



KHAZANAH NASIONAL

NEW ECONOMIC MODEL

ValueCAP



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



INNOVATION



TIME

YAYASAN HASANAH



INSTITUTIONS
KHAZANAH RESEARCH INSTITUTE



THEMED ATTRACTIONS RESORTS & HOTELS



ACIBADEMSIGORTA



BUILDING TRUE VALUE

THE KHAZANAH REPORT 2015



DILIGENCE
INTEGRITY
PROFESSIONALISM
MUTUAL RESPECT
TEAMWORK

HIGH-INCOME NATION



Aemulus



thinkcity
REAVENATING THE CITY TOGETHER



REGIONAL CHAMPIONS



INVESTING IN GROWTH



GLC TRANSFORMATION PROGRAMME



INCLUSION



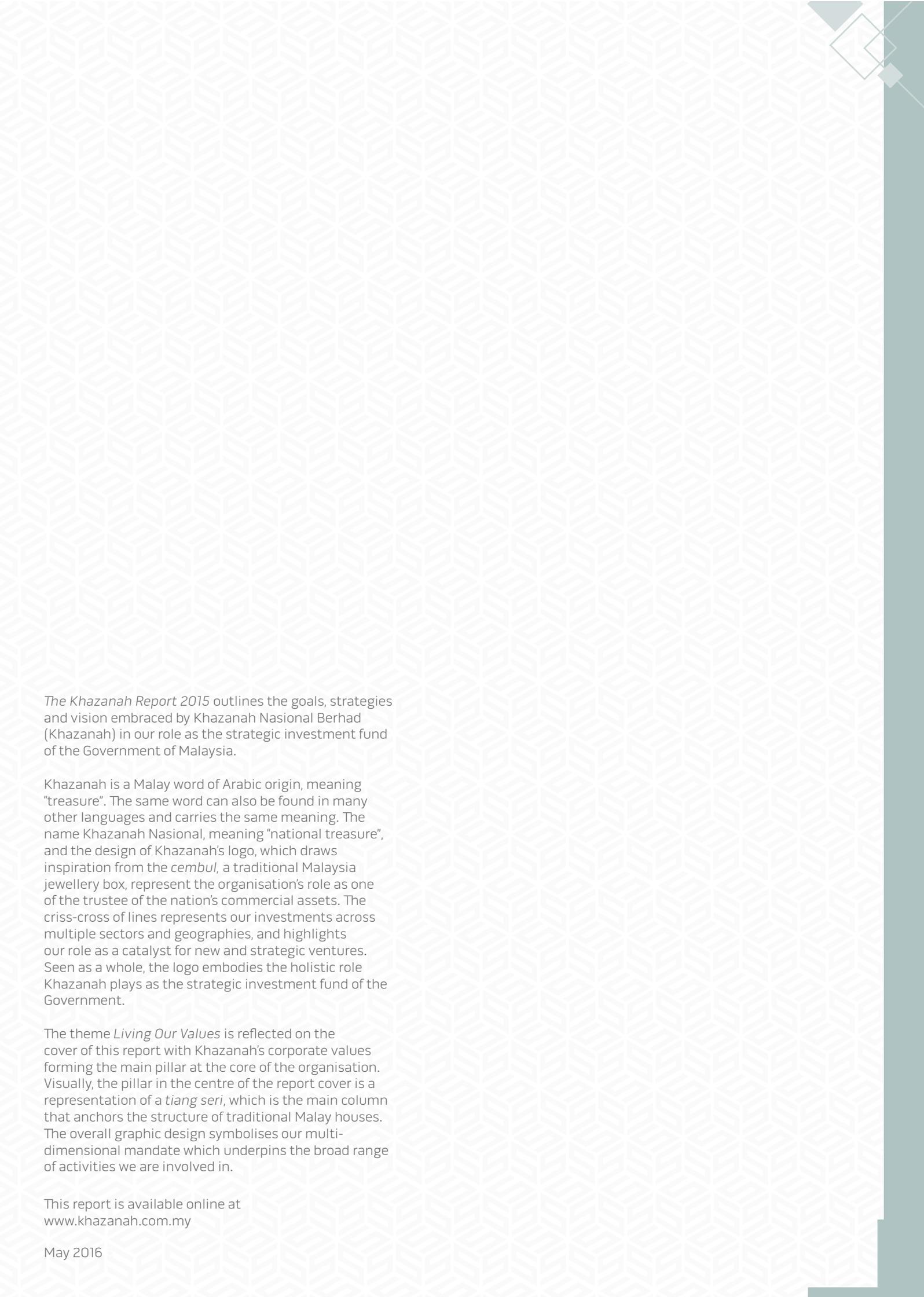
8999



IHH Healthcare Berhad

VALUE CREATION





The Khazanah Report 2015 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 Malaysia jewellery box, represent the organisation's role as one of the trustee 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 *Living Our Values* is reflected on the cover of this report with Khazanah's corporate values forming the main pillar at the core of the organisation. Visually, the pillar in the centre of the report cover is a representation of a *tiang seri*, which is the main column that anchors the structure of traditional Malay houses. The overall graphic design symbolises our multi-dimensional mandate which underpins the broad range of activities we are involved in.

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

May 2016



KHAZANAH
NASIONAL

“Alur Bertempuh, Jalan Berturut”

is a Malay saying that literally means “to follow the well-beaten path, to move in an orderly manner”. It reflects the Malay cultural ethos and in essence means, doing things in accordance with established principles grounded upon core values.

The saying resounds with who we are and what we do at Khazanah. Our core values – teamwork, mutual respect, diligence, integrity, and professionalism – are infused throughout the organisation, serving as the thread that binds every staff member.

These values are the day-to-day guiding principles in our work, be it in formal and informal interactions between individuals and teams across the organisation, as well as in our engagements with the multiple stakeholders that we work with. They serve as a check-and-balance as we collectively strive to deliver commercial, strategic and societal returns.

The values underpin our efforts in building an institution that is able to weather the challenges and that can stand the test of time, as we collaborate with many others to build true value for Malaysia and its people. Together, we work towards transforming Malaysia into a developed nation with a high-income, sustainable and inclusive economy.

BUILDING TRUE VALUE...

LIVING OUR VALUES

Putting values into action to drive towards long-term sustainable growth



The theme of *The Khazanah Report 2015* (TKR2015) is *Living Our Values*. Our five core values – teamwork, mutual respect, diligence, integrity and professionalism – are an integral part of Khazanah. On their first day at work, new employees are inducted on these values, which also feature prominently in the *Code of Conduct* handbook given to them. The values define who we are as an organisation and delineate what we advocate and how we operate.

Teamwork harnesses the strength of our staff, encouraging cooperative efforts across all levels and activities to achieve a common goal, all the while maintaining mutual respect by valuing each other's diversity and treating everyone fairly. Through diligence, we give every task full care and commitment while striving for speed and accuracy. Integrity is fundamental to our actions, in which we strive to do what is right without exception, through good governance and operating with ethics. Professionalism ensures that we are accountable and responsible for all that we do, being timely and doing our best for each other and for our partners and stakeholders.

The theme is reflected on the cover of this report, premised on the concept of the *tiang seri*, which is the main pillar that forms the anchor of Malay traditional houses. The *tiang seri* is commonly wrapped by five different coloured cloths to distinguish it from other pillars. Similarly, the five Khazanah values are reflected across the various tasks that we undertake in carrying out our mandate.





ON PROFESSIONALISM

“As a Khazanah employee, you are expected to be courteous, honest and responsible when dealing with people you work with. I call this simply as, being professional. However, it is important for us to continuously remind ourselves that ‘professional’ is not a label that you give yourself. It’s a description you hope others will apply to you.”

 Mohamed Nasri Sallehuddin
Executive Director, Corporate & Support Services,
Company Secretary & Head, Legal

To provide further insight into the theme throughout the report, the following pages feature call-outs on our activities and quotes from our staff that collectively highlight their approach, focus and understanding of the Khazanah values. Inside, the theme is further demonstrated through a case study that further elaborate on our governance and accountability framework, in addition to two other case studies on our work in catalysing domestic growth and value creation, and on our strategic venture into inclusive innovation.

THE VALUES DEFINE WHO WE ARE AS AN ORGANISATION AND DELINEATE WHAT WE ADVOCATE AND HOW WE OPERATE



TABLE OF CONTENT



INTRODUCTION 2

Who We Are and Our Mandate	2
2015 In Review	4

AN OVERVIEW OF AN INSTITUTION 7

Chairman's Message	8
Our Governance and Accountability Framework	12
Board of Directors	14
Message from the Managing Director	16
Strategic Planning Group	22

FINANCIAL REVIEW 29

Financial Highlights	30
Independent Auditors' Report	34
Selected Financial Indicators	35
Islamic Finance and Capital and Liability Management	38



BUILDING



TRUE VALUE

41 CREATING TRUE VALUE THROUGH OUR INVESTMENTS

- 42 Investing in Growth and Development
- 44 Empowering Our Companies
- 46 Driving Performance and Charting New Paths
- 48 Selected Portfolio of Companies
- 64 Building a Regional Footprint
- 66 Government-Linked Companies Transformation Programme

73 DELIVERING BENEFITS TO STAKEHOLDERS

- 74 Inclusion & Sustainability
- 78 Selected Highlights of Corporate Responsibility Initiatives in 2015
- 80 Supporting National Transformation

CASE STUDIES

- 82 **Case Study 1:** Catalysing Growth and Value Creation on the Domestic Front
- 86 **Case Study 2:** Venturing into Funding Innovation and Technology
- 90 **Case Study 3:** Institutionalising Accountability and Transparency

95 BUILDING AN INSTITUTION

- 96 Khazanah as a Learning Organisation
- 100 Our People, Our Values

WHO WE ARE



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

Khazanah Nasional (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 helped to enhance shareholder value creation, heightened efficiency gains, and enhanced corporate governance in Government-Linked Companies (GLCs). The GLC Transformation Programme was completed in July last year after 10 years of implementation.

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 the Board of Directors, chaired by Malaysia's Prime Minister and Minister of Finance, Dato' Sri Mohd Najib Tun Abdul Razak.



ON DILIGENCE

"Success requires taking a hundred small steps in the right direction – one after the other, no slip-ups, with everyone pitching in. We exercise diligence and continuously push ourselves to think outside the box on how to create and capture value for the portfolio."



Nurul Amni Mohd Amin
Vice President, Managing Director's Office
(Nurul Amni is in the Strategic Management Unit)

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 GLC Transformation Programme, which was completed in July 2015, as well as 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.

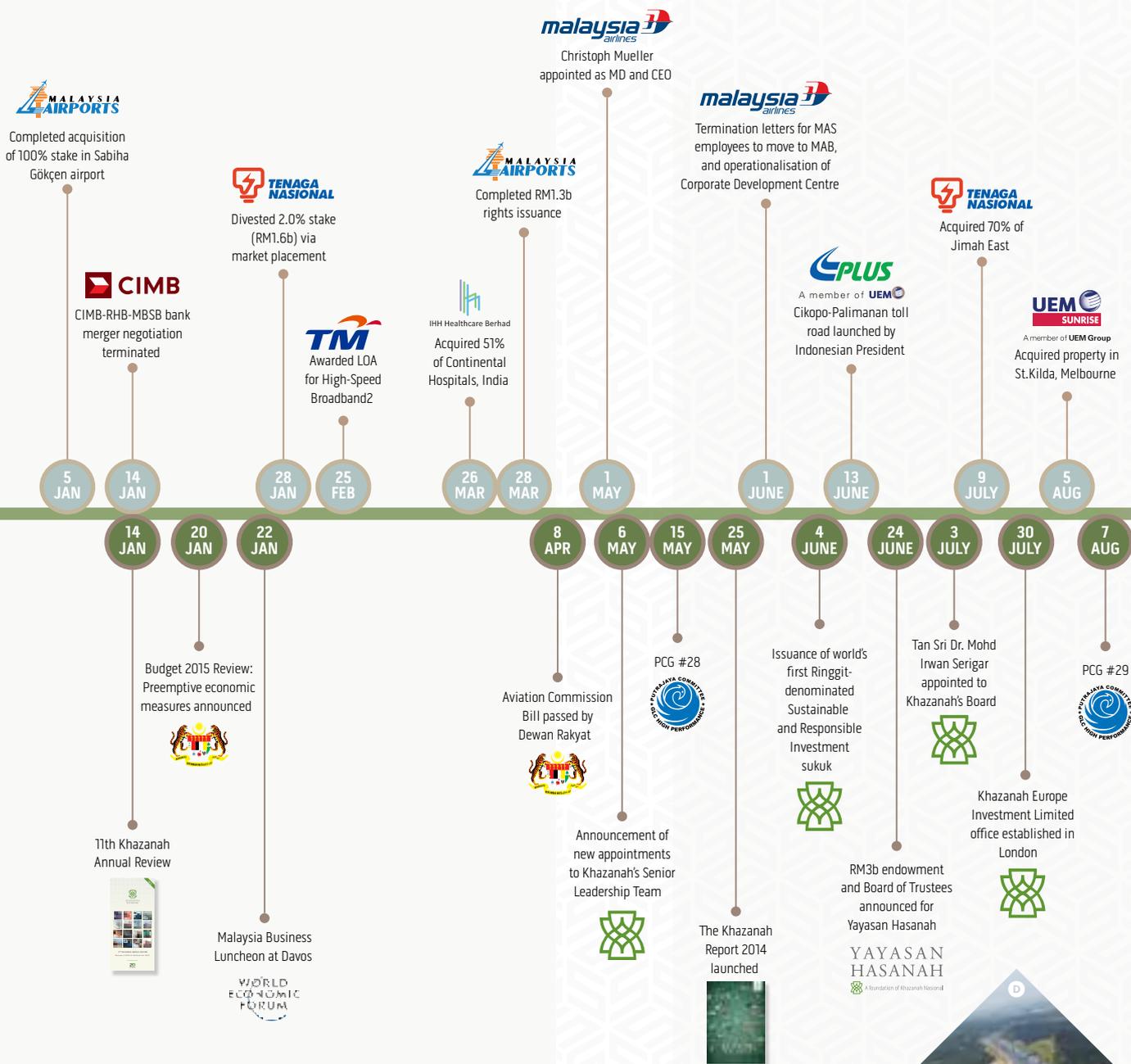


This illustration encapsulates Khazanah's mandate, with the roof representing our vision, supported by four pillars that define our work and are anchored on our core foundations.



2015 IN REVIEW

The year 2015 was marked by several key transactions that further underlined our role as a strategic investment fund. These include corporate exercises, restructuring activities, investments, strategic divestments to support national development objectives, and catalytic projects.



Investee companies
Key events

Source: Khazanah compilation

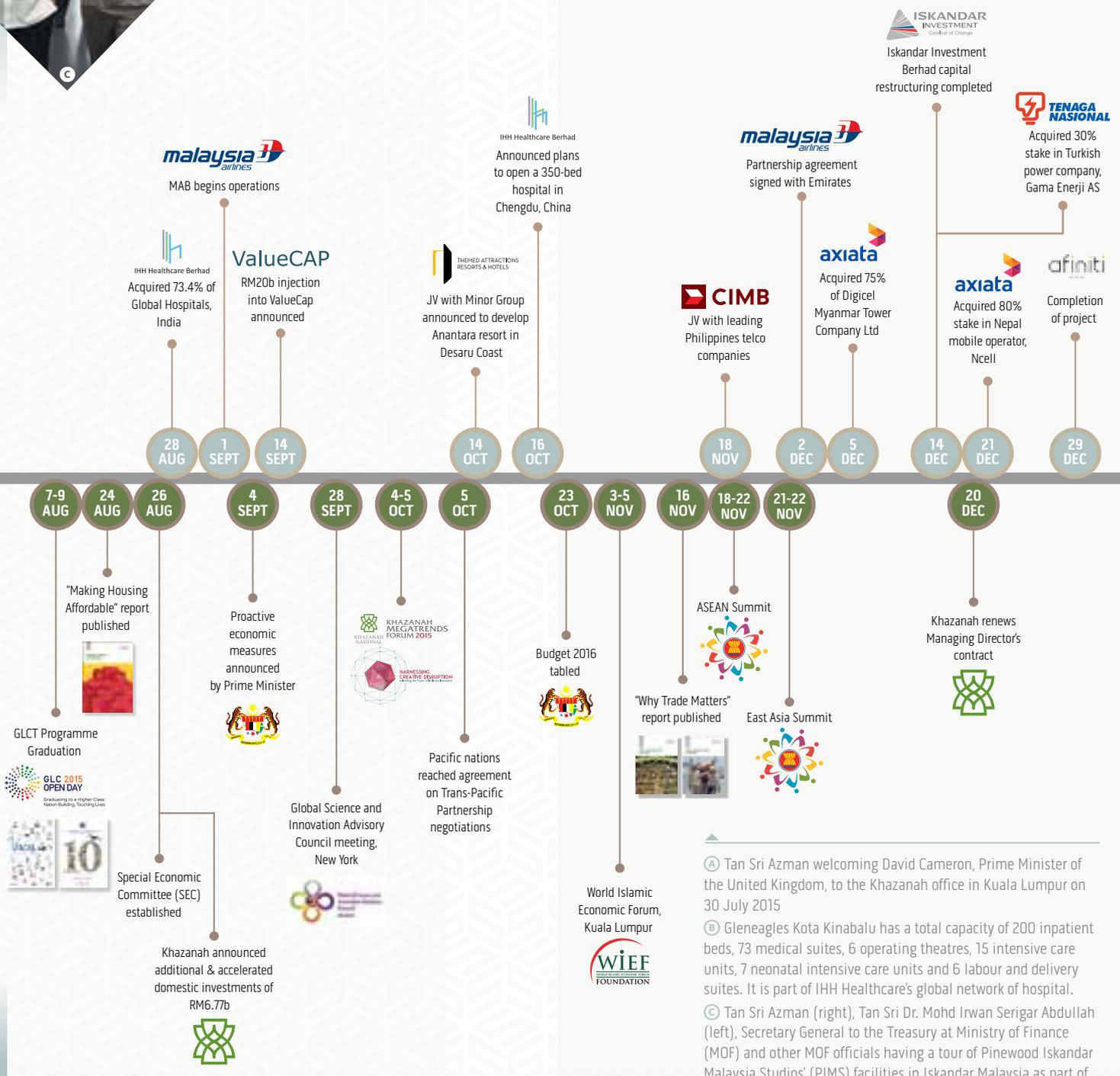




ON MUTUAL RESPECT

"As we break into new geographies, it's important the players and stakeholders there not only get to know of Khazanah's values but that we are consistent in upholding them. This helps attract the right partners for Khazanah to team up and build long-term relationships with."

Abang Rahmat Yusuf
Director, Khazanah Turkey Regional Office



- (A) Tan Sri Azman welcoming David Cameron, Prime Minister of the United Kingdom, to the Khazanah office in Kuala Lumpur on 30 July 2015
- (B) Gleneagles Kota Kinabalu has a total capacity of 200 inpatient beds, 73 medical suites, 6 operating theatres, 15 intensive care units, 7 neonatal intensive care units and 6 labour and delivery suites. It is part of IHH Healthcare's global network of hospital.
- (C) Tan Sri Azman (right), Tan Sri Dr. Mohd Irwan Serigar Abdullah (left), Secretary General to the Treasury at Ministry of Finance (MOF) and other MOF officials having a tour of Pinewood Iskandar Malaysia Studios' (PIMS) facilities in Iskandar Malaysia as part of the Khazanah Annual Review outreach programme
- (D) PLUS Malaysia completed the fourth lane widening works on the North-South Expressway (NSE) in 2015

Khazanah Board Retreat in December
2015 at The Datai Langkawi in Kedah



DILIGENCE

STRIVING FOR SPEED AND ACCURACY. GIVING EVERY TASK FULL DEGREE OF CARE AND COMMITMENT, AND ATTENDING TO MATTERS WITH A SENSE OF IMMEDIACY. BOLDLY SEEKING NEW OPPORTUNITIES IN PURSUIT OF THE NATION'S ECONOMIC INTERESTS WHILE ENSURING SUSTAINABILITY IN EACH INVESTMENTS AND INITIATIVES



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
Board of Directors	14
Message from the Managing Director	16
Strategic Planning Group	22

CHAIRMAN'S MESSAGE



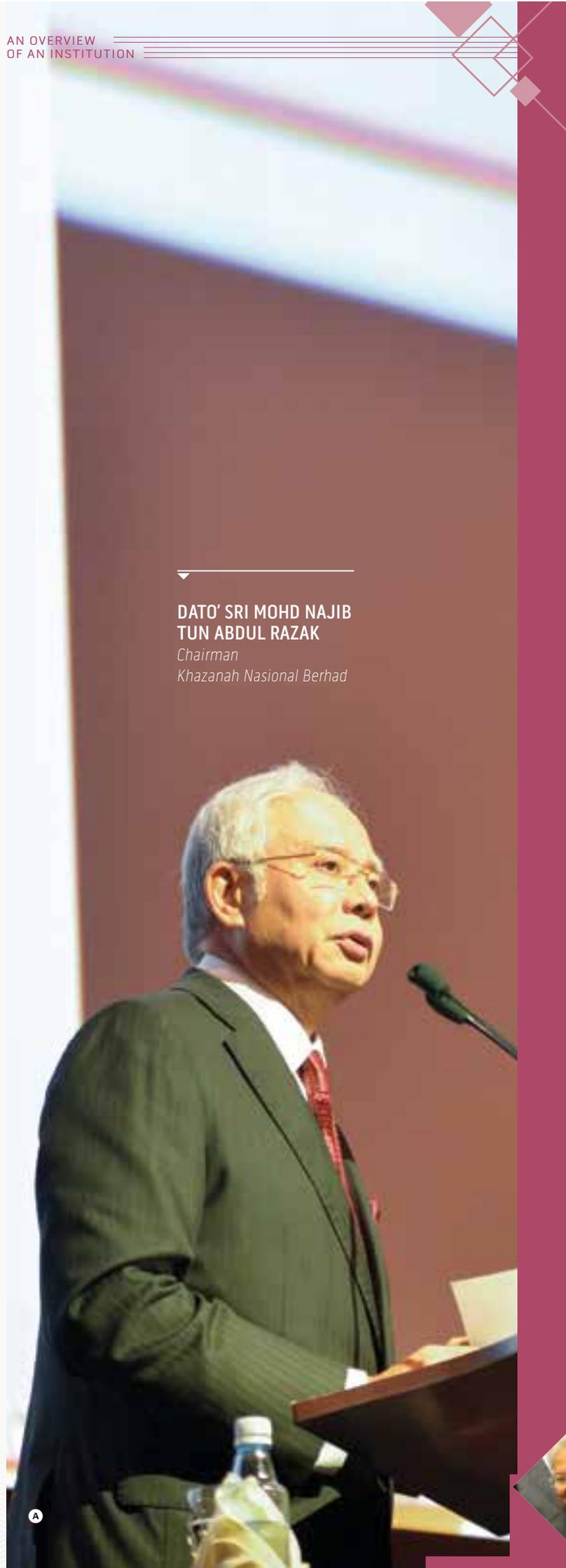
The Government has taken the position of responsible leadership in implementing the necessary measures to ensure our economy remains in good stead

Alhamdulillah, Malaysia continues to be blessed and remained economically resilient in 2015. Despite facing a multitude of unprecedented challenges, both at home and overseas, we recorded commendable economic growth of 5% last year, supported by buoyant domestic demand and private sector investment.

