

MESSAGE FROM OUR CHAIRMAN

“ Valued Stakeholders,

It is without a doubt that as a nation, we had to once again navigate a challenging year, under the shadow of persistent inflation, slower-than-normal economic growth and geopolitical uncertainty. Nonetheless, we managed to weather this storm, buoyed by robust domestic demand. While this is noteworthy, I believe that Malaysia has the potential to deliver more with the support of Khazanah and through strategic collaborations with Government-Linked Companies (GLCs) and Government-Linked Investment Companies (GLICs).

Empowering Malaysia's Future

The MADANI Economy Framework was unveiled in July 2023. This is a comprehensive strategy designed to restructure the economy, position Malaysia as a leading player in Southeast Asia, and to ensure that economic benefits are equitably shared by “raising the floor” and “raising the ceiling”. Key components include boosting domestic direct investments (DDI), fostering innovation and advancing up the value chain.

The launch of the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 are some of the key blueprints that will help us achieve these objectives.

Record-Setting Momentum

I am pleased to highlight that these proactive measures have been well-received and have started to bear fruit. Malaysia recorded a historical high of approved investments of RM329.5 billion in 2023, with a significantly



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encouraging 35.1% year-on-year increase in DDI. This proves that companies across the entire business spectrum, including GLCs and GLICs, have responded positively to my call to deepen domestic investments. By doing so, it is my firm belief that foreign investors will be emboldened to invest more in Malaysia given the strong confidence that local investors have in our economy.

Our Achievements in 2023

Khazanah delivered strong financial results in 2023 despite the challenging global and domestic environment, effectively putting its portfolio back on track after a challenging five-year period. It furthered the sustainability agenda with the launch of a green investment platform through UEM Lestara Berhad, further aligning with the NETR's goal of net-zero emissions by 2050. Additionally, Khazanah invested over RM800 million through Dana Impak to bolster Malaysia's digital and start-up ecosystems, reinforcing the Advancing Malaysia strategy. Internally, Khazanah met its Environmental, Social and Governance (ESG) targets by achieving carbon-neutral operations and establishing a Diversity, Equity and Inclusivity (DEI)



► Dato' Seri Anwar Ibrahim delivering his closing address at the Khazanah Megatrends Forum 2023.

framework. Celebrating a decade of philanthropic impact, Yayasan Hasanah has reached over 2.9 million people, significantly advancing education, community development, arts and knowledge.

Sharing the Nation-Building Responsibility

In 2023, Khazanah pushed ahead with its Advancing Malaysia strategy, aligning itself closely with the MADANI Economy Framework through nation-building and sustainable development

initiatives. Strategic investments in high-growth sectors such as digital technology and renewable energy have directly contributed to enhancing Malaysia's economic competitiveness. In addition, Khazanah actively supports the MSME ecosystem by advocating digital transformation and innovation to drive economic activity across the nation.

Khazanah's focus on socio-economic impact further supported the goals of the MADANI Economy Framework by fostering inclusive growth and building national resilience. Food security was

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addressed through projects like Dana Impak's Khazanah Impact Innovation Challenge, while the Future Malaysia Skills initiative bridged the skills gap and prepared the workforce for future demands. Community development efforts, led by Yayasan Hasanah, enhanced socio-economic benefits for underserved populations. Finally, by integrating ESG principles into Khazanah's operations and refining the SEMARAK impact assessment framework, we are ensuring that our initiatives deliver tangible benefits, contributing to Malaysia's socio-economic resilience and prosperity.



► Dato' Seri Anwar Ibrahim, Datuk Seri Amir Hamzah Azizan and Dato' Amirul Feisal attended the gallery tour showcasing the vision for rejuvenating Bangunan Sultan Abdul Samad.

While considerable progress has been made, our collective and continued success in these endeavours hinges on the unified effort of all stakeholders. Nation-building is a shared responsibility, and Khazanah eagerly seeks collaboration with other GLICs, GLCs, the private sector and the wider Malaysian community to drive growth and secure economic prosperity.

