

TOWARDS

A BETTER TOMORROW



KWAP

ANNUAL REPORT 2022



Towards a Better Tomorrow

Expanding our value delivery spectrum, Kumpulan Wang Persaraan (Diperbadankan) [KWAP] is paving the way forward to higher returns for all stakeholders through a three-year TERAS 5 programme.

This year's annual report theme reflects this constant impetus of KWAP to continuously improve value delivery through a colourful depiction of pensioners living fulfilling lives. This symbolises KWAP's commitment to realising our key stakeholders' aspirations and life goals towards the better tomorrow captured within the theme.

The painter's art canvas highlights the central role TERAS 5 is playing in upskilling KWAP's capabilities and service delivery. TERAS 5 is based on elevating five enablers: structure, governance, people, process and digital. This strengthens our ability to facilitate more catalytic investments that directly benefit the Malaysian economy and continue to grow its fund size while elevating service levels for pensioners.



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

2022

YEAR AT A GLANCE



RM2.6 billion

Total Contribution (7% above target)



>100% Year-on-Year Growth

on MyPesara App download
(total downloads of 291,863)



28,243

Total reach to pensioners and derivative recipients via various programmes and channels



>100 events

and engagements for internal and external stakeholders



RM8.6 million

total exposure from public-related activities (PR Value)



Awarded **Silver Employer of Choice (Public Sector Category)** and **Gold Young HR Talent award** by the Malaysian Institute of Human Resource Management (MIHRM), during the MIHRM 22nd Malaysia-International HR Awards 2022



Achieved SLA level of

98.42% in 2022

(above 95% SLA threshold as per renewed Agency agreement)



Enterprise Strategy Approved:

- **New 2025 SAA**
- **Corporate Governance framework**
- **Brand Strategy roadmap**
- **Customer Experience framework**





Fund Size: **RM158.10 billion**

Investment Return: **5.3%** (annualised TWRR, over a 10-year rolling period)

Domestic vs International Investments: **81% vs 19%**, of total investments assets

Public vs Private Investments: **90% vs 10%**, of total investments assets



44%

progress completion
of TERAS 5 multi-year
programme



New Organisational Structure

- **Appointment of KWAP's first Chief Financial Officer and Chief Digital Officer**
- **Activation of 3 new divisions: Finance, Digital and Strategy & Services**
- **Activate 26 out of 35 departments and functions**



New Investments Approved

- **RM11 billion**
Malaysia Sovereign Bonds & Corporate Bonds
- **> RM4.5 billion**
Private Equity deals
including Dana Perintis
- **> RM1 billion**
Real Estate deals



Awarded Bronze for the
Most People-Focused CEO,
Best HR Leader of the Year and
Excellence in Workforce Mobility
during the HR Excellence Awards
2022 by Human Resources Online



Recognised as one of the **CFA Society**
Malaysia Employer Partners of the
Employer Recognition Programme by
the CFA Institute



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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.

OUR 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 the Government and retirees





REALISING

A FULFILLING FUTURE

As the world transitions into a post-pandemic era, marketplace changes and volatility requires us to stay anchored on core strengths, while enhancing value delivery.

Adhering to this wisdom, Kumpulan Wang Persaraan (Diperbadankan) [KWAP] is paving the way forward to higher returns, through a three-year TERAS 5 programme.

Focused on enhancing our capabilities and skills, TERAS 5 is based on elevating five enablers: structure, governance, people, process, and digital. This strengthens our ability to facilitate more catalytic investments that directly benefit the Malaysian economy, continue to grow its fund size and, equally important, elevate service levels for pensioners.

MESSAGE FROM THE CHAIRMAN



TOTAL FUND SIZE
RM158.10 billion



GROSS INVESTMENT INCOME
RM7.01 billion



5.3%
ANNUALISED TIME-WEIGHTED RATE OF RETURN, OVER A 10-YEAR ROLLING PERIOD



TRANSFORMING FOR THE BETTER

Dear Valued Stakeholders,

Marking our constant desire to grow better every year, Kumpulan Wang Persaraan (Diperbadankan) [KWAP] has made strides in service and value delivery in 2022, anchored on the TERAS 5 operating model transformation programme. I am pleased to present the Annual Report for KWAP for the financial year ended 31 December 2022.

FINDING BALANCE AMIDST VOLATILITY

The expected post-pandemic recovery in 2022 was overtaken by geopolitical uncertainties such as the Russia-Ukraine hostilities, heightened inflation, supply chain disruptions and complications surrounding the prolonged COVID-19 pandemic. Heightened global market volatility and strong headwinds across multiple asset classes led to global Gross Domestic Product (GDP) growth slowing to 3.4%, from 6.3% in 2021.

Domestic growth, in contrast, was pleasantly robust. Malaysia recorded an annual GDP growth of 8.7% in 2022. Export trade activity grew 25% year-on-year (YoY) to a record high of RM1.6 trillion in 2022. Additionally, increased foreign investor activity and confidence saw Malaysia's net foreign direct investment (FDI) inflows surging to RM73.3 billion for 2022 compared to RM48.1 billion recorded in 2021. Supported by this recovery, Malaysia's RM3.6 trillion capital market remained resilient in 2022. In fact, total funds raised of RM179.4 billion is the highest ever, led by a record amount of corporate bond and sukuk issuances. Exchange-traded derivatives also registered a record volume of 18.8 million lots traded, though overall weaker valuations resulted in a dip of assets under management (AUM) to RM906.5 billion.

MESSAGE FROM THE CHAIRMAN

Completed the first phase of TERAS 5 initiatives

New SAA to achieve higher Return Target of 7% per annum by 2025

Successfully completed the first ABMS Surveillance Audit last year with no issuance of Non-Conformance Report

However, amidst the positive recovery, cost of living woes were on the rise as inflation increased from 2.5% in 2021 to 3.3% during the year, which led to Bank Negara Malaysia (BNM) raising the Overnight Policy Rate (OPR) four times at 25bps each, from 1.75% in 2021 to 2.75% in 2022.

Amidst these push and pull factors, KWAP resiliently maintained balance between pursuing growth and adopting prudence in the face of uncertainties. The focus for the year was devoted to sustaining net income while achieving 44% completion rate of KWAP's multi-year TERAS 5 programme to catalyse operational agility and future-readiness.

STRENGTHENING VALUE DELIVERY

Focused on fortifying core strengths, KWAP sustained a fund size of RM158.10 billion, while the annualised time-weighted rate of return (TWRR), over a 10-year rolling period (%) was 5.3%, exceeding the benchmark by 55 bps. Meanwhile, in term of gross investment income, KWAP recorded RM7.01 billion, an increase by 10.7% against RM6.33 billion in FY2021.

Outreach and communication was prioritised, KWAP reached out with educational and informational programmes that help increase financial security upon retirement through physical and online engagements with external and internal stakeholders. I am proud to say we connected with 28,243 individuals throughout the year that represent 114% of our target group.

Our outreach success is a good lead up to KWAP's new Brand Strategy Plan & Roadmap which was approved in October 2022 to enhance targeted publicity and engagement efforts towards KWAP's key stakeholders with the new tagline – Your Retirement Companion. This aptly conveys the improved relationships we seek to forge as we work for the betterment of our stakeholders' future.

On the service front, the year saw KWAP receiving an international recognition award from the ASEAN Social Security Association (ASSA) for the implementation of a Business Intelligence dashboard to enable monitoring of pension processing in real-time. This boosts KWAP's reputation among international peers in the Social Security industry, and is a precursor to many more TERAS 5 digital initiatives that are set to enhance customer experience.

OUR INVESTMENT STRATEGY

At its core, KWAP's role is to deliver the best investment returns. To this end, KWAP's Strategic Asset Allocation (SAA) is continually reviewed against changing market environments for optimum returns.

With our goal set towards recording gross fund size of RM200 billion by 2025, from the current gross fund size of RM175.60 billion, the SAA review was conducted this year to propel KWAP to achieve higher risk-adjusted returns at 7% per annum as compared to returns of 5% to 6% per annum under the previous SAA. This was carried out with the oversight of the Board and Investment Panel and focused on fortifying KWAP's overarching investment strategy taking total risk appetite and long-term investment perspectives into consideration.

To achieve the higher return target, the new SAA has allowed for an increase of the fund allocation on international and private market investments to 30% and 24% respectively, as well as diversifying its portfolio into new higher-yielding return asset classes to adapt to the volatile macroeconomic and capital markets landscape.

Increased allocation to private markets was initiated by introducing private credit into KWAP's portfolio of domestic and international equities, fixed income securities, private equity, infrastructure and real estate.

Investments were prudently focused on companies with strong fundamentals such as those with strong balance sheets and solid cash-flow positions, while capitalising on prevailing market trends by making tactical calls to take advantage of sudden market movements and opportunities that may arise in the short-term.

As a whole, KWAP's domestic investments, which make up 81% of KWAP's total investment assets, saw a better return in comparison with global market indices.

FORTIFYING INTEGRITY

Integrity is critical in KWAP's operations as the custodian of Malaysia's biggest pension fund. As an organisation certified with ISO 37001 Anti-Bribery Management System, or ABMS, since 2021, the Board ensures that robust standards of corporate governance and the highest principles of integrity, transparency and accountability anchor its operations. We successfully completed the first ABMS Surveillance Audit last year with no issuance of Non-Conformance Report.

KWAP achieved 56% completion rate, in which 32 out of 57 initiatives of the Organisational Anti-Corruption Plan (OACP) have been completed.

KWAP had also completed its first organisation-wide integrity assessment by using Integrity Assessment Tool (IAT), introduced by the Malaysian Institute of Integrity (IIM). According to the IIM scoring result, KWAP achieved a total score of 84.17% from the survey, putting it at the high level of an organisation "that has best practices in ethics and integrity."

As part of KWAP's Business Associates Outreach Programme, 2022 also presented the first-ever physical session for KWAP's broker fund managers and vendors to raise their awareness of corruption and their understanding

on the importance of observing KWAP's related anti-corruption policies and practices. On the same note, KWAP had collaborated with Khazanah Nasional, Kumpulan Wang Simpanan Pekerja, Lembaga Tabung Angkatan Tentera and Permodalan Nasional Berhad in organising the inaugural Government-Linked Investment Companies (GLICs) Integrity Event 2022 with the objective to uphold the national integrity agenda among the GLICs.

ENHANCING GOVERNANCE & RISK MANAGEMENT

Progress was also made in uplifting the efficacy of KWAP's risk and governance frameworks. The Enterprise Risk Management Framework was upgraded from the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2004 to ISO31000:2018 standards during the year. A comprehensive Corporate Governance Framework, was also consolidated and approved later in the year. This was accompanied by a review of the many committees in KWAP and streamlined into a compact and more comprehensible framework with only one single authority responsible for governing the creation or disbandment of any committees. The Investment Risk Policies and Guidelines were also streamlined into a consolidated document for better comprehension and efficacy.

As part of our continuous review and improvement of oversight duties, talks were organised for our Board and Investment Panel members on the 'Fiduciary Duties of the Board and Investment Panel' and on 'Environmental, Social & Governance: Improving the Quality of ESG Data and Its Impact'.

It was a busy year on the governance front. As at end December 2022, a total of 130 Board, Investment Panel, Board Committees, Executive Committee and Investment Committee meetings were organised.

MESSAGE FROM THE CHAIRMAN

GROWING A SUSTAINABLE IMPACT

Progressing our journey, we target to open up spaces and opportunities to advance Malaysia's retirement fund ecosystem and create long-term sustainability. To this end, KWAP continues to drive ESG impact through its investing strategy which expanded to include fixed income asset class in 2022. This is referring to enhancement of our Standard Operating Procedures (SOP), with the incorporation of ESG Credit Rating Impact Score in our investment analysis.

Regular ESG-specific engagements and ESG screenings were held with investee firms in accordance to the ESG tracking methodology. Companies with issues were placed on an ESG Watchlist for further monitoring and guidance to align them with KWAP's sustainability and ESG objectives.

In 2022, KWAP conducted four ESG engagements and one follow up ESG Engagement with its investee companies. In addition, KWAP's research analysts conducted a total of 811 engagements comprising 450 domestic and 352 international throughout the year. KWAP is also signatory to the United Nations Principles for Responsible Investment (UNPRI), which encourages investors to make responsible investments in order to increase returns and more effectively manage risks. Additionally, we keep up active interactions with the authorities and contribute to the conversations on climate change in the financial sector through our participation in sustainability-related working groups and involvement as guest speakers in numerous ESG-related events throughout the year.

ACKNOWLEDGEMENTS

Every year we welcome approximately 25,000 new pensioners. Our role in securing their future is increasingly vital and the Board is honoured to helm KWAP through this period of dynamic growth.

I take this opportunity to extend my appreciation to the KWAP family - the strong leadership team and capable workforce - for their steadfast service in growing KWAP's stature as the trusted custodian of this pension fund and their cooperation and willingness to transform for the better.

On behalf of the Board, I would like to express our gratitude to Datuk Seri Asri Bin Hamidon @ Hamidin for his exemplary leadership during his tenure as Chairman. His commitment to excellence will be remembered and cherished as we move forward. We also acknowledge the contributions of Tan Sri Mohd Khairul Adib Bin Abd Rahman and Dato' Sri Mohd Shafiq Bin Abdullah who have respectively retired and resigned as Board members during the year. We thank them for their dedicated service to KWAP and wish them well in all future endeavours.

On a final note, I would like to express my deepest thanks and gratitude to the Government and regulators as well as our industry partners for their continued support which have been crucial to our ongoing journey, and to our stakeholders whose trust allow us to continue to improve our performance.

Moving forward, the Board is committed to review our business model and build our fundamentals to be able to better serve KWAP's mandate. In doing so, we build a better tomorrow for the community and the nation as a whole.

DATUK JOHAN BIN MAHMOOD MERICAN

Chairman

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



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



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

Dear Valued Stakeholders,

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

FORTIFYING OUR INVESTMENT PERFORMANCE

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

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

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

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



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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

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

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

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

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

IMPROVING STRUCTURE AND SERVICES

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

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

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

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

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

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

BUILDING BRAND PRESENCE BY DRIVING ENGAGEMENTS

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

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

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

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

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

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

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

GROWING AND NURTURING OUR PEOPLE

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

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

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

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

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

GOING DIGITAL TOWARDS SUSTAINABLE GROWTH

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

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

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

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

STRENGTHENING SUSTAINABLE POLICIES AND PROCESSES

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

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

ADVANCING AS MALAYSIA MADANI

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

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

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

DATUK HAJAH NIK AMLIZAN MOHAMED

Chief Executive Officer

KWAP TERAS 5

TERAS 5 - KWAP's enhanced operating model was developed in 2022 to catalyse internal restructuring and ensure KWAP is agile and ready for future challenges. This is part of wave 3 (2020-2025) of KWAP's transformation journey towards fulfilling KWAP's Vision 2025, with the ultimate end-goal to grow the gross fund size to RM200 billion by 2025.

'Teras' meaning 'Core' is intended to solidify KWAP's core foundation and grow sustainably. Through the implementation of TERAS 5, KWAP aims to enhance efficiency, transparency, and accountability, thereby increasing stakeholder trust and confidence.

The enhanced operating model was fully developed in-house to solidify KWAP's foundation to be future ready and grow sustainably, underpinned by eight workstreams for the benefit of KWAP's stakeholders and the nation.

The key improvements targeted via TERAS 5 include enhancing the current organisational structure to move KWAP from a functional operating model to a value chain model. This allows for a more holistic approach in realising KWAP's growth plan. TERAS 5 further enhances KWAP's governance and oversight as well as cultivates an agile and future-ready talent pool.

Aligned with the government's aspirations to optimise the strengths of Government-linked investment companies (GLICs), TERAS 5 was officially launched on 3 August 2022 by the former Minister of Finance.



FY2022 TERAS 5 Progress:

Several workstreams were enhanced under this project, where we have seen the:



Enhancement of Investment Division:

- Equity Department
- Fixed Income Department
- Infrastructure Department
- Portfolio Strategy & Research Department
- Private Equity Department
- Real Estate Department (rebranded Property Investment Department)



Activation of Finance Division:

- Corporate Treasury Department
- Accounts & Finance Department
- Investment Operations Department (rebranded Investment Support Services Department)
- Procurement Function
- Finance Excellence Function



Activation of Digital Division and merging of Information Technology Department and Information Technology Services, forming:

- Digital Strategy & Services Department
- Digital Business Systems Function
- Digital Security Function
- Digital Infrastructure Function
- Digital Data Management Function
- Project Management Office – New Pension System



Activation of Strategy & Services Division:

- Corporate Strategy Department (rebranded Corporate Strategy & Performance Department)
- Thought Leader Function
- Strategic Communications Department (rebranded Corporate Affairs Department)
- Human Resource Department
- Culture Management Function
- Legal & Secretarial Department
- Enterprise Projects Function



Activation of Retirement Service Division:

- Customer Experience Department
- Contribution Department
- Pension Services Department

In addition, key frameworks and models which are expected to be the main catalyst for KWAP internally and externally during the journey in realising the Vision 2025, were approved during the year. These included the development and approval of a comprehensive Corporate Governance Framework, which was developed from the collection of disparate corporate governance elements.

Review and streamlining of the many KWAP committees were also implemented to develop a more comprehensible framework whereby only one single authority is responsible for governing the creation or disbandment of any committee.

Upcoming Focus & Progress

TERAS 5 initiatives will continue to be executed in 2023. In line with the mission to improve customer experience, more outreach or interaction initiatives are being planned with contributing employers, Public Service Department (PSD)'s Pension Division, and other ministries, State Secretaries' offices and agencies.

Focus will be intensified on strengthening KWAP's ability to facilitate more catalytic investments that directly benefit the Malaysian economy, continue to grow its fund size and, equally important, elevate service levels for pensioners.

Digitalisation will be the primary thrust of TERAS 5 as KWAP looks to become a digital savvy organisation through nurturing citizen developers internally. By leveraging on further data analytics to enhance real-time dashboards related to investments and pensioner data, KWAP will benefit from timely investments and optimisation of opportunities.

As part of upcoming plans, KWAP plans to diversify its asset allocation towards a more private market with three asset classes, namely property, private equity, and infrastructure. This is mainly done to attain better returns due to the better growth the private market has been achieving, in comparison to the public market. TERAS 5 will better position KWAP in identifying, understanding and addressing the risks that come with this diversification.



FOR BETTER
PEOPLE

Cultivating continuous employee empowerment, effective talent management and a culture-fit organisation.

