



# *Looking Beyond Today*

Annual Report 2020





## Cover Rationale

### Looking Beyond Today

In what has been an uncertain and volatile environment, KWAP has gone the extra mile to safeguard the interests of our main stakeholders, as we carry out our mission of paying and preserving pensions despite the unprecedented landscape we are operating in. Looking beyond today, the strategies we have adopted and the collaborations we have forged will ensure we remain operationally sound, sustainable and agile to execute our commitment to all our members for the long term.



## VISION

To be the trusted retirement fund that supports nation building by innovatively delivering sustainable benefits.

## MISSION

To optimise investment returns and deliver excellent services by adopting best practices in meeting the key stakeholders' commitments.



## DANA YANG BERKAT

Usia tua sesantainya angin nyaman yang sihat, renyai hayat anugerah Tuhan yang teramat nikmat.

Kini kita maruahi lagi sejarah kebajikan, menyemainya dengan benih jerih perih pendapatan agar usia tua akan waras terpelihara: damai di tangan, nikmat di hati dan indah di mata.

Dan tarikh lahirnya badan dana yang amat bertuah - Mac – kini bulan yang molek, cahaya manis sejarah; dengan wang dirancang untuk ranum ke usia sarat peluh jujur rezeki subur mengisi dana berkat.

Sopan di tangan, jernih di mata dan santun di kalbu, peranum labur jimat tercermat yang mengembang gebu.

Diurus tangan canggih amanah yang tulus berhemah sehingga pepohon rezeki sempat merimbun buah.

Tulus petugas setia serasi bakti pekerja ringani bahu pentadbir, suburi harta pesara, alir pencen sumber harta yang luhur sepanjang hayat tersimbah tuahnya ke yatim diri, ke badan sihat.

Dengan tekun berilmu, tindakan yang bersanubari, yakin dipasti taman labur terindah harum ini.

**5 – 15, Februari, 2007**  
**A. SAMAD SAID**

## CORPORATE VALUES

- 1 Leadership:** An ability to lead oneself and lead others in order to continuously improve
- 2 Accountability:** Taking responsibility for our actions
- 3 Teamwork:** Working together to provide efficient and effective outcomes for each stakeholder
- 4 Integrity:** An expected internal trait of strong morals and principles
- 5 Excellence and Achievement:** Achievement that is attained through excellence
- 6 Continuous Learning and Innovation:** To be innovative and constantly learn from our challenges and our achievements
- 7 Stakeholder Orientation:** A focus on all our stakeholders such as Government and retirees

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**Our leaders stand guided by KWAP's ultimate goal of delivering optimal and sustainable returns to our stakeholders and are committed to upholding the values and best practices required to succeed.**

As custodians of Malaysia's largest public service pension fund, we are cognisant of the important role we play in not only creating value but also in our contribution to the nation's prosperity.

## **MESSAGES FROM OUR LEADERS**

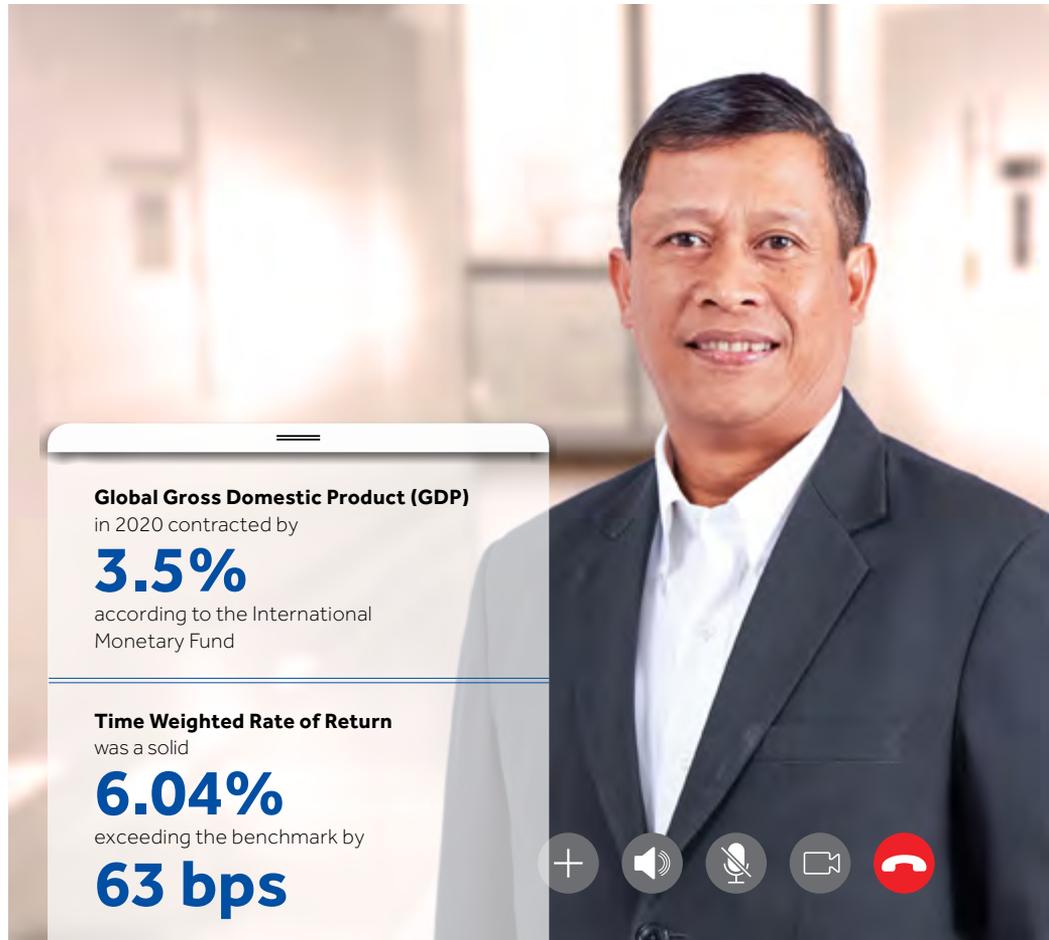
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01

Dear Shareholders,

I am pleased to present the Annual Report for Kumpulan Wang Persaraan (Diperbadankan) for the financial year ended 31 December 2020.

**DATUK SERI ASRI BIN HAMIDIN @ HAMIDON**  
Chairman



**AN UNPRECEDENTED EXTERNAL ENVIRONMENT**

The year 2020 was an unprecedented year with the COVID-19 pandemic significantly impacting economic output across the world as containment measures disrupted businesses and subdued consumer demand. Governments rushed to cushion the impact on lives and livelihoods with massive fiscal and monetary policy measures, while financial markets were also in need of stabilising actions to stem a financial fallout. Global Gross Domestic Product (GDP) in 2020 contracted by 3.5% according to the International Monetary Fund, with both the US and the UK registering recessions. China, however, was the only major economy to avoid a recession as it controlled the outbreak through stringent lockdown measures and further supported its economy with government-led stimulus.

Domestically, Malaysia’s GDP declined by 5.6% in 2020, its most challenging performance since the Asian Financial Crisis, as movement restrictions curtailed economic and social activity. The Malaysian government deployed about RM300 billion worth of stimulus in 2020 alone to sustain the economy to safeguard the livelihoods of the rakyat and to support businesses. Bank Negara Malaysia meanwhile lowered the Overnight Policy Rate by 125bps, to 1.75%, its lowest point ever, and used other policy levers to give financial institutions the flexibility to help their customers during these challenging times.

# NAVIGATING THROUGH

## *Challenging Times*

### DELIVERING GROWTH DESPITE CHALLENGES

KWAP prevailed throughout a year of uncertainty, recording a resilient performance against challenging economic and investment conditions. The fund grew 4.3% to RM153.8 billion in 2020 from RM147.5 billion in 2019, while the Time Weighted Rate of Return was a solid 6.04%, exceeding the benchmark by 63 bps.

### OUR INVESTMENT STRATEGY

In 2020, the rapidly changing global economic landscape driven by the disruptions created by the pandemic, coupled with our commitment to achieving sustainable investment returns, presented an opportune time for KWAP to conduct a review of its Strategic Asset Allocation (SAA) in 2020. The review was carried out with the oversight of the Board and Investment Panel and was targeted at enhancing KWAP's overarching investment strategy taking total risk appetite and long-term investment perspectives into consideration. The strategy also incorporates the element of liability awareness in guiding our investment approach to ensure that the Fund's foundation remains strong and entrenches KWAP's position as a long-term investment manager. Over the years, the SAA has evolved considerably, which has helped KWAP to enhance its portfolio diversification strategy.

KWAP has also been known to make tactical calls throughout the year to take advantage of sudden market movements and opportunities that may arise in the short-term. In closing the year, KWAP maintained its overweight stance on equities while underweighting fixed income as we expect a gradual post-lockdown normalisation of economic activity, strong policy support and subdued geopolitical risks. This position has enabled KWAP to outperform the overall annual benchmark by 63bps, as investment performance in all our asset classes exceeded investment benchmarks. Over the medium to long-term, KWAP has outperformed the rolling three and five-year period benchmarks by 212 and 122 bps respectively.



#### KWAP Prihatin Relief Donation Drive

raised more than

**RM 33,000**

from employees to purchase necessities for pensioners & orphans.

Contributed

**RM 500,000**

to the GLC/GLIC Disaster Response Network to support frontliners – for medical equipment, personal protective equipment, ventilators & food supplies purchases.

MESSAGE FROM THE CHAIRMAN	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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**Although the world has suffered an economic downturn in 2020, we believe that our investment strategy and systematic approach towards capital allocation is appropriate for balancing risk and return, while capturing future upside as the global economy recovers.**

**INTEGRITY AND GOVERNANCE**

KWAP recognises the importance of maintaining robust standards of corporate governance and the highest principles of integrity, transparency and accountability. Thus, we adopt the principle of non-tolerance to corruption and continuously pursue the strengthening of our internal control system. In 2020, we revised our existing anti-bribery and corruption related policies and developed new ones to ensure that we conduct ourselves in conformance to good value and ethics, and in compliance with applicable laws and regulations. We also took the initiative to identify corruption risks across our operations and relevant mitigation actions to address them, and developed KWAP Organisational Anti-Corruption Plan, a 5-year action plan to strengthen our governance and anti-corruption measures.

In 2020, KWAP also marked the International Anti-Corruption Day 2020 celebration on 10 December 2020, by signing the Corporate Integrity Pledge, marking our enrolment into Corporate Integrity System Malaysia. This signifies our commitment to eradicating corruption and strengthening our internal controls through the implementation of good governance practices.

Looking ahead, KWAP will be pursuing the ISO 37001:2016 Anti-Bribery Management System certification. The certification will provide further assurance to our customers, stakeholders, and business associates that KWAP has put in place adequate measures and implement necessary controls to curb corruption. KWAP’s Integrity and Governance Office (IGO) will also be establishing an online platform to provide employees easy access to information and documents under the purview of the IGO.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

With the growing interest and investor focus on the performance of corporations in the Environmental, Social and Governance (ESG) sphere, KWAP remains well positioned to continue spearheading the ESG agenda via our investee companies as well as through our investment approach. KWAP has consistently been an active shareholder in this area, as we continuously engage our investee companies regarding governance practices and take this further through our Responsible Investment Section which conducts ESG-specific engagements with investee companies. KWAP is also a signatory to the United Nations-supported Principles of Responsible Investment (UN PRI) that encourages investors to adopt responsible investments to enhance returns and better manage risks.



**Internally, our Corporate Level ESG Guidelines ensure that ESG considerations are embedded throughout our operations. Following the incorporation of ESG Guidelines for private equity investments in 2019, KWAP now plans to extend this to cover both equity and property investments, an indication of the maturing of our own ESG journey which began more than a decade ago.**



Developed the  
**KWAP Organisational  
Anti-Corruption Plan**

In addition, we actively engage regulators and contribute to the financial industry's discussion on climate change through our participation in the Joint Committee on Climate Change which was established by Bank Negara Malaysia and the Securities Commission.

KWAP also engages and collaborates with external bodies that champion corporate governance and ESG matters both domestically and regionally. In Malaysia, we are a signatory to the Malaysian Code for Institutional Investors which was established by the Institutional Investors Council (IIC), a body that upholds good corporate governance standards and that KWAP has supported through various engagements throughout 2020. Regionally, we have engaged the Asian Corporate Governance Association (ACGA) by participating in the 2020 ACGA Virtual Conference.

### SUPPORTING OUR COMMUNITIES THROUGH THE PANDEMIC

During the pandemic, KWAP lent its support to affected communities, stakeholders and frontliners through our corporate social responsibility programme. We launched KWAP Prihatin Relief Donation Drive that raised more than RM33,000 from KWAP employees and it was channelled to purchasing basic necessities for pensioners and orphans. KWAP also recognised the difficulties our own employees and their families were experiencing and established an Employee Assistance Fund to help those severely impacted by the pandemic.

To support frontliners, KWAP contributed RM500,000 to the GLC/GLIC Disaster Response Network which was utilised to purchase medical equipment, personal protective equipment, ventilators and food supplies, among others. In addition, KWAP collaborated with its technology portfolio company, Aerodyne Group, to donate RM100,000 worth of drones and accessories to the Royal Malaysia Police to assist their surveillance efforts during the Movement Control Order.

### ACKNOWLEDGEMENTS

I remain heartened by KWAP's continued resilience in carrying out its mandate in the face of unprecedented challenges, especially with the resurgence of the pandemic going into 2021. I would like to extend my appreciation to all KWAP employees for persevering through these difficult times and serving the organisation with dedication and passion.

The Board would also like to record its deepest gratitude to the outgoing Chairman, Tan Sri Ahmad Badri Bin Mohd Zahir who has helped bring KWAP to greater heights over the past year. The Board warmly welcomes KWAP's new Chief Executive Officer, Nik Amlizan Mohamed, who we are confident will help the organisation successfully navigate through these challenging times and strengthen KWAP further.

I would also like to acknowledge our departing Board members, Datuk Azih Muda and Datuk Teo Khian How, who have lent their wisdom and served with distinction in guiding KWAP and its management during their time on the Board. In their place, we welcome Puan Anis Rizana Binti Mohd Zainudin, who is the Ministry of Finance's representative, and Encik Abdul Rahman Mohd Nordin who is the Contributors' representative.

In closing, I am confident that KWAP will continue to strive to deliver its mandate and achieve its vision of becoming the trusted retirement fund for all our stakeholders, especially the pensioners we have been tasked to look after. The Board is honoured to be entrusted with this great responsibility, and will ensure that KWAP continues to grow from strength to strength.

Donated

**RM 100,000**

worth of drones &  
accessories to Royal Malaysia  
Police – assist surveillance  
efforts during MCO.

## Dear Valued Stakeholders,

It is with great honour that I present this annual report on behalf of KWAP. In 2020, KWAP strived to obtain optimum returns for the pension fund amid a volatile and uncertain operating environment as a result of the unprecedented COVID-19 health crisis. During the pandemic, KWAP was able to ensure business continuity while safeguarding the health and safety of our employees. KWAP has also continued to improve internal processes driven by the overall aim of providing excellent service to our valued civil service pensioners.

**NIK AMLIZAN MOHAMED**  
Chief Executive Officer



As a result of our determination, KWAP's fund size grew by RM6.34 billion, or 4.3%, from RM147.48 billion in 2019 to RM153.82 billion in 2020. Gross Investment Income was recorded at RM6.81 billion, which was slightly higher than the RM6.07 billion recorded in 2019, with Time Weighted Rate of Return (TWRR) of 6.04%. We outperformed the benchmark return of 5.41% by 63 bps in 2020, while on a 5-year rolling basis, the total fund outperformed the benchmark by 122 bps.

### INVESTMENT PERFORMANCE

KWAP continued to adapt and enhance its investment strategies to obtain optimal returns for the Fund. While the disruption to economic and financial markets due to the pandemic remained a concern for KWAP, it did not deter us from following through with our plans and demonstrating our unwavering commitment to long-term investment strategies and time horizons.

At the strategic level, KWAP has established the Interim Strategic Asset Allocation (SAA) in 2020 as we look to redeploy our capital in order to achieve long-term sustainable returns and to ensure our investment approach has taken the pandemic-driven shifts in the market landscape into consideration. The transition is guided by a 3-year or 5-year timeline depending on KWAP's ability to deploy the capital.

In 2020, as part of our diversification strategy, KWAP appointed external fund managers (EFM) for a Global Multi-factor mandate valued at USD100 million. KWAP also completed the first phase of the Investment Policy and Guideline (IPG) Revamp Exercise and will commence the second phase in January 2021 which will address the investment policies portion of the IPG.

In terms of our investment results, I am pleased to report that KWAP delivered returns beyond their respective benchmarks despite the volatility and uncertainty created by the pandemic.

# STABILISING THE BUSINESS AND

## *Resetting The Future*



**Time Weighted Rate of Return  
(TWRR)**

**6.04%**

**Total Fund Outperformed the  
benchmark by**

**63** bps

**Public Equity**

recorded a total return of

**7.67%**

**Total Income Public Equity**

realised stood at

**RM 3.21** billion

The Private Equity and Infrastructure portfolios generated strong returns in 2020, delivering income of

**RM 275.7** million  
signifying a 10-year rolling  
return of 12.3% per annum

The Public Equity team returned excellent results as its defensive strategy for internally managed domestic equity and the creation of the Global Equity Portfolio (GEP) paid dividends. The GEP, which has a broad mandate to invest in various international equity markets, gave KWAP the flexibility and speed to seamlessly allocate funds among investable markets according to our prevailing market view and strategy. In 2020, Equity recorded a total return of 7.67% versus the blended benchmark of 5.38%, translating into an outperformance of 229bps. Equity had also outperformed the blended benchmark over the longer period of 3 years and 5 years by 188bps and 218bps respectively. Total income realised stood at RM3.21 billion.

In terms of Fixed Income, the team managed to achieve a commendable realised return of RM2.87 billion in 2020 compared to RM3.00 billion in 2019, as bearish sentiment on economic growth drove demand for safe haven assets. On a total return basis, the return of 6.49% in 2020 was slightly lower than 6.79% achieved in 2019. On a return on investment basis, there was a slight improvement to 4.41% in 2020 from 4.39% in 2019. KWAP's total fixed income portfolio holding decreased by 2.1% to RM66.00 billion in 2020 from RM67.42 billion in 2019, which is in line with the 2.61% reduction of the Fixed Income component of the SAA to 43.06% as at end-2020. As part of our diversification strategy, KWAP injected a total of RM300 million to four domestic fixed income EFMs in 2020.

In the Alternative Investment space, KWAP continued to grow from strength to strength. The Private Equity and Infrastructure portfolios generated strong returns in 2020, delivering income of RM275.7 million collectively, signifying a 10-year rolling return of 12.3%. In line with greater digital and technology adoption, KWAP also made investments into a technology-related company, Aerodyne, and a tech-buyout fund that mainly invests in software-related companies. Our property investment portfolio of 19 properties meanwhile recorded a total return of 4.7%, contributing net income of RM256.2 million with its 5-year rolling average at 7.1%. In 2020, KWAP acquired two student accommodation buildings in the UK for RM475.8 million and acquired the remaining 20% of The Chimes in Uxbridge, thereby consolidating our 100% ownership of the property.

**DRIVING SERVICE EXCELLENCE**

KWAP has delivered timely and quality service to our stakeholders despite the disruptions caused by the pandemic due to the restrictions under the Movement Control Order (MCO). Our ability to adapt rapidly to the new norm by transitioning to virtual engagements while carrying out core system enhancements has led to a strong Service Level Agreement (SLA) score in 2020. The 12-month average SLA score was 96.52%, well above the 90% minimum set by the Malaysian Public Services Department (JPA). Given our capabilities and ability to deliver beyond expectations, KWAP and JPA signed an Extension of Agency Agreement for a period of one year in November 2020.

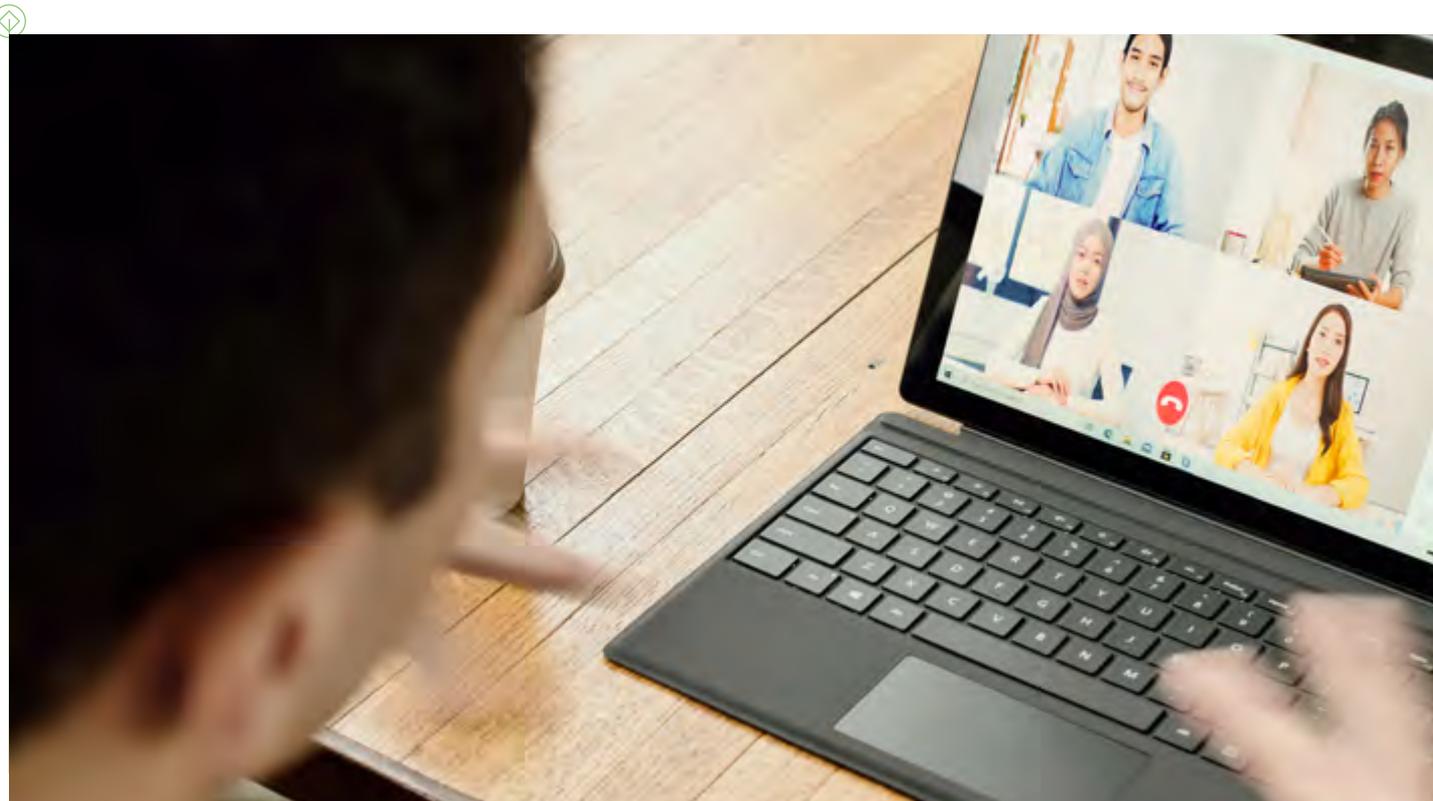
With regards to contribution management, the Contribution Department is constantly seeking ways to streamline its operations and improve operational efficiency. In the year under review, the Contribution team had once again left no stone unturned as it looked into streamlining KWAP's procedures, employing automation and technology to enhance operational efficiency and engaging with stakeholders to identify further areas for improvement.

**In engaging with our stakeholders, engagement and awareness programmes with employers were implemented via an e-bulletin, resulting in a rating of 4.4 out of 5 from employers and contributory agencies in the annual customer satisfaction survey.**

**SAFEGUARDING AND NURTURING OUR PEOPLE**

The disruption created by the pandemic was felt most directly by our employees who had to quickly adjust to work from home or remote working arrangements with the introduction of the MCO. With the uncertainty surrounding the pandemic and the unprecedented effects of the prolonged lockdown, KWAP was quick to implement employee engagement efforts that were focused on sustaining our workforce, and included physical and mental health themes to help employees better manage the prolonged physical isolation.

KWAP also remained focused on nurturing our employees as we shifted training and learning and development programmes online. We employed various platforms, including videos, virtual-led instructor programmes, webinars, e-conferences and virtual training which saw over 90% of KWAP employees participating in at least one of these learning platforms. Alongside this, KWAP introduced the Leadership in the Digital Era programme that was delivered to 38 middle management employees, while 15 non-executive candidates from across KWAP were selected to participate in a 12-month upskilling programme.



## INTEGRITY AND GOVERNANCE

KWAP is resolute to continuously improve its efforts in the area of integrity and governance as we strongly believe that it is a key component of ensuring sustained value creation for our stakeholders. Following the establishment of the Integrity and Governance Office (IGO) in mid-2019, KWAP has made significant progress with the launch of new whistleblowing channels to enable the reporting of unethical or illegal activities that have been or are about to be committed.

The revised Whistleblowing Policy provides for confidentiality of the report and protection of the whistleblower's identity, as well as protection against any retaliation. Instances of abuse of power to bribery, verifying and investigating the authenticity of the claims are amongst IGO's roles.

KWAP has indeed established an effective and trustworthy whistleblowing mechanism for employees to raise concerns responsibly and without fear for reprisal. It also serves as a reminder to all that any corrupt act against KWAP could be reported and the necessary action will be taken against any KWAP personnel who

commits an act of corruption, in line with our commitment to zero tolerance to corruption. Moving forward, KWAP will be embarking on a structured and targeted job rotation programme for sensitive and key positions to reduce the potential for exposure to corruption or corrupt practices.

## LOOKING FORWARD

Looking ahead, KWAP is gearing up for change as we continue along our transformation journey towards achieving our Vision 2025 strategy.

**We are currently in wave three of Vision 2025, which focuses on elevating KWAP to being the sole pension fund manager for the nation's public sector, while further enriching the retirement experience and growing our assets sustainably for the benefit of our stakeholders – the pensioners.**

To help us achieve this, we have commenced the Target Operating Model (TOM) project which will result in a blueprint on how KWAP can be best organised to efficiently and effectively deliver and execute KWAP's strategy. A refreshed operating model will align the business to our strategy and vision, while taking all our processes, structure, people, and governance into consideration.

In 2021 itself, KWAP will be looking to implement improvements within every facet of the organisation, successfully transitioning our SAA and work closer with the JPA on strategic pension matters. For instance, we plan to launch a new core pension operating system, embrace automation to speed up processes, deliver greater customer centricity, as well as enhance the value add KWAP brings to the public sector retirement ecosystem. As we further refine our investment capabilities, we also look to practising responsible investment to grow our assets sustainably.

In 2021, KWAP will further integrate ESG practices into our investments in the Fixed Income space through engagement with issuers of corporate bonds. Engagement with investee companies and relevant stakeholders to encourage them to measure their carbon footprint and develop a reduction plan will also be intensified. With the pandemic expected to persist for the foreseeable future, the way we engage with employees will also change, as they continue to adapt to new ways of working.

## ACKNOWLEDGEMENTS

In closing, I would like to extend my gratitude to the Board and the Investment Panel for their guidance and wisdom in what has been an unprecedented year for KWAP and the nation. I look forward to continue our work in bringing KWAP to greater heights. To our employees, I thank you for your dedication and passion throughout this difficult year in ensuring that KWAP upheld its mandate and carry out its responsibility to our stakeholders, the pensioners. I am pleased with how far the organisation has come along and I am determined to contribute my energy and effort to bringing KWAP further for the collective benefits of our stakeholders and the nation.

The 12-month average SLA score was

# 96.52%

well above the 90% minimum set by the Public Services Department

**KWAP introduced the Leadership in the Digital Era programme that was delivered to**

# 38

middle management employees

# 15

non-executive candidates from across KWAP were selected to participate in a 12-month upskilling programme

**KWAP'S RESPONSE TOWARDS COVID-19**

**The disruption to everyday life caused by the COVID-19 pandemic has been unprecedented in both scale and duration and has thus created the need to respond in unprecedented ways.**

**Safeguarding our Employees' Well-being**

KWAP responded rapidly to ensuring the wellbeing of our employees as the pandemic disrupted normal work settings and created the need for new methods to address working from home, employee engagement, and learning and development needs. We leveraged on technology to enable us to stay in touch as we navigated the unique challenges presented by the pandemic to ensure minimal disruptions to our operations.



- ◆ Introduced work from home and split team arrangements as well as standard operating procedures to protect the safety and health of employees.
- ◆ Conducted a survey to understand the needs of our employees following the transition to remote working arrangements.
- ◆ Provided COVID-19 swab tests free of charge for employees and dependents who required such testing.
- ◆ All training programmes were shifted online and we also introduced the online Learning Management System to facilitate this shift.

- ◆ All engagement programmes were also shifted online, with our focus firmly fixed on understanding how our employees were coping with the pandemic and creating a conducive environment as well as the mechanisms for our employees to reach out for help to address their mental health needs.
- ◆ Established the Employee Assistance fund to assist KWAP employees who were severely impacted by the pandemic.
- ◆ Moving forward, our employee engagement initiatives will be focused on helping our employees further adapt to the new work culture of remote and physically distanced working arrangements.

**Our focus during this pandemic was to safeguard the well-being of our employees, help our communities and to ensure business continuity for the benefit of our stakeholders.**

### Business Continuity

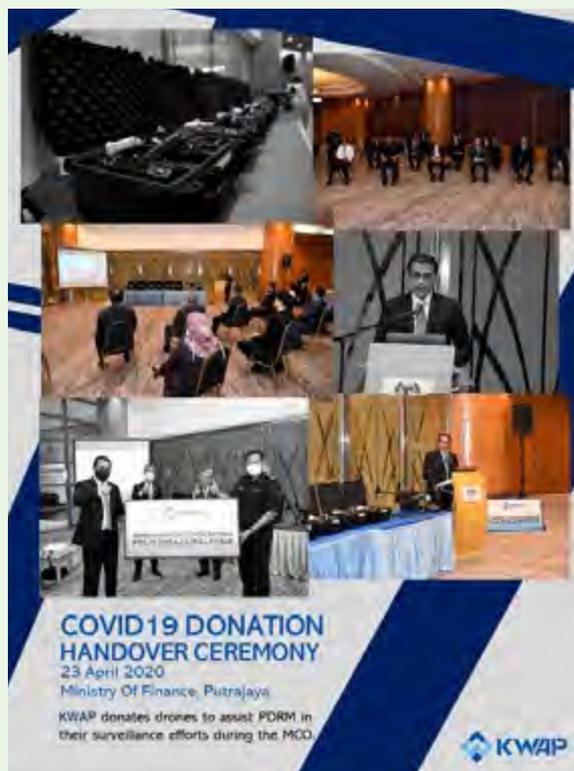


KWAP was proactive in ensuring the organisation was a step ahead in preparing and executing its response to the pandemic to ensure that business could continue operating with minimal disruptions. Extensive planning and discussions constantly took place amongst key departments to determine the steps that were needed to be taken in navigating this unprecedented scenario, which have helped us to seamlessly transition to working within the context of the new normal. Some of the initiatives we carried out included:

- ◆ Establishing new policies and standard operating procedures to comply with the various regulations introduced by the Government to contain the spread of the pandemic
- ◆ Establishing KWAP Response Team for employees to be kept informed of any developments related to COVID-19
- ◆ Where possible, KWAP transitioned to remote operations to protect the health of our employees
- ◆ For employees who needed to be physically present at the office, KWAP secured the necessary documentation for them to move freely during movement restrictions
- ◆ Modified the seating arrangements at workstations, as well as in meeting rooms, pantries and common areas to comply with physical distancing requirements
- ◆ Conducted a gap analysis on KWAP's overall pandemic preparedness

### Assisting our Communities

During the pandemic, KWAP continued to reach out and support the communities around us, including pensioners and frontliners.



- ◆ We donated more than RM33,000, contributed by KWAP employees, to pensioners who required help
- ◆ Contributed RM500,000 to the GLC/GLIC Disaster Response Network which aided in providing crucial equipments for local hospitals
- ◆ Donated RM100,000 worth of drones and accessories to the Royal Malaysia Police to improve their surveillance capabilities during the MCO

**It is said that change is the only constant. 2020 was certainly a year of change.**

Through all the ups and downs, however, our people managed to respond strategically to changing market conditions in order to maximise returns.

## **ABOUT KWAP**

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02

## ROLE AND OBJECTIVES

**KWAP is Malaysia's pension fund for civil servants. We manage contributions from the Federal Administration and relevant agencies and invest the fund to obtain maximum returns via sound risk management and investment. In 2015, KWAP officially took over the Public Services Department (PSD)'s Post Pension Services Division roles, for pension payment, gratuities and other benefits.**

# ESTABLISHED 1 MARCH 2007

Under the Retirement Fund Act 2007 (Act 662), replacing the Pensions Trust Fund Act 1991 (Act 454)

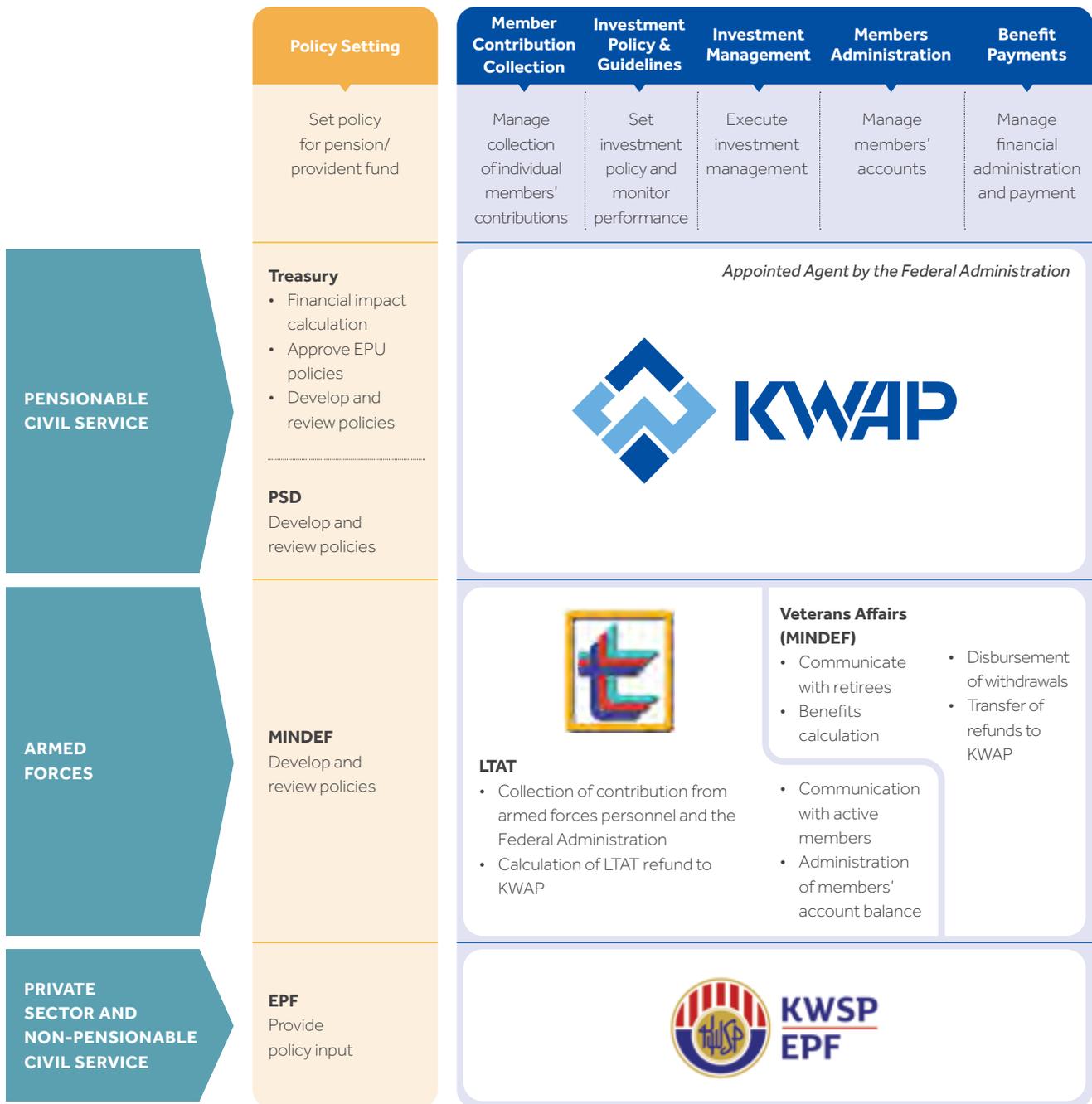
## OBJECTIVE

To achieve optimum returns on investments for the fund so as to assist the Federal Government Administration in financing its pension liability.

## FUNCTIONS

- ◆ Management and payment of pension
- ◆ Management of contributions from the Federal Administration, Statutory Bodies, Local Authorities and other agencies
- ◆ Administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investment as permitted under the Retirement Fund Act 2007 (Act 662)

**KWAP WITHIN MALAYSIA'S PENSION SYSTEM**

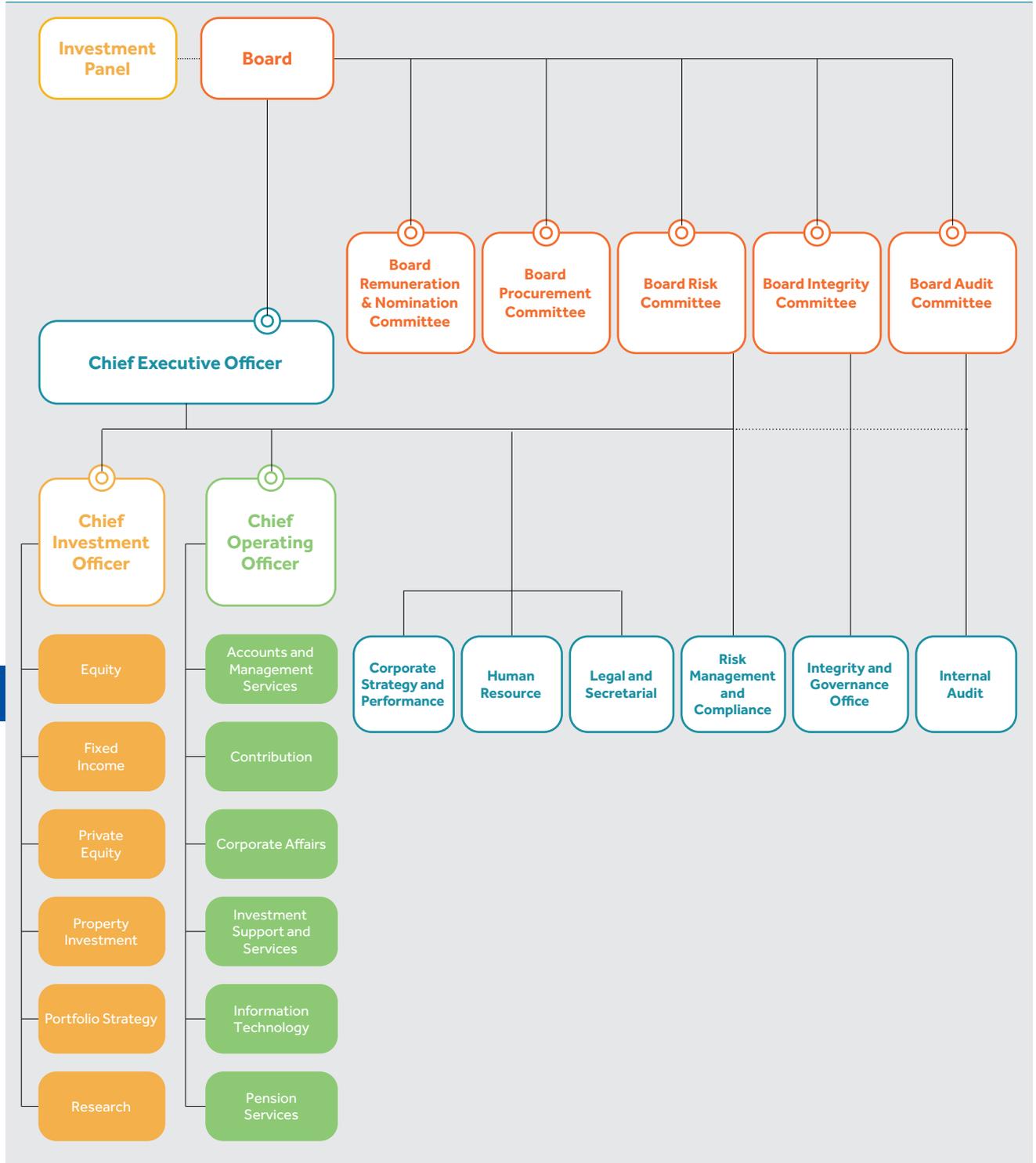


**Legends:**

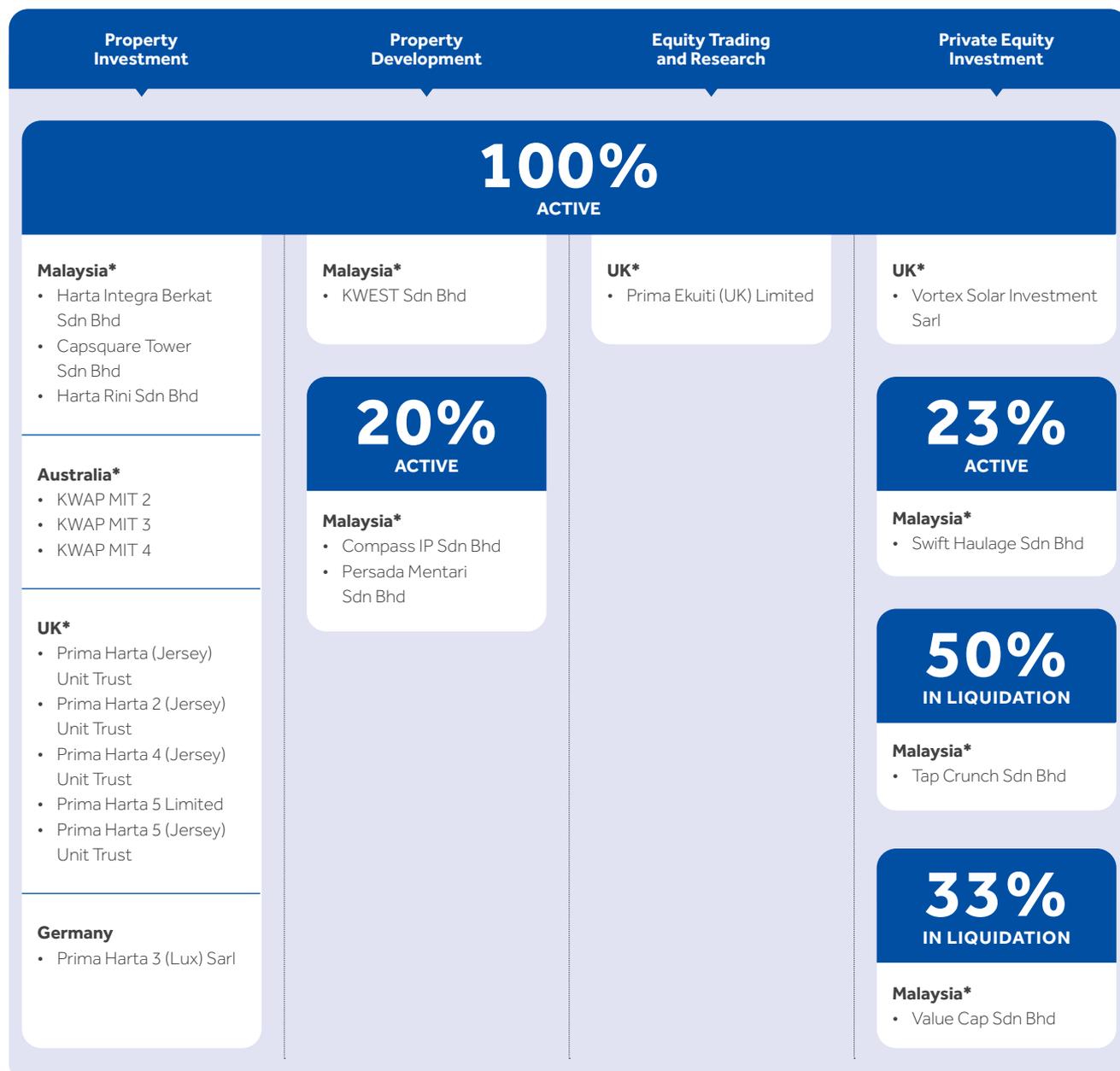
**Treasury:** Treasury, Ministry of Finance      **MINDEF:** Ministry of Defence      **EPF:** Employees Provident Fund

**PSD:** Public Services Department      **LTAT:** Armed Forces Fund Board

ORGANISATION CHART



CORPORATE STRUCTURE



Notes:

- \* Location of investment assets/business operations
- Refer to Note 10 to 12 of KWAP Financial Statement 2020 for complete list of KWAP subsidiaries, associates and joint-ventures

Info as at 31 December 2020

GEOGRAPHICAL INVESTMENT EXPOSURE

Geographical Investment Exposure in

**41** Countries  
across all 7 continents



Legends For Asset Classes

- Equity
- Fixed Income
- Private Equity
- Property

**STAKEHOLDER OUTREACH**

### Pension Demographics as at 31 December 2020

**Pensioner by Gender**

**64% Male**

**36% Female**

**Breakdown of Pension Recipients**

26% Derivative Recipients

74% Pensioners

**731,785**

Pension Recipients

**Number of Pensioners by Top 3 States**

Johor **9.8%**

Perak **11.0%**

Selangor **17.6%**

**Pensioner By Race**

Race	Percentage
Malay	70.9%
Chinese	13.3%
Bumiputera	7.5%
Indian	6.7%
Others	1.7%

**Pension Age Distribution**

Age	Percentage
51 - 55	1.5%
56 - 60	13.3%
61 - 65	32.8%
66 - 70	24.1%
71 - 75	14.2%
76 - 80	7.4%
81 - 85	4.4%
86 - 90	1.6%
91 - 95	0.4%
96 - 100	0.1%

\* Some percentages do not add up to exactly 100% because of rounding decimals

### MyPesara Mobile Application Phase 2

- 1

**Personalised accounts for both retirees and general users with ease of updating information**

Separate login pages for retirees and non-retirees.
- 2

**Upgraded and interactive additional features**

Provides a more holistic user experience

Opportunities for online learning on financial, health and retirement planning.
- 3

**New S.O.S Feature**

Introduction of additional S.O.S toggle to be used during emergency situations for retirees and their caretakers.
- 4

**Enjoy benefits programme by special partners**

A variety of exclusive details and promotions offered by select merchant and content partners.

All MyPesara users can enjoy the benefits offered.

**155,555**

Downloads as at 31 December 2020

Scan the QR code to download.

MyPesara Users from 2017 - 31 December 2020

**155,555**  
Downloads

iOS **18%**  
iOS Users

Android **82%**  
Android Users

**4.60/5**  
Rating

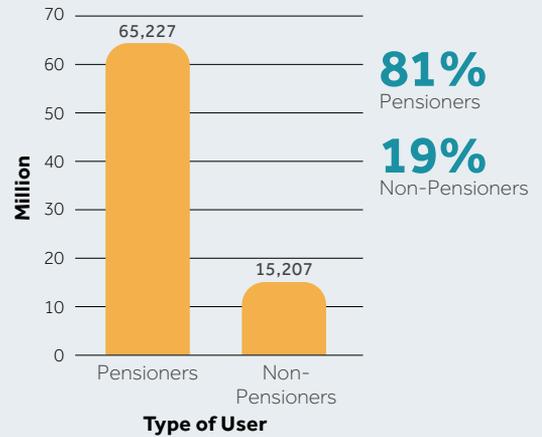


**5,347**  
Feedback

**497**  
Appointments Made via MyPesara

MyPesara Dashboard as of 31 December 2020

Registered Users



MyPesara Pensioner Users

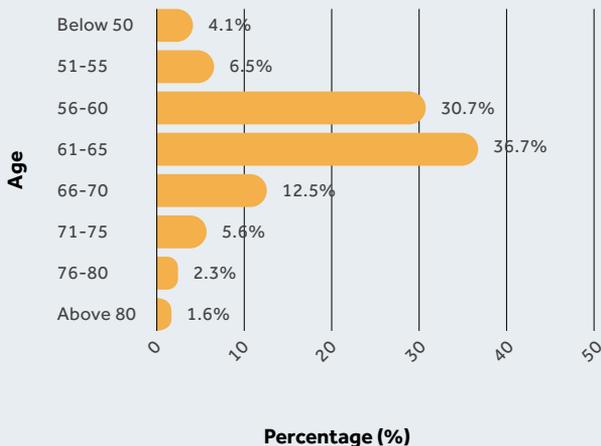
**65,227**  
Users

Gender **63%**

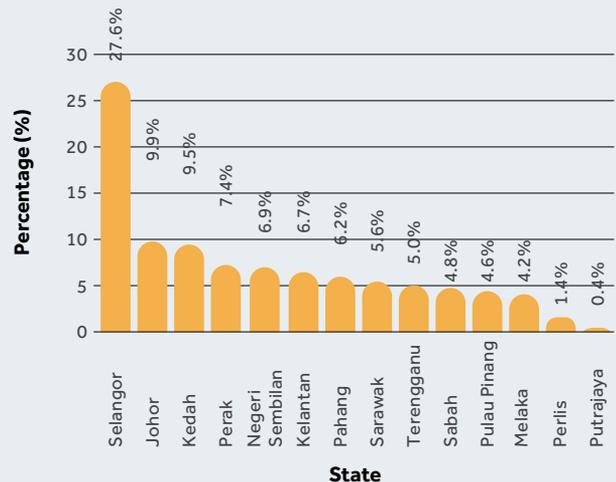
**37%**

Primary User **61-65**  
Years Old

MyPesara Users from 2017 - 31 December 2020



Location



STAKEHOLDER OUTREACH

MyPesara Non-Pensioner Users as of 31 December 2020

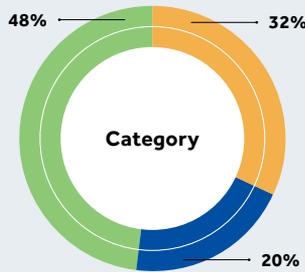
New Users on MyPesara

**15,207**  
Users

Gender

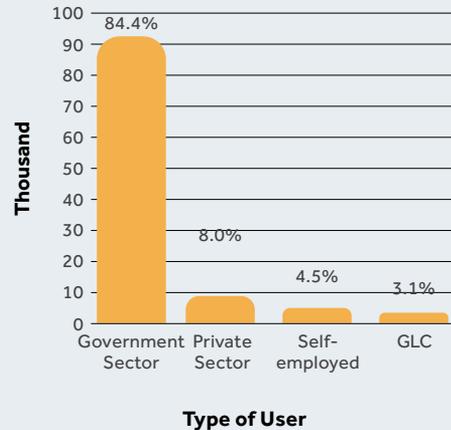
**67%** Male **33%** Female

**Average Primary User**  
**30**  
Years Old



● Caretaker ● Civil Servant ● Public User

User Job Profile



\*Data collected upon registration.

The Summary of Benefits Programme as of 31 December 2020

**The Benefits Programme 2020**  
**150**  
Total vouchers

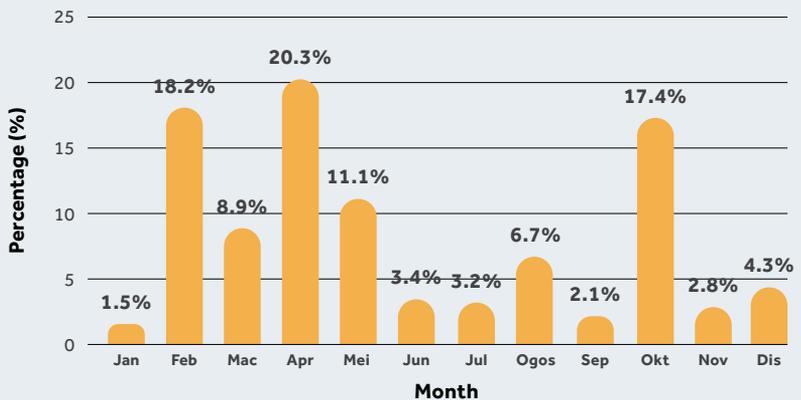
Voucher Viewers

**91%** Pensioners

**8%** Non-pensioners

**Total Redemption**  
**3,151** Total redemptions

Utilisation Rate



\*Date collected from CMS

PERFORMANCE HIGHLIGHTS	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
	2016	2017	2018	2019	2020	
<b>FUND SIZE AT COST (RM BILLION)</b>	125.00	140.80	136.51	147.48	<b>153.82</b>	
<b>INCOME AND EXPENSES (RM)</b>						
Gross Investment Income (Billion)	6.36	9.03	7.06	6.07	<b>6.81</b>	
Operating Expenses (Million)	271.63	368.82	292.33	302.96	<b>277.13</b>	
Net Investment Income (Billion)	4.83	8.79	1.24	6.67	<b>8.87</b>	
<b>INCOME AND EXPENSES (%)</b>						
Accounting Rate of Return (Net ROI)	3.86	8.74	0.80	4.67	<b>6.08</b>	
Operating Expenditure to Gross Income	4.27	4.08	4.14	4.99	<b>4.07</b>	
Operating Expenditure to Average Fund	0.22	0.28	0.21	0.21	<b>0.18</b>	
<b>RETURN AND RISK (%)</b>						
Time-Weighted Rate of Return	4.60	9.10	-1.33	5.91	<b>6.04</b>	
Volatility	2.16	2.41	1.40	0.60	<b>2.54</b>	
<b>CONTRIBUTION (RM BILLION)</b>						
Pension Contribution	2.95	3.01	2.87	2.63	<b>2.46</b>	
Federal Contribution	0.40	0.50	0.50	0.50	<b>0.50</b>	
<b>MANAGEMENT OF FUND (%)</b>						
Internally Managed	88.34	87.55	87.00	87.50	<b>88.27</b>	
Externally Managed	11.66	12.45	13.00	12.50	<b>11.73</b>	
Number of Contributing Employers	513	502	485	478	<b>486</b>	
Number of Members	186,511	193,684	200,299	187,684	<b>178,797</b>	
Number of KWAP Employees	592	577	603	610	<b>633</b>	
Income Per Employee (RM Million)	10.74	15.65	11.70	9.95	<b>10.75</b>	

Note: Figures are based on KWAP level performance.

YEAR 2020 HIGHLIGHTS

TOTAL FUND SIZE

RM **153.82**  
billion

GROSS INVESTMENT INCOME

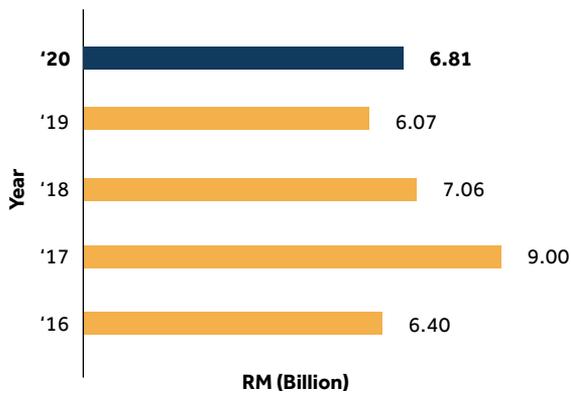
RM **6.81**  
billion

NET INVESTMENT INCOME

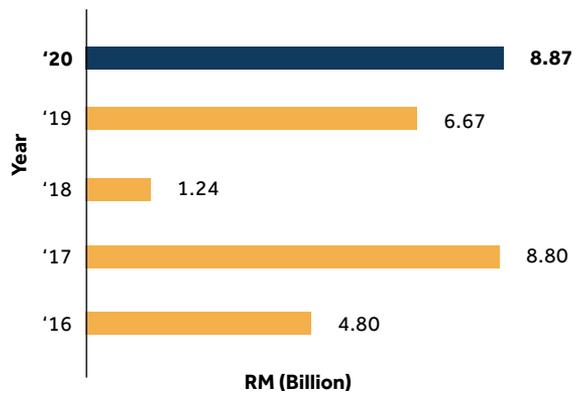
RM **8.87**  
billion

5-YEAR HIGHLIGHTS

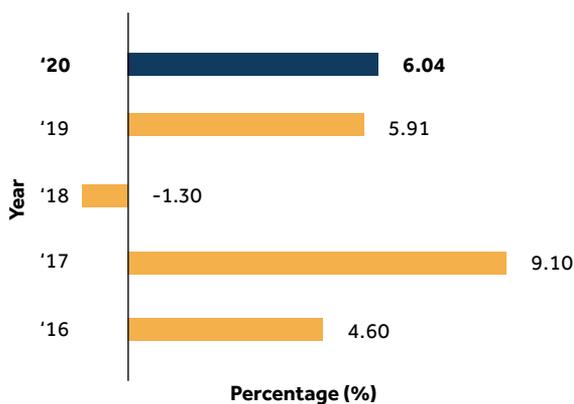
GROSS INVESTMENT INCOME  
(RM BILLION)



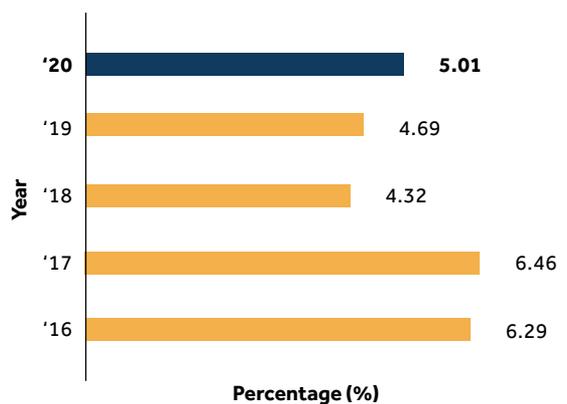
NET INVESTMENT INCOME  
(RM BILLION)



TWRR YEAR TO DATE  
(PERCENTAGE)



ROLLING 5-YEAR TOTAL RETURNS  
(PERCENTAGE)



## 2020 EVENTS AT A GLANCE

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## KWAP INTERNAL EVENTS 2020

## JANUARY



- 22  
CEO Mandate 2020

## FEBRUARY



- 04  
Chinese New Year Celebration and  
Gift Exchange at Kuala Lumpur Office

## FEBRUARY



- 07  
Gift Exchange at Cyberjaya Office  
among employees
- 12  
Talk with YBr. Encik Yeoh Keat Seng  
organised by Equity Department

## MAY



- 22  
Virtual Motivational Talk with YBhg.  
Dato' Badli Shah in collaboration  
with SPARC - "Rayakah Kita"

## JUNE



- 4 and 9  
Working In The New Norm Briefing  
Session in collaboration with HSC
- 10  
Deputy Finance Minister II, YBhg.  
Tuan Haji Yamani Hafez bin Musa's  
Visit to KWAP Kuala Lumpur Office



- 23  
*Motivasi Khas Virtual "Antara Norma  
dan Dogma"* with YBhg. Dato'  
Fadzilah Kamsah in collaboration  
with SPARC

2020 EVENTS AT A GLANCE

Messages from Our Leaders

About KWAP

Stakeholder Management

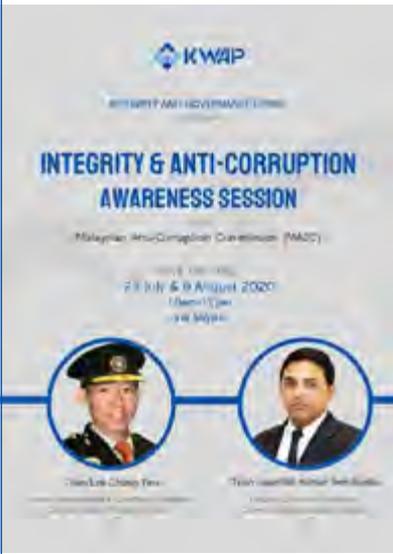
Corporate Governance

Economic and Strategic Review

Financial Statements

KWAP INTERNAL EVENTS 2020

**JULY**



**23**  
Integrity and Anti Corruption Awareness Session with MACC organized by IGO

**AUGUST**

**06**  
Integrity and Anti Corruption Awareness Session with YBrs. Tuan Lee Cheng Teik, Community Relations Communication Education Division, MACC

**12 - 13**  
*Bengkel Perjanjian Agensi Perkhidmatan Pengurusan Hal Ehwal Persaraan* between the Government of Malaysia and KWAP

**27**  
UKM Vice Chancellor, YBhg. Prof Datuk Dr. Mohd Hamdi Abd Shukor's Visit to KWAP Integra Office

**SEPTEMBER**



**25**  
*Ceramah Integriti: Jujur dan Amanah dalam Bekerja* by YBhg. Ustaz Dato' Nizam Kamaruzaman



**1-30**  
Merdeka Decoration Contest Among Departments ("Rumah Merdeka")

**OCTOBER**

**13**  
KWEST RE:Live - Age Friendly City: Future of Community Living & Closing Ceremony of Retirement-Oriented Development Design Competition 2019 (RODDC2019)



**20**  
KWEST RE:Imagine Batik Canting Webinar by YBrs. Encik Hafiz Sulaiman, Founder of Rumpun Batik and 'Canting Your Own Batik' Competition



**22**  
KWEST RE:Start - Post COVID19 Outlook on Malaysia Real Estate by YBrs. Cik Cha-Ly Koh, CEO of Urbanmetry

## 2020 EVENTS AT A GLANCE

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## OCTOBER



26

KWEST RE:Look - Photography Webinar by YBr. Encik Zainudin Arshad, Principal DinArshad Studio and Mobile Photo Competition



27

KWEST RE:Think - Artificial Intelligence in Real Estate Investment "Finding Real Estate Opportunities: Tech and Data by YBr. Encik. Erhan Azrai

28

KWEST RE:Connect - Open Roaming Initiative Webinar

## NOVEMBER



02

CEO Virtual Townhall

## NOVEMBER

09

KWEST RE:Silience - Securing the Remote Workforce



17

Virtual Leadership Series with YBhg. Tan Sri Dr Jemilah Mahmood, Special Advisor to Prime Minister on Public Health

## DECEMBER



04

CEO Virtual Townhall

## DECEMBER



21

Virtual Leadership Series with YBr. Encik Josiah Ng, Former National Cyclist and Malaysian Olympian



22

Project TOM (Target Operating Model): An Introduction

2020 EVENTS AT A GLANCE	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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**KWAP EXTERNAL EVENTS 2020\***

- FEBRUARY**
- 20 - 21**  
JPA-KWAP Offsite Workshop at Sheraton Hotel, Petaling Jaya
- 26**  
Ex-Gratia Handover Ceremony with KPPA, YBhg. Tan Sri Mohd Khairul Adib Ab Rahman, at SMK Seri Bintang Utara
- AUGUST**
- 12 - 13**  
Bengkel Perjanjian Agensi Perkhidmatan Pengurusan Hal Ehwal Persaraan antara Kerajaan Malaysia dan KWAP at Le Meridien Hotel, Putrajaya
- 

**26**  
*Dialog Merdeka* with Malaysian Finance Minister, YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz, at Royale Chulan Kuala Lumpur

- SEPTEMBER**
- 09**  
Online Engagement Talk: AKPK and KPJ organised by CSPD
- 22**  
Memorandum of Understanding between KWAP and UiTM, with the presence of UiTM's Deputy Vice Chancellor, YBhg. Prof Dr Mohd Azraai Kassim
- OCTOBER**
- 13**  
Retirement Oriented Development Design Competition (RODDC) Prize Giving Ceremony organised by KWEST
- NOVEMBER**
- 20**  
FB Live "*Sakit Belakang dan Kerja Di Rumah*" *Bersama Physio Go* through JPA's Pasca Perkhidmatan Official Facebook
- DECEMBER**
- 10**  
Signing of Corporate Integrity Pledge with MACC and Integrity Talk, witnessed by the Chief Commissioner of the Malaysian Anti-Corruption Commission, YBhg. Datuk Seri Azam bin Baki

**KWAP CSR PROGRAM 2020\*\***

- SEPTEMBER**
- 
  - 7 - 11**  
KWAP Prihatin Relief Relief Fund 2020
- DECEMBER**
- 16**  
KWAP Prihatin Relief Package donation to Rumah Bakti Al Kausar, Bangi with SPARC
- 24**  
*Ruang Permai* Refurbishment

# Quarter 1 and Quarter 2 - all initiatives starting 18 March 2020 were cancelled or postponed due to the implementation of MCO in Malaysia

# At KWAP, we believe that wealth, wellness and values go hand-in-hand.

Our organisation and employees' skills are aligned with the best standards and practices so that we stay abreast with the latest developments that can increase our value for the stakeholders and, ultimately, the pensioners.

