



Shaping A World
Where People Thrive





SHAPING A WORLD WHERE PEOPLE THRIVE

At KWAP, we are focused on building a secure financial future for our public service retirees and their families so that they can thrive and prosper. In a year like no other, we continued to stand firm, guided by our belief in building value for our stakeholders through our unwavering focus on responsible investing to deliver sustained growth. This allows us to make a meaningful difference in the lives of Malaysia's government pensioners, for today and tomorrow.

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.

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CORPORATE VALUES

**Leadership:**

An ability to lead oneself and lead others in order to continuously improve

**Accountability:**

Taking responsibility for our actions

**Teamwork:**

Working together to provide efficient and effective outcomes for each stakeholder

**Integrity:**

An expected internal trait of strong morals and principles

**Excellence & Achievement:**

Achievement that is attained through excellence

**Continuous Learning & Innovation:**

To be innovative and constantly learn from our challenges and our achievements

**Stakeholder Orientation:**

A focus on all our stakeholders such as Government and retirees

01

COMMITTED TO CREATING **LONG-TERM VALUE NOW AND IN THE FUTURE**

At KWAP, our sense of social responsibility drives us to make a meaningful difference in the lives of our stakeholders by securing the best financial future for our civil service members in retirement. We uphold Environmental, Social and Governance (ESG) considerations as key responsible drivers of our growth strategy, which reflects our unwavering commitment to a sustainable future.

MESSAGE FROM OUR LEADERS

- 03** Message from the Chairman
- 06** Message from the Chief Executive Officer

MESSAGE FROM THE CHAIRMAN



Dear Valued Stakeholders,

It has been two years since the pandemic hit the world, causing hardships, affecting economies, and forcing businesses and individuals to adapt swiftly to the challenges. Looking back, I am certain of two things: firstly, COVID-19 and its various permutations will continue shaping our lives far into the future; and secondly, the importance of sustainability will be proven to be a vital differentiator to building long-term resilience.

Despite the ongoing challenges of 2021 brought on by the pandemic and macroeconomic volatilities, I am pleased to report that Kumpulan Wang Persaraan (Diperbadankan) [KWAP] has delivered excellent performance, underpinned by our rigorous risk management and sound Strategic Asset Allocation (SAA) approach. We remain steadfast in our commitment to delivering long-term performance, underscored by our strong sense of purpose in helping our pensioners achieve their best financial position in retirement. ”

DATUK SERI ASRI BIN HAMIDON
@ HAMIDIN
Chairman



AN UNEVEN YEAR IN REVIEW

It was a year of both anticipation and uncertainty, with economies around the globe making huge progress adjusting to a post-pandemic world. As many economies reopened, the global economy rebounded with a 6.0% growth in 2021 against a contraction of 3.1% in 2020. At the same time, geopolitical tensions between China and the United States and Russia-Ukraine war worsened, had added further to economic and market uncertainties.

In Malaysia, the year under review continued to see prolonged movement restrictions amid new virus variant outbreaks, as well as devastating floods at the end of the year. Nevertheless, the Malaysian economy withstood the challenges relatively well, especially as the country moved into the recovery phase, underpinned by a resilient financial system that has benefitted from the buffers and structural strength built over the years. The fiscal policy continued to be supportive of the economy, with a total of RM530 billion in stimulus measures deployed since the onset of the pandemic.

MESSAGE FROM THE CHAIRMAN

2021 KEY PERFORMANCE METRIC

Malaysia's Gross Domestic Product (GDP) increase

3.1%

year-on-year

KWAP'S FUND SIZE GREW TO

RM159.04 billion

as at 31 December 2021

This was an increase of

3.4%

from the

RM153.82 billion

recorded at the end of 2020

KWAP takes a dynamic approach in reviewing the interim SAA regularly to ensure that it reflects the changes in the investment environment that allows us to recalibrate risk appetite towards meeting the final SAA target by 2025. Against a turbulent backdrop of 2020 at the onset of the pandemic, we undertook the SAA transition plan review to enhance our investment strategy and readjust risk and long-term investment perspectives.

Malaysia's gross domestic product (GDP) returned to expansionary territory with a growth of 3.1%, after -5.6% in 2020, benefiting from the rebound in global trade and the relaxation of containment measures amid increasing vaccination rates.

SOUND INVESTMENT RETURNS

At KWAP, our organisational mandate and purpose, which is focused on securing the best financial future for our civil service members in retirement, acts as our North Star and helps us navigate the dynamic investment landscape. As the past several years have shown, the pace of change and disruption in our world has increased significantly, resulting in a more complex investment environment. It is precisely in such complex and turbulent times that our long-term strategy continues to prove itself.

We have emphasised that the Fund's performance must be measured over a period of time. Over the past 10 years, we have consistently outperformed the long-term return target with portfolio returns that have been stable at about 6% per annum. Our SAA framework, which is a long-term investment strategy, has allowed us to successfully maintain a diversified and well-balanced investment portfolio between growth and income that is resilient enough to withstand market turmoil and financial shocks.

I am, therefore, pleased to report that despite the volatile and unpredictable market conditions throughout the year, the Net Fund size grew to RM159.04 billion at the close of 31 December 2021. This was an increase of 3.4% from the RM153.82 billion recorded at the end of 2020.

The existing SAA allows the Fund to increase its international allocation from 19% to 30% of total assets. At the end of 2021, KWAP's asset allocation to international investments stood at 20.0% of total assets, which amounted to RM31.81 billion. This was higher than the 16.6% exposure to international investments at the end of 2020. We rebalanced the overseas asset allocation early in the year and were well-positioned to take advantage of the market rally, which was an important contributor to the overall performance of the Fund. With the revised asset allocation under the SAA, we will capitalise on further opportunities in the global investment landscape to maximise risk-adjusted returns over the long term.

SUSTAINABLE INVESTING - THE WAY FORWARD

The challenges of the past few years have certainly brought sustainability consideration into a sharper focus. The rapid transition towards sustainable and impact investing has been an elevated agenda for most investment managers for some time now. In

MESSAGE FROM THE CHAIRMAN

fact, many large investment funds with Environmental, Social and Governance (ESG) criteria have proven to outperform the broader market during the pandemic.

At KWAP, sustainability has always been at the core of our purpose, in fact, it is clearly articulated in our Vision statement. We institutionalised tenets of sustainability when we were first established in 2007 by incorporating the ESG negative screening into our Investment Policy. Over the years, we have strengthened our sustainability approach in our investment practices as it plays a vital role in generating sustainable risk-adjusted returns and enhancing shareholder value in the long run.

The financial soundness of KWAP is linked to the sustainability of the companies that we invest in. As one of the larger asset owners with long-term investment horizons in diverse industries, I believe that our stance can strongly compel relevant changes towards greater sustainability adoption among our investee companies. We continue to practise proactive shareholder activism by monitoring our investee companies' ESG practices and engaging with them on our expectation of better ESG practices and performances.

As a signatory to the UN-backed Principles of Responsible Investment (PRI), we have integrated ESG into our investment analysis and decision-making processes. In 2021, we made further inroads in elevating considerations of climate change under the environmental pillar, and issues of human rights and forced labour under the social pillar, as part of strengthening our investment decision-making processes.

STRENGTHENING GOVERNANCE

Promoting strong governance and embedding a risk management culture throughout KWAP's operations and conduct are key priorities for the Board. We are committed to upholding the highest standards of corporate governance, ethics and integrity.

One of the most significant initiatives in 2021 was being certified with the ISO 37001:2016 Anti-Bribery Management System (ABMS) following the effective implementation of the ABMS, which commenced in 2019. We also launched KWAP Organisational Anti-Corruption Plan 2021–2025, aimed at addressing the corruption risks within the organisation.

“We are deeply honoured to be rated Malaysia's top and the world's top 100 asset allocators for responsible investing under the Responsible Asset Allocator Initiative (RAAI) 2021 Index.”

The Board approved the Anti-Bribery and Corruption Policy in November 2021, which reflects our zero-tolerance stance on bribery and corruption. The policy also sets KWAP's position in matters such as sponsorship and donation, political contribution, facilitation payment, and dealing with third parties, among others, to ensure that our organisation preserves the highest standard of governance, integrity, accountability, and transparency in our operational and business activities.

IN CLOSING

Over the past year, we have seen many new faces joining Malaysia's public service and, consequently, will rely on KWAP to grow and pay pensions when due. As the custodian of Malaysia's largest public service pension fund, it is incumbent upon KWAP to help our stakeholders, the pensioners, achieve long-term financial well-being in retirement.

Looking beyond today, our priority remains to achieve optimal returns for the Fund and provide excellent service to our valued civil service pensioners. To do this, we remain committed to delivering on our strategic priorities to generate long-term, stable and sustainable growth of the Fund, which is underscored by efforts to build greater capability and agility within the organisation.

We are able to make great strides for the year because of the solid and steady support of many. I would like to thank my fellow directors for their valuable insights and guidance. My appreciation also goes to the team at KWAP for their utmost dedication and commitment. I am excited about what lies ahead and reaffirm our commitment to delivering on our mandate for the future prosperity of our stakeholders.

**KWAP'S ASSET ALLOCATION TO
INTERNATIONAL INVESTMENT
STOOD AT**

20.0%
of total assets, which
amounted to
RM 31.81 billion

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“

Dear Valued Stakeholders,

The pervasive impact of the pandemic, combined with geopolitical unrest, continued to rock the world off its axis. While the world adapted to new ways of living and working throughout these uncertain times, one thing remains for certain, and that is KWAP's steadfast commitment to delivering on the Fund's long-term and stable performance.

Aligned with our definitive mandate and purpose to achieve sustainable benefits and optimise good returns on the pension Fund, we continue to take a long-term perspective on markets in our diversified portfolios. I am pleased to report that the Fund and our organisation stood resilient in a challenging 2021 environment, outperforming its targets to deliver optimum returns. ”

NIK AMLIZAN MOHAMED
Chief Executive Officer

GROSS INVESTMENT INCOME OF

RM
6.33 billion
in 2021

TIME WEIGHTED RATE OF RETURN (TWRR)

of approximately
4.22%
for Public Asset Classes and

5.99%
for the Total Fund

LONG-TERM DRIVEN INVESTMENT STRATEGY

The financial and investment environment is naturally volatile in the short term. As KWAP takes a long-term approach to the investment management of the Fund, volatility like the one we have been experiencing over the past few years does not present a major risk to the Fund. Our investment strategy and portfolio choices are designed with the long-term perspective in mind. The Fund has been well placed to weather and even benefit from the volatility we have been experiencing.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

KWAP's dynamic yet prudent investment approach, as outlined in our Strategic Asset Allocation (SAA), considers and anticipates the various and unpredictable shifts in market conditions as well as market opportunities on the horizon. A detailed assessment of the SAA is conducted once every 3 years or as required, ensuring a thoughtful and dynamic investment strategy that meets the long-term aspiration of KWAP's mandate in the context of the changing world that we are operating in. These hallmarks of the SAA's forward-looking and risk-aware investment strategy are intended to ensure that KWAP is well-positioned to manage for today, but also to grow the Fund size to RM200 billion by 2025.

The resilient performance of the Fund in 2021 is a result of the considered and measured response undertaken with respect to the volatility of the market. We continue to upskill our people's capabilities as we increase the weightage of investments into the international portfolio to capture greater market opportunities.

The KWAP InnoLab, which was set up in 2021 and serves as a platform to explore, research and provide seed funding for new innovative investment strategies in domestic and international markets, has seen good traction towards our aims to enhance KWAP's risk-adjusted total return and improve investment diversification.

As our investment portfolio grows in size and complexity, we will be looking to build up and enhance our resources, skills and capabilities to ensure we are well-positioned to successfully deliver on KWAP's mandate. We introduced the KWAP Learning, Engagement, and Advisory Programme (LEAP) in 2021, which aims to upskill our people in areas relating to investment management. We also further strengthened our research acumen to ensure deep-dive insights that are vital to making informed investment decisions, by assessing the uncertain market conditions and made the optimal strategic calls.

These approaches are testament to our commitment to preserve, protect and grow the Fund in a sustainable, informed and responsible manner.

EXCEPTIONAL FUND PERFORMANCE

Given the challenging operating and investment environment of 2021, I am pleased to report that KWAP maintained the sustainability of the Fund, which performed exceptionally well. Our investment team surpassed many of the targets set for the year. 14 years ago, when we were first established under the Retirement Fund Act in 2007, the Fund size was RM41.94 billion. We closed 2021 with a fund size of RM159.04 billion, growing at an annual 9.1% since 2007, and up by 3.4% compared to the previous financial year of RM153.82 billion in 2020. This is a testament to our commitment to deliver on the long-term sustainability of the fund. We generated a Gross Investment Income of RM6.33 billion in 2021 with a Time Weighted Rate of Return (TWRR) of approximately 4.22% for Public Asset Classes, and 5.99% for the Total Fund.

Equities

The Fund's investment in Equities performed commendably for the year in review, generating a total gross income of RM4.06 billion in 2021 and surpassing the target set by RM1.57 billion. KWAP's exposure to the equity assets class as of 31 December 2021 stood at RM77.23 billion, which accounted for 48.5% of KWAP's total assets. Of this, 74.3% of our total equity exposure was in the domestic market, while the balance was in the international equity markets. The overall equity portfolio recorded a total return of 7.69% versus the blended benchmark of 1.27%, which translates into an outperformance of 642 bps.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Fixed Income

Despite market headwinds, KWAP's Fixed Income portfolio remained steady. The Fixed Income portfolio registered a commendable realised gross income of RM2.53 billion in 2021, lower than RM2.87 billion in 2020, after taking into account the RM1.43 billion realised loss from the restructuring of one of its investee companies. As a result, this translated to a Return on Investment (ROI) of 2.15% in 2021 compared to 4.41% in 2020, and a TWRR of 0.78%, an underperformance of 33 bps against the blended benchmark as at 31 December 2021.

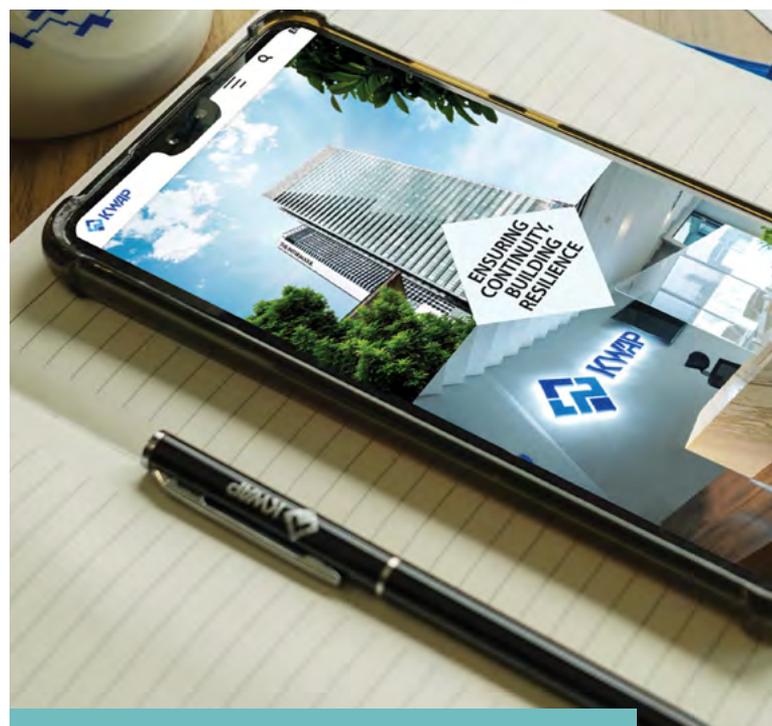
Private Equity And Infrastructure

Private Equity and Infrastructure, which makes up our Alternative Investments portfolio, performed remarkably well for the year in review, capitalising on the recovery from the regions that the portfolio has exposure to. For 2021, Private Equity and Infrastructure generated a total income of RM637.52 million, with a breakdown of 97.1% from fund investments and 2.9% from direct investments. The portfolio also outperformed the 10-year Net Internal Rate of Returns (IRR) Prequin benchmark of 13.9% by 320 bps, and closed the year at Net IRR of 16.2%.

During the year, we received approval from the Ministry of Finance (MOF) to increase the fund commitment from USD50 million to USD100 million, building the foundation for more efficient capital deployment for private equity investments. We also embarked on our first Separately Managed Accounts (SMA) strategy with a commitment size of USD100 million in an Alpha-focus mandate that provides diversified exposure with a minimum Net IRR target of 16%. From a strategic perspective, the mandate will also provide KWAP with access to high-quality hard-to-access global private equity managers and a dedicated upskilling and transfer knowledge programme to KWAP.

Property Investment

KWAP closed out 2021 with 23 properties on its portfolio, and generated a net income of RM313.3 million or 4% net income yield on investment cost. We continue to enhance the value of the properties in our portfolio by embracing Environmental, Social and Governance (ESG) principles in our



**Renewal Agency Agreement that is effective
from 1 November 2021 until 30 October 2026**

property investment considerations. Eight of the properties in the portfolio are accredited with environmental and energy efficiency certifications.

Among the notable initiatives in 2021 was the acquisition of a logistics asset in Amazon Coalville, United Kingdom, for £158.9 million; and the divestment of KWAP's Australia logistics asset 1 Griffin Crescent in Brisbane for AUD160 million.

TRANSFORMING FOR EXCELLENCE

We continue with efforts to improve the organisation's capability and agility, as we expand on our transformation journey as articulated in our Vision 2025 strategy. This Vision strives to elevate KWAP as the sole pension fund manager for the nation's public sector, while enriching the retirement experience and growing our assets sustainably.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

KWAP capitalised on Robotic Process Automation (RPA) to replace manual operations with intelligent software

THE WEIGHTED SLA SCORES
RANGED FROM

94.38%
to
99.81%

with an average

98.26%

We have made good strides in executing initiatives that support the five focus areas of Vision 2025, which are to strengthen our collaboration with the Public Service Department on strategic pension matters, enhance engagement and communication with current and future pensioners, refine investment strategy and enhance capabilities, internalise sustainability and ESG practices, and build knowledge for internal development and external collaborations.

Pension Services Management

We have made excellent headway in our service delivery and overachieved the Service Level Agreement (SLA) targets and objectives. We instituted several business process improvements, which included process rationalisation through the re-alignment of SLA-based functions with non-SLA-based functions. This effectively lifted work productivity and operational efficiency, raising the number of applications processed by 67% and unit productivity by 122%.

We have consistently outperformed the weighted SLA score of delivering timely and quality services to our stakeholders throughout a year riddled with the pandemic and flood challenges. The weighted SLA scores ranged from 94.38% to 99.81%, with an average of 98.26%. Given that we had diligently over-delivered on the set 90% minimum SLA threshold set by the Public Service Department, the SLA target has now been revised to 95%, with more focus placed on customer experience. This new target and expectations were sealed under a renewal Agency Agreement that is effective from 1 November 2021 until 30 October 2026.

Digitalisation Journey

Digitalisation has been highly leveraged to embed operational efficiency throughout the user engagement value chain, and we implemented several digital initiatives throughout the year. We undertook to make it easier and more efficient for MyPesara app users intending to engage with KWAP physically by deploying new functionalities on the appointment service feature. We also rolled out a digital document management initiative to facilitate users to provide relevant documents by leveraging the existing customer relationship management (CRM) system to cater to the application for information updates, post-retirement processing and pre-retirement processing. We capitalised on Robotic Process Automation (RPA) to replace manual operations with intelligent software, which is also part of our digital transformation initiative.

Notwithstanding the pandemic, KWAP has already commenced an IT transformation strategy, ensuring our IT infrastructure is relevant, stable, secure and scalable. We have embarked on a three year roadmap to enhance the IT infrastructure through cloud and hybrid cloud adoption, allowing KWAP to create the right mix of cloud and traditional technologies to suit business needs. This initiative will promote greater efficiency, reliability and agility.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

PEOPLE AND PERFORMANCE

The strength of KWAP has been in our people. The events of the last few years have affected many and caused significant disruptions. In the face of the rapid changes in the work environment, we continue to support and invest in our people in order to protect our work culture and strengthen our business performance forward.

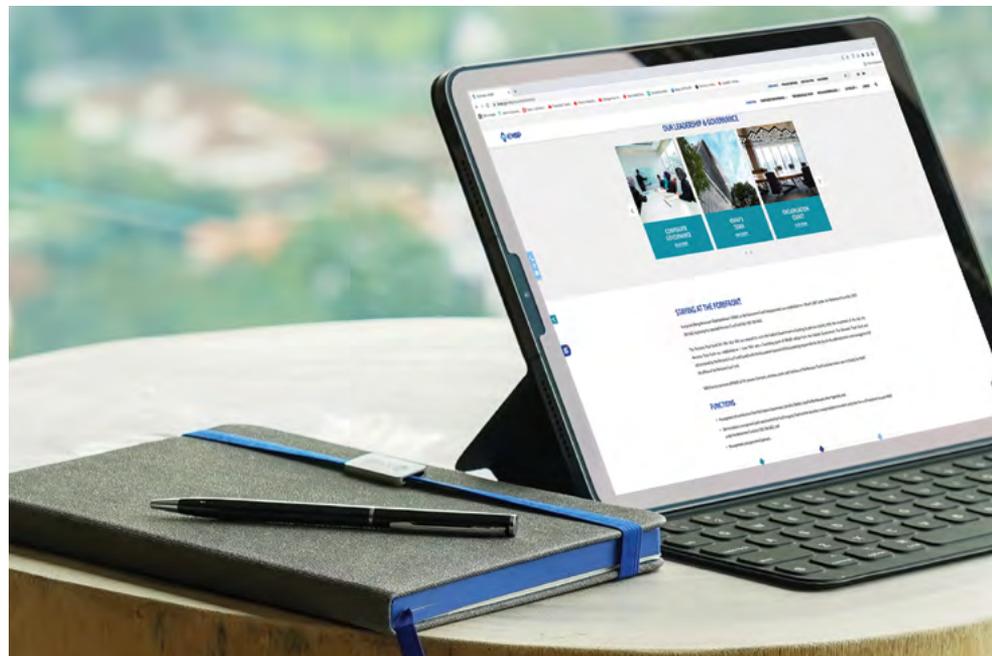
The pandemic changed the way we work and engage with our people. We leveraged digital capabilities to ensure that our employees continued to have access and opportunities to learn and upskill themselves. We introduced the Learning Zone in April 2021 which is a digital-based learning platform under KWAP's Learning Management System. Through the Learning Zone, employees will be able to access, learn and complete their courses at their convenience, without place and time constraints. There are currently 40,000 training courses on the Learning Zone platform. Since its launch, over 4,060 modules have been completed with a 96% completion rate.

We also believe in investing in bright, young talents with potential and guiding them in the world of management and investment, while at the same time, building a robust talent pipeline of future leaders. The KWAP Young Talent (KYT) programme is a Management Trainee Programme that provides career enhancement and learning opportunities through various interventions to increase the young talent's competencies as well as build business and leadership savviness. The programme was revised in 2021 to enhance the current talent development programme, address issues

of graduate unemployment in Malaysia and assist the government in finding jobs for recent graduates, and create a talent pipeline for KWAP in particular and for Malaysia in general. We welcomed 29 talents under the KYT programme through our doors and look forward to their eventual contribution to the organisation.

Our unwavering priority remains on ensuring the well-being of our people. Regular communication and townhalls are key to fostering a culture of support and ensuring that everyone is aligned with the aspirations of the organisation. We leveraged virtual engagements to conduct teambuilding, team mingling or networking, and wellness programmes, just to name a few. The increased engagement with senior leadership has encouraged constructive feedback, which we then addressed, where relevant. We conducted the KWAP 360-degree evaluation exercise, which aims to assess and provide an understanding of the critical competencies within KWAP's leadership. The top three competencies demonstrated by the KWAP leadership bench are Integrity, Professionalism and Synergistic Leadership.

Ensuring our people's health and well-being during a global health crisis was another top priority for us. We launched our employee mobile engagement application in September 2021, under the *Dana Yang Berkat* programme, as part of our aim to inculcate a culture of wellness and well-being. Since its launch, we have seen the utilisation of 72% of active users accessing programmes.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

LOOKING AHEAD

Our focus for 2022 remains resolute on executing the strategies outlined in Vision 2025 to deepen the retirement experience and grow our assets sustainably, to play our role meaningfully as the nation's public sector pension fund manager.

In strengthening our investment approach, we will be looking at enhancements to the upcoming cycle of the Interim SAA which include reducing equity allocation from 48.5% to 45%, increasing fixed income allocation from 35.3% to 38%, and proposing to increase total international allocation target at 23% for 2022.

We remain committed to investing in the domestic economy. Subject to the availability of investment opportunities, we look to support Malaysia's private capital market development by tripling the size of our private investments from RM3.5 billion to RM12 billion by 2025, which is premised on a fund size target of RM200 billion.

ESG and tenets of sustainability will remain important considerations in our investment decisions to deliver responsible and sustainable returns. We recognise that managing ESG is a progressive process, and we will continue to enhance the management of ESG in our investment decisions and organisation management. Likewise, we aim to use our considerable influence as an asset owner and voting shareholder to advocate investee companies to adopt and integrate sustainability strategies within their business operations.

APPRECIATION

As an organisation, we remain committed to staying true to KWAP's purpose for pensioners to achieve their best financial position in retirement. I would like to record my deep appreciation to the Board and the Investment Panel for their wise counsel and guidance. I also acknowledge the hard work and commitment of our employees, who stepped up with passion and dedication. I am proud to have the opportunity to lead this esteemed organisation into the next phase of its evolution, and I look forward to charting more meaningful milestones and delivering greater growth for the Fund.



02

BUILDING RESILIENCE AND GROWTH

We understand the weight of our responsibility and are committed to safeguarding and building a reputable pension fund that delivers sustainable growth through a transparent and sound investment strategy, supported by an experienced and knowledgeable team.

ABOUT KWAP

- 13** About KWAP
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ROLES AND OBJECTIVE



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's (PSD) 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

Policy Setting

Set policy for pension/provident fund

Member Contribution Collection

Manage collection of individual members' contributions

Investment Policy & Guidelines

Set investment policy and monitor performance

Investment Management

Execute investment management

Members Administration

Manage members' accounts

Benefit Payments

Manage financial administration and payment

Appointed Agent by the Federal Administration

Pensionable Civil Service

Treasury

- Financial impact calculation
- Approve EPU policies
- Develop and review policies

PSD

Develop and review policies



ARMED FORCES

MINDEF

Develop and review policies



LTAT

- Collection of contribution from armed forces personnel and the Federal Administration
- Calculation of LTAT refund to KWAP
- Communication with active members
- Administration of members' account balance

Veterans Affairs (MINDEF)

- Communicate with retirees
- Benefits calculation
- Disbursement of withdrawals
- Transfer of refunds to KWAP

Private Sector and Non-pensionable Civil Service

EPF

Provide policy input



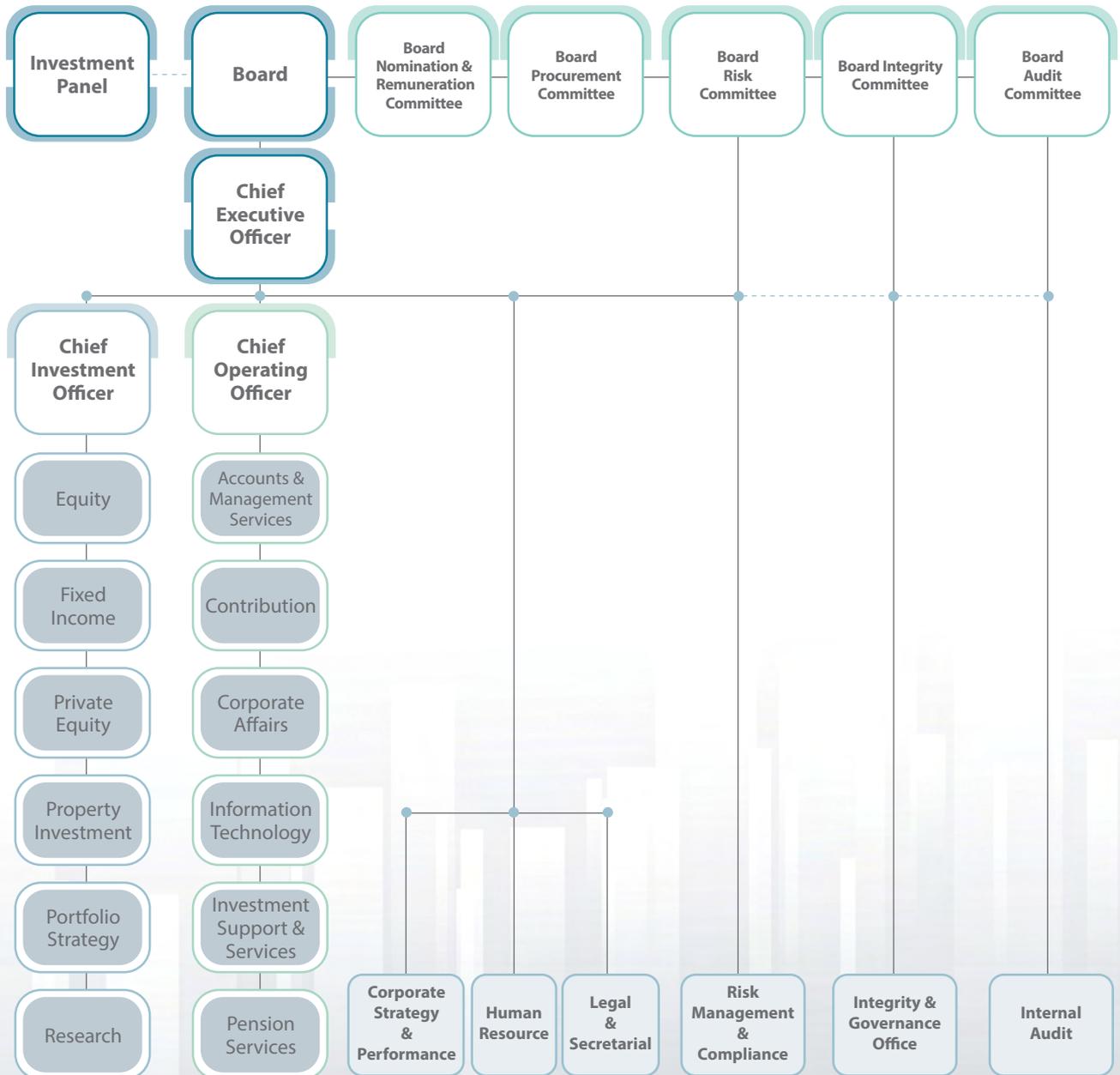
Legends:

Treasury: Treasury, Ministry of Finance
PSD: Public Services Department

MINDEF: Ministry of Defence
LTAT: Armed Forces Fund Board

EPF: Employees Provident Fund

ORGANISATION CHART



CORPORATE STRUCTURE

Property Investment

Property Development

Equity Trading and Research

Private Equity Investment

100%
ACTIVE

MALAYSIA*

- Harta Integra Berkat Sdn Bhd
- Capsquare Tower Sdn Bhd
- Harta Rini Sdn Bhd

MALAYSIA*

- KWEST Sdn Bhd

UK*

- Prima Ekuiti (UK) Limited

45% ACTIVE
Luxembourg*

- Vantage Solar Investment Sarl
(Business Operations in United Kingdom)

Australia*

- KWAP MIT 2
- KWAP MIT 3
- KWAP MIT 4

20% ACTIVE

Malaysia*

- Compass IP Sdn Bhd
- Persada Mentari Sdn Bhd

3.47% ACTIVE
Malaysia*

- Aerodyne Ventures Sdn Bhd

UK*

- Prima Harta (Jersey) Unit Trust
- Prima Harta U (Jersey) Limited
- Prima Harta 2 (Jersey) Unit Trust
- Prima Harta 4 (Jersey) Unit Trust
- Prima Harta 4U (Jersey) Limited
- Prima Harta 5 (Jersey) Unit Trust
- Prima Harta 5 (Jersey) Limited
- Prima Harta 6 (Jersey) Unit Trust
- Prima Harta 6 (Jersey) Limited

5.29% ACTIVE
Malaysia*

- edotco Group Sdn Bhd

Germany

- Prima Harta 3 (Lux) Sarl

50% ACTIVE
Malaysia*

- Tap Crunch Sdn Bhd

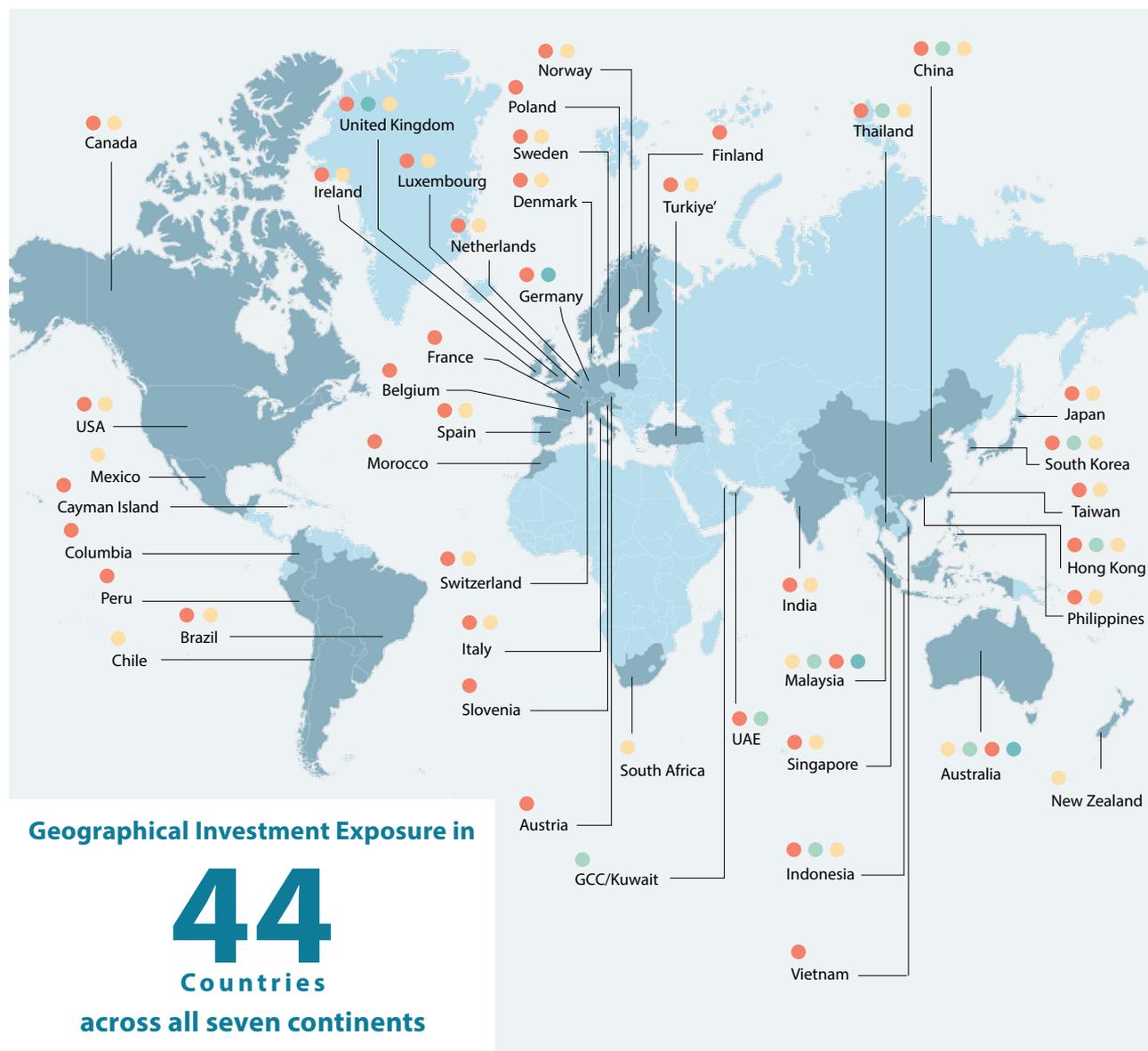
33% IN LIQUIDATION
Malaysia*

- Value Cap Sdn Bhd

1. * Location of investment assets/business operations

2. Refer to Note 10 to 12 of KWAP Financial Statement 2021 for complete list of KWAP subsidiaries, associates and joint-ventures

GEOGRAPHICAL INVESTMENT EXPOSURE



STAKEHOLDER OUTREACH

Pension Demographics as at 31 December 2021

Pensioners

Malaysia's public sector employees who attain retirement and are covered by the Government pension scheme

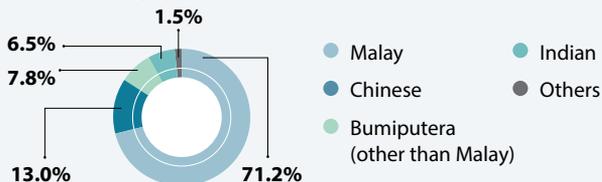
Pensioner by Gender



Breakdown of Pension Recipients

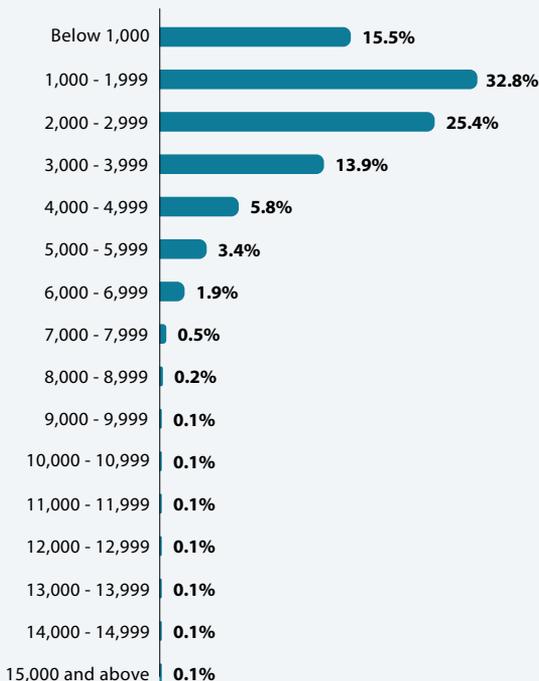


Pensioner by Race



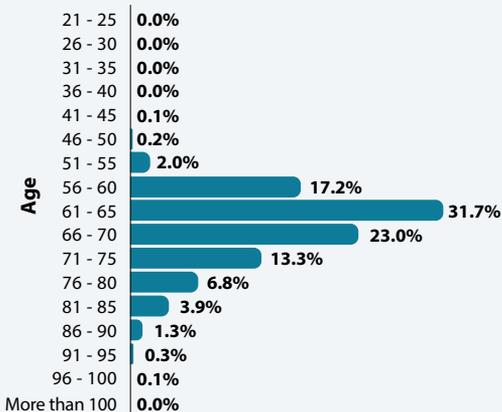
Pension Recipients: Pension Payout Distribution (RM)

Pensioners

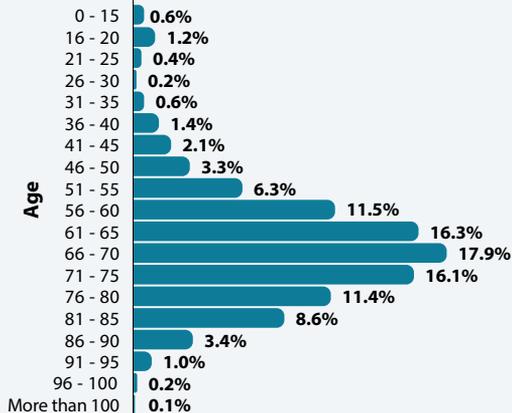


Pension Recipients: Age Distribution

Pensioners



Derivative Recipients

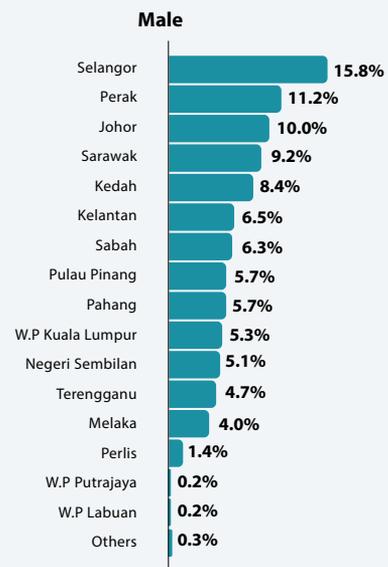
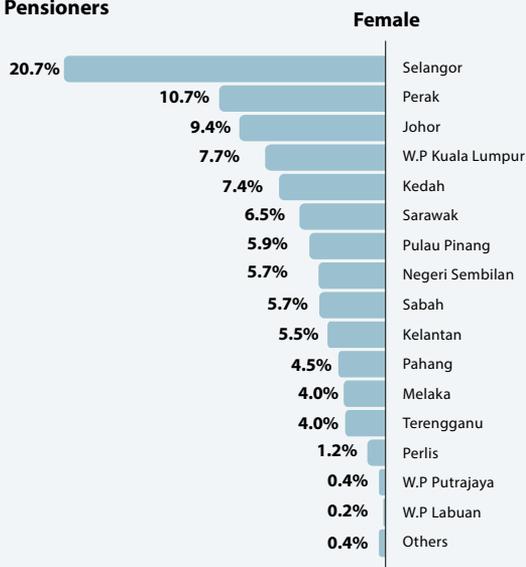


*Some percentages do not add up to exactly 100% because of rounding decimals

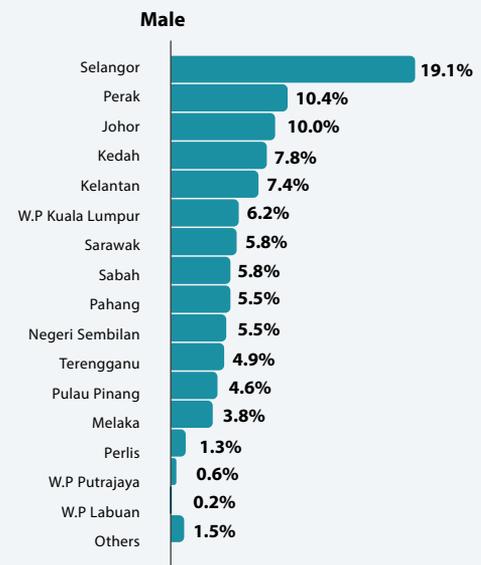
STAKEHOLDER OUTREACH

Pension Recipients: Location & Gender

Pensioners

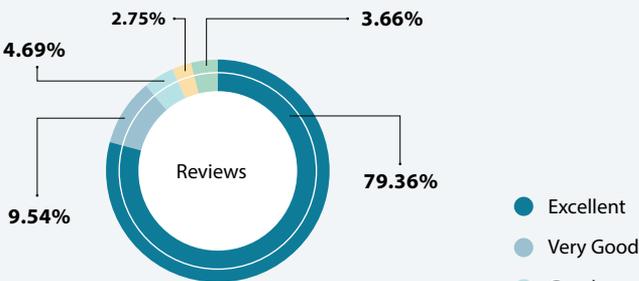
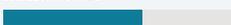
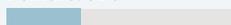


Derivative Recipients



STAKEHOLDER OUTREACH

MyPesara Mobile Application

MyPesara Mobile Application Phase 2	MyPesara Users from 2017 - 31 December 2021
<p>MyPesara Smart app for public civil service pensioners to access updates regarding their monthly pension payments, information on retirement, and financial tips to make it easy and convenient for pensioners to keep up to date and informed.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  <p>Personalised accounts for both pensioners and general users with ease of updating information</p> <p>Separate login pages for pensioners and non-pensioners</p> </div> <div style="width: 45%;">  <p>Upgraded and interactive additional features</p> <p>Provides a more holistic user experience</p> <p>Opportunities for online learning on financial, health and retirement planning</p> </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  <p>New S.O.S Feature</p> <p>Introduction of additional S.O.S toggle to be used during emergency situations for pensioners</p> </div> <div style="width: 45%;">  <p>Enjoy benefits programme by special partners</p> <p>A variety of exclusive details and promotions offered by selected merchant and content partners.</p> <p>All MyPesara users can enjoy the benefits offered</p> </div> </div> <div style="text-align: center; margin-top: 20px;"> <p>Scan the QR code to download.</p>  </div> <div style="margin-top: 20px;">   </div>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>168,486 Downloads</p> </div> <div style="text-align: center;">  <p>23% iOS Users</p> </div> <div style="text-align: center;">  <p>77% Android Users</p> </div> </div> <div style="text-align: center; margin-top: 20px;">  <p>4.6/5 Rating</p> </div> <div style="text-align: center; margin-top: 30px;">  <p>5,347 Feedback</p> <p>894 Appointments Made via MyPesara</p> <ul style="list-style-type: none"> ● Excellent ● Very Good ● Good ● Bad ● Very Bad </div> <div style="text-align: center; margin-top: 30px;"> <p>Registered Users</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>86,582 Pensioners</p> </div> <div style="text-align: center;"> <p>21,181 Non-Pensioners</p> </div> </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 30px;"> <div style="width: 45%;"> <p>Pensioners</p> <p>Gender</p> <div style="display: flex; justify-content: space-between; align-items: center;">  <p>Male: 58%</p>  </div> <div style="display: flex; justify-content: space-between; align-items: center;">  <p>Female: 42%</p>  </div> <p>Majority User Age Group: 60 - 70 years old</p> </div> <div style="width: 45%;"> <p>Non-Pensioners</p> <p>Gender</p> <div style="display: flex; justify-content: space-between; align-items: center;">  <p>Male: 63%</p>  </div> <div style="display: flex; justify-content: space-between; align-items: center;">  <p>Female: 37%</p>  </div> <p>Majority User Age Group: 50 - 60 years old</p> </div> </div>

PERFORMANCE HIGHLIGHTS

	2017	2018	2019	2020	2021
FUND SIZE AT COST (RM BILLION)	140.80	136.51	147.48	153.82	159.04
INCOME AND EXPENSES (RM)					
Gross Investment Income (Billion)	9.03	7.06	6.07	6.81	6.33
Operating Expenses (Million)	368.82	292.33	302.96	277.13	329.59
Net Investment Income (Billion)	8.79	1.24	6.67	8.87	9.99
INCOME AND EXPENSES (%)					
Accounting Rate of Return (Net ROI)	8.74	0.80	4.67	6.08	6.42
Operating Expenditure to Gross Income	4.08	4.14	4.99	4.07	5.21
Operating Expenditure to Average Fund	0.28	0.21	0.21	0.18	0.21
RETURN AND RISK (%)					
Time-Weighted Rate of Return	9.10	(1.33)	5.91	6.04	4.22
Volatility	2.41	1.40	0.60	2.54	1.13
CONTRIBUTION (RM BILLION)					
Pension Contribution	3.01	2.87	2.63	2.46	2.45
Federal Contribution	0.50	0.50	0.50	0.50	0.50
MANAGEMENT OF FUND (%)					
Internally Managed	87.55	87.00	87.50	88.27	89.39
Externally Managed	12.45	13.00	12.50	11.73	10.61
Number of Contributing Employers	502	485	478	486	485
Number of Members	193,684	200,299	187,684	178,797	178,385
Number of KWAP Employees	577	603	610	633	628
Income Per Employee (RM Million)	15.65	11.70	9.95	10.75	10.08

YEAR 2021 HIGHLIGHTS

TOTAL FUND SIZE
RM **159.04**
billion

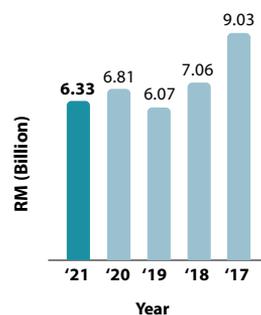
GROSS INVESTMENT INCOME
RM **6.33**
billion

NET INVESTMENT INCOME
RM **9.99**
billion

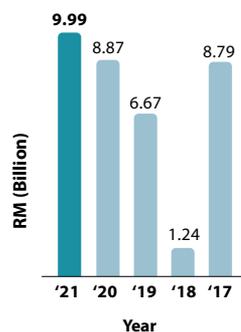
Notes: Figures are based on KWAP level performance.