ABOUT KWAP

ROLE AND OBJECTIVES

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

ESTABLISHMENT

Under the Retirement Fund Act 2007 (Act 662), replacing the Pensions Trust Fund Act 1991 (Act 454), KWAP was incorporated in 1 March 2007

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

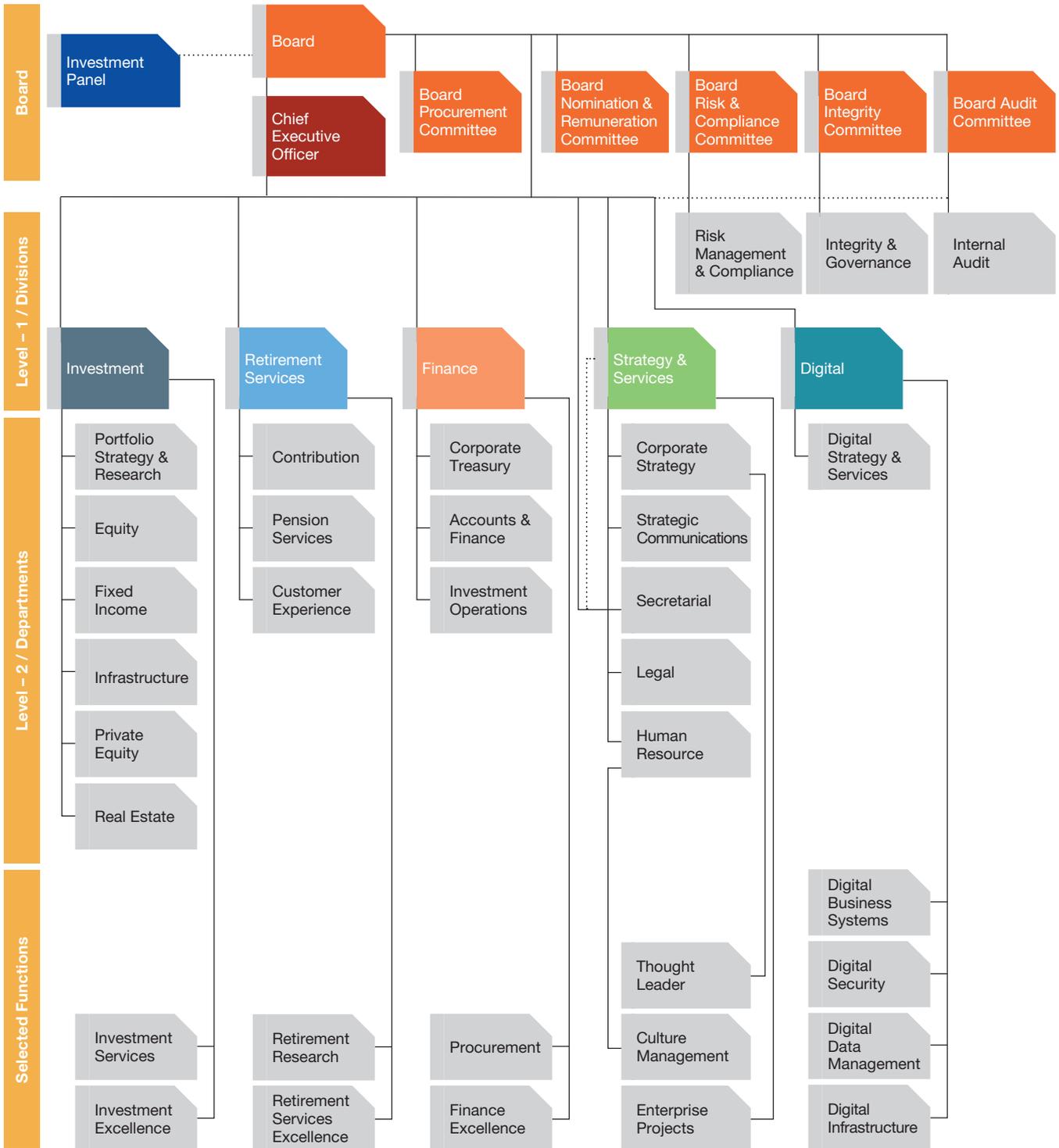
	Policy Setting	Member Contribution Collection	Investment Policy & Guidelines	Investment Management	Members Administration	Benefit Payments
	Set policy for pension or provident fund	Manage collection of members' contributions	Set investment policy and monitor performance	Execute investment management	Manage members' accounts	Manage financial administration and payment
PENSIONABLE CIVIL SERVICE	Treasury <ul style="list-style-type: none"> • Financial impact calculation • Approve EPU policies • Develop and review policies PSD <ul style="list-style-type: none"> • Develop and review policies 	<p style="text-align: right;"><i>Appointed Agent by the Federal Administration</i></p> 				
ARMED FORCES	MINDEF Develop and review policies	LTAT <ul style="list-style-type: none"> • 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) <ul style="list-style-type: none"> • 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

ABOUT KWAP ORGANISATION CHART



ABOUT KWAP CORPORATE STRUCTURE

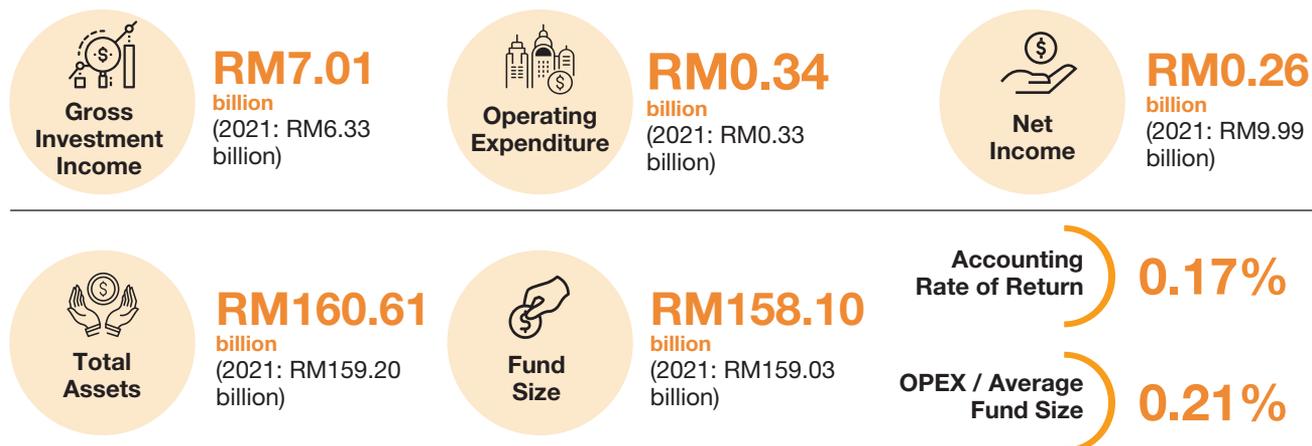


Notes:

1. Tap Crunch Sdn Bhd and Value Cap Sdn Bhd is in the midst of liquidation
2. Refer to Note 10 to 12 of KWAP Financial Statement 2022 for complete list of KWAP subsidiaries, associates and joint-ventures

PERFORMANCE HIGHLIGHTS

FINANCIAL PERFORMANCE ¹	2018	2019	2020	2021	2022
FUND SIZE (RM billion)	136.51	147.48	153.82	159.03	158.10
GROSS FUND SIZE (RM billion)	141.01	151.98	163.32	173.53	175.60
INCOME AND EXPENSES					
Gross Investment Income (RM billion)	7.06	6.07	6.81	6.33	7.01
Operating Expenses (RM million)	292.33	302.96	277.13	329.59	336.15
Net Income (RM billion)	1.24	6.67	8.87	9.99	0.26
INCOME AND EXPENSES					
Accounting Rate of Return (ARR) (%)	0.80	4.67	5.88	6.39	0.17
Operating Expenditure to Gross Income (%)	4.14	4.99	4.07	5.21	4.80
Operating Expenditure to Average Fund (%)	0.21	0.21	0.18	0.21	0.21
INVESTMENT RETURNS					
Annualised Time-Weighted Rate of Return (%)	-1.39	6.25	6.74	5.94	1.12
Annualised Time-Weighted Rate of Return, over a 10-Year Rolling Period (%)	6.64	6.26	6.05	5.99	5.26
CONTRIBUTION					
Pension Contribution (RM billion)	2.87	2.63	2.46	2.45	2.13
Federal Contribution (RM billion)	0.50	0.50	0.50	0.50	0.50
MANAGEMENT OF FUND					
Internally-Managed (%)	87.00	87.50	88.27	89.39	89.79
Externally-Managed (%)	13.00	12.50	11.73	10.61	10.21
Number of Contributing Employers	485	478	486	485	487
Number of Members	200,299	187,684	178,797	178,385	176,913
Number of KWAP Employees	590	596	620	617	684
Income Per Employee (RM million)	11.96	10.18	10.98	10.26	10.25



¹ Notes: Figures are based on KWAP level performance. The Gross Fund Size is the Fund Size plus the Cumulative Federal Government Withdrawal of RM17.50 billion as at 31 December 2022 (31 December 2021: RM14.50 billion).

AT A GLANCE IN 2022

2022 was a challenging year as the world went through the aftermath of the COVID-19 pandemic. The tightening monetary policy done via the interest rate increases across emerging markets, the ripple effects of the Russia-Ukraine war and the China's zero-COVID strategy had further exacerbated the repercussions.

As at 31 December 2022, KWAP fund size stood at RM158.10 billion post RM17.50 billion withdrawal, as compared to RM159.03 billion as at 31 December 2021.

In fulfilling our duty in assisting the Federal Government to fund the pension liability and in accordance to the Retirement Fund Act 2007 (Act 662), RM3 billion was withdrawn from the Fund by the Federal Government in 2022. Excluding the said withdrawal, the fund size as at 31 December 2022 would have been RM161.10 billion.

GROSS INVESTMENT INCOME

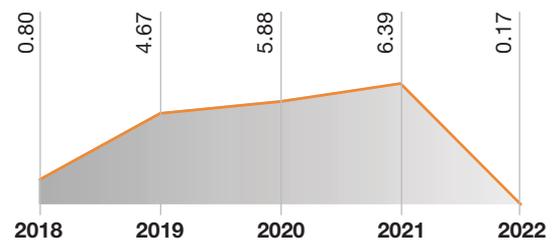
KWAP recorded a Gross Investment Income of RM7.01 billion, 10.7% higher than RM6.33 billion in FY2021, attributable to the higher divestment gain from our investment activities.

Equity investment and fixed income investment portfolios contributed 52% and 35% of the Gross Investment Income, respectively; while both private equity and real estate investment contributed the remaining 13% of the Gross Investment Income.

Meanwhile, for the financial year ended 31 December 2022, KWAP posted a Net Income of RM0.26 billion and a Total Comprehensive Loss of RM0.56 billion.

The Net Income translated to the Accounting Rate of Return (ARR) of 0.17% in FY2022, as compared to 6.39% posted in FY2021.

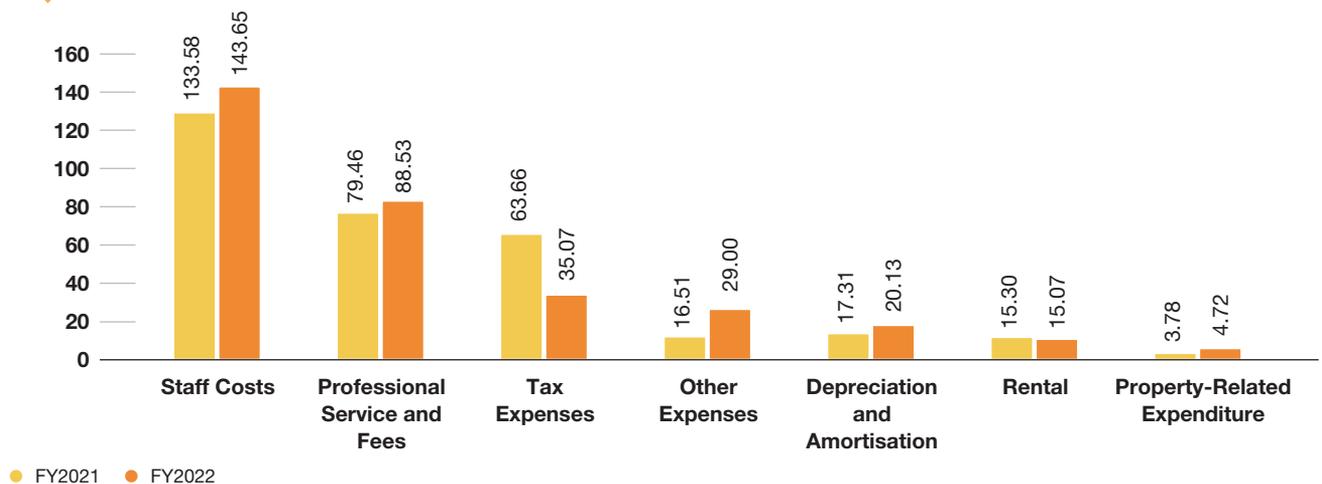
Accounting Rate of Return (ARR) (%)



OPERATING EXPENDITURE

KWAP's Operating Expenditure (OPEX) increased by 2.0% to RM0.34 billion (FY2021: RM0.33 billion), translating to a budget utilisation of 86% against the approved budget of RM0.38 billion. The increase was primarily attributable to the higher Professional Services and Fees, and rise in Staff Costs.

Operating Expenses (RM million)



PERFORMANCE HIGHLIGHTS

Staff Costs

KWAP's Staff Costs amounted to RM143.65 million, 7.5% higher than RM133.58 million posted in FY2021. The higher Staff Costs reflected the higher headcount of 684 employees against 617 in 2021.

In 2022, KWAP continued its participation in the Malaysian Short-Term Employment Programme (MySTEP), a programme aimed to provide employability to Malaysian Graduates. RM2.60 million was incurred under the Staff Costs for this programme during the year.

Professional Services and Fees

The Professional Services and Fees amounted to RM88.53 million, a rise of 11.4% from RM79.46 million in FY2021. The increase was mostly attributable to various new initiatives undertaken during the year.

On staff-related expenditures, RM9.02 million (FY2021: RM4.75 million) was incurred on staff medical expenses, while RM3.19 million (FY2021: RM1.28 million) was incurred on training and development.

Tax Expenses

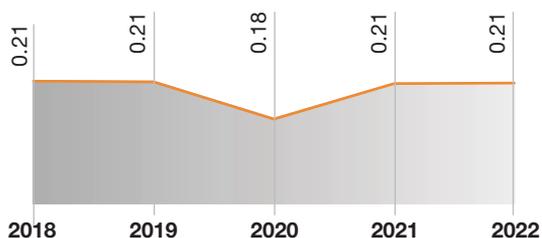
KWAP's Tax Expenses comprises of Withholding Tax and Indirect Taxes. The lower Tax Expenses was mainly attributable to the lower withholding tax of RM35.07 million as compared to RM63.66 million in FY2021.

In FY2021, there was a Substantial Withholding Tax of RM35.70 million paid on the capital gain distributed pursuant to the sale of the 1 Griffin Crescent Street property, a logistic property in Brisbane, Australia. No similar transaction had occurred in FY2022.

Fund Management's Efficiency

In terms of the fund management's efficiency, KWAP's OPEX over average fund size ratio stood at 21 basis point, similar to FY2021.

OPEX/Average Fund Size



NET INCOME

KWAP's Net Income of RM0.26 billion, was mainly due to the net Unrealised Loss On Financial Assets Designated as FVTPL of RM5.55 billion as compared to the net unrealised gain of RM4.01 billion in FY2021.

For the record, KWAP classifies equity instruments which are held for trading as Fair Value through Profit or Loss (FVTPL). In 2022, MSCI World Index (MXWD Index) saw a total return of -15.04% within the year, with the S&P 500 and MSCI Asia Pacific posting returns of -19.44% and -14.57%, respectively. Meanwhile in Malaysia, the FBMKLCI which opened the year at 1,567 points recorded a return of -4.59% to close the year at 1,495.

These negative total returns across markets translated to a net unrealised losses from both international equity and domestic equity trading portfolios of RM4.19 billion and RM1.74 billion respectively.

The said losses were partially offset by the unrealised gain from the private equity portfolio of RM0.39 billion.

FUND SIZE

The fund size as at 31 December 2022 stood at RM158.10 billion, from RM159.03 billion as at 31 December 2021.

The fund size comprises of the Federal Government Contribution of RM28 billion, the Statutory and Local Authorities Contribution of RM61.88 billion, and Accumulated Reserves of RM85.72 billion.

The Accumulated Contributions and Reserves were partially offset by the Accumulated Withdrawal by the Federal Government of RM17.50 billion, inclusive of the current year withdrawal of RM3 billion.

CASH AND CASH EQUIVALENTS

The Cash and Cash Equivalents amounted to RM12.26 billion, as compared to RM9.15 billion as at 31 December 2021. From the RM12.26 billion, RM9.46 billion was deposit and placements with licensed Financial Institutions.

Deposit and Placements with Financial Institutions





FOR BETTER
VALUE DELIVERY

Emerging a Value-chain based organisational structure.

MATERIAL MATTERS

Material matters highlight important information that relates to KWAP's strategy, governance, performance and future prospects, and have the potential to impact the decisions of stakeholders.

These are financial and non-financial information that have, or may have, the potential to impact KWAP's ability to create value, both positively and negatively. Paving our way into integrated reporting, KWAP conducted an internally-driven identification of material matters that is expected to create value over time for our stakeholders. We considered matters arising from boardroom discussions, opportunities raised in stakeholder engagements, and considerations linked to KWAP's strategy, governance, performance or prospects. These were then prioritised based on the magnitude of impact it has on KWAP's performance and value delivered to its stakeholders.

Going forward, KWAP intends to further review the identified material matters and address them better through our strategic drivers.

ECONOMIC

Material Matters	Definition	Stakeholders	Strategy and Opportunities
1 Sustainable Pension Fund	Managing the Fund towards achieving optimum sustainable returns in accordance with the Retirement Fund Act 2007 and applicable government policies, frameworks and/or guidelines	<ul style="list-style-type: none"> Ministry of Finance (MOF) Investment Community Contributors 	<ul style="list-style-type: none"> As a long-term institutional investor, KWAP has consistently achieved 5% to 6% for long-term returns over a 10-year rolling period New 2025 Strategic Asset Allocation (SAA) was developed to propel KWAP to achieve higher risk-adjusted returns at 7% per annum Dana Perintis - a new investment strategy approved by the Investment Panel (IP) which shows KWAP's commitment in the Malaysian venture capital space KWAP received a total of RM2.64 billion worth of contribution, of which RM0.50 billion was from the Federal Government, RM0.77 billion from Government Share contributing agencies and RM1.37 billion from Employers
	Commitment to Responsible Investing by integrating to Environmental, Social and Governance (ESG) considerations within the bounds of our practices	<ul style="list-style-type: none"> Investment Community 	<ul style="list-style-type: none"> To date, KWAP has developed six (6) internal ESG guidelines and one (1) ESG tracking methodology to provide high-level parameters for ESG considerations in its investment processes

Material Matters	Definition	Stakeholders	Strategy and Opportunities
<p>2 Customer Experience</p>	<p>Commitment create a best-in-class customer experience environment and ensuring service excellence to our customers, especially the Pensioners</p>	<ul style="list-style-type: none"> • Public Service Department (PSD) • Pension Community • Contributors 	<ul style="list-style-type: none"> • KWAP recorded a Service-Level Agreement (SLA) score of 98.42%, despite a higher threshold set at 95% and additional three new SLA items under the renewed Agency Agreement • Brand Strategy Roadmap has been developed to enhance targeted publicity and engagement efforts towards KWAP's key stakeholders with the new tagline – Your Retirement Companion • Customer Experience Framework and its roadmap has been introduced to serve as the foundation and guidance towards fulfilling the customer experience commitment • Frequent engagement with our main stakeholders especially pensioners and future pensioners to address the needs and demands of our stakeholders for effective outreach programmes
<p>3 Future-Ready Operating Model</p>	<p>Acts as the main catalyst and enabler in realising the end-state of wave 3 (2020-2025) under KWAP's transformation journey. KWAP's enhanced operating model was developed internally in preparing KWAP to be a future ready organisation in accordance with the developments in the pension ecosystem. It was established with the aim to elevate five enablers, namely:</p> <p>i. Structure iv. Process ii. Governance v. Digital iii. People</p>	<p>N/A</p>	<ul style="list-style-type: none"> • TERAS 5 - enhanced operating model programme for KWAP was developed and commenced its implementation programme via eight workstreams • The overall progress stood at 44% for its multi-year programme • Under the enhanced organisational structure (OGS) sub-workstream, three new Divisions have been activated, namely the Finance Division, Digital Division, and Strategy and Services Division • Several frameworks and models under TERAS 5 have been developed so far namely Customer Experience Framework, Corporate Governance Framework, Realignment of Management Committees and Working Groups, among others

MATERIAL MATTERS

SOCIAL

Material Matters	Definition	Stakeholders	Strategy and Opportunities
4 Industry Presence	Recognition as a respected Thought Leader in the pension and investment industry consistent with the Government's nation building initiatives	<ul style="list-style-type: none"> Government of Malaysia Investment Community 	<ul style="list-style-type: none"> KWAP had participated and hosted a series of events and conferences to build its strong presence in the industry
5 People Development	<p>External Stakeholders Continuous commitment in supporting Nation Building via human capital development for communities such as Pensioners and young Malaysian citizens</p> <p>KWAP Employees Equipping our employees with fit-for-purpose capabilities to become a future-ready organisation; as well as attracting and retaining the best talent</p>	<ul style="list-style-type: none"> Pension Community Local Community 	<ul style="list-style-type: none"> In supporting Nation Building, KWAP participated in MySTEP Programme and successfully assisted in the placement of 1,019 MySTEP trainees. This was above the target set by MOF In preparing KWAP to develop its future experts and leaders, the KWAP Young Talent (KYT) Programme has been continued with a total of 28 talents participating in the FY2022 programme The preparation towards becoming a future-ready organisation has led KWAP in implementing a multiple learning infrastructure
6 People Well-being	<p>External Stakeholders Commitment in continued engagements and Corporate Social Responsibility (CSR) initiatives</p> <p>KWAP Employees Commitment in providing a healthy work-life balance and support to employees</p>	<ul style="list-style-type: none"> Pension Community Local Community 	<ul style="list-style-type: none"> Other than the frequent and planned outreach programmes with our customers, KWAP also organised Kasih KWAP - an annual event to welcome the month of Ramadhan with the less fortunate In creating a supportive and engaging workplace culture that values flexibility, collaboration and productivity, KWAP introduced a hybrid working model that allows employees to work remotely for up to two days a week while maintaining a balance of in-office work To support the mental health of the employees, KWAP offered a comprehensive benefits package including career break entitlement and individual therapy sessions

GOVERNANCE

Material Matters	Definition	Stakeholders	Strategy and Opportunities
7 Corporate Governance	Promoting a more transparent, cohesive and efficient approach in managing corporate governance with effective guardrails	N/A	<ul style="list-style-type: none"> Corporate Governance Framework has been developed to enhance the corporate governance in KWAP by streamlining and reinforcing the various governance elements In line with enhanced operating model, the enhanced structure of Management Committees and Working Groups in KWAP was approved in order to streamline and enhance the effectiveness of the committees for the decision-making
8 Investment Governance	Achieving balanced empowerment with clear guardrails in streamlining and strengthening investment governance	<ul style="list-style-type: none"> Investment Community 	<ul style="list-style-type: none"> KWAP Investment Policy was amended to incorporate KWAP Investment Beliefs on ESG Risk Analytics was enhanced by incorporating a forward-looking scenario analysis into stress-test exercises covering a broad range of emerging risks
9 Anti Bribery & Corruption	Commitment and manifestation of the anti-bribery and corruption stance	N/A	<ul style="list-style-type: none"> In order to keep the workforce mindful and knowledgeable about identifying and avoiding corruption, several programmes and events were conducted such as GLIC Integrity Event 2022, KWAP Business Associates Outreach Programme, KWAP Integrity Day 2022 and Integrity Talks Conducted by Institut Integriti Malaysia (IIM) by using its Integrity Assessment Tool (IAT), KWAP scored 84.17% on the IAT, putting it at the high level of an organisation that has best practices in ethics and integrity KWAP Organisational Anti-Corruption Plan (OACP) was launched in February 2021, with 57 initiatives to be undertaken in a period of five years until 2025. For the second-year of implementation in FY2022, KWAP has achieved a 56% completion rate, or the completion of 32 out of 57 initiatives

TOWARDS MORE SUSTAINABLE TOMORROWS

WHY IS ESG IMPORTANT TO KWAP?

