



MINISTRY OF FINANCE
MALAYSIA

PERKUKUH

PERKUKUH PELABURAN RAKYAT

Strategic transformation of GLICs for enhanced
resilience and socioeconomic impact



FOREWORD

Government Linked Investment Companies (GLICs) play an important role in Malaysia's economic development and nation building. Over the years, GLICs have spurred key development and infrastructure projects, and have supported the public finance ecosystem. This has led to the emergence of Government Linked Companies (GLCs) as a key pillar of the national economy since the 1970s.

With the COVID-19 pandemic posing unprecedented challenges to the Malaysian economy, businesses and the rakyat's lives in the past 19 months, the Government has continued to protect lives, support businesses, and strengthen the nation's economy. As the national vaccination programme yields success, and we gradually recover from the pandemic, we have before us a golden opportunity to re-evaluate our national priorities and drive the necessary reforms while strengthening major institutions such as GLICs.

The role of GLICs must evolve in tandem with Malaysia's economic development and be aligned to the 12th Malaysia Plan. It is, therefore, necessary to ensure that GLICs are invigorated by a refreshed mandate to drive Malaysia's future socioeconomic progress. They must be transformed for enhanced resilience, particularly in the post-COVID era. Underscoring this is the need to consistently adhere to good governance standards and best practices to enable the delivery of these priorities.

The PERKUKUH (Perkukuh Pelaburan Rakyat) or Strengthening the People's Investments is part of the Reform pillar in the Government's 6R National Economic Recovery Strategy (Resolve, Resilience, Restart, Recovery, Revitalise, and Reform) to bring about improvements, particularly in areas such as the rakyat's social security and socioeconomic well-being.

PERKUKUH consists of 20 key initiatives, which have been developed based on a fundamental review of the GLIC setup. This includes redefining the role of government in business; sharpening the purpose, mandate and objectives of the GLICs; as well as enhancing governance and coordination mechanisms across GLICs to drive priorities linked to the national sustainable growth agenda.

God willing, with our sights firmly focused on transformative and reformatory changes, I am confident PERKUKUH will set our nation on a much stronger footing and ensure a more sustainable growth trajectory for the benefit of all Malaysians.

Dato' Sri Ismail Sabri Yaakob
Prime Minister of Malaysia

PREFACE

Government Linked Investment Companies (GLICs), consisting of both Sovereign Wealth Funds (SWFs) and Institutional Investors, have been fundamental to Malaysia's socioeconomic development and growth over the years. Collectively, GLICs today manage over RM1.7 trillion of investments and are leading investors into Malaysia's economy, spurring the development of critical, enabling infrastructures and the growth of various economic sectors.

Looking forward, GLICs will continue to play a crucial role in our nation's development, particularly in safeguarding and growing the wealth of the *rakyat* and the nation. GLICs will also have a key role to play as leading examples of good governance and institutional integrity for the nation's corporate community.

Perkukuh Pelaburan Rakyat (PERKUKUH) is a medium-term strategic transformation programme to enhance the GLIC setup and optimise the role of government in business. There are four key objectives for PERKUKUH: catalyse new growth areas with enhanced alignment of GLICs to the national agenda; adequately provide for the country's current and future fiscal needs; safeguard the *rakyat's* well-being by facilitating adequate savings and retirement provisions; as well as enhance the government's efficiency in optimising national strategic assets.

PERKUKUH will deliver numerous benefits for all key stakeholders in the country. In creating new growth areas, we envisage employment opportunities for the *rakyat*, more investment opportunities for businesses, as well as an uplift in GDP and FDI for the economy. There will also be enhanced crowding-in of the private sector across different parts of the economy; a wider incorporation of environmental, social and governance (ESG) principles in institutional investments; strengthened institutions with best-in-class capabilities and strategies; as well as enhanced long-term resilience to support the country's current and future needs.

PERKUKUH is an initiative of the Ministry of Finance (MOF) and is being implemented in close collaboration with various government ministries and agencies, as well as GLICs. Through better governance, strategies and capabilities, coupled with the dedication and cooperation of all stakeholders, we are confident the PERKUKUH initiatives will future-proof our GLICs for the challenges and opportunities ahead. God willing, PERKUKUH will be another landmark success for our nation's reform agenda to benefit the *rakyat*.

Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz
Minister of Finance, Malaysia

PERKUKUH

PERKUKUH PELABURAN RAKYAT

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RESOLVE

1

RESILIENCE

2

RESTART

3

RECOVERY

4

REVITALISE

5

REFORM

6

GLICs IN MALAYSIA

Government Linked Investment Companies (GLICs) are key engines of Malaysia's socioeconomic development. Over the years, GLICs have spurred the growth of economic sectors, supported the nation's finances, and have provided key sources of social protection and savings for the Rakyat.

GLICs have played a critical role in Malaysia's development, from a commodity-based economy in the 1970s, to a leading multi-sector manufacturing and service economic powerhouse in the region. Through Government-Linked Companies (GLCs), GLICs have invested in major infrastructure projects which were foundational for Malaysia's development, including landmark projects, such as the North-South Expressway, High-Speed Broadband roll-out, and various regional economic corridor developments. Furthermore, catalytic investments by GLICs over time have spurred the growth of key economic sectors, from financial institutions to real estate, healthcare to agri-commodities, industry to energy, and many others. During times of crisis, such as the Asian Financial Crisis in 1997, GLICs shielded the Government's finances, supported stabilisation, and spurred strong rebound of the domestic economy.

Beyond its role in the national economy, GLICs represent key pillars of social protection for the Rakyat. Established over time since the 1950s, GLICs have enabled Malaysians to set aside retirement savings through EPF, for private sector employees, through KWAP for civil servants, and through LTAT for armed forces personnel. Besides social protection, GLICs have also provided key sources of savings for the Rakyat, such as LTH, which enables Muslims in the country to accumulate savings for the hajj pilgrimage, and PNB, which enables the enhancement of economic wealth, through greater share capital ownership of the Bumiputera community and all Malaysians. GLICs have also contributed strongly to corporate social responsibility (CSR) and social impact initiatives, including enhancing educational outcomes through further education scholarships and support of schools in under-served communities, growing financial literacy and community empowerment,

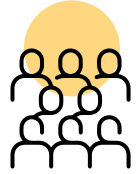


RM1.7 trillion¹

assets managed by GLICs, equivalent to more than 120% of Malaysia's GDP

16 million

Malaysians growing their retirement savings with the GLICs²



>30%

share of venture capital funding³ in Malaysia

1. As of Dec 2020 2. Members under EPF, KWAP, LTAT 3. In 2020, based on Securities Commission 2020 Annual Report

promoting entrepreneurship and graduate employability, as well as supporting with key disaster relief efforts over time.

Today, GLICs manage over RM1.7 trillion of assets, equivalent to more than 120% of Malaysia's GDP and represent over a quarter of the market capitalisation of BURSA Malaysia. Collectively, GLICs facilitate retirement savings of 16 million Malaysians, contribute to over half a million jobs directly and indirectly through GLCs, and provide over 30% of the venture capital funding for entrepreneurs in Malaysia. Categorized into Sovereign Wealth Funds (SWFs) and Institutional Investors based on its source of funds, each GLIC also fulfills distinct mandates and objectives which benefit Malaysians through a variety of channels.

SWFs consist of Khazanah, KWAP, and KWAN, which are GLICs fulfilling distinct mandates aligned to the national agenda, such as investing to catalyse new growth sectors or to achieve other key socioeconomic outcomes, adequately provisioning over time horizons for fiscal needs, and supporting national strategic interests. In contrast, Institutional Investors, such as EPF, PNB, LTH, and LTAT are funded by the contributions and deposits of the Rakyat. Each institutional investor also serves to fulfill distinct mandates, including generating sustainable risk-adjusted returns, in alignment with fund mandates, which grow the wealth and savings of Malaysians, whilst synergistically contributing to broader national socioeconomic agenda priorities.

CASE FOR PERKUKUH

Building on the strong legacy of GLIC contributions to socioeconomic development, it is critical that GLICs are strengthened and recharged to face growing, complex social and economic challenges that Malaysia is expected to face in the coming years and decades.