5-YEAR HIGHLIGHTS

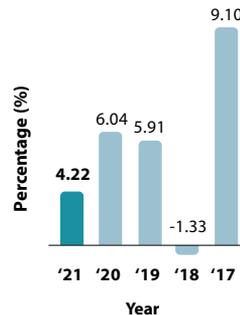
GROSS INVESTMENT INCOME (RM BILLION)



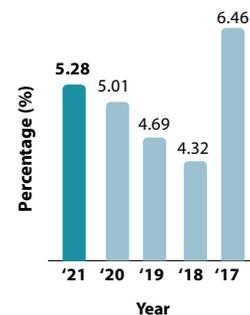
NET INVESTMENT INCOME (RM BILLION)



TWRR YEAR TO DATE (PERCENTAGE)



ROLLING 5-YEAR TOTAL RETURNS (PERCENTAGE)



2021 EVENTS AT A GLANCE

KWAP INTERNAL EVENTS 2021



JANUARY
14

CEO Mandate 2021

JANUARY
8-20

Investment Workshop

FEBRUARY
10

ISO Talk by Integrity & Governance Office (IGO)

FEBRUARY
18

Ceramah Motivasi Merealisasikan Impian Meraikan Dugaan by Ustaz Kazim Elias

MARCH
6

KWAP Prihatin 2.0 at Program Perumahan Rakyat (PPR) Raya Permai

MARCH
8,9 & 10

Pension Workshop



SEPTEMBER
27 & 29

Investment Strategy Workshop

AUGUST
12

Special Townhall - PERKUKUH Announcement

JUNE
23

Integrity Awareness Talk by Tuan Farizal Muzaffar Hafiz Abdul Wahab, Senior Superintendent, Malaysian Anti-Corruption Commission (MACC)

MONTH OF
APRIL

Kasih KWAP:

- Tazkirah Ramadhan by Ustaz Elyas Ismail, Ustaz Dato' Daud Che Ngah, Ustazah Norhafizah Musa
- Bubur Lambuk Distribution
- Ihya Ramadan at Masjid Al Falah Taman Seri Muda, Shah Alam and Masjid Himmatul Aliyah, Shah Alam
- A Day with Underprivileged Children at Rumah Nur Ain, Bangi and Rumah Bakti Al-Kausar, Bangi
- Charity Visit to Rumah Al-Ikhlas, Puchong and Rumah Ehsan, Kuala Kubu Bharu



2021 EVENTS AT A GLANCE

KWAP INTERNAL EVENTS 2021



JUNE
2 & 3

Prima Ekuiti (PEUK) Workshop



DECEMBER
25

ASEAN Social Security Association
International Webinar

MONTH OF
DECEMBER

Malaysian AIDS Foundation: 100K
Steps to Fight AIDS



DECEMBER
8

KWAP Integrity Day 2021

DECEMBER
14

International Social Security
Association (ISSA) Webinar

DECEMBER
23-31

KWAP Prihatin Flood Relief Mission



KWAP OTHER
EVENTS 2021

KWAP Culture and Wellness
Programmes

CEO Virtual Town Halls



Mental Health Awareness Series

#KWAPSejiwa Programmes

Employee Wellness Programmes



03

BUILDING A PURPOSE-DRIVEN ORGANISATION

Our purpose-driven culture is enabled by the dedication of our workforce who strive to deliver excellence to our stakeholders. Our employees are committed to upholding the principles and values of the organisation to progress the Fund forward to meet its investment objectives.

STAKEHOLDER MANAGEMENT

- 25 Stakeholders' Well-being
- 32 Improving Our Processes
- 33 Nurturing Our Employees
- 37 Corporate Social Responsibility (CSR)

STAKEHOLDERS' WELL-BEING

The challenges of the past few years have allowed for introspection on what truly matters, and that is the well-being of people. We have always upheld stakeholders as our main priority and strive to serve the greater purpose of KWAP, which is to enable our retirees and future retirees to benefit efficiently from pension services.

In that respect, KWAP executes its role as an agent to the Government to process and pay pension benefits, including gratuity, pension, ex-gratia and related claims, and provides customer service management. These services are mandated under the agency agreement signed between the Government of Malaysia and KWAP.

Our definition of stakeholders is the Government, pension recipients, contributors, and our employees who have the potential to influence or impact our business. Close and regular engagements with our stakeholders allow us to ensure that we are identifying and addressing our most significant issues and concerns that have an impact on them.

PENSION SERVICES

The Pension Services looks into all administrative matters related to stakeholders' requirements, with a commitment to ongoing process improvements to achieve service excellence.

SERVICE LEVEL AGREEMENT (SLA)

KWAP has an SLA in place, which reflects our commitment to delivering services to the standards expected of KWAP. Throughout the 12-month period in 2021, the weighted SLA scores ranged from 94.38% to 99.81%, averaging at 98.26% amid the COVID-19 challenges and hybrid work arrangements. KWAP also maintained a high level of productivity in relation to pension-related services, handling close to 10 million transactions for the year. We saw year-on-year productivity increase by 4.2%.

Agency Agreement Renewal

KWAP's mandate as the government agent to process and pay the pension benefits was further extended with the renewal of the agency agreement for another five years, from 1 November 2021 to 31 October 2026, with updated terms and conditions. The new SLA established new benchmarks for measuring service performance, with the number of key indicators increased to 10 from seven previously. Of note, the minimum performance threshold has since been raised to 95% from 90%.

SLA Performance



Action Plan for New SLA (Measurement)

Prior to the effective date of the new SLA on 1 January 2022, KWAP, with the endorsement of the Public Service Department PSD, established an automated and standardised mechanism to measure performance objectively. The systematic mechanism, in the form of a performance dashboard and automated data capture, allows both KWAP and JPA to monitor the performance and make any necessary improvements.

STAKEHOLDERS' WELL-BEING

PENSION SERVICES

BUSINESS PROCESS IMPROVEMENTS

Re-alignment of SLA-based Function Against Non-SLA Function

We rolled out business process improvements in September 2021 with the aim of achieving operational efficiency and employee productivity. One of these improvements is the re-alignment of the SLA-based function against the non-SLA function for more focused deliverables. It involved swapping functions between the Funeral Arrangement Assistance (BMJ) unit under the Accounts and Reporting Section, and the Special Payment unit under the Pension Operations 2 Section, to establish more cohesive job reporting lines and upskilling of existing employees' roles. During the 2021 quarter-end, the process rationalisation has effectively lifted work productivity and operational efficiency despite atypical year-end processing occasion including no BMJ payments was made in December 2021.

Query Function Centralisation

The query function was centralised under the Pension Operation 2 Section which involved the setting up of a dedicated query sub-unit, re-deploying staff with relevant technical skills, and handling queries and complaints in a more systematic manner. Since the implementation, claims processing turnaround improved by reducing the average query resolution day.

Appointment-based Service via MyPesara Application

An appointment-based service function on the MyPesara application for pensioners was implemented to facilitate operations to support users who intend to engage with KWAP physically. It involved the deployment of an additional function to the existing MyPesara mobile application.

New Interactive Voice Response (IVR)

KWAP implemented the Interactive Voice Response (IVR), which is an automated phone system technology that allows incoming callers to access information via a voice response system with pre-recorded messages without the need to speak to an agent. Callers can also utilise the menu options via a touch-tone keypad selection and have their calls routed to the specific options.

The IVR system is expected to pick up unattended enquiries, which are abandoned interactions, in real-time, especially during peak hours or disaster recovery. Furthermore, the IVR can assist in responding to the most common and frequently asked enquiries or requests.

Objectives of transforming the current IVR system into an intelligent response system:

- To create awareness and general ideas to end-customers on the usage of online platform, including the KWAP website and PSD online apps to obtain information;
- To attend to unattended enquiries on real-time basis as well as responding to the most frequently asked enquiries; and
- To encourage KWAP end-customers to participate and embrace the IVR technology for future practice.

Digitisation for Document Processes

Since the pandemic, hybrid modes of working have become more prevalent, necessitating the need to have access to information and documentation remotely to ensure business continuity. The digitisation initiative aims to implement a digital document management system to facilitate the challenges in managing pension-related documents given the circumstances. This initiative improves access to documents as digitised documents can be accessed anywhere and at any time. This is to ensure that business continuity is in place should there be instances when the physical document and the physical office are not accessible by the working team.

This initiative will be implemented in four phases according to the complexity of their processes, which will include application for information update, post-retirement processing and pre-retirement processing. The implementation of digital processing in Phase 1 was implemented by leveraging the existing CRM system for task escalation. For Phase 2 onwards, the escalation module and document storage platform to replace the dependencies on physical documents will be developed in the existing core system, Power Gen 2.

STAKEHOLDERS' WELL-BEING

The following is the list of documents processed digitally in 2021:

Change of Monthly Pension Payment Method (for Scheme A & Scheme B)		Marriage and Divorce Status Update
Death Status Update	Dependant Update	Change of Bank Account

Robotic Processing Automation (RPA)

The Robotic Processing Automation (RPA) initiative intends to replace manual operations with intelligent software to improve business efficiency and accelerate KWAP's digital transformation. In 2021, KWAP implemented three RPA initiatives to improve productivity, enhance quality and save costs.

Initiative 1: Batch Processing for Monthly Pension Processing

Prior to the RPA implementation, executing, monitoring and validating batch processing of monthly pension payments for over 700,000 pension recipients takes many extra hours, going up to two am or longer. With the RPA, the team will be notified by SMS and email of a success status or issues that require attention.

Initiative 2: Processing for Monthly Payment Instruction

Once monthly pension processing data is completed, payment instructions to the bank in the form of Electronic Fund Transfer (EFT) or post-dated warrant are prepared. Prior to the RPA, the task requires a lengthy process that demands working late into the night. With the RPA, the team can monitor the status of the process from the convenience of one's home.

Initiative 3: Printing of Kad Pesara

Printing of pensioner identification card (Kad Pesara) and its related documentation for new pensioners and card replacement is necessary and important, but mundane, with vast waiting time spent between sending the job and completing it at the printer. The RPA shortens the time by executing and completing the printing task letters before the operation staff reaches the office.

More tasks leveraging RPA to increase operational efficiency have been identified under a future RPA roadmap, including introducing a Centre of Excellence for internal expertise and preparing KWAP for digital transformation.

Enhancement of Pension Management System (PG2)

The current Pension Management System (PG2) is supported by internal developers to cater for the dynamic requirements of the user and changes imposed by the Government. In 2021, 66 major enhancements and 222 minor enhancements to PG2 were made. Some of the critical enhancements done to PG2 are as below:

Cloud Approval for Medical Payment

The Pension Operations team processes a large number of medical claims daily, but the payments can only be approved once the fund is provided by PSD. The Operations Team would then need to review and approve a large number of accumulated claims at once, causing pressure in completing the approval process in a relatively short duration of time. The enhancement allows authorised officers to virtually approve the claims even without the availability of the fund to make payment. Once the fund is available, those previously approved payments can be paid directly without further processing.

Enhancements for KWAP New SLA with PSD

A new SLA component for Pension Processing was included under the Agency Contract Renewal. To meet the new SLA component, 12 enhancements on PG2 were introduced, which include changes to the data entry screen, the logic of the process flow and the presentation of data in the dashboard.

STAKEHOLDERS' WELL-BEING

PENSION SERVICES

Processing of Payment for Balance of Gratuity Amount

Due to the timeliness of the provision of required information by relevant external parties, KWAP has to proceed with payment of the 50% gratuity amount. Once the required information is available, KWAP then proceeds with the remaining payment. However, the monitoring of the balance is done outside of PG2 with the potential for missing payment. This is addressed through the enhancement of new transactions and workflow to handle the balance of gratuity payments in PG2 and provide updated status and action required on the balance for each gratuity payment.

Approval for Optional Retirement in PG2

Currently, PSD approves or disapproves an application for optional retirement which is done outside of the KWAP Pension Management System (PG2). The approval process is managed and monitored manually, which could lead to instances of oversight. With enhancements made to the PG2, the authorised PSD user can now view, process, approve and monitor applications for optional retirement directly from the PG2. The enhancement is in line with the recommendation by the PSD's legal adviser to ensure that all critical transactions can be monitored and controlled in a computerised system.

The Government announced a new calculation for the benefit of retirement due to health (Atas Sebab Kesihatan or ASK). The PG2 did not have a function to calculate the service period based on the new requirement. A major enhancement was done to the PG2 to add the required layers of benefit workflow, from registration to calculation to payment. Due to the urgency of this requirement, one phase of the major enhancement was delivered in less than two months.

Data Integration to and from PG2

The KWAP Pension Management System (PG2) uses and shares information with external systems to increase the accuracy and reliability of its data. KWAP collaborates with other government agencies to transfer and receive data using a secure protocol and a defined process, with the approval of PSD as the data owner. A Non-Disclosure Agreement (NDA) or a Memorandum of Understanding (MoU) was signed by both parties to ensure the legality and validity of the data exchanges between the parties.

In 2021, KWAP engaged with Pusat Perubatan University Malaya (PPUM), Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) and Jabatan Kemajuan Islam Malaysia (JAKIM) to understand the requirements and design process for data integration

OPERATIONAL OR EMPLOYEE ENGAGEMENT

Keeping Engaged with Stakeholders

KWAP maintained active engagement with stakeholders throughout the year and conducted various talks and briefing sessions for government organisations and future pensioners, despite the challenges posed by the COVID-19 pandemic. The purpose of these programmes is to educate future retirees on their retirement, their benefits and other pension-related matters.

A total of 34 engagements were conducted in 2021. Given the circumstance, most of the programmes were done virtually, while physical engagements were conducted with strict adherence to SOPs. Below are some of the activities conducted:

Online

- Ministry of Tourism, Arts and Culture (MOTAC) – Preparation of information for documentation of retirement and death services
- Federal Agricultural Marketing Authority (FAMA) – Pre-retirement course
- Community Development Department (KEMAS) – Retirement Benefits and Management Course
- Perak Islamic Religious Department – Retirement Documentation Course

Physical

- Kem Terendak Melaka, Markas 10 Briged – Post Service Pension Management Course
- Kluang City Council– Pre-retirement course
- Universiti Kebangsaan Malaysia (UKM) – Retirement Documentation Course

STAKEHOLDERS'
WELL-BEING

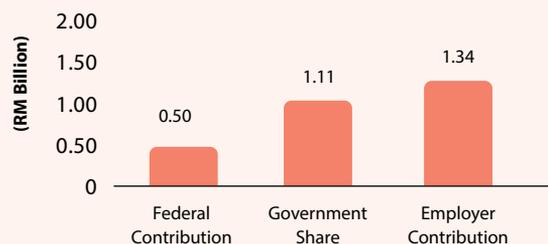
CONTRIBUTION MANAGEMENT

One of KWAP's primary roles is to manage the pension contributions from the Federal Government, contributing agencies and employers comprising of statutory bodies, local authorities and agencies.

CONTRIBUTION PERFORMANCE

Total
Contribution
Collection

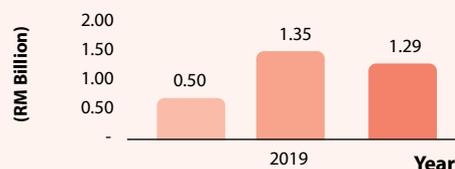
The total contribution collected as at 31 December 2021 was RM2.95 billion, comprising of Federal Contribution at RM0.5 billion, Government Share at RM1.11 billion and Employer Contribution at RM1.34 billion.

Total Contribution Collection as at
31 December 2021

Contribution Collection Year 2019-2021

For the last three years, the Federal Contribution stood at RM0.5 billion annually. The government share was in a decreasing trend, from RM1.35 billion in 2019, RM1.14 billion in 2020, to RM1.11 billion in 2021 mainly due to lower remittance from Kumpulan Wang Simpanan Pekerja (KWSP) and Lembaga Tabung Angkatan Tentera (LTAT). The employer contribution was relatively stable, with annual remittance received slightly above RM1.34 billion.

Contribution Collection Year 2019-2021



● Federal Contribution ● Government Share ● Employer Contribution

STAKEHOLDERS' WELL-BEING

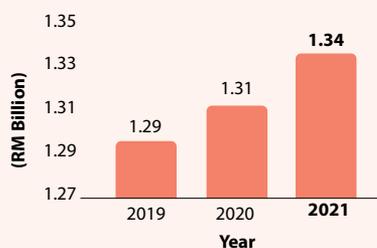
CONTRIBUTION MANAGEMENT

Employer Contribution Collection

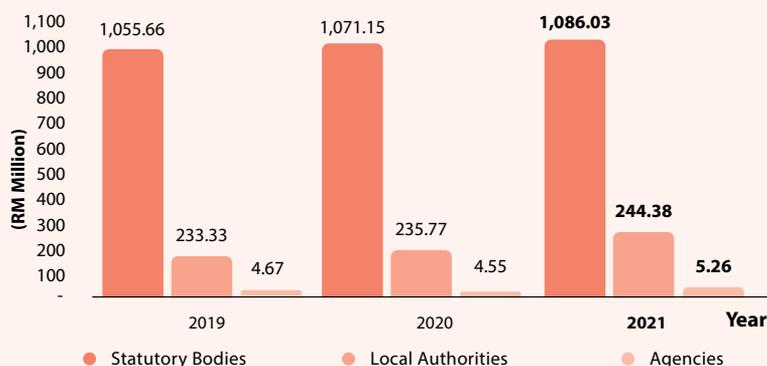
Employer contribution for 2021 amounted to RM1.34 billion which was dominated by statutory bodies at RM1.09 billion, followed by local authorities at RM0.24 billion and agencies at RM5.26 million.

Since 2019 till 2021, the overall employer contribution has progressively increased every year reflecting the annual increase in civil servants' salaries, new employees awarded pension status and salary adjustments.

Employer Contribution Collection



Employer Contribution (By Employer Type)



CONTRIBUTION PERFORMANCE

Employer Demographics

As at 31 December 2021, the highest number of contributing employers are residing in Klang Valley, which comprising of 30% from the total contributing employers.

As for the breakdown by employer types, the Federal Territory of Kuala Lumpur has the higher statutory bodies and agencies at 61, compared to Selangor at 52. Meanwhile, Sarawak has the most local authorities contributing to KWAP.

No.	State	Type of Employer			Total
		Statutory Bodies	Local Authorities	Agencies	
1.	Perlis	5	1	3	9
2.	Kedah	11	12	5	28
3.	Penang	9	2	5	16
4.	Perak	6	15	5	26
5.	Selangor	28	11	24	63
6.	Negeri Sembilan	6	7	3	16
7.	Melaka	10	4	6	20
8.	Johor	11	16	12	39
9.	Kelantan	13	12	2	27
10.	Terengganu	10	7	9	26
11.	Pahang	12	11	6	29
12.	Sabah	15	25	6	46
13.	Sarawak	18	26	11	55
14.	Federal Territory of Kuala Lumpur	33	2	28	63
15.	Federal Territory of Putrajaya	6	0	14	20
16.	Federal Territory of Labuan	2	0	0	2
Total		195	151	139	485

STAKEHOLDERS' WELL-BEING

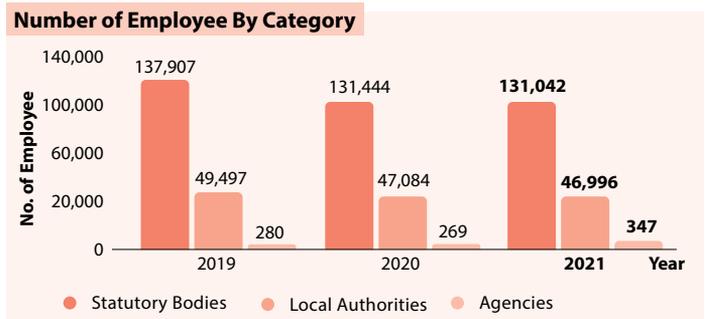
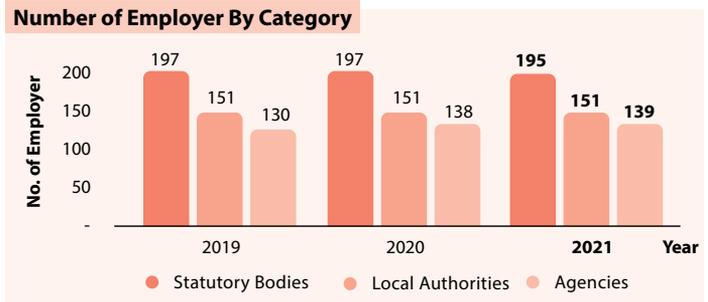
CONTRIBUTION PERFORMANCE

Number of Employer by Category

Overall, the number of employers by category from 2019 to 2021 decreased for statutory bodies by 1% due to the dissolution of several statutory bodies. However, the growth of employers for agencies increased due to the movement of secondment officers to the new agency.

The decrease in the total number of employees in 2021 is partly due to a data-cleansing exercise conducted on retired and deceased members, aside from typical retirement and deceased cases among the employees.

The increase in employees for agencies is due to new secondment officers assigned to these agencies.



CONTRIBUTION PERFORMANCE

Strengthening Performance and Engagement

The department undertook various initiatives in 2021 that focused on enriching stakeholders' understanding of the Contribution function, while improving the overall department operations and enhancing the management of pension contribution.

In ensuring adherence to regulation and relevant Acts and Circulars in contribution collection, the department has conducted 53 enforcement programmes with contributing agencies throughout Malaysia. The department has also conducted 10 engagement programs with various agencies with the objective of creating awareness in contribution compliance.

Among the initiatives taken for the year under review included engagement programmes such as Employer Interactions, introduction of a new engagement channel with employers, introduction of a Self-Compliance Checklist to secondment agencies, and establishment of a database on seconded officers with appointing authorities.

The department is committed to reaching our stakeholders in terms of creating awareness through continuous engagement programmes. As such, the department has taken the initiative to conduct a virtual Contribution Workshop to provide training and guidance to improve employers' understanding on contribution management topics and subsequently close the operational gaps identified. A total of six sessions have been conducted with total participation of 689 employees. Overall, the department achieved an evaluation score of 4.4/5.00 or 88% which is deemed as satisfactory. The introduction of the Self Compliance Checklist to secondment agencies was aimed to ensure that employers complied with the Acts and Circulars pertaining to contribution management. A total of 142 employers have been selected for the programme with a total response of 82 employers or 57.7% employers.

A new engagement channel with employers was introduced in 2021. Seven short videos related to contribution management topics were developed to cultivate awareness on KWAP's contribution management, not only to contributing employers but also to the public. The videos have been published on KWAP's website and social media channels, namely Youtube and Instagram.

IMPROVING OUR PROCESSES

INVESTMENT SUPPORT AND SERVICES

The Investment Support and Services supports the business activities of KWAP's investment departments. Its main functions are investment settlement and clearance, data and reference management, and custodial management, including record maintenance and safekeeping, as well as preparing KWAP's International Investment Position report as per Bank Negara Malaysia's requirements which are submitted to the central bank every quarter.

INVESTMENT SUPPORT AND SERVICE ACHIEVEMENTS

The Investment Support and Services achieved its core objective for the year under review, namely having no settlement failures and no late reporting to the regulators. We provided end-to-end support for 20 initiatives across the whole organisation.

We also met the target at 92.9% service level index for the Customer Service Review 2021, which was an increase of 0.36% from the previous year. We managed to get the approval for the RENTAS ISO 20022 Migration Project which is on track to kick-start in 2022.

INFORMATION TECHNOLOGY

ACCELERATING TECHNOLOGY TRANSFORMATION

Given the increasingly accelerated digital transformation within the operating environment, KWAP initiated various enterprise-wide technology-related initiatives to support the new ways of working. The initiatives were focused on accessibility to and mobility of IT systems and infrastructure, enhanced security, and continuous improvement of business systems.

Technology Refresh and System Upgrade

We instituted a technology refresh and system upgrade to ensure the smooth delivery of a productive, secure and uninterrupted working environment for KWAP's workforce and management. Through this initiative, over 501 laptops and desktops, and 30 iPads were replaced with new devices; while 15 new servers were deployed to improve computing and infrastructure resources for better system performance, reliability and stability.

KWAP is embarking on a three-year roadmap to enhance the IT infrastructure through the cloud and hybrid cloud adoption. The use of a hybrid data centre strategy will allow KWAP to create the right mix of cloud and traditional technologies to suit business needs and promote greater efficiency, reliability and agility.

Enhance Cyber Security

Given the rapid evolution of technology and the changing parameters of business requirements, security threats need to be constantly monitored and proactively addressed. KWAP enhanced its cyber security ecosystem to focus on Data Leakage Protection (DLP) system upgrade with improvement in security detection of data breaches, unauthorised data transmission or exfiltration. Additionally, the Content Delivery Network (CDN) was rolled out, which acted as a virtual high-security parameter to prevent attacks on KWAP sites.

Inculcate Cyber Security Culture

KWAP embarked on a year-long online journey known as the Immersive Information Security Awareness Programme to inculcate a cyber security-aware culture by upskilling employees with knowledge of information security awareness and empowering them to take personal responsibility to protect KWAP's information by highlighting the policies and procedures that are in place. As a result of the year-long programme in 2021, the probability of KWAP becoming victim to phishing or malicious email decreased, and overall cyber security risk score reduced as compared with 2020.

Introduction of New and Improvement of Existing Business Systems for Operational Excellence

In 2021, numerous developments and enhancements on business systems improvements were implemented to provide a seamless user experience, increase productivity and efficiency, and reduce operational costs with secured platforms.

A data centralisation platform for investment cash flow semi-automation, namely Kashflow System, was developed internally and introduced as a central platform for daily investment cash flow reports. The Integrated Investment Dashboard was also enhanced to further support the enterprise-wide investment strategy and performance indicators.

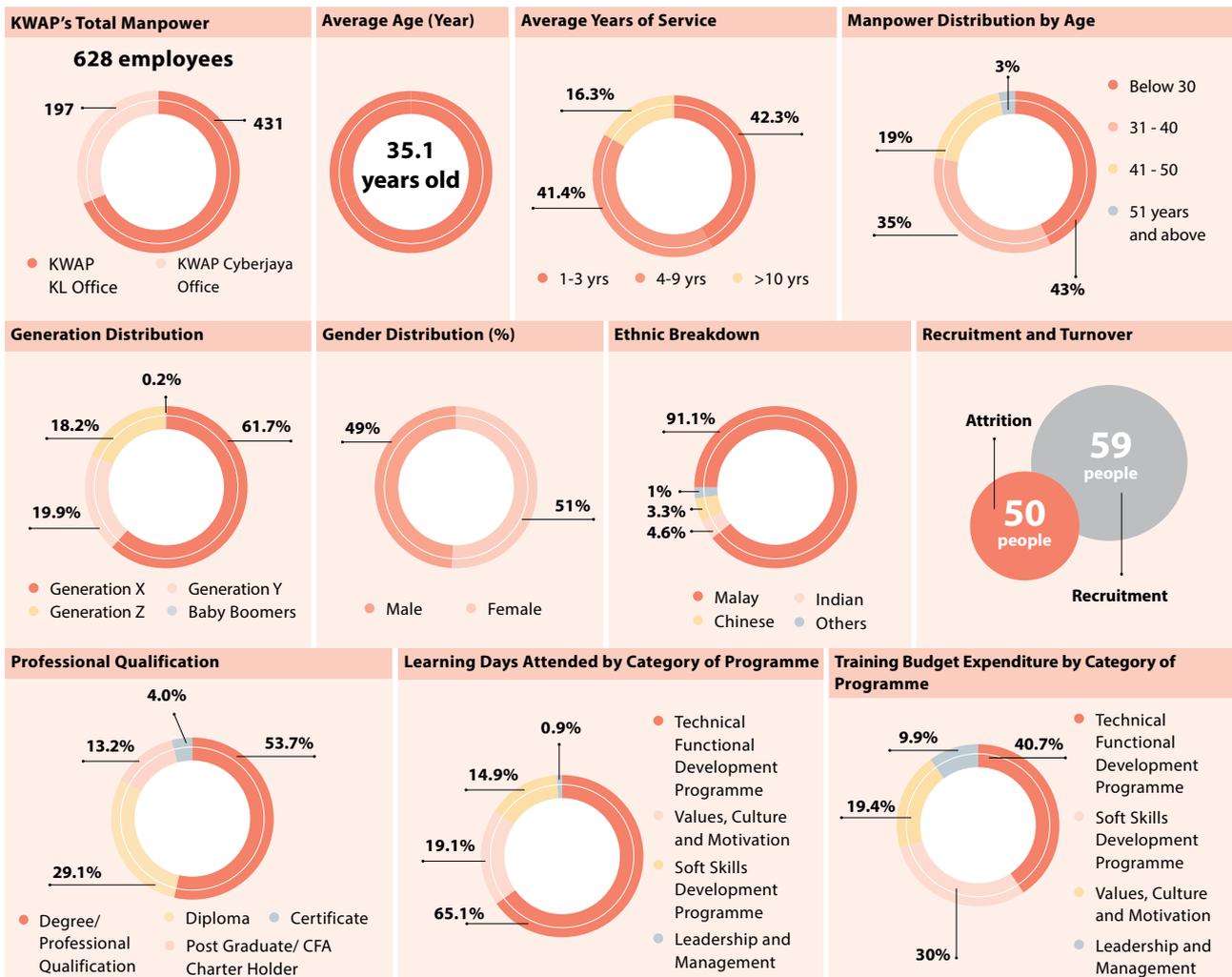
Other systems' improvements include the implementation of a new executive paperless meeting solution to facilitate online meetings with secured control, enhancement of the Contribution Reporting System for operational efficiencies and implementation of Employee Health Declaration using Robotic Process Automation technology to automate the employees' monitoring process.

NURTURING OUR EMPLOYEES

HUMAN RESOURCE

Our most valuable asset at KWAP is our people, who share the same commitment to serving the needs of our stakeholders and building a sound retirement for Malaysia's public service employees. We strive to provide our employees with an environment where they feel safe, valued, engaged, respected and recognised for their value, more so as we have been operating in a vastly changed environment since the onset of the COVID-19 pandemic. While we prioritise employee health and well-being, we also ensure that they are well-equipped to discharge their roles and responsibilities by enabling them with a continuous learning environment and empowering them to succeed.

EMPLOYEE DEMOGRAPHICS



NURTURING OUR EMPLOYEES

HUMAN RESOURCE

LEARNING AND DEVELOPMENT

KWAP Learning, Engagement, and Advisory Programme (LEAP)

The KWAP Learning, Engagement, and Advisory Programme (LEAP) is an initiative to create a formalised framework to strengthen the relationship with external fund managers (EFMs) that are managing the KWAP portfolio. As the main focus for appointing EFMs is to further diversify KWAP's sources of investment returns, such engagement also formally pave the way for EFMs to share their expertise with KWAP, benefitting staff capital development in an well-organised manner. The LEAP leverages on the smart partnership that exists with the EFMs and places emphasis on value-add and knowledge transfer that focuses on bridging the knowledge gap in numerous investment topics across all departments to support greater innovation and transparency as well as promote a common understanding of KWAP's investments for the benefit of KWAP employees.

The engagement seeks to primarily maximise non-monetary returns from the managers to enhance KWAP's operational competency and readiness to execute existing and new investment strategies. The LEAP modules are tailor-made and developed to address capability needs in collaboration with the several departments.

The pilot modules were successfully conducted in 2021 by experienced speakers from two of KWAP's appointed EFMs and were conducted online from September to October 2021. The modules were delivered over six-day sessions on the topic of factor investing, with 242 people from various departments attending with an average of 40 people per session.

LEAP will be expanded to include other topics of interest to internal talent from investment and non-investment departments, upon mutual agreement between KWAP and the EFMs and designed based on the needs and requirements of KWAP.

KWAP's Learning Management System (LMS)

KWAP established the Learning Zone, KWAP's Learning Management System (LMS), in April 2021 in response to continued demand for digital learning. The Learning Zone digital learning platform complements conventional training offerings, and promotes learning flexibility without place and time constraints. There are currently up to 40,000 training courses provided for users to continuously learn via the LMS Web.

The Learning Zone accelerated its functionality in 2021, by developing its own mobile application platform with new features such as "chat" and "teams" features that allow users to share reading materials for better engagement. The platform also allows participants to curate their learning journeys and host webinars. The mobile app acts as a quick and concise version of the LMS web for users to maintain their productivity even on the go. Users will be rewarded with points and learning hours for every module that they are enrolled in. Apart from the mapped core and functional competencies, recommended courses will skew heavily based on users' personal learning preferences on the platform.

Over 4,060 modules were completed in the Learning Zone between April and December 2021, with a 96% completion rate. Survey respondents agreed that the Learning Zone could support them in meeting their learning objectives and annual training KPIs.

KWAP Upskilling Programme

The KWAP Upskilling Programme reflects KWAP's commitment to enabling our workforce to upskill to adapt to new tasks, challenges, and changes. The programme was developed in collaboration with the Azman Hashim International Business School (UTM-AHIBS) for non-executives with the aim of enabling the KWAP workforce to continuously meet industry standards, pave the way for career advancement, and produce competent talent who are future-ready.

NURTURING OUR EMPLOYEES

From 2020 to 2021, 14 highly motivated non-executives enrolled in five Malaysian Qualifications Agency (MQA) accredited MBA courses designed specifically for KWAP. They underwent rigorous developmental journeys, took on challenging assignments, and went to classes after work hours including weekends. The participants showed improvement in existing competencies and developed greater capabilities. In December 2021, all 14 participating non-executives graduated with honours from KWAP and UTM-AHIBS with a mini-Master of Business Administration, MBA.

RECRUITMENT AND MANPOWER PLANNING

KWAP Young Talent (KYT) Programme

The KWAP Young Talent (KYT) programme is a Management Trainee Programme established in 2014 to prepare talents with the potential to become future leaders and experts in the industry. The programme provides on-the-job learning/training for young talents, career enhancement and opportunities through various interventions to increase young talents' competencies, as well as help them build business and leadership savviness.

Revisions were made to the KYT programme in 2021 with the aim to enhance the current talent development programme, address issues of graduate unemployment in Malaysia and assist the Government in job placement for recent graduates, and create a talent pipeline for KWAP in particular and Malaysia in general. The revised programme now welcomes local and overseas graduates from various disciplines. Through fixed placements, the two-year programme provides on-the-job training opportunities for talents. The programme intake for 2021 was advertised through KWAP's online and social media platforms, with virtual interviews conducted with the candidates in light of the pandemic. A total of 29 talents were offered a place in the programme in 2021 via three intakes in August, October and November. Participants underwent a one-month virtual training and developed interpersonal and soft skills, and familiarised themselves with the organisation before being deployed to their respective departments.

TALENT MANAGEMENT

KWAP 360-Degree Evaluation Exercise

As part of strengthening KWAP's leadership development journey, the KWAP 360-Degree evaluation provides holistic feedback to better facilitate employees' understanding of their strengths, potential gaps and development opportunities. It also provides employees with the opportunity to provide other participants with useful and relevant feedback.

A total of 85 participants comprising C-level, Director, and Middle Management level participated in the first phase of the 360-Degree Feedback Survey with 95.6% of completion rate. The overall group ranking on critical competencies show Integrity, Professionalism and Synergistic Leadership as the top three clear strengths of KWAP's leadership group.

Saville Leadership Impact Assessment

The Saville Wave Professional assessment is a psychometric self-assessment to assess leadership effectiveness and identify potential interventions. A total of 62 participants out of 85 from the Vice President level and above took the assessment in 2021. Findings show that as a Professional Leader, the majority of KWAP leaders have a strong inclination toward a role where they are required to be Meticulous and Activity Oriented, Organised and Reliable, Conforming and Principled, as well as Practically Minded and Factual.

This cements KWAP's approach to supporting its people to leverage their strengths and be ready to champion the organisation's transformation initiatives 2022-2025

NURTURING OUR EMPLOYEES

HUMAN RESOURCE

EMPLOYEE AND INDUSTRIAL RELATIONS

Employee Engagement in the New Normal

Given the backdrop of operating under the pandemic challenges, KWAP launched an employee engagement programme under the theme “Employee Engagement in the New Normal” to support employees in adapting to the new work culture. In 2021, the Employee Engagement activities focused on conceptual initiatives that aimed to offer an immersive and engaging learning platform to assist employees in adjusting to their new work environment, and ensure that the new work culture remains a long-term sustainable work culture for KWAP. A series of well-being and engagement-related content programmes were organised in 2021 as follows:

No.	Name of Programme	Objectives/Key Points
1.	Webinar series on employee well-being	• Raise employee awareness on matters of employee well-being specifically to cope with the COVID-19 pandemic.
2.	Twice weekly virtual fitness class through KWAP Fitness Club	• Encourage employees to be active and fit after work hours during the work-from-home (WFH) work arrangement.
3.	Educational and awareness talks on COVID-19 vaccination	• Increase awareness of the importance of the immunisation programme in combating COVID-19 and supporting the country in establishing herd immunity.
4.	Virtual Teambuilding	• First virtual teambuilding event to support the goal of enhancing team bonding among KWAP employees with 94.86% of participation rate.
5.	Virtual Team Mingling (ViTaMin D)	• Self-organised and subsidised department engagement activity aimed at improving team relationships and communication among department team members, with 95.24% of participation rate.
6.	Amity Wellness Programme	• Continuation to the programme, which was launched in 2020, the Amity Wellness Programme is a counselling and psychosocial intervention support under the Employee Assistance Programme that allows our employees to seek safe, trusted, and confidential consultation from certified psychologists to help them manage their thoughts and emotions.
7.	Mental Health Awareness Series	• Four talk sessions were conducted virtually to raise awareness, educate employees on mental health and wellness-related topics, as well as eliminating the stigma associated with mental health and empowering one another during the pandemic.
8.	#KWAPSejiwa	• In conjunction with the 64 th Merdeka celebration, a few activities were organised throughout August under the #KWAPSejiwa banner such as Art Forum, Art Class and Inter-department Merdeka Competition.
9.	CEO Mandate and Monthly Town Hall	• CEO Mandate was held online and KWAP's achievements in 2020 was shared by the CEO, as well as its goals and aspirations for 2021. • The CEO Town Halls were conducted monthly as a platform for the CEO and senior management to update KWAP employees on important information, and for employees to ask questions or provide feedback directly to the management.
10.	Investment Workshop	• Showcase an integrated view of the 2022 investment division's business initiatives, PERKUKUH initiatives, investment and divestment activities, annual budget, as well as income target and total returns.
11.	Pension Workshop	• Provide an avenue for participating employees to recognise KWAP as a key player in Malaysia's pension ecosystem, reaffirm KWAP's commitment to providing excellent services to pension recipients, promote a service mindset to KWAP employees and to discuss on action plans and execution strategies.
12.	Prima Ekuiti Workshop	• Facilitate four strategies of the restructuring process, namely defining strategies, 360-degree analysis, options to be considered and implementation. • Identify the strengths and weaknesses of the current Prima Ekuiti (UK) Limited structure.

Managing Employees In Pandemic Environment

Given the challenging operating environment, KWAP prioritised the health and safety of all its employees. Employees and their dependants were provided with COVID-19 swab tests to be conducted on a weekly basis. KWAP bears all costs for the COVID-19 swab test taken by KWAP's employees and dependents, and the test kits were distributed to all KWAP employees on a monthly basis.

We also conducted vaccine awareness campaigns to raise awareness and emphasise the necessity of vaccination. Close monitoring of COVID-19 pandemic was done via the enhanced Health Tracker app and the use of RPA and ETL for Employee's Daily Health Self Declaration.

MAKING A POSITIVE SHIFT IN CARING FOR OUR COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY

To be a socially responsible and caring organisation, we strive to care for and empower our communities to improve their lives through KWAP's corporate social responsibility (CSR) initiatives. During the reporting period, the COVID-19 pandemic presented challenges in how we engaged and supported our communities.

We adjusted to new ways of supporting our community and focused our CSR efforts on helping the underprivileged and marginalised segments of society. Despite the circumstance of the pandemic, KWAP organised almost 150 virtual, hybrid and physical events in 2021 and shifted towards leveraging digital platforms, which was pivotal in achieving KWAP's Mission, Vision and Core Values.

KWAP Prihatin 2.0 – PPR Raya Permai Programme

We continued with the second iteration of the KWAP Prihatin initiative, which was first introduced in 2020 to support communities affected by COVID-19. Through the KWAP Prihatin 2.0, launched in March 2021, we strived to ease the burden and difficulties faced by the urban poor communities affected by the pandemic. This segment of the urban poor community comprised those under the bottom 40 income bracket (B40) category, families with pensioners or disabled children, and those who may have lost their jobs during the Movement Control Order (MCO).

KWAP Chief Executive Officer, Puan Nik Amlizan Mohamed and senior management were present at the location to hand the relief packages to the beneficiaries.

Kasih KWAP Programme

Throughout the holy month of Ramadhan, we conducted various activities under the Kasih KWAP banner in the targeted locations. These activities were actively participated by KWAP volunteers. Below are the activities conducted throughout the month:

Distribution of Dates

A total of 1,150 packs of dates were distributed to all KWAP employees and pensioners who visited KWAP's Customer Service counter as well as to selected Pensioner Associations, namely Persatuan Pesara Kerajaan Malaysia (PPKM) and Kelab Pesara Kerajaan 1Malaysia (KUPEKMAS).

Tazkirah Ramadhan

One of the key events during Ramadhan in 2021 was the *Tazkirah Ramadhan*. Several renowned religious speakers were invited to deliver talks virtually. The one-hour talk saw an average of 250 employees participating in this session, covering topics such as "*Amalan Yang Ditolak*" by Ustaz Elyas Ismail, "*Ramadhan: Sekadar Mencari Pahala*" by Ustaz Dato' Daud Che Ngah, "*Apa Itu Kebahagiaan*" by Ustazah Nurhafizah Musa and "*Sifat Riak dan Takabbur*" by Ustaz Dato' Badli Shah Alauddin.

Ihya Ramadhan

The *Ihya Ramadhan* programme was conducted at two mosques in Shah Alam namely Masjid Al-Falah and Masjid Himmatul Aliyah. At these mosques, 100 relief packages consisting of necessities were donated to the needy. The donation recipients include pensioners and low-income families identified by the respective mosques.

2,000 packs of *bubur lambuk* were distributed to the mosques' communities after the *Tarawih* prayers.

Meriah Raya Programme

The *Meriah Raya* programme was conducted at the Rumah Bakti Al-Kausar and Rumah Nur-Ain in May 2021, with the aim to bring joy to 60 orphans during Ramadhan and in preparation for *Hari Raya Aidilfitri* celebration.

KWAP volunteers had spent the evening with the orphans, they were also given shopping vouchers and *duit raya*.

Wonderful Raya with Old Folks

To continue KWAP's yearly efforts to connect and support the old folks, KWAP had conducted the Wonderful Raya with old folks at Rumah Ehsan and Rumah Al-Ikhlas. KWAP had donated necessities and healthcare items to these homes, which had benefitted 174 residents in total.

MAKING A POSITIVE SHIFT IN CARING FOR OUR COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY



KWAP Prihatin 3.0 - Flood Relief Mission

The torrential downpour in December 2021 that caused massive flash floods resulted in damage and destruction to homes and lives. Unfortunately, 28 KWAP employees residing in the Klang Valley, were direly affected by the situation. KWAP assisted the affected employees, including their family members, pensioners and the communities by mobilising 40 KWAP volunteers to assist with the post flood cleaning works.

World AIDS Day

In conjunction with the International World AIDS Day celebrated on 1 December annually, the Malaysian AIDS Foundation, together with the support from the Ministry of Health (MOH), initiated the World AIDS Day 100,000 Steps to End AIDS Virtual Walk/Run event with the aim to end AIDS by 2030. 50 KWAP employees participated in the event to show support.

04

PLEDGE TO UPHOLD INTEGRITY, ACCOUNTABILITY AND TRANSPARENCY

KWAP continues to preserve and strengthen our strong corporate governance that is built on the sound principles of ethics and integrity. We endeavour to build a culture of governance and integrity in everything we do to deliver on the purpose entrusted to us.

CORPORATE GOVERNANCE

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BOARD MEMBERS

YBhg. Datuk Seri Asri Bin Hamidon @ Hamidin

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

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 an Administrative and Diplomatic Officer in the Public Service Department from March 2003. Datuk Seri Asri continued his service as the Principal Assistant Secretary at the Ministry of Finance (MOF) and has held several other 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 was later appointed as the Deputy Secretary-General (Policy) prior to his current position.

Datuk Seri Asri presently sits on the Boards of Lembaga Tabung Haji, Tenaga Nasional Berhad, Permodalan Nasional Berhad, and IJN Holdings Sdn Bhd. He is also currently the Chairman of Digital Nasional Berhad.

He obtained Bachelors' in Economics (Hons) from University Malaya in 1990, Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1996 and Masters' in Economics from Hiroshima University, Japan in 2006. Datuk Seri Asri also attended the Harvard Premier Business Management Program in 2010.

YBrs. Encik Adnan Zaylani Bin Mohamad Zahid

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

Board Committee

BRCC

BNRC

BPC

Experience:

Encik Adnan Zaylani has been a member of the Board since 7 June 2016.

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

Key Committee:

BNRC

Board Nomination and
Remuneration Committee

BIRC

Board Integrity and Risk
Committee

BAC

Board Audit
Committee

BOARD
MEMBERS**YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin**

Ministry of Finance's Representative
Section 6(4)(c) Retirement Fund Act 2007

Board Committee

BNRC

BAC

Experience:

Puan Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin has been appointed as a member of the Board on 14 July 2020.

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 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 the Advanced Leadership Development Programme with Razak School of Government.

Puan Anis Rizana is currently the Deputy Secretary General of Treasury (Investment), with the MOF. She started her career in early 1993 serving the private sector in the stockbroking firms and manufacturing industry before joining the public sector in 1994. She was appointed as the Senior Private Secretary to the Minister of Finance in 1999. She also served as the Principal Assistant Secretary in various divisions under the MOF such as the Finance Division; MOF Inc.; Privatisation and Coordination Division; Loan Management and Finance Policy Division; Economics and International Division and Budget Management Division.

In 2008, she was appointed as the Deputy Under Secretary at the Investment, MOF Inc. and Privatisation Division and subsequently

after her two-year stint at Malaysia Airports Holdings Berhad as the General Manager, Corporate Planning under the Cross Fertilisation Programme (Khazanah Nasional Berhad/Public Service Department), and served as the Head of Economic Stimulus Secretariat Unit, MOF. In 2009, Puan Anis Rizana also served as a Special Function Officer to the Chief Secretary of the Government under the Prime Minister's Department. Subsequently in 2012, she was appointed as the Deputy Under Secretary, Remuneration Policy, Public Money, and Management Services Division.

Puan Anis Rizana served as Director of the Integrity and Governance Division (NKRA Against Corruption) in 2014, before being appointed as the Senior Research Fellow and thereafter assumed the responsibility as the Head of Cluster for Development and Policy Research at INTAN, Bukit Kiara. In 2018, she was appointed as the Head of Cluster for the Economics and Public Finance Cluster in INTAN. She was thereafter promoted as the Deputy Secretary General (Operations) for the Ministry of Women, Family and Community Development in 2019 before assuming her current position.