## STAKEHOLDER MANAGEMENT

- 30** Stakeholders' Wellbeing
  - Pension Services
  - Contribution Management
- 34** Improving Our Processes
  - Investment Support and Services
  - Information Technology
- 36** Nurturing Our Employees

03

<b>STAKEHOLDERS' WELLBEING</b>	Messages from Our Leaders	About KWAP	<b>Stakeholder Management</b>	Corporate Governance	Economic and Strategic Review	Financial Statements

## PENSION SERVICES

**The primary role of KWAP as an agent to the government includes the processing and payment of pension benefits i.e. gratuity, pension, ex-gratia, related claims, as well as customer service management. These are mandated as per the agency agreement signed between the Government of Malaysia and KWAP. In terms of performance, the Service Level Agreement (SLA) stated key requirements which include a minimum of 90% performance threshold. The oversight on the SLA performance is monitored and reviewed by the Jabatan Perkhidmatan Awam (JPA) via its committee that meets on a monthly basis.**

COVID-19 pandemic has made the year 2020 the most challenging year for PeSD in sustaining productivity levels, protecting the business, as well as protecting employees' wellbeing.

The weighted SLA score throughout the twelve-month period in year 2020 ranged from 90.20% to 99.91% with an average of 96.52%. KWAP also managed to maintain a high level of productivity in relation to pension related services with more than 9 million transactions completed.

## SYSTEM ENHANCEMENT

Technology played a crucial role and was a necessary tool in keeping the organisation functioning during these challenging times. It continued to be paramount in helping KWAP navigate through the crisis. Some of the system enhancements completed in 2020:

### New System and Enhancement for MCO and Moratorium 2020

**Challenge:**

The current system did not support Moratorium and the new pension process under the MCO.

**Improvement:**

- ◆ Developed a new programme to process Moratorium, utilising our Extract, Transform, Load (ETL) tools, Talend.
- ◆ Enhanced SMS system to support notification of 50% gratuity deduction during MCO due to change of process in KWAP and KWSP.

**Impact:**

- ◆ KWAP was able to provide Moratorium to support banks and agencies that needed to disable deductions during the Moratorium.
- ◆ Reduced manual work that would have been required to update thousands of records to enable and disable the deduction.
- ◆ Able to support KWAP PeSD's new process during MCO by providing better notification to pensioners and recipients.

### HRMIS Integration Improvement

**Challenge:**

Many rejected and overwritten HRMIS records due to the wrong or redundant IC numbers provided by department and agencies.

**Improvement:**

- ◆ Enhanced integration mechanism to efficiently handle wrong and redundant IC numbers based on the data's logic and priority (Pensioner, dependent etc.)

**Impact:**

- ◆ Smoother integration and pension registration process and reduced number of rejected records.

**System Integration with Polis DiRaja Malaysia (PDRM) ePesara****Challenge:**

KWAP have to manually provide Pensioners' information to PDRM for the latter to update to the system.

**Improvement:**

- ◆ Developed new system integration with PDRM's ePesara system.

**Impact:**

- ◆ KWAP and PDRM could exchange data (system to system) for the benefit of both parties for pension and benefit process and payment.
- ◆ Boosted the speed of information exchange and reduced operational processes.

**System Integration with Pusat Perubatan University Malaya (PPUM)****Challenge:**

PPUM validated pensioners and dependents' information manually through the online portal provided by KWAP.

**Improvement:**

- ◆ Developed webservice for PPUM to validate pensioners and dependents' information.

**Impact:**

- ◆ Boosted the speed of information flow and checking on PPUM's side and reduced manual processes and waiting time for pensioners and dependents.
- ◆ Allow for future integration with other institutions under KKM.

**Data Integration between KWAP and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)**

- ◆ LPPSA, JPA and KWAP had mutually agreed to carry out data integration initiatives related to pensioners and housing loans. This integration is expected to improve the efficiencies for related processes between different organisations and would be implemented in 2022.

**Integration Proposal with Jabatan Kemajuan Islam Malaysia (JAKIM)**

- ◆ Principal understanding was achieved between JAKIM, JPA and KWAP for data integration initiatives related to pensioners and beneficiaries. Technical discussions on detailed requirements was still on going and this initiative was expected to be implemented in 2021.

**Robotic Process Automation (RPA)**

- ◆ RPA technology configured computer software to emulate and integrate the actions of a human to execute a business process automatically. It was expected to increase productivity, increase efficiency and enhance accuracy. The RPA project was initiated in 2020 with development currently in progress and expected to be completed in the 2<sup>nd</sup> quarter of 2021.

STAKEHOLDERS' WELLBEING	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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**OPERATIONAL/EMPLOYEE ENGAGEMENT**

With the new normal and restrictions on physical interactions, the team had conducted various programmes and activities to ensure a high level of employee engagement and productivity as well as maintaining active communication with our stakeholders.

Our Pension Services operation team conducted various talks and briefing sessions throughout the year to government organisations and our future pensioners. Most of the programmes were conducted virtually, and where physical engagement was required, the events were organized with strict adherence to SOPs. The purpose of the programmes was to educate future retirees on retirement, its benefits and other related matters.

**5S IMPLEMENTATION**

KWAP is committed to promoting sustainable and continuous improvement initiatives through a clean, safe and conducive working environment in alignment to 5S principles.

The benefits of the 5S implementation in PeSD include:

**IMPROVED WORKFLOW, QUALITY, PRODUCTIVITY AND SAFETY**

**IMPROVED CUSTOMER SATISFACTION**

**REDUCED COSTS**

**IMPROVED SELF-DISCIPLINE**

**IMPROVED TEAMWORK, ORGANISATION, ENTHUSIASM AND CLEANLINESS**

5S activities conducted in 2020:

- ◆ **4 February 2020**
  - MPC 5S Awareness Training at Multi Purpose Hall, KWAP, Cyberjaya

- ◆ **11 May 2020**
  - 5S Adjusting to the new normal: MPC Webinar

- ◆ **November 2020**
  - 5S Online Certification Course – The 5S System
  - Lean methodology on workplace optimisation and housekeeping

- ◆ **December 2020**
  - 5S Internal Audit



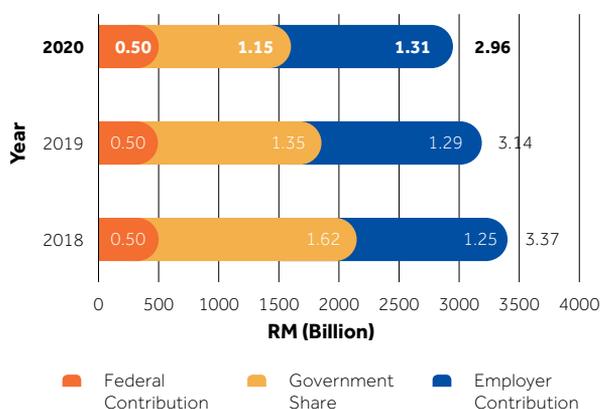
## CONTRIBUTION MANAGEMENT

Contributions from Federal Government, contributing agencies (EPF, LTAT and others) and employers (Statutory Bodies, Local Authorities and agencies) play a major role to the growth of KWAP fund size in 2020.

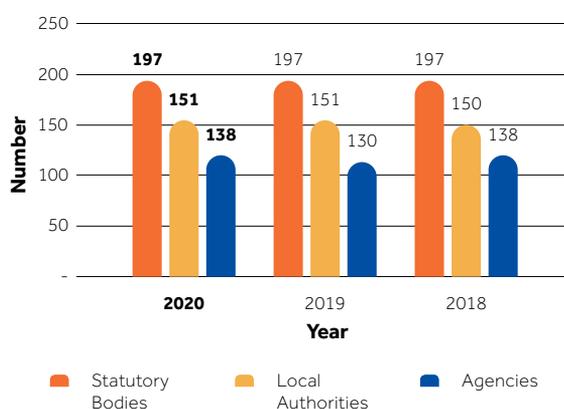
For the year 2020, a total contribution of RM2.96 billion was received by KWAP. The amount comprises RM500 million from the Federal Government, RM1.15 billion Government Share from the contributing agencies and the remaining RM1.31 billion contributions from Employers.

As compared to the previous corresponding period, the total contribution was lower by RM184 million due to the reduction in contribution of Government Share.

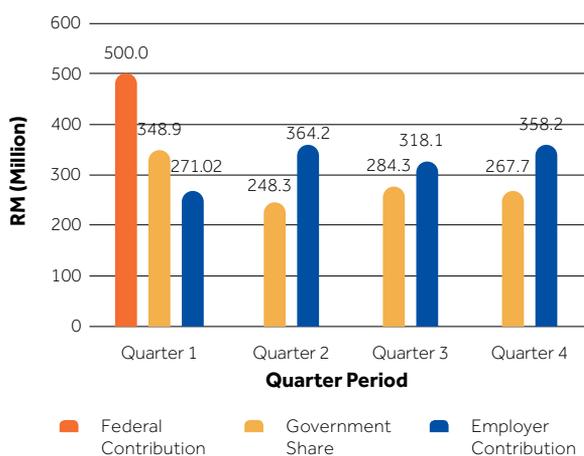
### Total Contributions 2018 - 2020



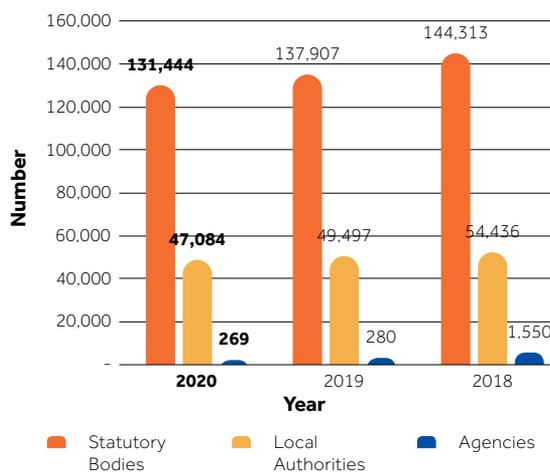
### Number of Employers by Category



### Quarterly Contribution in 2020 by Type



### Number of Employees by Category



STAKEHOLDERS' WELLBEING	Messages from Our Leaders	About KWAP	<b>Stakeholder Management</b>	Corporate Governance	Economic and Strategic Review	Financial Statements
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### TOP 20 CONTRIBUTORS

No	Employer	RM (Million)
1	Universiti Teknologi Mara	<b>163.51</b>
2	Majlis Amanah Rakyat	<b>87.43</b>
3	Universiti Kebangsaan Malaysia	<b>70.15</b>
4	Universiti Putra Malaysia	<b>45.06</b>
5	Universiti Teknologi Malaysia	<b>43.25</b>
6	Universiti Malaya	<b>38.21</b>
7	Dewan Bandaraya Kuala Lumpur	<b>37.71</b>
8	Hospital Universiti Sains Malaysia	<b>37.35</b>
9	Universiti Sains Malaysia	<b>32.74</b>
10	Pusat Perubatan Universiti Malaya	<b>26.86</b>
11	Universiti Utara Malaysia	<b>26.45</b>
12	Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan Getah	<b>22.17</b>
13	Universiti Tun Hussein Onn Malaysia	<b>20.09</b>
14	Universiti Teknikal Malaysia Melaka	<b>19.22</b>
15	Institut Penyelidikan Dan Kemajuan Pertanian Malaysia	<b>17.91</b>
16	Universiti Malaysia Sarawak	<b>17.63</b>
17	Lembaga Kemajuan Tanah Persekutuan (Felda)	<b>16.21</b>
18	Universiti Malaysia Perlis	<b>16.12</b>
19	Universiti Malaysia Sabah	<b>15.96</b>
20	Lembaga Pertubuhan Peladang Kuala Lumpur	<b>15.79</b>
<b>Total</b>		<b>769.82</b>

Various initiatives were undertaken by Contribution Department in 2020 focusing on the improvement of operations and management of pension contributions.

Continuing from the preceding years, employers were encouraged to remit their contributions via Electronic Fund Transfer or EFT. As at 31 December 2020, 427 employers (95%) have utilised the EFT payment facility.

We have taken the necessary efforts to ensure remittance of contributions by employers are made within the stipulated time as outlined in the Statutory and Local Authorities Pension Regulations 1990. As a result, the compliance rate for 2020 stood at 96%.

We are committed towards reaching out to our stakeholders in terms of creating awareness through continuous engagement programmes. As such, Contribution Department has taken the initiative to issue a series of e-bulletins to provide interactive communication that acts as a platform to increase the employers' understanding on various contribution topics, and hence close the operational gaps. A total of seven (7) editions were issued as of December 2020.

A customer satisfaction survey for 2020 was conducted on all our employers to gauge the satisfaction towards the services provided. The focus was given to three (3) aspects namely, skills and knowledge level of our employees, response time taken towards requests and enquiries, as well as our products, materials and programmes conducted throughout the year. We achieved a score of 4.4/5.0 (88%) which was deemed as satisfactory.

In addition, a total of 61 engagements and enforcement visits to the various ministries, state secretaries, local authorities, statutory bodies and agencies were conducted throughout the year to create awareness in relation to Statutory and Local Authorities Pension Act 1980 (Act 239) and Service Circular No. 12/2018.

### INVESTMENT SUPPORT SERVICES DEPARTMENT

Investment Support Services Department (ISSD) was established in 2015 by merging of two (2) different departments: Custodian Department and Investment Settlement Department. Since then, it has positively impacted KWAP's investment operations in the back and middle office. ISSD's main responsibility is to support the business activities of KWAP's investment departments, namely, Alternative Investment, Fixed Income and Equity Departments. The main functions are investment settlement and clearance, data and reference management, and custodial management including record maintenance and safe keeping. In addition, ISSD is also responsible in preparing KWAP's International Investment Position (IIP) report as per Bank Negara Malaysia's (BNM) requirements which is submitted to the central bank on a quarterly basis.

For the year 2020, ISSD introduced several core initiatives at the enterprise level to improve our service performance. This includes the digitisation of the monthly reports that keep track of operational performance and on-the-go objectives which has made it more efficient for senior management to review our operational objectives and performance.

Apart from that, ISSD also has taken the initiative to perform an annual review of KWAP's external Domestic & Global Custodian services; Citibank and Bank of New York Mellon. These reviews were done by distributing a questionnaire sample to relevant stakeholders and analysing the data received to determine overall performance. This initiative is performed annually with the main objective of ensuring that the external custodian's performance is above par.

To ensure ISSD continues to deliver high quality services to internal stakeholders, ISSD also conducted an annual service satisfaction review survey. This survey was distributed to Fixed Income Department, Equity Department and Alternative Investment Department and with the feedback obtained, ISSD was able to determine areas of improvement to meet stakeholders expectations.

## IMPROVING OUR PROCESSES

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KWAP executed several measures to further enhance the existing

## VIRTUAL DESKTOP INFRASTRUCTURE (VDI)

that is used in support of the Work-from-Home (WFH) arrangement



### VIRTUAL DESKTOP INFRASTRUCTURE (VDI) 2020

COVID-19 pandemic in 2020 triggered a global crisis and transformed the way organisations work. While KWAP has already put in place the necessary measures and managed to deploy its business continuity and disaster recovery plans to address the crisis, various technological improvements were implemented by Information Technology Department (ITD) to support the new way of working while at the same time ensuring security of data and systems in KWAP are protected and managed accordingly.

We executed several measures to further enhance the existing Virtual Desktop Infrastructure (VDI) that is used in support of the Work-from-Home (WFH) arrangement by upgrading the memory (RAM) of the physical servers hosting the VDI, fine tuning, as well as optimising the VDI environment itself. To cater for the sudden increase of network traffic from employees residing externally, the internet bandwidth at the Data Centre (DC) was also increased for better connectivity and experience.

In ensuring business is running well through clear, effective and smooth communication between employees as well as stakeholders during the trying times, the current Skype for Business (SFB) system was optimised and a new web conference platform, Cisco Webex, was deployed. The web conference platform was able to host KWAP's virtual events and various initiatives including engagements with stakeholders, internal

townhalls, workshops, talks, webinar, etc. To maintain its services, KWAP's call centre which is the main contact point between KWAP and the pensioners and stakeholders was also reconfigured at the back end in order to allow the pensioners and stakeholders' calls to be answered remotely in a timely manner.

To enhance the confidentiality, integrity and availability of data and systems in KWAP, we have deployed new tools and improved the overall knowledge of KWAP's employees. To cultivate strong information security culture in KWAP, an Immersive Information Security Program using advanced online computer-based training was introduced where it provided 12 months of training program for KWAP employees. The online platform contains interactive modules, awareness assessment, simulations, videos, games and quizzes, where the training was targeted to enhance employees' cyber security awareness level.

Operationalising internal support and helpdesk services through remote and WFH arrangement was enhanced via the successful deployment of Enterprise Service Management (ESM) system where employees can obtain the required services and assistance from internal departments providing the services, including IT and technical support, general administrative support, as well as requests related to Human Resource matters.

**NURTURING OUR EMPLOYEES**

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**Throughout the pandemic, KWAP has continued to nurture the development of our employees and safeguard their wellbeing as they adapted to remote working arrangements. Due to movement restrictions and the new SOPs, all training and engagement events were conducted virtually as we strived to meet the learning needs of employees while organising unique engagement programmes to reduce the gap created by remote working arrangements.**

Operationally, KWAP's HR Department was quick to act in securing the relevant documentations to enable our employees to travel during the MCO, especially for those who needed to be on-site at our offices. The department also facilitated all the arrangements for (including the cost of) COVID-19 swab tests on employees and their dependents.

**LEARNING AND DEVELOPMENT**

With the COVID-19 pandemic shifting the training landscape from physical classrooms to virtual environments, KWAP responded by first providing essential training for skills and mindset change required to thrive in the new normal working environment. This was conducted via webinars, online conferences, free and paid external training as well as planned in-house virtual instructor-led trainings. KWAP also introduced the Learning Management System, which had enabled employees to select and attend training programmes according to topics that are available on the platform. As at end of 2020, 98% of KWAP's workforce had registered and participated in one or more trainings on the virtual learning platform to address their learning needs.

KWAP also introduced the 12-month Upskill Programme, which was designed to provide a robust development journey and to provide greater career progression opportunities for our non-executive employees. The programme had enhanced competency and skills of employees via five Masters level education modules which were MQA accredited, and included coaching, small-sized group



projects, experiential learning and job rotation. In 2020, the programme was piloted for a group of fifteen high-potential non-executive employees who were motivated to enhance their skills and take on more responsibilities. From an overall perspective, the programme was expected to help create a multiskilled workforce, reduce stagnation and provide more progressive career opportunities.

## RECRUITMENT AND MANPOWER PLANNING

In our effort to address the rising rate of unemployment amongst Malaysian graduates, KWAP embarked on our own Graduate Employability Programme, KWAP Employability Training Programme (KETP). KETP adopted the fundamentals of the Government-initiated PROTÉGÉ Ready to Work programme, in which both programmes aimed to improve the employability rate of our Malaysian graduates by providing the opportunity for trainees to gain relevant work skills from a real-world setting.

The KETP advertisement was posted in August 2020 on KWAP's social media platforms - KWAP Instagram, KWAP LinkedIn and KWAP official corporate website. We received an overwhelming response with a total of 3,623 applications where interviews were conducted virtually by HR personnel and 13 departmental representatives.

On 2 November 2020, we welcomed 20 trainees into the KETP programme. The KETP trainees went through one full month of online training with the main objective of developing their interpersonal and soft skills while familiarising them with the industry. Throughout this period, several virtual engagement activities were planned and conducted such as Presentation Day, Panel Discussion sessions and a knowledge sharing segment, the "Get Inspired! Talk", where our KWAP Talents were invited as speakers, panel members and audience to the activities mentioned.

In December 2020, the KETP trainees began their non-rotational attachment to their respective departments. Each trainee was assigned to a supervisor and mentors who would guide and monitor their performance throughout their attachment period. During the programme tenure, KETP trainees were given projects and assignments which had further equipped them with the necessary skills and exposure to improve their employability.

## KWAP CARES FOR OUR EMPLOYEES, THE SOCIETY & ENVIRONMENT

The pandemic had impacted our employees across a number of aspects, most prominently, in the area of mental health due to prolonged periods of isolation as a result of the new work from home arrangements. During the MCO, KWAP was quick to act to find out and understand the needs of our employees via a "Work From Home Survey" conducted in April 2020. The result of the survey indicated that our employees were seeking ways to adapt to the new working arrangements and were in

dire need of emotional and mental health support. Following the survey, we organised our first ever Virtual Carnival with the theme of Mental Health, titled MINDorphin 2.0 which was designed to help employees understand more about mental health.

KWAP also introduced the Amity Programme, an employee assistance programme that enabled our employees to seek safe, trusted and confidential consultation from a certified psychologist to assist them in handling their thoughts and managing their emotions. This way, our employees were able to seek emotional assistance anytime and anywhere at no extra cost to them.

Besides the focus on mental health, in 2020, many of our engagement activities also focused on aspects of sustainability as we sought to educate our employees about translating knowledge into sustainable actions. The activities were carried out under our sustainability programme titled "Sustainable Home Run" (SHR), with activities held in the third and fourth quarter of the year aimed at protecting and conserving the environment. In the post-pandemic era, KWAP will continue to engage our employees with an emphasis on the new normal, as we seek to provide an immersive and engaging learning platform and to ensure that the new working culture remains a sustainable one. In the post-pandemic era, KWAP will continue to engage our employees with an emphasis on the new normal, as we seek to provide an immersive and engaging learning platform and to ensure that the new working culture remains a sustainable one.



Total of **3,623** applications were received for KETP where interviews were conducted virtually by HR Personnel



Following the survey, we organised our first ever Virtual Carnival with the theme of Mental Health, titled **MINDORPHIN 2.0**



The activities were carried out under our sustainability programme titled **"SUSTAINABLE HOME RUN" (SHR)**

NURTURING OUR EMPLOYEES	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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**ACTIVITIES IN 2020**

**Quarter 1: Sustainable Wellness (Physical Health) – Physical Carnival**

**HEALTH SCREENING FIESTA 2.0 (PHYSICAL HEALTH)**

In continuing to promote a healthy lifestyle and in collaboration with PMcare, the Health Screening Fiesta provided a platform for employees to get their basic health screening checkup in KWAP. With more than 15 different health providers participated in this programme, employees were able to acquire a comprehensive report on their health.

**Quarter 2: Sustainable Wellness (Mental Health) – First Virtual Carnival**

**MINDORPHIN 2.0**

This was our first virtual engagement activity due to the pandemic. MINDorphin 2.0 was designed as a game to discover and understand mental health. Over a period of one week, employees entered an episode of “The Mind Maze” which required completing quests to exit the maze before moving on to the next episode. There was a total of five episodes that taught employees to be more self-aware and resilient.

**THE AMITY PROGRAMME  
(THE EMPLOYEE ASSISTANCE PROGRAMME)**

KWAP introduced its first employee assistance programme to help those who needed professional help and support for their mental health via the engagement of Eunoia Mind Wellness Hub. This programme provided a safe and confidential environment and had helped our KWAP employees to manage their stress and find emotional support especially during the pandemic.



**Quarter 3: Climate Change (Global Warming) – Semi-Virtual Carnival****THE BUTTERFLY KEEPER (CLIMATE ACTION)**

Partnering with the Melaka Butterfly and Reptile Sanctuary, KWAPians successfully adopted and released 100 butterfly pupae. The sanctuary was thrilled upon learning of our intention and informed us that KWAP was its first corporate client.

**THE GARDEN EXCHANGE (CLIMATE ACTION)**

Partnering with local urban farmers from TOCLAN Asia, we ordered 100 Brazilian Spinach planting kits for our employees to learn about urban farming at home. To expand the impact of this initiative and widen the knowledge gained, all 100 employees who participated were required to exchange their plants after two weeks of care to a chosen partner.

**Quarter 4: Go Green (Reduce, Reuse, Recycle) – Virtual Carnival****THE SOAP MASTER AND THE CANDLE MAKER (REDUCE, REUSE, RECYCLE)**

In this collaboration between KWEST and WWF, we organised activities to educate our employees on the importance of giving back to the environment and taught them simple home-based methods such as making detergent from fruit peel and molasses/brown sugar, and making recycled candles using used cooking oil and other common products at home.

**GIVING BACK TO OUR COMMUNITIES****COVID-19 RELIEF FUND**

The Corporate Affairs Department and the Sports and Recreation Club jointly organised a COVID-19 relief fund and collected donations totaling RM33,000 from KWAPians that was channeled to pensioners in need during the pandemic.

**EMPLOYEE ASSISTANCE FUND**

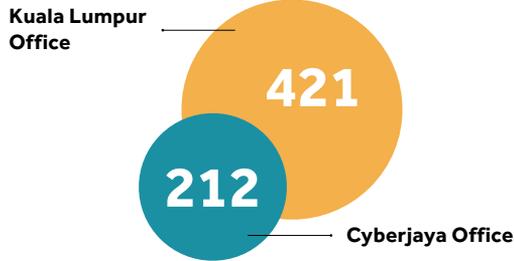
The Corporate Affairs Department and the Sports and Recreation Club also established the Employee Assistance fund to assist KWAP employees who were severely impacted by the pandemic. With this fund, KWAP managed to assist our employees who had reached out for assistance.



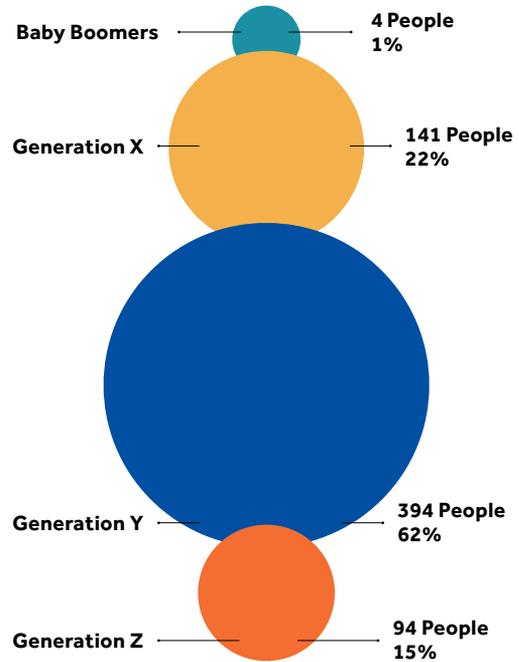
**STATISTIC INFORMATION**

**KWAP'S TOTAL MANPOWER**

**633 employees**



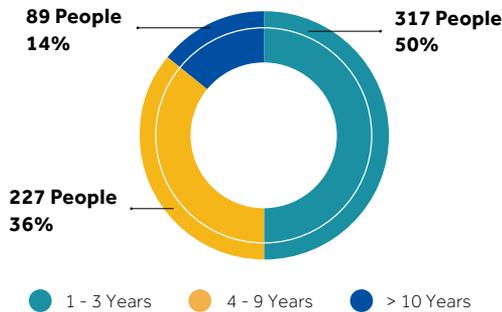
**GENERATION DISTRIBUTION**



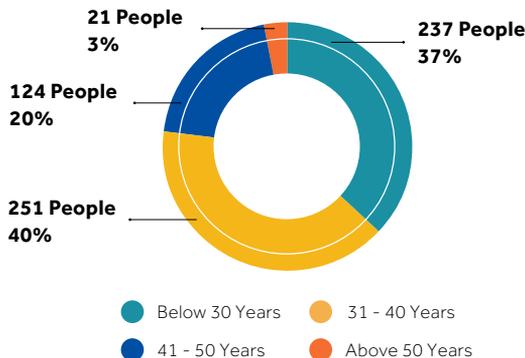
**AVERAGE AGE (YEAR)**

**34.8**

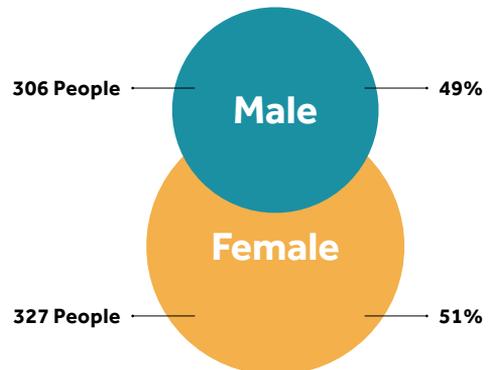
**AVERAGE YEARS OF SERVICE**



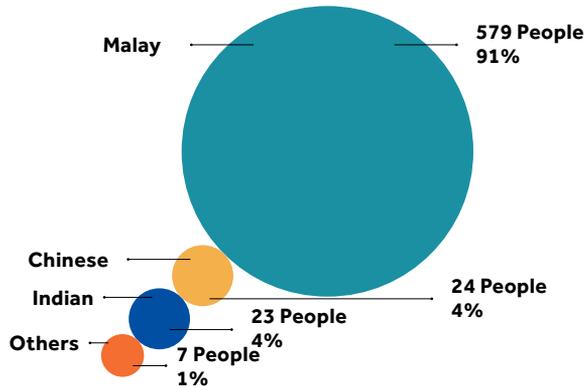
**MANPOWER DISTRIBUTION BY AGE**



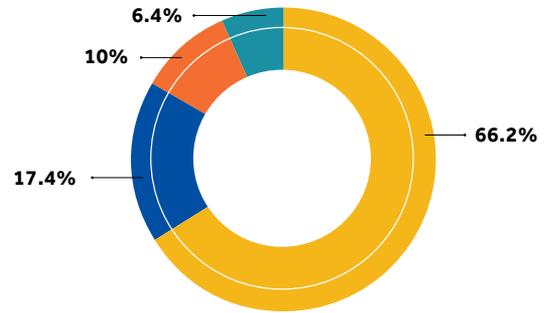
**GENDER DISTRIBUTION (%)**



**ETHNIC BREAKDOWN**

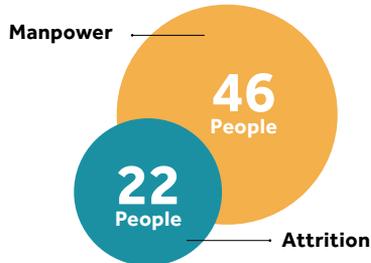


**LEARNING ATTENDED BY CATEGORY OF PROGRAMME**

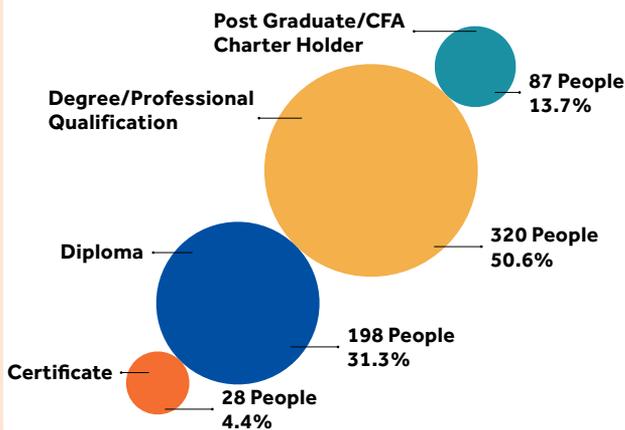


- Technical Functional Development Programme
- Soft Skills Development Programme
- Leadership and Management
- Values, Culture and Motivation

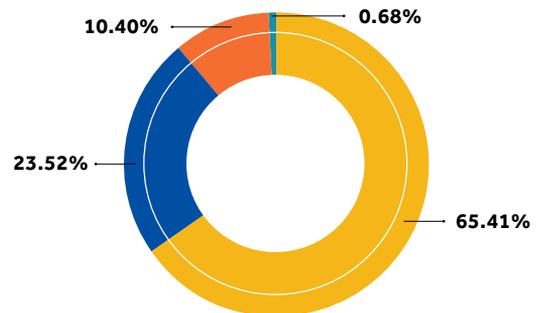
**RECRUITMENT & TURNOVER**



**PROFESSIONAL QUALIFICATION**



**LEARNING EXPENDITURE BY CATEGORY OF PROGRAMME**



- Technical Functional Development Programme
- Leadership and Management
- Soft Skills Development Programme
- Values, Culture and Motivation

# Upholding good corporate governance and integrity remains a crucial component to KWAP's leadership in achieving the fund's objectives.

Stakeholders can be assured of long-term and sustainable value creation given our strong commitment to promoting best practices in this area.

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## BOARD MEMBERS

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**YBhg. Datuk Seri Asri Bin Hamidin @ Hamidon**

Secretary General of Treasury, Ministry of Finance  
Section 6(4)(a) Retirement Fund Act 2007

**Board Committee:**

**Experience:**

Datuk Seri Asri was appointed as Chairman of the Board on 1 May 2020.

Datuk Seri Asri began his career as an Assistant Director of the Economic Planning Unit at the Prime Minister's Department in 1994. Later, he moved to the Anti-Corruption Agency in April 1998, before serving as Administrative and Diplomatic Officer in the Public Service Department from March 2003. Therefore he continued his service as the Principal Assistant Secretary at the Ministry of Finance (MOF) and has held several other key positions since, including Deputy Under-Secretary, Investment, MoF Inc. and Privatisation Division. He was appointed the Under-Secretary, GIC Division of MOF in July 2015 before being promoted as the Deputy Secretary General of Treasury (Investment) in March 2018 and subsequently the Deputy Secretary-General (Policy) prior to his current position.

Datuk Seri Asri is also an Independent Non-Executive Director of Bina Darulaman Berhad, and director of Small Medium Enterprise Development Bank Malaysia Berhad, DanaInfra Nasional Berhad, Aset Tanah Nasional Berhad, GovCo Holdings Berhad, Protechealth Malaysia, Malaysia Convention & Exhibition Bureau and Chairman and Director of 1Malaysia Development Berhad.

He obtained a Bachelor's Degree in Economics (Hons) from University Malaya in 1990, a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1996 and a Masters in Economics from Hiroshima University, Japan in 2006. Dato' Asri also attended the Harvard Premier Business Management Programme in 2010.


**YBrs. Encik Adnan Zaylani Bin Mohamad Zahid**

Bank Negara Malaysia's Representative  
Section 6(4)(b) Retirement Fund Act 2007

**Board Committee:**

**Experience:**

Encik Adnan Zaylani was reappointed on 7 June 2016 as a member of the Board on 1 March 2019.

He is currently the Assistant Governor of Bank Negara Malaysia (BNM), responsible for Financial Development and Innovation, Islamic Banking and Takaful, Insurance Development, Development Finance and Inclusion and Legal. He is a member of BNM's Management Committee, Financial Stability Committee and Reserve Management Committee.

He also represents BNM as a member of the Labuan Financial Services Authority, as a Board Member of Credit Guarantee Corporation Berhad (CGC), Chairman of the Board of Directors of BNM Sukuk Kijang Berhad, Board Executive Committee of International Islamic Liquidity Management Corporation and Executive Committee Member and Audit Committee Member of INCEIF.

Encik Adnan Zaylani holds a Masters in Public Policy from Blavatnik School of Government, University of Oxford as well as a Masters in Global Market Economics and a Bachelor of Economics from the London School of Economics and Political Science.


**Key Committee:**


Board  
Nomination and  
Remuneration  
Committee



Board Integrity  
and Risk  
Committee



Board Audit  
Committee



Board  
Procurement  
Committee



Chairman



Member

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**YBrs. Puan Anis Rizana Binti Mohd Zainudin**  
 Ministry of Finance's Representative  
 Section 6(4)(c) Retirement Fund Act 2007

Board Committee:



**Experience:**

Puan Anis Rizana binti Mohd Zainudin, was appointed as a member of the Board on 14 July 2020.

Puan Anis Rizana is currently the Deputy Secretary General (Investment), MOF. She started her career in the private sector in early 1993 until early 1994 prior to joining MOF as Assistant Secretary in Domestic Loan Section, Finance Division from 1995 to 1999. She held various positions in the MOF including as the Senior Private Secretary to the Minister of Finance from December 1999 to June 2001 and Assistant Secretary at MoF (Inc.), Privatisation and Coordination Division at MOF before being promoted as Principal Assistant Secretary in 2004. She was subsequently seconded to the Malaysia Institute of Integrity as Finance Manager from June 2004 until February 2005 before returning to the MOF as Principal Assistant Secretary in the Loan Management & Finance Policy Division until July 2005.

She continued to serve as the Principal Assistant Secretary with the MOF in the Economics and International Division until May 2006, thereafter with the Budget Management Division until November 2006, and later with the Investment section of MoF (Inc.), Privatisation Division until September 2008 serving as Deputy Under Secretary in Investment, MOF (Inc.) & Privatisation Division until April 2009, before her assignment in the Prime Minister's Department as Special Function Officer to the Chief Secretary of the Government until September 2009. She was then seconded to Malaysia Airports Holdings Berhad as General Manager, Corporate Planning from October 2009 until September 2011 under the Cross-Fertilization Programme between Khazanah Nasional Berhad and the Public Service Department (PSD).

Puan Anis Rizana returned to the MOF in October 2011 to assume the position of Head of Economic Stimulus Secretariat at the Economic Stimulus Secretariat Unit until June 2012, and subsequently served as Deputy Under Secretary in Remuneration Policy, Public Money & Management Services Division until June 2013 while at the same time serving as Director of the Treasury Transformation Programme (TTP) from January 2013 until June 2013. She was later appointed as the Deputy Director General (Complaints) with the Public Complaints Bureau in the Prime Minister's Department) from June 2013 until November 2014 before serving the Prime Minister's Department as a Director of the Integrity and Governance Division (NKRA Against Corruption) until October 2015. She was then appointed as Senior Research Fellow in the Cluster for Development and Policy Research with INTAN until January 2018 and continued as the Head of Cluster until July 2018. She was with the Cluster for Economics and Public Finance at INTAN as Head of Cluster until February 2019 and later served as Deputy Secretary General (Operations) with the Ministry of Women, Family and Community Development from February 2019 until June 2020 prior to assuming her current position. She is also a Director of Telekom Malaysia Berhad, Pelaburan Hartanah Berhad, Assets Global Network Sdn Bhd, Urusharta Jamaah Sdn Bhd, UJ Property Management Sdn Bhd, Pembangunan Modal Penjana Sdn Bhd and Lembaga Tabung Angkatan Tentera.

She graduated with a Diploma in Investment Analysis from MARA Institute of Technology (ITM) in 1990 and obtained a Bachelor of Business Administration (Finance) from Western Michigan University, Kalamazoo, USA in 1992 and a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1995. She holds a Master of Business Administration (Finance) from the Graduate School of Management Universiti Putra Malaysia and has attended the Advanced Leadership Management Programme at INTAN, the Advanced Management Programme (AMP) at Harvard Business School, Boston, USA and Advanced Leadership Development Programme with the Razak School of Government.

**Key Committee:**



Board Nomination and Remuneration Committee



Board Integrity and Risk Committee



Board Audit Committee



Board Procurement Committee



Chairman



Member

## BOARD MEMBERS

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Strategic ReviewFinancial  
Statements**YBhg. Datuk Siti Zainab Binti Omar***Federal Government's Representative  
Section 6(4)(e) Retirement Fund Act 2007*

Board Committee:

BPC

**Experience:**

Datuk Siti Zainab was reappointed as a member of the Board on 1 March 2019. She was appointed as a member of the Board since 1 March 2016.

She currently serves as the Solicitor General II, Attorney General's Chambers. Datuk Siti Zainab began her career in the Judicial and Legal Service of Malaysia as a Deputy Public Prosecutor in the Prosecution Division of the AG's Chambers. She then served in various capacities in other government agencies and has wide legal experience in areas of constitutional law, finance and Islamic law, corporate and contract law. She is also involved in many international negotiations in her capacity as Treasury Solicitor in the Ministry of Finance and in her current position. She has also served as the State Legal Advisor of Malacca. She currently sits on the Boards of Subang Golf Course Corporation and Indah Water Consortium.

Datuk Siti Zainab read law and obtained a LLB (Hons.) from Essex University, United Kingdom. She was admitted to the Bar of England & Wales (Gray's Inn) in 1986. In 1998, she was admitted to the Malaysian Bar as an Advocate & Solicitor.

**YBhg. Datuk Dr. Yacob Bin Mustafa C.A(M), FCPA(AUST.), CPFA(UK)***Federal Government's Representative  
Section 6(4)(e) Retirement Fund Act 2007*

Board Committee:

BAC

**Experience:**

Datuk Dr. Yacob Bin Mustafa was appointed as a member of the Board on 15 December 2019.

Datuk Dr. Yacob Bin Mustafa is the Accountant General of Accountant General's Department (AGD) Malaysia. He is also a Chartered Accountant (Malaysia), Fellow of Certified Practising Accountant (Australia) and Chartered Public Finance Accountant (UK). Prior to his current position, he served as Deputy Accountant General (Corporate) and Deputy Accountant General (Operation) in AGD. His career journey spans more than 30 years serving various government departments.

Currently, Datuk Dr. Yacob serves as a Director on the Boards of Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), Perbadanan Insurans Deposit Malaysia (PIDM), Danalnfra Nasional Berhad (Danalnfra), and Lembaga Hasil Dalam Negeri (LHDN).

Datuk Dr. Yacob holds a Degree in Accounting from Universiti Malaya, and a Masters in Business Administration and a PhD in Economics from Universiti Kebangsaan Malaysia.

**YBhg. Dato' Azmi Bin Abdullah***Private Sector's Representative  
Section 6(4)(f) Retirement Fund Act 2007*

Board Committee:

BAC

BNRC

**Experience:**

Dato' Azmi bin Abdullah, was reappointed as a member of the Board on 1 March 2019. He was appointed as a member of the Board since 8 August 2012.

He is currently a Director of Ireka Corporation Berhad and a member of the Board Risk Committee of Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM). He also sits on the Board of several other private limited companies.

Prior to this, he was the first Managing Director and Chief Executive Officer of SME Bank where he served for a period of 4 years and the Managing Director and Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments. He obtained a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) and was awarded a Honorary Doctorate in Business Administration from UKM on 16 August 2006.

**Key Committee:**

Board  
Nomination and  
Remuneration  
Committee



Board Integrity  
and Risk  
Committee



Board Audit  
Committee



Board  
Procurement  
Committee



Chairman



Member

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**YM Raja Teh Maimunah Binti Raja Abdul Aziz**  
Private Sector's Representative  
Section 6(4)(f) Retirement Fund Act 2007

Board Committee:



**Experience:**

YM Raja Teh Maimunah was appointed as a member of the Board on 15 May 2019. She was previously appointed as a Member of the Investment Panel on 1 March 2019.

YM Raja Teh Maimunah has over 25 years of financial services experience covering Investment, Wholesale, Islamic and Digital Banking. She is at present the Managing Director of Wholesale Banking, AmBank Group. Prior to her current appointment, she was the Chief Executive Officer of AmInvestment Bank and before that, the Managing Director and Chief Executive Officer of Hong Leong Islamic Bank Berhad and COO of Digital Innovation and Transaction Banking at Hong Leong Banking Group. She had also held the positions of Global Head of Islamic Markets at Bursa Malaysia, Chief Corporate Officer and Head of International Business at Kuwait Finance House Malaysia, Senior Director of Bank Alkhair Bahrain (previously known as Unicorn Investment Bank) and Head of Investment Banking at RHB Sakura Merchant Bank (now RHB Investment Bank). Raja Teh Maimunah also served in Pengurusan Danaharta Nasional Berhad (Malaysia's national asset management and debt recovery agency) during the Asian financial crisis in 1998 and was with CIMB Investment Bank for almost 10 years covering debt and equity origination and equity sales. She spent her early days at KPMG Peat Marwick Consultants.

She was awarded an Honorary Doctorate of Law from the University of East London, United Kingdom and holds an LLB (Hons) from the same university.

Raja Teh Maimunah is the Adviser on Islamic Banking and Finance to the World Islamic Economic Forum Foundation. She also sits on the executive committee of Pertubuhan Tindakan Wanita Islam (PERTIWI), an NGO dedicated to the empowerment of women and alleviating hunger as well as on the Board of Advisors for PichaEats, a social enterprise.



**YBrs. Encik Mohd Ismadi Bin Ishak**  
Private Sector's Representative  
Section 6(4)(f) Retirement Fund Act 2007

Board Committee:



**Experience:**

Encik Mohd Ismadi bin Ishak was appointed as a member of the Board on 1 March 2019.

He is currently Chief Financial Officer TRX City Sdn Bhd. He was also appointed as Chairman of KWEST Sdn Bhd, a wholly-owned subsidiary of KWAP, on 16 April 2019. Prior to this, Encik Mohd Ismadi has served in various organisations including Arthur Andersen & Co, UEM Group and Prokhas Sdn Bhd. He has more than 20 years of accounting and finance experience, including strategic planning, corporate finance, budgeting and implementation.

He obtained his Masters in Business Administration from the University of Strathclyde, Scotland, United Kingdom and a Bachelor's Degree in Accounting and Finance from De Montfort University, Leicester, United Kingdom.



**Key Committee:**



Board Nomination and Remuneration Committee



Board Integrity and Risk Committee



Board Audit Committee



Board Procurement Committee



Chairman



Member



**YBrs. Encik Abdul Rahman Bin Mohd Nordin**  
Contributories' Representative  
Section 6(4)(g) Retirement Fund Act 2007

Board Committee:

**Experience:**

Encik Abdul Rahman was appointed as a member of the Board on 1 May 2020.

At present, he is the Secretary-General of CUEPACS, having served in the position since 2019. He is also the President of KESUKMA (Kesatuan Kakitangan Am Universiti Kebangsaan Malaysia) of Universiti Kebangsaan Malaysia.



**YBrs. Puan Nik Amlizan Mohamed**  
Chief Executive Officer (Ex-Officio Member)  
Section 6(4)(d) Retirement Fund Act 2007

**Experience:**

Puan Nik Amlizan was appointed as the Chief Executive Officer and Board member of KWAP on 2 November 2020.

She previously served as the Chief Executive Officer of Lembaga Tabung Angkatan Tentera (LTAT) since September 2018. Prior to that, she was KWAP's Chief Investment Officer and had served the organisation under various senior management roles since she joined in 2007.

Her professional career spans over 27 years in financial services and pension funds, overseeing investment functions across all asset classes, while having vast experience in the fund management industry, transformational change and change management, as well as corporate governance.

Prior to joining KWAP in 2007, she served in RHB Asset Management Sdn Bhd, Maybank Investment Management and BBMB Unit Trust Berhad.

She sits on the board of the Minority Shareholders Watch Group. She is also a council member of the Malaysia Institutional Investors Council and a member of the Institute of Integrity Malaysia. She is also a member of the Board of KWAP's wholly-owned subsidiaries, Prima Ekuiti (UK) Ltd and KWEST Sdn Bhd; as well as affiliated subsidiary, edotco Bhd.

Puan Nik Amlizan graduated with a Bachelors' Degree in Economics / Accounting from Claremont McKenna College, United States in 1991.

**OUTGOING BOARD AND INVESTMENT PANEL MEMBERS**

**1 YBhg. Tan Sri Ahmad Badri Bin Mohd Zahir**  
Service Completed on  
30 April 2020

**2 YBhg. Datuk Azih Bin Muda**  
Service Completed on  
30 April 2020

**3 YBrs. Encik Syed Hamadah Bin Syed Othman**  
Service Completed on  
1 November 2020

**4 YBhg. Datuk Teo Khian How**  
Service Completed on  
18 November 2020

**Key Committee:**

Board  
Nomination and  
Remuneration  
Committee



Board Integrity  
and Risk  
Committee



Board Audit  
Committee



Board  
Procurement  
Committee



Chairman



Member

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**YBrs. Encik Mohd Rashid Bin Mohamad**  
*Chairman of the Investment Panel  
 Section 7(2)(a) Retirement Fund Act 2007*

**Experience:**

Encik Mohd Rashid was appointed as the Chairman of the Investment Panel effective from 1 March 2019.

He is currently the Group Treasurer for RHB Bank Berhad, leading the Group-wide Treasury and Global Markets businesses in line with the strategic direction and aspirations of the Group. He is also a Director of RHB Bank (L) Ltd.

Encik Mohd Rashid possesses over 26 years of experience in the financial markets with several financial institutions in Singapore and Malaysia namely, ABN Amro NV, The Royal Bank of Scotland and AmBank Group. He started his career with Bank Negara Malaysia in 1988 and spent 14 years in Banking Supervision and Investment Operation and Financial Markets Departments.

He holds a Masters in Business Administration with Distinction from University of Wales, Cardiff, United Kingdom and is a qualified Chartered Accountant with Malaysian Institute of Accountant.



**YBrs. Cik Azah Hanim Binti Ahmad**  
*Ministry of Finance's Representative  
 Section 7(2)(c) Retirement Fund Act 2007*

**Experience:**

Cik Azah Hanim was appointed as a member of the Investment Panel as a representative of the Ministry of Finance (MOF) effective 1 March 2019.

She is currently the Under Secretary, International Division, MOF. Previously, Cik Azah Hanim served as Deputy Under Secretary, Regional and Multilateral Sector and Deputy Under Secretary, Research and Negotiations Sector at the International Division, MOF. She also served in various positions of the Procurement Division, MOF which included as Deputy Under Secretary, Policy and Consultancy Sector; Section Head, Procurement Policy Development Section; and Principal Assistant Secretary, International Procurement Policy Unit. Prior to her responsibilities in MOF, she served as Assistant Secretary, Budget Unit, Finance Division in the Ministry of Education.

She sits on the Boards of Director in Kemaman Port Authority, Boustead Naval Shipyard Sdn. Bhd. and ASEAN Infrastructure Fund.

Cik Azah Hanim holds a Master of Business Administration from Nanyang Technological University, Singapore.


**YBhg. Dato' Noorazman Bin Abd Aziz**

Private Sector's Representative  
Section 7(2)(e) Retirement Fund Act 2007

**Experience:**

Dato' Noorazman Bin Abd Aziz was appointed as a member of the Investment Panel effective 23 July 2019 as a representative from the private sector.

He is currently the Chairman of UEM Sunrise Bhd and sits on the Boards of UEM Edgenta Bhd, PLUS Malaysia Bhd, Kumpulan Perangsang Selangor Bhd and Hong Leong Financial Group Bhd.

He also serves as Chairman of the Board of Trustees of Yayasan UEM, the philanthropic arm of UEM Group, and Chairman of the Board of Trustees of International Centre for Education in Islamic Finance (INCEIF). In 2005, Dato' Noorazman was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

Dato' Noorazman started his career as an investment analyst at Perbadanan Nasional Berhad (PERNAS) in 1982. He left 3 years later for an illustrious 25 year career with Citigroup in areas of corporate banking, investments, treasury and financial markets. It was during this period that he was seconded to Malaysia's Ministry of Finance (MOF) where he served as the Director-General of Labuan Offshore Financial Services Authority (LOFSA) and Kuala Lumpur Stock Exchange Berhad's Chief Operating Officer. After the secondment, he re-joined Citibank Berhad as its MD, Head of Corporate and Investment Bank. In 2005, he was appointed as MD/CEO of Bank Islam Malaysia Berhad and later became the MD/CEO of BIMB Holdings Berhad. He left in 2007 to co-found and became the MD of FajrCapital Ltd, a Syariah - based private equity firm based in Dubai and thereafter joined Khazanah Nasional Berhad as its ED, Investments until he retired in June 2019.

Dato' Noorazman also sits on the advisory Boards of private equity firms Ancora Fund Management Co., Indonesia and Malaysian based Creador Sdn Bhd.

Dato' Noorazman holds a BSc Finance from Louisiana State University, USA. He holds memberships in professional bodies such as the Chartered Institute of Islamic Finance Professionals (CIIF), Malaysia, the Institute of Corporate Directors (ICDM), Malaysia and the Australian Institute of Corporate Directors (AICD), Australia.

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**YBrs. Encik Ahmad Faris Bin Rabidin**  
*Private Sector's Representative*  
*Section 7(2)(e) Retirement Fund Act 2007*

**Experience:**

Encik Ahmad Faris was appointed as a member of the Investment Panel effective from 15 May 2019 as a representative from Private Sector.

Encik Ahmad Faris had served as an independent consultant with the Asian Development Bank (ADB) providing technical assistance to Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam–LK) and the Otoritas Jasa Keuangan (OJK) of Indonesia between 2006 and 2018. He had served as a Board member of Securities Commission and Petroliaam Nasional Berhad until 3 November 2020 and 28 August 2020, respectively.

He had been involved in various strategic leadership roles in market development initiatives for the Indonesian financial and capital markets. He was also the Lead Advisor for the OJK Financial Market Masterplan and designed the Indonesian Bond Market Development Plan. Prior to this, Encik Faris was the Regional Director of MainStream & Co Ltd, where he was responsible for the Enterprise Risk management solutions, financial market architecture framework and incubated Bond Pricing Agencies in Malaysia and Indonesia. Encik Faris was also a member of the 1MDB Investigating Committee and Secretariat of the Council of Eminent Persons until September 2018.

He holds a Bachelor's Degree in Actuarial Mathematics and Statistics from Heriot Watt University, Edinburgh.



**YBrs. Encik Chen Yin Heng**  
*Private Sector's Representative*  
*Section 7(2)(e) Retirement Fund Act 2007*

**Experience:**

Encik Chen Yin Heng was appointed as a member of the Investment Panel effective from 15 May 2019 as representative from a Private Sector.

Encik Chen Yin Heng began his career in the banking industry at Co-operative Central Bank (CCB) in 1986. Since then, he had been working in various departments of different financial institutions namely MBF Finance Berhad (1988), Development & Commercial Bank Berhad (1989) and Oriental Bank Berhad (1991). He then joined Bank of Commerce (M) Bhd in 1993 as the Assistant Vice President in Corporate Banking. In 1995, he left the banking industry and joined Puncakdana Development Sdn Bhd; a property development company.

Encik Chen Yin Heng subsequently joined Pengurusan Danaharta Nasional Berhad (Danaharta) in October 1998 where his last held position was Assistant General Manager heading the Informal and Section 176 Schemes Group and developed extensive experience in the evaluation of major debt-restructuring schemes.

He joined Prokhas on 1 January 2006 as the Assistant General Manager of Operations. He took on the position as Deputy General Manager of Danaharta Operations after 3 years and later headed the Credit Division as General Manager in January 2011. Prior to his appointment as the CEO of Prokhas, he was the Senior General Manager of Management Services Division.

He is currently the Chief Executive Officer of Prokhas Sdn Bhd and the Principal Officer of the following companies namely, DanaInfra Nasional Berhad, Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and Syarikat Jaminan Kredit Perumahan Berhad (SJKP). He is also the Director of Pengurusan Danaharta Nasional Berhad and Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA").

He holds a Bachelor's Degree in Economics from Latrobe University, Melbourne, Australia.


**YBrs. Encik Mohamed Nazri Bin Omar**

*Private Sector's Representative  
Section 7(2)(e) Retirement Fund Act 2007*

**Experience:**

Encik Mohamed Nazri bin Omar was appointed as a member of the Investment Panel on 1 May 2016. He was also the Chairman of Prima Ekuiti (UK) Limited, a subsidiary of KWAP based in London, United Kingdom, until his tenure ended on 31 December 2020.

Encik Mohamed Nazri is currently the Managing Director/Chief Executive Officer of Danajamin Nasional Berhad, since 1 May 2014. He started his career at Citibank Berhad and subsequently served in Macquarie Bank Limited as well as RHB Sakura Merchant Bankers Berhad (currently known as "RHB Investment Bank Berhad"). Before joining Danajamin, Encik Mohamed Nazri served in several capacities while at Kuwait Finance House (M) Bhd, which included Director of Investment Banking and Head of Capital Markets and Advisory.

Encik Mohamed Nazri holds a Bachelor of Arts Degree, majoring in Economics (Hons) and Government, from Cornell University, USA.


**YBrs. Puan Nik Amlizan Mohamed**

*Chief Executive Officer  
Secretary of the Investment Panel  
Section 7(2)(d) Retirement Fund Act 2007*

**Experience:**

Puan Nik Amlizan was appointed as the Chief Executive Officer and Investment Panel member of KWAP on 2 November 2020.

SENIOR MANAGEMENT

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**Puan Nik Amlizan binti Mohamed**  
Chief Executive Officer

**Experience:**

Puan Nik Amlizan was appointed as the Chief Executive Officer of Kumpulan Wang Persaraan (Diperbadankan) (KWAP) on 2 November 2020.



**Encik Nik Ahmad Fauzan Bin Nik Mohamed**  
Chief Operating Officer

**Experience:**

Encik Nik Ahmad Fauzan was appointed as Chief Operating Officer of KWAP in September 2015.

He has over 20 years of experience in conglomerates and financial industry. Prior to joining KWAP, he was the Group Head Corporate Services of Pos Malaysia Berhad.

He obtained his degree in Bachelors of Accountancy, from George Washington University, USA and MBA in Finance and Investments, from the same institution.



**Encik Azlan bin Hussin**  
Director, Equity Department

**Experience:**

He has 23 years of experience in portfolio management. Prior to this, he was the CEO of MIDF Amanah Asset Management Berhad where he managed to grow the Asset Under Management to RM4 billion from an initial size of RM300 million.

Encik Azlan started his career with SBB Asset Management (SBBAM) as Investment Analyst and later was promoted to Vice President of Investment managing a total portfolio of RM800 million.

Subsequently, he joined AmanahRaya-JMF Asset Management as a General Manager for Equity Investment where he managed portfolios worth RM1 billion ranging from trust fund, state government, corporate and EPF. He was also responsible for putting in place the overall investment policies and guidelines for AmanahRaya Berhad.



**Encik Zalman bin Ismail**  
Senior Director, Alternative Investments Department

**Experience:**

Encik Zalman has over 20 years of experience in credit rating, equity research, corporate finance and business development of the telecommunications, property, healthcare, and commodities industries. Prior to joining KWAP, he was the Head of Strategy and Business Development for Sime Darby Property Berhad.

He graduated with a BBA in Finance from Eastern Michigan University, USA.

**Encik Nazaiful Affendi Bin Zainal Abidin**  
Director, Portfolio Strategy Department**Experience:**

He has 20 years of experience in capital markets including roles in research, market analysis and strategy with exposures in equity, fixed income and commodity. Prior to joining KWAP, he was an economist with the Securities Commission.

He graduated with a BBA (Hons) in Finance/Economics, International Islamic University Malaysia and obtained his MBA in Finance from the same institution. He attended 4th ASEAN Senior Management Development Program held in June and July 2011.

**Encik Khairul Azwa Bin Kamalul Bahrin**  
Director, Risk Management and Compliance Department**Experience:**

He has 28 years of experience in risk management and banking. Prior to joining KWAP, he was Head of Asset Liability and Market Risk with OCBC Bank (Malaysia) Berhad.

He read law [LL.B (Hons)] at University of Liverpool, UK and obtained an MBA on Management from the University of Wales, Cardiff, UK. As an early adopter of risk certification in the industry. He was one of the pioneering Malaysian to be a certified Financial Risk Manager (FRM) under the Global Association of Risk Professional (GARP).

**Encik Ismail Bin Zakaria**  
Director, Corporate Strategy and Performance Department**Experience:**

He has almost 20 years of experience in financial and corporate strategy specialising in business transformation. Prior to joining KWAP, he served at the Group Strategy Sime Darby Berhad. Currently, he is the Chairperson of Governance & Policy Working Group, Malaysia Institutional Investor Council.

He obtained his Bachelor of Commerce (Accounting & Finance) from University of New South Wales, Australia.

**Encik Syed Ali Haidar bin Syed Shahabuddin**  
Director, Legal and Secretarial Department**Experience:**

He has more than 20 years of experience in legal practice. Prior to joining KWAP, he was the Head of Legal in KAF Investment Bank Berhad.

He graduated with LL.B (Hons) from University of Glamorgan, Wales, UK and obtained his Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.



**Puan Siti Ilmiah Binti Ramli**  
Director, Human Resources Department

**Experience:**

She has over 20 years of experience as a legal practitioner in a non profit organisation and human resource practitioner in local and foreign organisations in Malaysia. Prior to this, she had served in Maybank Berhad.

She graduated with LL.B (Hons) from University of London, UK and Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.



**Encik Hamkushairi bin Jahari**  
Director, Internal Audit Department

**Experience:**

He serves as Director of Internal Audit Department since October 2017. He has almost 20 years of working experience in banking industry. Prior to joining KWAP, he was the Senior Country Audit Manager at Standard Chartered Bank Malaysia Berhad and Senior Risk Manager at Perbadanan Insurans Deposit Malaysia. He also spent considerable number of years with Bank Negara Malaysia as Senior Supervisor.

He graduated with Bachelor of Accountancy from University of Malaya, Kuala Lumpur and obtained Certificate in Internal Audit and Business Risk from Chartered Institute of Internal Auditors, United Kingdom. He is a Chartered Accountant under the Malaysian Institute of Accountants and a member of Chartered Institute of Internal Auditors, United Kingdom.



**Encik Mohd Nasir bin Ab. Hadi**  
Head, Integrity and Governance Office

**Experience:**

Prior to joining KWAP, he was the Head of Integrity Education and Communication, Group Integrity of Petronas since 2013.

He has a total of over 20 years of experience as an anti-corruption practitioner while serving the MACC since 1984 to 2005. He was seconded to the Malaysian Human Rights Commission (SUHAKAM) as Principal Assistant Secretary in 2001-2003.

He has 8 years of experience as an Industrial Relation practitioner while serving the Internal Affairs Division of Tenaga Nasional Berhad (TNB) from 2005 to 2013. He was a Panel Member of the Kuala Lumpur Industrial Court from 2010 to 2012.

He is a Member of Association of Certified Integrity Officer (ACeIO) since 2012 and was the President of ACeIO from 2016-2018. He graduated with LL.B (Hons) from International Islamic University Malaysia (IIUM).



**Puan Najihah binti Mohd Norwi**  
Director, Accounts and Management Services Department

**Experience:**

She has almost 20 years of experience as a corporate accountant in sectors such as insurance, IT, utilities, and infrastructure. Prior to KWAP, she was the corporate accountant at MMC Berhad.

She is a professional accountant, a member of CPA Australia and graduated with Bachelor of Business (Accounting and Finance) from Monash University, Australia.



**Encik Md Hayrani Bin Mireso**  
Head, Investment Support Services Department

**Experience:**

He has almost 30 years of experience as an accountant as well as in treasury and fixed income management in the banking sector. Prior to joining KWAP, he served as a manager in Treasury Division, Treasury and Investment Department in Bank Simpanan Nasional.

He obtained his Masters in Business Administration (Finance) from International Islamic University Malaysia (IIUM) and Bachelor of Accounting (Honours) from University Kebangsaan Malaysia. He is also a member of the Chartered Accountant (CA) of Malaysia Institute of Accountant and member of Financial Market Association of Malaysia.



**Encik Abdul Razak Bin Jabar**  
Head of Information Technology Department

**Experience:**

He has 20 years of experience in the Information Technology industry. Prior to joining KWAP, he was a senior consultant at a local and a multinational corporation implementing software and systems in the financial services industry.

He obtained his Bachelor of Information Technology (Information System) from Charles Sturt University, Australia. He is also a Certified Lead Auditor of Information Security Management Systems (ISMS) ISO 27001, and has certificates in ITIL v3 Foundation and COBIT v5.



**Puan Nor Faridah Binti Amin**  
Head of Corporate Affairs Department

**Experience:**

She is a Marketing graduate with more than 20 years of experience in sales, marketing & promotions, communications and event management.

Prior to joining KWAP, she served in the Corporate Communications Department at Prince Court Hospital.

She holds a Bachelor in Business Administration (Hons) in Marketing from MARA Institute of Technology, Shah Alam.

**END OF CONTRACT / RESIGNED / RETIRED SENIOR MANAGEMENT**

- 1 Encik Syed Hamadah Bin Syed Othman**  
Chief Executive Officer  
Service Completed on  
1 November 2020
- 2 Azmeen Bin Adnan**  
Chief Investment Officer  
Service Completed on  
30 October 2020

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**THE BOARD**

**COMPOSITION OF THE BOARD**

KWAP Board comprises qualified, experienced, and skillful members with differing backgrounds representing the Government, Private Sector, Bank Negara Malaysia, and Contributors, who are imperative for the overall strategic achievements of KWAP.

