Investments
- Dr Patrick Lau Director, Investments
- Loh Tzu Anne Director, Investments
- Datuk Hashim Hamdan Executive Director, Investments
- Idham Ismail Director, Investments
- Khairul Annuar Mohammad Khairi Senior Vice President, Investments
- Enita Azlina Osman Senior Vice President, Investments
- Wan Khatina Nawawi Director of Research, KRI
- Rohayati Othman Director, MDO
- Nadia Jalil Deputy Director of Research, KRI
- Ahmad Zulqarnain Onn Executive Director, Investments
- Zaida Khalida Executive Director, Investments
- Shahazwan Harris Executive Director, Investments
- Suhana Dewi Selamat Director, Investments
- Dominic Silva Executive Director, Investments
- Aileen Buang Senior Vice President, MDO
- Melinda Omar Senior Vice President, SHCM
- Tan Siaw Woon Senior Vice President, KRIS
- Jasmine Kwan Chiew Yan Senior Vice President, MDO
- Suriana Salleh Senior Vice President, CSS
- Tan Sri Dato' Azman Mokhtar Managing Director
- Latifah Daud Director, SHCM
- Erma Surianee Malek Senior Vice President, Finance
- Mohd Raslan Md Sharif Senior Vice President, MDO
- Junaidi Mansor Deputy Director of Research, KRI
- Siti Safinah Salleh Senior Vice President, MDO
- Mohd Izani Ashari Executive Director, MDO
- Irwan Shahrin Ismail Senior Vice President, CSS
- Goh Keat Siang Senior Vice President, Investments
- Jiv Sammanthan Executive Director, MDO

We would like to welcome the following members to the Strategic Planning Group:



- (from left)
  - Nordiana Nordin Senior Vice President, CSS
  - Emilia Maizura Binti Harun Senior Vice President, SHCM
  - Stanley Siva Senior Vice President, MDO
  - Dr Raslan Haniff Abdul Rashid On secondment to Ministry of Education (MOE) Senior Vice President, SHCM
  - Sharon Shyamala Hariharan Senior Vice President, KRIS
  - Kayse Foo Shiou Voon Senior Vice President, Investments
  - Mohd Asrul Ab Rahim Senior Vice President, Investments



- Khazanah India Advisory, Mumbai (from left)
  - Pushkar Jauhari Senior Vice President, Investments
  - Babar Ali Khan Director, Investments
- Khazanah Beijing Representative Office (from left)
  - Kenneth Woo Zhi Ying Senior Vice President, Investments
  - Lim Kooi June Director, Investments
  - Stanley Ooi Kok Leong Senior Vice President, Investments
  - Ben Chan Wei Beng Executive Director, Investments
  - Bryan Lim Tsin Lin Director, Investments
- Khazanah Koridor Utara, Penang (from left)
  - K. Gopalan a/I V.P. Govinda Pathiyar Senior Vice President, Investments
  - Hamdan Abdul Majeed Director, Investments

Lim Kooi June Director, Investments

**INSTITUTIONS**  
 Successful institutionalisation is a fine balance between instilling the 'Khazanah way' in the organisation but at the same time retaining enough flexibility for the organisation to continue to innovate and grow."





**KENNETH SHEN**

*Executive Director, Investments*  
Ken joined Khazanah in 2011 from Qatar Investment Authority (QIA) where he held several senior positions, including Adviser to the Chief Executive Officer and member of the Board of Qatar Holding LLC. Prior to QIA, he was with Salomon Brothers in Hong Kong and Lehman Brothers in New York.



**SHAHAZWAN HARRIS**

*Executive Director, Investments*  
Shahazwan joined Khazanah in 2005. Prior to Khazanah, he was with PA Consulting and Boston Consulting Group covering primarily the energy, infrastructure, and government sectors; and Tenaga Nasional Berhad.



**ZAIDA KHALIDA SHAARI**

*Executive Director, Investments*  
Zaida joined Khazanah in January 2007. Previously, she was Company Secretary and Head of Legal at Permodalan Nasional Berhad after spending several years in legal practice.



**AHMAD FAROUK MOHAMMED**

*Executive Director, Investments*  
Farouk joined Khazanah in 2006 after spending a number of years with a strategic advisory firm in Kuala Lumpur. He started his risk analysis work in London before returning to Kuala Lumpur to assume a role at an actuarial consultancy firm.



**MOHD IZANI GHANI**

*Executive Director, Finance and Chief Financial Officer*  
Izani joined Khazanah in March 2005 and was appointed Chief Financial Officer in May 2010. Prior to joining Khazanah, he was with Putrajaya Holdings Sdn Bhd and Renong Group.



**JIV SAMMANTHAN**

*Executive Director, Managing Director's Office and Head of Managing Director's Office*  
Jiv joined Khazanah in 2010. He was previously a Partner at PricewaterhouseCoopers, where he spent 18 years based in London and later in Kuala Lumpur.



**MOHD IZANI ASHARI**

*Executive Director, Managing Director's Office and Head of Special Projects Office*  
Izani joined Khazanah in 2009 and is responsible for leading Khazanah's work on the GLC Transformation Programme. He spent a considerable number of years with large multinationals and corporations, including Shell, Maybank, Sime Darby, Petronas and Malaysian Airline System Berhad.



**DATO' CHARON MOKHZANI**

*Executive Director, Managing Director's Office and Managing Director, Khazanah Research Institute (KRI)*  
Dato' Charon joined Khazanah in November 2013. Previously he was the Deputy Chief Executive Officer, Investment Banking, CIMB Group and Chief Executive Officer of CIMB Investment Bank. Prior to that he was the Managing Partner of Messrs. Zaid Ibrahim & Co.



**AHMAD ZULQARNAIN ONN**

*Executive Director, Investments and Head of Strategic Management Unit, Managing Director's Office*  
Zulqarnain joined Khazanah in May 2014 from Danajamin Nasional Berhad where he was the CEO. Prior to that, he served at various financial groups including UBS Warburg, Pengurusan Danaharta Nasional Berhad, CIMB Group and Symphony Group.



**ROHAYATI OTHMAN**

*Director, Managing Director's Office and Chief Risk Officer*  
Rohayati joined Khazanah in 2009. She was previously with KPMG, Arthur Andersen and Barclays Capital in London.



**MOHAMED NASRI SALLEHUDDIN**

*Executive Director, Corporate & Support Services, Company Secretary and Head, Legal*  
Mohamed Nasri joined Khazanah in 2009. Previously 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.



**LATIFAH DAUD**

*Director, Strategic Human Capital Management and Head of Strategic Human Capital Management*  
Latifah joined Khazanah Nasional on 1 April 2015. She has over 20 years Human Resources track record in multinational companies including Honeywell Inc., and Motorola/Freescale Semiconductor. She has also worked in a consulting firm in Singapore, Hatibudi Nominees / Renong Group and Arab Malaysian Bank.

We would like to welcome to the Senior Leadership Team:

**OMAR SIDDIQ AMIN NOER RASHID**

*Executive Director, Investments (joining 1 July 2015)*  
Omar rejoins Khazanah from CIMB's Investment Banking Division where he is a Managing Director and Regional Head for Technology, Media, Telecoms and Aviation.

**CHINTA BHAGAT**

*Executive Director, Investments (joining 1 August 2015)*  
Chinta joins Khazanah's India office from McKinsey & Co, where his last position was that of Managing Partner in the Singapore office.

**JAVIER SANTISO**

*Executive Director, Investments (joining 1 August 2015)*  
Javier will join Khazanah's London Office from Telefonica, where he is currently the Managing Director, Global Affairs & New Ventures.



# FINANCIAL REVIEW

02

- Financial Highlights 26
- Independent Auditors' Report 30
- Selected Financial Indicators 31
- Islamic Finance and Capital and Liability Management 34

We recognise the importance of strong financial capability and sustainable financial growth as vital towards fulfilling our strategic and commercial roles.

# FINANCIAL HIGHLIGHTS



Strong financial capability and sustainable financial growth have allowed us to fulfil our commercial and strategic mandate

Realisable asset value (RAV) and net worth adjusted (NWA) are the two measurements of our performance. RAV represents the total value of all of our investments while NWA measures the value created in our portfolio.

Khazanah's RAV climbed to RM145.5 billion as at 31 December 2014 from RM135.1 billion at the end of 2013, an increase of 7.7%. Over the period from May 2004, our RAV rose RM94.6 billion or 185.6% from RM50.9 billion, for a compounded annual growth rate (CAGR) of 10.4%. 2004 was the year we received our new mandate.

Meanwhile, our NWA grew 9.1% to RM110.7 billion compared to RM101.5 billion at the end of 2013. This is over a three-fold increase compared to the RM33.3 billion recorded in 2004. For the period between 2004 and the end of 2014, our NWA has increased at a CAGR of 12.0%.

Sustained steady performance of our investee companies and the appreciation in value of other investments have contributed to the strong financial performance.

In 2014, Khazanah recorded a profit before tax of RM3.2 billion compared to RM3.1 billion achieved in 2013. We also declared dividends of RM900 million. Since its inception in 1994, Khazanah has declared dividends totalling RM7.7 billion to the Government.

Similarly, Khazanah's shareholders' funds rose to RM35.3 billion in 2014 from RM2.8 billion in 1994, while liabilities remained manageable at RM42.6 billion.

Our capital position remains strong with our asset cover and net gearing ratio standing at 3.7x and 0.9x, respectively. These financial ratios have been achieved within the parameters set out by our asset liability management framework.

A strong financial position provides Khazanah with the platform to explore future opportunities. More importantly, we continue to operate effectively within the parameters set out by our various stakeholders, including the Government, rating agencies, and capital markets.



Suhana Dewi Selamat  
Director, Investments

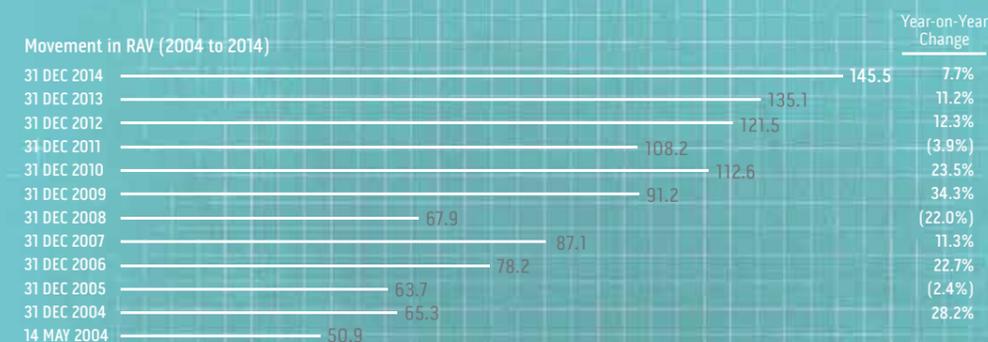
### ON INNOVATION

True compliance work begins with a deep understanding of the business and operational context of the institution, so our compliance officers seek to develop inclusive working relationships with our stakeholders. We strive to innovate processes and systems to embed practical, seamless and effective compliance controls in the day-to-day activities of the individuals who collectively ensure institutional compliance."

- Suhana handles compliance matters in the Investments division

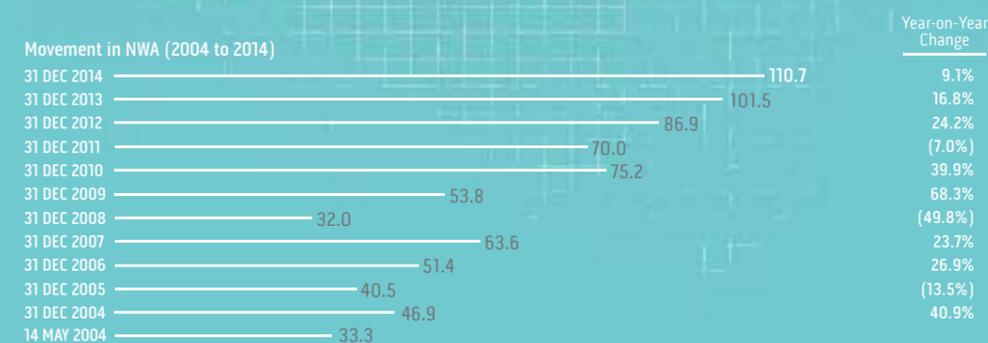
## REALISABLE ASSET VALUE (RAV)

# RM 145.5<sup>b</sup>



## NET WORTH ADJUSTED (NWA)

# RM 110.7<sup>b</sup>



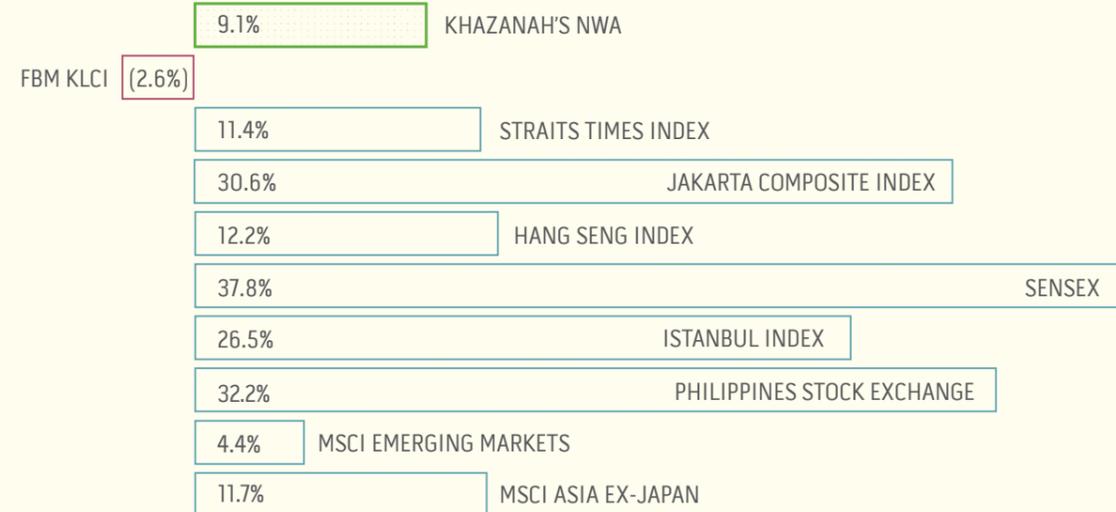
### RAV and NWA (RMb)

**RAV:** Market value of all equities, securities and cash held. Where no market price is available, a conservative estimate of value is used.

**NWA:** RAV less total liabilities and adjusted to measure value created.

### 2014 PORTFOLIO RELATIVE PERFORMANCE

Performance Against Major Reference Asian Markets



Note: In RM terms | Source: Bloomberg; Khazanah analysis

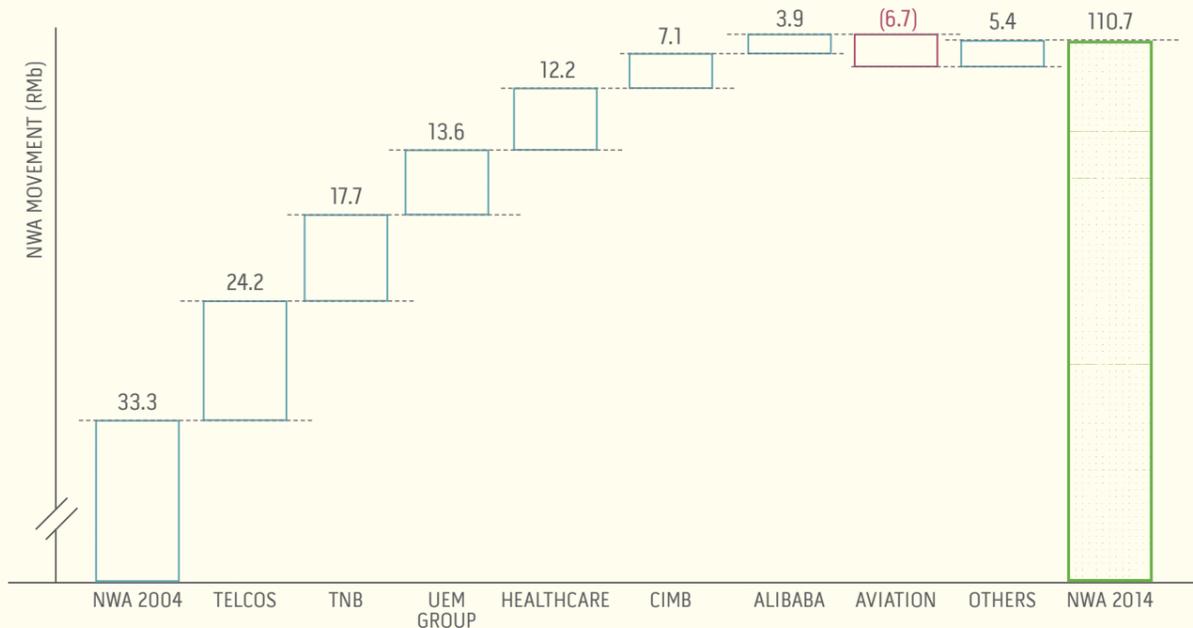
### KEY PORTFOLIO AND OTHER INDICATORS

As at 31 Dec	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
RAV (RMm)	145,491	135,114	121,466	108,194	112,624	91,224	67,908	87,071	78,212	63,731	65,323
NWA (RMm)	110,716	101,513	86,901	69,957	75,223	53,770	31,955	63,611	51,437	40,549	46,868
Shareholders' Funds (RMm)	35,339	29,387	26,980	25,625	21,409	17,638	17,139	17,866	13,041	12,244	13,202
RAV / Liabilities (x)	3.7	3.7	3.3	2.9	2.9	2.4	1.9	3.6	2.9	2.7	3.5
Number of Employees	465	476	419	411	373	320	296	256	203	126	53
Number of Offices	7	7	5	5	5	5	4	2	1	1	1

Note: From 14 May 2014 to 31 December 2014

### PORTFOLIO MOVEMENT ANALYSIS

NWA Movement since May 2004



Note: In RM terms | Source: Bloomberg; Khazanah analysis

### TOTAL SHAREHOLDER RETURNS

Total shareholder returns (TSR) is a measure of a company's performance that accounts for appreciation in share price as well as the dividends paid to shareholders. From 14 May 2004 to 31 December 2014, G-20 and K-7 have outperformed KLCI by 0.4% p.a. & 0.7% p.a. respectively.



	CAGR*
FBM KLCI – FTSE Bursa Malaysia Kuala Lumpur Composite Index	11.9%
K-7 Index – FTSE index of K-7 companies	12.3%
G-20 Index – FTSE index of G-20 companies	12.6%

\*Compounded annual growth rate for the period 14 May 2004 to 31 December 2014  
G-20 and K-7 TSR are broadly in-line with KLCI performance

Source: Bloomberg; Khazanah analysis

### AGGREGATE EARNINGS (RMb)

Aggregate earnings for G-20 has increased by RM16.3 billion (CAGR 10.2% p.a.) and for K-7 by RM7.5 billion (CAGR 9.4% p.a.)



K-7 — comprise Khazanah investee GLCs within the scope of GLC Transformation (GLCT) Programme, namely Axiata Group Berhad, CIMB Group Holdings Berhad, Malaysia Airports Holdings Berhad, Malaysian Airline System Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad and UEM Group Berhad

G-20 — comprise the K-7 plus non-Khazanah investee GLCs within the scope of GLCT, namely Affin Holdings Berhad, BIMB Holdings Berhad, Boustead Holdings Berhad, Chemical Company of Malaysia Berhad, Malayan Banking Berhad, Malaysia Building Society Berhad, Malaysian Resources Corporation Berhad, Sime Darby Berhad, TH Plantations Berhad and UMW Holdings Berhad

Source: Bloomberg; Khazanah analysis

# INDEPENDENT AUDITORS' REPORT



To the directors of Khazanah Nasional Berhad  
(Incorporated in Malaysia)

The accompanying summary financial information set out on pages 31 and 32, which comprises the summary balance sheets as at 31 December 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004, 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 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004. We expressed an unqualified audit opinion on those financial statements, and the summary financial information, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial information does not contain all the disclosures required by Malaysia Financial Reporting Standards applied in the preparation of the audited financial statements of Khazanah Nasional Berhad. Reading the summary financial information, therefore, is not a substitute for reading the audited financial statements of Khazanah Nasional Berhad.

