



Governance Reforms in Asia – Khazanah's experience

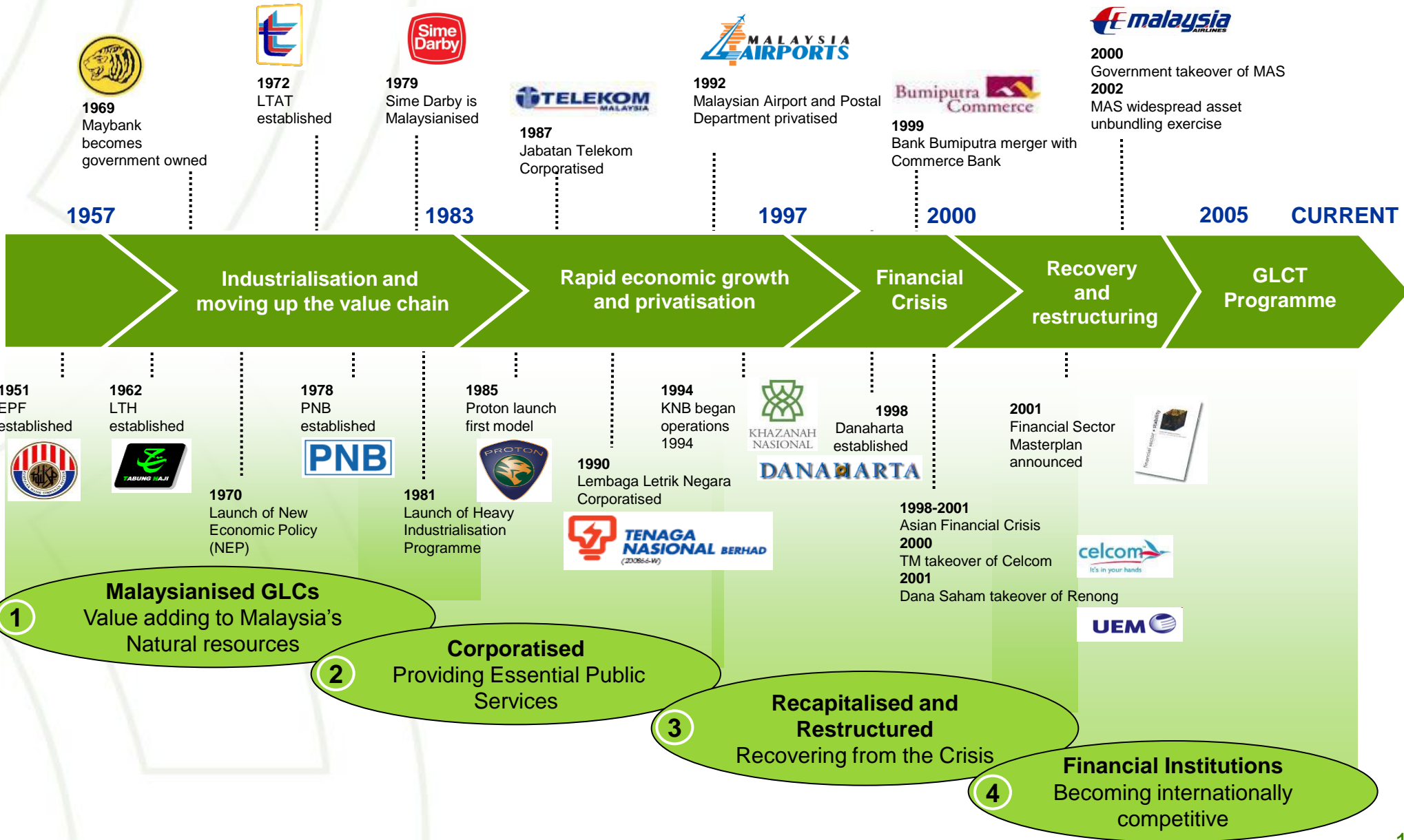
KHAZANAH
NASIONAL

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**Views of the speaker are his; usual caveats apply in that the views may or may not reflect of Khazanah's.*

- 1. History and evolution of GLCs**
- 2. Khazanah's role within Government**
- 3. Reporting structure of GLICs and GLCs**
- 4. New Khazanah**
- 5. Our Mandate**
- 6. Khazanah's Monitoring & Management Framework**
- 7. Khazanah's Governance and Risk Management Framework**
- 8. Khazanah's initiatives**
- 9. Conclusion**

1. History and evolution of GLCs



GOVERNMENT OF MALAYSIA

Developer/ Public Goods

- Provider of public goods, infrastructure or services
- Provision of law and order
- More socio-economic in nature

Regulator

- Providing level and conducive playing field
- Protection of public interest
- Enforcement