She is currently a Director of Telekom Malaysia Berhad, Lembaga Tabung Angkatan Tentera (LTAT), Pelaburan Hartanah Berhad, Aset Tanah Nasional Berhad and a Member of the Energy Commission. She also serves as Director in private companies under the purview of MOF.

BPC

Board Procurement
Committee

BIC

Board Integrity
Committee

BRCC

Board Risk and
Compliance Committee



Chairman



Member

BOARD MEMBERS

YBhg. Tan Sri Mohd Khairul Adib Bin Abd Rahman

Federal Government's Representative
Section 6(4)(e) Retirement Fund Act 2007

Board Committee **BIC**

Experience:

Tan Sri Mohd Khairul Adib Bin Abd Rahman was appointed as KWAP Board Member on 1 February 2021. He is currently the Director General of Public Service Department of Malaysia.

He has served more than 33 years in the civil service since he joined as an Administrative and Diplomatic Officer in 1998.

Tan Sri Khairul Adib has vast experience in management and public service and has served as Secretary-General and Deputy Secretary-General at the Ministry of Transport and as Division Secretary at the Ministry of Education and Ministry of Science, Technology and Innovation (now known as the Ministry of Energy, Science, Technology, Environment and Climate Change).

He has also served at the Ministry of Natural Resources and Environment (now the Ministry of Water, Land and Natural Resources) and as the Malaysian Education and Training Adviser in Tokyo and London.

Tan Sri Khairul Adib holds a Bachelor in Science from Universiti Kebangsaan Malaysia and a Master's degree in Policy Science from Saitama University, Japan.

YBhg. Datuk Siti Zainab Binti Omar

Attorney General's Chamber of Malaysia

Board Committee **BPC** **BIC**

Experience:

Datuk Siti Zainab has been a member of the Board since 1 March 2016.

Datuk Siti Zainab read law and obtained LLB (Hons) from the University of Essex, 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.

She is currently the Solicitor General II of the Attorney General's Chambers. Datuk Siti Zainab started her career in the Judicial and Legal Service of Malaysia as a Deputy Public Prosecutor in the Prosecution Division of the Attorney General's Chambers. She then served as Federal Counsel and a Senior Federal Counsel in the Advisory Division of the Attorney General's Chamber and served in many other Ministries such as the Ministry of Energy, Telecommunication and Posts and the Ministry of Work. In 2007 she was appointed as the State Legal Advisor of Malacca. She has also served the Ministry of Finance as Deputy Treasury Solicitor and in 2009 as the Treasury Solicitor.

She has numerous legal experiences in wide-ranging domestic and international matters. Some of the areas of expertise are those relating to privatisation matters and other specific legal areas such as constitutional law, finance and Islamic law, corporate, contract and construction law. She is also involved and led many international negotiations involving the Government of Malaysia.

During her tenure, she was trusted to hold special posts including directorships in governmental statutory bodies and companies such as Syarikat Perumahan Negara Berhad, Usahasama SPNB-LTAT Sdn Bhd, Indah Water Konsortium Sdn Bhd, Sepang International Circuit Sdn Bhd, Syarikat Air Melaka and Melaka State Development Corporation. She was also appointed as one of the committee members in the Law Harmonisation Committee in Islamic Finance established by the Central Bank of Malaysia. She is now the Chairman of Labuan Financial Services Authority and a member of the Board of Directors of Malaysia Rail Link (MRL) Sdn Bhd.

Key Committee:

BNRC

Board Nomination and
Remuneration Committee

BIRC

Board Integrity and Risk
Committee

BAC

Board Audit
Committee

BOARD
MEMBERS**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

BIC

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 the Accountant General's Department (AGD) Malaysia. He is also a Chartered Accountant (Malaysia), a 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 Director of Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), Perbadanan Insurans Deposit Malaysia (PIDM) and Lembaga Hasil Dalam Negeri (LHDN).

Datuk Dr. Yacob holds a Bachelor in Accounting from Universiti Malaya, a Master 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

BRCC

Experience:

Dato' Azmi Bin Abdullah has been a member of the Board since 20 September 2012.

He is currently a Director of Ireka Corporation Berhad. 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 four 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 Bachelor in Economics from Universiti Kebangsaan Malaysia (UKM) and was awarded an Honorary Doctorate in Business Administration from UKM on 16 August 2006.

BPC

Board Procurement
Committee

BIC

Board Integrity
Committee

BRCC

Board Risk and
Compliance Committee



Chairman



Member

BOARD MEMBERS

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 has been appointed as a member of the Board since 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 Chief Operating Officer of Digital Innovation and Transaction Banking at Hong Leong Banking Group. Prior to that, she 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). YM 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 holds an LLB (Hons) from the University of East London, United Kingdom and was awarded an Honorary Doctorate of Law from the same university.

YM Raja Teh Maimunah is a Member of the Board of Trustees of Amanah Warisan Negara and the Adviser on Islamic Banking and Finance to the World Islamic Economic Forum Foundation. She also sits on the Board of Advisors for PichaEats, a social enterprise.

YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain

Private Sector's Representative
Section 6(4)(f) Retirement Fund Act 2007

Board Committee



Experience:

Dato' Sri Sharifah Sofianny Binti Syed Hussain was appointed as a Board Member of KWAP on 1 March 2021 and subsequently appointed as KWEST Chairman on 8 March 2021.

Dato' Sri Sharifah's professional career has evolved from the management of corporate finances for one of the world's largest oil and gas companies, equity broking and trading, to creating financial structures for large corporates in the world of global banking. From 1 October 2015 to 30 September 2018, Dato Sri Sharifah served on the Board of PETRONAS, Malaysia's only Fortune 500 company, bringing with her a wealth of experience in the oil and gas industry from her time at both Shell Malaysia and Shell International. From her early career days, she demonstrated her depth and breadth of financial and negotiating capabilities which extended to regional and international shores. Dato' Sri Sharifah left Shell Malaysia after 11 distinguished years to begin a career in the capital market, which spanned 15 successful years at Kenanga Investment Bank, JF Apex and Maybank Investment Bank.

Her leadership and personal vision left lasting imprint on the businesses that she led. She has been a catalyst for organisational changes that have yielded efficiency and profitability outcomes, by creating sharper focus and accountability within her teams. Dato' Sri Sharifah's strengths have been recognised in her abilities to mobilise industry players, push boundaries through collegial relationship-building, and through her vision and organisational innovation. She is also known for her active involvement with various NGOs. On 4 March 2021, she was appointed to be a member of the National Employment Council (NEC) by the Prime Minister of Malaysia. This council was set up to address the unemployment situation caused by the COVID-19 pandemic and the creation of new jobs for those affected. Dato' Sri Sharifah graduated with a Bachelor (Hons) in Accountancy from the University of Missouri, Columbia, USA and is also an alumna of the prestigious London Business School.

Key Committee:

Board Nomination and Remuneration Committee

Board Integrity and Risk Committee

Board Audit Committee

BOARD
MEMBERS**YBrs. Encik Abdul Rahman
Bin Mohd Nordin**

*Contributories' Representative
Section 6(4)(g) Retirement Fund Act 2007*

Board Committee

BPC

BNRC

BIC

Experience:

Encik Abdul Rahman has been a member of the Board since 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 in various senior management roles since she joined in 2007.

Her professional career spans over 29 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 Bachelor in Economics/Accounting from Claremont McKenna College, United States in 1991.

END OF TENURE OF BOARD MEMBER**YBrs. Encik Mohd Ismadi Bin Ishak**

Date of Resignation / Retirement : 28 February 2021

BPC

Board Procurement
Committee

BIC

Board Integrity
Committee

BRCC

Board Risk and
Compliance Committee



Chairman



Member

INVESTMENT PANEL MEMBERS

YBhg. Dato' Mohamad Nasir Bin Ab Latif

*Chairman of the Investment Panel
Section 7(2)(a) Retirement Fund Act 2007*

Experience:

Dato' Mohamad Nasir Bin Ab Latif was appointed as the Chairman of the Investment Panel of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] on 1 March 2021.

Dato' Mohamad Nasir started his career with the Employees Provident Fund (EPF) Board in 1982 and held several positions before being promoted to Deputy Chief Executive Officer (Investment) in May 2013. The positions held include State Enforcement Officer between 1990 to 1995, Senior Research Officer, Manager and Senior Manager in the Investment and Economics Research Department between 1995 to 2003, and General Manager of the International Equity Investment Department in July 2009 before becoming EPF's Investment Chief in 2013. He retired as the Deputy Chief Executive Officer (Investment) from EPF on 31 December 2019.

Dato' Mohamad Nasir is currently the Chairman of RHB Islamic Bank Berhad, PLUS Malaysia Berhad and United Plantation Berhad. He is also a Board of Director of Malaysia Resources Corporation Berhad, RHB Bank Berhad and Yinson Holdings Berhad.

Dato' Mohamad Nasir graduated with a Bachelor in Social Science (Major-Economics) from Universiti Sains Malaysia in 1989. He then obtained a Diploma in Accounting and Finance from the Association of Chartered Certified Accountants in 1996 and a Master of Science in Investment Analysis from the University of Sterling, United Kingdom in 1999.

YBrs. Encik Mohammad Reezal Bin Ahmad

*Ministry of Finance's Representative
Section 7(2)(c) Retirement Fund Act 2007*

Experience:

Encik Mohammad Reezal Bin Ahmad was appointed as the Investment Panel member of Kumpulan Wang Persaraan (Diperbadankan)[KWAP] on 1 March 2021.

He currently serves as the Deputy Chief Economist (Macroeconomics), Fiscal and Economics Division, Ministry of Finance Malaysia (MOF). Prior to the current designation, he was the Under Secretary of the Statutory Body Strategic Management Division, MOF.

Encik Mohammad Reezal began his career in 1999 as an Accountant in the Kedah State Government prior to joining MOF as the Assistant Secretary in the Economic Analysis and International Division. He was once the Head of Strategy, Fiscal Policy Office under the Fiscal and Economics Division, MOF. From 2000 until 2022, he has been serving the MOF and held numerous positions with responsibilities mainly related to fiscal policy formulation and macroeconomic management as well as monitoring Federal Government statutory bodies' financial performance and governance. In his working career, he also served the Ministry of International Trade and Industry as the Senior Principal Assistant Director in the Multilateral Trade Policy and Negotiations Division with main responsibility related to monitoring compliance to multilateral trade agreements and international trade negotiations.

Encik Mohammad Reezal currently sits as a Non-Independent Non-Executive Director of Perbadanan Kemajuan Pertanian Selangor, Lembaga Pelabuhan Kuantan, Westports Malaysia Sdn Bhd and Lembaga Hasil Dalam Negeri Malaysia respectively.

He holds a Master in Public Policy from the National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan since 2011.

INVESTMENT PANEL MEMBERS

YBhg. Dato' Noorazman Bin Abd Aziz

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

Experience:

Dato' Noorazman Bin Abd Aziz has been a member of the Investment Panel since 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 CTOS Digital Berhad.

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 the 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 three 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 Managing Director, Head of Corporate and Investment Bank. In 2005, he was appointed as Managing Director/Chief Executive Officer of Bank Islam Malaysia Berhad and later became the Managing Director/Chief Executive Officer of BIMB Holdings Berhad. He left in 2007 to co-found and became an Managing Director of FajrCapital Ltd, a Syariah-based private equity firm based in Dubai and thereafter joined Khazanah Nasional Berhad as its Executive Director, 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 Bachelor of Science in Finance from the Louisiana State University, USA. He holds membership in professional bodies like 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.

YBrs. Encik Mohamed Nazri Bin Omar

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

Experience:

Encik Mohamed Nazri Bin Omar has been a member of the Investment Panel since 1 May 2016 as a representative from the private sector.

Encik Mohamed Nazri is currently the Chief Executive Officer of Danajamin Nasional Berhad, effective 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.

INVESTMENT PANEL MEMBERS

YBhg. Dato' Mohamed Ross Bin Mohd Din

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

Experience:

Dato' Mohamed Ross Bin Mohd Din was appointed as a member of the Investment Panel on 1 March 2021.

Dato' Mohamed Ross began his career in HSBC Bank Malaysia Berhad (HSBC) in early 1972 and served in various capacities ranging from Corporate and Retail Banking and Branch Management. He also served as Head of Treasury Malaysia and Head of Group Audit Malaysia between 1987 and 1996. During this period, he also worked for a year in Hong Kong, London and New York in areas of Foreign Exchange and Treasury. As the Managing Director (2003), he was responsible for HSBC's Islamic onshore business franchise in Malaysia until he retired on 31 December 2007.

Upon retirement, Dato' Mohamed Ross was appointed as an Executive Director and Senior Advisor of HSBC Amanah Takaful Malaysia Sdn Bhd until December 2008. At the same time and until April 2016, he was also an Independent Director of HSBC Amanah Malaysia Berhad, where he sat as Chairman of the Risk Committee and was a member of the Audit Committee and Nomination Committee.

Dato Mohamed Ross joined CIMB Group Holdings Berhad as an Independent Non-Executive Director in April 2016. At the same time, he was also appointed as an Independent Non-Executive Director of CIMB Islamic Bank Berhad and made the Chairman in May 2017. He is currently Chairman of the Group Audit Committee and is a member of the Group Board Risk & Compliance Committee and Group Nomination & Remuneration Committee.

Dato' Mohamed Ross currently also sits on two Advisory Boards overseeing a Private Equity Fund (Ekuinas OFM Programme and one other) as an Independent Member. Additionally, he also sits as a Trustee on the Board of Lembaga Zakat Selangor and also serves as an Independent Director on the Board of an Asset Management company.

Dato' Ross completed his Banking Diploma (Part 1) from The Institute of Bankers, United Kingdom in 1973.

YBrs. Puan Nik Amlizan Mohamed

Private Sector's Representative
Chief Executive Officer
Section 7(2)(e) 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.

YBrs. Encik Anthony Lim Choon Eng

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

Experience:

Encik Anthony Lim Choon Eng was appointed as an Investment Panel Member of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] on 1 March 2021.

Throughout 33 years of his career, Encik Anthony's exposure spanned across corporate and investment banking, capital and treasury markets, risk management and private equity. He started his career in the ANZ Banking Group, Australia in 1987 as a dealer in the interest rate and capital markets and later joined St. George Bank, Australia covering both the fixed income and derivatives markets. He returned to Malaysia in 1994 and was appointed as Director/Chief Executive Officer Maybank Futures Sdn Bhd to set up the financial derivative business under the Maybank Group.

In 2000, he was appointed as Executive Vice President/Group Head, Risk Management and from 2005 to 2009, as Executive Director/Chief Operating Officer, Maybank Investment Bank (formerly known as Aseambankers Malaysia Berhad) in charge of finance, IT, operational and regulatory compliance and risk management. He later joined Implico GmbH, Germany and Malaysia from 2010 to 2014 as a Private Equity Investor/Director. In 2011, he joined Sumitomo Mitsui Banking Corporation Berhad, Malaysia as an Independent Director and Chairman of Risk Management Committee, and was later appointed as Deputy Chief Executive Officer of the same bank from 2015 to 2020.

Encik Anthony Lim graduated with a Master in Applied Finance from Macquarie University, Sydney and is a Fellow of the Australian Institute of Banking and Finance, Australia. He is a Chartered Banker with the Asian Institute of Chartered Bankers and has attended both the Advance Management Program and Senior Leadership Program in Wharton School of Business, University of Pennsylvania, USA.

END OF TENURE OF INVESTMENT PANEL MEMBER

YBrs. Encik Mohd Rashid Bin Mohamad (Chairman)
Date of End of Tenure : 28 February 2021

YBrs. Cik Azah Hanim Binti Ahmad
Date of End of Tenure : 28 February 2021

YBrs. Encik Ahmad Faris Bin Rabidin
Date of End of Tenure : 28 February 2021

YBrs. Encik Chen Yin Heng
Date of End of Tenure : 28 February 2021

SENIOR MANAGEMENT

YBrs. Puan Nik Amlizan Mohamed

Chief Executive Officer

Experience:

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

YBrs. Encik Azlan Bin Hussin

Senior Director, Equity Department

Experience:

He has over 20 years of experience in portfolio management. Prior to this, he was the Chief Executive Officer 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.

Azlan started his career with SBB Asset Management (SBBAM) as an Investment Analyst and was later 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 including EPF. He was also responsible for putting in place the overall investment policies and guidelines for AmanahRaya Berhad.

YBrs. Encik Khairul Azwa Bin Kamalul Bahrin

Director, Risk Management and Compliance Department

Experience:

He has almost 30 years of experience in risk management and banking. Prior to joining KWAP, he was the 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 Malaysians to be a certified Financial Risk Manager (FRM) under the Global Association of Risk Professionals (GARP).

YBrs. Encik Nik Ahmad Fauzan Bin Nik Mohamed

Chief Operating Officer

Experience:

Nik Ahmad Fauzan was appointed as the 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 of Corporate Services of Pos Malaysia Berhad.

He has a Bachelor of Accountancy and a Master in Finance and Investments, both from George Washington University, USA.

YBrs. Encik Nazaiful Affendi Bin Zainal Abidin

Director, Portfolio Strategy Department

Experience:

He has over 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 Bachelor (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.

YBrs. Encik Syed Ali Haidar Bin Syed Shahabuddin

Director, Legal and Secretarial Department

Experience:

He has more than 25 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 the University of Glamorgan, Wales, UK and obtained his Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.

He was admitted as an Advocate and Solicitor at The High Court of Malaya in 1998.

SENIOR MANAGEMENT

YBrs. 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 a 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 the University of London, UK and Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.

YBrs. 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 from 1984 to 2005. He was seconded to the Malaysian Human Rights Commission (SUHAKAM) as Principal Assistant Secretary from 2001-2003.

He has eight 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 the 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).

YBrs. Encik Hamkushairi Bin Jahari

Director, Internal Audit Department

Experience:

He has served as Director of Internal Audit Department since October 2017. He has almost 20 years of working experience in the 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 a considerable number of years with Bank Negara Malaysia as a Senior Supervisor.

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

YBrs. Puan Najihah Binti Mohd Norwi

Director, Accounts and Management Services Department

Experience:

She has more than 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.

SENIOR MANAGEMENT

YBrs. 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 Master in Business Administration (Finance) from the International Islamic University Malaysia (IIUM) and Bachelor of Accounting (Hons) from the University Kebangsaan Malaysia. He is also a member of the Chartered Accountant (CA) of Malaysia Institute of Accountants and member of Financial Market Association of Malaysia.

YBrs. Encik Abdul Razak Bin Jabar

Head of Information Technology Department

Experience:

He has more than 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.

YBrs. 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.

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

Before joining KWAP, she has served at Asia Unit Trusts Berhad and Prudential BSN Takaful, handling marketing, branding and communication.

RESIGNATION OF SENIOR MANAGEMENT

YBrs. Encik Zalman Bin Ismail

YBrs. Encik Ismail Bin Zakaria

STATEMENT ON CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD

KWAP's Board comprises qualified, experienced, and skilful members with mixed backgrounds representing the Government, Private Sector, Bank Negara Malaysia, and Contributories, which 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 contributories to the Retirement Fund other than the representative of the Government of Malaysia.

A brief profile of each Board member is presented on pages 40 to 45 of this Annual Report.

In 2021, the tenure of appointment of Encik Mohd Ismadi Bin Ishak has ended on 28 February 2021.

Two (2) new Board members had been appointed in 2021, namely:

- (i) YBhg. Tan Sri Mohd Khairul Adib Bin Abd Rahman on 1 February 2021, to replace YBhg. Datuk Teo Khian How who has retired on 17 November 2020; and
- (ii) YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain on 1 March 2021, to replace Encik Mohd Ismadi Bin Ishak.

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 and Investment Panel Charter (the Charter). The Board is guided by the Charter which outlines the responsibilities and duties of the Board. The Charter is regularly reviewed every 2 years, and/or as and when required.

STATEMENT ON CORPORATE GOVERNANCE

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 define committees' roles with composition to complement the Board's requirements. Board Members are selected based on the requirements as prescribed by the 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 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 the 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 balancing 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 2021, 13 Board meetings and two 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 require simple majority approval which will be reported during the following Board meeting for notification.

The attendance of the Board Members for 2021 is set out below:

No.	Name	Attendance
1.	YBhg. Datuk Seri Asri Bin Hamidon @ Hamidin <i>Chairman</i>	12/15
2.	YBhg. Tan Sri Mohd Khairul Adib Bin Abd Rahman <i>(*Appointed on 1 February 2021)</i>	11/14*
3.	YBhg. Datuk Dr. Yacob Bin Mustafa	14/15
4.	YBhg. Datuk Siti Zainab Binti Omar	14/15
5.	YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin	11/15
6.	YBhg. Dato' Azmi Bin Abdullah	15/15
7.	YBrs. Encik Adnan Zaylani Bin Mohamad Zahid	11/15
8.	YM Raja Teh Maimunah Binti Raja Abdul Aziz	10/15
9.	YBhg. Dato' Sri Sharifah Sofian Binti Syed Hussain <i>(*Appointed on 1 March 2021)</i>	13/13*
10.	YBrs. Encik Abdul Rahman Bin Haji Mohd Nordin	15/15
11.	YBrs. Encik Mohd Ismadi Bin Ishak <i>(*Tenure ended on 28 February 2021)</i>	2/2*
12.	YBrs. Puan Nik Amlizan Mohamed	14/15

STATEMENT ON CORPORATE GOVERNANCE

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. Among the key proposals approved by the Board for 2021 are as follows:

- KWAP's Corporate Scorecard and Financial Results for 2021;
- KWAP's Business Plan and Corporate Scorecard for FY2022;
- Proposal to Approve 2022 Investment Strategy and Return Target;
- KWAP's Audited Financial Statements for Financial Year 2020;
- KWAP's Expenditure Budget for Financial Year 2022;
- Proposal for Bonus and Increment for Employees of KWAP;
- Proposal on KWAP Organisational Anti-Corruption Plan 2021-2025;
- Proposal on the Approval of Organisation Structure for KWAP;
- Proposal to Adopt Policy on Remuneration Received by
- KWAP's Nominees on the Board of Its Investee Companies;
- Policy on Directors and Officers Liability Insurance for KWAP Group;
- Approval for Implementation of Recommended Measures to Comply with Data Privacy Laws;
- Proposal on the Revised Policy on Operational Expenditure of KWAP in the Financial Policies and Guidelines;
- Proposal to Approve the Revamp of KWAP's Board Charter;
- Proposal on the Revised Remuneration Policy and Procedures for KWAP;
- Approval of Phase 2 of the Investment Policy and Guidelines Revamp Exercise;
- Proposal to Appoint a Vendor for Sistem Urus Persaraan Sektor Awam (SUPER);
- Approval for Policy on the Use of Digital Signature and Electronic Signature;
- Proposal on the Total Rewards Strategy Review and Salary Adjustment Exercise for KWAP;
- Approval on KWAP Personal Data Protection Policy and Procedures;
- Approval on Approval Authority for KWAP to Enter into Agreement Policy; and
- Approval for the Revision of Business Continuity Management Policy.

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

- Notification on Investment Activities and Performance Reports;
- Notification on Financial Reports;
- Notification on Status of KWAP Loan and Unrated Corporate Bond Portfolio;
- Notification on Pension Services Department Performance Review;
- Quarterly Pension Contribution Report; and
- 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 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 46 to 48 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

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 MEETINGS

During the financial year 2021, 12 Investment Panel meetings and three Special meetings were held. A summary of attendance of the Investment Panel Members is set out below:

Investment Panel Meetings' Attendance:

No.	Name	Attendance
1.	YBhg. Dato' Mohamad Nasir Bin Ab Latif – Chairman <i>*Did not attend Special IP Meeting No. 1/2021 due conflict of interest (*Appointed on 1 March 2021)</i>	12/13*
2.	YBrs. Encik Mohammad Reezal Bin Ahmad <i>(*Appointed on 1 March 2021)</i>	12/13*
3.	YBhg. Dato' Noorazman Bin Abd Aziz	12/15
4.	YBhg. Dato' Mohamed Ross Bin Mohd Din <i>(*Appointed on 1 March 2021)</i>	12/13*
5.	YBrs. Encik Mohammed Nazri Bin Omar	14/15
6.	YBrs. Encik Anthony Lim Choon Eng <i>(*Appointed on 1 March 2021)</i>	13/13*
7.	YBrs. Puan Nik Amlizan Mohamed	15/15
8.	YBrs. Encik Mohd Rashid Bin Mohamad - Chairman <i>(*Tenure ended on 28 February 2021)</i>	2/2*
9.	YBrs. Cik Azah Hanim Binti Ahmad <i>(*Tenure ended on 28 February 2021)</i>	2/2*
10.	YBrs. Encik Chen Yin Heng <i>(*Tenure ended on 28 February 2021)</i>	1/2*
11.	YBrs. Encik Ahmad Faris Bin Rabidin <i>(*Tenure ended on 28 February 2021)</i>	2/2*

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 (which was separated into the Board Integrity Committee and Board Risk Committee with effect from 2 February 2021, 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 Committee meetings, items are discussed and as appropriate, endorsed, approved or recommended to the Board for approval. Following the Board Committee 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.

In addition to these Board Committees, the Board had approved the establishment of Board Disciplinary Committee in 2020.

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 Board members, namely a Chairman and three members who have been appointed by the Board:

- (i) YBhg. Dato' Azmi Bin Abdullah – Chairman;
- (ii) YBhg. Datuk Dr. Yacob Bin Mustafa – Member;
- (iii) YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin - Member;
- (iv) YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Member (appointed on 8 March 2021); and
- (v) YBrs. Encik Mohd Ismadi Bin Ishak - Member (tenure ended on 28 February 2021).

STATEMENT ON CORPORATE GOVERNANCE

MEMBERSHIP (CONTINUED)

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

Four BAC meetings and four Special BAC meetings were held throughout year 2021.

DUTIES AND RESPONSIBILITIES OF THE BAC

The following are the duties and responsibilities of the BAC:

(i) Financial Statements

- (a) To review and recommend the financial regulations, accounting regulations, policies and practice adopted by KWAP;
- (b) 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
- (c) To review changes to the Financial Procedures.

(ii) Internal Audit

- (a) To review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach among the internal auditor, the external auditor and/or other external assurance and consulting service provider;
- (b) 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;
- (c) To approve and recommend the appointment, transfer, renewal and removal of the Head of Internal Audit Department to BRNC before Board's final approval;
- (d) To review and approve the proposed Internal Audit Departmental Scorecard for annual performance evaluation;
- (e) To appraise and approve the performance of the Head of Internal Audit Department;
- (f) To approve and recommend the remuneration of Head of Internal Audit Department to BRNC for deliberation before Board's final approval;

- (g) To approve the internal audit charter and the risk-based internal audit plan;
- (h) To ensure that internal audit function has appropriate standing in KWAP and has the necessary authority, resources and competency to carry out its work;
- (i) 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
- (j) To review and approve any key changes to audit methodology and processes.

(iii) Internal Control

- (a) 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].

STATEMENT ON CORPORATE GOVERNANCE

BAC MEETING ATTENDANCE:

No.	Name	Attendance
1.	YBhg. Dato' Azmi Bin Abdullah <i>Chairman</i>	8/8
2.	YBhg. Datuk Dr. Yacob Bin Mustafa	6/8
3.	YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd. Zainuddin	7/8
4.	YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain <i>(*Appointed on 31 March 2021)</i>	5/5*
5.	YBrs. Encik Mohd Ismadi Bin Ishak <i>(*Tenure ended on 28 February 2021)</i>	2/2*

SUMMARY OF THE BAC'S ACTIVITIES:

Among major issues deliberated by the BAC during the year 2021 were:

- Consolidated Financial Statements of KWAP for the Financial Year Ended 31 December 2020;
- Internal Audit Plan 2021;
- Internal Audit Department Scorecard 2020 Results;
- Audit Activity Report; and
- Internal Audit Reviews and Outstanding Audit Issues of several departments in KWAP.

BOARD INTEGRITY AND RISK COMMITTEE

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.

The Board of KWAP had approved the separation of BIRC into 2 separate Board Committees, namely Board Integrity Committee and Board Risk and Compliance Committee, to clearly segregate the two functions and conduct of meeting at Board Meeting No. 1/2021, which was held on 2 February 2021.

MEMBERSHIP

BIRC comprised two Board members, namely a Chairman and one member who have been appointed by the Board:

- YBrs. Encik Mohd Ismadi Bin Ishak – Chairman (tenure ended on 28 February 2021).
- YM Raja Teh Maimunah Binti Raja Abd Aziz - Member

One Special BIRC meeting was held in January 2021, prior to the separation of BIRC.

No.	Name	Attendance
1.	YBrs. Encik Mohd Ismadi Bin Ishak <i>Chairman</i> <i>(*Tenure ended on 28 February 2021).</i>	1/1*
2.	YM Raja Teh Maimunah Binti Raja Abd Aziz	1/1

BOARD INTEGRITY COMMITTEE

The Board Integrity Committee (BIC) was established to assist the Board in overseeing the implementation of integrity and governance functions in KWAP, monitor related issues, and ensure adequate measures for integrity and good governance within the organisation.

MEMBERSHIP

Currently, BIC comprises four Board members, namely a Chairman and three members who have been appointed by the Board:

- YBhg. Tan Sri Mohd Khairul Adib Bin Abd Rahman - Appointed on 8 March 2021;
- YBhg. Datuk Dr. Yacob Bin Mustafa - Appointed on 8 March 2021;
- YBhg. Datuk Siti Zainab Binti Omar - Appointed on 8 March 2021; and
- YBrs. Encik Abdul Rahman Bin Mohd Nordin – Appointed on 8 March 2021.

Three BIC meetings and one special BIC meeting were held throughout the year 2021.

STATEMENT ON CORPORATE GOVERNANCE

DUTIES AND RESPONSIBILITIES OF THE BIC

The following are the duties and responsibilities of the BIC:

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;
- (v) Provide oversight in respect of the appointment, removal, performance and remuneration of the Head of Integrity and Governance Office; and
- (vi) Consider other issues as defined by the Board.

BIC MEETING ATTENDANCE:

No.	Name	Attendance
1.	YBhg. Tan Sri Mohd Khairul Adib Bin Abd Rahman <i>Chairman</i>	4/4
2.	YBhg. Datuk Dr. Yacob Bin Mustafa	4/4
3.	YBhg. Datuk Siti Zainab Omar	4/4
4.	YBrs. Encik Abdul Rahman Bin Mohd Nordin	3/4

SUMMARY OF THE BIC'S ACTIVITIES:

Key issues deliberated by the BIC in 2021 were:

- Proposal on 2021 Scorecard for Integrity and Governance Office;
- Proposal on Dashboard for KWAP's Compliance to Guidelines on Adequate Procedures;
- Proposal on Anti-Bribery and Corruption Policy; and
- Proposal on Integrity and Governance Office Initiatives for 2022.

BOARD RISK AND COMPLIANCE COMMITTEE

The Board Risk and Compliance Committee (BRCC) was established to assist the Board in discharging its functions to formulate and carry out the risk management strategies, determine risk appetite, approve risk management framework, policies and limits, review risk exposures and oversee the overall risk management.

MEMBERSHIP

Currently, BRCC comprises four Board members, namely a Chairman and three members who have been appointed by the Board:

- (i) YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Chairman;
- (ii) YBhg. Dato' Azmi Bin Abdullah - Member
- (iii) YBrs. Encik Adnan Zaylani Bin Mohd Zahid - Member
- (iv) YM Raja Teh Maimunah Binti Raja Abd Aziz - Member
- (v) YBrs. Encik Mohd Ismadi Bin Ishak – Chairman (tenure ended on 28 February 2021).

DUTIES AND RESPONSIBILITIES OF THE BRCC

The following are the duties and responsibilities of the BRCC:

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;
- (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.

STATEMENT ON CORPORATE GOVERNANCE

SUMMARY OF THE BRCC'S ACTIVITIES:

Key issues deliberated by the BRCC in 2021 were:

- Proposal for Market Risk Controls;
- Proposal for Credit Risk Controls;
- Proposal for Private Equity Risk Controls;
- Proposal for Property Investment (PI) Risk Controls;
- Proposal for Property Investment (PI) Risk Policy and Notification of PI Risk Guideline;
- Proposal for Property Development Investment (PDI) Risk Policy and Notification of PDI Risk Guideline;
- Approval for Implementation of Recommended Measures to Comply with Data Privacy Laws;
- Proposal for Risk Appetite Statement (RAS) Policy Update;
- Proposal for Fraud Risk Management Policy and Guidelines Update;
- Proposal to Approve Updates on Operational Risk Management Policy;
- Review of KWAP ERM Framework and Processes and Approval to Adopt ISO 31000-2018;
- Approval for Policy on the Use of Digital Signature and Electronic Signature;
- Approval on KWAP Personal Data Protection Policy and Procedures; and
- Approval on Approval Authority for KWAP to Enter into Agreement Policy.

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 Board members, i.e Chairman a Chairman and the following three other members who have been appointed by the Board:

- (i) YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd. Zainuddin - Chairman
- (ii) YBhg. Dato' Azmi Bin Abdullah – Member
- (iii) YBrs. Encik Adnan Zaylani Bin Mohamad Zahid – Member
- (iv) YBrs. Encik Abdul Rahman Bin Mohd Nordin – Member

Five BNRC meeting and four Special BNRC meetings were held throughout the year 2021.

DUTIES AND RESPONSIBILITIES OF THE BNRC

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

Primary Responsibility

- (i) To establish the relevant policy framework in determining the appointment and remuneration of the officers and employees of KWAP and recommend to the Board the performance-related remuneration of KWAP's employees;
- (ii) To make recommendations to the Board on KWAP's policy on executive remuneration, including determining specific remuneration packages and terms of employment (including pension rights) and determining performance incentive arrangements for certain senior executives;
- (iii) To develop policies, practice and recommend proposals appropriate to facilitate the recruitment, retention and removal of Group CEO/CEO and Senior Management as well as the length of service;
- (iv) To review the Group CEO/CEO's objectives, goals and the assessment of performance; and
- (v) To determine the level and make-up of Group CEO/CEO's and Senior Management's remuneration so as to ensure that KWAP attracts and retains the Group CEO/CEO and Senior Management of the appropriate calibre, experience and quality needed to run KWAP successfully. The level and make-up of the remuneration should be structured so as to link rewards with corporate and individual performance.

STATEMENT ON CORPORATE GOVERNANCE

DUTIES AND RESPONSIBILITIES OF THE BNRC (CONTINUED)

Human Resource

- (i) To recommend the minimum requirements on the skills, experience, qualifications and other core competencies of KWAP's employees;
- (ii) To recommend and review terms and conditions of employment and service of KWAP's employees;
- (iii) To recommend and review code of conduct and discipline of KWAP's employees;
- (iv) To recommend the mechanisms for the formal assessment on the effectiveness of KWAP's employees;
- (v) To recommend the promotion of KWAP's employees;
- (vi) To review and recommend to the Board the appointment, upgrading and promotion of Senior Management of KWAP Group;
- (vii) To consider the Group CEO/CEO and Senior Management's succession planning;
- (viii) To recommend the removal of the Group CEO/CEO and Senior Management if they are found to be ineffective, errant and negligent in discharging their duties;
- (ix) To determine remuneration and terms of employment of the Group CEO/CEO;
- (x) To determine performance contracts and targets and the structure of the rewards for the Group CEO/CEO and to assess the Group CEO/CEO's performance against these targets;
- (xi) To recommend to the Board the remuneration framework of the Group CEO/CEO and the Senior Management. The BNRC may obtain independent professional advice and any other information necessary in determining the framework;
- (xii) To recommend to the Board any proposals of the Group CEO/CEO and Senior Management (if any) remuneration and benefit including service contracts and compensation payment for approval;
- (xiii) To establish a formal and transparent procedure for developing policy on the Group CEO/CEO and Senior Management (if any) remuneration and for fixing their individual remuneration packages;
- (xiv) To review all benefits and entitlements of the Group CEO/CEO and Senior Management (if any) of KWAP Group;
- (xv) To consider compensation commitments/ severance payments for Group CEO/CEO in the event of early termination of the employment/service contracts;

- (xvi) To recommend the nomination and appointment for any positions reporting to Group CEO/CEO; and
- (xvii) To consider any other issues as defined by the Board.

Other functions

- (i) To recommend to the Board the framework or broad policy for the remuneration of the Company's or Group CEO/CEO and other senior management of the Company or Group as the BNRC is designated to consider. The determination of remuneration packages shall be a matter for the Board as a whole and the individuals concerned shall abstain from discussion of their own remuneration;
- (ii) To recommend to the Board any performance-related pay schemes for KWAP;
- (iii) To recommend to the Board the policy and scope of service agreements of the executive, termination payments and compensation;
- (iv) To oversee any major changes in employees of KWAP;
- (v) To consider and examine such matters as the BNRC considers appropriate; and
- (vi) To review and recommend to the Board the framework, or broad policy and proposal of remuneration package such as allowances, benefits, gratuity honorarium, and compensation for members of the Investment Panel and Board. The policy or framework in connection thereto shall be documented and any changes thereto should be subject to the approval of the Board and ultimately the Minister of Finance.

BNRC MEETING ATTENDANCE:

No.	Name	Attendance
1.	YBrs. Puan Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin	9/9
2.	YBhg. Dato' Azmi Bin Abdullah	9/9
3.	YBrs. Encik Adnan Zaylani Bin Mohamad Zahid	8/9
4.	YBrs. Encik Abdul Rahman Bin Haji Mohd Nordin	9/9

STATEMENT ON CORPORATE GOVERNANCE

SUMMARY OF THE BNRC'S ACTIVITIES:

Among the proposals deliberated and endorsed by BNRC during the year 2021 were:

- KWAP's Corporate Scorecard Achievement for 2020;
- Payment of Bonus 2020 and Annual Increment 2021;
- Proposal to Exempt KWAP from the Statutory Bodies (Discipline & Surcharge) Act 2000;
- Proposal on the Approval of Organisation Structure for KWAP;
- Proposal on the Total Rewards Strategy Review and Salary Adjustment Exercise for KWAP; and
- Renewal of Several Contracts of Employment of Heads of Department in KWAP.

BOARD PROCUREMENT COMMITTEE

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

MEMBERSHIP

Currently, BPC comprises four Board members, i.e. a Chairman and three other Board members who were appointed by the Board:

- (i) YBhg. Datuk Siti Zainab Binti Omar – Chairman;
- (ii) YBrs. Encik Adnan Zaylani Bin Mohd Zahid – Member;
- (iii) YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Member (Appointed on 8 March 2021); and
- (iv) YBrs. Encik Abdul Rahman Bin Mohd Nordin – Member.

In 2021, three BPC and one Special 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 BPC:

- (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; and
- (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.

BPC MEETING ATTENDANCE:

No.	Name	Attendance
1.	YBhg. Datuk Siti Zainab Binti Omar <i>Chairman</i>	4/4
2.	YBrs. Encik Adnan Zaylani Bin Mohd Zahid <i>(*Appointed on 8 March 2021)</i>	3/3*
3.	YBhg. Dato' Sri Sharifah Sofianny Binti Syed Hussain <i>(*Appointed on 8 March 2021)</i>	2/3*
4.	YBrs. Encik Abdul Rahman Bin Haji Mohd Nordin	4/4

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 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 2021, the Board and the Investment Panel members received a total remuneration of RM848,000 and RM532,200 respectively.

RAISING GOVERNANCE, ETHICS AND INTEGRITY

LEGAL AND SECRETARIAL ACHIEVEMENTS

Recognising the importance of having a proper governance structure in place with regards to e-signature and digital signature, KWAP has come up with, firstly the Guidelines on the use of e-Signature which was approved by the EXCO in May 2021. The guideline was introduced to govern the use of e-signature in internal documents when a physical signature is not possible as evidenced during the lockdown periods.

Subsequently, a group-wide policy named “Policy on the Use of Digital Signature and e-Signature” was devised to govern the use of e-signature and digital signature for internal documents as well as other legally binding documents with external counterparties. This Policy was approved by the Board in October 2021.

Another milestone which was achieved in 2021 was when the Board approved the very first KWAP Personal Data Protection Policy (KWAP PDP Policy) on 15 December 2021. KWAP PDP Policy is the manifestation of KWAP’s resolve to ensure compliance not only with the requirements of our local data privacy law but also with the UK and European Union (EU) General Data Protection Regulation (GDPR) requirements.

KWAP had also received the Board’s approval on 15 December 2021 for the first-ever policy on the Approval Authority for KWAP to Enter Into Agreements. The policy was aimed to ensure the efficiency of KWAP’s operation and to have a uniformed approach by implementing proper controls through the appropriate approvals required for various agreements in KWAP.

KWAP had successfully conducted 142 meetings including the Board, Investment Panel, Board Committees and Management Committees. The team had also completed standardisation of the Terms of Reference (TOR) of five Management Committees, namely Executive Committee, Investment Committee, Risk Committee, Human Resource Committee and Procurement Committee.

Another achievement made by KWAP was on the revision of the KWAP Board and Investment Panel Charter which was approved by the Board on 28 June 2021. The last revision made to the Board Charter was in 2019. The revision to the Board and Investment Panel Charter was to ensure that the governance structure within the Board and the Investment Panel remain relevant in discharging their duties effectively.

The lockdown period also witnessed the rolling out of the paperless meeting solution initiative namely Convene application on 17 March 2021 wherein its first use was during the Investment Committee meeting No.5/2021. The system “Go-Live” was one month ahead of its initial target “Go Live” date. The project had achieved its objective to implement secure paperless meeting solution for the Board, Board Committees and Investment Panel meetings as well as Management Committee meetings within the team portfolio via a central platform through iPad, Windows and Android devices. This has allowed access that improved the overall paperless meeting solution.

KWAP had also managed to introduce the Policy on Directors and Officers Liability Insurance for KWAP Group (D&O Policy Document) which obtained the Board’s approval on 28 April 2021. The D&O Policy Document is intended to provide an outline of the D&O Insurance Policy at KWAP and its subsidiaries.

Recognising the increasing responsibility of our Board members and the Board of Directors of our property development company KWEST Sdn Bhd, KWAP had also conducted a review on the appropriate remuneration for KWAP Board and Board of Directors of KWEST and the review obtained the Board’s approval on 26 November 2021.

PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

Over the last 15 years, in line with the expansion in KWAP's role in both investment and non-investment activities, KWAP's risk profile has evolved, as the organisation grew both in size and complexity. Correspondingly through the years, KWAP has invested in building risk management capacity and capabilities.

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, compliance and control functions; and
- (iii) The third line of defence is the internal audit function.

We remain very prudent in 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 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 portfolio. 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 represents 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 five-year basis, and KWAP accepts that it should have no less than a 75% chance of exceeding inflation over the same period.

PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

The Risk Appetite Statement (RAS) defines KWAP's overarching attitude toward investment and non-investment activities, thereby guiding KWAP's strategy and decision-making process. RAS also sets out KWAP's capability and capacity 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.	The Board's oversight and responsibility over the risk that the fund takes.	The need to balance between return expectation and risk appetite.
The key considerations in willingness and capacity to take on risk such as strategic objectives, stakeholders' expectations, financial goals and compensation strategies.		
Requirement of periodic risk reporting to the Board and Investment Panel.	Key criteria for investment activities such as safety, liquidity and reasonable risk adjusted total return.	The need for KWAP to continuously enhance internal capacity and capability to manage risks.

RAS is complemented by a robust governance structures with independent lines of reporting between risk-taking units and "control" units. It is further enhanced by a series of frameworks, policies, guidelines and standard operating procedures, namely:

Enterprise Risk Management Framework	Risk Appetite Statement Policy	Risk Management Policies	Risk Management Guidelines	Departmental Standard Operating Procedures
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We invest in our people, develop clear policies, and ensure robust and risk-aware operational processes with significant investment in systems to ensure adequate control and automation. Robust governance is put in place to ensure segregation of reporting lines between departments in KWAP to prevent conflicts of interest and ensure the integrity of the different functions.

The reporting line as per below:

Investment-related departments such as Equity, Fixed Income, Private Equity, Property Investment, Research and Portfolio Strategy report directly to the Chief Investment Officer (CIO)	Corporate services departments such as Legal & Secretarial, Corporate Strategy & Performance and Human Resources report directly to the Chief Executive Officer (CEO)	Internal Audit, Integrity & Governance Office and Risk management and Compliance report to their respective Board committees and administratively to the CEO	Control functions and operational departments such as Information Technology, Contribution, Corporate Affairs, Accounts & Management Services, Investment Support Services and Pension Services report directly to the Chief Operating Officer (COO)
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PROMOTING RISK AND COMPLIANCE CULTURE

ACTIVITIES IN 2021

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.
- Organised the Qualified Risk Director Training and Certification Programme (QRD) for the Board, Investment Panel members as well as selected senior management of KWAP and Board of Directors of KWAP's subsidiaries and associate companies since 2020.
- The QRD consists of a series of trainings 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.
- The QRD also trains KWAP senior management so they can effectively execute their roles in KWAP subsidiaries and associate companies.
- Modules that have been conducted in 2021 are as follows:
 - (i) Risk Appetite, Tolerance and Board oversight on 3 February 2021;
 - (ii) Directors Guide to Governance, Risk & Compliance on 6 April 2021;
 - (iii) Cyber Security Oversight in the Boardroom on 1 June 2021;
 - (iv) Governance and Enterprise Risk Management on 2 September 2021; and
 - (v) Evolving Expectations of the Board on 8 November 2021.

Engagement with External Parties

- In 2021, KWAP had also conducted several engagements with external parties as per below:
 - (i) Knowledge sharing sessions with other Government Linked-Investment Companies (GLICs); and
 - (ii) Periodic and Ad Hoc engagement with External Fund Managers (EFM).

Risk Management Week (RMW) 2021

- KWAP has initiated the Risk Management week biannually since 2008 and completed various activities aimed at promoting risk management awareness and practices internally.
- The RMW 2021 theme was to promote awareness to all KWAP employees in managing unpredicted calamities in business or known as "Black Swan" events.
- Various activities such as Risk Talks, Virtual Escape Room games and Internal Forum were held throughout the week which had robust participation and very positive feedback.

TECHNOLOGY AND INNOVATION IN RISK MANAGEMENT AND COMPLIANCE

KWAP extensively leverages on technology to handle the multiple portfolio analytics and scenario analyses 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 and insights.

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

ENTERPRISE RISK MANAGEMENT (ERM)

The fundamental principles for managing risk in KWAP are anchored on the Enterprise Risk Management (ERM) principles and key components described in both the ERM Framework and ERM Policy to support a sound and holistic risk management within KWAP.

PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

The global economy has seen fundamental shifts through the years and with its changes in regulatory and business models, risk management has evolved from a reactive and independent function to a much more critical function with bigger capacity and increasingly connected to strategic decision-making, and its own developing standard and best practices.

As risk management evolved from a narrow, limited discipline into an interdisciplinary field with a comprehensive, integrated approach, there is a need to continuously improve KWAP's ERM framework, policies and practices. As such to be able to adapt and address the internal and external changes, KWAP has embarked on a multi-year project to adopt the ISO 31000:2018 ERM Standard, replacing the COSO 2004-based ERM Framework which was established back in 2012.

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



The CRP presented various types of risks with relevant details, including the corresponding risk levels and risk outlooks for a three-month horizon for each risk category, tabulated in a risk heatmap and risk dashboard.