ENSURING RESILIENCE AGAINST NATIONAL ECONOMIC HEADWINDS

An immediate challenge for the national economy will be in ensuring a sustainable and resilient COVID-19 economic recovery. As the economy gradually reopens following strong success in the national vaccination programme, catalysing sustainable economic rebound of demand, employment, and household income to enhance the livelihoods of Malaysians represents a top priority. To ensure sustainable recovery, it is critical that Malaysia not only survives, but thrives and emerges stronger; that we not only rebuild what we have lost, but that we rebuild better and grow with renewed dynamism. The far-sighted investments and stewardship of GLICs during this period of recovery will be a critical component of this journey to reinvigorate the economy and to unlock new sources of competitive advantage for the nation.

Beyond driving rapid recovery, the rebalancing of Malaysia's economic structure will be needed to ensure strong, continued economic growth, as Malaysia approaches high-income nation status. A large portion of the domestic economy is concentrated in mature industries, where various growth industries catalysed by GLICs over time have transitioned into mature industries, with a lower growth trajectory. The slowing of growth has also manifested in the country's capital markets, with the FBM-KLCI index recording an average annualised 10-year total shareholder return (TSR) of approximately 2% per annum, compared to the 11% per annum TSR of the S&P 500 index over the same period.

Without the spurring of large and high-value new growth sectors, Malaysia risks being stuck in the "middle income trap",

with stagnating Gross National Income and the plateauing of economic growth. Moreover, whilst Malaysia has made significant progress in diversifying the economy, approximately 20 to 30 % of GDP and fiscal income continues to rely on extractive industries, such as the oil and gas sector, which is facing long-term prospects of gradual decline, with the depletion of finite natural resources. The spurring of high-value, new growth, through the development of ecosystems which provide sustainable competitive advantage for Malaysia, will be critical. GLICs have a key role to play once again in catalysing these new growth sectors, supported by the right policies and enablers.

Malaysia will also need to face the challenges of a growing ageing population. With the steady increase in aged population since the 1970s, Malaysia today has approximately 2.2 million people aged 65 years and over; 7% of the total population. By 2040, the aged population is expected to triple to more than 6 million people. Ensuring early preparation for the

challenges of an ageing population will be critical, from increasing productivity across the economy, to enhancing the coverage and adequacy of retirement savings. Replenishing social protection and savings buffers which have been utilised to alleviate the financial burden on households during the COVID-19 pandemic will be the first key step on this journey.

Strengthening the fiscal position will be critical to the future resilience of the national economy. Through expansionary fiscal policies to safeguard the lives and livelihoods of Malaysians through the COVID-19 pandemic, the debt-to-GDP ratio of Malaysia has risen from 51% in 2018, to approaching the current debt-to-GDP ceiling of 65% at the time of writing. Ensuring strong fiscal discipline, such as with SWFs contributing towards the adequate provisioning for fiscal needs over various time horizons, and the spurring of new growth sectors which will unlock new sources of fiscal income, will be the key to ensuring long-term fiscal sustainability and macroeconomic stability.

"GLICs, through catalytic and long horizon investments, have a significant role in spurring high value growth ecosystems built on sustainable competitive advantage"

ENSURING RESILIENCE AND CAPTURING ADVANTAGES FROM GLOBAL INVESTING MEGATRENDS

Besides strengthening and recharging to tackle future economic challenges in Malaysia, it is also critical for GLICs to reform to face challenges and capture opportunities from megatrends influencing GLICs as investors.

Over the past few years, there has been an unprecedented acceleration in focus of the global investment community on Environmental, Social, and Governance (ESG) factors. In the past, GLICs have been responsible investors, with several GLICs being signatories to the United Nations Principles of Responsible Investments (PRI) and adhering to key governance codes, such as the Malaysian Code for Institutional Investors (MCII) and the Malaysian Code of Corporate Governance (MCCG). Building on these strong foundations, GLICs will need to ensure resilience against ESG megatrends, ensuring end-to-end integration and consideration of ESG factors in investment decision-making, whilst leveraging influence to promote the ESG agenda in portfolio companies and broader corporate Malaysia to meet stakeholder expectations, safeguard shareholder returns, and to increase the resilience of the national economy. This includes collaborating with portfolio companies to decisively mitigate transition

risks, especially in relation to climate, given rapid global developments in regulation, policies, and technologies, which have disruptive potential on businesses.

As the assets under management of GLICs grow, it is also critical to ensure enhanced strategies, talent, and capabilities to ensure the continued delivery against given risk-return mandates. This includes ensuring sufficient portfolio diversification to avoid the over-concentration of risks in specific sectors, asset classes, and geography, as well as the optimisation of strategic asset allocations to deliver strong and sustainable risk-adjusted returns. Ensuring the continued success of GLICs with effective merit-based talent management, deployment, and succession planning, supported with the right scale to build depth of expertise, will be critical to unlocking investment advantage for GLICs. Furthermore, enhanced collaboration and synergies across GLICs built on individual strengths, such as through the sharing of experiences and know-how, as well as joint strategic collaborations on topics and areas for mutual benefit, has the potential to elevate the performance of individual GLICs, as well as the collective impact created by GLICs in alignment to the national agenda.

BACKGROUND ON PERKUKUH

Previous efforts to reform and enhance the GLIC and GLC landscape in the past have yielded strong results and outcomes.

In 2004, the GLC Transformation (GLCT) Programme was launched. The GLCT programme was developed with the dual aim of enhancing economic performance and accelerating the country's social and economic development. To support the implementation of the GLCT, the Putrajaya Committee on GLC High Performance (PCG) was established with representation from MOF, Prime Minister's Office (PMO), and GLICs, including KNB as secretariat to monitor progress and ensure momentum in the implementation of GLCT recommendations.

Fast forward to 2015, the GLCT Graduation Report Card was released, to take stock of the impact created through the programme. Over the course of the 10 years, the G20, representing the largest 20 GLCs, saw total shareholder return increase by 11.1% per annum, market capitalisation growth by 2.9x, and revenue growth by 3x, encapsulating the positive impact of the GLCT on financial performance of GLCs. Through the programme, nation-building was also catalysed, with strong

success stories of GLCs expanding to become regional champions, investing in new industries and sectors, increasing collaboration between the public-private sector, and enhancing social impact contribution by GLCs over the period. The launch of 10 initiatives, captured through various coloured books, including enhancing Board effectiveness, improving the regulatory environment, procurement best practices, and others established a clear reference guideline for adoption across the GLC landscape.

Building on the foundations of previous transformation efforts across GLICs and GLCs, the PERKUKUH (Perkukuh Pelaburan Rakyat) or the Strengthening of the People's Investments programme is designed to strategically transform GLICs for enhanced resilience and socioeconomic impact. In contrast to the GLCT programmes which focused on driving transformation in the GLCs through GLIC, the PERKUKUH programme's focus is on enhancing GLICs to meet both the challenges which will be faced at a national level as well as at

an individual GLIC level. The benefits of strengthened GLICs will be cascaded to GLCs and broader corporate Malaysia, given the position of GLICs as stewards for portfolio companies and as major engines for the national economy. PERKUKUH is part of the *Reform* pillar in the Government’s 6R Strategy (Resolve, Resilience, Restart, Recovery, Revitalise, and Reform) which outlines the holistic economic recovery strategy to the COVID-19 crisis.

The PERKUKUH programme and its underlying initiatives were established based on a highly strategic and fundamental

review of GLIC setup in Malaysia in view of forward-looking national agenda priorities. The review included assessing and optimising:

- The role of government in business and economic development, based on Malaysia’s stage of development
- The purpose, role, mandate, and objectives of the overall GLIC setup and individual GLICs
- The governance and coordination mechanisms across GLICs and GLCs to achieve national agenda aspirations (e.g., spur new growth)

There are 4 key objectives for the overall GLIC setup in Malaysia:

<p>I Catalyse new growth with enhanced alignment to the national agenda by spurring new sectors, regional champions, etc.</p>	<p>III Safeguard social wellbeing of the Rakyat across the lifecycle by facilitating adequate savings and retirement provisions</p>
<p>II Holistically provision for current and future country fiscal needs, including “rainy-days” and future pension liabilities</p>	<p>IV Enhance efficiency and optimise the government’s role as custodian of national strategic assets for overall country benefit</p>

To achieve these 4 key objectives, the PERKUKUH programme is designed to deliver 5 target outcomes through 20 key initiatives, which was developed and refined based on extensive stakeholder inputs from both public and private stakeholder engagements.

WHAT IS PERKUKUH?