## Management's responsibility for the summary financial information

Management is responsible for the preparation of the summary financial information in accordance with the basis described on pages 31 and 32.

## Auditors' responsibility

Our responsibility is to express an opinion on the summary financial information, based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagement to Report Summary Financial Statements."

## Opinion

In our opinion, the summary financial information derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 are consistent, in all material aspects, with those audited financial statements and the management accounts.

7 April 2015  
Kuala Lumpur

# SELECTED FINANCIAL INDICATORS



## INCOME STATEMENTS (RM million)

For the years ended 31 December

	2014	2013
Revenue	7,949	7,685
Profit before taxation	3,217	3,128
Taxation	(129)	53
Net profit for the year	3,088	3,181
Dividends declared		
- Ordinary dividend	(650)	(650)
- Special dividend	(250)	-
Net profit for the year after dividends	2,188	2,531

## BALANCE SHEETS (RM million)

As at 31 December

	2014	2013
Current assets	5,214	4,451
Non-current assets	72,687	61,497
Total assets	77,901	65,948
Current liabilities	13,282	6,894
Non-current liabilities	29,280	29,667
Total liabilities (see Note A)	42,562	36,561
Share capital	6,644	8,444
Share premium	3,840	3,840
Retained profits	16,004	15,616
Other reserves	8,851	1,487
Shareholders' fund	35,339	29,387
Total equity and liabilities	77,901	65,948

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

## BORROWINGS (RM million)

As at 31 December

	2014	2013
Khazanah's Government-guaranteed bonds	15,019	13,430
Other bonds and notes	14,760	14,734
Term loans	3,397	3,310
Exchangeable sukuk	3,748	2,127
Commercial paper	-	-
Revolving credit facilities	-	-
	36,924	33,601

The above income statements and balance sheets are derived from Khazanah's Proforma 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.

## SELECTED FINANCIAL INDICATORS

### INCOME STATEMENTS (RM million)

For the years ended 31 December

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	5,324	9,445	6,237	3,594	5,087	7,683	2,269	2,267	3,395
Profit / (loss) before taxation	2,077	5,342	2,081	791	127	5,110	1,014	(831)	282
Taxation	(187)	(66)	(28)	25	(350)	(195)	(225)	(126)	(73)
Net profit / (loss) of the year	1,889	5,276	2,053	816	(223)	4,915	790	(957)	209
Dividends declared									
- Ordinary Dividend	(650)	(500)	(500)	(100)	(100)	(1,000)	(100)	(30)	(30)
- Special Dividend	(350)	(2,500)	-	-	-	-	-	-	-
Net profit / (loss) for the year after dividends	889	2,276	1,553	716	(323)	3,915	690	(987)	179

### BALANCE SHEETS (RM million)

As at 31 December

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Current assets	7,784	8,795	3,381	4,656	6,871	3,225	6,817	4,822	4,031
Non-current assets	56,571	56,377	56,050	50,883	46,560	38,758	33,605	31,136	26,104
Total assets	64,355	65,172	59,431	55,539	53,431	41,983	40,422	35,959	30,134
Current liabilities	7,731	9,352	6,852	7,900	8,002	5,813	10,116	7,634	760
Non-current liabilities	29,644	30,195	31,170	30,001	28,290	18,304	17,265	16,081	16,172
Total liabilities (see Note A)	37,375	39,547	38,022	37,901	36,292	24,116	27,381	23,715	16,932
Share capital	8,444	8,444	5,444	5,444	5,444	5,444	5,404	5,404	5,404
Share premium	3,840	3,840	3,840	3,840	3,840	3,840	3,300	3,300	3,300
Retained profits	13,084	12,194	10,016	8,553	7,837	8,060	4,245	3,511	4,498
Other reserves	1,612	1,147	2,108	(199)	18	522	92	29	-
Shareholders' funds	26,980	25,625	21,409	17,638	17,139	17,866	13,041	12,244	13,202
Total equity and liabilities	64,355	65,172	59,431	55,539	53,431	41,983	40,422	35,959	30,134

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

### BORROWINGS (RM million)

As at 31 December

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Khazanah's Government-guaranteed bonds	12,128	8,833	8,442	8,313	7,452	7,943	8,106	8,994	7,738
Other bonds and notes	16,106	18,240	14,151	9,600	7,312	6,969	4,963	1,177	915
Term loans	5,754	6,052	6,064	8,821	8,545	1,600	6,900	9,227	8,069
Exchangeable sukuk	1,292	1,889	6,117	7,815	8,528	6,149	3,604	1,568	-
Commercial paper	-	-	-	-	489	-	994	-	-
Revolving credit facilities	917	952	1,613	2,699	3,460	-	2,118	1,885	-
	36,198	35,966	36,387	37,247	35,786	22,661	26,685	22,851	16,722

The above income statements and balance sheets are derived from Khazanah's Proforma 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.



**A STRONG FINANCIAL POSITION PROVIDES  
KHAZANAH WITH THE PLATFORM TO EXPLORE  
FUTURE OPPORTUNITIES**

# ISLAMIC FINANCE AND CAPITAL AND LIABILITY MANAGEMENT



Khazanah is poised to strategically ride the growth opportunities in Islamic finance, while maintaining sound capital and liability management

Malaysia is the world's biggest Islamic debt market, accounting for 66% of global sukuk issuance in 2014<sup>1</sup>. To date, important market players such the Government of Malaysia and Petronas have issued major tranches of sukuk in 2015, positioning Islamic debt as a preferred method of financing.

Khazanah has been a pioneer in the development of Islamic finance on both local and global fronts. We structured and launched the first exchangeable sukuk in 2006 with TM and Axiata, first Singapore dollar-denominated sukuk in August 2010 and first Shariah-compliant Yuan bonds in Hong Kong in 2011. Our innovative Islamic financial offerings have won us numerous accolades, as well as pushed the geographic frontiers of Islamic finance. In 2015, we expect to issue the world's first ringgit denominated social impact sukuk, a landmark in Islamic financial innovation, and we will continuously strive to promote the growth of Islamic finance through future issuances.

Along with strong earnings of RM3.2 billion profit before tax in 2014, our sound capital and liability management strategy increases our adaptability to such market

trends. Core to this strategy is our divestment programme, which allows Khazanah to invest monetised value created from its portfolio in new economic models and industries. Khazanah also taps into capital markets when required, with our strong credit rating and financial reputation facilitating competitive fundraising deals.

Our prudent liability management also supports Khazanah's long-term, sustainable growth strategy. This, complemented by a strong balance sheet and built-in financial safety nets, allows Khazanah to independently operate without regular capital injections from the Government.

Continuous improvement and adaptability are values inculcated in Khazanah's culture, as well as in our capital and liability management strategy. By incorporating Islamic finance into our funding portfolio, we are tapping into lucrative new market prospects. At the same time, the financial discipline we practice helps maintain the robustness of our funding operations, and keeps us on track to successfully meet our long-term goals.



Hafizuddin Sulaiman  
Director, Finance

## ON INNOVATION

Our emphasis on thinking out of the box has led to the creation of the world's first ringgit denominated social impact sukuk in 2015, which promises to push the boundaries of socially responsible financing and various areas of Islamic finance. We hope to promote this innovative spirit, and pave the way for more multifaceted debt offerings in the market."

<sup>1</sup>Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak's keynote address, Invest Malaysia 2015 Kuala Lumpur, 23 April 2015

## KHAZANAH'S SUKUK ISSUANCES

### 2014

#### Tenaga Exchangeable Sukuk

- Size: USD500 million
- First internationally distributed sukuk structured based on Mudarabah & Murabahah Principle
- Received 3 awards:

**THE ASSET**

The Best Convertible Bond Deal 2014

**Islamic Finance news**

Hybrid Deal of The Year

**THE ASSET**

Best Equity-Linked Deal 2015

### 2013

#### IHH Healthcare Exchangeable Sukuk

- Size: SGD600 million
- First SGD-denominated exchangeable sukuk
- First exchangeable sukuk in Asia offering exposure to the healthcare sector
- Oversubscribed by 5.5 times
- Achieved tightest end of pricing and premium guidance
- Received 7 awards

### 2012

#### Parkson Exchangeable Sukuk

- Size: USD357.8 million
- Achieved tightest end of pricing and premium guidance
- World's first sukuk to be priced at negative yield
- First Malaysian equity-linked deal since early 2010
- Oversubscribed by 3.4 times
- Received 3 awards

### 2011

#### Islamic Medium Term Notes Issued by Danga Capital Bhd

- Size: CNY500 million
- World's First Offshore CNY sukuk
- First CNY offering by an ASEAN quasi-sovereign issuer
- Oversubscription of approximately 3.6 times
- Upsized from CNY300 million to CNY500 million due to investor demand
- Received 8 awards

### 2010

#### Islamic Medium Term Notes Issued by Danga Capital Bhd

- Size: SGD1.5 billion
- Largest sukuk issuance in Singapore
- Largest SGD issuance by a foreign issuer in Singapore
- First SGD sukuk issuance out of the Malaysian International Islamic Financial Centre initiative
- Longest-tenured SGD sukuk
- Largest sukuk to date by Khazanah
- Received 8 awards

### 2009

#### Multicurrency Islamic Securities Issuance Programme by Danga Capital Berhad

- Structure: Musyarakah (Profit Sharing Agreement) and Wakalah (Agency Agreement)
- Size: RM10 billion

### 2008

#### Parkson Exchangeable Sukuk

- Combined offering of USD550 million exchangeable sukuk and USD97 million equity placement
- 11x book cover attracting more than 200 investors, reflecting strong demand for quality Malaysian credit
- The first sukuk that offers Islamic investors exposure to China's retail consumption growth story, continuing the innovation in structured Islamic financial products
- Received 11 awards

### 2007

#### PLUS Exchangeable Sukuk

- Size: USD850 million
- 13x book cover and priced at the tightest end of the range
- Tight pricing was achieved despite being priced amidst an environment of volatile interest rates
- Largest equity-linked issue out of Malaysia in 2007
- Third largest equity-linked issue out of Asia-Pacific excluding Japan / Australia in 2007

### 2006

#### Government Guaranteed Sukuk Programme up to RM20b by Khazanah

- The first government guaranteed sukuk in Malaysia

#### Islamic Commercial Paper (ICP) / Medium Term Notes of (IMTN) up to RM10b by Rantau Abang Capital Berhad

- One of the largest ICP / IMTN Programme set up by a corporate
- Received 1 award

#### TM/Axiata Exchangeable Sukuk

- Size: USD750 million
- World's first Shariah compliant exchangeable sukuk
- Received 17 awards

03

# CREATING VALUE THROUGH OUR INVESTMENTS

Long-term value creation requires a clear strategy in every industry sector and geography in which Khazanah invests. We adopt an active and collaborative macro-management stance with our investee companies, via an investment approach that aims to generate transformative results. We assist our investee companies to venture into new fields and work with public and private sector entities to help catalyse Malaysia's growth and development.

Investing in Growth and Development 38

Empowering Our Companies 40

Driving Performance and Charting New Paths 42

Investment Holding Structure 44

Building a Regional Footprint 56

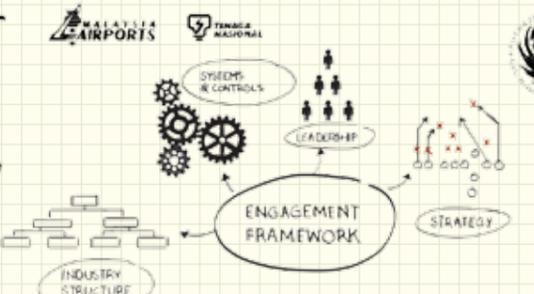
Government-Linked Companies Transformation Programme 58



GLC 2015 OPEN DAY  
 KL CONVENTION CENTRE  
 7-9 AUGUST



GRADUATION



- GLCT PROGRAMME
- 1 PERFORMANCE FOCUS
  - 2 NATIONAL DEVELOPMENT FOUNDATION
  - 3 GOVERNANCE & STAKEHOLDER MANAGEMENT

10 PROGRAMME INITIATIVES

# INVESTING IN GROWTH AND DEVELOPMENT



Khazanah's investment strategy is aligned to the Government's national development agenda



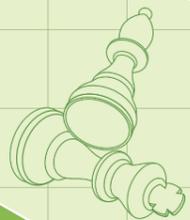
## REGIONAL PRESENCE

A growing theme of our investment approach is regionalisation, which enables us to tap into growth in markets outside Malaysia



## OUR INVESTMENTS

Our investments are broadly categorised into Core Investments and New Investments



## STRATEGIC DIVESTMENTS

We undertake strategic divestments to enhance private sector participation and build entrepreneurial capacity in key economic sectors



## ACTIVE INVESTOR

Since 2004, we have made discrete new investments amounting to RM65.3 billion through a total of 121 transactions

Khazanah's investment strategy is driven by our mission to create sustainable value for a globally-competitive Malaysia.

Our investments are primarily commercially-driven, anchored on financial value creation but also take into account economic contribution, in terms of job creation, technological content, societal contribution and other forms of economic multipliers.

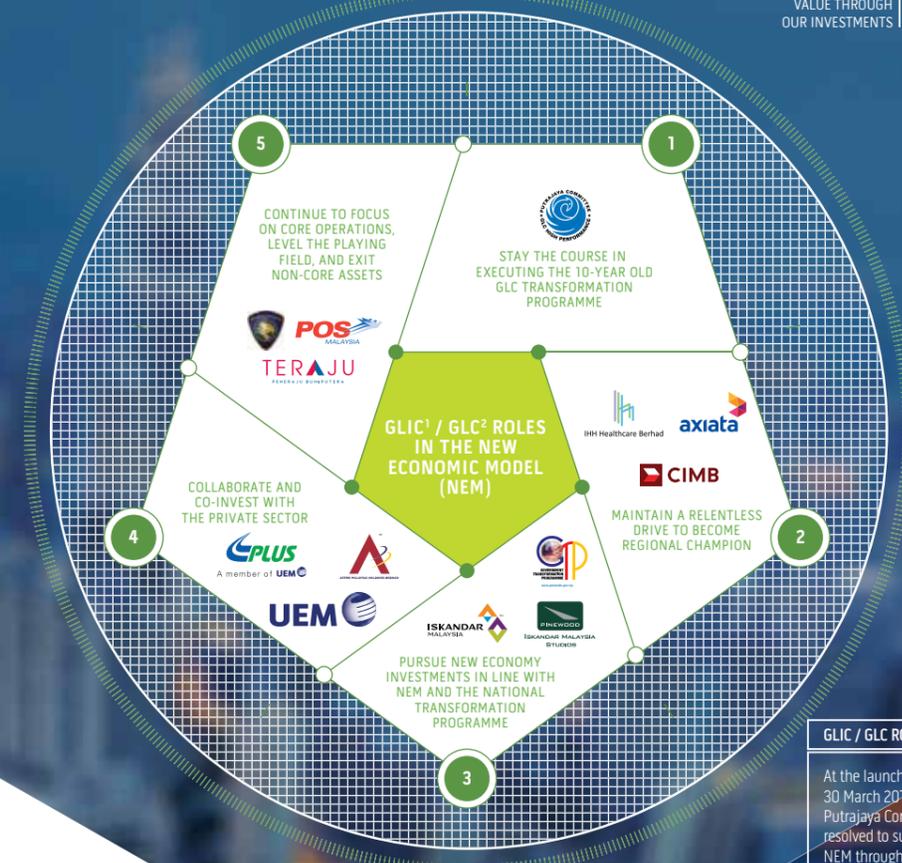
Our investments cut across different types of transactions, from corporate exercises to large-scale development projects. All investments are rigorously evaluated and submitted to the Board for consideration and approval.

Part of our investment strategy can be seen in efforts to further strengthen our Core Investments, which are primarily the commercial assets of the Government that we hold and manage. Our investee companies in this category are some of Malaysia's largest companies and are leading players in their respective sectors.

We are active shareholders, collaborating with our investee companies and supporting them where necessary to help them achieve their strategic objectives, including becoming regional players in their own right.

We also invest – both directly and through our investee companies – in new sectors and geographies that offer strong potential to help build the country's long-term competitiveness. These New Investments, as they are called, include investments that we believe will shape the economy of the future, provide strategic linkages, and enable the nation to tap into new growth areas.

Our overall investment strategy has produced a robust investment portfolio, well-positioned for growth. The net worth adjusted of our portfolio stands at RM110.7 billion, having grown 12% per annum since 2004. This growth has been achieved by balancing an appropriate risk appetite and return-on-investments outlook with the national strategic imperative of having strong, sustainable and inclusive economic growth.



**GLIC / GLC ROLES IN THE NEW ECONOMIC MODEL**  
 At the launch of the New Economic Model (NEM) on 30 March 2010, Khazanah, as the secretariat of the Putrajaya Committee on GLC High Performance (PCG), resolved to support and enable the execution of the NEM through five key roles as indicated

<sup>1</sup>GLIC – Government-Linked Investment Companies  
<sup>2</sup>GLC – Government-Linked Companies



Night view of Puteri Harbour public marina, which is part of an integrated urban waterfront development in Iskandar Malaysia

# EMPOWERING OUR COMPANIES



Khazanah collaborates with investee companies to drive greater performance



Justin Hashim  
Vice President, Khazanah Americas Inc

**ON INSTITUTIONS**

"We are working to build sustainable long-term value not just for ourselves, but for our shared future with the wider community in Malaysia and around the world in the countries we have offices and invest in. This execution principle should guide the institution that we in Khazanah are working to build, in the years ahead."



We have a Five-Point Engagement Framework that guides the collaborative investment approach with our investee companies.

As an active shareholder, we help to ensure that there is strong and capable leadership within each investee company that will execute the appropriate business strategies. We work with them to implement key systems and controls such as governance and risk management frameworks and talent and performance management systems.

We also contribute to and support the development of regulatory structures and competitive environments, while promoting collaborations and synergies between our investee companies.

The framework helps us to monitor the progress of the companies while empowering them to become high-performing entities.

Akmal Nadia Abdul Jalil, Associate, Corporate & Support Services;  
Aminuddin Rezal Jaafar, Senior Vice President, Managing Director's Office

## FIVE-POINT ENGAGEMENT FRAMEWORK



# DRIVING PERFORMANCE AND CHARTING NEW PATHS



Khazanah's investee companies are involved in a wide range of economic and business activities

We have interests in more than 70 companies, either directly or indirectly through ownership of shares. Our investment portfolio cuts across multiple sectors and industries, which reflects the work we do to create value, economic impact and linkages for Malaysia. About 85% of our realisable asset value (RAV) is in Malaysia, as calculated by the value of investments based on the country of company domicile. About 40.8% of our RAV by geographic exposure is overseas.