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

CRP is reported and deliberated through quarterly Risk and Compliance Committee (RCC) meetings and escalated to the Board Risk and Compliance Committee (BRCC) meetings.

Timely reporting and deliberation of 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 all the organisation's activities and consequently deliver benefits related to better informed strategic decisions, successful delivery of change, and increased operational efficiency.

Market Risk Management

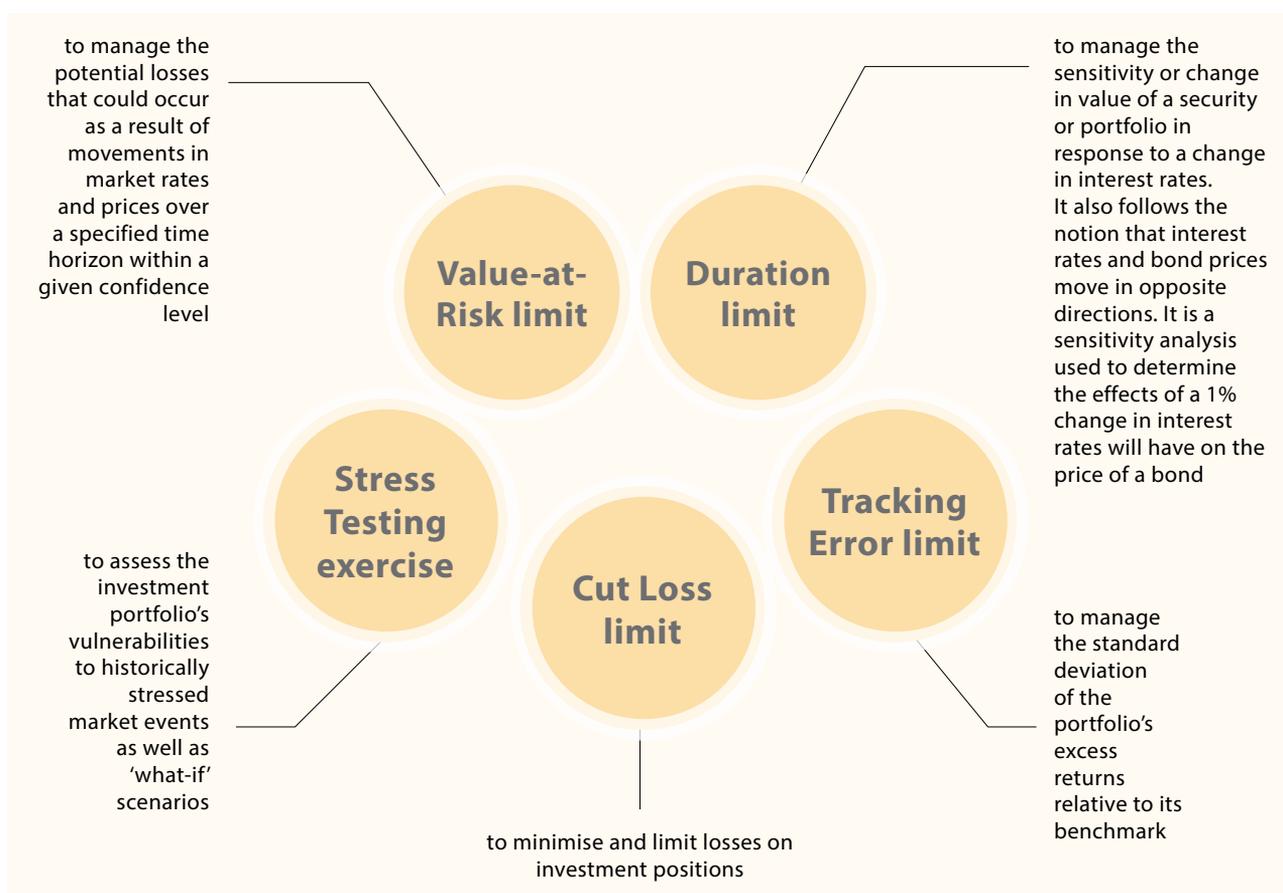
Market risk is the risk of unexpected loss resulting from adverse changes in the value of financial assets arising from movements in interest rate, equity price and foreign exchange.

Market risk management in KWAP is anchored on the Market Risk policies, guidelines, risk system and risk controls in place, of which these are implemented to support sound and holistic market risk management.

PROMOTING RISK AND COMPLIANCE CULTURE

Market Risk Controls

Market Risk controls represent a series of market risk limits implemented to manage the market risk-taking activities. They are periodically reviewed and adjusted to reflect the dynamic changes in KWAP's investment strategy and external business environment. The key market risk controls are illustrated below:



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 those 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, as it mitigates and offsets currency volatility on KWAP's international investments.

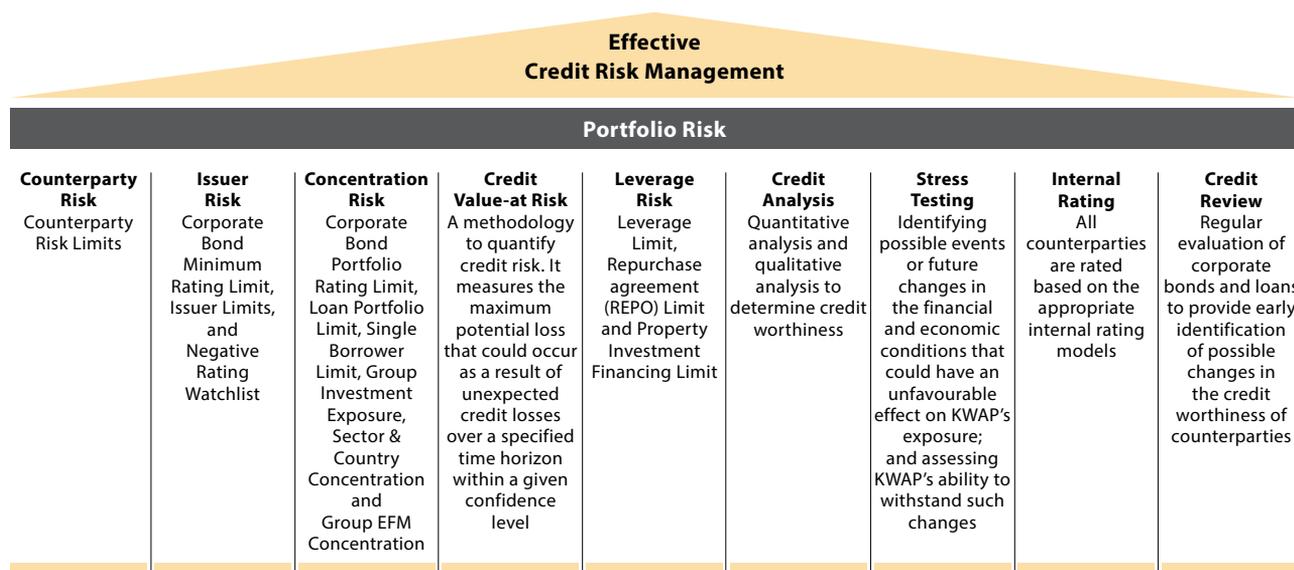
PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

Credit Risk Management

Credit risk is defined as the probability of losing principal or income from the failure of obligors, counterparties or issuers of securities to meet contractual obligations in accordance with agreed terms.

The purpose of credit risk management is to keep credit risk exposures within an acceptable risk tolerance level and to ensure the returns 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. Industry best practices are instilled via continuous updates of credit risk policies, guidelines and processes with the objective of minimising credit defaults and losses. To manage KWAP's credit risk exposures, a series of credit risk limits and controls have been put in place, as illustrated below.



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 have 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 of 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 share value 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. Providing the foundation for 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 the Compliance Framework, Compliance also adopts the Three Lines of Defence Model in managing the compliance risk in KWAP.

PROMOTING RISK AND COMPLIANCE CULTURE

Scope of Compliance

Regulatory Compliance

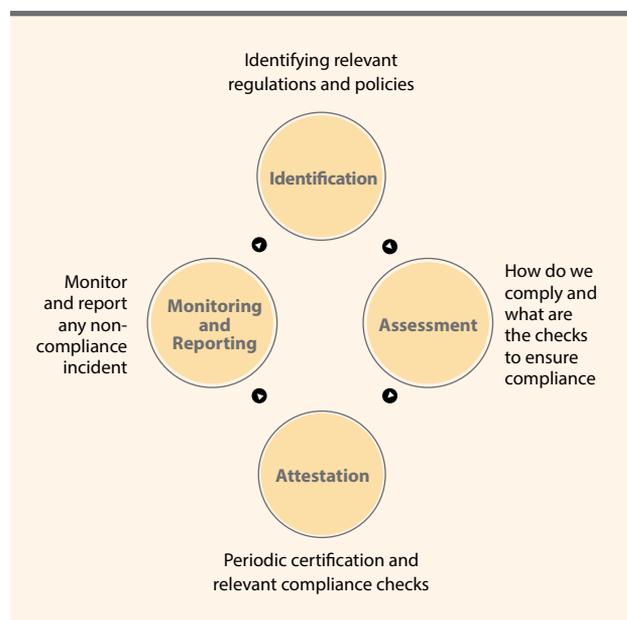
This covers the external regulations and guidelines which KWAP is bound to comply with such as the relevant Act of Parliament, Minister of Finance's Decree, and relevant guidelines by regulatory bodies such as Bank Negara Malaysia, Securities Commission and Bursa Malaysia. The ownership of the regulatory 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 compliance with the internal policies and guidelines, for example, Investment Policy and Investment Guidelines, Discretionary Authority Limits and Standard Operating Procedures. KWAP's approach in ensuring the internal compliance is sustained through the risk limit control in the investment system and 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 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-line. 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 behaviour. All employees are aware that the Board and senior management must take an uncompromising stance if such 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 EFMs. Our EFMs 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 EFMs are always adhering to the guidelines imposed on them.

Chinese Wall Policy

KWAP has implemented a 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 regulations. 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's interest and the employee's personal interest.

PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

Automated Self-Compliance Checklist

KWAP has also implemented automated self-compliance where all attestation process is now being automated via a compliance system. The compliance system covers both internal policies and guidelines as well as external regulatory requirements. The attestation exercise is now paperless and increases efficiency. The self-compliance checklist will be filled in by the respective department's 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 for all investment-related departments and annually to other departments, including KWAP's subsidiaries.

Compliance Review Exercise

To ensure we are doubly confident in our compliance process, KWAP has embarked on an initiative called the Compliance Review, where periodic review 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 the compliance system. This exercise is conducted by performing sample tests on the requirements stipulated in the self-compliance checklist.

Compliance Visits to EFMs

KWAP has implemented visits to respective EFMs since 2017 and has successfully completed the first cycle of domestic EFMs in 2020. The compliance team embarked on the second cycle of review of our domestic EFMs in February 2021. The objective of the visit is to ensure that the EFMs' activities and practices comply with the approved Investment Mandates and to ensure their internal risk controls are in place.

Business Continuity Management (BCM) Thematic Review

The Compliance team also conducts thematic reviews. In 2021, BCM thematic review was run to assess the BCM Coordinator's perspective as first line of defence on their level of understanding in discharging their duty as a BCM Coordinator. This is to ensure that all BCM Coordinators from respective departments can understand the importance of their role and ensure the readiness in executing BCM plans smoothly. The assessment was carried out in 2021 and was successfully completed.

Know Your Counterparty (KYC) screening

The compliance team performs KYC screening and checking for KWAP's counterparties. This screening exercise is to identify financial crime namely Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT), regulatory risk and reputational risk for counterparties that may put KWAP in a bad light. This is a step taken by compliance to ensure the team captures any Red Flags as KYC screening checks the real identity or background of the counterparties, detects potential financial fraud, political exposure or corruption, and prevents KWAP from being used for criminal activities like money laundering.

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 the Operational Risk Event (ORE) reporting to effectively respond and manage operational losses arising from the 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 2021, there were no risk events with damaging impacts 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

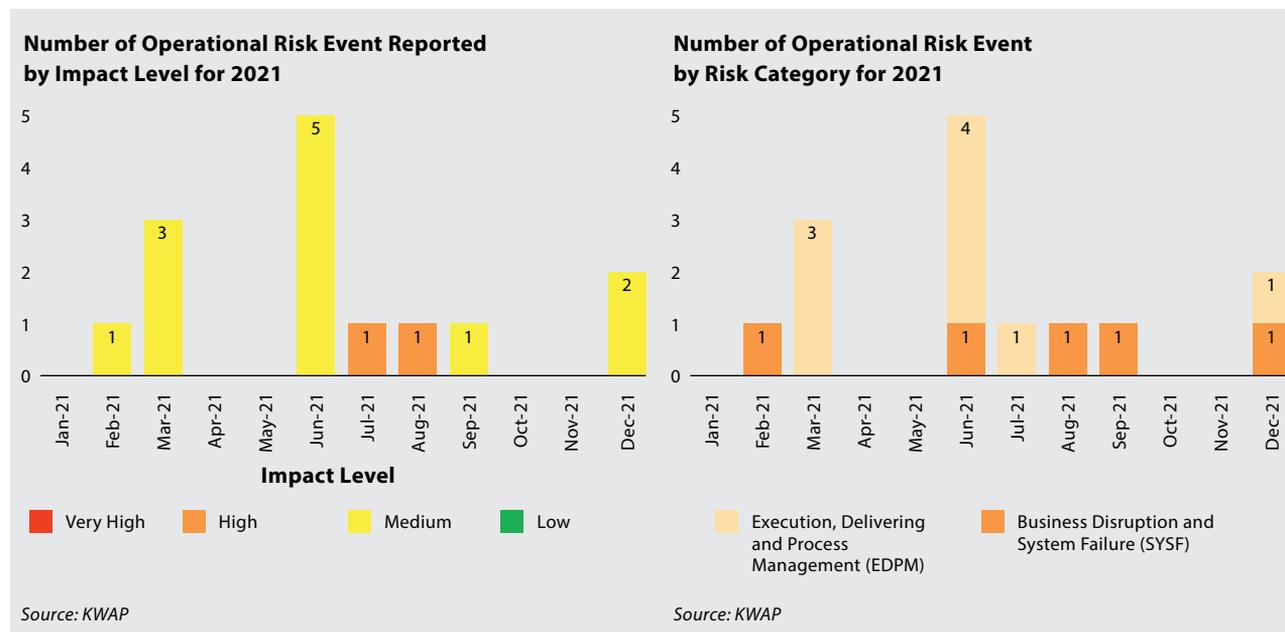
Execution, delivery and process management

PROMOTING RISK AND COMPLIANCE CULTURE

Proactive measures that were taken to address the reported OREs are, among others, as follows:

Facilitated discussions with other parties to mitigate the risk and avoid recurrence of incident	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	Reported the OREs at EXCO, RC and BIRC meetings to ensure all issues were properly addressed	Tracked and monitored outstanding OREs with respective parties to ensure mitigation actions are in place to minimise recurrence of the incident
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The next diagram displays the number of OREs throughout 2021:



Fraud Risk Management Programme

The Fraud Risk Management Programme was developed 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.

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, the thematic risk assessment for all departments and subsidiaries in KWAP were pursued collaboratively.

PROMOTING RISK AND COMPLIANCE CULTURE

RISK MANAGEMENT AND COMPLIANCE

In 2021, the fraud and corruption risk assessment workshops were conducted. The collaborative efforts continued to instil the awareness on fraud and corruption risk during training programmes and challenge sessions with all departments.

Moving forward, KWAP will continue to:

- Strengthen fraud risk governance framework by periodically reviewing the fraud risk management policy and guidelines;
- Conduct continuous training and awareness for a strong culture on anti-fraud and anti-corruption and
- 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 internal or external threats to the organisation. In 2021, in line with its business expansion, KWAP conducted several BCM exercises and programmes:

- Non-live BCM Exercise involving critical system 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; and
- 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 site KWAP-Kuala Lumpur Office to KWAP-Cyberjaya Office and vice-versa);

Ensure basic infrastructures 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; and

Measure the ability to resume business operations within the stipulated timeframe based on criticality of business functions.

BCM exercises were successfully conducted throughout 2021 which not only tested the continuity of KWAP operations through crisis scenarios, but also successfully identified weaknesses and gaps for which workarounds are devised as well as more strategic long term fixes.

STATEMENT ON INTERNAL AUDIT

INTERNAL AUDIT

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 (BAC) and administratively 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 BAC.

The independent status of Internal Audit has not been challenged during the past year. There have been no restrictions to the Internal Audit 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 BAC.

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 BAC, 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 the internal audit activities according to the audit risk level. In 2021, a total of 13 audit reports were presented to the BAC. Status of outstanding audit issues is reported to the Management on a monthly basis and to the BAC on a quarterly basis. The Internal Audit Department continues to monitor the implementation of action plans as agreed by the Management. For 2021, there was no overdue action plan reported to the BAC.

INTERNAL AUDIT RESOURCES AND CONTINUOUS COMPETENCY DEVELOPMENT

The BAC reviews the department's human resource requirements to ensure the department is adequately equipped with competent internal auditors. There are 13 internal auditors as of 31 December 2021.

2021 ACHIEVEMENTS

Internal Audit's notable achievements for 2021 included the completion of its first Quality Assurance Review by PricewaterhouseCoopers Risk Services. The Internal Audit Department was assessed to be in conformance with the International Professional Practices Framework issued by the Institute of Internal Auditor. Despite challenges during the COVID-19 pandemic, Internal Audit Department has completed all planned audit assignments and issued the reports within the same year. Internal Audit Department also successfully conducted a total of 14 awareness sessions on areas of good governance and the role of internal audit function in KWAP.

ADVOCATING INTEGRITY AND GOOD GOVERNANCE

INTEGRITY AND GOVERNANCE

High-integrity personnel and good governance practice, among others, indisputably contribute to a healthy and productive working environment, pertinent to sustainable operations and business. In 2021, we continued our efforts to enhance the integrity culture within the organisation and further strengthen the existing control measures through relevant activities and initiatives.

INTEGRITY AND GOVERNANCE'S INITIATIVES

Integrity and Anti-Corruption Awareness

We undertake activities to educate and create awareness among our employees on KWAP's anti-corruption stance and measures, importance of integrity, and adverse impacts of corruption. For 2021, such activities were implemented in the forms of top management's messages, monthly integrity e-bulletins, integrity and anti-corruption talks, integrity training sessions for new joiners, briefings on policies related to anti-bribery and corruption, and celebrations of national and international integrity/anti-corruption days. The year also saw the issuance of the first communication to KWAP's business partners on our anti-corruption commitment; seeking them to understand KWAP's zero-tolerance to corruption and to act in consonance with such stance when dealing with KWAP, or when acting for or on behalf of KWAP. In addition to that, relevant information on integrity, governance and anti-corruption for the public's consumption was also published KWAP's website, social media and corporate publication.

ISO 37001:2016 Anti-Bribery Management System

In ensuring necessary measures are adequately in place to address corruption risks within the organisation, KWAP pursued ISO 37001:2016 Anti-Bribery Management System (ABMS) certification in 2021. KWAP was awarded with the ISO certification on 3 December 2021 by SIRIM QAS International Sdn Bhd, the appointed certification body. The certification covers all of KWAP's core functions and was awarded based on the outcome of audits conducted on KWAP's departments operating in Kuala Lumpur and Cyberjaya offices as well as on KWAP's property investment arm, KWEST Sdn Bhd. Such achievement is a testament to the joint effort and commitment by all parties within KWAP in ensuring effective implementation of ABMS in the organisation.

Organisational Anti-Corruption Plan 2021 – 2025

Organisational Anti-Corruption Plan (OACP) is a requirement under the National Anti-Corruption Plan 2019-2023. KWAP, as a statutory body, is required to develop its own OACP, in an effort to support the national agenda in combating corruption. The development of the KWAP Organisational Anti-Corruption Plan 2021 – 2025 (KWAP OACP) was completed in December 2020. It was approved by the Board in February 2021 and was launched by the Chief Executive Officer of KWAP in the same month. The five-year plan consists of 57 initiatives aimed at addressing the corruption risks within KWAP. By the end of the first year of KWAP OACP implementation, 33% of these initiatives have been completed.

Anti-Bribery and Corruption Policy

The Board had approved KWAP's new Anti-Bribery and Corruption Policy (ABC Policy) in November 2021. The ABC Policy prohibits all employees, Board, and Investment Panel members of KWAP, as well as employees and the Board of Directors of KWAP's subsidiaries from participating in bribery and any corrupt activities. The policy also sets KWAP's position in matters such as sponsorship and donation, political contribution, facilitation payment, and dealing with third parties, among others, to ensure that our organisation preserves the highest standard of governance, integrity, accountability, and transparency in our operational and business activities.

Whistleblowing

KWAP has established a whistleblowing mechanism for KWAP personnel and the public to raise concerns responsibly. Our Whistleblowing Policy protects the whistleblower (for employees only) against any reprisal. All corrupt acts and misconducts against KWAP could be reported, and necessary action would be taken against any KWAP personnel who committed such wrongdoings. Currently, there are five whistleblowing channels available, managed by KWAP's Integrity and Governance Office (IGO). IGO treats all reports received as strictly confidential. The information on whistleblowing and its channels is continuously communicated via internal platforms and is also available on the corporate website. Details on KWAP's whistleblowing channels are as below:

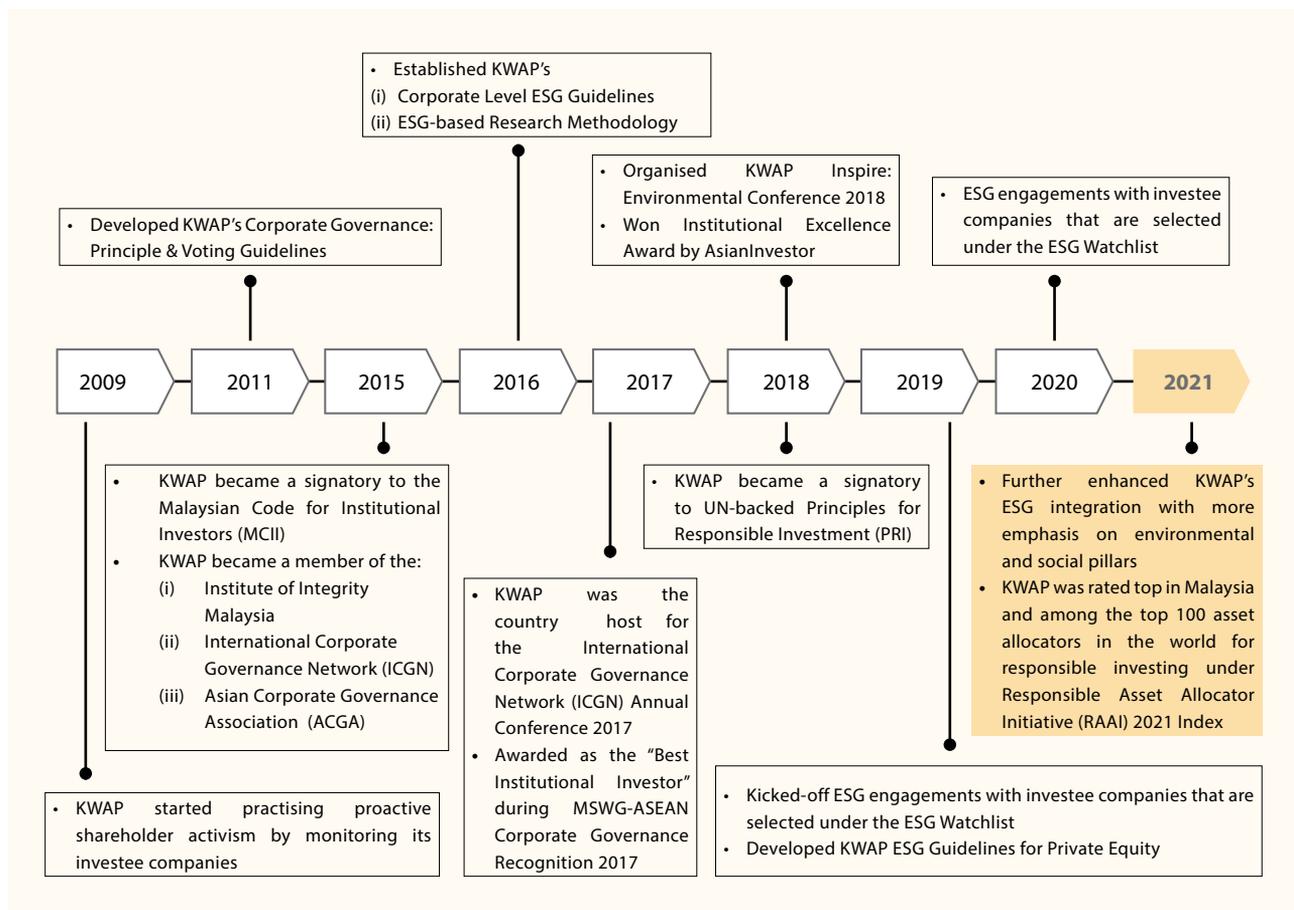
-  E-form on KWAP website and other internal platforms
-  Email: whistleblow@kwap.gov.my.
For report against IGO personnel: chairman.bic@kwap.gov.my
-  Hotline: 03-2174 8090  Physical mail to IGO  Meet IGO officer in person

CREATING LONG-TERM SUSTAINABLE VALUE

RESPONSIBLE INVESTING

Sustainability is a crucial lynchpin to building a stable source of the retirement fund and supporting its long-term assurance. At KWAP, we integrate the sustainability imperatives of Environmental, Social and Governance (ESG) into our investment principles to generate sustainable and risk-adjusted returns. This principle reflects our fiduciary duty in fulfilling the mandated role entrusted to us to generate long-term sustainable returns for our stakeholders, namely Malaysian pensioners.

KWAP'S SUSTAINABILITY JOURNEY

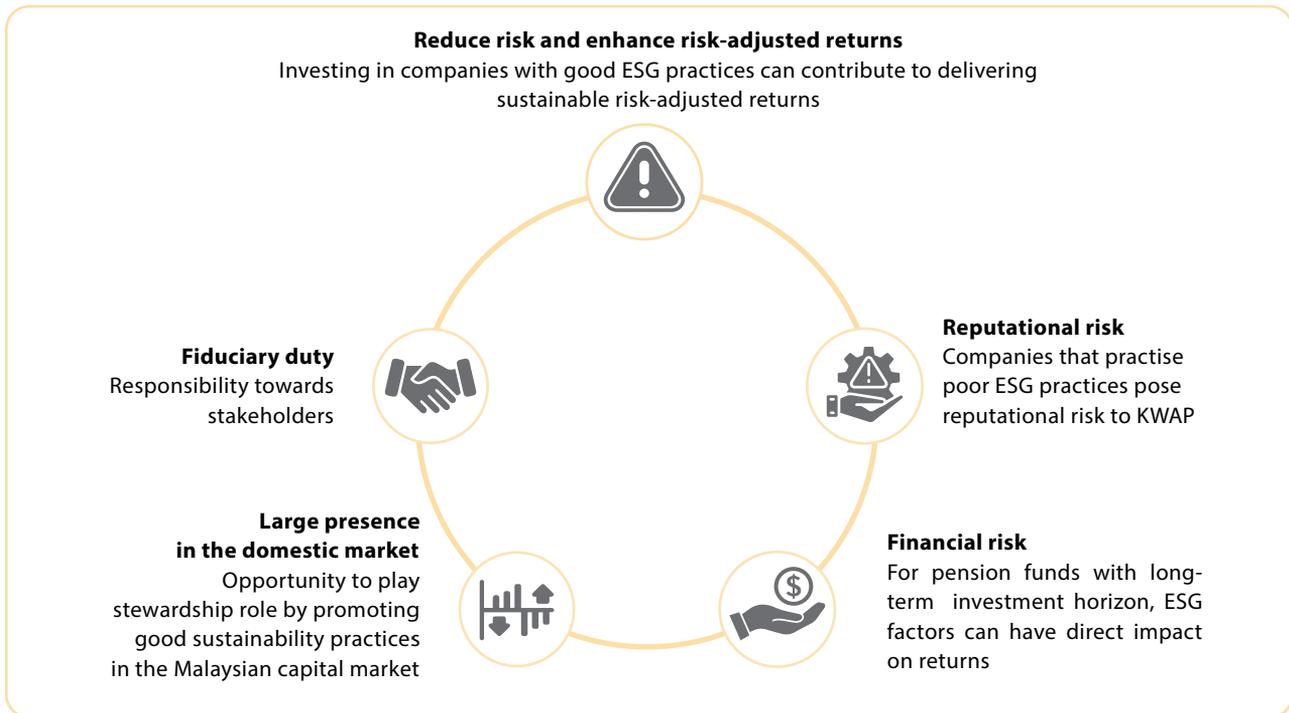


In 2018, KWAP integrated ESG into our investment analysis and decision-making processes and conducted investment carbon footprint measurement to identify the carbon emissions (CO₂) on KWAP's existing domestic equity portfolio. We also established the ESG Tracking Methodology for a structured process to track, monitor and review ESG performance of KWAP's investee companies.

CREATING LONG-TERM SUSTAINABLE VALUE

RESPONSIBLE INVESTING

WHY ESG IS IMPORTANT TO KWAP



We recognise the significance of ESG factors as drivers of longer-term risk or opportunities for sustainability. Our approach to embedding tenets of sustainability in our investment aims to contribute toward managing environmental and social resources responsibly to meet the needs of future generations.

OUR ESG APPROACH

Our ESG beliefs shape and drive our investment philosophy and approach. We demonstrate this principle through our actions in our selection and advocacy of investee companies to adopt good ESG practices that can contribute toward delivering sustainable risk-adjusted returns and therefore enhance shareholder value over the long-term. As large asset owners with long-term investment horizons in diverse industries, we are in a position to influence positive ESG changes within investee companies, such as addressing the transition to a low-carbon and deforestation-free economy.

We also have a responsibility to set an exemplary path in the market owing to our large domestic presence. It is our duty to support national economic development plans and capital market activities as we are able to make a difference by redirecting capital towards ESG-focused companies within the market space.

CREATING LONG-TERM SUSTAINABLE VALUE

How We Impact Change	Description
Benchmark performance against identified ESG Pillars	<ul style="list-style-type: none"> We use investee companies' non-financial performance to score their performance benchmarked against the ESG pillars since 2016.
Conduct shareholder engagements	<ul style="list-style-type: none"> We engage with investee companies annually, to guide them to continuously improve their ESG practices and performance.
Exercise shareholder activism	<ul style="list-style-type: none"> We attend Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) to exercise our shareholder activism and conduct shareholder engagements with investee companies to discuss both financial and non-financial matters.
Adopt ESG negative screening practice	<ul style="list-style-type: none"> We adhere to KWAP's ESG negative screening practice as incorporated in KWAP's Investment Policy to safeguard our investments and protect our assets from financial and reputational risks. As part of our efforts to safeguard our investments and protect our assets from financial and reputational risks, KWAP has avoided investments in the following industries through negative screenings based on ethical considerations: <ul style="list-style-type: none"> (i) Tobacco; (ii) Alcohol; (iii) Gambling; (iv) Adult Entertainment; (v) Armaments (i.e., Chemical weapons, cluster bombs and etc.); (vi) Countries that have no diplomatic ties with the Government of Malaysia; (vii) High-risk Countries (including countries identified by United Nations Security Council Sanctions List); and (ix) Corrupt Practices.
Internalise ESG practices within KWAP	<ul style="list-style-type: none"> We integrate good ESG practices across KWAP's business and operational activities encompassing all the main areas, namely investment, operations and pension services administration, and management.

KWAP'S ESG POLICY AND GUIDELINES

Corporate Level ESG Guidelines

KWAP incorporated ESG considerations across all its operations, including its investment decision-making process, via KWAP's Corporate Level ESG Guidelines established in 2016. KWAP plans to update the ESG Guidelines for Equity Investments and roll out new ESG Guidelines for the Property investment asset class in the future.

Incorporate Corporate Governance and sustainability considerations into investment decision-making process via:

- (i) Investment Policy and Investment 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;
- (vi) KWAP's ESG Tracking Methodology; and
- (vii) ESG Guidelines for Private Equity.

CREATING LONG-TERM SUSTAINABLE VALUE

RESPONSIBLE INVESTING

Corporate Level ESG Guidelines Objectives	Descriptions
Discharge responsible investing role in interest of stakeholders	Enable KWAP to fulfil its roles to its stakeholders, and to meet the current and future generations' need for stable and long-term fund growth in a responsible and sustainable manner by adopting good ESG practices.
Improve sustainable performance	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.
Advocate and promote good ESG practices in the capital market and with KWAP's business partners	Leverage on KWAP's position as a large institutional investor to advocate and improve ESG practices in: <ul style="list-style-type: none"> • The Capital Market: <ul style="list-style-type: none"> (i) Engagements with investee companies. (ii) Collaborations with regulators (e.g., Bursa Malaysia Berhad and Securities Commission). (iii) Collaborations with corporate governance (CG) bodies (e.g., ACGA and PRI). (iv) Active roles in CG-related councils (e.g., Institutional Investors Council and Security Commissions Key CG Stakeholders Group). • Companies across KWAP's value chain including its suppliers, third-party service providers and other related business partners.
Seven pillars of KWAP Corporate Level ESG Guidelines	<ul style="list-style-type: none"> • Environment • Human Capital • Governance • Investment Management • Members Administration • Ethical Practices • Social

SHAREHOLDER ACTIVISM

As an active shareholder, KWAP engages with its investee companies and raises ESG issues, where necessary. Engagements with investee companies are led by the management team and KWAP officers through AGM/EGMs and one-on-one meetings, to further impress the need to improve the governance practices of its investee companies.

Monitoring Investee Companies

- Daily monitoring of performance and value drivers via company announcements and news flows;
- Monitor ESG red flags and concerns; and
- Monitor via AGM/EGMs
 - (i) Monitor issues deliberated at investee companies' AGM/EGMs; and
 - (ii) Submit AGM/EGM resolutions to all its investee companies.

CREATING LONG-TERM SUSTAINABLE VALUE

KWAP's shareholder activism and engagement for 2021 are as below:

i. Shareholder's Engagement with Investee Company

- KWAP organised 14 shareholders' engagements through a virtual platform in 2021.

No.	Company	Date
1.	Top Glove Corporation Berhad	8 February 2021
2.	AMMB Holdings Berhad	1 March 2021
3.	Top Glove Corporation Berhad	17 March 2021
4.	Tune Protect Group Berhad	24 March 2021
5.	Serba Dinamik Holdings Berhad	28 May 2021
6.	CapitaLand Malaysia Mall Trust	21 June 2021
7.	Pos Malaysia Berhad	24 June 2021
8.	Malakoff Corporation Berhad	7 July 2021
9.	CIMB Berhad	5 August 2021
10.	AMMB Holdings Berhad	6 August 2021
11.	Time Dotcom Berhad	9 August 2021
12.	Syarikat Perumahan Negara Berhad	21 October 2021
13.	Bandar Malaysia Sdn Bhd	22 October 2021
14.	Gas Malaysia Berhad	24 November 2021

- Topics discussed during the engagement include company overview, market conditions, company's future business plans and ESG-related issues.
- Engagements are participated by KWAP's senior management team including KWAP's Chief Executive Officer.

ii. ESG Engagements Initiated by KWAP

- KWAP screened its investee companies based on considerations outlined in the ESG Tracking Methodology and shortlisted a few companies to be included in the ESG Watchlist.
- KWAP conducted a thorough analysis of relevant ESG issues as per the Global Reporting Initiative (GRI) Standards and developed an ESG database for each company listed in the ESG Watchlist.
- KWAP organised ESG engagements and dialogues with companies under the ESG Watchlist to further monitor their operations and limitations, if any, and share experiences

based on previous engagements with other companies. This is to allow KWAP to send a strong message to all investee companies of its expectation to be the leader in ESG for the asset owner category.

- KWAP conducted five ESG engagements and one follow-up ESG Engagement with its investee companies in 2021.

No.	Company	Date
1.	Padini Holdings Berhad	3 June 2021
2.	Wellcall Holdings Berhad	21 October 2021
3.	CapitaLand Malaysia Mall Trust	26 November 2021
4.	Al-Aqar Healthcare Real Estate	30 November 2021
5.	Petronas Gas Berhad	2 December 2021
6.	Tenaga Nasional Berhad	10 December 2021

- KWAP's engagements with investee companies indicate that sustainability disclosures are still lacking. Some of the issues KWAP highlighted during the engagement pertain to carbon emission, energy efficiency, water management, human rights, child labour and board oversight on ESG.
- In 2021, more emphasis was placed on environmental and social-related matters/issues in KWAP's investment decision-making processes:
 - Under Environmental pillar: - incorporated more Climate Change-related inclusions such as transitioning towards a Low Carbon Solution and Green Technology, No Deforestation, No Peat, No Exploitation, among others; and
 - Under Social pillar: - included Respect Workers' Rights, Decent Workplace, Workers' Minimum Standards and Housing among KWAP's ESG considerations.
- KWAP's research analysts also conducted a total of 1,074 engagements throughout the year, which comprised analyst briefings, internal meetings and engagements with investee companies, and included reviews on their ESG practices, where applicable.

CREATING LONG-TERM SUSTAINABLE VALUE

RESPONSIBLE INVESTING

iii. Institutional Investors Council (IIC) Engagements with Public Listed Companies (PLCs)

- KWAP participated in seven engagements with public listed companies conducted by IIC in 2021.

iv. Voting Rights

- KWAP submitted 132 companies' AGM/EGMs resolutions to all investee companies.
- Exercised our voting rights based on KWAP's published Voting Guidelines as disclosed to all investee companies.

No.	Company	Date
1.	AMMB Holdings Berhad	26 March 2021
2.	AMMB Holdings Berhad	2 April 2021
3.	Top Glove Corporation Berhad	15 April 2021
4.	AMMB Holdings Berhad	16 June 2021
5.	Serba Dinamik Holdings Berhad	29 June 2021
6.	Bursa Malaysia Berhad	13 August 2021
7.	Sime Darby Plantation Berhad	1 October 2021

v. Other ESG-Related Engagements

- KWAP continued its engagements with its investee companies via visits to raise and address pressing ESG matters, where necessary, on investee companies' publicly reported ESG practices during the year. These visits are led by the management team and KWAP officers through one-on-one meetings to further improve the ESG practices of its investee companies.
- KWAP participated in eight engagements with investee companies in 2021.

No.	Company	Date	Purpose of Meeting
1.	Tenaga Nasional Berhad	8 January 2021	Strategy for TNB Sustainability pathway 2050
2.	Sime Darby Plantation Berhad	30 April 2021	Update on FY2020 results in preparation of AGM in June 2021 and dividend reinvestment plan
3.	CapitaLand Malaysia Mall Trust	21 May 2021	Proposed Mandate Expansion
4.	Yinson Holdings Berhad	10 June 2021	Updates on FPSO business, Renewables, ESG and Green Tech business
5.	Yinson Holdings Berhad	5 October 2021	Stakeholders Materiality Engagement
6.	Inari Amertron Berhad	6 December 2021	Labor Issue Concerns
7.	SKP Resources Berhad	7 December 2021	Labor Issue Concerns
8.	V.S. Industry Berhad	10 December 2021	Labor Issue Concerns

CREATING LONG-TERM SUSTAINABLE VALUE

ENGAGEMENTS WITH REGULATORS/GOVERNMENT LINKED INVESTMENT COMPANIES (GLICs)

As part of KWAP's initiatives in supporting ESG practices and raising the level of its adoption in Malaysia, KWAP participated in multiple engagements with regulators such as the Securities Commission, Bursa Malaysia Berhad, Bank Negara Malaysia and Malaysia Anti-Corruption Commission (MACC).

KWAP's participation in sustainability-related working groups and initiatives include:

i. Joint Committee on Climate Change (JC3)

- Three KWAP officers are members of the Joint Committee on Climate Change (JC3). On 27 September 2019, Bank Negara Malaysia and Securities Commission Malaysia established JC3 to pursue collaborative actions for building climate resilience within the Malaysian financial sector. Three JC3 committees include:
 - (i) JC3 Sub-Committee 1: Climate Change and Principal-based Taxonomy working group;
 - (ii) JC3 Sub-Committee 2: Governance and Disclosure; and
 - (iii) JC3 Sub-Committee 5: Bridging Data Gaps.

ii. PERKUKUH

- PERKUKUH is an initiative that aims to reform and refine the mandates for the Government-Linked Investment Companies (GLICs) that include Sovereign Wealth Funds (SWFs), and Institutional Investors in the country with a view to future-proof the ecosystem while strengthening Government-Linked Companies (GLCs).
- The reform comprises 20 key initiatives focusing on achieving a clearer mandate for each GLIC, more investments in catalytic and developmental areas, increased private sector participation and streamlining of the government's role.
- KWAP is directly related to five out of 20 PERKUKUH initiatives namely:
 - (i) No. 3 – Structure optimisation for SWFs;
 - (ii) No. 4 – Stabilisation and savings fiscal rules;
 - (iii) No. 8 – Optimise international investing limits;
 - (iv) No. 9 – Social security reform; and
 - (v) No. 11 – Sustainable investing standard.

- Initiative no. 11 is fundamental towards the enhancement of the ESG governance practices in the domestic capital markets of which KWAP has provided input in surveys and questionnaires produced by the Regulators and ESG Related Associations as follows:

- (i) Bursa Consultation Paper 1 – Proposed Amendments to the Main Market and ACE Market Listing Requirements in Relation to Director Appointment and Independence;
- (ii) Bursa Consultation Paper 2 - Proposed Amendments to the Ace Market Listing Requirements in Relation to ACE Market One-Stop Centre;
- (iii) Bursa Consultation Paper 3 - Proposed Amendments to the Main Market Listing Requirements in Relation to Enhanced Adviser Framework, Submission of Corporate Proposals and Other Amendments;
- (iv) Bursa Consultation Paper 4 - Proposed Amendments to the Main Market and ACE Market Listing Requirements in Relation to Conflict of Interest and Other Areas;
- (v) SIP Survey- 2021 Asset Owner and Asset Manager Survey;
- (vi) IFRS® Practice Statement Exposure Draft ED/2021/6;
- (vii) Feedback on Draft Reference Guide on Climate Risk Management and Scenario Analysis;
- (viii) Survey on Proposed Bursa Malaysia Corporate Governance Guide (4th Edition);
- (ix) Consultation on the Proposed Amendments to the Rules of Bursa Malaysia Depository Sdn Bhd (Depository Rules) to Facilitate Greater Operational Efficiency and Reflect Regulatory Changes and Updates;
- (x) Feedback on Draft TCFD Application Guide for Malaysian Financial Institutions;
- (xi) Bursa Malaysia & Institutional Investors Council Malaysia (IIC) SRI Landscape Survey; and
- (xii) Survey on Bursa Malaysia Berhad's Sustainability Reporting Framework.

CREATING LONG-TERM SUSTAINABLE VALUE

RESPONSIBLE INVESTING

ENGAGEMENT WITH CORPORATE GOVERNANCE BODIES

KWAP engages with like-minded bodies to pursue high standards of corporate governance and ESG best practices.

i. Institutional Investors Council (IIC)/ Malaysian Code for Institutional Investors (the Code)

- KWAP has been a founding member of IIC since its formation in July 2015, with KWAP's former Chief Executive Officer, Dato' Wan Kamaruzaman Bin Wan Ahmad appointed as the first Chairman of the IIC Council Board Members from July 2015 to June 2019.
- On 15 December 2021, KWAP's Chief Executive Officer, Puan Nik Amlizan Mohamed was appointed IIC's Vice Chairman of the IIC Council Board Members at the IIC's 3rd Annual General Meeting (AGM).
- As a member of IIC, KWAP endorsed its commitment to upholding good corporate governance standards by being a signatory to the Code. The Code comprises a set of principles which assists institutional investors in fulfilling their 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 38 signatories under the Code, which includes Institutional Investors, asset managers and asset owners.
- KWAP actively participated in IIC-related events, which included council and working group meetings and was involved in IIC engagements with seven local PLCs in 2021.

ii. United Nations-supported Principles of Responsible Investment (PRI)

- KWAP became a signatory to PRI on 7 February 2018, an independent non-profit organisation supported by the United Nations (UN) to encourage investors to adopt responsible investments to enhance returns and better manage risks.

- PRI promotes awareness of the investment implications of ESG factors and supports its international network of investor signatories by incorporating the six 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 at a globally recognised platform. As a signatory, we are committed to:
 - (i) adopt and implement the six principles for responsible investment, where consistent with our fiduciary responsibilities; and
 - (ii) 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 engaged closely with the representatives from PRI to further improve ESG initiatives in the region.

iii. Asian Corporate Governance Association (ACGA)

- In 2021, KWAP participated in the ACGA's Asian Business Dialogue on Corporate Governance 2021, Making connections between Governance and ESG in Asia.

KWAP'S SPEAKING ENGAGEMENTS

In furthering the topic and integration of ESG in the marketplace, KWAP leverages its position as a large fund manager to share its thoughts and direction on ESG and sustainability.

KWAP CEO participated as a guest speaker in numerous ESG-related events in:

- (i) SIDC - Responding to Investor Demand for ESG Action Post COVID-19;
- (ii) Invesco APAC Management Strategy Forum - Building sustainable portfolios in a reflating world and the role of technology: disruptor or enabler?; and
- (iii) Rebuilding A Sustainable Economy – IMKL Series 4: Renewable Energy, Decarbonising Malaysia.

05

INCULCATE AGILITY AND ADAPTABILITY TO LEVERAGE OPPORTUNITIES

With a close pulse on the ground, we continuously assess the investment landscape to strike a right balance between navigating short-term challenges and building the long-term resiliency of the Fund.

ECONOMIC AND STRATEGIC REVIEW

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ECONOMIC, MARKET AND ASSET CLASS REVIEW

ECONOMIC REVIEW

GLOBAL ECONOMY 2021

The global economy rebounded in 2021 after a challenging 2020. There were strong recoveries in manufacturing activities and global trade, which supported global growth. Global gross domestic product (GDP) grew 6.2% in 2021 as compared to 2020 which was 3.1%, underpinned by continued accommodative fiscal and monetary policies despite inflation rising to multi-decade highs.

The global trade recovery was stronger than expected, owing to pent-up demand following the contraction in the previous year. Notably, the recovery in global trade maintained its momentum throughout the year despite headwinds from supply chain disruptions and the emergence of new virus variants, supported by an ultra-loose monetary policy by central banks worldwide.

In the US, the revival of the labour market supported the US recovery and has since grown from strength to strength. Despite the pickup in inflationary pressures due to the recovery in activities and a strong rebound in the labour market, the Federal Reserve assessed inflation as transitory and refrained from normalising policy rates.

Other advanced economies, particularly the Eurozone, saw a rapid resumption of activities following the reopening of the economy, albeit at divergent rates across the region. Policy played a crucial role in shoring up the recovery as it stimulated investment, which in turn facilitated job creation. In the UK, the government's priority to ramp up mass vaccination and administration of boosters helped to drive growth towards its pre-pandemic levels.

At the other end of the spectrum, China's policymakers introduced policies to try and curb income inequality as it championed the "common prosperity" theme with crackdowns on property and big technology companies. Nonetheless, the economy registered the fastest growth in almost a decade. Regional economies also posted stronger growth supported by the recovery in global trade post-recession in 2020.

