

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



KWAP'S PENSION SERVICES PERFORMED BEYOND THE EXPECTED SLA THRESHOLD OF **95%**, WITH AN AVERAGE OF **98.42%**



PLACING **1,019 MYSTEP PARTICIPANTS** WITHIN KWAP AND WITH OUR STRATEGIC PARTNERS

Dear Valued Stakeholders,

In a year characterised by a challenging market performance, Kumpulan Wang Persaraan (Diperbadankan) [KWAP] worked hard towards a better tomorrow for our pensioners or stakeholders. I am proud to report that our team sustained pension returns and performance on all fronts, while laying the groundwork for stronger future performance with the establishment of the three-year TERAS 5 programme and successful completion of 44% of the set initiatives to date.

FORTIFYING OUR INVESTMENT PERFORMANCE

Against global uncertainties and volatilities, KWAP's clear focus on strategy paid off in ensuring resilience, while a future forward outlook was cemented with the launch of TERAS 5 in August.

Part of KWAP's long-term view to ensure the right components are in place to support sustainable growth in order to benefit pensioners of today as well as in the future, TERAS 5 is also expected to help propel KWAP's investments across a series of different asset classes, across the globe, through improvements in structure, governance, people, process and digital. These contribute to a robust Strategic Asset Allocation that can steadfastly lead to stronger and sustainable returns to the Fund and played a vital role in fortifying KWAP's focus on enhancing investment strategies to obtain optimal returns in 2022.

In equity, the time-weighted rate of return (TWRR) performance for domestic and international equity outperformed the benchmark by 643 bps and 40 bps, respectively, altogether outperforming the blended benchmark by 500 bps.

Amidst the uncertain global macro backdrop in 2022, KWAP's fixed income portfolio was robust during the year, generating a return in TWRR of 2.7%, with an outperformance of 18 bps to its benchmark. I am also happy to note that as part of KWAP's continued effort to move towards a more sustainable future, our fixed income portfolio has enhanced its investment processes to take Environmental, Social and Governance (ESG) into consideration.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The hard work put in during a relatively muted year paid off as the overall private equity income for 2022 also exceeded the stretch targets. The emphasis on deploying capital in new opportunities and re-ups led to 13 fund investment commitments made, with eight being new funds and five re-ups. Several options and opportunities for co-investing with the funds were also assessed during the year as we executed the follow-on investment into Aerodyne, a drone technology and services company, where Petronas Ventures led the round.

Approval for a RM500 million allocation named 'Dana Perintis' was also received. This fund aims to take advantage of the investment momentum that was created on the back of developments in the local technology eco-system. One of the key indicators of such momentum is the presence of two local early stage companies valued above USD1 billion in Malaysia.

A positive trajectory was also recorded in the real estate space. Anchored on robust strategies, our property investment portfolio of 18 properties recorded 4.1% annualised yield, with its five-year rolling return at 3.68%.

More significantly, several firsts were achieved in 2022 as synergies between departments and subsidiaries were unleashed to diversify our real estate segment. From across the continent, Prima Ekuity (UK) Limited played a strong supportive role in managing KWAP's existing real estate portfolio, the team successfully completed more than 10 asset management transactions for real estate assets in Europe, including The Chimes shopping mall, 100 Cheapside office and 10 Gresham Street in the United Kingdom, which led to an immensely productive year in 2022.

KWAP made investment forays into our first domestic real estate fund in the logistics space, a development fund, and our first Asia-based investments, which expands our geographical exposure.

IMPROVING STRUCTURE AND SERVICES

In the process of KWAP's structure improvement, a corporate-wide Customer Experience Framework was established to serve as the foundation for the formation of the Customer Experience Department.

This was followed by the completion of Phase 1 of RENTAS ISO 20022 Migration, with KWAP being the first non-bank institution that completed the Phase 1 migration project and number four in the industry among RENTAS participants.

The common objective of the RENTAS ISO 20022 migration is to have a standard framework that enables a common global language for messaging in payments, cash management reporting, securities, foreign exchange and trade services to support financial institutions' processes.

Another initiative completed was the assessment of KWAP's existing External Custodian (EC) bank's services and costs compared with other global and local EC in the market, which is done every five years to benchmark potential custodian banks in the market on their services and to perform a price discovery exercise.

Towards better services, we have also embraced the Robotic Process Automation (RPA) technology to improve efficiency of electronic distribution and approval of payment confirmation letters and vouchers, cash and security reconciliation, and reporting significant shareholding. During the year, we deployed three additional Robotic Process Automation (RPA) in addition to our current robots. TESSA, our RPA bot, was configured to manage late-hour Electronic Fund Transfer (EFT) batch process for pension payment, critical self-service password reset for the pension management PG2 System, and to monitor the system's overall health.

As a result of the continued focus on service escalation, KWAP's Pension Services performed beyond the expected Service-Level Agreement (SLA) threshold of 95%, with an average of 98.42%, despite adding three new SLA components and more stringent measurements.