Strategic transformation programme to enhance Malaysia's Government-Linked Investment Companies (GLICs) setup and to optimise the role of government in business

PERKUKUH 5 Target Outcomes



1

Sharpened distinct mandates of Sovereign Wealth Funds and Institutional Investors

2

Enhanced development investing to catalyse new growth sectors



3

Crowding-in¹ of private sector investments and streamlined role of government in business



4

Fortified GLICs with best-in-class governance, investment strategies and capabilities



5

Strengthened social protection and fiscal resilience



1. Increase in private sector participation

TARGET OUTCOMES

The PERKUKUH programme aims to achieve 5 major target outcomes. These 5 outcomes will positively contribute towards Malaysia's national aspirations and development plans such as the Shared Prosperity Vision 2030 and Twelfth Malaysia Plan.

PERKUKUH seeks to boost Malaysia's longer-term economic prospects and resilience, focusing on good governance that enables sustainable growth, strengthens socioeconomic inclusivity, and environmental sustainability in line with long-term national aspirations. In addition, PERKUKUH will also strengthen the position and reputation of GLICs as leading best-in-class investment institutions. The enhancements in governance will position GLICs to be leading examples for the business community in Malaysia anchored on principles of sustainability, transparency, and meritocracy.

PERKUKUH 5 Target Outcomes

1 Sharpened distinct mandates of Sovereign Wealth Funds and Institutional Investors

Establishing widespread clarity across stakeholders on the distinct mandate of each GLIC is a key foundation for the optimisation of the GLIC setup. At a broad level, GLICs can be classified into two distinct groups based on their source of funds, namely Sovereign Wealth Funds (SWFs) which are government-backed and Institutional Investors which are funded by the contributions and deposits from the Rakyat.

There are three SWFs in Malaysia, namely Khazanah Nasional Berhad (KNB), the Retirement Fund Incorporated (KWAP), and the National Trust Fund (KWAN). Whilst each SWF has a distinct mandate, collectively SWFs will need to achieve key government objectives. Firstly, SWFs support the government with a dual mandate of investing to drive socioeconomic development of the country such as catalytic investing into

new growth sectors, whilst ensuring that investments are commercially viable and sustainable. Secondly, SWFs support the growth of the country's wealth, to ensure the adequate provisioning for fiscal needs across time horizons including providing budget stabilisation as well as meeting long-term fiscal needs, such as financing public pension liabilities or offsetting the reduction in future fiscal income streams. Thirdly, SWFs play a role as a custodian of national assets to enhance efficiency and to safeguard key national security and interests. The split of these SWF responsibilities across Khazanah, KWAP, and KWAN are detailed in the next section, each contributing towards the overall purpose and mandate of SWFs in the country.

In terms of GLICs under focus, there are four key Institutional Investor entities, namely the Employee Provident Fund (EPF), Permodalan Nasional Berhad (PNB), Lembaga Tabung Haji (LTH), and the Armed Forces Fund Board (LTAT).

Each of these institutional investors have the primary mandate of ensuring that sustainable risk-adjusted returns, aligned to fund-specific risk-return requirements, are delivered to each fund's contributors. The focus on this primary mandate is key, given the importance of the returns of Institutional Investors in enabling social protection and savings for the Rakyat. Where complementary to the primary mandate, institutional investors have a role to synergistically contribute to the overall national agenda. As large sources of patient capital, institutional investors have the advantages of investing with long-term horizons, which can benefit the country in infrastructure investments or investments into high potential new growth sectors aligned with the risk-return appetite of the fund. In addition to the role as investors, selected institutional investors also have additional service provision roles to its members and contributors. The unique mandates of each institutional investor are outlined in the next section.

2 Enhanced development investing to catalyse new growth sectors

A key outcome of the PERKUKUH programme is enhancing the focus and enablers for development investing to catalyse new growth sectors. This target outcome is driven by the imperative of spurring new growth sectors in the country, reducing the over-reliance on mature

economic sectors for the future resilience of the national economy. The development of sustainable new growth sectors will ensure sustained economic development, future-proof jobs, and enhanced household incomes for Malaysians.

In support of this target outcome, Khazanah has set aside an increased RM6 billion capital allocation to developmental and impact investments oriented to achieve key socioeconomic outcomes in Malaysia, aligned to the overall national agenda. These investments will be critical in catalysing high value new growth sectors for the country. These investments will be catalytic, and fill key gaps in the market where investments would otherwise have not occurred, demonstrating the value of additionality brought about through Khazanah's investments. Beyond catalytic investments, new growth sectors will need to be supported with coherent and progressive policies, incentives, regulations, human capital, and implementation-oriented plans to provide strong foundations for new sector growth. Moreover, building up new growth ecosystems is critical for the creation of sustainable and differentiated competitive advantage.

To ensure new growth sectors are effectively catalysed, PERKUKUH will establish the New Growth Coordination Council, which will focus on enhancing cross-stakeholder orchestration and coordination across both the public and private sector. The combination of catalytic investing by SWFs and enhanced facilitative enablers established through the New Growth Coordination Council will increase the attractiveness and reduce the entry risks of institutional investors and other private sector investors into high potential new growth sectors. This will crowd-in the necessary private investment to build momentum behind new growth sectors in the country. In addition to the positive impact on jobs and household incomes, spillover benefits on entrepreneurship and innovation will also be realised in new growth sectors.

3

Crowding-in of private sector investments and streamlined role of government in business

As Malaysia's stage of economic development evolves, it is critical that the role of government in business is reassessed and optimised. The definition of strategic assets will be sharpened through PERKUKUH. Based on the sharpened definition of strategic assets, the optimal

mode of government oversight of these strategic assets will be assessed based on the various levers at the government's disposal, including ownership or direct shareholding, golden shares, or regulations. The role of government will be streamlined to crowd-in private sector investments into

sectors, especially for mature economic sectors, where regulation has developed to adequately safeguard national interests or economic sectors which have gradually declined in strategic importance for the country. In areas where golden shares are retained, the rights of each golden share will be streamlined.

The process of optimising the definition of strategic assets and streamlining of golden shares will be carefully evaluated

in consultation with key stakeholders, including ministries and regulators. It will be implemented in a phased approach to ensure a smooth transition for the benefit of the government, corporates, and the Rakyat. With successful implementation, various benefits will be realised including: an enhanced focus of the role of government in business, strengthened regulators, the unlocking of capital for high value redeployment, and the crowding-in of private sector investments.

4

Fortified GLICs with best-in-class governance, investment strategies, and capabilities

A key target outcome of PERKUKUH is ensuring that GLICs are equipped with the right enablers to strongly deliver on their unique mandates. To fortify GLICs, PERKUKUH will focus on future-proofing GLICs with best-in-class governance, investment strategies, and capabilities. In view of rapidly evolving global megatrends on ESG, ensuring that all GLICs are resilient and positioned to capture advantages from these trends is critical. Minimum ESG standards and guidelines will be established to support GLICs and their portfolio companies to adapt to ESG, including embedding ESG considerations into the end-to-end decision-making process, ensuring responsible disclosures on ESG factors, and building up capabilities to manage ESG-related risks and capture

ESG-related opportunities. Moreover, focused efforts to ensure that GLICs and portfolio companies are proactively managing key climate-related transition risks will be implemented, to safeguard shareholder value.

The strong governance foundations and stewardship roles of GLICs will be emphasised. Through the enhancement of the Malaysian Code for Institutional Investors (MCII) and other supporting guidelines to enhance governance standards across GLICs, PERKUKUH will ensure that all GLICs adhere to best-in-class standards of governance and stewardship of portfolio companies. Guidance on key topics, such as governance forums, Board and Investment Panel composition, and

the robustness and transparency of Board and Management Team appointments will be emphasised in the revised guidelines.

Furthermore, investment strategies and the Strategic Asset Allocation (SAA) will be optimised by each GLIC, balancing across sectors, asset classes, and geographies to enhance the ability for GLICs to deliver on

their mandates. Opportunities to unlock benefits from increased economies of scale and expertise sharing across GLICs will be explored. Finally, measures to strengthen talent and capabilities will be pursued, including ensuring effective talent management and succession planning for each GLIC.

5 Strengthened social protection and fiscal resilience

Finally, PERKUKUH aims to strengthen the social protection and fiscal resilience for the country, as key foundations for long-term economic prosperity. In terms of social protection, enhancing the sustainability, adequacy, and coverage of social protection schemes under the direct influence of GLICs such as retirement schemes will be a key focus priority. Social protection represents a key element of the Sustainable Development Goals 2030 and GLICs have a key role to play in progressing the overall social protection agenda of the country.