## TOTAL INVESTMENTS

	No. of Transactions <sup>1</sup>	Investment Amount (RMb)
2004 - 2014	121	65.3

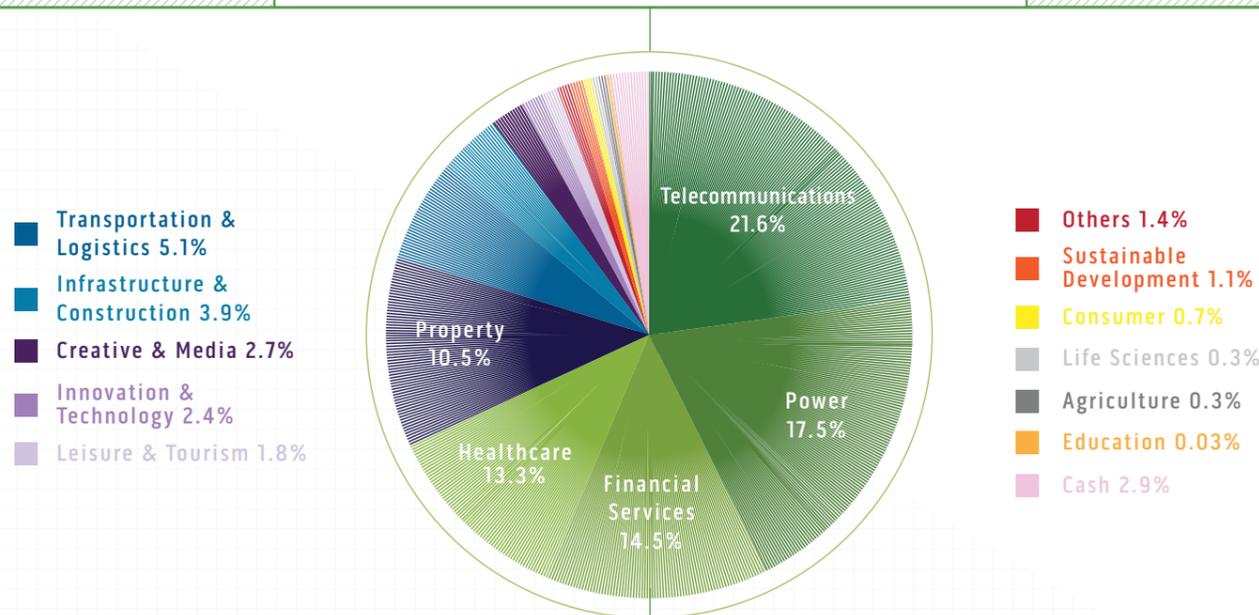
## TOTAL DIVESTMENTS

	No. of Transactions <sup>1</sup>	Divestments Proceeds (RMb)	Gains on Divestments (RMb)
2004 - 2014	67	42.8	19.4

<sup>1</sup> Number of discrete new investments

Sources: Bloomberg; companies' financial reports; analyst consensus estimates (as at 31 December 2014); Khazanah analysis

## PORTFOLIO SEGMENTATION BY MAJOR SECTORS



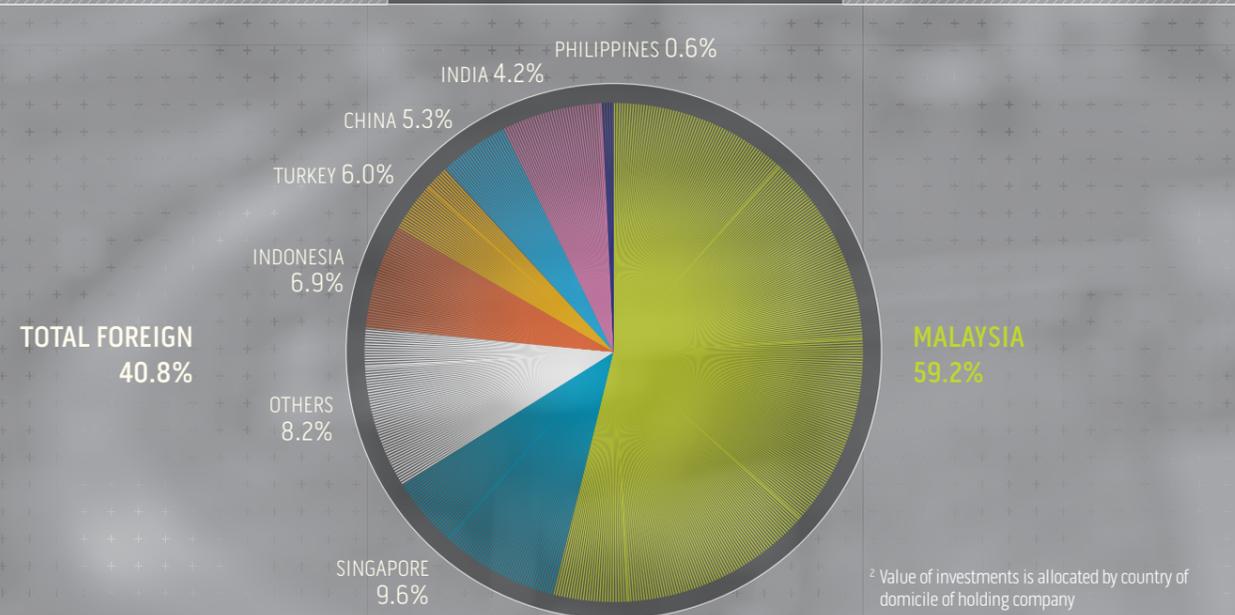
As at 31 December 2014 | Source: Khazanah analysis

## PORTFOLIO SEGMENTATION BY DOMICILE OF COMPANIES<sup>2</sup>



As at 31 December 2014 | Source: Khazanah analysis

## RAV BY GEOGRAPHIC EXPOSURE<sup>3</sup>



As at 31 December 2014 | Source: Khazanah analysis

<sup>2</sup> Value of investments is allocated by country of domicile of holding company

<sup>3</sup> An estimate of attributable value according to the countries where investee companies have operations

INVESTMENT HOLDING STRUCTURE

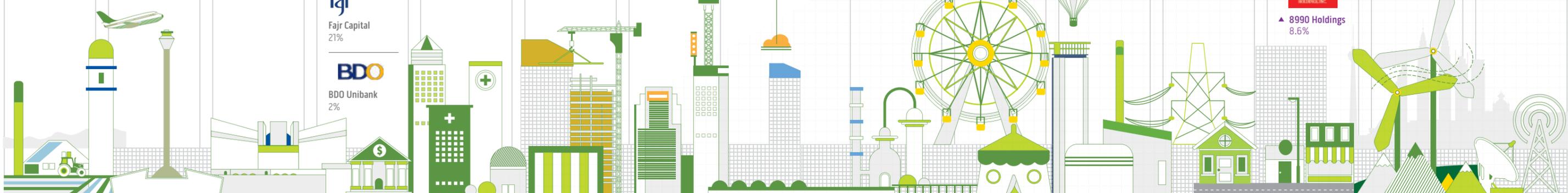
As at 31 December 2014

AGRIFOOD	AVIATION	CREATIVE & MEDIA	FINANCIAL SERVICES	HEALTHCARE	INFRASTRUCTURE & CONSTRUCTION	INNOVATION & TECHNOLOGY
 <p>MAFC 100%</p>  <p>Blue Archipelago 100%</p>  <p>Biotropics Malaysia 100%</p>	 <p>Malaysia Airports Berhad 36.7%</p>  <p>Istanbul Sabiha Gokcen 100% OWNED BY MALAYSIA AIRPORTS BERHAD</p>  <p>Malaysian Airline System Berhad 100%</p>  <p>Penerbangan Malaysia 100%</p>	<p>ASTRO Holdings Sdn.Bhd 29.3%</p>  <p>ASTRO Malaysia Holdings 20.7%</p>  <p>Iskandar Malaysia Studios 99.4%</p>  <p>Imagica SEA 51%</p>  <p>Rhizophora Ventures 100%</p>	 <p>CIMB Group 29.3%</p>  <p>IDFC 9.5%</p> <p>Avicennia Capital 100%</p>  <p>Sun Life Malaysia Assurance 49% OWNED BY AVICENNIA CAPITAL</p>  <p>Sun Life Malaysia Takaful 49% OWNED BY AVICENNIA CAPITAL</p> <p>ACIBADEM SIGORTA 90% OWNED BY AVICENNIA CAPITAL</p> <p>ACR Capital Holdings ACR Capital 24.5%</p> <p>Asia Capital Insurance Malaysia ACR 70%</p> <p>*ALSO 30% OWNED BY ACR CAPITAL</p> <p>ACR ReTakaful 40%</p> <p>*ALSO 20% OWNED BY ACR CAPITAL</p> <p>Jadwa Investment 10%</p> <p>Bank Muamalat 30%</p> <p>ValueCAP Valuecap 33.3%</p> <p>Fajr Capital Fajr Capital 21%</p> <p>BDO Unibank 2%</p>	 <p>IHH Healthcare Berhad 45%</p> <p>ACIBADEM Acibadem 15%</p> <p>60% OWNED BY IHH HEALTHCARE BERHAD</p>  <p>Apollo 10.9% OWNED BY IHH HEALTHCARE BERHAD</p>  <p>Pantai 100% OWNED BY IHH HEALTHCARE BERHAD</p> <p>Parkway Pantai 100% OWNED BY IHH HEALTHCARE BERHAD</p>  <p>International Medical University 100% OWNED BY IHH HEALTHCARE BERHAD</p>	 <p>UEM Group 100%</p>  <p>PLUS Malaysia 51% OWNED BY UEM GROUP</p>  <p>UEM Builders 100% OWNED BY UEM GROUP</p>  <p>CIMA 100% OWNED BY UEM GROUP</p>  <p>UEM Edgenta (formerly known as Faber Group) 70.7% OWNED BY UEM GROUP</p>	 <p>Alibaba 0.3%</p>  <p>SilTerra Malaysia 100%</p> <p>Atlantic Quantum 100%</p>

Source: Khazanah analysis

LIFE SCIENCES	LEISURE & TOURISM	OTHERS	POWER	PROPERTY	SUSTAINABLE DEVELOPMENT	TELE-COMMUNICATIONS
 <p>Keraya Capital 100%</p>  <p>MTDC 100%</p> <p>Continuum Capital Sdn Bhd 100%</p>	 <p>Themed Attractions Resorts &amp; Hotels 100%</p>	 <p>John Keells 10.4%</p>  <p>Parkson Retail 8%</p>  <p>LeapEd 100%</p>  <p>i2M Ventures 100%</p>	 <p>Tenaga Nasional 30.4%</p>  <p>Shuaibah Water and Electricity Company 12%</p> <p>6% OWNED BY TENAGA NASIONAL</p>	 <p>UEM Sunrise 66.1% OWNED BY UEM GROUP</p>  <p>Iskandar Investment Berhad 60%</p> <p>Iskandar Ventures 100%</p>  <p>Medini Iskandar Malaysia 40% OWNED BY ISKANDAR VENTURES AND 20% OWNED BY ISKANDAR INVESTMENT BERHAD</p>  <p>M+S Pte Ltd 60%</p>  <p>Sunway Iskandar 48.6%</p>  <p>Pulau Indah Ventures 50%</p> <p>Southern Marina 30%</p>  <p>Putrajaya Holdings 15.6%</p> <p>STLR 100%</p>  <p>8990 Holdings 8.6%</p>	 <p>Cenviro (formerly known as UEM Environment) 100%</p>  <p>Cenergi SEA 100%</p>  <p>Camco Clean Energy 25.3%</p>  <p>Beijing Development Hong Kong 23.2%</p>  <p>Beijing Enterprises Water Group 4.6%</p>	 <p>Axiata 38.7%</p>  <p>Telekom Malaysia 28.9%</p> <p>Pulau Kapas Ventures 30%</p>  <p>TIME dotCom 11.4%</p> <p>31.6% OWNED BY PULAU KAPAS VENTURES</p>

▲ Listed Company



## CORE INVESTMENTS



Khazanah's portfolio includes some of the most significant companies in Malaysia, as measured by their strategic importance to the nation. They include Government-Linked Companies (GLCs) in sectors such as aviation, financial services, power and telecommunications.

### THROUGH INSTITUTION



**17** MARKETS GLOBALLY  
EMPLOYING OVER  
40,000 STAFF & **13** MILLION  
RETAIL  
CUSTOMERS

CIMB is a major banking group across the region



Menara Bumiputera-Commerce building on Jalan Raja Laut

## FINANCIAL SERVICES

Our investments in this sector comprise holdings in companies involved in a range of financial activities, including banking, Islamic banking, infrastructure financing, insurance, takaful, reinsurance and retakaful.



**CIMB Group**, Malaysia's second-largest financial services provider, is a leading ASEAN universal bank and a world leader in Islamic finance, operating in 17 markets around the globe. CIMB Group operates across ASEAN under several corporate entities including CIMB Bank, CIMB Islamic, CIMB Investment Bank, CIMB Niaga, CIMB Securities and CIMB Thai. Its main markets of Malaysia, Indonesia, Singapore, and Thailand primarily focus on Consumer Banking, Corporate & Institutional Banking & Markets, and Group Asset Management & Insurance.

[www.cimb.com](http://www.cimb.com)



**Sun Life Malaysia** is a provider of a comprehensive range of life insurance and Takaful products and services. It distributes these products through a range of distribution channels including bancassurance, direct marketing, telemarketing and government and corporate business.

[www.sunlifemalaysia.com](http://www.sunlifemalaysia.com)



**Acibadem Sigorta** is a leading provider of health insurance services in Turkey. Headquartered in Istanbul, it has the second largest market share in the industry and operates six regional offices across the country.

[www.acibademsigorta.com.tr](http://www.acibademsigorta.com.tr)



**Asia ACR Capital Reinsurance Group** is one of the world's top 50 reinsurers. Headquartered in Singapore, it has an exclusive focus on providing reinsurance solutions for large and specialist risks in the Pan-Asian region.

[www.asiacapitalre.com](http://www.asiacapitalre.com)

## PROPERTY

Our investments in the property sector cut across a broad array of platforms including in Iskandar Malaysia, where we are involved in catalytic developments, and in the Philippines, where our investee company is developing innovative housing projects.



**Iskandar Investment Berhad (IIB)** is the catalytic developer in Nusajaya, Iskandar Malaysia. It promotes investments in identified sectors and facilitates the development of infrastructure, including the development of Medini's infrastructure, the future city centre for Iskandar Malaysia. One of IIB's focus areas is EduCity, a fully integrated education hub that covers the entire education spectrum, as well as offering student accommodation and sports and recreational facilities.

[www.iskandarinvestment.com](http://www.iskandarinvestment.com)



**Medini Iskandar Malaysia Sdn Bhd (MIMSB)** is the master developer of the new metropolis Medini – a vibrant and developing sustainable city in Iskandar Malaysia, Johor. MIMSB promotes Medini locally and globally and works very closely with government-linked companies and agencies such as Khazanah Nasional Berhad, the Iskandar Regional Development Authority (IRDA) and Iskandar Investment Berhad as well as investors and developers to establish Medini as the central business district of Nusajaya, Iskandar Malaysia.

[www.medini.com.my](http://www.medini.com.my)



A member of UEM Group

**UEM Sunrise Berhad** is a public-listed company and one of Malaysia's leading property developers. It has core competencies in macro township development, high-rise residential, commercial, retail and integrated developments, as well as property management and project and construction services. UEM Sunrise is the master developer of Nusajaya, one of the five flagship zones and the key driver of Iskandar Malaysia.

[www.uemsunrise.com](http://www.uemsunrise.com)



**8990 Holdings** was established in 2003 and is a leading property developer in the Philippines that caters for the housing demand from the lower income population. The company has development projects throughout the Philippines and is listed on the Philippine Stock Exchange.

[www.8990holdings.com](http://www.8990holdings.com)



Selvendran Katheerayson  
Director, Investments

### ON INSTITUTIONS

“Moving forward, enhancing productivity at our companies and the eco-system they operate in - which includes their vendors amongst others - is going to require stronger institutions to incentivise 'risk-taking' and innovation.”



An artistic rendition of UEM Sunrise affordable housing in Gerbang Nusajaya

## TELECOMMUNICATIONS

Khazanah is the major shareholder in three home-grown Malaysian telecommunications companies with a strong regional presence - Axiata Group Berhad (Axiata), Telekom Malaysia Berhad (TM) and TIME dotCom Berhad (TIME).



**Axiata Group Berhad** is one of the largest telecommunications groups in Asia, with over 260 million customers. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia, with significant strategic stakes in India and Singapore. In addition, the Malaysian-grown holding company has interests in non-mobile telecommunications operations in Pakistan.

[www.axiata.com](http://www.axiata.com)



**Telekom Malaysia Berhad (TM)** is Malaysia's leading integrated information and telecommunications group, offering a comprehensive range of communications products and services covering broadband, data, voice, media, wholesale and international connectivity.

[www.tm.com.my](http://www.tm.com.my)



**TIME dotCom Berhad** is a fixed-line provider focused on serving enterprise and corporations. Products and solutions offered include wholesale bandwidth, private leased lines, dedicated Internet, international connectivity and data centres to operators and enterprises across the Asia-Pacific region.

[www.time.com.my](http://www.time.com.my)

THROUGH INNOVATION

**NEW RM100m** AXIATA DIGITAL INNOVATION FUND (ADIF)

To spur innovation and growth of Malaysia's digital eco-system by providing funding, know-how and market access which enables Malaysian digital services entrepreneurs to have unprecedented access to funding and regional partnership opportunities.

Quill 7, opened in 2009, was rebranded to Axiata Tower late 2014

Telekom Malaysia organised an SME BizFest 2014 TM to promote usage of internet in the small and medium business world



Dayana Rogayah Omar  
Assistant Vice President  
Managing Director's Office

ON INNOVATION

“As part of the portfolio function, our work requires us to continuously challenge the norm and adapt to the evolving environment. This is where innovation comes in – it's all about change – seeing, thinking and doing things differently.”

## AVIATION

Our investments in this sector include holdings in the country's largest airport operator and the national airline.



**Malaysian Airline System Berhad (MAS)** is one of Asia's largest airlines, with over 60 destinations around Asia, Europe and Australasia. As a member of the oneworld alliance, MAS offers passengers seamless travel to close to 900 destinations in more than 150 countries worldwide.

[www.malaysiaairlines.com](http://www.malaysiaairlines.com)



**Malaysia Airports** manages and operates 39 airports in Malaysia and one international airport in Istanbul, Turkey. The 39 airports in Malaysia comprise five international airports, 16 domestic airports and 18 Short Take-off and Landing (STOL) ports. It also provides airport management and technical services for the development, operation, maintenance and management in overseas international airports.

[www.malaysiaairports.com.my](http://www.malaysiaairports.com.my)



THROUGH INNOVATION

AS AT OCT 14 **12,092.02** TONNES OF CARBON DIOXIDE EQUIVALENTS EMISSIONS SAVED

BY 16.1MWp SOLAR POWER SYSTEMS GENERATED AT KLIA

The electricity generated by the system is used for klia2's terminal building's own consumption. Each year **60,000 m<sup>3</sup>** of water is estimated to be conserved – klia2's innovative "green" technologies reuses rainwater as part of its commitment to reduce, reuse and recycle water.



## THROUGH INCLUSION



APPROXIMATELY

**RM1b** FOR ACADEMIC  
ASSISTANCE

Since 1993, Yayasan Tenaga Nasional has invested in more than 9,000 academic financial assistance for the benefit of the rakyat



Mohd Isa Mohd Ali  
Assistant Vice President  
Corporate & Support Services

## ON INNOVATION

"Innovation is not just a buzzword, but it is something that is very close to our hearts. We try to find a better way in everything that we do, and we make sure that we adhere to the proper steps and processes when doing so. We aspire to be a world class unit by embracing innovation."

## POWER

We are the largest shareholder of Tenaga Nasional Berhad, the country's main electricity company. In addition, we also have an interest in Shuaibah Water and Electricity Company's Phase 3 Independent Water and Power Project in Saudi Arabia.



Tenaga Nasional Berhad is the largest electricity utility company in Malaysia, with RM110 billion worth of assets and more than 36,000 employees. It serves an estimated 8.6 million customers nationwide.

[www.tnb.com.my](http://www.tnb.com.my)



Shuaibah Water and Electricity Company is involved in the Shuaibah Phase 3 Independent Water and Power Project in Saudi Arabia. The project supplies 900MW of power and 880,000 cubic metres of water per day to several cities in Saudi Arabia.