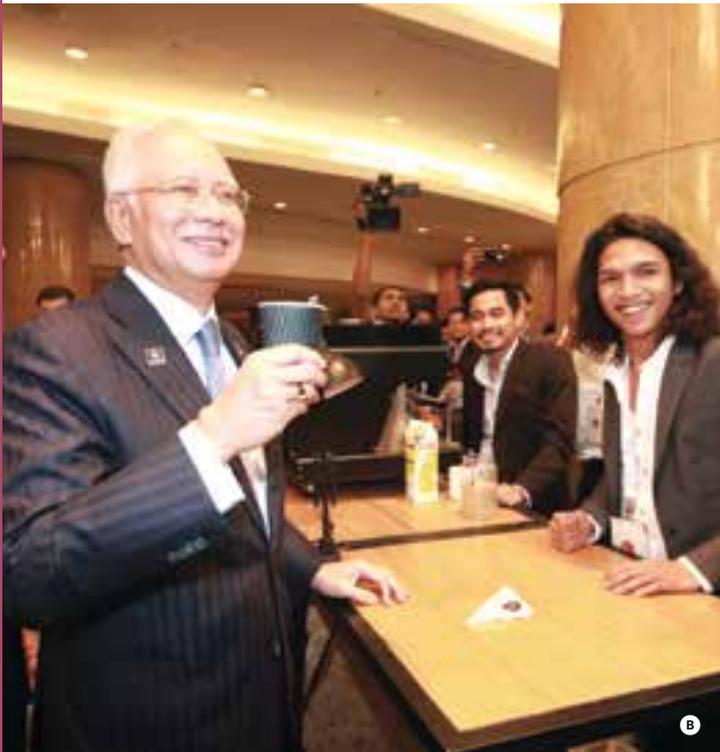
We achieved this against the backdrop of declining oil prices and speculation of a hard-landing economy in China. As one of the few net oil-exporting nations in Southeast Asia, the slumping oil prices impacted our finances more than most. Meanwhile, our largest trading partner China experienced a slowdown which hit us hard.

Faced with these challenges, the Government took the position of responsible leadership, rather than the popular routes, in implementing the necessary measures to not only address the immediate challenges, but to also ensure that the fundamentals of our economy remained in good stead for continued growth. We are confident that we are doing what is right by laying the right foundations for success.

**DATO' SRI MOHD NAJIB
TUN ABDUL RAZAK**
*Chairman
Khazanah Nasional Berhad*



FISCAL AND FINANCIAL REFORMS AND TOUGH ECONOMIC MANAGEMENT HAVE BEEN SUCCESSFUL TO ENSURE THE ECONOMY IS RESILIENT TO WEATHER EXTERNAL SHOCKS



- ▲
- Ⓐ Dato' Sri Mohd Najib delivering his speech at the Graduation Ceremony of the GLC Transformation Programme
- Ⓑ Dato' Sri Mohd Najib enjoying a cup of coffee prepared by Wood & Steel barista Adam Azriff (far right) at the Khazanah Megatrends Forum 2015
- Ⓒ Dato' Sri Mohd Najib takes a selfie with Telekom Malaysia staff at the GLC Open Day 2015

In January 2015, the Government acted decisively by announcing measures to reduce operating expenditure by RM5.5 billion, while maintaining development expenditure allocated under Budget 2015. As I had said at the time, this was a pre-emptive measure to ensure that our economy continues to attain a respectable and reasonable growth. The introduction of the goods and services tax (GST) in April 2015 is another example in which we had to "bite the bullet" for greater long-term good. Amidst falling oil prices, had we not had the revenue from GST, the country's fiscal deficit would rise to 4.8% from the targeted 3.1% for 2016.

In August 2015, we set up a Special Economic Committee, comprising representatives from both the public and private sectors and chaired by Minister in the Prime Minister's Department Dato' Sri Abdul Wahid Omar, to develop proactive measures that would further strengthen our economic fundamentals. Some of the measures announced shortly after included reactivating ValueCap to stabilise the equity market, further support for small-to-medium sized enterprises (SMEs), as well as initiatives to address among others, issues in the areas of cost-of-living, affordable housing, and graduate employment. In tandem, Khazanah also announced several accelerated and additional investments in support of the Government's proactive measures. Further, in January this year, we recalibrated Budget 2016 to optimise expenditure in the face of the prevailing economic conditions.

As the adage goes, the proof of the pudding is in the eating. Despite the challenging global landscape, the country's banking system stayed strong and well-capitalised, while inflation remained at an acceptable level despite the introduction of GST.





This proves that the fiscal and financial reforms and tough economic management have been successful in ensuring that the economy is resilient to external shocks. The World Bank has commended us for keeping our macroeconomic policies strong. In 2015, Malaysia was ranked 18th, two notches up from the previous year, in the World Economic Forum's Global Competitiveness Report for 2015, and we were ranked first among 70 other Muslim countries in the Global Islamic Economy Indicator. The Malaysian capital market remained robust, growing across all segments in 2015, with RM90 billion raised in the primary market.

Malaysia must stay our course no matter how turbulent the journey may be. In this regard, I want to congratulate all Government-Linked Companies (GLCs) that have graduated from the GLC Transformation Programme on 28 July 2015 after a decade of challenging but worthwhile transformative progress. The Programme, under the stewardship of the Putrajaya Committee on GLC High Performance with Khazanah as secretariat, achieved much in enhancing financial performance, institutionalising good governance, and delivering broader, impactful contributions to national socioeconomic development. GLCs have now emerged much stronger, more robust, well-governed and performance-driven. They have become more resilient and dynamic institutions with well-managed balance sheets and greater regional and international presence.

2015 was also historic as Malaysia and other countries in the Trans-Pacific Partnership (TPP) reached an agreement in October of that year, after several years of negotiations. Malaysia will become part of a global trade pact that will expand markets and reduce tariffs for Malaysian goods and services, while ensuring that our key interests continue to be upheld. In addition, Malaysia's chairmanship of ASEAN in 2015 culminated in December with the momentous Kuala Lumpur Declaration on the Establishment of the ASEAN Community. The coming into being of the ASEAN Community marks a new beginning for more than 630 million people, the birth of an integrated region - an entity that is a global economic force.

KHAZANAH AS AN INSTITUTION CONTINUES TO DEMONSTRATE RESILIENCE AND SUSTAINED PROGRESS ACROSS THE MULTI-DIMENSIONAL WORK THAT IT UNDERTAKES, EVEN AS WE ARE FACED WITH VOLATILITY AND UNCERTAIN TIMES





B

▲

Ⓐ The Putrajaya Committee on GLC High Performance, chaired by Dato' Sri Mohd Najib, held its 29th and final meeting on 7 August 2015

Ⓑ Dato' Sri Mohd Najib sharing a light moment with members of the Board and Senior Leadership Team during the Khazanah Board Retreat in December 2015 at The Datai Langkawi in Kedah

Ⓒ Dato' Sri Najib (centre) together with Dato' Sri Abdul Wahid (second from left), Tan Sri Nor (far left) and Tan Sri Azman (second from right) browsing through the pages of *Khazanah Megatrends Forum: Reflection on a Decade* after the book launch

As Chairman of Khazanah, I would like to record my sincere appreciation to the Board and staff of Khazanah for their hard work, commitment and passion. Khazanah as an institution continues to demonstrate resilience and sustained progress across the multi-dimensional work that it undertakes, even as we are faced with volatility and uncertain times.

Malaysia's journey ahead is full of great challenges and the environment we live in is a demanding one, but we remain steadfast as we move forward in becoming a developed nation, Insya-Allah.

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 further 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 and the audited financial statements are submitted to the Companies Commission of Malaysia. We have shared key information to the Public Accounts Committee (PAC) and have been audited by the National Audit Department. We also make public key information on our official website and through annual publications including *The Khazanah Report*.

Stakeholder engagement remains a priority for us. We organise various outreach programmes for the media, analysts and fund managers, government agencies and parliamentarians, to inform them of our operations, activities and performance.

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



ON INTEGRITY

“Being in the Secretarial Unit, it is always about ensuring good governance with high integrity. Integrity is doing the right thing, even when no one is watching... and we live by that.”



Nor Azimah Abdul Rashid
Assistant Vice President, Corporate & Support Services



WE HAVE SHARED KEY INFORMATION TO THE PUBLIC ACCOUNTS COMMITTEE (PAC) AND HAVE BEEN AUDITED BY THE NATIONAL AUDIT DEPARTMENT

A Tan Sri Azman (centre) briefing fund managers during Invest Malaysia 2015. On his right is Datuk Seri Tajuddin Atan, Chief Executive Officer, Bursa Malaysia, and on his left is Fabrice Jacob, Founder and Chief Operating Officer, JK Capital Management Ltd.

B Chairmen and CEOs of Khazanah investee companies at the Khazanah Annual Review 2016 briefing in Putrajaya

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. It comprises 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

The Board meets regularly and is ultimately accountable and responsible for Khazanah's overall governance and performance with a charter setting out its roles and responsibilities 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 for the Management, Code of Conduct as well as Policies and Procedures, which guide our employees in their actions and behaviours.



BOARD OF DIRECTORS



TAN SRI DATO' SERI UTAMA NOR MOHAMED YAKCOP

Deputy Chairman and Chairman of Executive Committee

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 Malaysia in various capacities.



DATO' SERI AHMAD HUSNI MOHAMAD HANADZLAH

Director

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 DR. MOHD IRWAN SERIGAR ABDULLAH

Director

Tan Sri Dr. Mohd Irwan is Secretary General of Treasury, Ministry of Finance. He serves on the Board of Directors of several key organisations including Petroliaam Nasional Berhad, Lembaga Tabung Haji, Mass Rapid Transit Corporation Sdn Bhd, Malaysia Airlines Berhad and Bank Negara Malaysia. He is also Chairman of Retirement Fund (Incorporated), Inland Revenue Board of Malaysia, Cyberview Sdn. Bhd. and Malaysian Global Innovation & Creativity Centre.



TAN SRI MD NOR MD YUSOF

Director and Executive Committee Member

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



RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA

Director and 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 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 2004-2009. Dato' Sri Mohd Najib also served as the Chief Minister of Pahang from 1982-1986.

**DATO' MOHAMMED AZLAN HASHIM***Director and Executive Committee Member*

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

**TAN SRI MOHAMED AZMAN YAHYA***Director and 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' SRI NAZIR TUN ABDUL RAZAK***Director*

Dato' Sri Nazir is the Chairman of CIMB Group, a member of the Employees Provident Fund's Investment Panel and the Chairman of the Investment Panel Risk Committee. 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***Director and Audit and Risk Committee Member*

Tan Sri Andrew is a Distinguished Fellow of Fung Global Institute and Chief Adviser to the China Banking Regulatory Commission. 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***Managing Director*

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 core values closely guide us in our efforts to deliver financial, strategic and societal returns for the country

Once again, I would like to welcome you to *The Khazanah Report (TKR) 2015*. Our theme this year is *Living Our Values*, which we believe is especially apt in the current period of global volatility, uncertainty, complexity and ambiguity. In such times, being anchored on strong core values is absolutely critical for an institution in steadying the proverbial ship and staying on course as we navigate through rough seas.

Khazanah continues on its journey of building true value for Malaysia that, as we regularly remind ourselves, is a continuous work in progress that drives us ever onward. Our core or corporate values – teamwork, mutual respect, diligence, integrity and professionalism – closely guide us in our efforts to deliver financial, strategic and societal returns for the country. The theme is reflected throughout the following pages of the report as you will discover. As always, we hope that you will find this report useful and informative.



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



A

GLCs CAN NOW LOOK FORWARD TO THE FUTURE FROM A POSITION OF RELATIVE STRENGTH

A (From left) Tan Sri Dato' Seri Lodin Wok Kamaruddin, Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT), Tan Sri Azman and Tan Sri Ismee Ismail, Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji at the GLC Open Day 2015 press conference

B Stewardess of Malaysia Airlines taking part in the Merdeka Day parade on 31 August 2015

B



In 2015, despite the considerably challenging conditions, Khazanah demonstrated resilience and sustained progress in its financial and strategic performance, societal and distributional activities, and ongoing capacity building and institutionalisation, *Alhamdulillah*.

One of the more significant milestones achieved was the graduation of the 10-year GLC Transformation Programme. While there remain gaps and challenges, GLCs in the Programme rose to the challenge of meeting multiple goals and can now look forward to the future from a position of relative strength. Prime Minister of Malaysia Dato' Sri Mohd Najib Tun Abdul Razak, who was also Chairman of the Putrajaya Committee on GLC High Performance (PCG), officiated the graduation ceremony in July. The Prime Minister also launched the *GLC Transformation Programme Graduation Report and Voices – Reflections on a Transformation Journey*, which is a collection of more than two dozen essays by a broad range of personalities who were involved in the GLC Transformation Programme. In conjunction

with the graduation, a 3-day GLC Open Day 2015 was held with the theme *Graduating to a Higher Class: Nation Building, Touching Lives*. It featured an exhibition showcasing how GLICs and GLCs have progressed and catalysed the development of the country

and impacted the lives of millions of Malaysians. It was a successful event in many ways, attracting some 67,000 visitors.

Another key development last year was the continued rollout of the five-year 12-point *MAS Recovery Plan* launched in August 2014. The restructuring of Malaysia Airlines is on track and on schedule, with 2015 being a year of several milestones, some of which involved painful but necessary steps. In April, the Malaysian Aviation Commission Bill was passed by Parliament. In June, Malaysia Airlines undertook a workforce rightsizing exercise involving 6,000 employees. Simultaneously, the Corporate Development Centre – established to provide training and outplacement services to exiting staff – was operationalised. In September, MAB began full operations after a successful transition from Malaysian Airline System Berhad, and in December, Malaysia Airlines announced a key strategic partnership with Emirates Airline. While CEO, Christoph Mueller is leaving ahead of the end of his contract due to personal reasons, much has been achieved, with Mr. Mueller contributing significantly to the progress thus far.

Khazanah also provided further support for Malaysia as a centre for Islamic Finance and ethical financial innovation. A RM100 million seven-year Sustainable and Responsible Investment (SRI) Sukuk, the world's first RM-denominated SRI Sukuk, was successfully issued, with proceeds used to fund schools under the Yayasan AMIR Trust School Programme identified for 2015. In total, the programme has been rolled out to 62 schools to date.

In 2015, our portfolio grew 3.2% to RM150.2 billion (as at 31 December 2015) in terms of its realisable asset value (RAV), with RAV cover (assets/liabilities) at 3.1 times, enabling Khazanah to enter an expected challenging 2016 from a position of relative strength. Our net worth adjusted (NWA) decreased 1.6% to RM108.9 billion, and while it slightly underperformed the FBM KLCI which decreased 1.0% (in terms of Total Shareholder Returns in local currencies), our NWA performance fared better against several key benchmark market indices. Khazanah also registered a profit before tax (PBT) of RM1.2 billion. In addition, Khazanah made 23 investments totaling RM8.7 billion and 10 divestments providing proceeds amounting to RM5.3 billion, with gains on divestments totaling RM2.9 billion, for the year.

The resilient portfolio performance enabled the sustained execution of Khazanah's strategic mandate to further catalyse growth, create and distribute value. This includes continuing to drive greater performance in investee companies and catalysing further domestic growth, balanced with the further expansion of its international footprint and that of investee companies.

In support of the Government's proactive measures to strengthen the country's economic fundamentals and address the impact of financial turbulence, investments and initiatives amounting to RM9.27 billion involving Khazanah were announced in 2015. This includes accelerated and additional domestic investments totaling RM6.77 billion in several key sectors to be delivered by Khazanah through relevant investee companies and development partners over the immediate and medium term. In addition, Khazanah is setting up a RM500 million New Economy Investments Venture Fund for local entrepreneurs, and together with Permodalan Nasional Berhad and Kumpulan Wang Persaraan (Diperbadankan), we are providing additional funding for ValueCAP Sdn Bhd.

A Tan Sri Azman presenting the models of Taman Tugu and Dataran Muzium project to Dato' Sri Mohd Najib and other Board members during the Khazanah Board Retreat in December 2015 at The Datai Langkawi in Kedah

B Aerial view of Global Hospitals, Chennai. IHH Healthcare owns 73.4% of India-base Global Hospitals Group



REALISABLE ASSET VALUE (RAV)
 RM145.5_b 31 Dec 2014 → 3.2% → RM150.2_b 31 Dec 2015

NET WORTH ADJUSTED (NWA)
 RM110.7_b 31 Dec 2014 → (1.6%) → RM108.9_b 31 Dec 2015



With the opening of the Khazanah Europe Investment Limited office in London, our international footprint is now complete



Khazanah continued to roll out its internationalisation strategy last year, with the setting up of a London office by wholly owned subsidiary Khazanah Europe Investment Ltd. The London office is the fifth regional office after Beijing, Mumbai, San Francisco and Istanbul. In addition, there was a strong focus on deepening the innovation and technology component of Khazanah's portfolio, via several investments in various geographies including India, United States, United Kingdom, China, Singapore and Malaysia.

THERE WAS A STRONG FOCUS ON DEEPENING THE INNOVATION AND TECHNOLOGY COMPONENT OF KHAZANAH'S PORTFOLIO, VIA SEVERAL INVESTMENTS IN VARIOUS GEOGRAPHIES

Our core portfolio companies made major strides in 2015. This includes the completion of Malaysia Airports Holdings Berhad's 100% acquisition of Istanbul Sabiha Gokcen airport; IHH Healthcare Berhad's acquisition of a 51% stake in Continental Hospitals and 73.4% stake in Global Hospitals, both in India; Tenaga Nasional Berhad's acquisition of a 70% stake in Jimah East Power and a 30% stake in Turkish power company Gama Enerji AS; Axiata Group Berhad's acquisition of a 75% stake in Digicel Myanmar Tower Company and an 80% stake in NCell, Nepal's leading mobile operator; UEM Group Berhad subsidiary PLUS Expressways International's completion of the Cikopo-Palimanan toll road in Indonesia; and the High Speed Broadband Phase 2 (HSBB2) and Sub-Urban Broadband (SUBB) projects undertaken by Telekom Malaysia Berhad.





KHAZANAH'S WORK
CONTINUES, AND IN THIS
WE ARE STEADFAST, AS OUR
STAKEHOLDERS WOULD
EXPECT NO LESS FROM US

The children of Khazanah staff participating in the launch of Jambo Day on 21 November 2015. (From left) Mohamed Nasri Sallehuddin, *Executive Director, Corporate & Support Services, Company Secretary and Head, Legal*; Tan Sri Nor, Muhammad Rayyan Zareef, son of Noraini Malik, *Executive of Operations, Khazanah Research Institute*; Isarah Mohamed Ridzuan, daughter of Mohamed Ridzuan Mohamed, *Director, Khazanah Research & Investment Strategy*; Nazira Hani Nazir, daughter of Norehan Abd Ghani, *Associate, Finance*; Dzalfie Irfan Khairul Anuar, son of Hashimah Musadi, *Executive Assistant, Investments*; Sarah Faliha, daughter of Mohamed Salimi Abas, *Assistant Vice President, Strategic Human Capital Management*; Nabila Najla Mohamad Haniff Zaidee, daughter of Zarina Ismail, *Associate, Corporate & Support Services*; Nur Qalesha Mohd Radzuan; daughter of Maslina Mansor, *Vice President, Managing Director's Office*; and Tan Sri Azman



Yayasan Hasanah, a Khazanah foundation, led our corporate responsibility (CR) efforts. Among the outcomes of Yayasan Hasanah's initiatives in the year include increased participation in PINTAR Foundation's School Adoption Programme; helping to enhance the livelihood of low incomes households in rural and urban areas; various efforts to raise environmental awareness at community level and recycling initiatives at school level; as well as continued support for local and international humanitarian relief efforts. In addition, *The Hasanah Report 2014*, the inaugural annual report on Yayasan Hasanah's operations and activities, was released last year. Yayasan Hasanah spent RM93.3 million for its various CR initiatives in 2015.

Meanwhile, Khazanah continued to provide support for government policy formation and deepen linkages across global knowledge networks. Key milestones in 2015 were Khazanah Research Institute's (KRI) publication of *Making Housing Affordable*, a report analysing the problem of supplying affordable houses to the general public from the perspectives of both institutions and firms. KRI also published *Why Trade Matters*, a two-part report which examines how international trade and trade policy integrate the effects of globalisation into the domestic economy and daily lives of citizens. In addition, the Khazanah Megatrends Forum 2015, the eleventh in the annual series, was held, focusing on exploring ways to harness the power of creative disruption and inclusive innovation for continued growth.

It has clearly been a very busy year for Khazanah, and I would like to thank everyone involved for the hard work that has enabled us to deliver on multiple fronts. Khazanah's work continues and we remain committed, *Insyah-Allah*, as our ultimate stakeholders, the people of Malaysia, would expect no less from us.

Thank you.

Tan Sri Dato' Azman Mokhtar

Managing Director
Khazanah Nasional Berhad

17 May 2016

STRATEGIC PLANNING GROUP



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.

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.

**DATO' MOHD IZANI GHANI**

Executive Director, Finance and Chief Financial Officer

Dato' 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 Kuala Lumpur.

**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.

**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.

**AHMAD ZULQARNAIN ONN**

Executive Director, Investments and Head of Strategic Management Unit

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.

**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

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.

**JAVIER SANTISO**

Executive Director, Khazanah Europe Investment Limited

Javier Santiso joined Khazanah as an Executive Director in August 2015 and heads Khazanah Europe Investments Limited. He was previously the Managing Director for Global Affairs and New Ventures of Telefonica. He has also served as Director General and Chief Economist at OECD Development Centre.

**DATO' NOORAZMAN ABD AZIZ**

Executive Director, Investments and Overseeing Executive Director of Khazanah Turkey Regional Office

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.

**BEN CHAN**

Executive Director, Khazanah Nasional Consulting (Beijing) Company Limited

Ben joined Khazanah in 2005. He was formerly 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.

**CHINTA BHAGAT**

Executive Director, Khazanah India Advisors Private Limited

Chinta Bhagat joined Khazanah as an Executive Director in July 2015 and heads Khazanah India Advisors Private Limited. He was previously from McKinsey & Co where he was the Managing Partner in the Singapore office. Prior to McKinsey, he held various positions at an engineering and construction firm in India, culminating in his role as Chief Executive Officer.

**TENGGU DATO' SRI AZMIL ZAHRUDDIN RAJA ABDUL AZIZ**

Executive Director, Investments and Overseeing Executive Director of Khazanah Americas Inc.