MALAYSIA ECONOMY 2021

Malaysia's economy continued to be challenged in 2021 due to further lockdowns as COVID-19 infections spiked, straining the public healthcare system. Nonetheless, due to the acceleration of the vaccination programme in the second half of the year, the country was able to transition into the later phases of the National Recovery Plan (NRP), which enabled the gradual relaxation of strict Standard Operating Procedures (SOPs) by the end of 2021. As such, GDP growth returned to the expansionary territory at 3.1% in 2021, albeit partly boosted by the low year-ago base with a contraction of 5.6% in 2020.

Meanwhile, fiscal policy continued to support the economy with a total of RM530 billion in stimulus measures being deployed since the onset of the pandemic. Monetary policy remained accommodative, with Bank Negara Malaysia (BNM) keeping the Overnight Policy Rate (OPR) at an all-time low of 1.75% throughout the year.

ECONOMIC OUTLOOK

GLOBAL ECONOMY 2022 OUTLOOK

Although the fastest pace of recovery is behind us, global growth is expected to remain strong in 2022 due to pent-up savings and inventory rebuilding. The major developed economies are expected to grow rapidly through mid-year and then moderately as near-term impulses wane. Emerging economies may face comparatively lacklustre performance. China's property market is likely to soften further while macro policy looks set to ease only modestly.

The goods-led inflation surge from 2021 should see global central banks starting the interest rate normalisation process, albeit the normalisation speed is envisaged to vary greatly by different economies.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

MALAYSIA ECONOMY 2022 OUTLOOK

Amid the continued strength in global growth in 2022, the domestic economy should continue its steady recovery path, bolstered by the reopening of economic activities and the release of pent-up demand. However, external inflation pressures could have the impact of boosting price pressures domestically. Domestic inflation is expected to remain contained given the continuation of price controls for key items under the food and fuel categories which should enable a gradual pace of interest rate normalisation.

Nevertheless, downside risks persist in view of uncertainty arising from the slowdown in major economies and ongoing geopolitical conflict, including in terms of potential further supply chain disruption and economic impact.

EQUITY MARKET REVIEW

GLOBAL MARKETS 2021

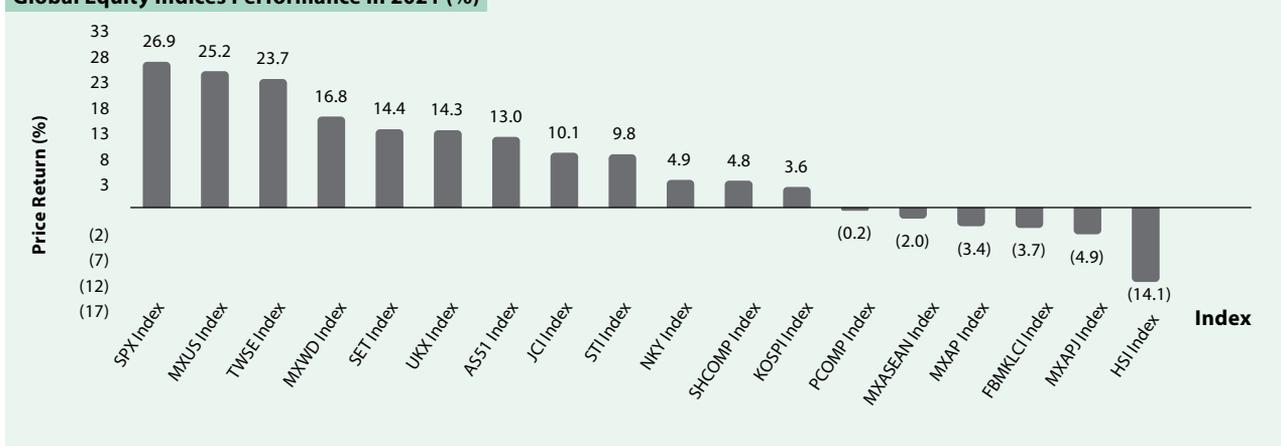
2021 started positively as investors looked toward a global economic recovery and return to normalcy driven by the rollout of vaccination programmes. It was a year of anticipation and uncertainty as economies made huge progress towards adjusting to a post-pandemic world. However, much remains to be done as the recovery was uneven and often interrupted by new virus variant outbreaks and scares. Despite the vaccines, significant natural immunity and various restrictive measures, the COVID-19 virus took a larger human toll in 2021 than in 2020.

Nevertheless, it was a positive year for most global equity markets, supported by a strong rebound in economic growth and continued accommodative fiscal and monetary policies despite inflation rising to multi-decade highs. Overall, the MSCI World Index delivered a total return of +16.8% in 2021, with investors focusing on economic and corporate earnings fundamentals over worries about the COVID-19 pandemic.

US equities led the gains across all markets, where MSCI US (MXUS) delivered total returns of 25.2% in 2021, outperforming the MSCI World Index by 8.4 percentage points. The S&P 500 index gained 26.9%, tech-heavy Nasdaq Composite was higher by 21.4%, while the Dow Jones Industrial index (DJI) saw gains of 18.7% to end the year. Since the start of the pandemic, the US Congress passed about USD6.0 trillion in fiscal stimulus through four major bills, including the Biden administration's COVID-19 relief bill at USD1.9 trillion in March 2021. These stimulus packages, which include cash handouts of USD1,400 to almost all Americans and USD20 billion to support vaccine distribution efforts, saw US equities reaching new highs. The economic rebound, along with strong corporate earnings in 2021, pushed the US market to outperform all other major indexes even as the pandemic remains a major risk factor throughout the year.

China, on the other hand, was an underperformer in 2021. After reaching a record high in February, the Hang Seng Index (HSI) declined over the rest of the year. This was driven by increased regulation on the technology and property sectors coinciding with energy shortages, and a slowing economy. The index delivered negative returns of 14.1% in 2021.

Global Equity Indices Performance in 2021 (%)



ECONOMIC, MARKET AND ASSET CLASS REVIEW

EQUITY MARKET OUTLOOK

MALAYSIA EQUITY MARKET 2021

The FBM KLCI fell 3.7% year-on-year in 2021, to 1,568 points, as the market was hit by a series of negative news flow and events. Despite a record high crude palm oil (CPO) price in 2021 and outstanding performance of the Technology, Industrial Production and Healthcare sectors, Malaysia's equities performance was dragged by sectors namely Gloves and Plantation, due to negative sentiment from lack of compliance on foreign labour management.

MALAYSIA EQUITY MARKET 2022

Global economies are finally set to have a relatively normal period of economic activity in 2022, as the battle against COVID-19 shifts decisively as global vaccination rates reach critical herd immunity levels. This is especially true for Emerging Markets, which have generally taken longer to deal with the pandemic due to a lack of access to vaccine supplies and logistical issues. Due to the slow vaccination progress in 2021, the Emerging Market's economic recovery was delayed compared to their developed market counterparts, potentially making them a more attractive investment opportunity in 2022 as the vaccination rate accelerates. Services sectors, notably tourism and tourism-related, are expected to return to pre-pandemic activity levels as travel borders reopen, and mobility improves.

There continues to be the need to constantly monitor risks posed by new variants, which could potentially be impervious to the vaccines. Nevertheless, it appears that the existing vaccines are effective in stopping the sharp rise in hospitalisations and deaths. For now, the Omicron variant remains something that needs to be monitored rather than a cause for panic as the impact is more likely to be mild, given that the variant mutation is less threatening; focus is still on the durability/adaptability of vaccines, efficacy and booster shots; and the fallout is expected to be less severe than what was witnessed during the 2020 recession.

Pent-up demand, supply disruptions, low inventory levels and slow capital expenditure (CAPEX) spending in the past years have resulted in global inflationary pressures. The Government's supportive measures have helped the recovery of corporate and household balance sheets, which will further increase the pent-up demand for discretionary goods as well as services demand. Strong crude oil prices will also push up the inflation data as the economy reopens. As such, it is expected that rising, and possibly longer-lasting inflation concerns will continue to anchor the equity market in 2022. With these factors, including the high inflation environment, faster quantitative easing (QE) tapering, and potential sooner-than-expected Federal Reserve rate hikes, the treasury yield is expected to continue rising throughout 2022. This will continue to impact the valuation of growth stocks and is supportive of value and cyclical stocks. Additionally, Emerging Economies, especially those with weak external balance, will have to raise their policy rates sooner to protect their currencies and capital market against the potential outflow of funds.

Narrowing into the local bourse, Malaysia's 2022 budget unveiled on 29 October 2021 was hailed as the largest budget to date. However, the introduction of "*Cukai Makmur*" was a surprise and caused a temporary overhang due to its negative impact on corporate profits. Despite the headwinds, after being under heavy restrictions throughout most of 2021, there is a strong indication that most economic activities will be allowed to operate at full capacity in 2022, driven by the high vaccination rate and ease in hospitalisation rates. This bodes well for the equity market, given the improved overall market sentiment.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

BOND MARKET REVIEW

GLOBAL FIXED INCOME MARKET REVIEW 2021

The global fixed income market weathered a challenging year in 2021. As the world gradually came to terms with the pandemic, the anticipated growth recovery reduced the appeal for safe havens. Meanwhile, supply chain disruptions, labour shortages, and economic reopening had led to a surge in inflationary pressures, which brought forward expectations of central banks' monetary policy normalisation and, in return, induced flight from global bonds.

The persistence of inflation in the second half of the year, which was brought upon by global economic reopening, had prompted higher bond yields globally. In the US, the 10-year US Treasury ended 60 basis points (bps) higher to 1.51% at the end of 2021 from where it was in 2020, with the yield curve flattened as the shorter to intermediate tenors climbed the fastest in the third quarter of the year since the onset of the pandemic. This was in the backdrop of the US Personal Consumption Expenditure Index (PCE), a measure of inflation, continuing to soar and eventually reaching the highest in 38 years, led by the surge in commodity prices and effects of the supply chain shocks.

Given inflationary concerns, the US Federal Reserve initiated the tightening cycle by committing to increase the pace of its asset tapering by March 2022. The market's expectations for the first Federal Reserve hike since the onset of COVID-19 were also brought forward to the first quarter of 2022, with dot plots indicating faster and higher interest rate hikes than the previous expectations to counter the rising and persistent inflation. Concerns on the changing price pressure dynamics were shared by Norges Bank and Bank of England as both started the tightening cycle ahead of the Federal Reserve by hiking their interest rates in the third and fourth quarter of the year, respectively.

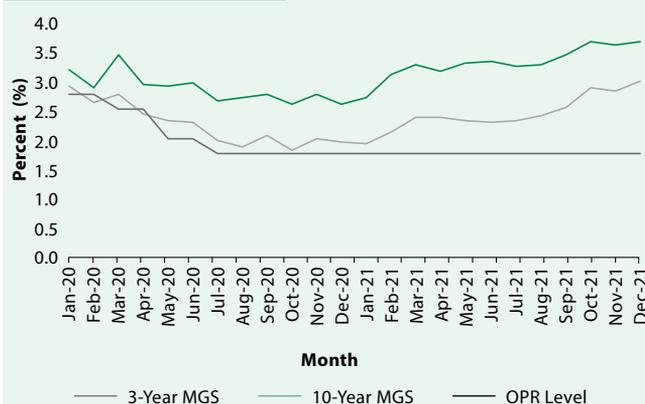
Elsewhere, other major central banks took more gradual and measured steps in raising interest rates despite inflationary pressures. The European Central Bank (ECB) held the view that monetary accommodation was still needed to strengthen the economy and for inflation to stabilise over the medium

term. Meanwhile, the slowing economy prompted the People's Bank of China (PBOC) on an easing mode, while the Bank of Japan (BOJ) kept its policy rate status quo as Japan's inflation continued to hover near zero.

In 2021, the world grappled with the COVID-19 pandemic, heightened by the emergence of new variants. While equities performed well on prospects of recovery from the strong vaccination drive, local bonds and Sukuk were not spared.

The Refinitiv (RF) BPAM All Bond Index, which stood at 188.887 points at the end of December 2020, fell to 182.496 points by the end of March 2021, attributed to the resurgence in daily COVID-19 cases worldwide and the spike in US Treasury yields from fears of uncontrollable inflation after a USD1.9 trillion COVID-19 relief bill was approved by the US government. The index recovered from then onwards as demand for local bonds showed resilience, notwithstanding the challenges. The index climbed to 187.286 points at the end of December 2021. Overall, the index recorded a -0.85% decline year-on-year and the Malaysian Ringgit bond market performance, as measured by the index, recorded a negative annual return for the first time since KWAP's inception in 2007.

MGS Yields vs OPR Level



Source: BPAM

ECONOMIC, MARKET AND ASSET CLASS REVIEW

BOND MARKET REVIEW

DOMESTIC BOND MARKET REVIEW 2021 (CONTINUED)

Government bonds in the primary market continued to accumulate strong demand in 2021, drawing support from both foreign and local investors following Moody's reaffirmation of Malaysia's local and foreign currency long-term issuer ratings at A3 with a stable outlook, coupled with FTSE Russell's reaffirmation of Malaysia's membership in the World Government Bond Index. Foreign demand was further fuelled by value-seeking investors, taking advantage of Malaysia's attractive yield spread compared to developed markets. MGS yields trended higher in 2021, reaching pre-pandemic levels towards the end of the year. Consequently, the market recorded the highest net inflows of foreign investment into the domestic bond market since 2012, at RM33.6 billion in 2021 as compared to 2020 at RM18.3 billion.

Gross issuance of corporate bonds in the domestic market rose to a higher RM114.28 billion in 2021 as compared to 2020 which was RM104.58 billion, contributed by a more favourable fundraising environment supported by improved investor confidence and low yields. By rating spectrum, 53.5% of total issuances were rated issuances, followed by government-guaranteed issuances at 24.6% and unrated issuances at 21.9%. In the rated space, more than half of the issuances were rated AAA, indicating that market conditions remained challenging for corporates with weaker credit profiles. Meanwhile, unrated issuances grew by 31.6% as corporates took advantage of low-interest rates.

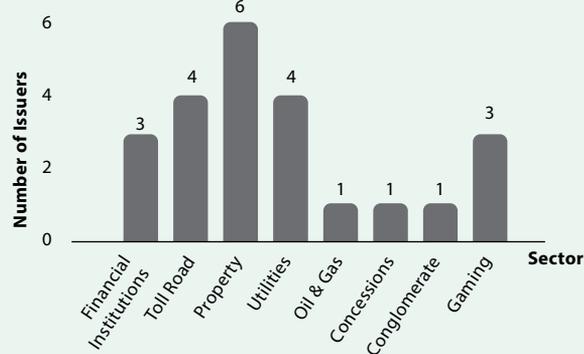
Domestic Credit Quality

2021 continued to challenge the domestic credit market with an increasing number of issuers placed under a Negative Outlook. Out of the 21 issuers under Negative Outlook, 16 were directly and/or indirectly impacted by disruptions of business operations resulting from pandemic-related restrictions, which continued from 2020. The negative impact of the pandemic appears to be uneven across sectors, with property, toll roads and utilities constituting the largest proportion of issuers under a Negative Outlook.

The market saw the highest number of downgrades since 2016. There were 14 downgrades against 10 upgrades in 2021, with no tendencies towards any specific industries. The rating changes are viewed to be issuer-specific rather than industry-wide. This highlights the importance of corporates having a strong balance sheet to withstand challenging times.

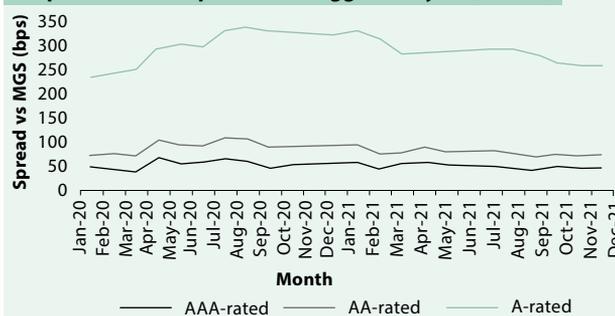
Despite a large number of issuers under Negative Outlook, only one issuer defaulted in 2021, which was a special-purpose vehicle wholly owned by a company offering credit sales services. Default risk across the market appears to be contained and manageable, notwithstanding the challenges.

Issuers under Negative Outlook



Source: KWAP, RAM, MARC

Corporate Credit Spreads in Ringgit Malaysia (5 Years)



Source: BPAM

ECONOMIC, MARKET AND ASSET CLASS REVIEW

CREDIT MARKET OUTLOOK

DOMESTIC CREDIT MARKETS IN 2022

The domestic credit markets are expected to remain resilient in 2022, despite uncertainty about the strength of economic recovery with the emergence of new COVID-19 variants, supply chain disruptions and rising inflation. Malaysia's transition into the endemic phase, supported by strong vaccination rates, will encourage economic activity. Additionally, the strong fundamentals of domestic corporates will allow them to ride the challenging macroeconomic conditions ahead, which may lag recovery. Yet, there could be the possibility of negative rating pressure, particularly in the property, aviation, and banking sectors, which were the most affected by the pandemic. Following the economy reopening, the central bank is expected to hike the OPR, although with some degree of caution, so as not to hinder nascent economic growth. Yields are expected to continue their uptrend, having returned to above pre-pandemic levels at the end of 2021. This may benefit the domestic market as investors search for attractive valuations and fulfil the need to shield their portfolios from the changing macroeconomic landscape, particularly concerning ESG and rising inflation.

As different regions face unique ESG challenges, it creates opportunities for value creation. Malaysia has the potential to attract investments as a leader in ESG issuances within the region. Malaysia established history in 2021 with the issuance of the world's first USD-denominated Sustainability Sukuk. Within Malaysia, the domestic market saw substantial growth in ESG bond issuances in 2021, amounting to approximately RM4.9 billion as compared to 2020, which was RM1.0 billion, the highest since the SRI Sukuk Framework was established in 2014. The elevated trend will likely continue in 2022, supported by tax initiatives on SRI Sukuk until 2025, which is expected to encourage the issuance of ESG bonds by corporates. The surge of asset owners considering ESG in their selection and contractual processes has driven acceleration in integrating ESG into investment processes. KWAP, too, is in the process of strengthening ESG integration to supplement its already rigorous investment screening mechanism. Despite the tremendous growth of ESG issuances, there is still room for further development of guidelines and regulations to deter misuse of the term while strengthening confidence in ESG investments and protecting investors.

PRIVATE EQUITY MARKET REVIEW

PRIVATE EQUITY IN 2021

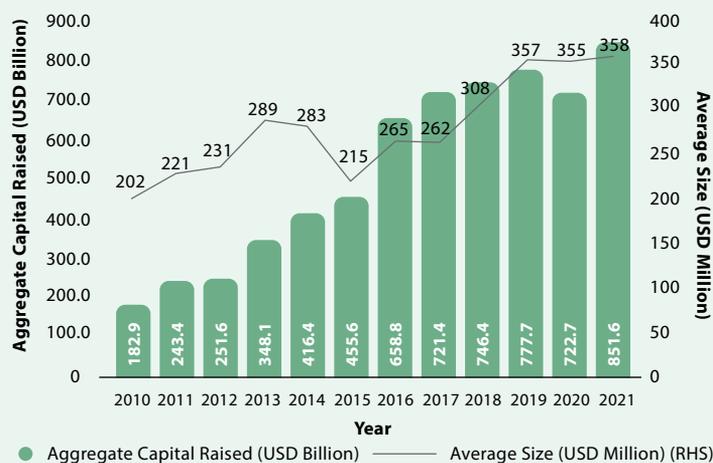
2021 was an exceptional year for the private equity asset class as seen in the resilience, growth in fundraising and capital raised as well as the rise in Assets Under Management (AUM). While the year may have seemed like an extension of 2020, in terms of the prolonged restriction in global movements and continuous lockdowns due to the mutation of the COVID-19 virus, it slowly transitioned into a period of recovery. With a great number of economies reopening their borders for movement, and especially for businesses as vaccination rates rose globally, this provided a brighter prospect for the second half of 2021, where markets and financial institutions made the best out of the recovery period with increased levels of fundraising and deal

activity. With reference to McKinsey's Global Private Markets Review 2022, a key factor that led to the increased demand within this private market asset class was based on the leading performance figures of a 10-year pooled Internal Rate of Return (IRR) of 27.0% in 2021, thereby outperforming most Public Market Equivalent (PME) measures. The global private equity market saw a rebound in both the aggregate capital raised and the average size of fundraising. This phenomenon was timely after the events caused by the pandemic in 2020 saw the first year of decline for the asset class, where aggregate fundraising fell 7.1%.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

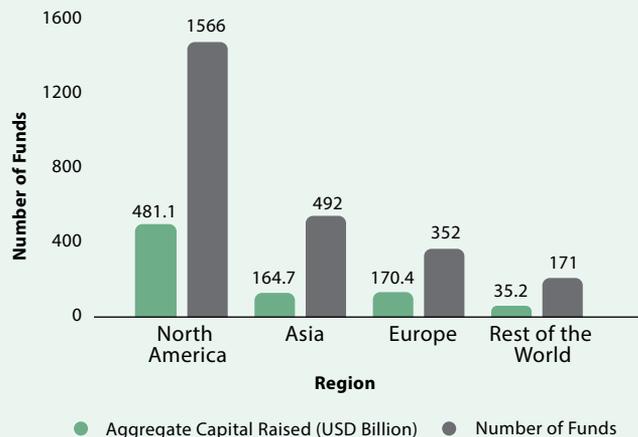
PRIVATE EQUITY MARKET REVIEW

Chart 1: Global Private Equity Fundraising from 2010 to 2021



Source: Preqin

Chart 2: Global Private Equity Fundraising Exposure by Region in 2021



Source: Preqin

The aggregate capital raised in 2021, as observed in Chart 1, grew 17.8% from USD722.7 billion in 2020 to an all-time high of USD851.6 billion by virtue of the global economic recovery. The average size of private equity funds raised in 2021 recovered with a 0.8% growth to USD358.0 million year-on-year on the backing of top quartile fund managers growing their flagship funds and increasing the frequency of fundraising due to greater opportunities during the period of global economic recovery. Fund managers were likely attracted to the opportunities to deploy capital into the markets that were recovering, as well as into sectors that were booming, such as technology, consumer services and healthcare.

Chart 2 breaks down the global private equity fundraising in 2021, by the regions, led by the North American region with the number of funds at 1,566, rising 46.9% year-on-year from 1,066 funds, while an increase of 15.9% in aggregate capital raised to USD481.1 billion was also observed. The European region took second place in terms of the aggregate capital raised at USD170.4 billion, while Asia was just short of Europe at USD164.7 billion. A noteworthy observation was that the number of funds raised in Asia at 492, 140 more than in Europe, which was linked to smaller-sized funds, likely focused within the emerging markets. Additionally, it was noted that all regions other than Asia reached new single-year fundraising records in 2021. As observed in the Preqin's Global Private Equity Report 2022, this was linked to the lower venture capital and growth equity fundraising within the geographical region caused by general cyclicity. On the other hand, European fundraising was catered towards larger fund sizes potentially due to the greater opportunities and availability of larger deals linked to technology, healthcare and consumer services development with primarily more expensive underlying companies.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

INFRASTRUCTURE MARKET IN 2021

The infrastructure market recovered in 2021 in line with the global recovery as most economies enter an endemic phase. As the asset class continues to evolve, increased levels of capital continue to flow at a large rate into the global unlisted infrastructure space. This is due to the rapid phase of digitisation and energy evolution within the space, further understood as the transition into alternative forms of energy generation that are renewable and provide a positive impact on environmental sustainability. Furthermore, 2021, dubbed the year of recovery, also faced the threat of inflation as economies opened up and consumption

rose, albeit with shortages faced in the supply chain of various industries linked to infrastructure. This looming inflation concern represents a factor for the increased popularity of this asset class as infrastructure assets, which have hedging characteristics of contracted revenues and pricing powers that enable consistency in yields. Additionally, the rapid transition towards sustainable and impact investing that was seen on the agenda of most fund managers in line with the United Nations Sustainable Development Goals (UNSDG) and with the 25th United Nations Climate Change Conference (COP25) held in 2021, saw the rise in demand for investments in the infrastructure market, especially within green and impact linked funds.

Chart 3: Global Unlisted Infrastructure Fundraising, 2010 to 2021

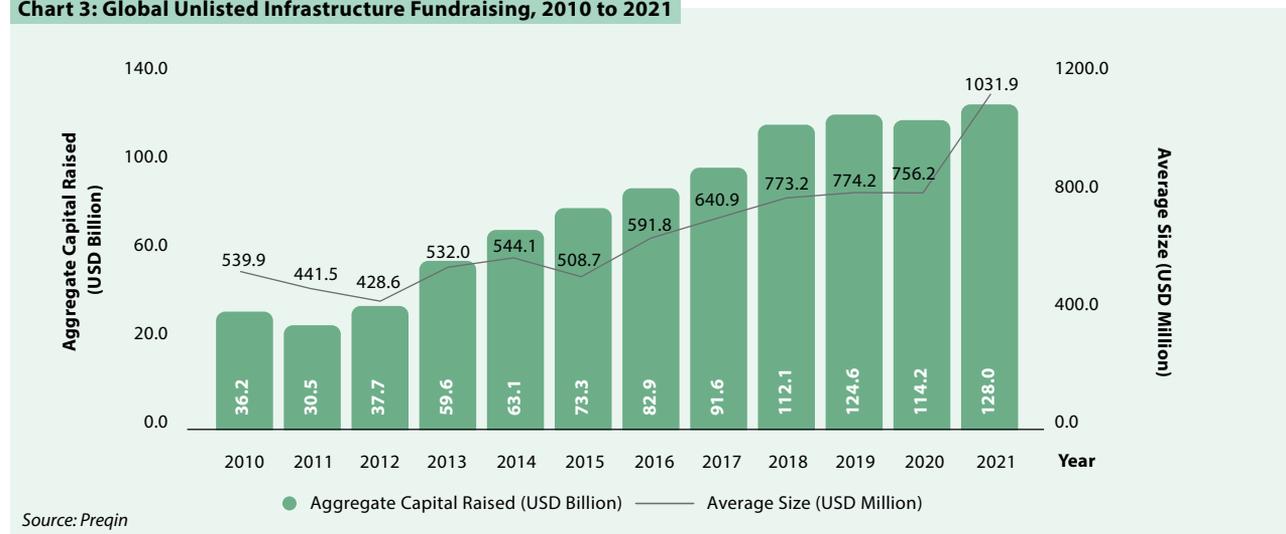
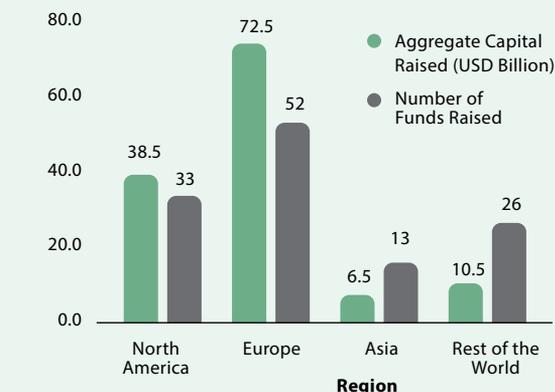


Chart 3 illustrates the rise in the growth of the global unlisted infrastructure fundraising over 11 years, with the 2021 aggregate capital raised amounting to USD128.0 billion, rising 12.1% from 2020. An all-time high average fund size was noted in 2021 with a 36.5% rise breaching the billion-dollar threshold to over USD1.0 billion compared to the year 2020 which sat at USD756.2 million. As the infrastructure mandate continues to evolve in line with macroeconomic trends, fund managers face the dilemma of rebalancing their infrastructure portfolios in line with growing ESG stances, such as investing in alternative and renewable sources of energy generation

as well as clean-tech assets. The infrastructure asset class has also seen increased investment into infrastructure technology within the communications sector such as in tower companies and the development of next-generation internet transmission technology of 5G. Finally, the third factor pushing the growth rate of the asset class is infrastructure technology (infra tech), which involves upgrading brownfield projects such as investments to improve existing infrastructure to collect data that allows for efficient management of resources, as well as greenfield projects such as the development of charging facilities for electrified vehicles in view of a greener society.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

Chart 4: Global Unlisted Infrastructure Fundraising in 2021 by Region



Source: Preqin

A shift was seen in the leading region for aggregate capital raised in 2021, where the European market fundraising amount raised grew 72.2% to USD72.5 billion from USD42.1 billion, while the number of funds raised declined from 61 in 2020 to 52 in 2021. With reference to the Preqin's Infrastructure Global Report 2022, the increase in fundraising within the region was evidenced by the higher number of funds raised with a fund size of over USD5.0 billion. The North American region saw a 23.3% decline in the number of funds raised as well as a 31.6% decline to USD38.5 billion in aggregate capital raised in 2021. Based on the McKinsey's Private Market Annual Review 2022, a likely cause of the North American fundraising drop was linked to issues of supply of quality deals with opportunistic growth compared to that in the European region. The number of funds raised in Asia declined by almost half to 13 infrastructure funds,

while the aggregate capital raised declined 10.0% to USD6.5 billion. With the rise in focus on sustainable and environmentally friendly infrastructure-related investments, it is obvious that the Asian region is underdeveloped and requires further growth for the region to be as attractive as the European and North American regions for investments within the infrastructure space.

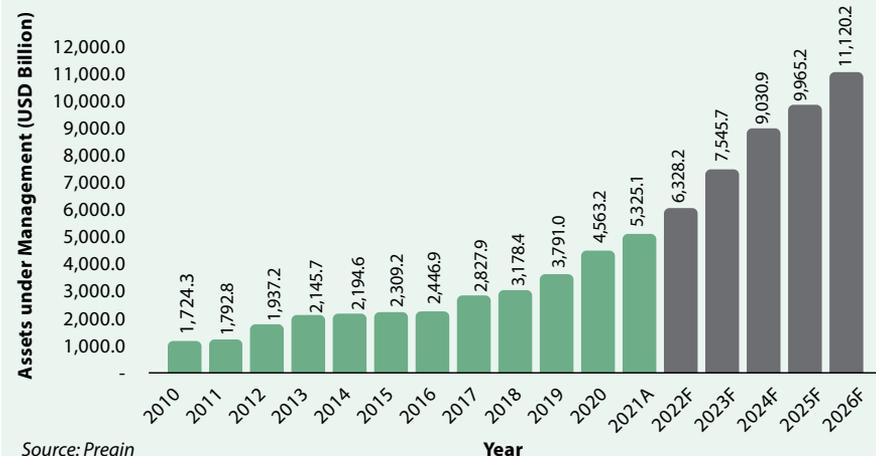
PRIVATE EQUITY MARKET OUTLOOK

MARKET OUTLOOK OF PRIVATE EQUITY AND INFRASTRUCTURE IN 2022

2021 seemed like an extension of the previous year, with countries still maintaining lockdown restrictions and limited movement across international borders, due to the mutations in the COVID-19 virus. However, as vaccination rates across the globe rose in the second half of 2021, the relaxation of movement restrictions and quarantine requirements were seen in the North American and European regions, while most of Asia still maintained

their policies into the late stage of 2021. As more pandemic-related restriction measures gradually relax, growth in the private equity and infrastructure asset classes will increase, especially in the early stage of low-yielding market conditions. This is especially seen in the rise in AUM as well as fundraising activities, which are already on a rapid rise post-pandemic.

Chart 5: Private Equity Asset under Management and Forecast, for the Year 2010-2026



Source: Preqin

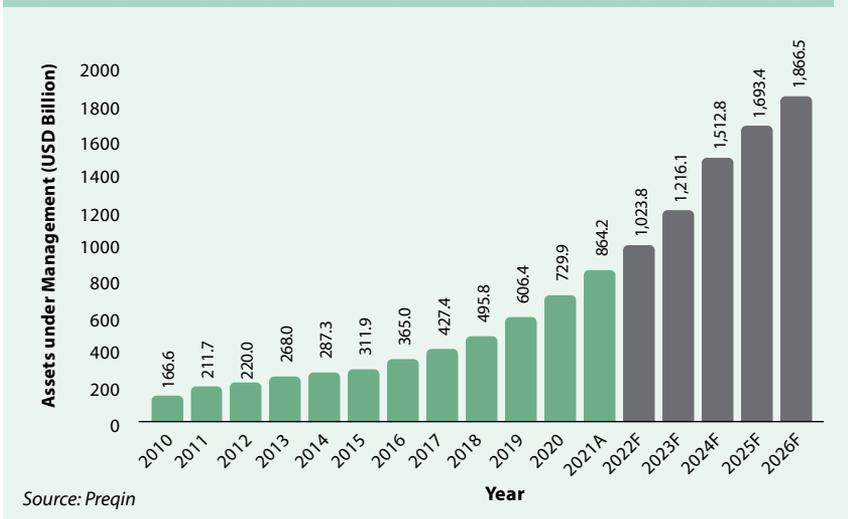
ECONOMIC, MARKET AND ASSET CLASS REVIEW

The Chart 5 illustrates the global private equity AUM, which stood at USD5.3 trillion in 2021, growing with a compound annual growth rate (CAGR) of 10.8% over 11 years between 2010 and 2021. The outperformance of the private equity markets is observed when compared with the MSCI ACWI index which grew with a CAGR of 8.4%, for the same period. Preqin's Private Equity Report 2022 forecasts a growth of 18.8% in the AUM for the asset class into 2022, supported by the global recovery of the macroeconomic environment as organisations work towards meeting supply shortages from the rising consumption levels after two years of impacts caused by the pandemic. A further forecast shows a CAGR of 15.1% in the AUM of the private equity market to USD11.1 trillion by 2026. The increase in AUM growth is driven primarily by fundraising activities that have begun to rapidly take place due to the higher expected returns from the asset class. For example, Preqin analytics reported that the global private equity funds it tracks, having netted IRR levels of over 18.0% over the five years to the first quarter of 2021. The upwards forecast is backed by the expectation of global economic growth in the mid-single digit percentage for 2021, with the exception of any major economic or geopolitical issues in the year 2022, based on Oxford Economics.

PRIVATE EQUITY MARKET OUTLOOK 2022

The global unlisted infrastructure AUM stood at USD864.2 billion in 2021, up 18.4%, as seen in Chart 6. Preqin forecasts a further 18.5% growth for 2022, with the asset class breaching the USD1.0 trillion mark and a CAGR of 16.6% for the period between 2021 and 2026. Preqin's analytic model suggests the growth of AUM for the unlisted infrastructure asset class to be contributed by the demand for long-term and stable investments to counter the volatility of equity investments. Additionally, the rising interest in clean and sustainable energy-generating infrastructure assets as well as the rapid development of infrastructure technology assets are key factors driving interest in the asset class. This is

Chart 6: Unlisted Infrastructure AUM and Forecast for the Year Ended 2010-2026



evidenced in the rise in CAGR, where the last six years, from 2015 to 2021, grew 18.5% and will continue to grow at a forecasted CAGR of 16.6% over the next five years to 2026. It was also noted in Preqin's research that the unlisted infrastructure asset class will grow its share in the private capital market from 9.7% to 10.5% between 2021 and 2026, while the private equity market will remain the dominant asset class, growing from 59.4% in 2021 to 62.6% in within six years.

ECONOMIC, MARKET AND ASSET CLASS REVIEW

PRIVATE EQUITY MARKET REVIEW

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



Source: Preqin

Chart 8: Global Private Equity Aggregate Deal Value and Deal Size



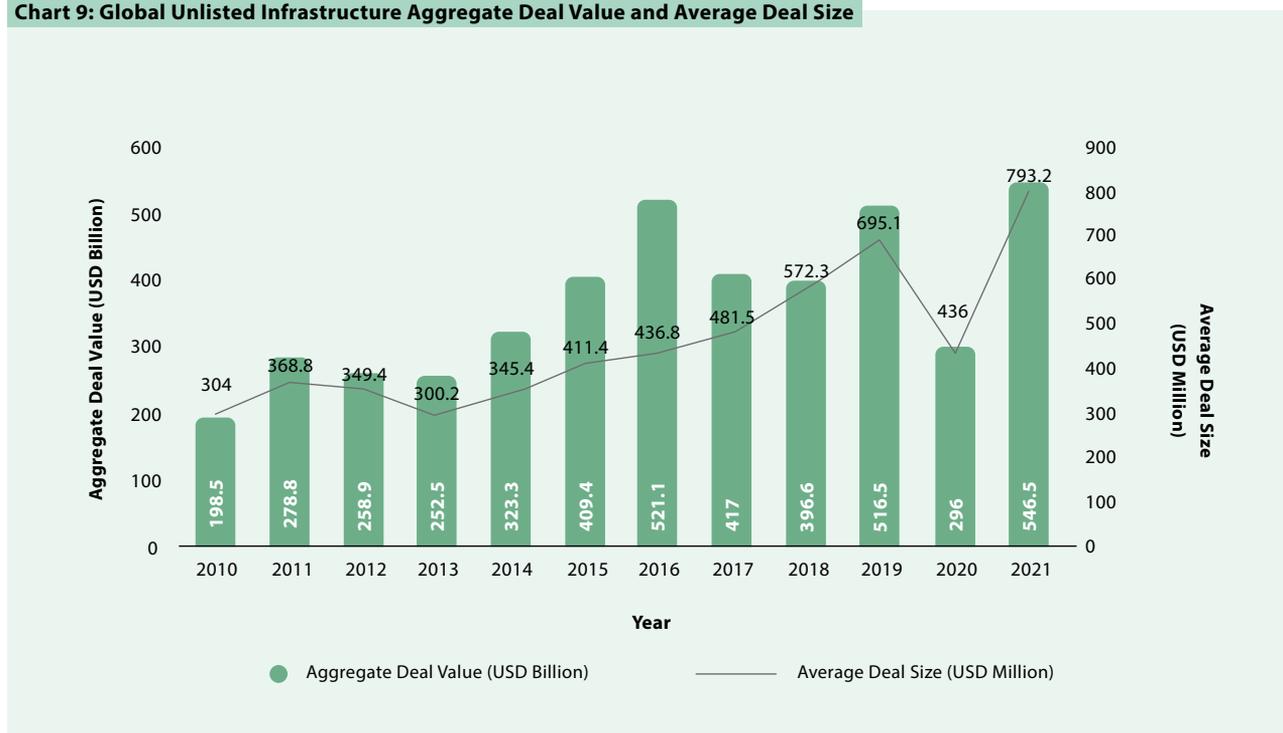
Source: Preqin

The dry powder for the private equity industry remains strong at USD2.2 trillion as at the end of 2021. The majority of dry powder was allocated towards the buyout strategy at 38.7%, followed by others at 28.2%, venture capital at 19.4% and growth at 13.7%. Over the span of 11 years, the growth strategy has achieved the highest CAGR of 14.9%, followed by venture capital at 14.7%, trailed by the others component that is made up of secondaries, distressed situations, etc., which experienced a CAGR of 11.5%. The buyout strategy, which had always maintained its dominant position in terms of dry powder allocation for the asset class, grew at a CAGR of 6.7%. The increasing pace of dry powder allocated towards the growth strategy is in line with global market recoveries post-pandemic as organisations specialise in healthcare, consumer solutions, business intelligence software, infrastructure technology and logistics support, to name a few, that are able to fill in the gap of rising demand driven by consumption and the gap left in the supply shortages globally.

The global private equity market experienced monumental growth in the aggregate deal value with an 88.3% increase, breaching the USD1.0 trillion mark in 2021. The USD1.57 trillion in aggregate deal value, up from USD856.3 billion, was contributed by the sheer deal size of transactions secured during the year. The average deal size for 2021 grew 44.5%, from USD437.3 to USD632.0 million, as observed in Chart 8. This increase in average deal size can be linked to the doubled number of broad middle market deals of over USD1.0

ECONOMIC, MARKET AND ASSET CLASS REVIEW

Chart 9: Global Unlisted Infrastructure Aggregate Deal Value and Average Deal Size



billion. A further explanation is due to the prior year's capital overhang as seen in the Chart 8, where the average deal size was on a two-year downward trend between 2018 to 2020. The pandemic in 2020, which had hampered investment strategies due to the global recession, also pressured General Partners (GP) of funds to utilise uninvested capital allocations in 2021. The latter point, together with the host of stimulus packages announced by various governments, contributed to GP's sourcing out larger deals with the aim of stability and return maximisation. Deals in 2021 were also valued higher due to higher multiples caused by the shift in the private equity approach from underwriting costs to underwriting growth.

2021 represented a strong year of recovery in aggregate deal value and average deal size for the global unlisted infrastructure asset class, as seen in Chart 9. The aggregate deal value in 2021 rose 84.6%

compared to 2020 to USD546.5 billion, while the average deal size also rose 81.9% to USD793.2 million. The pandemic significantly impacted the total deal and average deal size in 2020 as investors took conservative efforts to hold back on investments which saw aggregate deal value falling 42.7% between 2019 and 2020 as well as average deal size declining 37.3% for the same period. This asset class has indeed evolved from the focus of investments into cash-generating public infrastructure assets, to sectors that operate in broader markets where earnings can be realised through not only real estate but other assets, such as future guaranteed contracts. Due to the stability of this asset class, coming out of the pandemic with opportunities for growth due to the consumption-driven demand and supply chain shortages, as well as the transition into an environmentally sustainable focus investment strategy, limited partners of funds have rebalanced allocations towards this asset class thereby leading to its rapid growth rate in 2021.

OUR INVESTMENT STRATEGY

KWAP's purpose is to sustain and grow the fund by prudently investing in assets to achieve optimum returns so as to help Malaysia's public service employees to build financial security in retirement. We take a long-term approach in the management of the fund under the strategy as outlined in our dynamic three-year rolling Strategic Asset Allocation (SAA). The SAA has evolved over the years and allowed KWAP to enhance its portfolio diversification strategy to capture market opportunities. This has seen KWAP consistently outperform the long-term return target of 5% to 6% over a 10-year rolling basis.

Following the SAA review conducted in 2020, the new five-year SAA target mooted by the Board and the Investment Panel, allowed the Fund to increase international allocation from 19% to 30% of total assets.

As a large fund manager, KWAP invests in a mix of quality assets across various geographies to grow the fund size over the long term horizon. We employ a mix of internally managed and externally managed investment professionals in Malaysia and international, to ensure the Fund is well-positioned to capture opportunities and continue to deliver long-term growth.

We are conscious of the need to drive greater responsible investing and are committed to further integrating Environmental, Social and Governance (ESG) practices in our investment approach, so that we can deliver sustainable performance for years to come. We play an active role through our engagement with investee companies, to influence further integration of ESG in their businesses and encourage them to measure and reduce their carbon footprint, vital towards addressing growing climate change concerns.

2022 Investment Strategy Approach

Our investment strategy has been developed with the aim to grow the Fund size to RM200 billion by 2025. KWAP's asset allocation to domestic investments currently stands at 80.0% of total assets, which is equivalent to RM127.13 billion, out of a total fund size of RM159.04 billion as of 31 December 2021. We remain committed to investing in the domestic markets and have planned a total of RM8 billion worth of domestic investments as part of the approval for the investment strategy and return target 2022.

In supporting Malaysia's private capital market development, KWAP intends to triple the size of the private investments in the domestic economy, with a view to increasing from RM3.5 billion to RM12 billion by 2025. This is subject to the availability of investment opportunities, funding via tradeable asset classes and money market instruments. We consider that the deployment of private investments tends to be backloaded towards the later part of the SAA transition period.

For 2022, a total of RM3.6 billion has been planned for private investments, of which, RM0.34 billion has been allocated for domestic investments as part of the approval on 2022 Investment Strategy and Return Target. In addition to KWAP's asset allocation to private markets, we also intend to utilise the approved 3% asset allocation to strategic or opportunistic portfolio to spur new growth and enhance the socio-economic impact for the domestic economy. As such, we intend to commit up to RM6 billion by 2025, based on fund size target of RM200 billion. About 0.5% of the new investment is targeted to utilise the strategic or opportunistic allocation in 2022.

We remain committed to continue to invest in the domestic economy, focusing on ESG-conscious investments to drive the recovery efforts as well as enhance competitiveness and sustainability.

OUR PERFORMANCE

2021 Model Portfolio Research Performance

Despite the uncertain economic and business environment, KWAP's model portfolio ended the year on a positive note, outperforming its benchmarks as below:

Model Portfolio	Benchmark	Model Portfolio Return (%)	Benchmark Return (%)	Excess Return (%)
Malaysia	KLCI	16.60	1.88	14.72
Asia Pacific	MXAP	14.52	-2.83	17.34
US	MXUS	32.82	28.84	3.98
UK	FTSE100	31.26	12.83	18.43
EU	MXEU	38.39	20.47	17.92

Source: Preqin

Some of KWAP's best international calls of the year were on Nvidia Corporation, Lowe's Companies Inc., Broadcom Inc., Denso Corporation, and Hermes International, which gained between 58.6% to 101.2% within our model portfolio. Meanwhile, our best domestic calls were on Inari Amertron Berhad, D&O Green Technologies Berhad and Petronas Chemicals Group Berhad which gained between 52.2% to 30.0%. It was another good year for technology companies in 2021, economies started with a bumpy road to reopening. However, with yields remaining low and long-term trends accelerated by the pandemic, growth stocks still outperformed.

INVESTMENT PERFORMANCE

The year 2021 marked the first full year of operating under pandemic conditions. KWAP has demonstrated its ability to steadily navigate the uncertainties of the investment landscape to preserve and create value. As of 31 December 2021, the Fund size grew 3.4% to RM159.04 billion from RM153.82 billion in 2020.

Key Highlights

Fund size grew

3.4% to **RM 159.04 billion**

Gross Investment Income declined

7.0% to **RM 6.33 billion**

Time-Weighted Rate of Return (TWRR)

4.22%
Asset Classes

ASSET CLASS PERFORMANCE

EQUITY

- Realised income: **RM4.06 billion**
- Total Return: **7.69%**, outperformance of 642 bps

FIXED INCOME

- Realised income: **RM2.53 billion**
- TWRR: **0.78%**, underperformance of 33 bps against the blended benchmark

PRIVATE EQUITY

- Income Distribution: **RM637.52 million**
- Net IRR of **16.2%**

PROPERTY INVESTMENT

- Acquisition of logistics of Amazon Coalville, United Kingdom at **GBP158.9 million**
- Divestment of logistics 1 Griffin Crescent, Brisbane, Australia at **AUD160 million**

ASSET CLASS

EQUITY

2021 PERFORMANCE

KWAP's exposure to equity asset class stood at RM77.23 billion as at 31 December 2021, which accounted for 48.6% of KWAP's total assets. Domestic equity represents 74.4% of KWAP's total equity exposure, while the balance was in the international equity markets. Out of the total equity exposure, 85.4% was managed internally, while the rest was outsourced to EFMs appointed by KWAP.

In 2021, equity recorded a total return of 7.69% versus the blended benchmark of 1.27%, translated into an outperformance of 642 basis points (bps). Equity also outperformed the blended benchmark over a longer period of three years and 10 years. Total income realised from equity investment in 2021 stood at RM4.06 billion.