To support fiscal resilience, strengthened planning and fiscal discipline to provision for both near-term and long-term fiscal needs will be implemented. Addressing

the growing public pension liabilities will be a key priority of PERKUKUH to ensure long-term fiscal sustainability. Moreover, focused efforts on ensuring the turnaround of loss-making national assets will be prioritised, which will also indirectly reduce contingent liability risks for the government in the future.

Strengthening social protection and enhancing fiscal resilience represent large and complex challenges which will require a whole-of-government to address. Deep collaboration and focused efforts across government stakeholders will be required, with the coordination and pooling of resources to tackle these critical and large-scale topics for the country.

Who are the beneficiaries and how will they benefit?

RAKYAT



Increased employment in **high-quality jobs in new growth sectors, boosting household income.**

Strengthened social protection coverage and adequacy.

Enhanced assurance of investments in institutional investors which are strongly equipped to deliver on return mandates.

Enhanced societal impact from GLIC's sustainable and responsible investments.

GLICs

Growth in reputation as **world-class investment institutions.**

Strengthened governance in line with global best practices.

Enhanced clarity of mandate and role in supporting overall national agenda.



Enhanced returns with economies of scale and international investing.

Positioned to **capture advantages from global ESG¹ megatrends.**

INVESTORS

Increased **attractiveness of new growth sector entry** with coordinated and coherent policies, regulations, and incentives.

Greater co-investment opportunities in high potential growth and development sectors in Malaysia.



Increased **crowding-in of private investments** with streamlined role of government.

Improved ESG assurance of institutional investments.

ECONOMY

Growth in **GDP, job creation, and FDI** from new growth sectors.

Enhanced fiscal resilience through strengthened fiscal discipline.



Strengthened major institutions with increased resilience and competitiveness.

Optimised deployment of limited public funds for maximum impact.

Accelerated transition towards a high-value future economy.

GLICs AT A GLANCE

Which GLICs are covered under PERKUKUH
and what are their overall mandates?

SOVEREIGN WEALTH FUNDS¹



KHAZANAH
NASIONAL



KUMPULAN
WANG AMANAH
NEGARA

Catalyse sustainable national
socioeconomic development

Provision for **fiscal needs** across
time horizons

Custodian of **national assets** critical
to national security and interest

INSTITUTIONAL INVESTORS



KWSP
EPF

PNB
Permodalan Nasional Berhad



TABUNG HAJI
حي على الفلاح

Sustainably and reliably **deliver on
respective risk-return mandates** to
contributors

Contribute to national development
in areas complementary to the core
risk-return mandate

1. Each SWF fulfills distinct mandates, e.g. KWAP fulfills mandate of financing civil servant pension liabilities, Khazanah Nasional on delivering long-term risk-adjusted returns and impact investments to catalyse new growth areas, contribute to priority socioeconomic outcomes. Please refer to next page for details.

Individual Mandates

SOVEREIGN WEALTH FUNDS



KHAZANAH
NASIONAL

KHAZANAH NASIONAL BERHAD

Deliver **sustainable value for Malaysians** by achieving long-term risk-adjusted returns as well as **impact investments** that catalyse new growth areas, strengthen Malaysia's economic competitiveness, and contribute to priority socioeconomic outcomes

KUMPULAN WANG PERSARAAN
(DIPERBADANKAN)



Contribute to the Federal Government's effort to **finance civil servant pension liabilities** by achieving optimal risk-adjusted returns in its investment whilst **managing the payment of pensions** for public sector retirees



KUMPULAN
WANG AMANAH
NEGARA

KUMPULAN WANG AMANAH
NEGARA

Provide a **steady source of income for the benefit of Malaysia** and future generations by ensuring optimal utilisation of income from finite natural resources

Individual Mandates

INSTITUTIONAL INVESTORS



**KWSP
EPF**

**KUMPULAN WANG SIMPANAN
PEKERJA**

Preserve and enhance the retirement savings of Malaysia's workforce through stable and consistent returns in the long-term

**LEMBAGA TABUNG ANGKATAN
TENTERA**



Preserve and provide sustainable and competitive returns for the retirement savings of Malaysian Armed Forces and volunteer forces

PNB
Permodalan Nasional Berhad

PERMODALAN NASIONAL BERHAD

Enhance the economic wealth of the Bumiputera community and all Malaysians for the prosperity of the nation

LEMBAGA TABUNG HAJI



TABUNG HAJI
حي على الفلاح

Deliver excellent hajj services as the sole hajj operator in Malaysia and administer funds sustainably to strengthen the economy of the Ummah

Asset Under Management (AUM) breakdown by GLIC¹

SOVEREIGN WEALTH FUNDS



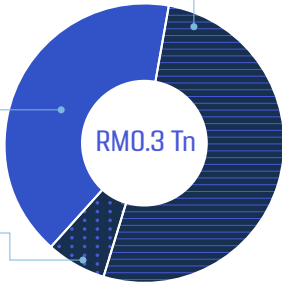
RM150 Bn



RM120 Bn



RM20 Bn



INSTITUTIONAL INVESTORS



RM1,000 Bn



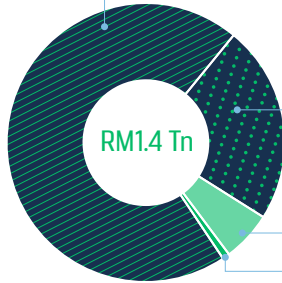
RM320 Bn



RM80 Bn



RM10 Bn

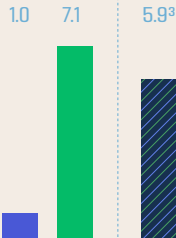


Total Assets Under Management

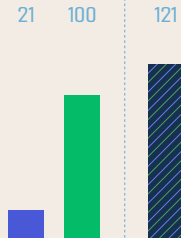
RM1.7 Tn

1. Estimated unaudited figure as at 31 December 2020

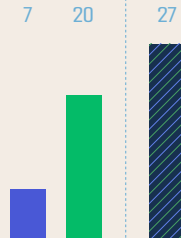
Total AUM Growth '16-'20 CAGR² (%)



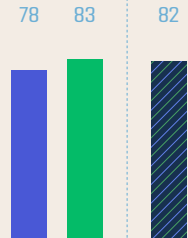
AUM vs. Total Malaysia GDP (%)⁴



AUM Share of KLSE Bursa Market Cap (%)



Share of AUM deployed domestically (%)



- Sovereign Wealth Funds
- Institutional Investors
- All GLICs

2. CAGR = Compound Annual Growth Rate 3. Versus 3.9% average Malaysia GDP growth rate for same period 4. Based on 2020 GDP at RM 1,416 Bn;
Note: MOF Inc reform will also be part of PERKUKUH, though not formally classified as a SWF
Source: GLICs, BNM, Capital IQ, PERKUKUH team analysis

1950



1951
EPF established under the EPF Ordinance 1951



1952
EPF coverage grows to over 518,948 members and close to 12,000 registered employers



1963
PWSBH¹ established as the first Islamic financial institution in Malaysia to enable Muslims to save for hajj expenses



1963
PWSBH begins operations with total of 1,280 prospective pilgrims with total deposits of RM46,610



1963
EPF expands coverage to all employers who employ more than three persons



1968
EPF Ordinance amended to provide for withdrawal of member savings upon reaching age of 50, to assist in retirement preparation



1969
EPF extends coverage to include Sabah and Sarawak



1969
LUTH² established following merger of Hajj Affairs Management Office and PWSBH to strengthen role of coordinating and expanding savings and hajj management



1970
EPF asset size grows to RM2.1 Bn, with coverage of close to 2 Mn members

1970



1972
LTAT established under the Tabung Angkatan Tentera Act 1973 as a government statutory body to facilitate retirement savings for Malaysian Armed Forces personnel



1972
Tabung Haji Plantations, the plantation business arm of LTH, is established



1975
Contribution rates increased to 6% for employees and 7% for employers, enhancing adequacy of savings



1977
EPF Ordinance amended to allow self-employed to contribute to EPF, to increase employee's contribution rate, and to enable withdrawals for low-cost housing