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.
(from left)

Effizal Faiz Zulkifly
Senior Vice President

Shahril Ibrahim
Director

Sundhiraj Sharma
Director



San Francisco



Khazanah Turkey Regional Office
(from left)

Abang Rahmat Yusuf
Director

Al-Azmy Azizi
Senior Vice President

Zafer Sonmez
Director



Istanbul



Khazanah Investment Europe Limited
(from left)

Javier Santiso
Executive Director

Irwan Shahrin Ismail
Senior Vice President



London

Juhana Hamzah
Senior Vice President, Finance

May Quah Bee Fong
Director, Investments

Mohamed Rozani Mohamed Osman
Senior Vice President, Finance

Mohamed Ridzuan Mohamed
Director, KRIS

Dominic Silva
Executive Director, Investments

Hafizuddin Sulaiman
Director, Finance

Idham Ismail
Director, Investments

Azri Zaharuddin
Director, Investments

Wong Wai Seng
Senior Vice President, Investments

Dato' Mohd Izani Ghani
Executive Director, Finance

Bahare Samsudin
Senior Vice President, CSS

Iwan Rashman Gulamoydeen
Senior Vice President, CSS

Stephanie Saw Ai Lin
Director, Investments

Imran Aejez Ahmad
Director, KRIS

Wan Ab Aziz Ariffin
Director, MDO

Mohd Izani Ashari
Executive Director, MDO

Zafarin Abd Ghaffar
Senior Vice President, CSS

Imran Aejez Ahmad
Director, KRIS

Mohd Fuad Ahmad
Senior Vice President, Investments

Kenneth Shen
Executive Director, Investments

Zaida Khalida Shaari
Executive Director, Investments

Goh Keat Siang
Senior Vice President, Investments

Wong Shu Hsien
Director, Investments

Serena Tan Mei Shwen
Director, Investments

Dr Patrick Lau Hui Ping
Director, Investments

Selvendran Katheerayson
Director, Investments

Dato' Charon Wardini Mokhzani
Executive Director, MDO

Shamsuddin Abdul Jalil
Senior Vice President, CSS

Elakumari Kantilal
Director, Investments

Ahmad Farouk Mohammed
Executive Director, Investments

Enita Azlina Osman
Senior Vice President, Investments

Melinda Omar
Senior Vice President, SHCM

Mohamed Nasri Sallehuddin
Executive Director, CSS

Nor Hafizah Ahmad Marzuki
Senior Vice President, SHCM

Quek Pei Lynn
Director, Investments

Jasmine Kwan Chiew Yan
Senior Vice President, MDO

Pang Hee Min
Director, Investments

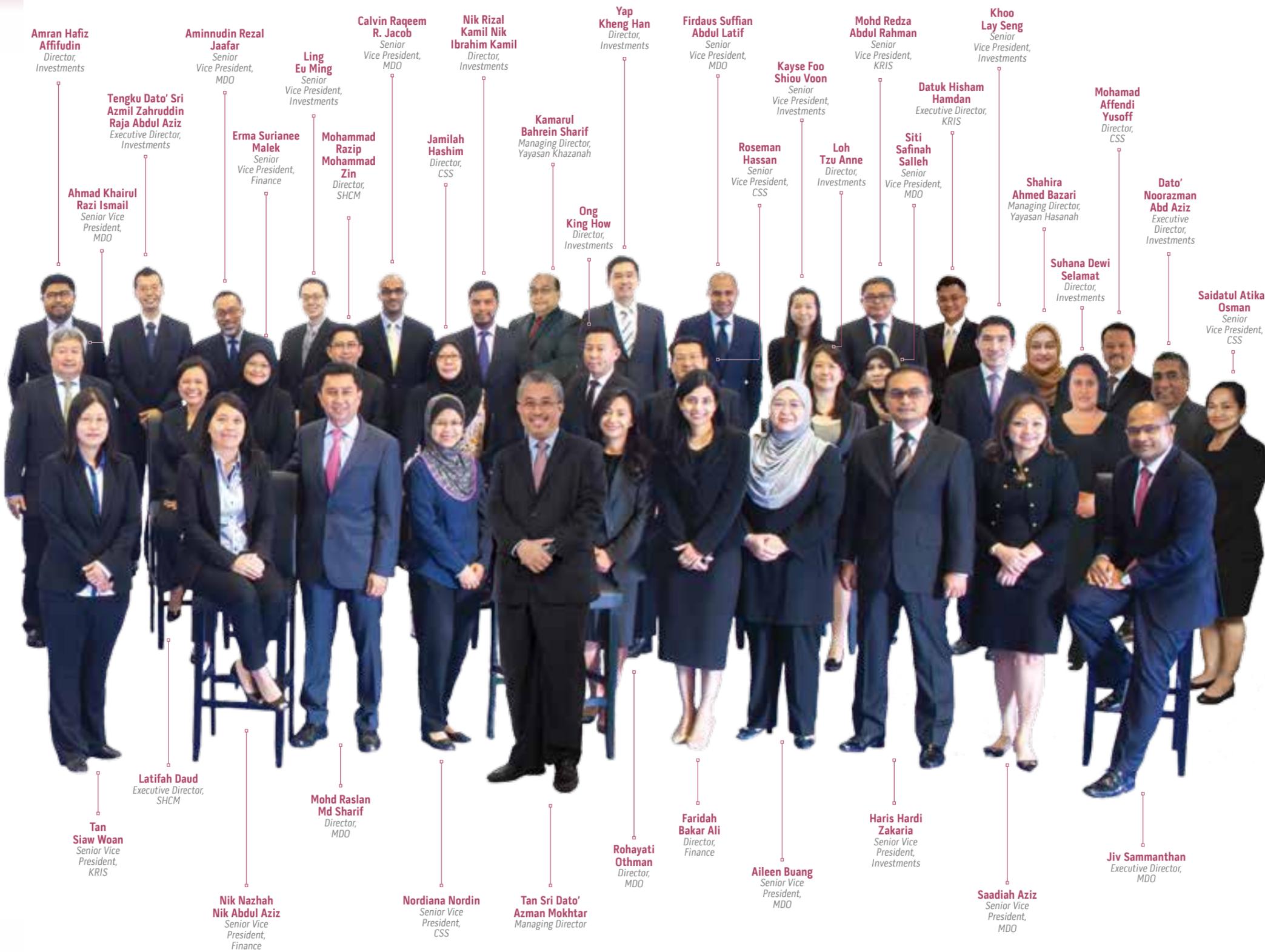
Ahmad Zulqarnain Onn
Executive Director, Investments

Ramana Rajalingam
Senior Vice President, MDO

Mohd Asrul Ab Rahim
Senior Vice President, Investments

Legend

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



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



(from left)

Hazman Hilmi Sallahuddin
Senior Vice President,
Khazanah Investment Europe
Limited

Samuel Ooi Thean Aun
Senior Vice President,
Investments

Han Jun Siew
Senior Vice President,
Investments

Justin Hashim
Senior Vice President,
Khazanah Americas Inc.

Low Guat Peng
Senior Vice President,
Investments



Khazanah India Advisors
Private Limited
(from left)

Chinta Bhagat
Executive Director

Babar Ali Khan
Director

Pushkar Jauhari
Senior Vice President

Manish Daga
Senior Vice President



Mumbai



Khazanah Nasional Consulting (Beijing)
Company Limited
(from left)

Bryan Lim Tsin Lin
Director

Lim Kooi June
Director

Ben Chan Wei Beng
Executive Director

Stanley Ooi Kok Leong
Director

Kenneth Woo Zhi Ying
Senior Vice President



Beijing



Khazanah Koridor Utara
(from left)

Hamdan Abdul Majeed
Director

**K. Gopalan a/I
V.P. Govinda Pathiyar**
Senior Vice President



Penang

**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.

**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.

**LATIFAH DAUD***Executive 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 of experience in Human Resources in multinational companies including Honeywell Inc., and Motorola/Freescale Semiconductor. She has also worked in a Singapore-based consulting firm as well as Hatibudi Nominees/ Renong Group and Arab Malaysian Bank.

**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.

**SHAHAZWAN HARRIS***Executive Director, Investments*

Shahazwan left Khazanah in April 2016 after spending 11 years with the company. We would like to thank him for his contribution and wish him all the best in his future undertakings.

**OMAR SIDDIQ AMIN
NOER RASHID***Executive Director, Investments*

Omar left Khazanah in December 2015 to join Malaysia Airlines Berhad as Chief Financial Officer. We would like to thank Omar for his contribution.

INTEGRITY

DOING WHAT IS RIGHT WITHOUT EXCEPTION. BELIEVING IN GOOD GOVERNANCE AND OPERATING WITH ETHICS; ALWAYS STAYING WITHIN THE LETTER AND SPIRIT OF THE LAW

Lai Wei Ming, *Vice President, Finance*, is part of the the Treasury team, which keeps track of, among others, foreign exchange movements and bond prices





FINANCIAL REVIEW

Strong financial capability and sustainable financial growth are vital towards fulfilling our commercial and strategic roles.

Financial Highlights **30**

Independent Auditors' Report **34**

Selected Financial Indicators **35**

Islamic Finance and Capital and Liability Management **38**

FINANCIAL HIGHLIGHTS



Khazanah demonstrated a resilient financial performance in a volatile and uncertain 2015

Khazanah's performance is measured by two indicators, namely Realisable Asset Value (RAV) and Net Worth Adjusted (NWA). RAV represents the total value of all of our portfolio investments while NWA measures the value created in our portfolio.

Our RAV increased by RM4.7 billion, or 3.2% to RM150.2 billion as at 31 December 2015, from RM145.5 billion at the end of 2014. Meanwhile, our portfolio NWA declined by 1.6% to RM108.9 billion compared to RM110.7 billion as at 31 December 2014. Our NWA slightly underperformed the FBM-KLCI in terms of Total Shareholder Return but fared better against key benchmark indices (see 2015 Portfolio Relative Performance chart on page 32).

The overall uptrend in Khazanah's portfolio remains intact since May 2004. As of 31 December 2015, RAV had increased by RM99.3 billion, or 195%, from RM50.9 billion in 2004, for a compounded annual growth rate (CAGR) of 9.7% per annum. Similarly, our NWA increased by RM75.6 billion from RM33.3 billion in May 2004, a three-fold increase within that period, with a CAGR of 10.7%.

In 2015, Khazanah recorded a profit before tax of RM1.2 billion and declared dividends of RM1.05 billion, with total dividends declared since May 2004 amounting to RM8.46 billion. Khazanah's shareholders' funds rose to RM36.4 billion in 2015 from RM13.2 billion in 2004, while liabilities remained manageable at RM48.0 billion.

Our capital position remains strong with our asset cover and net gearing ratio standing at 3.1 times and 1.2 times, respectively. These prudential financial ratios have been achieved within the parameters set out by our asset liability management framework.



ON INTEGRITY

"It's crucial for us to live and uphold our core values as they are the essence of Khazanah's identity. Integrity means doing the right thing, acting with honesty, being transparent and ethical in all our dealings and interactions with others. Success without integrity is a failure."



Jasmine Kwan Chiew Yan
Senior Vice President, Managing Director's Office

Realisable Asset Value (RAV)

RM 150.2b

Movement in RAV (2004 to 2015)

		Year-on-Year Change
▶ 31 DEC 2015	150.2	3.2%
▶ 31 DEC 2014	145.5	7.7%
▶ 31 DEC 2013	135.1	11.2%
▶ 31 DEC 2012	121.5	12.3%
▶ 31 DEC 2011	108.2	(3.9%)
▶ 31 DEC 2010	112.6	23.5%
▶ 31 DEC 2009	91.2	34.3%
▶ 31 DEC 2008	67.9	(22.0%)
▶ 31 DEC 2007	87.1	11.3%
▶ 31 DEC 2006	78.2	22.7%
▶ 31 DEC 2005	63.7	(2.4%)
▶ 31 DEC 2004	65.3	28.2%
▶ 14 MAY 2004	50.9	

Net Worth Adjusted (NWA)

RM 108.9b

Movement in NWA (2004 to 2015)

		Year-on-Year Change
▶ 31 DEC 2015	108.9	(1.6)%
▶ 31 DEC 2014	110.7	9.1%
▶ 31 DEC 2013	101.5	16.8%
▶ 31 DEC 2012	86.9	24.2%
▶ 31 DEC 2011	70.0	(7.0%)
▶ 31 DEC 2010	75.2	39.9%
▶ 31 DEC 2009	53.8	68.3%
▶ 31 DEC 2008	32.0	(49.8%)
▶ 31 DEC 2007	63.6	23.7%
▶ 31 DEC 2006	51.4	26.9%
▶ 31 DEC 2005	40.5	(13.5%)
▶ 31 DEC 2004	46.9	40.9%
▶ 14 MAY 2004	33.3	

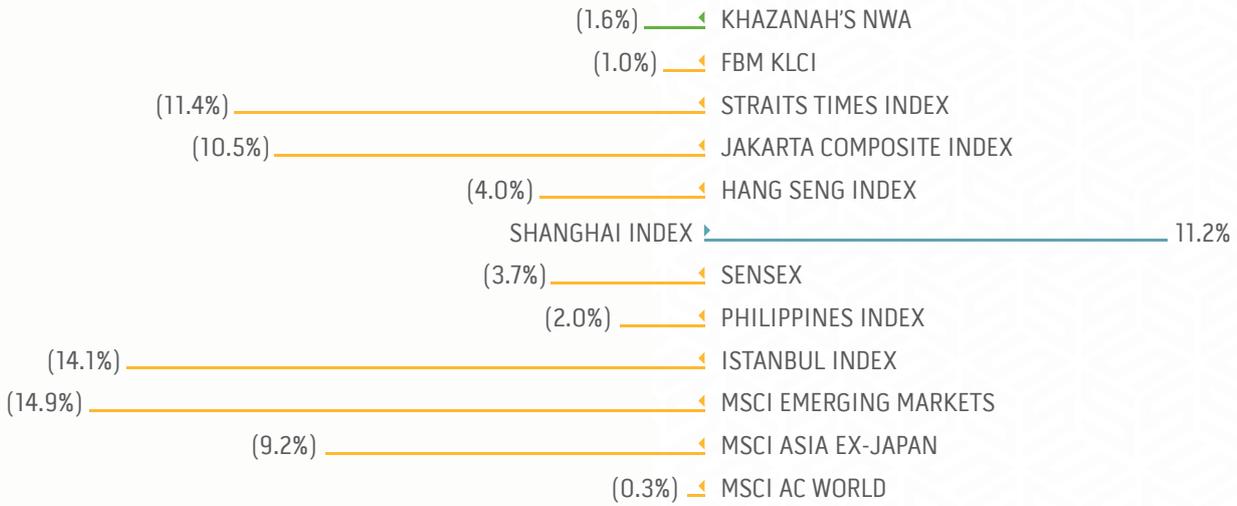
RAV and NWA (RMb)

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.

2015 PORTFOLIO RELATIVE PERFORMANCE

PERFORMANCE AGAINST MAJOR REFERENCE ASIAN MARKETS



Note: Total Shareholder's Return In local currency | Source: Bloomberg; Khazanah analysis

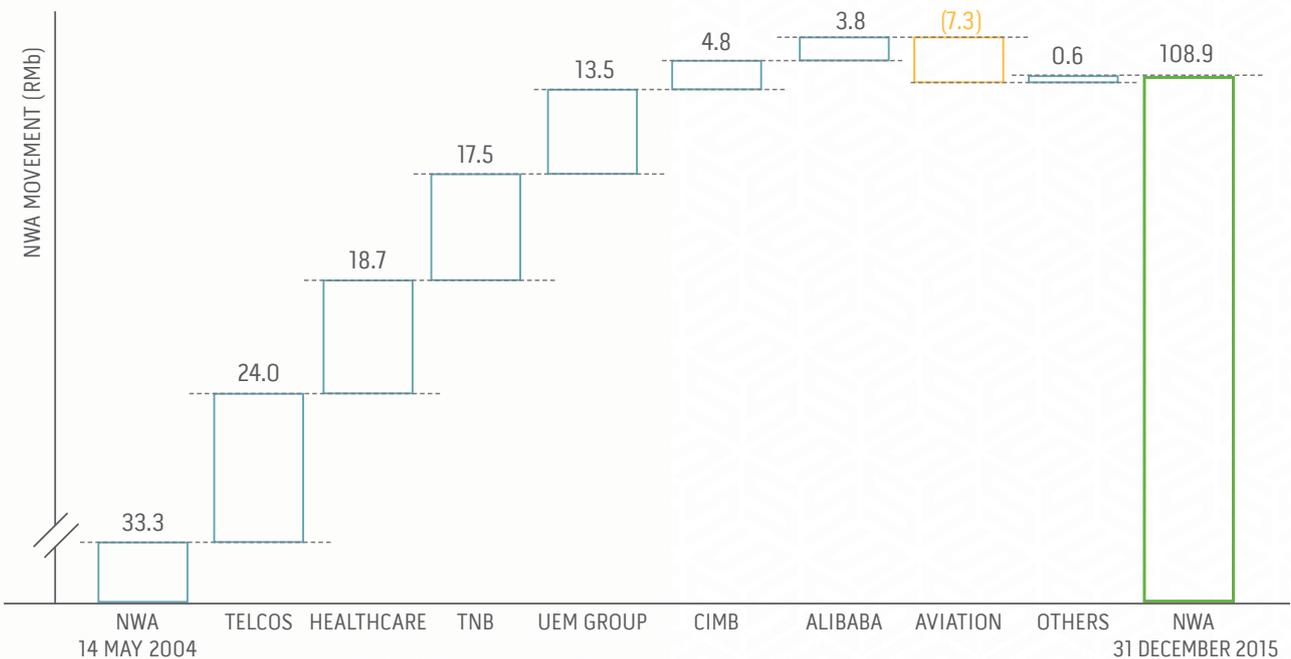
KEY PORTFOLIO AND OTHER INDICATORS

As at 31 Dec	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
RAV (RMm)	150,169	145,491	135,114	121,466	108,194	112,624	91,224	67,908	87,071	78,212	63,731	65,323
NWA (RMm)	108,890	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)	36,353	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)	3.1	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	452	465	476	419	411	373	320	296	256	203	126	53
Number of Offices	8	7	7	5	5	5	5	4	2	1	1	1

Note: From 14 May 2004 to 31 December 2015

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 2015, K-7 have outperformed FBM KLCI by 0.3% p.a.



Source: Bloomberg; Khazanah analysis

AGGREGATE EARNINGS (RMb)

Aggregate earnings for G-20 has increased by RM12.6 billion (CAGR 7.8% p.a.) and for K-7 by RM6.7 billion (CAGR 7.8% 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, Malaysia Airlines 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 35 and 36, which comprises the summary balance sheets as at 31 December 2015, 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 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004. We expressed an unqualified audit opinion on those financial statements in our reports for the respective years. 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 35 and 36.

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, "Engagements to Report on 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 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 are consistent, in all material respects, with those audited financial statements and the management accounts.

19 April 2016
Kuala Lumpur

SELECTED FINANCIAL INDICATORS



INCOME STATEMENTS (RM million)

For the years ended 31 December

	2015	2014	2013
Revenue	5,763	7,949	7,685
Profit before taxation	1,181	3,217	3,128
Taxation	(126)	(129)	53
Net profit for the year	1,055	3,088	3,181
Dividends declared			
- Ordinary dividend	(650)	(650)	(650)
- Special dividend	(400)	(250)	-
Net profit for the year after dividends	5	2,188	2,531

BALANCE SHEETS (RM million)

As at 31 December

	2015	2014	2013
Current assets	6,089	5,214	4,451
Non-current assets	78,253	72,687	61,497
Total assets	84,342	77,901	65,948
Current liabilities	13,575	13,282	6,894
Non-current liabilities	34,414	29,280	29,667
Total liabilities (see Note A)	47,989	42,562	36,561
Share capital	6,644	6,644	8,444
Share premium	3,840	3,840	3,840
Retained profits	16,010	16,004	15,616
Other reserves	9,859	8,851	1,487
Shareholders' fund	36,353	35,339	29,387
Total equity and liabilities	84,342	77,901	65,948

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

BORROWINGS (RM million)

As at 31 December

	2015	2014	2013
Khazanah's Government-guaranteed bonds	15,683	15,019	13,430
Other bonds and notes	17,123	14,760	14,734
Term loans	4,215	3,397	3,310
Exchangeable sukuk	3,423	3,748	2,127
Commercial paper	-	-	-
Revolving credit facilities	6,012	-	-
	46,456	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	(188)	(66)	(28)	25	(350)	(195)	(224)	(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	31,137	26,103
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	24,117	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	2,109	(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	-
	36,197	35,966	36,387	37,248	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.



IN 2015, KHAZANAH
MADE 23 INVESTMENTS
TOTTALLING RM8.7 BILLION,
AND 10 DIVESTMENTS
PROVIDING PROCEEDS
OF RM5.3 BILLION, AND
GAINS ON DIVESTMENTS
TOTTALLING RM2.9 BILLION

ISLAMIC FINANCE AND CAPITAL AND LIABILITY MANAGEMENT



Khazanah continues to push innovation in Islamic finance, in support of Malaysia's aspiration to become a global Islamic finance hub

Malaysia is the world's biggest Islamic debt market, accounting for 52.9% of the total outstanding value of global Sukuk issuances as at end September 2015¹. Key players including Khazanah continue to support market development, positioning Islamic debt as a preferred method of financing.

In June 2015, Khazanah issued a RM100 million seven-year Sustainable and Responsible Investment (SRI) Sukuk, the world's first Ringgit-denominated SRI Sukuk. Proceeds raised through the Sukuk is being utilised to fund the roll out of the Yayasan AMIR (YA) Trust School Programme. YA is a not-for-profit foundation incorporated by Khazanah to improve accessibility of quality education in Malaysian Government schools through a Public-Private Partnership with the Ministry of Education.

This SRI Sukuk combines concepts of Sukuk financing with philanthropy, allowing investors to invest in the academic development of young Malaysians for both a financial and social return. Its profit rate is linked to the key performance indicators of the Trust Schools.

Khazanah has a track record of innovative Sukuk issuances which have received extensive recognition. We structured and launched the first exchangeable Sukuk into TM and Axiata in 2006, first Singapore dollar-



ON PROFESSIONALISM

"We may be operating in different parts of the world but we remain disciplined and consistent in our interaction with all counterparties to maintain Khazanah's reputation".



Kenneth Woo Zhi Ying,
Senior Vice President, Khazanah Nasional
Consulting (Beijing) Company Limited

denominated Sukuk in 2010, and the world's first Renminbi-denominated Sukuk in 2011. We continue to promote the growth of Islamic finance through new issuances – in March 2016, we issued a USD750 million Sukuk, our first US Dollar-denominated straight Sukuk.

A sound capital and liability management strategy enhances our adaptability to changing market conditions. Core to this strategy is a divestment programme which allows Khazanah to invest monetised value created from its portfolio into new sectors and geographies. Khazanah also taps capital markets when required, with our strong credit standing and financial reputation facilitating competitive fundraising deals.

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

Continuous improvement and adaptability are inculcated in our capital and liability management strategy. The financial discipline we practise helps maintain the robustness of our funding operations and keeps us on track to meet our long-term goals.

¹ Source: RAM Ratings' Sukuk Snapshot

Khazanah's Sukuk Issuances

2015

Sustainable and Responsible Investment Sukuk (SRI)

- Size : RM100 million
- World's first RM-denominated SRI sukuk
- Received 7 awards to date:



- ▶ Most outstanding Islamic Finance Product 2015



- ▶ Ethical Finance Initiative Award



- ▶ Best Islamic Finance Advocay Award 2015



- ▶ Deal of The Year
- ▶ Malaysia Deal of The Year
- ▶ Social Impact Deal of The Year
- ▶ Most Innovative Deal of The Year

2014

Tenaga Exchangeable Sukuk

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

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
- Oversubscribed by 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

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

2008

Parkson Exchangeable Sukuk

- Combined offering of USD550 million exchangeable sukuk and USD97 million equity placement
- 11 times 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
- 13 times 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 by Khazanah

- Size: RM20 billion
- The first government guaranteed sukuk in Malaysia

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

- Size: RM10 billion
- 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

PROFESSIONALISM

BEING ACCOUNTABLE AND RESPONSIBLE FOR ALL THAT WE DO. ALWAYS KEEPING TO OUR WORD AND PROMISES MADE TO ENSURE THE BEST VALUE POSSIBLE FOR PARTNERS AND STAKEHOLDERS. NOT WAITING FOR OPPORTUNITIES TO ARISE BUT TAKING PRO-ACTIVE MEASURES TO MAKE THEM HAPPEN



(From left) Fariz Ali, Vice President; Hazman Hilmi Sallahuddin, Senior Vice President; and Irwan Shahrin Ismail, Senior Vice President, all from Khazanah Europe Investment Limited



CREATING VALUE THROUGH OUR INVESTMENTS

Khazanah adopts an active role and macro-management approach as shareholder in its drive for transformative results. We partner our investee companies in collaborative manner to venture into new markets and work with public and private sector entities to help catalyse growth and development of Malaysia.



Investing in Growth and Development **42**

Empowering Our Companies **44**

Driving Performance and Charting New Paths **46**

Selected Portfolios of Company **48**

Building a Regional Footprint **64**

Government-Linked Companies Transformation Programme **66**

INVESTING IN GROWTH AND DEVELOPMENT



Khazanah’s investment strategy is aligned to the national development agenda

Our approach 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 while also taking into account economic contribution, in terms of job creation, technological content, societal returns 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 of Directors for consideration and approval.