[www.shuaibahiwpp.com](http://www.shuaibahiwpp.com)

## INFRASTRUCTURE &amp; CONSTRUCTION

Our investee companies in this sector play an important role in the development of the nation's critical infrastructure and the growth of the property sector in special economic zones. They are involved in highway and bridge construction, property development, and other related initiatives.



UEM Group Berhad is one of Malaysia's leading engineering-based infrastructure and services group with core businesses in Expressways, Township & Property Development, Engineering & Construction and Asset & Facility Management. Key companies within UEM Group are PLUS Malaysia Berhad, UEM Sunrise Berhad, UEM Builders Berhad, Cement Industries of Malaysia Berhad (CIMA) and UEM Edgenta Berhad.

[www.uem.com.my](http://www.uem.com.my)



A member of UEM

PLUS Malaysia Berhad is the largest highway concessionaire in Malaysia and has been operating the country's toll roads since 1988. PLUS operates and maintains almost 1,000km of expressways stretching from the border of Thailand in the North to the border of Singapore in the South.

[www.plus.com.my](http://www.plus.com.my)

PLUS has implemented Electronic Toll Collection system at Batu Tiga and Sungai Rasau toll plazas



Pulau Perhentian  
Wind Turbine and  
Solar Hybrid<sup>2</sup>

## HEALTHCARE

Our investments in this sector are geared towards providing premium integrated healthcare services and developing local expertise and capability across a range of healthcare offerings.



IHH Healthcare Berhad

IHH Healthcare Berhad operates a global healthcare network of 38 hospitals with more than 7,000 licensed beds, as well as medical centres, clinics and ancillary healthcare businesses across ten countries. It also operates International Medical University, Malaysia's premier private healthcare university and International Medical College, an established nursing college, offering medical, dental, pharmacy, nursing, health sciences, and complementary medicine programmes.

[www.ihhhealthcare.com](http://www.ihhhealthcare.com)

## ACIBADEM

Acibadem Healthcare Group is Turkey's largest private healthcare services provider. It operates more than 2,500 beds in 17 hospitals; 15 of which are in Turkey and 1 hospital each in Macedonia and Iraq. In addition, Acibadem owns and operates 12 outpatient clinics and other ancillary healthcare businesses in Turkey.

[www.acibademinternational.com](http://www.acibademinternational.com)



Committed to outstanding patient care at Parkway Pantai Limited, an indirect wholly-owned subsidiary of IHH Healthcare Berhad

## THROUGH INCLUSION

**RM16.5m** OUT OF RM50m OF  
KHAZANAH IHH HEALTHCARE  
FUND UTILISED AS AT 31 DEC'14

435 needy patients in Malaysia benefited from the Khazanah IHH Healthcare Fund for partial and fully sponsored medical treatments during 2014



## NEW INVESTMENTS



We invest in new sectors and geographies to support the transformation of the Malaysian economy. Via these investments, we hope to build new industry linkages and help boost national growth and development.



Pang Hee Min  
Director, Investments

ON INCLUSION

“Inclusion is at the heart of everything that we do in Investments. Why? Because how can we possibly innovate by excluding views, opinions, thoughts and ideas that may not be ours and how can we build strong viable institutions without regard to the multitude of stakeholders who are impacted by our work.”



Implementation of the Shared Reading programme, overseen by LeapEd at Sekolah Kebangsaan Kg Layau, Johor

## EDUCATION

Education is a high growth sector critical to our human capital development. In line with national efforts to drive the services sector and education-related objectives of the Malaysia Education Blueprint 2013-2025, we aim to improve access to quality education.



LeapEd Services Sdn Bhd, a wholly-owned subsidiary of Khazanah, is Malaysia's first home-grown education services provider to undertake the nation's pioneer public school transformation programme – the Yayasan AMIR Trust Schools Programme (YATSP). It is currently being implemented across 30 public schools in Johor, Sarawak, Kuala Lumpur and Selangor, with a view to expand to at least 50 Trust Schools in 2015. The YATSP is a comprehensive school transformation model that sustainably improves student outcomes through four strategic goals focusing on school leadership, teachers, students, and parents & community.

[www.leapedservices.com](http://www.leapedservices.com)

## LIFE SCIENCES

The Life Sciences sector has the potential to play a major role in driving the growth of the economy. It is also poised to be a key growth sector for the future given scarce resources globally. Khazanah's investments in this sector is geared towards providing a strategic fit to Malaysia, with both nation-building and catalytic potential.



Xeraya Capital is a private equity and venture investor in life sciences that focuses on medical technologies, healthcare biotechnology, bio-renewables and bio-industrials.

[www.xeraya.com](http://www.xeraya.com)

## INNOVATION & TECHNOLOGY

We explore opportunities in innovation and technology that can complement our existing investee companies. We aim to make investments that have strategic value to Malaysia as well as enhance our existing portfolio.

### SILTERRA

SilTerra Malaysia Sdn Bhd is a leading wafer foundry provider that offers complementary metal-oxide semiconductor (CMOS) wafer technology to global semiconductor partners. It was established in 1995 to promote front-end semiconductor manufacturing and to be a catalyst for high-technology investments in Malaysia.

[www.silterra.com](http://www.silterra.com)

## SUSTAINABLE DEVELOPMENT

Exposure to this sector is in line with the country's efforts to capitalise on opportunities arising from climate change. Our investments in the sustainable development sector provides the opportunity to promote knowledge and technology transfer to Malaysia.



Cenviro Sdn Bhd (formerly known as UEM Environment Sdn Bhd) provides innovative and sustainable waste management and renewable energy solutions. Through its subsidiaries Kualiti Alam, Kualiti Kitar Alam and Kualiti Khidmat Alam, Cenviro specialises in hazardous waste management across downstream, midstream and upstream activities. It owns and operates Malaysia's first integrated Waste Management Centre, which has been in operations since 1998. Cenviro also extends its expertise in municipal solid waste management in the Northern states of Malaysia through its joint-venture, E-Idaman Sdn Bhd.

[www.cenviro.com](http://www.cenviro.com)



Cenergi SEA develops clean energy projects and provides advisory services, with particular focus on palm bioenergy and energy efficiency projects in Malaysia and Southeast Asia.

[www.cenergi-sea.com](http://www.cenergi-sea.com)



Camco Clean Energy, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is a developer of clean energy projects in the United States of America and Africa.

[www.camcocleanenergy.com](http://www.camcocleanenergy.com)



Mohd Faizal Rosli  
Associate  
Corporate & Support Services

ON INNOVATION

“Innovation is a mantra for every ICT person. We believe in it and we try to live it in our daily working life. The management's support allows us to be creative and not afraid to try new things in developing the best solutions for end users.”



With the adoption of a cradle-to-cradle concept, Cenviro offers one-stop solution services with state-of-the-art facilities to meet stringent international and local standards



Amran Hafiz Affifudin  
Director, Investments

ON INNOVATION

“As arable land becomes scarce, agricultural productivity must improve to support a growing world population. Khazanah’s Agrifood investments place great importance to innovation in farming, livestock rearing and food production.”  
- Amran is in the Agrifood team

CREATIVE & MEDIA

We view creative and media industries as being essential towards establishing Malaysia as a knowledge-based economy. Apart from complementing the development of Iskandar Malaysia, our participation in this sector offers the opportunity to build local capabilities, raise Malaysia’s profile as an international creative industry hub, and provide spillover economic benefits to the local tourism, financial and education industries.



Astro Malaysia Holdings Berhad is a content and consumer company in Malaysia and Southeast Asia with operations in pay-TV, radio, publications, digital media services and home shopping. It serves over 4.5 million Malaysian TV households, almost 13 million radio listeners, as well as millions more online and on-ground.

[www.astromalaysia.com.my](http://www.astromalaysia.com.my)



ISKANDAR MALAYSIA STUDIOS

Pinewood Iskandar Malaysia Studios is a state-of-the-art integrated media production studio facility offering film stages, TV studios, full range of post-production services, workshop and production office space, backlots for outdoor filming, and interior and exterior water filming tanks.

[www.pinewoodmalaysiastudios.com](http://www.pinewoodmalaysiastudios.com)



Rhizophora Ventures

Rhizophora Ventures Sdn Bhd is an investment holding company in creative and media content, with three business segments: content, ecosystem and infrastructure, which aims to catalyse and develop the Malaysian creative industry to become a world-class industry player.

Imagica South East Asia (ISEA) is a post-production facility at Pinewood Iskandar Malaysia Studios. ISEA offers comprehensive and highly creative digital post-production services such as Editing, Colour Grading (pictured here) and Sound Mixing for motion pictures, TV programmes, commercials and other footages.



Blue Archipelago Berhad's 432ha integrated Shrimp Aquaculture Park in Kampung Nyatoh, Setiu, Terengganu with annual production of up to 6,000 tonnes of shrimp

AGRIFOOD

Our investments help develop the building blocks for the industry. A key focus is to improve supply chain management from production to markets. Our initiatives promote the enhancement of productivity and quality under sustainable farm practices.



Blue Archipelago Berhad (BAB) is a shrimp aquaculture company dedicated to the production of premium quality seafood for the global market. The business is built on the foundations of high quality standards, food safety, ecological sustainability and social responsibility. BAB's ultimate aim is to develop a Malaysian seafood brand that is associated with wholesomeness and integrity.

[www.bluearchipelago.com](http://www.bluearchipelago.com)

THROUGH INCLUSION



**RM13,000** MINIMUM ANNUAL WAGE

The rural communities especially in the Setiu district of Terengganu have been given employment opportunities at the iSHARP farm, where the minimum annual wage of a pond operator is in excess of RM13,000

LEISURE & TOURISM

Our investments in this sector are predicated upon the abundant and diverse natural ecological heritage, rich cultural heritage and the warm hospitality of the people of Malaysia. Apart from creating jobs and boosting direct economic growth from this sector, our investments complement the growth of medical tourism and the healthcare sector in general and the growth and development of economic regions such as Iskandar Malaysia. By undertaking pioneering investments, we also aim to catalyse new investment into leisure & tourism products and services in Malaysia.



Themed Attractions Resorts & Hotels Sdn Bhd focuses on developing world-class destination resorts and integrated theme parks and attractions and on growing a hotel and resort management business. Our pipeline of operating facilities and projects under development include:

- Destination Resorts – Puteri Harbour South, Desaru Coast and Teluk Datai
- Integrated Theme Parks and Attractions – LEGOLAND® Malaysia Resort, KidZania Kuala Lumpur, Hello Kitty Town, The Little Big Club and KidZania Singapore
- Hotel & Resort Management – The Datai Langkawi

[www.tarh.com.my](http://www.tarh.com.my)

LEGOLAND® Malaysia Resort and water park and hotel was launched by the Prime Minister of Malaysia on 10 December 2013



BUILDING A REGIONAL FOOTPRINT



Our presence in key markets abroad allows us to tap into regional economic growth, identify opportunities that enhance the regionalisation of our investee companies and contribute towards building the nation's long-term competitiveness

- SOUTHEAST ASIA
- ASIA
- EUROPE
- MIDDLE EAST
- NORTH AMERICA
- AUSTRALIA

In 2013, we opened two more regional offices, in San Francisco, USA and Istanbul, Turkey, to help facilitate investments which are of strategic interest to Khazanah in these regions

-  Khazanah India Advisory opened in 2007
-  Khazanah Beijing Representative Office opened in 2008
-  Khazanah Turkey Regional Office opened in 2013
-  Khazanah Americas Inc opened in 2013



Aurelia Lee May Yoke  
Assistant Vice President, Investments

ON INCLUSION

While the goal of some of our undertakings at Khazanah is the manifestation of inclusivity, it goes without saying that it is just as important to also recognise inclusiveness in the process. And that means getting our stakeholders on-board to support or participate in the work that we do, so as to create lasting impact."

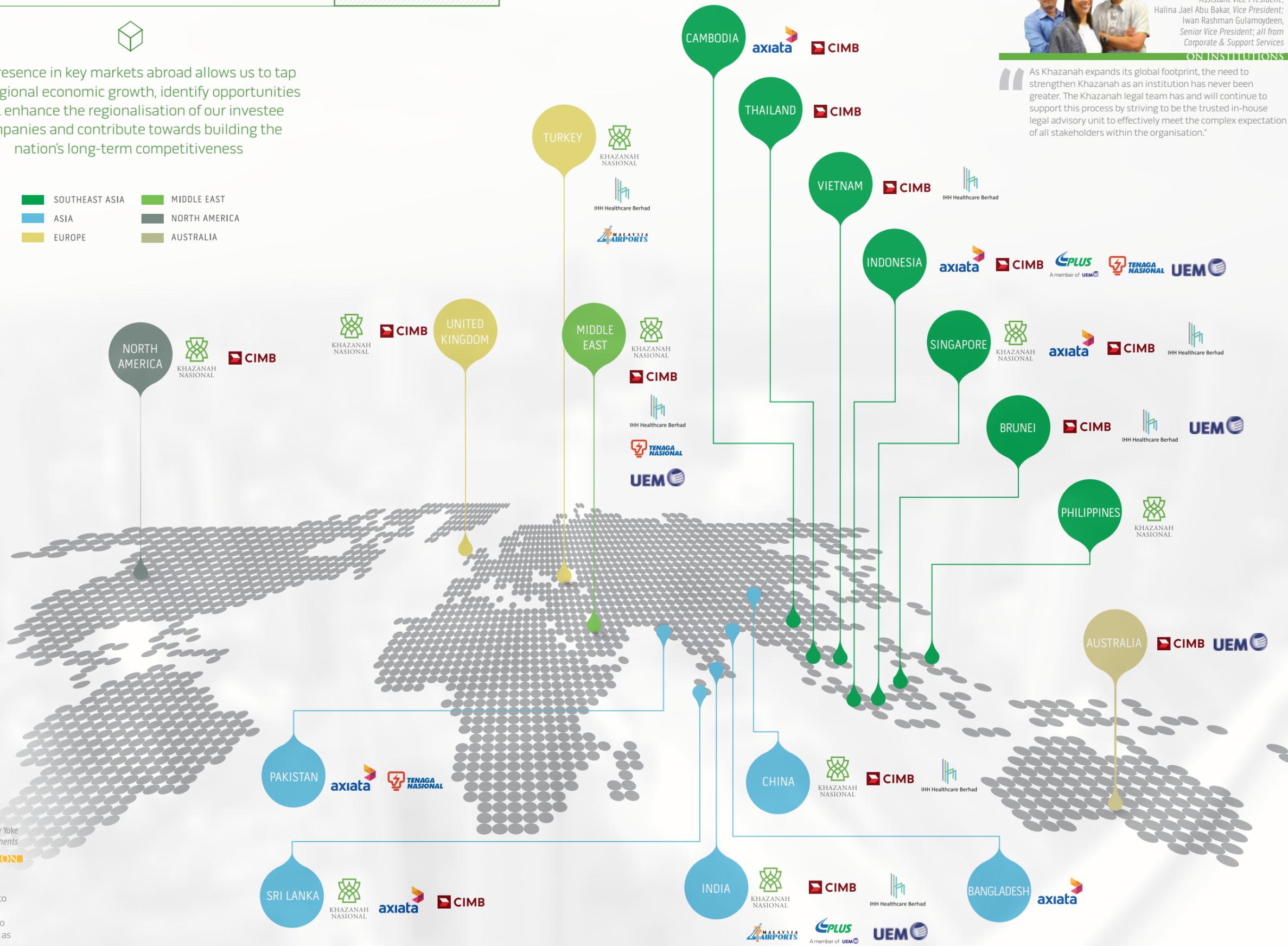
Source: Khazanah analysis



From left: Ryan Lim Khiam Ing, Assistant Vice President; Halina Jael Abu Bakar, Vice President; Iwan Rashman Gulamoydeen, Senior Vice President; all from Corporate & Support Services

ON INSTITUTIONS

As Khazanah expands its global footprint, the need to strengthen Khazanah as an institution has never been greater. The Khazanah legal team has and will continue to support this process by striving to be the trusted in-house legal advisory unit to effectively meet the complex expectation of all stakeholders within the organisation."



# GOVERNMENT-LINKED COMPANIES TRANSFORMATION PROGRAMME



The transformation of the Government-Linked Companies (GLCs) into high performing entities will significantly support the nation's ambition of becoming a developed nation with a high-income, sustainable and inclusive economy. Transforming the GLCs would also ensure benefits are provided to all stakeholders, including investors, customers, employees, suppliers, the non-GLC private sector, the Government and all Malaysians.

The GLC Transformation (GLCT) Programme was announced on 14 May 2004 and officially launched on 29 July 2005. The Putrajaya Committee on GLC High Performance (PCG) was formed in January 2005 as a steering committee for the programme and drives the transformation of GLCs into high-performing entities. PCG is currently chaired by the Prime Minister and consists of representatives from the Minister of Finance Incorporated and the Prime Minister's Office as well as heads of the Government-Linked Investment Companies (GLICs) namely Employees Provident Fund, Khazanah Nasional Berhad (Khazanah), Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji and Permodalan Nasional Berhad. Khazanah is the secretariat to the PCG and manages the roll-out and implementation of the GLCT Programme via its Transformation Management Office (TMO).

<sup>A</sup> Tesco Malaysia launched a collaboration with CIMB Bank to utilise Plug n Pay by CIMB Bank to receive payments for Tesco Online home deliveries. The launch was officiated by YM Tengku Dato' Zafrul, Group CEO of CIMB Group (right), and Georg Fischer, CEO of Tesco Malaysia. <sup>B</sup> Azizi A Hadi (in black jacket), the then Executive Vice President of TM SME (now Chief Operating Officer of P1 - a TM subsidiary) at SME BizFest™ 2014. SME BizFest™ is TM's annual event connecting entities in the SME ecosystem, with the aim to provide awareness, share knowledge and showcase technology in an attempt to drive ICT adoption amongst Malaysian SMEs. <sup>C</sup> Dialog's Digital Bridge Nenesa, is aimed at giving rural students the opportunity to engage in interactive learning with experienced teachers. 2,000 schools in Sri Lanka are connected to the satellite educational channel, 'Nenesa' and a supplementary online learning management system supported by Dialog Broadband. This project has benefited nearly 1.1 million rural students.



<sup>A</sup>

THROUGH INSTITUTION 

MORE THAN **2.23** MILLION CUSTOMERS IN MALAYSIA 

TM broadband users continue to grow; this includes 346,000 small and medium enterprise (SME) customers



<sup>B</sup>

The GLCT Programme aims to transform GLCs to become high performing entities and also help accelerate the country's social and economic development. When the present Prime Minister, Dato' Sri Mohd Najib Tun Abdul Razak, took office in 2009, he announced that the Government was committed to ensure GLC transformation continues, with greater urgency and focus. He also said GLCs must aspire to greater heights, whether as best in their class or emerging as future regional if not global champions.

Khazanah's investee companies such as CIMB Group Holdings Berhad and Axiata Group Berhad have established significant presence in Asian markets, with several other investee companies steadily building capacity to progress to this level.

To further broaden the GLC's contribution towards the national development, in response to the Prime Minister's expectations of the GLICs and G-20 in his Bumiputera Economic Empowerment launch on 14 September 2013, the PCG in November 2013 established the Bumiputera Empowerment Agenda (BEA), to implement various initiatives by both GLICs and G-20, benefiting Bumiputera entrepreneurs, employees, students and the larger community.