	2021	2020	3 years	10 years
Total Equity	7.69	7.67	7.10	6.13
Blended Benchmark	1.27	5.38	2.58	2.60
Alpha	6.42	2.29	4.52	3.54

INTERNALLY MANAGED

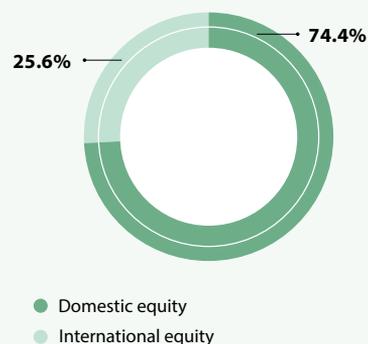
2021 KWAP PERFORMANCE

Domestic Equity

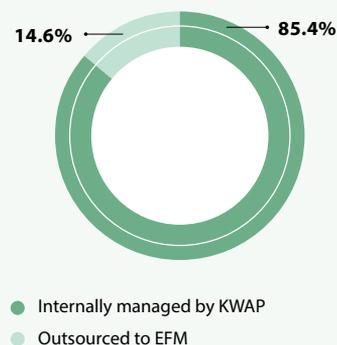
KWAP's overall defensive approach, with a strategic focus on the long-term sustainability of growth and income-generating capability employed in 2021, worked well in navigating the lacklustre domestic equity market. The overall investment strategy was focused on growing the portfolio's net asset value (NAV), coupled with increased investments in high dividend-yielding companies which contributed immensely to 2021 overall income. This strategy paid off handsomely, as witnessed by the record dividend payments by KLCI's top blue chips in 2021. Concurrently, short to medium-term capital gains were derived from active tactical positions in non-core portfolios, leveraging on thematic opportunities that emerged as global economies adjusted to the new norm and the reopening post-COVID-19 pandemic. The KWAP internal domestic equity recorded a TWRR of 3.08% against the benchmark return of - 4.23%, resulting in outperformance of 7.31%. KWAP achieved a total realised income of RM2.79 billion in 2021, which anchored approximately 63% of the total realised equity investment income for the year.

KWAP Equity Exposure as at 31 December 2021

RM
77.23 billion
48.6% of KWAP's total asset



KWAP Equity Fund Management as at 31 December 2021)



ASSET
CLASS**International Equity**

2021 was another productive year for the international equity, which successfully consolidated all internal international investments under one portfolio, the Global Equity Portfolio (GEP). KWAP has now invested in North America, Europe, Asia Pacific, and Latin America. After successfully navigating through the challenges presented by the COVID-19 pandemic in 2020, the international portfolio relied on sustained economic recovery in 2021. Given the positive outlook of the global equity markets, KWAP's GEP expanded its purchases early in the year. This undertaking proved rewarding as most major indices recorded fresh highs until the end of 2021. As the portfolio was rebalanced early on, we were well-positioned to take advantage of the market rally to realise most of the capital gains within the first half of the year. Markets were encouraged by the progress of vaccination, as well as the visible results of

fiscal and monetary stimuli on the economy, which have been in place since 2020. The MXWD Index posted a total return of 19.7% for the year, driven by the United States' S&P 500 and Europe's STOXX 50 indices which recorded stellar total returns of 30.9% and 23.8%, respectively. Meanwhile, Japanese and United Kingdom equities, represented by TOPIX and FTSE 100 indices, underperformed the global benchmark and recorded total returns of 13.4% and 16.7%, respectively. The rally in oil prices propelled the energy stocks' prices ahead of the pack, while investors' renewed optimism in technology stocks helped sustain its outperformance. Both outperformers were also joined by financial stocks and real estate stocks. Internally, the GEP repeated its outstanding performance against the benchmark, recording a 24.35% total return against the MXWD Index's return of 20.79%, both in Malaysian Ringgit. For 2021, the GEP recorded a total realised income of RM919.60 million.

EXTERNALLY MANAGED**2021 KWAP Performance****Domestic Equity**

As of 31 December 2021, the total market value managed by domestic EFMs stood at RM7.31 billion, an increase of 2.8% from RM7.10 billion in 2020. The total domestic equity portfolios managed by the EFMs account for 4.6% of KWAP's total fund size of RM159.04 billion. Overall, there are 12 domestic mandates. These comprise eight EFMs managing Conventional mandates, three EFMs managing Shariah mandates, one EFM managing Environmental, Social and Governance (ESG), and four EFMs managing Absolute Return mandates.

KWAP continued its active engagement with all domestic EFMs on a quarterly basis to review their performance and operational compliances. For portfolios undergoing restructuring, the monitoring interval was done regularly on a monthly basis. In addition, KWAP also conducted virtual visits to the EFMs' premises and compliance virtual visits throughout the year.

List of Domestic External Fund Managers as at 31 December 2021

Conventional	Fund Inception
Principal Asset Management Sdn Bhd	2005
Nomura Asset Management Malaysia Sdn Bhd	2007
Abrdn Malaysia 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
Islamic	Fund Inception
Principal Islamic Asset Management Sdn Bhd	2012
Amlslamic Asset Management Bhd	2012
AIIMAN Asset Management Berhad	2015
Environment, Social, Governance (ESG)	Fund Inception
BNP Paribas Asset Management Malaysia Sdn Bhd	2015
Absolute Return	Fund Inception
Eastspring Investments Berhad	2018
Abrdn Malaysia Sdn Bhd	2018
MIDF Amanah Asset Management Berhad	2018
Affin Hwang Asset Management Berhad	2018

ASSET CLASS

EQUITY

As of 31 December 2021, KWAP's domestic equity EFMs recorded an aggregate realised income of RM351.31 million. Overall, the EFMs registered a TWRR of 4.21% against the FBM100 Index benchmark of -4.23%, representing an outperformance of 844 basis points. One of KWAP's initiatives for 2021 includes funds reallocation. This is to strengthen KWAP's exposure within the domestic equity market strategically. This is done via additional capital injection to the top performing EFMs and termination of non-performing EFMs. EFMs with outstanding track records and strong investment processes were maintained as KWAP's EFMs.

Domestic TWRR Performance

Mandate	TWRR (%)	Benchmark (%)	Out/(under) performance (%)
Conventional	4.96	-4.23	9.19
Shariah	-0.51	-10.49	9.98
ESG	0.62	-4.23	4.85
Absolute Return	5.49	8.00	-2.51
Domestic Aggregate	4.21	-4.23	8.44

International Equity

In 2021, KWAP's externally managed international investments were segregated into three mandates, namely, the Asia Pacific ex-Japan (APEXJ), the Global Environmental, Social and Governance (ESG), and the Global Multi-Factor (GEMF) mandates. As part of the 2021 initiative to increase KWAP's global equity exposure, KWAP had appointed Invesco Asset Management Singapore Limited and Allianz Global Investors to manage the Global Equity Multi-Factor mandate.

List of International EFMs as at 31 December 2021

Asia Pacific ex-Japan Fund Inception	Fund Inception
State Street Global Advisors Limited	2011
Invesco Asset Management Singapore Limited	2015
Global ESG	Fund Inception
Nikko Asset Management Asia Limited	2017
LGT Capital Partners	2017
Global Multi-Factor	Fund Inception
Invesco Asset Management Singapore Limited	2021
Allianz Global Investors	2021

As at 31 December 2021, KWAP's international equity EFMs recorded a total realised income of RM343.87 million. Overall, the international EFMs registered a TWRR of 17.16% against MXWD Index of 20.79%, an underperformance of 362 basis points, caused by the overweight allocation to the APEXJ region.

Mandate	TWRR (%)	Benchmark (%)	Out/(under) performance (%)
APEXJ	7.56	-1.63	9.19
Global ESG	23.16	23.17	-0.00
GEMF	12.49	10.25	2.24
International Aggregate	17.16	20.79	-3.62
Domestic Aggregate	4.21	-4.23	8.44

* Performance numbers are in MYR terms

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

ASSET
CLASS

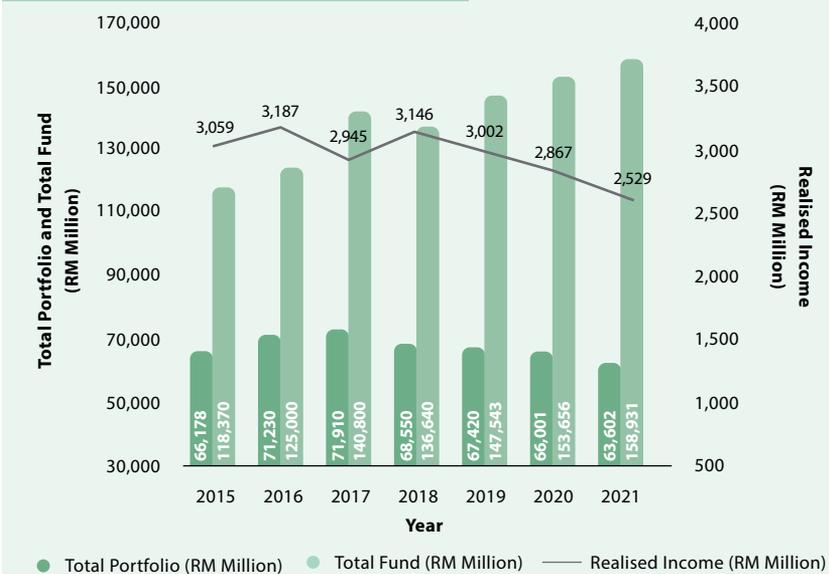
FIXED INCOME

2021 PERFORMANCE

Despite market headwinds, KWAP's fixed income portfolio produced notable returns. The fixed income portfolio registered a commendable realised gross income of RM2.53 billion in 2021 compared to RM2.87 billion in 2020 despite the RM1.43 billion realised loss due to the restructuring of one of its investee companies. This translated to a Return on Investments (ROI) of 3.98% in 2021 compared to 4.41% in 2020.

The lower realised income was also attributed to a reduction in fixed income strategic asset allocation (SAA). The total portfolio holdings decreased by 3.64% to RM63.60 billion in 2021 compared to RM66.00 billion in 2020. The reduction in portfolio holdings was in line with a 2.31 percentage points reduction in the fixed income utilisation of SAA, which stood at 40.38% as at the end of 2021.

Fixed Income Realised Income against Total Portfolio and Total Fund from 2015 to 2021



Source: KWAP

Fixed Income Return on Investment (ROI) against SAA from 2015 to 2021



Source: KWAP

INTERNALLY MANAGED

DOMESTIC SOVEREIGN BONDS

2021 Market Overview

The domestic bond market faltered in 2021 as markets were pricing in higher inflation. The surge in inflation expectations was driven by the existing huge monetary and fiscal stimulus as well as faster COVID-19 vaccinations and economic reopening. This caused markets to price in central banks' responses to combat the inflation by tightening earlier than expected, pushing up global bond yields and driving down bond prices.

ASSET CLASS

FIXED INCOME

The global bonds sell-off edged into the domestic markets, pressuring MGS yields upwards during most part of the year, with the 10-year MGS yield increasing from a low of 2.58% at the start of the 2021 trading year and peaking at 3.67% in November 2021. Overall, the local benchmark curve bear flattened as bond cheapening was seen across the curve.

Despite the rise in global and local bond yields in 2021, government bonds' auctions in the primary market continued to generate interest with an average bid-to-cover (BTC) ratio of 2.2 times, the same as it was in the previous year. This was despite the higher issuances in 2021 compared to 2020. Although there were expectations for major central banks to tighten, BNM continued to keep interest rates at a record low of 1.75% to support domestic economic growth.

Foreign holdings of local government Ringgit-denominated debt securities were mainly steady throughout 2021. This was partly attributable to the relative attractiveness of local bond yields as BNM continued its accommodative monetary policy and the affirmation of Malaysia's membership in the World Government Bond Index by FTSE Russell, which kept the support from foreign investors into local bonds. The year saw 10 consecutive months of inflows into the local government Ringgit-denominated debt securities since the start of the year before a net outflow in November 2021 due to the US Federal Reserve's hawkish tone. Nevertheless, net foreign inflow returned in December 2021.

Foreign holdings of local bonds stood at 14.7% of the total local bonds outstanding as at the end of 2021, equivalent to about RM260.0 billion. The composition of local government bonds being

held by foreign investors is 39.4% and 10.5% of the total outstanding Malaysia Government Securities and Government Investment Issuance, respectively.

2021 KWAP Performance

Despite a challenging year for fixed income, KWAP's domestic portfolio posted an ROI of 3.99% for the financial year, registering a gross investment income of RM1.35 billion. KWAP's total investment in government securities has grown for the year, as the market value of domestic sovereign bonds (MGS, GII and Quasi Government Bonds) as of 31 December 2021 stood at RM35.64 billion compared to RM33.76 billion at the end of 2020.

Domestic Sovereign Holdings Market Value vs Income for 2015 to 2021 (RM Million)



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 2021 was RM12.19 billion, with a purchase volume of RM8.67 billion and a sales volume of RM3.53 billion. KWAP's total investment in sovereign bonds (MGS, GII and Quasi Government Bonds) as of 31 December 2021 stood at 22.43% of the total fund size compared to 21.97% as of 31 December 2020.

ASSET
CLASS

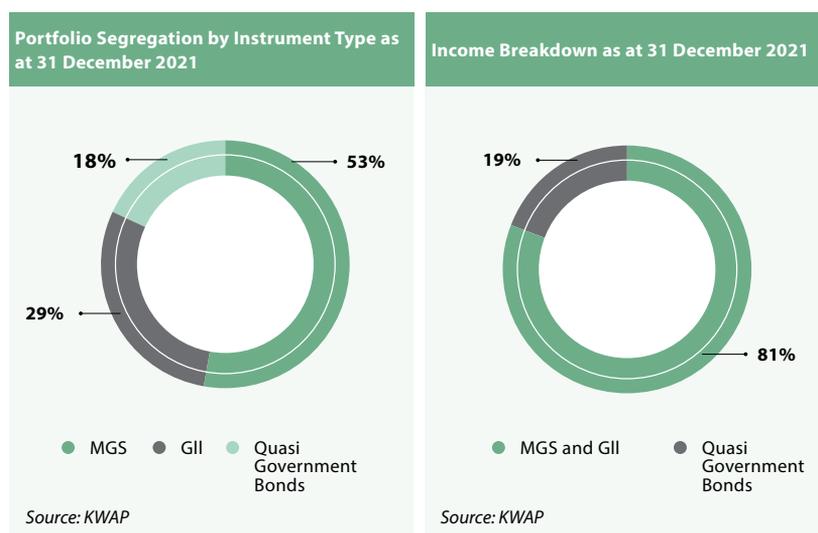
In anticipation of higher domestic growth as the economies continue to reopen and inflation persists, domestic bond yields are expected to trend higher into 2022. Despite a projected higher net supply of government bonds, demand is expected to be robust on the back of the relative valuation attractiveness of local bond yields. KWAP also has plans to hedge its fixed income portfolio via hedging instruments as it seeks to protect the value of its portfolio amid a rising interest rate environment.

DOMESTIC CORPORATE BONDS

2021 Market Overview

Relatively low yields and improving growth made it a conducive environment for credit issuances. This was demonstrated by total issuance for domestic corporate bond and Sukuk that amounted to RM114.28 billion in 2021, an 9.28% increase compared to RM104.58 billion issuance in 2020, with net issuance for the year standing at RM40.0 billion versus RM34.0 billion in 2020. The quasi-government bond and Sukuk space saw issuance stagnant at RM28.0 billion from RM29.0 billion in 2020, with infrastructure sectors such as Danalnfra Nasional Berhad and Prasarana Malaysia Berhad contributing the most for quasi-government issuances.

Issuances of bond and Sukuk from the AAA segment rose to RM34.0 billion from RM23.0 billion in 2020, showing a significant year-on-year increase of 47.83%. Meanwhile, issuance from the AA segment continued to see a decline as it ended the year at a total



of RM23.0 billion from 27.0 billion in 2020. Single A issuances were also lacklustre as they fell by almost half year-on-year to RM4.0 billion as compared to RM7.0 billion in 2020. In contrast, the unrated bond and Sukuk space saw a significant jump in issuance by 31.58% year-on-year to RM25.0 billion from RM19.0 billion in 2020.

On a sectoral basis, a large portion of corporate bond and Sukuk issuances in 2021 came from the infrastructure space, with issuances amounting to RM34.0 billion, an increase from RM30.70 billion in 2020, followed by the loan vehicles sector such as Cagamas Berhad, LPPSA and PTPTN, with total issuance amounting to RM19.70 billion from RM12.90 billion in 2020. The financial services sector also saw issuance at the RM19.0 billion level, a small decline from RM19.80 billion in 2020. The decline could be attributed to a lower supply of tier-2 and additional tier-1 (AT1) bonds and Sukuk. The property and REIT sector saw a slightly lower supply at RM13.60 billion from RM15.40 billion previously.

There was a slight deterioration in the credit condition in the domestic corporate bond market, with two technical defaults taking place in 2021 compared to 1 in 2020. Cendana Sejati Sdn Bhd was downgraded to D in early 2021, and Mex II Sdn Bhd missed its Sukuk obligations in December 2021. Credit spreads, which widened in the last quarter of 2020 across quasi-sovereign, AAA and AA space, tightened at the end of 2021 for both the five-year and the 10-year tenors. Nonetheless, the overall credit condition remains stable as the deterioration, which had taken place, was more issuer-specific than systemic.

ASSET CLASS

FIXED INCOME

INTERNALLY MANAGED

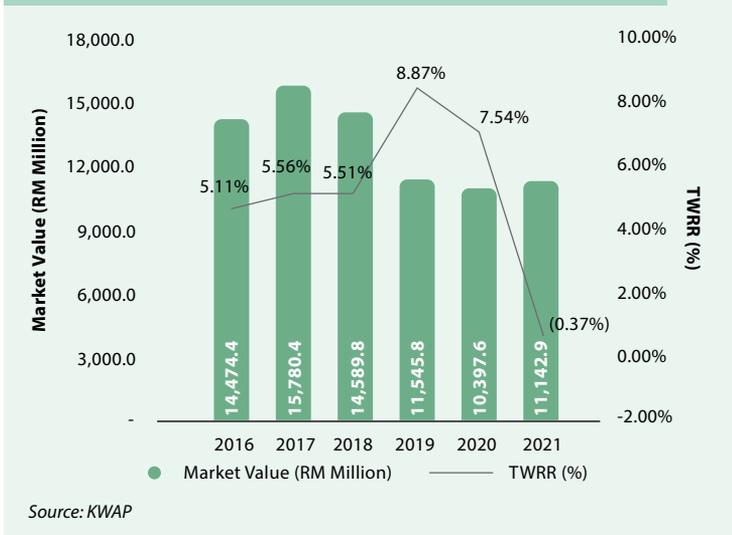
DOMESTIC CORPORATE BONDS

2021 KWAP Performance

For 2021, KWAP's portfolio holdings in domestic corporate bonds at market value increased to RM11.14 billion as of 31 December 2021, from RM10.39 billion as of 31 December 2020. The sales volume and total maturities during the year stood at RM0.70 billion against new purchases of RM1.72 billion, which came from both the primary and secondary markets.

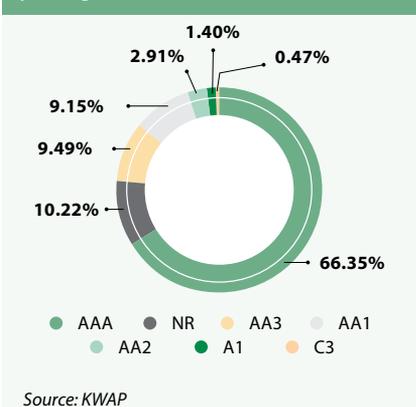
KWAP's internal domestic corporate bond portfolio provided a TWRR of -0.37%, underperforming the Total Return BPAM Corporates All Bond Index benchmark which showed returns of 0.30% for the same period. This was due to a rating downgrade of our holding, resulting in a significant price reduction for the said stocks by almost 50%. Nonetheless, the portfolio managed to capture an ROI of 4.44% for the year, translating to a total realised income of RM319.52 million in 2021.

Market Value of KWAP's Holdings in Domestic Corporate Bonds and TWRR from 2016 to 2021

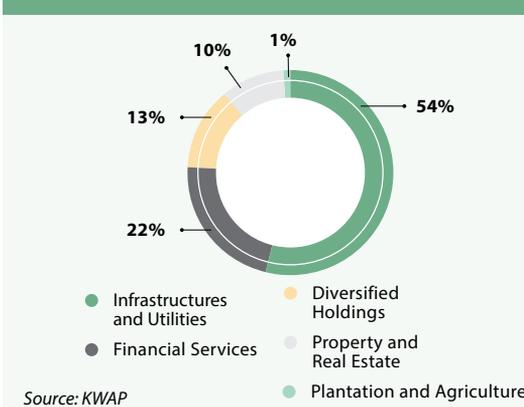


As for the duration of the corporate bond portfolio, it fell from 5.22 years in 2020 to 4.35 years in 2021, which was in line with the neutral call on duration amid the low-interest rates environment.

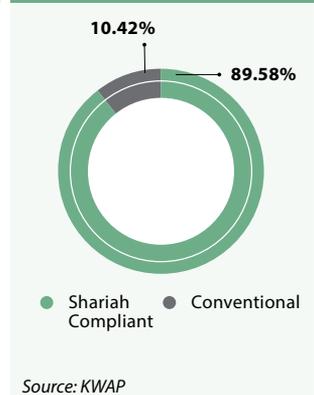
KWAP's Exposure in Domestic Corporate Bonds by Rating as at 31 December 2021



KWAP's Exposure in Domestic Corporate Bonds by Sector as at 31 December 2021



KWAP's Exposure in Domestic Corporate Bonds by Principle as at 31 December 2021



ASSET
CLASS

LOANS

2021 KWAP Performance

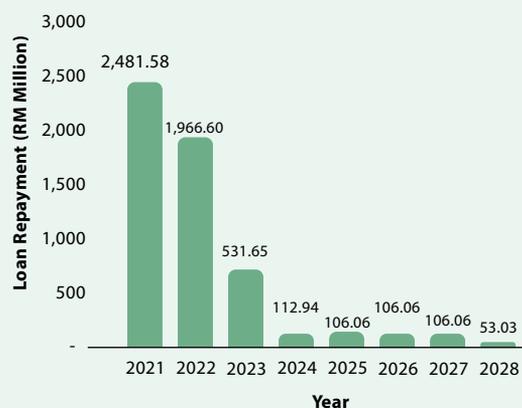
KWAP's loan portfolio stood at RM2.98 billion as of 31 December 2021, which constituted 1.87% of KWAP's total fund. The loan portfolio was significantly reduced in 2021 due to maturity and repayment of outstanding loans, which amounted to RM2.48 billion. No new loan was disbursed in 2021.

The income generated from the loan portfolio declined to RM73.61 million in 2021 from RM240.21 million in the previous year. This was in line with the shrinking of the loan portfolio size due to loan maturity and principal repayment.

2021 Loan Portfolio Movement

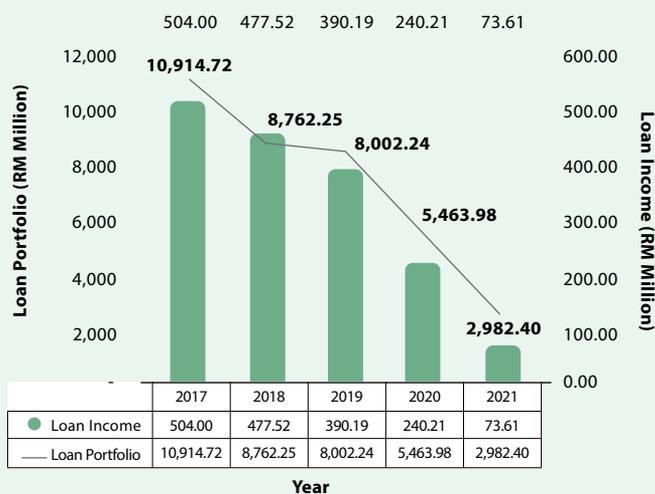
Loan Portfolio Movement	Amount (RM Million)
Loan Portfolio as at 1 January 2021	5,463.98
Capital Repayment/Maturity	(2,481.58)
Loan Portfolio as at 31 December 2021	2,982.40

Loan Portfolio Maturity Profile



Source: KWAP

Loan Portfolio Size and Loan Income



Source: KWAP

MONEY MARKET

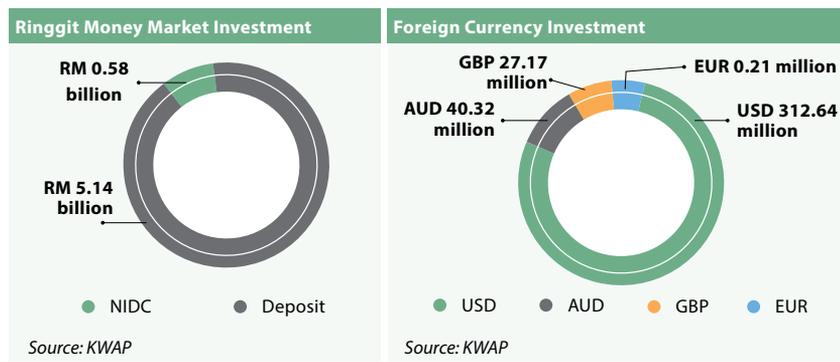
2021 KWAP Performance

KWAP's investment strategy for the money market portfolio remains objective in seeking to generate the best returns amid prevailing market conditions. In 2021, money market investment generated a gross income of RM111.07 million, registering a lower return of 43.15%, from the RM195.36 million recorded in the previous year 2020. This was attributed to the prolonged low-interest-rate backdrop as reflected in the lower rate offered by the financial institutions for money market instruments and deposits. The OPR was kept at a record low of 1.75% per expectations throughout 2021, which was in line with the global low-interest-rate environment.

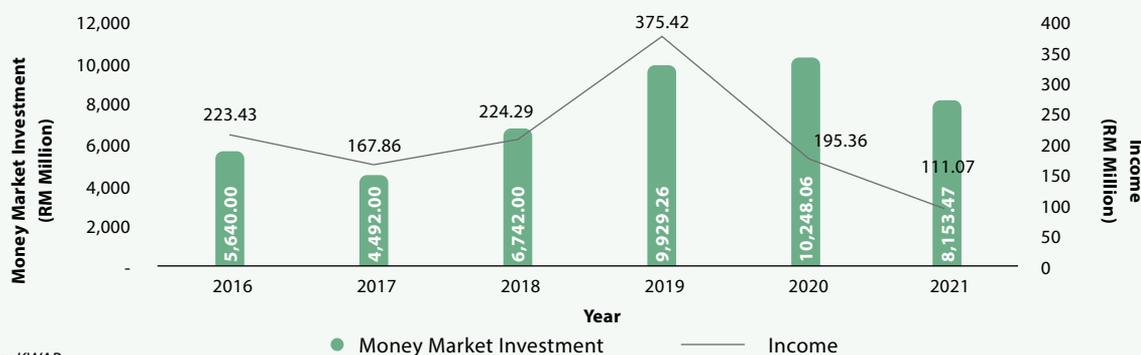
ASSET CLASS

FIXED INCOME

As of 31 December 2021, total money market investment inclusive of foreign currency in Ringgit terms stood at RM7.57 billion compared to RM10.17 billion at the beginning of 2021. KWAP's investment in Foreign Currency was recorded at USD312.64 million, GBP27.17 million, AUD40.32 million and EUR0.21 million, respectively. Overall, KWAP's total cash balances represented 4.77% of KWAP's total fund size.



Money Market Investment and Income from 2016 to 2021



INTERNATIONAL FIXED INCOME

2021 KWAP Performance

Global fixed income experienced tepid returns in 2021 as global bond yields finished the year generally higher as compared to the start of the year. US Treasury yields rose across the board with larger increases along the front end of the curve, with five-year US Treasuries increasing to 1.26% as of 31 December 2021 from 0.35% as of 4 January 2021. Rising global bond yields were driven by expectations of an increase in interest rates to curb elevated inflation in the economy. The surge in inflation was a by-product of an increase in demand coming out of the COVID-19 recession, supply chain disruption and labour shortages, creating a perfect environment for price increases.

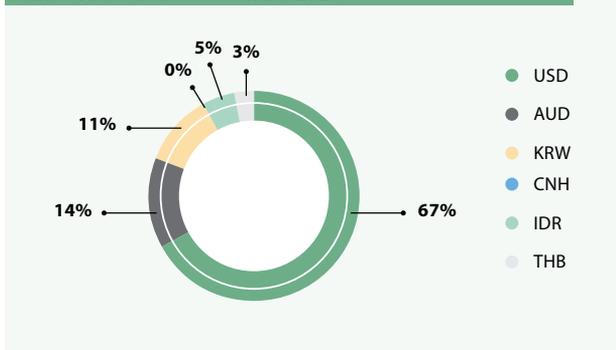
In response to elevated inflation, major central banks pivoted towards tighter policies. The US Federal Reserve formally announced the start of asset purchase tapering on 3 November 2021, which indicated Federal Reserve's willingness in normalising monetary policy as the economy continues to recover as expected. Global economy grew by 5.5% in 2021 from a slump of 3.3% in 2020 following the distribution of vaccines and the easing of lockdowns across the world. In addition, the Bank of England raised its main interest rate to 0.25% from a historic low of 0.10% in December 2021 as the UK recorded a 5.1% year-on-year inflation rate in November 2021, the highest for the past 10 years. Meanwhile, closer to home, expectations for policy rates move were less hawkish as the economies grappled with economic scarring from the pandemic, with the central banks of Indonesia, Thailand, and Philippines each keeping their rates at record lows.

ASSET
CLASS

As of 31 December 2021, KWAP's international fixed income portfolio stood at a market value of RM596.82 million as compared to RM906.74 million in 2020 premised on weak performance of the global fixed income market due to rising bond yields.

KWAP's internally managed international fixed income portfolios continued to deliver commendable performance despite the turbulent year by generating an aggregate realised income of RM28.14 million as compared to RM36.67 million in 2020. The international fixed income portfolio saw its TWRR beating the benchmark by 252 bps in 2021 with the portfolio's TWRR standing at 1.13% against the benchmark's -1.39%. The outperformance was driven by KWAP's strategy to overweight US dollar-denominated bonds versus local currencies bonds.

Global Fixed Income Holdings by Currency Based on USD Market Value as at 31 December 2021



Looking ahead to 2022, positive global growth and the prospect of central banks withdrawing monetary support with rate hikes to curb rising inflation are expected to be the most significant factors affecting global fixed income. New virus mutations such as Omicron is expected to delay, but not derail the economic recovery driven by effective vaccination programme implemented globally. Therefore, bond yields are expected to continue to move higher in 2022. Given such a scenario, KWAP remained cognisant of protecting the value of its international investments as it continues to minimise price risk through various hedging instruments.

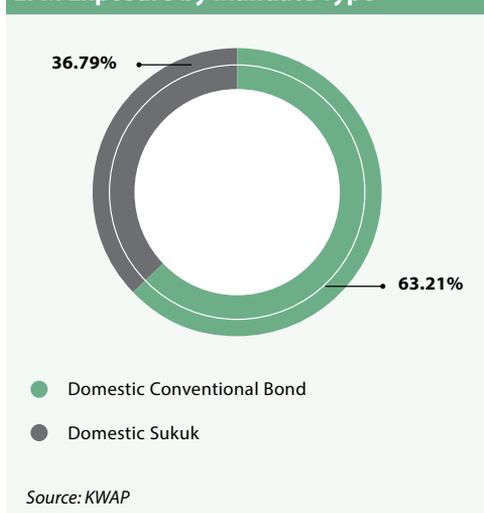
EXTERNALLY MANAGED

2021 KWAP Performance

In addition to in-house capabilities, KWAP believes in the diversification effect of its investments by outsourcing a portion of its funds externally. Since KWAP's inception in 2007, the number of KWAP's fixed income EFMs had increased from two EFMs managing domestic conventional bond mandates to 10 EFMs focusing on two types of Malaysian domestic bond mandates. The growth for the fixed income EFMs had been substantial over the past 15 years, with the fund size growing by more than thirtyfold from RM150.0 million in 2006 to RM5.67 billion in 2021.

The RM5.67 billion that was outsourced to EFMs represents about 3.56% of KWAP's fund size as at 31 December 2021. In 2021, KWAP maintained its focus domestically in relation to its externally managed fixed income fund. Of the total fixed income fund outsourced, about 63.21% of the assets were invested in domestic conventional bond portfolio, while the remaining 36.79% were invested in domestic sukuk portfolio.

EFM Exposure by Mandate Type



ASSET CLASS

FIXED INCOME

As at 31 December 2021, the market value of KWAP fixed income EFMs stood at RM5.67 billion, accounting for 8.91% of overall KWAP fixed income investments as compared to 8.07% in 2020. The domestic fixed income EFMs portfolios recorded an aggregate realised income of RM269.70 million or 4.94% of the average domestic fixed income EFM fund size. On a TWRR basis, the domestic EFMs underperformed the stipulated benchmark by 84 bps on a year-to-date basis. However, on the three-year rolling basis, the domestic EFMs continued to outperform the stipulated benchmark by 17 bps.

Domestic EFMs' Market Value and Realised Income



List of Domestic External Fund Managers as at 31 December 2021

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

Source: KWAP

KWAP monitors its EFMs closely through ad-hoc visits and periodic performance reviews. The reviews aimed to obtain insight into the portfolio risk and return characteristics and the portfolio strategy allocations. On the other hand, the visits were to observe the EFMs' adherence to terms of agreements, relevant internal control procedures and best business practices with regard to their day-to-day trading activities, as well as middle and back office operations. Throughout 2021, all engagements with EFMs were conducted virtually amid the COVID-19 pandemic, with a total of 46 performance review meetings and three compliance virtual visits conducted.

ASSET
CLASS

PRIVATE EQUITY

2021 PERFORMANCE

Private Equity and Infrastructure Investment Performance

2021 brought about greater improvements compared to the challenges in 2020. In line with the economic recovery and stability across the globe amid minor setbacks such as virus variants, the rapid rate of vaccination across major economies set the course for recovery for regions where the KWAP private equity had investment exposures.

KEY HIGHLIGHTS



Generated Income Distribution

97.1% from fund investments **2.9%** from direct investments

RM
637.52 Million

Multiple on Invested Capital
(MOIC)

1.5x

from fund investments

1.6x

from direct investments

Generated a 10-year rolling
return of

16.2%

KWAP's investment returns in the private market is attributed to the ability to identify optimal investment opportunities and manage the investment portfolios and assets once the investment decision has been made. The methods implemented in KWAP's portfolio management and investment management tasks allow for strong governance in portfolio operational tasks as well as strong conviction in the investment decisions.

As the global economy recovered, opportunities arose in industries that could plug the gaps between consumption-based demands and supply chain shortages, boosting earnings that translated into strong returns for KWAP. The overall market recovery saw the realisation and exits of underlying portfolio

companies with strong returns that allowed for the private equity programme in KWAP to outperform its stretched target by 2.7x.

A further development in the year 2021 was a focus towards macroeconomic trends that focused on the significance of environmental sustainability and the evolution of infrastructure assets. The larger flow of capital into the unlisted global infrastructure strategy is a key indicator of the development of the asset class, and together with the increased focus on sustainable energy generation; provides for new investment opportunities that are in line with the UNSDGs.

ASSET CLASS

PRIVATE EQUITY

LOGISTICS RELATED INVESTMENTS

2021 KWAP Performance

Swift Haulage Group Berhad

KWAP invested in Swift Haulage in 2017, a Malaysia-incorporated logistics company with a leading position in the container haulage segment. Due to the significant demand for transportation and movement of products between producers and consumers caused by the movement restrictions, in 2021, Swift experienced improvements in its financials with customers being in operation again following the delays brought upon by COVID-19 in 2020. Swift's 2021 top-line revenue increased by 6% year-on-year, subsequently, improving its gross profits and Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) results.

On the back of the aforementioned growth, Swift completed its initial public offering (IPO) in December 2021, achieving a market capitalisation of approximately RM920 million. The IPO was led by nine cornerstone investors, including AIA Berhad, various AmBank (M) Berhad subsidiaries, Kenanga Investors Berhad, HSBC Global Asset Management (UK) Limited, Nikko Asset Management Company Limited, UOB Asset Management Malaysia Berhad and Zurich Life Insurance Berhad. The shares were oversubscribed by 18.9 times with an estimated dividend payout ratio of 30% and a dividend yield of 2.5%. As part of the IPO, KWAP was allocated 18.5 million Swift shares under the Offer For Sale allocation to the public, allowing KWAP to monetise a portion of its investment. As of 31 December 2021, KWAP generated an IRR of 25.0% on the investment in Swift Haulage.

Global Aviation Group

KWAP took ownership of a global aviation group that comprises three main business portfolios, under the context of a special turnaround situation. This aviation group operates on a vast network of routes across Asia, Australasia, Europe and the Middle East. The aviation group was severely impacted by the

international as well as domestic travel restrictions in 2020, which saw passenger revenue decline by more than half in 2021. This was a similarity among all global airlines due to the limitation of passenger travel that pre-pandemic, contributed the majority of revenue for these companies. However, due to the rise in demand for cargo transportation, the group repurposed its aircrafts to carry cargo which saw significant growth in its cargo revenue segment. This helped to support its overall performance in 2021.

INVESTMENTS FOCUSED IN ENERGY TRANSITION

2021 KWAP Performance

KWAP's infrastructure portfolio identified energy transition as a key investment theme for 2021, strongly supported by the continued global unity shown during the United Nations Climate Change Conference (COP26) to accelerate action toward the goals of the Paris Agreement. As such, in 2021, the KWAP's infrastructure portfolio invested in three funds which displayed characteristics of a strong track record and capabilities shown by the private infrastructure managers in making an impact and return from investing in the energy transition sector, among other mandated infrastructure sectors of the fund.

The investment into one of the three funds, namely; Stonepeak Infrastructure Fund IV, resulted in an indirect exposure to the third largest independent LNG marine transportation services globally, with a fleet of 47 LNG vessels, 30 LPG vessels and one LNG terminal that primarily serves the Asia market. LNG transportation services are an essential and growing part of the global infrastructure landscape as natural gas continues to play a key role in the transition from coal-fired generation to lower carbon intensity gas-fired generation. This enables KWAP to make a generally stable transition into more sustainable investments. KWAP's infrastructure portfolio will continue to participate and play an active role in supporting the global transition without compromising returns through direct investments or investments into reputable private investment managers.

SEPARATELY MANAGED ACCOUNT STRATEGY

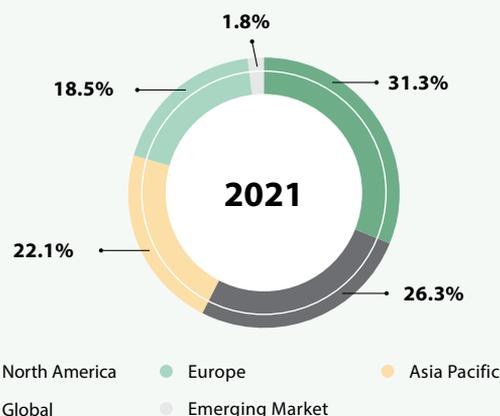
2021 KWAP Performance

In November 2021, KWAP finalised the investment in Partners Group AG (Partners Group) as its inaugural separately managed account. Partners Group was founded in Switzerland in 1996 as a private equity firm. Initially focusing on private equity, Partners Group made its first private debt and private infrastructure investments in 1999 and 2001, respectively and expanded into private real estate in 2007. While newly invested, KWAP's alpha-focused separately managed account (SMA) mandate, through Partners Group, will continue to participate and take an active role in supporting the global transition without compromising returns by having regular thematic sourcing and screening on relevant investment themes.

The pie charts illustrate the breakdown in the geographical exposure of KWAP's private equity and infrastructure based on the total commitment of RM10.1 billion, with 55 funds committed and five direct investments, as of 31 December 2021. Consistent through the two years is the breakdown in geographical exposure, with the majority of KWAP's private equity and infrastructure exposure in 2021 situated in the North American region at 31.3%, followed by Asia Pacific at 22.1%, and Europe at 18.5%. The most significant increase in geographic exposure was in the Global region and can be drawn to three new private equity, infrastructure and SMA commitments. The other two investments for 2021 were situated in Europe and North America.

Due to the robust and consistent returns in the private market, KWAP's private equity and infrastructure SAA were revised upwards from 6.0% to 11.0% in 2020. As of 31 December 2021, KWAP's private equity and infrastructure portfolio amounts to RM7.7 billion (NAV) or RM10.8 billion (NAV + Unfunded) with a SAA utilisation rate of 3.3% for private equity and 1.5% for infrastructure (NAV)/ 4.8% for private equity and 2.0% for infrastructure (NAV + Unfunded).

Geographic Exposure of KWAP Private Equity and Infrastructure



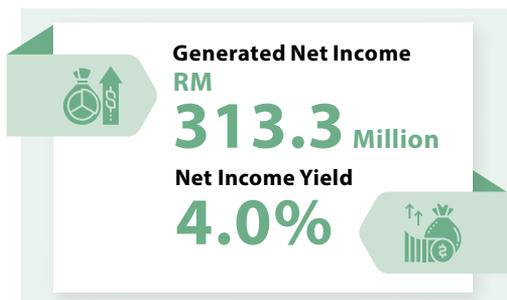
Source: KWAP

ASSET CLASS

PROPERTY INVESTMENT

2021 PERFORMANCE

KWAP has 22 properties in its portfolio, including three land sites and developments domestically. KWAP continues to embrace ESG principles in its investments, with six of its properties accredited with environmental certification and energy efficiency certification, and is committed to fulfilling the ESG principles in its property investments.



KWAP's property investment generated a net income of RM313.3 million or a 4.0% net income yield on investment cost. Chart 1 illustrates the net income yield on investment cost of KWAP's property portfolio from 2017 to 2021.

Chart 1: KWAP's Property Portfolio - Net Income Yield on Investment Cost from 2017 to 2021

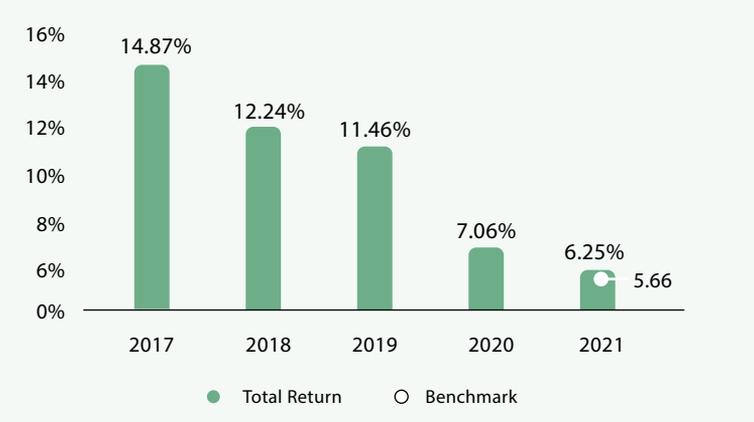


Source: KWAP

2021 KWAP PERFORMANCE

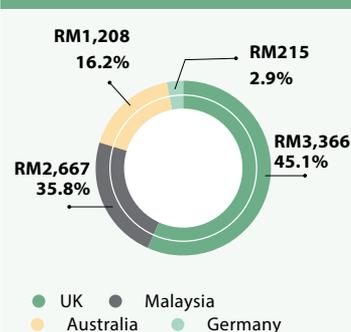
In 2021, KWAP's property investment recorded a five-year rolling return of 6.25% which exceeded the benchmark of 5.58%. Chart 2 illustrates the five-year (2017 - 2021) historical five-year rolling returns of KWAP's property portfolio with the benchmark performance.

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



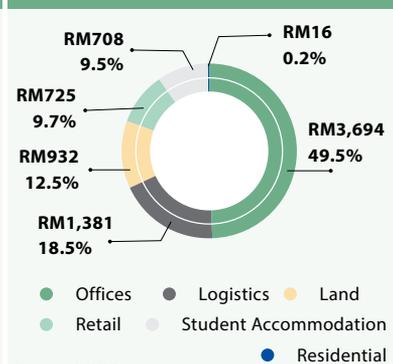
The geographical and asset type exposures of KWAP's property portfolio at the end of 2021, based on KWAP's equity investment cost, are illustrated in Chart 3 and Chart 4, respectively. The average occupancy of KWAP's properties as of 31 December 2021, was 89.2%.

Chart 3: Geographical Exposure as at 31 December 2021 (RM Million)



Source: KWAP

Chart 4: Asset Type Exposure as at 31 December 2021 (RM Million)



Source: KWAP

ASSET
CLASS

In April 2021, KWAP expanded its logistics portfolio by acquiring a logistic asset in the UK namely, Amazon Coalville, in Bardon, at a total price of GBP158.9 million or RM905.7 million. In November 2021, KWAP divested its Australia logistics property namely 1 Griffin Crescent, Brisbane, Australia, at a total price of AUD160.0 million or RM512.0 million.

In December 2021, a divestment on the office at 179 Turbot Street, Brisbane, Australia, was conducted at AUD150.9 million, with the Sale Agreement signed. The divestment remained on track with target completion by February 2022, subject to the Foreign Investment Review Board's (FIRB) approval.

Following the approval given by the Ministry of Finance (MOF) in November 2021, KWAP undertook the financing of its office portfolio at 100 Cheapside, UK. We also completed the refinancing of the 60% holding interest of the office portfolio at 747 Collins Street, Melbourne. In April 2021, we completed the refinancing of the offices at 179 Turbot Street, Brisbane, Australia, under a shareholder's loan.

Lease restructuring through rent deferment initiatives was conducted on affected properties such as The Chimes, Mydin Commercial Complex, Integra Tower, and Cap Square Tower.

KWAP Property Environmental Certification

Properties	Environmental Certification	Rating
Malaysia		
Integra Tower, Kuala Lumpur	Leadership in Energy & Environmental Design (LEED) US	Platinum Shell & Core
Cap Square Tower, Kuala Lumpur	Green Building Index (GBI) Malaysia	Certified
Australia		
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
United Kingdom		
100 Cheapside, London	Building Research Establishment Environmental Assessment Method (BREEAM) UK	Excellent
	Leadership in Energy & Environmental Design (LEED) US	Platinum
	Energy Performance Certificate UK (EPC)	B30
Germany		
Zalando Distribution Centre, Erfurt	German Sustainable Building Council (DGNB)	Gold

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

ASSET CLASS

PROPERTY INVESTMENT

2021 KWAP PERFORMANCE

KWAP's properties and land as at end 2021.

No.	Property	Type of Properties	Acquisition date	Tenure
DOMESTIC PROPERTIES				
1.	Integra Tower, Kuala Lumpur	Office	31 March 2015	Freehold
2.	Capsquare Tower, Kuala Lumpur	Office	15 December 2016	Freehold
3.	Mydin Commercial Centre, Skudai, Johor	Retail	22 January 2019	Leasehold (expiring in 4 September 2911)
4.	Lot 20010, Jalan Stonor	Land	3 December 2015	Leasehold
5.	Lot 392, Jalan Changkat Kia Peng	Land	30 October 2015	Freehold
6.	STP2A, Penang	Land	30 March 2017	Freehold
INTERNATIONAL PROPERTIES				
7.	747 Collins Street, Melbourne, Australia	Office	30 September 2013 and 8 February 2018	Freehold
8.	179 Turbot Street, Brisbane, Australia	Office	31 October 2013	Freehold
9.	133 Lenore Drive, Erskine Park, Sydney, Australia	Logistics	30 November 2014	Freehold
10.	38 - 46 Bernara Road, Prestons, Sydney, Australia	Logistics	30 July 2015	Freehold
11.	133a, Lenore Drive, Erskine Park, Sydney, Australia	Logistics	23 December 2015 and 14 April 2017	Freehold
12.	Amazon Coalville, Bardon, UK	Logistics	30 April 2021	Freehold
13.	10 Gresham Street, London, UK	Office	24 October 2012	Leasehold (expiring in 24 June 2164)
14.	100 Cheapside, UK	Office	20 December 2019	Leasehold
15.	The Chimes, Uxbridge, London, UK	Retail	20 June 2014	Freehold
16.	800 Bristol Road, Birmingham, UK	Student Accommodation	8 August 2018	Freehold
17.	The Mill House, Edinburgh, UK	Student Accommodation	8 August 2018	Scottish Freehold
18.	Symons House, Leeds, UK	Student Accommodation	30 June 2020	Freehold
19.	Crown House, Sheffield, UK	Student Accommodation	30 June 2020	Freehold
20.	82, Albion Gate, Albion Street, London, UK	Apartment	27 February 2015	Leasehold
21.	9 Sherwood Court, Seymour Place, London, UK	Apartment	27 February 2015	Leasehold
22.	Zalando Distribution Warehouse, Erfurt, Germany	Logistics	5 May 2017	Freehold

SUBSIDIARIES

KWEST SDN BHD

2021 PERFORMANCE

KWEST Sdn Bhd (KWEST) is a wholly-owned subsidiary of KWAP which was established in 2017 and is KWAP's investment platform for real estate development. Currently, KWEST has two major ongoing projects namely; Seri Tanjung Pinang Phase

2 (STP2A) in Penang, and Compass IP in Selangor. These two projects have a combined gross development value (GDV) of RM23 billion, with a total committed investment of over RM771 million to date.