Reduce risk and enhance risk-adjusted returns

Investing in companies with good Environmental, Social and Governance (ESG) practices can contribute to delivering sustainable risk-adjusted returns.

Reputational risk

Companies that practise poor ESG practices pose reputational risk to KWAP.

Financial risk

For pension funds with long-term investment horizon, ESG factors can have direct impact on returns.

Large presence in the domestic market

Opportunity to play stewardship role by promoting good sustainability practices in the Malaysian capital market.

Fiduciary duty

As a pension fund, KWAP has a responsibility towards its stakeholders to generate sustainable risk-adjusted long-term returns. There is an added responsibility for KWAP to ensure that both KWAP and its investee companies are sustainable in their business practices.

Sustainability is a salient principle for KWAP due to our fiduciary duty to fulfill the mandated role of generating long-term sustainable returns for our stakeholders, mainly the pensioners.

At KWAP, we believe that investing in companies with good ESG practices can contribute towards delivering sustainable risk-adjusted returns and therefore enhance shareholder value over the long-term.

Reputational risks have a two-pronged effort to both investee companies and the investors. Over time, we have seen how ESG factors have affected the consumer's preference for products and services in the market.

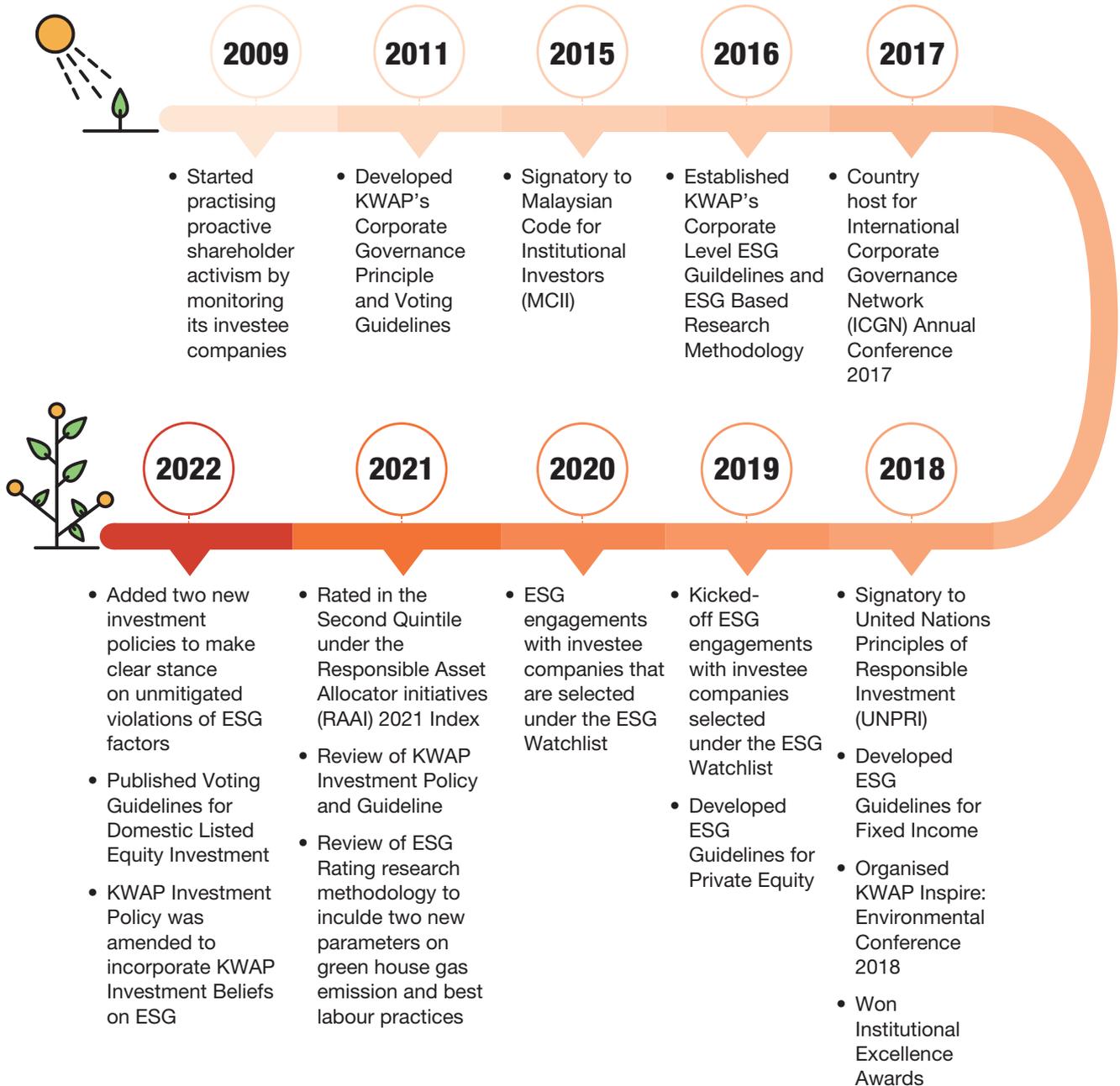
Consumers are turning away and boycotting products that are, for example, polluting the environment, causing deforestation, or engaging in forced labour in their supply chain. In other words, these companies that have poor ESG practices pose a reputational risk to the companies itself and its institutional investors.

For pension funds, such as KWAP, that are large asset owners with long-term investment horizons in diverse industries, ESG factors can have a direct impact on investment returns. For example, under the environmental pillar, a company's ability to address the market's transition to low-carbon and deforestation-free economy including managing risks pertaining to stranded assets will affect the financial expectation on investments in these companies.

KWAP believes that investee companies which are exposed to high-carbon-high-cost projects; and projects with high environmental, social and governance risks are more vulnerable to the risk of stranded assets than companies that are actively preparing for a zero-carbon transition.

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

OUR SUSTAINABILITY JOURNEY TO DATE



TOWARDS MORE SUSTAINABLE TOMORROWS

KWAP's journey with sustainability first started back in 2009 when we began practising proactive shareholder activism by monitoring investee companies' corporate governance practices as well as issues related to companies' responsibility towards social and environmental aspects.

Since then, KWAP has embraced and integrated ESG as part of its business practice by establishing corporate level ESG guidelines and gradually introducing specific asset class ESG guidelines over the years.

At KWAP, companies' non-financial performance is used to establish internal ESG ratings where investee companies are scored based on their performance benchmarked against the generally-accepted ESG principles since 2016.

Apart from that, as a responsible investor, KWAP also engages with investee companies annually, to guide them to continuously improve their ESG practices and performance.

On top of establishing guidelines, KWAP actively attends and participates in AGMs and EGMs to exercise shareholder activism and conduct shareholders engagements with investee companies to discuss both financial and non-financial matters.

To further strengthen our ESG beliefs, KWAP became a signatory to the UNPRI in 2018. As a signatory to the PRI, ESG has been integrated into all investment analysis and decision-making processes and KWAP acts as an active owner who seek appropriate disclosures from the entities that it invests in, and adoption of best industry practices related to ESG.

Moreover, in 2018, KWAP collaborated with the World Wide Fund for Nature (WWF) to host the inaugural KWAP Inspire: Environmental Conference which provided a platform to create awareness of the importance of environmental sustainability among the investment and business communities. Pride is also taken in being recognised for its ESG efforts as KWAP emerged as the Asia Pacific ESG Champion at the Asian Investor Institutional Excellence Awards 2018 held in Singapore.

Within the same year, KWAP conducted the investment carbon footprint measurement to identify the carbon emissions (CO₂) generated based on the existing KWAP domestic equity portfolio and measures that can be taken to mitigate climate change risks as well as established ESG Tracking Methodology to have a structured process to track, monitor and review the ESG performance of KWAP's investee companies.

Since 2019, KWAP has also organised ESG engagements with investee companies on an annual basis to deep dive on ESG focused discussions and address specific areas of concern.

In 2021, KWAP further enhanced ESG integration by putting more emphasis on environmental (i.e., climate change etc.) and social related matters/issues (i.e., human rights, forced labour etc.) into our investment decision making processes. In the same year, KWAP was rated top in Malaysia and among the top 100 asset allocators in the world for responsible investing under Responsible Asset Allocator Initiative (RAAI) 2021 Index.

In 2022, KWAP reviewed and published the Voting Guidelines for domestic listed equity investment to include the current ESG best practices in exercising its shareholder rights in its investee companies.



KWAP has embraced and integrated ESG as part of its business practice by establishing corporate level ESG guidelines and gradually introducing specific asset class ESG guidelines over the years.

HOW WE DELIVER SUSTAINABLE IMPACTS



Investment Beliefs on ESG

KWAP believes that integrating ESG practices into its investment practices can generate sustainable risk-adjusted returns and therefore enhance shareholder value in the long run. The proposed amendments were also made to KWAP Investment Beliefs on ESG in October 2022.



KWAP's ESG Screening

KWAP believes in the importance of being an active and responsible stakeholder. 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:

- i. Tobacco;
- ii. Alcohol;
- iii. Gambling;
- iv. Pornography;
- 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
- viii. Corrupt Practices.

This was also incorporated in KWAP's Investment Policy and has been its stance since 2007.



KWAP's ESG Policy & Guidelines

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

KWAP incorporated ESG considerations across all its operation including investment decision-making process via KWAP's Corporate Level ESG guidelines that were established in 2016. Among the highlights are as follows:

- KWAP has incorporated sustainability considerations into its 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 for Listed Equities; and
 - vii. ESG Guidelines for Private Equity.

The objectives of the Corporate Level ESG Guidelines are:

- Role to Stakeholders:

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

TOWARDS MORE SUSTAINABLE TOMORROWS



- Sustainable Performance:
To improve the sustainability and long-term performance of KWAP and its investee companies. KWAP believes sustainability factors may significantly influence the risk-return profile of investments.
- Promotion of good ESG practices in the capital market and KWAP's business partners:
To leverage on KWAP's position as an institutional investor to improve ESG practices in:
 - i. The capital market vis-à-vis:
 - Engagements with our investee companies
 - Collaborations with regulators (e.g.: Bursa Malaysia and Securities Commission)
 - Collaborations with corporate governance (CG) bodies (e.g.: ACGA and PRI)
 - Active roles in CG-related councils (e.g.: Institutional Investors Council and Security Commissions Key CG Stakeholders Group)
 - ii. Companies across KWAP's value chain including its suppliers, third party service providers and other related business partners.

The Corporate Level ESG Guidelines consist of seven pillars namely:

- Environment
- Human Capital
- Governance
- Investment Management
- Members Administration
- Ethical Practices
- Social

ENGAGING WITH OUR STAKEHOLDERS

Shareholder Activism

As an active shareholder, KWAP continued its engagements with its investee companies and raises ESG issues where necessary. These visits are led by the management team and KWAP officers through Annual General Meeting/ Extraordinary General Meeting (AGMs/EGMs) and one-on-one meetings to further improve its governance practices of its investee companies.

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

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

KWAP actively participates in corporate engagements with investee companies through:

i. Shareholder's Engagement with Investee Company

In 2022, KWAP's senior management conducted a series of engagements with five investee companies. The topics that were discussed during the engagement sessions include company overview, market condition, company's future business plans and ESG-related issues.

The engagements were participated by KWAP's senior management team including KWAP's Chief Executive Officer.

Senior Management Engagements Conducted in 2022

No.	Company	Date
1	AMMB Holdings Berhad	17 February 2022
2	Telekom Malaysia Berhad	5 July 2022
3	AMMB Holdings Berhad	20 July 2022
4	IGB Real Estate Investment Trust	21 September 2022
5	Gamuda Berhad	27 September 2022

ii. ESG Engagements Initiated by KWAP

In 2018, KWAP developed ESG Tracking Methodology to enable KWAP to have a structured process to track, monitor and review the ESG performance of KWAP's investee companies.

KWAP will screen its investee companies based on the considerations outlined in the ESG Tracking Methodology and shortlisted a few companies to be included in the ESG Watchlist. KWAP will then conduct a thorough analysis of the relevant ESG issues as per the Global Reporting Initiative (GRI) Standards and develop an ESG database for each company listed in the ESG Watchlist.

Following this, KWAP will organise 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 influence the investee companies to align with KWAP's sustainability and ESG objectives.

In 2022, KWAP conducted four ESG engagements and one follow up ESG Engagement with its investee companies.

No.	Company	Date
1	UMW Holdings Berhad	14 June 2022
2	Panasonic Manufacturing Malaysia	12 July 2022
3	Sime Darby Berhad (Automotive)	23 August 2022
4	Tenaga Nasional Berhad	22 September 2022
5	Power Root Berhad	17 October 2022

Based on KWAP's ESG engagements with its investee companies, KWAP has observed that the sustainability disclosures among its investee companies are still lacking. In addition, KWAP has also highlighted ESG issues including, but not limited to the following:



In addition to KWAP Shareholder's Engagements and ESG engagements above, KWAP's research analysts also conducted a total of 811 engagements which are 450 domestic and 352 international, throughout the year which includes analyst briefings, internal meeting and engagements with investee companies, which includes a review on their ESG practices, where applicable.

TOWARDS MORE SUSTAINABLE TOMORROWS

iii. Voting Rights

In 2022, KWAP exercised its voting rights at AGMs/EGMs.

KWAP submitted 116 companies' AGMs/EGMs resolutions to all its investee companies and exercised its voting rights based on KWAP's published Voting Guidelines.

iv. Other ESG-related Engagements

Apart from the engagements listed above, as an active shareholder who continuously seek to promote good ESG practices, KWAP continued its engagements with its investee companies to raise and address pressing ESG matters (where necessary) due to its 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.

In 2022, KWAP engaged with one investee company, namely:

No.	Company	Date	Purpose of Meeting
1	Sime Darby Plantation Berhad	21 March 2022	Update on US CBP WRO

Engagement with Regulators/Government-linked Investment Companies (GLICs)

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

Moreover, KWAP has also participated in sustainability-related working groups as per below:

i. JC3 Committee

Three of KWAP officers are members of the Joint Committee on Climate Change (JC3). On 27 September 2019, Bank Negara Malaysia and Securities Commission Malaysia had established JC3 to pursue

collaborative actions for building climate resilience within the Malaysian financial sector. The three JC3 committees include:

a. JC3 Sub-Committee 1	Climate Change and Principal-based Taxonomy working group
b. JC3 Sub-Committee 2	Governance and Disclosure
c. JC3 Sub-Committee 5	Bridging Data Gaps

ii. Input for Surveys and Questionnaires

KWAP has provided input in surveys and questionnaires produced by the Regulators and ESG-Related Associations as follows:

- a. Feedback on Bursa Book 1 – Purpose & Performance Driven PLCs
- b. Draft Task Force on Climate-Related Financial Disclosures (TCFD) Application Guide
- c. Feedback on Draft Book 2 On Sustainable, Socially Responsible and Ethical Public Listed Companies (PLCs) Issued by Bursa Malaysia
- d. Consultation Paper (CP) No. 1 of 2022 on the proposed amendments
- e. Proposed Amendments to Bursa's Business Rules and Listing Requirements to Facilitate Operations on Public Holidays
- f. Consultation Paper from Bursa on Proposed Amendments to the Main Listing Requirements In Relation to the Structured Warrants Framework
- g. Bursa Consultation Paper on the Proposed Amendments to the Ace Market Listing Requirements in Relation to the Transfer of Listing Framework from Leap Market and Recognised Approved Adviser Framework
- h. Public Consultation on Draft Revisions to the G20/Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance
- i. Bursa Malaysia CP 3/2022 - Proposed Amendments to Main Market Listing Requirements in Relation to Listed Real Estate Investment Trusts (REITs) and Exchange-Traded Funds (ETFs) with Waqf Feature

Engagement with Corporate Governance Bodies

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

KWAP has been a member and founding member of IIC since its formation in July 2015 and KWAP's former Chief Executive Officer (CEO), Dato' Wan Kamaruzaman Wan Ahmad was appointed as the first chairman of the IIC Council Board Members from July 2015 to June 2019.

On 15 December 2021, KWAP's current CEO, Datuk Hajah Nik Amlizan Mohamed was appointed as IIC's Vice Chairman of the IIC Council Board Members during IIC's 3rd Annual General Meeting (AGM).

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

In addition to the IIC formation, a special working committee was formed to focus on issues and topics of strategic importance which are of common interest to institutional investors and in line with the objectives of the IIC namely Market and Industry and Governance and Policies.

To date, there are 38 signatories under the Code which includes Institutional Investors, asset managers and asset owners. Finally, KWAP has actively participated in IIC-related events which includes speaking engagements, council and working group meetings.

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

KWAP became a signatory to PRI on 7 February 2018, an independent non-profit organisation that is supported by the United Nations (UN) to encourage investors to adopt responsible investment to enhance returns and better manage risks. PRI promotes awareness on the investment implications of ESG factors and supports its international network of investor signatories by incorporating the six 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, KWAP is committed to:

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

This is believed to improve KWAP's ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We also encourage other investors to adopt the principles.

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

KWAP's Speaking Engagements in 2022

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

- i. MIDF Green Conference 2022: Does being ESG compliant help with raising capital?;
- ii. SIDC's Sustainable and Responsible Investment (SRI) 2022 Virtual Conference: Preserving the Climate through Sustainable Business and Living;
- iii. 4th Islamic Sustainable Finance & Investment Forum 2022: Positioning ESG and Sustainable Finance and Investment - Policy, Regulation and Action;
- iv. Climate Governance - A Standing Item in Board Agendas;
- v. Institutional Investors Council Malaysia and Asia Research & Engagement (ARE) - Investor Roundtable on Net Zero in Malaysia;
- vi. Aberdeen Sustainability Summit APAC;
- vii. Sustainable Global Capital Conference;
- viii. PwC & Bursa Malaysia, PLCs Transformation Programme - Strengthening Stakeholder Management & Investor Relations Guidebook 3 Highlights;
- ix. RHB Investment Bank Berhad & Bursa Malaysia Seminar - Invest Shariah Corporate Conversation - (When Shariah Meets ESG: The Next Level);
- x. IIC - SIDC Corporate Governance Conference 2022: Investment Stewardship in Times of Heightened Sustainability Demands; and
- xi. SMART Leadership Talk Series 2022 - Embracing Sustainability via Diversity.

TOWARDS MORE SUSTAINABLE TOMORROWS

SOCIALLY RESPONSIBLE EVENTS AND ENGAGEMENTS IN 2022

KWAP has shown remarkable resilience and unwavering dedication to creating a positive impact on its stakeholders, despite the challenges brought about by the COVID-19 pandemic. As a responsible corporate organisation, KWAP has remained committed to fulfilling its role, and has demonstrated this commitment through its continued engagement with stakeholders via various events, engagements and Corporate Social Responsibility (CSR) initiatives. These efforts have not only helped KWAP to strengthen its relationships with stakeholders but have also enhanced its reputation as a socially responsible organisation that is committed to creating long-term value for its stakeholders, even in times of adversity.

FOR THE NATION

KWAP MySTEP Programme 2022

MySTEP programme is an initiative launched by the Malaysian government to provide short-term employment and training opportunities for Malaysian citizens. The programme aims to enhance the employability and professional experience of its participants by offering comprehensive benefits and training opportunities.

In 2022, KWAP successfully recruited 1,019 MySTEP trainees, exceeded the target set by the Ministry of Finance (MOF). The programme provided a wide range of benefits to its participants, including medical benefits, allowances and training opportunities. These benefits have created a supportive environment that fosters learning and growth, benefiting both the trainees and KWAP.

KWAP onboarded its first in-house MySTEP trainee on 17 May 2022 and by the end of the year there was a total of 92 trainees have joined its workforce. They were placed at different departments in both KWAP KL and Cyberjaya offices. Their contract of employment ranged between as short as three months to as long as a year and a half.

The MySTEP programme has also helped KWAP attract and retain talented individuals, contributing to the development of Malaysia. Furthermore, the programme's success has contributed to the government's efforts to address unemployment, ultimately benefitting the country's economy.

To ensure the success of the MySTEP programme, KWAP has implemented several enhancements including developing partnerships with private sector organisations to provide MySTEP trainees with job placement opportunities after completing the programme.



This could increase the programme's impact on employability and increase the chances of trainees finding long-term employment.

Incorporating mentorship and coaching programmes into the training curriculum would help to develop a closer relationship between trainees and their supervisors, enabling them to receive valuable guidance and support and providing language and communication skills training for trainees. This would equip them with the necessary skills to communicate effectively in a globalised economy and potentially expand their job opportunities beyond. The government should also provide continuous support to ensure the programme's long-term viability and success.

KWAP's commitment to human capital development through the MySTEP programme emphasises its efforts to contribute to the sustainable development of the Malaysian economy. By investing in the development of its citizens, KWAP is not only improving the employability of Malaysians but also helping to build a stronger and more resilient economy for the future.

FOR THE INDUSTRY

GLC Open Day

The GLC Open Day 2022 with the theme '*Aspirasi Negara Inspirasi Rakyat*' was organised by the MOF from 11 to 13 March 2022 at Kuala Lumpur Convention Centre, Kuala Lumpur. The event aimed to attract more than 10,000 visitors and was inaugurated by the Prime Minister. Its objectives were to create employment opportunities, expedite socio-economic growth in post-pandemic Malaysia, attain global standards for the country's economic development and enhance public awareness of the role and contribution of Government-linked Companies/Government-linked Investment Companies (GLC/GLICs) to the nation. KWAP participated in the event as one of the exhibitors, alongside other agencies. KWAP's employees also served as volunteers, disseminating information about KWAP's functions, promoting MyPesara application, conducting curriculum vitae (CV) clinics, organising job interviews and participating in the talk sessions.