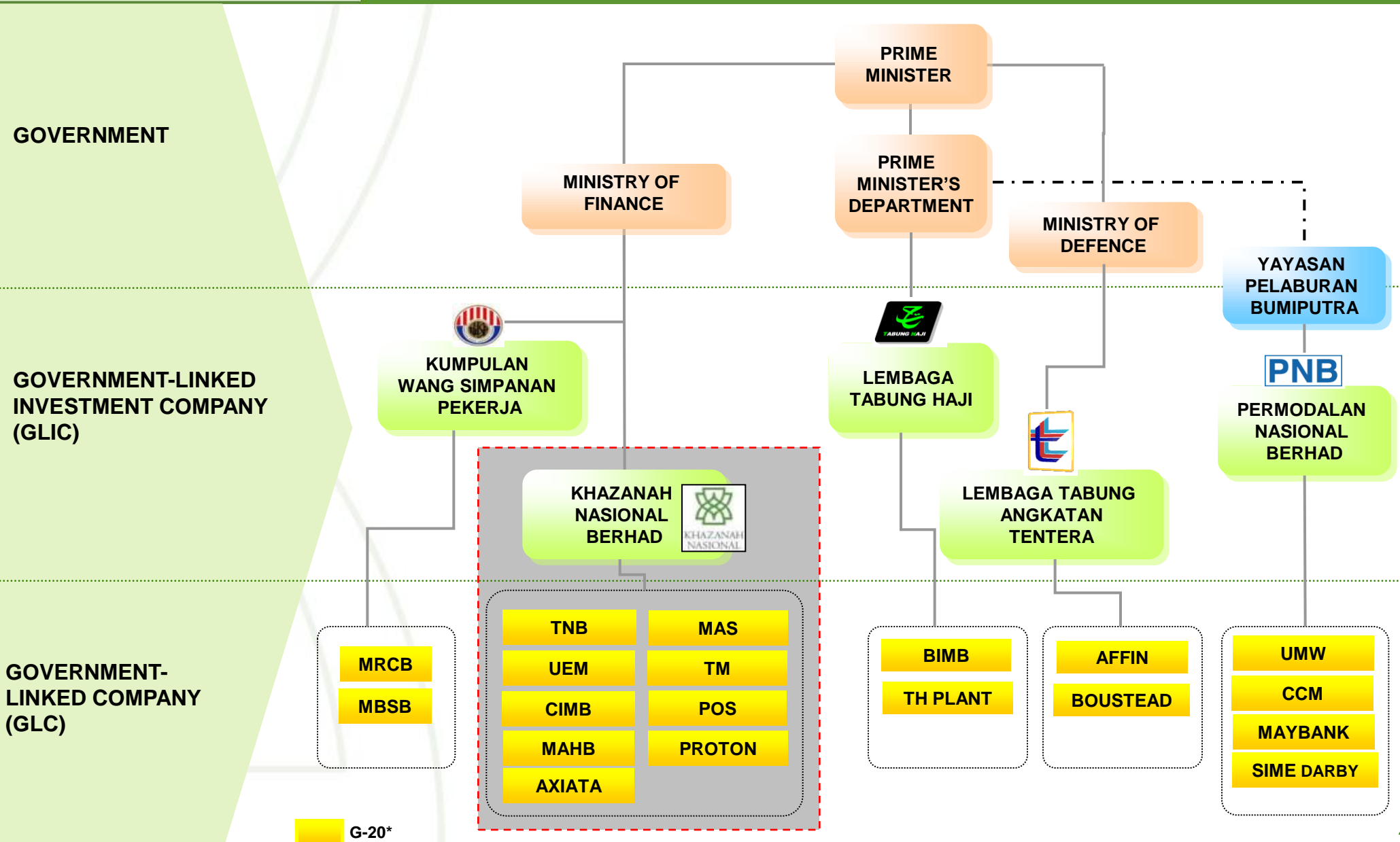
Financial

- Some entities remain majority by Government for historical reasons
- Create sustainable economic value

Khazanah as Government's strategic investment arm

- Focus on shareholder value creation
- Careful not to crowd out private sector
- Optimal and evolving holdings in companies and sectors
- Strengthen management capabilities
- Financial returns as principal measure of KPIs

3. Reporting structure of GLICs and GLCs



WHY

“...the 40 public listed GLCs ... that comprise only 5% of the number of companies on Bursa Saham (Stock Exchange), together make up 34% of the total market capitalisation of the Bursa.”

“GLCs also make up the backbone of the country’s economy. Through the provision of ‘mission-critical service’ such as transportation, energy, telecommunications and financial services, GLCs serve a pivotal role in the operation of every commercial concern in Malaysia”

WHAT

“...decisive action requires nothing less than a remaking of Malaysia Inc...”