1978
PNB established³ to promote the ownership of share capital by the Bumiputera community in the Malaysian corporate sector in accordance with the New Economic Policy



1979
Amanah Saham Nasional Berhad (ASNB) formed as PNB's fund manager



1980
EPF contributions surpass RM1 Bn per year, with coverage of 3.7 Mn members



1981
Amanah Saham Nasional launched as PNB's first unit trust

1980



1981
Acquired control of Guthrie Corporation with landmark Guthrie Dawn Raid on the London Stock Exchange, enabling the relocation of the plantation group back to Malaysia



1982
EPF Act 1951 established based on EPF Ordinance 1951



1983
Highest dividend rate of 8.5%, which was maintained until 1987



1983
PERNAMA⁴ was established to take over the retail business operations of Navy, Army, and Air Force Institute (NAAFI)



1984
PPHM⁵ established to venture into property development, construction and project management



1984
Majority stake acquired in Maybank



1986
Introduced Death and Disablement Benefits Scheme for members



1988
Takeover and growth of UMW, as a major diversified industrial conglomerate



1989
Amanah Harta Tanah launched as Malaysia's first listed property fund



1990
LUTH made its first sukuk investment, investing in Shell MDS (Malaysia)



1990
Majority stake in Boustead Holdings acquired

1990

1. Formerly known as the Prospective Hajj Pilgrims Savings Corporation (Perbadanan Wang Simpanan Bakal-Bakal Haji) 2. Previously named as Lembaga Urusan Tabung Haji prior to name change in 1995 3. As operating arm of Bumiputera Investment Foundation (YPB) 4. Perbadanan Perwira Niaga Malaysia 5. PPHM = Perbadanan Perwira Harta Malaysia

1990



1990
First investments into corporate bonds, expansion of portfolio managers



1991
Consolidation and listing of Affin Holdings Berhad



1991
EPF Act 1991 introduced to liberalise investment regulations and enhance withdrawal schemes



1993
Perodua established with UMW and Daihatsu JV¹



1993
Ventured into project financing and JVs, in line with Government's privatisation agenda



1994
PERHEBAT² established to provide various training and socioeconomic programmes for retiring Armed Forces personnel or veterans



1994
KNB begin operations as Malaysia's first sovereign wealth fund



1995
Acquired 40% equity in Putrajaya Holdings to undertake development of Putrajaya



1995
Housing Withdrawal Scheme introduced to enable withdrawals for house and land purchase



1995
Restructuring to create Malaysia National Insurance Berhad (MNI)



1995
Lembaga Urusan & Tabung Haji renamed as LTH



1996
Member Investment Scheme launched, enabling members to invest in unit trusts of approved fund managers



1996
Introduction of Amanah Saham Wawasan 2020 to non-Bumiputera market



1997
Received Award for Public Services in the Finance Management category



1997
Introduced EPF Contributors Savings Scheme for TH Savings account



1998
Conducted series of new technology investments in line with catalytic investing role



1998
Takeover and restructuring of distressed companies posing large systemic risks due to the Asian Financial Crisis



1999
Bank Muamalat was established by merging Islamic assets of BBMB and CAHB³

2000



2000
Introduced Education Withdrawal Scheme and Pensionable Employees Withdrawal Scheme



2000
Invested 30% in Time dotcom to facilitate entry of strategic partners



2000
Yayasan LTAT⁴ launched to provide scholarships and financial assistance to children of Malaysian Armed Forces



2000
Listing of HeiTech Padu



2001
Membership grows to 10 Mn and total assets to RM186 Bn



2001
Acquisition of UEM Berhad via Syarikat Danasaham



2002
Financial restructuring and asset unbundling of MAS⁵



2002
Listing of PLUS Expressways Berhad (PEB)



2004
Issuance of first exchangeable bond with PLUS exchangeable bond



2004
Balanced Scorecard management system established, and e-Kiosk established in 13 states with 28 branch offices



2004
Start of Khazanah's strategic revamp with enhanced mandate to be an active shareholder and to drive transformation of GLCs



2005
First wave of overseas investments in Indonesia, China, India and Saudi Arabia, expanding investment footprint regionally



2004
Launch of GLC Transformation programme with dual aim of enhancing economic performance and accelerating the country's social and economic development

The Putrajaya Committee on GLC High Performance (PCG) established with representation of MOF, PMO⁶, and GLICs, including KNB as secretariat to monitor progress and ensure momentum in implementation of GLCT⁷ recommendations

2004
Blue Book on performance management launched, the first of the "coloured books" series on guidelines of best practices for GLCs

1. Joint Venture 2. Perbadanan Hal Ehwal Bekas Angkatan Tentera 3. BBMB = Bank Bumiputra Malaysia Berhad, CAHB = Commerce Asset Holding Bhd 4. Previously known as Yayasan Warisan Perajurit 5. Malaysia Airlines System 6. MOF = Ministry of Finance Malaysia, PMO = Prime Minister's Office 7. GLC Transformation Programme

2005

2005



2006
Iskandar Development Region plan developed with KNB as master planner



2006
Listing of TH Plantation



2006
Investments in Pantai Holdings paving strategic entry into healthcare



2006
Yayasan Khazanah established for tertiary education scholarships and graduate Employability Enhancement Programme (GREEN) launched



2006
Boustead delivered its first offshore patrol vessel to the Royal Malaysian Navy



2006
Launch of GLCT Programme Transformation Manuals (coloured books)



2006
PINTAR foundation established to improve educational outcomes of students in under-served communities with cross GLIC / GLC efforts



2007
Introduced Beyond Savings including Flexible Age 55 Withdrawal scheme



2007
KWAP established under the Retirement Fund Act to support financing of public pension liabilities



2007
Khazanah Koridor Utara established to enhance development efforts in Northern Corridor Economic Region



2007
PLUS exchangeable sukuk issued, the largest equity-linked sukuk, attracting highest ever subscription



2008
EPF establishes the ISSA¹ Sub-Regional Office in KL to enhance cooperation across ASEAN on social security development



2008
Malaysia High Speed Broadband project commenced



2008
Wins Quality Financial Management Award in recognition of progress in quality of services and corporate governance



2008
Liability period for EPF contributions extended from age 55 to 75, and basic savings target set to enhance savings adequacy



2008
TM-TMI demerger to realise potential of telco holdings, forming platform for Axiata to emerge as regional telco player



2008
TH Hajj Medical Team was recognised as the world's best hajj medical team by Saudi Arabia Health Ministry



2008
TIME dotCom restructuring, involving pioneering earn-out structure for local entrepreneurs



2009
Restructuring of PNB's Domestic Property Companies



2009
Teluk Datai master development plan launched, to boost tourism sector in Langkawi



2009
Yayasan Sejahtera launched, to focus on addressing extreme poverty in rural areas



2009
Collaborated with Bank Islam and Bank Rakyat to provide ATM/CDM² uniteller services (first strategic partners)

2010



2010
1Malaysia Retirement Saving Scheme launched for self-employed and housewives



2010
Cabinet approves for KWAP to assist Government in funding pension liability



2010
Issuance of landmark inaugural Singapore Dollar sukuk; followed in 2011 by Renminbi sukuk, the world's first RMB offshore sukuk



2011
Khazanah-Temasek joint investments in Iskandar Malaysia and Singapore, strengthening bilateral ties



2011
Scale-up of global property development portfolio



2011
UEM Land and Sunrise M&A, forming largest property developer in Malaysia



2012
IHH listing, the third largest IPO globally in 2012



2012
USD1.5 Bn IPO of Astro Holdings, third largest IPO in M'sia during time of launch



2012
Investment of RM1.5 Bn in the world's first perpetual sukuk by MAS³



2012
Established first Islamic Financial Service Centre with Bank Islam



2013
KWAP Young Talent Programme is launched



2013
Projects and JVs to develop integrated residential and commercial areas, education hubs, a leisure theme park, and eco-technology parks in Johor

2013

1. International Social Security Association 2. ATM = Automated Teller Machine, CDM = Cash Deposit Machine 3. Malaysia Airlines System



2014
Revised basic savings thresholds, and enhanced retirement advisory services



2014
RM1 Bn income achieved, highest since inception



2014
Launch of Amanah Saham Bumiputera 2



2014
USD25 Bn IPO of KNB-invested Alibaba, which stands as largest IPO globally



2014
Khazanah Research Institute (KRI) established to carry out research on pressing issues of the nation to inform policy decisions