<sup>C</sup>

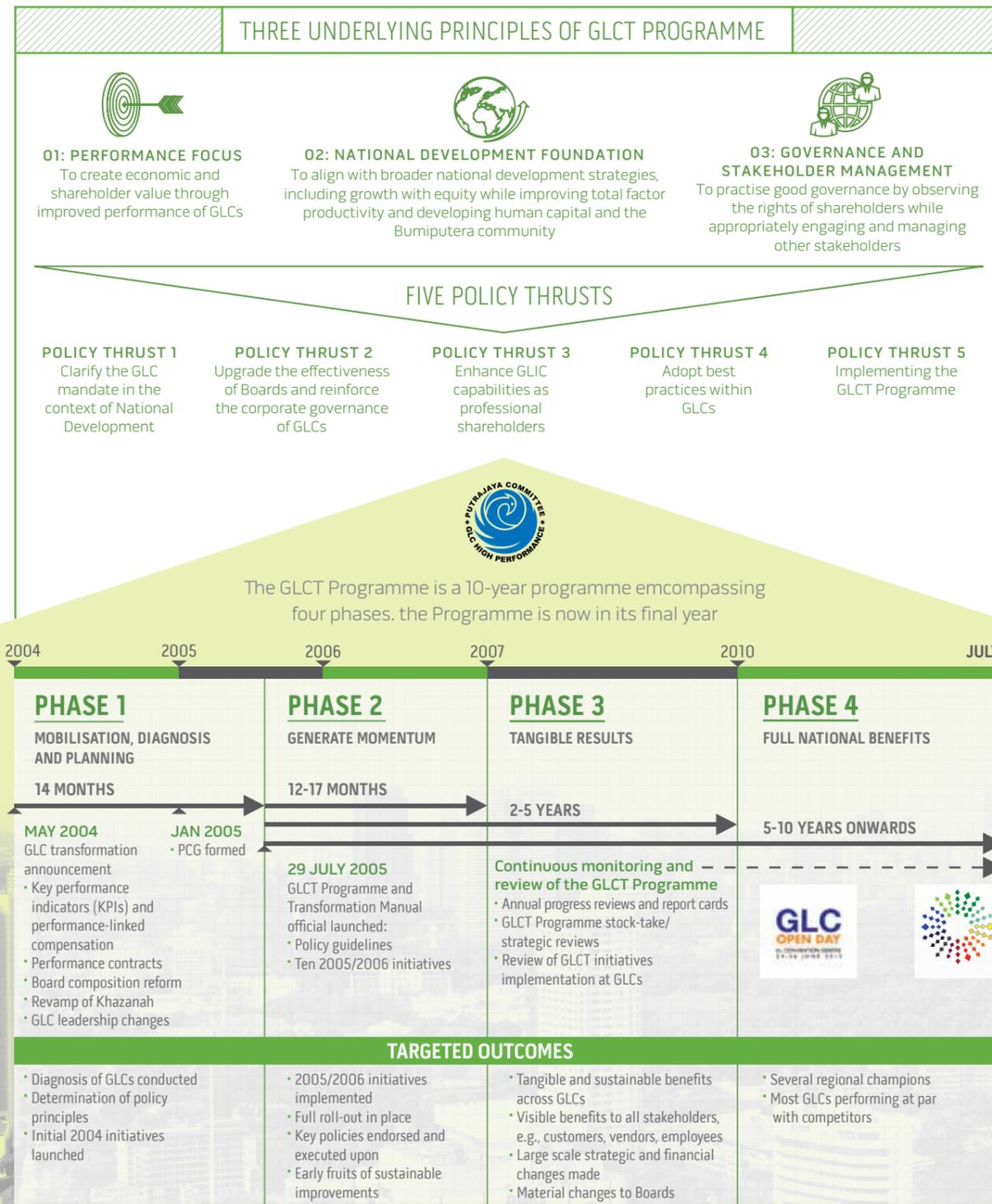


The BEA is aimed at supporting Malaysia's growth by professionalising the agenda in a market-friendly, merit-based and transparent manner while promoting inclusivity and equitability.

In conjunction with the GLCT Programme graduation<sup>1</sup>, a GLC Open Day will be held in August 2015 to showcase the growth, impact, and contribution of the GLICs and GLCs to the economy and the rakyat over the past decade. As part of the GLC Open Day events and proceedings, the PCG will hold its 29th and final meeting chaired by the Prime Minister.

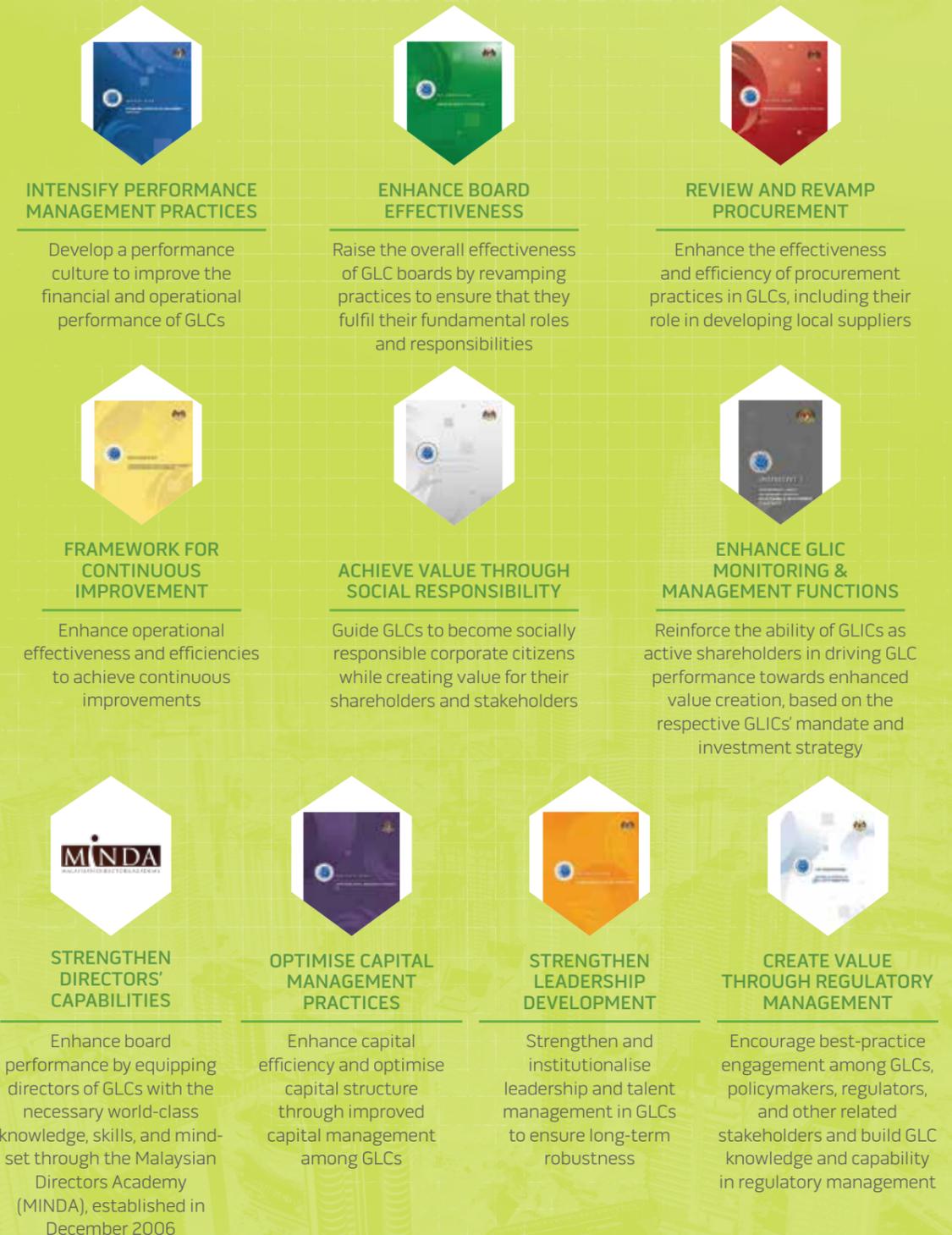
The graduation of the programme notwithstanding, GLICs and GLCs are expected to continue to uphold the three underlying principles of the programme and strive for greater heights by being best in class and emerge as regional and global champions.

<sup>1</sup>The term 'graduation' is used to signify that GLICs and GLCs will continue to deliver the GLCT programme's three underlying principles or ideals (ie. performance focus; nation-building; governance and providing benefits to all stakeholders) post the programme



10 GLCT PROGRAMME INITIATIVES

To support the 5 policy thrusts, 10 GLCT Initiatives were developed and launched for implementation at GLICs and GLCs. The 10 Initiatives had been identified on the basis of their importance as levers for change, potential impact on value, and the ability of PCG to drive change in these areas.





Sultan Abdul Halim Mu'adzam Shah Bridge is the longest bridge in Southeast Asia. It spans 24km and connects Batu Maung on Penang Island to Batu Kawan on the mainland of Peninsular Malaysia. UEM Group Berhad, a wholly-owned company of Khazanah, was awarded the works of constructing the bridge's superstructure, via its subsidiary UEM Builders Berhad.

**GLICs**  
5 LED THE GLCT PROGRAMME

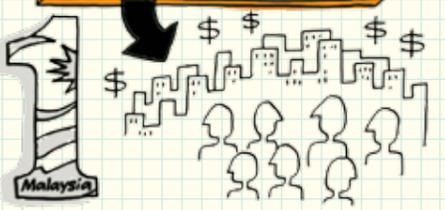
**GLCs G20** [17 GOVERNMENT-LINKED COMPANIES]

SHARING GAINS WITH STAKEHOLDERS

ETP GTP NKRA  
**SUPPORTING NATIONAL TRANSFORMATION**

PEMANDU  
MOF  
TALENTCORP  
TERAJU  
**PUTRAJAYA**

- DIVIDENDS PAID OUT TO SHAREHOLDERS
- NUMBER OF VENDORS GRADUATED
- TAXES PAID
- TOTAL SHAREHOLDER RETURN
- EARNINGS GROWTH
- TOTAL WORKFORCE
- PINTAR FOUNDATION
- NUMBER OF SCHOOLS ADOPTED
- TRAINING & DEVELOPMENT COSTS



# DELIVERING BENEFITS TO STAKEHOLDERS

Sharing Gains with Stakeholders 64

Being a Responsible Corporate Citizen 68

Selected Highlights of Corporate Responsibility Initiatives in 2013 70

Supporting National Transformation 72

The Government-Linked Companies (GLC) Transformation Programme has enabled GLCs to contribute to the nation's economic growth and development, delivering benefits to both investors and broad range of stakeholders.

The value created is distributed through various platforms including enhanced delivery and quality of products and services, vendor development programmes, taxes and dividends paid, talent development and training, and Corporate Responsibility initiatives.

# SHARING GAINS WITH STAKEHOLDERS



The Government-Linked Companies (GLC) Transformation Programme has had an impact on many fronts, delivering benefits to various stakeholders ranging from investors and shareholders to the general public and employees of the GLCs

As a result of G-20s strong financial performance, they have been able to contribute RM108.8 billion in dividends and RM62.7 billion in taxes from 2004 to 2014, providing returns to the investing public including contributors to trust agencies such as Employees Provident Fund and Permodalan Nasional Berhad, and the rakyat. The progress achieved by GLCs has also benefited other stakeholders including customers, through enhanced service standards and products; employees, through training and development including programmes to help non-executives grow professionally; suppliers, through vendor development programmes and society, through corporate responsibility initiatives.

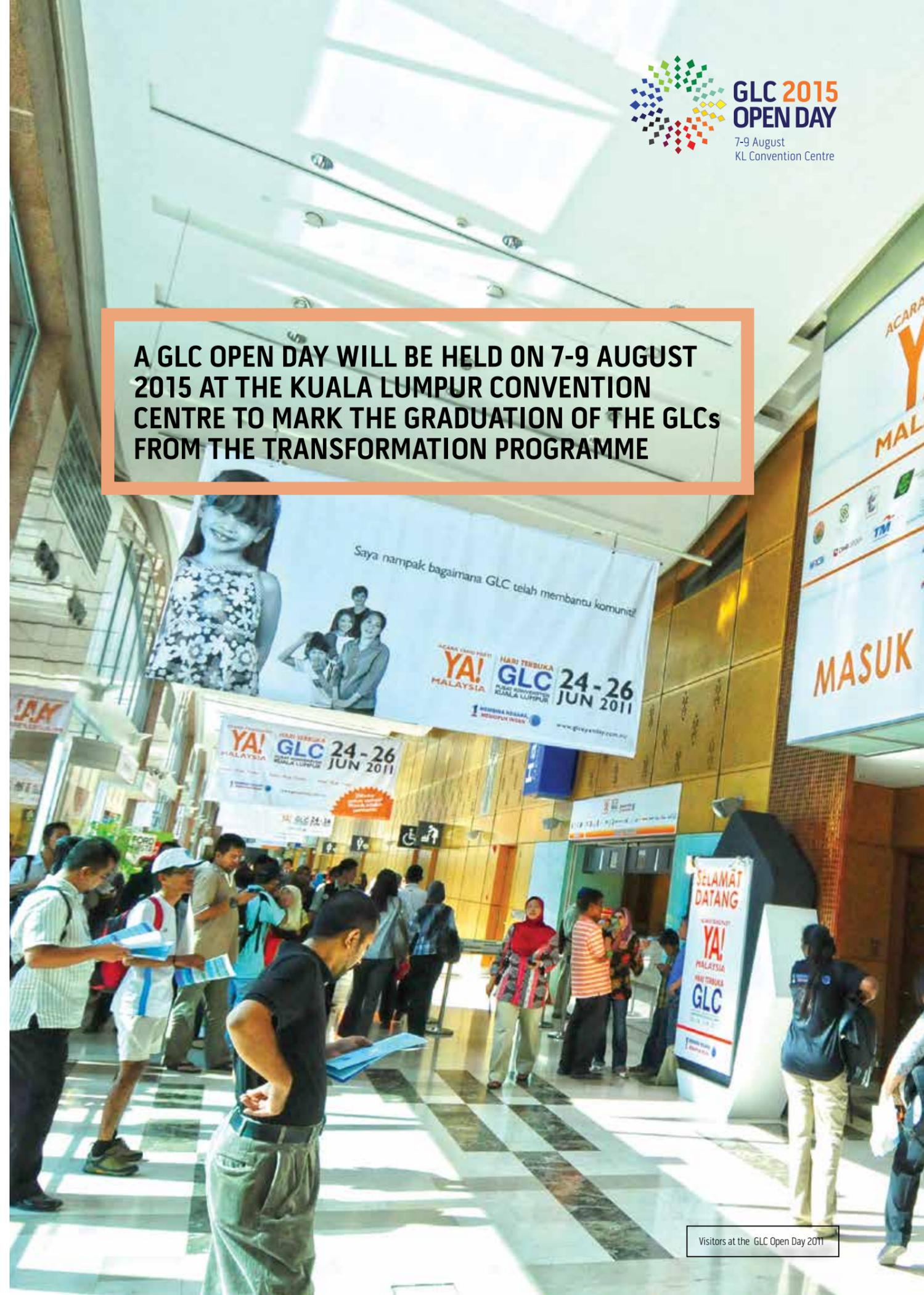
<p>GOVERNMENT-LINKED INVESTMENT COMPANIES</p>	<p>Khazanah Nasional Berhad</p>	<p>Permodalan Nasional Berhad</p>	<p>Employees Provident Fund</p>	<p>Lembaga Tabung Haji</p>	<p>Lembaga Tabung Angkatan Tentera</p>												
	<p>GOVERNMENT-LINKED COMPANIES</p>	<p>axiata</p>	<p>CIMB</p>	<p>malaysia airlines</p>	<p>MALAYSIA AIRPORTS</p>	<p>TENAGA NASIONAL</p>	<p>TM</p>	<p>UEM</p>	<p>ccm</p>	<p>Maybank</p>	<p>Sime Darby</p>	<p>UMW</p>	<p>MBSB</p>	<p>MRCB</p>	<p>BIMB HOLDINGS BERHAD</p>	<p>TH PLANTATIONS BERHAD</p>	<p>AFFIN HOLDINGS</p>

**Government-Linked Investment Companies (GLICs)** are defined as Federal Government linked investment companies. There are five GLICs which come under the Government-Linked Company Transformation (GLCT) Programme namely Employees Provident Fund (EPF), Khazanah Nasional Berhad (Khazanah), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (LTH) and Permodalan Nasional Berhad (PNB).

**Government-Linked Companies (GLCs)** are defined as companies that have a primary commercial objective and is under the control of a GLIC. A GLIC has control over GLC when it is the majority shareholder or single largest shareholder and when it has the ability to exercise and influence major decisions such as appointment of board members and senior management, award of tenders and contracts and so on. Subsidiaries of such GLCs also fall under the purview of the GLCT Programme. The GLCT Programme excludes state controlled or state-linked companies.

**G-20** is a selection of large GLCs controlled by GLICs under the GLCT Programme and is used as a proxy for performance of the GLCs. This list originally comprised of 20 GLCs but currently stands at 17 due to various mergers, demergers and other corporate exercises over the years.

**A GLC OPEN DAY WILL BE HELD ON 7-9 AUGUST 2015 AT THE KUALA LUMPUR CONVENTION CENTRE TO MARK THE GRADUATION OF THE GLCs FROM THE TRANSFORMATION PROGRAMME**



Visitors at the GLC Open Day 2011

### DIVIDENDS PAID OUT TO SHAREHOLDERS 2004-2014

**G-20** RM108.8b **K-7** RM51.7b

Through the various GLC Transformation Programme initiatives implemented, the K-7 have created substantial market value and are now on a more solid footing, having returned a total of RM51.7 billion in dividends to shareholders from 2004 to 2014

Source: G20 annual reports and PCG Secretariat analysis

### NUMBER OF VENDORS IN VARIOUS DEVELOPMENT PROGRAMMES IN 2014

**G-20** 1,307 **K-7** 1,253

The K-7 have supported 1,253 vendors in 2014 through their various development programmes

Source: PCG Secretariat analysis

### TAXES PAID 2004-2014

**G-20** RM62.7b **K-7** RM28.8b

Besides dividends, the K-7 have also paid a total of RM28.8 billion in taxes within the same period, which ultimately benefits the nation

Source: G20 annual reports and PCG Secretariat analysis

### TOTAL SHAREHOLDER RETURN

**G-20** 12.3% per annum

**K-7** 12.6% per annum

Over the period from 14 May 2004 to 31 December 2014, total shareholder return of K-7 companies grew by 12.6% p.a., outperforming the rest of Kuala Lumpur Composite Index by 0.7% p.a.

Source: G20 annual reports and PCG Secretariat analysis



### EARNINGS GROWTH

**G-20** 10.2% per annum **K-7** 9.4% per annum

K-7 aggregate earnings grew by 9.4% p.a. from RM5.2 billion in 2004 to RM12.7 billion in 2014

Source: G20 annual reports and PCG Secretariat analysis

### TOTAL MALAYSIAN WORKFORCE

**G-20** 225,050 **K-7** 133,142

The K-7 employed a total of 133,142 people as at 31 December 2014

Source: PCG Secretariat analysis



**PINTAR Foundation** is a school adoption programme by GLCs and other corporates to improve educational outcomes of students in under-served communities, mainly in rural areas

### NUMBER OF SCHOOLS ADOPTED IN 2014

**G-20** 160 **K-7** 110

### NUMBER OF STUDENTS IN THE PROGRAMME IN 2014

**G-20** 79,745 **K-7** 53,626

To date, 110 schools have been adopted by the K-7, benefiting 53,626 students in 2014

Source: PINTAR Foundation

### TRAINING AND DEVELOPMENT COSTS

**G-20** RM543m **K-7** RM374m

The K-7 has ramped up their human capital development efforts, spending RM374 million on training in 2014

Source: G20 annual reports and PCG Secretariat analysis

# BEING A RESPONSIBLE CORPORATE CITIZEN



Yayasan Hasanah is a Khazanah foundation that undertakes corporate responsibility initiatives



A

Khazanah's corporate responsibility (CR) is led by Yayasan Hasanah (Hasanah), a foundation incorporated in December 2013 to carry out an enhanced and more strategic approach to sustainable value distribution.