Section 6 of Act 662 ("KWAP Act") stipulates that the Board shall consist of the following members, who are appointed by the Minister of Finance:

- (i) a Chairman who shall be the Secretary General of Treasury, the Ministry of Finance;
- (ii) a representative from Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) the Chief Executive Officer who shall be an ex-officio member;
- (v) three (3) representatives of the Government of Malaysia;
- (vi) three (3) other persons from the private sector with experience and expertise in business or finance; and
- (vii) a representative of the contributors to the Retirement Fund other than the representative of the Government of Malaysia.

A brief profile of each Board member is presented on pages 43 to 47 of this Annual Report.

In 2020, the following Board Members have retired/resigned:

- (i) YBhg. Tan Sri Ahmad Badri bin Mohd Zahir on 30 April 2020;
- (ii) YBhg. Datuk Azih bin Muda on 30 April 2020;
- (iii) Encik Syed Hamadah bin Syed Othman (ex-officio member) on 1 November 2020; and
- (iv) YBhg. Datuk Teo Khian How on 17 November 2020.

Pursuant to YBhg. Tan Sri Ahmad Badri's resignation, YBhg. Dato' Asri bin Hamidon, the current Secretary General of Treasury was appointed as the Chairman of KWAP Board on 1 May 2020.

Subsequent to the appointment of YBhg. Dato' Asri's appointment as the Chairman of the Board of KWAP, the Minister of Finance had appointed Puan Anis Rizana binti Mohd Zainudin @ Mohd Zainuddin, the Deputy Secretary General of Treasury (Investment) as a Board Member of KWAP, to represent the Ministry of Finance on 14 July 2020.

The Minister of Finance had also appointed Encik Abdul Rahman bin Mohd Nordin, the Secretary of CUEPACS as a Board member of KWAP on 1 May 2020, to fill in the vacancy of a representative of the contributors to the Retirement Fund, following the retirement of YBhg. Datuk Azih Muda.

On 2 November 2020, pursuant to the end of the contract of Encik Syed Hamadah Syed Othman, Puan Nik Amlizan binti Mohamed was appointed as KWAP's Chief Executive Officer/Ex-Officio.

As at 31 December 2020, a Board Member to represent the Government of Malaysia had yet to be appointed by the Minister of Finance.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

As per the KWAP Act and as part of good governance and best practices recommended by the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia, the roles of the Chairman and the Chief Executive Officer of KWAP are distinct and separated.

The Chairman is principally responsible for conducting and ensuring the effectiveness of Board meetings while the Chief Executive Officer, who is duly appointed by the Board with the approval of the Minister of Finance, is responsible for the daily operations, administration, and management of KWAP which include overseeing the overall operations of the business and the implementation of policies and decisions made by the Board and the investment decisions made by the Investment Panel in accordance with KWAP Act.

Section 9 (1) KWAP Act provides that the Board shall appoint a Chief Executive Officer on terms and conditions as the Board deems fit, subject to the approval of the Minister of Finance. The Chief Executive Officer shall have such powers and duties as may be conferred or imposed upon him by this Act or as may be conferred or imposed by the Board from time to time.

The Chief Executive Officer is assisted by the management in handling the day-to-day administration of KWAP and its employees. The Chief Executive Officer is also an ex-officio member of the Board as well as the Secretary to the Investment Panel.

**RESPONSIBILITIES AND ACCOUNTABILITIES OF THE BOARD**

Under Section 6 of KWAP Act, the Board shall be responsible for the administration and management of KWAP. The Board is therefore entrusted to administer, set the strategic directions, and oversee the management of KWAP with a focus on protecting and enhancing the interests of its contributors and stakeholders.

In line with its statutory responsibility and as part of its functions, the Board formulates and determines administration and management of policies and procedures to ensure KWAP achieves its objectives with success and excellence.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying main risk areas and ensuring the proper implementation of appropriate systems to manage these risks as well as reviewing the adequacy and integrity of the internal control systems and the Board Charter. The Board is guided by its Charter (available on KWAP's corporate website at [www.kwap.gov.my](http://www.kwap.gov.my)), which establishes a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at Board meetings. The Board Charter is regularly reviewed every 2 years, or as and when required.

## COMPONENTS OF AN EFFECTIVE BOARD

**STRUCTURING A HIGH-PERFORMING BOARD**

KWAP aspires to put in place a Board structure that matches the organisational requirements. In order for the Board to operate efficiently and give the right level of attention and consideration to relevant matters, the Board Committees assist the Board in fulfilling its oversight functions. The terms of reference of each Board Committee defines committees' roles with composition to complement the Board's requirements. Board Members are selected based on the requirements as prescribed by KWAP Act. The performance of the Board, as a whole and each individual member, is assessed and evaluated regularly.

**ENSURING EFFECTIVE BOARD OPERATIONS AND INTERACTIONS**

Effective Board's operations and interactions require productive meetings. KWAP ensures quality and timeliness of all Board information in line with good governance and best practices for well-informed decision making by the Board. Trust is built through positive interaction, dynamics and open communication within the Board, and with the Management.

**FULFILLING THE BOARD'S FUNDAMENTAL ROLES AND RESPONSIBILITIES**

The Board provides guidance to the Management in developing corporate strategy, policy directions and setting of targets for performance management. It upholds a strong corporate performance management approach while exercising its oversight function. It also oversees development of the company's future leaders and human capital to ensure continuity and manages the organisational risks. The Board ensures its obligations to the shareholders are met by adopting a shareholders' perspective when making decisions as well as balances valid stakeholders' interests.

## BOARD MEETINGS

KWAP Act prescribes that the Board shall meet at least once in every quarter of the calendar year. Nevertheless, as a matter of best practice, the Board endeavours to meet on a regular basis with a minimum of 8 times a year, to approve, inter alia the strategic plans and direction for KWAP, the annual business plans and budget, operational and financial performance reports and to review the performance of KWAP. Additional meetings are convened to deliberate on urgent and important matters. Sufficient notices are duly given for all scheduled and additional meetings of the Boards.

During the financial year 2020, nine (9) Board meetings (including 1 adjourned Board Meeting) and four (4) Special Board Meetings were held. The proceedings of all meetings of the Board including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Board and its Committees' meetings. Where necessary, decisions have been taken by way of circular resolutions. Decisions via circularisation requires simple majority approval which will be reported during the following Board meeting for notification.

The attendance of the Board Members for 2020 is set out below:

No.	Name	Attendance
1.	Tan Sri Ahmad Badri bin Mohd Zahir <i>Chairman (*Retired on 30 April 2020)</i>	<b>*2/2</b>
2.	Datuk Seri Asri bin Hamidin @ Hamidon <i>Chairman (Appointed on 1 May 2020)</i>	<b>12/13</b>
3.	Datuk Dr. Yacob bin Mustafa	<b>13/13</b>
4.	Datuk Siti Zainab binti Omar	<b>13/13</b>
5.	Datuk Teo Khian How <i>(*Retired on 17 November 2020)</i>	<b>**9/9</b>
6.	Dato' Azmi bin Abdullah	<b>13/13</b>
7.	Datuk Azih bin Muda <i>(*Term expired on 30 April 2020)</i>	<b>*2/2</b>

No.	Name	Attendance
8.	Encik Adnan Zaylani bin Mohamad Zahid	<b>11/13</b>
9.	YM Puan Raja Teh Maimunah binti Raja Abdul Aziz	<b>12/13</b>
10.	Encik Mohd Ismadi bin Ishak	<b>12/13</b>
11.	Encik Abdul Rahman bin Haji Mohd Nordin <i>(*Appointed on 1 May 2020)</i>	<b>*11/11</b>
12.	Puan Anis Rizana binti Mohd Zainudin <i>(*Appointed on 14 July 2020)</i>	<b>*8/9</b>
13.	Encik Syed Hamadah bin Syed Othman <i>(*Contract ended on 1 November 2020)</i>	<b>*6/9</b>
14.	Puan Nik Amlizan Mohamed <i>(Appointed on 2 November 2020)</i>	<b>5/5</b>

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The Board is responsible for the long-term success of KWAP and is accountable to the stakeholders in ensuring that KWAP is managed effectively and achieves the strategic objectives that have been set. The Board discharged those responsibilities through Board Meetings and focused on a number of specific areas such as strategy, governance and performance. The key proposals approved by the Board for 2020 are as follows:

- (i) KWAP’s Corporate Scorecard and Financial Results for 2019;
- (ii) KWAP’s Business Plan and Corporate Scorecard for FY2021;
- (iii) KWAP’s Audited Financial Statements for Financial Year 2020;
- (iv) KWAP’s Expenditure Budget for Financial Year 2021;
- (v) KWAP Tax Framework and Tax Policies;
- (vi) Proposed Group Dividend Policies for KWAP’s Subsidiaries;
- (vii) Proposal on Remuneration Policy and Procedures for Employees of KWAP;
- (viii) Proposal on Secondment of Staff at Pension Services Department;
- (ix) Appointment of Head of Integrity and Governance Office;
- (x) Proposal to Revamp KWAP Investment Policy and Guidelines;
- (xi) Revision to Cut Loss Provision in the IPG for Equity Portfolio;
- (xii) Private Equity Risk Management Policy;
- (xiii) Appointment of KWAP’s Real Estate Advisers, Consultants;
- (xiv) Termination of External Fund Managers;
- (xv) Appointment of the External Consultants to Conduct the Review of Corporate Governance in Respect of Management of KWAP; and
- (xvi) Proposal to Implement New Business and Operating Model for Prima Ekuiti (UK) Limited.

Apart from approval papers, the Board of KWAP had also deliberated on reports which were tabled for its notification on monthly or quarterly basis, amongst others, are as follows:

- (i) Notification on Investment Activities and Performance Reports;
- (ii) Notification on Management Reports;
- (iii) Notification on Status of KWAP Loan and Unrated Corporate Bond Portfolio;
- (iv) Notification on Pension Services Department Performance Review;
- (v) Quarterly Pension Contribution Report; and
- (vi) Quarterly Reporting of KWAP’s Wholly Owned Direct Subsidiaries.

## THE INVESTMENT PANEL

**KWAP Act also requires the establishment of an Investment Panel, a body which is responsible for matters pertaining to the investment of the Fund established under Section 7(1) of KWAP Act. It therefore functions to provide strategic direction on all investment matters as well as determine and approve investment policy & guidelines, policies on risk management, asset allocation, and strategic directions on investment.**

### COMPOSITION OF THE INVESTMENT PANEL

The Investment Panel shall consist of the following members, as stipulated in Section 7(2) of KWAP Act, who shall be appointed by the Minister of Finance:

- (i) a Chairman who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance (Section 7(2)(a) of KWAP Act);
- (ii) a representative from the Ministry of Finance (Section 7(2)(c) of KWAP Act);
- (iii) the Chief Executive Officer of KWAP, who shall be the Secretary of the Investment Panel (Section 7(2)(d) of KWAP Act); and
- (iv) Four (4) other persons from the public or private sector with experience and expertise in business, investment, banking and finance (Section 7(2)(e) of KWAP Act).

A brief profile of each Investment Panel member is presented on pages 48 to 51 of this Annual Report.

### PRIMARY DUTIES AND RESPONSIBILITIES OF THE INVESTMENT PANEL

The Investment Panel is governed by Section 7(1) of the Act and is primarily responsible to approve, among other things, KWAP’s strategic direction in relation to all investment matters which includes investment policy, guidelines, asset allocation strategy as well as the directions/decisions for all investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance with the general policy that may be issued by the Board and subsequently approved by the Minister of Finance.

### Investment Panel's Meetings

During the financial year 2020, twelve (12) Investment Panel meetings and five (5) Special meetings were held. A summary of attendance of the Investment Panel Members is set out below:

No.	Name	Attendance
1.	Encik Mohd Rashid bin Mohamad - Chairman	17/17
2.	Cik Azah Hanim bin Ahmad	16/17
3.	Encik Mohammed Nazri bin Omar	14/17
4.	YBhg. Dato' Noorazman bin Abd Aziz	14/17
5.	Encik Chen Yin Heng	15/17
6.	Encik Ahmad Faris bin Rabidin	16/17
7.	Encik Syed Hamadah bin Syed Othman (*Contract ended on 1 November 2020)	11/12
8.	Puan Nik Amlizan Mohamed (Appointed on 2 November 2020)	5/5

### BOARD COMMITTEES

**In order to assist the Board in discharging its duties, the Board has established various committees to oversee specific matters relating to the operations of KWAP, namely the Board Audit Committee, Board Integrity and Risk Committee, Board Nomination and Remuneration Committee, and Board Procurement Committee. The Board Committees are granted the authorities to act on the Board's behalf in accordance with their respective Terms of Reference which are provided in the Board Charter.**

At the Board Committees' meetings, items are discussed and, as appropriate, endorsed, approved or recommended to the Board for approval. Following the Board Committees' meetings, the Chairman of each Board Committee provides the Board with a summary of the main decisions and discussion points, and the minutes of the Board Committees' meetings as well as Investment Panel meetings are presented to the Board for notation hence, the non-committee members are kept up-to-date with the work undertaken by each Board Committee.

Details of activities of the Board Committees during the financial year 2020 are outlined:

 <b>BAC</b> Board Audit Committee	 <b>BNRC</b> Board Nomination and Remuneration Committee	 <b>BIRC</b> Board Integrity and Risk Committee	 <b>BPC</b> Board Procurement Committee
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## BOARD AUDIT COMMITTEE

**The Board Audit Committee (BAC) was established to ensure establishment and enforcement of internal controls and systems at KWAP.**

### Membership

Currently, BAC comprises four (4) Board members, namely, a Chairman and three (3) members who have been appointed by the Board:

◆ **Dato' Azmi bin Abdullah**  
*Chairman*

◆ **Datuk Dr. Yacob bin Mustafa**  
*Member*  
*(Appointed on 9 July 2020)*

◆ **Puan Anis Rizana binti Mohd Zainudin**  
*Member*  
*(Appointed on 14 July 2020)*

◆ **Encik Mohd Ismadi bin Ishak**  
*Member*

Dato' Azmi Bin Abdullah is a member of the Malaysian Institute of Accountants (MIA).

Four (4) BAC meetings and two (2) Special BAC meetings were held throughout year 2020.

### Duties and Responsibilities of the BAC

The following are the duties and responsibilities of the BAC:

#### (i) Financial Statements

- To review and recommend the financial regulations, accounting regulations, policies and practice adopted by KWAP;
- To review the annual Consolidated Financial Statements of the Group and KWAP with Management and the external auditors prior to recommending them to the Board for approval; and
- To review changes to the Financial Procedures.

#### (ii) Internal Audit

- To review and discuss the nature and scope of internal and external audit plans and ensure coordination of approach among the internal auditor, the external auditor and/or other external assurance and consulting service provider;
- To review the audit reports performed on KWAP and its subsidiaries by the internal auditor, the external auditor and/or the external assurance and consulting service provider and ensure that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, internal policies and internal procedures;
- To approve and recommend the appointment, transfer, renewal and removal of the Head of Internal Audit Department to BNRC before Board's final approval;
- To review and approve the proposed Internal Audit Departmental Scorecard for annual performance evaluation;
- To appraise and approve the performance of the Head of Internal Audit Department;
- To approve and recommend the remuneration of Head of Internal Audit Department to BNRC for deliberation before Board's final approval;
- To approve the internal audit charter and the risk-based internal audit plan;
- To ensure that internal audit function has appropriate standing in KWAP and has the necessary authority, resources and competency to carry out its work;
- To review the effectiveness of the internal audit function, by receiving periodic updates on the internal audit activity's performance relative to its plan, including compliance with The Institute of Internal Auditors' International Professional Practices Framework (IPPF) for Internal Auditing; and
- To review and approve any key changes to audit methodology and processes.

#### (iii) Internal Control

- To provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines, and regulatory requirements.

**(iv) Other Responsibilities**

- (a) To discuss with the internal auditor, external auditor and/or other external assurance and consulting service provider on a regular basis any matter which they wish to discuss (in the absence of management where necessary);
- (b) To consider major findings of internal investigations and management's response;
- (c) To direct and provide oversight on any special investigations to be carried out by the internal auditor or any independent party, and review the outcomes of investigations;
- (d) To consider any related party transactions that may arise within KWAP; and
- (e) To consider other issues as defined by the Board.

KWAP's external auditor is the Auditor General of Malaysia as per the Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240].

**BAC Meeting Attendance:**

No.	Name	Attendance
1.	Dato' Azmi bin Abdullah <i>Chairman</i>	6/6
2.	Encik Mohd Ismadi bin Ishak	6/6
3.	Datuk Dr. Yacob bin Mustafa <i>(*Appointed on 9 July 2020)</i>	*3/3
4.	Puan Anis Rizana binti Mohd Zainudin <i>(*Appointed on 14 July 2020)</i>	*3/3

**Summary of the BAC's Activities:**

Among major issues deliberated by the BAC during the year 2020 were:

- (i) Consolidated Financial Statements of KWAP for the Financial Year Ended 31 December 2019;
- (ii) Internal Audit Plan 2020;
- (iii) Internal Audit Department Scorecard 2019 Results;
- (iv) 2021 Internal Audit Department's Initiatives;
- (v) Audit Activity Report; and
- (vi) Internal Audit Reviews and Outstanding Audit Issues of several departments in KWAP.

**BOARD INTEGRITY AND RISK COMMITTEE**

**The Board Integrity and Risk Committee (BIRC) was established to assist the Board in discharging its functions with regard to risk management and overseeing and monitoring the functions of Integrity and Governance Office of KWAP.**

**Membership**

Currently, BIRC comprises three (3) Board members who were appointed by the Board:

◆ **Encik Mohd Ismadi bin Ishak**  
*Chairman*

◆ **Datuk Teo Khian How**  
*Member*  
*(Retired on 17 November 2020)*

◆ **YM Puan Raja Teh Maimunah binti Raja Abdul Aziz**  
*Member*

◆ **Encik Syed Hamadah bin Syed Othman**  
*Member*  
*(Contract ended on 1 November 2020)*

◆ **Puan Nik Amlizan Mohamed**  
*Member*  
*(\*Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)*

Six (6) BIRC meetings and one (1) Special BIRC meetings were held throughout the year 2020.

**Duties and Responsibilities of the BIRC**

The following are the duties and responsibilities of the BIRC:

**Risk Management**

- (i) Determine risk appetite and recommend to Board for approval;
- (ii) Review risk management and compliance frameworks and policies and recommend to the Board for approval;
- (iii) Review risk management and compliance guidelines;
- (iv) Approve risk limits, and escalate to Board if necessary;
- (v) Ensure an effective compliance process (for external and internal controls) by recommending controls for risks inherent in products, activities, processes and systems;

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- (vi) Approve Business Continuity Management (BCM) Policy;
- (vii) Ensure adequate infrastructure, resources and systems are in place to identify, measure, monitor and control risks for effective risk management within KWAP;
- (viii) Review KWAP’s risk exposures and mitigating controls; and
- (ix) Consider other issues as defined by the Board.

**Integrity and Governance**

- (i) Review and approve frameworks, strategies, plans, policies, procedures and other matters related to integrity and governance functions and, where applicable, recommend to the Board for approval;
- (ii) Monitor the overall issues of bribery, fraud, corruption and unethical conducts within the organisation;
- (iii) Ensure establishment of adequate measures for corruption prevention, integrity and good governance in KWAP;
- (iv) Oversee the implementation of integrity and governance functions in KWAP for achievement of their intended objectives; and
- (v) Consider other issues as defined by the Board.

**BIRC Meeting Attendance:**

No.	Name	Attendance
1.	Encik Mohd Ismail bin Ishak <i>Chairman</i>	7/7
2.	Datuk Teo Khian How <i>(*Retired on 17 November 2020)</i>	*7/7
3.	YM Puan Raja Teh Maimunah binti Raja Abdul Aziz	7/7
4.	Encik Syed Hamadah bin Syed Othman <i>(*Contract ended on 1 November 2020)</i>	*5/5
5.	Puan Nik Amlizan Mohamed <i>(*Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)</i>	*2/2

**Summary of the BIRC’s Activities:**

Key issues deliberated by the BIRC in 2020 were:

- (i) Reports on Corporate Risk Profile, Risk Outlook, Operational Risk Events, Investment Risks Foreign Exchange Exposures and Hedging Activities, Business Continuity Management;
- (ii) Notification Papers on Surprise Visits to KWAP External Fund Managers; Fraud Risk Management Program; Risk Management Week Activities and Update on IGO Initiatives;
- (iii) Proposal for 2020 Market Risk Limit and Credit Risk Limit for KWAP Investment Portfolio;
- (iv) Proposal on New Name and Additional TOR for Board Risk Committee;
- (v) 2020 Business Plan for Integrity and Governance Office; and
- (vi) Compliance Updates.

**BOARD NOMINATION AND REMUNERATION COMMITTEE**

**The Board Nomination and Remuneration Committee (BNRC) was established to assist the Board in discharging its functions with its primary responsibility to establish the relevant policy framework in determining the appointment and remuneration of the management and staff of KWAP and recommend to the Board the performance related remuneration of the respective staff.**

**Membership**

Currently, BNRC comprises four (4) Board members i.e. a Chairman and the following three (3) other members who have been appointed by the Board:

- ◆ **Datuk Seri Asri bin Hamidin @ Hamidon**  
*Chairman*  
*(Appointed as the Chairman of the Board on 1 May 2020)*
- ◆ **Puan Anis Rizana binti Mohd Zainudin**  
*Chairman*  
*(Appointed on 14 July 2020)*
- ◆ **Dato’ Azmi bin Abdullah**  
*Member*
- ◆ **Datuk Azih bin Muda**  
*Member*  
*(Retired on 30 April 2020)*
- ◆ **Encik Adnan Zaylani bin Mohamad Zahid**  
*Member*
- ◆ **Encik Abdul Rahman bin Mohd Nordin**  
*Member*  
*(Appointed on 9 July 2020)*
- ◆ **Encik Syed Hamadah bin Syed Othman**  
*Member*  
*(Contract ended on 1 November 2020)*
- ◆ **Puan Nik Amlizan Mohamed**  
*Member*  
*(\*Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)*

Four (4) BNRC meetings and three (3) Special BNRC meetings were held throughout the year 2020.

### Duties and Responsibilities of the BNRC

The following are among the duties and responsibilities of the BNRC:

#### (i) On matters pertaining to human resource:

- (a) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of KWAP's employees;
- (b) To recommend and review terms and conditions of employment and service of KWAP's employees;
- (c) To recommend and review code of conduct and discipline of KWAP's employees;
- (d) To recommend the mechanisms for the formal assessment of the effectiveness of KWAP's employees;
- (e) To recommend the promotion of KWAP's employees;
- (f) To review and recommend to the Board the appointment, upgrading and promotion of Senior Management of KWAP Group;
- (g) To approve matters related to the CEO and senior management of KWAP and the improvement required thereof; and
- (h) To consider any other issues as defined by the Board.

#### (ii) Its other functions include the following:

- (a) To recommend to the Board the framework or the broad policy for the remuneration of the CEO and other senior management of KWAP as the BNRC's considerations are designated to consider;
- (b) To recommend to the Board any performance related pay schemes for KWAP;
- (c) To recommend to the Board the policy and scope of service agreements of the executive, termination payments and compensation;
- (d) To oversee any major changes concerning the employees of KWAP; and
- (e) To consider and examine relevant matters as the BNRC considers appropriate.

### BNRC Meeting Attendance:

No.	Name	Attendance
1.	Dato' Asri bin Hamidin @ Hamidon Chairman (*Appointed as the Chairman of KWAP Board on 1 May 2020)	*2/2
2.	Puan Anis Rizana binti Mohd Zainudin (*Appointed on 14 July 2020)	*5/5
3.	Dato' Azmi bin Abdullah	7/7
4.	Datuk Azih bin Muda (*Retired on 30 April 2020)	*1/1
5.	Encik Adnan Zaylani bin Mohamad Zahid	6/7
6.	Encik Abdul Rahman bin Haji Mohd Nordin (*Appointed on 9 July 2020)	*5/5
7.	Encik Syed Hamadah bin Syed Othman (*Contract ended on 1 November 2020)	*3/5
8.	Puan Nik Amlizan Mohamed (*Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)	*2/2

### Summary of the BNRC's Activities:

Among the proposals deliberated and endorsed by BNRC during the year 2020 were:

- Full Year Performance of KWAP's Corporate Scorecard 2019; and
- Renewal of several Contracts of Employment of Heads of Department in KWAP.

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## BOARD PROCUREMENT COMMITTEE

**The Board Procurement Committee (BPC) was established to assist the Board in discharging its functions with regards to the evaluation of procurement proposals.**

### Membership

Currently, BPC comprises two (2) Board members, i.e. a Chairman and one (1) other Board member who were appointed by the Board:

- ◆ **Datuk Siti Zainab binti Omar**  
*Chairman*
- ◆ **Datuk Teo Khian How**  
*Member*  
*(Retired on 17 November 2020)*
- ◆ **Encik Abdul Rahman bin Mohd Nordin**  
*Member*  
*(Appointed on 9 July 2020)*
- ◆ **Datuk Azih bin Muda**  
*Member*  
*(Retired on 30 April 2020)*
- ◆ **Encik Syed Hamadah bin Syed Othman**  
*Member*  
*(Contract ended on 1 November 2020)*
- ◆ **Puan Nik Amlizan Mohamed**  
*Member*  
*(\*\*Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)*

In 2020, five (5) BPC Meetings were held to deliberate and to recommend to the Board procurement proposals within its authority limits.

### Duties and Responsibilities of the BPC:

The following are among the duties and responsibilities of the BNRC:

- (i) To review the tenderer's registration with the MOF and Contractor Services Centre, tender invitation advertisement, tender specifications, tender documents (if necessary), tender schedule prepared by the Tender Opening Committee, technical and financial evaluation reports etc.;
- (ii) To ensure that the procurement process complies with all applicable procurement ethics, policies and procedures;
- (iii) To review the tenderer's technical and financial capabilities. During the tender evaluation, the technical proposal would be opened and evaluated first, followed by the financial proposal;
- (iv) To consider and recommend awards which are beneficial to KWAP, taking into consideration factors such as pricing, utilisation of products/goods and/or services, delivery or completion period, maintenance cost as well as other relevant factors;
- (v) To decide on a re-tender process or to recommend any other procurement methods, if the BPC finds that the procurement procedures are not in accordance with the regulations or suspects that there are irregularities in the tender process;
- (vi) To consider and accept the tender, provided that a decision has been made by the Committee by at least a simple majority and is within the approved limit;
- (vii) To consider and accept any quotations acknowledged by the Quotations Committee that exceeds the quotations limit; and
- (viii) To consider other procurement issues as defined by the Board.

### BPC Meeting Attendance:

No.	Name	Attendance
1.	Datuk Siti Zainab bin Omar <i>Chairman</i>	5/5
2.	Datuk Teo Khian How <i>(*Retired on 17 November 2020)</i>	*2/2
3.	Datuk Azih bin Muda <i>(*Retired on 30 April 2020)</i>	*1/1
4.	Encik Abdul Rahman bin Haji Mohd Nordin <i>(*Appointed on 9 July 2020)</i>	*4/4
5.	Encik Syed Hamadah bin Syed Othman <i>(*Contract ended on 1 November 2020)</i>	*3/5
6.	Puan Nik Amlizan Mohamed <i>(**Appointed on 2 November 2020 and ceased to be a member on 3 December 2020 in line with good governance and best practice)</i>	*1/1

## APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

As prescribed under KWAP Act, the Board and the Investment Panel members are appointed for a period not exceeding three (3) years, and on the expiry thereof are eligible for reappointment. The remuneration of the Board and Investment Panel is determined from time to time, subject to the approval of the Minister of Finance.

In 2020, the Board and the Investment Panel members received a total remuneration of RM717,542 and RM543,000 respectively.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)****Shareholder's Engagement with Investee Company**

In 2020, KWAP continued its engagements with its investee companies by organising four (4) shareholder's engagements on virtual platforms. The topics that were discussed during the engagement included company overview, market condition, company's future business plans and ESG related issues.

The engagements saw the participation of KWAP's senior management team including KWAP Chief Executive Officer.

**Table 1 :Shareholder's Engagement with Investee Company 2020**

No	Company	Date
1	Telekom Malaysia Berhad	4 June 2020
2	FGV Holdings Berhad	16 June 2020
3	AmBank Group	24 August 2020
4	Petronas Gas Berhad	6 November 2020

**Shareholder Activism**

As an active shareholder, KWAP continued its engagements with its investee companies and raising ESG issues where necessary. These visits were led by the management team and KWAP officers via Annual General Meetings (AGMs) and one-on-one meetings to further improve the governance practices of its investee companies.

KWAP has a structured monitoring process of its investee companies. Monitoring initiatives by KWAP includes the following:

- Monitor the performance and value drivers of its investee companies via company announcements and news flows that are monitored daily.
- Monitor ESG red flags and concerns.
- Monitor via AGM/Extraordinary General Meeting (EGM)s:
  - i. Monitor the issues deliberated at investee companies' AGM/EGMs; and
  - ii. Submit AGM/EGM resolutions to all its investee companies.

We actively participate in corporate engagements with investee companies through:

- **Shareholder's Engagement with Investee Company**
  - In 2020, KWAP continued its engagement with its investee companies by organising four (4) shareholder's engagements. (Refer to Table 1 in the previous section)
- **ESG Engagements by Responsible Investment Section**
  - In 2020, KWAP conducted four (4) ESG engagements and two (2) follow up ESG Engagements with its investee companies.
- **Engagements by Research Department**
  - KWAP Research Department conducted a total of 1,556 engagements throughout the year which included analyst briefings, internal meeting and engagements with investee companies.
- **Institutional Investors Council (IIC) engagements with public listed companies (PLCs)**
  - KWAP participated in all two (2) engagements with public listed companies conducted by IIC in 2020 namely:
    - a. Bursa Malaysia Berhad; and
    - b. FGV Holdings Berhad
- **Voting Rights**
  - In 2020, KWAP exercised its voting rights at AGMs/EGMs.
  - KWAP submitted 142 companies' AGM/EGMs resolutions to all our investee companies and exercised our voting rights based on KWAP's published Voting Guidelines as disclosed to all investee companies.

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### Engagement with Regulators/GLICs

As part of KWAP initiatives in supporting ESG practices, KWAP has participated in multiple engagements with regulators such as the Securities Commission, Bursa Malaysia, Bank Negara Malaysia and the Malaysian Anti-Corruption Commission (MACC).

Additionally, two (2) KWAP officers are also members of the Joint Committee on Climate Change (JC3). On 27 Sept 2019, Bank Negara Malaysia and Securities Commission Malaysia established the JC3 to pursue collaborative action to build climate resilience within the Malaysia financial sector. The two (2) JC3 committee were:

- i. JC3 Sub-Committee 1: Climate Change and Principal-based Taxonomy working group; and
- ii. JC3 Sub-Committee 2: Governance and Disclosure.

### Engagement with Corporate Governance Bodies

#### Asian Corporate Governance Association (ACGA)

KWAP is a member of the Asian Corporate Governance Association (ACGA). ACGA is an independent, non-profit membership association dedicated to encouraging and facilitating improvements in CG in Asia. It has 111 members-to-date, represented by 17 markets across the globe ranging from pension and sovereign wealth funds, investment managers, corporate (listed and private), accounting firms and others. In 2020, KWAP participated in the 2020 ACGA Virtual Conference, in a session titled "Asian Business Dialogue on Corporate Governance" and joined an engagement session with representatives from ACGA to discuss the latest governance issues and progress.

#### United Nations-supported Principles of Responsible Investment (UN PRI)

KWAP became a signatory to PRI on 8 February 2018. PRI is an independent non-profit organisation that is supported by the United Nations (UN) to encourage investors to adopt responsible investment to enhance returns and better manage risks. PRI promotes awareness on the investment implications of ESG factors and supports its international network of investor signatories by incorporating the six (6) principles of PRI into practice for investments and ownership decisions.

Becoming a signatory to the PRI is part of KWAP's efforts to expand our responsible investment initiatives to a globally recognised platform. As a signatory, we are committed to:

- i. Adopt and implement the six (6) principles for responsible investment, where consistent with our fiduciary responsibilities.
- ii. To evaluate the effectiveness and improve the content of the Principles over time.

We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society; and we encourage other investors to adopt the Principles.

KWAP has engaged closely with the representatives from UNPRI to further improve ESG initiatives in the region.

### Engagement with Other Institutions

Apart from engagements with regulators, government-linked companies and CG bodies, KWAP also engaged with other institutions on ESG related matters and knowledge sharing. This includes engagements with the World Wide Fund for Nature (WWF) to keep abreast with the latest ESG development and issues.

### Malaysian Code for Institutional Investors (the Code)/Institutional Investors Council (IIC)

KWAP endorsed its commitment to upholding good corporate governance standards by being signatory to the Malaysian Code for Institutional Investors. The IIC Code comprises a set of principles which assists institutional investors to fulfil their stewardship responsibilities through influencing and promoting good corporate governance culture in their investee companies.

In addition to the IIC formation, a special working committee was formed to focus on issues and topics of strategic importance which are of common interest to institutional investors and in line with the objectives of the IIC namely Market and Industry; and Governance and Policies. To date, there are 37 signatories under the Code which includes Institutional Investors, asset managers and asset owners.

Finally, KWAP has actively participated in IIC events which comprised at least 14 engagements in a year including council and working group meetings. KWAP was also involved in the IIC engagements with two (2) local PLCs in 2020, namely Bursa Malaysia Berhad and FGV Holdings Berhad.

### SUSTAINABILITY AND ESG INITIATIVES

KWAP continued to internalise good ESG practices across its business and operational activities encompassing all the main areas namely investment, operations and pension services administration and management.

#### KWAP's Corporate Level ESG Guidelines

KWAP incorporated ESG considerations across all its operations (including the investment decision-making process) via KWAP's Corporate Level ESG guidelines that was established in 2017. Among the highlights are as follows:

- KWAP has incorporated CG and sustainability considerations into its investment decision making process via:
  - i. Investment Policy and Guidelines;
  - ii. KWAP's ESG Guidelines for Investment;
  - iii. ESG-Based Research Methodology;
  - iv. Corporate Governance Principles and Voting Guidelines for listed Equities;
  - v. ESG Guidelines for Fixed Income Investments; and
  - vi. ESG Guidelines for Private Equity.

In the future, KWAP plans to update its ESG Guidelines for Equity Investments as well as roll out new ESG Guidelines for Property.

The objectives of the Corporate Level ESG Guidelines are:

- **Role to Stakeholders:**

To enable KWAP to fulfil its role to its stakeholders (including future generations) in a responsible and sustainable manner by adopting good ESG practices.

- **Sustainable Performance:**

To improve the sustainability and long-term performance of KWAP and its investee companies. KWAP believes sustainability factors may significantly influence the risk-return profile of investments.

- **Promotion of good ESG practices in the capital market and KWAP's business partners:**

To leverage on KWAP's position as an institutional investor to improve ESG practices in:

- i. The capital market vis-à-vis:
  - Engagement with our investee companies.
  - Collaborations with regulators (e.g. Bursa Malaysia and Securities Commission)
  - Collaborations with CG bodies (e.g. ACGA, UNPRI)
  - Active roles in CG related councils (e.g. Institutional Investors Council and Security Commissions Key CG Stakeholders Group)
- ii. Companies across KWAP's value chain including its suppliers, third party service providers and other related business partners.

The Corporate Level ESG Guidelines consists of seven pillars namely:

- i. Environment;
- ii. Human Capital;
- iii. Governance;
- iv. Investment Management;
- v. Members Administration;
- vi. Ethical Practices; and
- vii. Social.

The Corporate Level ESG Guidelines will be updated periodically to keep abreast with the latest best industry practices and to reflect KWAP's latest ESG initiatives.

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**Over the last 14 years, in line with the expansion of KWAP's role in both investment and non-investment activities, KWAP's risk profile has evolved, and, in tandem, so has our risk management functions and capabilities. Starting out with only one personnel in the Risk Management and Compliance Department (RMCD), the headcount as at end 2020 stood at 24 personnel.**

In managing risk, KWAP adheres to the three-lines of defence model in which:

- (i) Primary responsibility, or the first line of defence, is with the individual business units;
- (ii) The second line of defence comprises risk management and compliance team; and
- (iii) The third line of defence is the internal audit function.

We remain very prudent in the risk management of our investment and non-investment activities, guided by the tone from the top as articulated in the KWAP's Risk Appetite Statement.

### Risk Appetite Statement

- 1 The Board and Investment Panel has general oversight and responsibility over the Fund and approves the Risk Appetite Statement which is presented as high level, broad, principle-based statements, to support the complex, multifaceted, dynamic, and overlapping nature of risks in KWAP. The Investment Panel is responsible for KWAP's investment decisions while the Board is responsible for the overall level of risk that is undertaken by KWAP. The Investment Panel and KWAP Board will take cognisance of this when carrying out its activities.
- 2 The Board and Investment Panel recognise that there is a need to actively manage the Fund's investments with the objective to grow the fund size, achieve sustainable long-term risk adjusted return on investments while ensuring safety and sufficient liquidity in the Fund's various portfolios. This is to be achieved through dynamic investment strategies balanced with sound risk management practices, coupled with the need to balance its return expectations and risk appetite. These risks should be reported to the Board and Investment Panel on a periodic basis.
- 3 The Board and Investment Panel recognise that there is a willingness and capacity to take on risks. The level of risk KWAP is willing to take should take into consideration KWAP's strategic objectives, stakeholder expectations, financial goals and compensation strategies. This is assessed and considered in KWAP's Strategic Asset Allocation, Investment Strategies and Risk Management Framework.
- 4 The Board and Investment Panel state that KWAP shall only take on risks that it can assess and manage at a reasonable level of comfort, hence such risks, in aggregate, in the normal course of business, shall not cause the Fund material financial loss or material non-financial detriment which results in the Fund failing to meet its strategic objectives.
- 5 For its investment portfolios, KWAP's choice of asset classes, investment strategies and products are to be guided by the following key principles:
  - A reasonably high degree of confidence in the preservation of capital value
  - A reasonably high degree of liquidity in the asset or portfolio of assets
  - A reasonable return on investment adjusting for risks
- 6 KWAP's ability to take risks and the level of risk should take into account internal capacity to manage these risks. Where necessary and required, KWAP will source expertise from external parties. KWAP should continuously work to boost internal capabilities and expand capacity via enhancement of skill sets, knowledge, technology and other resources.
- 7 KWAP will target to align total fund level risk with that of a Reference Portfolio of 50% Malaysian Equities and 50% Malaysian Government Securities. This represents KWAP's passive risk target.
- 8 KWAP will target to limit total fund level risk to that of a Reference Portfolio of 60% Malaysian Equities and 40% Malaysian Government Securities. This represent KWAP's total risk limit (i.e. both passive and active risks).
- 9 KWAP accepts that it should have no less than a 50% chance of achieving salary inflation on a rolling 5-year basis, and KWAP accepts that it should have no less than a 75% chance of exceeding inflation over the same period.

The Risk Appetite Statement (RAS) defines KWAP's overarching attitude toward investment and non-investment activities, thereby guiding the decision-making process. The RAS also sets out KWAP's ability and capability to take risk in the context of investment objectives and risk tolerance by addressing the following:

- ◆ The long-term goal of the fund, which is to meet the government's pension liabilities.
- ◆ Requirement of periodic risk reporting to the Board and Investment Panel.
- ◆ The Board's oversight and responsibility over the risk that the fund takes.
- ◆ Key criteria for investment activities such as safety, liquidity and reasonable risk adjusted total return.
- ◆ The need to balance between return expectation and risk appetite.
- ◆ The need for KWAP to continuously enhance internal capacity and capability to manage risks.
- ◆ The key considerations in willingness and capacity to take on risk such as strategic objectives, stakeholders' expectations, financial goals and compensation strategies.

The RAS is complemented by a robust governance structure with independent lines of reporting between risk-taking units and "control" units. It is further enhanced by a series of guiding principles, namely:



We invest in our people, have clear policies, and ensure robust and risk-aware operational processes (with significant investment in systems to ensure adequate control and automation). Robust governance control refers to segregation of reporting lines between departments in KWAP.

The reporting line are as below:

- ◆ Investment related departments such as Equity, Fixed Income, Alternative Investment, Research and Portfolio Strategy report directly to the Chief Investment Officer (CIO).
- ◆ Independent departments such as Legal & Secretarial, Corporate Strategy and Performance, Human Resources and Risk Management & Compliance report directly to the Chief Executive Officer (CEO) while Internal Audit and Integrity & Governance Office report to their respective Board committees and administratively to the CEO.
- ◆ Control function and operational departments such as Information Technology, Contribution, Corporate Affairs, Accounts and Management Services, Investment Support Services and Pension Services report directly to the Chief Operating Officer (COO).

The segregation of reporting line is to ensure there is no authority/approval overlap between the department as well as to embed transparency in KWAP.

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Activities in 2020

**Continuous Risk Management Awareness and Practices Talks in KWAP.**

- Enhancing risk awareness and updating the organisation and employees on developments and best practices across all aspects has been a constant in KWAP.
- We had initiated and completed various activities aimed at promoting risk management awareness and practices within KWAP.
- KWAP organised the Qualified Risk Director Training and Certification Programme (QRD) for Board, Investment Panel Members as well as selected senior management of KWAP and Directors of KWAP’s subsidiaries and associate companies.
- The QRD consists of a series of training sessions focusing on risk management, to ensure the Board and the Investment Panel Members are properly equipped to provide the requisite Enterprise Risk Management oversight and guidance to improve KWAP’s Sustainability, Agility, and Resilience.
- Modules that have been conducted in 2020, are as follows:
  - I. Risk Oversight Practices on 15 July 2020; and
  - II. Corporate Culture and ERM on 4 September 2020.
- Directors’ Guide to Crisis Management and Leadership during Crisis on 6 November 2020.

**Engagement with External Parties**

- In 2020, KWAP had also conducted several engagements with external parties as per below:
  - (i) Risk knowledge sharing session with other government linked-investment companies (GLICs);
  - (ii) Credit Risk Control benchmarking exercise with External Fund Managers (EFM); and
  - (iii) Risk knowledge sharing session with other counterparties, such as property managers and asset managers.

**Surprise Visit to KWAP’s External Fund Managers (EFM)**

- The risk and compliance team conducted the surprise visit to ensure that the EFM activities and practices comply with the approved Investment Mandate and ensure they have robust internal risk controls in place.
- Due to the Movement Control Order imposed by the Government in 2020, the EFM surprise visits were carried out virtually. All discussions and document reviews were conducted via virtual engagements i.e. video conference calls and emails, as KWAP employees were not allowed to have physical meeting with external parties. For the year 2020, we conducted engagements with six (6) out of the 20 domestic EFMs that we engage.

**TECHNOLOGY AND INNOVATION IN RISK MANAGEMENT AND COMPLIANCE DEPARTMENT**

KWAP extensively leverages on technology to handle multiple portfolio analytics and scenario analysis to cater to KWAP’s portfolio risk management needs. Risk Analytics from systems such as BarraOne, Credit Manager, Bloomberg and more are then distilled into key risk measures for management reporting.

Business Continuity Management remains one of our key focus for contingency and scenario planning. We have automated the business continuity management framework and implemented a practical and sustainable business continuity management process.

## How KWAP Managed its Response to the COVID-19 Outbreak

**The year 2020 has been a challenging year for all economies and businesses with the unprecedented outbreak of COVID-19. The pandemic has impacted KWAP in many ways as employees were required to adapt to new working arrangements to ensure effective business continuity.**

Proactive measures were taken by KWAP to ensure the safety and health of KWAP's employees amidst the pandemic and actively handled the changes in business operations in compliance with the new policies and standard operating procedures implemented by the National Security Council and Ministry of Health. We were proactive in leading the management of KWAP's preparation and response to the uncertainties arising from the pandemic. We collaborated with the Safety and Health Committee (SHC) and other departments in planning and introducing initiatives to manage the new normal within KWAP.

In the early stages of the pandemic in Malaysia, KWAP responded in a timely manner by activating split team operations before the declaration of the Movement Control Order (MCO) in March 2020 by the Government. A majority of KWAP's operations could operate remotely except for selected functions that operated with reduced manpower, such as operations in the Pension Services Departments (PeSD) that is based at the KWAP Cyberjaya office. Our IT Department successfully responded to the sudden surge in demand for IT infrastructure and services by business operations to ensure minimal operational disruptions while employees worked from home. This contributed significantly in enabling KWAP to seamlessly resume its business operations during the pandemic.

Among others, KWAP responded to the COVID-19 crisis through the following activities:

- ◆ Established the KWAP Response Team group as a central platform for employees to receive information and submit queries in relation to COVID-19 matters.
- ◆ Established a policy on self-quarantine periods based on the three (3) level of contacts for suspected and/or confirmed COVID-19 cases.
- ◆ Introduced split team arrangements, standard operating procedures and rules and restrictions to ensure continuity of business operations as well as to protect the safety and health of employees.

KWAP implemented SOPs for the new normal comprising rules and protocols for KWAP offices and employees as follows:

- (i) Modifying the design of seating arrangements at workstations, installation of acrylic partitions at selected working areas and changes in the seating layout in meeting rooms, pantries and common areas that complied with the physical distancing of 1 meter;
- (ii) Placement of hand sanitizers around the office area for the convenience of employees;
- (iii) Conducted sanitisation activities twice (2) daily and on a weekly basis;
- (iv) Placement of banner/ posters/ signage at dedicated and common areas to create greater awareness;
- (v) Imposed KWAP's standard operating procedures to cover a range of scenarios:
  - SOP for employees and visitors entering KWAP offices;
  - SOP for employee conduct in KWAP offices when conducting physical and virtual meetings, physical events or programmes and others;
  - SOP for handling employees who develop symptoms and had a close contact with COVID-19 cases; and
  - SOP for the declaration of employees travelling or returning from red zones areas or areas related to COVID-19 clusters; and
- (vi) RMCD and CAD jointly conducted awareness sessions regarding KWAP's New Normal SOPs to all employees on 4 and 6 June 2020.

To further strengthen KWAP's response to the pandemic, we performed a gap analysis on KWAP's pandemic preparedness, response planning and practices and identified the risk and challenges faced by KWAP. In 2020, we have enhanced the Pandemic Plan Guideline in a continuous effort to ensure KWAP is better prepared for crisis.

Moving forward, KWAP is exploring strategies to enhance KWAP's capabilities in adapting to uncertainties that may occur domestically and internationally by improving and upgrading the company's way of working.

**Enterprise Risk Management (ERM)**

The key principles for the management of risk in KWAP are anchored on Enterprise Risk Management (ERM) principles and key components of ERM described in both the ERM Framework and ERM Policy, which supports sound and holistic risk management within KWAP.

Leveraging on the Corporate Risk Profile (CRP) to support and compliment the ERM framework and policies, the CRP has been used as a platform with a consistent approach in identifying, assessing, managing and reporting transversal risks in relation to:



The CRP presents various types of risks with relevant details which include corresponding risk levels and risk outlook over a 3-month horizon for each risk category, tabulated in a risk heatmap and dashboard for easy reference and deliberation.

In addition, to provide context and clear understanding of risk areas, the CRP also delineates risk descriptions as well as mitigation action to address potential risks and threats at both the corporate and operational levels for each of the risk categories highlighted in the reporting.

The CRP is reported and deliberated through monthly Executive Committee (EXCO) meetings, quarterly Risk Committee (RC) and escalated to the Board Integrity and Risk Committee (BIRC) meetings. Timely reporting and deliberation of the CRP are crucial in identifying and assessing KWAP's existing risk management capacities and capabilities. Once the key risks are identified and documented, the key focus is to integrate risk information into existing departmental governance structures, controls and planning, as well as its respective reporting cycles where the key risks can be communicated effectively.

This should methodically address all the risks associated with the activities of the organisation and consequently deliver benefits related to better informed strategic decisions, successful delivery of change as well as increased operational efficiency.

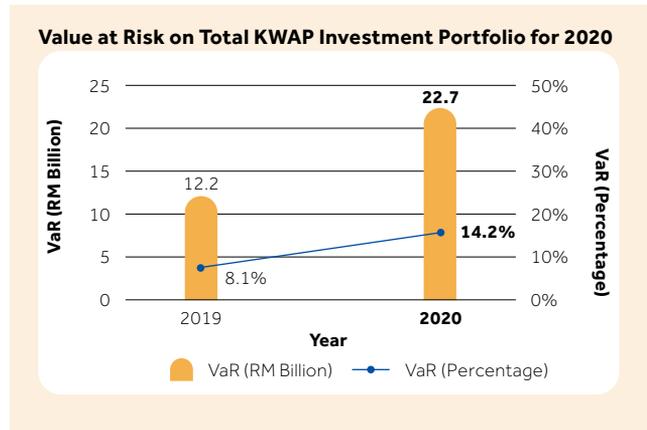
**MARKET RISK MANAGEMENT**

Market risk is the risk of unexpected loss resulting from adverse changes in the value of financial assets arising from movements in market rates or prices. The predominant market risk drivers within KWAP's investments activities are mainly Interest Rate Risk, Equity Price Risk and Foreign Currency Risk.

There are four main asset classes that forms KWAP's investments namely Equity, Fixed Income, Real Estate and Private Equity.

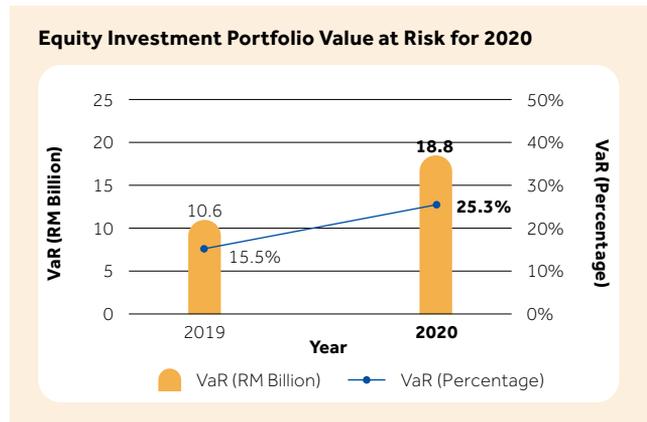
**Value at Risk**

A key market risk measure used in KWAP is Value-at-Risk (VaR). KWAP measures VaR as the worst possible loss that may occur at a 5% probability over a 250-day holding period. KWAP's VaR as at 31 December 2020 was 14.2% of the total investment fund's market value. In other words, for a 1-year period, there is a 95% probability that KWAP will not lose more than 14.2% of the fund's market value due to market risk factors. The spike in VaR was due to the higher risk in model assumption update. Higher volatilities were observed in the financial market, with stock and bond markets severely affected in the wake of the COVID-19 pandemic.



**Equity Risk Exposure**

Equity portfolio represents 47.9% of KWAP's total fund for 2020. KWAP's equity VaR as at 31 December 2020 was at 25.3%, where there was a potential loss of 25.3% of the equity portfolio value over a 1-year period assuming a 95% confidence interval. The spike in VaR was due to the higher risk in model assumption update, with the stock market experiencing high volatility during the COVID-19 pandemic period in 2020.

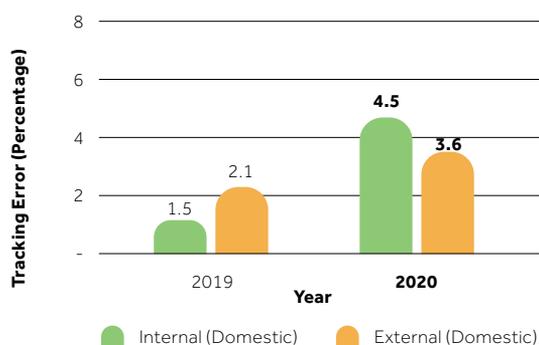


### Tracking Error

Tracking Error (TE) or also known as active risk, measures the deviation of portfolio return relative to the fluctuation of its benchmark return.

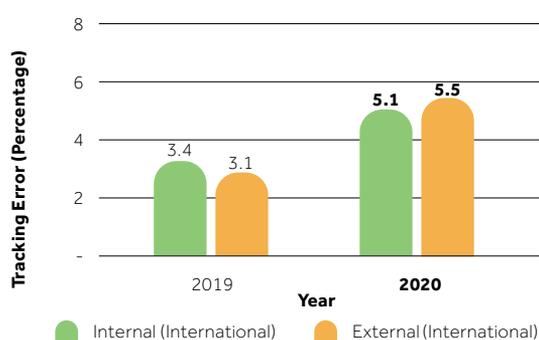
Internally managed domestic equity TE for 2020 was at 4.5%, higher than the 3.6% for externally managed domestic equity as illustrated in the following diagram.

#### Internal and Externally Managed Domestic Equity Investment Portfolio Tracking Error for 2020



KWAP's international equity investment portfolio TE is higher as compared to Domestic Equity as illustrated in the next chart.

#### Internal and External International Equity Investment Portfolio Tracking Error for 2020

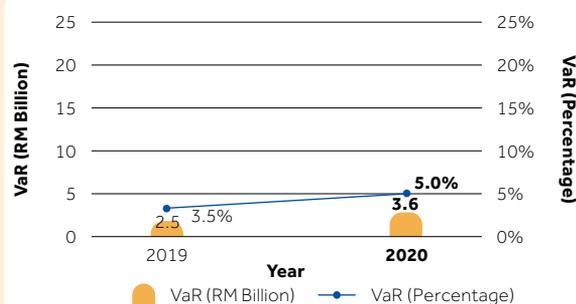


### Fixed Income Risk Exposure

The fixed income investment portfolio which consists of Malaysian Government Securities (MGS), Government Investment Instruments (GII), Corporate Bonds (CB) and Money Market (MM) represents 44.2% of KWAP's total fund size as at 31 December 2020.

KWAP's fixed income VaR as at 31 December 2020 was at 5.0% of the fixed income investment portfolio, with a potential loss of 5.0% of the portfolio value over a one-year period assuming a 95% confidence interval.

#### Fixed Income Investment Portfolio Value at Risk for 2020

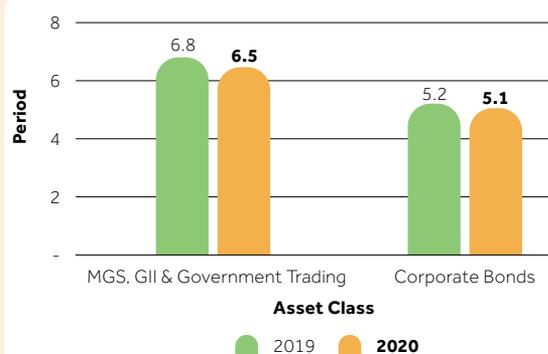


### Modified Duration

Modified duration measures the sensitivity or change in value of a security or portfolio in response to a change in interest rates. It also follows the notion that interest rates and bond prices move in opposite directions. It is a sensitivity analysis used to determine the effect of a 1% change in interest rates on the price of a bond.

The MGS, GII and Government Trading (GVT) portfolio's modified duration as at December 2020 was at 6.5 compared to 6.8 in 2019 while CB's modified duration was reported as 5.1 as compared to last year's duration at 5.2.

#### Modified Duration for MGS, GII and GVT and CB Investment Portfolio



**Hedging and Derivative Products**

A variety of derivative contracts are used to manage market risk exposures on KWAP’s investments especially on currency and interest rate movements. Derivative instruments used to manage these exposures are cross-currency swaps (CCS), interest rate swaps (IRS) and foreign exchange forward contracts (FX Forward). KWAP mainly uses FX Forwards to hedge its currency exposures in international markets to mitigate and offset currency volatility on KWAP’s overseas investments.

**Alternative Investments**

As at 31 December 2020, KWAP’s total exposure in alternative investments stood at 7.8% of KWAP’s total fund. KWAP’s alternative investments consists of real estate as well as private equity (PE) and infrastructure investments.

**Real Estate**

KWAP’s real estate investments are diversified both domestically and internationally. Portfolio construction which relies on diversification of geography and asset types provides for risk diversification and naturally reduces the sum of individual property risk to a lower portfolio risk level. Besides being exposed to movement in real estate prices, management of the rental leases and overhead costs are important in maintaining a sustainable income stream. Risk management activities for the real estate investment portfolio are focused on stringent pre-investment assessment vis-à-vis independent risk review as well as post-investment monitoring vis-à-vis investment risk controls. As at 31 December 2020, KWAP’s total exposure in property stood at 4.4% of KWAP’s total investment fund.

**Private Equity and Infrastructure**

Risk management of PE and infrastructure investments are typically concentrated in the pre-appointment evaluation of its managers and investment strategies. Post appointment risk management activities are focused on operational risk management and monitoring of the investments with potential red flags as well as adherence to investment risk controls.

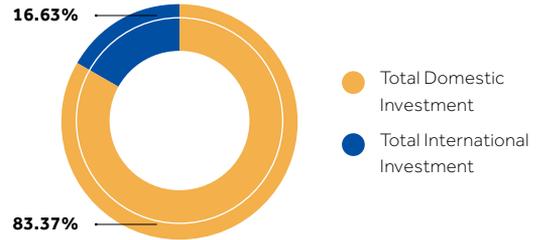
KWAP is constantly developing its knowledge and skills to improve risk management of these markets which have grown and become attractive for investors as opposed to traditional asset classes such as equity and bonds. As at 31 December 2020, KWAP’s total exposure in PE and Infrastructure stood at 3.4% of KWAP’s total fund.

**International Exposure**

**Currency Risk**

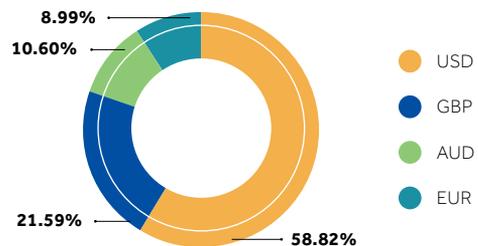
As at 31 December 2020, KWAP’s exposure to international investments was at 16.6% of KWAP’s total investment fund.

**Percentage of KWAP’s Total Exposure in Domestic and International Investment**



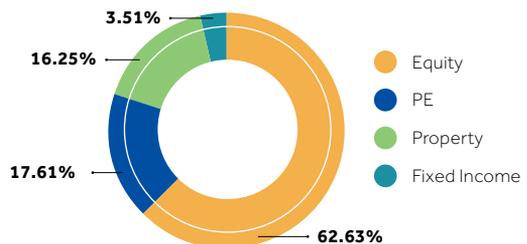
KWAP’s foreign currency exposures through its investments can be categorised into four major currencies namely USD, GBP, AUD and EUR. The currency exposures as at 31 December 2020 are illustrated as follows. KWAP actively manages its currency risk exposures to minimise volatility on Profit and Loss due to currency volatility. KWAP actively hedges the currency risk via various approved hedging products across the multiple asset classes.

**Percentage of KWAP’s Investment by Currency**



The next chart shows the proportion of various asset classes within KWAP’s international investments.

**Percentage of KWAP’s International Investment by Asset Class Type**



## CREDIT RISK MANAGEMENT

Credit risk is defined as the probability that a borrower or counterparty will fail to meet its financial obligations in accordance with agreed terms. As an active player in the domestic fixed income and money markets with participation in both primary and secondary markets, KWAP requires strong credit risk policies. Industry best practices are instilled via continuous updates of credit risk policies and processes.

The purpose of credit risk management is to keep credit risk exposures within an acceptable risk tolerance level and to ensure the returns are commensurate with the risk taken. The Credit Risk Policy and Credit Risk-related Guidelines were introduced to formalise the credit risk function covering credit risk measurement, credit risk assessment and monitoring.

EFFECTIVE CREDIT RISK MANAGEMENT							
PORTFOLIO RISK					CREDIT		
							
<b>Counterparty Risk</b>	<b>Issuer Risk</b>	<b>Concentration Risk</b>	<b>Credit Value-at-Risk</b>	<b>Leverage Risk</b>	<b>Credit Analysis</b>	<b>Internal Rating</b>	<b>Credit Review</b>
Counterparty Risk Limit	Corporate Bond Minimum Rating Limit, Issuer Limit, and Negative Rating Watch	Corporate Bond Portfolio Rating Limit, Loan Portfolio Limit, Single Borrower Limit, Group Investment Exposure, Sector Concentration and Group EFM Concentration	Maximum potential loss	Leverage Limit Repurchase agreement (REPO) Limit	Quantitative analysis and qualitative analysis to determine credit worthiness	Internal credit rating scoring model for corporate bond, loan and unrated counterparty	Evaluation on corporate bond and loan on yearly basis

Credit Research provides credit analysis, internal ratings, and credit reviews for the Fixed Income portfolio.

The Investment Evaluation Committee (INTEC) is responsible for deliberating on all existing and new credit proposals, as well as credit-related issues before tabling to the Investment Committee and the Investment Panel. In addition, the INTEC reviews and approves the internal credit rating scoring for all credit proposals.

To manage KWAP's credit risk exposures, a series of credit risk limits and risk checks (formerly known as Management Action Trigger) have been placed, as illustrated next.

CREDIT RISK CONTROL (LIMITS/CHECKS)					
<b>Financial Institution Risk Limit*</b>	<b>Corporate Bond Minimum Rating Limit</b>	<b>Counterparty Risk Limit*</b>	<b>Repo Limit*</b>	<b>Leverage Limit</b>	<b>Corporate Bond Portfolio Rating Limit*</b>
<b>Credit Value-at-Risk Check</b>	<b>Loan Portfolio Limit</b>	<b>Single Borrower Limit</b>	<b>Group Investment Exposure Limit</b>	<b>Sector Concentration Risk</b>	<b>Group Concentration For External Fund Manager Limit</b>

Note: \*Credit risk limits are marked with an asterisk

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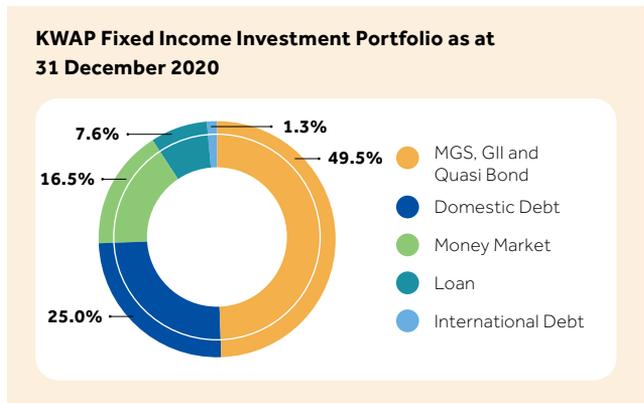
The credit risk limits are approved by KWAP's Board Risk committee, designed either to cap risk exposures within a certain asset class and sub-asset class or to cap risk exposures to a single entity or issuer. Any breach of these limits will be escalated to the senior management.

Risk check on the other hand, are triggers that warrant senior management review and reassessment of the accompanying risk exposures.

KWAP employs Credit Value-at-Risk (Credit VaR) among others as a methodology to quantify credit risk. It is a measure of the maximum potential change in value of a portfolio of financial instruments with a given probability over a pre-set horizon. A credit risk quantification system is used to monitor the overall composition and quality of the credit portfolio by providing adequate information and analytical techniques.

Stress testing is used to complement VaR analysis, as a risk management tool to better understand the risk profile, evaluate business risks and thus allow for appropriate measures to be taken. Stress tests involve identifying possible events or future changes in the financial and economic conditions that could have an unfavourable effect on KWAP's exposure; and assessing KWAP's ability to withstand such changes. Actions are then identified to manage the risks and preserve capital.

In order to enhance visibility and better manage bond portfolio risks, the negative rating watch is closely monitored to prevent potential downgrades and/or default of the bonds.



The diagram displays KWAP's Fixed Income investment exposures, of which 49.5% is in Malaysian Government Securities (MGS), Government Investment Issue (GII) and Quasi Government Bonds, 25.0% in Domestic Debt, 7.60% in Loan and 16.56% in the Money Market. The remaining 1.30% was invested in International Debt.

**COMPLIANCE**

The compliance function in the organisation remains a very important core function in KWAP. Failures of the compliance function in high profile cases in Malaysia and abroad has highlighted the impact, both financial and reputational, of non-compliance. Compliance serves as an independent function that identifies, assesses, advises on, monitors and reports on the compliance risk, that is, the risk of legal or regulatory sanction, financial loss, or loss to reputation that the organisation may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards or good practice.