“... it is imperative that we shift the basis ... to that of tangible achievement and performance”

KHAZANAH

“The Government would like to see Khazanah emerge as one of the biggest and most dynamic investment houses in the region... emerge stronger, more nimble and able to create more value” “

5. Our Mandate

Leading strategic investment house that creates sustainable value for a globally competitive Malaysia

1

Legacy investments

Streamline, repair, restructure portfolio

2

GLC transformation

Increase shareholder value, strategic value

3

New investments

New strategic sectors and geographies

4

Human Capital Development

Active development of Human Capital for the nation

3rd: Building capacity in talent, social capital, financial capabilities, processes, knowledge and infrastructure

2nd: Core values: integrity, diligence, teamwork, professionalism, mutual respect

1st Foundation: a focus on long-term **nation-building**

Accomplish Strategic Vision and Mission

Execute Strategic Pillars

Get foundations right, build capacity



Drivers of GLIC's M&M Approach

Investment strategy and mandate

Level of ownership

Company's capability and performance

Khazanah's Five-Pillar Terms of Engagement Framework with Its Investee Companies

1. Leadership Bench

2. Strategy

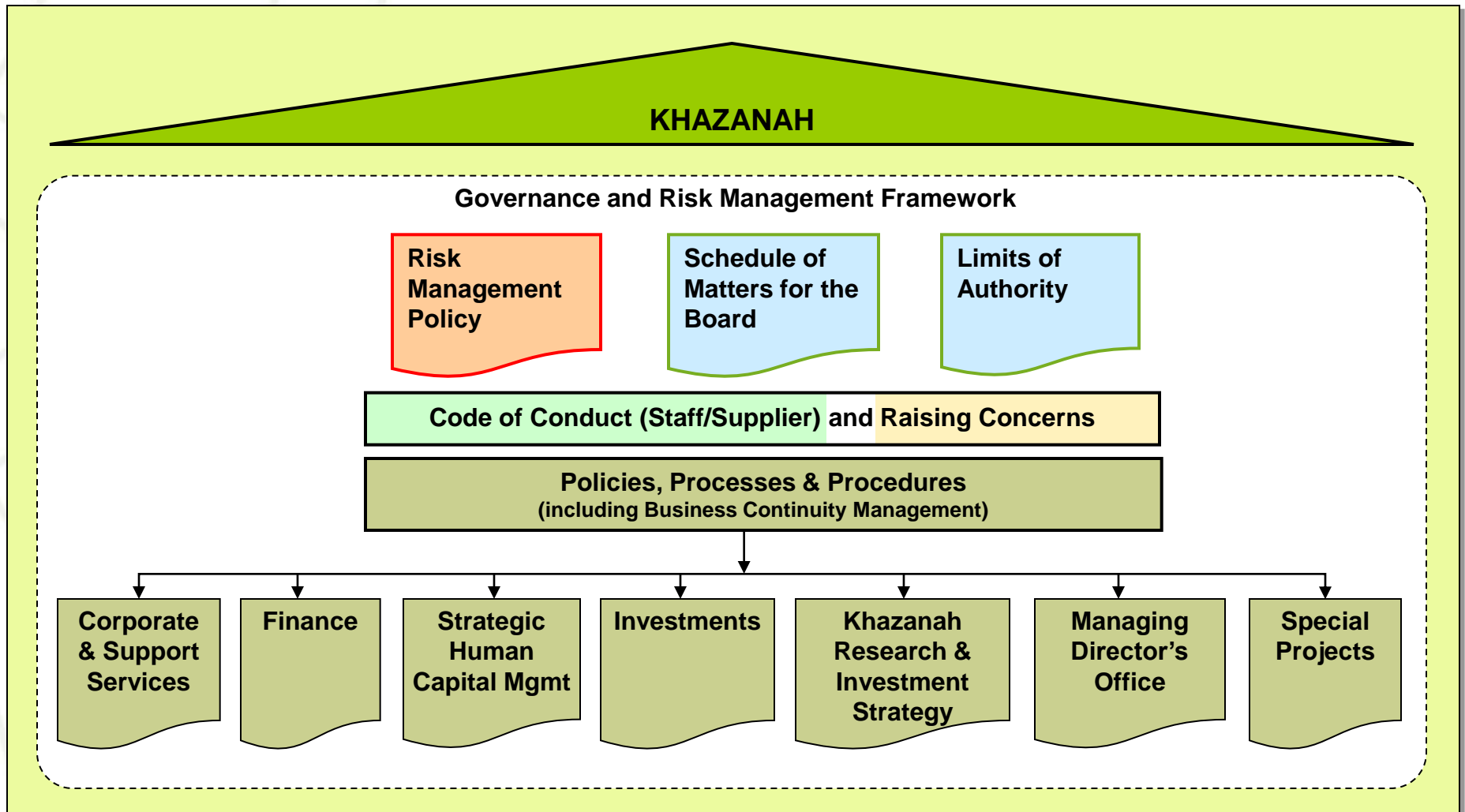
3. Systems and Controls

4. Industry Structure

5. Monitor & Empower

7. Khazanah's Governance and Risk Management Framework

The GRMF has been adopted for the effective management of risk and to inculcate and embed risk management throughout Khazanah.



8. Khazanah's initiatives

Knowledge Capital



GLC Transformation Programme



Linkages with Knowledge Centres of Excellence



Corporate Responsibility



Human Capital



- Effective and good governance is absolutely fundamental.
- Khazanah continues to work within the existing governance framework.
- All parties must play their roles.