SIDC Corporate Governance Conference 2022

On 23 September 2022, Institutional Investors Council Malaysia (IIC) in collaboration with the Securities Industry Development Corporation (SIDC) successfully organised a conference called '*IIC – SIDC Corporate Governance Conference 2022: Investment Stewardship in Times of Heightened Sustainability Demands*' that took place at the Conference Hall, Securities Commission Malaysia (SC). KWAP's CEO, Datuk Hajah Nik Amlizan Mohamed was invited as one of the speakers to share her insights on meeting net zero by 2050. The conference also featured representatives from GLICs, corporate sectors, and industry experts, both international and local as speakers, and panellists to discuss and share their insights on key corporate governance and sustainability efforts.



Smart Leadership Talk Series 2022

KWAP together with the Women Leadership Foundation (WLF) hosted the 5th Smart Leadership Talk Series 2022 featuring KWAP's CEO with the topic '*Embracing Sustainability via Diversity*' on 25 November 2022 at KWAP KL Office. It was a great knowledge-sharing session that garnered the participation of more than 50 guests, comprising key figures from the industries, mentors and mentees of WLF and employees of KWAP.



TOWARDS MORE SUSTAINABLE TOMORROWS

FOR THE INDUSTRY

Closed-door Dialogue Session on Climate Governance

Institutional Investors Council Malaysia (IIC) together with KWAP hosted a Closed-door Dialogue Session on Climate Governance – A Standing Item in Board Agendas on 24 August 2022 at the DoubleTree by Hilton where the Founder and Chairman of Climate Governance Initiative (CGI), Karina Litvack, was invited as a special guest speaker. KWAP's CEO was given the opportunity to deliver an opening speech titled '*Climate Governance Moving Mainstream*' to share views and create awareness pertaining to climate governance issues. The dialogue session enabled its members to share thought-provoking ideas and feedback on climate governance, understand the dynamics of environmental and social issues, as well as Board roles in making a judicious balance between the various constituents in the environment it operates.



Larian Kewangan 2022

In October 2022, the MOF under Majlis Kebajikan dan Anggota-Anggota Kementerian Kewangan (MKSAKK) conducted Larian Kewangan 2022 in conjunction with National Sports Day. The event was held at Tasik Cyberjaya and saw the participation of over 1,200 participants from various Government agencies under MOF, with 68 participants from KWAP. KWAP also set up a booth to promote the MyPesara mobile application and took the opportunity to distribute the MyPesara postcards to the participants and members of the public.



Bintang Kewangan

KWAP was given the honour of hosting Bintang Kewangan 2022, a singing competition featuring talented singers from all agencies under the MOF. The event was held at INSPEN, Bangi on 20 July 2022 and was attended by 600 representatives from the agencies including the Minister of Finance as the Guest of Honour. A representative from the MOF emerged as the winner of the competition. KWAP was represented by Encik Moh Busyrol Kariim Kholil. Two new categories were also introduced where Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) took home the title of the Best Agency for Cheerleading Squad and the Best Agency Cheerleading Costumes went to Lembaga Hasil Dalam Negeri Malaysia (HASiL).



FOR THE COMMUNITY

Pension-Related Engagements

Various talks and briefing sessions were conducted throughout the year to educate government organisations and our future pensioners on their retirement benefits and other pension-related matters.

KWAP conducted a total of 36 talks and nine engagement programmes across the nation throughout the year 2022. By comparison, 34 events were successfully conducted by the team in 2021. The talks comprised 10 events conducted virtually while 26 were physical sessions that took place across Malaysia. The physical events were held once in Kelantan, Terengganu, Putrajaya, Labuan and Sarawak respectively; while Johor, Negeri Sembilan and Perak had two events each; Kuala Lumpur, Pahang and Selangor recorded three events each; and six events were held in Melaka.

These were in addition to seven engagement programmes with Public Service Department (PSD), a Financial Planning Seminar for Pensioners 2022, and a Financial Planning Seminar for Future Pensioners 2022.

At the same time, KWAP also continued to conduct and participate in direct engagement programmes which provided opportunities for pensioners and future retirees to get explicit feedback with regards to pension-related matters.



TOWARDS MORE SUSTAINABLE TOMORROWS

FOR THE COMMUNITY

Kasih KWAP 2022

This is an annual event to welcome the month of Ramadhan with the less fortunate.

KWAP organised various activities that reached out to targeted beneficiaries. These included:

- Distribution of 1,680 kurma boxes to KWAP employees, pensioners, Pension Associations, Public Services Department (PSD), MOF and related stakeholders.
- Conducting five sessions of '*Tazkirah Ramadhan*' on various topics with Ustaz Dato' Daud Che Ngah, Dr Zaharuddin Abd Rahman, Ustaz Azri Abd Rajid, Ustaz Muhammad Harith Md Razi and Dato' Mohd Fadzilah Kamsah.
- Eid Festive Shopping with 60 children from Pertubuhan Warisan Suci and Nur Kasih Bestari, aged between three and 20 years old. 15 KWAP volunteers were present to assist the children in shopping for their clothes and Eid festive needs, followed by an iftar session.
- Organising Ihya Ramadhan 2022 with the support of Pusat Aktiviti Warga Emas (PAWE) and Jabatan Kebajikan Masyarakat (JKM) Rembau. More than 20 KWAP volunteers and PAWE committee members participated in the preparation and cooking of *bubur lambuk* and *dodol*. A total of 600 Ramadhan packs were distributed to Hospital Rembau, Land and District Office, Masjid Rembau, District Education Department, Kolej Komuniti Rembau, District Health Office and pensioners residing in the surrounding area.
- Contribution RM10,000 to Rumah Seri Kenangan, Seremban as part of KWAP's charity efforts. This contribution aimed to assist 130 senior citizens and pensioners with their daily needs.



FOR OUR EMPLOYEES

CEO Monthly Townhall

The Monthly Townhall was conducted to provide a platform for the CEO to deliver updates on the organisation's recent developments and upcoming activities. It was an opportunity to address questions and obtain feedback from the employees. This active engagement is a crucial element of KWAP's culture since it encourages openness, honesty, and a sense of inclusiveness within the organisation. By enabling employees to interact directly with the CEO and management, it promotes a positive work environment among the employees.



KWAP Hari Raya Event

After a two-year hiatus, KWAP held its Hari Raya Event in May 2022 with KWAP employees, various stakeholders and corporate guests to celebrate the festive occasion. The event provided a great platform for attendees to reconnect with each other, strengthen the camaraderie between new and old colleagues, and foster a positive work culture in KWAP.



Annual Dinner

After a challenging two-year gap due to the pandemic, the KWAP Annual Dinner returned on 30 September 2022, with the theme 'Rock of All Ages.' The event saw 665 enthusiastic employees dressed up in their rock-inspired outfits enjoying a wide range of activities that kept everyone engaged throughout the night. It was more than just an opportunity to strengthen relationships among colleagues; it was a chance to reflect on the past year's challenges and come together to achieve better outcomes in the future. Overall, it was an unforgettable night that helped build camaraderie and create memorable experiences for all KWAP employees.



TOWARDS MORE SUSTAINABLE TOMORROWS

FOR OUR EMPLOYEES

#KWAPSEJIWA – Merdeka Celebration

The celebration of Merdeka is marked annually by an array of engaging and impactful initiatives that aim to foster the spirit of independence among employees. One of the highlights of the 2021 celebrations was the launch of #KWAPSejiwa, which featured two key events. The first was an Art Forum that was held to coincide with Malaysia's 64th Merdeka celebration; and the next was the organisation of its first virtual art class for employees. To sustain the momentum of #KWAPSejiwa, KWAP continued this engagement programme in 2022.

With the theme of '*Teguh Bersama*', the #KWAPSejiwa 2022 was conducted as a month-long event, providing KWAP employees with a chance to participate in various Merdeka-themed activities held throughout the month. The objective of the month-long initiative was to boost patriotism, togetherness and happiness in the workplace. Activities held included:

- Batik Art Class 2.0, whereby a total of four sessions were held at both offices
- *Gamit Kenangan Games*
 - i. The list of games that employees participated in:

1. <i>Teka Kuih Kita</i>	Participants had to guess the name of the traditional kuih-muih.
2. <i>Tarian Magunatip</i>	Participants learned and experienced the beauty of the traditional bamboo dance.
3. <i>BahasaKu Keramat</i>	Participants were tested on Bahasa Melayu language, idioms and Merdeka-related pictures.
4. <i>Sayembara Pantun</i>	Participants had to create and recite Merdeka-related poems.
5. <i>Tebar Roti Canai</i>	The challenge was to show your skills in the making of roti canai with a <i>Penebar Roti Canai</i> Champion as the official judge.



FOR OUR EMPLOYEES

#KWAPSEJIWA – Merdeka Celebration

- Seni@KWAP
 - i. The activity ran throughout the month with the main objective of fostering appreciation and learning of KWAP's artworks and its relation to Merdeka amongst employees. The initial submissions saw 16 employees uploading their best selfie photos for the competition.
- Art Talk
 - i. The Art Talk was held on 15 September 2022 at the lobby area, Level 6, Integra Tower; and
 - ii. The sharing session was organised for employees to understand art and its perspective. The session focused on the story of *'Beringin Bebas'*, a sculpture produced by a local artist, Jamil Zakaria.



Management Retreat

With a few new additions to the management team, a two-day retreat on 15 and 16 October 2022 at Janda Baik, Pahang, was a much-needed getaway for the Senior Management of KWAP. The *'Off-site but On Track Road Trip'* involved 20 of the C-Suites and the Heads of Departments. It was a great platform to synergise in a casual environment, build chemistry and engage with one another through various engaging activities.



TOWARDS MORE SUSTAINABLE TOMORROWS

FOR OUR EMPLOYEES

TALENT MANAGEMENT

KWAP continues to enhance and implement a robust succession planning programme to identify and develop talent for mission critical and leadership positions. This ensures that we have a pipeline of capable leaders who can meet the significant expectations of TERAS 5 and support the organisation through the organisational restructuring (OGS) in KWAP. Through KWAP's Talent Management initiatives and succession planning programmes, below are some of the effort and achievements in 2022:

1. Enhancement of the Talent Pool programme, designed to identify and cultivate a pool of high-potential employees capable of assuming future leadership roles within an organisation. Talent Pool members are prepared to assume key positions within the organisation;
2. Succession of Talent Pool into mission critical positions in KWAP. Currently 67% of the critical positions are filled by internal succession;
3. Conducted Senior Management Leadership Assessment in 2022 to identify leadership gaps and improve the overall leadership alignment for better performance and engagement between employees and leaders in KWAP;
4. Secondment of high-potential talent to KWAP subsidiary Prima Ekuiti (UK) Limited (Prima Ekuiti) in the UK as an incubation and development platform for intensive and immersive learning experiences and leadership building;
5. Attachments to external peer companies, regulators, and stakeholders such as LTAT, MOF and the Securities Commissions for Government's PERKUKUH initiatives to provide expertise where required and simultaneously develop and provide exposure to KWAP's talent; and
6. Leadership Executive Coaching continues to provide our talent with a personalised coaching programme to help them develop their leadership skills. Certified executive coaches from the industry offer coaching sessions that span three to six months and are designed to improve leadership skills.

KWAP Young Talent Programme 2022

The KWAP Young Talent (KYT) programme is a Management Trainee Programme by KWAP, established in 2014. The programme provides career enhancements and learning opportunities through various interventions to increase the young talent's competencies as well as business and leadership savviness, in preparing them towards becoming the future experts and leaders in KWAP.

This year, KWAP is proud to announce a total of 28 talents participating in our KWAP Young Talent programme 2022. The talents consist of both local and overseas graduates from various disciplines. In total, KWAP has onboarded 128 of young talents since 2014.

We welcomed our first KYT 2022 intake in August 2022 followed by second and third intakes in October and December. Our KYT talents went through a one-month on-site training and familiarisation programme to develop their interpersonal and soft skills and familiarisation to the organisation before deploying to their respective departments.



FOR OUR EMPLOYEES

LEARNING AND DEVELOPMENT

Training

The realisation regarding the urgency to future-proof the workforce has led to the implementation of multiple learning infrastructures. The learning options offered range from public programmes, conferences, seminars, in-house training programmes, departmental knowledge sharing and the Learning Zone, KWAP's Learning Management System (LMS). The learning offerings are mapped out into a comprehensive yearly training plan, announced to all employees during each first quarter of the year. Some programmes also involve the element of “play”, which tapped into gamified learning methodology. This ensures that learning is always at its peak as learners are fully engaged and having fun.



Outcome

- i. In 2022, all departments met the required learning days target;
- ii. 65 in-house programmes comprising of virtual and on-site programmes were organised, 402 paid public programmes were arranged in meeting the employees' technical and leadership requirements; and
- iii. All in all, the average learning days across KWAP for 2022 was higher than in 2021 at 11.2 days compared to 10.7 days.

The Learning Zone, KWAP's Learning Management System (LMS)

In response to the continued demand for digital learning, KWAP established the LMS, which aims to complement the conventional training offerings as well as to serve as a platform that promotes flexibility in learning where employees can continuously acquire knowledge and skills without place and time constraints. LMS currently provides up to 60,000 training courses for users to continuously learn via the LMS web.



Outcome

- i. Notably self-directed learning can be a challenge to many. Therefore in 2022, we introduced a new approach whereby learning champions have been assigned from each department, to take charge of their department's learning journey. Together with the involvement of the Head of Department, the learning champions not only identified core courses on the Learning Zone deemed essential and relevant, but they also had to craft out the journey and check on the progress of each team member. The campaign was competition based, in which the completion rate was reported monthly. The aim of the campaign was to help learners transition to self-directed learning until it becomes habitual to all;
- ii. As a result of this campaign, two learning cycles on the LMS were introduced in 2022, anchored by 56 learning champions, which led to the creation of 28 learning journeys; and
- iii. In comparison to 2021, 4,060 modules were completed as compared to 6,115 modules completed in 2022.

TOWARDS MORE SUSTAINABLE TOMORROWS

FOR OUR EMPLOYEES

KWAP Learning, Engagement and Advisory Programme (LEAP)

KWAP LEAP is an initiative introduced to strengthen the relationship with external fund managers (EFMs) managing KWAP portfolio, while emphasising value addition and knowledge transfer for the benefit of KWAP employees.

Outcome

- i. Initiated in 2021, six sessions were conducted by both EFMs managing the Global Equity Multi-Factor mandate, and the attendance for all sessions were consistently full house. Building on the success of LEAP back in 2021, LEAP continued in 2022 covering topics on Factor Investing, Sovereign Asset Management, ESG Integration into Factor Investing, as well as, the Future of ESG;
- ii. Five sessions took place in 2022, conducted by experienced speakers from two of KWAP's appointed EFMs via an online platform ie. MS Teams; and
- iii. An average of 60 participants took part in each session.



KWAP Upskilling Programme

The KWAP Upskilling Programme, first launched in October 2020, is the embodiment of one of many qualities KWAP stands for and that is instilling the spirit of life-long learning and upskilling. This programme was designed for non-executives and in collaboration with Azman Hashim International Business School (UTM-AHIBS) which enables our workforce to continuously meet industry standards, pave the way for career progression and produce competent talent who are 'future-ready'. KWAP Upskilling Programme paves the way to improved succession planning of KWAP's internal employees, even at the non-executive level.

Following the completion of UPSKILL 1.0 with Azman Hashim International Business School (UTM-AHIBS), KWAP received industry recognition at the Employee Experience Awards 2022 (EXA). KWAP was among the top three finalists for "Best Organisational Upskilling and Reskilling Strategy" category in June 2022.

Outcome

- i. Building on this success story, KWAP continues its engagement with UTM-AHIBS, now known as UPSKILL 2.0. 16 dedicated employees have been enrolled and the programme is scheduled to end in December 2023.



FOR OUR EMPLOYEES

Education Assistance Scheme

Although skills development to close immediate critical competency gaps is important, the changing outlook of the employment landscape signals the uncertainty of future roles. KWAP believes in the need for continued upskilling to better prepare its workforce for the future, in which employees are constantly encouraged to level up their professional credentials by enrolling into KWAP Education Assistance Scheme. The scheme continues to produce talent with heightened credentials for KWAP employees at large.



Outcome

- i. In 2022, eight employees completed their studies as compared to 17 employees in 2021, producing three Chartered Financial Analyst (CFA) Holders, two Certified Internal Auditors (CIA), one Degree holder in Business Administration (BBA) and two with Master's Degree;
- ii. On 28 May 2022, KWAP has been recognised as one of the CFA Society Malaysia employer partners of the Employer Recognition Programme by the CFA Institute, for making a commitment to nurture the employee's professional journey in pursuit of the CFA qualifications. Two of KWAP employees were given the CFA charter award at the programme for successfully passing all three levels of the CFA programme, which is one of the highest distinctions in the investment management profession; and
- iii. To date, more than 20 employees are actively pursuing professional and tertiary level education programmes under the EAS, ranging from CFA Programme, Certification in Risk Management Assurance® (CRMA®), Pasaran Kewangan Malaysia Certificate (PKMC), Association of Chartered Certified Accountants (ACCA) and tertiary level programmes.

EMPLOYEE ENGAGEMENT

KWAP considers effective engagement a key element of its understanding of KWAP's ability to create value because it recognises that our people are our greatest asset.

Listening Strategy through the Employee Engagement Survey 2022

KWAP values the feedback of its employees and understands that listening to their needs, pain points and motivations can lead to a positive employee experience. To achieve this, KWAP conducted an Employee Engagement Survey (EES) in September 2022 that provided leaders and organisations with valuable insight into employee feedback on their working experience. This survey had an outstanding 97% completion rate from employees, demonstrating their willingness to share their thoughts and ideas.

Based on the survey results, KWAP learned that "Meaning and Purpose" was the highest driver of engagement in the organisation. This means that employees find their work meaningful and purposeful, which can lead to increased motivation and job satisfaction. KWAP has prioritised targeted actions in 2023 to address gaps identified in the survey and improve employee engagement. To facilitate this process, people managers are being provided with tools and resources to have meaningful conversations with their teams about the survey results and determine follow-up actions.

KWAP believes that understanding the insights gained from the EES and addressing gaps identified can lead to an improved employee experience and a more fulfilling work environment. By prioritising employee feedback, KWAP aims to create a workplace culture where employees feel heard and valued.

TOWARDS MORE SUSTAINABLE TOMORROWS

FOR OUR EMPLOYEES

Hybrid Work Model as the Future of Work

KWAP is committed to providing its employees with a healthy work-life balance and understands the importance of flexibility in today's fast-paced working environment. In response to the ongoing pandemic, KWAP has taken the initiative to introduce a hybrid working model that allows employees to work remotely for up to two days a week while maintaining a balance of in-office work. To further promote the value of in-office collaboration, KWAP introduced "Blackout Wednesdays", requiring all employees to work from the office on every Wednesday.

KWAP believes that face-to-face interaction is critical to build strong relationships and maintaining employee engagement. To support this goal, KWAP has implemented various initiatives to support hybrid working, including signature events such as the HR Marketplace and Victory Team Mingling at Department (VITAMIN D). VITAMIN D successfully completed its second year with an even greater level of participation than the previous year where a total of 20 departments took part in the initiative. These events provide employees with opportunities to interact with each other and strengthen relationships while also allowing for creative self-organisation and team bonding sessions.

By prioritising employee well-being and work-life balance, KWAP continues to lead the way in creating a supportive and engaging workplace culture that values flexibility, collaboration and productivity.

Supporting Mental Health

KWAP is committed to providing a supportive and healthy work environment for its employees. The Career Break entitlement is a valuable addition to KWAP's benefits offering, allowing employees to take time off to recharge, pursue personal interests, or gain new skills.

To ensure a smooth implementation process, KWAP has established clear guidelines that cover the eligibility criteria, application process, and terms and conditions of the Career Break. This initiative has been well-received by KWAP's employees, and as of 2022, four employees have taken advantage of the opportunity to take a career break.

In addition to the Career Break entitlement, KWAP offers individual therapy sessions through The Amity Wellness Programme, which is part of the Employee Assistance Programme (EAP). This initiative demonstrates KWAP's commitment to the physical and mental wellbeing of its employees and is a testament to its investment in maintaining a healthy and productive workforce. According to reports prepared by our EAP partner, Amity Wellness Programme was utilised by a total of 14 personnel in 2022.

KWAP firmly believes that investing in its employees' well-being will have long-term benefits for both the organisation and its employees. By offering a comprehensive benefits package, KWAP is creating an environment that supports and motivates its employees to perform at their best, leading to greater productivity and job satisfaction.

Recognition as the Employer of Choice

KWAP's participation in employer recognition awards throughout 2022 showcases our commitment to benchmarking ourselves against the industry's best practices. KWAP was the proud recipient of five awards that recognised our investment in our people and robust HR practices. The awards expressed appreciation for KWAP's unwavering commitment to developing a people-focused culture and providing its employees with excellent opportunities for growth and development.

MIHRM 22nd Malaysia-International HR Awards 2022 by the Malaysian Institute of Human Resource Management (MIHRM) awarded KWAP with:

- i. Silver Employer of Choice (Public Sector Category)
- ii. Gold Young HR Talent award for Siti Sabariah Binti Ahmad Murtazam



FOR OUR EMPLOYEES

HR Excellence Awards 2022 by Human Resources Online awarded KWAP with:

- i. Bronze for Most People-Focused CEO for Datuk Hajah Nik Amlizan Mohamed
- ii. Bronze for HR Leader of the Year for Siti Ilmiah Binti Ramli
- iii. Bronze for Excellence in Workforce Mobility

KWAP was also ranked among the top 50 leading graduate employers under the Graduate Brands Award 2022 in Malaysia. These achievements enable KWAP to raise the bar in building its reputation as an employer of choice.