Hasanah supports efforts that empower communities, encourage social inclusivity, and improve local environments. It consolidates and expands upon Khazanah's previous CR work in five pillars and three important areas that run across equally.

The five core areas:

- Education
- Community Development
- Environment
- Arts, Heritage and Culture
- Knowledge

The three horizontal areas:

- Public Spaces
- Capacity Building
- Social Enterprise



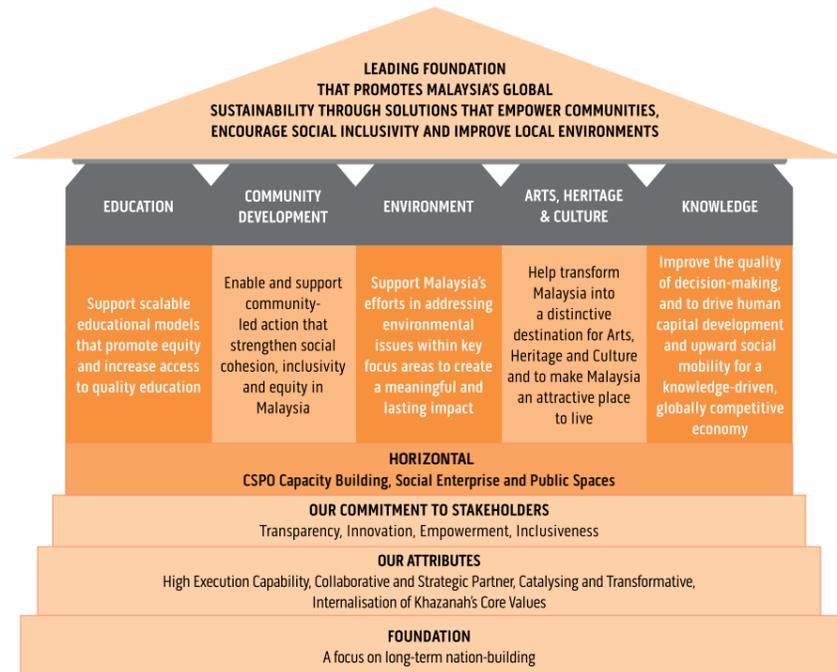
Anita Ahmad  
Vice President  
Managing Director's Office

### ON INCLUSION

Inclusive economic growth and social development must embrace the needs and voices of disadvantaged and marginalised communities as equal members of society and this can be done so long as our actions are guided by a social conscience."

- Anita is the pillar lead for Community Development in Yayasan Hasanah

A A colouring session at Yayasan Chow Kit's Pusat Aktiviti Kanak-Kanak B The project team of SMK Dato' Ahmad Razali demonstrating the preparation of garbage enzyme at a school assembly as part of the TrEES programme C MERCY Malaysia mobilising their response during the December 2014 floods in the East Coast of Malaysia D A participant of Yayasan Sejahtera, sewing to generate additional income



YAYASAN HASANAH IS MANDATED TO SUPPORT THE DEVELOPMENT AND IMPLEMENTATION OF SOLUTIONS THAT EMPOWER COMMUNITIES, ENCOURAGE SOCIAL INCLUSIVITY, AND IMPROVE LOCAL ENVIRONMENTS

C



D

Hasanah works through an ecosystem of partners that include civil societies, social enterprises, government agencies and communities to ensure that its efforts result in meaningful impact. It provides multiple-level funding support to partners in the ecosystem, namely, flagship partners and national initiatives, civil society partner organisations (CSPOs), small grants and sponsorships. To help build capacity among the civil society organisations, Hasanah also provides strategic and business advice, training and workshops, knowledge-sharing, sector best practices and networking platforms.

SELECTED HIGHLIGHTS OF CORPORATE RESPONSIBILITY INITIATIVES IN 2014



EDUCATION

 <b>RAISING OUR NATION'S EDUCATION STANDARDS</b> <b>30</b> Cumulative number of trust schools after 17 schools were included in the 2014 cohort <b>Trust School Conference</b> organised by Yayasan AMIR in Sarawak titled "Kemenjadian Murid Melalui Transformasi Holistik" from 18 - 21 June 2014	 <b>CONNECTING RURAL SCHOOLS TO CORPORATE MALAYSIA</b> <b>385</b> PINTAR schools, including 178 active schools across Malaysia being supported by 39 members and partners from across multiple industries and sectors as at December 2014 <b>230</b> PINTAR schools benefited from the PINTAR Mobile Learning Unit in 2014	 <b>NURTURING TOMORROW'S LEADERS</b> <b>438</b> Scholarships awarded since 2006 <b>81</b> Scholarships awarded in 2014	 <b>REDUCING EDUCATIONAL INEQUALITY</b> <b>&gt; 200</b> Fellows and alumni in over 70 schools, across 8 states, impacting over 33,000 students as at December 2014
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<b>PROVIDING EDUCATION FOR ALL</b> <b>1,600</b> Educational videos online and over 3,000,000 minutes of videos watched cumulatively as at December 2014	<b>DEVELOPING ENTREPRENEURIAL ACTION TO TRANSFORM LIVES</b> <b>34</b> Countries participated in the Enactus World Cup 2014 held in Beijing, China, in which <b>Universiti Utara Malaysia finished in the Top 16</b> <b>22</b> Teams competed and 1,200 people attended Enactus Malaysia National Cup 2014 at Shah Alam Convention Centre <b>135,536</b> People were indirectly impacted and 9,327 people directly impacted by Enactus' network of universities, which has implemented 87 projects and contributed to 301,467 volunteer hours
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COMMUNITY DEVELOPMENT

 <b>ALLEVIATING POVERTY, IMPROVING LIVES</b> <b>RM614,775</b> Accumulated for 55 beneficiaries through income generation projects in Bachok and Pasir Puteh, Kelantan in September 2014 <b>27,830kg</b> First harvest of ginger in Kampung Song Song, Kota Belud, Sabah as part of a livelihood project for 51 beneficiaries as of January 2014	 <b>SUPPORTING ORPHANS AND ABANDONED BABIES</b> Co-hosted with Ministry of Women, Family & Community Development a two-day ground-breaking forum entitled " <b>Deinstitutionalisation: Every Child Needs a Family</b> " from 11 to 12 June 2014
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ENVIRONMENT

<b>PROVIDING ADDICTION TREATMENT AND SUPPORTING RE-ASSIMILATION</b> <b>60</b> University students inducted as <i>Sahabat PENGASIH</i> , to raise awareness and provide a supportive peer network against addiction	<b>PROTECTING AND RESPECTING EVERY CHILD'S RIGHTS</b> <b>42</b> Malaysian magistrates received training on child justice as part of a collaboration between Voice of the Children and the judiciary in September 2014	<b>PROVIDING AT RISK CHILDREN A SAFE SPACE</b> <b>89</b> Children benefited from welfare and child development programmes at the <i>Pusat Aktiviti Kanak-Kanak</i> in 2014, an increase from 50 in 2013	<b>CREATING SELF-SUSTAINABLE COMMUNITIES</b> <b>150</b> Women in need in Selangor and Kuala Lumpur supported with microcredit financing to start small business ventures which will help sustain themselves and their families in 2014
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ARTS, HERITAGE & CULTURE

<b>PROMOTING SUSTAINABLE LIVING</b> <b>4,700</b> Visitors to Kuala Lumpur Eco Film Festival 2014 <b>Inaugural Langkawi Eco Film Festival</b> held in October 2014	<b>EMPOWERING COMMUNITIES TO PROTECT THE ENVIRONMENT</b> <b>&gt; 500</b> Secondary school students developed and implemented green projects at their schools and recycled over 54 tonnes of waste through the Young Voices for Conservation programme in 2014	<b>SAFEGUARDING OUR NATION'S REEFS</b> <b>184</b> Reef sites surveyed in 2014 (77 in Peninsular Malaysia and 107 in East Malaysia) <b>128</b> EcoDiver certified and 10 EcoDiver trainers trained in 2014
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FERGANA

<b>RESTORATION AND PRESERVATION OF ART</b> <b>UNPACK-REPACK: A Tribute to Ismail Hashim</b> exhibition at the Whiteaways Arcade, George Town, Penang launched on 22 June 2014
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KNOWLEDGE

 <b>DEVELOPING EVIDENCE BASED RESEARCH AND POLICIES</b> Launch its first research report, <b>State of Households</b> on 17 November 2014	 <b>PROVIDING INNOVATIVE THINKING FOR URBAN TRANSFORMATION</b> Launch of the <b>KL Grants Programme</b> on 18 December 2014  <b>CREATING PLAYING FIELDS IN URBAN NEIGHBOURHOODS</b> <b>74%</b> Average utilisation rate of Cruyff Court Kuala Lumpur in 2014
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HUMANITARIAN RESPONSE

<b>LENDING A HELPING HAND</b> <b>52</b> Volunteers participated to help PERTIWI Soup Kitchen distribute food in the Chow Kit and Masjid Jamek areas on 18 April 2014 <b>22</b> Khazanah Volunteer Network members underwent basic mission training with MERCY Malaysia on 22 December 2014 <b>11</b> Volunteers deployed to support a MERCY Malaysia flood mission with packing and distributing of food and hygiene kits in Pasir Mas, Kelantan
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<b>2014 flood relief in Malaysia</b> <b>SUPPORTING RELIEF AND RECOVERY EFFORTS</b> <b>RM11,483,688</b> Of funding to 14 different NGOs and government agencies to support disaster preparedness, as well as emergency and recovery response to the floods in December 2014	<b>Gaza crisis in 2014</b> <b>PROVIDING HUMANITARIAN AID</b> <b>745</b> Families benefited from food aid procured by MERCY Malaysia in 2014 <b>&gt;7,000</b> People in 19 shelter centres, hospitals and homes across Gaza received psychosocial first aid from MERCY Malaysia's partnership with a local organisation in 2014 <b>596</b> Students received funding from Viva Palestina Malaysia to continue their studies in seven universities in Gaza in 2014	<b>SETTING A NEW AGENDA FOR HUMANITARIAN ACTION</b> <b>USD360,000</b> Allocated to support World Humanitarian Summit (WHS) 2016 and deployment of a Khazanah staff on secondment to support WHS secretariat
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## SUPPORTING NATIONAL TRANSFORMATION



Khazanah contributes to the Government's national transformation initiatives. We were part of the working team supporting the National Economic Advisory Council in developing the New Economic Model (NEM).

Khazanah was involved in the formation of the Performance Management and Delivery Unit (PEMANDU), a strategic unit under the Prime Minister's Department. PEMANDU was established to oversee the implementation of the Economic Transformation Programme (ETP) and Government Transformation Programme (GTP), two of the NEM's key pillars.

Some of Khazanah's corporate responsibility programmes and those undertaken by GLCs fall under the GTP's National Key Result Areas (NKRAs) related to education and raising the living standards of low-income households. As a strategic investor, Khazanah and its investee companies are involved

in nine of the ETP's 12 National Key Economic Areas (NKEAs), including tourism, education, and healthcare. In addition, Khazanah's initiatives in Iskandar Malaysia are in support of the Government's growth corridor concept.

Khazanah supports the Bumiputera Economic Transformation Programme managed by Unit Peneraju Agenda Bumiputera (TERAJU) via vendor development programmes at our investee companies, and through strategic divestment under Government-led initiatives to encourage Bumiputera entrepreneurship and equity growth. In addition, through our role as the secretariat of the Putrajaya Committee on GLC High Performance (PCG), we help to develop key performance indicators (KPIs) to be implemented by GLCs and GLICs under the Bumiputera Empowerment Agenda.



From left: Ahmad Khairul Razi Ismail, Senior Vice President; Wan Ab Aziz Ariffin, Director; Siti Yuszaina Usop, Vice President, all from the Managing Director's Office

### ON INCLUSION

“The Bumiputera Empowerment Agenda (BEA) stresses inclusiveness in the development of the nation. The GLICs and G-20 aspire to professionalise its implementation under the Bumiputera Empowerment Agenda in a merit-based, transparent and market-friendly environment. This will require clear vision, principles & guidelines, governance and programme management of the various initiatives.”  
- Khairul, Wan Ab Aziz and Siti Yuszaina are part of the team that looks after the GLC Transformation Programme

# CASE STUDIES

Each year, The Khazanah Report presents case studies to illustrate and give more clarity and depth on how we approach the demands of our mandate. This year, we discuss how Khazanah addresses inclusion in its value distribution, our efforts to promote innovation, and the thinking that led to the MAS Recovery Plan.



### BUILDING AN INCLUSIVE INSTITUTION

Jiv Sammanthan

Executive Director, Managing Director's Office  
and Head of Managing Director's Office



### A FRAMEWORK FOR INNOVATION AND ENTREPRENEURSHIP

Nik Rizal Kamil Nik Ibrahim Kamil

Director, Investments



### FORMULATING THE MAS RECOVERY PLAN

SHAHAZWAN HARRIS

Executive Director, Investments

# BUILDING AN INCLUSIVE INSTITUTION



What is an inclusive institution? This is a question that has exercised us at Khazanah for many years, more so since the new, more active Khazanah mandate was placed upon us back in 2004.

by



Jiv Sammanthan  
Executive Director, Managing Director's Office  
and Head of Managing Director's Office

Photo above: Puan Norhada Hamidon, an English teacher from Sekolah Kebangsaan Desa Pandan, a trust school under Yayasan AMIR's Trust Schools Programme, takes her class through their lessons

In 2015 and eleven years on, we can perhaps now look back and consider what Khazanah has done in institutionalising the notion of inclusion in the many areas where we play a role, and what the future may bring as we seek to do more.

The topic of Institutions and Inclusion has been given considerable attention by Khazanah in the recent past. As a measure of our focus on this area, the primary theme for the two-day Khazanah Megatrends Forum (KMF) 2014 held in September 2014 was *Institutions, Innovation and Inclusion*.

These factors were positioned as the three key elements needed to drive an economy's efficiency or production frontier. At the same event, I was given the privilege of chairing a special session titled *Building the Nation on the Shoulders of Strong Institutions*. The basic premise we postulated during the session to the audience and which also formed the consensus conclusion of the panellists were as follows:

- ◆ Inclusive institutions reduce inequality and promote social inclusion, establish level playing fields and help develop market economies to harness the potential of its citizens;
- ◆ Long-term economic growth requires inclusive and not extractive institutions;
- ◆ The quality of institutions matters, especially for the growth of middle income countries and to avoid the middle income trap;
- ◆ Strong institutions will endure and continue to deliver good outcomes, regardless of its leadership or indeed the vagaries of the economic or political landscapes.

## INCLUSIVE APPROACH

If these are the goals to aspire to, how is Khazanah progressing in our efforts to become an inclusive institution?

Khazanah has attempted to set out a holistic view of our institution to help provide the public with a broad overview in answering what is a complex question, through The Khazanah Reports (TKR) we have published in the past. We have also tried to explain our approach towards inclusion in case studies within these reports.

The case study in TKR2012 discussed how Khazanah, as a strategic investment fund, has endeavoured to deliver on both its financial and strategic goals, the premise being that sustained financial returns are required for us to deliver strategic returns that are specific to each investment that we make. In this regard, the role we have played over the years in helping to complete Malaysia's journey of privatisation, building Malaysian companies within our stable into regional champions, and investing in regional development corridors such as in Iskandar Malaysia, are examples where our financial and strategic goals interweave and result in impact on the ground.

Separately, the case study in TKR2013 talked about inclusivity and value distribution, specifically highlighting three areas as examples:

- ◆ How taking our highway operator PLUS private in 2010 resulted in a freeze of toll rates for five years, easing the burden of annual toll increases on the rakyat;
- ◆ At Tenaga Nasional, how the tariff rate for consumers using less than 200kWh per month (which benefits about 50% or 3.25 million domestic users) has been maintained since 1997, while the tariff rate for consumers using between 201-300kWh (benefiting about 20% or 1.3 million users) has remained the same since 2009;
- ◆ Implementation of upward mobility schemes for non-executive employees under the GLC Transformation programme which Khazanah undertakes through its role as the secretariat to the Putrajaya Committee for GLC High Performance. The schemes allow the employees to rise within their organisations and improve their socio economic well-being.

# Question: Can we do more?



Yayasan Hasanah's vision is to be a leading Foundation that promotes Malaysia's global sustainability through solutions that empower communities, encourage social inclusivity and improve the local environment



## MAKING A DIFFERENCE

These examples do provide an indicator of the way we think and the issues we need to consider on a daily basis at Khazanah. Making investment grade returns is a given for an investment house such as ours. Our investment return of approximately 12% annual compounded NWA growth since 2004 indicates a sustained track record in this regard. We recognise that we need to continue to do "well" so that we can be in a position to do more "good".

The more difficult issues we grapple with however are these:

- ◆ Will a particular investment really make a difference to our key stakeholders?
- ◆ What will the impact of our work be to them?
- ◆ What will our investments and footprints do to the environment?
- ◆ Are we crowding out private investment and how can we instead "crowd-in"?

In this regard, we see our key stakeholder as the 30 million Malaysians for which we have a role of trust, to the legacy of those that have come before us and to those Malaysians who are yet to be born but who will inherit the seeds that we sow.

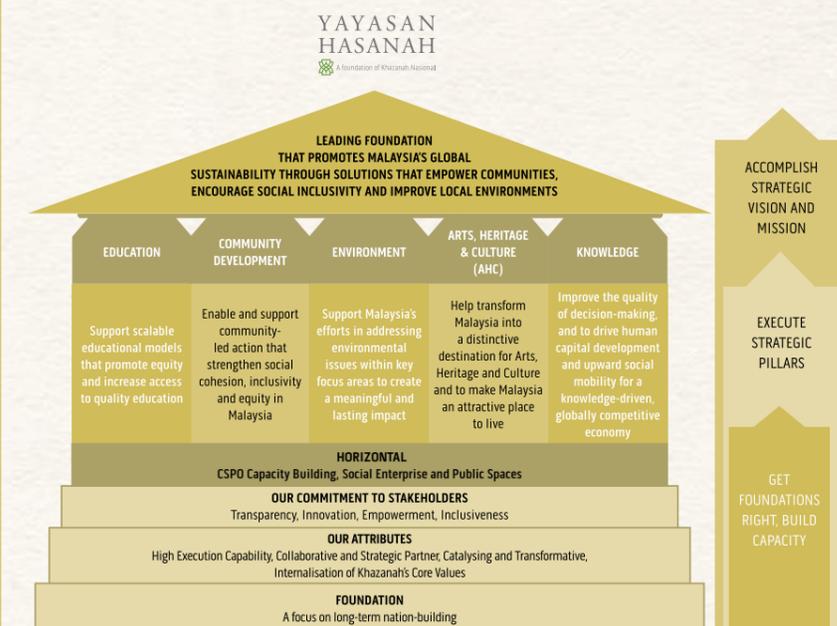
Increasingly as our footprint becomes global (by geographic exposure, about 40.8% of our portfolio is foreign), we assess the impact of our actions on those who we touch in the many countries we and our companies operate in. We strive to be useful and do things that people need in the markets in which we operate. We are working on a concept to measure the idea of *True Value* using Environmental, Social and Governance (ESG) principles as an internal R&D Project.

At all times we are confronted with the question: Can we do more?

## FOUNDATION FOR VALUE DISTRIBUTION

This question, and our answer to it, has led to the setting up of Yayasan Hasanah (Hasanah), our flagship value distribution foundation with a key focus on inclusion. Hasanah was set up on 27 December 2013 with an endowment of RM3 billion from Khazanah, arising from the returns we generated from our cumulative investment activities. The RM3 billion, for which Hasanah is the sole beneficiary, has been ring-fenced and invested to provide a minimum 5% return to enable Hasanah to fund the key focus areas under its umbrella in a sustainable manner going forward.

Hasanah's vision is to be a leading Foundation that promotes Malaysia's global sustainability through solutions that empower communities, encourage social inclusivity and improve the local environment.