The main objectives of compliance are to preserve KWAP's reputation so that our competitive standing, reputation and shared values are not only maintained, but also enhanced. To achieve this objective, KWAP's underlying mission is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Compliance Risk within KWAP is defined as the risk of impairment to the organisation's business model, reputation and financial condition from a failure to conform to laws and regulations, internal policies and the expectation of the stakeholders. Providing the foundation to this aspiration is the Compliance Framework which was implemented in 2010; from which the building blocks of the compliance functions are shaped. In managing the roll-out of Compliance Framework, Compliance also adopts the Three Lines of Defense Model in managing the compliance risk in KWAP.

**SCOPE OF COMPLIANCE**

**Regulatory Compliance**

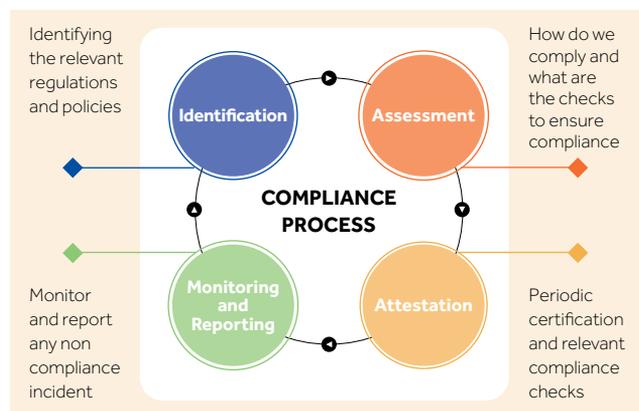
This covers the external regulations and guidelines which KWAP is bound to comply with such as the relevant Act of Parliament, Minister of Finance's Decree and relevant guidelines by regulatory bodies such as Bank Negara Malaysia, Securities Commission and Bursa Malaysia. The ownership of the regulatory compliance is with the relevant operating unit at transactional or operating level, where any potential breaches shall be identified upfront before the event. A proactive approach has been adopted as non-compliance to the regulatory compliance is not an option

**Internal Compliance**

This covers the compliance with internal policies and guidelines, for example, Investment Policy and Investment Guidelines, Discretionary Authority Limits and Standard Operating Procedures. RMCD approach in ensuring internal compliance is sustained through the risk limit control in the investment system while operational process controls are embedded in the Standard Operating Procedures.

## COMPLIANCE PROCESS

Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements as well as KWAP's policies and procedures. The following diagram illustrates the compliance process and general approach taken in managing the compliance risk.



## VALUE OF COMPLIANCE

As business models change, new technologies emerge, and new investment asset classes increase amidst the intense focus on operational efficiencies, KWAP has never been more exposed to such a myriad of risks. In this regard, KWAP's Board and Senior Management have extended their full support and cooperation in moving compliance to the front-lines. They have done this by establishing the tone from the top, which is quite simply, to comply with all rules and regulations and employ ethical behavior. All employees are aware that the Board and Senior Management must take an uncompromising stance if this trust is breached. The compliance unit is increasingly becoming a point-of-reference and advisor for key strategic initiatives that KWAP embarks on.

The compliance culture has also been expanded to our EFM's. Our EFM's are required to declare on an annual basis that all KWAP's investment guidelines are captured in their investment systems. This is to ensure that the EFM's are always adhering to the guidelines imposed on them.

## CHINESE WALL POLICY

KWAP has implemented the Chinese Wall Policy since 2014. KWAP's Chinese Wall Policy was introduced to establish procedures to control the flow of material non-public and price sensitive information within KWAP to minimise the risk of insider trading and potential breach of laws and regulation. It also helps to ensure that the possession of material non-public and price sensitive information does not give rise to the risk or perceived risk of a conflict between the public interest, KWAP interest and the employee's personal interest.

## AUTOMATED SELF-COMPLIANCE CHECKLIST

KWAP has also implemented automated self-compliance where all attestation processes are now being automated via a system called QRADAR Compliance. The attestation exercise is paperless and increases efficiency. The self-compliance checklist will be filled in by the respective departments' compliance liaison officers and signed off by their Head of Department via the system. The attestation exercise has been rolled out on a biannual basis to all investment-related departments and annually to other departments including Pension Services Department. This exercise had also been expanded to cover KWAP's subsidiaries.

## COMPLIANCE SPOT CHECK EXERCISE

KWAP has embarked on an initiative called Compliance Spot Check, where periodic spot check exercises are conducted on departments within KWAP. The purpose of this exercise is to ensure the veracity of the self-compliance checklists declared and submitted by the respective departments via QRADAR Compliance. This exercise is conducted through performing sample tests on the requirements stipulated in the self-compliance checklist.

## Operational Risk Management (ORM)

Operational risk is the potential loss resulting from inadequate or failed internal processes, people, systems or from external events. It includes but is not limited to fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. It also includes reputational risk associated with KWAP's business operations or conduct.

In order to accommodate the complex operations in today's business, KWAP utilises Operational Risk Event (ORE) reporting to effectively respond to and manage operational losses arising from actual events. If implemented effectively, the positive outcomes of ORE will not only produce better responses to risk events but also better management of risks.

In 2020, there were no risk events with damaging impact on KWAP's operation as most of the OREs were successfully rectified in a timely manner. The reported OREs were mainly under the following categories of risk events:

- ◆ Business practices
- ◆ Business disruption and system failures
- ◆ Execution, delivery and process management

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Proactive measures that were taken to address the reported OREs included:

- ◆ RMCD facilitated discussions with other parties to mitigate the risk and avoid recurrence of incidents
- ◆ RMCD and first line of defense performed root cause analysis and validation on the key process on the risk events to enhance risk controls and to ensure clearly defined roles and responsibilities of parties involved
- ◆ RMCD presented the OREs reported at EXCO, RC and BIRC meetings to ensure all issues were properly addressed
- ◆ RMCD tracked and monitored outstanding OREs with respective parties to ensure mitigation actions are in place to minimise recurrence of the incident

The next diagram displays the number of OREs throughout 2020:



**FRAUD RISK MANAGEMENT PROGRAMME**

The Fraud Risk Management Programme was developed by RMCD to demonstrate the expectations of the Board and Senior Management; and their commitment to high integrity and ethical values regarding managing fraud and corruption risk effectively.

The Fraud Risk Management Programme for KWAP comprises policy and guidelines, training and awareness and departmental fraud risk assessment. Pursuant to the establishment of the Integrity and Governance Office (IGO) in 2019, Corruption Risk Management (CRM) is embedded into the risk management framework. As a result, RMCD and IGO have collaboratively pursued the thematic risk assessment for all departments and subsidiaries in KWAP.

**In 2020, the fraud and corruption risk assessment workshop was conducted during the Corruption Risk Management (CRM) Assessment Workshop organised by the Integrity and Governance Office (IGO) and assisted by a consultant from Institut Integriti Malaysia (IIM). Subsequently, RMCD together with IGO continued to instil awareness regarding fraud and corruption risk during the challenge sessions with all departments.**

- Moving forward, KWAP will continue to:
- ◆ **Strengthen fraud risk governance framework in KWAP by periodically reviewing fraud risk management policy and guidelines.**
  - ◆ **Conduct continuous training and awareness to inculcate a strong anti-fraud and anti-corruption culture within KWAP.**
  - ◆ **Actively address KWAP's vulnerabilities to internal and external fraud and corruption risk through periodic fraud and corruption risk assessment for all departments and subsidiaries.**

## Business Continuity Management (BCM)

BCM has always been essential to KWAP in responding to the internal or external threats to the organisation. In 2020, in line with its business expansion, KWAP has conducted several BCM exercises and programmes:

- ◆ Non-live BCM Exercise involving critical systems and business functions in a non-live environment.
- ◆ Call Tree Exercise.
- ◆ Mobilisation of KWAP personnel to alternate sites to perform system recovery and critical business functions.
- ◆ Migration of BCM Documentation namely Risk Assessment (RA), Business Impact Analysis (BIA) and Business Continuity Plan (BCP) from manual processes to the system automation.
- ◆ Implementation of split team arrangement due to COVID-19 situation.

The objectives of BCM exercises and programmes were to:

- ◆ Simulate the real scenario of BCM activation for KWAP personnel;
- ◆ Readiness of departmental Business Continuity Plan (BCP) in responding to any BCM activation
- ◆ Ensure departmental Business Impact Analysis (BIA) is relevant and up-to-date;
- ◆ Ensure system recovery strategy is aligned with KWAP's operations;
- ◆ Readiness of all systems at alternate sites (KWAP-Integra Tower to KWAP-Cyberjaya office and vice-versa);
- ◆ Ensure basic infrastructure e.g. IT hardware/software, devices function properly at the alternate site
- ◆ Verify system capabilities based on accessibility and functionality
- ◆ Ensure employees' telephone numbers are correct and updated
- ◆ Measure the ability to resume business operations within the stipulated timeframe based on criticality of business functions

**BCM exercises were successfully conducted throughout 2020 which not only tested the continuity of KWAP operations through a crisis scenario, but also successfully identified weaknesses and gaps which we created workarounds and long-term strategies to overcome.**

<b>STATEMENT ON INTERNAL AUDIT</b>	Messages from Our Leaders	About KWAP	Stakeholder Management	<b>Corporate Governance</b>	Economic and Strategic Review	Financial Statements
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**OVERVIEW**

The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve KWAP's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps KWAP accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**INDEPENDENCE AND OBJECTIVITY**

The Head of Internal Audit reports functionally to the Board Audit Committee and administratively (i.e., day to day operations) to the Chief Executive Officer. The current reporting arrangement for Internal Audit allows the Internal Audit activity to fulfil its responsibilities and does not interfere with the Head of Internal Audit's responsibility to the Board Audit Committee.

The independent status of Internal Audit has not been challenged during the past year. There have been no restrictions to Internal Audit's scope of work, resources, and access during the past year. The Head of Internal Audit is aware that should major restrictions on the scope of Internal Audit activities occur, this would be reported to the Board Audit Committee.

**SCOPE OF WORK**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for KWAP.

The Internal Audit Department's secondary scope of work encompasses the following:

- Carrying out special investigations.
- Participating as an observer in selected project committees set up to develop or implement new systems or processes. Such participation is limited to providing advice on control matters and does not preclude the Internal Audit from auditing the systems or processes.

Internal Audit continues to adopt a risk-based audit plan approach, prioritising internal audit activities according to the audit risk level. In 2020, a total of 11 reports were presented to the Board Audit Committee. The status of outstanding audit issues are reported to the Management on a monthly basis and to the Board Audit Committee on a quarterly basis. The Internal Audit Department continues to monitor the implementation of action plans as agreed by the Management.

**INTERNAL AUDIT RESOURCES AND CONTINUOUS COMPETENCY DEVELOPMENT**

The Board Audit Committee reviews the department's human resource requirements to ensure the department is adequately equipped with competent internal auditors. There are 10 internal auditors as of 31 December 2020. Internal auditors are provided with continuous learning and professional development where a total of 106 training days had been completed in 2020 inclusive of leadership and functional skills training.

**2020 INITIATIVES**

Internal Audit's notable achievements for 2020 included the issuance of Investigation Guidelines and Consulting Services Guidelines. The guidelines provide Internal Audit with a detailed internal audit process to enhance the effectiveness of the investigation work and a clear guide on Internal Audit's involvement in projects or other consulting related activities while maintaining its independence and objectivity respectively. Internal Audit also mapped available fields in five (5) systems to ease audit analytics in identifying available data for analysis.

## INTEGRITY AND GOVERNANCE

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## INTEGRITY AND GOVERNANCE OFFICE

**Integrity, being one of KWAP's core values, is manifested through our zero tolerance to corruption and firm commitment to upholding transparency and good governance in our service as well as the conduct of our business and operations. This commitment has manifested itself in the form of various integrity and anti-corruption initiatives and measures undertaken by KWAP in 2020.**



## WHISTLEBLOWING

As an important mechanism in combating corruption, whistleblowing in KWAP has been enhanced through the revised Whistleblowing Policy and the launch of five (5) whistleblowing channels which allow employees and the public to lodge reports on any improper conduct, which includes corrupt act committed or about to be committed against KWAP. The information on whistleblowing and its channels has been continuously communicated internally and has also been made available on the corporate website.

ANTI-BRIBERY  
AND CORRUPTION  
POLICIES

The Board in 2020 had approved the new Conflict of Interest Policy for KWAP and the revised No Gift Policy and Whistleblowing Policy as part of the initiatives to strengthen KWAP's good governance and internal controls. Several other related policies, procedures and guidelines were also reviewed and drafted.

CORRUPTION RISK  
MANAGEMENT  
AND ACTION PLAN

A Corruption Risk Management (CRM) exercise was undertaken in the first quarter of the year for KWAP to identify potential corruption risk areas within its business and operations. Besides being used to establish departmental fraud/corruption risk profiles, the output from CRM also served as one of the sources of information for the development KWAP Organisational Anti-Corruption Plan 2021 – 2025 (KWAP OACP) which commenced in the third quarter and was completed in December 2020. KWAP OACP is a 5-year action plan which has a total of 57 initiatives to be implemented to address the organisation's identified corruption risks.

ANTI-BRIBERY  
MANAGEMENT  
SYSTEM

KWAP has begun its preparations to comply with the requirements of global standard anti-corruption measures under ISO 37001:2016 Anti-Bribery Management System (ABMS). Experts in ABMS were engaged to guide KWAP in putting necessary measures as per the system's standard which included review and drafting of relevant anti-bribery and corruption policies, procedures, guidelines, etc. An assessment conducted at the end of the engagement indicated KWAP's readiness for ABMS certification.

CORPORATE  
INTEGRITY  
PLEDGE

In conjunction with the International Anti-Corruption Day 2020, an event was held on 10 December 2020 for the signing of the Corporate Integrity Pledge (CIP), which was witnessed by Chief Commissioner of Malaysian Anti-Corruption Commission, YBhg. Datuk Seri Azam bin Baki. CIP is an initiative that requires organisations in Malaysia to adhere and uphold the established anti-corruption principles to ensure corrupt-free business environment. Thus, KWAP is committed to ensure that all required CIP initiatives would be implemented within the programme's two-year period.

INTEGRITY AND  
GOVERNANCE  
AWARENESS

KWAP's anti-corruption stance and initiatives are communicated via various platforms and activities to increase awareness on the adverse impact of corruption and inculcate integrity culture among the employees. In 2020, such information was consistently conveyed through the top management's messages, monthly integrity e-bulletin, integrity and anti-corruption talks, celebration of national and international integrity/anti-corruption days, and notification on KWAP's new anti-bribery and corruption policies. Similar information for the public's consumption was also published on our website, social media and in KWAP's corporate publication.

**Over the decade, we have become adept in striking the right balance between seeking attractive yields and maintaining prudence to ensure optimum returns on investment in the long term.**

## **ECONOMIC AND STRATEGIC REVIEW**

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05

**2020 would be remembered as having seen one of the worst year of economic performance in recorded history due to the COVID-19 pandemic. As such, the fiscal response to the pandemic was much larger than anyone had anticipated as governments rushed to compensate the loss of revenues and wages of businesses and workers affected by quarantines and lockdowns. The virus outbreak also put financial markets under tremendous pressure and central bank interventions were necessary to support asset prices.**

The United States, in tandem with most countries, endured a painful year as the economy was upended by the outbreak with many industries such as airlines, restaurants and entertainment venues facing prolonged lockdowns. As many of these industries are labour intensive, the lockdowns impacted consumer spending, which accounts for about two thirds of the US' Gross Domestic Product (GDP). In addition, the US presidential election exacerbated the uncertainty facing an already ailing economy. Nonetheless, the Federal Reserve's aggressive policy response, reminiscent of its moves in 2009, succeeded in stabilising markets.

Beyond the US, regional lockdowns aimed at curbing the escalating pandemic caused a broad-based slide in European economic activities. Consequently, the European economy was similarly in need of fiscal and monetary support measures to support domestic demand and protect jobs. However, repeated waves of COVID-19 infections meant an uneven recovery across the region, further deepening the divergence in growth. Meanwhile, the United Kingdom (UK) finally exited the European Union and its efforts to expand trade with the rest of the world faced added challenges in view of the worldwide recession.

Having gone into lockdown first, China was the first major economy to emerge out of recession and register a rebound in industrial production and exports. Unlike in the 2008 global crisis, policymakers were more conservative on the use of monetary and fiscal tools as the primary focus was financial stability over the long-term rather than short-term growth. In a nutshell, China emerged from the pandemic relatively stronger than its larger economic rivals in terms of fiscal position due to its restrained policy response. Other neighbouring economies, which are providers of resources or inputs in the regional supply chain, faced shrinking global demand and were for the first time since 2008 forced to abandon fiscal rectitude.

Malaysia was not spared from the economic impact of the pandemic and GDP declined 5.6% in 2020, its worst performance since the Asian Financial Crisis. This reflected the implementation of the Movement Control Order (MCO) in an effort to curb the spread of the virus. As with other countries, Malaysia deployed fiscal tools to sustain the economy, including several stimulus packages comprising measures to safeguard the livelihood of the rakyat and protect the labour market, as well as to support businesses. Meanwhile, Bank Negara Malaysia (BNM) lowered the overnight policy rate by a cumulative 125 basis points (bps) in 2020 from 3.00% to 1.75%, in addition to lowering the statutory reserve requirement ratio (SRR) by 100 bps to 2.00% and providing flexibility for banking institutions to utilise MGS and GII holdings to meet SRR criteria.

Nevertheless, the government remains committed to fiscal consolidation based on the Medium-Term Fiscal Framework. Meanwhile, the gradual recovery in commodity prices is expected to contribute to fiscal revenue, while also providing support to the currency.

As the vaccine rollout progresses, this should boost economic growth in tandem with recovery in external trade and domestic demand. As such, we are confident that ongoing efforts to contain the pandemic and gradual reopening of the economy while remaining cognisant of infection risks will continue to be supportive of the recovery.

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## MARKET REVIEW AND OUTLOOK

### 2020 EQUITY MARKET REVIEW

#### Equity Market Review

2020 is a year that will long be remembered in history books for its unprecedented nature. The year ended much like it began, with stocks in a bull market notching all-time highs. This might have been unsurprising if it was not for the fact that the world was in the midst of its worst global pandemic in a century which had paralysed economies worldwide. In order to fight the transmission of COVID-19 and reduce the risk of overloading public health infrastructures, countries all over the world imposed lockdown measures with only essential sectors allowed to operate. It is estimated that at one point, half the global population were placed under stay-at-home orders by their governments. As a result, international organisations slashed their global economic growth outlooks for 2020 with the International Monetary Fund (IMF) expecting the global economy to contract by 3.0% in 2020 against an expansion of 3.3% forecasted in January 2020.

A selloff in March ensued and at its lows, global equities represented by the MSCI World Index declined by 33.9% from their previous highs, with investors fleeing to safe haven assets at the expense of risky equities. Commodities were also not spared from the fallout, with oil hitting its lowest levels since 2001 on the back of a price war between Russia and Saudi Arabia exacerbating the lower global demand as a result of economic activity coming to a standstill.

Nonetheless, the downward movement was short lived, as despite the panic, financial markets began to recover quickly. Markets around the world were supported by decisive actions from their governments and central banks which boosted their respective economies through unprecedented fiscal and monetary policy support. According to the IMF, authorities pledged to shell out approximately USD19.5 trillion since the coronavirus crisis erupted, essentially propping up the world's economy until a recovery could take place.

The pandemic and its resultant lockdowns also caused far-reaching consequences in the way society behaved. Some key trends that were already in motion were accelerated such as the shift to digital while new, sticky behaviour that is expected to last beyond the pandemic emerged, including raised awareness on the importance of personal hygiene. The major beneficiaries of this 'new normal' included sectors such as technology, communication

services and health-related companies, while cyclical sectors dependent on economic activity such as energy, banks and consumer discretionary underperformed throughout 2020. Later in the year, equity market performance was driven by the positive vaccine news flows, as optimism on the availability of a working vaccine by the end of the year grew. The first of these vaccines authorised for use was the Pfizer and BioNtech vaccine which was shown to be more than 90% effective in preventing COVID-19. As a result, global equities ended the year on a positive note as investors looked towards the economic recovery and return to relative normalcy heralded by the roll-out of these vaccines.

**Global Equity Indices Performance in 2020**

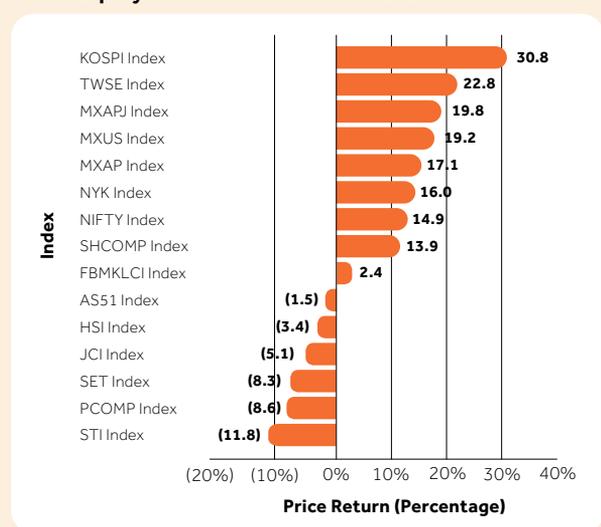


Exhibit 1: Global Equity Indices Performance for 2020

#### 2020 Research Performance

Despite the uncertain economic and business environment in 2020, we managed to end the year on a positive note with our portfolios mostly outperforming the benchmark. We began the year expecting softer global economic growth in 2020, as we were squarely focused on a potential slowdown in global trade due to the possible escalation of tensions between the US and China. We were also wary of heightened levels of geopolitical risks between the UK and European Union amidst the Brexit negotiations in addition to the downside risks posed by the 2020 US Presidential Election to global financial markets. Domestically, we were wary of market volatility created by the overhang of political uncertainties

Meanwhile, COVID-19, the theme that actually ended up dominating the world in 2020, was largely a marginal event that investors were monitoring at the time as the virus had just emerged from Wuhan in late December 2019. Due to the gamut of uncertainties facing the market at the time, we preferred defensive investments, advocating investments in high dividend-paying corporates that had strong balance sheets and preferably with a net cash position to ensure sustainability of dividends. Companies with net cash positions also offered the added benefit of having the flexibility to better navigate any uncertainties within their business or operating environment. We also advocated for companies with less reliance on exports, to hedge against any potential slowdown in global trade and recommended investments in Developed Markets rather than Emerging Markets which we believe to be more resilient in times of uncertainty.

As the virus began to spread to the rest of the world, global supply chains and business conditions were upended as governments imposed lockdowns globally. Investment opportunities were quickly identified and pandemic beneficiaries such as Healthcare, Technology and Consumer Staples were preferred while affected sectors such as Industrials, Travel and Leisure and Retail names were avoided. Our preference for defensive names at the beginning of the year also proved to be far-sighted as companies with resilient business models and strong balance sheets managed to weather the uncertain environment much better. Moving into the second half the year, our attention began to shift to an expectation of a return to normalcy as economic data gradually improved from their second quarter lows. Consumer spending and business activity was expected to return post-lockdown, albeit still below pre-pandemic levels. We also anticipated fiscal packages to focus more on spending that restarted the economy as opposed to the social protection measures implemented in the second quarter. High liquidity within the economy and financial markets were expected to remain supportive of financial assets. Leveraging on these expected themes in the second half of the year, we recommended investments in Consumer Discretionary names benefiting from pent-up spending, Construction and Industrials from higher infrastructure spending as well as large cap and quality names benefitting from high liquidity within financial markets.

On the whole, our calls were translated into solid model portfolio performances with almost all of them ending the year better than their respective benchmarks. The performances for each of our model portfolio is shown in the exhibit below:

Model Portfolio	Benchmark	Model Portfolio Return (%)	Benchmark Return (%)	Excess Return (%)
Malaysia	KLCI	7.4	4.8	2.6
Asia Pacific	MXAP	14.4	15.2	-0.8
US	MXUS	27.0	17.0	10.0
UK	FTSE100	5.2	-13.4	18.5
EU	MXEU	2.6	-3.5	6.1

Some of our best international calls of the year were on names such as Adyen, Midea Group, Sany Heavy Industry, Shin Etsu Chemical and Ocado Group which gained between 62.3% – 114.6% within our model portfolio. Meanwhile, our best domestic calls were on names such as Telekom Malaysia, Petronas Chemicals and Inari Amertron which gained between 33.3% - 46.8%.

Despite the challenging circumstances, our performance for 2020 was supported by a healthy level of engagement with our investee and potential investee companies, as we adapted to new norms like virtual meetings, briefings and conferences. In total, we attended 1,556 company meetings and briefings, and 106 Annual/Extraordinary General Meeting for the year as part of our commitment to providing sustainable returns to our stakeholders.

### Equity Markets in 2021

2021 is set to be the year of the vaccine and global recovery. A long and lasting return to normal will likely be possible with the introduction of vaccines that provide entire populations with immunity against the virus. Currently, there are already several working vaccines already authorised for use. Many countries have implemented phased distribution plans that prioritise those at highest risk of complications, such as the elderly, and those at high risk of exposure and transmission, such as healthcare workers. The expectations of a return to full normalcy will be welcome news to the more cyclical and discretionary segments of the markets, which bore the worst of the pandemic sell-off. Despite this, a cautious approach to stock selection is advocated given that the pace of recovery will differ by regions and countries, as about half of the vaccine doses have been purchased by high-income countries.

Enormous fiscal spending and loose monetary policy has now also led to the spectre of higher inflation. As the global economy recovery accelerates and commodity prices continue to surge, the possibility of rising inflation could cause central banks to dial back their liquidity injections. This could be a potential headwind for markets, as the belief

MARKET REVIEW AND OUTLOOK

that both interest rates and inflation would stay low for longer has fed investors' recent enthusiasm in pushing markets higher. Nevertheless, we expect the wave of liquidity provided by global central banks to continue for the foreseeable future, which is supportive for financial markets, even if its effects on the broader economy remain uncertain.

Narrowing into the local bourse, we believe volatility arising from political uncertainties will persist. The government declared a state of Emergency in January, which afforded a respite to the political confrontations in the short-term and is crucial for the economy to find its footing. In the medium-term, as the threat from the pandemic is controlled through the vaccination programme, the looming possibility of a general election becomes greater and is likely to be another source of uncertainty for the market. Against this backdrop, we opt to focus on fundamentals and adopt the view that heightened volatility may provide opportunities to buy into good stocks with structural growth trends for long term outperformance. Our investment preferences are companies with resilient business models, healthy financial positions, good corporate governance practices and agile management teams. Companies with sustainable dividend yields are also preferred for long-term returns. While market conditions remain ripe for short-term trades, we advocate an investment strategy that has both a tactical angle and a focus on long-running trends. All in, pockets of sustainable opportunities remain available for investors and stock picking is key.

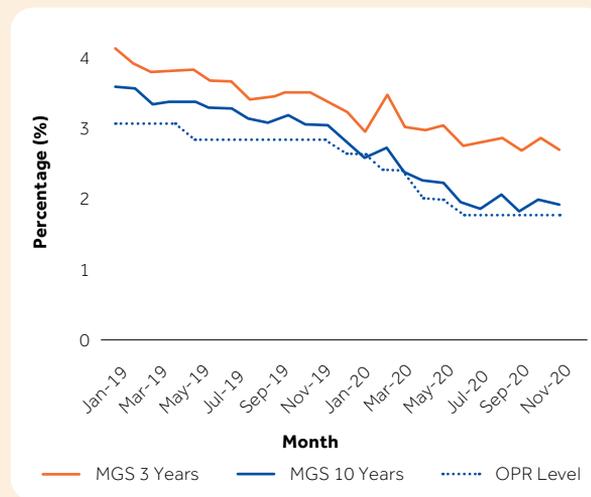
2020 BOND MARKET REVIEW

Domestic Corporate Bond Market Review

Global bond yields continue to fall in 2020 as markets remain firmly in risk-off mode, with central banks around the world taking aggressive actions to ensure financial stability and cushion the effects of the COVID-19 pandemic on the global economy.

The COVID-19 pandemic brought unprecedented challenges across all sectors globally and continues to cripple economic activities moving into 2021. In Malaysia, Bank Negara Malaysia (BNM) embarked on an aggressive rate cutting cycle in 2020 relative to 2019. BNM slashed the overnight policy rate (OPR) by 125 basis points in 2020 to 1.75%, which placed the OPR at a record low since the interest rate framework was first established. This was also lower than the OPR of 2.00% observed in 2009 during the Global Financial Crisis, premised on the persistent downside risk to the global outlook coupled with economic activity in Malaysia contracting sharply due to pandemic containment measures.

**With the rate-cut cycle potentially at its tail end, there could be upward pressure on MGS and corporate bond yields in 2021 amid renewed optimism for global growth and inflation**



Source: Bond Pricing Agency Malaysia (BPAM), Bank Negara Malaysia's Official Website

In Malaysia, the returns of bonds and sukuk continue to outperform stocks, with the Refinitiv (RF) BPAM All Bond Index recording a 6.86% return in the year 2020. The BPAM Ringgit 7Y Over All Unrated Bond Index and BPAM Corporates 7Y Over All Unrated Bond Index were the top performing bond indexes at 10.91% as the long-end of the yield curve outperformed the short-end amid falling interest rates. Foreign investors were net buyers of govies (MGS + GII), with a total inflow of RM17.1 billion as at end-December 2020 (end-December 2019: RM22.9 billion), with the proportion of total debt securities being held by foreign investors as at end-December 2020 amounting to 14.1% (end-December 2019: 14.0%). Favourable external risk sentiment, vaccine optimism and attractive yields of Ringgit-denominated bonds relative to developed markets supported foreign inflows for local bond market.

Corporate bond gross issuances in Malaysia for the year of 2020 amounted to RM104.6 billion, marking the fourth consecutive year of gross issuances being above the RM100 billion mark. Actual gross issuances were above our initial expectations of between RM90 billion to RM100 billion as there were heavy issuances contributed by quasi-governmental entities which made up the largest chunks (41%) of total gross issuances in 2020, followed by issuers within the AA-rated spectrum (26%) and unrated issuers (15%).

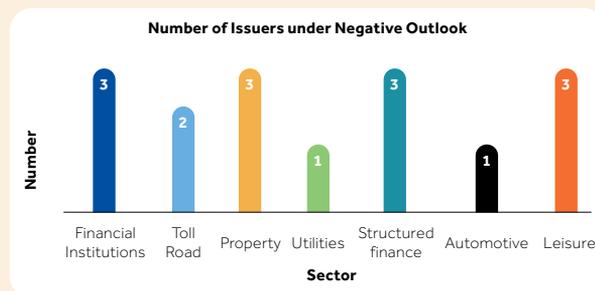
### Domestic Credit Quality

Despite a challenging year, the credit markets remained healthy and resilient as most corporates entered the pandemic with strong balance sheets which enabled them to withstand the shocks caused by the pandemic. Strong demand for corporate bonds, especially from domestic investors, was partly driven by investors reallocating into safer assets and shifting away from risky assets i.e. equities amid the uncertain global economic outlook. Furthermore, investors had elevated credit exposure to maximise portfolio yields as relatively low bond yields in the short run made it challenging to generate income. To provide KWAP with a wide range of optimal investment opportunities at any point in time, four bond issuers have been included into KWAP Domestic Bond Universe in 2020 alone, bringing the total number of bond issuers in the KWAP Domestic Bond Universe to 16 between 2019 and 2020.

There was one default in 2020 which marks the first default in the market since 2017. The defaulted issuer during the year was an oil & gas player which struggled to recover from the fall in crude oil prices and continuously recorded losses leading up to the default. Thus, we opine that the default was predominantly due to issuer-specific factors with the impact being relatively muted in the market given the significantly low number of oil & gas issuers in the bond market (representing approximately less than 5% of total bonds outstanding).

Although default risk remains benign, the pandemic did highlight several vulnerabilities as negative credit migration outweighed positive credit migration in 2020 which was represented by the large number of issuers being placed under Negative outlooks and reversion into a Stable outlook from Positive outlook by external rating agencies. There were, in totality, 16 issuers that were placed under Negative Outlook as at end-December 2020, with 13 out of 16 issuers being directly and indirectly impacted by the pandemic.

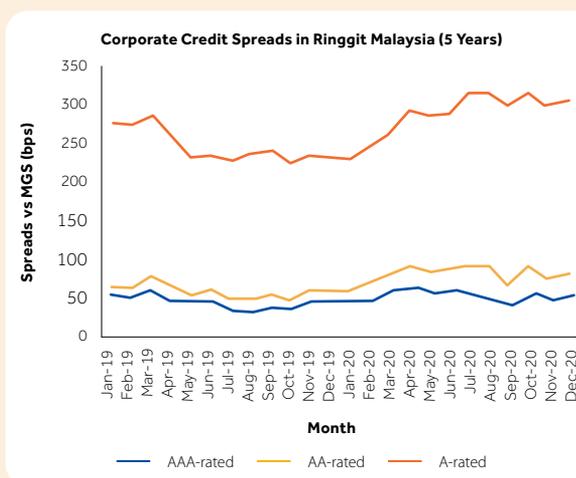
The magnitude of the impact caused by the pandemic is uneven across all sectors, with the full impact to some sectors remaining unclear. This offers both risks and opportunities for investors to find value by balancing quality and liquidity



Source: RAM Ratings, MARC

In tandem with the rise in issuers being placed under Negative outlook, spreads widened substantially from February onwards during the peak of the pandemic, but progressively tightened from August onwards, with higher-rated issuers (AA-rated and above) finishing the year near pre-pandemic levels.

Credit risk for higher-rated issuers proven to be resilient during the pandemic and expensive, potentially diverting the search by investors for value in lower or A-rated issuers provided a judicious approach is taken into consideration



Source: BPAM, KWAP

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**Domestic Credit Markets in 2021**

Domestic credit markets are expected to remain robust and stable in 2021 premised on an expected improvement in global growth and company fundamentals, with the central bank expected to remain supportive despite lingering fears of rising inflation. As the country steps up its vaccination efforts which signals a positive outlook to the overall broad economy, we expect yields to normalise towards pre-pandemic levels. This would be positive for corporate bonds or the overall credit markets as investors continue to search for income and pockets of attractive valuation, especially in the context of traditional fixed income markets no longer providing adequate income to investors and sufficient protection from a bout of rising inflation. In terms of credit spreads, we opine that there is further room for spreads to tighten against the backdrop of economic recovery, particularly for A-rated issuers as spreads remained above pre-pandemic level.

The pandemic has led to a structural shift across most industries, with corporates that are slow in adapting to the 'new normalcy' bound to lag behind among peers or fail indefinitely. We opine that the dynamic environment and uneven recovery

across sectors offer compelling investment opportunities when combined with a thorough and prudent security selection process. This highlights the importance of having a prudent investment screening mechanism, whereby internally, our relatively strict investment screening mechanisms resulted in only three bond issuers that have successfully passed the screening criteria in 2020 out of a total of 18 bond issuers. We are constantly reviewing the investment screening mechanisms to continuously improve and identify any potential loopholes, with the overall objective of safeguarding KWAP investments.

While we do not discount the possibility of further negative pressure on credit migration for issuers within the automotive, aviation, banking, and property sector, we see potential for good returns in several corporate bond issuers within these sectors amid growth normalisation by emphasising a long-term approach while being tactical to exploit any volatility in spreads or interest rates. We wish to highlight that these sectors are also the sectors that were most affected by the pandemic and thus more exposed to growth in the event the roll-out of vaccines goes well, though investors would need to carefully differentiate between real value and a value trap.

**We observed that the pandemic has significantly accelerated the adoption of technology and 'reset' the operating costs of most corporates. Several banks that have shown significant improvement in its cost-to-income ratio and corporates which have slashed operating expenses while maintaining a satisfactory level of top-line revenue. Albeit the negativity surrounding the pandemic, we are of the view that, moving forward, the pandemic allows the opportunity for business owners and management teams to be more flexible with its business models or cost base, reassess capital spending and reshape its strategy towards a more sustainable business post-pandemic. This highlights the importance of analysing an issuer under the ESG principles, which would be at the forefront of investment strategies of most investors over the next decade.**

## INTRODUCTION

**In the fiscal year of 2020, KWAP's investment efforts to maintain a resilient Fund and preserve value against a backdrop of economic crisis amid the COVID-19 pandemic has been effective, as the Fund registered total realized income of RM6.81 billion and a solid 6.04% return in public investments based on time-weighted rate of return (TWRR). While these are strong results, our focus remains on contributing to the long-term sustainability of the Fund. In line with this objective, the Fund continues to deliver consistent returns on a rolling 3-year and 5-year basis of 3.78% and 5.01%, respectively.**



The Fund's investment portfolio is constructed based on a diversified range of assets with the aim of optimising returns while adhering to the risk limits reflected in our Strategic Asset Allocation (SAA). Over the years, the SAA has evolved considerably and has helped KWAP to enhance its portfolio diversification strategy. The SAA is continuously evaluated to consider the current economic environment and projected movements in financial markets.

Since KWAP's incorporation in 2007, the Fund's total asset under management have grown from RM41.92 billion to RM153.82 billion as of 31 December 2020. While the Fund's international investments have grown steadily over the years, the bulk (83.36%) of its assets remains in Malaysia.

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### INVESTMENT STRATEGY

**In line with these objectives and amid the changing landscape of the global economy, KWAP has reviewed its Strategic Asset Allocation (SAA) in 2020 under the oversight of the Board and the Investment Panel with the goal of enhancing its overarching Investment strategy based on the Fund’s total Risk Appetite and long-term investment horizon. Additionally, the element of liability awareness is embedded in the Fund’s investment objectives in guiding its approach to investment decisions. This would strengthen its foundation and further enforce KWAP’s position as a long-term investment manager of Malaysia’s civil servant pension fund.**

At the same time, KWAP may also make tactical calls to take advantage of sudden market movements and opportunities that may arise over the short-term period. Closing the year, KWAP maintained an overweight stance on equities while underweighting fixed income, premised on a gradual post-lockdown normalization of economic activity, continued strong policy support, and subsiding geopolitical risks. This position has enabled KWAP to outperform the annual benchmark by 63bps. Over the medium to long-term periods of rolling 3 and 5 years, KWAP outperformed the benchmarks by 212 and 122 bps respectively.

While the pandemic has resulted in the world facing a severe economic recession, we believe that our investment strategy and systematic approach towards capital allocation will maintain the appropriate balance between risk and return, while capturing future upside as the global economy recovers.

### ASSET CLASS STRATEGY

At the asset class level, equities saw significant returns in 2020, particularly from investments abroad underpinned by efforts to diversify across markets and selected companies with strong fundamentals while remaining abreast of geopolitical, economic developments and the health crisis. In addition, the international equity portfolios have been consolidated into a single global mandate to allow for greater flexibility in navigating global equity markets while streamlining the investment performance monitoring.

Meanwhile, the fixed income portfolio continued to provide a steady income stream and boosted the overall portfolio return amid a low yield environment. KWAP’s defensive stance and tactical positioning in cash has helped to cushion against the impact of global market volatility. At the same time, KWAP will continue to look out for investment opportunities against a background of global economic uncertainty.

The Fund also participates in private equity investments primarily in partnership with specialised investment managers and by leveraging on its partners’ expertise across various geographies. These avenues enable KWAP to tap into private capital opportunities which would otherwise may not have been as easily accessible. For infrastructure investments, KWAP employs the same approach and invests globally on a long-term basis, mainly in power generation and telecommunications sectors with a focus on direct investments and co-investments.

Last but not least, for real estate investments, the quality of current asset holdings will continue to be preserved and improved. At the same time, KWAP will look for potential investment opportunities across varied geographies as well as across asset segments to ensure that exposure to real estate remains diversified over the long-term.

## EQUITIES MARKET REVIEW

## MALAYSIAN EQUITIES

The year 2020 turned out to be a 100-year black swan event as the world economy experienced one of the deepest recessions in history as the COVID-19 pandemic resulted in global lockdowns. As the pandemic spread rapidly, world equity markets plunged rapidly in March 2020 but subsequently rebounded spectacularly after global central banks and governments swiftly embarked on massive monetary and fiscal easing to support faltering economies and to protect jobs. In a similar effort, Malaysian government also announced a stimulus package worth RM250 billion on 27 March 2020 to help cushion the severe economic impact from COVID-19 lockdowns and movement restrictions. A majority of the stimulus measures came from loans moratorium and withdrawals from EPF accounts while BNM also played a critical role in cushioning the impact via series of Overnight Policy Rate (OPR) cuts which was reduced by 125bps to 1.75% throughout the year 2020. Malaysia Equity was not spared as the FBMKLCI plunged to a low of 1,219.72 on 19 March 2020 and subsequently rebounded by 33% to close the year at 1,627.21. One of the unintended consequences of the loan moratorium was the infusion of liquidity into the Malaysian equity market which resulted in a higher net inflow from retail investors compared to local institutional funds in 2020 to the tune of RM14.2 billion. On the contrary, MSCI further reduced the Malaysian equities weighting in MSCI Emerging market indices from 1.81% to 1.76% which contributed to a net foreign outflow of RM24.6 billion in 2020.

In terms of sector performance, Technology and Rubber gloves were the best performers in 2020. In contrast, Consumer discretionary, finance and property sectors were the laggards. Among the FBM KLCI constituents, the top performers in 2020 were Top Glove, Hartalega and Press Metal, while the key laggards were Malaysia Airport, Genting Bhd and AMMB.

## EQUITY PERFORMANCE

KWAP's exposure to equity assets class stood at RM73.37 billion as at 31 December 2020, which accounted for 47.85% of KWAP's total assets. Domestic equity accounted for 79.33% of our total equity exposure, while the balance was in the international equity markets. Out of the total equity exposure, 82.92% was managed internally while the rest was outsourced to external fund managers (EFMs) appointed by KWAP.

**In 2020, Equity recorded a total return of 7.67% versus the blended benchmark of 5.38%, translating into an outperformance of 229bps. Equity had also outperformed the blended benchmark over a longer period of 3 years and 5 years as shown in the table below:-**

	2020 (%)	2019 (%)	3 year (%)	5 year (%)
<b>Total Equity</b>	7.67	5.96	0.85	3.82
<b>Blended Benchmark</b>	5.38	1.15	-1.03	1.64
<b>Alpha</b>	2.29	4.81	1.88	2.18

**Total Income realised from equity investment in 2020 stood at**

**RM3.21  
billion**

## Internally Managed Domestic Equity

Keeping in mind our risk profile as a long-term pension fund, the defensive strategy employed in 2020 worked well in navigating through the volatile domestic equity market, heightened by the COVID-19 pandemic. The overall long-term investment strategy which focused on growing the portfolio's NAV (net asset value) coupled with high dividend yielding equity instruments contributed immensely as a sustainable source of annual income. Concurrently, our short-term capital gains were realised via tactical positions in our non-core portfolios taking advantage of short-term market movements.

KWAP Domestic Internal Equity reported TWRR (Time Weighted Rate of Return) of 5.43% against its blended benchmark TWRR of 3.49%, outperforming by 1.94%. In terms of absolute realised income, this division achieved a total realised income of RM2.26 billion contributing 70% of the total Equity Investment Income

## Internally Managed International Equity

KWAP's first foray into foreign equities began in 2010 with the participation in AIA Global Insurance IPO. Since then, the investment has expanded to the UK, EU, APAC, US and the Chinese A-Shares listed in Shanghai and Shenzhen Stock

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## EQUITIES MARKET REVIEW

Exchanges. Prior to 2020, KWAP's internal international equity investments were segregated into three different mandates, namely APAC Portfolio, US Portfolio, and UK & EU Portfolios which were managed by KWAP's wholly-owned subsidiary, Prima Ekuiti (UK) Limited. Given the nature that global equity markets are dynamic and to some extent volatile, the detached structure limits the international equity team's ability to navigate through market anomalies effectively.

In 2020, the Equity Department achieved an important milestone to consolidate and set up the Global Equity Portfolio (GEP) which has a broad mandate to invest in various international equity markets. The GEP has four broad classifications according to regions namely North America, Europe, Asia Pacific and Latin America and their weighting exposure to the regions is an aggregate of the MSCI All Country World Index (MSCI ACWI) weightings allocated to the various investable markets. The reorganisation effort enabled swift and seamless allocation of funds among the various GEP investable markets, guided by KWAP's prevailing market views and strategy.

2020 saw one of the most extreme moves in asset prices due to the uncertainty caused by the coronavirus. The S&P 500 took just 22 trading days to plunge by 30%, as compared to 39 days during 1929 Great Depression and 37 days during 1987's Black Monday. Whilst there were extremities on the downside, there were extremities on the upside as well. On March 12, S&P 500 suffered its worst day since 1987, declining by 12.0%. But later in the same month, it experienced the best daily rally since 2008, gaining 9.4% for the day. After bottoming out in March, the stock market had staged a powerful rebound, fueled by fiscal and monetary stimuli as well as encouraging developments in vaccine study. For the whole year, S&P 500 was up 16.5%, DJIA was up 7.9%, and NASDAQ was up 43.3%. MSCI ACWI, the benchmark for global stocks, was up 14.9%.

In 2020, the internally-managed GEP had significantly outperformed the benchmark, recording a total return of 21.32% against the benchmark's 12.30% total return, both in Ringgit terms. The portfolio also recorded a total realised income of RM470.45 million for the year.

### Externally Managed Domestic Equity

**As at 31 December 2020, the total market value managed by domestic external fund managers (EFMs) stood at RM7.10 billion, a decrease of 6.58% from RM7.6 billion in 2019. The total equity portfolios managed by domestic EFMs account for 4.63% of KWAP total fund size of RM153.35 billion. Overall, there are 18 domestic mandates comprising eight EFMs managing Conventional mandates, four EFMs managing Shariah mandates, two EFMs managing ESG and four EFMs managing Absolute Return mandates.**

#### List of Domestic External Fund Managers as at 31 December 2020

	Fund Inception
<b>Conventional</b>	
CIMB-Principal Asset Management Sdn Bhd	2005
Nomura Asset Management Malaysia Sdn Bhd	2007
Aberdeen Asset Management Sdn Bhd	2008
Affin Hwang Asset Management Berhad	2016
Kenanga Investors Berhad	2011
Maybank Asset Management Sdn Bhd	2019
Eastspring Investments Berhad	2019
UOB Asset Management Sdn Bhd	2019
<b>Islamic</b>	
CIMB-Principal Islamic Asset Management Sdn Bhd	2012
Amlslamic Asset Management Berhad	2012
AllMAN Asset Management Berhad	2015
MIDF Amanah Asset Management Berhad	2016
<b>Environmental, Social and Governance (ESG)</b>	
BNP Paribas Investment Partners Malaysia Sdn Bhd	2015
Corston-Smith Asset Management Sdn Bhd	2015
<b>Absolute Return</b>	
Eastspring Investments Berhad	2018
Aberdeen Asset Management Berhad	2018
MIDF Amanah Asset Management Berhad	2018
Affin Hwang Asset Management Berhad	2018

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KWAP continued its active engagement with all domestic EFMs on a quarterly basis to review their performance and operational compliance. For portfolios undergoing restructuring, the monitoring was carried out on a monthly basis. In addition, we also conducted annual visits to the EFMs premises and compliance visits throughout the year. The visits included virtual visits due to the movement control order (MCO) restrictions.

As at 31 December 2020, KWAP's domestic equity EFMs recorded an aggregate realised income of RM345.59 million. Overall, the EFMs registered a TWRR of 6.42% against FBM100 Index benchmark of 3.49%, representing an outperformance of 293 basis points. One of KWAP's ongoing initiatives for 2020 includes funds reallocation. It was to strategically strengthen KWAP's exposure within the domestic equity market. This was done via reallocating some of the portfolio to the top performing EFMs. EFMs with outstanding track record and strong investment process were maintained as KWAP's EFMs.

### 2020 Domestic TWRR Performance

Mandate	TWRR (%)	Benchmark (%)	Out/(Under) performance (%)
Conventional	6.15	3.49	2.66
Shariah	11.69	8.54	3.15
ESG	2.72	3.49	-0.77
Absolute Return	3.25	8.02	-4.77
Domestic Aggregate	6.42	3.49	2.93

### Externally Managed International Equity

In 2020, KWAP's externally managed international investments were segregated into five mandates, namely United Kingdom (UK), Europe (Euro), European Absolute Return (Euro AR), Asia Pacific ex-Japan (APEXJ) and Global Environmental, Social and Governance (ESG) mandates. KWAP's wholly owned subsidiary, Prima Ekuiti (UK) Limited (PEUK) is responsible for both UK, Euro and Euro AR mandates, APEXJ mandates are managed by State Street Global Advisors Asia Limited (SSGA) and Invesco Asset Management Singapore Limited (Invesco) and Global ESG mandates are managed by Nikko Asset Management Asia Limited (Nikko) and LGT Capital Partners (LGT).

### List of International External Fund Managers as at 31 December 2020

	Fund Inception
<b>UK</b>	
Prima Ekuiti (UK) Limited	2012
<b>Europe</b>	
Prima Ekuiti (UK) Limited	2014
<b>European Absolute Return</b>	
Prima Ekuiti (UK) Limited	2018
<b>Asia Pacific ex-Japan</b>	
State Street Global Advisors Limited	2011
Invesco Asset Management Singapore Limited	2015
<b>Global ESG</b>	
Nikko Asset Management Asia Limited	2017
LGT Capital Partners	2017

As at 31 December 2020, KWAP's international equity EFMs recorded a total realised income of RM160.68 million. All portfolios outperformed their respective benchmarks with the exception of PEUK's Euro, PEUK's European Absolute Return and SSGA's Asia Pacific Ex-Japan mandates. The Global ESG mandate under Nikko's management performed exceptionally well, outperforming the MSCI ACWI ESG benchmark by 1408 bps.

### 2020 International TWRR Performance

Fund Manager	Mandate	TWRR (%)	Benchmark (%)	Out/(Under) performance (%)
PEUK	UK	-11.56	-12.55	0.99
PEUK	Euro	3.28	3.54	-0.26
PEUK	Euro AR	6.86	8.00	-1.14
SSGA	APEXJ	10.40	17.67	-7.27
Invesco	APEXJ	17.88	17.67	0.21
Nikko	Global ESG	26.27	12.19	14.08
LGT	Global ESG	12.74	12.19	0.55

\* Performance numbers are in MYR terms.

On a quarterly basis, performance review meetings were held mainly via tele-conference and video-conference. Portfolio performance, portfolio strategies and compliance reports were among the topics discussed during the meetings. KWAP also engaged potential fund managers regularly, via conference calls and meetings and these inputs were stored in our database to assist us in our manager search process.

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## FIXED INCOME INVESTMENT

2020 was an outstanding year for fixed income investment both domestically and globally as interest rates were cut and bond yields declined following the various fiscal and monetary policy actions taken by countries around the world grappling with the COVID-19 pandemic. With the persistence of the virus, there were restrictions to economic activities due to lockdowns to contain its spread. The restrictions not only transformed the way businesses were conducted and how people communicated, but also dictated the extent of response measures undertaken by governments and central banks to support growth as economies teetered towards recession.

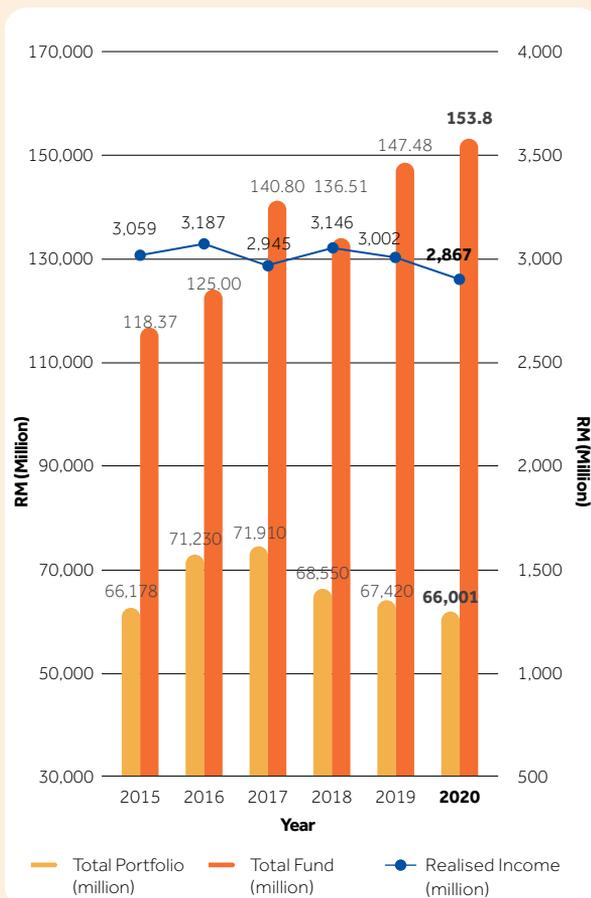
In 2020, global fixed income posted a robust performance mainly driven by monetary easing policy by central banks around the world as the effects of the COVID-19 pandemic intensified. The US Federal Reserves reduced its Fed Funds Rate by 150 basis points (bps) cumulatively in 2020 to record lows on top of expanding asset purchases and providing credit programmes for businesses to help mitigate the effect of the pandemic. Dovish sentiments were also shared by other central banks as they either reduced or kept interest rates low as the virus forced near full-scale movement lockdowns.

Domestically, Bank Negara Malaysia (BNM) cut its Overnight Policy Rate (OPR) by a total of 125 bps from 3.00% in January 2020 to 1.75% by the end of the year as the country underwent the Movement Control Order (MCO) beginning 18 March 2020. The bearish expectations on economic growth supported the demand for safe haven assets. As such, this indirectly provided a boost to local bond prices as yields decreased following the closure of most economic sectors. The Malaysian Government Securities (MGS) 10-year benchmark saw yields decline by 65 bps and ended 2020 at 2.65% from 3.30% during the first trading day of the year. 2020 also saw a volatile year for local fixed income as the MGS 10-year rose to a peak of 3.69% (intraday trading) after the commencement of the MCO to its low of 2.41% on 6 August 2020.

### Fixed Income Total Portfolio Performance

**Total portfolio holdings decreased by 2.11% in 2020, from a market value of RM67.42 billion in 2019 to RM66.00 billion in 2020.**

**Fixed Income Realised Income Against Total Portfolio and Total Fund From 2015-2020**



Source: Investment Income Report (IIR), KWAP

Fixed Income managed to achieve a commendable realised return of RM2.87 billion in 2020 as compared to RM3.00 billion in 2019. On a total return basis, Fixed Income posted returns of 6.49% in 2020 although slightly lower than 6.79% in 2019, while return on investment (ROI) for Fixed Income improved to 4.41% in 2020 from 4.38% in 2019.

## INTERNALLY MANAGED

### Domestic Sovereign Bonds

In general, the domestic bond market benefited from the low interest rate environment in 2020. The local bond market started the year on the front foot as BNM lowered OPR during its first MPC meeting in January by 25 bps to 2.75% in which BNM noted as a pre-emptive move to sustain local growth. In the second MPC meeting in March, BNM reduced OPR by another 25 bps to 2.50%.

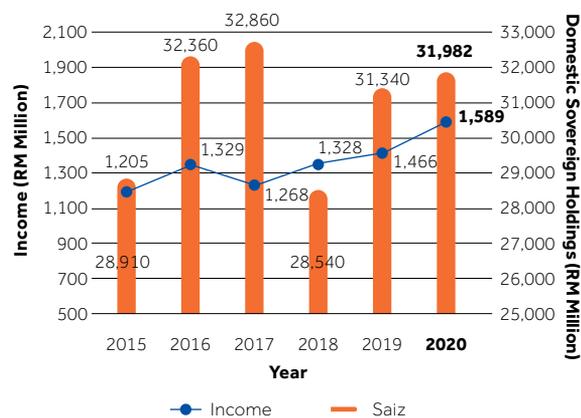
On 16 March, Malaysia Prime Minister, Tan Sri Muhyidin Yassin announced the Movement Control Order (MCO) effective 18 March 2021 for a period of 14 days. Subsequently, the local bond market went into selling mode across tenors with the MGS 10-year yields rising by 36 bps by 19 March and reached a peak of 3.69% during intraday trading as the uncertainty of the lockdown and its impact on local growth prompted investors to reduce exposures.

By 15 April, local bond prices recovered on the market's expectations of further easing by BNM to provide necessary support for the economy. Such expectations materialised in the next two MPC meetings where the BNM reduced OPR by another 75 bps in total to 1.75%, thus bringing the year-to-date reduction in OPR to 125 bps.

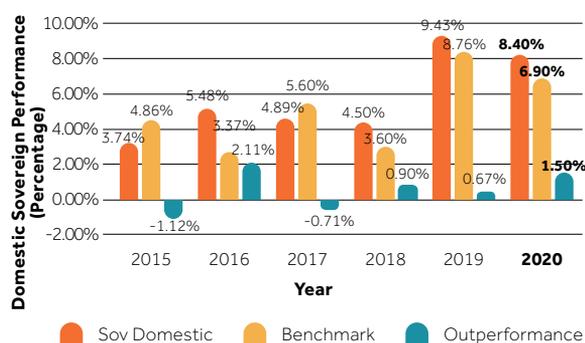
Between February and April 2020, foreign investors' holdings in Ringgit denominated securities fell by a total of RM22.39 billion as lockdown measures in most countries and recessionary concerns induced flight to safe haven assets. However, beginning in May 2020, foreign flows turned positive as investors added a cumulative of RM37.13 billion, bringing the total foreign net inflows for 2020 to RM18.30 billion.

**This resulted in foreign holding of circa 40.5% outstanding in MGS or equivalent to RM177.0 billion, and RM24.8 billion in Government Investment Issues (GII) at the end of 2020.**

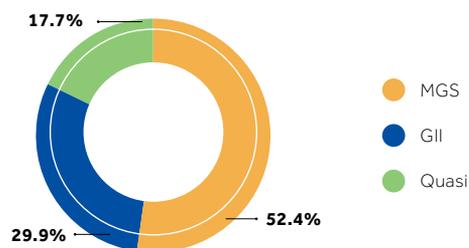
### Domestic Sovereign Holdings vs. Income (RM Million)



### Domestic Sovereign Performance vs. Benchmark 2015 – 2020



### Portfolio segregation by instrument type as at 31 December 2020



Source: KWAP

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## FIXED INCOME INVESTMENT

The Domestic Sovereign Bonds portfolio delivered another outstanding performance in 2020 and recorded returns 1.50% above its benchmark with a Time-Weighted Rate of Return (TWRR) of 8.40%. This was in comparison to 0.67% in excess returns in 2019, although at a higher TWRR of 9.43%. Realised income for the portfolio also came in higher at RM1.59 billion as compared to RM1.47 billion in 2019, with the portfolio duration of 7.49 years as at 31 December 2020.

KWAP remained an active participant in the primary and secondary market for domestic government bonds and quasi government bonds issuances. The annual cumulative trading volume in 2020 was RM24.92 billion, with purchase volume of RM13.71 billion and sales volume of RM11.21 billion.

KWAP's total investment in sovereign bonds (MGS, GII and Quasi Government Bonds) as at 31 December 2020 stood at 22.01% of the total fund size compared to 21.26% as at 31 December 2019.

Going forward, in anticipation of higher domestic growth as the economy reopens and the inflation rate moving closer to 2.0%, domestic bond yields are expected to trend higher going into 2021. Despite a projected higher net supply of government bonds, demand is expected to be robust, as investors seek for higher carry although BNM is projected to end its rate cut cycle on the back of economic recovery.

### Domestic Corporate Bond

Total issuance for domestic corporate bonds and sukuk amounted to RM104.58 billion in 2020, little changed from RM105 billion in 2019 despite the slowdown brought about by the global pandemic in 2020. Corporate bonds and sukuk supply picked up pace in the second half of 2020 with more than 60% issuances taking place from July to December 2020. Quasi government bond issuance increased by 16.0% to RM29.0 billion from RM25.0 billion in 2019. Most of the quasi issuances were from the infrastructure sector mainly for rail project financing. Total issuances of bonds and Sukuk from the AAA segment was RM 23.0 billion, showing a 28% year on year (yoy) increase from RM18.0 billion seen in 2019. Elsewhere, issuance from AA segment saw a decrease of RM4.0 billion to RM27.0 billion from RM31.0 billion in 2019. Single A issuance fell by RM1.0 billion yoy to RM7.0 billion (2019: RM8.0 billion) and the unrated space saw a decrease of issuance by 14.0% yoy to RM19.0 billion from RM22.0 billion in 2019.

The bulk of corporate bond and sukuk issuances came from the infrastructure space with issuances amounting to RM30.70 billion, an increase from RM24.70 billion in 2019. This was followed by the financial sector which saw a decline of issuance by about RM5.0 billion to RM20.40 billion from RM25.50 billion in 2019. The reason for the decline could be attributed to lower supply of tier-2 and additional tier-1 (AT1) bonds and sukuk. The Property and REIT sector saw a slightly lower supply at RM15.40 billion from RM16.70 billion previously.

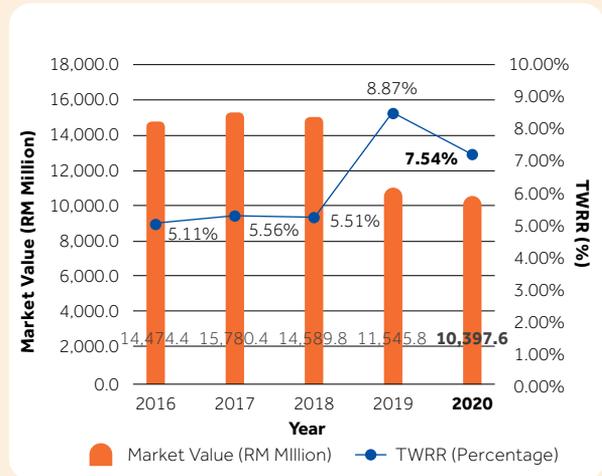
The credit condition in the domestic corporate bond market remained stable with only one default taking place in 2020. The default of KMCOB Capital Berhad on its principal repayment on one of the series under its RM320.0 million Guaranteed Serial Bonds on 28 February 2020 subsequently crystalised Danajamin's guarantee from the programme. However, we noted that there was a slight negative outlook bias due to the slowdown. Credit spreads widened in the last quarter of 2020 across quasi and rated space particularly for the 5 and 10-year tenors while the 15-year saw only a slight widening.

For the year 2020, KWAP's internal domestic corporate bond portfolio provided a time weighted rate of return (TWRR) of 7.54%, outperforming the benchmark i.e. TRBPAM Corporates All Bond Index which showed returns of 6.68% for the same period.

During the same period, KWAP's portfolio holdings in corporate bonds (at market value) increased slightly from RM11.55 billion on 31 December 2019 to RM10.40 billion. The total amount sold and maturities during the year was RM1.79 billion against new purchases of RM0.93 billion.

<p>◆ Total issuance for domestic corporate bonds and sukuk amounted to</p> <p><b>RM104.58 billion</b> in 2020</p>	<p>◆ KWAP's internal domestic corporate bond portfolio provided a time weighted rate of return (TWRR) of</p> <p><b>7.54%</b></p>
<p>◆ Quasi government bond issuance increased by</p> <p><b>+16%</b> to <b>RM29.0 billion</b> from <b>RM25.0 billion</b> in 2019</p>	<p>◆ Total amount sold and maturities during the year was</p> <p><b>RM1.79 billion</b></p>

**Market Value of KWAP's Holdings in Domestic Corporate Bonds and TWRR from 2016 to 2020**



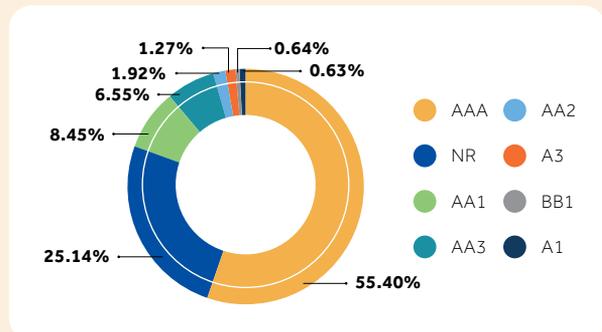
Source: Investment Income Report (IIR), KWAP

Total market value for Corporate Bonds fell from RM11.55 billion in 2019 to RM10.40 billion in 2020, taking into account the restructuring of Malaysia Airlines Bhd perpetual Sukuk, which is expected to be finalised in 2021.

Total income realised in 2020 was RM462.90 million compared to RM366.90 million in 2019. The amount is inclusive of the RM69.2 million accrued income from MAB perpetual sukuk.