BUILDING BRAND PRESENCE BY DRIVING ENGAGEMENTS

It was a dynamic year for stakeholder engagements as pandemic restrictions came to an end. KWAP concluded almost 100 events and engagements covering internal and external stakeholders, including corporate events, corporate social responsibility (CSR) initiatives, Kelab Sukan Dan Rekreasi Kumpulan Wang Persaraan (Diperbadankan) (SPARC) activities, employee engagements and department-specific events.

A greater alignment in strategic communications was initiated via a branding workshop held during the year with KWAP Board and Investment Panel members. Following the direction agreed upon, social media campaigns were launched to provide the latest update and related educational content towards driving public awareness on pension-related topics.

Alongside the campaigns, eight media initiatives were completed during the year through key announcements, press conferences, media interviews and speaking engagements.

We took the opportunity to open up KWAP's information booth whenever KWAP participated in events organised by Ministries and agencies. As a result, more than 2,500 visitors, including pensioners, future pensioners, pension derivatives recipients and public, had visited KWAP's booth at these events.

In terms of other efforts made, seven JPA Engagement Programmes were conducted all over Peninsular Malaysia with participation from over 2,200 pensioners and future retirees. Going further to impact the lives of pensioners in need, KWAP along with JPA had visited 16 pensioners suffering from chronic diseases, including purchasing their necessities and medical equipment.

KWAP also actively participated in the national MySTEP and JaminKerja initiative that were introduced by the Ministry of Finance (MOF) under Budget 2022. The programme was created to address unemployment, enhance employability and stimulate domestic economic recovery by offering contract employment opportunities across all economic sectors. We successfully assisted in this government initiative by placing 1,019 MySTEP participants within KWAP and with our strategic partners.

Furthermore, in an effort to govern and guide KWAP and its subsidiaries on the implementation of CSR initiatives, sponsorships, and donations, the CSR Policy was established and approved by the Board. The Policy forms part of the requirement under the CIP issued by the Malaysia Integrity Institute.

GROWING AND NURTURING OUR PEOPLE

People development is a core priority of TERAS 5. We focus on cultivating an agile and future-ready talent pool that is innovative, motivated, proactive and customer-centric. At every level, our employees are being empowered via a robust risk culture with clear accountability.

A point of pride in 2022 has been our growing pool of talents. In 2022, KWAP had hired 216 new employees¹, strengthening the team to 702. Meanwhile, our attrition rate for 2022 reduced significantly to 4.7% in comparison to 8.0% in 2021, which reflects improvements in creating loyalty and building a more motivated workforce through employee engagements.

New entrants during the year included candidates for the roles of Chief Investment Officer (CIO), Chief Financial Officer (CFO) and Chief Digital Officer (CDO) to strengthen KWAP'S TERAS 5 execution.

KWAP employees are also given the opportunity and strongly encouraged to further their studies through enrollment in KWAP's Education Assistance Scheme (EAS). Many employees have flourished and expanded their skills under EAS. In 2022, a total of eight employees completed their studies successfully, and another 17 employees are currently actively pursuing professional and tertiary-level programmes ranging from CFA, CRMA, PKMC, ACCA, BSC, MSC and PHD, provided under the EAS programme.

TERAS 5 will enhance resource planning, focusing on the development of capabilities and skills. KWAP looks to navigate the expectations of the new generation of employees entering the workforce through the introduction of culture management which touches on various aspects including the adoption of digital platforms.

GOING DIGITAL TOWARDS SUSTAINABLE GROWTH

Digitalisation is now a primary thrust as KWAP looks to become a digital savvy organisation. During the year, KWAP's Infrastructure Technology team completed the upgrade of several information technology infrastructure and hardware equipments last year. Behind all our networks, a

¹ Including KWAP Young Talent and MyStep employees within the Group.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

world-class sophisticated cyber security tool and services were introduced into our environment to further protect devices. The team had successfully managed to neutralise threats aimed at our organisation as well as take down fake MyPesara mobile application, illegitimate websites and other social media accounts imitating us.

In addition, Enterprise Mobility and Security (EMS) were installed into all mobile devices so that we can keep using them confidently when we open our Microsoft applications, knowing that the devices and data are secured. Meeting rooms too have been equipped with web conferencing equipment and cameras, to enhance our hybrid meetings' frequency and effectiveness in the future.

As 'data is the new oil' today, a dedicated function to manage the Enterprise Data unit focusing on emerging solutions such as data analytics, advanced reporting, and artificial intelligence, has been created within the digital division. In 2022, the team completed the study on the current data warehouse infrastructure, in which improvements based on the findings will be implemented to address the evolving enterprise data generation.

This means leveraging further on data analytics to enhance real time dashboards related to investments and pensioners' data in order to ensure timely investments and optimisation of opportunities as well as to ensure that pensioners' requirements are met expediently. TERAS 5 also focuses on ease of accessibility and the provision of value-added services. Pensioners will be able to assess their pension related information at the click of a button, thus reducing the need for them to physically make their way to KWAP's office.

Pensioner interaction channels have been increased by providing online forms for inquiry and status update with a direct integration to Customer Relationship Management (CRM) System and the PG2 System.