2014
Launch of Malaysian Code for Institutional Investors (MCII)



2014
GLC Disaster Response and Relief Network activated to assist recovery in flood-hit areas



2015
Issue of world's first MYR denominated SRI¹ sukuk



2015
Yayasan Hasanah established as an independent grant-making foundation



2015
Amended Retirement Fund Act is gazetted, and KWAP inherits PSD²'s Post Pension Services Division functions



2015
GLCT³ Programme Graduation 10-Year Report Card published highlighting impact of programme on GLC financial performance, nation building, and benefits to stakeholders



2016
Issuance of inaugural USD750 Mn straight sukuk



2016
Formation of Malaysia Aviation Group and launch of KLIA Aeropolis



2016
Started construction of over 2,300 affordable houses for Armed Forces personnel and veterans, adding to 1,888 units sold



2017
Trending, Innovation, Disruption, Entrepreneurship (TIDE) and Khazanah Nasional Entrepreneurship Outreach (KNEO) programmes launched



2017
Received >30,000 new hajj quota and piloted the world's first project on Saudi Immigration Pre Clearance for Hajj Pilgrims from Malaysia



2017
Launched first ASEAN Green SRI Sukuk Programme



2017
Named best Institutional Investor at MSWG⁴ ASEAN Corporate Governance



2017
Launched Simpanan Shariah, a savings option invested according to Shariah principles



2017
TH Hibah Amanah launched as an alternative to manage the bequest of hibah savings



2017
5-Year PNB Strategic Plan (STRIVE-15) developed, strong market cap and TSR⁵ impact realised from initiatives in 2017



2017
Demerger of Sime Darby Berhad into Sime Darby Plantations, Sime Darby Property, and Sime Darby Berhad



2018
KNB recognised in Bretton Woods II Leaders List as one of the 25 Most Responsible Asset Allocators globally



2018
Launch of M+S⁶ Marina One and Duo developments



2019
TH redefined the underlying Shariah contract for deposit to Wakalah⁷



2019
Set up Bengkel Pesara Aktif Berkerjaya to facilitate pensioners in rejoining workforce



2019
Launch of Belanjawanku: Expenditure Guide for Malaysian Individuals and Families



2020
Launched THiJARi⁸ online and mobile app service as part of digitalisation initiative



2020
Cross GLIC / GLC support of Cerdik programme to enable digital access to students from lower-income families



2020
Streamlined GLC and GLIC response to COVID-19 support via Disaster Response Network coordinated by Yayasan Hasanah and TM⁹



2020
Roll-out of i-Lestari and i-Sinar to enable EPF withdrawals to alleviate financial burden of COVID-19 pandemic



2021
Launched TH Stewardship Framework and THiJARi wins Malaysian Technology Excellence Award



2021
Launched ASN Equity Global, its first Global Equity Fund for all Malaysians



2021
Launch of PERKUKUH programme to reform and future-proof GLICs, optimise role of government in business to promote crowding-in, and to spur new growth areas for the country

1. Sustainable and Responsible Investment 2. Public Service Department 3. GLC Transformation 4. Minority Shareholders Watch Group 5. Total Shareholder Return 6. M+S Pte Ltd, owned by KNB and Temasek 7. Wakalah refers to the appointment of TH (wakil) by depositors (Muwakkil) to manage their funds and pilgrimage related affairs in accordance with the Tabung Haji Act 1995 8. TH's online platform for its customers 9. Telekom Malaysia

IMPLEMENTATION HIGHLIGHTS

PERKUKUH target outcomes will be realised through 20 initiatives.

PERKUKUH will be implemented under the overall oversight and governance of the Ministry of Finance (MOF) and Prime Minister's Office (PMO). The program management office and secretariat for PERKUKUH will be the National Economic Implementation and Strategic Coordination Agency (LAKSANA), under the Ministry of Finance. PERKUKUH initiatives will be implemented in phases, with 2024 being the target year for completion.

Working groups have been established to drive the implementation of each initiative. Members of the working group consists of representatives from the public sector, such as MOF and PMO as well as the Ministry of Defense and Prime Minister's Department (Religious Affairs) which oversees LTAT and LTH respectively, the 6 GLICs, along with other key stakeholders such as Securities Commission (SC), Bank Negara Malaysia (BNM), the Institutional Investors Council

Malaysia (IICM), Capital Markets Malaysia (CMM), and Sustainable Investment Platform (SIP) for specific initiatives. Beyond the stakeholders mentioned, various ministries and regulators relevant to sectors directly or indirectly influenced by PERKUKUH initiatives will be actively engaged.

Overall programme oversight is provided by a Steering Committee chaired by the YB Minister of Finance and leaders within the Ministry of Finance and Prime Minister's Office. The Steering Committee will provide regular updates to the YAB Prime Minister on the implementation of PERKUKUH, ensuring executive oversight from the nation's senior leadership. In the spirit of transparency and accountability for delivery, periodic updates on implementation progress and results will be made available for public consumption.

20 PERKUKUH INITIATIVES

01	New growth ecosystem coordination	pg 32
02	Development co-investments	pg 33
03	Setup optimisation for Sovereign Wealth Funds	pg 34
04	Stabilisation and savings fiscal discipline	pg 35
05	Strategic asset definition and shareholding	pg 36
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07	Scale with pooled asset management	pg 38
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Coordinated Initiatives –
Government / SWF
Centric

Coordinated Initiatives –
All GLICs

Individual GLIC-Led
Initiatives

01 NEW GROWTH ECOSYSTEM COORDINATION

OBJECTIVE

Enhance active orchestration and coordination across stakeholders to spur timely and effective development of priority new growth sector ecosystems

DESCRIPTION

- Establishment of the New Growth Coordination Council as a high impact forum chaired by YAB Prime Minister and supported by Ministers from EPU, MITI, and MOF to enhance the coordination required to spur the development of high value, new growth sector ecosystems in Malaysia.
- The New Growth Coordination Council will ensure coherent policies and plans which are effectively cascaded into implementation, supportive regulation and incentives, catalytic investment and infrastructure development, and coordination of interdependencies across public-private sector stakeholders required to achieve sustainable competitive advantage in new growth sector ecosystems.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Businesses** to benefit from coherent, timely, and supportive policies and enablers which enhance the attractiveness of entry into new growth sectors.
- **Rakyat** to benefit from future-proof and high-quality jobs as well as entrepreneurship opportunities in new growth sectors.

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ECONOMIC PLANNING UNIT
PRIME MINISTER'S
DEPARTMENT



MINISTRY OF
INTERNATIONAL TRADE
AND INDUSTRY



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02 DEVELOPMENT CO-INVESTMENTS

OBJECTIVE

Attract co-investments from institutional investors and global SWFs to enhance level of commercially-viable development investing in Malaysia

DESCRIPTION

- Increased focus on attracting co-investments from Institutional Investors and global Sovereign Wealth Funds (SWF) into investments which are both commercially-viable and contribute positively to social or economic development in Malaysia.
- Development of strong networks with domestic and international investors to attract co-investments, both on a deal-by-deal basis or through other structured mechanisms, which will augment the level of developmental investing in the country beyond government and domestic SWF development investing allocations.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Rakyat** to benefit from the positive socioeconomic impact created from the increased level of development investing.
- **Government** to benefit as the level of development investing is augmented by third-party sources of capital, reducing the burden on government finances.

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MINISTRY OF
FOREIGN AFFAIRS
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03 SETUP OPTIMISATION FOR SOVEREIGN WEALTH FUNDS

OBJECTIVE

Optimise the structure and setup of SWFs to unlock synergies and to strengthen the ability of each SWF to deliver on its unique given mandates

DESCRIPTION

- Strengthened long-term planning and optimised capital allocation of government funds across various SWF mandates, balancing across various national objectives.
- Enhanced focus on development investing supported by enhanced capital allocation, resource focus, and capabilities.
- Unlocked synergies across SWFs through the sharing and cross-pollination of knowledge and expertise, including exploring the selective pooling of asset management to unlock economies of scale in SWF investments.

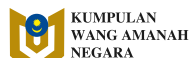
HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **SWFs** to benefit from enhanced economies of scale in investment management (e.g., knowledge pollination, breadth of strategies).
- **Rakyat** to benefit from positive social and development impact from enhanced SWF focus on development investing.