Hasanah's roles can be summarised in the following four areas:

### Funding support

Provide funding to civil society organisations that can drive measurable impact in support of Hasanah's social development vision for Malaysia. These civil society partner organisations (CSPOs) are rigorously monitored and evaluated against defined social impact indicators.

### Building capacity within CSPOs

Help strengthen CSPOs to deliver meaningful impact by providing strategic and business advice, training and workshops, knowledge-sharing, sector best practices and networking platforms.

### Drive collective impact across pillars, funders and partners

Drive collective initiatives by having various civil society and corporate business organisations come together in a structured approach for a larger-scale outcome.

### Khazanah-Hasanah collaborative efforts

Continue to provide Corporate Responsibility (CR) support to Khazanah including engaging the Khazanah Volunteer Network and managing Khazanah's donation and contributions such as emergency relief funding for natural disasters locally and abroad.

## EDUCATION IS KEY

Our main focus area by far is in education. As 19th century American educator Horace Mann once said, "Education, beyond all other devices of human origin, is the great equaliser of the conditions of men, the balance-wheel of the social machinery."

Our strategy in this area is based on the premise that every Malaysian student must be given the opportunity and support to realise his or her full potential through receiving quality education. To support this, Hasanah aspires to champion high quality and efficient education system that is equitable and accessible, and develops top talent, as well as scalable educational models that promote equity and increase access to quality education.

The Trust Schools Programme run by Yayasan AMIR, one of Hasanah's flagship partner organisations, is an example of this approach. There are currently 30 schools under the Trust Schools Programme and to help expand it further, Khazanah on 18 May 2015 launched an innovative sustainable and responsible investment sukuk to fund the deployment of the programme to an additional 20 schools.

More than  
**20,000**  
students in

**30**

schools have benefited from  
**Yayasan AMIR's** Trust Schools  
Programme

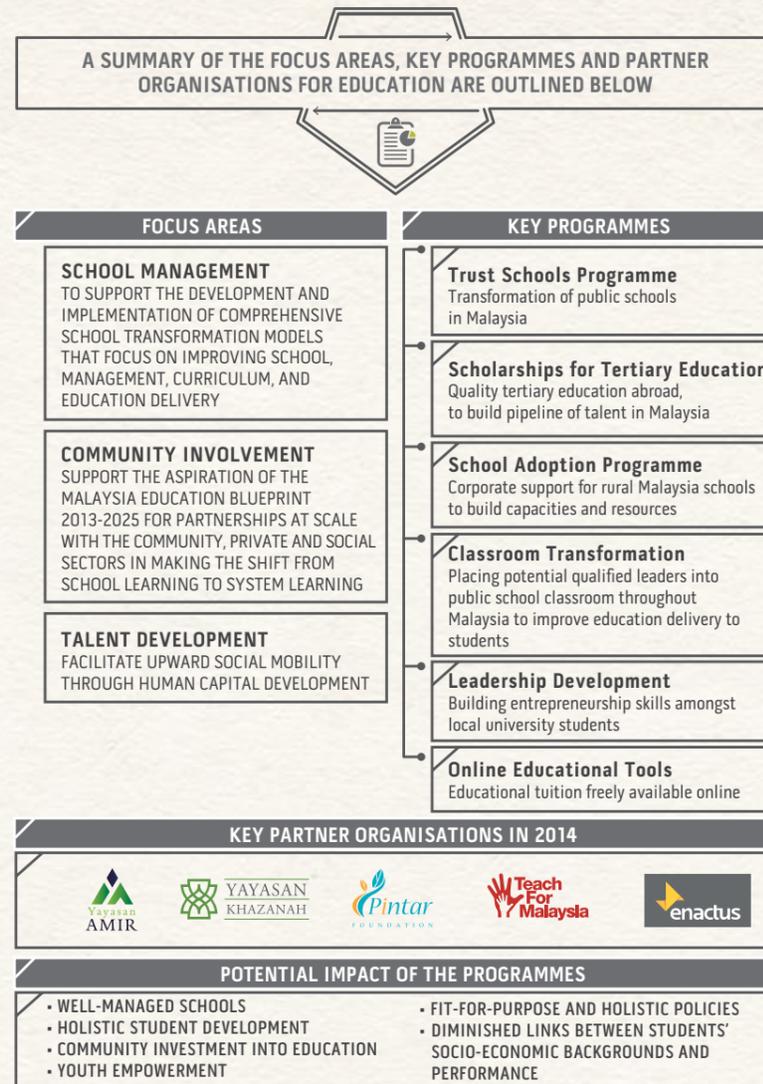
As of 2014, the  
Teach For Malaysia  
movement has grown to



**111**  
active Fellows and

**44**  
alumni, and has impacted over

**33,000**  
students across Malaysia



The basic premise of Hasanah is that it will play a full role in value distribution and inclusivity just as Khazanah will continue its role of financial and strategic value creation. Both entities will have at its heart the premise of institutional nation building and impact with a global outlook and perspective. Hasanah will continue to hold on the Khazanah ethos of clear strategy, thoughtful execution and measuring the impact and outcome of its work.

We believe the journey of the next 10 years of financial and strategic value creation by Khazanah and separately, inclusive value distribution by Hasanah will allow us to make meaningful steps in realising our ambitions to be a truly inclusive institution that is worthy of our stakeholders.



"Education, beyond all other devices of human origin, is the great equaliser of the conditions of men, the balance-wheel of the social machinery."

- Horace Mann

# A FRAMEWORK FOR INNOVATION AND ENTREPRENEURSHIP



Entrepreneurship has been identified as a key driver of the Malaysian economy for the next 10 years with special emphasis on innovation and entrepreneurial drive under the New Economic Model (NEM)

Photo above: A night shot of Brickfields. An old shop houses on the left contrasting the newly built NU Sentral shopping complex on the right.

by



Nik Rizal Kamil Nik Ibrahim Kamil  
Director, Investments

One of the policy measures supporting the Strategic Reform Initiative to re-energise the private sector under the NEM is to create a self-sustaining ecosystem for entrepreneurship and innovation.

Malaysia's entrepreneurial impact has yet to be maximised based on the current low contribution of Small and Medium Enterprises (SMEs) to the nation's Gross Domestic Products (GDP), with current SMEs contribution to the national GDP standing at 33% (compared to the global average of 51%)<sup>1</sup>.

The coming years will see a refreshed approach to Khazanah's investments into the innovation and technology sector, built on key learnings from past experiences and refining its investment strategy to move forward.

The strategy complements and underlays the efforts within an Innovation and Entrepreneurship framework, with a primary focus on innovations in the technology sector on a global scale that will provide both financial and strategic returns and benefits to stakeholders.

Two recurring challenges inherent in the local innovation and entrepreneurship ecosystem are insufficient high risk funding and market access. The potential solutions to these challenges should go beyond tackling funding issues and should cover the quality of ideation, product guidance, market access as well as exits.

<sup>1</sup> SME Corp

Telekom Malaysia organised a BizApp Store™ Fair to create opportunities for the SME technology companies marketing their product

Two recurring challenges inherent in the local innovation and entrepreneurship ecosystem are insufficient high risk funding and market access





Axiata Young Talent Business Model Canvas Workshop

In shaping an Innovation and Entrepreneurship framework and action plan, Khazanah is guided by the needs of stakeholders comprising the public, the Government of Malaysia and Khazanah investee companies. The main goals to be achieved for each stakeholder category are:

- ◆ **For the public: To improve standard of living by innovating out of the middle income trap**  
Innovation beyond the constraints of input-led growth is now essential to push Malaysia beyond its middle income trap
- ◆ **For the Government: To rationalise and streamline national innovation and entrepreneurship initiatives through policy levers**  
There are numerous agencies with overlapping mandates to amplify the innovation and entrepreneurship impact to the Malaysian

economy. In addition, despite significant public funding, there appears to be a funding gap at the *seed*, *start-up* and *pre-commercialisation* stages of the venture capital (VC) lifecycle.

- ◆ **For Khazanah: To build long term value via investing in disruptive innovations**  
Global megatrends are constantly evolving and are often difficult to predict. Therefore, it is imperative to consider adopting a corporate venture capital model to provide diversification and potentially enhance returns, including developing avenues for investment in early-stage companies to track emerging trends and identify founders or entrepreneurs with disruption potential.

- ◆ **For Khazanah investee companies: To increase sustainability by hedging bets via optionality in adjacencies and new technologies**  
From the innovation and entrepreneurship perspective, investee companies need a “change platform” to transform, develop new capabilities and experiment new things

**STRATEGIES AND INITIATIVES**

To strengthen the ecosystem, a collaborative approach involving private and public sector efforts would be the ideal way forward, rather than reinventing the wheel. For Khazanah, this can be in the form of leveraging on internal investments sector teams to engage investee companies on moving forward the innovation agenda.

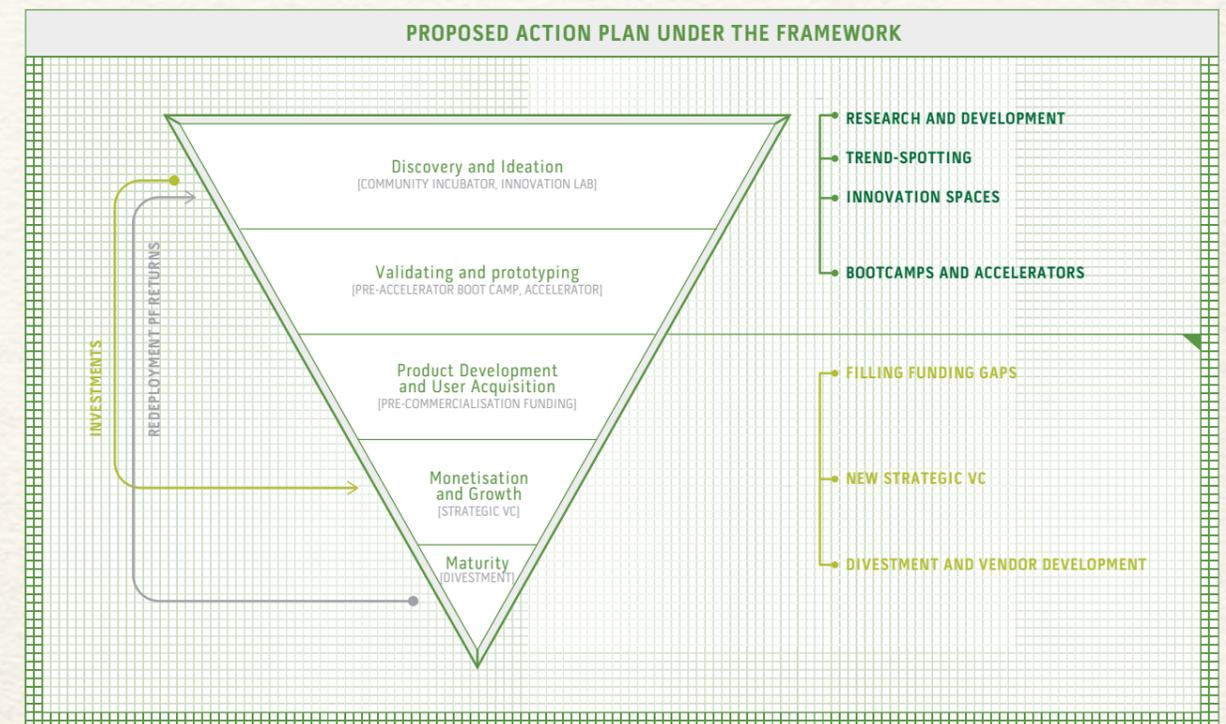
Externally, links with existing players can be strengthened and deepened, especially with the relevant agencies, such as Agensi Inovasi Malaysia (AIM), Malaysian Global Innovation and Creativity Centre (MaGIC) and Malaysian Industry-Government Group for High Technology (MIGHT), to enhance the execution of relevant public policies and implementation plans.

In addition, collaborations with various parties at different stages of the VC lifecycle would help to fill the gaps and generate greater impact on the wider ecosystem, by creating continuity and improving the quality of the innovative deal funnel.

The Innovation and Entrepreneurship framework must recognise that short term efforts should go beyond tackling the funding gaps in the ecosystem, but encompasses the need to plug gaps and play within an incomplete, evolving ecosystem. There is also need to play a catalytic role in the short run to increase the quality and quantity of innovators and entrepreneurs, as well as encourage high value exits for a self-sustaining ecosystem in the long run.

A multi-pronged approach to help “jump-start” the ecosystem in the short term and shape the governance structure in the long term would be useful. The proposed strategies and initiatives under the framework are categorised into separate pillars reflecting the various expected tangible and intangible returns, as shown in chart below:

- ◆ **Research & Development**  
This involves the creation of institutes to conduct research and development and undertake the monetisation of cutting-edge technology
- ◆ **Trend-spotting**  
A robust avenue and platform for regular sector specific or cross-sector innovation-focused discussions and trend-spotting is important to promote a pervasive culture of innovation and change



## Plugging funding gaps in the seed, start-up and pre-commercialisation stages of the VC lifecycle will help to nurture entrepreneurship and SMEs

### ◆ Innovation spaces

This involves the creation of physical innovation spaces, which can include innovation centres, community incubators and accelerators

### ◆ Bootcamps and accelerators

The cultivation of an entrepreneurship ecosystem across sectors (both information technology and non-IT related) through bootcamp and accelerator programmes will create an environment for teams to quickly validate their ideas through systematic mentoring and guidance that will increase the likelihood of success

### ◆ Filling funding gaps

Plugging funding gaps in the *seed*, *start-up* and *pre-commercialisation* stages of the VC lifecycle will help to nurture entrepreneurship and SMEs

### ◆ Divestment and vendor development

To assist capable entrepreneurs to scale up the value chain, special divestment and vendor development programmes can be set up

### ◆ Knowledge exchange

A depository of innovation and entrepreneurship studies can help streamline fragmented governance structures and subsequently shape discussions by creating a knowledge exchange platform for stakeholders

Under this framework, Khazanah's investment approach will be driven mainly by *themes* related to the Internet sector, given its pervasive impact on business and society, and other technologies within the sectors that Khazanah is involved in that are deemed to be highly dependent on technology. This approach involves a primary focus on adjacency investments, and a secondary focus on adjacencies of the future – for example, technology companies with the ability to enhance the business model and performance of Khazanah's investee companies.

The themes are developed by evaluating disruptive factors that have the potential to drive fundamental market transformations and create outsized growth opportunities (adjacencies of the future). A constant process to validate and refresh these themes will be required to ensure that they remain current and relevant.

The execution framework will cover investment modalities that are geared towards a wider range of investment stages, ranging from seed to growth equity, utilising both direct and indirect investment approaches.

#### SME CONTRIBUTION TO THE NATIONAL GDP

33% Local | 51% Global

current SMEs contribution to the national GDP standing at 33% (compared to the global average of 51%)  
Source: SME Corp

### Conclusion

The ultimate objective of the innovation and entrepreneurship framework is to create qualified entrepreneurs involved in value-adding ventures within a self-sustaining ecosystem which has adequate resources, policies, and regulations in place.

Continual experimentation will be the new normal, and adopting the right mind-set in trying new things and embracing failure will be critical. In addition, constant review and revision will be necessary to swiftly ensure that strategic objectives are met, and the goals set for the various stakeholders are achieved.



The members of Khazanah's Corporate & Support Services team during a visit to Dialog Axiata, a subsidiary of Axiata Group Berhad. The visit enabled the team to find out more about innovation and best practices at Dialog Axiata which is Sri Lanka's largest telecommunications services provider.

# FORMULATING THE MAS RECOVERY PLAN



The 12-point *MAS Recovery Plan* was the outcome of key thought process leading to the decision for a restructuring effort that would produce a sustainably profitable national carrier

Photo above: A Malaysian Airline System Berhad (MAS) engineer inspecting the turbine engine of an airplane

Malaysian Airline System Berhad's (MAS) history has been inextricably intertwined with that of Malaysia itself. Having first flown in 1947, ten years before the country's own independence, the airline was always perceived as having a role that extends beyond purely commercial aims. MAS is seen not only to bind the nation together but to connect Malaysia to the world as a symbol of its emergence on the world stage.

A Khazanah survey in mid-2014 found that more than 80% of Malaysians still believe that the country should maintain a national airline. There is recognition that MAS plays an important role in international business, trading, tourism, aviation and domestic connectivity. Furthermore, there is no denying the high emotional attachment mixed with patriotism and pride with which Malaysians regard their flag carrier. Therefore, despite the turmoil that MAS has gone through especially in more recent years, there is still strong support amongst Malaysians for the airline and a wish to see it fly proudly once more.

Tan Sri Dato' Azman at the media briefing to announce *The MAS Recovery Plan* on 29 August 2014

MAS' financial performance has been dismal, with shareholder's equity eroding despite numerous capital injections. The company chalked up cumulative net adjusted losses of RM8.4 billion from 2001 to June 2014, in 2011-2013 and a total of RM17.4 billion was funded by the Government during a similar period. As MAS continued to record losses whilst still needing to intensify its fleet renewal plan in order to remain relevant against competitors, its cash balances continued to shrink.

Four major restructurings since 2001 were not able to institute the kind of lasting change needed to produce an airline that could consistently achieve profits and stay competitive. The tragedies of MH370 and MH17 further exacerbated MAS' inability to achieve a turnaround given the effect they had on its reputation, brand and ultimately, sales.

*The MAS Recovery Plan* which was unveiled to the world on 29 August 2014, was a culmination of many months of hard work involving a multitude of relevant stakeholders



by



Shahazwan Harris  
Executive Director, Investments

Khazanah thus conducted a comprehensive review of MAS during the first half of 2014, which led to the unveiling of *The MAS Recovery Plan* (MRP) in August 2014. In producing the MRP, Khazanah sought to answer fundamental questions relevant to determine the future of MAS:

#### QUESTION 1

##### DOES MALAYSIA STILL NEED A NATIONAL CARRIER?

As the 2014 survey had already revealed, the Malaysian public clearly desires a national carrier and a continuation of this much-loved icon. Going beyond populist appeal, domestic and international connectivity facilitated by MAS was a very key consideration in determining the need for a national carrier. Research indicates MAS contributes an estimated RM6.9 billion to Malaysia's GDP<sup>1</sup>, in tune with the economic multiplier of 12x created by the aviation industry<sup>2</sup>. MAS is an ecosystem in itself that can count many passengers, employees, vendors and financiers among its dependents. A complete removal of MAS would therefore have far reaching consequences to the nation as a whole.

MAS clearly plays a critical role in Malaysia's development, and therefore the need for a national carrier remained.

#### QUESTION 2

##### IF MALAYSIA DOES HAVE A NATIONAL CARRIER, SHOULD IT BE COMMERCIAL OR NON-COMMERCIAL IN NATURE?

A commercially driven entity would naturally focus on productivity, efficiency and financial profitability – all of which are crucial in facing competition in a highly cut-throat industry such as the airlines industry. Given its importance in the aviation value chain, such an entity would also compel the rest of the ecosystem (engineering, catering, ground handling and the like) to perform and compete optimally. At the time of the comprehensive review however, the airline was seriously lacking in these fundamental characteristics, which explained to a large degree the quagmire of MAS' situation.

On the other hand, a purely commercial entity would also make decisions based purely on financially reasoning, putting at risk the social objectives which MAS was serving that may not be financially rewarding such as providing connectivity into rural areas of East Malaysia.

As such, it was decided that a careful balance between the two objectives needed to be struck – **principally commercial** to instil the discipline of a capitalistic entity so as to become self-sustaining, yet still maintaining some social objectives to ensure domestic inclusivity is preserved.

#### QUESTION 3

##### IF MAS CONTINUES TO BE A COMMERCIAL ENTERPRISE, SHOULD KHAZANAH OR A THIRD PARTY PRIVATE SECTOR INVESTOR BE THE APPROPRIATE MAIN SHAREHOLDER OF THE NATIONAL AIRLINE?