30 Years and Beyond

The role of Khazanah has evolved over the past three decades, matching the progress and development of Malaysia's economic and societal imperatives. Even so, Khazanah remains steadfast to its mission of nation-building. Through strategic investments in sustainable economic and societal value, Khazanah empowers future generations and contributes meaningfully to Malaysia's advancement.

I believe that Malaysia, located at the heart of Southeast Asia and the epicentre of the wider Asia Pacific region, has much to offer the world. In this regard, Khazanah remains unwavering in its agenda to support Malaysia's economic growth through strategic value creation in existing investments and by exploring new growth frontiers.



► Dato' Seri Anwar Ibrahim at Karnival Kerjaya Program Setahun Bersama Kerajaan Malaysia MADANI held at Stadium Bukit Jalil.

Acknowledgement

In closing, I extend my sincere gratitude to the Board Members of Khazanah for their steadfast and responsible decision-making, ensuring robust governance and performance. I also wish to express my deepest appreciation to the departing Board Members—Tan Sri Mohammed Azlan Hashim, Dato' Zainal Abidin Putih and Lau Seng Yee—for their dedicated service. Their contributions have been invaluable and their legacy will inspire our continued progress.

Dato' Seri Anwar Ibrahim
Chairman

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“ Dear Stakeholders,

Amid a year of economic volatility and global uncertainties, Khazanah pushed forward, steadfast in our mandate to deliver sustainable value for Malaysians. Through disciplined capital allocation, strategic investments, and an unwavering commitment to sustainability, we continued to contribute towards a more resilient Malaysia, delivering economic and societal returns for the nation.

Navigating a Complex Economic Landscape to Our Advantage

2023 presented a multitude of challenges and opportunities for Khazanah. Globally, high inflation forced central banks to keep interest rates elevated through tight monetary policy. At the same time, rising geopolitical tensions marked by conflicts between major powers exacerbated economic instability. Put together, these adverse forces further challenged global markets, increasing volatility and complicating economy recovery efforts. Closer to home, the emerging picture for Malaysia was one of cautious optimism.

In 2023, BNM raised OPR in step with global central banks, while the Government released multiple national blueprints and roadmaps (Ekonomi MADANI, National Energy Transition Roadmap (NETR), New Industrial Master Plan (NIMP) 2030). While some domestic pressures remain, these developments help to bolster confidence in Malaysia's economic resilience and its potential for growth amidst these global uncertainties.

Against this backdrop, Khazanah remained dedicated to Advancing Malaysia, which steered our investments toward sustainable development. We made significant strides in supporting

Dato' Amirul Feisal Wan Zahir

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the National Energy Transition Roadmap (NETR), New Industrial Master Plan (NIMP) 2030 and KL20 Action plan, and pursued numerous initiatives aligned with creating long-term value for Malaysia.

We are energised by the prospect of working with the Government to drive the nation's growth and development. In particular, our Malaysia investment strategy and value creation plans enable Khazanah to play a crucial role in driving Malaysia's economic transformation in energy transition, connectivity, and digitalisation, among other areas.



► Sharing a light moment with Tan Sri Abdul Wahid Omar, Chairman of Bursa Malaysia, at the AVPN Global Conference 2023 at the Kuala Lumpur Convention Centre.

Robust Financial Outcomes Amidst Volatility

Despite uncertain market conditions, Khazanah demonstrated disciplined capital allocation to deliver sustainable returns while investing for the future. Khazanah recorded profit from operations of RM5.9 billion, driven by higher dividends and distributions from investee companies, fair value gains, and capital preservation. We continue to build a strong financial position as the Realisable Asset Value (RAV) over debt ratio remained healthy at 2.7x, although there was a marginal increase in debt levels to RM50.2 billion compared to RM49.1 billion the previous year.

Our Malaysia investments are key to a resilient portfolio, and as such, Khazanah is highly committed to steward Malaysia assets and create sustainable value for Malaysians. An encouraging example is Malaysia Aviation Group Berhad ("MAGB"). In 2023, MAGB recorded its first ever net profit after interest and tax (NIAT) since its inception (to its current structure) in 2015, despite higher operational and labour costs, weaker ringgit (RM), supply chain challenges, and elevated interest rates.