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04 STABILISATION AND SAVINGS FISCAL DISCIPLINE

OBJECTIVE

Strengthen long-term planning and fiscal discipline to ensure optimised provisioning and investing to support government fiscal needs over various time horizons

DESCRIPTION

- Enhanced fiscal discipline with long-term planning and responsible provisioning for government fiscal needs across various time horizons, with optimised capital allocations, capital injection-withdrawal policies, and investment strategies.
- This includes adequate and balanced provisioning for both short-term budget stabilisation needs as well as long-term savings required to finance the growing public pension liabilities and to cater for future "rainy day" needs for the benefit of the Rakyat across time horizons.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Overall economy** to benefit from strengthened fiscal discipline, which ensures the long-term strength of sovereign credit rating and macroeconomic health.
- **Rakyat** to benefit from greater assurance on responsible, far-sighted government planning to provision for both the needs of current and future generations.

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05 STRATEGIC ASSET DEFINITION AND SHAREHOLDING

OBJECTIVE

Optimise government holdings and the degree of involvement in national strategic assets to crowd-in private investments whilst safeguarding for critical national interests

DESCRIPTION

- A holistic and fundamental review to optimise the role of government in business by sharpening the definition of national strategic assets in Malaysia and optimising the mode of government oversight (e.g., shareholding, golden shares, regulation) over these assets.
- The streamlined role of government in national strategic assets will enhance the crowding-in of private sector investments, especially in mature economic sectors, whilst ensuring that the strategic interest of the nation and the Rakyat will continue to be protected with relevant safeguards.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Businesses** will have increased opportunities to invest and participate in sectors as a result of the streamlined role of government involvement in sectors.
- **Rakyat** to benefit from the unlocking of government funds for high impact redeployment without compromising national security and interests.

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• *Relevant ministries and regulators*

06 STREAMLINING OF GOLDEN SHARES

OBJECTIVE

Streamline the use and span of influence of golden shares to optimise the level of government involvement in business

DESCRIPTION

- A holistic and fundamental review of golden shares across various GLCs including determining where golden shares continue to be critical and essential in safeguarding national interests as well as where golden shares are no longer required and can be relinquished in a phased manner due to the presence of other adequate safeguards.
- Reviewing and streamlining the rights of golden shares, including assessing the need for various affirmative and veto rights of each golden share, to optimise and enhance the clarity on the role of government in these assets.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Businesses** with golden shares benefit from enhanced investor confidence from the streamlining and clarity of the specific purpose of retained golden shares.
- **Rakyat** to benefit from continued safeguard of Rakyat and national interests, through golden shares and other safeguard mechanisms.

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• *Relevant ministries and regulators*

07 SCALE WITH POOLED ASSET MANAGEMENT

OBJECTIVE

Enhance risk-return performance by unlocking economies of scale benefits across institutional investors through pooled asset management

DESCRIPTION

- Unlocked investment economies of scale and synergies across Institutional Investors through a structured setup which enables the pooling of asset management for the joint benefit across Institutional Investors.
- In the pooled asset management setup, funds from individual Institutional Investors will be invested based on the respective risk-return mandates and target strategic asset allocations of each investor, by an at-scale pooled asset manager (e.g., larger GLIC) to enhance ability to achieve optimal risk-return performance.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Institutional Investors** to benefit from greater economies of scale in investing including enhanced deal access, improved risk diversification, lower expense margins, and deeper talent specialisation and investment capabilities.
- **Fund contributors and depositors** to benefit from the increased ability of institutional investors to meet fund return mandates.

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08 OPTIMISE INTERNATIONAL INVESTING LIMITS

OBJECTIVE

Strategically optimise international investing limits across GLIC to facilitate optimal strategic asset allocation whilst safeguarding broader national interests

DESCRIPTION

- Optimisation of international investing limits of each GLIC to provide sufficient portfolio construction flexibility, mitigate against domestic investing over-concentration risks, and to achieve target SAA which enhances the ability to deliver on risk-return mandates.
- Enhancement of safeguards to ensure foreign exchange stability and reserve adequacy as well as the mitigation of any other potential risks which may arise from increased GLIC international investing levels and flows.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Fund contributors** to benefit from GLIC's increased ability to deliver on risk-return mandates with enhanced portfolio construction flexibility.
- **Economy** to benefit from avoided crowding-out risks from further GLIC concentration in the domestic economy and protected by safeguards which ensure foreign exchange stability and reserve adequacy.

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BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



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**KWSP
EPF**

PNB
Permodalan Nasional Berhad



TABUNG HAJI
حساب التوفير



09

SOCIAL SECURITY SYSTEM REFORM

OBJECTIVE

Enhance the long-term sustainability of social security systems as well as the adequacy and coverage of social protection for all Malaysians

DESCRIPTION

- Enactment of critical reform to the public pension program to adequately provision and enhance the long-term fiscal sustainability of financing the growing pension liabilities of the civil service workforce.
- Enhancement of coverage and adequacy of retirement savings and other social protection safeguards for all Malaysians through a combination of education and awareness of the importance of social protection provisions, incentives to encourage savings, and relevant legislative amendments to support increased take-up of retirement savings programs.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Rakyat** to benefit from enhanced adequacy and coverage of social protection to improve quality of life and other socioeconomic outcomes.
- **Government** to benefit from enhanced long-term fiscal sustainability through the addressing of public pension funding.

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PUBLIC SERVICE
DEPARTMENT MALAYSIA



10 GLIC 2.0 GOVERNANCE STANDARDS

OBJECTIVE

Ensure adherence to best-in-class governance practices across GLICs and GLCs, including processes for GLIC and GLC board and leadership appointments

DESCRIPTION

- Enhancement of governance standards across GLICs in line with global best practices through the development and enforcement of enhanced principles of good governance across all GLIC activities, including but not limited to strengthened governance forums, board nomination processes, as well as board and investment panel composition.
- Institutionalisation of enhanced transparency, strengthened merit-based selection criteria, and deliberation to ensure optimal and fit-for-purpose candidate selection for GLIC and GLC Board and Management appointments.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **GLICs** seen as leading examples of best practice governance for the investment community within and beyond Malaysia.
- **Rakyat** to benefit from the enhanced assurance that investments are being managed to the highest standards of governance in line with global best practices.

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Suruhanjaya Sekuriti
Securities Commission
Malaysia



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KWSP
EPF



PNB
Permodalan Nasional Berhad



11 SUSTAINABLE INVESTING STANDARDS

OBJECTIVE

Integrate and institutionalise ESG standards in the end-to-end investment process of all GLICs, in line with international best practice standards

DESCRIPTION

- Development and enforcement of minimum Environmental, Social, and Governance (ESG) standards to be adopted across all GLICs, to future-proof and enhance resilience against rapidly developing global ESG megatrends.
- This includes integrating ESG considerations along the end-to-end investment process, actively managing ESG-related transition risks in portfolio companies, and leveraging influence over portfolio companies and corporate Malaysia to promote progressive stance on ESG agenda.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **GLICs** achieve future-proof resilience and are positioned to capture advantage from global ESG investment megatrends.
- **Rakyat** assured that the investments of GLICs are in line with global best practices of sustainable and responsible investing, factoring in total societal impact.

Lead entity



Core contributors



SUSTAINABLE INVESTMENT PLATFORM
AS A DIVISION OF KHAZANAH NASIONAL (KORPORASI) BERHAD & CAPITAL MARKET BOARD



12 ENHANCED INVESTOR ACTIVE ENGAGEMENT

OBJECTIVE

Enhance the effectiveness of GLIC stewardship through high value-add and active investor engagement of portfolio companies

DESCRIPTION

- Strengthened GLIC stewardship over portfolio companies through adherence to an enhanced Malaysian Code of Institutional Investors (MCII) which outlines minimum requirements and best practice guidelines in portfolio company stewardship and investor active engagement.
- Enhancement of GLIC strategic value-add to portfolio companies through the adoption of best-in-class active shareholder engagement strategies, contributing to the future-proofing and enhanced performance of portfolio companies which culminate in enhanced total shareholder return.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Businesses** benefit from enhanced performance, governance, and resilience against risks with effective stewardship of GLICs.
- **GLICs** to benefit from enhanced brand and reputation for strategic value-adding responsible stewardship of portfolio companies.