KEY HIGHLIGHTS



Seri Tanjung Pinang Phase 2

(Integrated Mixed-Use Development in Penang)

- Soft launch of maiden product service apartments 'The Meg'
- Commencement of The Meg construction, with targeted completion and handover by 2025
- Successfully obtained approval for land conversion from leasehold to freehold



Compass@KSL

(Integrated Industrial Park in Selangor)

- Sale of a 50-acre parcel of development land successfully concluded
- Resulted in KWEST's first dividend income amounting to RM1.8 million from the subscription of the project's Redeemable Convertible Preference Shares Islamic (RCPSi)

As part of KWEST's Five-Year Blueprint (2022-2026), KWEST will be shifting gears by rapidly expanding its project portfolio with a target GDV of RM6 billion across up to 10 new projects. To diversify KWEST's project portfolio, KWEST targets to expand its investments into both local and strong key international markets, such as Melbourne, Australia and London, UK. in which KWAP already has an existing presence.

Whilst focusing on residential and integrated mixed-use sectors in these markets as part of KWEST's core targets, KWEST will also be exploring strategic investments such as development funds and commercial developments on an opportunistic basis to grow KWAP's overall real estate portfolio.

SUBSIDIARIES

KWEST SDN BHD

Seri Tanjung Pinang Phase 2 (STP2A)

2021 Performance

Seri Tanjung Pinang Phase 2 (STP2A) is a 252-acre Integrated Mixed-Use Development in Penang with a development horizon of up to 20 years. The STP2A is a joint-venture between Eastern & Oriental Berhad (E&O) and KWEST, with 80% and 20% holdings respectively. Jointly known as Persada Mentari Sdn Bhd (PMSB), it acts as the master developer for this flagship development, in which KWEST owns 33.18 acres of freehold land.

In 2021, PMSB has been gearing up for the inaugural launch of its maiden product in STP2A called The Meg, which is a 1,020-unit serviced apartment targeted at first-home buyers. The soft launch for The Meg was done in 2021, with its official launch expected later in 2022.

In preparation for the launch of The Meg, construction for the STP2A's sales gallery for the public to have a first-hand experience of STP2A, as well as the opportunity to touch-and-feel the show units for The Meg commenced and was ready in time for The Meg's official launch.

Construction of The Meg commenced in the second quarter of 2021, with targeted completion and handover by 2025.

PRIMA EKUITI (UK) LIMITED

2021 Performance

Prima Ekuiti (UK) Limited (Prima Ekuiti), established in 2012, is KWAP's wholly-owned subsidiary in the UK and acts as KWAP's investment partner in the European region. Since its inception up to 2020, it was mandated to manage equity portfolios in the European region.

Prima Ekuiti's first equity portfolio was the UK equity portfolio mandate in 2012, which has contributed returns of 32.0% since its inception, comfortably exceeding the FTSE100 Index's return of 21.4% during the same period. Its second mandated portfolio was

Compass@KSL

2021 Performance

In September 2020, KWEST ventured into the growing logistics segment via its investment in Compass@KSL, which is a first-of-its-kind 220-acre Integrated Industrial Park in Kota Seri Langat, Selangor. Compass is a joint-venture between KWEST, MIDF Property Berhad and AREA Industrial Development Holdings (AREA).

In 2021, the sale of a 50-acre parcel of development land in Compass was successfully concluded, resulting in KWEST's first dividend income amounting to RM1.8 million from the subscription of the project's Redeemable Convertible Preference Shares Islamic (RCPSi).

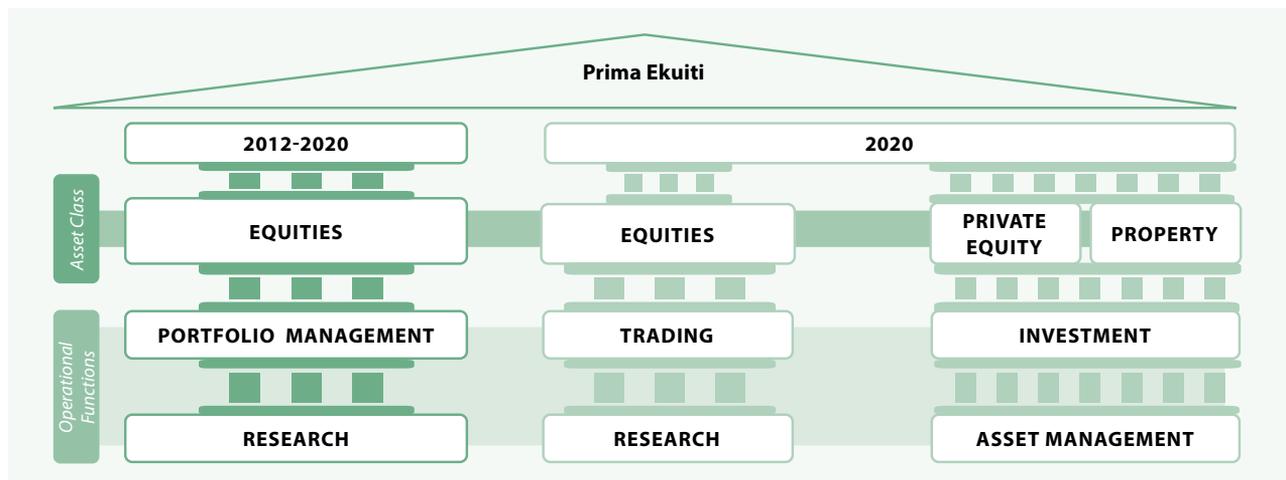
In preparation for the launch of Compass' Build-To-Sell terrace/semi d/detached industrial products in the second quarter of 2022, a City Sales Gallery is also underway and will be officiated in 2022 as an experience gallery for B2B customers.

the Euro equity portfolio mandate, which 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. The Absolute Return portfolio that was established in June 2018 with an initial capital of EUR75.0 million represents a move towards investments that were more focused on longer-term themes as reflected by its three-year investment horizon.

As at the end of 2020, the UK and Euro equity portfolios have repatriated a total of more than GBP140.1 million since inception.

SUBSIDIARIES

PRIMA EKUITI (UK) LIMITED



In 2021, Prima Ekuiti widened the scope of investment and asset management activities into other asset classes. Under this enhanced model, Prima Ekuiti undertakes additional private equity and property investment activities as an extension of KWAP and supports the three asset classes in KWAP's foray to achieve its international SAA targets.

Given that Prima Ekuiti's office is located in the UK, the team is able to establish professional relationships and connect with the top quartile global fund managers and best-in-class assets within the private equity and property investment space for investments and research purposes. In addition, given KWAP's various existing

assets and fund managers located in the UK and Europe, Prima Ekuiti has been able to connect and manage local assets efficiently given the time difference and close proximity. Up to 2021, Prima Ekuiti has distributed total dividends of GBP1,100,000 since the introduction of the dividend payment programme in 2015. In 2021, Prima Ekuiti hosted a virtual workshop which gave KWAP's employees the opportunity to contribute to the future direction of its London office and shape the new Prima Ekuiti Corporate Blueprint. In preparation for this next phase, Prima Ekuiti spent the last year strengthening its operational platform which included:

2021 Performance

Prima Ekuiti had also expanded its capabilities beyond listed equities into Research, property, private equity and central dealing, which will set a stronger foundation for Prima Ekuiti in 2022 and beyond.

06

WE ARE RESOLUTE IN BUILDING **FINANCIAL STRENGTH THAT ENABLES OUR PURPOSE**

Working diligently and making great strides in strengthening the financial resilience of the organisation and the sustainable performance of the Fund to grow and protect the future of our pensioners.

FINANCIAL STATEMENTS

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AUDITOR GENERAL'S CERTIFICATION



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Certificate on the Audit of the Financial Statements

Opinion

I have authorised a private audit firm pursuant to subsection 7(3) of the Audit Act 1957 [Act 62] to undertake an audit of the Financial Statements of the Kumpulan Wang Persaraan (Diperbadankan). The financial statements comprise the Statements of Financial Position as at 31 December 2021 of the Group and of the 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 160.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Kumpulan Wang Persaraan (Diperbadankan) as at 31 December 2021, 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 the Kumpulan Wang Persaraan (Diperbadankan) and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

AUDITOR GENERAL'S CERTIFICATION

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of the Kumpulan Wang Persaraan (Diperbadankan) is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Group and of the 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 the 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 is also responsible for such internal control as the Board determines is necessary to enable the preparation of the Financial Statements of the Group and of the 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 the Kumpulan Wang Persaraan (Diperbadankan), the Board is responsible for assessing the Group's and the Kumpulan Wang Persaraan's (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 the 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.

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 the Kumpulan Wang Persaraan (Diperbadankan), whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

AUDITOR GENERAL'S CERTIFICATION

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 the 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 the Kumpulan Wang Persaraan's (Diperbadankan) ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group and of the 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. However, future events or conditions may cause the Group or the Kumpulan Wang Persaraan (Diperbadankan) to cease to continue as a going concern;
- e. evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Kumpulan Wang Persaraan (Diperbadankan), including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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.

The Board has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may

AUDITOR GENERAL'S CERTIFICATION

reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

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 to the Board of the Kumpulan Wang Persaraan (Diperbadankan) in accordance with the 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 SERI NIK AZMAN NIK ABDUL MAJID)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
4 OCTOBER 2022



STATEMENT BY THE CHAIRMAN AND A MEMBER OF THE BOARD OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN)

We, Datuk **Seri Asri Bin Hamidon @ Hamidin** 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 2021 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 : **Datuk Seri Asri Bin Hamidon@ Hamidin**
Title : Chairman of the Board
Date : 03 October 2022
Venue : Kuala Lumpur

Signed on behalf of the Board,



Name : **Dato' Azmi bin Abdullah**
Title : Member of the Board
Date : 03 October 2022
Venue : Kuala Lumpur

STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2021

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 **- 3 OCT 2022**)



Before me,




Lot 5, 1ED, Level 6,
Wisma Central, Jalan Ampang
60452 Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Gross Investment Income	4	6,772,296	7,099,583	6,330,818	6,805,751
Dividend Income		2,789,509	2,228,896	2,789,509	2,228,896
Net Gains From Divestment		764,099	1,791,507	496,342	1,791,507
Interest Income		2,416,514	2,542,273	2,432,047	2,578,622
Rental Income		473,135	393,425	-	3,300
Other Investment Income		329,039	143,482	612,920	203,426
Other Income	4	236,318	1,104,695	231,991	1,100,024
Operating Expenses	5	(790,962)	(559,535)	(329,593)	(277,131)
Transaction Cost		(27,328)	(61,300)	(27,328)	(61,300)
Net Unrealised Gain On Financial Assets Designated As Fair Value Through Profit Or Loss		4,052,840	1,598,067	4,007,291	1,597,024
Allowance Made For / (Reversal Of) Impairment Losses On Financial Assets		(88,064)	3,098	(79,699)	8,450
Allowance Made For Impairment Losses On Non-Financial Assets		(199,975)	(303,422)	(141,799)	(307,191)
Profit Before Taxation		9,955,125	8,881,186	9,991,681	8,865,627
Finance Cost		(60,869)	(63,050)	-	-
Share Of Results From Associates		78,962	45,836	-	-
Share Of Results From Joint Ventures		2,490	(8,274)	-	-
Taxation	6	(6,952)	(5,059)	-	-
Profit After Taxation		9,968,756	8,850,639	9,991,681	8,865,627
Attributable To:					
Contributors Of KWAP		9,968,756	8,850,639	9,991,681	8,865,627
		9,968,756	8,850,639	9,991,681	8,865,627

STATEMENTS OF COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2021

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Other Comprehensive Loss					
Item That Will Not Be Reclassified To Profit Or Loss:					
Fair Value Changes On Equity Instruments At Fair Value Through Other Comprehensive Income					
- Revaluation Loss		(725,459)	(1,086,412)	(725,459)	(1,086,412)
- Loss From Sale Not Transferred To Retained Earnings		(285,389)	(196,929)	(285,389)	(196,929)
Item That May Be Reclassified Subsequently To Profit Or Loss:					
Foreign Exchange Reserves		121,457	73,259	-	-
Share Of Other Comprehensive Gain Of Associates And Joint Ventures		4,475	-	-	-
Fair Value Changes On Debt Instruments At Fair Value Through Other Comprehensive Income					
- Revaluation (Loss) / Gain		(1,767,274)	821,858	(1,767,274)	821,858
- Loss Allowance On Debt Instruments At Fair Value Through Other Comprehensive Income		63,496	(8,447)	63,496	(8,447)
Other Comprehensive Loss For The Year		(2,588,694)	(396,671)	(2,714,626)	(469,930)
Total Comprehensive Income		7,380,062	8,453,968	7,277,055	8,395,697
Attributable To:					
Contributors Of KWAP		7,380,062	8,453,968	7,277,055	8,395,697
Total Comprehensive Income		7,380,062	8,453,968	7,277,055	8,395,697

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Non-Current Assets					
Property And Equipment	7	20,658	59,560	17,193	55,367
Computer Softwares	8	31,101	4,848	31,065	4,791
Investment Properties	9	7,162,540	7,230,995	226,493	227,954
Land Held for Development	9	731,018	660,850	-	-
Investment In Subsidiaries	10	-	-	6,445,638	5,739,455
Investment In Associates	11	1,007,442	978,277	786,820	872,469
Investment In Joint Ventures	12	841	1,303	-	-
Loans And Receivables	13	1,005,068	2,689,132	1,319,024	3,012,310
Long Term Receivables	13	23,984	83,577	-	-
Debt Instruments At Amortised Cost	14	15,792,014	15,199,224	15,792,014	15,199,224
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	15	604,916	629,976	576,387	602,476
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	15	54,972,077	47,440,728	54,972,077	47,440,728
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	16	36,011,956	33,881,656	36,011,956	33,881,656
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	17	28,356,757	29,079,669	28,356,757	29,079,669
Derivative Financial Assets	18	13,312	-	-	-
		145,733,684	137,939,795	144,535,424	136,116,099
Current Assets					
Loans And Receivables	13	1,970,209	2,895,333	1,970,209	2,895,333
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	15	364,373	389,780	573,040	608,614
Derivative Financial Assets	18	135,295	492,001	127,479	492,001
Asset Held For Sale	9	453,559	-	-	-
Sundry Debtors And Deposits	19	132,620	117,649	166,869	118,187
Trade Receivables	20	2,725,153	2,464,129	2,676,535	2,416,547
Deposits And Placements With Financial Institutions	21	7,534,385	10,786,424	7,534,385	10,786,424
Cash And Bank Balances	21	2,337,832	2,656,995	1,617,120	2,140,049
		15,653,426	19,802,311	14,665,637	19,457,155

STATEMENTS OF FINANCIAL POSITION (continued)

As at 31 December 2021

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Current Liabilities					
Derivative Financial Liabilities	18	7,879	99,962	-	72,129
Trade Payables	22	63,839	1,546,179	31,744	1,551,455
Other Payables And Accruals	23	305,203	176,151	133,133	126,663
Deferred Income		46,721	48,038	-	-
Borrowings	24	580,822	369,432	-	-
Lease Liabilities	25	2,554	5,344	-	-
		1,007,018	2,245,106	164,877	1,750,247
Net Current Assets		14,646,408	17,557,205	14,500,760	17,706,908
		160,380,092	155,497,000	159,036,184	153,823,007
Financed By:					
Allocation Of Statutory Funds	26	27,501,944	27,001,944	27,501,944	27,001,944
Pension Contributions	27	59,742,777	57,307,209	59,742,777	57,307,209
Withdrawal By Federal Government	28	(14,500,000)	(9,500,000)	(14,500,000)	(9,500,000)
Retained Earnings	29	92,346,539	82,377,783	92,484,159	82,492,478
Other Reserves	30	(42,540)	(46,642)	-	-
Foreign Exchange Reserves	30	(266)	(121,723)	-	-
Fair Value Through Other Comprehensive Income ("FVOCI") Reserves	30	(6,197,125)	(3,482,499)	(6,197,125)	(3,482,499)
		158,851,329	153,536,072	159,031,755	153,819,132
Non-Current Liabilities					
Derivative Financial Liabilities	18	889	22,631	-	-
Deferred Tax Liabilities	31	38	49	-	-
Employee Benefits	32	4,429	3,875	4,429	3,875
Lease Liabilities	25	117,274	111,516	-	-
Long Term Deposit		9,951	12,017	-	-
Borrowings	24	1,396,182	1,810,840	-	-
		160,380,092	155,497,000	159,036,184	153,823,007

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Group	← Non-Distributable →					Distributable		Total RM'000
	Allocation Of Statutory Funds (Note 26) RM'000	Pension Contributions (Note 27) RM'000	Withdrawal by Federal Government (Note 28) RM'000	Other Reserves (Note 30) RM'000	Foreign Exchange Reserve (Note 30) RM'000	Fair Value Through Other Comprehensive Income Reserves (Note 30) RM'000	Retained Earnings (Note 29) RM'000	
At 1 January 2020	26,501,944	54,860,277	(4,500,000)	(46,642)	(194,982)	(3,012,569)	73,527,144	147,135,172
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
At 31 December 2020	27,001,944	57,307,209	(9,500,000)	(46,642)	(121,723)	(3,482,499)	82,377,783	153,536,072
At 1 January 2021	27,001,944	57,307,209	(9,500,000)	(46,642)	(121,723)	(3,482,499)	82,377,783	153,536,072
Profit For The Year	-	-	-	-	-	-	9,968,756	9,968,756
Other Comprehensive Income/(Loss)	-	-	-	4,102	121,457	(2,714,626)	-	(2,589,067)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(5,000,000)	-	-	-	-	(5,000,000)
Net Pension Contribution And Claims Received	-	2,435,568	-	-	-	-	-	2,435,568
At 31 December 2021	27,501,944	59,742,777	(14,500,000)	(42,540)	(266)	(6,197,125)	92,346,539	158,851,329

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

KWAP	← Non-Distributable →					Distributable		Total RM'000
	Allocation Of Statutory Funds (Note 26) RM'000	Pension Contributions (Note 27) RM'000	Withdrawal by Federal Government (Note 28) RM'000	Other Reserves (Note 30) RM'000	Foreign Exchange Reserve (Note 30) RM'000	Fair Value Through Other Comprehensive Income Reserves (Note 30) RM'000	Retained Earnings (Note 29) RM'000	
At 1 January 2020	26,501,944	54,860,277	(4,500,000)	-	-	(3,012,569)	73,626,851	147,476,503
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
At 31 December 2020	27,001,944	57,307,209	(9,500,000)	-	-	(3,482,499)	82,492,478	153,819,132
At 1 January 2021	27,001,944	57,307,209	(9,500,000)	-	-	(3,482,499)	82,492,478	153,819,132
Profit For The Year	-	-	-	-	-	-	9,991,681	9,991,681
Other Comprehensive Loss	-	-	-	-	-	(2,714,626)	-	(2,714,626)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(5,000,000)	-	-	-	-	(5,000,000)
Net Pension Contribution And Claims Received	-	2,435,568	-	-	-	-	-	2,435,568
At 31 December 2021	27,501,944	59,742,777	(14,500,000)	-	-	(6,197,125)	92,484,159	159,031,755

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Group		KWAP	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash Flows From Operating Activities				
Profit Before Taxation	9,955,125	8,881,186	9,991,681	8,865,627
Adjustments For:				
Depreciation Of Property And Equipment and Investment Properties	216,498	178,055	9,198	12,689
Adjustment Of Property And Equipment and Investment Properties	4,054	2,339	4,892	1,665
Amortisation Of Computer Softwares	8,127	2,683	8,106	2,630
Net Unrealised Gain On Financial Assets Designated At Fair Value Through Profit Or Loss	(4,052,840)	(1,589,067)	(4,007,291)	(1,597,024)
Net Unrealised Loss / (Gain) On Fair Value Of Derivatives	195,101	(116,392)	195,101	(143,220)
Net Gain From Divestment	(764,099)	(1,791,507)	(496,342)	(1,791,507)
Interest Income	(2,416,514)	(2,542,273)	(2,432,047)	(2,578,622)
Dividend Income	(2,789,509)	(2,228,896)	(2,789,509)	(2,228,896)
Share Of Results From Associates And Joint Ventures	(81,452)	(37,562)	-	-
Provision For Employee Benefit	562	536	562	536
Allowance Made For Impairment Losses Of Financial Assets	88,064	(3,098)	79,699	(8,450)
Allowance Made For Impairment Losses Of Non-Financial Assets	199,975	303,422	141,799	307,191
Operating Profit Before Changes In Working Capital	563,092	1,050,426	705,849	842,619
Changes in Working Capital:				
Increase In Trade Receivables	(261,024)	(808,981)	(259,988)	(785,979)
Decrease / (Increase) In Sundry Debtors And Deposits	44,619	(65,530)	(48,680)	(14,311)
(Decrease) / Increase In Trade Payables	(1,469,956)	945,370	(1,519,711)	950,795
Increase In Other Payables And Accruals	112,005	27,007	6,470	7,756
Income Taxes Paid	(7)	(340)	-	-
Net Cash (Used In) / Generated From Operating Activities	(1,011,271)	1,147,952	(1,116,060)	1,000,880
Cash Flows From Investing Activities				
Proceeds From Sale Of Financial Instruments At Amortised Cost	450,000	11,695	450,000	11,695
Purchase Of Financial Instruments At Amortised Cost	(1,019,852)	(22,100)	(1,019,852)	(22,100)
Proceeds From Sale Of Financial Assets Designated At Fair Value Through Profit Or Loss	11,560,070	21,587,333	11,560,070	21,587,333

STATEMENTS OF CASH FLOWS (continued)

For the year ended 31 December 2021

	Group		KWAP	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash Flows From Investing Activities (Continued)				
Purchase Of Financial Assets Designated At Fair Value Through Profit Or Loss	(15,125,954)	(24,266,703)	(15,125,954)	(24,266,703)
Proceeds From Sale Of FVOCI Investments	4,691,542	8,823,447	4,691,542	8,823,447
Purchase Of FVOCI Investments	(8,316,363)	(10,508,364)	(8,316,363)	(10,508,364)
Deposits And Placements With Financial Institutions	168,542	2,819,718	168,542	2,819,718
Purchase Of Property And Equipment	(8,003)	(5,715)	(7,562)	(5,835)
Purchase Of Computer Softwares	(1,274)	(3,051)	(1,274)	(2,943)
Purchase Of Investment Properties	(1,022,452)	(1,258,348)	-	-
Proceeds From Disposal Of Property And Equipment	482,301	-	-	-
Interest Received	2,568,874	2,501,870	2,568,874	2,503,093
Dividend Received	2,789,509	2,139,782	2,789,509	2,139,782
Decrease / (Increase) in Derivatives	34,468	(140,976)	97,292	(142,311)
Decrease / (Increase) in Investments in Subsidiaries, Associates and JV	52,749	(52,719)	(762,332)	(1,200,080)
Benefits Paid	(8)	(7)	(8)	(7)
Receipt On Repayment Of Loans	2,481,583	2,537,833	2,481,583	2,537,833
Increase in Investment In Land Held For Development	(70,168)	(7,426)	-	-
Net Cash (Used In) / Generated From Investing Activities	(284,436)	4,156,269	(425,933)	4,274,558
Cash Flows From Financing Activities				
Allocation Of Statutory Funds	500,000	500,000	500,000	500,000
Receipts Of Pension Contribution	2,448,474	2,460,585	2,448,474	2,460,585
Repayment Of Pension Contribution	(12,906)	(13,653)	(12,906)	(13,653)
Withdrawals By Federal Government	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Changes in other reserves	4,475	-	-	-
Receipt Of Lease Liabilities	2,968	64,235	-	-
Net Cash Used In Financing Activities	(2,056,989)	(1,988,833)	(2,064,432)	(2,053,068)
Net (Decrease) / Increase In Cash And Cash Equivalents	(3,352,696)	3,315,388	(3,606,425)	3,222,370
Effect Of Changes In Foreign Currency	(49,963)	(36,261)	-	-
Cash And Cash Equivalents As At 1 January	13,234,992	9,955,865	12,718,045	9,495,675
Cash And Cash Equivalents As At 31 December	9,832,333	13,234,992	9,111,620	12,718,045

The accompanying accounting policies and explanatory notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 2021 were accepted and approved by the Board of KWAP on 3 October 2022.

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 were 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Statement of Compliance

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 2020.

(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.

	Effective for annual periods beginning on or after
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Statement of Compliance (continued)

(a) Standards and amendments that were issued but not yet effective (continued)

	Effective for annual periods beginning on or after
Amendments to MFRS 141, <i>Agriculture (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 16, <i>Leases Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2022
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17, <i>Insurance Contracts Initial application of MFRS 17 and MFRS 9 Comparative Information</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 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation (continued)

(a) Subsidiaries (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation (continued)

(b) Basis of consolidation (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation (continued)

(c) Business combinations (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments In Associates And Joint Ventures (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible Assets (continued)

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.

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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property And Equipment (continued)

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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement (continued)

1. Debt instruments (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial Liabilities (continued)

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 based on the leasehold period 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investment Properties (continued)

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.

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 (based on leasehold period)	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(b) Deferred tax (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment Of Non-Financial Assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment Of Financial Assets (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment Of Financial Assets (continued)

(a) Financial assets accounted for at Amortised Cost and FVOCI (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment Of Financial Assets (continued)

(a) Financial assets accounted for at Amortised Cost and FVOCI (continued)

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 reorganisation;
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair Value Measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Impairment of interest in subsidiaries and associates (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Fair value of financial instruments (continued)

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.

(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 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Gross Investment Income	6,772,296	7,099,583	6,330,818	6,805,751
Other Income				
Other Operating Income	34,886	57,905	30,906	31,343
Net (Loss) / Gains Arising From Derivative Financial Instruments	(195,101)	116,392	(195,101)	143,220
Net Gains From Foreign Currency Exchange	396,533	930,398	396,186	925,461
	236,318	1,104,695	231,991	1,100,024

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. INCOME (CONTINUED)

Included in the gross investment income are net gain or loss on the following:

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Dividend Income				
Financial Assets At Fair Value Through Profit Or Loss ("FVTPL")	1,579,304	1,185,368	1,579,304	1,185,368
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	1,210,205	1,043,528	1,210,205	1,043,528
	2,789,509	2,228,896	2,789,509	2,228,896
Net (Loss) / Gain From Divestment				
Financial Assets At Amortised Cost	(1,432,884)	1,407	(1,432,884)	1,407
Financial Assets At Fair Value Through Profit Or Loss ("FVTPL")	1,810,196	1,453,492	1,834,273	1,453,492
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	94,953	336,608	94,953	336,608
Investment Property	291,834	-	-	-
	764,099	1,791,507	496,342	1,791,507
Interest Income				
Financial Assets At Amortised Cost	535,384	614,434	535,384	614,434
Financial Assets At Fair Value Through Profit Or Loss ("FVTPL")	186,822	137,010	186,822	137,010
Financial Assets At Fair Value Through Other Comprehensive Income ("FVOCI")	1,371,823	1,197,144	1,371,823	1,197,144
Money Markets, Deposits and Others	322,485	593,685	338,018	630,034
	2,416,514	2,542,273	2,432,047	2,578,622
Rental Income	473,135	393,425	-	3,300
Investment in Subsidiary, Associate & Joint Venture	21,449	98,023	326,052	98,023
Miscellaneous Income	307,590	45,459	286,868	105,403
	6,772,296	7,099,583	6,330,818	6,805,751

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. OPERATING EXPENSES

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Employee Costs	A	140,170	131,233	133,577	123,891
Property Related Expenditure		86,590	64,619	3,782	430
Professional Services And Fees		241,830	122,924	78,269	81,747
Audit Fees		1,803	1,246	466	466
Directors' Fees And Remuneration		788	767	725	767
Depreciation Charges		216,498	178,056	9,198	12,689
Amortisation Charges		8,127	2,683	8,107	2,631
Tax Expenses		63,796	23,646	63,659	23,646
Management Aid		870	945	870	945
Rental Charges		6,512	6,658	15,299	15,217
Other Operating Expenditure		23,978	26,758	15,641	14,702
		790,962	559,535	329,593	277,131

Note A- Employee Costs:

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Salaries And Allowance	83,641	80,127	77,532	73,543
Contribution To KWAP, EPF And SOCSO	20,188	15,539	19,757	15,020
Others	36,341	35,567	36,288	35,328
	140,170	131,233	133,577	123,891

As at 31 December 2021, the number of employees of the Group was 628 (2020: 633), with 617 (2020: 620) being employees of KWAP.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. TAXATION

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
Current Taxation		
Foreign Income Tax	6,963	5,372
Deferred Taxation		
Foreign Income Tax	(11)	(313)
Tax expenses for financial year	6,952	5,059

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate of the Group and KWAP are as follows:

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Profit Before Taxation	9,955,125	8,881,186	9,991,681	8,865,627
Taxation At Malaysian Statutory Tax Rate Of 24% (2020: 24%)	2,389,230	2,131,485	2,398,003	2,127,750
Different Tax Rates In Other Countries*	6,963	5,372	-	-
Income Not Subject To Tax	(2,389,230)	(2,131,485)	(2,398,003)	(2,127,750)
Capital Allowances In Excess Of Depreciation	(11)	(313)	-	-
Tax Expenses For The Financial Year	6,952	5,059	-	-

* Different tax rate in other country is refers to the corporate tax rate of United Kingdom of 19% (2020: 19%)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	Electrical Equipment RM'000	Total RM'000
GROUP								
Cost								
At 1 January 2021	22,587	11,764	21,678	386	679	38,165	82	95,341
Additions	130	2,095	582	-	-	5,186	10	8,003
Transfer In/(Out)	-	45	-	-	-	(33,151)	-	(33,106)
Adjustments/Disposal	-	-	-	-	-	(4,892)	-	(4,892)
At 31 December 2021	22,717	13,904	22,260	386	679	5,308	92	65,346
Accumulated depreciation								
At 1 January 2021	14,075	8,518	12,209	343	583	-	53	35,781
Depreciation Charge For The Year	3,762	1,787	3,267	43	53	-	17	8,929
Adjustments	20	-	(42)	-	-	-	-	(22)
At 31 December 2021	17,857	10,305	15,434	386	636	-	70	44,688
Net Book Value At 31 December 2021	4,860	3,599	6,826	-	43	5,308	22	20,685
KWAP								
Cost								
At 1 January 2021	22,509	11,735	15,092	386	679	38,165	82	88,648
Additions	130	2,095	141	-	-	5,186	10	7,562
Transfer In/(Out)	-	45	-	-	-	(33,151)	-	(33,106)
Adjustments/Disposal	-	-	-	-	-	(4,892)	-	(4,892)
At 31 December 2021	22,639	13,875	15,233	386	679	5,308	92	58,212
Accumulated depreciation								
At 1 January 2021	14,033	8,499	9,770	343	583	-	53	33,281
Depreciation Charge For The Year	3,752	1,784	2,089	43	53	-	17	7,738
At 31 December 2021	17,785	10,283	11,859	386	636	-	70	41,019
Net Book Value At 31 December 2021	4,854	3,592	3,374	-	43	5,308	22	17,193

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. PROPERTY AND EQUIPMENT (CONTINUED)

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Gymnasium Equipment RM'000	Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electrical Equipment RM'000	Total RM'000
GROUP								
Cost								
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)
At 31 December 2020	22,587	11,764	21,678	386	679	38,165	82	95,341
Accumulated depreciation								
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)
At 31 December 2020	14,075	8,518	12,209	343	583	-	53	35,781
Net Book Value At 31 December 2020	8,512	3,246	9,469	43	96	38,165	29	59,560
KWAP								
Cost								
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)
At 31 December 2020	22,509	11,735	15,092	386	679	38,165	82	88,648
Accumulated depreciation								
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)
At 31 December 2020	14,033	8,499	9,770	343	583	-	53	33,281
Net Book Value At 31 December 2020	8,476	3,236	5,322	43	96	38,165	29	55,367

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. COMPUTER SOFTWARE

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Cost				
At 1 January	20,604	17,553	20,495	17,553
Additions	1,274	3,051	1,274	2,942
Transfer In	33,106	-	33,106	-
At 31 December	54,984	20,604	54,875	20,495
Accumulated Amortisation				
At 1 January	15,756	13,073	15,704	13,073
Charge For The Year	8,127	2,683	8,106	2,631
At 31 December	23,883	15,756	23,810	15,704
Net Carrying Amount At 31 December	31,101	4,848	31,065	4,791

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT

(a) Investment Properties

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Land And Building				
Cost				
At 1 January	8,108,224	6,829,313	235,261	464,980
Addition	1,022,452	1,258,348	-	-
Disposal	(239,571)	-	-	-
Adjustments	(1,266)	(659)	-	(229,719)
Reclassification To Assets Held For Sale	(566,929)	-	-	-
Foreign Exchange Reserve	3,665	21,222	-	-
At 31 December	8,326,575	8,108,224	235,261	235,261
Accumulated Depreciation				
At 1 January	825,089	625,478	7,307	11,589
Depreciation Charge	207,570	169,781	1,461	4,353
Disposal	(42,681)	-	-	-
Adjustments	448	-	-	(8,635)
Reclassification To Assets Held For Sale	(89,876)	-	-	-
Foreign Exchange Reserve	36,275	29,830	-	-
At 31 December	936,825	825,089	8,768	7,307
Impairment				
At 1 January	52,140	-	-	-
Impairment Charge	175,833	52,140	-	-
Foreign Exchange Reserve	(763)	-	-	-
At 31 December	227,210	52,140	-	-
Carrying Amount As At 31 December	7,162,540	7,230,995	226,493	227,954
Fair Value As At 31 December	10,595,318	9,394,827	270,000	300,000

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 2021 amounted to RM10,595.3 million and RM270.0 million respectively (2020: RM9,394.8 million and RM300.0 million respectively), which was determined based on the property valuations performed at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	
	31 December 2021 RM'000	31 December 2020 RM'000
Land Held For Property Development		
Cost		
At 1 January	660,850	653,424
Addition	70,168	7,426
At 31 December	731,018	660,850

(c) Asset Held For Sale

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
Asset Held For Sale	453,559	-
	453,559	-

On 20 December 2021, the Group exchanged conditional contract to dispose of its 100% interest in 179 Turbot Street, Brisbane. No objection notification by the Foreign Investment Review Board (FIRB) was received by the purchaser on 10 January 2022. The contract was unconditional from this date with settlement of the sale occurring on 1 February 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INVESTMENT IN SUBSIDIARIES

	KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000
Unquoted Shares Inside Malaysia	2,431,378	2,389,951
Unquoted Shares Outside Malaysia	4,741,397	3,934,842
	7,172,775	6,324,793
Less: Allowance For Impairment Losses	(727,137)	(585,338)
	6,445,638	5,739,455

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
		2021 %	2020 %	2021 %	2020 %	
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 Ekuiti (UK) Limited	United Kingdom	100.0	100.0	-	-	Fund management services
Prima Harta (Jersey) Unit Trust	Jersey	99.6	100.0	0.4	-	Management of investment trust
Prima Harta U (Jersey) Limited	Jersey	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	99.6	100.0	0.4	-	Management of investment trust
Prima Harta 4 U (Jersey) Limited	Jersey	100.0	-	-	-	Management of investment trust
Prima Harta 5 (Jersey) Unit Trust	Jersey	99.8	99.8	0.2	0.2	Management of investment trust
Prima Harta 5 Limited	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 6 (Jersey) Unit Trust	Jersey	99.9	-	0.1	-	Management of investment trust
Prima Harta 6 Limited	Jersey	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.

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For the year ended 31 December 2021

11. INVESTMENT IN ASSOCIATES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Shares At Cost,				
Quoted Shares	-	-	-	-
Unquoted Shares	796,063	878,700	786,820	872,469
	796,063	878,700	786,820	872,469
Share Of Post Acquisition Reserves	211,379	99,577	-	-
	1,007,442	978,277	786,820	872,469
Less: Allowance For Impairment Losses	-	-	-	-
	1,007,442	978,277	786,820	872,469

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	Activities
		2021 %	2020 %		
Aerodyne Ventures Sdn. Bhd.	Malaysia	3.47	3.57	Equity method	Software and services
edotco Group Sdn. Bhd.	Malaysia	5.29	5.29	Equity method	Communications infrastructure
Swift Haulage Sdn. Bhd.	Malaysia	-	13.61	Equity method	Haulage and logistics
ValueCap Sdn. Bhd.	Malaysia	33.33	33.33	Equity method	Investment in quoted securities
Vantage Solar Investment S.a.r.l (formerly known as 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	20.00	Equity method	Property development

Aerodyne Ventures Sdn. Bhd. and edotco Group 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 investee but is not control or joint control of those policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. INVESTMENT IN ASSOCIATES (CONTINUED)

Since 22 June 2021, the Group no longer holds a significant influence in Swift Haulage Sdn. Bhd. pursuant to the resignation of the Group's Board representative in the Company. Thus, the investment in Swift Haulage Sdn. Bhd. is converted from investment in associates to Equity Instruments at Fair Value Through Profit or Loss ("FVTPL").

Compass IP Sdn. Bhd. is an associate of KWEST Sdn. Bhd., a wholly-owned subsidiary of KWAP.

Details of the Associate which the Group has material significant influence are as follows:

	edotco Sdn Bhd	
	2021 RM'000	2020 RM'000
Summarised Statement of Financial Position		
Total Assets	8,949,694	6,513,746
Total Liabilities	(4,855,231)	(2,733,553)
Total Net Assets	4,094,463	3,780,193
Non-Controlling Interest (NCI)	(524,963)	(498,472)
Total Net Assets excluding NCI	3,569,500	3,281,721
Extraction from Statement of Comprehensive Income		
Income	1,974,965	1,881,176
Profit after Tax for the Financial Year	297,316	175,230
Other Comprehensive Income for the Financial Year	53,712	(43,501)
Total Comprehensive Income for the Financial Year	2,325,993	2,012,905
Dividend Received from Associates for the Financial Year	-	-
Group's Share in %	5.29	5.29
Group's Share of Net Assets	216,597	199,972
Goodwill	461,931	461,931
Carrying Amount	678,528	661,903

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. INVESTMENT IN ASSOCIATES (CONTINUED)

Summary of the financial information in relation to the associates of KWEST Sdn. Bhd. is set out below.

	Compass IP Sdn Bhd	
	2021 RM'000	2020 RM'000
Summarised Financial Information		
Non-Current Assets	274,675	268,771
Current Assets	17,588	132,150
Current Liabilities	(147,261)	(270,979)
Net Assets	145,002	129,942
Year Ended 31 December		
Profit/(Loss) From Continuing Operations	15,061	(1,347)
Total Comprehensive Income/(Loss)	15,061	(1,347)
Included In The Total Comprehensive Income Is:		
Revenue	109,444	150,144
Reconciliation Of Net Assets To Carrying Amount As At 31 December		
Group's Share Of Net Assets	29,000	25,988
Carrying Amount In The Statement Of Financial Position	29,000	25,988

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.

	2021 RM'000	2020 RM'000
Total Carrying Amount of Individually Immaterial Associates	328,914	316,374
Aggregate Amounts of the Group's Share of:		
Profits for the Year	43	136,267
Total Comprehensive Income	43	136,267

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. INVESTMENT IN JOINT VENTURES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Shares At Cost,				
Unquoted Shares Outside Malaysia	-	-	-	-
Unquoted Shares In Malaysia	421	881	-	-
	421	881	-	-
Share Of Post Acquisition Reserves	420	422	-	-
	841	1,303	-	-
Less: Allowance For Impairment Losses	-	-	-	-
	841	1,303	-	-

Details of the joint ventures of KWAP, incorporated in Malaysia, is as follow:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Pricipal Activities
		2021 %	2020 %		
Tap Crunch Sdn Bhd	Malaysia	50.0	50.0	Equity method	Investment holding entity

The Group and KWAP investment in Tap Crunch Sdn. Bhd. amounted to RM5.00.

Details of the joint ventures of subsidiaries is as follow:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Pricipal Activities
		2021 %	2020 %		
Persada Mentari Sdn Bhd	Malaysia	20.0	20.0	Equity method	Real estate development services

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For the year ended 31 December 2021

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.

	2021 RM'000	2020 RM'000
Total Carrying Amount of Individually Immaterial Joint Ventures	841	1,303
Aggregate Amounts of the Group's Share of:		
Loss for the Financial Year	(1)	(61)
Total Comprehensive Income	(1)	(61)

13. LOANS AND RECEIVABLES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Non-Current				
Loan And Receivables				
- Commercial Loan	1,005,068	2,689,132	1,005,068	2,689,132
- Loan To Related Parties	-	-	313,956	323,178
	1,005,068	2,689,132	1,319,024	3,012,310
Long Term Receivables	23,984	83,577	-	-
Current				
Loan And Receivables				
- Commercial Loan	1,970,209	2,895,333	1,970,209	2,895,333

Loans and receivables to corporate institutions are subject to interest rates ranging from 1.83% to 4.61% (2020: 3.05% to 4.61%) per annum.

Loan to Related Parties relates to the loan to KWAP MIT 2, with a principal amount of AUD103.0 million (2020: AUD103.0 million), at an interest rate of 5-year AUD swap rate plus 2.50% credit spread per annum (2020: 5-year AUD swap rate plus 1.71% credit spread per annum). The maturity date of the loan is 2 April 2026.

(a) Movements in the allowance for Loans and Receivables

There was an allowance for impairment losses on one (1) commercial loan amounting to RM13.8 million during the year (2020: Nil).

All Loans and Receivables are currently categorised as Stage 1 in the ECL assessment of the year except for one (1) commercial loan above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. LOANS AND RECEIVABLES (CONTINUED)

(b) Impact of movements 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 describes in the significant accounting policies section.

The net remeasurement of allowance for impairment losses during the year amounted to RM13.8 million (2020: 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 the year (2020: Nil).

(d) Write-offs still under enforcement activity

There was no contractual amount outstanding that was written off during the year (2020: Nil).

14. DEBT INSTRUMENT AT AMORTISED COST

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Non-Current				
Fixed Income Instruments	15,792,014	15,199,224	15,792,014	15,199,224
	15,792,014	15,199,224	15,792,014	15,199,224

a) Reclassification of debt instruments at amortised cost

There was no reclassification of debt instruments at amortised cost during the year.

b) Movements in the allowance for debt instruments at amortised cost

	12-months expected credit losses RM'000	Total RM'000
Debts Instruments at Amortised Cost		
At 1 January 2020	7	7
Net remeasurement of loss allowance	(4)	(4)
At 31 December 2020 / 1 January 2021	3	3
Net remeasurement of loss allowance	-	-
At 31 December 2021	3	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)

b) Movements in the allowance for debt instruments at amortised cost (continued)

There was no purchase of credit-impaired financial assets at the initial recognition and during the year, hence no recognition of ECL.

c) 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 MFRS 9, as described in the significant accounting policies section.

The gross carrying amount of debt instruments at Amortised Cost increased by RM592.8 million primarily due to the purchases made during the year.

Debt Instruments at Amortised Cost	12-months expected credit losses RM'000	Total RM'000
At 1 January 2020	15,152,167	15,152,167
Net remeasurement of loss allowance	4	4
New financial assets originated or purchased	57,194	57,194
Financial assets that have been derecognised	(10,141)	(10,141)
At 31 December 2020 / 1 January 2021	15,199,224	15,199,224
Net remeasurement of loss allowance	-	-
New financial assets originated or purchased	1,010,862	1,010,862
Financial assets that have been derecognised	(427,225)	(427,225)
Movement of accretion of discount	9,153	9,153
At 31 December 2021	15,792,014	15,792,014

d) Write-offs still under enforcement activity

There was no contractual amount outstanding that was written off during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Non-Current				
Equity Instruments At Fair Value Through Profit Or Loss				
- Quoted	48,183,617	42,828,011	48,183,617	42,828,011
- Unquoted	6,788,460	4,458,278	6,788,460	4,458,278
- Perpetual Bond	-	154,439	-	154,439
	54,972,077	47,440,728	54,972,077	47,440,728
Debt Instruments At Fair Value Through Profit Or Loss	604,916	629,976	576,387	602,476
Current				
Debt Instruments At Fair Value Through Profit Or Loss	364,373	389,780	573,040	608,614

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Debt Instruments At Fair Value Through Other Comprehensive Income	36,011,956	33,881,656	36,011,956	33,881,656
	36,011,956	33,881,656	36,011,956	33,881,656

a) Reclassification of debt instruments at FVOCI

There was no reclassification of debt instruments at FVOCI during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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	Lifetime expected credit losses (collectively assessed - credit impaired) RM'000	Total RM'000
At 1 January 2020	195	10,620	-	10,815
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	(43)	(8,536)	-	(8,579)
New financial assets originated or purchased	188	-	-	188
Financial assets that have been derecognised	(53)	-	-	(53)
Exchange fluctuations	(3)	-	-	(3)
At 31 December 2020 / 1 January 2021	284	2,084	-	2,368
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Lifetime ECL not credit impaired – collective provision	-	6,435	-	6,435
- Transferred to Lifetime ECL credit impaired – collective provision	-	(1,397)	1,397	-
Net remeasurement of loss allowance	(62)	58,634	(1,397)	57,175
New financial assets originated or purchased	29	-	-	29
Financial assets that have been derecognised	(143)	-	-	(143)
Exchange fluctuations	1	-	-	1
At 31 December 2021	109	65,756	-	65,865

There was no undiscounted ECL at the initial recognition of credit-impaired financial assets purchased during the year.

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For the year ended 31 December 2021

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 increased by RM63.5 million compared to the opening balance at the beginning of the year. The net increase was driven by an increase in the lifetime expected credit losses for collectively assessed not credit impaired.

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.

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For the year ended 31 December 2021

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

c) Impact of movements in gross carrying amount on allowance for impairment losses (continued)

Gross carrying amount of debt instruments at FVOCI	12-months expected credit losses RM'000	Lifetime expected credit losses (collectively assessed - not credit impaired) RM'000	Lifetime expected credit losses (collectively assessed - credit impaired) RM'000	Total RM'000
At 1 January 2020	31,335,896	82,855	-	31,418,751
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
At 31 December 2020/ 1 January 2021	33,747,383	134,273	-	33,881,656
Transfers:				
- Transferred to Lifetime ECL not credit impaired - collective provision	(7,686)	7,686	-	-
- Transferred to Lifetime ECL credit impaired - collective provision	-	(41,949)	41,949	-
New financial assets originated or purchased	9,235,923	-	-	9,235,923
Financial assets that have been derecognised	(5,273,664)	(1,386)	-	(5,275,050)
Exchange fluctuation and other changes	(1,759,037)	(29,587)	(41,949)	(1,830,573)
At 31 December 2021	35,942,919	69,037	-	36,011,956

d) Write-offs still under enforcement activity

There was no contractual amount outstanding that was written off during the year.