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

We are active shareholders, collaborating with our investee companies, 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 Economy 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.



Cikopo-Palimanan Toll Road built by PLUS Expressways International Berhad, is a 116-kilometre toll road in Indonesia that connects the existing Jakarta-Cikampek Toll Road and Palimanan-Kanci Toll Road. It is part of the Trans Java Toll Road

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 Economy 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

OUR INVESTMENTS CUT ACROSS DIFFERENT TYPES OF TRANSACTIONS, FROM CORPORATE EXERCISES TO LARGE-SCALE DEVELOPMENT PROJECTS

Our overall investment strategy has allowed us to have a robust investment portfolio that is well-balanced and poised for growth. The net worth adjusted (NWA) of our portfolio stood at RM108.9 billion as at 31 December 2015, having grown at compounded annual growth rate of 10.7% 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.

In an ever globalised and evolving environment, Khazanah's relentless pursuit for national growth has identified innovation as key for Malaysia's journey towards a high-income economy. We believe investing in innovation will scale the efficiency frontiers and subsequently the nation's productivity and growth. As a whole, innovation will create a new wave of industries and contribute to the creation of new jobs which is critical for Malaysia's long-term economic expansion in the global arena.

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.

¹GLIC — Government-Linked Investment Companies
²GLC — Government-Linked Companies



EMPOWERING OUR COMPANIES



Khazanah collaborates with investee companies to drive greater performance

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.



A

Ⓐ (From left) Dato' Sri Jamaludin Ibrahim, Managing Director / President & Group Chief Executive Officer of Axiata Group; Leonard Ariff Abdul Shatar, Group Managing Director of Chemical Company of Malaysia; and Dato' Sri Nazir Razak, Chairman of CIMB Group; attending the 29th and final meeting of the Putrajaya Committee on GLC High Performance (PCG)

Ⓑ Smart Axiata Co., Ltd. customer service outlet in Cambodia. Axiata has controlling interests in mobile communications operations in Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia and Nepal; and strategic stakes in India and Singapore.



B

FIVE-POINT ENGAGEMENT FRAMEWORK



LEADERSHIP BENCH

Assist in ensuring the presence of a professional, capable, and experienced Board of Directors and Senior Management Team



STRATEGY

Help drive high-quality business strategy and implementation through boards and management



SYSTEMS & CONTROL

Help put key systems and controls in place to underwrite growth and value creation through governance, risk management, performance management, talent management, procurement, internal audit and investor relations



MONITOR PERFORMANCE MANAGEMENT & EMPOWER

Provide for continuous monitoring, performance management through KPIs and endorsement of management



INDUSTRY STRUCTURE

Leverage synergies within the company and contribute towards optimal competitive environment and regulatory structure



ON PROFESSIONALISM

“Our values form the core of how we act and interact amongst ourselves and with stakeholders, and this certainly helps the team earn credibility in all our dealings and foster great partnerships.”



K. Gopalan
Senior Vice President, Investments

DRIVING PERFORMANCE AND CHARTING NEW PATHS



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

Our investment portfolio comprises interests in more than 80 companies across multiple sectors, industries and geographies, either directly or indirectly through ownership of shares. This diverse portfolio reflects the work we do to create value, economic impact and linkages for Malaysia. Approximately 55% of our Realisable Asset Value (RAV) by geographic exposure is in Malaysia, with the remaining 45% located overseas.



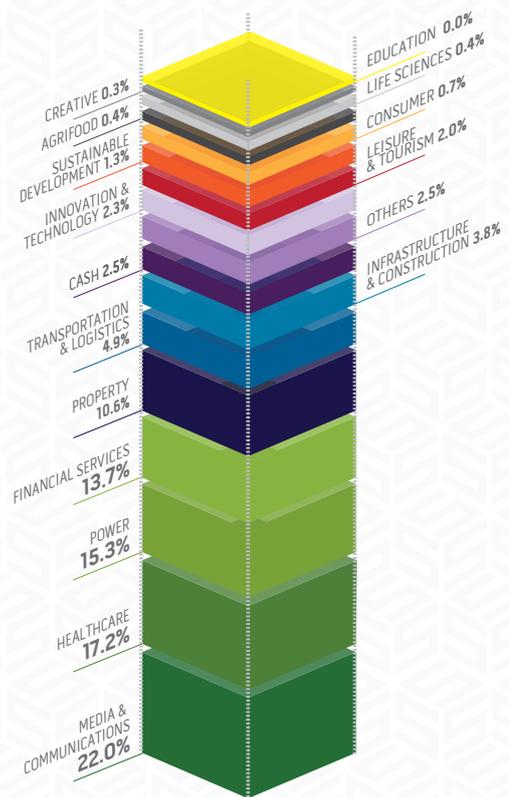
ON MUTUAL RESPECT

"Mutual respect is when professional and personal diversity is not only accepted but valued within the team. Although my teammates and I come from diverse backgrounds and sometimes opposing viewpoints, we work towards a singular goal of doing what is right and best for the team, with the utmost respect for each other."



Saovane Chan Somchit
Assistant Vice President, Investments

PORTFOLIO SEGMENTATION RAV BY MAJOR SECTORS



As at 31 December 2015 | Source: Khazanah Analysis

OTHERS
2.4%



TOTAL INVESTMENTS
2004 - 2015

No. of Transactions ¹	Investment Amount (Rmb)
144	74.7

TOTAL DIVESTMENTS
2004 - 2015

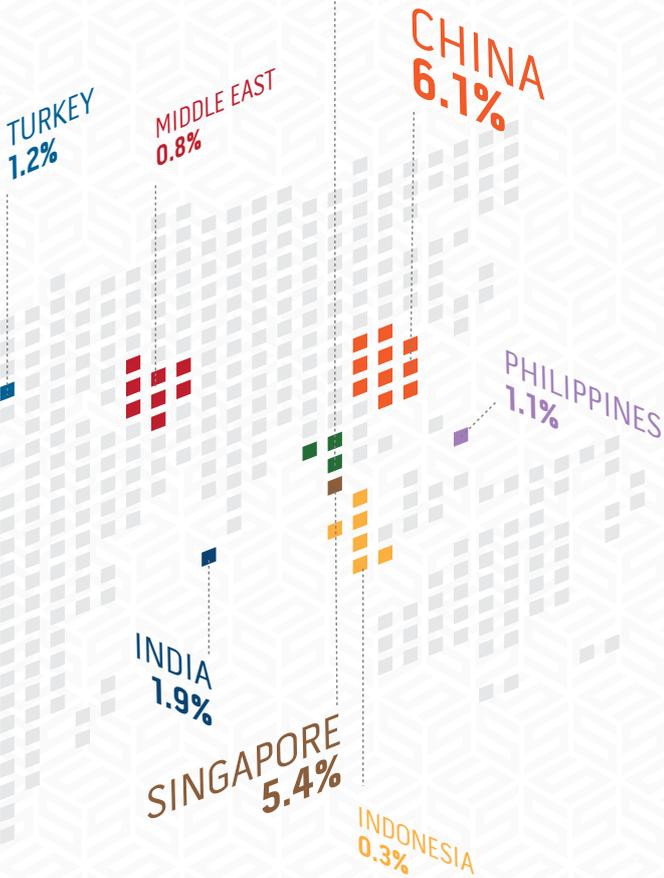
No. of Transactions ¹	Divestments Proceeds (Rmb)	Gains on Divestments (Rmb)
77	48.1	22.3

¹ Number of discrete new investments

Source: Khazanah Analysis

PORTFOLIO SEGMENTATION
RAV BY DOMICILE OF COMPANIES²

MALAYSIA
80.9%

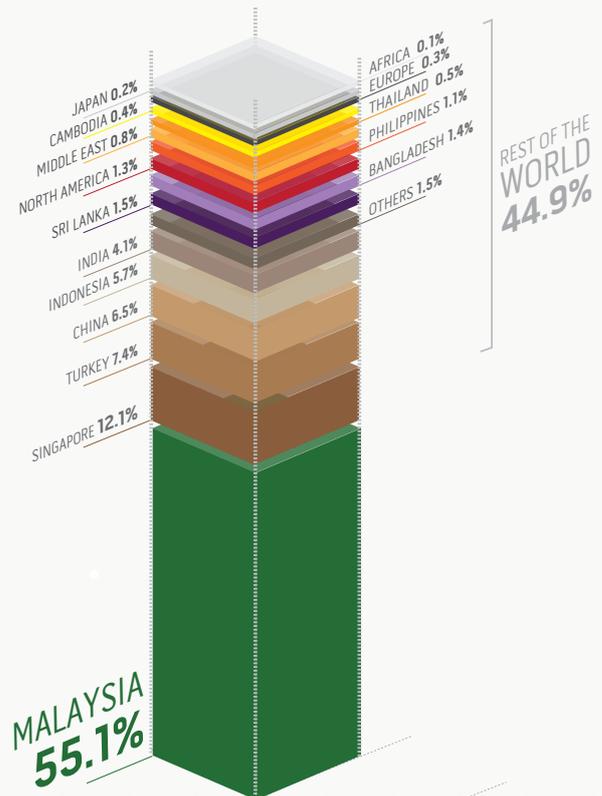


As at 31 December 2015 | Source: Khazanah Analysis

² Value of investments is allocated by country of domicile of holding company

³ An estimate of attributable value according to the countries where investee companies have operations

PORTFOLIO SEGMENTATION
RAV BY GEOGRAPHIC EXPOSURE³



As at 31 December 2015 | Source: Khazanah Analysis

SELECTED PORTFOLIO OF COMPANIES



AGRIFOOD	AVIATION	CREATIVE & MEDIA	FINANCIAL SERVICES	HEALTHCARE	INFRASTRUCTURE & CONSTRUCTION	INNOVATION & TECHNOLOGY
----------	----------	------------------	--------------------	------------	-------------------------------	-------------------------

MAFC
MALAYSIAN AGRIFOOD CORPORATION
MAFC
100%

Blue Archipelago
Quality | Safety | Eco-friendly
Blue Archipelago
100%

biotropics
MALAYSIA BERHAD
Biotropics Malaysia
100%

The Holstein Milk Company
The Holstein Milk Company
30%

MALAYSIA AIRPORTS
▲ Malaysia Airports Berhad
36.7%

ISG
Istanbul Sabiha Gokcen
100% OWNED BY MALAYSIA AIRPORTS BERHAD

malaysia airlines
Malaysian Airline System Berhad
100%

PENERBANGAN MALAYSIA BERHAD
Penerbangan Malaysia
100%

ASTRO Holdings Sdn Bhd
29.3%

ASTRO Malaysia Holdings
20.7%
42% OWNED BY ASTRO HOLDING SDN BHD

ISKANDAR MALAYSIA STUDIOS
Iskandar Malaysia Studios
99.4%

IMAGICA SEA
51%

Rhizophora Ventures
Rhizophora Ventures
100%

CIMB
▲ CIMB Group
29.7%

IDFC
IDFC LIMITED
▲ IDFC
9.5%

IDFC BANK
▲ IDFC Bank
4.5%

AVICENNIA CAPITAL
Avicennia Capital
100%

Sun Life Malaysia Assurance
49% OWNED BY AVICENNIA CAPITAL

Sun Life Malaysia Takaful
49% OWNED BY AVICENNIA CAPITAL

ACIBADEM SIGORTA
90% OWNED BY AVICENNIA CAPITAL

ACR Capital
ACR Capital Holdings
24.5%

ACR
Asia Capital Performance Malaysia
70%
*ALSO 30% OWNED BY ACR CAPITAL

ACR ReTakaful Holdings
40%
*ALSO 20% OWNED BY ACR CAPITAL

Jadwa Investment
10%

Bank Muamalat
30%

ValueCAP
Valuecap
33.3%

fajr Capital
Fajr Capital
21%

BDO
▲ BDO Unibank
3.7%

China Huarong
3%

Citic Securities
0.9%

IHH Healthcare Berhad
▲ IHH Healthcare Berhad
44.7%

ACIBADEM
Acibadem
15%
60% OWNED BY IHH HEALTHCARE BERHAD

Apollo HOSPITALS
▲ Apollo
10.9% owned by IHH Healthcare Berhad

PANTAI
Pantai
100% OWNED BY IHH HEALTHCARE BERHAD

Parkway Pantai
Parkway
100% OWNED BY IHH HEALTHCARE BERHAD

IMU
INTERNATIONAL MEDICAL UNIVERSITY MALAYSIA
International Medical University
100% OWNED BY IHH HEALTHCARE BERHAD

CONTINENTAL HOSPITALS
Continental Hospitals
51% OWNED BY IHH HEALTHCARE BERHAD

GLOBAL HOSPITALS
more to life
Global Hospitals
73.4% OWNED BY IHH HEALTHCARE BERHAD

UEM
UEM Group
100%

PLUS
A member of UEM Group
PLUS Malaysia
51% OWNED BY UEM GROUP

UEM BUILDERS
A member of UEM Group
UEM Builders
100% OWNED BY UEM GROUP

CIMA
100% OWNED BY UEM GROUP

UEM EDGENTA
A member of UEM Group
UEM Edgenta (formerly known as Faber Group)
70.7% OWNED BY UEM GROUP

Alibaba.com
▲ Alibaba
0.2%

SILTERRA
SilTerra Malaysia
100%

Atlantic Quantum
100%

Aemulus
▲ Aemulus
15.0%

general fusion
General Fusion
8.6%

skyscanner
Skyscanner
3.4%

YEPME
Yepme
14.6%

Continuum Capital Sdn Bhd
100%

▲ Listed company

As at 31 December 2015 | List is not exhaustive



LIFE SCIENCES	LEISURE & TOURISM	OTHERS	POWER	PROPERTY	SUSTAINABLE DEVELOPMENT	TELE-COMMUNICATIONS
 Xeraya Capital 100%  MTDC 100%	 Themed Attractions Resorts & Hotels 100%	 JOHN KEELLS HOLDINGS PLC ▲ John Keells 10.4%  LeapEd 100%  i2M Ventures 100%  Zivame 1.4%	 ▲ Tenaga Nasional 30.4%  The first IWPP in the Kingdom Shuaibah Water and Electricity Company 12% 6% OWNED BY TENAGA NASIONAL	 A member of UEM Group ▲ UEM Sunrise 66.1% OWNED BY UEM GROUP  Iskandar Investment Berhad 60% Iskandar Ventures 100%  Medini Iskandar Malaysia 100% 40% OWNED BY ISKANDAR VENTURES AND 20% OWNED BY ISKANDAR INVESTMENT BERHAD  M+S Pte Ltd 60%  SUNWAY ISKANDAR "NATURE'S CAPITAL CITY" Sunway Iskandar 48.6%  Pulau Indah Ventures 50%  SOUTHERN MARINA Southern Marina 30%  PUTRAJAYA HOLDINGS Putrajaya Holdings 15.6% STLR 100%  8990 ▲ 8990 Holdings 8.6%	 Cenviro 100%  Cenergi SEA 100% ▲ Beijing Development Hong Kong 23.1%  ▲ Beijing Enterprises Water Group 4.6%  ▲ RedT Energy 15.5%	 ▲ Axiata 38.2%  ▲ Telekom Malaysia 28.7% Pulau Kapas Ventures 30%  ▲ TIME dotCom 11.3% 31.4% OWNED BY PULAU KAPAS VENTURES

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 GLCs that are involved in diverse sectors such as aviation, financial services, healthcare, power, property and telecommunications



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 & Takaful.

www.cimb.com



ACR Capital Holdings Pte. Ltd. specialises in providing reinsurance solutions for large and specialist risks in the Pan-Asian region. Its wholly-owned subsidiary Asia Capital Reinsurance Group is one of the world's top 50 insurers.

www.asiacapitalre.com

CIMB Group has over 40,000 staff and approximately 12 million customers



Ⓐ CIMB Group CEO Tengku Dato' Sri Zafrul Aziz shares a firm handshake with Marcus Gnirck, co-founder of Startupbootcamp to mark the banking group's partnership with Startupbootcamp FinTech Singapore, which will offer startups additional expertise and access to high growth markets in ASEAN

Ⓑ Acibadem Sigorta's headquarters in Istanbul, Turkey

Ⓒ Aerial view of Shuaibah Water and Electricity Company's integrated water and power plant in Saudi Arabia



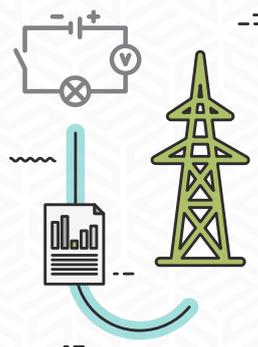
Sun Life Malaysia is a provider of a comprehensive range of life insurance and Takaful products and services. It distributes these products through a range of distribution channels including bancassurance, direct marketing, telemarketing and government and corporate business.

www.sunlifemalaysia.com



Acibadem Sigorta is a leading health insurance services provider 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



We are the largest shareholder of Tenaga Nasional Berhad, one of the largest companies listed on Bursa Malaysia. In addition, we also have an equity interest in Shuaibah Water and Electricity Company and Shuaibah Expansion Project Company (collectively known as Shuaibah Independent Water and Power Project) in the Kingdom of Saudi Arabia.

Tenaga Nasional Berhad is the largest electricity utility company in Malaysia, with RM117 billion worth of assets



Tenaga Nasional Berhad is Malaysia's national electricity supply company, with RM117 billion worth of assets spanning generation, transmission and distribution activities. In 2015, it served an estimated 8.6 million customers nationwide, while also beginning to widen its international footprint.

www.tnb.com.my



Shuaibah Independent Water and Power Project is the first of its kind in the Kingdom of Saudi Arabia, supplying both power and water to several major cities in the western region of the Kingdom.

www.shuaibahiwpp.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 a strategic developer catalysing the long-term development of Iskandar Puteri (previously known as Nusajaya) in Iskandar Malaysia, Johor. It promotes investments in identified sectors and facilitates the development of infrastructure, including at Medini, the future Central Business District for Iskandar Puteri. One of IIB's focus areas is EduCity, a fully integrated education hub that covers the entire education spectrum, as well as provides student accommodation and sports and recreational facilities.

www.iskandarinvestment.com



Medini Iskandar Malaysia Sdn Bhd (MIMSB) is the master developer of Medini – a developing sustainable city in Iskandar Puteri. MIMSB promotes Medini locally and globally and works closely with GLCs 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 Iskandar Puteri.

www.medini.com.my



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

www.8990holdings.com



Pulau Indah Ventures Sdn Bhd, a 50:50 joint venture between Khazanah Nasional Berhad and Temasek Holdings (Private) Limited, is the developer of two wellness-themed development projects in Medini, Iskandar Malaysia.



UEM Sunrise's presence extends internationally, with developments in Vancouver, Canada and Melbourne, Australia



A Serene Heights, developed by UEM Sunrise, is a modern nature-inspired township located near Bandar Baru Bangi in Selangor



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 Iskandar Puteri, one of the five flagship zones and the key driver of Iskandar Malaysia. It also has developments in Canada, Australia and Singapore.

www.uemsunrise.com

An artist impression of UEM Sunrise residential development known as Conservatory Melbourne in Australia




TELECOMMUNICATIONS

Khazanah is a 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 (Axiata) is one of the largest telecommunications groups in Asia, with about 290 million subscribers in 10 countries. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia and Nepal, as well as strategic interests in India and Singapore. Axiata owns edotco, a communications infrastructure services company which operates in six countries. It also owns Axiata Digital Services, which was established in 2012 and has a portfolio of 24 digital brands built within the last three years.

www.axiata.com



Telekom Malaysia Berhad (TM) is Malaysia's leading converged communications service provider, with 2.34 million broadband customers. It offers a comprehensive range of communications services covering broadband, data, fixed-line, ICT, and business process outsourcing (BPO).

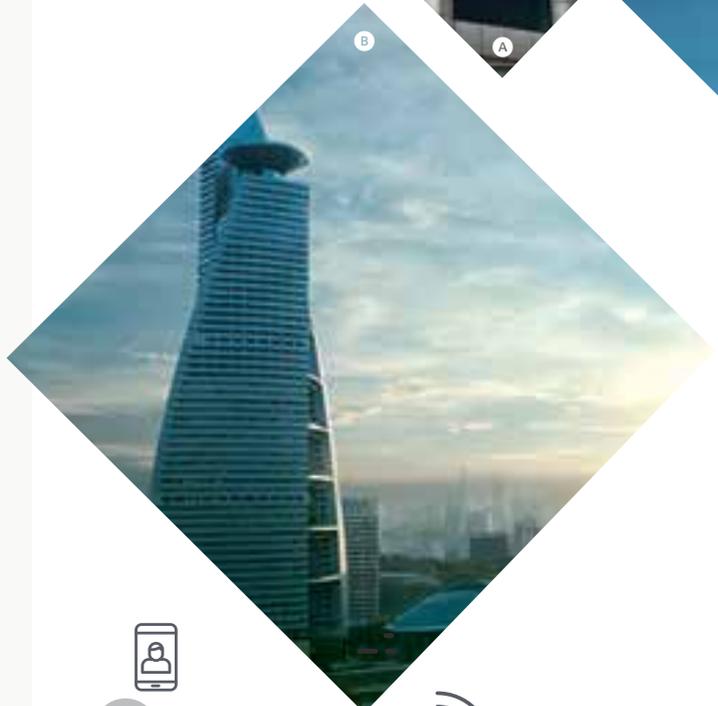
www.tm.com.my



TIME dotCom Berhad (TIME) is a communications service provider with businesses in fixed-line, data centres and global networks. It is primarily focused on the wholesale and enterprise segments across the ASEAN region.

www.time.com.my

Telekom Malaysia currently serves 2.34 million broadband customers





Malaysia Airlines Berhad is one of Asia's largest airlines, serving 40,000 guests on 330 flights to more than 50 destinations daily



AVIATION

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



Malaysia Airlines Berhad (MAB) is one of Asia's largest airlines, servicing 40,000 guests on 330 flights to more than 50 destinations daily. As a member of the oneworld alliance, MAB offers passengers seamless travel to close to 900 destinations in more than 150 countries worldwide.

www.malaysiaairlines.com



Malaysia Airports Holdings Berhad (MAHB), manages and operates 39 airports in Malaysia and one international airport in Istanbul, Turkey. The 39 airports in Malaysia comprise of 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



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 (IHH) is a leading premium healthcare provider and the second largest listed healthcare group in the world by market capitalisation. IHH is listed on Bursa Malaysia's Main Market and SGX-ST's Main Board. Employing more than 30,000 people, it operates a global healthcare network of 49 hospitals with close to 10,000 licensed beds across 10 countries worldwide. The Group offers a full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and ancillary healthcare businesses. It also operates International Medical University (IMU) which focuses in health science education.

www.ihhealthcare.com

ACIBADEM

Acibadem Healthcare Group is a leading private healthcare services provider in Turkey. It operates more than 2,700 beds in 18 hospitals – 16 in Turkey, one in Macedonia and one in Iraq – as well as 13 outpatient clinics and other ancillary healthcare businesses in Turkey.

www.acibademinternational.com

IHH Healthcare Berhad employs more than 30,000 people and operates close to 10,000 licensed beds across 49 hospitals in 10 countries worldwide

- Ⓐ Axiata Group's headquarters is located in KL Sentral
- Ⓑ Menara TM is Telekom Malaysia's headquarters in Kuala Lumpur
- Ⓒ The Istanbul Sabiha Gokcen is a wholly-owned subsidiary of Malaysia Airports Holdings Berhad



INFRASTRUCTURE & 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, townships and property development, engineering and construction, and asset and 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



A member of **UEM**

PLUS Malaysia Berhad is Malaysia's 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 Singapore in the South.

www.plus.com.my



A member of **UEM Group**

UEM Edgenta Berhad is Malaysia's largest total asset solutions provider, offering a full suite of services to the healthcare, infrastructure and industrial sectors.

uemedgenta.com

PLUS Malaysia Berhad operates and maintains almost 1,000km of expressways, stretching from the border of Thailand in the North to Singapore in the South



NEW ECONOMY 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.