Lead entity



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Core contributors



MINISTRY OF FINANCE
MALAYSIA



CM2
capital markets
MALAYSIA



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13 COORDINATED SOCIAL IMPACT AT-SCALE

OBJECTIVE

Enhance social impact outcomes through coordination of at-scale and effective social impact programmes across GLC / GLICs

DESCRIPTION

- Prioritisation of key areas to drive coordination cross GLC / GLIC for social impact at-scale to enhance effectiveness and size of impact generated; building on successes of past coordinated initiatives such as PINTAR Foundation to drive equitable education outcomes and GLC / GLIC Disaster Response Network (GDRN) on disaster relief.
- Establishment of a structured and coordinated delivery setup to effectively coordinate efforts across GLCs / GLICs for social impact at-scale.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Rakyat** to benefit from concerted effort of GLCs / GLICs to drive outcomes in the most challenging, large-scale social impact areas for Malaysia, with improved resource allocation efficiency, reduced duplicative efforts, and synergies in coordinated social impact interventions across GLICs.

Lead entity



Core contributors

YAYASAN
HASANAH
 A foundation of Khazanah Nasional



14 EPF GREEN INVESTING OPT-IN FUND

OBJECTIVE

Explore opt-in green investing fund to promote enhanced total societal impact and to cater to diverse preferences of EPF members

DESCRIPTION

- Assessment of the potential to set up a green opt-in fund which provides contributors with excess pension savings a choice to invest into a fund focused specifically on commercially-viable green investments, to enhance alignment with the potential total societal impact preferences of individual contributors.
- The green investment opt-in fund will potentially enhance consumer choices in how excess pension savings are invested, and contribute positively towards environmental sustainability and the green economy, in alignment with the overall national agenda.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Rakyat** to benefit from greater choice and empowerment to enhance total societal impact of investments.
- **GLICs** benefit from built-up track record on commercially-viable green investing, in line with key ESG megatrends and the national green economy agenda.

Lead entity



15 LTH ACT AND GOVERNANCE REFORM

OBJECTIVE

Review and enhance TH Act 1995; enhance operating model and institutionalise strong governance

DESCRIPTION

- Comprehensive review of the TH Act 1995 to identify amendments required to support objectives, operating model, and enhanced corporate governance of LTH.
- Future-proof LTH with reforming of financial and operating models, as well as enhancing risk and investment management, human capital, processes, and infrastructure.
- Refocus LTH on the core mission of administering depositors' savings funds and pilgrim savings funds to perform Hajj.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **LTH depositors** to benefit from LTH's enhanced ability to deliver on its core returns and hajj servicing mandates, and enhanced safeguards to mitigate downside risks.

Lead entity



Core contributors



PRIME MINISTER'S
DEPARTMENT MALAYSIA
(RELIGIOUS AFFAIRS)

16 LTAT ACT REFORM AND PORTFOLIO REBALANCING

OBJECTIVE

Transform LTAT to enhance ability to provide sustainable and competitive returns for members of the Malaysian Armed Forces

DESCRIPTION

- Comprehensive review of the TAT Act 1973 to optimise portfolio construction flexibility, investment requirements, and payout constraints of LTAT.
- Rebalanced LTAT's investment portfolio towards target strategic asset allocation, in order to ensure long-term sustainability of returns within acceptable risk tolerance levels.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **LTAT fund contributors** to benefit from LTAT's enhanced ability to deliver on its return mandates, which support retirement savings of Armed Forces personnel.

Lead entity



Core contributors



MINISTRY OF DEFENCE
MALAYSIA

17 DEVELOPMENT INVESTING TARGET OUTCOMES

OBJECTIVE

Sharpen the clarity of key target outcomes from SWF development investing with both financial and non-financial socioeconomic impact metrics

DESCRIPTION

- Enhanced clarity and direction of development investing with concrete financial and non-financial socioeconomic target outcomes (e.g., impact on household income).
- Aligned development investing focus areas and target outcomes with overarching national aspirations and socioeconomic objectives (e.g., RMK-12, SPV 2030).
- Tracked progress on key development investing metrics to ensure accountable delivery against both financial and non-financial socioeconomic target outcomes.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Rakyat and businesses** to benefit from increased focus on high impact and commercially viable investments aligned with clear socioeconomic impact target outcomes.

Lead entity



Core contributors



18 TURNAROUND ASSET STRATEGY

OBJECTIVE

Drive structured performance turnaround of loss-making portfolio assets to enhance financial sustainability and to reduce future risks and liabilities

DESCRIPTION

- Development of clear, forward-looking strategies to turnaround under-performing and loss-making assets within portfolios in a time-bound manner, with the support of key stakeholders including the government where required.
- Established safeguards to avoid negative externalities of capital requirements from loss-making assets on the rest of the portfolio, such as the sub-optimal divestment of assets to fund capital needs of loss-making assets.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **GLICs** to benefit from enhanced financial sustainability, which contributes towards achieving key risk-return mandates.
- **Government** to benefit from reduced contingent liabilities and risks of future bail-out for loss-making national assets.

Lead entity



Core contributors



19 MOF INC. ASSET OPTIMISATION

OBJECTIVE

Sharpen mandate and refocus portfolio of MOF Inc. supported by best-in-class portfolio management strategies and capabilities

DESCRIPTION

- Sharpened mandate of MOF Inc. and refocus portfolio to align with sharpened mandates based on the streamlined role of government in business.
- Enhanced holistic MOF Inc. portfolio management with enhanced asset classification, clarity of KPIs for portfolio companies, unlocking efficiency with asset turnarounds, and strengthening talent and expertise in MOF Inc. and in portfolio companies.
- Strategic privatisation of selected MOF Inc. assets with the right timing to maximise value capture, and with safeguards to protect national interests in privatised assets.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **Government** to benefit from high impact capital recycling, enhancement of fiscal position, and reduced long-term contingent or direct liabilities.
- **Businesses** benefit from increased crowding-in of the private sector, with the privatisation of key commercially-viable MOF Inc.

Lead entity



MINISTRY OF FINANCE
MALAYSIA

20 GLIC PERFORMANCE MONITORING

OBJECTIVE

Uplift the efficiency and effectiveness of MOF's performance monitoring of GLICs to provide timely information and high-impact data-driven intervention and support

DESCRIPTION

- Centralised GLIC performance management within a single unit within MOF, with alignment of oversight responsibilities of MOF vis-a-vis other government ministries and agencies.
- Strategic selection of optimal GLIC KPIs to be monitored to enable effective oversight, and to enable fact-based and timely decision making (e.g., early intervention and engagement following early warning detection of risks).
- Institutionalisation of clear process, cadence, and tools to increase timeliness and efficiency of reporting, to reduce administrative burden for both GLICs and MOF.

HIGHLIGHT BENEFITS & TARGET OUTCOMES

- **GLICs** to benefit from enhanced early identification of risks and collaborative engagement with government to mitigate key risks or issues.
- **GLIC and the relevant ministries** to benefit from streamlined oversight role across various ministries, and reduced administrative burden of reporting.

Lead entity



MINISTRY OF FINANCE
MALAYSIA

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PRIME MINISTER'S
OFFICE OF MALAYSIA



KHAZANAH
NASIONAL



KWSP
EPF



PNB
Permodalan Nasional Berhad



KWAP



TABUNG HAJI
حي على الفلاح



TSB

APPENDIX: GLOSSARY

GLIC	Government Linked Investment Companies
GLC	Government Linked Companies
YAB PM	Yang Amat Berhormat, Prime Minister
PMO	Prime Minister's Office
MOF	Ministry of Finance
MITI	Ministry of International Trade and Industry
MOFA	Ministry of Foreign Affairs
MINDEF	Ministry of Defence
EPU	Economic Planning Unit
PSD	Public Service Department (<i>Jabatan Perkhidmatan Awam</i>)
SWF	Sovereign Wealth Fund
II	Institutional Investor
KNB	Khazanah Nasional Berhad
KWAP	Retirement Fund Inc. (<i>Kumpulan Wang Persaraan Diperbadankan</i>)
EPF	Employees Provident Fund (also known as KWSP)
PNB	Pemodalan Nasional Berhad
LTH	Lembaga Tabung Haji
LTAT	Lembaga Tabung Angkatan Tentera
RMK-12	12th Malaysia Plan (<i>Rancangan Malaysia ke-12</i>)
SPV 2030	Shared Prosperity Vision 2030
ESG	Environmental, Social, and Governance
AUM	Asset Under Management
SAA	Strategic Asset Allocation

www.treasury.gov.my



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