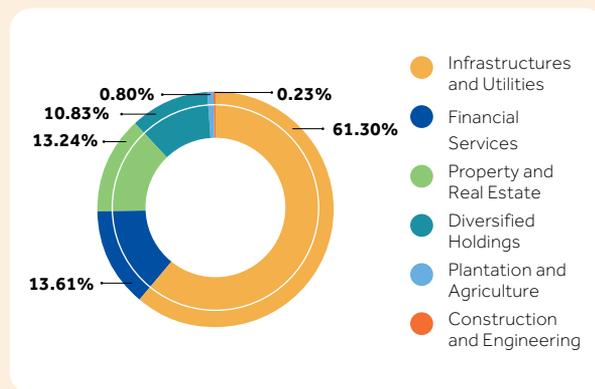
As for the duration for the corporate bonds portfolio, it fell from 5.91 years in 2019 to 5.22 years in 2020, which was in line with the neutral call on duration amidst the low interest rate environment.

**KWAP's Exposure in Domestic Corporate Bonds by Rating**

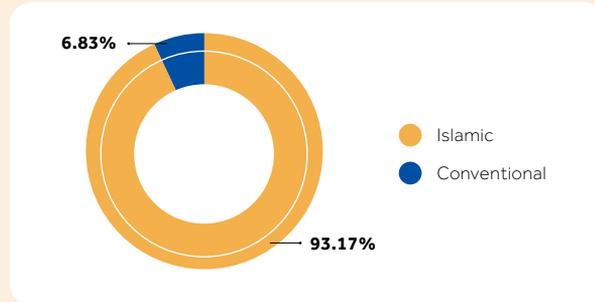


Source: KWAP

**KWAP's Exposure in Domestic Corporate Bonds by Sector**



**KWAP's Exposure in Domestic Corporate Bonds by Principle**



Source: KWAP

It is expected that the domestic corporate bond supply for 2021 will stay healthy on continuing infrastructure projects and attractive cost of debt for issuers. Ongoing investments in rail transport and renewable energy would ensure continuing needs to raise funds supported by attractive cost of debt for issuers looking to lock in long term funding amid low yields and stable spreads. We also foresee more issuances of Green/sustainability labelled bonds coming to the market as they start gaining momentum amongst investors. The downside risk to this view would be the prolonged MCO which could dampen projects and affect funding needs.

While credit conditions may remain broadly stable in 2021, there is a caution on issuers from banking, toll roads, construction and aviation industries which have been identified as sectors susceptible to negative impacts of the prolonged MCO. Regardless of the sector, we will continue to focus on issuers with strong debt servicing ability, strong parentage, tight financing structure and good corporate governance. For banking sector, the focus would be on those with superior asset quality.

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**FIXED INCOME INVESTMENT**

**Loan**

As at 31 December 2020, KWAP's total loan portfolio stood at RM5.46 billion, which constituted 3.56% of our total fund of RM153.35 billion. The decrease in KWAP's loan portfolio in 2020 were due to maturity and repayment of existing loans amounting to RM2.54 billion. No new loans were disbursed in 2020.

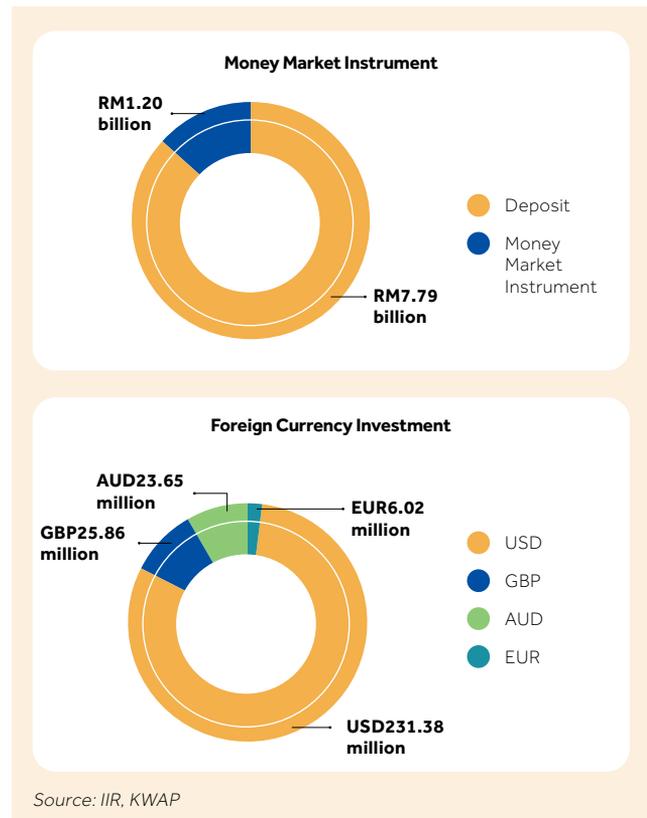
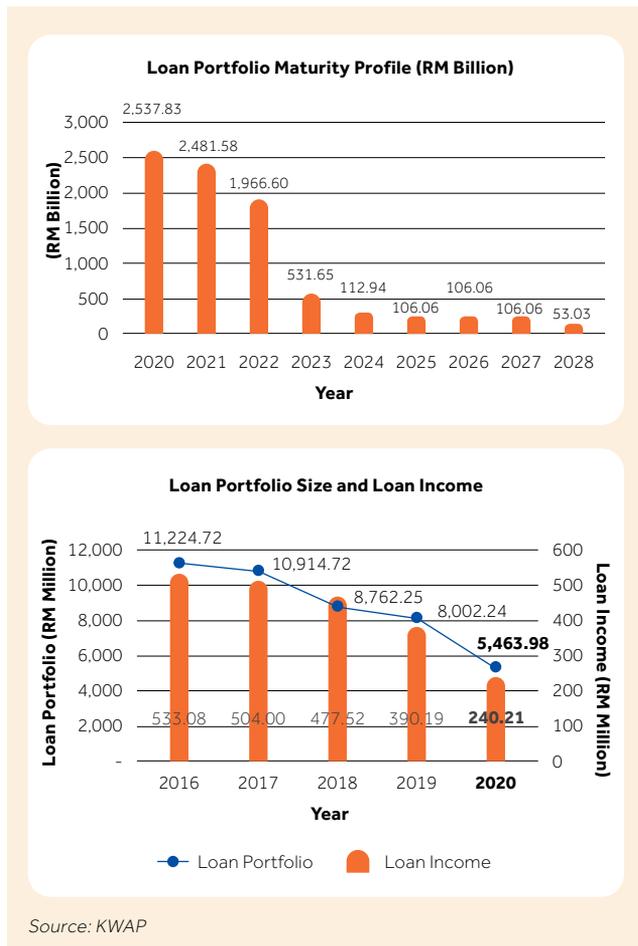
**In 2020, the lower loan income generated from the portfolio was mainly due to a shrinking portfolio size. At the same time, in a lower interest rate environment, some of the floating rate loans had been reset to a lower rate, thus further reducing income for 2020.**

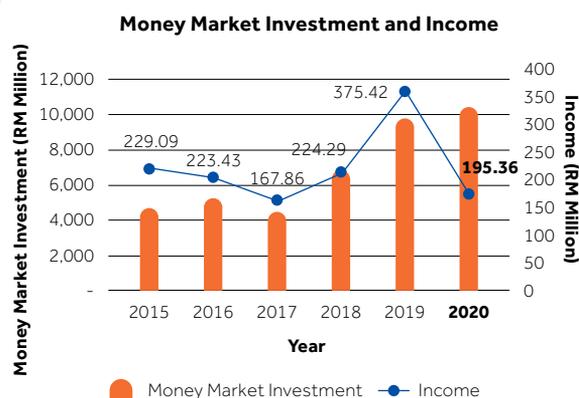
**Table 1 : 2020 Loan Portfolio Movement**

Loan Portfolio Movement	Amount (RM Million)
Loan Portfolio as at 1 January 2020	8,001.81
Capital Repayment / Maturity	(2,537.83)
Loan Portfolio as at 31 December 2020	5,463.98

**Money Market**

As at 31 December 2020, money market investments in Ringgit stood at RM8.99 billion compared to RM9.07 billion at the beginning of 2020. KWAP's investment in Foreign Currency was recorded at USD231.38 million, GBP25.86 million, AUD23.65 million and EUR6.02 million respectively. Overall, KWAP's total cash balance represented 6.64% of KWAP's total fund size.





Sumber: IIR, KWAP

In 2020, money market investments generated a gross income of RM195.36 million, a decrease of 47.96% from RM375.42 million generated in 2019. This was due to lower yield in money market instrument and deposit rate offered by financial institutions, which was in line with the four cumulative OPR cuts of 125 bps in 2020 to record low of 1.75%.

### International Fixed Income

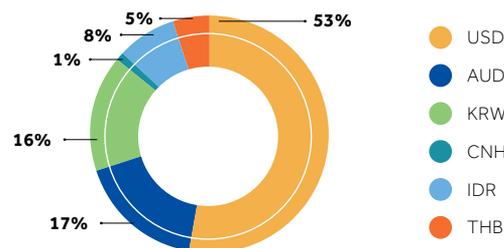
In 2020, global fixed income continued to trend lower on the back of central banks easing monetary policy following the outbreak of COVID-19. The United States Federal Reserve (Feds) reduced the Fed Funds Rate by 150 bps cumulatively in 2020, consisting of 50 bps cut on 3 March 2020, then followed by another 100 bps on 16 March 2020 in a move to mitigate the effects of COVID-19 on the economy. The bearish sentiment mirrored the move by other central banks in Asia, namely the Reserve Bank of India and Bank Indonesia (BI) which cut each policy rates by 115 bps and 125 bps respectively to 3.75%. Similarly, the Reserve Bank of Australia (RBA) proceeded with an easing of 65 bps to its cash rate target to 0.10%, while Reserve Bank of New Zealand (RBZ) eased by 75 bps to 0.25%.

As at 31 December 2020, KWAP international fixed income portfolio stood at a market value of RM906.74 million as compared to RM694.00 million in 2019. The increase in international fixed income portfolio was due to the transfer of assets from an external fund manager in a consolidation exercise in 2020.

KWAP's internally managed fixed international income portfolios continued to deliver robust performance by generating an aggregate realised income of RM36.67 million as compared to RM41.89 million in 2019.

The international fixed income portfolios saw its TWRR rose in 2020 to 7.02% as compared to 6.61% in 2019. The outperformance was driven by our strategy to overweight US dollar denominated bonds (versus local currencies bonds) and duration against the benchmark.

### Asian Fixed Income Holdings as at 31 December 2020 by Currency



Source: KWAP

While the COVID-19 pandemic remains a top concern as at end of 2020, the rollout of vaccines around the world will help reduce the need for lockdowns, and subsequently lead to the reopening of economies. We expect global growth to pick up in the second half of 2021. Thus, with inflation expectations shifting towards a more favourable picture amidst cyclical recovery and expansive stimulus policies, yields are expected to move higher.

KWAP continues its effort to protect value in its international investment by minimising price risk and retaining the value of KWAP's investment. This was done through various hedging instruments such as Foreign Exchange Forward contracts (FX Forward) and Cross-Currency-Swap (CCS).

- ◆ The international fixed income portfolios saw its TWRR rose in 2020 to

**7.02%**

as compared to 6.61% in 2019

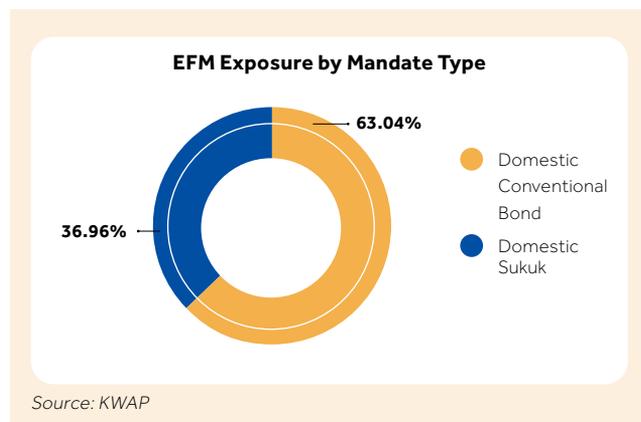
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## FIXED INCOME INVESTMENT

### Externally Managed

KWAP continues to outsource a portion of the fund to external fund managers (EFMs), both domestically and internationally as part of our diversification initiatives and to leverage on the knowledge and skillsets of the EFMs that complement KWAP’s own internal fund management capabilities.

KWAP fixed income EFMs has increased from only two EFMs managing domestic conventional bond mandate back in 2006 to 10 EFMs focusing on two types of Malaysian domestic bond mandates. The fixed income EFMs fund size grew by more than thirtyfold over the past 14 years from RM150.0 million in 2006 to RM4.98 billion in 2020.



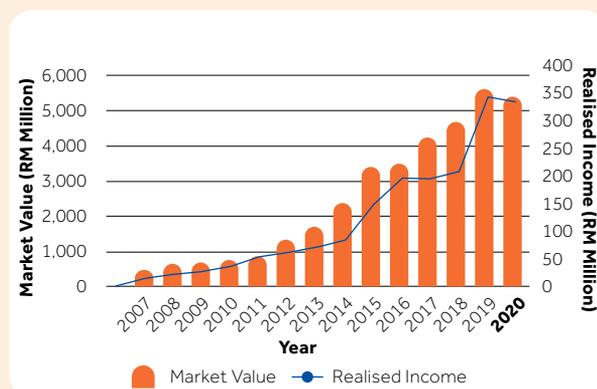
The RM4.98 billion that was outsourced to EFMs represents about 3.52% of KWAP’s fund size as at 31 December 2020. In 2020, KWAP shifted its focus domestically in relation to its externally managed fixed income fund, where 63.04% of the assets were invested in Domestic Conventional bond portfolio while the remaining 36.96% were invested in Domestic Sukuk portfolio.

As at 31 December 2020, the market value of KWAP fixed income EFMs stood at RM5.46 billion, accounting for 8.07% of overall KWAP fixed income investments. The domestic fixed income EFMs portfolios recorded an aggregate realised income of RM342.58 million or 6.92% of average domestic fixed income EFM fund size. On TWRR basis, the Domestic EFMs outperformed the stipulated benchmark by 22 bps and 57 bps in 2020 and 3-year rolling period respectively.

### List of Domestic External Fund Managers as at 31 December 2020

Domestic	Fund Inception
Principal Asset Management Berhad	2006
AmFunds Management Berhad	2007
Affin Hwang Asset Management Berhad	2011
Amundi Malaysia Sdn Bhd	2012
Maybank Islamic Asset Management Sdn Bhd	2014
Nomura Islamic Asset Management Sdn Bhd	2014
RHB Islamic International Asset Management Berhad	2014
Maybank Asset Management Sdn Bhd	2015
Franklin Templeton GSC Asset Management Sdn Bhd	2015
AIIMAN Asset Management Sdn Bhd	2015

### Domestic EFMs’ Market Value and Realised Income



As part of KWAP’s monitoring process, performance reviews were regularly held on a quarterly basis with all EFMs and on-site visits were also conducted at EFMs premises. This is to ensure that EFMs adhere to the terms of agreement as well as understanding their best business practices. In order to comply with the physical distancing requirements amid the COVID-19 pandemic, most of the engagements with EFMs in the year 2020 were conducted virtually. Throughout 2020, a total of 42 performance review meetings and two compliance visits were conducted to observe the EFMs’ compliance with relevant internal control procedures and best business practices with regards to day-to-day trading activities as well as middle and back office operations.

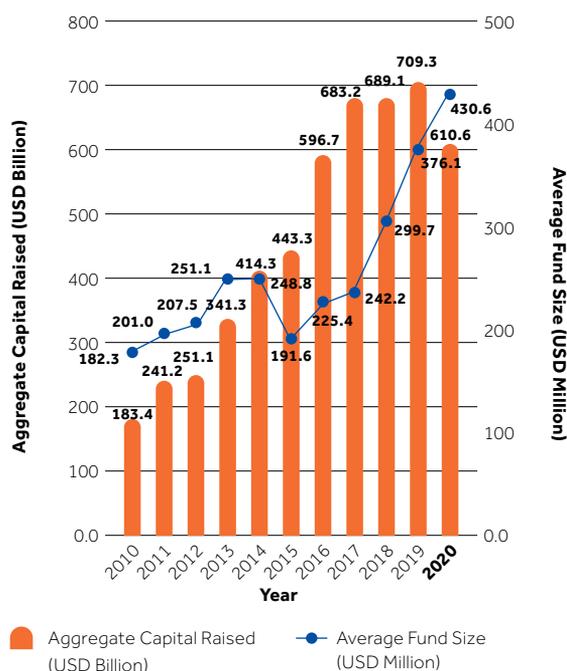
## ALTERNATIVE INVESTMENTS

## PRIVATE EQUITY AND INFRASTRUCTURE

## Private Equity Landscape in 2020

The era of the novel Coronavirus (COVID-19) was unprecedented, with most if not all countries globally locking down their economies and borders for prolonged periods of time to contain infections. The challenges faced in the Private Equity markets included fundraising, as the prohibition to travel impeded the ability for investors to conduct due diligence. However, the implementation of virtual technology paved the way for the industry to survive amidst the pandemic.

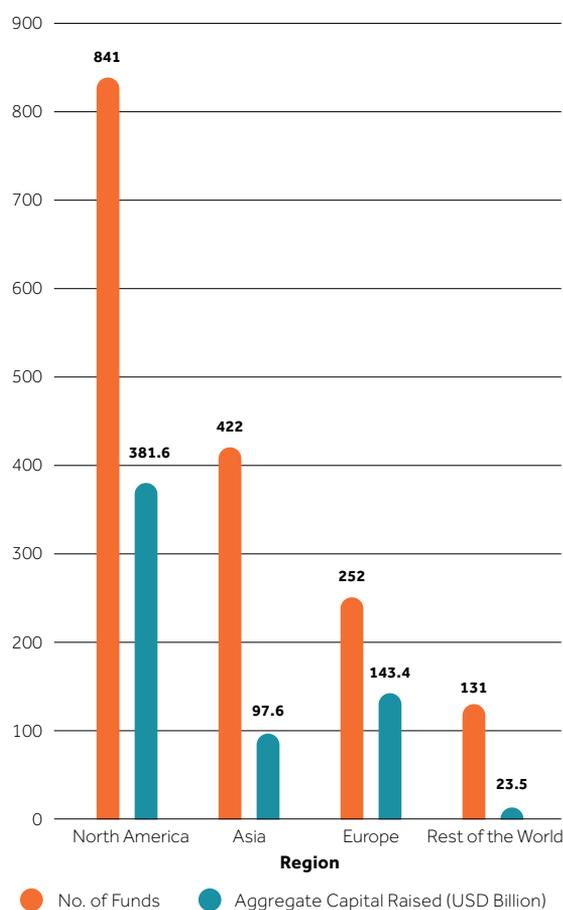
Figure 1: Global Private Equity Fundraising, 2010 - 2020



Source: Preqin

The line chart in Figure 1 illustrates an increasing trend in the average fund size with a 14.5% increase from USD376.1 million in 2019 to USD430.6 million in 2020. While fundraising in the year 2020 experienced a decline, the increase in average fund size indicates an increased concentration towards well established Private Equity funds which have shown consistent performance and stable management.

Figure 2: Global Private Equity Fundraising in 2020, by Region



Source: Preqin

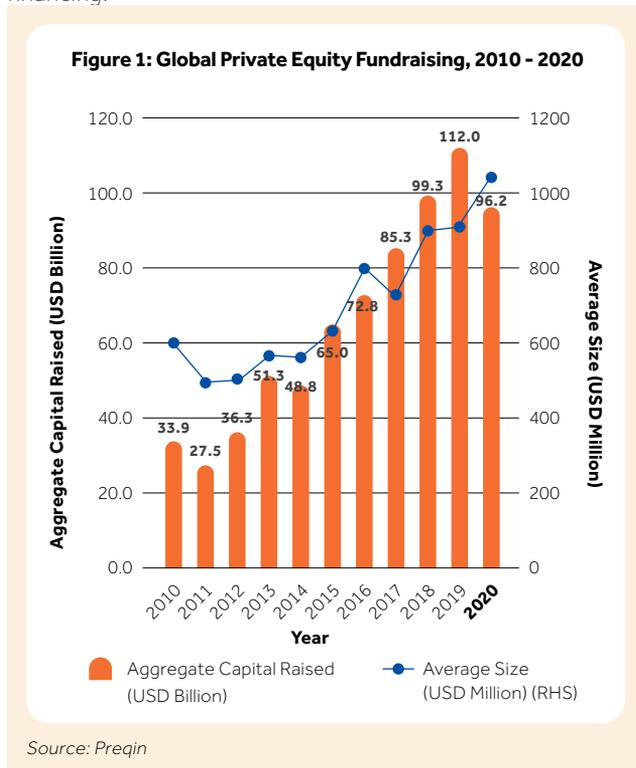
As shown in Figure 2, North America remained the driving force of Private Equity in 2020 with 841 funds raised, followed by Asia at 422 funds and Europe at only 252 funds. While Asia had a greater number of funds raised in comparison to Europe, the aggregate capital raised in Europe was higher at USD143.4 million. The increase in capital raised in Asia was driven by the increase in the number of Unicorns in the past decade. A unicorn is a term used in describing a privately held company with a start-up valuation of over USD1.0 billion. According to CB Insights' Global Unicorn List, as of October 2020, Asia housed 35% of the world's unicorns.

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**ALTERNATIVE INVESTMENTS**

**Infrastructure Landscape in 2020**

Infrastructure as an investment strategy remained attractive in 2020, linked to the low interest rate environment spreading across the global markets. As the low interest rates puts pressure on the returns from fixed income instruments, infrastructure assets which have similar long-term duration, stable cash-flow returns and assets that can be collateralised provide good alternatives to fixed income instruments. Furthermore, infrastructure assets typically have high upfront capital and leverage amount. The low interest rate environment drives owners to refinance their debt and reduce the cost of financing.



The attractiveness in Infrastructure funds is shown in Figure 3 as the average fund size breached the USD100.0 billion mark in 2020, for the first time over the past decade. The 14.8% increase in average fund size alongside the 14.1% decline in aggregate fund raising to USD96.2 billion in 2020, were signs of the economic times as investors became more selective of investment opportunities. Investors were very careful to select funds that have performed consistently, resulting in these funds raising larger capital than before.

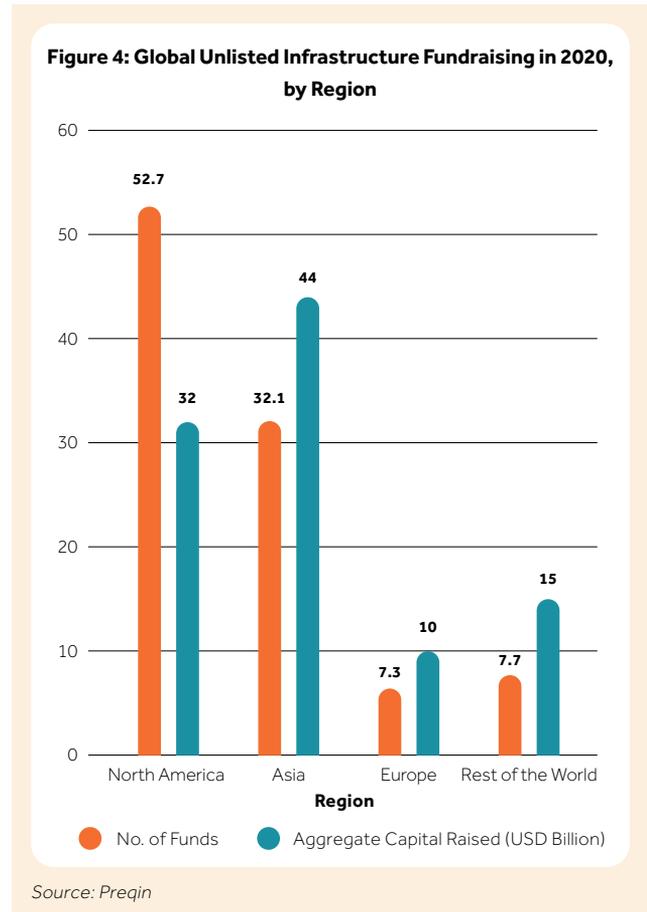


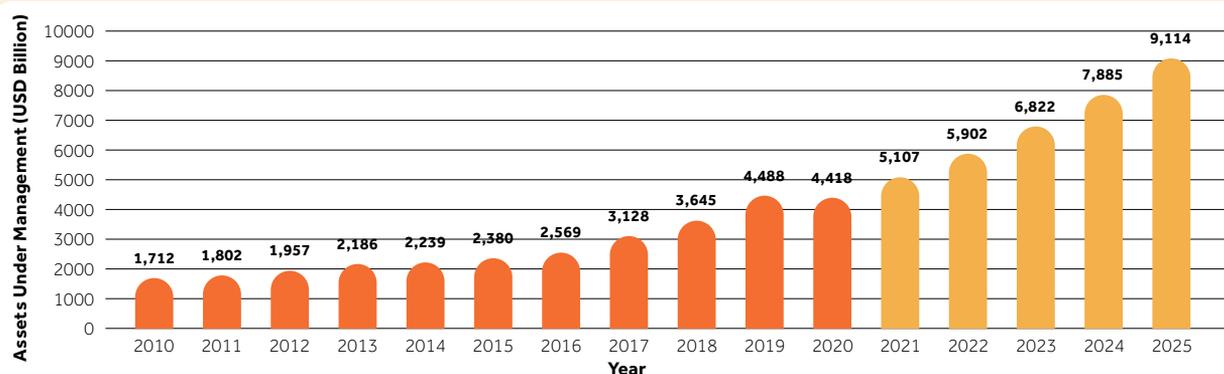
Figure 4 shows the North America region led the aggregate capital raising at USD52.7 billion in 2020 albeit a 5% decline from the previous year. The pandemic negatively affected fundraising in all regions except Asia, which had a 66% increase in aggregate capital raised to USD7.3 billion in 2020 from USD4.4 billion in the previous year.

Asia experienced a significant rise in its aggregate capital raised due to the likes of KKR's Asia Pacific Infrastructure and the National Investment and Infrastructure Fund in India raising USD3.2 billion and USD2.3 billion, respectively, (making up over 75% of Asia's aggregate capital raised for unlisted infrastructure in 2020). The strong demand in the region is linked to the relatively underpenetrated market where unlisted infrastructure fundraising in Asia only makes up 7.5% of global fundraising.

### Market Outlook of Private Equity and Infrastructure Post-Pandemic

The widespread pandemic in the year 2020 hampered the growth of the global Private Equity and Infrastructure industry. The year 2021 however, promises a strong recovery with investors ready with high levels of dry powder, where opportunities through recovering economies and the evidence of resilient sectors that pushes the envelope of growth.

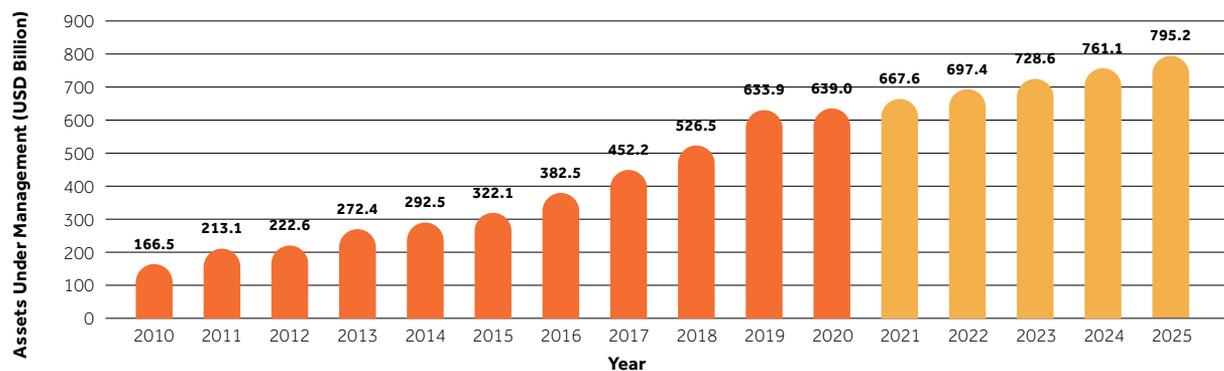
**Figure 5: Private Equity Assets under Management and Forecast, 2010 - 2025**



Source: Preqin

Figure 5 shows the global Private Equity Asset under Management ("AUM") stood at USD4.4 trillion in 2020, down 1.6% compared to the year 2019. However, the forecasted data by Preqin suggests growth of 15.6% for the year 2021 and a CAGR of 15.6% over the next five years to 2025. Barring any negative impacts of the pandemic, financial crisis and major geopolitical disruptions, the forecasted growth rate over the next five years would surpass the past 10-year CAGR of 9.9% for Private Equity AUM globally.

**Figure 6: Unlisted Infrastructure AUM and Forecast, for Year Ended 2010 - 2025\***



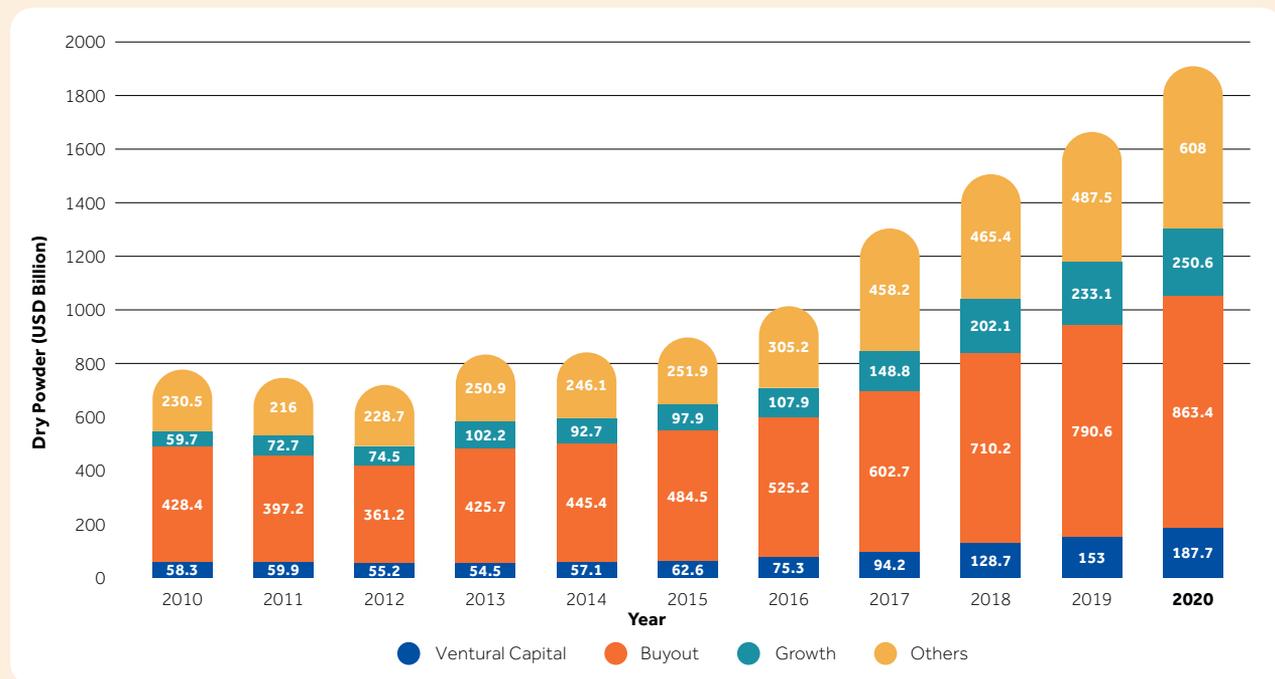
Source: Preqin

The global unlisted Infrastructure AUM stood at USD639.0 billion in 2020, up 0.8% as seen in Figure 6. Preqin forecasts suggest a 4.4% growth for the year 2021 and a CAGR of 4.5% for the next five years to 2025. With the low interest rate environment, the forecasted numbers seem likely to be achieved as investors make a somewhat flight to quality for higher yielding investments that have similar characteristics to fixed income instruments.

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**ALTERNATIVE INVESTMENTS**

**Figure 7: Private Equity Dry Powder by Fund Type for Year Ended 2010 - 2020 (USD Billion)**



Source: Preqin

The dry powder for the Private Equity industry remains strong at USD1.9 trillion by the end of 2020. Most of the funds were allocated towards Buyout strategies, however over the past four years, there has been a steady increase in the growth of venture capital segments with CAGR of 18.9% and 25.8% respectively. Over the decade, Growth and Venture Capital strategies have undergone a 10-year CAGR of 15.4% and 12.4% respectively.

**Summary**

The spread of COVID-19 in 2020 had disrupted the Private Equity and Infrastructure industry, especially fundraising for new funds. This was evident in both segments experiencing declines in total fund raising after consistent increases over the past five years. However, the average fund size for both segments increased indicating the concentration of investors to a smaller number of funds that have strong and consistent performance track records.

The Infrastructure landscape which draws similarities to fixed income assets remained attractive throughout 2020, with a record-breaking average fund size of more than USD100.0 billion. While the North American and European regions maintained their positions as the key focus for fundraising, Asia was the only region that grew over the year for Private Equity and Infrastructure partly attributed to a growing number of Unicorns (35% globally) and the under penetration of Unlisted Infrastructure assets, respectively.

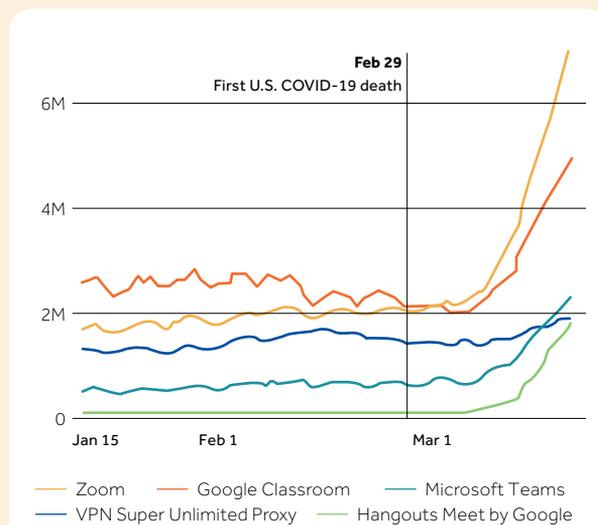
While travel restrictions resulted in many inconveniences, the fundraising process continued through new virtual formats with the aid of virtual teleconferencing applications. Furthermore, the implementation of working from home by many organisations globally contributed to rapid digital adoption.

### The Rapid Adoption of Technology

The limitations and changes to social norms that were brought about by the pandemic has led to the rapid adoption of technology. The implementation of virtual working arrangements, shifting reliance on e-commerce, increasing dependence on digital infrastructure and an outlook towards software subscription services were all accelerated, as countries around the world entered various states of lockdowns and social distancing.

### Swift Digitalisation of the Workforce

**Figure 8: The Daily Sessions for Remote Working Applications**



Source: Schroders

As seen in figure 8, the sharp rise in the usage of virtual communications platforms such as Zoom, Google Classroom, Hangouts and Microsoft Team shows the dependence on these platforms for work, school, and society to function. The increased usage of virtual platforms contributed to the rising demand by users for stable and faster internet connections and bandwidth. Additionally, the increased dependence on these platforms allowed for new features by developers to be rolled out at a much faster pace than anticipated.

### Shift in Consumption via E-Commerce

**Figure 9: E-Commerce Sales as a % of Total Retail Sales**



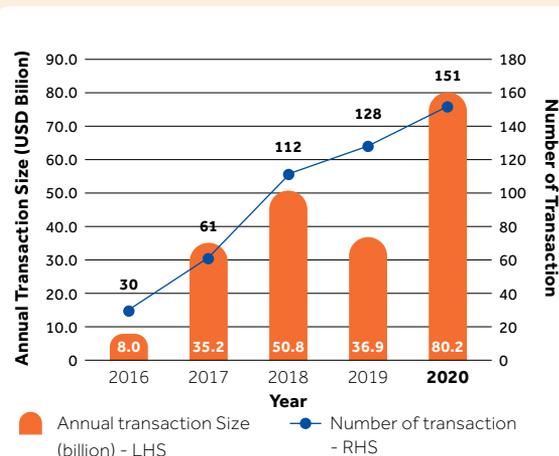
Source: US Census Bureau

The lockdown requirements also forced individuals to shift consumption to online mediums with e-commerce platforms seeing significant orders and benefitting from the lockdowns through home deliveries. US e-commerce sales rose exponentially, up to 16.1% as a percentage of total retail sales during Q2 2020.

### Strong Data Demand Boosting Digital Infrastructure

The rise in internet usage has placed a high burden on the existing digital infrastructure (telecommunications sub-sectors including data centers, fibers, and macro towers). As more individuals are connected to the internet daily for longer periods of time, service providers are under immense pressure to ensure connection stability for users.

**Figure 10: Global Digital Infrastructure Transaction Overview**



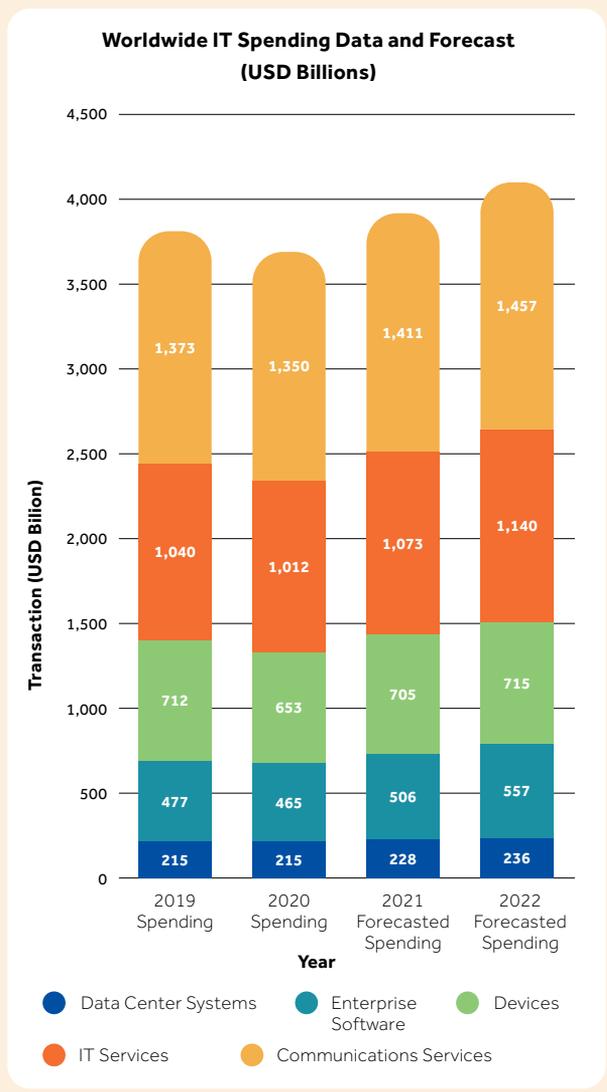
Source: Inframation

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**ALTERNATIVE INVESTMENTS**

Therefore, digital infrastructure investments exhibited an attractive investment play to address the strain on the existing infrastructure. Figure 10 shows an 18.0% y-o-y increase in the number of digital infrastructure transactions from 128 to 151 in 2020. The annual transaction value in 2020 has also significantly risen by 117.3% to USD80.2 billion (equivalent to a 10-fold increase compared to 2016).

**Figure 11: Resilient Growth of Software-as-a-Service (SaaS)**



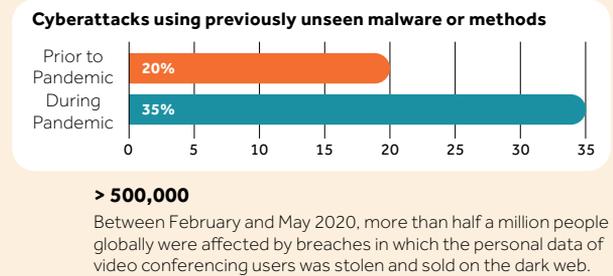
Source: Gartner

The global expenditure of IT is expected to grow at a CAGR of 5.4% over the next two years surpassing the USD4.0 trillion mark by 2022, as illustrated in Figure 11. Within the sector, Enterprise Software is forecasted to experience the highest 2-year CAGR of 9.4% in 2022. The SaaS segment, as part of Enterprise Software, presents various opportunities with the adoption of subscription service-based business model that offers customers low upfront costs and fast download of products from the cloud, as well as organisations digitalising their workforce due to the pandemic.

**Increased Importance of Cybersecurity**

With the rapid pace of digitalisation and increased online presence of both corporates and individuals, unwanted cyber-attacks have also become more rampant. During the pandemic, there was an increase in usage of unseen malware, with more than half a million cyber-attacks taking place.

**Figure 12: Statistics on Cyberattacks during the Pandemic**

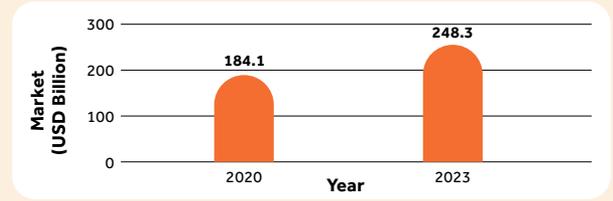


**> 500,000**  
Between February and May 2020, more than half a million people globally were affected by breaches in which the personal data of video conferencing users was stolen and sold on the dark web.

Source: Deloitte

Figure 13 shows the cybersecurity market is projected to grow at a CAGR of 10.5% over the next three years to reach USD248.3 billion in 2023. This is broadly driven by the anticipated demand for protection against the continuing prevalence of cyberattacks.

**Figure 13: Size of Global Cybersecurity Market (USD Billion)**



Source: KWAP

### KWAP's Private Equity and Infrastructure Investment Performance

While the COVID-19 pandemic has brought unprecedented challenges to the global economy, KWAP's Private Equity and Infrastructure portfolios continue to generate strong returns for the year 2020. The portfolio generated an income distribution of RM275.7 million with a breakdown of 95.2% from fund investments and 4.8% from direct investments.

The Private Equity and Infrastructure portfolio generated a 10-year rolling return of 12.3%. KWAP's investment returns in the private market is attributable to its patience and disciplined approach in searching for good investment opportunities at attractive valuations. This combined approach ensures a sufficient margin of safety while riding the potential upside of the investment.

### Technology Investments in 2020

In 2020, KWAP committed to five Private Equity funds and one direct investment. As observed by the increased adoption of technologies due to the challenges posed by the COVID-19 pandemic, KWAP invested into two global technology-focused funds. The investment strategy focuses on enterprise software and cyber-security software with recurring revenues.

### Aerial Technology Services Company

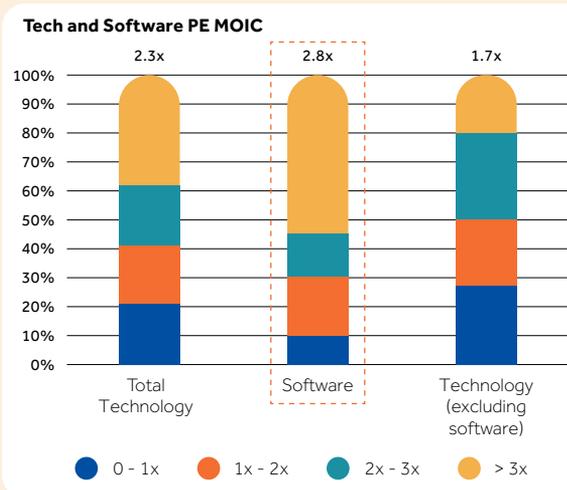
In February 2020, KWAP invested in a Malaysia-incorporated technology company with global leadership position. Headquartered in Malaysia, the company is an aerial technology service company, which provides end-to-end inspection and monitoring services across sectors, using Unmanned Aerial Vehicle (UAV). In 2020, the company was ranked 2nd globally amongst other aerial technology service companies, partly due to funding received and partnerships formed. KWAP continues to support the expansion of Malaysian companies to be global champions.

### Software-as-a-Service ("SaaS") Technology Focused Funds

KWAP invested into two technology-focused funds that specialised in investing in SaaS companies. The investments in the SaaS sector are attractive due to high-quality recurring revenue, and the software is fundamental to the clients' business operations. 'High quality revenue' lowers the risk of SaaS company failure, with predictable revenue model and cash flow generation defined by these attributes.

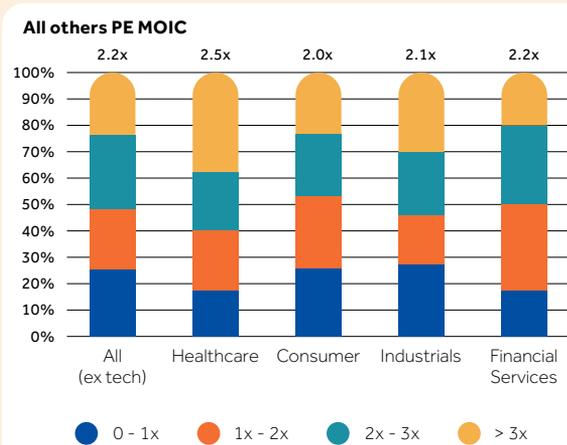
- High recurring revenue and gross margin: Subscription fees typically on a fixed-line basis, companies do not require recurring sales effort.
- High retention/renewal rates: High switching cost, criticality of software products/services to businesses and are costly/disruptive to change.

Figure 14 (Tech and Software)



Source: Bain & Company

Figure 15 (All others): Pooled Multiple of Invested Capital ("MOIC") for Realized Buyout Deals



Source: Bain & Company

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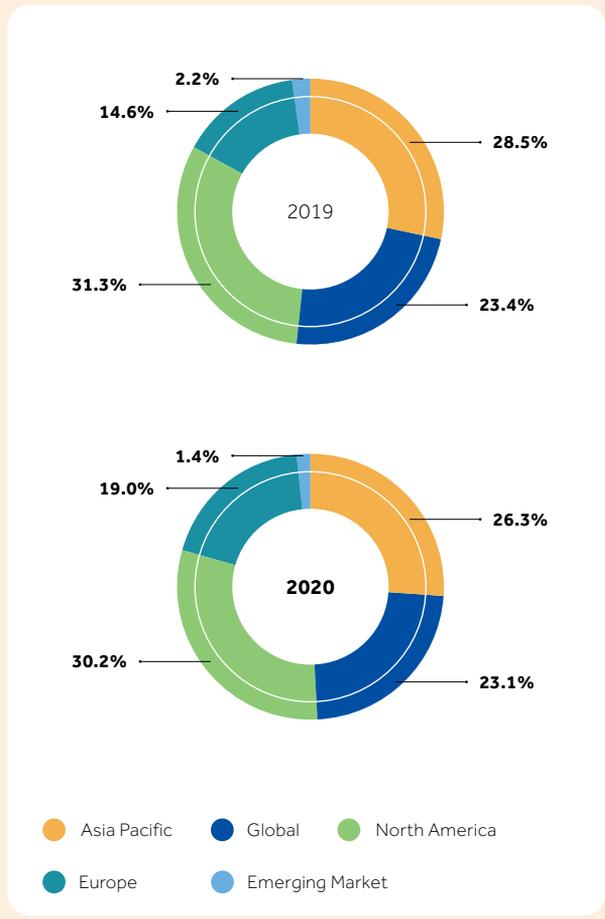
**ALTERNATIVE INVESTMENTS**

Average MOIC for Technology and Software deals have outperformed most non-tech related deals, with technology-related deals as a whole averaging at 2.3x MOIC boosted by robust software deals averaging at 2.8x MOIC compared to non-tech strategy of only 2.2x MOIC. The characteristics of resilient earnings within the software sector from the high-quality recurring revenue with high retention rates are the key factors that contribute to the outperformance of tech related deals during the period of economic uncertainties.

**Geographic Exposure of KWAP Private Equity and Infrastructure**

The majority of KWAPs Private Equity and Infrastructure exposure are in North America at 30.2%, followed by Asia Pacific at 26.3% and Europe at 19.0% of the Private Equity and Infrastructure portfolio. Due to the robust and consistent returns in the private market, KWAPs Private Equity and Infrastructure Strategic Asset Allocation (SAA) was revised upwards from 6.0% to 11.0% in 2020. The total combined size of KWAPs Private Equity and Infrastructure portfolio amounts to RM8.9 billion with a SAA utilisation rate of 2.1% for Private Equity and 1.2% for Infrastructure. As of 31 December 2020, KWAP has invested in a total of 53 Private Equity and Infrastructure funds as well as four direct investments.

**Figure 16 (2019) and 17 (2020): Geographic Breakdown of KWAP Private Equity and Infrastructure Total Commitment**



Source: KWAP

**Conclusion**

The year 2021 sees a set of challenges to adapt to the new norms of life post COVID-19. Private Equity and Infrastructure funds will have to continue fund raising events via virtual platforms to achieve global reach. Consumption levels will take time to return to pre-Covid numbers as the vaccination rollout poses a further challenge due to scarcity of supply and difficulty in storing said vaccines. However, at the current rate of development in technology and investments into other resilient sectors, it is likely that we should begin to see returns and growth rate heading towards a positive trend within the second half of 2021.

The recovery plan for this asset class is nevertheless subjected to a solid vaccination plan throughout the major economies involved in Private Equity. In terms of geopolitical stability, the Asia-Pacific region should see strong growth in investments over the next five years. However, this can only be sustained with reduced tensions between China and the United States of America, and a calm post-Brexit situation in Europe.

KWAP's Private Equity team continues to monitor the geographies of our fund investments to ensure we are well prepared for any adverse changes. The maintenance of a strong relationship between KWAP and our partners ensures we are kept well informed of the opportunities and challenges on the ground.

While return from private equity is attractive, it is vital to note that the performance of each fund is subject to its management standards, macro as well as microeconomic factors that are also linked to the public markets. This could range from geopolitical influences, value chain influences and economic situations.

## PROPERTY INVESTMENT

KWAP has 19 properties in its portfolio. KWAP continues to embrace ESG principals in its investments with eight (8) of its properties accredited with environmental certification and energy efficiency certification as below:

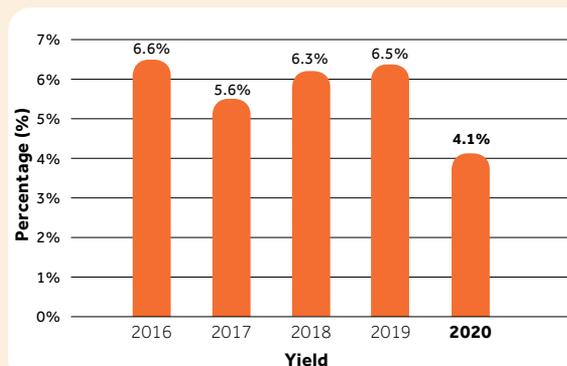
Properties	Environmental Certification	Rating
<b>Malaysia</b>		
Integra Tower, Kuala Lumpur	Leadership in Energy & Environmental Design (LEED) U.S	Platinum Shell & Core
Cap Square Tower, Kuala Lumpur	Green Building Index (GBI) Malaysia	Certified
<b>Australia</b>		
747 Collins Street, Melbourne	National Australian Built Environment Rating System (NABERS)	NABERS Energy: 6.0 NABERS Water: 5.0
179 Turbot Street, Brisbane	National Australian Built Environment Rating System (NABERS)	NABERS Energy: 5.5 NABERS Water: 4.0
<b>United Kingdom</b>		
10 Gresham Street, London	Energy Performance Certificate UK (EPC)	Office: E Retail: D
Intu Uxbridge Shopping Centre, London	Energy Performance Certificate (EPC)	D
100 Cheapside, London	Building Research Establishment Environmental Assessment Method (BREEAM) U.K	Excellent
	Leadership in Energy & Environmental Design (LEED) U.S	Platinum
	Energy Performance Certificate UK (EPC)	B30
<b>Germany</b>		
Zalando Distribution Centre, Erfurt	German Sustainable Building Council (DGNB)	Gold

KWAP aims to continue its efforts in fulfilling ESG principals in its property investments.

## PERFORMANCE

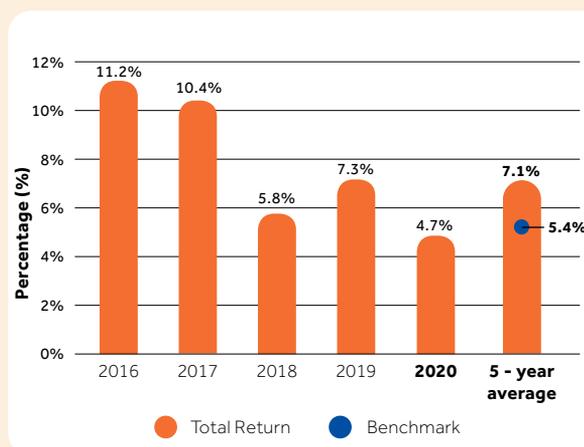
KWAP's property investment generated a net income of RM256.2 million or at 4.1% net income yield on investment cost. Presented in Chart 1 below is the net income yield on investment cost of KWAP's property portfolio from 2016 to 2020.

**Chart 1: KWAP's Property Portfolio Net Income Yield on Investment Cost from 2016 to 2020**



For the year 2020, KWAP's property investment recorded a total return of 4.7%. The 5-year rolling average (2016-2020) was 7.1% which exceeded the internal 5-year rolling average benchmark of 5.4%. Chart 2 shows the 5 year (2016 – 2020) historical total returns of KWAP's property portfolio compared against the 2020 5-year average and the benchmark.

**Chart 2: KWAP's Property Portfolio- 5 year Rolling Total Return**



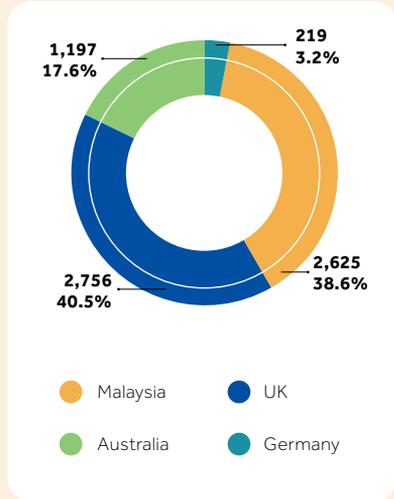
Note: Benchmark is the 5-year rolling average for 2020

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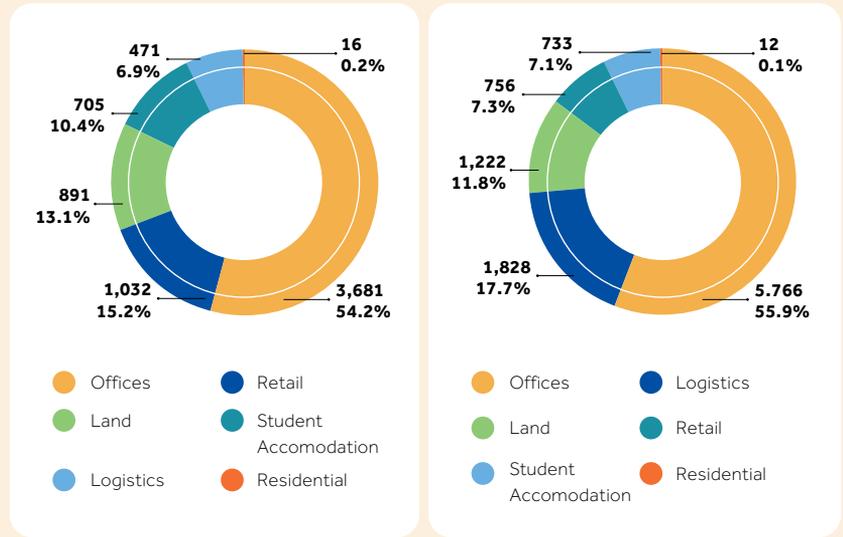
The geographical and asset type exposures of KWAP’s property portfolio as at end 2020 based on investment cost are as shown in Chart 3 and Chart 4 respectively. The average occupancy of KWAP’s properties as at 31 December 2020, was 90.6%.

**Chart 3: Geographical Exposure as at 31 December 2020 (RM Million)**



Note: Exposure based on equity invested

**Chart 4: Asset Type Exposure as at 31 December 2020 (RM Million)**



Note: Exposure based on equity invested

Note: Exposure based on property value

**MAIN ACTIVITIES IN 2020**

In June 2020, KWAP expanded its student accommodation portfolio by acquiring two (2) student accommodation buildings in the UK namely, Symons House, in Leeds and Crown House, in Sheffield at a total price of £89.4 million (RM475.8 million) or at an estimated investment cost of £91.0 million (RM483.5 million). In addition, on 17 December 2020, KWAP consolidated its 100% ownership of The Chimes, Uxbridge (formerly known as Intu Uxbridge) by acquiring the minority 20% interest in the property.



Symons House, Leeds, United Kingdom (Student Accommodation)



Crown House, Sheffield, United Kingdom (Student Accommodation)



The Chimes, Uxbridge, West London, United Kingdom (Retail)

## KWAP'S DOMESTIC PROPERTIES

**Integra Tower, Kuala Lumpur**

Purchase Price  
**RM1,065 million**

Date of Acquisition  
**31 March 2015**

Tenure  
**Freehold**

Net Lettable Area  
**765,249 sq ft**

**Capsquare Tower, Kuala Lumpur**

Purchase Price  
**RM474.3 million**

Date of Acquisition  
**15 December 2016**

Tenure  
**Freehold**

Net Lettable Area  
**601,796 sq ft**

**Mydin Commercial Centre, Skudai, Johor (Retail)**

Purchase Price  
**RM220.0 million**

Date of Acquisition  
**22 January 2019**

Tenure  
**Leasehold**  
(expiring in 22  
January 3010)

Net Lettable Area  
**409,080 sq ft**

## KWAP'S INTERNATIONAL PROPERTIES

**747 Collins Street, Melbourne, Australia**

Purchase Price  
**AUD318.8 million**

Date of Acquisition  
**30 September  
2013 and  
8 February 2018**

Tenure  
**Freehold**

Net Lettable Area  
**430,914 sq ft**

**179 Turbot Street, Brisbane, Australia**

Purchase Price  
**AUD172.3 million**

Date of Acquisition  
**31 October 2013**

Tenure  
**Freehold**

Net Lettable Area  
**268,831 sq ft**

**133 Lenore Drive, Erskine Park, Sydney, Australia (Logistics)**

Purchase Price  
**AUD75.1 million**

Date of Acquisition  
**30 November 2014**

Tenure  
**Freehold**

Net Lettable Area  
**480,430 sq ft**

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**1 Griffin Crescent, Brendale, Queensland, Australia (Logistics)**

Purchase Price  
**AUD73.7 million**

Date of Acquisition <b>30 November 2015</b>	Tenure <b>Freehold</b>
Net Lettable Area <b>542,570 sq ft</b>	



**38 - 46 Bernara Road, Prestons, Sydney, Australia (Logistics)**

Purchase Price  
**AUD70.1 million**

Date of Acquisition <b>30 July 2015</b>	Tenure <b>Freehold</b>
Net Lettable Area <b>237,884 sq ft</b>	



**133A, Lenore Drive, Erskine Park, Sydney, Australia (Logistics)**

Purchase Price  
**Land Cost: AUD5.1 million**  
**Development Cost: AUD8.2 million**

Date of Acquisition <b>23 December 2015</b>	Tenure <b>Freehold</b>
Date of Development <b>14 April 2017</b>	Net Lettable Area <b>81,558 sq ft</b>



**10 Gresham Street, London, UK (Office)**

Purchase Price  
**GBP200.0 million**

Date of Acquisition <b>24 October 2012</b>	Tenure <b>Leasehold</b> (expiring in 24 June 2164)
Net Lettable Area <b>259,759 sq ft</b>	



**100 Cheapside, London**

Purchase Price  
**GBP 141.0 million**

Date of Acquisition <b>20 December 2019</b>	Tenure <b>Leasehold</b>
Net Lettable Area <b>101,823 sq ft</b>	



**The Chimes, Uxbridge, London, UK (Retail)**

Purchase Price  
**GBP 103.3 million**

Date of Acquisition <b>20 June 2014</b>	Tenure <b>Freehold</b>
Net Lettable Area <b>462,603 sq ft</b>	



**800 Bristol Road, Birmingham,  
UK (Student Accommodation)**

Purchase Price  
**GBP14.6 million**

Date of Acquisition  
**8 August 2018**

Tenure  
**Freehold**

Net Lettable Area  
**31,724 sq ft**



**The Mill House, Edinburgh,  
UK (Student Accommodation)**

Purchase Price  
**GBP25.1 million**

Date of Acquisition  
**8 August 2018**

Tenure  
**Scottish Freehold**

Net Lettable Area  
**63,212 sq ft**



**Symons House, Leeds,  
UK (Student Accommodation)**

Purchase Price  
**GBP50.1 million**

Date of Acquisition  
**30 June 2020**

Tenure  
**Freehold**

Net Lettable Area  
**132,105 sq ft**



**Crown House, Sheffield,  
UK (Student Accommodation)**

Purchase Price  
**GBP39.3 million**

Date of Acquisition  
**30 June 2020**

Tenure  
**Freehold**

Net Lettable Area  
**154,175 sq ft**

ASSET CLASSES	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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## ALTERNATIVE INVESTMENTS



**Sherwood Court,  
Seymour Place, London Apartment**

Purchase Price  
**GBP 1.4 million**

Date of Acquisition  
**27 February 2015**

Tenure  
**Leasehold**

Net Lettable Area  
**836 sq ft**

**Note**

The apartment was acquired for accommodation of KWAP staff seconded to Prima Ekuiti United Kingdom (PEUK) London Office



**Albion Gate,  
Albion Street, London Apartment**

Purchase Price  
**GBP1.6 million**

Date of Acquisition  
**27 February 2015**

Tenure  
**Leasehold**

Net Lettable Area  
**935 sq ft**

**Note**

The apartment was acquired for accommodation of KWAP staff seconded to Prima Ekuiti United Kingdom (PEUK) London Office



**Zalando Distribution Warehouse,  
Erfurt, Germany (Logistics)**

Purchase Price  
**EUR92.2 million**

Date of Acquisition  
**5 May 2017**

Tenure  
**Freehold**

Net Lettable Area  
**1,381,794 sq ft**

Occupancy Rate as at 31 December 2020  
**100%**

## SUBSIDIARIES

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## KWEST SDN BHD

**SERI TANJUNG PINANG PHASE 2A ("STP2A")**

Following the completion of reclamation works of STP2A at the end of 2019, developments on the island infrastructure have progressed where a few contract works were awarded in 2020 for roads, drainage and the green sewerage treatment plant. Whilst the Middle Bridge that will connect STP2A to the main Penang Island was progressing well at a steadfast 63% - on track for its completion in 2H2021 - the design and planning for the STP2A development project had already begun following the approval of the 3-year Business Plan of STP2A in April 2020. Despite COVID-19 challenges, Persada Mentari Sdn Bhd (PMSB) which is the development SPV between KWEST and E&O, managed to secure Development Order planning approval from the local authority for its maiden project of a 1,020-unit serviced residence on a 4-acre site, branded as 'Millennial Homes'. The design and price point of the scheme will be attractive to first time and young home buyers. Millennial Homes is designed to encourage population growth for the island whilst creating a pool of ready resources and talent for later launches of commercial components.

In addition to Millennial Homes, the planning application for Festival Village, which is a 5-acre development of STP2A's sales gallery and commercial hub, has been submitted to the local authority for approval. Moreover, the schematic design and planning of another two development projects namely Marina Apartments and Executive Homes have commenced and are slated for launch in 2022 and 2023 respectively.

**COMPASS@KSL**

Given the challenging domestic real estate scene over the past few years, the industrial and logistics sector stands out as the best performing real estate sector with its continuous positive growth. Supported by the Industrial Revolution 4.0 and the rise of e-commerce, KWEST made a decision to invest in its first industrial and logistic hub in Banting, Selangor. KWEST holds a 20% share of the investment with PNB and AREA Industrial Development Holdings ("AREA") holding 60% and 20%, respectively. With an estimated GDV of RM1.3 billion,

the development of the 220-acre site is expected to take eight years to complete. The development will be carried out in phases and consists of Build-to-Sell and Build-to-Lease components to cater to different needs in the industry. With the strategic location of the site, we believe it will be the preferred hub going forward.