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 Government's Economic Transformation Programme (ETP), we aim to improve access to quality education.



LeapEd Services Sdn Bhd (LeapEd), a wholly-owned subsidiary of Khazanah, is Malaysia's first home-grown education services provider that undertakes the nation's pioneer public school transformation programme via the Yayasan AMIR Trust Schools Programme (YATSP). 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 and community. It is currently being implemented across 62 public schools in Johor, Sarawak, Kuala Lumpur, Selangor, Perak, Negeri Sembilan, Sabah, Terengganu and Pahang.

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



(A) Students of Sekolah Menengah Kebangsaan Medini-Nusajaya preparing for a group presentation. It is a Trust School under Yayasan AMIR

(B) Xeraya Capital's headquarters in Kuala Lumpur



LEISURE & TOURISM

This sector's investments are predicated upon the abundant and diverse natural ecological heritage, rich cultural heritage and the warm hospitality 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 Malaysia's leisure & tourism products and services.



THEMED ATTRACTIONS
RESORTS & HOTELS

Themed Attractions Resorts & Hotels Sdn Bhd's (TARH) investments to grow the leisure and tourism economy are predicated upon the abundant and diverse ecological and cultural heritage of Malaysia and the multilingual abilities and warm hospitality of the people. Apart from creating jobs and boosting direct economic contribution to Malaysian GDP, the investments complement the growth of other industry sectors including consumer, healthcare, property development and construction, as well as the development of economic regions such as Iskandar Malaysia. By undertaking catalytic investments of scale, TARH aims to also spur private investment into leisure and tourism products and services in Malaysia.

TARH focuses on developing and operating world-class destination resorts and integrated theme parks and attractions, and on growing a resort management business. Our pipeline of operating facilities and projects under development include:

- Destination Resorts – Puteri Harbour, Desaru Coast and Teluk Datai
- Integrated Theme Parks and Attractions – LEGOLAND® Malaysia Resort, KidZania Kuala Lumpur, SANRIO HELLO KITTY TOWN, Thomas Town, KidZania Singapore, Desaru Adventure Water Park
- Resort Management – The Datai Langkawi and a stable of leading hotel brands

www.tarh.com.my



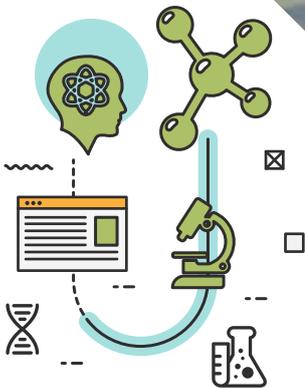
INNOVATION & TECHNOLOGY

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.



Skyscanner is a leading global travel search site, with over 50 million users using the site monthly to plan and book direct from millions of travel options – ranging from flights, hotels and car hires – at best prices. Skyscanner is available in over 30 languages and 70 currencies.

www.skyscanner.net



A One of Khazanah's catalytic projects is Desaru Coast, an integrated destination resort in Desaru, Johor

B Khazanah was among five new investors in Skyscanner, a travel search engine company based in Edinburgh, United Kingdom, in January 2016



ON DILIGENCE

"In a challenging and quickly changing business environment, diligence matters more than ever – this need is amplified as Khazanah takes more exposure in new geographies such as the United States, and in new and disruptive technologies."

 Sundhiraj Sharma
Director, Khazanah Americas Inc.



Aemulus Holdings Berhad is a listed company principally involved in the design, engineering and development of automated test equipment. Its products are used by semiconductor manufacturers and outsourced semiconductor assembly and test (OSAT) companies to test semiconductor wafer and packaged devices, before they are shipped for final assembly into various electronic devices and gadgets.

www.aemulus.com



Blippar is a visual discovery browser using augmented reality, artificial intelligence and computer vision technology to transform how people connect with the world. Blippar serves as an online marketing tool and counts Coca-Cola, Sony, L'Oreal as some of its clients.

www.blippar.com



Palantir is a leading mission-driven software and services company. It offers a next-generation data analytics platform that blends machine learning with human intuition, enabling end users to intuitively ask questions of the data using their own mental model. The company derives up to 70% of its revenue from commercial clients, with the remaining 30% from the public sector.

www.palantir.com



SilTerra Malaysia Sdn Bhd is a 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



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.



Malaysian Agrifood Corporation Berhad (MAFC) is a fully-integrated food supply chain management company. It produces fresh and high quality highland vegetables under the brand Lushious, and distributes to retailers via its integrated cold chain logistics subsidiary. MAFC creates value by collaborating with relevant government agencies and industry players with the aim of supplying safe and top quality fresh produce for healthier living.

www.mafc.com.my



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



Biotropics Malaysia Berhad develops and commercialises Malaysia's bio-resources into superior natural health products. Its products include proprietary standardised extracts, all-natural dietary supplements, ingredients for nutraceutical, functional food and cosmeceutical applications, all scientifically tested and verified to meet the highest quality, safety and efficacy standards.

www.biotropicsmalaysia.com



ON INTEGRITY

"Integrity is definitely the value that resonates most with me, because this is something Khazanah immerses itself in on a daily basis, and is actively cascaded throughout the organisation. Integrity carries so much weight in Khazanah given the nation-building mandate on our shoulders, and the millions of stakeholders that we serve."



Loo Kin Han
Vice President, Investments

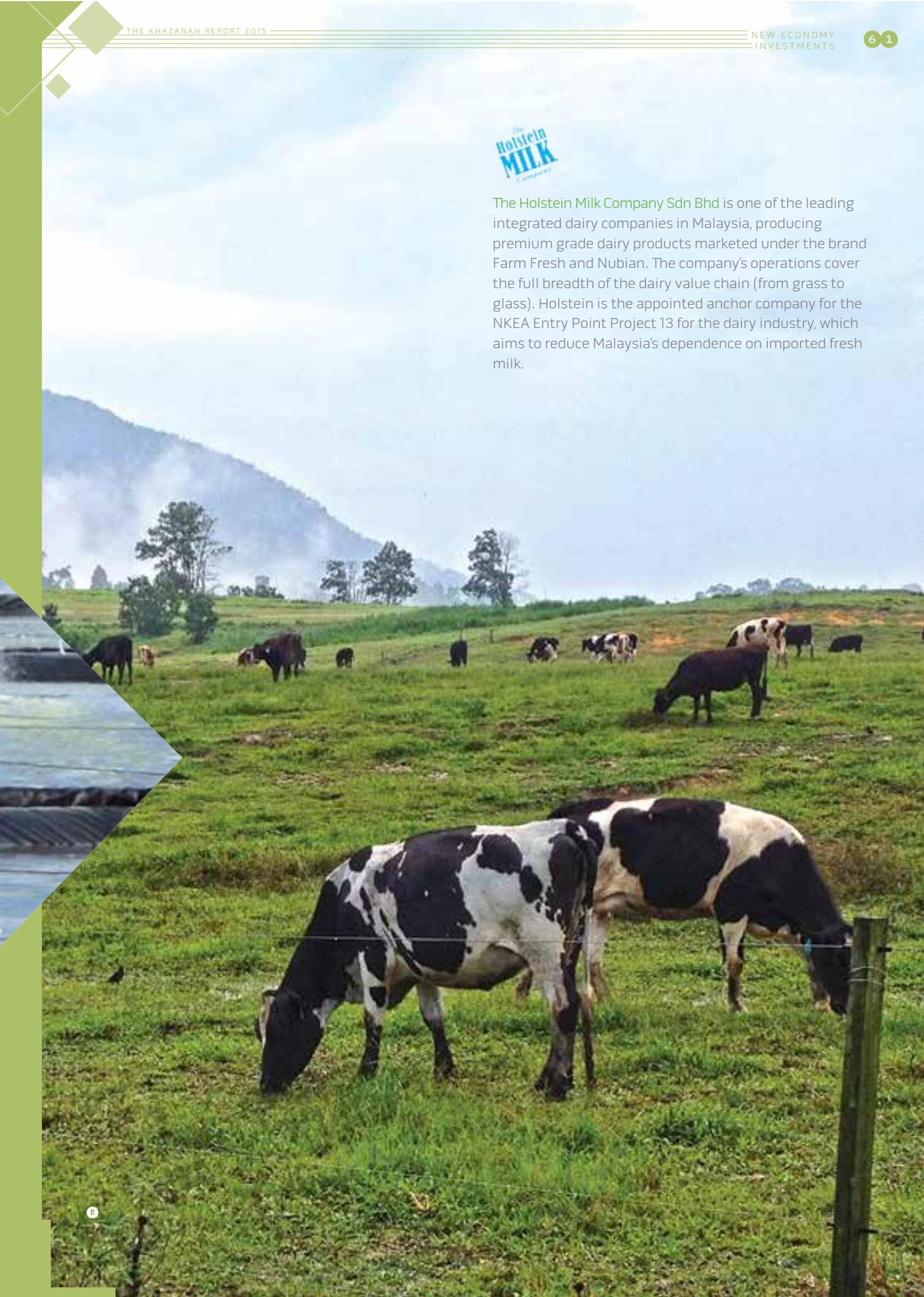


(A) Blue Archipelago's shrimp farms are located in Setiu, Terengganu and Kerpan, Kedah

(B) The Holstein Milk dairy farms are based in Mawai Kota Tinggi, Johor and Muadzam, Pahang, where cattle is raised in a natural and sustainable environment



The Holstein Milk Company Sdn Bhd is one of the leading integrated dairy companies in Malaysia, producing premium grade dairy products marketed under the brand Farm Fresh and Nubian. The company's operations cover the full breadth of the dairy value chain (from grass to glass). Holstein is the appointed anchor company for the NKEA Entry Point Project 13 for the dairy industry, which aims to reduce Malaysia's dependence on imported fresh milk.





SUSTAINABLE DEVELOPMENT

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



Cenviro Sdn Bhd provides innovative and sustainable waste management solutions. Through its subsidiaries, including Kualiti Alam, Cenviro specialises in hazardous waste management across the value chain, from collection to treatment and final disposal. It owns and operates Malaysia's first integrated Waste Management Centre, which has been in operations since 1998. It is also involved in municipal solid waste management and public cleansing in Kedah and Perlis through its joint-venture company, E-Idaman Sdn Bhd.

www.cenviro.com



Cenergi SEA develops clean energy projects and provides advisory services, with particular focus on biogas, biomass and energy efficiency projects in Malaysia and Southeast Asia. It is the largest grid-connected palm oil mill effluent biogas player in the country, currently operating three plants with a combined generation capacity of 4.5MW.

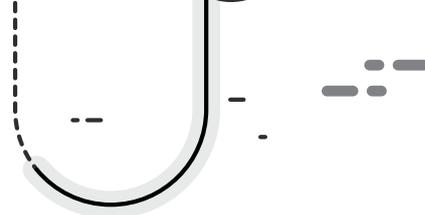
www.cenergi-sea.com



RedT Energy (formerly known as Camco Clean Energy), which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is a developer and supplier of energy storage systems based on vanadium redox flow battery technology.

www.redtenergy.com

Cenviro specialises in hazardous waste management across downstream, midstream and upstream activities



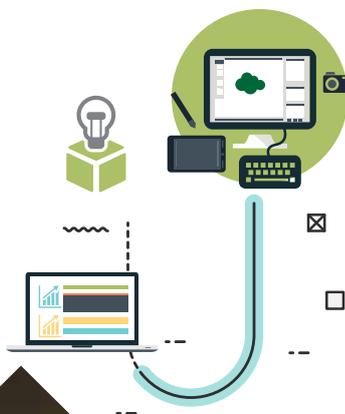


ON TEAMWORK

"Teamwork and a sense of belonging in a workplace can contribute greatly to job satisfaction. During challenging times, working as a team is crucial for the success of a project; when members are able to look to one another for guidance and support. As the Malay proverb goes, *berat sama dipikul, ringan sama dijinjing.*"



Syed Abdul Rahman Syed Zaid
Assistant Vice President, Finance



B

(A) Cenviro provides integrated environmental solutions and sustainable waste management services

(B) Imagica SEA operates from Pinewood Iskandar Malaysia Studios, offering comprehensive digital post production services to its clients in Southeast Asia



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 a international creative industry hub, and provide spillover economic benefits to the local tourism, financial and education industries.



Astro Malaysia Holdings Berhad (AMH) is a leading content and consumer group in Malaysia and ASEAN with a focus on ideation creation aggregation distribution and monetisation of content. AMH serves 20 million individuals through its DTH Satellite TV, IPTV and OTT platforms.

www.astromalaysia.com.my

R:V

Rhizophora Ventures

Rhizophora Ventures Sdn Bhd is an investment holding company in creative and media content, with three focus areas: content, ecosystem and infrastructure. It supports the development of the Malaysian creative industry towards becoming a world-class industry player.

ISKANDAR MALAYSIA
STUDIOS

Pinewood Iskandar Malaysia Studios is a state-of-the-art integrated media production studio facility offering 100,000 sq ft of film stages, 24,000 sq ft of TV studios, a full range of post-production services, 72,000 sq ft of workshop and production office space, backlots for outdoor filming, as well as interior and exterior water filming tanks.

www.pinewoodmalaysiastudios.com

BUILDING A REGIONAL FOOTPRINT



We have established a presence in key markets abroad, which enables us to tap into regional economic growth, identify opportunities that promote the regionalisation of our investee companies and contribute towards building the nation's long-term competitiveness.



(From left) Shazlin Helda Ibrahim, Vice President; Zoe Claire Galea, Executive Secretary; Charmaine Chin Nga Mun, Assistant Vice President, all from Khazanah Europe Investment Limited



2008



▶ Khazanah Nasional Consulting (Beijing) Company Limited



2008



▶ Khazanah India Advisors Private Limited



2013



▶ Khazanah Turkey Regional Office



2013



▶ Khazanah Americas Inc.



2015



▶ Khazanah Europe Investment Limited

UNITED KINGDOM



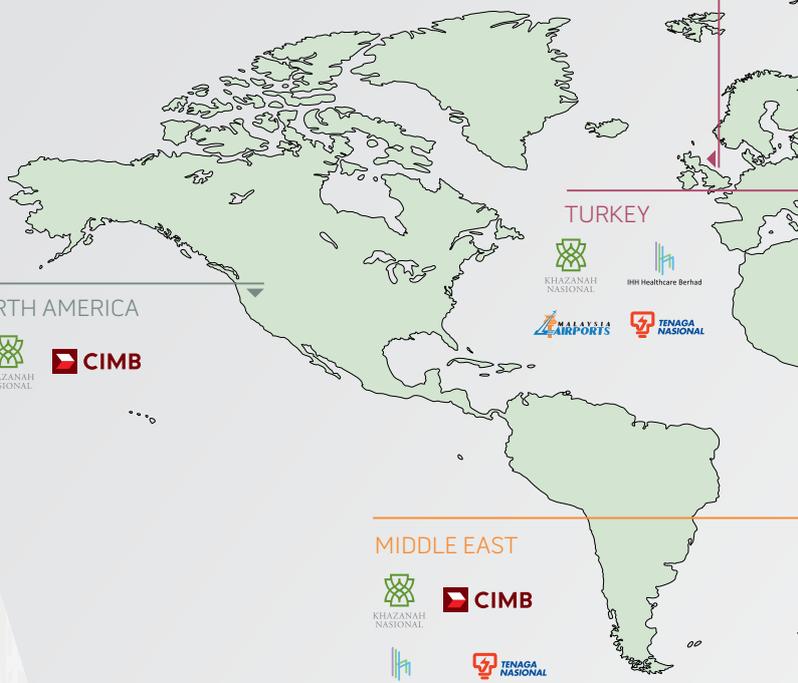
NORTH AMERICA



TURKEY



MIDDLE EAST



GOVERNMENT-LINKED COMPANIES TRANSFORMATION PROGRAMME



Programme Overview

The 10-year Government-Linked Companies (GLC) Transformation Programme saw the "graduation" of GLCs last year, with a ceremony officiated by the Prime Minister of Malaysia after the 29th and final meeting of the Putrajaya Committee for GLC High Performance (PCG) on 7 August 2015. In conjunction with the event, a 3-day GLC Open Day was also held, drawing over 67,000 visitors.

The GLC Transformation Programme (Programme) was launched on 29 July 2005 to drive large scale transformation of GLCs through a programme management approach, with the participation of 20 GLCs (also known as the G20) controlled by five GLICs.

PCG was established, with Khazanah as the Secretariat, to facilitate the Programme from the highest level of leadership. Chaired by the Prime Minister, the PCG meetings were also attended by heads of GLICs and CEOs of GLCs.

Following the graduation of the Programme, GLCs have become more dynamic, performance-driven and well-governed organisations. GLCs today are stronger institutions with well-managed balance sheets and greater regional and international presence.

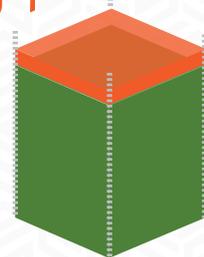


DELIVERING FINANCIAL PERFORMANCE

G20 Total Shareholder Return
grew

10.5% p.a.

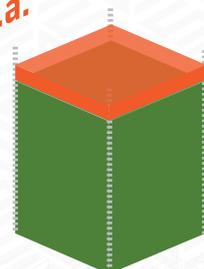
from 14 May 2004
to 31 December
2015

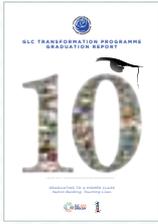


G20 Return on Equity
hit

8.6% p.a.

on average
from FY04 to FY15





GLC Transformation Programme: Graduation Report



Voices: Reflections on a Transformation Journey

GLCs TODAY ARE STRONGER INSTITUTIONS WITH WELL-MANAGED BALANCE SHEETS AND GREATER REGIONAL AND INTERNATIONAL PRESENCE

Dato' Sri Mohd Najib together with Cabinet ministers and heads of Government-Linked Investment Companies at the launch of the *GLC Transformation Programme Graduation Report* during the graduation ceremony

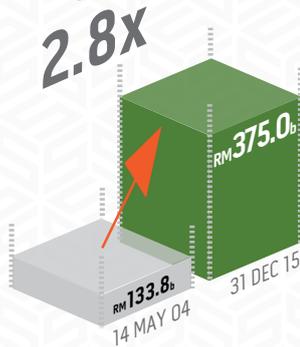
From 14 May 2004 to 31 December 2015, G20s market capitalisation grew by 2.8 times from RM133.8 billion to RM375.0 billion while total shareholder return (TSR) grew 10.5% per annum. Meanwhile, G20 net profit hit RM22.5 billion in FY2015, growing at a compounded annual growth rate (CAGR) of 7.8% from FY2004 to FY2015.

GLCs have also significantly contributed to nation-building through various efforts, developing new, knowledge-based and service-oriented industries and sectors, and being involved in the development of the economic corridors.

The Programme also helped to ensure that returns generated benefitted all stakeholders, including customers, employees, vendors, suppliers and society. The G20 contributed RM121.9 billion in dividends and RM69.6 billion in taxes from FY2004 to FY2015, providing returns to the investing public (including contributors to trust agencies such as Employees Provident Fund and Permodalan Nasional Berhad), the *rakyat* and country at large.

GLICs and G20 have also been actively involved in corporate responsibility initiatives, supporting programmes such as PINTAR Foundation, Yayasan Sejahtera, GLC Disaster Relief Network (GDRN), Graduate Employability Management Scheme (GEMS) and Skim Latihan 1Malaysia (SLIM).

G20 Market Capitalisation grew



G20 Net Profit up by



Source: G20 annual reports, G20 reporting, Bloomberg

Bumiputera Economic Agenda

In response to the Bumiputera Economic Empowerment Agenda launched by the Government in September 2013, the PCG in November 2013 established the Bumiputera Empowerment Agenda (BEA). Under the BEA, various initiatives have been implemented by GLICs and G20, benefitting Bumiputera entrepreneurs, employees, students and the larger community. Khazanah was given the mandate to continue as the Secretariat of BEA until 2020, with a new trajectory mapped to strengthen the BEA implementation plan. The performance of GLICs and G20 under BEA is programme-managed by Khazanah and reported regularly to the Bumiputera Economic Council chaired by the Prime Minister.

Challenges ahead

While much has been achieved over the 10 years of the GLCT Programme, GLCs continue to face new challenges.

GLCs are operating in a tougher external environment

Over the last decade, while GLCs have progressed, competition has intensified. Companies have become leaner, more cost-effective and able to deliver higher value and greater customer satisfaction. In addition, the uncertain and volatile world economic environment presents a new set of challenges.

GLCs need to overcome impediments to further growth

These include slowdowns in their financial and operational performance, increasing difficulty in finding the next wave of growth, complexities of operating across multiple geographies, talent attraction and retention.

Greater demand to assist with nation building and stakeholder needs

As Malaysia progresses towards 2020, there will be greater emphasis on GLCs to support nation building, catalysing more new areas of growth and leading Corporate Malaysia in supporting the "people economy". 2015 and beyond represents the last leg of a 30-year journey to 2020 and there will be greater expectations on GLCs to do more.

Heightened pace of globalisation, liberalisation and regulation

While there are clear benefits from greater liberalisation of markets, there is also a danger that potentially excessive conditions placed by provisions under new trade agreements such as the TPPA would significantly constrain the proper growth and development of GLCs.

Hence, there is a need for GLCs to remain vigilant, continue to aim for greater competitiveness and even reinvent themselves in the run-up towards 2020 and beyond.



A



B

- A The three-day GLC Open Day attracted 67,000 visitors
- B Tan Sri Azman passing the baton to Tan Sri Zamzamairani Mohd Isa, Managing Director of Telekom Malaysia while witnessed by Dato' Sri Abdul Wahid Omar, Minister in the Prime Minister's Departments during the graduation ceremony of the GLC Transformation Programme
- C Tan Sri Nor, Deputy Chairman of Khazanah, speaking during the closing session of the GLC Open Day
- D PINTAR Foundation's PINTAR Mobile Learning Unit is a bus converted into a fun learning space aimed at encouraging action and thought among students of PINTAR schools



A successor entity to continue the spirit of the Programme

In the previous strategic review of the GLCT Programme, many GLIC and G20 Chairmen and CEOs felt that the network effect created by the Programme should continue. This resulted in the idea of creating a successor entity to achieve this objective. Broadly, the main objectives of the successor entity are as follows:

1. To continue upholding the 3 Underlying Principles¹ of the Programme so that the spirit of the Programme remains active.
2. To help shape and contribute to Malaysia's ambition of becoming a developed country by 2020.
3. To foster business collaboration in going regional and global, and build knowledge capital through the sharing of best practices amongst the members of the successor entity.

During the last meeting in August 2015, the PCG endorsed Telekom Malaysia (TM) to be the first chair of the successor entity. TM is currently working towards shaping the successor entity.



ON TEAMWORK

"We programme-manage outcomes by harnessing synergy from various teams, within and external to Khazanah. In 2015, we worked with 22 GLIC and GLC teams to successfully graduate the GLCT Programme; at the same time, we worked closely with various Khazanah and Malaysia Airlines Berhad teams to execute the MAS Recovery Plan. It's fulfilling to see teams break silos and come together as one to address common issues."