MAGB's journey was not an easy one: it had to undergo financial restructuring in 2021, execute its turnaround plan, and reduce fiscal losses, all while enduring



► Together with Khazanah staff at the Karnival Kerjaya Program Setahun Bersama Kerajaan Malaysia MADANI in December 2023.

almost a decade of losses, before arriving at its 2023 decade-high performance. This success story, among others, is testament to the value of taking a longer-term view in investments, an approach which will continue to guide our strategies and actions.

A Long-Term Perspective for Sustainable Growth

To Advance Malaysia, Khazanah invests across the entire spectrum of the Malaysian economy, from listed Malaysia companies to emerging sectors, as well as globally across markets, asset classes, sectors and geographies. Ultimately, we seek to deliver strong returns through our portfolio of investments, and in doing so, remain guided by an approach that puts long-term value first.

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► With the organising team of Khazanah Megatrends Forum 2023 (KMF 2023).

In 2023, we adopted a mission-based approach to our Malaysia investment portfolio, enhancing our strategy to drive sustainable returns for the nation. Over 60% of our investment portfolio are focused in Malaysia. We continue to make firm progress on Dana Impak, identifying new high-impact programmes to deliver socio-economic benefits to Malaysia and impacting Malaysian stakeholders from all walks of life: from future talent, to entrepreneurs, and Micro, Small and Medium Enterprises (MSMEs), among others.

Furthermore, we pursued portfolio diversification efforts through investments in global private and public markets. By balancing exposure across Malaysia and global geographies, and among various sectors, we hope to bolster the portfolio's ability to withstand market volatility. Rebalancing efforts initiated in prior years have indeed started to yield positive outcomes, as evidenced by our 2023 portfolio performance.

Beyond portfolio resilience, our global investment approach is key for Khazanah

to facilitate flows of knowledge, network of relationships, and investment opportunities into Malaysia. We believe that the synergies of our global approach have the potential to generate spillover impact for Malaysia, be it in value creation and knowledge for our domestic companies, identifying new opportunities for Dana Impak, or catalysing expansion in other new growth areas.

Sustainability remained a core part of our strategy in 2023 and will continue to. Firstly, Khazanah aspires to play a leading role in shaping an equitable and responsible transition towards a sustainable future for Malaysia. Secondly, 2023 saw us fulfil our ESG targets in achieving carbon neutral operations, execute an organisation-wide DEI framework, and implement ESG-linked KPIs for key leadership roles across our portfolio companies.

Overall, Khazanah's long-term perspective for sustainable growth is set to be driven by our Advancing Malaysia strategy, in line with the government's Ekonomi MADANI's aspirations and national development plans. Our efforts will be centred on "raising the floor" to elevate the quality of life for Malaysians, and "raising the ceiling" to transform the national economy while boosting the nation's competitiveness.

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- The top three finalists of the Khazanah Impact Innovation Challenge 2023 – Braintree Technologies, Ultimeat and Kapitani – who were awarded grants of up to RM500,000 each, celebrating their success together with the Head of Dana Impak, Bryan Lim (third from left).

Driving Socio-economic Impact through Dana Impak

In 2023, Dana Impak, Khazanah's dedicated RM6 billion impact fund, remained a pivotal element of our Advancing Malaysia strategy. We identified approximately RM800 million worth of projects across various impact areas, all aimed at enhancing Malaysia's economic competitiveness and fostering national resilience. Some of our key initiatives have borne fruit in the areas of start-ups and entrepreneurial landscape, MSME ecosystem, agriculture, digital ready talents and impact measurement.

To bolster the entrepreneurial landscape, we launched the Future Malaysia Programme (FMP), positioning Khazanah as a key player in strengthening the local start-up ecosystem. Collaborations with venture capital firms such as Gobi Partners and 500 Global underscore our commitment to driving growth and innovation within Malaysian start-ups through strategic support and investments.

The MSME ecosystem saw continued enhancement in 2023. We invested in PolicyStreet, a homegrown full stack insurtech company, which is set to

provide customised insurance products to over 500,000 gig workers and 50,000 SMEs, boosting financial security for these underserved groups. Additionally, our ongoing partnership with Funding Societies aims to address the RM90 billion funding gap for MSMEs, further solidifying our support for this sector critical to Malaysia's next leg of growth.