On a portfolio basis, this venture into the industrial sector provides the benefits of diversification to KWEST, which is now largely dominated by the investment in STP2A which focuses on residential and commercial real estate. Although the contribution is relatively small compared to STP2A, it signifies the beginning of KWEST's foray into industrial real estate in Malaysia.

**RODDC19**

KWEST routinely engages organisations which share common interests and are aligned with our vision, particularly on real estate and nation building initiatives. Thus, KWEST, in collaboration with MyAgeing and Universiti Putra Malaysia (UPM) organised an architectural design competition to raise awareness about the significance of Retirement-Oriented Development (ROD) in an ageing society. The Retirement-Oriented Development Design Competition 2019 (RODDC2019) which was officially launched in November 2019, challenges the future generation of designers to conceptualise a holistic design solution that will attempt to address the fundamental challenges faced by this market segment which encompass creating awareness, accessibility, affordability, adaptability and creating the right components for a viable and sustainable age-friendly development. The design competition has successfully registered a total number of 49 participants from numerous Malaysian higher learning institutions. The competition was concluded in October 2020 where Universiti Sains Malaysia (USM) with their design submission entitled 'Hyden Park', emerged as the winner and walked away with a cash prize of RM10,000, followed by Universiti Teknologi Malaysia (UTM) and Universiti Teknologi Mara (UiTM) who came in second and third respectively.

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**KWEST SDN BHD**

**re|DISCOVERY 2020**

Between 13th October to 25th November 2020, KWEST hosted the second re|DISCOVERY lecture series - "KWEST re|DISCOVERY 2020", a series of knowledge sharing and staff engagement sessions focusing on themes related to real estate. The goal of re|DISCOVERY 2020 was to bring together bright minds and inspirational personalities from across various sectors to foster learning, discovery, innovation, creativity and stimulate thought-provoking conversations on real estate matters. A total of seven webinars, and various competitions and quizzes were organised with overwhelming support and participation from KWAP staff community throughout the series. The series opened with a fiery panel discussion forum on "re|LIVE : Age Friendly City - The Future of Community Living" by renowned experts in the field in conjunction with Malaysia's Senior Citizen Day and the closing ceremony of RODDC2019 design competition. Other events ranged from exciting talks on current market "re|START : Post-Covid19 Outlook for Real Estate" to future of real estate and issues on workspace security "re|THINK : Artificial Intelligence in Real Estate Investment" and "re|SILENCE : Securing the Remote Workforce & Created Trusted Workspaces"; to taking a different and creative perspective on real estate through "re|IMAGINE : Batik Canting" and "re|LOOK : Photography" webinars and immersive staff competitions. The series ended with a collaboration event with KWAP HRD and WWF-Malaysia on "re|SPONSIBLE: Climate Change and our Responsibility" touching on future real estate sustainability.

**Targets for 2021**

**The year 2021 is going to be an exciting year for KWEST. Our first product, Millennial Homes, in STP2A is expected to be launched in November 2021, subsequent to the completion of Middle Bridge. However, given the recent surge in COVID-19 cases, we remain cautiously optimistic of the timing for the launch. The team at Persada Mentari Sdn Bhd is working closely with all consultants, advisors and our representatives in KWEST to make the best decision for the development.**

**Additionally, COMPASS@KSL will continue its pre-development work in preparation for the launch in 2022. This will coincide with the completion of the Banting exit of the West Coast Expressway that will be a boost for the development going forward. The expressway will cut the travelling time from Banting to Port Klang significantly and connects the site to major cities in Greater Klang Valley. The team at Compass IP will commence approaching potential players to open its industrial or logistics centre at the site.**

**On other opportunities, KWEST will remain guided by KWEST Board, KWAP Investment Panel and KWAP Board, in pursuing opportunities it sees fit in fulfilling its investment mandate.**

## PRIMA EKUITI (UK) LIMITED

Prima Ekuiti (UK) Limited (Prima Ekuiti), established in 2012, is our wholly owned subsidiary in the UK and acts as KWAP's investment partner in the European region. Since its inception, it has been mandated to manage equity portfolios in the European region. Although Prima Ekuiti has been focusing specifically on equities, it plans to widen the scope of investment into other asset classes in the near to medium term.

Prima Ekuiti's first equity portfolio was the UK equity portfolio mandate in 2012, which has contributed returns of 32.0% since inception, comfortably exceeding the FTSE100 Index's return of 21.4% during the same period. Its second mandated portfolio was the Euro equity portfolio mandate, which has contributed returns of 48.6% since it was mandated in 2014, securely exceeding the MSCI Euro Index's return of 17.9% during the same period. Meanwhile, the relatively new Absolute Return portfolio that was established in June 2018 with an initial capital of EUR75.0 million represents a move towards an investment that is more focused on longer-term thematic investments as reflected by its three-year investment horizon.

With an initial capital of GBP100 million to be invested in UK equities, Prima Ekuiti has grown its asset under management, expanded its investment coverage and diversified its style of investing via the establishment of the Euro Equity portfolio in 2014 and the European Absolute Return Fund in 2018. The market value of its UK equity portfolio has increased to GBP212.1 million and its Euro equity portfolio has grown to EUR228.0 million while its Absolute Return portfolio increased to EUR77.7 million.

As at the end of 2020, the UK and Euro equity portfolios have repatriated a total of more than GBP140.1 million since inception.

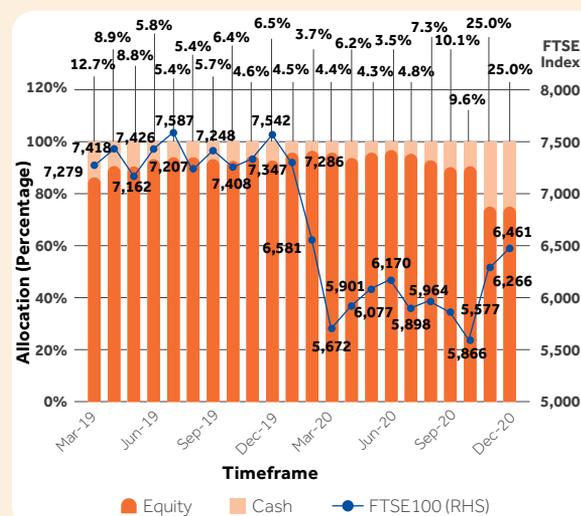
In 2020, Prima Ekuiti distributed an additional GBP100,000 in dividends to KWAP, bringing the total dividends paid out since the introduction of the dividend payment programme in 2015 to GBP1,100,000.

## Investment Review

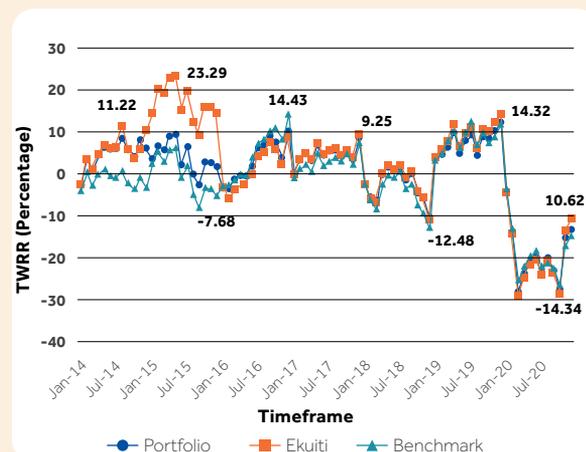
The UK equity portfolio registered a return of -13.2% in 2020 with market value at GBP212.1 million, which represents an outperformance of 111 basis points from the FTSE100 benchmark, which delivered a return of -14.3%. Since its inception on 2 May 2012, the portfolio has increased by 32.0%, comfortably exceeding the FTSE100 Index's return of 21.4% during the same period.

## UK Equity Portfolio

### UK: Asset Allocation



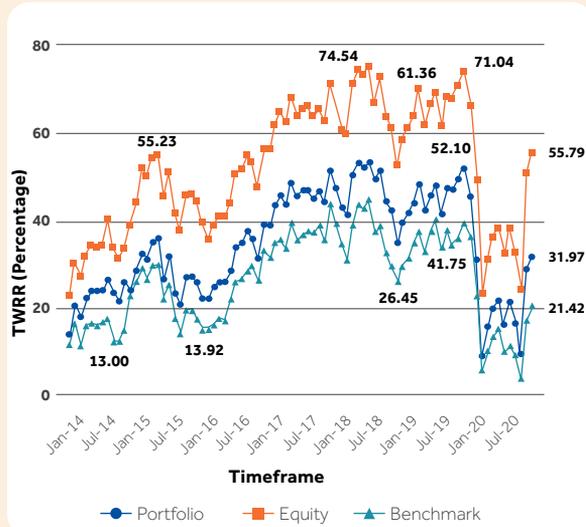
### UK: TWRR Year to Date



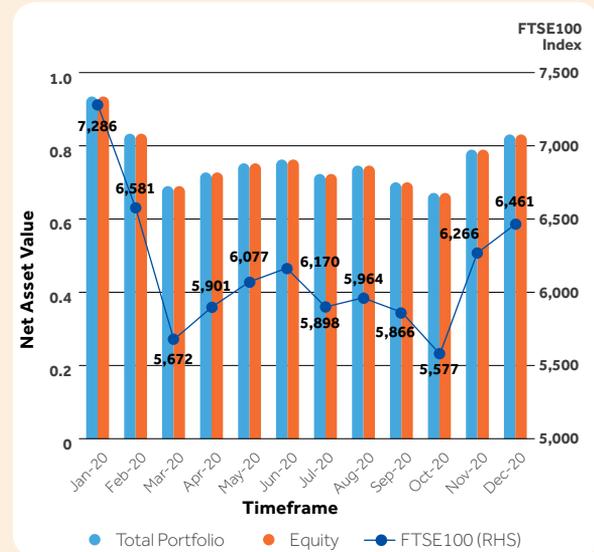
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**PRIMA EKUITI (UK) LIMITED**

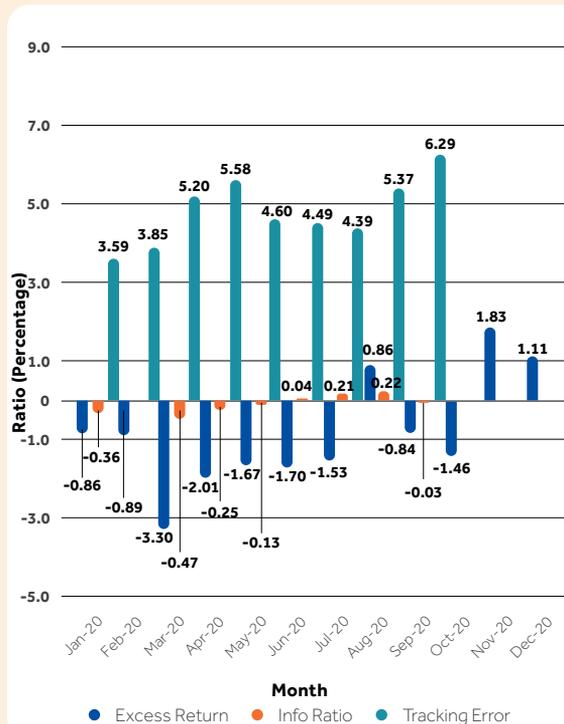
**UK: TWRR Since Inception**



**UK: Net Asset Value**



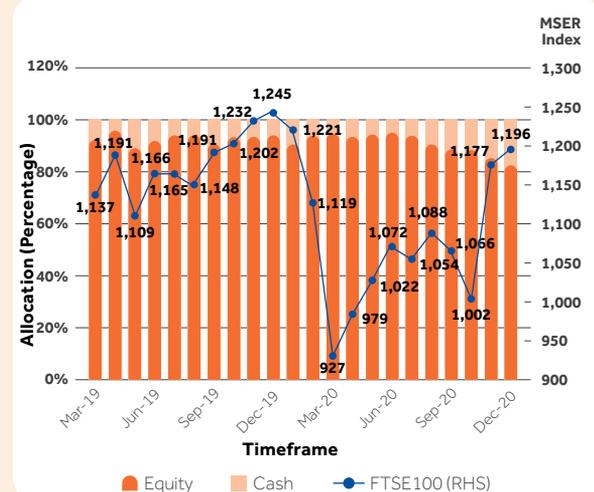
**UK: Information Ratio**



Meanwhile, the Euro equity portfolio registered a return of -4.0% in 2020, marginally underperforming its benchmark MSCI Euro Index by 11 bps. Nevertheless, since its inception on 2 September 2014, the Euro equity portfolio has increased by 48.6%, outperforming its benchmark by 30.7%.

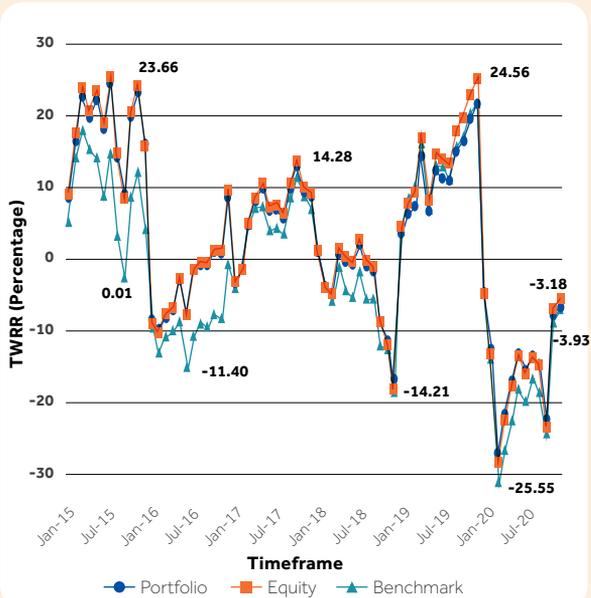
**Euro Equity Portfolio**

**EURO: Asset Allocation**

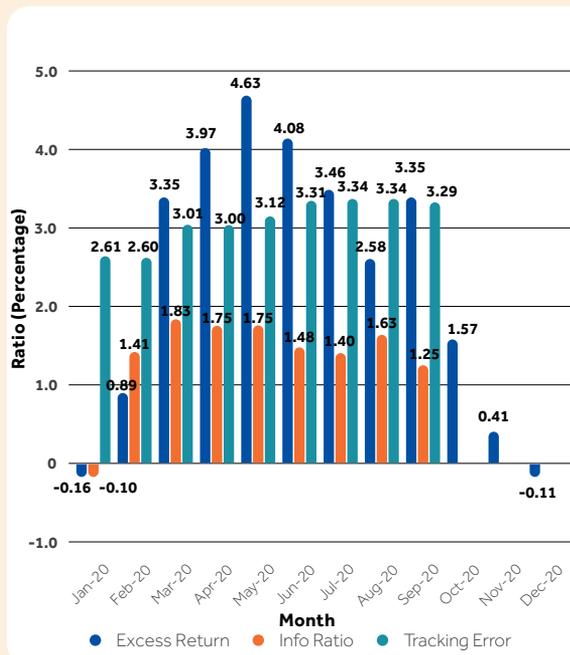


Euro Equity Portfolio

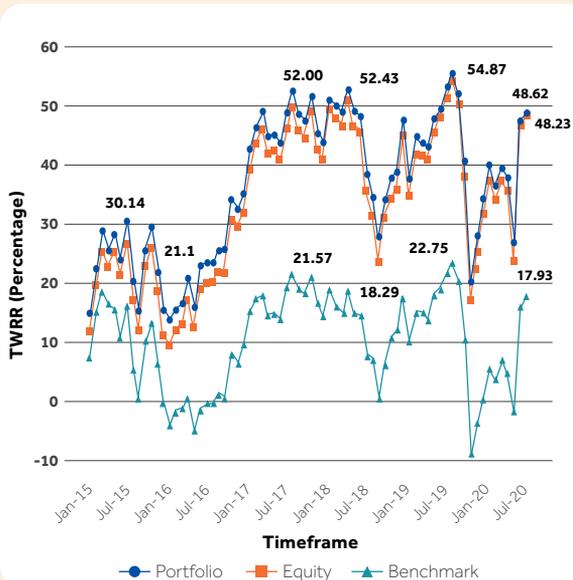
EURO: TWRR Year to Date



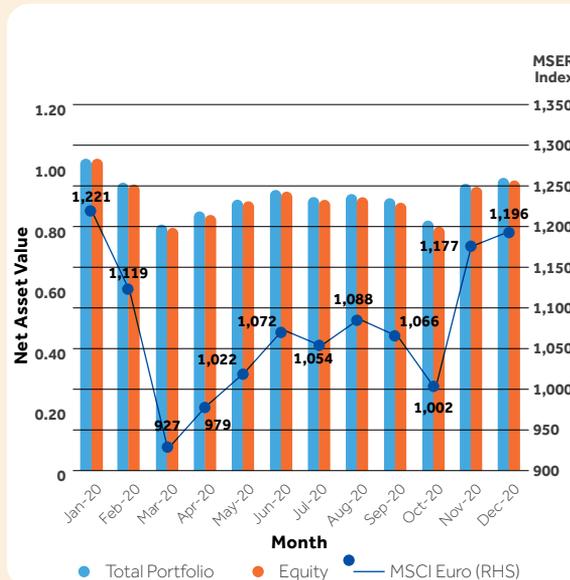
EURO: Information Ratio



EURO: TWRR Since Inception



EURO: Net Asset Value

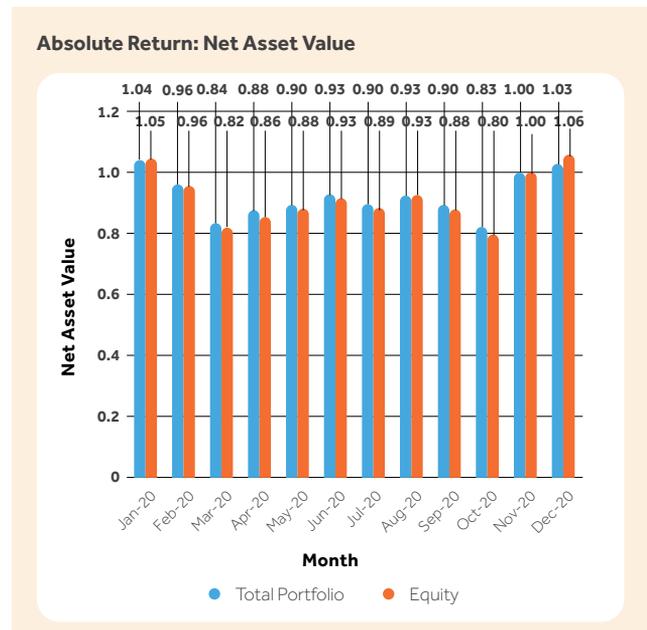
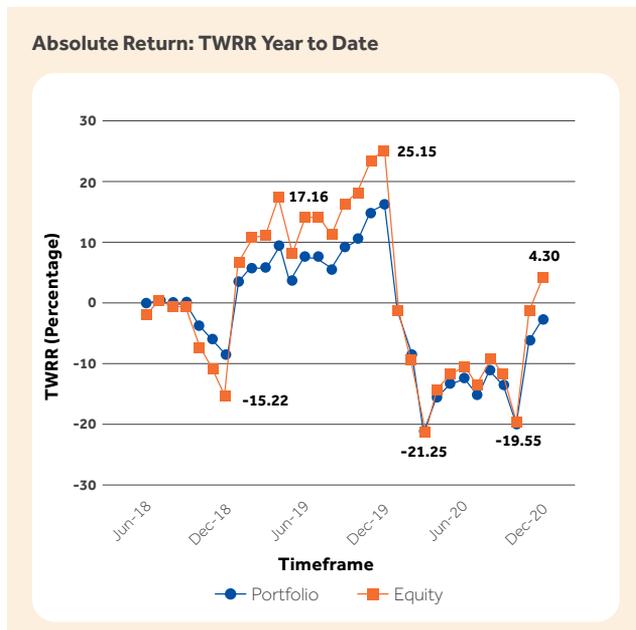
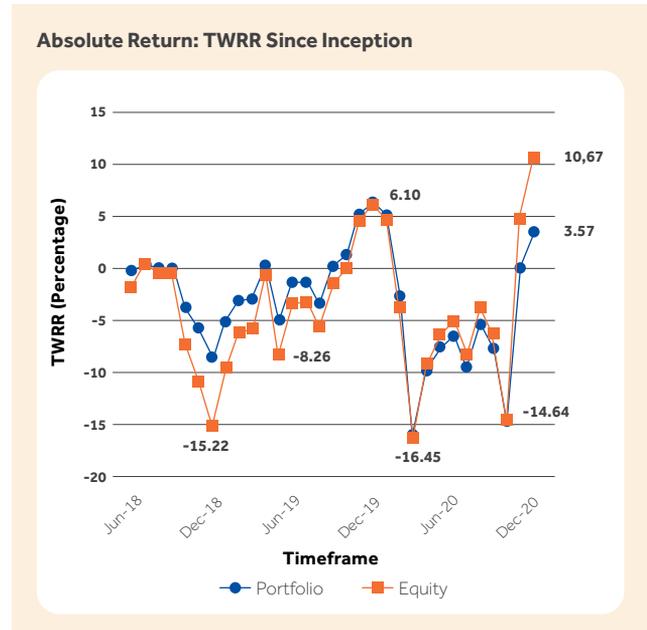
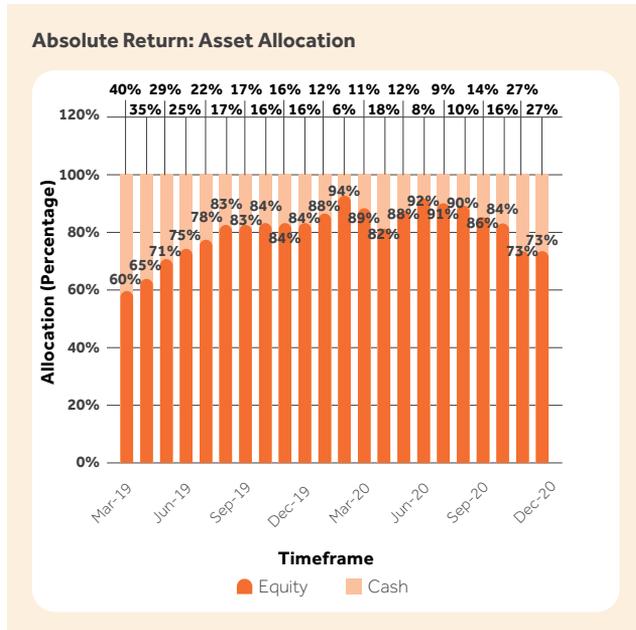


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**PRIMA EKUITI (UK) LIMITED**

Since the inception of the Absolute Return portfolio in June 2018, the Absolute Return equity portfolio has increased by 3.4% with a Net Asset Value (NAV) of 1.03x.

**Absolute Return Equity Portfolio**



**While creating wealth and value for our stakeholders remains an imperative, KWAP is fully committed to best practices in financial reporting to further safeguard the interests of our stakeholders.**

## **FINANCIAL STATEMENTS**

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<b>AUDITOR GENERAL'S CERTIFICATION</b>	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	<b>Financial Statements</b>
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**CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Certificate on the Audit of the Financial Statements**

**Opinion**

I have empowered a private audit firm to undertake an audit on the financial statements of Kumpulan Wang Persaraan (Diperbadankan). The financial statements comprise the Statements of Financial Position as at 31 December 2020 of the Group and of Kumpulan Wang Persaraan (Diperbadankan) and the Statements of Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 3 to 159.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Retirement Fund Act 2007 [Act 662] requirements.

**Basis for Opinion**

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Independence and Other Ethical Responsibilities**

I am independent of the Group and of Kumpulan Wang Persaraan (Diperbadankan) and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

**Information Other than the Financial Statements and Auditor's Certificate Thereon**

The Board of Kumpulan Wang Persaraan (Diperbadankan) is responsible for the other information in the Annual Certificate. My opinion on the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

**Responsibilities of the Board for the Financial Statements**

The Board is responsible for the preparation of Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Retirement Fund Act 2007 [Act 662] requirements. The Board also responsible for such internal control as it is necessary to enable the preparation of the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan), the Board is responsible for assessing the Group's and Kumpulan Wang Persaraan (Diperbadankan) ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR GENERAL'S CERTIFICATION	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	Financial Statements
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As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan), whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Kumpulan Wang Persaraan's (Diperbadankan) internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- d. Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Kumpulan Wang Persaraan's (Diperbadankan) ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group or of Kumpulan Wang Persaraan (Diperbadankan) or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate.
- e. Evaluate the overall presentation, structure and content of the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) including the disclosures, and whether the Financial Statements of the Group and of Kumpulan Wang Persaraan (Diperbadankan) represent the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Retirement Fund Act 2007 [Act 662], I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 10 to the financial statements.

#### Other Matters

This certificate is made solely for the Board in accordance with Retirement Fund Act 2007 [Act 662] requirements and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.

  
(DATUK NIK AZMAN NIK ABDUL MAJID)  
AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
4 DECEMBER 2021



<b>STATEMENT BY THE CHAIRMAN</b> and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan)	Messages from Our Leaders	About KWAP	Stakeholder Management	Corporate Governance	Economic and Strategic Review	<b>Financial                  Statements</b>
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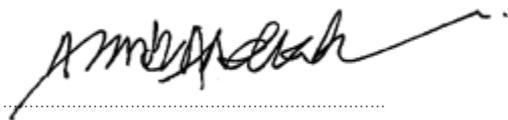
We, **Dato' Asri Bin Hamidin @ Hamidon** and **Dato' Azmi Bin Abdullah** being the Chairman and a member of the Board of Kumpulan Wang Persaraan (Diperbadankan) respectively, do hereby state that, in the opinion of the Board of Kumpulan Wang Persaraan (Diperbadankan), the Financial Statements, consisting of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Notes to Financial Statements therein, are prepared in accordance with the Retirement Fund Act 2007 (Act 662) and the Malaysian Financial Reporting Standards (MFRS) as to give a true and fair view of the state of affairs of Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2020 and of its operating results and the cash flows of Kumpulan Wang Persaraan (Diperbadankan) for the year ended on that date.

Signed on behalf of the Board,



Name : **Dato' Asri Bin Hamidin @ Hamidon**  
 Title : Chairman of the Board  
 Date : 30 November 2021  
 Venue : Kuala Lumpur

Signed on behalf of the Board,



Name : **Dato' Azmi Bin Abdullah**  
 Title : Member of the Board  
 Date : 30 November 2021  
 Venue : Kuala Lumpur

**STATUTORY DECLARATION**

by the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan) 2020

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Financial Statements

I, **Nik Amlizan Binti Mohamed**, being the officer primarily responsible for the financial management of Kumpulan Wang Persaraan (Diperbadankan), do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes In Equity and the Statement of Cash Flows, in the following financial position together with the Notes To The Financial Statements to the best of my knowledge and belief, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
 by the above named )  
 At Kuala Lumpur Wilayah Persekutuan )  
 On 30 November 2021 )



Before me,



G1-1-2, Ground Floor, Menara 1 Dutamas.  
 Solaris Dutamas, No. 1, Jalan Dutamas, 1  
 50480 KUALA LUMPUR, MALAYSIA

**STATEMENTS OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

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	Note	Group		KWAP	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Gross Investment Income</b>	4	<b>7,099,583</b>	6,323,931	<b>6,805,751</b>	6,067,973
Dividend Income		<b>2,228,896</b>	2,061,917	<b>2,228,896</b>	2,061,917
Gains From Divestment		<b>1,791,507</b>	785,898	<b>1,791,507</b>	561,668
Interest Income		<b>2,542,273</b>	3,045,452	<b>2,578,622</b>	3,059,123
Rental Income		<b>393,425</b>	379,800	<b>3,300</b>	15,757
Other Investment Income		<b>143,482</b>	50,864	<b>203,426</b>	369,508
Other Non-Investment Income	4	<b>1,104,695</b>	529,750	<b>1,100,024</b>	529,013
Operating Expenses	5	<b>(559,535)</b>	(556,259)	<b>(277,131)</b>	(302,961)
Transaction Cost		<b>(61,300)</b>	(38,680)	<b>(61,300)</b>	(38,680)
Net Unrealised Gain On Financial Assets Designated As Fair Value Through Profit Or Loss		<b>1,598,067</b>	707,433	<b>1,597,024</b>	706,989
Allowance Made For Impairment Losses Of Financial Assets		<b>3,098</b>	(10,331)	<b>8,450</b>	(10,331)
Allowance Made For Impairment Losses Of Non-Financial Assets		<b>(303,422)</b>	-	<b>(307,191)</b>	(278,147)
Profit Before Taxation		<b>8,881,186</b>	6,955,844	<b>8,865,627</b>	6,673,856
Finance Cost		<b>(63,050)</b>	(65,981)	-	-
Share Of Results From Associates		<b>45,836</b>	17,279	-	-
Share Of Results From Joint Ventures		<b>(8,274)</b>	(226,029)	-	-
Taxation	6	<b>(5,059)</b>	(3,340)	-	-
<b>Profit After Taxation</b>		<b>8,850,639</b>	6,677,773	<b>8,865,627</b>	6,673,856
<b>Attributable To:</b>					
Contributors Of KWAP		<b>8,850,639</b>	6,677,773	<b>8,865,627</b>	6,673,856
		<b>8,850,639</b>	6,677,773	<b>8,865,627</b>	6,673,856

STATEMENTS OF COMPREHENSIVE INCOME  
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	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Note				
<b>Other Comprehensive (Loss)/Income</b>				
<b>Item That Will Not Be Reclassified To Profit Or Loss:</b>				
Fair Value Changes On Equity Instruments At Fair Value Through Other Comprehensive Income Reserve				
- Revaluation (Loss)/Gain	(1,086,412)	32,486	(1,086,412)	32,486
- Loss From Sale Not Transferred To Retained Earnings	(196,929)	(776)	(196,929)	(776)
<b>Item That May Be Reclassified Subsequently To Profit Or Loss:</b>				
Foreign Exchange Reserves	73,259	(30,152)	-	-
Fair Value Changes on Debt Instruments At Fair Value Through Other Comprehensive Income Reserve				
- Revaluation Gain	821,858	1,120,426	821,858	1,120,426
- Loss Allowance On Debt Instruments At Fair Value Through Other Comprehensive Income	(8,447)	10,335	(8,447)	10,335
Other Comprehensive (Loss)/Income For The Year	(396,671)	1,132,319	(469,930)	1,162,471
<b>Total Comprehensive Income</b>	<b>8,453,968</b>	<b>7,810,092</b>	<b>8,395,697</b>	<b>7,836,327</b>
<b>Attributable To:</b>				
Contributors Of KWAP	8,453,968	7,810,092	8,395,697	7,836,327
<b>Total Comprehensive Income</b>	<b>8,453,968</b>	<b>7,810,092</b>	<b>8,395,697</b>	<b>7,836,327</b>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

## STATEMENTS OF FINANCIAL POSITION

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	Note	Group		KWAP	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		RM'000	RM'000	RM'000	RM'000
<b>Non-Current Assets</b>					
Property And Equipment	7	59,560	63,799	55,367	59,532
Computer Softwares	8	4,848	4,480	4,791	4,480
Investment Properties	9	7,230,995	6,203,835	227,954	453,391
Land Held for Development	9	660,850	653,424	-	-
Investment In Subsidiaries	10	-	-	5,739,455	4,646,586
Investment In Associates	11	978,277	905,272	872,469	851,365
Investment In Joint Ventures	12	1,303	127,028	-	-
Loans And Receivables	13	2,689,132	5,601,187	3,012,310	5,900,276
Long Term Receivables	13	83,577	918	-	-
Debt Instruments At Amortised Cost	14	15,199,224	15,152,167	15,199,224	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	629,976	308,610	602,476	308,610
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	47,440,728	43,922,628	47,440,728	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	16	33,881,656	31,418,751	33,881,656	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	17	29,079,669	27,979,328	29,079,669	27,979,328
		137,939,795	132,341,427	136,116,099	130,697,114
<b>Current Assets</b>					
Loans And Receivables	13	2,895,333	2,441,583	2,895,333	2,441,583
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	15	389,780	465,062	608,614	668,114
Derivative Financial Assets	18	492,001	205,708	492,001	204,299
Sundry Debtors And Deposits	19	117,649	52,119	118,187	103,877
Trade Receivables	20	2,464,129	1,655,148	2,416,547	1,630,568
Deposits And Placements With Financial Institutions	21	10,786,424	11,498,142	10,786,424	11,498,142
Cash And Bank Balances	21	2,656,995	1,485,868	2,140,049	1,025,678
		19,802,311	17,803,630	19,457,155	17,572,261
<b>Current Liabilities</b>					
Derivative Financial Liabilities	18	99,962	74,605	72,129	69,958
Trade Payables	22	1,546,179	600,809	1,551,455	600,660
Other Payables And Accruals	23	176,151	202,450	126,663	118,474
Deferred Income		48,038	434	-	433
Borrowings	24	369,432	10,485	-	-
Lease Liabilities	32	5,344	-	-	-
		2,245,106	888,783	1,750,247	789,525
<b>Net Current Assets</b>					
		17,557,205	16,914,847	17,706,908	16,782,736
		155,497,000	149,256,274	153,823,007	147,479,850

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	Note	Group		KWAP	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		RM'000	RM'000	RM'000	RM'000
<b>Financed By:</b>					
Allocation Of Statutory Funds	25	<b>27,001,944</b>	26,501,944	<b>27,001,944</b>	26,501,944
Pension Contributions	26	<b>57,307,209</b>	54,860,277	<b>57,307,209</b>	54,860,277
Withdrawal By Federal Government	27	<b>(9,500,000)</b>	(4,500,000)	<b>(9,500,000)</b>	(4,500,000)
Retained Earnings	28	<b>82,377,783</b>	73,527,144	<b>82,492,478</b>	73,626,851
Other Reserves	29	<b>(46,642)</b>	(46,642)	-	-
Foreign Exchange Reserves	29	<b>(121,723)</b>	(194,982)	-	-
Fair Value Through Other Comprehensive Income ("FVOCI") Reserves	29	<b>(3,482,499)</b>	(3,012,569)	<b>(3,482,499)</b>	(3,012,569)
		<b>153,536,072</b>	147,135,172	<b>153,819,132</b>	147,476,503
<b>Non-Current Liabilities</b>					
Derivative Financial Liabilities	18	<b>22,631</b>	19,063	-	-
Deferred Tax Liabilities	30	<b>49</b>	362	-	-
Employee Benefits	31	<b>3,875</b>	3,347	<b>3,875</b>	3,347
Lease Liabilities	32	<b>111,516</b>	52,625	-	-
Long Term Deposit		<b>12,017</b>	6,315	-	-
Borrowings	24	<b>1,810,840</b>	2,039,390	-	-
		<b>155,497,000</b>	149,256,274	<b>153,823,007</b>	147,479,850

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

**STATEMENT OF CHANGES IN EQUITY**

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Group	Non-Distributable							Distributable	Total RM'000
	Allocation Of Statutory Funds (Note 25) RM'000	Pension Contributions (Note 26) RM'000	Withdrawal by Federal Government (Note 27) RM'000	Other Reserves (Note 29) RM'000	Foreign Exchange Reserve (Note 29) RM'000	Fair Value Through Other Comprehensive		Retained Earnings (Note 28) RM'000	
						Income Reserves (Note 29) RM'000			
<b>At 1 January 2019</b>	26,001,944	52,230,752	(4,500,000)	(46,642)	(164,830)	(4,175,040)	66,849,371	136,195,555	
Profit For The Year	-	-	-	-	-	-	6,677,773	6,677,773	
Other Comprehensive (Loss)/Income	-	-	-	-	(30,152)	1,162,471	-	1,132,319	
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000	
Withdrawal By Federal Government	-	-	-	-	-	-	-	-	
Net Pension Contribution And Claims Received	-	2,629,525	-	-	-	-	-	2,629,525	
<b>At 31 December 2019</b>	26,501,944	54,860,277	(4,500,000)	(46,642)	(194,982)	(3,012,569)	73,527,144	147,135,172	
<b>At 1 January 2020</b>	<b>26,501,944</b>	<b>54,860,277</b>	<b>(4,500,000)</b>	<b>(46,642)</b>	<b>(194,982)</b>	<b>(3,012,569)</b>	<b>73,527,144</b>	<b>147,135,172</b>	
Profit For The Year	-	-	-	-	-	-	8,850,639	8,850,639	
Other Comprehensive Income/(Loss)	-	-	-	-	73,259	(469,930)	-	(396,671)	
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000	
Withdrawal By Federal Government	-	-	(5,000,000)	-	-	-	-	(5,000,000)	
Net Pension Contribution And Claims Received	-	2,446,932	-	-	-	-	-	2,446,932	
<b>At 31 December 2020</b>	<b>27,001,944</b>	<b>57,307,209</b>	<b>(9,500,000)</b>	<b>(46,642)</b>	<b>(121,723)</b>	<b>(3,482,499)</b>	<b>82,377,783</b>	<b>153,536,072</b>	

STATEMENT OF CHANGES IN EQUITY  
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KWAP	← Non-Distributable →					Distributable		Total RM'000
	Allocation Of Statutory Funds (Note 25) RM'000	Pension Contributions (Note 26) RM'000	Withdrawal by Federal Government (Note 27) RM'000	Other Reserves (Note 29) RM'000	Foreign Exchange Reserve (Note 29) RM'000	Fair Value Through Other Comprehensive Income Reserves (Note 29) RM'000	Retained Earnings (Note 28) RM'000	
<b>At 1 January 2019</b>	26,001,944	52,230,752	(4,500,000)	-	-	(4,175,040)	66,952,995	136,510,651
Profit For The Year	-	-	-	-	-	-	6,673,856	6,673,856
Other Comprehensive Income	-	-	-	-	-	1,162,471	-	1,162,471
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	-	-	-	-	-	-
Net Pension Contribution And Claims Received	-	2,629,525	-	-	-	-	-	2,629,525
<b>At 31 December 2019</b>	26,501,944	54,860,277	(4,500,000)	-	-	(3,012,569)	73,626,851	147,476,503
<b>At 1 January 2020</b>	<b>26,501,944</b>	<b>54,860,277</b>	<b>(4,500,000)</b>	-	-	<b>(3,012,569)</b>	<b>73,626,851</b>	<b>147,476,503</b>
Profit For The Year	-	-	-	-	-	-	8,865,627	8,865,627
Other Comprehensive Loss	-	-	-	-	-	(469,930)	-	(469,930)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(5,000,000)	-	-	-	-	(5,000,000)
Net Pension Contribution And Claims Received	-	2,446,932	-	-	-	-	-	2,446,932
<b>At 31 December 2020</b>	<b>27,001,944</b>	<b>57,307,209</b>	<b>(9,500,000)</b>	-	-	<b>(3,482,499)</b>	<b>82,492,478</b>	<b>153,819,132</b>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

**STATEMENTS OF CASH FLOWS**

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	Group		KWAP	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash Flows From Operating Activities</b>				
Profit Before Taxation	<b>8,881,186</b>	6,955,844	<b>8,865,627</b>	6,673,856
Adjustments For:				
Depreciation Of Property And Equipment and Investment Properties	<b>178,055</b>	132,701	<b>12,689</b>	15,613
Adjustment Of Property And Equipment and Investment Properties	<b>2,339</b>	-	<b>1,665</b>	-
Amortisation Of Computer Softwares	<b>2,683</b>	3,006	<b>2,630</b>	3,006
Net Unrealised Gain On Financial Assets Designated At Fair Value Through Profit And Loss	<b>(1,598,067)</b>	(707,433)	<b>(1,597,024)</b>	(706,989)
Net Unrealised Gain On Fair Value Of Derivatives	<b>(116,392)</b>	(158,251)	<b>(143,220)</b>	(170,765)
Gain From Divestment	<b>(1,791,507)</b>	(785,898)	<b>(1,791,507)</b>	(561,668)
Profit On Sale of Property And Equipment	-	-	-	-
Interest Income	<b>(2,542,273)</b>	(3,045,452)	<b>(2,578,622)</b>	(3,059,123)
Dividend Income	<b>(2,228,896)</b>	(2,061,917)	<b>(2,228,896)</b>	(2,061,917)
Share Of Results From Associates And Joint Ventures	<b>(37,562)</b>	208,750	-	-
Provision For Employee Benefit	<b>536</b>	-	<b>536</b>	-
Unrealised Gain On Foreign Exchange	-	(326,531)	-	-
Allowance Made For Impairment Losses Of Financial Assets	<b>(3,098)</b>	10,331	<b>(8,450)</b>	10,331
Allowance Made For Impairment Losses Of Non-Financial Assets	<b>303,422</b>	-	<b>307,191</b>	278,147
Operating Profit Before Changes In Working Capital	<b>1,050,426</b>	225,150	<b>842,619</b>	420,491
<b>Changes In Working Capital:</b>				
Increase In Trade Receivables	<b>(808,981)</b>	(137,609)	<b>(785,979)</b>	(110,622)
Increase / (Decrease) In Sundry Debtors And Deposits	<b>(65,530)</b>	67,914	<b>(14,311)</b>	38,481
(Increase) / Decrease In Trade Payables	<b>945,370</b>	(34,187)	<b>950,795</b>	5,511
Increase In Other Payables And Accruals	<b>27,007</b>	59,197	<b>7,756</b>	3,238
Income Taxes Paid	<b>(340)</b>	3,636	-	-
<b>Net Cash Generated From Operating Activities</b>	<b>1,147,952</b>	184,101	<b>1,000,880</b>	357,099

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	Group		KWAP	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash Flows From Investing Activities</b>				
Proceeds From Sale of Financial Instruments At Amortised Cost	11,695	1,990,516	11,695	1,990,516
Purchase Of Financial Instruments At Amortised Cost	(22,100)	(317,040)	(22,100)	(317,040)
Proceeds From Sale Of Financial Assets Designated At Fair Value Through Profit And Loss	21,587,333	16,473,251	21,587,333	16,473,886
Purchase Of Financial Assets Designated At Fair Value Through Profit And Loss	(24,266,703)	(22,547,782)	(24,266,703)	(22,547,782)
Proceeds From Sale Of FVOCI Investments	8,823,447	15,478,872	8,823,447	15,478,872
Purchase From Sale Of FVOCI Investments	(10,508,364)	(17,531,165)	(10,508,364)	(17,531,165)
Deposits And Placements With Financial Institutions	2,819,718	(2,582,695)	2,819,718	(2,582,695)
Purchase Of Property And Equipment	(5,715)	(4,991)	(5,835)	(2,355)
Purchase Of Computer Softwares	(3,051)	(3,053)	(2,943)	(3,053)
Purchase Of Investment Properties	(1,258,348)	(1,044,761)	-	(229,719)
Proceed From Sale Of Asset Held For Sale	-	560,200	-	-
Proceed From Sale Of Investments Properties	-	151	-	-
Proceeds From Disposal Of Property And Equipment	-	1,000	-	1,000
Interest Received	2,501,870	3,045,452	2,503,093	3,059,123
Dividend Received	2,139,782	2,061,917	2,139,782	2,061,917
Increase in Derivatives	(140,976)	(35,344)	(142,311)	(29,405)
Increase in Investments in Subsidiaries, Associates and JV	(52,719)	(392,385)	(1,200,080)	-
Benefits Paid	(7)	-	(7)	-
Receipt On Repayment Of Loans	2,537,833	747,163	2,537,833	(1,213,401)
Increase / (Decrease) in Investment In Land Held For Development	(7,426)	(12,379)	-	781,962
<b>Net Cash Generated From / (Used In) Investing Activities</b>	<b>4,156,269</b>	<b>(4,113,073)</b>	<b>4,274,558</b>	<b>(4,609,339)</b>
<b>Cash Flows From Financing Activities</b>				
Allocation Of Statutory Funds	500,000	500,000	500,000	500,000
Receipts Of Pension Contribution	2,460,585	2,644,601	2,460,585	2,644,601
Repayment Of Pension Contribution	(13,653)	(15,076)	(13,653)	(15,076)
Withdrawals By Government	(5,000,000)	-	(5,000,000)	-
Proceeds From Borrowings	-	749,662	-	-
Repayment Of Borrowings	-	(882,999)	-	-
Receipt / (Payment) Of Lease Liabilities	64,235	(1,671)	-	-
<b>Net Cash (Used In) / Generated From Financing Activities</b>	<b>(1,988,833)</b>	<b>2,994,517</b>	<b>(2,053,068)</b>	<b>3,129,525</b>
<b>Net Increase / (Decrease) In Cash And Cash Equivalents</b>	<b>3,315,388</b>	<b>(934,455)</b>	<b>3,222,370</b>	<b>(1,122,715)</b>
<b>Effect Of Changes In Foreign Currency</b>	<b>(36,261)</b>	<b>(6,681)</b>	<b>-</b>	<b>-</b>
<b>Cash And Cash Equivalents As At 1 January</b>	<b>9,955,865</b>	<b>10,897,001</b>	<b>9,495,675</b>	<b>10,618,390</b>
<b>Cash And Cash Equivalents As At 31 December</b>	<b>13,234,992</b>	<b>9,955,865</b>	<b>12,718,045</b>	<b>9,495,675</b>

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS**

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Statements****1. CORPORATE INFORMATION**

Retirement Fund (Incorporated) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27.0 million from the Federal Government of Malaysia.

The principal responsibility of KWAP is to manage the Retirement Fund ("the Fund") established under section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum returns on its investments. Sources of the Fund are primarily annual contributions from Statutory Bodies, Local Government and Agencies, receipts of the Government's portion of contributions to the Employee Provident Fund, Armed Forces Fund Board and others as well as investment income. The Fund is invested in Asset Classes in accordance with the Strategic Asset Allocation and Investment Policies and Guidelines upon the recommendation of KWAP's Investment Panel and approval of the Board. The Fund shall be applied towards assisting the Federal Government in financing the government's pension liability.

Effective from 1 November 2015, KWAP was officially appointed as an agent to the Government for the overall pension management and payment operation.

The principal activities of KWAP's subsidiaries, associates and joint ventures are set out in Note 10, Note 11, and Note 12 respectively. There were no significant changes in the nature of the principal activities of the Group and of KWAP during the financial year.

KWAP is a statutory body, incorporated and domiciled in Malaysia. The registered office and principal place of business of KWAP is located at Level 36, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur.

The Financial Statements for the Group and KWAP for the financial year ended 31 December 2020 were accepted and approved by the Board of KWAP on 18 November 2021.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis Of Preparation**

The Financial Statements of the Group and of KWAP were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Retirement Fund Act 2007.

The Financial Statements of the Group and of KWAP were prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The Financial Statements was presented in Ringgit Malaysia ("RM") being the functional currency of the Group and of KWAP whereby all values are rounded to the nearest thousand unless stated otherwise.

**2.2 Statement of Compliance**

The financial statements of the Group and of KWAP have been prepared in accordance with MFRS and the IFRS.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Statement of Compliance (continued)**

The accounting policies adopted by the Group and of KWAP are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2019, except for the adoption of the following newly effective MFRS and Amendments of MFRSs during the financial year end:

Amendments to MFRS 3, <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , <i>MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16, <i>Leases – COVID-19-Related Rent Concessions</i>	1 June 2020

The initial application of the abovementioned accounting standards, amendments and interpretations do not have any material financial impact to the current period and prior period financial statements of the Group and of KWAP.

**(a) Standards and amendments that were issued but not yet effective**

The standards and interpretations that were issued but not yet effective up to the date of issuance of the Group's and of KWAP's Financial Statements are disclosed below. The Group and KWAP intend to adopt these standards, if applicable, when they become effective.

	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 9, <i>Financial Instruments</i> , <i>MFRS 139, Financial Instruments: Recognition and Measurement</i> , <i>MFRS 7, Financial Instruments: Disclosures</i> , <i>MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to MFRS 16, <i>Leases – COVID-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 3, <i>Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, <i>Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, <i>Leases (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Statement of Compliance (continued)

#### (a) Standards and amendments that were issued but not yet effective (continued)

	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 141, <i>Agriculture (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101, <i>Presentation of Financial Statements – Disclosures of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>	To be confirmed
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be confirmed

The initial application of the above-mentioned accounting standards, interpretations and amendments are not expected to have any material financial impact to the financial statements of the Group and of KWAP.

### 2.3 Subsidiaries And Basis Of Consolidation

#### (a) Subsidiaries

Subsidiaries are entities over which the Group has all of the following criteria:

- Power to exercise control over the financial and operating policies to direct the relevant activities of the entity;
- Exposure, or rights, to the variable returns from its investment with the entity; and
- The ability to use its power over the entity to affect its returns.

Subsidiaries are consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceases. Investments of unquoted shares in subsidiaries are recognised at cost whereby the amount is reconciled to the recoverable value including impairment losses for the year, if any. The policy in relation to the impairment of non-financial assets is as set out in Note 2.18.

Acquisition cost is measured at fair value of the assets received, equity instruments issued and existing outstanding liabilities or liabilities assumed at the date of exchange, plus direct costs attributable to the acquisition, if any.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries And Basis Of Consolidation (continued)

#### (a) Subsidiaries (continued)

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the Non-Controlling Interests, if any.

#### Changes in ownership interests in subsidiaries without change of control

Transactions with Non-Controlling Interests that do not result in the loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest will result in an adjustment between the carrying amounts of the Controlling and Non-Controlling Interests to reflect their relative interests in the subsidiary. The difference between the amount of the adjustment to the Non-Controlling Interests and the consideration paid or received is recognised in equity attributable to the owners of the Group, if any.

#### Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, the retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in profit or loss, if any. The fair value becomes the initial carrying amount for the purposes of subsequent accounting of retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognised in Other Comprehensive Income in respect of that entity are accounted for as a direct disposal of the related assets or liabilities by the Group.

This may result in the reclassification of amount previously recognised in Other Comprehensive Income to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries.

#### (b) Basis of consolidation

The consolidated Financial Statements comprise of the Financial Statements of KWAP and its subsidiaries. The individual Financial Statements of KWAP and its subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the event where KWAP has less than the majority of the voting rights in an entity, consideration of the following is required in the assessment on the sufficiency of the voting rights in relation to KWAP's power over the entity:

- The size of KWAP's holding of voting rights relative to the size and dispersion of the holdings of other vote holders;
- Potential voting rights held by KWAP, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts or circumstances which indicate KWAP's current ability to direct the relevant activities at the time of the decision making including the voting patterns at previous shareholders' meetings.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries And Basis Of Consolidation (continued)

#### (b) Basis of consolidation (continued)

Intra group transactions, balances and unrealised gains on transactions between KWAP and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. The consolidated Financial Statements reflect only the external transactions of the Group.

Losses within subsidiaries are attributed to the Non-Controlling Interests even if the attribution results in a deficit balance.

#### (c) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at fair value on the acquisition date and the amount of Non-Controlling Interest in an entity, if any. The Group elects on a transaction-by-transaction basis, whether to measure the Non-Controlling Interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognised as administrative expenses.

Any contingent consideration to be transferred by the acquirer shall be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration deemed to be an asset or liability, shall be recognised in the Statement of Comprehensive Income, in accordance with the MFRS 9, in profit or loss. Remeasurement is not required in the event the contingent consideration is classified as equity. Subsequent settlement is accounted for within equity.

In instances where the contingent consideration is beyond the scope of the MFRS 9, it is measured in accordance with the appropriate MFRS.

Upon the acquisition of a business by the Group, assessment on the financial assets and liabilities is required for the appropriate designation and classification in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Inclusive is the separation of embedded derivatives in host contracts by the acquiree.

In the event the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to the fair value at the subsequent acquisition date through profit or loss.

The excess of the aggregate of consideration transferred, the amount recognised for the Non-Controlling Interests and the acquisition date fair value of any previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed, is initially recognised as goodwill. In the event the said consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries And Basis Of Consolidation (continued)

#### (d) Investments in subsidiaries in separate Financial Statements

In KWAP's separate Financial Statements, investments in subsidiaries are carried at cost less accumulated impairment losses. Upon the disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

The amount due from subsidiaries of which KWAP does not expect repayment in the foreseeable future is considered as part of KWAP's investments in the subsidiaries.

### 2.4 Investments In Associates And Joint Ventures

Associates are entities in which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the entity but not the control or joint control over those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in the assessment of the Group's significant influence over another entity.

On the acquisition of an investment in associates or joint ventures, the excess of the cost of investment over the Group's share of the net fair value of identifiable assets and liabilities of the entity is recognised as goodwill and subsequently included in the carrying amount of the investment. The excess of the Group's share of the net fair value of identifiable assets and liabilities of the entity over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

Associates or joint ventures are accounted for using the equity method from the date the entity is recognised as an associate or a joint venture.

#### Step acquisition in associates

When the Group increases its stake in an existing investment or when the investment becomes an associate for the first time, the Group determines the cost of its investment in the equity-accounted investee as the sum of the fair value of the initial interest at the date of obtaining significant influence plus the consideration paid for any additional interest. The existing Fair Value Through Other Comprehensive Income ("FVOCI") reserves may be transferred to Retained Earnings or remain in FVOCI reserves.

#### Increasing stake in an existing associate and retaining significant influence

The cost of acquisition of additional stake in an associate is added to the carrying amount of the associate and equity accounted. Goodwill arising on the purchase of the additional stake is determined using the fair value information at the date the additional interest is required. There was no remeasurement of previously held investment in the associate in the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Investments In Associates And Joint Ventures (continued)

#### Increasing stake in an existing associate and retaining significant influence (continued)

Under the equity method, the initial recognition of the investment in associates or joint ventures is recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associates or joint ventures in profit or loss, as well as the Group's share of movements in Other Comprehensive Income of the associates or joint ventures in Other Comprehensive Income. Dividend received or receivable from the associates or joint ventures are recognised as a reduction in the carrying amount of the investments. In the event the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture (including any long term interest that in substance, form part of the Group's net investment in the associate or joint venture) further recognition of losses is not required by the Group with the exception of legal or constructive obligations or payments made on behalf of the associate or joint venture, if any.

Gains or losses arising from the upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the consolidated Financial Statements, if any, only to the extent of unrelated investors' interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

The preparation of the Financial Statements of the associates and joint ventures is of the same reporting date as the Group. Adjustments are made for the standardisation of accounting policies in line with the policies of the Group, where necessary.

Subsequent to the application of the equity method, the Group applies the MFRS 136: 'Impairment of Assets' ("MFRS 136") to determine the necessity of the recognition of additional impairment losses with respect to its net investment in associates or joint ventures, if any. The entire carrying amount of the investment is tested as a single asset for impairment in accordance with the MFRS 136, using the comparison between the recoverable amount (the higher of value in use and fair value less costs to sell) and the carrying amount, where necessary. Impairment losses are recognised in profit or loss, if any. Reversal of impairment losses is recognised to the extent of the subsequent increase in the recoverable amount of the investment.

#### Loss of significant influence or joint control

When the Group ceases to equity account its associates or joint ventures because of the loss of significant influence or joint control, the retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss, if any. This fair value becomes the initial carrying amount for the purpose of subsequent accounting of the retained interest as a financial asset. In addition, any amount previously recognised in Other Comprehensive Income in respect of the entity is accounted for as a direct disposal of the related assets or liabilities by the Group. This may result in the reclassification of amounts previously recognised in Other Comprehensive Income to profit or loss.

If there is a reduction of the ownership interest in the associates or joint ventures but the significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in Other Comprehensive Income is reclassified to profit or loss, where appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Investments In Associates And Joint Ventures (continued)

#### Loss of significant influence or joint control (continued)

Dilution of gains or losses arising from investments in associates or joint ventures is recognised in profit or loss.

#### Investments in associates and joint ventures in separate Financial Statements

In KWAP's separate Financial Statements, investments in associates and joint ventures are carried at cost less accumulated impairment losses, if any. Upon the disposal of investments in associates and joint ventures, the difference between the disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

### 2.5 Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment upon indication that the intangible asset may be impaired, when necessary. The amortisation period and amortisation method for intangible assets with finite useful lives are reviewed at each reporting date.

Changes in the expected useful lives or the expected pattern of consumption of the future economic benefits embodied in the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently, upon indication that the carrying value may be impaired either individually or at the Cash-Generating Unit ("CGU") level. Amortisation of the said intangible assets is not required. The useful lives of intangible assets with indefinite useful lives are reviewed annually to determine the feasibility of the useful life assessment. In the event it is no longer feasible to support the useful life, the change in the useful life from indefinite to finite is executed on a prospective basis.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss upon derecognition.

Depreciation of intangible assets with finite useful lives is provided for on a straight-line basis where the cost of the asset is written off to its residual value based on the following rate:

Computer software and licenses	33.33%
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### 2.6 Property And Equipment

Property and equipment are initially measured at cost, net of tax, except where the amount of tax incurred is not recoverable from the government. In the event the amount of tax incurred is not recoverable from the government, the tax is recognised as part of the cost of acquisition of the property and equipment. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Group and KWAP and the cost of the item can be reliably measured.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Property And Equipment (continued)**

Subsequent to the initial recognition, property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to the bringing of the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group or KWAP. The cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

In the event of a requirement for the replacement of significant parts of the property and equipment in intervals, such parts are recognised as individual assets with specific useful lives and depreciation, respectively. Likewise, in the event of a major inspection, the replacement cost is recognised in the carrying amount of the property and equipment subject to the fulfilment of the recognition criteria. All other costs of repair and maintenance are recognised in profit or loss as incurred.

Depreciation of property and equipment is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

Office Renovation	16.67%
Computers	20.00%
Paintings	20.00%
Office Furniture and Equipment	20.00%
Gymnasium Equipment	20.00%
Vehicles	20.00%
Electronic Equipment	33.33%

Capital work-in-progress consist of, amongst others, renovation work-in-progress and information system enhancement or upgrade-in-progress. Such capital work-in-progress as well as non-water colour based paintings are recognised at cost and are not depreciated until the respective assets are ready for their intended use.

At the end of the reporting period, the Group and KWAP shall assess for impairment, if any. If such indication exist, an analysis is performed to determine whether the carrying amount of the asset is fully recoverable. In the event the carrying amount of the asset exceeds its recoverable amount, the asset value is written down to its recoverable amount. The policy in relation to the impairment of non-financial assets is as set out in Note 2.18.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, where appropriate.

An item of property and equipment is derecognised upon disposal or when the future economic benefits are no longer expected from its use or disposal. Gains or losses on the derecognition of assets are recognised in profit or loss in the year the asset is derecognised, if any.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 Financial Assets****(a) Initial recognition**

Financial assets are recognised when the Group and KWAP become a party to the contractual provisions of the instrument. Upon the initial recognition, the Group and KWAP measure a financial asset at its fair value including, in the case of a financial asset not measured at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability, if any. The classification of a financial asset and a financial liability is determined at the initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

**(b) Classification and subsequent measurement**

The Group and KWAP applied MFRS 9 and classify their financial assets in the following measurement categories – Amortised Cost, FVOCI or FVTPL.

The classification requirements for debt and equity instruments are described below:

**1. Debt instruments**

Debt instruments are instruments that satisfy the definition of a financial liability from the issuer's perspective. The classification and subsequent measurement of debt instruments are dependent on the Group's and KWAP's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group and KWAP classify their debt instruments into one of the following three (3) measurement categories:

**Amortised Cost**

Financial assets that are held for the collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), and are not designated at FVTPL, are measured at Amortised Cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the Expected Credit Loss ("ECL") model. Interest income on financial assets measured at Amortised Cost is recognised in the Statement of Comprehensive Income and presented as Interest Income. The losses arising from impairment of financial instruments are recognised in the Statement of Comprehensive Income as Allowance Made For Impairment Losses. The losses arising from impairment of financial assets other than financial instruments are recognised in the Statement of Comprehensive Income as Impairment On Other Assets.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 Financial Assets (continued)****(b) Classification and subsequent measurement (continued)****1. Debt instruments (continued)****FVOCI**

Financial assets that are held for the collection of contractual cash flows and subsequent sale of the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. The changes in fair value are recognised through Other Comprehensive Income, except for the recognition of impairment losses which are measured using the ECL model, interest income and foreign exchange gains or losses on the financial assets' amortised cost are recognised in profit or loss. Interest earned whilst holding the financial assets are recorded as Interest Income using the effective interest method. Upon derecognition, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified to profit or loss and presented in Gains or Loss From Divestment.

**FVTPL**

Financial assets that do not satisfy the criteria for Amortised Cost or FVOCI, including financial assets Held-For-Trading ("HFT") and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented as Gains or Loss From Divestment. Interest earned whilst holding the financial assets are reported as Interest Income in profit or loss.

**Business model assessment**

The Group and KWAP assess the objective of a business model in which a financial asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors under consideration include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning the contractual interest revenue, maintenance of a particular interest rate profile, matching the duration of the financial assets to the duration of the financial liabilities that are funding the said assets or realisation of cash flows through the sale of the financial assets.

Other factors under consideration also include the frequency, volume and timing of sales in prior periods, evaluation of the financial asset's performance, the reporting to key management personnel as well as the assessment and management of the risks.

**Reclassification of debt investments**

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those said assets.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 Financial Assets (continued)****(b) Classification and subsequent measurement (continued)****2. Equity instruments**

Equity instruments are instruments that satisfy the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group and KWAP may occasionally elect to classify irrevocably an equity instrument that is not held for trading at FVOCI. Such classification is determined on an instrument-by-instrument basis. When this election is used, the fair value gains and losses are recognised in Other Comprehensive Income and are not subsequently reclassified to profit or loss, including upon disposal. Dividends earned whilst holding the equity instrument are recognised in the Statement of Comprehensive Income and presented as Dividend Income upon the establishment of the right to receive the payment.

Upon derecognition, the gains and losses on equity instruments at FVTPL, is recognised in the Statement of Comprehensive Income and presented as Gain or Loss From Divestment.

**(c) Reclassification of financial assets**

The Group and KWAP may choose to reclassify non-derivative financial assets out from the FVTPL category (other than equity instruments), in rare circumstances, in the event the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and KWAP may also choose to reclassify financial assets that would satisfy the definition of Loans and Receivables out of the FVTPL or FVOCI category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity by the Group and KWAP.

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those assets.

**2.8 Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities, within the scope of the MFRS 9, are recognised in the Statement of Financial Position when, and only when, the Group and KWAP become a party to the contractual provisions of the financial instruments. The Group and KWAP classify its financial liabilities in the following measurement categories - Amortised Cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- (i) financial liabilities at FVTPL; and
- (ii) financial guarantee contracts and loan commitments.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial Liabilities (continued)

#### Amortised Cost

Financial liabilities issued by the Group and KWAP are classified as financial liabilities at Amortised Cost, where the substance of the contractual arrangement results in an obligation by the Group and KWAP either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs, if any. Subsequent to the initial recognition, non-derivative financial liabilities are measured at Amortised Cost using the effective interest method. Amortised Cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Financial liabilities measured at Amortised Cost include deposits from customers, deposits from banks, repurchase agreements and debt securities issued and other borrowed funds.

#### FVTPL

Financial liabilities at FVTPL include financial derivatives that do not satisfy the hedge accounting criteria. Financial derivatives are measured at fair value, whereby the gains or losses are recognised in profit or loss. Exchange differences are included in the net gains or losses on derivatives.

#### Other Financial Liabilities

Borrowings are derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract. The difference between the carrying amount of a financial liability that was derecognised or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, if any, is recognised in profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the occurrence of the draw-down. In the event that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 2.9 Derecognition Of Financial Assets And Liabilities

The Group and KWAP derecognise a financial asset when the contractual cash flows from the financial asset expire or when the rights to receive the contractual cash flows of the financial assets are transferred in a transaction in which substantially all the risks and rewards of ownership are also transferred. Any interest in the transferred financial assets that is created or retained by the Group and KWAP is recognised as a separate asset or liability.

A financial liability is derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract by the Group and KWAP.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.10 Cash And Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank and deposits with financial institutions that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value, net of bank overdrafts. Cash equivalents include short term deposits placement with maturity not more than 90 days.

**2.11 Leases****(i) Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(ii) Recognition and initial measurement****As lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.11 Leases (continued)****(ii) Recognition and initial measurement (continued)****As lessee (continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low- value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**As lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15: Revenue From Contract with Customers ("MFRS 15") to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Leases (continued)

#### (iii) Subsequent measurement

##### As lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### As lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Gross Investment Income".

### 2.12 Investment Properties

Investment properties comprise land, completed properties and properties under construction ("IPUC"), which are held for capital appreciation or rental purposes or both, and generally are not occupied for the use or in the operations of the Group. Investment properties are classified as long-term investments with the initial recognition at cost including transaction costs.