Ramana Rajalingam
Senior Vice President, Managing Director's Office
(Ramana works in the Special Projects Office)

¹ The 3 Underlying Principles include national development foundation, performance focus and governance, shareholder value and stakeholder management



DIVIDENDS PAID OUT TO SHAREHOLDERS 2004-2015

G-20 RM121.9b **K-7** RM57.1b

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 RM57.1 billion in dividends to shareholders from 2004 to 2015

Source: G20 annual reports and G20 reporting

NUMBER OF VENDORS IN VARIOUS DEVELOPMENT PROGRAMMES IN 2015

G-20 1,372 **K-7** 1,258

The K-7 have supported 1,258 vendors in 2015 through their various development programmes

Source: G20 reporting

TAXES PAID 2004-2015

G-20 RM69.6b **K-7** RM32.1b

Besides dividends, the K-7 have also paid a total of RM32.1 billion in taxes within the same period, which ultimately benefits the nation

Source: G20 annual reports and G20 reporting

TOTAL SHAREHOLDER RETURN

G-20 10.5% per annum

K-7 11.1% per annum

Over the period from 14 May 2004 to 31 December 2015, total shareholder return of K-7 companies grew by 11.1% p.a., outperforming the rest of FBM KLCI by 0.3% p.a.

Source: G20 annual reports and G20 reporting

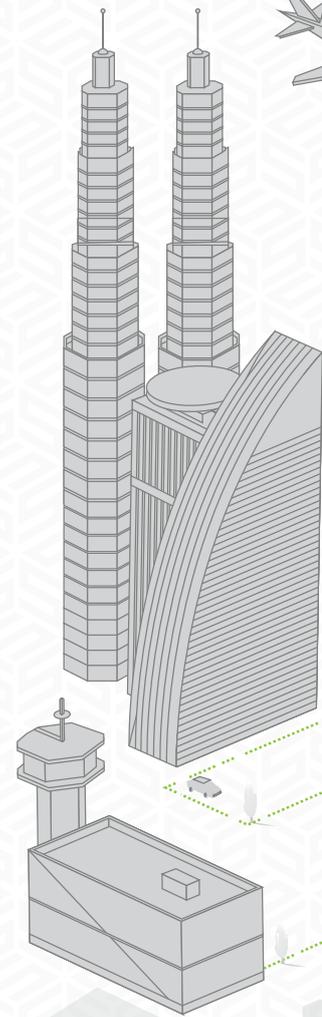


ON INTEGRITY

"Integrity forms the basis of trust with our partners and those who we work with. Having access to confidential and sensitive information, integrity needs to be upheld at all times to prevent leaks or misuse of this information in any way."

 Chin Jun Hann
Assistant Vice President, Investments

K-7



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.

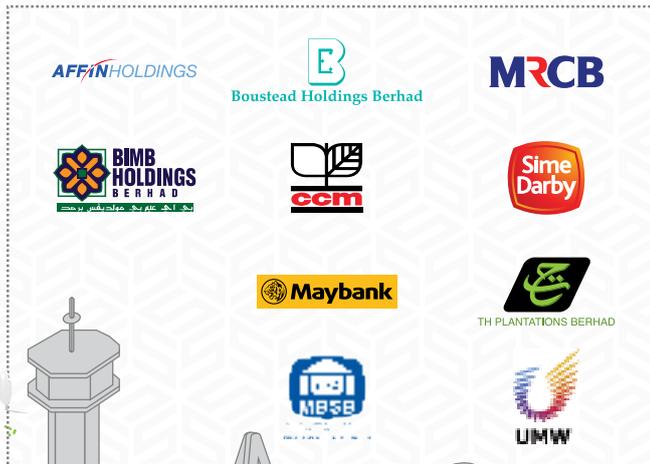
EARNINGS GROWTH

G-20 7.8% per annum K-7 7.9% per annum

K-7 aggregate earnings grew by 7.9% p.a. from RM5.2 billion in 2004 to RM11.9 billion in 2015

Source: G20 annual reports and G20 reporting

G-20



TOTAL MALAYSIAN WORKFORCE

G-20 214,334 K-7 122,317

The K-7 employed a total of 122,317 people as at 31 December 2015

Source: G20 reporting



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 FROM 2008 - 2015

G-20 297 K-7 173

NUMBER OF STUDENTS IN THE PROGRAMME FROM 2008 - 2015

G-20 168,289 K-7 98,650

From 2008 - 2015, a total of 173 schools have been adopted by the K-7, benefitting 98,650 students

Source: PINTAR Foundation

TRAINING AND DEVELOPMENT COSTS

G-20 RM568m K-7 RM402m

The K-7 has ramped up their human capital development efforts, spending RM402 million on training in 2015

Source: G20 annual reports and G20 reporting

MUTUAL RESPECT

VALUING DIFFERENCES AND TREATING EVERYONE WITH THE SAME RESPECT THAT WE EXPECT FROM OTHERS. BEING FAIR AND HONEST IN ALL DEALINGS AND ALWAYS MAINTAINING CONFIDENTIALITY. INSPIRING AND ENABLING OUR PEOPLE TO ACHIEVE HIGH PERFORMANCE AND BELIEVING ALL INDIVIDUALS WANT TO ACHIEVE THEIR FULLEST POTENTIAL



(From left) Lim Kool June, *Director*; Bryan Lim Tsin Lin, *Director*; Kenneth Woo Zhi Ying, *Senior Vice President*; Ben Chan, *Executive Director*; and Stanley Ooi Kok Leong, *Director*, all from Khazanah Nasional Consulting (Beijing) Company Limited



DELIVERING BENEFITS TO STAKEHOLDERS

Khazanah's mandate goes beyond value creation in the financial and strategic spheres. We are also tasked with delivery of societal returns, as part of our role in helping Malaysia to achieve developed nation status with a high-income, sustainable and inclusive economy



Inclusion and Sustainability **74**
Selected Highlights of Corporate
Responsibility Initiatives in 2015 **78**
Supporting National Transformation **80**

INCLUSION AND SUSTAINABILITY



For Khazanah, long-term investments are not just about financial returns, but also take into account ethical and lasting value creation. We do so by balancing capital economy with people economy, which ultimately would lead to higher quality of life for the rakyat. Below are selected Khazanah driven initiatives that promote inclusion and sustainability.

Value Distribution through Yayasan Hasanah

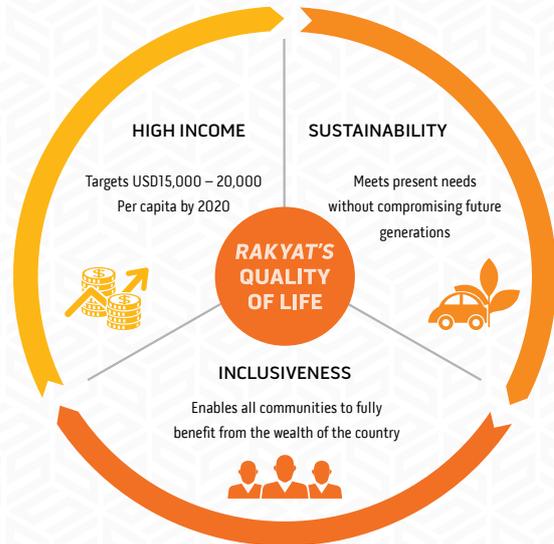
Yayasan Hasanah (Hasanah) was incorporated in December 2013 to lead Khazanah's corporate responsibility (CR) initiatives, an enhanced and more strategic approach to value distribution to the nation for years to come. Hasanah is mandated to support the development and implementation of solutions that empowers communities, encourage social inclusivity and improve local environments.

Annually, Hasanah's yearly budget is financed through an annual return that is generated from the Khazanah RM3 billion endowment fund. By intent, the budget is predominantly channelled towards supporting and funding the programmes of its Partners, with a minimal allocation for the operations of Hasanah.

Hasanah works through an ecosystem of partners that includes civil society, communities, corporates, and government agencies to ensure that its efforts result in meaningful impact. To help build capacity among the civil society organisations, Hasanah also provides strategy and business advice, training and workshops, knowledge-sharing, sector best practices and networking opportunities.

For more info on Yayasan Hasanah's initiatives, download the 2015 report at www.yayasanhasanah.org

Balancing Capital Economy and People Economy



YAYASAN HASANAH

A foundation of Khazanah Nasional

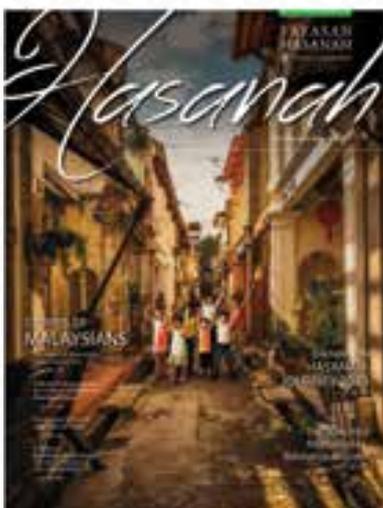
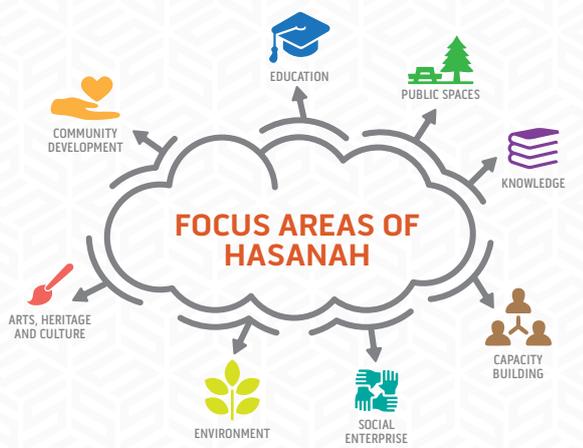
BUILDING TRUE VALUE

Leading foundation that promotes Malaysia's global sustainability through solutions that empower communities, encourage social inclusivity and improve the environment





Khazanah Research Institute (KRI) Director of Research Wan Khatina Wan Mohd Nawawi presenting the findings of KRI's latest publication *Why Trade Matters* during the launch of the report



The Hasanah Report 2015, which was issued in May 2016



ON MUTUAL RESPECT

“Teamwork, professionalism and mutual respect are crucial in collaborating with all our stakeholders - partners, other civil society organisations, as well as the public and corporate sector. It is through a dedicated collective effort that we can contribute to and achieve long-term impact and positive social change.”

 Razlina Azura Radzi
Vice President, Programme, Yayasan Hasanah

SOCIAL INCLUSION



Driving Urban Rejuvenation Through Think City

Think City, a wholly-owned subsidiary of Khazanah established in 2009, is a community-based urban regeneration body that spearheaded the rehabilitation of the George Town UNESCO World Heritage Site.

In 2015, it was given the mandate to expand similar efforts to Kuala Lumpur, Butterworth and Johor Bahru. Think City works closely with the government, local and international agencies and various communities to build local capacity for the protection and development of living heritage, culture and architecture. It also aims to encourage sustainable development and the creation of a more liveable environment. For more info on Think City, visit www.thinkcity.com.my

KHAZANAH RESEARCH INSTITUTE

Evidence-based Policy Research through Khazanah Research Institute

Khazanah Research Institute (KRI), which started operations in the first quarter of 2014, aims to undertake analyses and research on the pressing issues of the nation, and based on the research, provide actionable policy recommendations. KRI's publication *Making Housing Affordable*, launched in August 2015, addressed the important subject of housing in a way that both the interested layman and the practitioner can understand. Similarly, *Why Trade Matters: Part One and Part Two*, which was launched in November 2015, puts into perspective how international trade affects the daily lives of people. For more info on KRI, visit www.krinstitute.org



Promoting Public Spaces

Khazanah is involved in the promotion of public spaces as part of its contribution towards sustainable development by creating more sustainable and liveable cities.

The Cruyff Courts Programme

Malaysia is the second Asian country after Japan to have the Cruyff Courts Programme, a collaboration between Khazanah and the Johan Cruyff Foundation. Cruyff Court Iskandar Malaysia was launched in 2012 while Cruyff Court Kuala Lumpur in Brickfields was opened in 2013. The programme provides a unique football experience to disadvantaged children, youths and the larger community. Cruyff Courts bring old playing fields that are lost to urbanisation back to the community to restore social unity, as they serve as playing fields as well as meeting places where themes like mutual respect, health, integration, development and teamwork are nurtured.

Taman Tugu & Dataran Muzium

In September 2015, Khazanah announced the Taman Tugu and Dataran Muzium project, a not-for-profit initiative, to rejuvenate and reactivate Muzium Negara and separately convert a 66-acre site adjacent to Tugu Negara into a sustainable people's park.

The project, funded by Khazanah together with the Federal Government, other government agencies and private sector parties, aims to stitch the urban fabric of Kuala Lumpur and re-connect the sites via land bridges with KL Sentral, the Lake Gardens and other Greater Kuala Lumpur initiatives.

Besides rekindling the people with arts, culture, heritage, history and nature surrounding the sites, the project is also expected to draw in higher tourist traffic which generates incremental tourism revenue. The project is slated for completion between 2018 and 2020.



A The late Johan Cruyff having a kick-about with special needs children at Cruyff Court Kuala Lumpur in Brickfields. Mr Cruyff passed away in March 2016

B Tan Sri Azman (second from right) presenting the Taman Tugu and Dataran Muzium project model to Dato' Sri Mohd Najib (far right) in March 2016

C Shahira Ahmed Bazari (centre), Managing Director of Yayasan Hasanah, with Hasanah partners at the Hasanah Partners' Retreat 2015

D An after school music class in Sekolah Kebangsaan Tabuan, Kuching, a Trust School under Yayasan AMIR



ON MUTUAL RESPECT

“Across the different interactions we have, mutual respect within the company and with external parties is key in ensuring our goals are achieved. Mutual respect helps build long-lasting and sustainable relationships that would create a positive impact in communities we are involved in.”

 Kazrin Khairul Anuar
Associate, Investments



Development of Iskandar Puteri Public Transport System

The next phase of development for Iskandar Puteri is the setting up of a bus service system that interconnects all key nodes in the area. The Bus Rapid Transit is a system that utilises dedicated bus lanes, universal access stations, integrated pedestrian access, rapid boarding and high service frequency aspects.

Affordable Housing in Iskandar Malaysia

Iskandar Malaysia is not only for the affluent as UEM Sunrise has earmarked its landbank at Gerbang Nusajaya, the second wave of development after Iskandar Puteri, for affordable housing to be built for Malaysians.

SUSTAINABILITY

Impact Investing

In 2015, Khazanah demonstrated impact investing when it successfully combined education and Islamic finance along with socially responsible investments through the issuance of the world's first Ringgit-denominated Sustainable and Responsible Investment Sukuk. This innovative structure, while relatively new, is a powerful concept with investor awareness and responsiveness expected to further increase over time.

Other impact investments include 8990 Holdings, which focuses on building homes for lower income groups in the Philippines; Cenviro, which is involved in sustainable waste management; and Cenergi SEA in the clean energy sector.

Khazanah will continue to strive to push the boundaries of impact investing and find more ways to do so in the future.

Responsible Investment

Beyond financial returns, Khazanah is also working to quantify the holistic impact of investments to include areas such as environment, human capital and industrial harmony, economic multipliers like job creation, technology and knowledge formation; and development of a supplier base.

SELECTED HIGHLIGHTS OF CORPORATE RESPONSIBILITY INITIATIVES IN 2015



Yayasan Hasanah and partners



EDUCATION



RAISING OUR NATION'S EDUCATION STANDARDS

- ▶ **62** Trust Schools across 9 states
 - ▶ **48.4%** average increase in holistic student development through co-curricular activities for 1st Cohort (2011-2015)
 - ▶ **2.7%** average increase in SPM Gred Purata Sekolah (Grade Point Average) for 1st Cohort (2011-2015)
 - ▶ **2.4%** average increase in UPSR passing rate for 1st Cohort (2011-2015)
- ▶ Piloted the 'Student Outcome Measurement' (SOM) tool, a framework to track and measure the holistic progress of Trust Schools students



COMMUNITY DEVELOPMENT



ALLEVIATING POVERTY, IMPROVING LIVES

- ▶ **514** families in Pitas, Sabah now have access to clean water
 - **86%** of **514** families said the project benefitted them and improved their daily activities especially in cooking and providing drinking water
 - ▶ **60** beneficiaries of post-flood relief in Kota Bharu in the form of small grants assistance between March 2015 and February 2016
 - ▶ **54** persons in Bachok, Kelantan received skills training
- Sejahtera provided post-flood assistance in Kelantan for:
- Food Based Businesses
 - Small Scale Farming
 - Small Scale Agricultural Trading
 - Small Tailoring Businesses

ENTREPRENEURSHIP SKILLS TRAINING AND MICRO LOANS TO LOW-INCOME WOMEN

- ▶ Micro loans to **150** low-income women in Klang Valley
- ▶ **152** women attended entrepreneurship training by TECH, a prerequisite before they can receive their micro loans

EMPOWERING WOMEN IN SARAWAK THROUGH FINANCIAL LITERACY

- ▶ **463** women received motivational and financial literacy training
- ▶ **73** participants progressed to being a trainer and trained women in their own village



ARTS, HERITAGE AND CULTURE (AHC)



CONNECTING THE ARTISTIC AND CULTURAL COMMUNITY

- ▶ Conducted stakeholder mapping and engagement towards setting up an online resource portal



ENVIRONMENT



EMPOWERING COMMUNITIES TO PROTECT THE ENVIRONMENT

- ▶ **Treat Every Environment Special (TREES) Young Voices for Conservation (YV4C)** through secondary schools:
 - **38** secondary schools
 - **21.8** tonnes of waste recycled
 - **300** young leaders trained
- ▶ **6** weekly Facebook posts from **12** schools totalling **72** posts, sharing their experiences and achievements with the online community



PROMOTING SUSTAINABLE LIVING

- ▶ Community events:
 - Kuala Lumpur Eco Film Festival (KLEFF)
 - Langkawi Eco Film Festival (LEFF)
- ▶ **7,800** people participated in KLEFF and LEFF
- ▶ **174** film submissions from **47** countries at KLEFF 2015
- ▶ **63** green vendors/ exhibitors at KLEFF
- ▶ **44** local groups and stakeholders from **22** organisations engaged in community dialogues at LEFF



REDUCING EDUCATIONAL INEQUALTY	NURTURING TOMORROW'S LEADERS	CONNECTING RURAL SCHOOLS TO CORPORATE MALAYSIA
<ul style="list-style-type: none"> ▶ 87% based on 127 responses from principals rated Teach For Malaysia (TFM) Fellows are effective (2015 School Satisfaction Survey) ▶ 63% of 90 alumni involved in education or social sector development or continued to teach in schools ▶ 131 TFM Fellows + 24 Alumni teaching in 69 secondary schools across 8 states, impacting 23,250 students 	<ul style="list-style-type: none"> ▶ 98 scholarships awarded in 2015 ▶ Since 2006, 536 Yayasan Khazanah scholarships have been awarded: <ul style="list-style-type: none"> ◦ 251 Khazanah Global Scholarship ◦ 110 Khazanah Watan Scholarship ◦ 117 Khazanah Asia Scholarship ◦ 58 Khazanah Bestari Scholarship 	<ul style="list-style-type: none"> ▶ 406 schools adopted (2007-2015) ▶ 147 active schools in 2015 adopted by Corporates ▶ 76,079 students impacted in 2015 ▶ 86.5% of 270 respondents¹ are satisfied with PINTAR Foundation's programme ▶ Two PINTAR Mobile Learning Units (PMLU) reached out to: <ul style="list-style-type: none"> ◦ Total 53,290 visitors through: <ul style="list-style-type: none"> ◦ 185 schools nationwide including ◦ 112 active PINTAR schools and ◦ 73 schools which have completed their adoption period



SUPPORTING ORPHANS AND ABANDONED BABIES 'DEINSTITUTIONALISATION OF CHILDREN' (DI)	PROVIDING AT-RISK CHILDREN A SAFE SPACE	HUMANITARIAN AND DISASTER RELIEF
<ul style="list-style-type: none"> ▶ 5 children successfully reintegrated with their families in OrphanCARE's DI pilot project ▶ Successfully matched to-date 135 abandoned babies with adoptive parents ▶ 15 out of 32 women decided to keep their babies instead of giving them up for adoption ▶ Forum with international subject matter experts on DI for 200 civil society and government participants 	<ul style="list-style-type: none"> ▶ Yayasan Chow Kit supported 73 children in Chow Kit ▶ 90% of parents indicate they are happy with YCK's services ▶ 10 YCK alumni² are now pursuing their studies in local tertiary education institutions. One of them received a scholarship from Yayasan Khazanah Sharing YCK learnings with other community centres around Malaysia 	<ul style="list-style-type: none"> ▶ Emergency Response <ul style="list-style-type: none"> ◦ Monsoon floods³ especially in the East Coast of Malaysia ◦ Nepal earthquake - MERCY Malaysia ◦ Rohingya Boat People ◦ Myanmar floods - MERCY Malaysia ◦ Gaza humanitarian aid - MERCY Malaysia ◦ Gaza-Viva Palestina Malaysia scholarships ▶ Recovery <ul style="list-style-type: none"> ◦ Flood recovery⁴ in East Coast Malaysia (clean up and rehabilitation of facilities) ◦ Sabah Earthquake (rehabilitation of water supply) - Rotary Club of Luyang ▶ Preparedness <ul style="list-style-type: none"> ◦ MERCY Malaysia's Community Based Disaster Risk Reduction Management workshops with students and the community in Kuala Krai, Kelantan ◦ Evacuation centre in Kampung Bertam Lama, Kelantan - Bantuan Bencana NGO (BBNGO)



KNOWLEDGE

KHAZANAH RESEARCH INSTITUTE

EVIDENCE-BASED RESEARCH

- ▶ *Making Households Affordable* Report launched in August 2015
- ▶ *Why Trade Matters Part 1 and Part 2* Reports launched in November 2015



PUBLIC SPACES



SAFE, INCLUSIVE AND ACCESSIBLE PUBLIC SPACES

- ▶ **Replication of the George Town Grants Programme's** success to Butterworth, Kuala Lumpur and Johor
- ▶ **85** projects at various stages of implementation:
 - ▶ **13** national initiatives
 - ▶ **19** - George Town
 - ▶ **20** - Butterworth
 - ▶ **30** - Kuala Lumpur
 - ▶ **3** - Johor
- ▶ **36** urban spaces intervention programmes in place
- ▶ **61%** of **90** programmes are involved or led by local community partners, public and private sector

CREATING SAFE PLAYING FIELDS IN URBAN NEIGHBOURHOODS

- ▶ Average of **68%** active utilisation (Cruyff Court Kuala Lumpur)

¹ School principals, senior assistants and teachers

² Children who have graduated from secondary school, and have been beneficiaries of YCK

³ In collaboration with Yayasan Dakwah Islamiah Malaysia (YADIM), BBNGO, IMARET, i-Bantu, Tzu Chi Foundation, MyKasih Foundation and Yayasan Sejahtera

⁴ In collaboration with Akedemi Belia, LeapEd Services Sdn Bhd, PINTAR Foundation and Yayasan Sukarelawan Siswa (YSS)

SUPPORTING NATIONAL TRANSFORMATION



Khazanah supports and contributes to the Government's national transformation initiatives

Khazanah was part of the working team supporting the National Economic Advisory Council in developing the New Economic Model (NEM). We were involved in the formation of the Performance Management and Delivery Unit (PEMANDU), which 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 standards of living 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. Through our role as the Secretariat of the Putrajaya Committee on GLC High Performance (PCG), we helped to develop key performance indicators (KPIs) to be implemented by GLCs and GLICs under the Government's Bumiputera Economic Empowerment Agenda.



Khazanah Deputy Chairman Tan Sri Dato' Seri Utama Nor Mohamed Yakcop and Managing Director Tan Sri Azman Mokhtar and Board members Tan Sri Mohamed Azman Yahya, Tan Sri Andrew Sheng and Dato' Sri Nazir Tun Abdul Razak are members of the Special Economic Committee set up by the Government in August 2015 to develop immediate and medium-term measures to strengthen the country's economic fundamentals amid global economic volatility.