These awards are a testament to the concerted efforts of KWAP's talented teams and their contributions to creating a workplace where team members are inspired to deliver excellence every day. These accomplishments came amid the global recovery from the pandemic, highlighting KWAP's resilience and commitment to develop its people and practices.



Strengthening Consequence Management

In March 2022, KWAP hosted a Way of Working roadshow aimed at enlightening employees on KWAP's expectations regarding performance, behaviour and conduct. The roadshow also included guidance on how to handle disciplinary issues in the workplace. This initiative aimed to create awareness among employees on the importance of complying with KWAP's policies and guidelines and the repercussions of any form of misconduct or subpar performance.

In addition to the roadshow, KWAP invited an external training provider to organise in-house training for people managers on how to effectively manage employee misconduct, absenteeism and poor performance. This training further demonstrates KWAP's commitment to create a healthy work environment and maintaining a high standard of employee conduct.

KWAP recently implemented a COVID-19 Vaccination Policy, which encourages its employees to get vaccinated against the virus. This policy aligns with the government's efforts to vaccinate as many people as possible to curb the spread of the virus. KWAP hopes that through this policy, it can support the country's vaccination efforts and create a safer workplace for its employees.

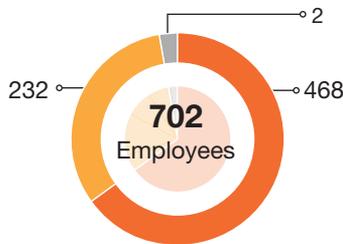
Furthermore, KWAP has embraced the Employment (Amendment) Act 2022, which extends paternity leave from three days to seven days. By doing so, KWAP shows its dedication to promoting gender equality and work-life balance among its employees while also aligning its policies with the government's goal of improving Malaysia's employment standards. The extension of paternity leave allows fathers to be more involved in the early stages of their child's life.

All these initiatives reflect KWAP's proactive approach towards ensuring a healthy work environment, effective management of employees and compliance with legal requirements.

TOWARDS MORE SUSTAINABLE TOMORROWS

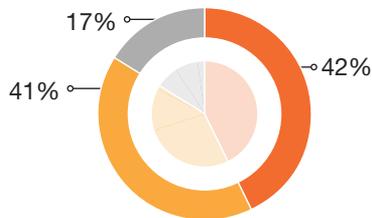
Statistical Information (as at 31 December 2022)

Total Manpower



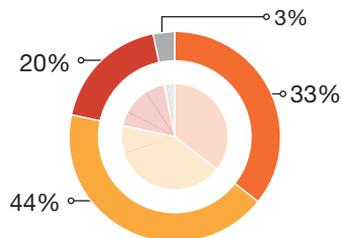
- KL Office (including KWEST)
- Cyberjaya Office
- Prima Ekuiti Office

Average Years of Service



- 1-3 years
- 4-9 years
- >10 years

Manpower Distribution by Age



- Below 30
- 31 - 40
- 41 - 50
- Above 50

Generation Distribution

2
People
0.3%
Baby Boomers

131
People
18.7%
Generation X

411
People
58.5%
Generation Y

158
People
22.5%
Generation Z

Gender Distribution



49%
Male

342
People



51%
Female

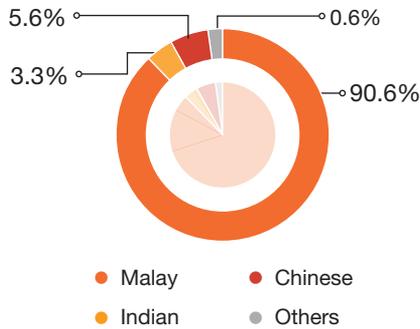
360
People

Average Age of Employees

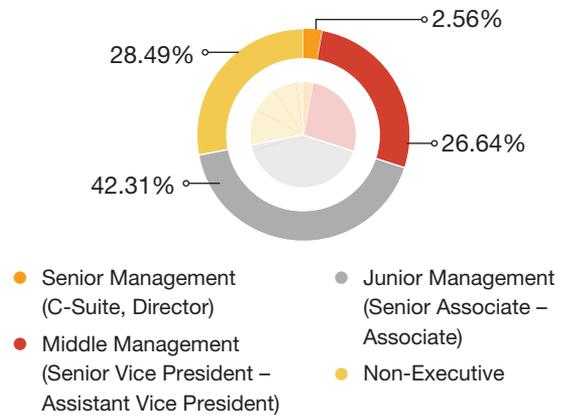


35
Year

Ethnic Breakdown



Staff Composition



Recruitment and Turnover



Average Learning Hour / Employee



Average Learning Hour / Employee Level

8.7 Days

Senior Management

11.3 Days

Middle Management

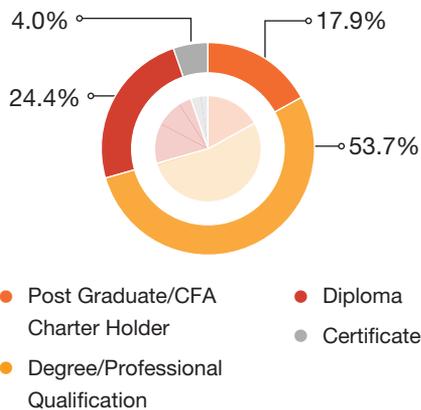
10.7 Days

Junior Management

12.2 Days

Non-Executive

Professional Qualification





FOR BETTER **PERFORMANCE**

Improvement and simplification of end-to-end business processes.

INVESTMENT REVIEW

ECONOMY, MARKET & STRATEGY

ECONOMIC REVIEW

In 2022, the global economy took a back seat as the world focused on macroeconomic concerns. Central bankers around the world had to grapple with high inflation shocks and the ripple effects of the Russia-Ukraine war which eventually led to aggressive policy tightening.

Headline inflation outlook across many developed market economies remained complex due to higher oil and wheat prices. In addition, a renewed rise in wholesale gas and electricity prices also made inflation stickier. Many G10 central banks, namely the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE), continued to tighten monetary policy and started reductions in their government bond holdings.

Across emerging market economies, the heavy lifting in terms of monetary tightening was done via interest rate increases to combat inflationary pressures. Food and energy price increases led to rises in headline inflation, which eventually forced Asian central banks into tightening actions. In addition, other emerging market economies' central banks have been driven to hike in similar increments and pace as the Federal Reserve. Meanwhile, China's zero-COVID strategy coupled with property tightening were undoubtedly less helpful to the rest of the world.

In short, 2022 was all about rates, central banks and inflation. Looking into 2023, major central banks, namely the Federal Reserve, are likely to taper down their aggressive rate hikes amid concerns it could create headwinds against aggregate demand. As there are clear challenges for the global economy, a slowdown in 2023 is imminent.



Malaysia's economy recorded a strong growth of 8.7% in 2022, the highest in more than two decades following the modest 3.1% year-on-year growth registered in 2021. Despite slower global growth, Malaysia's economy remained robust, driven by domestic demand and an improvement in the labour market, in line with the full economic reopening and transition to the endemic phase.

Meanwhile, headline inflation was contained at 3.3% in 2022 attributable to softer global commodity prices as well as ongoing price controls and subsidies. Core inflation, on the other hand, averaged 3.0% in 2022, higher than the pre-pandemic average of 1.7%, driven by the continued strength in demand amid a still-elevated cost environment. In line with that, Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) by a cumulative 100 basis points (bps) between May and November 2022 to 2.75%.



8.7%

Malaysia's 2022 year-on-year economic growth



3.3%

Malaysia's 2022 headline inflation



INVESTMENT REVIEW

ECONOMY, MARKET & STRATEGY

MARKET REVIEW

On the global front, 2022 was a turbulent year for investors with global equities down by USD14 trillion impacted by geopolitical tensions and rampant inflation. This marked the worst performance in 14 years, since the global financial crisis wiped 40% off stock value in 2008. Technology shares and crypto assets were particularly hit after hitting record highs during the pandemic period.

Despite heightened volatility in the global financial markets, stronger economic activities, positive investor sentiment and an orderly political transition following the 15th general election buffered the local equities market.

Meanwhile, the global fixed income market weathered one of the most challenging years in 2022 as the surge in inflation became the primary driver of the performance of the asset class.

On the domestic front, local bond market was no exception to global headwinds. The 10-year Malaysia government bond, which closed at 3.59% for the year 2021, reached as high as 4.56% in the year 2022 before closing the year at 4.04%. The movement tracked the global bond rout as fixed income markets were pricing in higher interest rates and inflation expectations.

INVESTMENT STRATEGY

Since KWAP's incorporation in 2007, the Fund's assets have grown from RM41.94 billion to RM158.10 billion as at 31 December 2022. Over the years, we have remained committed to growing the Fund by pursuing an asset allocation strategy underpinned by diversified investments in domestic and international equities, fixed income,

private equity, infrastructure and real estate. These investments have supported the growth of the Fund, in addition to the contributions received from the Federal Government and employers.

In 2022, KWAP conducted its Strategic Asset Allocation (SAA) review, which was approved by the Investment Panel. Integral to the approved SAA is the emphasis to increase the allocation to private markets which also saw the inclusion of private credit into KWAP's portfolio construction strategies. This is to ensure that KWAP's portfolio is both resilient and can generate optimised returns over the long term.

Another important part of KWAP's portfolio design is to ensure that it has liquidity that is sufficient to continuously deploy capital as part of its SAA transition to achieve the target by 2025. The transition plan also takes into account the liquidity profile of each asset class, as well as the intricacies and the nature of private market investments, whereby capital drawdowns are expected to ramp up in the subsequent years.

As of end-2022, KWAP's total investment assets continue to grow despite slower global growth and withdrawal taken from the Fund. KWAP's domestic investments, which make up 81% of the total investment assets, saw a better return in comparison with global market indices. Another feature of the asset allocation strategy is the flexibility to manoeuvre investment allocation. This is represented and expressed through Tactical Asset Allocation (TAA) decisions, in which public asset classes have the flexibility to capitalise on prevailing market trends through actively underweighting or overweighting their allocation and/or opportunistically responding to changes within a shorter-term horizon.

INVESTMENT REVIEW

ASSET CLASS REVIEW

A) EQUITY

EQUITY PERFORMANCE

As at 31 December 2022, KWAP's equity exposure accounted for 46.1% of KWAP's total investment assets. Domestic equity represents 76.6% of our total equity exposure, while the balance was in the international equity markets. Out of the total equity exposure, 85.6% was managed internally while the rest was outsourced to the external fund managers (EFMs) appointed by KWAP.

In 2022, equity portfolio recorded a total return of -2.47% versus the blended benchmark of -7.46, translated into an outperformance of 500 bps. It had also outperformed the blended benchmark over a longer period as shown in the table below:-

Item	2022	2021	3 years	10 years
Portfolio (%)	-2.47	7.69	4.18	4.36
Benchmark (%)	-7.46	1.27	-0.41	0.88
Excess Returns (%)	5.00	6.42	4.60	3.48

INTERNALLY-MANAGED

Internally-Managed Domestic Equity Portfolio

Our defensive strategy with primary focus on actively managing the overall portfolio's long-term sustainable growth and enhancing the portfolio's income generating capability had worked well in 2022, while we cautiously navigated through the lackluster domestic equity market. The overall strategy was to stay focused on growing the portfolio's Net Asset Value (NAV), with increased investments in high quality companies that generated sustainable and robust free cash flow. This translated to an increase in the overall portfolio's dividend yield which contributed immensely to the overall income in 2022. This strategy provided us with ample cushion to ride through streams of volatility in the domestic equity market throughout the year. On the other hand, capital gains were derived from active tactical position taken in the non-core portfolios on liquid stocks.

KWAP's internal domestic equity portfolio recorded Time-Weighted Rate of Return (TWRR) of 1.62% against the benchmark return of -5.40%, which resulted in an outperformance of 702 bps.

Internally-Managed International Equity Portfolio

KWAP's International Equity Portfolio faced numerous challenges throughout the course of 2022. The aftermath of COVID-19 pandemic, coupled with rising geopolitical tensions have contributed to a very challenging equity market environment. The hawkish stance adopted by global central banks contributed to global stocks dipping into bear market territory.

In view of the concerns surrounding high inflation and recessionary risks in developed markets, the Global Equity Portfolio (GEP) adjusted its cash allocation upwards and shifted its position from growth to value. This decision helped to minimise the negative impact on the portfolio and secured capital gains within the first half of 2022.

The MSCI World Index (MXWD Index) saw a total return of -15.04% within the year, with the S&P 500 and MSCI Asia Pacific posting returns of -19.44% and -14.57%, respectively. On the other hand, the United Kingdom's FTSE 100 index outperformed the global benchmark and displayed a positive total return of 2.9%.

In terms of sector performance, healthcare and energy continued to perform well in 2022 as the beneficiaries of high gas prices, with materials trailing closely behind. Internally, the GEP was able to outperform the benchmark by 34 bps, recording a total return of -14.70% against the MXWD Index's return in Malaysian Ringgit (MYR) terms.

EXTERNALLY-MANAGED

Externally-Managed Domestic Equity Portfolio

As at 31 December 2022, the total domestic equity portfolios managed externally by our asset managers accounted for 4.4% of KWAP's total investment assets, a decrease from 4.7% from the previous year exposure. Overall, there are four domestic mandates comprising eight EFMs managing Conventional mandates, three EFMs managing Shariah mandates, one EFM managing Environmental, Social and Governance (ESG) and three EFMs managing Absolute Return mandates.

INVESTMENT REVIEW

ASSET CLASS REVIEW

List of Domestic Equity External Fund Managers as at 31 December 2022

Conventional
Principal Asset Management Sdn Bhd
Nomura Asset Management Malaysia Sdn Bhd
Abrdn Malaysia Sdn Bhd
Affin Hwang Asset Management Berhad
Kenanga Investors Berhad
Maybank Asset Management Sdn Bhd
Eastspring Investments Berhad
UOB Asset Management Sdn Bhd
Shariah
Principal Islamic Asset Management Sdn Bhd
Amlslamic Asset Management Berhad
AIIMAN Asset Management Berhad
Environmental, Social and Governance
BNP Paribas Asset Management Malaysia Sdn Bhd
Absolute Return
Eastspring Investments Berhad
Abrdn Malaysia Sdn Bhd
Affin Hwang Asset Management Berhad

KWAP continued its active engagement with all domestic EFMs on a quarterly basis to review their performance and operational compliance. For portfolios under the watchlist, the monitoring interval was done regularly on a monthly basis. In addition, we had also conducted on-site visit and virtual visit to the EFMs premises throughout the year.

Despite the challenging market environment in 2022 where the FBM100 index recorded -5.40%, the EFMs registered an aggregate TWRR of -3.19% for 2022, representing an outperformance of 222 bps.

One of KWAP's initiatives for 2022 includes investing in high performing external fund managers. This is to strategically strengthen KWAP exposure within the domestic equity market. This is carried out by injecting additional capital into the top-performing EFMs and terminating a non-performing EFM.

Performance of Domestic External Mandates as at 31 December 2022

Mandate	Allocation (%)	TWRR (%)	Benchmark (%)	Excess Returns (%)
Conventional	76.4	-2.89	-5.40	2.51
Shariah	11.2	-6.31	-7.22	0.91
ESG	2.2	-1.02	-5.40	4.38
Absolute	10.2	-2.49	8.00	-10.49
Total	100.0	-3.19	-5.40	2.22

Externally-Managed International Equity Portfolio

In 2022, KWAP's externally-managed international portfolios have been restructured and segregated into three mandates, namely, Global Equity - Conventional, Global Equity - ESG, and Global Equity Multi-Factor (GEMF) mandates.

List of International External Fund Managers as at 31 December 2022

Global Equity - Conventional
State Street Global Advisors Limited
Invesco Asset Management Singapore Limited
Global Equity - ESG
Nikko Asset Management Asia Limited
LGT Capital Partners
Global Equity Multi-Factor
Invesco Asset Management Singapore Limited
Allianz Global Investors

As at 31 December 2022, all portfolios outperformed their respective benchmarks except for Global Equity portfolio mandate as KWAP converted the Asia Pacific Ex-Japan mandate into global equity mandate strategy. The underperformance resulted from the portfolio conversion from the previous Asia Pacific Ex-Japan strategy effective in February 2022.

Performance of International External Mandates as at 31 December 2022 (in MYR Terms)

Mandate	Allocation (%)	TWRR (%)	Benchmark (%)	Excess Returns (%)
Conventional ¹	41.9	-22.30	-11.90	-10.40
ESG	46.6	-14.13	-16.61	2.47
Multi-Factor	11.4	-11.21	-15.04	3.83
Total	100.0	-14.66	-15.04	0.38

B) FIXED INCOME

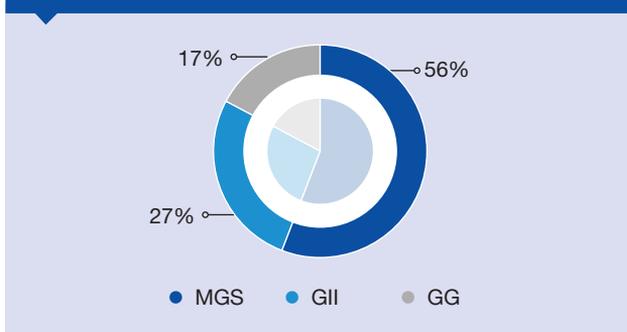
FIXED INCOME PERFORMANCE

Amidst the uncertain global macro backdrop in 2022, KWAP's fixed income portfolio generated a TWRR of 2.71%, with an outperformance of 18 bps to its benchmark.

Moving forward, with the approval of over RM11 billion in new investments for Malaysia sovereign bonds and 33 domestic corporate bonds, KWAP expects further improvement in its return profile. This given to the fact that our investment in higher yielding bonds across period of weaknesses seen in 2022 will continue to provide us with sustainable income.

DOMESTIC SOVEREIGN BONDS

Portfolio Segregation by Instrument Type as at 31 December 2022



Despite a volatile year for fixed income markets, KWAP's domestic sovereign bonds portfolio registered a gross investment income of RM1.44 billion, with an improved TWRR recorded from an underperformance of 28 bps to 11 bps in 2022. The underperformance is attributed to our underweighting of longer duration bonds to protect our portfolio against large marked-to-market losses amidst the market volatility.

KWAP's total investment in government bonds (Malaysia Government Securities [MGS], Government Investment Issuance [GII] and Government Guaranteed [GG] bonds) continued to grow for the year, as its market value grew by 5.6% compared with the previous year. Approximately 83% of the holdings are in MGS and GII while the remaining 17% is in GG bonds. KWAP's total investment in sovereign bonds as at 31 December 2022 increased to 23.9% of the total investment assets compared to 22.8% in the previous year.

KWAP remained an active participant in the primary and secondary market for domestic government bonds and government guaranteed bonds issuances. The annual cumulative trading volume in 2022 was RM12.39 billion, with purchase volume of RM8.64 billion and sales volume of RM3.75 billion.

In line with KWAP's view that interest rates would trend higher, KWAP hedged a portion of its fixed income portfolio via interest rate swap (IRS) throughout the year to protect the value of its sovereign bonds. Some of the positions have since been unwound towards the end of the year as global central banks are reaching the end of their tightening cycle.

For 2023, KWAP expect the volatility seen across 2022 to continue as major central banks such as the Fed and ECB continue to battle the persistently high inflation levels. Lag effect of aggressive rate hikes by these major central banks is expected to impact economic data in a significant manner with expectations of slower global growth towards end of 2023.

¹ Note: Global Equity - Conventional mandate was converted from Asia Pacific Ex-Japan mandate, effective in February 2022.

INVESTMENT REVIEW

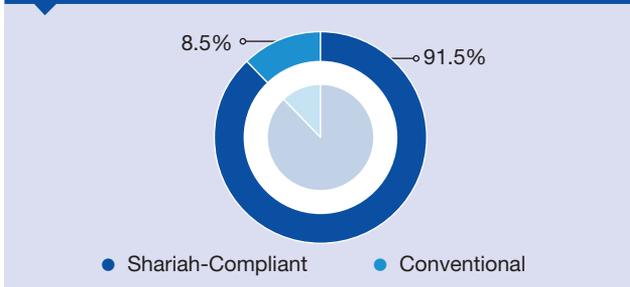
ASSET CLASS REVIEW

DOMESTIC CORPORATE BONDS

KWAP’s portfolio holdings in domestic corporate bonds (at market value) for the year 2022 increased to 8.1% of total investment assets from 7.1% reported as at end of 2021 with 91.5% of exposure in shariah-compliant instruments. The sales volume and total maturities during the year stood at RM0.94 billion against new purchases of RM2.64 billion which came from both the primary and secondary markets.

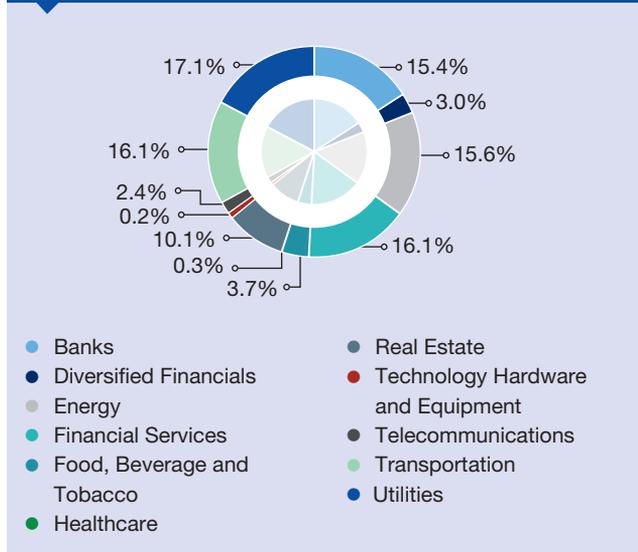
In 2022, KWAP’s internal domestic corporate bond recorded a return in TWRR of 1.89% as compared to the TRBPAM Corporates All Bond Index benchmark which showed returns of 1.64% for the same period, resulting in a 25 basis points outperformance.