As we strive to provide the best service to pensioners, we have implemented integration with the government hospital system and provided online access to assist the hospital in identifying pensioners and validating their eligibility without having them present their Kad Pesara. Additionally, thanks

to a new feature, pensioners can now download and display their eKad Pesara, a soft copy of Kad Pesara, online and through their MyPesara application. Digital improvements were also harnessed in enhancing the e-Haemodialysis system, allowing online pensioner validation and claim submissions. Additionally, the two-way integration with Lembaga Pinjaman Perumahan Sektor Awam (LPPSA), easing the arrangement of settling government housing loan payments was completed.

STRENGTHENING SUSTAINABLE POLICIES AND PROCESSES

The intention with TERAS 5 is to further enhance governance and oversight, whereby governance becomes second nature. TERAS 5 is anticipated to make the decision-making process shorter, whilst keeping the governance structure in the form of checks and balances with proper policies and processes in place.

In 2022, the KWAP Personal Data Protection Policy, known as KWAP PDP Policy, was implemented, accompanied by KWAP-wide training, and the establishment of a new unit under the Data Privacy Practice Group. The Guideline on Contract Expiry Monitoring and the Guideline on Stamping were also introduced, alongside the completion of gap analysis and assessment on KWAP's PDP Policy vis-à-vis the Data Privacy Laws of Australia, Jersey, Luxembourg and Germany, which is part of Phase 2 of the Data Privacy Initiative.

ADVANCING AS MALAYSIA MADANI

While growing a robust pension fund and processing monthly pension payment on behalf of the Government remains our core responsibility, KWAP is committed to go further in supporting current and future pensioners to prepare for a happy and sustainable retirement journey.

The nation's pension recipients currently stands almost 770,000, and we are undertaking a holistic approach to assist current and future pensioners with retirement preparedness through MyPesara initiatives. With the tagline - Your Retirement Companion, 17 physical outreach MyPesara programmes have been planned for 2023.

These engagements with pensioners has supported the MyPesara application, which has been downloaded over 307,000 times. As it provides a personalised account for pensioners and their family members with access to pension related information at their fingertips, it is ideally placed to encompass the holistic approach to retirement by providing a platform for online customer service and opportunities for online learning on financial, health and retirement planning.

Education on scam activities is also a priority, given the rising number of cases of pensioners losing their savings to scams worldwide. We intend to raise awareness on the latest types of scams through online channels and the MyPesara mobile application.

Underscoring all these outreach activities, three key events will be organised in 2023, namely Karnival MyPesara, Anugerah MyPesara and KWAP's Contribution Forum.

The Karnival MyPesara, previously known as Karnival Rasa Sayang, represents KWAP's signature event to engage the stakeholders and surrounding community, and to increase KWAP's brand value.

Anugerah MyPesara, formerly known as the Anugerah Ikon Pesara, is an award to recognise and celebrate the achievements of public sector retirees and to encourage pensioners to remain active and productive even after retirement.

Furthermore, KWAP's Contribution Forum will be held for its contributors to gather one roof and learn best practices from one another to empower better support for the contribution ecosystem.

On the investment front, a host of targets have been set for 2023 in supporting the long-term strategic objectives and target outcomes towards realising our Vision 2025. As we further refine our investment capabilities, we also look to practising responsible investment to grow our assets sustainably. Beyond executing investment strategies, we plan to integrate ESG considerations in investment processes and total portfolio by exploring impact investing across all asset classes among the spectrum of the silver economy, renewable energy and food security

sectors. We will also be establishing KWAP's Enterprise Sustainability Governance Framework as well as Enterprise and Portfolio Carbon Footprint Measurement in alignment with the national net-zero targets set for 2050.

Enterprise transformation will be catalysed as we implement KWAP's Customer Experience Framework, Brand Strategy Roadmap, Thought Leader Framework and KWAP's Digital Transformation Roadmap. At the same time, group-wide Governance and Risk Management will be strengthened by reviewing and assessing Board and Investment Panel related policy, continuing ISO 31000:2018 - Risk Management implementation and enhancing the Audit Methodology Guideline.

With the activation of the Digital Division, a more digital-focused initiative to further accelerate and drive digital excellence in the organisation will be rolled out. Introduction of new tools, as well as enhancing the existing ones, will be the priority.

People Strategy initiatives will also be implemented. These include undertaking succession planning for key positions, enhancing the recruitment process, reviewing and enhancing the overall performance management system, and improving workplace infrastructure.

CONCLUSION

It was a year of change and sustainable progress, and our greatest achievement to date has been the shared commitment and hard work put in by every KWAP member – from the Board and Investment Panel to the management team and all employees. I applaud everyone on the progress and accomplishments you made in 2022. Your willingness to change and continuously progress is the most important factor in KWAP's success.

Thank you for embracing TERAS 5 goals and ensuring that KWAP steadfastly delivers on our mandate for a better tomorrow.

DATUK HAJAH NIK AMLIZAN MOHAMED

Chief Executive Officer