Tan Sri Nor Mohamed Yakcop (far left), Deputy Chairman of Khazanah; Tan Sri Azman (second from left), Tan Sri Andrew Sheng (third from left), and Tan Sri Azman Yahya (fourth from left), at the Special Economic Council meeting together with Dato' Sri Abdul Wahid Omar (far right), Minister in the Prime Minister's Department, and other committee members





Case Studies.

Every year *The Khazanah Report* features case studies to illustrate and provide more clarity and depth on how we address the demands of our mandate. This year, we discuss our work in catalysing the domestic economy, our innovation and technology ventures, and the institutionalisation of accountability and transparency in our operations and activities.

CATALYSING GROWTH AND VALUE CREATION ON THE DOMESTIC FRONT

Ahmad Zulqarnain Onn

*Executive Director, Investments and
Head of Strategic Management Unit*



VENTURING INTO FUNDING INNOVATION AND TECHNOLOGY

Javier Santiso

*Executive Director, Khazanah Europe
Investment Limited*

Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz

*Executive Director, Investments and Overseeing
Executive Director of Khazanah Americas Inc.*



INSTITUTIONALISING ACCOUNTABILITY AND TRANSPARENCY

Rohayati Othman

Director, Managing Director's Office and Chief Risk Officer

Mohd Raslan Md Sharif

Director, Managing Director's Office

CATALYSING GROWTH AND VALUE CREATION ON THE DOMESTIC FRONT

by



Ahmad Zulqarnain Onn
*Executive Director, Investments
and Head of Strategic Management Unit*

Since our incorporation in 1994, Khazanah has played a role in supporting Malaysia's aspiration to become a developed nation by 2020. We embarked on a broad array of activities, driven by the dual financial and strategic mandate, which combined seek to generate commercial returns, develop strategic advantages, and build capacity for the nation, especially on the domestic front.

◆ DOMESTIC INVESTMENT FOCUS

With the introduction of the New Economic Model (NEM) in 2010, Khazanah realigned its focus on domestic investments, to further deepen its active role as the nation's long term strategic investment fund tasked with delivering financial as well as strategic and societal returns. A longer investment horizon allowed Khazanah to effect transformative changes in the economy with "patient" capital, and develop new growth areas via catalytic investments on the home front.

This can be seen in Khazanah's initiatives in Iskandar Malaysia, where we have invested substantial resources into the growth corridor's development, as well as in the various strategic and developmental sectors, including agriculture, life sciences, education, creative and media, as well as leisure and tourism. These investment opportunities were vetted on the basis of potential investment returns, high economic multipliers, creating jobs within each sector and thus building capacity and capabilities in new areas.

Collectively, these broad-based high-potential initiatives are referred to as New Economy Investments (NEIs) – new, as they were positioned as catalysts that would drive the structural transformation of the national economy, in line with the aspirations of the NEM.

KidZania Kuala Lumpur has received over two million visitors since its launch in 2012



SELECTED NEW ECONOMY INVESTMENTS (NEIs) IN DOMESTIC SECTORS



ISKANDAR MALAYSIA



EDUCATION



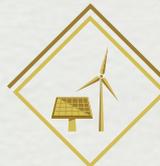
LEISURE & TOURISM



AGRICULTURE



SUSTAINABLE DEVELOPMENT



CREATIVE INDUSTRIES



WELLNESS





The second link which connects Johor to Singapore



The development of Iskandar Malaysia, which began in 2006, aims at boosting the socio-economic growth and viability of the south Johor region through a comprehensive approach that comprises regulatory, social, infrastructure and commercial components. Three key principles underlined the development of Iskandar – namely nation-building, growth and value creation, and equitable and fair distribution among stakeholders.

Khazanah has played a key investor role in one of the economic nodes within Iskandar, in the greenfield area called Medini. Additionally, our investee company Iskandar Investment Berhad, a major catalytic developer in Iskandar Puteri (formerly known as Nusajaya), promotes investments in identified sectors and facilitates the development of infrastructure. Indirectly, several of Khazanah's investee companies also play a role in the development of the area, including property development by UEM Sunrise and Medini Iskandar Malaysia, as well as Pinewood Iskandar Malaysia Studios, which is helping to develop the Malaysian creative industry into a world-class player. Other initiatives include destination resorts, and theme parks and attractions by investee company Themed Attractions Resorts & Hotels Sdn Bhd.

This year, Iskandar Malaysia enters its 10th year, with RM190.29 billion of cumulative committed investments secured from 2006 until 31 December 2015, of which RM98.47 billion or 52% represents investments that have been realised as projects on the ground. Additionally, from 2007 to 2015, a total of 682,169 jobs have been created in Johor, with a majority in the manufacturing, hospitality, food and beverage, and education sectors.

◆ ACCELERATE, CATALYSE AND COLLABORATE

In 2015, Malaysia faced several economic headwinds arising from volatility and uncertainty in global markets. In response, the Prime Minister announced several proactive measures to strengthen the country's economic fundamentals and address the impact of the financial turbulence.

In support of the government's measures, Khazanah announced its commitment to accelerate and increase domestic investments over the immediate and medium term in several key sectors. These were selected on the basis of sectors that provide higher domestic economic multipliers, boost job creation, support local content, increase prospects for foreign exchange receipts, and enhance public goods and inclusiveness for the *rakyat*. The first stage comprised investments across leisure and tourism, healthcare and health tourism, export-oriented creative industries, innovation and technology and Business Process Outsourcing (BPO) sectors.

ADDITIONAL AND ACCELERATED RM9.27 BILLION INCLUDING:

Desaru Coast Destination Resort RM4.5b		In-Patient Rehabilitation Hospital Business RM100m	
Tourism Venture Fund RM50m		Taman Tugu and Dataran Muzium RM1.1b	
New IHH hospitals and extension of existing hospitals RM670m	 	Sonneratia Capital, a fund to finance production of local content RM50m	

Note: Above are some of the projects announced in 2015

◆ LOOKING AHEAD

In keeping with the dual objective of delivering both financial and strategic returns, Khazanah will continue to support and catalyse the domestic economy through investments and various national level projects. The current emphasis is on ensuring that the NEIs continue on a growth trajectory, to benefit existing and future stakeholders.

As the environment continues to evolve, an idea that is being actively developed is the "Sovereign Venture Fund" as an additional component to our overarching role as the nation's strategic investment fund. Several ways are being explored to drive local entrepreneurship not just in the later stages, but also in the early stages of their life cycle. Also, given the importance of innovation in both productivity and GDP growth over time, it is appropriate to have innovation as a key consideration for potential investments, in order to catalyse, develop and sustain growth and value creation on the domestic front.

DOMESTIC INVESTMENTS

i2m Sdn Bhd to provide incentives to attract investments in BPO Sector



Additional fund injection



RM90m



ValueCAP

Domestic Innovation and Technology



Creation of NEI Venture Fund



RM115m

RM500m

Skim Latihan 1Malaysia (SL1M) Programme



RM95m

IN KEEPING WITH THE DUAL OBJECTIVE OF DELIVERING BOTH FINANCIAL AND STRATEGIC RETURNS, KHAZANAH WILL CONTINUE TO SUPPORT AND CATALYSE THE DOMESTIC ECONOMY THROUGH INVESTMENTS AND VARIOUS NATIONAL LEVEL PROJECTS.

◆ SELECTED MILESTONES

2006

- ▶ Launch of Iskandar Malaysia
- ▶ Establishment of MAFC



2010

- ▶ Launch of Teluk Datai master development plan
- ▶ Launch of Yayasan AMIR



2012

- ▶ Launch of KidZania Kuala Lumpur, Marlborough College, LEGOLAND® Malaysia and Puteri Harbour Family Entertainment Center



2013

- ▶ Launch of Afiniti and Avira wellness projects
- ▶ Launch of Hotel Jen (previously known as Traders Hotel), LEGOLAND® Water Park and LEGOLAND® Hotel



2014

- ▶ Launch of Pinewood Iskandar Malaysia Studios



2015

- ▶ Committed RM9.27b worth of domestic investments



VENTURING INTO FUNDING INNOVATION AND TECHNOLOGY

by



Javier Santiso
*Executive Director, Khazanah
Europe Investment Limited*

and



Tengku Dato' Sri Azmil Zahrudin Raja Abdul Aziz
*Executive Director, Investments
and Overseeing Executive Director of Khazanah
Americas Inc.*

Khazanah is tasked with generating not just financial returns but also strategic and societal returns – what we deem as building true value. What we do is inextricably linked to Malaysia's economy, with our broad-based investments covering more than 80 investee companies in 15 sectors and 16 geographies, across the entire value chain.

Being a strategic investment fund with a broad mandate from the Government, Khazanah has several “sub-roles” under this overarching role – as a sovereign wealth fund, we are entrusted with holding and managing the commercial assets of the Government; as a sovereign development fund, we are an agent of national development that is focussed on helping the country achieve growth with equity, while balancing between state and markets in delivering optimal economic outcomes through strategic investments.

Khazanah does not receive any regular injection of funding and hence, unlike many sovereign wealth funds, we need to raise our own. We employ a varied style of investment

management, with investments based on higher risk equity positions rather than passive fixed income investments.

Over the years, Khazanah has grown its portfolio value in the face of significant challenges arising from global economic cycles. One of the key drivers of our growth has been the 10-year Government-Linked Company (GLC) Transformation programme, which has seen some of Malaysia’s largest and most important companies become high-performing and more dynamic institutions that can better contribute to national socioeconomic development. Nevertheless, we recognise that what got us here may not get us there.

EXAMPLES OF KHAZANAH’S MULTI-DIMENSION RETURNS

FINANCIAL RETURNS

Portfolio as at (RMb)	14 May 04	31 Dec 14	31 Dec 15	▲ 2014-15	▲ 2004 - 15
▶ Realisable Asset Value (RAV)	50.9	145.5	150.2	+RM4.7b (+3.2%)	+RM99.3b (+9.7% p.a.)
▶ Net Worth Adjusted (NWA)	33.3	110.7	108.9	-RM1.8b (-1.6%)	+RM75.6b (+10.7% p.a.)
▶ RAV Liabilities (RAV Cover) [x]	2.9	3.7	3.1		
Shareholders Funds	7.7	35.3	36.4	+RM1.0b (+2.9%)	+RM28.7b (+14.3% p.a.)



STRATEGIC RETURNS

SELECTED NEW ECONOMY INVESTMENTS (NEIs)

- ▶ RM190b cumulative committed investments
- ▶ 682,169 jobs created from 2007-2015
- ▶ 3,830 units affordable houses delivered to-date

Creative and Media

- ▶ International productions including “Asia’s Got Talent”, “Marco Polo 2” and “Lost in the Pacific”
- ▶ 2,123 jobs created since 2014
- ▶ Venture into latest motion capture technology

Innovation and Technology

- ▶ Various investments made
-

Leisure and Tourism

- ▶ Various operating facilities and projects under development
-

CORPORATE RESPONSIBILITY



SOCIETAL RETURNS



SOCIAL INCLUSION

Urban Rejuvenation
Collaboration with Think City on Community based urban cultural and heritage preservation



Public Spaces
The Cruyff Courts programme provides a unique football experience to disadvantaged children, youths and larger community

◆ VENTURING INTO INNOVATION AND TECHNOLOGY

A key area that Khazanah is focused on is in the innovation and technology (I&T) space. Innovation and entrepreneurship, through creative disruption, can shift a country's productive capacity into a more dynamic state. Higher incomes and labour productively are closely associated with more innovative countries.

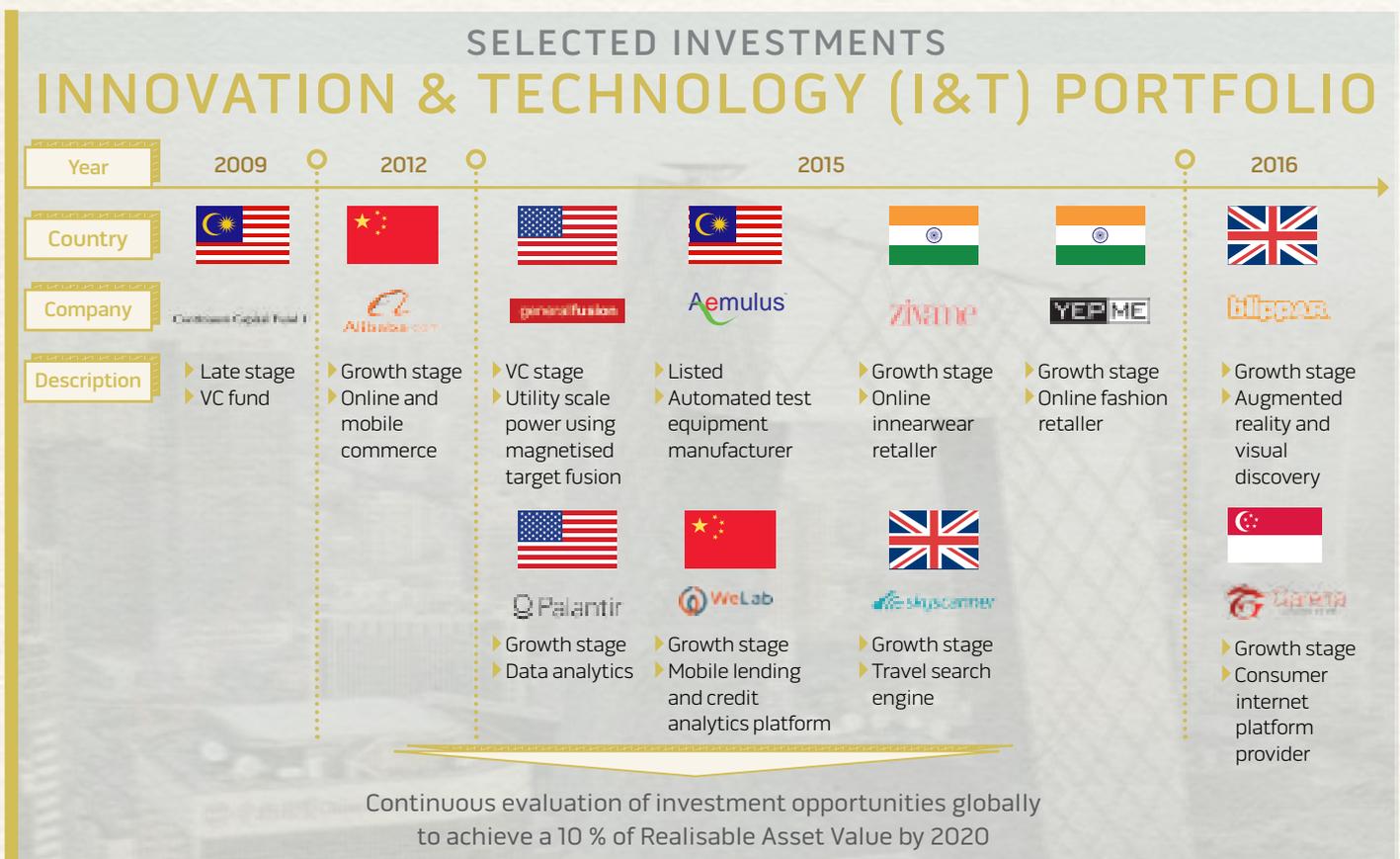
Khazanah's exposure into this space is pertinent as "creative disruption" – in which new technologies, new kinds of products, new methods of production and new means of distribution – can make conventional businesses go obsolete, forcing existing companies to quickly adapt to a new environment or fail. We have already seen this happening – better, faster and cheaper technology has brought competitive intensity to an entirely new level: examples include Uber in the transport industry, WhatsApp in telecommunications and Airbnb in hospitality.

Khazanah is not alone in exploring such opportunities. For example, the New Zealand Superannuation Fund has invested in renewable energy start-up LanzaTech², in which Malaysian Life Sciences Capital Fund has also invested. Taiwan's National Development Fund has launched a new fund for investing in start-ups in the fields of big data, mobile applications and the Internet of things³.

Our current I&T portfolio spans investments in early, growth and late stage companies, across geographies. We prioritise direct investment for later stage companies, and indirect investment through experienced venture capital funds for earlier stage start-ups.

The large listed companies that typically feature in the portfolios of sovereign wealth funds face some common challenges to their further growth. These relatively mature companies have a plateauing life cycle and become less receptive to changes as they grow larger and older. In addition, they are prone to underestimating the threat of disruption to their businesses, and are more reactive than proactive in the face of such threats. They also tend to move at a relatively slower pace in innovation, lagging behind much smaller and more nimble start-ups.

In this regard, investments into start-ups and younger companies could potentially provide strategic investment funds such as Khazanah the opportunity to harness creative disruption and innovation. In our efforts to help the nation achieve a developed nation status with a high-income economy that is sustainable and inclusive, Khazanah is moving further forward in enhancing its investments in this area, or playing a role in what might be described as a 'sovereign venture fund'¹.



¹Javier Santiso, 'Sovereign Venture Funds', ESADE Business School, Sovereign Wealth Funds 2015, pages 79-95

²LanzaTech press release, 8 December 2014

³Taipei Times, 23 March 2015



With the completion of our network of offices that provide us an international presence through Beijing, Mumbai, San Francisco, Istanbul and now London (in addition to our Kuala Lumpur and Penang offices in Malaysia), we are now able to better explore and seize global opportunities in the I&T space. When Khazanah established a subsidiary in the United States in 2013, we chose San Francisco in the Silicon Valley, the technology and innovation centre of the US.

Khazanah set up operations in San Francisco due to its location in the Silicon Valley, the technology and innovation centre of the US

Similarly, with Europe becoming an increasingly vibrant source of innovation and offering investment opportunities with more attractive and resilient valuations, we opened a subsidiary in London 2015 to focus on opportunities in that geography. Khazanah's international footprint puts us in good stead to tap into the global I&T wave.

EUROPEAN COUNTRIES DOMINATE THE TOP 10 LIST BY KEY INNOVATION INDICATORS

Global Rank	Best Countries To Start A Company	Global Innovation Index	Researchers Per Million People	Global Competitiveness Index
1	Denmark	Switzerland	Finland	Switzerland
2	Hong Kong	United Kingdom	Singapore	Singapore
3	New Zealand	Sweden	Denmark	United States
4	Ireland	Finland	Luxembourg	Finland
5	Sweden	Netherlands	Norway	Germany
6	Canada	United States	Sweden	Japan
7	Norway	Singapore	Portugal	Hong Kong
8	Singapore	Denmark	Austria	Netherlands
9	Switzerland	Luxembourg	Slovenia	United Kingdom
10	Finland	Hong Kong	Germany	Sweden

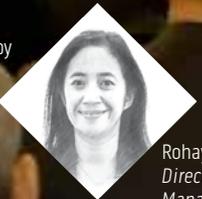
CONCLUSION

Strategic investment funds such as Khazanah are key instruments for national development, especially as countries seek to move up the value chain. Given the importance of innovation in productivity and GDP growth over time, moving up the innovation ladder is necessary for countries to scale the inefficiency frontier.

Investing in I&T presents its own challenges given the very different nature of the sector relative to more conventional investment sectors. However, with innovation being a necessary component in Malaysia's drive to transform itself into a developed nation with a high-income, sustainable and inclusive economy, Khazanah will play its part where necessary to help achieve that goal.

INSTITUTIONALISING ACCOUNTABILITY AND TRANSPARENCY

by



Rohayati Othman,
Director,
Managing Director's Office
and Chief Risk Officer

and



Mohd Raslan Md Sharif
Director,
Managing Director's Office

Khazanah has in place a comprehensive structure that guides all our actions and helps to ensure that we are ultimately responsible for them.

This structure spans across internal and external processes and practices that collectively aim to institutionalise accountability and transparency within our organisation, and exemplifies the core values that we hold to.

◆ GOVERNING AN INSTITUTION

Khazanah has an internal Governance and Risk Management Framework (GRMF) that serves as a guide for proper governance and effective risk management. The GRMF contains core elements rigorously implemented throughout Khazanah. At the same time, it is also a dynamic framework that lends itself to periodic review and enhancements, to ensure sustainability and relevance in changing business and operating environments.

The GRMF comprises three overarching components that set out Khazanah's policy for risk management, matters for the Board of Directors (Board), and limits of authority.

Our overall **Risk Management Policy** outlines the key principles, processes and responsibilities in managing risks and safeguarding shareholder's interests. Among other things, the policy provides for internal boundaries and parameters for staff through documented common policies, processes and procedures; assurance and compliance reviews; and regular internal risk profile reporting.

The Schedule of Matters for the Board and **Limits of Authority** together constitute a comprehensive governance framework and authority structure for the effective functioning and accountability of the Board, Executive Committee and senior management. The two components set out the authorities, limits and responsibilities in areas such as investments, finance, procurement and human resources.

To further institutionalise risk management practices, Khazanah also has in place its **Business Continuity Management Framework** to ensure that we have the organisational resilience to safeguard our operations and respond efficiently to any potential threats.



(Seated from left) Raja Tan Sri Arshad, Tan Sri Azman Yahya and Tan Sri Andrew during the Board meeting at The Datai Langkawi in December 2015. The three are members of the Board's Audit and Risk Committee.

◆ A BINDING CODE FOR STAFF

Khazanah provides staff with comprehensive guidelines for appropriate conduct as employees, as well as for them to raise concerns. We continuously emphasise to ourselves the importance of "doing the right thing", and the guidelines provide a common reference point in our commitment to good corporate behaviour. Every new staff member receives copies of the **Khazanah Integrated Employee Handbook**, as well as the **Code of Conduct handbook** and playbook.

The **Khazanah Integrated Employee Handbook** serves as a one-stop reference point for relevant staff information that seeks to assist them in starting right from the first day of employment, including conduct expected of them.

The **Code of Conduct** handbook and playbook go into greater detail, outlining specific provisions and minimum standards for ethical business practices, including ethical decision-making, channels for raising concerns in good faith, as well as practical scenarios to provide further guidance. Staff members are also directed to refer to the **Supplier Code of Business Ethics**, which guides both employees and suppliers on principles and standards for a sustainable business relationship.



“3.6 PROFESSIONAL CONDUCT

3.6.7 Khazanah is committed to ensuring the integrity of its financial records and transactions. As such, we shall ensure that all records and documents are prepared accurately, timely and in accordance with the accepted accounting standards, as well as the applicable laws of the jurisdictions in which Khazanah operates.”

- THE CODE OF CONDUCT
HANDBOOK

◆ COMMUNICATING WITH ALL OUR STAKEHOLDERS

Besides the processes and procedures discussed, we also communicate and share information internally and externally to ensure accountability and transparency on our work.

We have a monthly staff dialogue in which senior management, led by the Managing Director, and staff discuss our work and related matters. The Strategic Planning Group (SPG), which comprises about 100 senior staff, is also given a briefing by the Managing Director after each meeting of the Board of Directors. This group also meets twice a year for intensive planning retreats to deliberate and chart strategies for Khazanah. We also hold Khazanah Knowledge Exchanges, during which different teams and units share their experience, knowledge and analyses of the specific work that they do. At the end of each year, Khazanah conducts a townhall for all staff where we review our activities for the year and look forward to the coming 12 months.

Externally, we disclose comprehensive information on our activities and performance to all our external stakeholders, communicating with them via multiple platforms on a regular basis.

This includes disclosures required by law, such as independently-audited annual financial statements to the Companies Commission of Malaysia, as well as voluntary information disclosures such as our series of Khazanah Annual Review (KAR) briefings, which have been conducted for 12 years.

Amran Hafiz Affifudin, *Director, Investments*, sharing his thoughts during the Khazanah townhall in 2015



We start off each year with a KAR briefing to members of the media, during which we provide detailed information and respond to their queries on our performance for the previous year. This is followed by respective KAR briefings to our shareholder Minister of Finance Incorporated; investee company chairmen, CEOs and nominee directors; selected Government ministries, agencies and industry regulators; members of Parliament; and analysts. Through the media, we inform the public on key developments in our financial, strategic and societal activities.