Exposure in Domestic Corporate Bonds by Type as at 31 December 2022

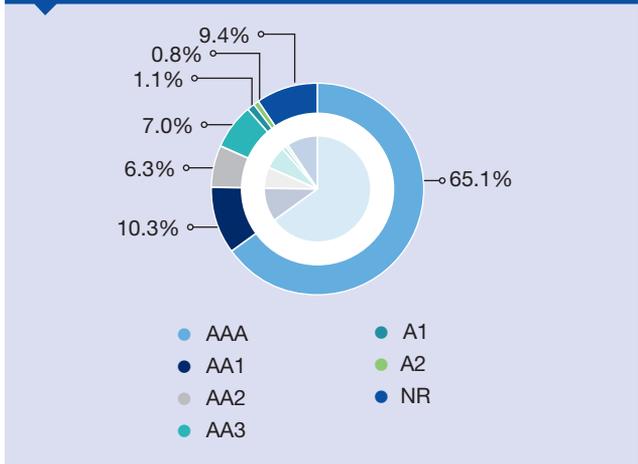


Our commitment is demonstrated by our holdings in AAA-rated corporate bonds which amount to approximately two-thirds of our portfolio.

Exposure in Domestic Corporate Bonds by Sector as at 31 December 2022



Exposure in Domestic Corporate Bonds by Rating as at 31 December 2022



LOANS

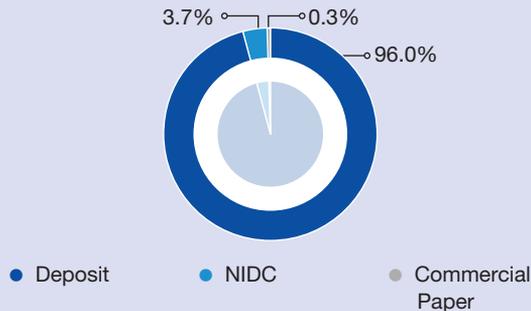
KWAP’s exposure in loan stood at 0.6% of total investment assets as at 31 December 2022. No new loan was disbursed for year 2022. Loan holdings were reduced significantly by RM1.97 billion due to maturity and capital repayment of outstanding loans. KWAP’s loan portfolio recorded a return in TWRR of 6.31%, with an outperformance of 186 basis points in 2022.

Furthermore, income generated from the loan portfolio for year 2022 was RM106.63 million, in line with the shrinking of loan portfolio size in 2022.

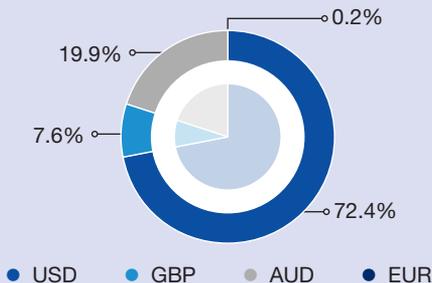
MONEY MARKET

As at 31 December 2022, KWAP’s money market investment stood at 5.9% compared to 4.8% of KWAP’s total investment assets at the beginning of 2022 while TWRR was recorded at 1.85%. From the total money market investment, more than 70% was in MYR exposure while the remaining was distributed in USD, GBP, AUD and EUR accounts.

MYR Money Market Investment



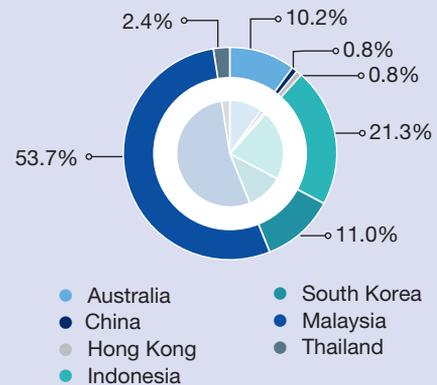
Foreign Currency Money Market Investment



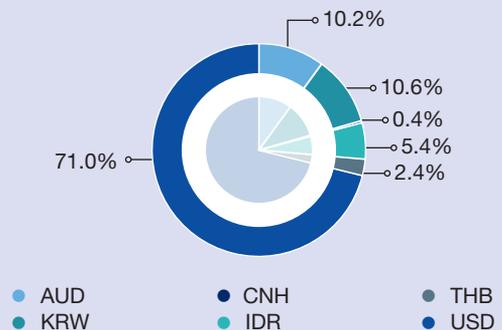
INTERNATIONAL FIXED INCOME

As at 31 December 2022, KWAP’s international fixed income portfolio’s market value stood at 0.3% as compared to 0.4% in 2021, of total investment assets. Given the elevated interest rates globally, the TWRR for international fixed income portfolio came in at -6.53%. In anticipation of global central banks embarking on their hiking cycles, which may result in higher bond yields, KWAP has been reducing its exposure to international bonds and waiting for an opportunistic time to re-enter the market. Our portfolio remain well diversified in terms of geography and currency as we remain invested in across seven countries and six currencies.

Global Fixed Income Holdings as at 31 December 2022 by Country



Global Fixed Income Holdings as at 31 December 2022 by Currency



INVESTMENT REVIEW

ASSET CLASS REVIEW

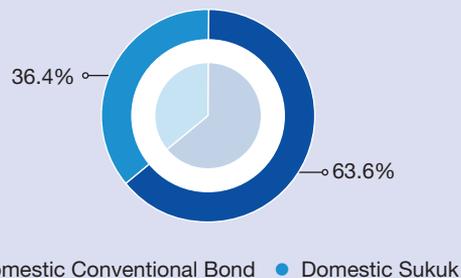
EXTERNALLY-MANAGED

KWAP has outsourced a portion of its fund to fixed income EFMs since 2006. The outsourcing of funds continues to be part of KWAP's diversification strategy and as investment income enhancement. The EFM portfolios consist of two domestic mandates, which are domestic conventional bond and domestic sukuk. As at 31 December 2022, the fixed income exposure managed externally stood at 3.6% of total investment assets from the initial capital fund size of RM150 million in 2006. In terms of the exposure to types of mandate outsourced, 63.6% was invested in the domestic conventional bond while the remaining 36.4% was in the domestic sukuk.

As at 31 December 2022, the market value of KWAP fixed income EFMs stood at 9.8% of overall KWAP fixed income investments excluding cash and equivalents exposure as compared to 10.4% in the previous year. In terms of its performance, the domestic fixed income EFMs outperformed the stipulated benchmark by 7 bps on TWRR basis as at 31 December 2022.

KWAP actively monitors its EFMs through continuous engagements, periodic performance reviews and visits to EFMs' business premises. As the bond market experience heightened volatility in 2022 amid rising rates environment, more regular engagements and performance reviews with EFMs were conducted via physical and virtual meetings to better understand strategies undertaken by the EFMs while ensuring the health of the portfolio. A total of nine EFMs premise visits including compliance visits were conducted to review EFM business operations and their adherence to the terms of the investment management agreement (IMA) throughout 2022.

EFM Exposure by Mandate Type



List of Domestic Fixed Income External Fund Managers as at 31 December 2022

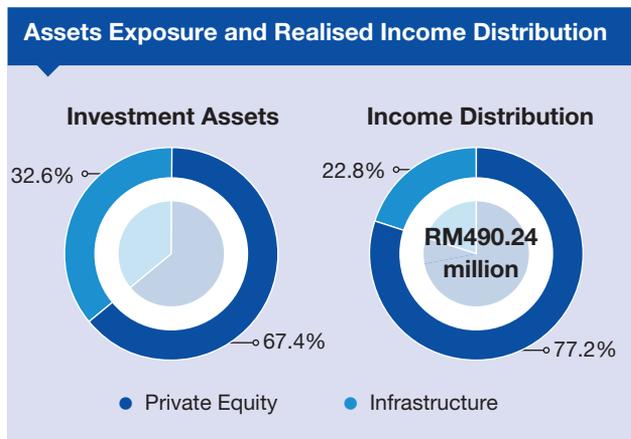
Domestic External Fund Managers

Principal Asset Management Berhad
AmFunds Management Berhad
AHAM Asset Management Berhad
Amundi Malaysia Sdn Bhd
Maybank Islamic Asset Management Sdn Bhd
Nomura Islamic Asset Management Sdn Bhd
RHB Islamic International Asset Management Berhad
Maybank Asset Management Sdn Bhd
Franklin Templeton GSC Asset Management Sdn Bhd
AllMAN Asset Management Sdn Bhd

Apart from KWAP's continuous engagement with the EFMs, KWAP also hosted a Chief Executive Officer Mandate event to the EFMs in April 2022, which was aimed at sharing KWAP's investment objectives for the year and convey expectations to the EFMs in terms of performance requirement and emphasising the need to comply to the IMA. Other key messages delivered during the event include the sharing of KWAP's ESG journey and KWAP's expectations from the EFMs to uphold strong ESG practices.

C) PRIVATE EQUITY AND INFRASTRUCTURE

Despite the challenging macro environment in 2022, KWAP's private equity and infrastructure portfolios remained resilient in delivering strong returns for the year through its top quartile fund managers. The diversification of strategy and geography provided some downside protection during the periods of valuation decline, while realised income was derived from exits of portfolio companies. Targets were fulfilled with the 12 fund investment commitments, amounting to over USD800 million, covering diverse strategies, sectors and regions.



KWAP managed to generate another remarkable year of realised income of RM490.24 million from private equity and infrastructure investments across strategies such as secondaries, buyout, growth, venture capital and infrastructure. Within the portfolio, KWAP direct investment has also generating RM34.41 million in realised income from its direct investment in Vantage Solar Investment S.a.r.l, a renewable energy platform company. KWAP previously held a direct stake in the logistics company; Swift Haulage Berhad, which has been partially realised in the secondary market.

PORTFOLIO PERFORMANCE

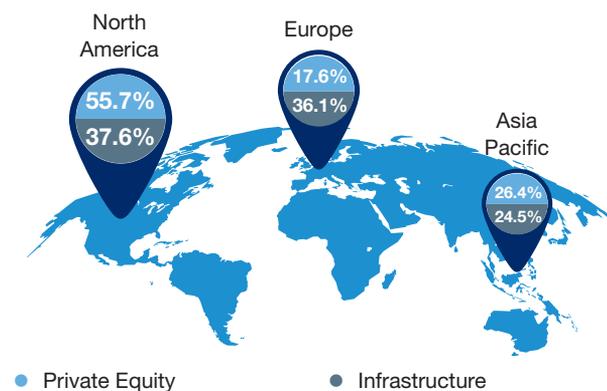
The private equity portfolio generated a Net Internal Rate of Return (IRR) of 17.1% (down from 19.7% in the year 2021) and a Net Multiple on Invested Capital (MOIC) of 1.6 times (consistent with the year 2021), across its four strategies namely secondaries, buyout, growth and venture capital.

Meanwhile, infrastructure portfolio generated a net IRR of 15.5%, which is an improvement from 14.5% in 2021. Net MOIC was consistent with the previous year at 1.4 times. Infrastructure assets tend to be long-term, stable and cash-generative with lower risk profiles, which translates to lower IRR multiples given the extended holding period of the assets.

Throughout the financial year 2022, KWAP deployed a total of RM1.65 billion into its private equity and infrastructure programme and received a total distribution of RM0.88 billion. Approximately RM4.5 billion in fund commitments were approved in the year 2022 across 12 deals for the programme. An additional focus includes the establishment of Dana Perintis; an allocation of RM500 million specifically focused on developing the domestic venture capital markets and Malaysian start-ups and entrepreneurs.

PRIVATE EQUITY AND INFRASTRUCTURE FUND INVESTMENT AS A WHOLE

Private Equity and Infrastructure Geographic Exposure by Percentage¹



¹ Note: The remaining 0.3% and 1.8% exposure in private equity and infrastructure assets, respectively are in emerging market.

INVESTMENT REVIEW

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Majority of KWAP's private equity exposure is focused in the North American region. The Infrastructure portfolios are also marginally more present in North America than in Europe. The basis for the exposure is due to said regions' housing more developed markets offering investors numerous opportunities to invest in high-growth companies across various industries and sectors. The North American market is particularly attractive to investors as an incubator for new developments in technology, life sciences and service-based industry as well as its transparency and strong intellectual property regulations for investors. Additionally, the region has a well-established and mature private equity industry with a track record of generating attractive returns for investors.

Europe's thriving private equity market continues to attract investors from around the world, and KWAP was no exception. The region's developed market economy, strong legal framework, and diversity in cultures and expertise provide a secure and profitable investment climate. In 2022, KWAP continued its successful track record in Europe across six fund commitments; focused on the buyout, infrastructure and venture capital sectors, providing diversification across key investment areas.

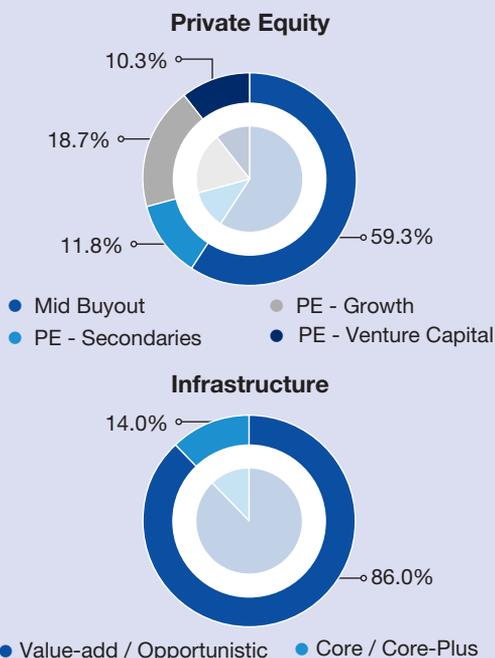
The commitment towards 67 funds and four direct investments as at 31 December 2022 is continually enhanced through strategy diversification within private equity and infrastructure portfolio. KWAP strategically focused the majority of its private equity fund programme on a mid-buyout strategy, aimed at investing in companies with strong growth potential. This approach has allowed KWAP to achieve higher returns with a relatively lower risk profile, with returns netting an IRR of 22.0% and MOIC of 1.5 times.

Additionally, this strategy helps KWAP to diversify its underlying fund's portfolio across different sectors namely information technology (26%), industrial (15%), healthcare (13%), consumer (8%), financial services (8%) and others (30%).

KWAP's secondary strategy on the other hand, recorded the highest return with a net IRR of 25.7% and a net MOIC of 1.7 times. Secondary strategies involved investing in matured funds designed to mitigate the effect of the J-curve. This strategy allowed KWAP to benefit from the high cash distribution generated by these matured funds. By acquiring interests in these matured funds, KWAP could then gain access to a diverse range of established investment opportunities that have a proven track record of generating consistent cash flows.

In 2022, KWAP made its first investment into the core-plus infrastructure space, through a fund manager with the ability to generate top-quartile returns, complementing KWAP's earlier infrastructure investments in the value-added and opportunistic space. A selective expansion into core-plus provides diversification to KWAP's infrastructure portfolio and offers more stable returns under challenging economic conditions, as assets have a stable risk-return profile with features to limit fluctuation risks, such as long-term contracted, inflation-linked revenues with steady regulatory and government support.

Private Equity and Infrastructure Exposure based on 2022 Strategy



INVESTMENT HIGHLIGHTS



European-Based Venture Capital Fund

This Nordic-based venture capital fund has a strong reputation and an extensive experience in investing in the Nordic region, with access and networks to one of the fastest-growing technology hubs. This marks KWAP's first commitment into the European venture capital focused space. This decision was based on the funds' top-quartile performance over a 16-year period and their reputation for generating significant returns through their historic track record. This would also provide KWAP with access to high-quality and sought-after co-investment opportunities. The fund manager has invested and developed 18 unicorn investments across nine funds via its leading early-stage funds.



Other Notable New Investments

KWAP made its inaugural investment into the impact investing space. Impact investing is a form of investment strategy that aims to identify significant business opportunities while addressing societal and environmental needs in a positive manner. It goes beyond traditional ESG-related compliance measures such as negative screening to avoid causing harm. Alternatively, it seeks to invest in companies and projects that align with certain themes and have the potential to generate significant social and environmental impact, alongside financial returns. The overarching goal of impact investing is to drive positive change in society and the environment, using market-based solutions to address social and environmental challenges.

KWAP is focusing on funds that drive measurable social and environmental impact alongside business performance and strong returns with a strong focus in developed markets (70%) and developing markets (30%) as well as 60% target exposure in growth equity and 40% in buyout. This is driven and guided by 17 United Nations Sustainable Development Goals and a commitment to invest in Education, Financial Inclusion, Healthcare, Impact Services, Food & Agriculture and Climate & Conservation.



Proven European Buyout Manager

In pursuit of further enhancing KWAP's relationship with external managers, a strategic decision to re-up in an existing fund manager with an increased ticket size was made into a renowned fund manager in the Nordic buyout space. This marked KWAP's third re-up into its first European investment foray; a fund with a proven track record of strong investment strategies. The fund ranked in the top quartile among its peers, with a keen focus on the financial services, healthcare, technology and payments sectors. Its investment strategies have yielded impressive results and its vintages have performed strongly as KWAP's first commitment to the fund had managed to return the capital invested, indicating successful fund deployment. This demonstrates a commitment to identifying high-performing fund managers with sound investment strategies that align with KWAP's goals and objectives.

INVESTMENT REVIEW

ASSET CLASS REVIEW



Aerodyne Ventures Sdn Bhd

On the direct investment space, KWAP committed to a follow-on investment into Aerodyne Ventures Sdn Bhd (Aerodyne) through its Pre-C round. The follow-on investment forms part of KWAP's mandate to provide growth capital for local companies to scale up globally and is a testament of investor's confidence. KWAP's aim to support Malaysia's high-skill and high-value economic activities with positive spillover effects to the local economy is in line with Aerodyne's objectives. The proceeds from this round are mainly slated for further expansion such as research and development, developing new technology stacks, refining in-house software, undertaking strategic mergers and acquisitions, as well as supporting market penetration efforts.



edotco Group Sdn Bhd

In 2022, edotco Group Sdn Bhd (edotco Group) achieved remarkable success on various fronts, including expansion of its industry footprint through the acquisition of more towers into its portfolio. This acquisition, combined with operational enhancements, has resulted in increases in revenue and earnings before interests, taxes, depreciation and amortisation for edotco Group.

Furthermore, edotco Group has made considerable strides in its sustainability initiatives. With the launch of its sustainability blueprint, with several innovative approaches to attain carbon neutrality by 2030. edotco Group's Malaysian entity has also successfully launched its first sukuk issuance, which has garnered strong interest from Malaysian fixed-income investors, with a robust bid-to-cover ratio of 5.2 times. As a result of these achievements, edotco Group has continued to solidify its position as a leading player in the telecommunications industry.



Dana Perintis

In November 2022, the Dana Perintis investment strategy was approved by the Investment Panel, marking a milestone for KWAP's commitment in the Malaysian venture capital space. Dana Perintis will serve as an investment framework that furthers ESG integration in investments and drives knowledge transfer and industry networking in developing local talents. With the launch of Dana Penjana Nasional in 2020 and the 2023 budget announcement highlighting the crucial role of Government-Linked Investment Companies (GLICs) in the nation's economy, Dana Perintis will support the government's ongoing efforts to develop the local venture capital ecosystem towards becoming a preferred regional venture capital hub. This will be implemented across different venture capital stages which provides exposure to a wide range of industries, thus taking advantage of opportunities locally and regionally.

D) REAL ESTATE INVESTMENT

KWAP has invested in 18 properties in domestic and international markets, four land sites and developments domestically, as well as in two real estate funds. KWAP continues to embrace ESG principles in its investments with 10 of its properties accredited with environmental and energy efficiency certifications as below:

KWAP Real Estate Environmental and Energy Efficiency Certification

Properties	Environmental and Energy Efficiency 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 (The property is sold in February 2022)	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)	B
Amazon Coalville, Bardon	Energy Performance Certificate UK (EPC)	A
Symons House, Leeds	Energy Performance Certificate UK (EPC)	A
Crown House, Sheffield	Energy Performance Certificate UK (EPC)	B
800 Bristol Road, Birmingham	Energy Performance Certificate UK (EPC)	B
Germany		
Zalando Distribution Centre, Erfurt	German Sustainable Building Council (DGNB)	Gold

KWAP aims to continue its efforts in fulfilling the ESG principles in its real estate investments.

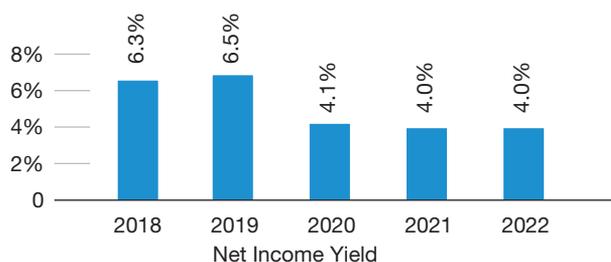
INVESTMENT REVIEW

ASSET CLASS REVIEW

PERFORMANCE AND INVESTMENT HIGHLIGHTS

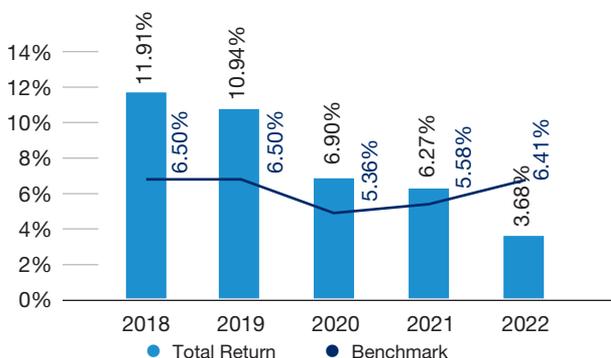
In 2022, KWAP's real estate investments generated a net income yield of 4.0% on the investment cost. Historically, the average net income yield on investment cost of KWAP's real estate portfolio stood at a healthy 5.0% p.a. from 2018 to 2022.

