



Khazanah Nasional Berhad



KHAZANAH
NASIONAL

Full Member

Incorporation:

Khazanah Nasional Berhad is the sovereign wealth fund of the Government of Malaysia. Khazanah was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company and began operations a year later. Except for one share owned by the Federal Lands Commissioner, all the share capital of Khazanah is owned by the Minister of Finance Incorporated, a body pursuant to the Ministry of Finance (Incorporation) Act 1957.

Khazanah commenced operations in 1994, assuming a custodial role in managing the Government's commercial assets and investing in strategic and high-technology sectors. In 2004, we undertook an expanded and more active investment approach, which includes enhancing the performance of our core holdings while seeking opportunities in new economic sectors and geographies. In 2018, our mandate was refreshed to reflect our contribution to Malaysia's long-term wealth.

Mandate:

We are mandated to grow Malaysia's long-term wealth, referring to the value of Khazanah's financial assets, as well as contributing to economic development outcomes for the nation.

Khazanah will pursue its overall mandate through a two-fund investment structure. The two funds, the Commercial Fund and the Strategic Fund are established with distinct objectives, policies and strategies, and are managed separately by the respective investment teams.

1. Commercial Fund:

1. The Commercial Fund is intended to be an intergenerational fund that seeks to generate risk-adjusted returns on a long-term basis, to grow financial assets and diversify sources of revenue for the nation.

2. The annual returns of the Fund will be reinvested into the Fund and distributed to the government based on an identified payout ratio. The fund currently does not receive regular injections of capital.
2. Strategic Fund:
 1. The Strategic Fund is intended to be a developmental fund that seeks to undertake strategic investments, with long-term economic benefits, including holding strategic national assets.

Investment Philosophy:

In accordance with our mandate to grow Malaysia's long-term wealth, we will invest only where an appropriate risk-adjusted financial return can be achieved. In addition, strategic investments must also deliver identified economic impact outcomes.

We believe in creating sustainable value through appropriate engagement with the companies we invest in and the external investment managers and advisors we use.

We will abide by responsible investing practices that take into account environmental, social and governance (ESG) factors to better manage risk and generate sustainable, long-term returns. We are committed to the UN Principles for Responsible Investment (UNPRI) and the Malaysian Code for Institutional Investors which promote active integration of ESG considerations into investment analysis and decision-making, and asset ownership.

Governance:

Khazanah's Board of Directors is responsible and accountable for the overall governance and performance of Khazanah. The Chairman of the Board is the Prime Minister of Malaysia, and the other members are comprised of individuals with diverse professional backgrounds and expertise.

Our Framework of Integrity, Governance and Risk Management serves as a guide for the effective management of risks, and to inculcate and embed risk management culture throughout Khazanah. We operate within the framework of a clearly defined mandate that is aligned with the national development objectives.

Commitment to Responsible Investment:

As Malaysia's sovereign wealth fund and guardian of Malaysia's intergenerational wealth, we have a duty to act in the best long-term interests of our beneficiaries.

We believe that environmental, social and corporate governance issues affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time. We also recognise that applying these Principles may better align investors, including ourselves, with a broader objective of society.

The Responsible Investment (RI) Policy outlines Khazanah's principles and commitments in relation to responsible investment, taking into account environmental, social and governance (ESG) factors to aid management of risk and generate long-term, sustainable returns.

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