On the agriculture front, we launched the Khazanah Impact Innovation Challenge 2023 (KIIC 2023) to bolster Malaysia's food security capabilities in the face of climate challenges. At KIIC 2023, we were inspired by the innovative business profiles, spanning alternative protein, automation solutions and marketplace platforms. We ultimately awarded RM5.05 million in grants to support the potential of these projects in impacting the agriculture industry substantially.

To further assist smallholders in the agricultural, livestock and aquaculture sub sectors, we completed project Semai, involving a nationwide survey of over 3,300 smallholders to understand their challenges. The findings of the survey provide readily available insights into the challenges faced by smallholders, which we hope can serve as a valuable guide to future agricultural strategies and policies.

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To thrive in an increasingly digital world, Malaysia needs future-ready talent. To that end, our Future Malaysia Skills (FMS) initiative was set up as talent generation platform to prepare Malaysia for the future of work. 42 Malaysia, our innovative peer-to-peer computer science school, aims to develop 10,000 skilled tech professionals over the next decade, with plans to expand from Kuala Lumpur to Penang, Iskandar Puteri, and other regions including East Malaysia. Additionally, we also invested in specialised skillset development programs to equip Malaysian talents for future-proof sectors such as childcare and elderly care.

Underscoring these investments is a focus on creating lasting societal impact. To facilitate the measurement of the impact we create, we refined the SEMARAK Framework, a comprehensive impact assessment tool developed in 2022. Initially implemented to track the impact of our 42 Malaysia initiative, SEMARAK has since evolved to be used in evaluation of new projects across various themes. Furthermore, we had the privilege to share the SEMARAK framework with various external stakeholders: the Asian Venture Philanthropy Network (AVPN) and our FMP partners, among others.



► The Khazanah Annual Review 2024 (KAR2024) media briefing with (from left) Datuk Hisham Hamdan, Faridah Bakar Ali and Datuk Amran Hafiz Affudin.

Empowering Communities and Enhancing Societal Impact

At the heart of our operations is our mission to continuously deliver societal value for Malaysians. Since 2006, we have undertaken initiatives to build capacity and vibrant communities nationwide, channeling our efforts into five key focus areas: Creating Opportunities, Creating a Competitive Nation, Community Development, Environmental Preservation, and Arts,

Heritage and Culture Preservation. To date, Khazanah and our supporting organisations have contributed RM2.6 billion to various initiatives under these pillars.

In 2023, our philanthropic arm, Yayasan Hasanah, continued to play a critical role in delivering societal value across Malaysia. Celebrating its decade-long journey, Yayasan Hasanah impacted more than 2.9 million individuals through programmes in education, community development and environmental

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sustainability. Our collaboration with the Ministry of Finance through the Hasanah Special Grant (HSG) expanded our reach, supporting diverse initiatives that uplifted communities, enhanced mental health and promoted socio-economic opportunities.

Additionally, Taman Tugu, a 66-acre green lung developed through public-private collaboration, secured financial sustainability with renewed support from various entities. Hosting over one million visitors since 2018, Taman Tugu introduced new events in 2023, fostering community engagement.

On the other hand, Think City, our project delivery partner and consultancy that focuses on placemaking, social and environment, analytics and conservation continued impactful urban rejuvenation projects, including the Kita-Untuk-Kita (K2K) programme to improve public housing and partnerships to enhance Kuala Lumpur's creative district. Since 2009, Think City has implemented numerous grant programmes, reinforcing its role in city transformation.



► Transforming the Multipurpose Park at Perumahan Awam Jalan Hang Tuah, this Public Realm Improvement Programme, funded by PNB Merdeka Ventures Sdn Berhad and led by Think City, aims to create a safe, inclusive community space. It enhances amenities with climate-adaptive features like porous pavements and recycled materials.