KWAP's Real Estate Portfolio - Net Income Yield on Investment Cost from 2018 to 2022



The year saw KWAP's real estate investment recording a five-year rolling return of 3.68% which was lower than the benchmark of 6.41% amidst the widening of yields in the rising interest rate environment.

KWAP's Real Estate Portfolio - 5-year Rolling Total Return¹



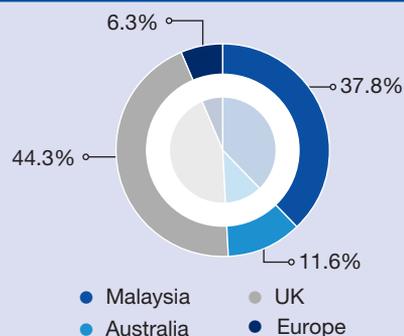
The average occupancy of KWAP's properties as at 31 December 2022 was 89.7%.

In terms of geography, KWAP has diversified its exposure into four main countries namely Malaysia, Australia, United Kingdom (UK) and Germany with the largest exposure being in the UK at 44.3%.

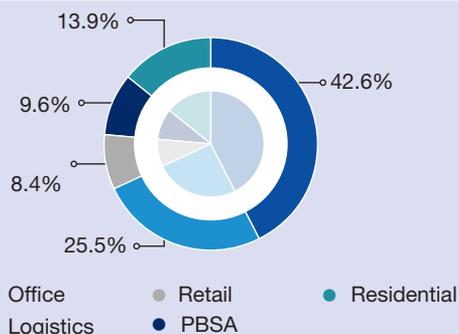
¹ Note: Benchmark is Blended CPI+4% (5-year rolling)

² Note: Exposure based on equity invested

Geographical Exposure as at 31 December 2022²



Asset Segment Exposure as at 31 December 2022²



In terms of asset segment, our property investments are diversified across office, logistics, retail, purpose-built student accommodation (PBSA) and residential. Office and logistics currently make up the bulk of the portfolio at 42.6% and 25.5% respectively.

In May 2022, KWAP expanded its portfolio in the non-core and indirect segment by entering into its first fund investment, Blackstone Real Estate Partners Asia III Fund with a total capital commitment of USD50 million. In June 2022, KWAP subscribed to its second fund investment in Sime Darby Property Industrial Development Fund (SDPIDF) for RM200 million.

Following the approval given by the Ministry of Finance (MOF) in September 2021, KWAP conducted the repayment exercise via shareholders loan for its existing financing for its logistics portfolio at Zalando Distribution Warehouse, Germany and the exercise was completed by June 2022.

KWAP'S REAL ESTATE DIRECT INVESTMENTS



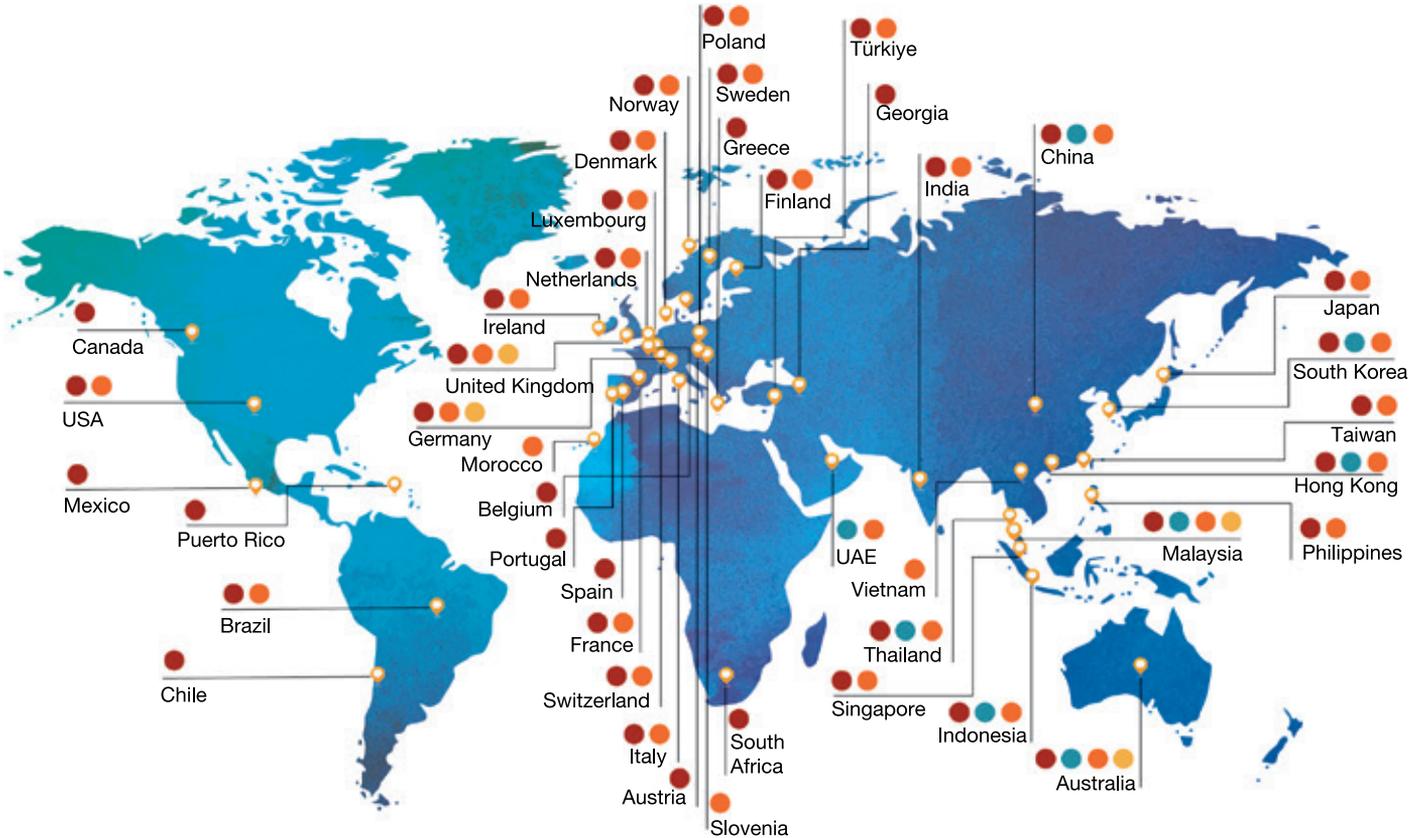
No.	Property	Geography	Asset Segment	Acquisition Date	Tenure
DOMESTIC PROPERTIES					
1	Integra Tower, Kuala Lumpur	Malaysia	Office	31 March 2015	Freehold
2	Cap Square Tower, Kuala Lumpur	Malaysia	Office	15 December 2016	Freehold
3	Mydin Commercial Centre, Skudai, Johor	Malaysia	Retail	22 January 2019	Leasehold (expiring in 4 September 2911)
4	Lot 20010, Jalan Stonor	Malaysia	Residential (Land)	3 December 2015	Leasehold
5	Lot 392, Jalan Changkat Kia Peng	Malaysia	Residential (Land)	30 October 2015	Freehold
6	Compass, Kota Seri Langat, Selangor	Malaysia	Logistics (Land)	18 September 2020	20% Stake In Joint-Venture
7	Andaman Island, Penang	Malaysia	Residential (Land)	30 March 2017	Freehold



INTERNATIONAL PROPERTIES					
8	747 Collins Street, Melbourne	Australia	Office	30 September 2013 and 8 February 2018	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	United Kingdom	Logistics	30 April 2021	Freehold
13	10 Gresham Street, London	United Kingdom	Office	24 October 2012	Leasehold
14	100 Cheapside, London	United Kingdom	Office	20 December 2019	Leasehold
15	The Chimes, Uxbridge, London	United Kingdom	Retail	20 June 2014	Freehold
16	800 Bristol Road, Birmingham	United Kingdom	Student Accommodation	8 August 2018	Freehold
17	The Mill House, Edinburgh	United Kingdom	Student Accommodation	8 August 2018	Scottish Freehold
18	Symons House, Leeds	United Kingdom	Student Accommodation	30 June 2020	Freehold
19	Crown House, Sheffield	United Kingdom	Student Accommodation	30 June 2020	Freehold
20	82, Albion Gate, Albion Street, London	United Kingdom	Residential	27 February 2015	Leasehold
21	9 Sherwood Court, Seymour Place, London	United Kingdom	Residential	27 February 2015	Leasehold
22	Zalando Distribution Warehouse, Erfurt	Germany	Logistics	5 May 2017	Freehold

INVESTMENT REVIEW

GEOGRAPHICAL INVESTMENT EXPOSURE



Geographical Investment Exposure in **43 COUNTRIES** across continents¹

Legends For Asset Classes

- Equity
- Fixed Income
- Private Equity / Infrastructure
- Real Estate

¹ The Geographical Investment Exposure is based on country of risks.

INVESTMENT REVIEW

SUBSIDIARIES

A) KWEST SDN BHD

Incorporated in 2017, KWEST is a wholly-owned subsidiary of KWAP which serves as an investment platform for real estate development. KWEST's focus is to realise higher returns within acceptable risk parameters and provide a healthy pipeline of greenfield and brownfield development/redevelopment assets as part of KWAP's Real Estate AUM.

Currently, KWEST has two major ongoing projects:

- i. Andaman in Seri Tanjung Pinang 2, under Persada Mentari Sdn Bhd (PMSB) a joint-venture on an 80% Eastern & Oriental Berhad and 20% KWEST basis; and
- ii. Compass@Kota Seri Langat, a joint-venture on a 60% Permodalan Nasional Berhad (PNB), 20% AREA Industrial Development Holdings and 20% KWEST basis.

Catching up after the two years of pandemic disruptions, these projects have a combined Gross Development Value (GDV) of RM23 billion, with a total committed investment of RM881 million. KWEST has made significant progress on these current developments together with its joint-venture partners.

Andaman (Phase 2A), Penang

Andaman (Phase 2A) is a 253-acre integrated mixed-use development in Penang with a development horizon of up to 20 years and a GDV of RM22 billion. KWEST and E&O (jointly known as PMSB) are the master developers for this flagship development, in which KWEST owns 33.18 acres of freehold land.

The inaugural product launch in January 2022, called The Meg, consisted of 1,020 fully furnished serviced apartment units targeted for young executives and first home buyers with an estimated GDV of RM650 million. The Meg had received overwhelming response with 89% of the units being sold with a total sales value of RM587.8 million as at 31 December 2022, and is on track for completion in the fourth quarter of 2025.

The Andaman Bridge linking Penang Island to Andaman was completed in the fourth quarter of 2022 and provides easy access and connectivity to Andaman's sales gallery and show units. This will be followed by a secondary bridge linking Andaman to Georgetown's famous Gurney Drive which is targeted for completion in 2024.

Following the successful launch of The Meg, PMSB targets two more launches in 2023 to diversify the product mix and capture a wider target market. This includes Arica, which is a low density 380-unit serviced apartment with a target GDV of RM369 million targeting young families, as well as 69 units of landed homes catering for larger, mature families with a target GDV of RM242 million.



Andaman Island has been awarded the GreenRE (Green Real Estate) Township Provisional Certification (Platinum) in December 2022, signifying PMSB's commitment to create a sustainable integrated mixed-use development. Both The Meg and Arica are also expected to receive the same accreditation in 2023.

INVESTMENT REVIEW SUBSIDIARIES

Compass@Kota Seri Langat

Compass, located in Kota Seri Langat, Banting, Selangor, is a 220-acre industrial park which will cater to the growing needs of today's industrialists, with a medium-term development timeline of eight years and a GDV of RM1.2 billion. Compass is jointly developed by PNB, AREA Industrial Development Holdings and KWEST.

The first phase of Compass was successfully launched in the third quarter of 2022, including the City Sales Gallery located in Shah Alam and the launch of SME Precinct (Plot 1 and Plot 2), which consists of 62 terrace, semi-d and detached factories with a GDV of RM504 million. As at 31 December 2022, 32% of factory units have been sold with a sales value of RM99.8 million.

In 2021, 50 acres of land was sold to Best Eternity Recycle Technology Sdn Bhd, a paper recycling company for RM108 million, with a further 30 acres transaction in the pipeline to be completed in 2023 with another industrialist (GDV estimate of RM82 million).

The second phase of Compass will include an 80-acre managed industrial park (MIP) which will be the first of its kind in Selangor. With a GDV of RM541 million, the MIP will be self-sustainable within a safe, gated-and-guarded environment which is also integrated with business centre facilities, workers' accommodation and several commercial shop lots.

2023 Direction

Moving forward, KWEST will be pursuing synergistic investments and venturing into potential Aged Care and Senior Living projects collaborating with other relevant units within KWAP in line to fulfil KWAP's vision to be the trusted retirement fund that supports nation building by delivering sustainable benefits.

For committed projects, KWEST intends to deliver on ongoing projects with further launches and developments lined up throughout 2023. For new investments, KWEST targets to expand its investments into both domestic and strong key international markets such as the UK and Australia.

In aligning with the United Nation Sustainable Development Goals (UNSDG) towards sustainable developments, KWEST will establish its own ESG Framework, aligned with KWAP's Sustainability Roadmap.

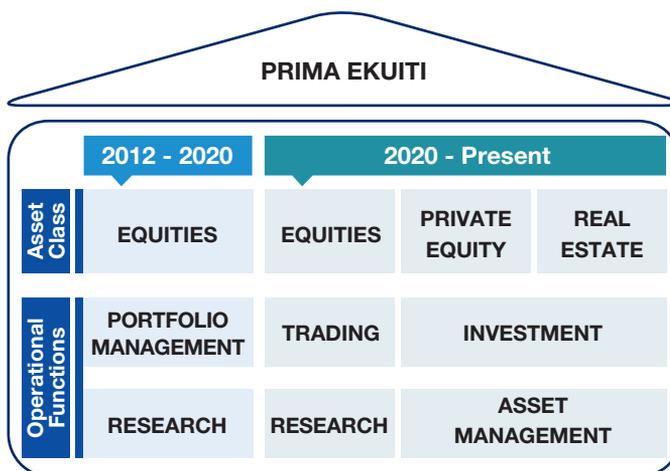
B) PRIMA EKUITI (UK) LIMITED

Prima Ekuiti (UK) Limited (Prima Ekuiti), established in 2012, is KWAP's wholly-owned subsidiary in the UK and acts as its investment partner for 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 inception, comfortably exceeding the FTSE 100 Index's return of 21.4% during the same period. Its second mandated portfolio was the Euro equity portfolio mandate, which has contributed returns of 48.6% since it was mandated in 2014, securely exceeding the MSCI Euro Index's return of 17.9% during the same period. Meanwhile, the Absolute Return portfolio that was established in June 2018 with an initial capital of EUR75.0 million represents a move towards an investment that was more focused on longer-term thematic investments 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.

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 real estate investment activities as an extension of KWAP and supports the three asset classes in KWAP's foray to achieve its international SAA target.



Given that Prima Ekuiti's office is located in the UK, the team is able to establish professional relationships and connect to top quartile global fund managers and best-in-class assets within the private equity and real estate 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.

In 2022, Prima Ekuiti has expanded its scope within investments to include the establishment of a central dealing desk for KWAP where dealing within equities' asset class will be conducted in Malaysia and the UK. Given the expansion of scope across multiple asset classes, Prima Ekuiti initiated new research products including a multi-asset research and ESG methodologies, both of which have contributed to actionable investments across KWAP's investment portfolio. As part of the expansion in coverage of the UK office, Prima Ekuiti played a pivotal role in KWAP's first global real estate fund, which was one of the largest residential fund managers in Europe.

Beyond investments, Prima Ekuiti ensures compliance and governance are maintained at its highest standards and as a result, the company received the ISO 37001 Anti-Bribery Management System (ABMS) Accreditation after an audit from SIRIM-QAS in 2022. In addition, Prima Ekuiti continues to contribute to future talents of Malaysia where the company had conducted a successful internship programme with 11 interns alongside other various participation in student-led investment programmes.

Moving forward in 2023, a new corporate blueprint of Prima Ekuiti, which was approved by KWAP Board, is set to unfold and will entail:

- i. A re-introduction of fund management where Prima Ekuiti will manage KWAP's UK/EU Global Equity portfolio;
- ii. An increased number of deal-flows to KWAP's Private Equity and Real Estate Department. Prima Ekuiti also aims to maintain high conversion of these deal flows; and
- iii. A brand refresh and reorganisation of Prima Ekuiti to better communicate the changes in services to KWAP.

2023 INVESTMENT OUTLOOK

Looking ahead to 2023, high interest rates are expected to continue dragging global growth. The degree of inflation moderation will determine the path of global growth trajectory. A persistently elevated inflation will deter central banks from pressing the brake on the path of interest rate hikes which may bring about the risk of recession. Thus, financial markets will likely be volatile for the year as the tussle between the risk of recession and persistent inflation continues.

Malaysia's economy is projected to moderate in 2023 amid the global economic slowdown as well as the impact of tighter financial conditions arising from cumulative interest rate hikes by global central banks over the past year. Private consumption will remain the key driver for growth despite the expected normalisation as the release of pent-up demand dissipates and the impact of the OPR hikes on the economy materialises. Meanwhile, continued tourism recovery and implementation of multi-year projects will also provide some support to domestic growth in 2023.

We are cautiously optimistic on global and domestic financial markets in view of moderating economic growth expectation in 2023. Given such scenario, KWAP remains cognisant of protecting the value of its international investments. It continues to minimise interest rate and currency risks through various hedging instruments.

Moving forward, KWAP will stay focused on investing in companies with strong fundamentals such as those with strong balance sheets and solid cash-flow positions as well as companies which have good governance and ESG practices. KWAP's investment approach is not only strategic, but also reflects its unwavering commitment to achieve sustainable and inclusive economic growth for Malaysia.

A more domestic focused approach is being undertaken and this will prioritise investment opportunities that specifically cater to the renewable energy, digital economy, silver economy, food security and education in Malaysia. By prioritising these key sectors, KWAP is determined to play an influential stewardship role in Malaysia's financial and capital market ecosystem.

ENTERPRISE REVIEW

RETIREMENT SERVICES

The primary role of KWAP as an agent to the government includes the processing and payment of pension benefits such as gratuity, pension, ex-gratia, related claims, as well as customer service management. These are mandated as per the agency agreement signed between the Government of Malaysia and KWAP. In terms of performance, the Service-Level Agreement (SLA) for 2022 stated key requirements which include a minimum of 95% performance threshold. The oversight on the SLA performance is monitored and reviewed by the Public Service Department (PSD) via its committee that meets on a monthly basis.

KWAP performed beyond the expected SLA threshold with January to December 2022's weighted average score of 98.4% despite the increase in number of SLAs from seven to 10 and more stringent requirements. For comparison, 2021's weighted average score was at 98.3%.

BUSINESS PROCESS IMPROVEMENTS



1. Business Intelligence Dashboard

The implementation of Business Intelligence (BI) dashboards has received an international recognition award from the ASEAN Social Security Association (ASSA) under Information Technology category during 39th ASSA Board Meeting held from 23 to 24 November 2022 in Luang Prabang, Laos. Since its inception in 2017, the BI implementation has been significantly instrumental in improving business processes, productivity and compliance to SLA requirements.



2. Implementation of *Portal Semakan Maklumat Pesara* at Government Hospitals

KWAP unveiled its web-based application platform, *Portal Semakan Maklumat Pesara* in May 2022 which allows authorised personnel at government hospitals and clinics to verify the eligibility of pensioners and their dependants to access medical benefits entitlement. The implementation of the portal is aimed to improve customer experience at the above entities with greater ease of registration and reduction in waiting time.

Pensioners who have downloaded the MyPesara application on their mobile devices are also able to enjoy the service via the *e-Kad Pesara* function available on the application. The *e-Kad Pesara* is accepted at designated government hospitals as an alternative to presenting their physical pensioner card to access public healthcare services.



3. eHemodialysis System Enhancement

As part of its effort to strive for operational excellence, KWAP launched an eHemodialysis system enhancement on key modules on 14 October 2022. eHemodialysis is a system used by authorised hemodialysis centers to verify pensioners and dependents eligibility and submit claims on services rendered to KWAP. These enhancements have further improved current functionalities such as online renewal of operating license, update of dialysis centers' bank account number, monitoring tool for invoice submission and enhanced feature of guarantee letter printing function. In addition, it has also resulted in improved process transparency, accelerated turnaround time and mitigated risk of errors.



4. Pension Services Helpdesk

Part of pension-related activities include the attendance to technical requests or queries by external stakeholders, including Pension Division of Public Service Department, State Secretaries (SUK), dialysis centres, hospitals and other government agencies. In year 2022, the Pension Services Helpdesk portal was introduced to facilitate the process which enabled requests and queries to be centrally captured, monitored and updated, thus eliminating unattended or delayed issue resolution and reducing turnaround time.