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17. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Non-Current				
Equity Instruments At Fair Value Through Other Income				
- Quoted Equity	28,356,757	29,079,669	28,356,757	29,079,669
	28,356,757	29,079,669	28,356,757	29,079,669

The portfolio structure with a combination of FVOCI and FVTPL 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 year was RM1,210.2 million (2020: RM1,043.5 million) and RM1,579.3 million (2020: RM1,185.4 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 RM285.4 million (2020: RM196.9 million) recorded in the Other Comprehensive Income.

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

2021	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
Non-Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	343,477	13,312	13,312	-	-	-
Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	783,863	7,816		-	-	
Warrants & Rights	-	15,519		-	15,519	
Forward Exchange Rate Contracts	12,981,008	111,960	135,295	12,981,008	111,960	127,479
Current Liabilities						
Financial Liabilities:						
Interest Rate Swaps	342,351	(7,879)	(7,879)	-	-	-
Non-Current Liabilities						
Interest Rate Floor	343,477	(889)	(889)	-	-	-

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2020	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
Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	-	-		-	-	
Warrants & Rights	-	3,590		-	3,590	
Forward Exchange Rate Contracts	8,642,081	488,411	492,001	8,642,081	488,411	492,001
Current Liabilities						
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)
Non-Current Liabilities						
Interest Rate Swaps	495,888	(22,631)	(22,631)	-	-	-

The outstanding forward exchange rate contracts as at 31 December 2021 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 swap 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.

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19. SUNDRY DEBTORS AND DEPOSITS

	Group		KWAP	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Deposit Received	14,411	5,372	1,678	1,678
Prepayment And Advances	9,136	28,186	2,726	2,191
Tax Recoverable	38,394	42,213	34,030	16,504
Other Receivables	70,679	41,878	128,435	97,814
	132,620	117,649	166,869	118,187

a) Movements in allowance for sundry debtors and deposits

There was no allowance for impairment losses for sundry debtors and deposits for the year (2020: Nil).

b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the simplified approach under the MFRS 9, as described in the significant accounting policies section.

There was no allowance for impairment losses during the year (2020: Nil).

c) Write-offs still under enforcement activity

There was no contractual amount outstanding that were written off during the year (2020: Nil).

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20. TRADE RECEIVABLES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Sale Of Shares And Bonds	10,606	10,069	10,606	10,069
Dividend Receivable	88,500	140,372	88,500	140,372
Interest Income Receivables	727,432	597,225	734,554	608,261
Rental Receivable	5,007	10,775	-	-
Receivable From Brokers	1,845,682	1,657,811	1,842,665	1,657,811
Other Trade Receivables	47,926	47,877	210	34
	2,725,153	2,464,129	2,676,535	2,416,547

a) Movements in allowance for trade receivables

There was an allowance for impairment losses for interest income amounting to RM2.5 million during the year (2020: Nil).

b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflected the ECL measured using the simplified approach under the MFRS 9.

The net remeasurement of allowance for impairment losses during the year amounted to RM2.5 million (2020: Nil).

c) Write-offs still under enforcement activity

There was no contractual amount outstanding that were written off during the year (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. DEPOSITS AND PLACEMENTS AND CASH AND BANK BALANCES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Deposit And Placements With Financial Institutions				
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	7,494,501	10,577,997	7,494,501	10,577,997
Deposits And Placements With Financial Institutions With Maturity More Than 3 Months	39,884	208,427	39,884	208,427
	7,534,385	10,786,424	7,534,385	10,786,424
Cash And Bank Balances	2,337,832	2,656,995	1,617,120	2,140,049

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Cash and Cash Equivalents				
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	7,494,501	10,577,997	7,494,501	10,577,997
Cash And Bank Balances	2,337,832	2,656,995	1,617,120	2,140,049
	9,832,333	13,234,992	9,111,621	12,718,046

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 year (2020: Nil).

b) Impact of movements in gross carrying amount on allowance for impairment losses

Allowance for impairment losses reflects the ECL measured using the simplified approach under the MFRS 9.

There was no allowance for impairment loss for the year (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. TRADE PAYABLES

	Group		KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Deposits On Property	-	569	-	-
Amount Due To Private Equity Funds	1,537	16,747	1,537	16,747
Amount Due To Unlisted Funds	-	809	-	809
Trade Creditors	62,302	1,528,052	30,207	1,533,899
Rental Income Received In Advance	-	2	-	-
	63,839	1,546,179	31,744	1,551,455

As at 31 December 2021, all trade payables are interest free with the normal trade credit terms ranging from 30 to 90 days granted to the Group and KWAP.

As at 31 December 2020, included as trade payables 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 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Goods And Service Tax ("GST") Payable	1,751	2,295	-	-
Sales And Service Tax ("SST") Payable	362	553	306	474
Withholding Tax Payable	1,850	1,783	890	354
Amount Due to Subsidiaries	-	-	51,988	45,946
Provision For Bonus	43,465	35,386	42,465	34,510
Provision For Services	15,017	24,822	15,017	23,471
Provision For External Managers Fees	18,124	17,050	18,124	17,050
Provision For Custodian Fees	1,279	2,313	1,279	2,313
Provision For Tax	9,723	2,609	-	-
Other Payables And Accruals	213,632	89,340	3,064	2,545
	305,203	176,151	133,133	126,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. BORROWINGS

	Group		KWAP	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Non-Current	1,396,182	1,810,840	-	-
Current	580,822	369,432	-	-

Existing Group Borrowings

- Loan amounting to AUD113.4 million of KWAP Managed Investment Trust 3 ("KWAP MIT 3") is at a floating rate of interest at BBR + 1.2% per annum. It matures on 5 February 2026 and is secured over the investment property of KWAP MIT 3.
- Loan amounting to AUD93.6 million of 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.
- Loan amounting to AUD160.0 million of KWAP Managed Investment Trust 4 ("KWAP MIT 4") is at a floating rate of BBSY + margin per annum (2021: ranging from 1.542% to 1.722%, 2020: ranging from 1.650% to 2.474%). It matures in October 2022 and is secured over the first ranking mortgages of all investment properties owned by KWAP MIT 4.
- Loan amounting to GBP139.2 million of Prima Harta (Jersey) Unit Trust ("Prima Harta") is at a floating rate of LIBOR. It matures on 27 November 2024.
- Loan amounting to EUR54.2 million of Prima Harta 3 (Lux) S.a.r.l ("Prima Harta 3") is at a floating rate of three-months EURIBOR + 1.1% margin per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. BORROWINGS (CONTINUED)

Existing Group Borrowings (continued)

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 Flow From Financing Activities:

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
At 1 January	2,180,272	2,049,875
Cash Flow Changes From Financing Activities:		
Proceeds From Borrowings	-	-
Repayments Of Borrowings	(3,886)	-
Non-Cash Flow Movement:		
Capitalised Transaction Costs	(4,495)	-
Deferred Finance Cost	(519)	-
Accrued Interest For The Year	4,307	-
Effect of Changes in Foreign Exchange	(198,675)	130,397
At 31 December	1,977,004	2,180,272

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. LEASE LIABILITIES

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
Current Liabilities		
Obligation Under Lease Liabilities	2,554	5,344
Non-Current Liabilities		
Obligation Under Lease Liabilities	117,274	111,516
	119,828	116,860

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
Future Minimum Payment Due:		
Not Later Than One Year	5,631	5,495
After One Year But Not More Than Five Years	22,522	21,979
After Five Years	782,151	771,996
	810,304	799,470
Less: Finance Charges Allocated To Future Periods	(690,476)	(682,610)
Present Value Of Minimum Lease Payments	119,828	116,860
Present Value Of Minimum Lease Payments Is Analysed As Follows:		
Not Later Than One Year	2,554	5,344
After One Year But Not More Than Five Years	10,219	10,606
After Five Years	107,055	100,910
Present Value Of Minimum Lease Payments	119,828	116,860

26. ALLOCATION OF STATUTORY FUNDS

	Group and KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000
At 1 January	27,001,944	26,501,944
Add: Allocation For Current Year	500,000	500,000
At 31 December	27,501,944	27,001,944

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. PENSION CONTRIBUTIONS

	Note	Group and KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000
Contribution From Statutory Bodies, Local Authorities And Other Agencies	A	18,564,748	17,229,326
Contribution From Government's Share, Gratutities And Other Deductions	B	41,178,029	40,077,883
		59,742,777	57,307,209

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.

2021	Group and KWAP		
	Accumulated Contributions RM'000	Receipts RM'000	Balance RM'000
Statutory Bodies	13,781,505	1,086,027	14,867,532
Local Authorities	3,324,311	244,380	3,568,691
Other Agencies	131,563	5,261	136,824
	17,237,379	1,335,668	18,573,047
Less:			
Repayment Of Claims	(8,053)	(246)	(8,299)
	17,229,326	1,335,422	18,564,748
2020			
Statutory Bodies	12,710,350	1,071,155	13,781,505
Local Authorities	3,088,545	235,766	3,324,311
Other Agencies	127,011	4,552	131,563
	15,925,906	1,311,473	17,237,379
Less:			
Repayment Of Claims	(7,883)	(170)	(8,053)
	15,918,023	1,311,303	17,229,326

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. 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:

2021	Group and KWAP		
	Contributions RM'000	Receipts RM'000	Balance RM'000
KWSP	30,401,694	692,088	31,093,782
KWSG	146,709	-	146,709
KWSG-Sabah	12,479	-	12,479
LTAT	8,281,871	375,933	8,657,804
SESCO	45,309	-	45,309
JPA	1,357,653	44,373	1,402,026
VETERAN ATM	2,108	244	2,352
Others	41,156	168	41,324
	40,288,979	1,112,806	41,401,785
Less:			
Repayment Of Claims	(211,096)	(12,660)	(223,756)
	40,077,883	1,100,146	41,178,029
2020			
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
	39,139,867	1,149,112	40,288,979
Less:			
Repayment Of Claims	(197,613)	(13,483)	(211,096)
	38,942,254	1,135,629	40,077,883

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. WITHDRAWAL BY FEDERAL GOVERNMENT

During the year, the total withdrawal by the Federal Government amounted to RM5.0 billion (2020: RM5.0 billion).

29. RETAINED EARNINGS

The Group's Retained Earnings amounting to RM92.3 billion was the balance of revenue reserves as at 31 December 2021 (2020: RM82.4 billion). KWAP's Retained Earnings amounting to RM92.5 billion was the balance of revenue reserves as at 31 December 2021 (2020: RM82.5 billion).

30. RESERVES

	Note	Group		KWAP	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Other reserves		(42,540)	(46,642)	-	-
Foreign exchange reserve		(266)	(121,723)	-	-
Fair Value Through Other Comprehensive Income (FVOCI) Reserves					
Debt instrument at FVOCI reserve	A	145,962	1,849,741	145,962	1,849,741
Equity instrument at FVOCI reserve	B	(6,343,087)	(5,332,240)	(6,343,087)	(5,332,240)
		(6,197,125)	3,482,499	(6,197,125)	(3,482,499)
		(6,239,931)	3,650,864	(6,197,125)	(3,482,499)

Note A: These 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. DEFERRED TAX LIABILITIES

	Group	
	31 December 2021 RM'000	31 December 2020 RM'000
At 1 January	49	362
Amount Recognised In Profit Or Loss	(11)	(313)
As At 31 December	38	49
After Appropriate Offsetting As Follows:		
- Deferred Tax Liabilities	(38)	(49)
	(38)	(49)
Deferred Tax Liabilities:		
- Settled More Than 12 Months	(38)	(49)
	(38)	(49)

32. EMPLOYEE BENEFITS

	Group and KWAP Post-Retirement Medical Benefits RM'000
At 1 January 2021	3,875
Provisions For The Year	562
Benefits Paid	(8)
As At 31 December 2021	4,429

The maturity structure of Employee Benefits are as follows:

	Group and KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000
Active Members	3,806	3,330
Retirees	623	545
	4,429	3,875

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. EMPLOYEE BENEFITS (CONTINUED)

- a) The movements of present value in the unfunded obligations are as follows:

	Group and KWAP	
	31 December	31 December
	2021	2020
	RM'000	RM'000
At 1 January	3,875	3,347
Current Service Cost	410	405
Interest Cost	178	153
Adjustments During The Year	(26)	(23)
Benefits Paid	(8)	(7)
Net Actuarial Loss	-	-
As At 31 December	4,429	3,875

- b) The amounts recognised in the Statement of Financial Position were analysed as follows:

	Group and KWAP	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Net Liabilities As At 1 January	3,875	3,347
Total Post-Retirement Costs Recognised In The Statements Of Comprehensive Income And Other Comprehensive Income	562	535
Benefits Paid	(8)	(7)
Net Liabilities As At 31 December	4,429	3,875

- c) The amounts recognised in the Statement of Comprehensive Income were analysed as follows:

	Group and KWAP	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Current Service Cost	410	405
Interest Cost	178	153
Adjustments During The Year	(26)	(23)
Total Post-Retirement Costs Recognised In The Statement Of Comprehensive Income And Other Comprehensive Income	562	535

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. EMPLOYEE BENEFITS (CONTINUED)

- d) The principal actuarial assumptions employed were as follows:

	Group and KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000
Discount Rate (%)	4.6%	4.6%
Medical Cost Inflation (%)		
General Practitioner (GP)	3.0%	3.0%
Hospitalization (HP)	3.0%	3.0%
Specialist (SP)	3.0%	3.0%
Dialysis (DL)	0.0%	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% (2020: 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 2021 RM'000		31 December 2020 RM'000	
	Increase	Decrease	Increase	Decrease
Discount Rate (1% Movement)	(852)	1,132	(753)	1,003
Medical Inflation Rate (1% Movement)	109	(259)	99	(230)
	(743)	873	(654)	773

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
2021				
Increase In 100 Basis Points	(1,802,425)	(1,802,425)	(21,623)	(21,623)
Decrease In 100 Basis Points	1,802,425	1,802,425	21,623	21,623
2020				
Increase In 100 Basis Points	(1,968,232)	(1,968,232)	(847,752)	(847,752)
Decrease In 100 Basis Points	1,968,232	1,968,232	847,752	847,752

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

Group 2021	0-12 Months RM'000	>1-5 Year RM'000	Over 5 Years RM'000	Non- Interest Sensitive RM'000	Total RM'000
Financial Assets					
Loans And Receivables	1,970,209	471,749	533,319	-	2,975,277
Long Term Receivables	-	23,984	-	-	23,984
Debt Instruments At Amortised Cost	-	2,444,000	13,348,014	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	364,373	378,876	226,040	-	969,289
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	-	-	-	54,972,077	54,972,077
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	16,238,273	19,773,683	-	36,011,956
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	28,356,757	28,356,757
Derivatives Financial Assets	135,295	13,312	-	-	148,607
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	7,534,385
Other Non-Interest Sensitive Assets	-	-	-	14,602,764	14,602,764
	10,004,262	19,570,194	33,881,056	97,931,598	161,387,110
Financial Liabilities					
Derivative Financial Liabilities	7,879	889	-	-	8,768
Trade Payables	63,839	-	-	-	63,839
Other Payables And Accruals	305,203	-	-	-	305,203
Deferred Income	46,721	-	-	-	46,721
Borrowings	580,822	1,396,182	-	-	1,977,004
Lease Liabilities	2,554	117,274	-	-	119,828
Long Term Deposit	-	9,951	-	-	9,951
Deferred Tax Liabilities	-	38	-	-	38
	1,007,018	1,524,334	-	-	2,531,352

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

KWAP 2021	0-12 Months RM'000	>1-5 Year RM'000	Over 5 Years RM'000	Non- Interest Sensitive RM'000	Total RM'000
Financial Assets					
Loans And Receivables	1,970,209	785,704	533,320	-	3,289,233
Debt Instruments At Amortised Cost	-	2,444,000	13,348,014	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	573,040	141,681	434,706	-	1,149,427
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	-	-	-	54,972,077	54,972,077
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	16,238,273	19,773,683	-	36,011,956
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	-	28,356,757	28,356,757
Derivatives Financial Assets	127,479	-	-	-	127,479
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	7,534,385
Other Non-Interest Sensitive Assets	-	-	-	11,967,734	11,967,734
	10,205,113	19,609,658	34,089,723	95,296,568	159,201,062
Financial Liabilities					
Trade Payables	31,744	-	-	-	31,744
Other Payables And Accruals	133,133	-	-	-	133,133
	164,877	-	-	-	164,877

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

Group 2020	0-12 Months RM'000	>1-5 Year RM'000	Over 5 Years RM'000	Non- Interest Sensitive RM'000	Total RM'000
Financial Assets					
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 Or Loss ("FVTPL")	120,590	678,152	221,014	-	1,019,756
Equity Instruments At Fair Value Through Profit Or 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
Derivatives Financial Assets	492,001	-	-	-	492,001
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Other Non-Interest Sensitive Assets	-	-	-	14,174,606	14,174,606
	12,990,004	22,655,672	31,555,865	90,540,565	157,742,106
Financial Liabilities					
Derivative Financial Liabilities	99,962	22,631	-	-	122,593
Trade Payables	1,534,509	-	-	-	1,534,509
Other Payables And Accruals	176,151	-	-	-	176,151
Deferred Income	48,038	-	-	-	48,038
Borrowings	369,432	1,810,840	-	-	2,180,272
Lease Liabilities	5,344	111,516	-	-	116,860
Long Term Deposit	-	12,017	-	-	12,017
Deferred Tax Liabilities	-	49	-	-	49
	2,233,436	1,957,053	-	-	4,190,489

NOTES TO THE FINANCIAL STATEMENTS

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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
Financial Assets					
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 Or Loss ("FVTPL")	339,425	650,652	221,013	-	1,211,090
Equity Instruments At Fair Value Through Profit Or 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
Derivatives Financial Assets	492,001	-	-	-	492,001
Deposits And Placements With Financial Institutions	10,786,424	-	-	-	10,786,424
Other Non-Interest Sensitive Assets	-	-	-	11,574,819	11,574,819
	13,208,839	22,867,773	31,555,864	87,940,778	155,573,254
Financial Liabilities					
Derivative Financial Liabilities	72,129	-	-	-	72,129
Trade Payables	1,551,455	-	-	-	1,551,455
Other Payables And Accruals	126,663	-	-	-	126,663
	1,750,247	-	-	-	1,750,247

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
2021				
Domestic Equity				
Increase Of 5% In Equity Price	2,838,201	2,838,201	1,420,363	1,420,363
Decrease Of 5% In Equity Price	(2,838,201)	(2,838,201)	(1,420,363)	(1,420,363)
International Equity				
Increase Of 10% In Equity Price	1,971,354	1,971,354	1,971,354	1,971,354
Decrease Of 10% In Equity Price	(1,971,354)	(1,971,354)	(1,971,354)	(1,971,354)
2020				
Domestic Equity				
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)
International Equity				
Increase Of 10% In Equity Price	1,434,349	1,434,349	1,434,349	1,434,349
Decrease Of 10% In Equity Price	(1,242,220)	(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table summarises the fair value of international investments of the Group and of KWAP for the top currencies in which the assets are held:

Group 2021	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
Financial Assets (RM'000)									
Investment Properties	1,775,655	-	1,271,798	3,714,013	401,074	-	-	-	7,162,540
Loan and Receivables	2,975,277	-	-	-	-	-	-	-	2,975,277
Long Term Receivables	1,005	-	-	22,979	-	-	-	-	23,984
Debt Instruments At Amortised Cost	15,792,014	-	-	-	-	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	967,193	2,096	-	-	-	-	-	-	969,289
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	28,503,056	17,180,448	665,465	1,382,002	2,984,968	1,079,247	1,039,935	2,136,956	54,972,077
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	35,416,542	395,738	79,572	-	-	-	-	120,104	36,011,956
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	28,356,757	-	-	-	-	-	-	-	28,356,757
Derivative Financial Assets	127,479	-	13,312	7,816	-	-	-	-	148,607
Deposits and Placements with Financial Institutions	6,534,906	728,180	118,285	153,014	-	-	-	-	7,534,385
Cash and Bank Balances	309,663	1,240,094	376,225	355,620	56,230	-	-	-	2,337,832
	120,759,547	19,546,556	2,524,657	5,635,444	3,442,272	1,079,247	1,039,935	2,257,060	156,284,718

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

KWAP 2021	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
Financial Assets (RM'000)									
Investment Properties	226,493	-	-	-	-	-	-	-	226,493
Loan and Receivables	2,975,277	-	313,956	-	-	-	-	-	3,289,233
Debt Instruments At Amortised Cost	15,792,014	-	-	-	-	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	938,663	2,096	-	-	208,668	-	-	-	1,149,427
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	28,503,055	17,180,449	665,465	1,382,002	2,984,968	1,079,247	1,039,935	2,136,956	54,972,077
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	35,416,542	395,738	79,572	-	-	-	-	120,104	36,011,956
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	28,356,757	-	-	-	-	-	-	-	28,356,757
Derivative Financial Assets	127,479	-	-	-	-	-	-	-	127,479
Deposits and Placements with Financial Institutions	6,534,906	728,180	118,285	153,014	-	-	-	-	7,534,385
Cash and Bank Balances	105,933	1,240,094	270,078	3	1,012	-	-	-	1,617,120
	118,977,119	19,546,557	1,447,356	1,535,019	3,194,648	1,079,247	1,039,935	2,257,060	149,076,941

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

Group 2020	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
Financial Assets (RM'000)									
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 Or Loss ("FVTPL")	1,017,736	2,020	-	-	-	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit Or 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
	124,921,905	13,054,087	2,891,580	4,982,055	2,761,077	1,451,200	1,006,647	2,386,939	153,455,490

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

KWAP 2020	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
Financial Assets (RM'000)									
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 Or Loss ("FVTPL")	990,235	2,020	-	-	218,835	-	-	-	1,211,090
Equity Instruments At Fair Value Through Profit Or 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
	123,138,646	13,054,087	1,067,113	1,774,416	2,487,390	1,451,200	1,006,647	2,386,939	146,366,438

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	RM'000
	+3%	-3%
2021		
Currency		
USD	586,397	(586,397)
AUD	75,740	(75,740)
GBP	169,063	(169,063)
EUR	103,268	(103,268)
HKD	32,377	(32,377)
JPY	31,198	(31,198)
2020		
Currency		
USD	391,623	(391,623)
AUD	86,747	(86,747)
GBP	149,462	(149,462)
EUR	82,832	(82,832)
HKD	43,536	(43,536)
JPY	30,199	(30,199)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 +3%	RM'000 -3%
2021		
Currency		
USD	586,397	(586,397)
AUD	43,421	(43,421)
GBP	46,051	(46,051)
EUR	95,839	(95,839)
HKD	32,377	(32,377)
JPY	31,198	(31,198)
2020		
Currency		
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)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 forward-looking 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 ₁	Strong ability to meet financial obligations
Moderate	P2/MARC ₂	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
2021			
AA	18	-	-
A	43	-	-
BBB	48	-	-
BB	-	6,435	-
C	-	59,321	-
2020			
AA	22	-	-
A	124	-	-
BBB	138	-	-
BB	-	2,084	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
2021			
AA	1	-	-
A	2	-	-
2020			
AA	1	-	-
A	2	-	-

c. Loans and receivables

	12-months expected credit loss RM'000	Lifetime expected credit losses Not credit impaired RM'000	Lifetime expected credit losses Credit impaired RM'000
2021			
AA	-	-	13,750
2020			
AA	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(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
2021			
Loans and Receivables	63,987	3,289,233	3,225,246
2020			
Loans and Receivables	64,195	5,907,643	5,843,448

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality

Group 2021	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	2,975,277	-	-	-	-	2,975,277
Long Term Receivables	-	23,984	-	-	-	23,984
Debt Instruments At Amortised Cost	11,576,324	3,880,741	334,949	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	286,795	520,799	159,599	2,096	-	969,289
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	21,869,318	13,507,265	544,029	91,344	-	36,011,956
Trade Receivables	-	-	-	-	2,725,153	2,725,153
Sundry Debtors And Deposits	-	-	-	-	132,620	132,620
Deposits And Placements With Financial Institutions	-	6,838,825	695,560	-	-	7,534,385
Cash And Bank Balances	6,101	1,611,013	-	-	720,718	2,337,832
	36,713,815	26,382,627	1,734,137	93,440	3,578,491	68,502,510

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

KWAP 2021	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	2,975,277	313,956	-	-	-	3,289,233
Debt Instruments At Amortised Cost	11,576,324	3,880,741	334,949	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	286,794	700,938	159,599	2,096	-	1,149,427
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	21,869,318	13,507,265	544,029	91,344	-	36,011,956
Trade Receivables	-	-	-	-	2,676,535	2,676,535
Sundry Debtors And Deposits	-	-	-	-	166,869	166,869
Deposits And Placements With Financial Institutions	-	6,838,825	695,560	-	-	7,534,385
Cash And Bank Balances	6,101	1,611,013	-	-	6	1,617,120
	36,713,814	26,852,738	1,734,137	93,440	2,843,410	68,237,539

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

Group 2020	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	3,135,801	2,448,664	-	-	-	5,584,465
Debt Instruments At Amortised Cost	-	83,577	-	-	-	83,577
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	10,630,609	3,758,435	810,180	-	-	15,199,224
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	379,317	467,738	170,680	2,021	-	1,019,756
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	-	-	154,439	-	-	154,439
Derivatives Financial Assets	20,772,489	12,415,143	533,781	160,243	-	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	-	7,360,087	3,426,337	-	-	10,786,424
Cash And Bank Balances	16,158	258,198	1,865,687	-	516,952	2,656,995
	34,934,374	26,791,842	6,961,104	162,264	3,098,730	71,948,314

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Credit quality (continued)

KWAP 2020	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	3,135,801	2,771,842	-	-	-	5,907,643
Debt Instruments At Amortised Cost	10,630,609	3,758,435	810,180	-	-	15,199,224
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	379,317	659,072	170,680	2,021	-	1,211,090
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	-	-	154,439	-	-	154,439
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	20,772,489	12,415,143	533,781	160,243	-	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	-	7,360,087	3,426,337	-	-	10,786,424
Cash And Bank Balances	16,158	258,198	1,865,687	-	6	2,140,049
	34,934,374	27,222,777	6,961,104	162,264	2,534,740	71,815,259

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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% (2020: 0.09%). The financial effect of collateral held for the remaining financial assets are deemed to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)

Types of collateral or credit enhancements

Group 2021	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	2,975,277	-	(63,987)	(63,987)	2,911,290
Long Term Receivables	23,984	-	-	-	23,984
Debt Instruments At Amortised Cost	15,792,014	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	969,289	-	-	-	969,289
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	-	-	36,011,956
Trade Receivables	2,725,153	-	-	-	2,725,153
Sundry Debtors And Deposits	132,620	-	-	-	132,620
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	7,534,385
Cash And Bank Balances	2,337,832	-	-	-	2,337,832
	68,502,510	-	(63,987)	(63,987)	68,438,523

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Types of collateral or credit enhancements (continued)

KWAP 2021	Maximum Exposure To Credit Risk	Fair Value Of Collateral And Credit Enhancements Held			
		Shares	Properties, Aircraft, Other Fixed Assets	Net Collateral	Net Exposure
Financial Assets (RM'000)					
Loans And Receivables	3,289,233	-	(63,987)	(63,987)	3,225,246
Debt Instruments At Amortised Cost	15,792,014	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	1,149,427	-	-	-	1,149,427
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	-	-	36,011,956
Trade Receivables	2,676,535	-	-	-	2,676,535
Sundry Debtors And Deposits	166,869	-	-	-	166,869
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	7,534,385
Cash And Bank Balances	1,617,120	-	-	-	1,617,120
	68,237,539	-	(63,987)	(63,987)	68,173,552

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Analysis of the maximum exposure to credit risk and collateral and other credit enhancements (continued)

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 Or Loss ("FVTPL")	1,019,756	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit Or 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
	71,948,314	-	(64,195)	(64,195)	71,884,119

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Analysis of the maximum exposure to credit risk and collateral and other 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 Or Loss ("FVTPL")	1,211,090	-	-	-	1,211,090
Equity Instruments At Fair Value Through Profit Or 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
	71,815,259	-	(64,195)	(64,195)	71,751,064

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Financial Assets (RM'000)						
Loans And Receivables	2,961,527	-	-	-	13,750	2,975,277
Debt Instruments At Amortised Cost	15,792,014	-	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	969,289	-	-	-	-	969,289
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	-	-	-	36,011,956
Trade Receivables	2,722,700	-	-	-	2,453	2,725,153
Sundry Debtors And Deposits	132,620	-	-	-	-	132,620
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	-	7,534,385
Cash And Bank Balances	2,337,832	-	-	-	-	2,337,832
	68,462,323	-	-	-	16,203	68,478,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

KWAP 2021	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Financial Assets (RM'000)						
Loans And Receivables	3,275,483	-	-	-	13,750	3,289,233
Debt Instruments At Amortised Cost	15,792,014	-	-	-	-	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	1,149,427	-	-	-	-	1,149,427
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	-	-	-	36,011,956
Trade Receivables	2,674,082	-	-	-	2,453	2,676,535
Sundry Debtors And Deposits	166,869	-	-	-	-	166,869
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	-	7,534,385
Cash And Bank Balances	1,617,120	-	-	-	-	1,617,120
	68,221,336	-	-	-	16,203	68,237,539

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Aging analysis for financial assets that are past due but not impaired (continued)

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
Financial Assets (RM'000)						
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 Or Loss ("FVTPL")	1,019,756	-	-	-	-	1,019,756
Equity Instruments At Fair Value Through Profit Or 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
	71,864,737	-	-	-	-	71,864,737

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Aging analysis for financial assets that are past due but not impaired (continued)

KWAP 2020	Neither Past Due Nor Impaired	Past Due Up To 1 Month	Past Due 1 to 3 Months	Past Due > 3 Months	Impaired	Total
Financial Assets (RM'000)						
Loans And Receivables	5,907,643	-	-	-	-	5,907,643
Debt Instruments At Amortised Cost	15,199,224	-	-	-	-	15,199,224
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	1,211,090	-	-	-	-	1,211,090
Equity Instruments At Fair Value Through Profit Or 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
	71,815,259	-	-	-	-	71,815,259

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

Financial assets exposed to credit risk assessed as impaired

Group	Note	2021		
		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		3	-	3
Debt Instruments At Fair Value Through Other Comprehensive Income		2,368	63,497	65,865
Other Financial Assets		5,352	24,568	29,920
		7,723	88,065	95,788
KWAP				
Financial Asset At Amortised Cost		3	-	3
Debt Instruments At Fair Value Through Other Comprehensive Income		2,368	63,497	65,865
Other Financial Assets		-	16,203	16,203
		2,371	79,700	82,071
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		10,814	(8,446)	2,368
Other Financial Assets		-	5,352	5,352
		10,821	(3,098)	7,723
KWAP				
Financial Asset At Amortised Cost		7	(4)	3
Debt Instruments At Fair Value Through Other Comprehensive Income		10,814	(8,446)	2,368
		10,821	(8,450)	2,371

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

	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
Group						
2021						
Financial Liabilities						
Derivatives Financial Liabilities	-	-	7,879	889	-	8,768
Trade Payables	63,839	-	-	-	-	63,839
Borrowings	-	-	580,822	1,396,182	-	1,977,004
Other Payables And Accruals	305,203	-	-	-	-	305,203
Deferred Income	-	-	46,721	-	-	46,721
Deferred Tax	-	-	-	38	-	38
Long Term Deposit	-	-	-	9,951	-	9,951
Lease Liabilities	-	-	2,554	117,274	-	119,828
Total Undiscounted Financial Liabilities	369,042	-	637,976	1,524,334	-	2,531,352
KWAP						
2021						
Financial Liabilities						
Trade Payables	31,744	-	-	-	-	31,744
Other Payables And Accruals	133,133	-	-	-	-	133,133
Total Undiscounted Financial Liabilities	164,877	-	-	-	-	164,877

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. FINANCIAL RISK (CONTINUED)

(e) Liquidity risk (continued)

	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
Group						
2020						
Financial Liabilities						
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
Deferred Income	-	-	48,038	-	-	48,038
Deferred Tax	-	-	-	49	-	49
Long Term Deposit	-	-	-	12,017	-	12,017
Lease Liabilities	-	-	8	37	116,815	116,860
Total Undiscounted Financial Liabilities	187,821	49,455	2,002,494	1,845,574	116,815	4,202,159
KWAP						
2020						
Financial Liabilities						
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
Total Undiscounted Financial Liabilities	143,609	21,622	1,585,016	-	-	1,750,247

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	2021		2020	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Loans And Receivables	2,999,261	2,999,261	5,668,042	5,668,042
Debt Instruments At Amortised Costs	15,792,014	16,438,735	15,199,224	16,752,246
Financial Liabilities				
Borrowings	1,977,004	1,977,004	2,180,272	2,180,272

KWAP	2021		2020	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Loans And Receivables	3,289,233	3,289,233	5,907,643	5,907,643
Debt Instruments At Amortised Costs	15,792,014	16,438,735	15,199,224	16,752,246

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

As at 31 December 2021, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position:

	2021						
	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
Group							
Financial Assets							
Loans And Receivables	2,975,277	-	-	-	-	-	2,975,277
Long Term Receivables	23,984	-	-	-	-	-	23,984
Debt Instruments At Amortised Cost	16,438,735	-	-	-	-	16,438,735	-
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	969,289	-	863,181	106,108	-	-	-
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	54,972,077	48,183,616	-	6,788,461	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	36,011,956	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	28,356,757	28,356,757	-	-	-	-	-
Derivative Financial Assets	148,607	15,519	133,088	-	-	-	-
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	-	-	7,534,385
Trade Receivables	2,725,153	-	-	-	-	-	2,725,153
Sundry Debtors And Deposits	132,620	-	-	-	-	-	132,620
Cash and Bank Balances	2,337,832	-	-	-	-	-	2,337,832
	152,626,672	76,555,892	37,008,225	6,894,569	-	16,438,735	15,729,251
Financial Liabilities							
Borrowings	1,977,004	-	-	-	-	-	1,977,004
Payables And Accruals	369,042	-	-	-	-	-	369,042
Derivative Financial Liabilities	8,768	-	8,768	-	-	-	-
	2,354,814	-	8,768	-	-	-	2,346,046

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

	2021						
	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
KWAP							
Financial Assets							
Loans And Receivables	3,289,233	-	-	-	-	-	3,289,233
Debt Instruments At Amortised Cost	16,438,735	-	-	-	-	16,438,735	-
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")	1,149,427	-	863,181	286,246	-	-	-
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")	54,972,077	48,183,616	-	6,788,461	-	-	-
Debt Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	36,011,956	-	36,011,956	-	-	-	-
Equity Instruments At Fair Value Through Other Comprehensive Income ("FVOCI")	28,356,757	28,356,757	-	-	-	-	-
Derivative Financial Assets	127,479	15,519	111,960	-	-	-	-
Deposits And Placements With Financial Institutions	7,534,385	-	-	-	-	-	7,534,385
Trade Receivables	2,676,535	-	-	-	-	-	2,676,535
Sundry Debtors And Deposits	166,869	-	-	-	-	-	166,869
Cash and Bank Balances	1,617,120	-	-	-	-	-	1,617,120
	152,340,573	76,555,892	36,987,097	7,074,707	-	16,438,735	15,284,142
Financial Liabilities							
Payables And Accruals	164,877	-	-	-	-	-	164,877
	164,877	-	-	-	-	-	164,877

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

	2020						
	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
Group							
Financial Assets							
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 Or Loss ("FVTPL")	1,019,755	-	981,793	37,962	-	-	-
Equity Instruments At Fair Value Through Profit Or 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
	150,359,294	71,911,271	35,506,299	4,496,239	-	16,752,246	21,693,239
Financial Liabilities							
Borrowings	2,180,271	-	-	-	-	-	2,180,271
Payables And Accruals	1,722,330	-	-	-	-	-	1,722,330
Derivative Financial Liabilities	122,593	-	122,579	14	-	-	-
	4,025,194	-	122,579	14	-	-	3,902,601

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
KWAP							
Financial Assets							
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 Or Loss ("FVTPL")	1,211,090	-	981,793	229,297	-	-	-
Equity Instruments At Fair Value Through Profit Or 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
	150,226,240	71,911,271	35,506,299	4,687,574	-	16,752,246	21,368,850
Financial Liabilities							
Payables And Accruals	1,678,118	-	-	-	-	-	1,678,118
Derivative Financial Liabilities	72,129	-	72,129	-	-	-	-
	1,750,247	-	72,129	-	-	-	1,678,118

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	Equity Instruments At Fair Value Through Profit or Loss Unquoted Shares RM'000
Group and KWAP	
At 1 January 2021	4,458,277
Net addition and disposal	1,144,281
Net fair value gain recognised in Profit or Loss	1,185,902
At 31 December 2021	6,788,460

	Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000
Group	
At 1 January 2021	37,962
Net addition	67,117
Net fair value gain recognised in Profit or Loss	1,029
At 31 December 2021	106,108

	Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000
KWAP	
At 1 January 2021	229,297
Net addition and disposal	67,117
Net fair value gain recognised in Profit or Loss	(10,168)
At 31 December 2021	286,246

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Sensitivity analysis

Sensitivity analysis of the Level 3 fair valuation is as follows:

	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
2021				
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")				
Increase Of 5% In Equity Price	14,312	14,312	14,312	14,312
Decrease Of 5% In Equity Price	(14,312)	(14,312)	(14,312)	(14,312)
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")				
Increase Of 5% In Equity Price	339,423	339,423	339,423	339,423
Decrease Of 5% In Equity Price	(339,423)	(339,423)	(339,423)	(339,423)
2020				
Debt Instruments At Fair Value Through Profit Or Loss ("FVTPL")				
Increase Of 5% In Equity Price	11,465	11,465	11,465	11,465
Decrease Of 5% In Equity Price	(11,465)	(11,465)	(11,465)	(11,465)
Equity Instruments At Fair Value Through Profit Or Loss ("FVTPL")				
Increase Of 5% In Equity Price	222,914	222,914	222,914	222,914
Decrease Of 5% In Equity Price	(222,914)	(222,914)	(222,914)	(222,914)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS

The related parties and their relationship with the Group and KWAP are as follows:

Related Parties	Relationships
Capsquare Tower Sdn Bhd	Subsidiary
Harta Integra Berkat Sdn Bhd	Subsidiary
Harta Rini Sdn Bhd	Subsidiary
KWAP Managed Investment Trust 2	Subsidiary
KWAP Managed Investment Trust 3	Subsidiary
KWAP Managed Investment Trust 4	Subsidiary
KWEST Sdn Bhd	Subsidiary
Prima Ekuiti (UK) Limited	Subsidiary
Prima Harta (Jersey) Unit Trust	Subsidiary
Prima Harta U (Jersey) Limited	Subsidiary
Prima Harta 2 (Jersey) Unit Trust	Subsidiary
Prima Harta 3 (Lux) S.à r.l.	Subsidiary
Prima Harta 4 (Jersey) Unit Trust	Subsidiary
Prima Harta 4 U (Jersey) Limited	Subsidiary
Prima Harta 5 (Jersey) Unit Trust	Subsidiary
Prima Harta 5 Limited	Subsidiary
Prima Harta 6 (Jersey) Unit Trust	Subsidiary
Prima Harta 6 Limited	Subsidiary
Aerodyne Ventures Sdn Bhd	Associate
edotco Group Sdn Bhd	Associate
Swift Haulage Sdn Bhd	Associate
ValueCap Sdn Bhd	Associate
Vantage Solar Investments S.à r.l. <i>(formerly known as Vortex Solar Investments S.à r.l.)</i>	Associate
Compass IP Sdn. Bhd.	Associate
Persada Mentari Sdn Bhd	Joint venture
Tap Crunch Sdn Bhd	Joint venture

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 balance and transaction

	KWAP Subsidiaries	
	31 December 2021 RM'000	31 December 2020 RM'000
Net Income		
Interest Income	17,961	39,039
Management Fee	-	-
Administrative Fee	132	731
Dividend On Income	345,473	79,318
Rental Income	10,948	10,922
	374,514	130,010
Amount Due From		
Loan And Receivables	313,956	323,178
Debt Instrument At Fair Value Through Profit Or Loss ("FVTPL")	208,667	218,835
Trade Receivables	7,121	11,035
	529,744	553,048
Amount Due To		
Other Payables and Accruals	173,413	149,957
	173,413	149,957

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 RM'000	31 December 2020 RM'000
Interest Income And Profit On Investments	1,510,065	1,589,895
Purchase Of Malaysian Government Securities And Bonds	8,899,900	14,659,842
Sale Of Malaysian Government Securities And Bonds	3,729,825	12,223,516
Repayment Of Loans	2,481,583	1,050,433

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 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Board				
Wages, Salaries, Honorarium And Remuneration	911	767	848	767
Benefit in Kind	5	8	5	8
Senior Management				
Wages, Salaries, Honorarium And Remuneration	13,225	14,985	12,986	14,151
Benefit in Kind	7	84	6	84
Statutory Contribution To Employees Provident Fund	2,498	2,762	2,456	2,626
	16,646	18,606	16,301	17,636

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. CAPITAL COMMITMENT

	Group and KWAP	
	31 December 2021 RM'000	31 December 2020 RM'000
Authorised and contracted for:		
Office Renovation	-	14
Paintings, Office Furniture and Equipment	7	-
Electronic Equipment	1,156	-
Computer Software	17,488	1,589
Professional Service	9,817	-
	28,468	1,603
Authorised and not contracted for:		
Computers	8	-
Paintings, Office Furniture and Equipment	1	-
Electronic Equipment	1	-
	10	-
	28,478	1,603

37. SUBSEQUENT EVENT DISCLOSURE

(a) Disposal of asset held for sale

The disposal of 179 Turbot Street, an office building in Brisbane, Australia was completed on 1 February 2022, for a total consideration of AUD150.9 million.

(b) Withdrawal by the Government of Malaysia

On 17 March 2022, 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 2002 (Act 662). The MOF requested the withdrawal to be gradually disbursed in five tranches on RM1.0 billion each from June to October 2022.

07

OTHER INFORMATION

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GLOSSARY OF TERMS

Absolute Return

Absolute return is the return that an asset achieves over a specified period. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period.

APEXJ (Asia Pacific ex- Japan)

The FTSE Asia Pacific ex Japan Index is one of a range of indices designed to help investors to benchmark their Asia Pacific investments.

ARR (Accounting Rate of Return)

The accounting rate of return (ARR) is a formula that reflects the percentage rate of return expected on an investment or asset, compared to the initial investment's cost. The ARR formula divides an asset's average revenue by the company's initial investment to derive the ratio or return that one may expect over the lifetime of an asset or project. ARR does not consider the time value of money or cash flows, which can be an integral part of maintaining a business.

BMJ (Bantuan Mengurus Jenazah or Funeral Arrangement Assistance)

Funeral arrangement assistance is given to the heirs of Malaysian Government retirees who passed away on and after 15 October 2010, including retirees who opt for the EPF scheme (prior to this date, no refund was given if the pensioner died).

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.

Buyout

A buyout is the acquisition of a controlling interest in a company and is used synonymously with the term acquisition. If the stake is bought by the firm's management, it is known as a management buyout and if high levels of debt are used to fund the buyout, it is called a leveraged buyout. Buyouts often occur when a company is going private.

CAPEX (Capital Expenditure)

Capital expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

Derivative Pension

A monthly pension derived due to the death of a civil servant / civil pensioner that is paid to eligible beneficiaries, as stated in the relevant Pension Act.

Dry Powder

Dry powder is an informal term referring to marketable securities that are highly liquid and considered cash-like. Dry powder can also refer to cash reserves kept on hand by a company, venture capital firm or individual to cover future obligations, purchase assets or make acquisitions. Securities considered to be dry powder could be Treasuries or other short-term fixed income investment that can be liquidated on short notice in order to provide emergency funding or allow an investor to purchase assets.

ESG (Environment, Social and Governance)

Environmental, social, and governance (ESG) investing refers to a set of standards for a company's behaviour used by socially conscious investors to screen potential investments.

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.

FTSE Index

The Financial Times Stock Exchange 100 Index, also called the FTSE 100 Index, FTSE 100, FTSE, is a share index of the 100 companies listed on the London Stock Exchange with (in principle) the highest market capitalisation.

Hang Seng Index

The Hang Seng Index or HSI is a free-float market index of the 60 largest companies that trade on the Hong Kong Exchange (HKEx).

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.

GLOSSARY
OF TERMS**IRS (Interest Rate Swap)**

An exchange of one set of cash flows (based on interest 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) is Malaysia's pension fund for civil servants, managing contributions from the Federal Administration and relevant agencies and invest the fund to obtain maximum returns via sound risk management and investment.

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.

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.

MGII

Malaysian Government Investment Issues is a long-term Islamic Government securities, issued based on established Shariah.

MOF (Ministry of Finance)

Ministry of Finance Malaysia is the leading financial authority in Malaysia.

MPC (Monetary Policy Committee)

The Monetary Policy Committee of Bank Negara Malaysia is responsible for formulating monetary policy and the policies for the conduct of monetary policy operations.

MXWD (The MSCI World Index)

It captures large and mid-cap representation across 23 Developed Markets (DM) countries. With 1,509 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

OPEC (The Organisation of Petroleum Exporting)

The Organisation of Petroleum Exporting Countries consisting of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

OPEX (Operating Expenditure)

An operating expense is an expense that a business incurs through its normal business operations.

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.

PSD (Public Service Department)

The Public Service Department serves as the central agency in reforming the overall public services towards greater efficiency and effectiveness in both development and human resource management that inspire confidence and trust in the civil service among the people.

Quasi-government Bonds

Bonds issued by non-government entities, but they are usually backed by the government.

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.

GLOSSARY OF TERMS

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.

SLA (Service Level Agreement)

The service contract component between a service provider and customer.

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.

Federal Statutory Body

A Federal Statutory Body has been defined by the Statutory Bodies (Accounts and Annual Reports Act) 1980 [Act 240] as: "Any body corporate, irrespective of the name by which it is known, that is incorporated pursuant to the provisions of federal law and is a public authority or an agency of the Government of Malaysia but does not include a local authority and a body corporate that is incorporated under the Companies Act 1965."

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.

Syariah-compliant Funds

Syariah-compliant funds are investment funds governed by the requirements of Shariah law and the principles of the Islamic religion. Syariah-compliant funds are considered to be a type of socially responsible investing.

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.

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.

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.

UNSDG (United Nations Sustainable Development Group)

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

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.

Volatility

Volatility is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured from either the standard deviation or variance between returns from that same security or market index.

WGBI (FTSE World Government Bond Index)

A broad index providing exposure to the global sovereign fixed income market, the index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. It comprises sovereign debt from over 20 countries, denominated in a variety of currencies. Sub-indices are available by currencies and terms.

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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

KWAP Annual Report 2021

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KWAP Digital and Social Media Platforms

-  www.kwap.gov.my
-  [kwapmalaysia](https://www.linkedin.com/company/kwapmalaysia)
-  [kwapmalaysia](https://www.instagram.com/kwapmalaysia)
-  [kwapmalaysia](https://www.youtube.com/kwapmalaysia)
-  [KWAP Malaysia](https://www.facebook.com/KWAP_Malaysia)

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