Strategic Direction for 2024 and Beyond

As we transition into 2024, the global economic landscape continues to face volatility and uncertainty. The key trends shaping the macroeconomic environment include sustained geopolitical tensions, evolving trade dynamics, and policy impacts resulting from a major global

election cycle, with over 76 countries going to the polls in 2024. However, we remain optimistic and strategically positioned to navigate this complex environment and continue delivering value for Malaysia.

Domestically, Malaysia is projected to experience Gross Domestic Product (GDP) growth of 4-5% in 2024, driven by robust domestic consumption and a recovery in export demand, particularly in electronics. This positive outlook is bolstered by strategic government initiatives such as the NETR, the New Industrial Master Plan 2030 (NIMP 2030), and the ongoing fiscal reforms aimed at widening the tax base and rationalising subsidies.

Khazanah's investments will continue to support these national strategies, reinforcing our commitment to spur Malaysia's economic growth. We will actively participate in and support the rollout of these policies, ensuring that our portfolio is well-positioned to benefit from the anticipated recovery and growth in key sectors.

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Most importantly, in 2024, we will advance our new Malaysia Strategy with a focus on four key pillars:



Connectivity

We will enhance Malaysia's role as a strategic hub through targeted investments in infrastructure and transport, particularly in key assets like Malaysia Airports Holdings Berhad (MAHB) and Malaysia Airlines Group Berhad (MAGB). These efforts are essential for attracting capital, investors and talent, aligning with the NIMP 2030.



Digitalisation

We will lead the digital transformation across our portfolio companies to boost productivity and enhance global competitiveness. Investments in digital infrastructure and innovative technologies will drive efficiency and unlock new growth opportunities, positioning Malaysia at the forefront of the digital economy.



Energy Transition

Our commitment to supporting Malaysia's net zero emissions goal by 2050 will be realised through leadership in the execution of the National Energy Transition Roadmap (NETR). Projects led by UEM Lestra, under our wholly owned subsidiary UEM Group, include the development of renewable energy and storage solutions, as well as green buildings and energy efficiency initiatives, which are central to our strategy. We will also undertake this initiative through our stewardship role in Tenaga Nasional Berhad by accelerating renewable energy (RE) integration via investments in transmission and distribution assets, with a focus on grid modernisation, among others.



Find out more about how we are driving Malaysia's energy transition journey in our **Special Highlight 2: Energy Transition** section on page 65.



Catalytic/New Growth Areas

Through Dana Impak, we will revitalise key ecosystems, encourage stakeholder collaboration and influence policy for sustained economic growth. We prioritise investments in digital society, quality health and education, and food security to address immediate and long-term socio-economic challenges. Khazanah, with an initial RM1 billion allocation to the National Fund-of-Funds, will invest in innovative high-growth companies to positively impact the Malaysian economy and strengthen the nation's venture capital ecosystem.

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Honouring Our Legacy and Looking Forward

As we mark Khazanah's 30th anniversary in 2024, we reflect on our journey of growth and resilience, made possible by the unwavering support of our stakeholders – the private sector, the government, and the most importantly, the rakyat. Our achievements over the past three decades underscore the collaborative efforts and shared vision that have driven our success. Moving forward, their continued engagement and support will be crucial as we strive to build a prosperous and sustainable future for Malaysia.

Our commitment to raising both the economic "ceiling" and "floor" remains constant. We will continue to champion initiatives that enhance Malaysia's economic competitiveness, foster innovation, and build resilience, ensuring that the benefits of growth and development are equitably shared among all Malaysians.

Acknowledgement

Our 2023 achievements were made possible by the unwavering support of our stakeholders, board members, and employees.

On that note, we would like to thank our esteemed Board Members, Tan Sri Mohammed Azlan Hashim, Dato' Zainal Abidin Putih, and Lau Seng Yee, for their invaluable wisdom, all of whom have guided us until December 2023. Their contributions have been instrumental in shaping our journey.

We extend a very warm welcome to our new board member, Wong Kang Hwee, and look forward to benefiting from his expertise and fresh perspectives. We are confident that, with the support of our dedicated Board of Directors, management and employees, we will continue to achieve new milestones and thrive in the years to follow.

Dato' Amirul Feisal Wan Zahir
Managing Director