Given the multiple objectives, a national carrier for Malaysia is no ordinary airline. Should it be given the opportunity to be turned around and set on the path to earnest recovery, it would need to be backed by a principal shareholder with not only the adequate financial capacity but one that would be able to incorporate both commercial and social angles within such any restructuring of MAS.

While a third party private investor would not, in theory, require capital infusion from the Malaysian Government to pursue its commercial aims, it would still want to be compensated if required to undertake certain social obligations, such as flying certain routes for national development purposes.

Against all these considerations, Khazanah would appear as a well-placed conduit for a restructuring of the airline not simply because it is already a major shareholder of MAS, but that it is able to instil and maintain the commercial-social targets given the experience it already has in helping to transform some GLCs into high-performing and sustainably profitable entities. Not that this should preclude the participation of other MAS shareholders in the future, but Khazanah clearly has a key role in the MAS turnaround in the immediate term.

<sup>1</sup> Oxford Economics

<sup>2</sup> Bain & Co

Does Malaysia need a national carrier? Should it be a commercial or non-commercial enterprise? Who would be the appropriate main shareholder of the national airline?



The discussions and debates have helped Khazanah to land on the appropriate approach to return MAS to sustained profitability

#### QUESTION 4

**WHAT, THEN, IS THE MOST APPROPRIATE PROCESS TO CHART THE CHOSEN BUSINESS PLAN OF MAS BASED ON ITS CURRENT STATE?**

The source of MAS' problems are deep-rooted and needed to be addressed in a manner different from previous attempts, as multiple turnaround efforts over the years had not borne lasting results. A top-to-bottom comprehensive overhaul of the airline – a 'hard reset' – was thereby deemed necessary. That is, to tackle the issues head on and to take the hard decisions, albeit under an enabling environment with the right supportive framework, in order to set the airline on the best path for the future.

#### CONCLUSION

With all the above in mind, Khazanah set about formulating a plan for the comprehensive overhaul of the airline. However, it was concluded from the outset that while a restructuring of MAS needed to be done, it should not be done at any cost. MAS had already cost the tax payers a hefty sum of RM17.4 billion over the years as mentioned – sums that could have been utilised for other socially beneficial projects such as funding 1,700 Trust Schools or link 200,000 rural houses to water and electricity – but to keep doing so would continue to perpetuate moral hazard in the system.

On 29 August 2014, Khazanah launched the MRP, which enumerates a 12-point package of measures that link further Khazanah investment of up to RM6 billion with strict conditionality and on a staggered basis. The design of the restructuring is to ensure that MAS is set on a clear path to sustainable profitability and self-sufficiency. Further, as we were informed by the survey results, MAS has multiple stakeholders who are invested in its future whether directly or indirectly. This means that the success of this deal will really require a 'national compact' between groups from within and beyond the airline in order to see it through.

Based on the principles formulated in 2014, the restructuring of MAS today is underway, with several key milestones achieved thus far. Among others, MAS was delisted after a successful share capital reduction and repayment exercise by Khazanah; Christoph Mueller, who has a strong record of transformation and turnarounds in the aviation industry, was appointed to lead new company Malaysia Airlines Berhad and is currently MAS CEO; the MAS (Administration) Act 2014 and Malaysian Aviation Act 2015 were passed by Parliament; the Corporate Development Centre, which will provide training and outplacement services for exiting MAS employees, has been set up; and good progress has been made in the review and renegotiation of MAS supply contracts to ensure that they are based on industry best practices and international standards.

Overall progress continues to be made as the effort to set the national carrier on the path to recovery and sustained profitability forges ahead.

**MAS CARRIED 17 MILLION PASSENGERS IN 2014. INCLUDING ITS SUBSIDIARIES FIREFLY AND MASWINGS, THE TOTAL NUMBER OF PASSENGERS FLOWN WAS 21 MILLION IN 2014.**





05

# BUILDING AN INSTITUTION

A strong nation is built on strong institutions. Khazanah strives to build an institution that will continue to deliver with repeatability and consistency.

Our people are our key asset and within the organisation, we nurture an environment of integrity, trust, teamwork, and mutual respect. To develop our employees, we put in place the processes and infrastructure required to grow and support human capital.

We are committed to a performance culture, diversity and balance, anchored on a common purpose of nation-building as the ultimate goal.

Khazanah as a Learning Organisation 94

Our People, Our Values 98



# KHAZANAH AS A LEARNING ORGANISATION



Khazanah is committed to continuous learning among employees and stakeholders, and is active in networking, which enables a dynamic exchange of views and information to take place and links us more broadly to the business and academic world, and society in general



Knowledge Events and Publications by numbers	
10	Khazanah Megatrends Forum
11	Khazanah Global Lectures
114	Tea Talks
9	Publications
72	Khazanah Knowledge Exchanges



Rahmat Dawan  
Vice President  
Khazanah Research & Investment Strategy

### ON INSTITUTIONS

“Being in a Resource Centre, it is all about delivering excellent services to our stakeholders for their information and research needs. Throughout the years, we have instilled the culture of providing access to right information for the right people and at the right time. And we live by that culture.”



## EVENTS

Khazanah organises several series of knowledge events, which are run throughout the year.

- Ⓐ BBC security correspondent and best selling author Frank Gardner delivering his talk at a Khazanah Tea Talk on 12 February 2015
- Ⓑ Guests registering at the Khazanah Megatrends Forum 2014

**The Khazanah Megatrends Forum** is held annually, preceding Khazanah's strategy and business planning cycle. This prestigious conference brings together thought leaders from around the world — in front of an invited audience of the most influential members of Malaysia's business, academic, and socio-political communities — and conducts in-depth discussions of current critical issues with respect to four key areas: markets, firms, society and people. In 2014, the forum was themed *Scaling the Efficiency Frontier – Institutions, Innovation and Inclusion*. It explored the need to balance competing interests with the objective of improving lives, and the necessary social and economic trade-off due to finite resources for growth.

**Khazanah Global Lectures (KGL)** are delivered by outstanding individuals of global repute, who have influenced the way people live, work, and think. Past speakers include Mary Robinson, Sir John Bond, Dr A.P.J. Abdul Kalam, Tun Abdullah Hj Ahmad Badawi, Carlos Ghosn, Professor Joseph Stiglitz, Dr Muhammad Yunus, and Kofi Annan. In 2014, the Mayor of London Boris Johnson delivered the lecture.

There is a public allocation of tickets, and each lecture is streamed live to audiences at universities all over the country. KGL started as part of the Khazanah Merdeka Series, our knowledge capacity development programme, initiated as our celebration of Malaysia's 50th year of independence in 2007.

At **Tea Talks**, we welcome visitors to address Khazanah staff on topics of interest. This is a long tradition in Khazanah dating back to 2005, with a wide range of speakers from around the world including Sir Bob Geldof, Tan Sri Michelle Yeoh, Johan Cruyff, Jeff Immelt and Tan Sri Dr Jemilah Mahmood.

**Khazanah Knowledge Exchanges** are monthly internal events that enable different teams or units within Khazanah to share experience, knowledge, and analysis.





VARIOUS INTELLECTUAL  
CAPACITY-BUILDING  
PROGRAMMES HAVE ALSO BEEN  
CONDUCTED FOR THE PUBLIC  
AND OUR STAFF



From left: Imran Ahmad, Director; Edmund Goh Tiong Han, Associate; Nur Erma Mohd Ibni, Associate; Rahmat Dawan, Vice President, all from Khazanah Research & Investment Strategy

**ON INSTITUTIONS**

In Khazanah, we seek actively to be a Learning Organisation, in which knowledge is treated as a valuable resource. Knowledge Management is a serious commitment – practised through relevant systems, events and publications, underpinned by a dedicated and experienced Resource Centre which delivers services to our stakeholders to meet their information and research needs."

**KHAZANAH RESOURCE CENTRE**

The Khazanah Resource Centre maintains a well-stocked business library, provides leading-edge information sources, and compiles regular news and information updates.

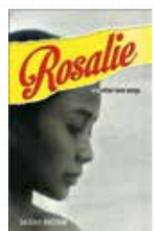
**HUMAN CAPITAL AND KNOWLEDGE NETWORK**

Khazanah has formed strategic partnerships and created networks with various institutions of higher learning to enhance the cross-fertilisation of knowledge, strengthen leadership, and develop talent.

Various intellectual capacity-building programmes have also been conducted for the public and our staff, aimed at raising the level of discourse regarding national development.

This network includes our endowment to create the Khazanah Chair at Universiti Malaya's Centre for Regulatory Studies, and our contribution to the Sanjaya Lall Chair at The Said Business School, University of Oxford. Khazanah founded and works closely with the Malaysian Directors Academy (MINDA) to contribute towards the development of corporate boards, especially among Government-Linked Companies.

<sup>(A)</sup> The Sultan of Perak, DYMM Sultan Nazrin Muizzuddin Shah, and Tan Sri Nor Mohamed Yacop, Khazanah Deputy Chairman and Chairman of Khazanah Research Institute, launching *Khazanah Global Lectures 2008 - 2012* <sup>(B)</sup> Dato' Sri Abdul Wahid Omar, Minister in the Prime Ministers Department, delivering his closing remarks at the Khazanah Megatrends Forum 2014 <sup>(C)</sup> Boris Johnson, Mayor of London, and Dato' Charon Mokhzani, Executive Director, Managing Director's Office and Managing Director, Khazanah Research Institute, during the Q&A session at the Khazanah Global Lectures 2014 <sup>(D)</sup> Dr Ha Joon-Chang, Reader, Faculty of Economics at Cambridge University, gave a special address on *Scaling the Efficiency Frontier: Institutions, Innovation, Inclusion* at the Khazanah Megatrends Forum 2014



Rosalie and Other Love Songs



Khazanah Global Lectures 2008-2012



The State of Households

**PUBLICATIONS**

Khazanah publishes in collaboration with selected authors a number of books each year, relevant to Malaysian business, education, or culture. We also support relevant documentation projects by other institutions and individuals.



# OUR PEOPLE, OUR VALUES



Khazanah's employees are the ultimate source of its strength, and they are critical to our ability to deliver on our mandate and be an effective strategic investment fund of the Government. We have grown from 30 pioneering employees in 1994 to more than 470 talented individuals today.



A

## OUR VALUES

We are guided by our core values which govern our conduct, shape our culture, form our practices and define how we work with one another, our partners and our stakeholders.

### TEAMWORK

Our strength is our people. As a group of highly motivated individuals, we are committed to working together to achieve true value. We encourage cooperative efforts across all levels and activities, and will continually share ideas and knowledge towards a common goal.

### MUTUAL RESPECT

We value diversity and treat everyone with the same respect that we expect from others. We are fair and honest in all our dealings and always maintain confidentiality. We inspire and enable our people to achieve high performance and we believe all individuals want to achieve their fullest potential.

### DILIGENCE

We strive for speed and accuracy. We give every task our full degree of care and commitment, and attend to matters with a sense of immediacy. We boldly seek out new opportunities in pursuit of our nation's economic interests while ensuring sustainability in each of our investments and initiatives.



#### AWARD WINNING CORPORATE & SUPPORT SERVICES TEAM

 2014 International Team Excellence Award (ITEA)  
Silver award winner at the American Society of Quality (ASQ) World Conference on Quality and Improvement (WCQI)

 2014 International Convention of QC Circle (ICQCC)  
Gold & Silver award winner

**Bottom row (L-R):** Hariati Che Khalid, Assistant Vice President; Rosli Yusof, Executive Assistant; Jamilah Dato' Hashim, Director; Mohd Mustakim Mustafa, Vice President; Dahlia Abd Malek, Assistant Vice President; Nor Fazriq Nor Fadzil, Executive Assistant  
**Middle (L-R):** Mohd Munawar Mahadzir, Assistant Vice President; Haine Erlena Abd Mutalib, Assistant Vice President; Rahanoordin Abd Rahim, Assistant Vice President; Zarina Ismail, Associate  
**Top (L-R):** Tuan Mohd Zahir Tuan Zakaria, Associate; Mohd Suhaini Ibrahim, Vice President; Ahmad Sukri Abd Karim, Vice President; Shamsuddin Abd Jalil, Senior Vice President; Jack Khoo Ling Fuh, Vice President (not pictured)



Jamilah Hashim  
Director, Corporate & Support Services

#### ON INNOVATION

“Innovation is at the core of everything we do at CSS Support Operations & Corporate Development Unit, turning creative or value adding ideas into reality, irrespective of whether they are small or big. Our process improvement culture using Work Simplification and Lean methodologies, help to connect and bring to life the new ideas in upgrading service levels and standards of existing services and systems, as well as in designing new ones.”

B



#### Internal Meetings and Events

Our people do not just work for Khazanah, they help define it. Employees are encouraged to participate in shaping the culture and ethos of Khazanah. Engagement sessions with the Senior Leadership Team are regularly scheduled where our employees gain first-hand information on the direction and performance of the organisation and are able to express their thoughts and raise questions.

- A Khazanah staff during a team-building retreat in Gopeng, Perak
- B Ahmad Farouk Mohammed, Executive Director, Investments, speaking at the Strategic Planning Group year-end retreat in Penang
- C The Khazanah Senior Leadership Team at the 2014 year-end Townhall

C





### INTEGRITY

We do what is right without exception. We believe in good governance and operate with ethics; always staying within the letter and spirit of the law.

### 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 proactive measures to make them happen.



Shubashini Tharmapalan  
Assistant Vice President  
Managing Director's Office

#### ON INSTITUTIONS

“A strong institution will have key risk management processes and internal controls firmly embedded while maintaining constant vigilance and regular monitoring.”  
- Shubashini is in the Risk Management Unit



### Around the Office

We try to foster a culture of hard work and quality of delivery, but in a supportive environment with strong teamwork, mutual respect and a spirit of good humour. A positive and enjoyable workplace is not only healthier for employees and the organisation, it delivers better results.



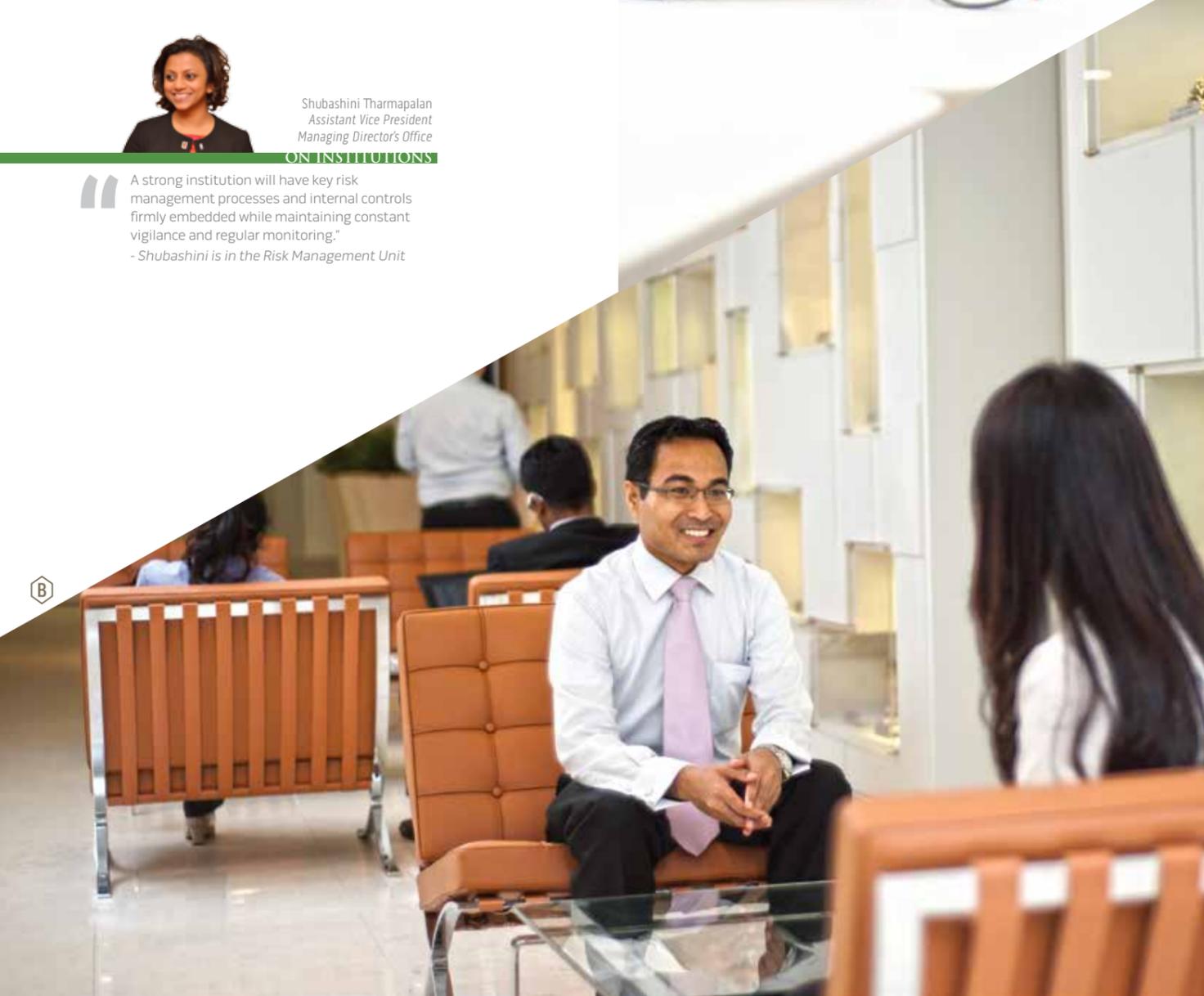
Ⓐ Roziah Idris, Executive Secretary, Investments Ⓑ Ahmad Fariz Ali, Vice President, Investments Ⓒ Mohd Munawar Mahadzir, Assistant Vice President, Corporate & Support Services Ⓓ Tuan Mohd Zahir Tuan Zakaria, Associate; Nor Fazriq Nor Fadzil, Executive Assistant; Zarina Ismail, Associate, all from Corporate & Support Services Ⓔ Members of Khazanah Volunteer Network landing a helping hand in flood-hit Pasir Mas, Kelantan



Hazman Hilmi Sallahuddin  
Vice President  
Khazanah Turkey Regional Office

#### ON INSTITUTIONS

“Institutionalisation should de-personalise a company, and I believe holistic institutionalisation especially in leadership, values, culture and processes will make Khazanah a great institution.”







Malaysia Airports handled a total of 107 million passenger movements in 2014, at an average of 293,000 passengers a day at all its 39 airports in Malaysia and one in Istanbul, Turkey



MAS carries an average of 45,000 passengers on some 360 flights each day



AS WE MOVE FORWARD, KHAZANAH AND ITS INVESTEE COMPANIES WILL CONTINUE TO FOCUS ON BUILDING INSTITUTIONS THAT FOSTER INNOVATION AND HELP ENSURE ALL MALAYSIANS BENEFIT FROM THE VALUE WE CREATE

UEM Group Berhad is one of Malaysia's leading engineering-based infrastructure and services group with four core businesses which are Expressways, Township & Property Development, Engineering & Construction, and Asset & Facility Management



Axiata has over 25,000 employees serving more than 260 million subscribers across Asia



CIMB Group operates in nine out of the 10 ASEAN countries, with over 40,000 employees and over 1,000 branches across the region



Telekom Malaysia is now Malaysia's Convergence Champion - delivering its brand promise of 'Life Made Easier' to over 2.23 million broadband customers in Malaysia; with more than 1.62 million premises passed for high-speed broadband deployment



Tenaga Nasional Berhad generated electricity totalling 107,091 GWh in 2014



IHH is currently the world's second largest listed private healthcare provider based on market capitalisation. IHH operates over 7,000 licensed beds in 38 hospitals with over 3,000 new beds in the pipeline as well as medical centres, clinics and ancillary healthcare businesses across ten countries.





**KHAZANAH  
NASIONAL**

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