We also provide information on our corporate website (www.khazanah.com.my) and *The Khazanah Report (TKR)*, both of which contain broad and in-depth details on our work and performance. TKR is an annual publication which we distribute across all stakeholder categories globally, besides making available multi-platform digital versions. As the secretariat to the Putrajaya Committee on GLC High Performance, we published annual progress reports on the 10-year GLC Transformation Programme, with the final report issued in July last year. In addition, our corporate responsibility foundation Yayasan Hasanah issues *The Hasanah Report* annually, while Khazanah Research Institute has published several research works on key public issues. As a platform for sharing and exchanging information ideas, Khazanah also organises knowledge events such the annual Khazanah Megatrends Forum and Khazanah Global Lectures (see Chapter 5: *Building an Institution*).



Tan Sri Azman taking questions during the briefing for Malaysian and international media on the *MAS Recovery Plan (MRP)* in 2014. The MRP calls for continuous communication, including quarterly progress updates, and engagement with stakeholders on of the restructuring efforts.

Being an entity whose ultimate stakeholders are the people of Malaysia, Khazanah engages various regulatory bodies and institutions of public accountability, including when called upon to provide greater clarity on matters related to our activities. This includes providing financial data to Bank Negara Malaysia and Department of Statistics on a regular basis, as well as undergoing an audit by the National Audit Department and appearing in hearings called by the Public Accounts Committee of the Malaysian Parliament.

◆ CONCLUSION

Khazanah's core values underpin the broad-based framework for accountability and transparency that we have adopted. It is in many ways a continuous work in progress, with room for further enhancements in our work as an organisation entrusted with upholding public interest. In being responsible for what we do, it is important to ensure that we continuously practice good corporate behaviour, as our stakeholders will judge us by our actions.



TEAMWORK

BEING COMMITTED TO WORKING TOGETHER TO ACHIEVE TRUE VALUE. ENCOURAGING COOPERATIVE EFFORTS ACROSS ALL LEVELS AND ACTIVITIES, AND CONTINUOUSLY SHARING IDEAS AND KNOWLEDGE TOWARDS A COMMON GOAL



Khazanah staff participating in a telematch during the company Family Day at Bukit Gambang, Pahang



BUILDING AN INSTITUTION

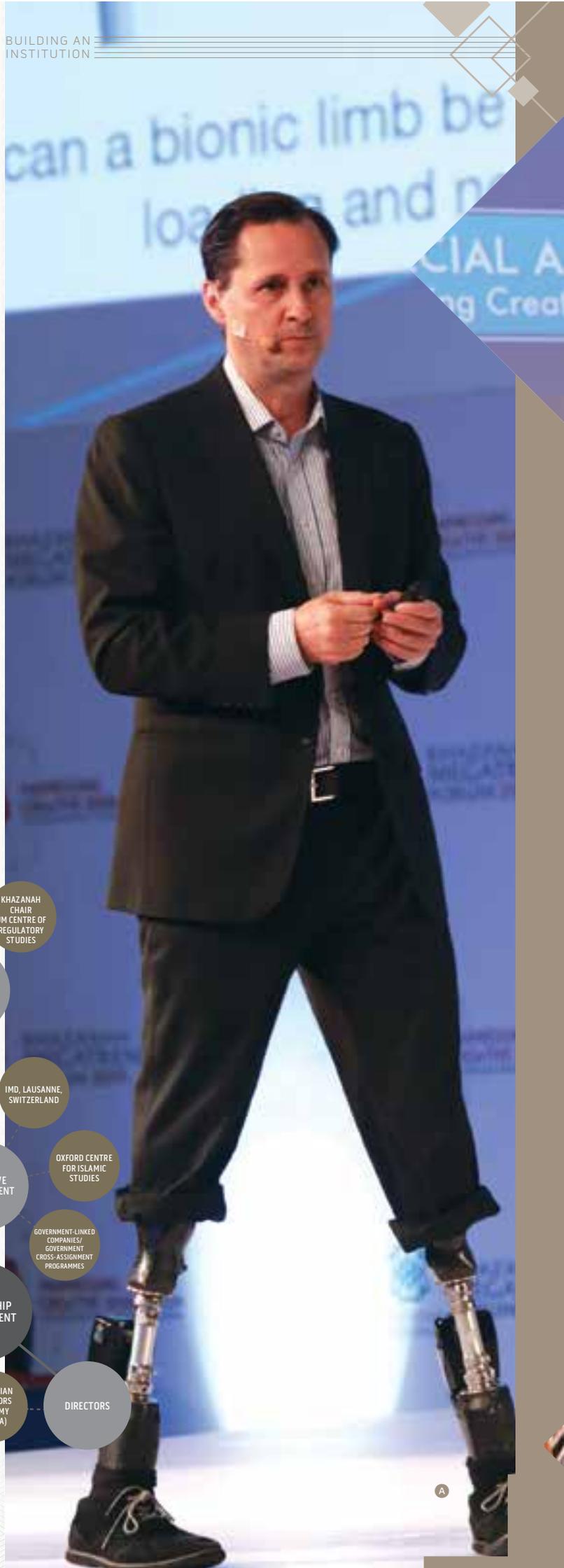
Strong institutions are the foundation of a strong nation. Khazanah strives to build an institution that will continue to deliver with consistency. Our key asset is our people and as an organisation, we nurture an environment of integrity, trust, teamwork and mutual respect. We put in the necessary processes and infrastructure to develop our people.

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

KHAZANAH AS A LEARNING ORGANISATION



Khazanah is committed to continuous learning among employees and stakeholders. We create various platforms for active networking, which we believe would enable a dynamic exchange of views and information, and connecting us more widely to the business and academic world, and society in general.



EVENTS

Khazanah hosts several series of events, which are organised throughout the year.

The Khazanah Megatrends Forum (KMF) is held annually in late September or early October, 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 from four key perspectives: markets, firms, society and people. Reaching its 11th year in 2015, the Forum's theme was "Harnessing Creative Disruption – Unlocking the Power of Inclusive Innovation". This explored how people could thrive in a time of big disruptions from technology and innovation happening in all sectors around the world, while ensuring the gains could be harnessed to the benefit of all stakeholders in the local, national and global communities.

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: Boris Johnson, Mary Robinson, Sir John Bond, Dr A.P.J. Abdul Kalam, Tun Abdullah Hj Ahmad Badawi, Carlos Ghosn, Professor Joseph Stiglitz, Dr Muhammad Yunus, Kofi Annan. 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.

Tea Talks is a long tradition dating back to 2005 whereby speakers from various backgrounds are invited to speak to Khazanah staff on topics of interest. Some of the well-known speakers who have given Tea Talks include: Sir Bob Geldof, Tan Sri Michelle Yeoh, the late Johan Cruyff, Jeff Immelt, Frank Gardner, Professor Sir Michael Barber, Professor KS Jomo.

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



A Professor Hugh Herr built his own bionic legs after losing both limbs at the age of 17. The Associate Professor at MIT Media Lab, and Founder and Chief Technology Officer, iWalk Inc, spoke at the Khazanah Megatrends Forum 2015

B Charles Leadbeater, author and independent strategic advisor, spoke on 'Frugal Innovation', at the Khazanah Megatrends Forum 2015

C Datuk Marjorie Yang, Chairman of Esquel Group, delivering her special address, 'Star Trek - Where No Man Has Gone Before' at the Khazanah Megatrends Forum 2015

D Participants of Khazanah Megatrends Forum 2015 having a networking at the Yayasan Hasanah booth

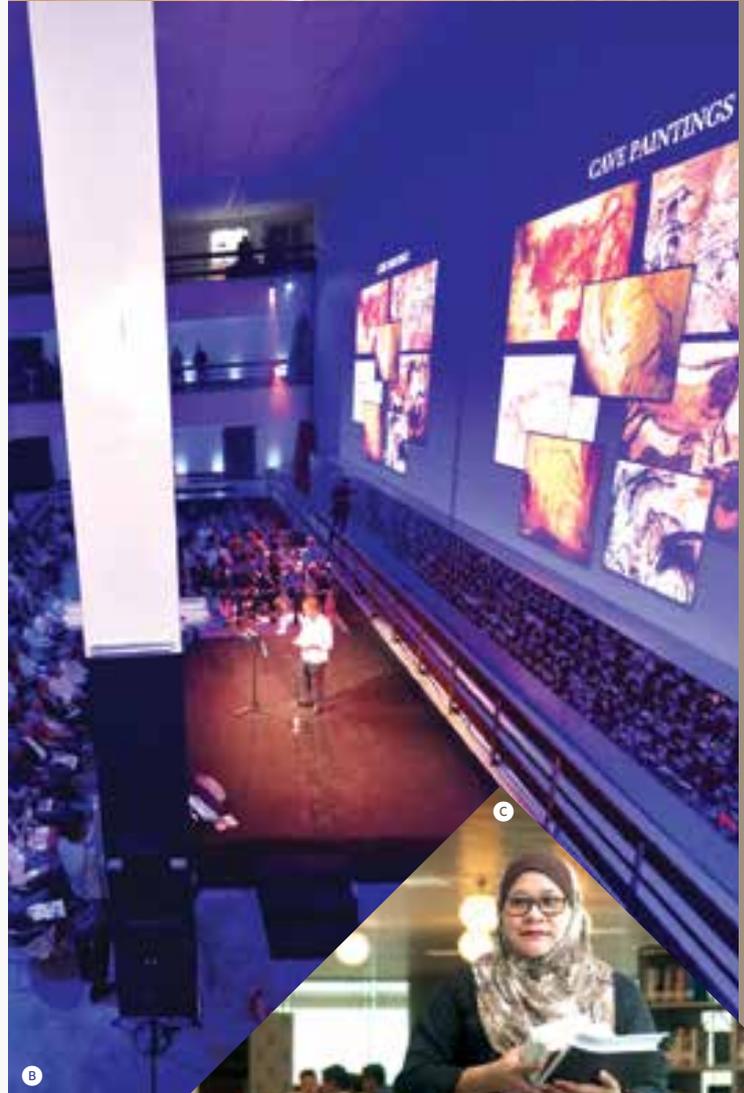


HUMAN CAPITAL AND KNOWLEDGE NETWORK

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, Oxford University. Khazanah founded and works closely with the Malaysian Directors Academy (MINDA) to contribute towards the development of corporate boards, especially among Government-Linked Companies.



ON INTEGRITY

“Of the five values that we cherish and celebrate as an institution, integrity - specifically intellectual integrity - means the most to research. This starts with being aware of one’s predispositions, carefully considering diverse, even opposing perspectives, and ultimately formulating a thesis that is evidence-based and actionable.”



Ngai Jin Tik
Assistant Vice President, Khazanah Research & Investment Strategy





D

E

- Ⓐ Tan Sri Azman with other Senior Leadership Team (SLT) members and staff of Khazanah India Advisory after a game of cricket. The SLT was in Mumbai for a four-day knowledge sharing programme
- Ⓑ The Imaginarium Studios co-founder Jonathan Cavendish, who is also an award-winning film and TV producer, speaking on *40,000 years of Captured Performance: From Wild Animals to Animal Farm* during the Special Event of Khazanah Megatrends Forum 2015 held in Wisma Sentral, Kuala Lumpur
- Ⓒ Rosnah Md Noor, Executive Assistant, Khazanah Research & Investment Strategy, keeps track of publications for the Khazanah Resource Centre
- Ⓓ Former Executive Director, Shahazwan Harris sharing his Khazanah experience during the 'Fireplace Chat with Juan' session
- Ⓔ Actor Chacko Vadaketh (left) and dancer and singer Zamzuriyah Zahari (right) leading the audience to sing along to the song *Berjaya* during the *Malam Terang Bulan Negara and other Love Songs* performance in November 2015

PUBLICATIONS

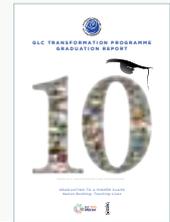
Khazanah, in collaboration with selected authors, publishes a number of books each year, relevant to Malaysian business, education, or culture. We also support relevant documentation projects by other institutions and individuals.



Khazanah Megatrends Forum: Reflections on a Decade 2005 - 2014



Voices: Reflections on a Transformation Journey



GLC Transformation Programme: Graduation Report



Making Housing Affordable



Why Trade Matters: Part One



Why Trade Matters: Part Two

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.



ON MUTUAL RESPECT

"There are so many things that I have learned in Khazanah that I couldn't have picked up elsewhere, not only in terms of professional experiences, but also about myself. I always believe mutual respect is the basis for every relationship, be it with your colleagues or in your day-to-day life as people are different, life is complex and no one is perfect."

▶  Latipah Ali
Vice President, Strategic Human Capital Management

OUR PEOPLE, OUR VALUES



The strength of the institution lies in its people. Our employees are the source of strength that enables us to execute our mandate and be an effective strategic investment fund of the Government. From a staff strength of 30 employees in 1994, we have grown to more than 450 talented individuals today.



ON DILIGENCE

"Tidak kira panas atau hujan, dokumen mesti dikirim dengan selamat. Kerja yang diberi harus diselesaikan tepat pada masanya."

"Rain or shine, documents must be securely delivered. We must get the job done on time."



Nor Azam Atan
Office Assistant, Managing Director's Office

OUR VALUES

We make a concerted effort to put our values into action, as they define the way we interact 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.



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.



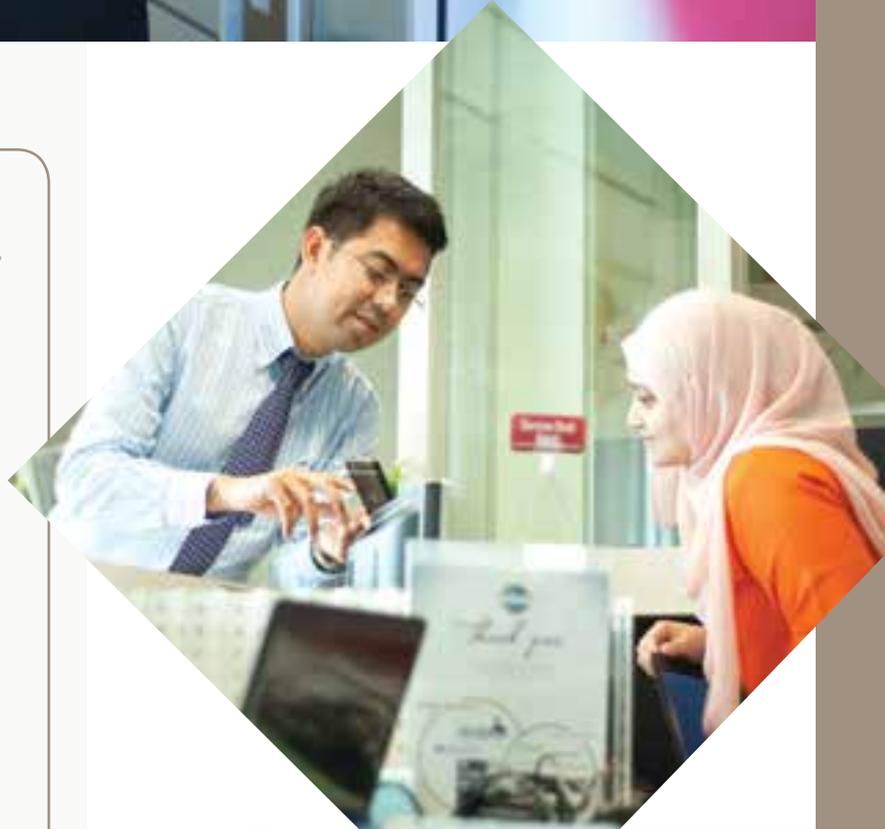
- Ⓐ Mohammad Razip Mohammad Zin, *Director*; and Putri Saniyah Mohsin, *Vice President, of Strategic Human Capital Management*
- Ⓑ Khazanah staff preparing goodie bags ahead of the GLC Open Day 2015
- Ⓒ Staff during the Khazanah Sports Carnival futsal tournament
- Ⓓ (From left) Fatih Sarikahya, *Assistant Vice President*; Ecem Altioik, *Assistant Vice President*; and Lee Sook Yee, *Vice President, all from Khazanah Turkey Regional Office*



A

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 healthy for employees and the organisation, it delivers better results.



E



F



MUTUAL RESPECT

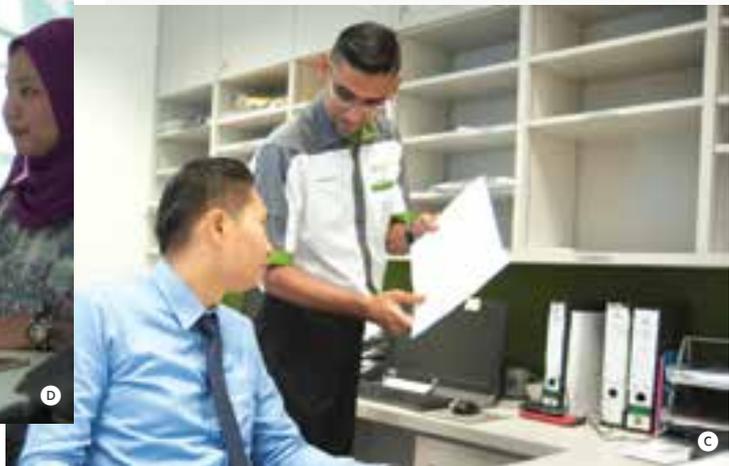
We value differences and treat everyone with the same respect that we expect from others. We are fair and honest in all our dealings and always maintain confidentiality. We inspire and enable our people to achieve high performance and we believe all individuals want to achieve their fullest potential.

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 investment and initiatives.

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.



(A) Mohd Firddauf Samsudin, Associate, Strategic Human Capital Management, pays for his drink at the honor bar

(B) Staff competing in the Khazanah Sports Carnival netball tournament

(C) Hatta Ilias, Associate; and Paramjit Singh Jagit Singh, Driver, of Corporate and Support Services

(D) (From left) Han Jun Siew, Senior Vice President; Muhamad Hafidz Abdul Jamal, Associate; Norazlinda Omar, Executive Assistant, of Investments

(E) Amirul Hafiz Abdul Rahim, Vice President, Managing Director's Office; and Siti Farah Liyana Rusli, Executive Assistant, Corporate & Support Services

(F) (From left) Nie Dizhong, Assistant Vice President and Steve Zhou, Assistant Vice President, both from Khazanah Nasional Consulting (Beijing) Company Limited



ON TEAMWORK

"Teamwork is an integral pillar for me as I strongly believe that greatness is never achieved by an individual but is an outcome of cooperative effort by a team of people, and this is why I am proud to be in Khazanah."



Mohd Hairry Ab Manan
Associate, Strategic Human Capital Management

PROFESSIONALISM

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



Outside the Office

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



ON TEAMWORK

“No matter how small or big our roles are, they are all for the same purpose, that is nation-building. It is this sentiment that drives us to nurture a culture of exceptional teamwork that will ensure we deliver to the best of our abilities.”

 Juhana Hamzah
Senior Vice President, Finance

- Ⓐ Khazanah staff water rafting in Gopeng as part of a teambuilding exercise
- Ⓑ 12 Khazanah employees through Khazanah Volunteer Network went to clean two schools in Temerloh, Pahang which were affected by floods
- Ⓒ Khazanah staff and their family members during the Jambo Day at Zebra Square, Kuala Lumpur

OUR ALUMNI

Our alumni numbers more than 400 people, many of whom have gone on to explore new fields and record significant personal and professional achievements. This is testimony to not only the talent available at Khazanah, but also our efforts to develop highly-motivated, high performance human capital, guided by our values of teamwork, mutual respect, diligence, integrity and professionalism.

From CEOs of large listed companies and important national agencies to social entrepreneurs and authors, our alumni are beginning to significantly and positively shape the growth and development of the socioeconomic, institutional and cultural landscape of Malaysia and beyond. This is in line with the fourth strategic pillar of our mandate to help develop strong human capital for the nation and for the countries that we invest in.

A selection of our Alumni...



AKMAL NADIA ABDUL JALIL

Nadia is the Founder and CEO of MyBump.my, a crowd advertising platform that helps private car owners earn extra income by endorsing their preferred brands on their vehicles. MyBump was conceived during Project Brainchild, a social entrepreneurship initiative by Khazanah to encourage entrepreneurship and innovation among staff within its group of investee companies.

Previous position in Khazanah: Associate, Corporate & Support Services (Legal) (16 December 2013 – 11 December 2015)



BADRUL FEISAL ABDUL RAHIM

Badrul assumed the role of President & Group CEO of UMW Holdings Berhad in October 2015 from position of Chief Operating Officer. Prior to UMW Holdings, he was the Chief Operating Officer for Edaran Otomobil Nasional Berhad. He acquired valuable experience through manning responsibility over Khazanah's key investee companies like Tenaga Nasional, UEM Group, Commerce Assets Holding among others.

Previous position in Khazanah: Senior Vice President, Investments (1 February 2007 – 31 October 2006)



MOHD AZHARUDDIN MAT SAH

Azharuddin was appointed CEO of Suruhanjaya Pengangkutan Awam Darat (SPAD) on September 2015 to accelerate the growth of the Land Public Transport ecosystem, as envisaged in the National Land Public Transport Master Plan. Prior to this, he was at PEMANDU as Director for Greater KL/Klang Valley and Urban Public Transport.

Previous position in Khazanah: Senior Vice President, Managing Director's Office (Special Projects Office) (10 November 2008 – 9 January 2013)



ZURAIDAH MIAN

After retiring from Khazanah in 2012, Zu continues to passionately immerse herself in social work and positively changing life of others. Zu is currently the Director of Planning and Development with Mercy Malaysia. She also does independent advisory work with social enterprises and NGOs in Malaysia as well as abroad.

Previous position in Khazanah: Vice President, Managing Director's Office (Corporate Responsibility) (4 May 2009 – 13 November 2012)



HISSAM KAMAL HASSAN

Hissam switched career path to academia and is writing his PhD dissertation on Crowdfunding and Islamic Capital Markets. He lectures part-time and is a Research Fellow at International Shariah Research Academy (ISRA), a part of the International Centre of Education in Islamic Finance (INCEIF).

Previous position in Khazanah: Director, Investments (27 August 2009 – 26 August 2012)



HISHAM ZAINAL MOKHTAR

Hisham is the COO of Astro Overseas Limited, an investment holding company that focuses its investments in media and entertainment space, with investments primarily located across Asia, Middle East, the United Kingdom and USA.

Previous position in Khazanah: Director, Investments (3 May 2005 – 30 June 2014)

The graphic above contains the names of our alumni arranged in the shape of the Khazanah cembul



Khazanah Europe Investment Limited
2015



Khazanah Turkey Regional Office
2013



Khazanah India Advisors Private Limited
2008



Members of Strategic Planning Group
at the Year-end Retreat in Penang



Khazanah Nasional Consulting (Beijing) Company Limited, 2008



INTERNATIONALISATION AND REGIONALISATION ARE IMPORTANT ASPECTS OF WHAT WE DO IN OUR EFFORTS TO BUILD TRUE VALUE FOR MALAYSIA. WITH OUR HEADQUARTERS IN KUALA LUMPUR AND SUBSIDIARIES IN BEIJING, MUMBAI, TURKEY, SAN FRANCISCO, AND LONDON, KHAZANAH'S NETWORK OF OFFICES PROVIDE AN INTERNATIONAL FOOTPRINT THAT ENABLES US TO SEEK APPROPRIATE OPPORTUNITIES, WHEREVER THEY MAY ARISE.

Khazanah Americas Inc. 2013



Khazanah Koridor Utara 2007





KHAZANAH
NASIONAL

Khazanah Nasional Berhad 275505-K
Level 33, Tower 2, Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
T +603 2034 0000
www.khazanah.com.my