Following the initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, with the exception of freehold land with unlimited useful life and IPUC, which are not depreciated. IPUC are not depreciated as they are not ready for their intended use. Other investment properties are depreciated over the estimated economic useful lives. The depreciation charged for the leasehold land is 99 years on a straight-line method. The policy for the recognition and measurement of impairment losses of non-financial assets are set out in Note 2.18.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and KWAP and the cost of the item can be reliably measured. All other repairs and maintenance costs are expensed when incurred. In the event of a replacement, if any, the carrying amount of the replaced part is derecognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Investment Properties (continued)

The residual value, useful life and depreciation method of investment properties are reviewed at the end of each financial year, and adjusted prospectively, when appropriate.

Investment properties are derecognised upon disposal or permanent withdrawal from use whereby no future economic benefit is expected from the disposal or retirement. Gains or losses on the disposal or retirement of investment properties are recognised in profit or loss in the year of disposal or retirement, if any.

Transfers are made to or from investment properties when, and only when, there is a change in use. In terms of a transfer from an investment property to owner-occupied property, the deemed cost for subsequent accounting purposes is the fair value at the date of change in use. For a transfer from an owner-occupied property to investment property, the property is subsequently accounted for in accordance with the accounting policy for property and equipment set out in Note 2.6 up to the date of change in use.

Freehold land with unlimited useful life and land held for property development are not depreciated and recognised at cost less impairment losses, if any.

Land Held For Property Development consists of land whereby no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as Non-Current Assets and is recognised at costs.

Depreciation of investment property is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

Buildings	2.50%
Leasehold Land	1.01%

### 2.13 Provisions

Provisions are recognised upon the presence of an obligation (legal or constructive) resulting from past events where the outflow of economic resources to settle the obligation is probable and the amount of the obligation is reliably measured.

In the event of an expected reimbursement of provision to the Group and KWAP, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expected expenditures required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money as well as the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost expense.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Provisions (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Reversal of provisions is executed in the event where the outflow of economic resources required to settle the obligation is no longer probable.

### 2.14 Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences upon the execution of activities to prepare the asset for its intended use or the occurrence of expenditures and borrowing cost when the sale is in progress. Borrowing costs are capitalised until the substantial completion or interruption of the activities necessary to prepare the asset for the intended use or sale of the asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets, is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection to the borrowing of funds.

### 2.15 Revenue And Income Recognition

Revenue and income are recognised to the extent that the inflow of economic benefits is probable and can be reliably measured. Revenue and income are measured at the fair value of the consideration received or receivable.

#### (a) Dividend income

Dividend income is recognised upon the establishment of the right to receive payment.

#### (b) Interest income

Interest income for financial instruments designated at amortised cost and FVOCI is calculated by applying the effective interest rate to the gross carrying amount of a financial asset with the exception of financial assets that were subsequently credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income for financial instruments designated at FVTPL is recognised based on contractual agreements.

#### (c) Gains or losses from divestment

Gains or losses on disposal of investments are recognised upon the satisfaction of all terms of the agreement leading to the sale of the investments.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.15 Revenue And Income Recognition (continued)****(d) Rental income from investment property**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "revenue".

**(e) Service charge income**

Service charge income are recognised in the accounting period in which the services are rendered and the customer receives and consumes the benefit provided by the Group and KWAP, and the Group and KWAP has a present right to payment for the services.

**(f) Utilities income**

Revenue from air-conditioner and chilled water charges are recognised upon supply of the air-conditioner and chilled water to the customers and the customers receives and consumes the supplies, and the Group and KWAP has a present right to payment for the supplies.

**2.16 Income Tax****(a) Current tax**

Current tax assets and liabilities are measured at the expected recoverable amount from the taxation authorities. The tax rates and tax laws employed for the computation of the recoverable amount are the tax rates and laws enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss with the exception of tax related items which are recognised outside profit or loss, either in Other Comprehensive Income or directly in equity.

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967 for all income from domestic sources as well as the withholding tax in accordance with Section 107A(1) and Section 109 on the interests and special classes of income. All income from international sources are subject to the income tax laws and rates of the respective country of origin.

**(b) Deferred tax**

Deferred tax is a provision using the liability method based on the temporary differences arising between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 Income Tax (continued)****(b) Deferred tax (continued)**

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of goodwill or of assets or liabilities in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that there will be no reversal of the temporary differences in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in transactions that are not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part utilisation of the deferred tax assets. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the utilisation of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied for the year upon the realisation of the assets or settlement of the liabilities based on the tax rates and laws that were enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Such deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity. Deferred tax arising from a business combination is adjusted against the respective goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off the current tax assets against the current tax liabilities, whereby the deferred taxes relate to the same taxable entity and taxation authority.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Foreign Currencies****(a) Functional and presentation currency**

The individual Financial Statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated Financial Statements are presented in Ringgit Malaysia ("RM") being the functional and presentation currency of the Group and of KWAP.

**(b) Foreign currency transaction and balances**

Transactions in foreign currencies are measured in the respective functional currencies of KWAP and its subsidiaries and are recorded on the initial recognition in the functional currencies at the exchange rates prevailing on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot exchange rate at the reporting date.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items at the reporting date are recognised in the Statement of Comprehensive Income with the exception of the exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Such items are recognised initially in Other Comprehensive Income and accumulated under the Foreign Exchange Reserves in Other Comprehensive Income.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI Income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in Other Comprehensive Income.

Non-monetary items denominated in foreign currencies measured at historical cost are translated using the spot exchange rates at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from the translation of non-monetary items carried at fair value are recognised in the Statement of Comprehensive Income for the financial year that it is incurred, with the exception of the exchange differences arising from the translation of non-monetary items whereby the respective gains and losses are recognised in Other Comprehensive Income.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Foreign Currencies (continued)****(c) Foreign operations**

The financial results and financial position of foreign operations with a different functional currency from the presentation currency of Ringgit Malaysia of the consolidated Financial Statements are translated into Ringgit Malaysia as follows:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each Statement of Comprehensive Income are translated at the average exchange rates for the financial year; and
- All resulting exchange differences are recognised directly to Other Comprehensive Income through the foreign exchange reserves.

In the event of a disposal of a foreign operation, the cumulative amount of exchange differences in relation to the foreign operation previously recognised in Other Comprehensive Income and accumulated in a separate component of equity, is reclassified from equity to the Statement of Comprehensive Income (as a reclassification adjustment) upon the recognition of gains or losses on disposal.

In relation to the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reattributed to the Non- Controlling Interests in that foreign operation. For other partial disposal of a foreign operation, the proportionate share of the cumulative amount of exchange differences previously recognised in Other Comprehensive Income is reclassified to the Statement of Comprehensive Income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are recognised as assets and liabilities of the foreign operations and translated at the closing rate prevailing at the reporting date. Exchange differences arising from the recognition of goodwill and fair value are recognised in Other Comprehensive Income.

**2.18 Impairment Of Non-Financial Assets**

Impairment assessment is executed at each reporting date to identify the indication for impairment of assets. In the event of an indication for impairment or the requirement for an impairment assessment, the estimated recoverable amount of the asset is established.

Recoverable amount is the higher of fair value of the asset less costs to sell and value in use of the asset. For impairment assessment purposes, assets are grouped at the lowest levels where the cash flows are separately identifiable, i.e. CGU.

In the assessment of value in use, the estimated future cash flows expected to be generated by the asset are discounted to the present value using the pre-tax discount rate that reflects the current market assessment of the time value of money as well as the risks specific to the asset. In the event the carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are initially allocated to reduce the carrying amount of goodwill allocated to the unit or groups of units, if any, followed by the reduction of the carrying amount of other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Impairment Of Non-Financial Assets (continued)

Impairment assessments are executed at each reporting date to determine whether indicators of previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses are only reversed in the event of changes in the estimates used to determine the asset's recoverable amount from the previous recognition of impairment losses. In this case, the carrying amount of the asset is increased to its recoverable amount. However, such increase shall not exceed the previously determined carrying amount, net of depreciation, whereby there were no impairment losses previously recognised. Reversals of impairment losses are recognised in profit or loss. Impairment losses on goodwill are not reversed in the subsequent period.

### 2.19 Impairment Of Financial Assets

The Group and KWAP assess on a forward looking basis the ECL associated with its financial assets carried at Amortised Cost and FVOCI. The impairment methodology applied is dependent on whether there was a significant increase in credit risk.

The ECL represents a probability-weighted estimate of the difference between the present value of cash flows according to a contract and the present value of cash flows that the Group and KWAP expect to receive, over the remaining life of the financial asset.

The measurement of the ECL reflects:

- an unbiased and probability-weighted amount that is determined by the evaluation of a range of possible outcomes;
- the time value of money; and
- the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### (a) Financial assets accounted for at Amortised Cost and FVOCI

There are three (3) categories of financial assets accounted for at Amortised Cost and FVOCI which reflect their respective credit risk and determination of the loan loss provision of each category.

At each reporting date, the Group and KWAP measure the ECL through a loss allowance at an amount equal to the 12-months ECL provided that there is no significant increase in credit risk of a financial instrument or a group of financial instruments since the initial recognition. For all other financial instruments, a loss allowance at an amount equal to the lifetime ECL is required.

A summary of the assumptions in relation to the ECL model of each category is as follows:

#### (i) Stage 1: 12-months ECL

For credit exposures where there was no significant increase in credit risk since the initial recognition and no credit impairment upon origination, a portion of the lifetime ECL associated with the possibility of the occurrence of default events within the next 12 months is recognised.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.19 Impairment Of Financial Assets (continued)****(a) Financial assets accounted for at Amortised Cost and FVOCI (continued)****(ii) Stage 2: Lifetime ECL – not credit impaired**

For credit exposures where there was a significant increase in credit risk since the initial recognition but no credit impairment upon origination, a lifetime ECL is recognised. A significant increase in credit risk is presumed if the interest and/or principal repayments are more than 30 days but less than 89 days past due.

**(iii) Stage 3: Lifetime Expected Credit Loss – credit impaired**

Financial assets are assessed as credit impaired upon the occurrence of one or more events with detrimental impact to the estimated future cash flows of the asset. For financial assets with credit impairment, a lifetime ECL is recognised.

On the term of the financial assets, the Group and KWAP account for the credit risk by the appropriate provision of the ECL on a timely basis, whereby the historical loss rates for each category of financial asset is taken into consideration in the calculation of the ECL rates and adjusted for forward-looking macroeconomic data.

There were no significant changes to the estimation techniques or assumptions during the reporting period.

**Significant increase in credit risk**

The Group and KWAP consider the probability of default upon the initial recognition of financial assets and whether there was a significant increase in credit risk on an ongoing basis throughout each reporting period. In the assessment of a significant increase in credit risk, the Group and KWAP compare the risk of the occurrence of default on the financial asset as at the reporting date against the risk of default as at the date of the initial recognition, taking into consideration available, reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available); and
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Impairment Of Financial Assets (continued)

#### (a) Financial assets accounted for at Amortised Cost and FVOCI (continued)

##### Low credit risk exemption

Financial instruments with the following characteristics are considered to have low credit risk at the reporting date:

- a low risk of default;
- strong capacity to meet the contractual cash flow obligations in the near term by the borrower; and
- adverse changes will not necessarily reduce the ability of the borrower to make payments when they fall due.

##### Definition of default and credit-impaired financial assets

The Group and KWAP define the default of a financial instrument, which is fully aligned with the definition of credit-impairment, when it fulfils one or more of the following criteria:

##### a) Quantitative criteria:

Failure of the counterparty to make contractual payment within 90 days when they fall due.

##### b) Qualitative criteria:

Satisfies the criteria of unlikeliness to pay by the counterparty, which indicates its significant financial difficulty such as the following instances:

- breach of financial covenants;
- concessions made by the lender relating to the counterparty's financial difficulty;
- high probability of bankruptcy or other financial reorganization;
- insolvency; and
- disappearance of an active market for the financial asset due to financial difficulties.

Credit-impairment of financial instruments are assessed on an individual basis by the Group and KWAP.

##### Write off of financial assets

The Group and KWAP write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and subsequently concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on the inability of the debtor's sources of income or assets to generate sufficient future cash flows to repay the outstanding amount. The Group and KWAP may write-off financial assets that are still subject to enforcement activity.

### 2.20 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in the net gain or loss on fair value movement of derivatives.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Employee Benefits

#### (a) Short term benefits

Wages, salaries, bonuses, social security contributions ("SOCSO"), Employees Provident Fund ("EPF") contribution or pension contribution and gratuity to contract employees are recognised as expenses in the year in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when the services are rendered by the employees which subsequently increase the employees' entitlement to future compensated absences. Meanwhile, short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

#### (b) Long term benefits

Payments of long term benefits post-retirement and/or after the expiry of the contracts are recognised as employee benefits expenses on an accrual basis in the current year of the Statement of Comprehensive Income. At the same time, such amounts are recognised as liabilities categorised as employee benefits in the Statement of Financial Position. Types of long term benefits recognised on an accrual basis are as follows:

- Cash award in lieu of annual leave; and
- Post-retirement medical benefit.

The provision for post – retirement medical benefits to retirees is based on the annual actuarial valuation by external valuer.

### 2.22 Fair Value Measurement

Financial instruments, such as derivatives and financial investments, are measured at fair value at each reporting date. The fair values of financial instruments measured at Amortised Cost are set out in Note 34 to the Financial Statements.

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either:

- In the principal market for the assets or liabilities, or
- In the absence of the principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group and KWAP. The fair value of assets or liabilities are measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants will behave in their economic best interest.

The fair value measurement of non-financial assets takes into consideration the market participant's ability to generate the economic benefits by the utilisation of the assets in its highest and best use or by sale to another market participant that would utilise the assets in its highest and best use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Fair Value Measurement (continued)

The Group and KWAP employ valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement, with the maximisation of the use of relevant observable inputs and minimisation of the use of unobservable inputs.

Assets and liabilities for which the fair value is measured or disclosed in the Financial Statements are categorised in accordance with the following fair value hierarchy, based on the lowest level of input significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level of input significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level of input significant to the fair value measurement is unobservable.

In relation to assets and liabilities recognised in the Financial Statements on a recurring basis, reassessment of the categorisation is conducted to determine the occurrence of transfers of assets between the levels in the hierarchy (based on the lowest level of input significant to the fair value measurement as a whole) at the reporting date.

### 2.23 Contingent Assets And Contingent Liabilities

Contingent assets are possible assets that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP. There was no recognition of contingent assets, only disclosure of its existence whereby the inflow of economic benefits is probable but virtually uncertain. Contingent liabilities are possible obligations that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP, or present obligations that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liabilities may also arise in the extremely rare case where a liability is not recognised due to its inability to be measured reliably.

There was no recognition of contingent liabilities, only its disclosure in the Financial Statements.

### 2.24 Offset Of Financial Instruments

Financial assets and liabilities are offset whereby the net amount is presented in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right shall not be contingent on future events and shall be enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.25 Allocation of Statutory Funds**

KWAP receives an allocation from the Federal Government in accordance with section 13 of the Retirement Fund Act 2007 (ACT 662).

**2.26 Pension Contribution**

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government's share, gratuities and other deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008. Penalty for late contribution payments are recognised upon receipt.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the consolidated Financial Statements requires the establishment of judgements, estimates and assumptions by the Group and KWAP that affect the reported amounts of revenues, expenses, assets and liabilities as well as the accompanying disclosures and the disclosure of contingent assets and liabilities in accordance with the relevant MFRS. Uncertainties in relation to the assumptions and estimates may result in outcomes which require material adjustments to the carrying amount of affected assets or liabilities in future periods.

Judgements applied by the Group and KWAP in the application of accounting policies, key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date with significant risk of material adjustments to the carrying amount of affected assets and liabilities within the next financial year are discussed as follows:

**(a) Impairment of interest in subsidiaries and associates**

Assessment on the objective evidence for impairment of investments are conducted at each reporting date. Factors such as, amongst others, the prolonged shortfall between the indicative fair value and the carrying amount, significant changes with adverse effects on the investments as well as the deterioration of the financial performance of investments are taken into consideration to determine the objective evidence for impairment, if any.

Judgements are applied by the Group and KWAP in the selection of a suitable method of valuation such as, amongst others, the discounted cash flow, realisable net asset value and sector average price-earning ratio depending on the nature as well as the industries in relation to the investment.

Upon the selection of a suitable method of valuation, certain assumptions are established to estimate the future recoverable amount of the investment. Such assumptions may include, amongst others, assumptions on the expected future cash flows, revenue growth, discount rate used for the purpose of discounting the future cash flows, which incorporates the relevant risks, as well as the expected future outcome of certain past events relating to the specific investment.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(b) Impairment of non-financial assets**

Impairment of non-financial assets is executed when the carrying value of the asset or CGU exceeds the recoverable amount of the asset or CGU, which is the higher of fair value less costs to sell and value in use. The calculation of the fair value less costs to sell is based on the available data from binding sales transactions, conducted at arm's length for similar assets or the observable market prices less the incremental costs for the disposal of assets. The calculation of the value in use is based on the discounted cash flow model whereby the cash flows are derived from the next five (5) year budget excluding the restructuring activities yet to be committed by the Group or KWAP, or significant future investments that will enhance the asset performance of the tested CGU. The recoverable amount is most sensitive to the discount rate employed for the discounted cash flow model and the expected future cash inflows as well as the growth rate used for extrapolation purposes.

**(c) Impairment of financial assets**

The Group and KWAP review the fixed income instruments designated as investment at FVOCI or amortised cost which are subject to impairment under MFRS 9 at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
  - An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - The time value of money; and
  - Reasonable and supportable information that is available without undue cost or effort at the reporting date about current conditions and forecasts of future economic condition.

**(d) Fair value of financial instruments**

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either in the principal market for the assets or liabilities, or in the absence of the principal market, in the most advantageous market for the assets or liabilities.

The fair value of assets or liabilities is measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants behave in their economic best interest.

In the absence of an active market, the fair value of financial instruments is determined using the valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement with the maximisation of the use of relevant observable inputs and the minimisation of the use of unobservable inputs.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(e) Post-retirement medical benefit obligation**

The present value of the post-retirement medical benefit obligation is dependent on a number of factors that are determined on an actuarial basis based on a number of assumptions. The assumptions employed in the determination of the net cost for post-retirement medical benefit include the discount rate and the actual medical costs incurred during the financial year with the limit of a medical retiree's claim up to RM3,000 a year. Changes in the assumptions shall impact the carrying amount of the post-retirement medical benefit obligation.

The appropriate discount rate is determined annually upon the performance of the actuarial valuation. The most recent actuarial valuation was completed in 2019 whereby the interest rate was used to determine the present value of the estimated expected future cash outflows required to settle the post-retirement medical benefit obligation.

The medical cost rate is based on the actual cost incurred by the Group and KWAP.

**4. INCOME**

Income of the Group and of KWAP consist of the following:

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Gross Investment Income</b>	<b>7,099,583</b>	6,323,931	<b>6,805,751</b>	6,067,973
<b>Other Non-Investment Income</b>				
Other Operating Income	<b>57,905</b>	44,968	<b>31,343</b>	31,717
Net Gains Arising From Derivative Financial Instruments	<b>116,392</b>	158,251	<b>143,220</b>	170,765
Net Gains From Foreign Currency Exchange	<b>930,398</b>	326,531	<b>925,461</b>	326,531
	<b>1,104,695</b>	529,750	<b>1,100,024</b>	529,013

**4. INCOME (CONTINUED)**

Included in the gross investment income are net gain or loss on the following:

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Divided Income</b>				
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	<b>1,185,368</b>	1,238,867	<b>1,185,368</b>	1,238,867
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>1,043,528</b>	823,050	<b>1,043,528</b>	823,050
	<b>2,228,896</b>	2,061,917	<b>2,228,896</b>	2,061,917
<b>Gain From Divestment</b>				
Financial Assets At Amortised Cost	<b>1,407</b>	(328,221)	<b>1,407</b>	(328,221)
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	<b>1,453,492</b>	699,400	<b>1,453,492</b>	699,400
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>336,608</b>	190,490	<b>336,608</b>	190,489
Investment Property	-	224,229	-	-
	<b>1,791,507</b>	785,898	<b>1,791,507</b>	561,668
<b>Interest Income</b>				
Financial Assets At Amortised Cost	<b>614,434</b>	792,949	<b>614,434</b>	792,949
Financial Assets At Fair Value Through Profit And Loss ("FVTPL")	<b>137,010</b>	43,917	<b>137,010</b>	43,917
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>1,197,144</b>	1,403,926	<b>1,197,144</b>	1,403,926
Loans And Receivables	<b>338,010</b>	400,892	<b>377,049</b>	416,499
Money Markets and Deposits	<b>255,675</b>	403,768	<b>252,985</b>	401,832
	<b>2,542,273</b>	3,045,452	<b>2,578,622</b>	3,059,123
<b>Rental Income</b>	<b>393,425</b>	379,800	<b>3,300</b>	15,757
<b>Investment in Subsidiary, Associate &amp; Joint Venture</b>	<b>98,023</b>	15,538	<b>98,023</b>	364,930
<b>Miscellaneous Income</b>	<b>45,459</b>	35,326	<b>105,403</b>	4,578
	<b>7,099,583</b>	6,323,931	<b>6,805,751</b>	6,067,973

**5. OPERATING EXPENSES**

	Note	Group		KWAP	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		RM'000	RM'000	RM'000	RM'000
Employee Costs	A	<b>131,233</b>	107,722	<b>123,891</b>	99,845
Property Related Expenditure		<b>64,619</b>	59,189	<b>430</b>	2,121
Professional Services And Fees		<b>122,924</b>	135,530	<b>81,747</b>	90,815
Audit Fees		<b>1,246</b>	1,773	<b>466</b>	466
Directors' Fees And Remuneration		<b>767</b>	648	<b>767</b>	586
Depreciation Charges		<b>178,056</b>	161,784	<b>12,689</b>	15,632
Amortisation Charges		<b>2,683</b>	3,034	<b>2,631</b>	3,034
Tax Expenses		<b>23,646</b>	57,260	<b>23,646</b>	57,260
Management Aid		<b>945</b>	4,141	<b>945</b>	4,135
Rental Charges		<b>6,658</b>	5,805	<b>15,217</b>	15,311
Other Operating Expenditure		<b>26,758</b>	19,373	<b>14,702</b>	13,756
		<b>559,535</b>	556,259	<b>277,131</b>	302,961

Note A - Employee Costs:

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Salaries And Allowance	<b>80,127</b>	76,320	<b>73,543</b>	69,107
Contribution To KWAP, EPF And SOCSO	<b>15,539</b>	15,445	<b>15,020</b>	15,020
Others	<b>35,567</b>	15,957	<b>35,328</b>	15,718
	<b>131,233</b>	107,722	<b>123,891</b>	99,845

As at 31 December 2020, the number of employees of the Group was 633 (2019: 610), with 620 (2019: 596) being employees of KWAP.

**6. TAXATION**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Current Taxation				
Foreign Income Tax	5,372	3,340	-	-
Deferred Taxation				
Foreign Income Tax	(313)	-	-	-
<b>Tax expenses for financial year</b>	<b>5,059</b>	3,340	-	-

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate of the Group and of KWAP are as follows:

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Profit Before Taxation	8,881,186	6,955,844	8,865,627	6,673,856
Taxation At Malaysian Statutory Tax Rate Of 24% (2019:24%)	2,131,485	1,669,403	2,127,751	1,601,725
Different Tax Rates In Other Countries*	5,372	3,340	-	-
Income Not Subject To Tax	(2,131,485)	(1,669,403)	(2,127,751)	(1,601,725)
Capital Allowances In Excess Of Depreciation	(313)	-	-	-
<b>Tax Expenses For The Financial Year</b>	<b>5,059</b>	3,340	-	-

\* Different tax rates in other countries refers to the corporate tax rate of United Kingdom of 19% (FY2019 – United Kingdom: 19%).

**7. PROPERTY AND EQUIPMENT**

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electronic Equipment RM'000	Total RM'000
<b>GROUP</b>								
<b>Cost</b>								
At 1 January 2020	25,159	11,296	19,051	386	679	34,666	82	91,319
Additions	15	471	2,654	-	-	5,162	-	8,302
Adjustments/Disposal	(2,587)	(3)	(27)	-	-	(1,663)	-	(4,280)
Foreign Exchange Difference	-	-	-	-	-	-	-	-
<b>At 31 December 2020</b>	<b>22,587</b>	<b>11,764</b>	<b>21,678</b>	<b>386</b>	<b>679</b>	<b>38,165</b>	<b>82</b>	<b>95,341</b>
<b>Accumulated depreciation</b>								
At 1 January 2020	11,642	6,626	8,418	299	499	-	37	27,521
Depreciation Charge For The Year	3,760	1,894	3,802	44	84	-	16	9,600
Adjustments/Disposal	(1,327)	(2)	(11)	-	-	-	-	(1,340)
Foreign Exchange Difference	-	-	-	-	-	-	-	-
<b>At 31 December 2020</b>	<b>14,075</b>	<b>8,518</b>	<b>12,209</b>	<b>343</b>	<b>583</b>	<b>-</b>	<b>53</b>	<b>35,781</b>
<b>Net Book Value</b>								
<b>At 31 December 2020</b>	<b>8,512</b>	<b>3,246</b>	<b>9,469</b>	<b>43</b>	<b>96</b>	<b>38,165</b>	<b>29</b>	<b>59,560</b>
<b>KWAP</b>								
<b>Cost</b>								
At 1 January 2020	22,494	11,173	15,008	386	679	34,666	82	84,488
Additions	15	565	93	-	-	5,162	-	5,835
Adjustments/Disposal	-	(3)	(9)	-	-	(1,663)	-	(1,675)
<b>At 31 December 2020</b>	<b>22,509</b>	<b>11,735</b>	<b>15,092</b>	<b>386</b>	<b>679</b>	<b>38,165</b>	<b>82</b>	<b>88,648</b>
<b>Accumulated depreciation</b>								
At 1 January 2020	10,283	6,587	7,251	299	499	-	37	24,956
Depreciation Charge For The Year	3,750	1,914	2,528	44	84	-	16	8,336
Adjustments/Disposal	-	(2)	(9)	-	-	-	-	(11)
<b>At 31 December 2020</b>	<b>14,033</b>	<b>8,499</b>	<b>9,770</b>	<b>343</b>	<b>583</b>	<b>-</b>	<b>53</b>	<b>33,281</b>
<b>Net Book Value</b>								
<b>At 31 December 2020</b>	<b>8,476</b>	<b>3,236</b>	<b>5,322</b>	<b>43</b>	<b>96</b>	<b>38,165</b>	<b>29</b>	<b>55,367</b>

## 7. PROPERTY AND EQUIPMENT (CONTINUED)

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electronic Equipment RM'000	Total RM'000
<b>GROUP</b>								
<b>Cost</b>								
At 1 January 2019	25,044	9,887	17,239	386	678	34,016	80	87,330
Additions	88	1,425	2,826	-	-	650	2	4,991
Adjustments/Disposal	-	(16)	(1,027)	-	1	-	-	(1,042)
Foreign Exchange Difference	27	-	13	-	-	-	-	40
<b>At 31 December 2019</b>	<b>25,159</b>	<b>11,296</b>	<b>19,051</b>	<b>386</b>	<b>679</b>	<b>34,666</b>	<b>82</b>	<b>91,319</b>
<b>Accumulated depreciation</b>								
At 1 January 2019	7,751	4,797	5,358	256	392	-	20	18,574
Depreciation Charge For The Year	3,886	1,807	3,118	43	107	-	16	8,977
Adjustments/Disposal	-	22	(64)	-	-	-	-	(42)
Foreign Exchange Difference	5	-	6	-	-	-	-	11
<b>At 31 December 2019</b>	<b>11,642</b>	<b>6,626</b>	<b>8,418</b>	<b>299</b>	<b>499</b>	<b>-</b>	<b>36</b>	<b>27,520</b>
<b>Net Book Value</b>								
<b>At 31 December 2019</b>	<b>13,517</b>	<b>4,670</b>	<b>10,633</b>	<b>87</b>	<b>180</b>	<b>34,666</b>	<b>46</b>	<b>63,799</b>
<b>KWAP</b>								
<b>Cost</b>								
At 1 January 2019	22,406	9,773	15,836	386	678	34,016	80	83,175
Additions	88	1,416	199	-	-	650	2	2,355
Adjustments/Disposal	-	(16)	(1,027)	-	1	-	-	(1,042)
<b>At 31 December 2019</b>	<b>22,494</b>	<b>11,173</b>	<b>15,008</b>	<b>386</b>	<b>679</b>	<b>34,666</b>	<b>82</b>	<b>84,488</b>
<b>Accumulated depreciation</b>								
At 1 January 2020	6,542	4,785	4,813	256	392	-	21	16,809
Depreciation Charge For The Year	3,741	1,780	2,502	43	107	-	16	8,189
Adjustments/Disposal	-	22	(64)	-	-	-	-	(42)
<b>At 31 December 2019</b>	<b>10,283</b>	<b>6,587</b>	<b>7,251</b>	<b>299</b>	<b>499</b>	<b>-</b>	<b>37</b>	<b>24,956</b>
<b>Net Book Value</b>								
<b>At 31 December 2019</b>	<b>12,211</b>	<b>4,586</b>	<b>7,757</b>	<b>87</b>	<b>180</b>	<b>34,666</b>	<b>45</b>	<b>59,532</b>

**8. COMPUTER SOFTWARE**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>				
At 1 January	17,553	14,500	17,553	14,500
Additions	3,051	3,053	2,942	3,053
<b>At 31 December</b>	<b>20,604</b>	17,553	<b>20,495</b>	17,553
<b>Accumulated Amortisation</b>				
At 1 January	13,073	10,067	13,073	10,067
Charge For The Year	2,683	3,006	2,631	3,006
Adjustments/Disposals	-	-	-	-
<b>At 31 December</b>	<b>15,756</b>	13,073	<b>15,704</b>	13,073
<b>Net Carrying Amount At 31 December</b>	<b>4,848</b>	4,480	<b>4,791</b>	4,480

Computer software relates to the licence fees, other directly attributable costs in the preparation of the assets for its intended use as well as the professional fees arising directly to bring the assets to their working condition.

**9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT****(a) Investment Properties**

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Land And Building</b>				
<b>Cost</b>				
At 1 January	6,829,313	5,891,517	464,980	725,788
Addition	1,258,348	1,044,761	-	229,719
Adjustments/Disposal	(659)	(151)	(229,719)	(490,527)
Foreign Exchange Reserve	21,222	(106,814)	-	-
<b>At 31 December</b>	<b>8,108,224</b>	<b>6,829,313</b>	<b>235,261</b>	<b>464,980</b>
<b>Accumulated Depreciation</b>				
At 1 January	625,478	556,354	11,589	28,910
Depreciation Charge	169,781	123,766	4,353	7,424
Adjustments/Disposal	-	-	(8,635)	(24,745)
Foreign Exchange Reserve	29,830	(54,642)	-	-
<b>At 31 December</b>	<b>825,089</b>	<b>625,478</b>	<b>7,307</b>	<b>11,589</b>
<b>Impairment</b>				
At 1 January	-	-	-	-
Impairment Charge	52,140	-	-	-
<b>At 31 December</b>	<b>52,140</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying Amount As At 31 December</b>	<b>7,230,995</b>	<b>6,203,835</b>	<b>227,954</b>	<b>453,391</b>
<b>Fair Value</b>	<b>9,394,827</b>	<b>7,856,387</b>	<b>300,000</b>	<b>521,000</b>

There is no restriction on the realisation of the investment properties as well as no contractual obligation to either purchase, construct or develop investment properties or for the repairs, maintenance and enhancements of the properties by the Group and KWAP.

The fair value of the investment properties of the Group as at 31 December 2020 amounted to RM9,394.8 million (2019: RM7,856.4 million), which was determined based on the property valuations performed at the reporting date. The fair value of investment properties of KWAP as at 31 December 2020 amounted to RM300.0 million (2019: RM521.0 million) which was determined based on the property valuations performed at the reporting date.

**9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT (CONTINUED)****(a) Investment Properties (continued)**

Valuations are performed by accredited independent valuers with recent experience in the land and properties valuation field. The valuations are based on the comparison method that involve sales of similar properties, analysis and factors which can influence the value or price of the said properties.

**(b) Land Held For Property Development**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
<b>Land Held For Property Development</b>				
<b>Cost</b>				
At 1 January	653,424	641,045	-	-
Addition	7,426	12,379	-	-
<b>At 31 December</b>	<b>660,850</b>	653,424	-	-

**10. INVESTMENT IN SUBSIDIARIES**

	KWAP	
	31 December 2020	31 December 2019
	RM'000	RM'000
Unquoted Shares Inside Malaysia	2,389,951	2,156,481
Unquoted Shares Outside Malaysia	3,934,842	2,768,252
	<b>6,324,793</b>	4,924,733
Less: Allowance For Impairment Losses	<b>(585,338)</b>	(278,147)
	<b>5,739,455</b>	4,646,586

**10. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of the subsidiaries, with the country of incorporation are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Non-Controlling Interest		Principal Activities
		2020 %	2019 %	2020 %	2019 %	
KWAP Managed Investment Trust 2	Australia	100.0	100.0	-	-	Management of investment trust
KWAP Managed Investment Trust 3	Australia	100.0	100.0	-	-	Management of investment trust
KWAP Managed Investment Trust 4	Australia	100.0	100.0	-	-	Management of investment trust
Prima Ekuity (UK) Limited	United Kingdom	100.0	100.0	-	-	Fund management services
Prima Harta (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 2 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 3 (Lux) S.á.r.l	Luxembourg	100.0	100.0	-	-	Management of investment trust
Prima Harta 4 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 5 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 5 Limited	Jersey	100.0	100.0	-	-	Management of investment trust
Capsquare Tower Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
KWEST Sdn Bhd	Malaysia	100.0	100.0	-	-	Property development
Harta Integra Berkat Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
Harta Rini Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property

\* All subsidiaries are not audited by Jabatan Audit Negara Malaysia.

**11. INVESTMENT IN ASSOCIATES**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Shares At Cost,				
Quoted Shares	-	-	-	-
Unquoted Shares	878,700	851,365	872,469	851,365
	878,700	851,365	872,469	851,365
Share Of Post Acquisition Reserves	99,577	53,907	-	-
	978,277	905,272	872,469	851,365
Less: Allowance For Impairment Losses	-	-	-	-
	978,277	905,272	872,469	851,365

Details of the associates, with the country of incorporation are as follows:

Name	Country Of Incorporation / Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2020 %	2019 %		
Aerodyne Ventures Sdn. Bhd.	Malaysia	3.57	-	Equity method	Software and services
edotco Group Sdn. Bhd.	Malaysia	5.29	5.38	Equity method	Communications infrastructure
Swift Haulage Sdn. Bhd.	Malaysia	13.61	14.46	Equity method	Haulage and logistics
ValueCap Sdn. Bhd.	Malaysia	33.33	33.33	Equity method	Investment in quoted securities
Vortex Solar Investment S.a.r.l	Luxembourg	45.00	45.00	Equity method	Solar independent power producer
Compass IP Sdn. Bhd.	Malaysia	20.00	-	Equity method	Property development

Aerodyne Ventures Sdn. Bhd., edotco Group Sdn. Bhd. and Swift Haulage Sdn. Bhd. were deemed as associates of the Group based on the existence of significant influence in the entities. MFRS 128 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Compass IP Sdn. Bhd. is an associate of KWEST Sdn Bhd, a wholly-owned subsidiary of KWAP.

**11. INVESTMENT IN ASSOCIATES (CONTINUED)**

Details of the Associates which the Group has material significant influence are as follows:

	edotco Sdn Bhd	
	2020 RM'000	2019 RM'000
<b>Summarised Statement of Financial Position</b>		
Total Assets	<b>6,513,746</b>	6,173,005
Total Liabilities	<b>(2,733,553)</b>	(2,459,520)
Total Net Assets	<b>3,780,193</b>	3,713,485
Non-Controlling Interests (NCI)	<b>(498,472)</b>	(514,604)
Total Net Assets excluding NCI	<b>3,281,721</b>	3,198,881
<b>Extraction from Statement of Comprehensive Income</b>		
Income	<b>1,881,176</b>	1,809,225
Profit/(Loss) after Tax for the Financial Year	<b>175,230</b>	251,871
Other Comprehensive Income for the Financial Year	<b>(43,501)</b>	(77,565)
<b>Total Comprehensive Income/(Loss) for the Financial Year</b>	<b>131,729</b>	174,306
<b>Dividend Received from Associates for the Financial Year</b>	<b>-</b>	-
Group's Share in %	<b>5.29</b>	5.38
Group's Share of Net Assets	<b>199,972</b>	199,785
Goodwill	<b>461,931</b>	458,754
<b>Carrying Amount</b>	<b>661,903</b>	658,539

**11. INVESTMENT IN ASSOCIATES (CONTINUED)**

Summary of the financial information in relation to the associates of KWEST Sdn Bhd is set out below.

2020	Compass IP Sdn Bhd RM'000
<b>Summarised Financial Information</b>	
Non-Current Assets	268,771
Current Assets	132,150
Non-Current Liabilities	-
Current Liabilities	(270,979)
<b>Net Assets</b>	<b>129,942</b>
<b>Year Ended 31 December</b>	
Profit From Continuing Operations	(1,347)
Profit From Discontinuing Operations	-
<b>Total Comprehensive Income</b>	<b>(1,347)</b>
<b>Included In The Total Comprehensive Income Is:</b>	
Revenue	150,114
<b>Reconciliation Of Net Assets To Carrying Amount As At 31 December</b>	
Group's Share Of Net Assets	25,988
Goodwill	-
Elimination Of Unrealised Profits	-
<b>Carrying Amount In The Statement Of Financial Position</b>	<b>25,988</b>

In addition to the interests in Associates disclosed above, the Group also has interests in a number of individually immaterial Associates using the equity method.

	2020 RM'000	2019 RM'000
<b>Total Carrying Amount of Individually Immaterial Associates</b>	<b>316,374</b>	246,733
Aggregate Amounts of the Group's Share of:		
Profit/(Loss) for the Year	136,267	10,658
Other Comprehensive Income	-	104
<b>Total Comprehensive Income</b>	<b>136,267</b>	10,762

## 12. INVESTMENT IN JOINT VENTURES

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Shares At Cost,				
Unquoted Shares Outside Malaysia	-	295,305	-	-
Unquoted Shares In Malaysia	881	951	-	-
	881	296,256	-	-
Share Of Post Acquisition Reserves	422	428	-	-
	1,303	296,684	-	-
Less: Allowance for impairment losses	-	(169,656)	-	-
	1,303	127,028	-	-

Details of the joint ventures, all incorporated in Malaysia, are as follows:

Name	Country Of Incorporation / Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2020 %	2019 %		
Tap Crunch Sdn Bhd	Malaysia	50.0	50.0	Equity method	Investment holding entity

Details of the joint ventures of subsidiaries, are as follows:

Name	Country Of Incorporation / Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2020 %	2019 %		
Metropolitan Retail JV (Jersey) Unit Trust	Jersey	-	80.0	Equity method	Investment holding entity
Persada Mentari Sdn Bhd	Malaysia	20.0	20.0	Equity method	Real estate development services

On 18 December 2020, Prima Harta 2 (Jersey) Unit Trust acquired the remaining 20% stake in Metropolitan Retail JV (Jersey) Limit Trust, therefore converting the investment in the joint venture to an investment in subsidiary of the Prima Harta 2 (Jersey) Unit Trust group.

**12. INVESTMENT IN JOINT VENTURES (CONTINUED)**

Summary of the financial information in relation to aggregated joint ventures of the Group and KWAP are set out below.

	2020 RM'000	2019 RM'000
<b>Total Carrying Amount of Individually Immaterial Joint Ventures</b>	<b>1,303</b>	127,028
Aggregate Amounts of the Group's Share of:		
(Loss)/Profit for the Financial Year	<b>61</b>	2,782
<b>Total Comprehensive (Loss)/Income</b>	<b>61</b>	2,782

**13. LOAN AND RECEIVABLES**

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Non-Current</b>				
Commercial Loan	<b>2,689,132</b>	5,601,187	<b>2,689,132</b>	5,601,187
Loan To Related Parties	-	-	<b>323,178</b>	299,089
Long Term Receivables	<b>83,577</b>	918	-	-
	<b>2,772,709</b>	5,602,105	<b>3,012,310</b>	5,900,276
<b>Current</b>				
Commercial Loan	<b>2,895,333</b>	2,441,583	<b>2,895,333</b>	2,441,583
	<b>2,895,333</b>	2,441,583	<b>2,895,333</b>	2,441,583

Loans and Receivables to corporate institutions are subject to interest rates ranging from 3.05% to 4.61% (2019: 3.99% to 5.88%) per annum as well as the annual review.

Loans To Related Parties relates to the loan to KWAP MIT 2, with a principal amount of AUD103.0 million (2019: AUD103.0 million), at an interest rate of 5-year AUD swap rate plus 1.71% credit spread per annum (2019: 5% per annum). The maturity date of the loan is 2 April 2026.

**13. LOAN AND RECEIVABLES (CONTINUED)****(a) Movements in the allowance for Loans and Receivables**

There were no allowance made for impairment losses for Loans and Receivables during the year (2019: Nil) based on the absence for the loss given default assigned to loans with government guarantees.

All Loans and Receivables are currently categorised as Stage 1 in the ECL assessment of the year.

**(b) Impacts of movement in the gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflected the measurement of ECL using the three (3) stage approach under the MFRS 9, as described in the significant accounting policies section.

There were no allowance for impairment losses for this reporting period (2019: Nil).

**(c) Information about the nature and effect of modification on the measurement of allowance for impairment losses**

There were no modifications of loans that impacted the measurement of the allowance for impairment losses during this reporting period (2019: Nil).

**(d) Write-offs still under enforcement activity**

There was no contractual amount outstanding on financial assets that was written off during this reporting period (2019: Nil).

**14. DEBT INSTRUMENT AT AMORTISED COST**

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Non-Current</b>				
Fixed Income Instruments	<b>15,199,224</b>	15,152,167	<b>15,199,224</b>	15,152,167
	<b>15,199,224</b>	15,152,167	<b>15,199,224</b>	15,152,167

**a) Reclassification of debt instruments at amortised cost**

There was no reclassification of debt instruments at amortised cost during the year.

**14. DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)****(b) Movements in the allowance for debt instruments at amortised cost**

Debt Instruments at Amortised Cost	12-months expected credit losses RM'000	Total RM'000
<b>At 1 January 2019</b>	<b>10</b>	10
Net remeasurement of loss allowance	<b>(3)</b>	(3)
<b>At 31 December 2019 / 1 January 2020</b>	<b>7</b>	7
Net remeasurement of loss allowance	<b>(4)</b>	(4)
<b>At 31 December 2020</b>	<b>3</b>	3

There was no purchase of credit-impaired financial assets at the initial recognition and during the year, hence no recognition of ECL.

**(c) Impacts of movements in gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflected the ECL measured using the three-stage approach under MFRS 9, as described in the significant accounting policies section.

The gross carrying amount of debt instruments at Amortised Cost increased by RM47.1 million primarily due to the recognition of certain financial instruments during the year.

Debt Instruments at Amortised Cost	12-months expected credit losses RM'000	Total RM'000
<b>At 1 January 2019</b>	<b>17,153,861</b>	17,153,861
Transfers:		
- Transferred to 12-months ECL	<b>3</b>	3
New financial assets originated or purchased	<b>317,040</b>	317,040
Reclassification	<b>(2,318,737)</b>	(2,318,737)
<b>At 31 December 2019 / 1 January 2020</b>	<b>15,152,167</b>	15,152,167
Net remeasurement of loss allowance	<b>4</b>	4
New financial assets originated or purchased	<b>57,194</b>	57,194
Financial assets that have been derecognised	<b>(10,141)</b>	(10,141)
<b>At 31 December 2020</b>	<b>15,199,224</b>	15,199,224

**(d) Written-offs still under enforcement activity**

There was no contracted amount outstanding on financial assets that was written off during the reporting period.

**15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
<u>Non-Current</u>				
Equity Instruments At Fair Value Through Profit Or Loss				
- Quoted	<b>42,828,011</b>	39,036,392	<b>42,828,011</b>	39,036,392
- Unquoted	<b>4,458,278</b>	3,228,685	<b>4,458,278</b>	3,228,685
- Fixed Income Investment (Perpetual Bond)	<b>154,439</b>	1,657,551	<b>154,439</b>	1,657,551
	<b>47,440,728</b>	43,922,628	<b>47,440,728</b>	43,922,628
Debt Instruments At Fair Value Through Profit Or Loss				
- Fixed Income Investment	<b>629,976</b>	308,610	<b>602,476</b>	308,610
<u>Current</u>				
Debt Instruments At Fair Value Through Profit Or Loss				
- Tap Crunch Sdn Bhd	<b>10,463</b>	20,925	<b>10,463</b>	20,925
- Shareholder's Loan	-	-	<b>218,834</b>	203,052
- Fixed Income Investment	<b>379,317</b>	444,137	<b>379,317</b>	444,137
	<b>389,780</b>	465,062	<b>608,614</b>	668,114

**16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Debt Instruments At Fair Value Through Other Comprehensive Income				
- Fixed Income Investment	<b>33,881,656</b>	31,418,751	<b>33,881,656</b>	31,418,751
	<b>33,881,656</b>	31,418,751	<b>33,881,656</b>	31,418,751

**16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)****(a) Reclassification of debt instruments at FVOCI**

There was no reclassification of debt instruments at FVOCI during the year.

**(b) Movements in allowance for debt instruments at FVOCI**

Debt instruments at FVOCI	12-months expected credit losses RM'000	Lifetime expected credit losses (collectively assessed - not credit impaired) RM'000	Total RM'000
<b>At 1 January 2019</b>	480	-	480
Changes due to financial assets recognised in the opening balance that have:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	10,620	10,620
Net remeasurement of loss allowance	5	-	5
New financial assets originated or purchased	79	-	79
Financial assets that have been derecognised	(368)	-	(368)
Exchange fluctuations	(1)	-	(1)
<b>At 31 December 2019 / 1 January 2020</b>	<b>195</b>	<b>10,620</b>	<b>10,815</b>
Changes due to financial assets recognised in the opening balance that have:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	-	-
Net remeasurement of loss allowance	<b>(43)</b>	<b>(8,536)</b>	<b>(8,579)</b>
New financial assets originated or purchased	<b>188</b>	-	<b>188</b>
Financial assets that have been derecognised	<b>(53)</b>	-	<b>(53)</b>
Exchange fluctuations	<b>(3)</b>	-	<b>(3)</b>
<b>At 31 December 2020</b>	<b>284</b>	<b>2,084</b>	<b>2,368</b>

There was no undiscounted ECL at the initial recognition of credit-impaired financial assets purchased during the reporting year.

**16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)****(c) Impact of movements in gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflected the ECL measured using the three (3) stage approach under the MFRS 9, as described in the significant accounting policies section. The following explanation relates to the contribution of the significant changes in the gross carrying amount of debt instruments at FVOCI during the year to the changes in the allowance for impairment losses for the Group and KWAP under the ECL model.

Overall, the total allowance for impairment losses decreased by RM8.4 million compared to the opening balance at the beginning of the year. The net decrease was driven by a decrease in the collective provisioning/specific provisioning due to a better forward looking outlook as compared to the prior year.

The gross carrying amount of debt instruments at FVOCI increased primarily due to the following:

- purchased during the year;
- changes due to modification during the year; and
- derecognition during the year.

	12-months expected credit losses RM'000	Lifetime expected credit losses (collectively assessed- not credit impaired) RM'000	Total RM'000
<b>Gross carrying amount of debt instruments at FVOCI</b>			
<b>At 1 January 2019</b>	30,744,344	-	30,744,344
Transfers:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	82,855	82,855
New financial assets originated or purchased	12,868,671	-	12,868,671
Financial assets that have been derecognised	(13,323,892)	-	(13,323,892)
Changes due to modifications that did not result in derecognition	1,057,865	-	1,057,865
Exchange fluctuation and other changes	(11,092)	-	(11,092)
<b>At 31 December 2019/ 1 January 2020</b>	<b>31,335,896</b>	<b>82,855</b>	<b>31,418,751</b>
Transfers:			
- Transferred to Lifetime ECL not credit impaired – collective provision	-	51,627	51,627
New financial assets originated or purchased	10,816,858	-	10,816,858
Financial assets that have been derecognised	(9,037,994)	-	(9,037,994)
Exchange fluctuation and other changes	632,623	(209)	632,414
<b>At 31 December 2020</b>	<b>33,747,383</b>	<b>134,273</b>	<b>33,881,656</b>

**(d) Write-offs still under enforcement activity**

There was no contractual amount outstanding on financial assets that was written off during this reporting period.

**17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
<b>Non-Current</b>				
Equity Instruments At Fair Value Through Other Comprehensive Income				
- Quoted Equity	<b>29,079,669</b>	27,979,328	<b>29,079,669</b>	27,979,328
	<b>29,079,669</b>	27,979,328	<b>29,079,669</b>	27,979,328

The portfolio structure with a combination of FVTPL and FVOCI classified financial assets is consistent with the Group's and KWAP's risk profile and risk appetite.

Dividend recognised from investments in equity instruments designated at FVOCI and FVTPL held during the reporting period was RM1,043.5 million (2019: RM823.1 million) and RM1,185.4 million (2019: RM1,238.9 million) respectively.

Disposal of investments in equity instruments measured at FVOCI

During the year, there were disposals of equity instruments designated at FVOCI with a total realised loss of RM196.9 million (2019: RM0.8 million) subsequently recorded in the Other Comprehensive Income.

**18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	Group			KWAP		
	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000
<b>2020</b>						
<b>Current Assets</b>						
Derivatives Designated As Hedges:						
Financial Assets:						
Warrants & Rights		3,590			3,590	
Forward Exchange Rate Contracts	8,642,081	488,411	492,001	8,642,081	488,411	492,001
<b>Current Liabilities</b>						
Financial Liabilities:						
Interest Rate Swaps	1,032,925	(27,833)				
Cross Currency Swaps	120,200	(43,170)		120,200	(43,170)	
Forward Exchange Rate Contracts	2,205,818	(28,959)	(99,962)	2,205,818	(28,959)	(72,129)
<b>Non-Current Liabilities</b>						
Interest Rate Swaps	495,888	(22,631)	(22,631)	-	-	-

	Group			KWAP		
	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000
<b>2019</b>						
<b>Current Assets</b>						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	25,887	1,409		-	-	
Warrants & Rights	-	28,890		-	28,890	
Forward Exchange Rate Contracts	9,115,180	175,409	205,708	9,115,180	175,409	204,299
<b>Current Liabilities</b>						
Financial Liabilities:						
Interest Rate Swaps	16,941	(4,647)		-	-	
Cross Currency Swaps	120,200	(48,412)		120,200	(48,412)	
Forward Exchange Rate Contracts	1,459,599	(21,546)	(74,605)	1,459,599	(21,546)	(69,958)
<b>Non-Current Liabilities</b>						
Interest Rate Swaps	19,063	(19,063)	(19,063)	-	-	-

**18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

The outstanding cross currency swaps and forward exchange rate contracts as at 31 December 2020 were designated as hedges of firm commitments with highly probable future payments and net revenue denominated in foreign currencies.

The terms of the cross currency swaps and forward exchange rate contracts were negotiated to match the terms of the commitments. There were neither previous application nor expectation of the occurrence of hedge accounting in relation to the said highly probable future transactions.

**19. SUNDRY DEBTORS AND DEPOSITS**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Other Receivables	41,878	14,527	97,814	88,614
Tax Recoverable	42,213	32,979	16,504	10,650
Deposit Received	5,372	1,676	1,678	1,676
Prepayment And Advances	28,186	2,937	2,191	2,937
	<b>117,649</b>	52,119	<b>118,187</b>	103,877

**(a) Movements in allowance for sundry debtors and deposits**

There was no allowance for impairment losses for sundry debtors and deposits for this reporting year (2019: Nil).

**(b) Impact of movements in gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflected the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses during this reporting year period (2019: Nil).

**(c) Write-offs still under enforcement activity**

There was no contractual amount outstanding on financial assets that were written off during this reporting period (2019: Nil).

**20. TRADE RECEIVABLES**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Sale Of Shares And Bonds	10,069	2,545	10,069	2,545
Dividend Receivable	140,372	51,258	140,372	51,258
Interest Income Receivables	597,225	636,350	608,261	636,349
Rental Receivable	10,775	1,847	-	-
Receivable From Brokers	1,657,811	932,199	1,657,811	932,199
Other Trade Receivables	47,877	30,949	34	8,217
	<b>2,464,129</b>	1,655,148	<b>2,416,547</b>	1,630,568

**(a) Movements in allowance for trade receivables**

There was no allowance for impairment losses for trade receivables during the reporting period (2019: Nil).

**(b) Impact of movements in gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflected the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses during the reporting year (2019: Nil)

**(c) Write-offs still under enforcement activity**

There was no contractual amount outstanding on financial assets that were written off during the reporting period (2019: Nil).

**21. DEPOSITS AND PLACEMENTS AND CASH AND BANK BALANCES**

Deposits And Placements With Financial Institutions	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	10,577,997	8,469,997	10,577,997	8,469,997
Deposits And Placements With Financial Institutions With Maturity More Than 3 Months	208,427	3,028,145	208,427	3,028,145
	10,786,424	11,498,142	10,786,424	11,498,142
<b>Cash And Bank Balances</b>	<b>2,656,995</b>	1,485,868	<b>2,140,049</b>	1,025,678

Cash and Cash Equivalents	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	10,577,997	8,469,997	10,577,997	8,469,997
Cash And Bank Balances	2,656,995	1,485,868	2,140,049	1,025,678
	13,234,992	9,955,865	12,718,046	9,495,675

Cash at bank earns interest at the floating rates based on the daily bank deposit rates. Short term deposits are made for varying short periods between one (1) day and three (3) months, based on the immediate cash requirements of the Group and of KWAP, whereby interest is earned at the respective short term deposit rates.

**(a) Movements in the allowance for cash and cash equivalents**

There was no allowance for impairment losses for cash and cash equivalents during the reporting year (2019: Nil).

**(b) Impact of movements in gross carrying amount on allowance for impairment losses**

Allowance for impairment losses reflects the ECL measured using the three-stage approach under the MFRS 9, as described in the significant accounting policies.

There was no allowance for impairment loss for the reporting year (2019: Nil).

**22. TRADE PAYABLES**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Deposits On Property	569	470	-	-
Amount Due To Private Equity Funds	16,747	27,556	16,747	27,556
Amount Due To Unlisted Funds	809	-	809	-
Trade Creditors	1,528,052	570,106	1,533,899	573,104
Rental Income Received In Advance	2	2,677	-	-
	<b>1,546,179</b>	600,809	<b>1,551,455</b>	600,660

All trade payables, excluding repurchase agreements, are interest free with the normal trade credit terms ranging from 30 to 90 days granted to the Group and KWAP.

Included as trade creditors are repurchase agreements, subject to interest rates of 2.99% (2019: ranging from 3.35% to 3.22%) and set to mature within 90 days.

**23. OTHER PAYABLES AND ACCRUALS**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Goods And Service Tax ("GST") Payable	2,295	3,439	-	-
Sales and Service Tax ("SST") Payable	553	466	474	466
Withholding Tax Payable	1,783	(210)	354	(210)
Amount Due to Subsidiaries	-	-	45,946	45,946
Provision For Bonus	35,386	28,579	34,510	28,000
Provision For Services	24,822	16,988	23,471	16,988
Provision For External Managers Fees	17,050	21,225	17,050	21,224
Provision For Custodian Fees	2,313	3,180	2,313	3,180
Provision For Tax	2,609	73	-	-
Other Payables And Accruals	89,340	128,710	2,545	2,880
	<b>176,151</b>	202,450	<b>126,663</b>	118,474

**24. BORROWINGS**

	Group		KWAP	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Non-Current	<b>1,810,840</b>	2,039,390	-	-
Current	<b>369,432</b>	10,485	-	-

**Existing Group Borrowings**

- (a) Loan amounting to AUD113.4 million to KWAP Managed Investment Trust 3 ("KWAP MIT 3") is at a fixed rate of interest at 3.44% per annum. It matures on 4 February 2021 and is secured over the investment property of KWAP MIT 3.
- (b) Loan amounting to AUD93.6 million to KWAP MIT 3 is at a fixed rate of interest at 3.76% per annum. It matures on 2 October 2023 and is secured over the investment property of KWAP MIT 3.
- (c) Loan amounting to AUD160.0 million to KWAP Managed Investment Trust 4 ("KWAP MIT 4") is at a floating rate of BBSY + margin per annum (2020: ranging from 1.650% to 2.474%, 2019: ranging from 2.475% to 3.764%). It matures on October 2022 and is secured over the investment property of KWAP MIT 4.
- (d) Loan amounting to GBP139.2 million to Prima Harta (Jersey) Unit Trust ("Prima Harta") is at a floating rate of LIBOR. It matures on 27 November 2024.

The table below shows reconciliation of Group's borrowings arising from financing activities and are classified in the Group's consolidated cash flows as cash flows from financing activities:

	Group	
	31 December 2020	31 December 2019
	RM'000	RM'000
At 1 January	<b>2,049,875</b>	2,183,212
Cash Flow Changes From Financing Activities:		
Proceeds From Borrowings	-	749,662
Repayments Of Borrowings	-	(882,999)
Effect of Changes in Foreign Exchange	<b>130,397</b>	-
<b>At 31 December</b>	<b>2,180,272</b>	2,049,875

**25. ALLOCATION OF STATUTORY FUNDS**

	Group and KWAP	
	31 December 2020	31 December 2019
	RM'000	RM'000
At 1 January	<b>26,501,944</b>	26,001,944
Add: Allocation For Current Year	<b>500,000</b>	500,000
<b>At 31 December</b>	<b>27,001,944</b>	26,501,944

**26. PENSION CONTRIBUTIONS**

	Note	Group and KWAP	
		31 December 2020	31 December 2019
		RM'000	RM'000
Contribution From Statutory Bodies, Local Authorities And Other Agencies	A	<b>17,229,326</b>	15,918,023
Contribution From Government's Share, Gratuities And Other Deductions	B	<b>40,077,883</b>	38,942,254
		<b>57,307,209</b>	54,860,277

**Note A – Contribution From Statutory Bodies, Local Authorities And Other Agencies**

The Group and KWAP receive monthly contributions for permanent employees with pensionable status from the respective employers such as Statutory Bodies, Local Authorities and Other Agencies. Contributions are based on 17.5% of the basic monthly salary of the employees.

2020	Group and KWAP		
	Accumulated Contributions RM'000	Receipts RM'000	Balance RM'000
Statutory Bodies	<b>12,710,350</b>	<b>1,071,155</b>	<b>13,781,505</b>
Local Authorities	<b>3,088,545</b>	<b>235,766</b>	<b>3,324,311</b>
Other Agencies	<b>127,011</b>	<b>4,552</b>	<b>131,563</b>
	<b>15,925,906</b>	<b>1,311,473</b>	<b>17,237,379</b>
Less:			
Repayment Of Claims	<b>(7,883)</b>	<b>(170)</b>	<b>(8,053)</b>
	<b>15,918,023</b>	<b>1,311,303</b>	<b>17,229,326</b>
<b>2019</b>			
Statutory Bodies	11,654,691	1,055,659	12,710,350
Local Authorities	2,855,220	233,325	3,088,545
Other Agencies	122,334	4,677	127,011
	14,632,245	1,293,661	15,925,906
Less:			
Repayment Of Claims	(7,501)	(382)	(7,883)
	14,624,744	1,293,279	15,918,023

**26. PENSION CONTRIBUTIONS (CONTINUED)****Note B – Contribution From Government's Share, Gratuities And Other Deductions**

Contributions from the Government's portion, gratuities and other deductions remitted to the Group and KWAP upon any withdrawals made by public officers under the Pensionable Employees Withdrawal Scheme were as follows:

	Group and KWAP		
	Contributions RM'000	Receipts RM'000	Balance RM'000
<b>2020</b>			
KWSP	29,616,139	785,555	30,401,694
KWSG	146,709	-	146,709
KWSG - Sabah	12,479	-	12,479
LTAT	7,978,659	303,212	8,281,871
SESCO	45,309	-	45,309
JPA	1,298,534	59,119	1,357,653
VETERAN ATM	905	1,203	2,108
Others	41,133	23	41,156
	<b>39,139,867</b>	<b>1,149,112</b>	<b>40,288,979</b>
Less:			
Repayment Of Claims	(197,613)	(13,483)	(211,096)
	<b>38,942,254</b>	<b>1,135,629</b>	<b>40,077,883</b>
<b>2019</b>			
KWSP	28,532,095	1,084,044	29,616,139
KWSG	146,709	-	146,709
KWSG - Sabah	12,479	-	12,479
LTAT	7,790,365	188,294	7,978,659
SESCO	45,309	-	45,309
JPA	1,220,857	77,677	1,298,534
VETERAN ATM	-	905	905
Others	41,113	20	41,133
	37,788,927	1,350,940	39,139,867
Less:			
Repayment Of Claims	(182,919)	(14,694)	(197,613)
	37,606,008	1,336,246	38,942,254

**27. WITHDRAWAL BY FEDERAL GOVERNMENT**

During the year, the total withdrawal by the Federal Government amounted to RM5.0 billion (2019: nil).

**28. RETAINED EARNINGS**

The Group's Retained Earnings amounting to RM82.4 billion was the balance of revenue reserves as at 31 December 2020 (2019: RM73.5 billion). KWAP's Retained Earnings amounting to RM82.5 billion was the balance of revenue reserves as at 31 December 2020 (2019: RM73.6 billion).

**29. RESERVES**

	Note	Group		KWAP	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Other reserves		(46,642)	(46,642)	-	-
Foreign exchange reserve		(121,723)	(194,982)	-	-
<b>Fair Value Through Other Comprehensive Income (FVOCI) Reserves</b>					
Debt instrument at FVOCI reserve	A	1,849,741	1,036,330	1,849,741	1,036,330
Equity instrument at FVOCI reserve	B	(5,332,240)	(4,048,899)	(5,332,240)	(4,048,899)
		(3,482,499)	(3,012,569)	(3,482,499)	(3,012,569)
		(3,650,864)	(3,254,193)	(3,482,499)	(3,012,569)

Note A: There are investments classified as debt instruments at FVOCI whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity. The accumulated changes in fair value are transferred to profit or loss upon disposal of the investments.

Note B: The Group and KWAP elected to recognise changes in the fair value of equity instruments in Other Comprehensive Income whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity. The accumulated changes in fair value are transferred to Retained Earnings upon derecognition of the investments.

**30. DEFERRED TAX LIABILITIES**

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
At 1 January	362	66
Amount Recognised In Profit Or Loss	(313)	296
As At 31 December	49	362
After Appropriate Offsetting As Follows:		
Deferred Tax Liabilities	(49)	(362)
	(49)	(362)
Deferred Tax Liabilities:		
- Settled More Than 12 Months	(49)	(362)
	(49)	(362)

**31. EMPLOYEE BENEFITS**

	Group and KWAP Post - Retirement Medical Benefits RM'000
At 1 January 2020	3,347
Provisions For The Year	535
Benefits Paid	(7)
<b>As At 31 December 2020</b>	<b>3,875</b>

The maturity structure of Employee Benefits are as follows:

	Group and KWAP	
	31 December 2020	31 December 2019 (Restated)
Active Members	3,330	2,876
Retirees	545	471
	3,875	3,347

**31. EMPLOYEE BENEFITS (CONTINUED)**

- (a) The movements of present value in the unfunded obligations are as follows:

	Group and KWAP	
	31 December 2020	31 December 2019 (Restated)
At 1 January	3,347	3,744
Current Service Cost	405	301
Interest Cost	153	128
Adjustments During The Year	(23)	(815)
Benefits Paid	(7)	(11)
Net Actuarial Loss	-	-
<b>As At 31 December</b>	<b>3,875</b>	<b>3,347</b>

- (b) The amounts recognised in the Statement of Comprehensive Income are analysed as follows:

	Group and KWAP	
	31 December 2020	31 December 2019
<b>Net Liabilities As at 1 January</b>	<b>3,347</b>	3,744
Total Post-Retirement Costs Recognised In The Statements Of Comprehensive Income And Other Comprehensive Income	535	(386)
Benefits Paid	(7)	(11)
<b>Net Liabilities As At 31 December</b>	<b>3,875</b>	<b>3,347</b>

- (c) The amounts recognised in the Statement of Financial Position are analysed as follows:

	Group and KWAP	
	31 December 2020	31 December 2019
Current Service Cost	405	301
Interest Cost	153	128
Adjustments During The Year	(23)	(815)
<b>Total Post-Retirement Costs Recognised In The Statement Of Comprehensive Income And Other Comprehensive Income</b>	<b>535</b>	(386)

**31. EMPLOYEE BENEFITS (CONTINUED)**

(d) The principal actuarial assumptions used were as follows:

	Group and KWAP	
	31 December 2020	31 December 2019
Discount Rate (%)	<b>4.6%</b>	4.6%
Medical Cost Inflation (%)		
GP	<b>3.0%</b>	3.0%
HP	<b>3.0%</b>	3.0%
SP	<b>3.0%</b>	3.0%
DL	<b>0.0%</b>	0.0%

The provision of post-employment medical benefits is based on the Net Present Value ("NPV"), representing the present value of the estimated future cash outflows required to settle the Post-Retirement Medical Benefit obligations. The NPV amount is discounted at the expected money market rate of 4.60%, on the basis that underlying instrument is naturally considered to be conservative and liquid for the Group and KWAP.

(e) The sensitivity analysis below are determined based on a method that extrapolates the occurrence of reasonable changes in key assumptions in the same Statement of Financial Position whereby all other assumptions remain constant:

	Group and KWAP			
	31 December 2020 RM'000		31 December 2019 RM'000	
	Increase	Decrease	Increase	Decrease
Discount Rate (1 % Movement)	<b>(753)</b>	<b>1,003</b>	(653)	872
Medical Inflation Rate (1% Movement)	<b>99</b>	<b>(230)</b>	90	(203)
	<b>(654)</b>	<b>773</b>	(563)	669

**32. LEASE LIABILITIES**

	Group	
	31 December 2020	31 December 2019
	RM'000	RM'000
<b>Current Liabilities</b>		
Obligation Under Lease Liabilities	5,344	-
Repayment Of Lease Liabilities	-	-
	<b>5,344</b>	-
<b>Non-Current Liabilities</b>		
Obligation Under Lease Liabilities	111,516	52,631
Repayment Of Lease Liabilities	-	(6)
	<b>111,516</b>	52,625
	<b>116,860</b>	52,625

	Group	
	31 December 2020	31 December 2019
	RM'000	RM'000
Future Minimum Payment Due:		
Not Later Than One Year	5,495	2,939
After One Year But Not More Than Five Years	21,979	11,767
After Five Years	771,996	406,448
	<b>799,470</b>	421,154
Less: Finance Charges Allocated To Future Periods		
Not Later Than One Year	(5,487)	(149)
After One Year But Not More Than Five Years	(21,942)	(1,407)
After Five Years	(655,181)	(366,973)
<b>Present Value Of Minimum Lease Payments</b>	<b>116,860</b>	52,625
Present Value Of Minimum Lease Payments Is Analysed As Follows:		
Not Later Than One Year	2,859	2,791
After One Year But Not More Than Five Years	10,606	10,349
After Five Years	103,395	39,485
<b>Present Value Minimum Lease Payments</b>	<b>116,860</b>	52,625

**33. FINANCIAL RISK**

The Group and KWAP are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, equity price risk, credit risk and liquidity risk.

The Group and KWAP have an approved set of guidelines and policies as well as internal controls which set out the overall business strategies for the management of the risks. The overall financial risk management objective is to enhance the contributors' value through the effective management of the risks.

The policies and procedures of risk management are reviewed and approved by the Board. The following sections provide details regarding the Group's and KWAP's exposure to the above mentioned financial risks as well as the objectives, policies and processes for the management of these risks.

**(a) Interest rate risk**

Interest rate risk is the risk of the fluctuation of fair value or future cash flows of financial instruments due to changes in the market interest rates. The Group's and KWAP's exposure to the risk of changes in the market interest rates relate primarily to loans and receivables and external borrowings with floating interest rates.

The Group and KWAP actively manage the interest rate risk with the maintenance of an interest rate cover ratio of a minimum of one and a half times.

**Interest rate sensitivity**

The following table demonstrates the sensitivity to the reasonable possible change in interest rates on the portion of borrowings. With all other variables held constant, the table summarises the Group's and KWAP's exposure to interest rate risk on the loans and receivables and external borrowings with floating interest rates and fixed income securities.

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
<b>2020</b>				
Increase In 100 Basis Points	<b>(1,968,232)</b>	<b>(1,968,232)</b>	<b>(847,752)</b>	<b>(847,752)</b>
Decrease In 100 Basis Points	<b>1,968,232</b>	<b>1,968,232</b>	<b>847,752</b>	<b>847,752</b>
<b>2019</b>				
Increase In 100 Basis Points	(1,780,393)	(1,780,393)	(274,111)	(274,111)
Decrease In 100 Basis Points	1,780,393	1,780,393	274,111	274,111

The Group and KWAP are exposed to various risks associated with the fluctuations in the prevailing levels of interest rate on its Statements of Financial Position and Statements of Cash Flows. The following table indicates KWAP's financial assets and financial liabilities at their effective interest rate and the carrying amount analysed by the maturity date or the next repricing date, whichever is earlier.

**33. FINANCIAL RISK (CONTINUED)****(a) Interest rate risk (continued)**

<b>Group 2020</b>	<b>0-12 Months RM '000</b>	<b>&gt;1-5 Year RM '000</b>	<b>Over 5 Years RM '000</b>	<b>Non- Interest Sensitive RM '000</b>	<b>Total RM '000</b>
<b>Financial Assets</b>					
Investment In Associates	-	-	-	978,277	978,277
Investment In Joint Ventures	-	-	-	1,303	1,303
Loans And Receivables	1,009,327	4,001,130	574,008	-	5,584,465
Long Term Receivables	-	83,577	-	-	83,577
Debt Instruments At Amortised Cost	427,224	2,423,210	12,348,790	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	120,590	678,152	221,014	-	1,019,756
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	154,438	-	-	47,286,290	47,440,728
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	15,469,603	18,412,053	-	33,881,656
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	29,079,669	29,079,669
Derivative Financial Assets	492,001	-	-	-	492,001
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Other Non-Interest Sensitive Assets	-	-	-	13,195,026	13,195,026
	<b>12,990,004</b>	<b>22,655,672</b>	<b>31,555,865</b>	<b>90,540,565</b>	<b>157,742,106</b>
<b>Financial Liabilities</b>					
Trade Payables	1,534,509	-	-	11,670	1,546,179
Borrowings	369,432	1,810,840	-	-	2,180,272
	<b>1,903,941</b>	<b>1,810,840</b>	<b>-</b>	<b>11,670</b>	<b>3,726,451</b>

**33. FINANCIAL RISK (CONTINUED)****(a) Interest rate risk (continued)**

KWAP 2020	0-12 Months RM '000	>1-5 Year RM '000	Over 5 Years RM '000	Non- Interest Sensitive RM '000	Total RM '000
<b>Financial Assets</b>					
Investment In Subsidiaries	-	-	-	5,739,455	5,739,455
Investment In Associates	-	-	-	872,469	872,469
Investment In Joint Ventures	-	-	-	-	-
Loans And Receivables	1,009,327	4,324,308	574,008	-	5,907,643
Debt Instruments At Amortised Cost	427,224	2,423,210	12,348,790	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	339,425	650,652	221,013	-	1,211,090
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	154,438	-	-	47,286,290	47,440,728
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	15,469,603	18,412,053	-	33,881,656
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	29,079,669	29,079,669
Derivative Financial Assets	492,001	-	-	-	492,001
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Other Non-Interest Sensitive Assets	-	-	-	4,962,895	4,962,895
	<b>13,208,839</b>	<b>22,867,773</b>	<b>31,555,864</b>	<b>87,940,778</b>	<b>155,573,254</b>
<b>Financial Liabilities</b>					
Trade Payables	1,534,509	-	-	16,946	1,551,455
	<b>1,534,509</b>	<b>-</b>	<b>-</b>	<b>16,946</b>	<b>1,551,455</b>

**33. FINANCIAL RISK (CONTINUED)****(a) Interest rate risk (continued)**

Group 2019	0-12 Months RM '000	>1-5 Year RM '000	Over 5 Years RM '000	Non- Interest Sensitive RM '000	Total RM '000
<b>Financial Assets</b>					
Investment In Associates	-	-	-	905,272	905,272
Investment In Joint Ventures	-	-	-	127,028	127,028
Loans And Receivables	2,441,583	5,033,637	567,550	-	8,042,770
Long Term Receivables	-	918	-	-	918
Debt Instruments At Amortised Cost	-	1,960,915	13,191,252	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	120,925	367,061	285,686	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	157,551	1,500,000	42,265,077	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	10,382,498	21,036,253	-	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	27,979,328	27,979,328
Derivative Financial Assets	205,708	-	-	-	205,708
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Other Non-Interest Sensitive Assets	-	-	-	10,118,673	10,118,673
	14,266,358	17,902,580	36,580,741	81,395,378	150,145,057
<b>Financial Liabilities</b>					
Trade Payables	510,198	-	-	90,611	600,809
Borrowings	10,485	2,039,390	-	-	2,049,875
	520,683	2,039,390	-	90,611	2,650,684

**33. FINANCIAL RISK (CONTINUED)****(a) Interest rate risk (continued)**

KWAP 2019	0-12 Months RM '000	>1-5 Year RM '000	Over 5 Years RM '000	Non- Interest Sensitive RM '000	Total RM '000
<b>Financial Assets</b>					
Investment In Subsidiaries	-	-	-	4,646,586	4,646,586
Investment In Associates	-	-	-	851,365	851,365
Investment In Joint Ventures	-	-	-	-	-
Loans And Receivables	2,441,583	5,332,726	567,550	-	8,341,859
Debt Instruments At Amortised Cost	-	1,960,915	13,191,252	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	323,977	367,061	285,686	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	157,551	1,500,000	42,265,077	43,922,628
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	10,382,498	21,036,253	-	31,418,751
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	27,979,328	27,979,328
Derivative Financial Assets	204,299	-	-	-	204,299
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Other Non-Interest Sensitive Assets	-	-	-	3,277,526	3,277,526
	14,468,001	18,200,751	36,580,741	79,019,882	148,269,375
<b>Financial Liabilities</b>					
Trade Payables	510,198	-	-	90,462	600,660
	510,198	-	-	90,462	600,660

**33. FINANCIAL RISK (CONTINUED)****(b) Equity price risk**

The Group's and KWAP's quoted equity instruments are susceptible to market price risk arising from uncertainties in relation to the future values of investment securities. The Group and KWAP manage the equity price risk through diversification as well as placements of limits on the individual and total equity instruments. Reports on the equity portfolio are regularly submitted to the Group's and KWAP's senior management. Equity investment decisions are reviewed and approved by the Board of the Group and of KWAP.

**Equity price sensitivity**

The following table demonstrates the sensitivity to the reasonable possible change in equity price of the Group's and KWAP's equity investments, due to the changes in fair value of quoted equity shares, with all other variables held constant.

	Group Effect On Equity RM'000	KWAP Effect On Equity RM'000	Group Effect On Profit Before Tax RM'000	KWAP Effect On Profit Before Tax RM'000
<b>2020</b>				
<b>Domestic Equity</b>				
Increase Of 5% In Equity Price	2,878,389	2,878,389	1,424,406	1,424,406
Decrease Of 5% In Equity Price	(2,878,389)	(2,878,389)	(1,424,406)	(1,424,406)
<b>International Equity</b>				
Increase Of 10% In Equity Price	1,434,349	1,434,349	1,434,349	1,434,349
Decrease Of 10% In Equity Price	(1,434,349)	(1,434,349)	(1,434,349)	(1,434,349)
<b>2019</b>				
<b>Domestic Equity</b>				
Increase Of 5% In Equity Price	2,731,121	2,731,121	1,332,154	1,332,154
Decrease Of 5% In Equity Price	(2,731,121)	(2,731,121)	(1,332,154)	(1,332,154)
<b>International Equity</b>				
Increase Of 10% In Equity Price	1,242,220	1,242,220	1,242,220	1,242,220
Decrease Of 10% In Equity Price	(1,242,220)	(1,242,220)	(1,242,220)	(1,242,220)

**(c) Foreign exchange risk**

The foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in the foreign exchange rates.

The Group's and KWAP's exposure to foreign exchange risk includes international equity, fixed income and alternative investments such as private equity funds and properties.

**33. FINANCIAL RISK (CONTINUED)****(c) Foreign exchange risk (continued)**

The following table summarises the fair value of international investments of the Group and KWAP for the top currencies in which the assets are held:

Group 2020	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
<b>Financial Assets (RM'000)</b>									
Investment Properties	1,824,481	-	2,038,209	2,934,408	433,897	-	-	-	7,230,995
Loan and Receivables	5,584,465	-	-	-	-	-	-	-	5,584,465
Long Term Receivables	1,004	-	-	82,573	-	-	-	-	83,577
Debt Instruments At Amortised Cost	15,199,224	-	-	-	-	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,017,736	2,020	-	-	-	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	28,663,386	10,424,046	570,265	1,217,348	1,879,429	1,451,200	1,006,647	2,228,407	47,440,728
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,015,340	620,734	87,050	-	-	-	-	158,532	33,881,656
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	29,079,669	-	-	-	-	-	-	-	29,079,669
Derivative Financial Assets	492,001	-	-	-	-	-	-	-	492,001
Deposits and Placements with Financial Institutions	9,719,657	874,714	69,018	123,035	-	-	-	-	10,786,424
Cash and Bank Balances	324,942	1,132,573	127,038	624,691	447,751	-	-	-	2,656,995
	<b>124,921,905</b>	<b>13,054,087</b>	<b>2,891,580</b>	<b>4,982,055</b>	<b>2,761,077</b>	<b>1,451,200</b>	<b>1,006,647</b>	<b>2,386,939</b>	<b>153,455,490</b>

**33. FINANCIAL RISK (CONTINUED)****(c) Foreign exchange risk (continued)**

The following table summarises the fair value of international investments of the Group and KWAP for the top currencies in which the assets are held:

KWAP 2020	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
<b>Financial Assets (RM'000)</b>									
Investment Properties	227,954	-	-	-	-	-	-	-	227,954
Loan and Receivables	5,584,465	-	323,178	-	-	-	-	-	5,907,643
Debt Instruments At Amortised Cost	15,199,224	-	-	-	-	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	990,235	2,020	-	-	218,835	-	-	-	1,211,090
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	28,663,386	10,424,046	570,265	1,217,348	1,879,429	1,451,200	1,006,647	2,228,407	47,440,728
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,015,340	620,734	87,050	-	-	-	-	158,532	33,881,656
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	29,079,669	-	-	-	-	-	-	-	29,079,669
Derivative Financial Assets	492,001	-	-	-	-	-	-	-	492,001
Deposits and Placements with Financial Institutions	9,719,657	874,714	69,018	123,035	-	-	-	-	10,786,424
Cash and Bank Balances	166,715	1,132,573	17,602	434,033	389,126	-	-	-	2,140,049
	<b>123,138,646</b>	<b>13,054,087</b>	<b>1,067,113</b>	<b>1,774,416</b>	<b>2,487,390</b>	<b>1,451,200</b>	<b>1,006,647</b>	<b>2,386,939</b>	<b>146,366,438</b>

**33. FINANCIAL RISK (CONTINUED)****(c) Foreign exchange risk (continued)**

The following table summarises the fair value of international investments of the Group and KWAP for the top currencies in which the assets are held: (continued)

<b>Group 2019</b>	<b>MYR</b>	<b>USD</b>	<b>AUD</b>	<b>GBP</b>	<b>EUR</b>	<b>HKD</b>	<b>Others</b>	<b>Total RM'000</b>
<b>Financial Assets (RM'000)</b>								
Investment Properties	1,872,552	-	1,929,941	1,986,246	415,096	-	-	6,203,835
Loan and Receivables	8,042,770	-	-	-	-	-	-	8,042,770
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	-	-	15,152,167
Debt Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	763,888	9,784	-	-	-	-	-	773,672
Equity Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	28,289,494	6,843,305	574,141	1,771,505	1,557,305	1,381,556	3,505,323	43,922,629
Debt Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	30,433,110	700,538	111,653	-	-	-	173,450	31,418,751
Equity Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	27,979,328	-	-	-	-	-	-	27,979,328
Derivative Financial Assets	204,299	-	-	1,410	-	-	-	205,709
Deposits and Placements with								
Financial Institutions	10,640,527	484,670	280,716	92,229	-	-	-	11,498,142
Cash and Bank Balances	757,037	157,218	139,148	253,387	179,076	-	-	1,485,866
	124,135,172	8,195,515	3,035,599	4,104,777	2,151,477	1,381,556	3,678,773	146,682,869

<b>KWAP 2019</b>	<b>MYR</b>	<b>USD</b>	<b>AUD</b>	<b>GBP</b>	<b>EUR</b>	<b>HKD</b>	<b>Others</b>	<b>Total RM'000</b>
<b>Financial Assets (RM'000)</b>								
Investment Properties	453,391	-	-	-	-	-	-	453,391
Loan and Receivables	8,042,770	-	299,089	-	-	-	-	8,341,859
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	-	-	15,152,167
Debt Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	966,940	9,784	-	-	-	-	-	976,724
Equity Instruments At Fair Value								
Through Profit And Loss ("FVTPL")	28,289,494	6,843,305	574,141	1,771,505	1,557,305	1,381,556	3,505,323	43,922,629
Debt Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	30,433,110	700,538	111,653	-	-	-	173,450	31,418,751
Equity Instruments At Fair Value								
Through Other Comprehensive Income ("FVOCI")	27,979,328	-	-	-	-	-	-	27,979,328
Derivative Financial Assets	204,299	-	-	-	-	-	-	204,299
Deposits and Placements with								
Financial Institutions	10,640,527	484,670	280,716	92,229	-	-	-	11,498,142
Cash and Bank Balances	628,182	157,218	28,675	85,753	125,849	-	-	1,025,677
	122,790,208	8,195,515	1,294,274	1,949,487	1,683,154	1,381,556	3,678,773	140,972,967

**33. FINANCIAL RISK (CONTINUED)****(c) Foreign exchange risk (continued)**

The following table demonstrate the sensitivity to a reasonable change in the currencies of the Group's and of KWAP's international investments:

	Group	
	Effect On Profit Before Tax	
	RM'000 +3%	RM'000 -3%
<b>2020</b>		
<b>Currency</b>		
USD	<b>391,623</b>	<b>(391,623)</b>
AUD	<b>86,747</b>	<b>(86,747)</b>
GBP	<b>149,462</b>	<b>(149,462)</b>
EUR	<b>82,832</b>	<b>(82,832)</b>
HKD	<b>43,536</b>	<b>(43,536)</b>
JPY	<b>30,199</b>	<b>(30,199)</b>
<b>2019</b>		
<b>Currency</b>		
USD	245,865	(245,865)
AUD	91,068	(91,068)
GBP	123,143	(123,143)
EUR	64,544	(64,544)
HKD	41,447	(41,447)
JPY	50,757	(50,757)

**33. FINANCIAL RISK (CONTINUED)****(c) Foreign exchange risk (continued)**

The following table demonstrate the sensitivity to a reasonable change in the currencies of the Group's and of KWAP's international investments:

	KWAP	
	Effect On Profit Before Tax	
	RM'000	RM'000
	+3%	-3%
<b>2020</b>		
<b>Currency</b>		
USD	391,623	(391,623)
AUD	32,013	(32,013)
GBP	53,232	(53,232)
EUR	74,622	(74,622)
HKD	43,536	(43,536)
JPY	30,199	(30,199)
<b>2019</b>		
<b>Currency</b>		
USD	245,865	(245,865)
AUD	38,828	(38,828)
GBP	58,485	(58,485)
EUR	50,495	(50,495)
HKD	41,447	(41,447)
JPY	50,757	(50,757)

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments in the event of defaults on the obligations of the counterparty. The Group's and KWAP's exposure to credit risk arise primarily from loan receivables. For other financial assets (including investments in bonds, money market instruments and deposits with banks), the Group and KWAP minimise the credit risk via exclusive transactions with high credit rating counterparties.

As at the reporting date, the Group's and KWAP's maximum exposure to credit risk are represented by the carrying amount of each class of financial assets recognised in the Statement of Financial Position, including derivatives with positive fair value.

**(i) Credit risk management**

The Group and KWAP consider the probability of default upon the initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and KWAP compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Available, reasonable and supportive forwardlooking information are taken into consideration and the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is the failure of the counterparty to make contractual payments within 90 days of when they fall due.

All of the financial assets are considered to be low risk, and thus the recognition of the provision of impairment during the reporting year was limited to 12-months ECL. Management consider 'low risk' to be the investment grade credit rating by a minimum of one (1) major credit rating agency.

In the determination of an improvement of the credit risk of a modified financial asset with the loss allowance measured at lifetime ECL to the extent of reverting to the loss allowance measured at 12-months ECL, the grading system (i.e. investment and non-investment grade) was employed to assess improvement in credit quality of a modified financial asset.

The said financial assets are monitored until the loss allowance is subsequently remeasured at the lifetime ECL.

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(ii) Measurement of Expected Credit Loss**

The Group and KWAP use the three (3) stage approach for Loans and Receivables and debt instruments to reflect the respective credit risk and the determination of the loss allowance for each category. A summary of the assumptions underpinning the Group's and KWAP's ECL model is as follows:

Category	Group's and KWAP's definition of category	Basis for recognising ECL
Stage 1	Debtors with a low risk of default and a strong capacity to meet contractual cash flows.	12-months ECL
Stage 2	Debtors for which there is a significant increase in credit risk or presumption of a significant increase in credit risk if the interest and/or principal repayments are 30 days past due.	Lifetime ECL
Stage 3	Interest and/or principal repayments are 90 days past due or there is evidence to indicate credit impairment of financial asset.	Lifetime ECL

Based on the above, the loss allowance is measured on either 12-months ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("Probability of Default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("Loss Given Default") – the percentage of the contractual cash flows that will not be collected in the event of default; and
- EAD ("Exposure At Default") – the outstanding amount that is exposed to default risk.

The Group and KWAP identified the Malaysian Gross Domestic Product ("GDP") and the USD/MYR exchange rate as the most relevant factors for domestic instruments, and the federal funds rate and the broad commodity index as the most relevant factors for international instruments. The Group and KWAP accordingly adjust the external benchmark information based on the expected changes in these factors. There were no significant changes to estimation techniques or assumptions were made during the reporting period.

**(iii) Credit quality**

Various tools are utilised for the measurement of credit risk including third party solutions employed to compute the Credit Value-at-Risk (VaR) as well as the internal credit rating scoring model for the provision of internal rating for corporate and financial institutions.

The Group and KWAP may invest in domestic bonds with the minimum rating of A3 (RAM), A- (MARC) as well as in international bonds with the minimum rating of BBB- (S&P or Fitch), Baa3 (Moody's) or the equivalent rating from other recognized international rating agencies. In relation to the private debt securities portfolio, the weighted average credit quality of the private debt securities portfolio is AA.

### 33. FINANCIAL RISK (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

The internal credit rating scoring model is utilised as a tool to complement the existing credit evaluation process as well as to assist in the monitoring of the credit development. The methodology for the scoring model is based on the approach of rating agencies whereby the implementation is based on a set of scoring methodology for domestic and international credits. The model provides an internal rating for unrated bonds or loans, as well as identification of the discrepancy between the internal rating and the external ratings by the rating agencies for the rated bonds, if any.

Debt securities are classified into an internal rating scale which is consistent with the rating agencies. The credit quality classification is as follows:

#### i. Long Term Rating For Payment Of Long Term Financial Obligations

Domestic	Credit Rating	Definition Of Quality Classifications
Sovereign	Sovereign	Issued/guaranteed by the government
Strong	AAA and AA	Superior / strong ability to meet financial obligations
Moderate	A	Adequate ability to meet financial obligations
Weak	BBB and below	Moderate / weak ability to meet financial obligations
International	Credit Rating	Definition Of Quality Classifications
Sovereign	Sovereign	Issued/guaranteed by the government
Strong	AAA and AA	Superior / strong ability to meet financial obligations
Moderate	A	Adequate ability to meet financial obligations
Weak	BBB and below	Moderate / weak ability to meet financial obligations

#### ii. Short Term Rating For Payment Of Short Term Financial Obligations

Domestic	Credit Rating	Definition Of Quality Classifications
Strong	P1/MARC <sub>1</sub>	Strong ability to meet financial obligations
Moderate	P2/MARC <sub>2</sub>	Adequate ability to meet financial obligations
International	Credit Rating	Definition Of Quality Classifications
Strong	A1/P1/F1	Strong ability to meet financial obligations
Moderate	A2/P2/F2	Adequate ability to meet financial obligations

#### iii. Non-Rated Financial Assets

Financial assets without external credit rating.

#### iv. Impaired

Impaired exposure which is assessed individually based on KWAP's investment policies.

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(iii) Credit quality (continued)**

The credit quality of financial assets can be assessed by reference to the internal rating system adopted by the Group and KWAP.

## a. Debt instruments at FVOCI

	12-months expected credit loss RM'000	Lifetime expected credit losses Not credit impaired RM'000	Lifetime expected credit losses Credit impaired RM'000	Purchased or originated Credit- impaired RM'000
<b>2020</b>				
AA	22	-	-	-
A	124	-	-	-
BBB	138	-	-	-
BB	-	2,084	-	-
<b>2019</b>				
AA	67	-	-	-
A	70	-	-	-
BBB	58	-	-	-
BB	-	10,620	-	-

### 33. FINANCIAL RISK (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### b. Debt instruments at amortised cost

	12-months expected credit loss RM'000	Lifetime expected credit losses Not credit impaired RM'000	Lifetime expected credit losses Credit impaired RM'000	Purchased or originated Credit- impaired RM'000
<b>2020</b>				
AA	1	-	-	-
A	2	-	-	-
<b>2019</b>				
AA	7	-	-	-
A	-	-	-	-

##### (iv) Estimated value of collateral for financial assets

	Value of collateral RM'000	Gross exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
<b>2020</b>			
Loans and Receivables	64,195	5,907,643	5,843,448
<b>2019</b>			
Loans and Receivables	91,571	8,341,859	8,250,288

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(v) Credit quality**

<b>Group 2020</b>	<b>Sovereign</b>	<b>Strong</b>	<b>Moderate</b>	<b>Weak</b>	<b>Non-rated</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	<b>3,135,801</b>	<b>2,448,664</b>	-	-	-	<b>5,584,465</b>
Long Term Receivables	-	<b>83,577</b>	-	-	-	<b>83,577</b>
Debt Instruments At Amortised Cost	<b>10,630,609</b>	<b>3,758,435</b>	<b>810,180</b>	-	-	<b>15,199,224</b>
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	<b>379,317</b>	<b>467,738</b>	<b>170,680</b>	<b>2,021</b>	-	<b>1,019,756</b>
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	-	<b>154,439</b>	-	-	<b>154,439</b>
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>20,772,489</b>	<b>12,415,143</b>	<b>533,781</b>	<b>160,243</b>	-	<b>33,881,656</b>
Trade Receivables	-	-	-	-	<b>2,464,129</b>	<b>2,464,129</b>
Sundry Debtors And Deposits	-	-	-	-	<b>117,649</b>	<b>117,649</b>
Deposits And Placements With Financial Institutions	-	<b>7,360,087</b>	<b>3,426,337</b>	-	-	<b>10,786,424</b>
Cash And Bank Balances	<b>16,158</b>	<b>258,198</b>	<b>1,865,687</b>	-	<b>516,952</b>	<b>2,656,995</b>
	<b>34,934,374</b>	<b>26,791,842</b>	<b>6,961,104</b>	<b>162,264</b>	<b>3,098,730</b>	<b>71,948,314</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(v) Credit quality (continued)**

<b>KWAP 2020</b>	<b>Sovereign</b>	<b>Strong</b>	<b>Moderate</b>	<b>Weak</b>	<b>Non-rated</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	<b>3,135,801</b>	<b>2,771,842</b>	-	-	-	<b>5,907,643</b>
Debt Instruments At Amortised Cost	<b>10,630,609</b>	<b>3,758,435</b>	<b>810,180</b>	-	-	<b>15,199,224</b>
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	<b>379,317</b>	<b>659,072</b>	<b>170,680</b>	<b>2,021</b>	-	<b>1,211,090</b>
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	-	<b>154,439</b>	-	-	<b>154,439</b>
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>20,772,489</b>	<b>12,415,143</b>	<b>533,781</b>	<b>160,243</b>	-	<b>33,881,656</b>
Trade Receivables	-	-	-	-	<b>2,416,547</b>	<b>2,416,547</b>
Sundry Debtors And Deposits	-	-	-	-	<b>118,187</b>	<b>118,187</b>
Deposits And Placements With Financial Institutions	-	<b>7,360,087</b>	<b>3,426,337</b>	-	-	<b>10,786,424</b>
Cash And Bank Balances	<b>16,158</b>	<b>258,198</b>	<b>1,865,687</b>	-	<b>6</b>	<b>2,140,049</b>
	<b>34,934,374</b>	<b>27,222,777</b>	<b>6,961,104</b>	<b>162,264</b>	<b>2,534,740</b>	<b>71,815,259</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(v) Credit quality (continued)**

<b>Group 2019</b>	<b>Sovereign</b>	<b>Strong</b>	<b>Moderate</b>	<b>Weak</b>	<b>Non-rated</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	4,556,273	3,486,497	-	-	-	8,042,770
Debt Instruments At Amortised Cost	10,623,489	4,528,678	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	444,137	177,684	146,151	5,700	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	157,551	-	-	1,657,551
Debt Instruments At Fair Value Through ther Comprehensive Income ("FVOCI")	18,233,851	12,280,882	794,939	109,079	-	31,418,751
Trade Receivables	-	-	-	-	1,655,148	1,655,148
Sundry Debtors And Deposits	-	-	-	-	52,119	52,119
Deposits And Placements With Financial Institutions	-	9,512,674	1,985,468	-	-	11,498,142
Cash And Bank Balances	294	557,015	468,363	-	460,196	1,485,868
	<b>33,858,044</b>	<b>32,043,430</b>	<b>3,552,472</b>	<b>114,779</b>	<b>2,167,463</b>	<b>71,736,188</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(v) Credit quality (continued)**

<b>KWAP 2019</b>	<b>Sovereign</b>	<b>Strong</b>	<b>Moderate</b>	<b>Weak</b>	<b>Non-rated</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	4,556,273	3,785,586	-	-	-	8,341,859
Debt Instruments At Amortised Cost	10,623,489	4,528,678	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	444,137	380,736	146,151	5,700	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	-	1,500,000	157,551	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	18,233,851	12,280,882	794,939	109,079	-	31,418,751
Trade Receivables	-	-	-	-	1,630,568	1,630,568
Sundry Debtors And Deposits	-	-	-	-	103,877	103,877
Deposits And Placements With Financial Institutions	-	9,512,674	1,985,468	-	-	11,498,142
Cash And Bank Balances	294	557,015	468,363	-	6	1,025,678
	<b>33,858,044</b>	<b>32,545,571</b>	<b>3,552,472</b>	<b>114,779</b>	<b>1,734,451</b>	<b>71,805,317</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****(vi) Maximum exposure to credit risk**

The assessment of the credit risk of counterparties determines the required amount and type of collaterals. The treatment of collateral is established encompassing the acceptability and valuation of each type of collateral.

The main types of collaterals are as follows:

- Guarantees from the Government of Malaysia in relation to government-related loans;
- Charges over collaterals as well as guarantees from parent companies for loans to their respective subsidiaries in relation to corporate loans; and
- Cash and securities for securities in relation to repurchase transactions.

The Group and KWAP monitor the market value of collaterals including the possible request for additional collaterals in accordance with the underlying agreement.

**Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements**

The following table illustrates the maximum exposure to credit risk by classes of financial assets as well as the total fair value of collaterals, the surplus collateral (to the extent whereby the fair value of the collateral held is greater than the exposure to which it relates), if any, as well as the net exposure to credit risk.

For financial assets reflected in the Statement of Financial Position, the exposure to credit risk equals the carrying amount. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, the exposure to credit risk is generally the full amount of the committed facilities.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for financial assets that are exposed to credit risk for the Group and KWAP is 0.09% (2019: 0.13%). The financial effect of collateral held for the remaining financial assets are deemed to be insignificant.

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)**Types of collateral or credit enhancements

Group 2020	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held		Net Collateral	Net Exposure
		Shares	Properties, Aircraft, Other Fixed Assets		
Financial Assets (RM'000)					
Loans And Receivables	5,584,465	-	(64,195)	(64,195)	5,520,270
Long Term Receivables	83,577	-	-	-	83,577
Debt Instruments At Amortised Cost	15,199,224	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,019,756	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	154,439	-	-	-	154,439
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,881,656	-	-	-	33,881,656
Trade Receivables	2,464,129	-	-	-	2,464,129
Sundry Debtors And Deposits	117,649	-	-	-	117,649
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Cash And Bank Balances	2,656,995	-	-	-	2,656,995
	<b>71,948,314</b>	-	<b>(64,195)</b>	<b>(64,195)</b>	<b>71,884,119</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)**

Types of collateral or credit enhancements (continued)

KWAP 2020	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held		Net Collateral	Net Exposure
		Shares	Properties, Aircraft, Other Fixed Assets		
Financial Assets (RM'000)					
Loans And Receivables	5,907,643	-	(64,195)	(64,195)	5,843,448
Debt Instruments At Amortised Cost	15,199,224	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,211,090	-	-	-	1,211,090
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	154,439	-	-	-	154,439
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,881,656	-	-	-	33,881,656
Trade Receivables	2,416,547	-	-	-	2,416,547
Sundry Debtors And Deposits	118,187	-	-	-	118,187
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Cash And Bank Balances	2,140,049	-	-	-	2,140,049
	<b>71,815,259</b>	-	<b>(64,195)</b>	<b>(64,195)</b>	<b>71,751,064</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)**

Group 2019	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held		Net Collateral	Net Exposure
		Shares	Properties, Aircraft, Other Fixed Assets		
Financial Assets (RM'000)					
Loans And Receivables	8,042,770	-	(91,571)	(91,571)	7,951,199
Debt Instruments At Amortised Cost	15,152,167	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	-	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	31,418,751
Trade Receivables	1,655,148	-	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	52,119
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Cash And Bank Balances	1,485,868	-	-	-	1,485,868
	71,736,188	-	(91,571)	(91,571)	71,644,617

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Analysis of the maximum exposure to credit risk and collaterals and other credit enhancements (continued)**

KWAP 2019	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held		Net Collateral	Net Exposure
		Shares	Properties, Aircraft, Other Fixed Assets		
Financial Assets (RM'000)					
Loans And Receivables	8,341,859	-	(91,571)	(91,571)	8,250,288
Debt Instruments At Amortised Cost	15,152,167	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	-	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	31,418,751
Trade Receivables	1,630,568	-	-	-	1,630,568
Sundry Debtors And Deposits	103,877	-	-	-	103,877
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	11,498,142
Cash And Bank Balances	1,025,678	-	-	-	1,025,678
	71,805,317	-	(91,571)	(91,571)	71,713,746

**Financial assets that are neither past due nor impaired**

The aging analysis below illustrates the information regarding financial assets that are neither past due nor impaired. Investments in money market instruments and deposits with licensed banks that are neither past due nor impaired are placed with or entered with reputable financial institutions with high credit ratings as well as no history of default.

**Financial assets that are either past due or impaired**

The aging analysis below illustrates the information regarding financial assets that are either past due or impaired.

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Aging analysis for financial assets that are past due but not impaired**

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired.

Group 2020	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	5,584,465	-	-	-	-	5,584,465
Debt Instruments At Amortised Cost	15,199,224	-	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,019,756	-	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	154,439	-	-	-	-	154,439
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,881,656	-	-	-	-	33,881,656
Trade Receivables	2,464,129	-	-	-	-	2,464,129
Sundry Debtors And Deposits	117,649	-	-	-	-	117,649
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	-	10,786,424
Cash And Bank Balances	2,656,995	-	-	-	-	2,656,995
	<b>71,864,737</b>	-	-	-	-	<b>71,864,737</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Aging analysis for financial assets that are past due but not impaired (continued)**

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired. (continued)

<b>KWAP 2020</b>	<b>Neither Past Due Nor Impaired</b>	<b>Past Due Up To 1 Month</b>	<b>Past Due 1 to 3 Months</b>	<b>Past Due &gt; 3 Months</b>	<b>Impaired</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	<b>5,907,643</b>	-	-	-	-	<b>5,907,643</b>
Debt Instruments At Amortised Cost	<b>15,199,224</b>	-	-	-	-	<b>15,199,224</b>
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	<b>1,211,090</b>	-	-	-	-	<b>1,211,090</b>
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	<b>154,439</b>	-	-	-	-	<b>154,439</b>
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	<b>33,881,656</b>	-	-	-	-	<b>33,881,656</b>
Trade Receivables	<b>2,416,547</b>	-	-	-	-	<b>2,416,547</b>
Sundry Debtors And Deposits	<b>118,187</b>	-	-	-	-	<b>118,187</b>
Deposits And Placements With Financial Institutions	<b>10,786,424</b>	-	-	-	-	<b>10,786,424</b>
Cash And Bank Balances	<b>2,140,049</b>	-	-	-	-	<b>2,140,049</b>
	<b>71,815,259</b>	-	-	-	-	<b>71,815,259</b>

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Aging analysis for financial assets that are past due but not impaired (continued)**

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired. (continued)

Group 2019	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	8,042,770	-	-	-	-	8,042,770
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	-	-	-	773,672
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	-	31,418,751
Trade Receivables	1,609,273	-	45,875	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	-	52,119
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	11,498,142
Cash And Bank Balances	1,485,868	-	-	-	-	1,485,868
	71,690,313	-	45,875	-	-	71,736,188

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Aging analysis for financial assets that are past due but not impaired (continued)**

The amounts in the following table reflect the exposure on the gross financial assets designated as past due but not impaired. (continued)

<b>KWAP 2019</b>	<b>Neither Past Due Nor Impaired</b>	<b>Past Due Up To 1 Month</b>	<b>Past Due 1 to 3 Months</b>	<b>Past Due &gt; 3 Months</b>	<b>Impaired</b>	<b>Total</b>
<b>Financial Assets (RM'000)</b>						
Loans And Receivables	8,341,859	-	-	-	-	8,341,859
Debt Instruments At Amortised Cost	15,152,167	-	-	-	-	15,152,167
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	-	-	-	976,724
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,657,551	-	-	-	-	1,657,551
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	-	-	-	31,418,751
Trade Receivables	1,584,693	-	45,875	-	-	1,630,568
Sundry Debtors And Deposits	103,877	-	-	-	-	103,877
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	11,498,142
Cash And Bank Balances	1,025,678	-	-	-	-	1,025,678
	71,759,442	-	45,875	-	-	71,805,317

**33. FINANCIAL RISK (CONTINUED)****(d) Credit risk (continued)****Financial assets exposed to credit risk individually assessed as impaired**

There was no financial asset individually assessed as impaired during the year (2019: Nil).

Group	Note	2020		
		Allowances As At 1 January RM '000	Allowances Made During The Year RM '000	Allowances As At 31 December RM '000
Financial Asset At Amortised Cost		7	(4)	3
Debt Instruments At Fair Value Through Other Comprehensive Income		10,815	(8,446)	2,369
Other Financial Assets		-	5,352	5,352
		<b>10,822</b>	<b>(3,098)</b>	<b>7,724</b>
<b>KWAP</b>				
Financial Asset At Amortised Cost		7	(4)	3
Debt Instruments At Fair Value Through Other Comprehensive Income		10,815	(8,446)	2,369
		<b>10,822</b>	<b>(8,450)</b>	<b>2,372</b>
<b>2019</b>				
Group	Note	Allowances As At 1 January RM '000	Allowances Made During The Year RM '000	Allowances As At 31 December RM '000
Financial Asset At Amortised Cost		10	(3)	7
Debt Instruments At Fair Value Through Other Comprehensive Income		480	10,335	10,815
Other Financial Assets		-	-	-
		490	10,332	10,822
<b>KWAP</b>				
Financial Asset At Amortised Cost		10	(3)	7
Debt Instruments At Fair Value Through Other Comprehensive Income		480	10,335	10,815
		490	10,332	10,822

**33. FINANCIAL RISK (CONTINUED)****(e) Liquidity risk**

Liquidity risk is the risk of difficulty to fulfil the financial obligations of the Group and KWAP due to the shortage of funds. Exposure to liquidity risk arises from the mismatch of maturities of financial assets and financial liabilities.

The Group and KWAP actively manage their debt maturity profile, operating cash flows and the availability of funding to ensure the fulfilment of all refinancing, repayment and funding requirements. As part of its overall prudent liquidity management, the Group and KWAP maintain a portfolio of highly liquid assets to meet its working capital and investment requirements.

In addition, the Group and KWAP maintain a balanced and flexible funding structure through the use of credit facilities, short as well as long term borrowings. Short term flexibility is achieved through credit facilities and short term borrowings.

The table below summarises the maturity profile of the Group's and of KWAP's financial liabilities based on contractual undiscounted repayment obligations.

Group	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	More Than 5 Years RM'000	Total RM'000
<b>2020</b>						
<b>Financial Liabilities</b>						
Derivatives Financial Liabilities	-	49,455	50,507	22,631	-	122,593
Trade Payables	11,670	-	1,534,509	-	-	1,546,179
Borrowings	-	-	369,432	1,810,840	-	2,180,272
Other Payables And Accruals	176,151	-	-	-	-	176,151
Lease Liabilities	-	-	8	37	116,815	116,860
<b>Total Undiscounted Financial Liabilities</b>	<b>187,821</b>	<b>49,455</b>	<b>1,954,456</b>	<b>1,833,508</b>	<b>116,815</b>	<b>4,142,055</b>
<b>KWAP</b>						
<b>2020</b>						
<b>Financial Liabilities</b>						
Derivatives Financial Liabilities	-	21,622	50,507	-	-	72,129
Trade Payables	16,946	-	1,534,509	-	-	1,551,455
Other Payables And Accruals	126,663	-	-	-	-	126,663
<b>Total Undiscounted Financial Liabilities</b>	<b>143,609</b>	<b>21,622</b>	<b>1,585,016</b>	<b>-</b>	<b>-</b>	<b>1,750,247</b>

**33. FINANCIAL RISK (CONTINUED)****(e) Liquidity risk (continued)**

Group	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	More Than 5 Years RM'000	Total RM'000
<b>2019</b>						
<b>Financial Liabilities</b>						
Derivatives Financial Liabilities	-	16,140	10,053	67,475	-	93,668
Trade Payables	90,611	510,198	-	-	-	600,809
Borrowings	-	-	10,485	2,039,390	-	2,049,875
Other Payables And Accruals	202,450	-	-	-	-	202,450
Lease Liabilities	-	-	2,790	10,360	39,475	52,625
<b>Total Undiscounted Financial Liabilities</b>	<b>293,061</b>	<b>526,338</b>	<b>23,328</b>	<b>2,117,225</b>	<b>39,475</b>	<b>2,999,427</b>
<b>KWAP</b>						
<b>2019</b>						
<b>Financial Liabilities</b>						
Derivatives Financial Liabilities	-	11,493	10,053	48,412	-	69,958
Trade Payables	90,462	510,198	-	-	-	600,660
Other Payables And Accruals	118,474	-	-	-	-	118,474
<b>Total Undiscounted Financial Liabilities</b>	<b>208,936</b>	<b>521,691</b>	<b>10,053</b>	<b>48,412</b>	<b>-</b>	<b>789,092</b>

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS****(a) Fair value of financial instruments by classes that are not carried at fair value with its carrying amount**

Group	2020		2019	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Loans And Receivables	5,668,042	5,668,042	8,042,770	8,042,770
Debt Instruments At Amortised Costs	15,199,224	16,752,246	15,152,167	16,160,774
<b>Financial Liabilities</b>				
Borrowings	2,180,272	2,180,272	2,049,875	2,049,875

KWAP	2020		2019	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Loans And Receivables	5,907,643	5,907,643	8,341,859	8,341,859
Debt Instruments At Amortised Costs	15,199,224	16,752,246	15,152,167	16,160,774

**(b) Determination of fair value****(i) Cash and cash equivalents, receivables and payables**

The carrying amounts of the above financial assets and liabilities are determined based on the reasonable approximation of fair value due either to the short term nature or being repayable on demand.

**(ii) Loans receivable**

The fair value of loans receivables is estimated by the discounting of the estimated future cash flows using the current interest rates for financial assets with similar risk profile.

**(iii) Other loans and borrowings**

The carrying amount of the current portion of other loans and borrowings is based on the reasonable approximation of fair value due to the significant impact of discounting.

The carrying amount of certain other loans and borrowings is based on the reasonable approximation of fair value due to their nature being floating rate instruments repriced to the market interest rates near the reporting date.

The fair value of non-current other loans and borrowings, other than the floating rate instruments, is estimated by the discounting of the expected future cash flows at the market incremental lending rate for similar types of borrowings at the reporting date.

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(b) Determination of fair value (continued)****(iv) Financial Assets at Fair Value Through Profit Or Loss****a. Quoted bonds**

The fair value of quoted bonds is directly determined by reference to the published market bid prices at the reporting date.

**b. Unquoted bonds**

The fair value of unquoted bonds is estimated using the discounted cash flow model based on various assumptions, including the current and expected credit losses, market rates of interest and assumptions in relation to market liquidity.

**(v) Derivative Financial Assets and Liabilities****a. Forward contracts**

The fair value of forward contracts is determined using the observable exchange rates from publicly available sources and through the extrapolation and interpolation techniques.

**b. Cross currency swaps**

The fair value of cross currency swaps is determined by discounting the anticipated future cash flows using the standard market interest rate yield curves developed from observable and publicly available quoted rates.

**(c) Fair value hierarchy**

The Group and KWAP employ the following hierarchy for the determination and disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Techniques whereby all inputs with significant effect on the recorded fair value is either directly or indirectly observable; and

Level 3: Techniques whereby inputs with significant effect on the recorded fair value is not based on observable market data.

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value hierarchy (continued)**

As at 31 December 2020, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position:

	2020						
	Total RM'000	Fair Value of Financial Assets Carried At Fair Value			Fair Value of Financial Assets Not Carried At Fair Value		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Group</b>							
<b>Financial Assets</b>							
Investment Property	9,394,827	-	-	-	-	-	9,394,827
Land Held for Development	921,620	-	-	-	-	-	921,620
Loans And Receivables	5,584,465	-	-	-	-	-	5,584,465
Long Term Receivables	83,577	-	-	-	-	-	83,577
Debt Instruments At Amortised Cost	16,752,246	-	-	-	-	16,752,246	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,019,755	-	981,793	37,962	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	47,440,728	42,828,012	154,439	4,458,277	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,881,656	-	33,881,656	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	29,079,669	29,079,669	-	-	-	-	-
Derivative Financial Assets	492,001	3,590	488,411	-	-	-	-
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	-	-	10,786,424
Trade Receivables	2,464,129	-	-	-	-	-	2,464,129
Sundry Debtors And Deposits	117,649	-	-	-	-	-	117,649
Cash and Bank Balances	2,656,995	-	-	-	-	-	2,656,995
	<b>160,675,741</b>	<b>71,911,271</b>	<b>35,506,299</b>	<b>4,496,239</b>	-	<b>16,752,246</b>	<b>32,009,686</b>
<b>Financial Liabilities</b>							
Borrowings	2,180,271	-	-	-	-	-	2,180,271
Payables And Accruals	1,722,330	-	-	-	-	-	1,722,330
Derivative Financial Liabilities	122,593	-	122,579	14	-	-	-
	<b>4,025,194</b>	-	<b>122,579</b>	<b>14</b>	-	-	<b>3,902,601</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Fair value hierarchy (continued)

	2020						
	Total RM'000	Fair Value of Financial Assets Carried At Fair Value			Fair Value of Financial Assets Not Carried At Fair Value		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>KWAP</b>							
<b>Financial Assets</b>							
Investment Property	300,000	-	-	-	-	-	300,000
Loans And Receivables	5,907,643	-	-	-	-	-	5,907,643
Debt Instruments At Amortised Cost	16,752,246	-	-	-	-	16,752,246	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	1,211,090	-	981,793	229,297	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	47,440,728	42,828,012	154,439	4,458,277	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	33,881,656	-	33,881,656	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	29,079,669	29,079,669	-	-	-	-	-
Derivative Financial Assets	492,001	3,590	488,411	-	-	-	-
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	-	-	10,786,424
Trade Receivables	2,416,547	-	-	-	-	-	2,416,547
Sundry Debtors And Deposits	118,187	-	-	-	-	-	118,187
Cash and Bank Balances	2,140,049	-	-	-	-	-	2,140,049
	150,526,240	71,911,271	35,506,299	4,687,574	-	16,752,246	21,668,850
<b>Financial Liabilities</b>							
Payables And Accruals	1,678,118	-	-	-	-	-	1,678,118
Derivative Financial Liabilities	72,129	-	72,129	-	-	-	-
	1,750,247	-	72,129	-	-	-	1,678,118

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value hierarchy (continued)**

	2019						
	Total	Fair Value of Financial Assets Carried At Fair Value			Fair Value of Financial Assets Not Carried At Fair Value		
		RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000
<b>Group</b>							
<b>Financial Assets</b>							
Investment Property	8,544,699	-	-	-	-	-	8,544,699
Land Held for Development	746,992	-	-	-	-	-	746,992
Loans And Receivables	8,042,770	-	-	-	-	-	8,042,770
Debt Instruments At Amortised Cost	16,160,774	-	-	-	-	16,160,774	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	773,672	-	752,747	20,925	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	43,922,628	39,036,392	1,657,551	3,228,685	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	31,418,751	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	27,979,328	-	-	-	-	-
Derivative Financial Assets	205,708	1,409	204,299	-	-	-	-
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	-	11,498,142
Trade Receivables	1,655,148	-	-	-	-	-	1,655,148
Sundry Debtors And Deposits	52,119	-	-	-	-	-	52,119
Cash And Bank	1,485,868	-	-	-	-	-	1,485,868
	152,486,599	67,017,129	34,033,348	3,249,610	-	16,160,774	32,025,738
<b>Financial Liabilities</b>							
Borrowings	2,049,875	-	-	-	-	-	2,049,875
Payables And Accruals	803,259	-	-	-	-	-	803,259
Derivative Financial Liabilities	93,668	-	93,654	14	-	-	-
	2,946,802	-	93,654	14	-	-	2,853,134

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value hierarchy (continued)**

	2019						
	Total	Fair Value of Financial Assets Carried At Fair Value			Fair Value of Financial Assets Not Carried At Fair Value		
		RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000
<b>KWAP</b>							
<b>Financial Assets</b>							
Investment Property	521,000	-	-	-	-	-	521,000
Loans And Receivables	8,341,859	-	-	-	-	-	8,341,859
Debt Instruments At Amortised Cost	16,160,774	-	-	-	-	16,160,774	-
Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")	976,724	-	752,747	223,977	-	-	-
Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")	43,922,628	39,036,392	1,657,551	3,228,685	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	31,418,751	-	31,418,751	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	27,979,328	27,979,328	-	-	-	-	-
Derivative Financial Assets	204,299	-	204,299	-	-	-	-
Deposits And Placements With Financial Institutions	11,498,142	-	-	-	-	-	11,498,142
Trade Receivables	1,630,568	-	-	-	-	-	1,630,568
Sundry Debtors And Deposits	103,877	-	-	-	-	-	103,877
Cash And Bank	1,025,678	-	-	-	-	-	1,025,678
	143,783,628	67,015,720	34,033,348	3,452,662	-	16,160,774	23,121,124
<b>Financial Liabilities</b>							
Payables And Accruals	719,134	-	-	-	-	-	719,134
Derivative Financial Liabilities	69,958	-	69,958	-	-	-	-
	789,092	-	69,958	-	-	-	719,134

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(d) Policy of transfer between levels**

The fair value of an asset to be transferred between levels is determined by the Group and KWAP as of the date of the event or change in circumstances which resulted in the transfer. There were no transfers between the Level 1 and Level 2 fair value measurements during the financial year.

**(e) Reconciliation of Level 3 fair valuation**

The reconciliation of the opening and closing balances of the Level 3 financial instruments carried at fair value, including movements is summarised below:

	<b>Equity Instruments At Fair Value Through Profit or Loss Unquoted Shares RM'000</b>
<b>Group and KWAP</b>	
At 1 January 2020	<b>3,228,685</b>
Net addition and disposal	<b>767,943</b>
Net fair value gain recognised in Profit or Loss	<b>461,649</b>
<b>At 31 December 2020</b>	<b>4,458,277</b>

	<b>Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000</b>
<b>Group</b>	
At 1 January 2020	<b>20,925</b>
Net addition	<b>27,500</b>
Payment received	<b>(10,463)</b>
<b>At 31 December 2020</b>	<b>37,962</b>

	<b>Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000</b>
<b>KWAP</b>	
At 1 January 2020	<b>223,977</b>
Payment received	<b>(10,463)</b>
Net fair value gain recognised in Profit or Loss	<b>15,783</b>
<b>At 31 December 2020</b>	<b>229,297</b>

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(f) Sensitivity analysis**

Sensitivity analysis of the Level 3 fair valuation is as follows:

	<b>Group Effect On Equity RM'000</b>	<b>KWAP Effect On Equity RM'000</b>	<b>Group Effect On Profit Before Tax RM'000</b>	<b>KWAP Effect On Profit Before Tax RM'000</b>
<b>2020</b>				
<b>Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")</b>				
Increase Of 5% In Equity Price	<b>11,465</b>	<b>11,465</b>	<b>11,465</b>	<b>11,465</b>
Decrease Of 5% In Equity Price	<b>(11,465)</b>	<b>(11,465)</b>	<b>(11,465)</b>	<b>(11,465)</b>
<b>Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")</b>				
Increase Of 5% In Equity Price	<b>222,914</b>	<b>222,914</b>	<b>222,914</b>	<b>222,914</b>
Decrease Of 5% In Equity Price	<b>(222,914)</b>	<b>(222,914)</b>	<b>(222,914)</b>	<b>(222,914)</b>
<b>2019</b>				
<b>Debt Instruments At Fair Value Through Profit And Loss ("FVTPL")</b>				
Increase Of 5% In Equity Price	11,199	11,199	11,199	11,199
Decrease Of 5% In Equity Price	(11,199)	(11,199)	(11,199)	(11,199)
<b>Equity Instruments At Fair Value Through Profit And Loss ("FVTPL")</b>				
Increase Of 5% In Equity Price	163,738	163,738	163,738	163,738
Decrease Of 5% In Equity Price	(163,738)	(163,738)	(163,738)	(163,738)

**35. RELATED PARTY TRANSACTIONS**

The related parties and their relationship with the Group and KWAP are as follows:

**Related Parties**

Capsquare Tower Sdn Bhd  
Harta Integra Berkat Sdn Bhd  
Harta Rini Sdn Bhd  
KWAP Managed Investment Trust 2  
KWAP Managed Investment Trust 3  
KWAP Managed Investment Trust 4  
KWEST Sdn Bhd  
Prima Ekuiti (UK) Limited  
Prima Harta (Jersey) Unit Trust  
Prima Harta 2 (Jersey) Unit Trust  
Prima Harta 3 (Lux) S.à r.l.  
Prima Harta 4 (Jersey) Unit Trust  
Prima Harta 5 (Jersey) Unit Trust  
Prima Harta 5 Limited

Aerodyne Ventures Sdn Bhd  
edotco Group Sdn Bhd  
Swift Haulage Sdn Bhd  
ValueCap Sdn Bhd  
Vortex Solar Investments S.à r.l.

Persada Mentari Sdn Bhd  
Tap Crunch Sdn Bhd

**Relationships**

Subsidiary  
Associate  
Associate  
Associate  
Associate  
Associate  
Joint venture  
Joint venture

**35. RELATED PARTY TRANSACTIONS (CONTINUED)****Subsidiaries, associates and joint ventures**

The information above is consistent with the list of subsidiaries, associates and joint ventures of the Group and KWAP as set out in Note 10, Note 11 and Note 12, respectively.

**Significant related party balances and transactions**

	KWAP			
	Subsidiaries		Associates	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Net Income</b>				
Interest Income	39,039	15,607	-	-
Management Fee	-	562	-	-
Administrative Fee	731	338	-	-
Dividend On Income	79,318	327,470	-	-
Rental Income	10,922	10,961	-	-
	<b>130,010</b>	<b>354,938</b>	<b>-</b>	<b>-</b>
<b>Amount Due From</b>				
Loan And Receivables	323,178	299,089	-	-
Debt Instrument At Fair Value Through Profit Or Loss ("FVTPL")	218,835	203,052	-	-
Equity Instrument At Fair Value Through Profit Or Loss ("FVTPL")	-	-	-	291,129
Trade Receivables	11,035	4,586	-	-
	<b>553,048</b>	<b>506,727</b>	<b>-</b>	<b>291,129</b>
<b>Amount Due To</b>				
Other Payables and Accruals	149,957	105,876	-	-
	<b>149,957</b>	<b>105,876</b>	<b>-</b>	<b>-</b>

**35. RELATED PARTY TRANSACTIONS (CONTINUED)****Between KWAP and the Government of Malaysia and entities related to the Government Of Malaysia**

KWAP is an agency under the Ministry of Finance that reports directly to the Federal Government of Malaysia.

The significant transactions between KWAP and the Government of Malaysia and other entities controlled by the Government are as follows:

	KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000
Interest Income And Profit On Investments	1,589,895	1,714,108
Purchase Of Malaysian Government Securities And Bonds	14,659,842	21,401,672
Sale Of Malaysian Government Securities And Bonds	12,223,516	19,392,939
Repayment Of Loans	1,050,433	600,000

**Key management personnel**

Key management personnel are defined as the senior management of KWAP whereby their remuneration are included as part of staff costs.

	Group		KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Wages, Salaries, Honorarium And Remuneration	14,985	13,540	14,151	12,812
Statutory Contribution To Employees Provident Fund	2,762	2,222	2,626	2,095
	17,747	15,762	16,777	14,907

**36. CAPITAL COMMITMENT**

	Group and KWAP	
	31 December 2020 RM'000	31 December 2019 RM'000
Authorized and contracted for:		
Computer Software	1,589	1,508
Renovation	14	-
	1,603	1,508

**37. SUBSEQUENT EVENT DISCLOSURE****(a) Conversion of Perpetual Sukuk investment to Redeemable Preference Shares**

On 8 February 2021, KWAP entered into an agreement with the Malaysia Aviation Group Berhad ("MAGB") and Malaysia Airlines Berhad ("MAB") to convert its investment in MAB's Perpetual Sukuk to a new Redeemable Preference Shares in MAGB at an equitable nominal value of RM1.5 billion.

**(b) Withdrawal by the Government of Malaysia**

On 2 March 2021, the Minister of Finance ("MOF") issued a formal letter to KWAP to request a withdrawal of RM5.0 billion to partially finance the Government of Malaysia's pension obligations in accordance with Section 13(5) of the Retirement Fund Act 2007 (Act 662). The MOF requested the withdrawal to be gradually disbursed in five tranches of RM1.0 billion each from March to July 2021.

**(c) Acquisition of new investment property**

In February 2021, KWAP's Investment Panel approved the acquisition of Amazon Coalville in Bardonia, United Kingdom at a purchase price of GBP158.2 million (RM869.8 million) subject to satisfactory due diligence. The acquisition was completed in April 2021 and KWAP incorporated two new subsidiaries, Prima Harta 6 (Jersey) Unit Trust and Prima Harta 6 (Jersey) Limited for a total investment of RM1.0 billion to hold the new Amazon Coalville investment property.

**(d) Approved disposals of investment properties**

In June and July 2021, KWAP's Investment Panel approved the disposal of the 179 Turbot Street and 1 Griffin Crescent investment properties for a total consideration of AUD180.0 million (RM554.9 million) and AUD160.0 million (RM493.3 million) respectively. These properties are held by KWAP MIT 2 and KWAP MIT 4 and the total consideration for both investment properties were based on actual offers received from interested buyers.

# GLOSSARY OF TERMS

## BPS

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarised as follows: 1% change = 100 basis points and 0.01% = 1 basis point.

## FAANG Stocks

An acronym that refers to the stocks of five prominent American technology companies: Facebook (FB), Amazon (AMZN), Apple (AAPL), Netflix (NFLX); and Alphabet (GOOG) (formerly known as Google).

## FOMC

Federal Open Market Committee is a 12-member body of the seven governors and five of the 12 Reserve Bank presidents. The Fed Board chair serves as the chair of the FOMC, and the New York Fed president is a permanent member and serves as the vice chairman of the Committee. Reserve Bank presidents fill the remaining four voting positions on a rotating basis. All presidents attend FOMC meetings and discuss the economy and policy options.

## FTSI – Financial Times Stock Exchange

## IPG (Investment Policy and Guidelines)

Investment Policy and Guidelines serve to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

## IRS (Interest Rate Swap)

An exchange of one set of cash flows (based on internet rate specifications) for another. It is often an exchange of a fixed payment for a floating payment that is linked to interest rate.

## IT (Information Technology)

Information technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronicsbased combination of computing and telecommunications.

## KWAP (Kumpulan Wang Persaraan (Diperbadankan))

Kumpulan Wang Persaraan (Diperbadankan) was formed on 1 March 2007 to replace the Pension Trust Fund.

## KWSG (Kumpulan Wang Simpanan Guru)

## LTAT (Armed Forces Fund Board)

Armed Forces Fund Board or Lembaga Tabung Angkatan Tentera, better known as LTAT, was established in August 1972 by an Act of Parliament.

## LEED CERTIFICATION (Leadership in Energy and Environmental Design Certification)

Leadership in Energy and Environmental Design (LEED) is one of the most popular green building certification programmes used worldwide.

## MOF (Ministry of Finance)

## MPC (Monetary Policy Committee)

## OPEC (The Organisation of Petroleum Exporting)

The Organisation of Petroleum Exporting Countries consisting of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

## OPR (Overnight Policy Rate)

Overnight Policy Rate is an overnight interest rate set by BNM used for monetary policy direction. It is the target rate for the day-to-day liquidity operations of the BNM.

## ORE (Operational Risk Event)

Operational Risk Events arise from failure of the people, systems or processes in an organisation.

## PDS (Private Debt Securities)

## PSD (Public Service Department)

## RENTAS (Real Time Electronic Transfer of Funds and Securities)

## GLOSSARY OF TERMS

### **RMC (Risk Management Committee)**

Risk Management Committee is a Board level committee consisting of Board members who carry out the risk oversight role in an organisation.

### **RMCD (Risk Management and Compliance Department)**

Risk Management and Compliance Department is a department entrusted to manage an organisation's risk and ensure compliance within the organisation.

### **ROI (Return on Investment)**

Return on Investment is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

### **SAA (Strategic Asset Allocation)**

The primary goal of a strategic asset allocation is to create an asset mix that will provide an optimal balance between expected risk and returns for a longterm investment horizon.

### **SDL (Single Depositor Limit)**

Limit as to the maximum an organisation is allowed to place a deposit with a single deposit taking institution e.g: banks.

### **SOCOSO (Social Security Organisation)**

SOCOSO's function includes registration of employers and employees, collecting contributions, processing benefit claims, and making payments to injured workers and their dependents. SOCOSO also provides vocational and physical rehabilitation benefits and enhances occupational safety and health awareness of workers.

### **Sukuk**

Islamic bonds, structured in a way to generate returns without infringing Islamic law which prohibits interest or riba. Sukuk represents undivided shares in the ownership of tangible assets relating to particular projects or investment activity.

### **The Study (Pension Liability Study)**

A joint study conducted by KWAP, MOF and PSD to identify options available for KWAP to assist the Federal Government of Malaysia in funding its future pension liability.

### **TAA (Tactical Asset Allocation)**

It is a method in which an investor takes a more active approach to position a portfolio into those assets, sectors or individual stocks that show the most potential for gains.

### **TE (Tracking Error)**

Tracking Error measures the deviation of excess return of a portfolio over the benchmark.

### **TWRR (Time Weighted Rate of Return)**

Time Weighted Rate of Return is a measure of return based on changes in values of investments over a specific time period.

### **Total Return**

Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realised over a given period of time.

### **VaR (Value at Risk)**

A risk metric used to estimate the quantum of loss to a portfolio over a given probability value within a pre-defined period.

### **WGBI – World Government Bond Index**

## KWAP ANNUAL REPORT 2020

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