5. Robotic Process Automation

Robotic Process Automation (RPA) allows for the adoption of configurable automation processes without the need for technical skills in programming. With the implementation of Automation Anywhere RPA tools in 2021, we have progressively introduced automation to processes that are repetitive, time consuming, require precision and entail out-of-hour jobs. In 2022, three new processes were automated, namely, application monitoring, daily electronic fund transfer data extraction and password reset process. More processes have been identified for RPA implementation in coming years.

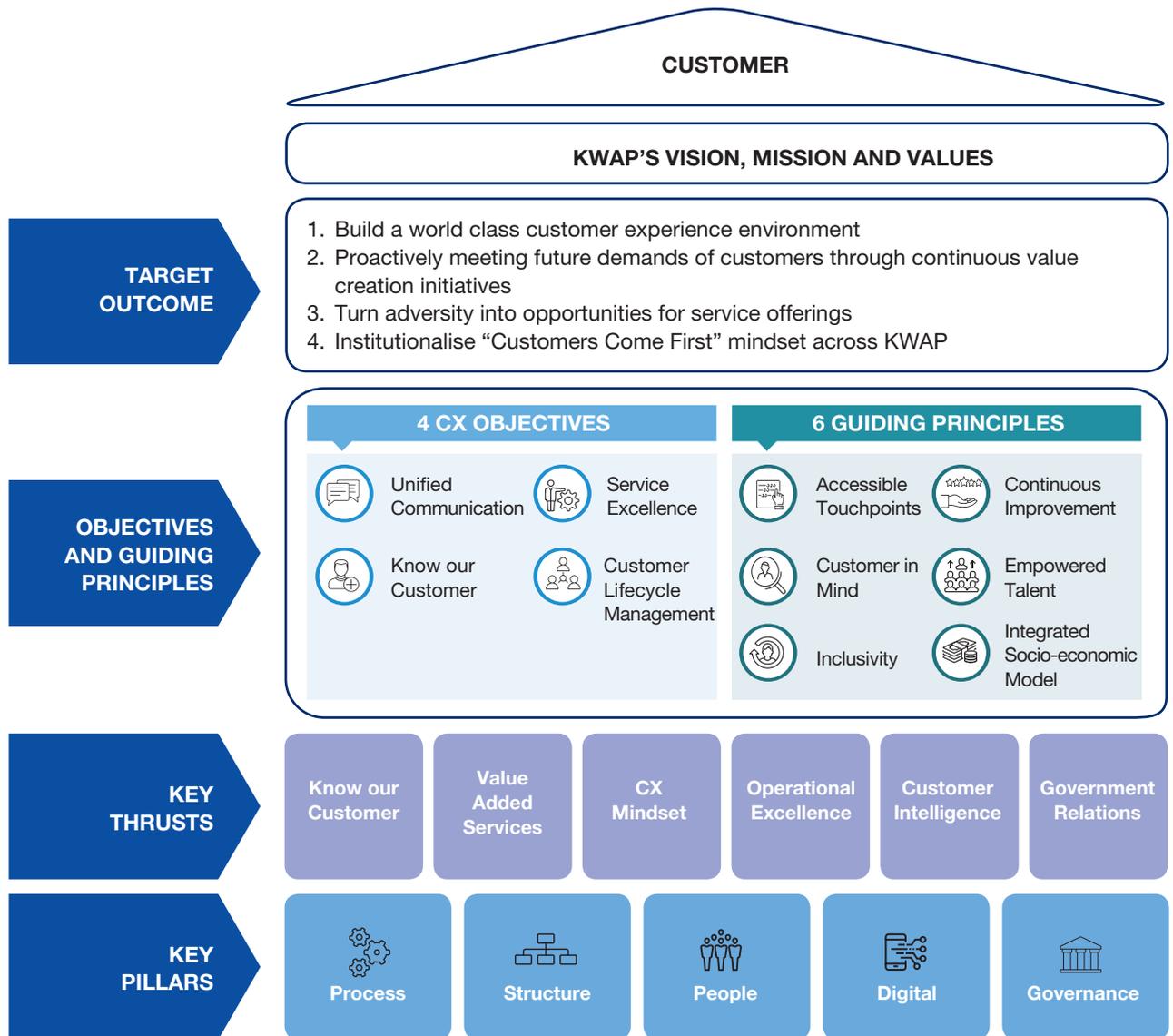


6. Customer Relationship Management Online Feedback Form

The Customer Relationship Management Online Feedback Form was introduced as a more convenient alternative to submit any enquiries or document to KWAP. Compared to the traditional way of filling in forms or emailing, the online form's official format with an easy template facilitates accurate completion and fast submission. This avoids errors and improves the processing time. User-friendly features include drop-down options, online inputting attachment of supporting documents. This has also improved processing time and productivity.

ENTERPRISE REVIEW RETIREMENT SERVICES

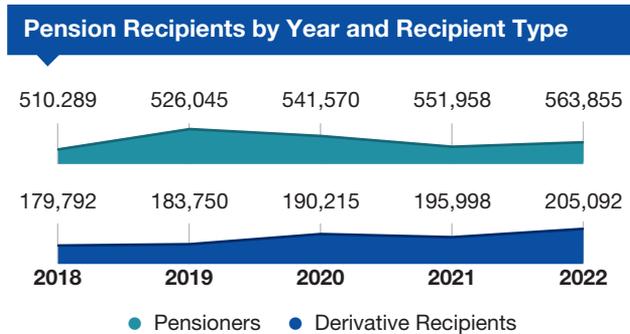
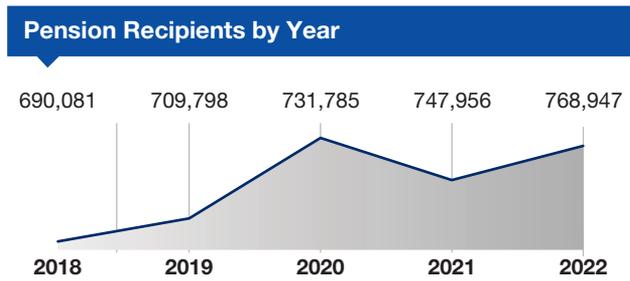
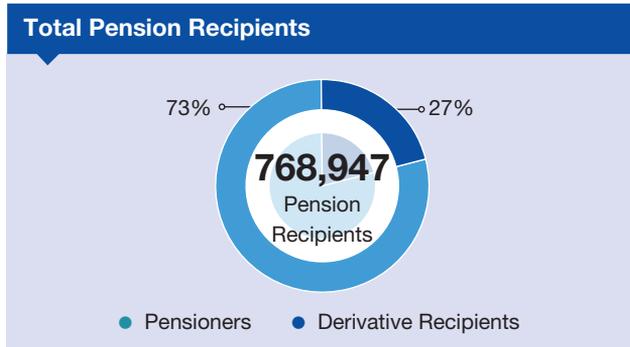
OVERVIEW OF CUSTOMER EXPERIENCE (CX) FRAMEWORK



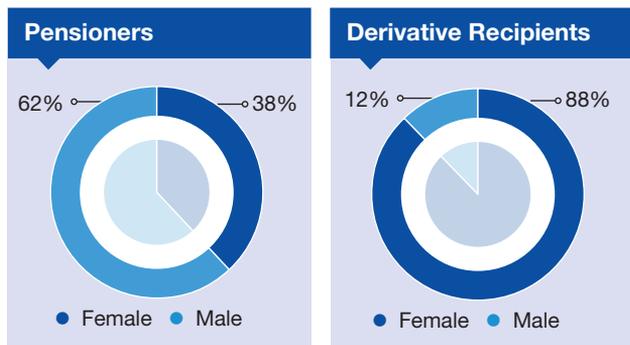
* The internal targets and milestones might be added as KWAP further enhance this framework and customer experience strategy in the future.

PENSION DEMOGRAPHICS AS AT 31 DECEMBER 2022

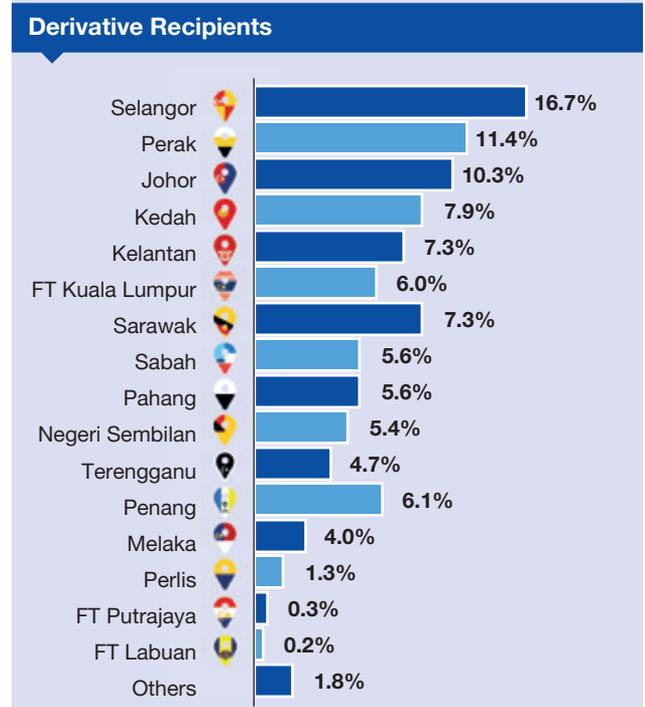
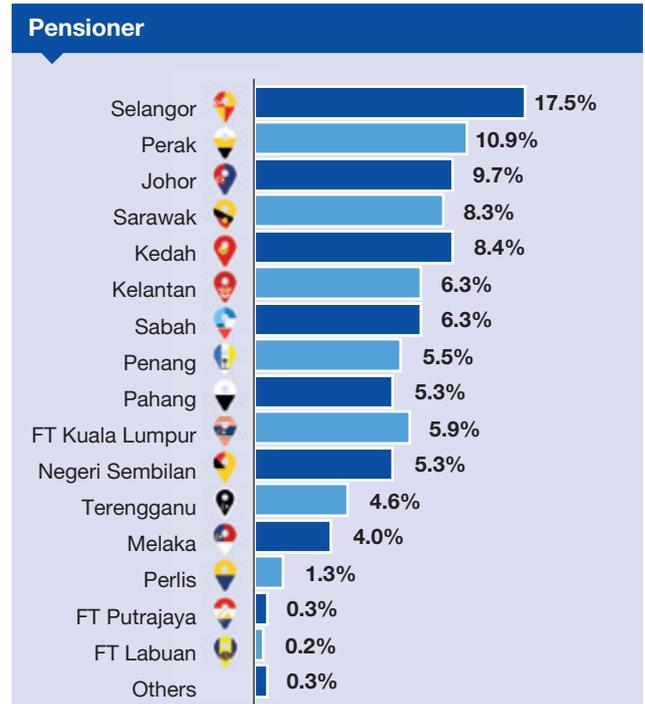
Pension Recipients Overview



Pension Recipients by Gender

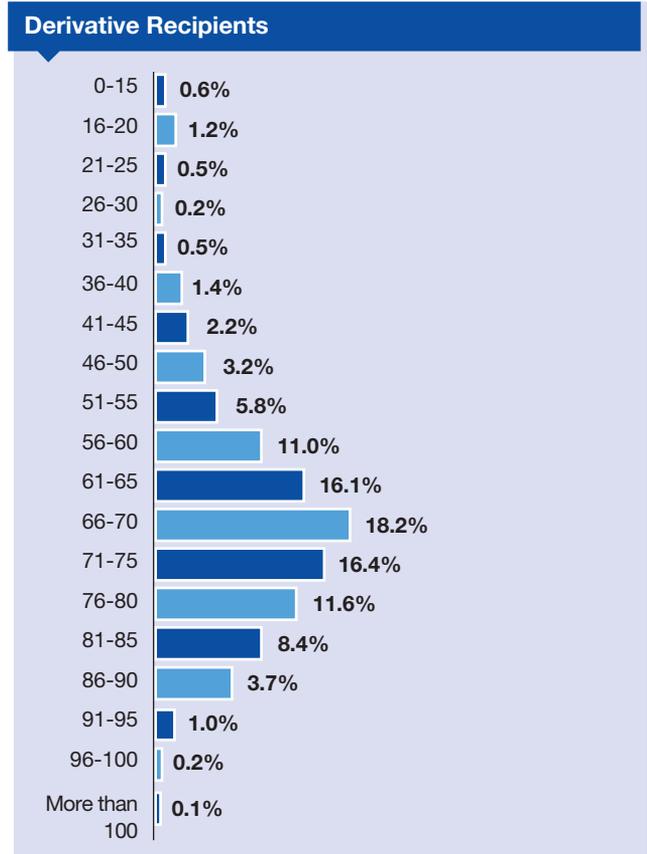
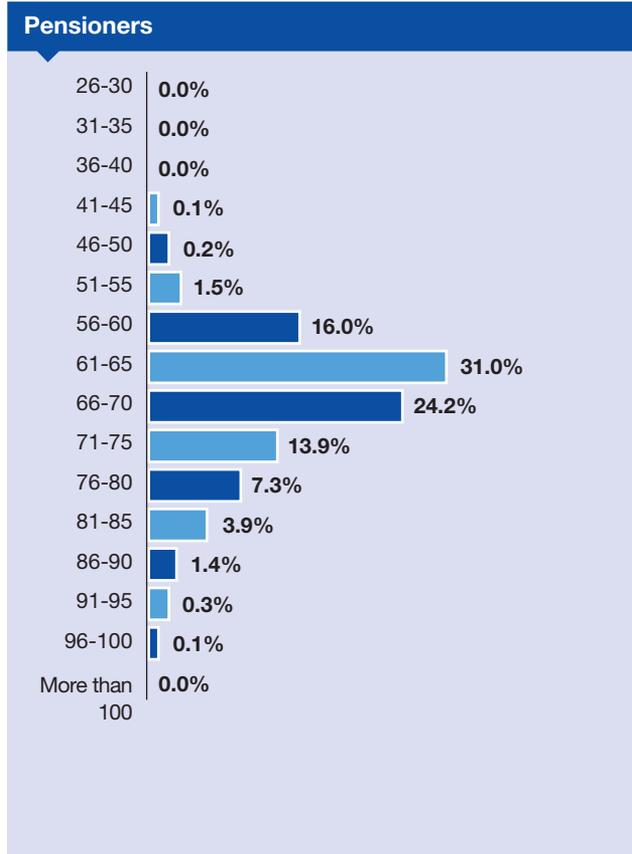


Pension Recipients by State

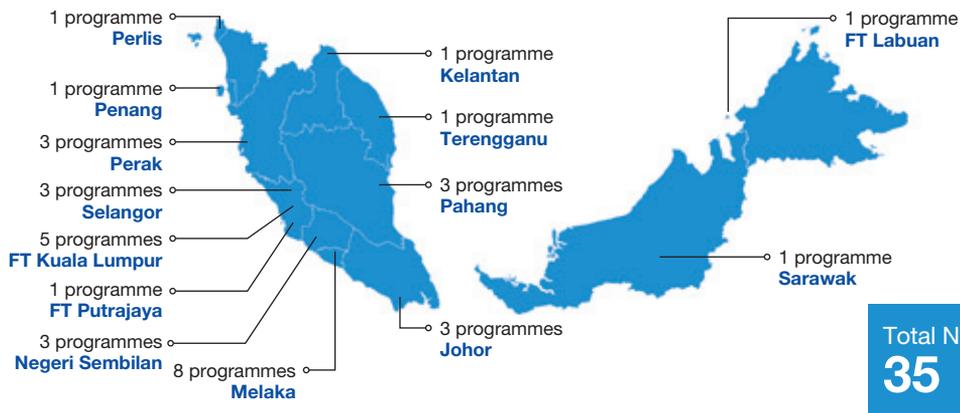


ENTERPRISE REVIEW RETIREMENT SERVICES

Pension Recipients by Age Distribution¹



KWAP's Physical Engagement Programmes



¹ Some percentages do not add up to exactly 100% because of rounding decimals.

APPLICATION USERS AS AT 31 DECEMBER 2022

MyPesara Application Users Since 2017

291,863

Total Downloads

>100% YoY
growth on MyPesara
App download



79%

Android
Users



19%

iOS Users



4.58/5

Rating

5,350

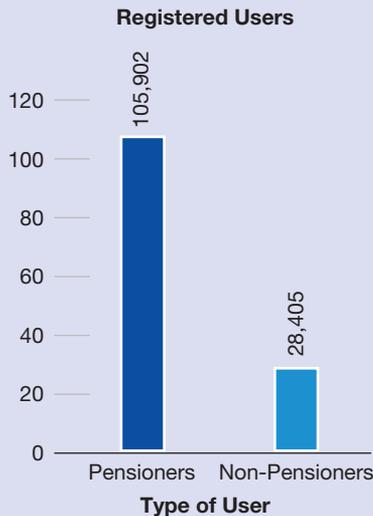
Feedback

1,205

Appointments Made via
MyPesara App



MyPesara Application Dashboard



79%

Pensioners

21%

Non-Pensioners

134,307

Total Registered
Users

MyPesara Application Pensioner Users

105,902 Users

Primary Users

61-65

Years Old

Gender



59% Male



41% Female

MyPesara Application Non-Pensioner Users

New Users on MyPesara Application

28,405 Users

Gender



63% Male



37% Female

ENTERPRISE REVIEW

CONTRIBUTION MANAGEMENT

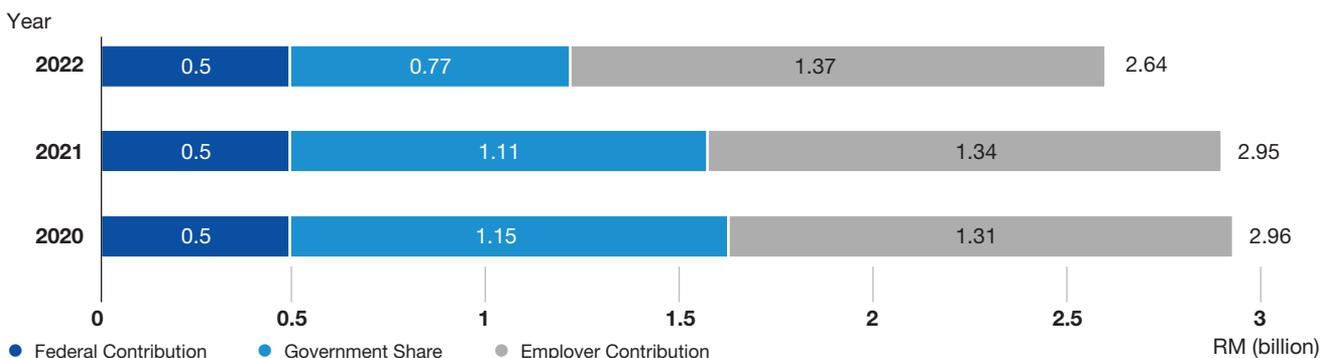
One of KWAP's primary roles is to manage pension contribution received from the Federal Government, Government Share (contributing agencies) and Employers (Statutory Bodies, Local Authorities and agencies).

For the year 2022, KWAP received a total of RM2.64 billion worth of contribution. The amount comprised RM0.50 billion from the Federal Government, RM0.77 billion from Government Share contributing agencies, and RM1.37 billion from Employers.

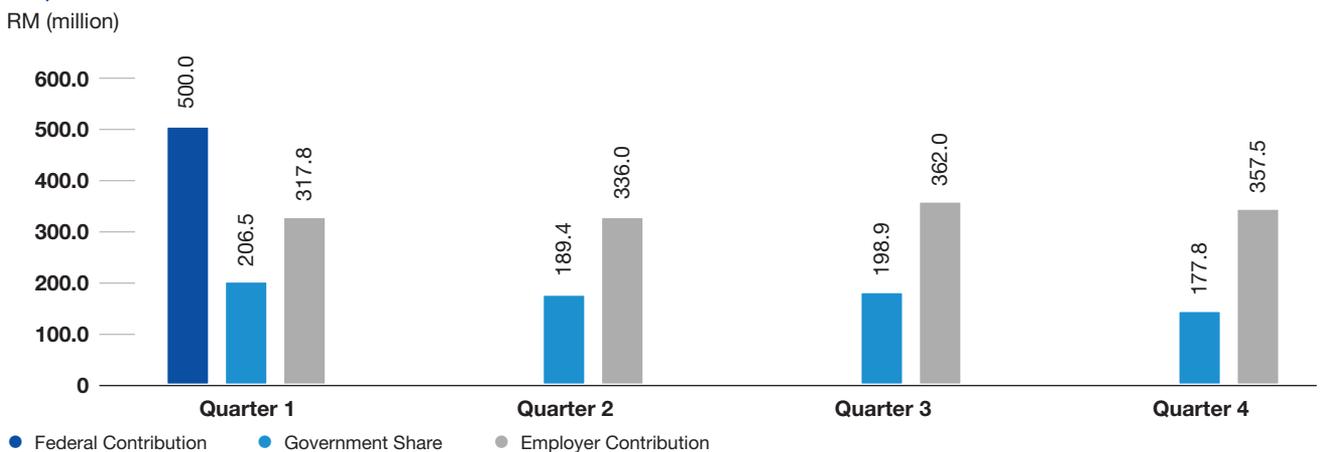
In comparison to the previous corresponding period, the total contribution was lower by RM0.30 billion due to the reduction in contribution of Government Share as one of the contributing agencies did not contribute at all in 2022.

However, there was a consistent increase in Employer contribution whereby RM1.31 billion was collected in 2020, RM1.34 billion in 2021 and RM1.37 billion in year 2022. This is attributed to the average increase in government staff salary.

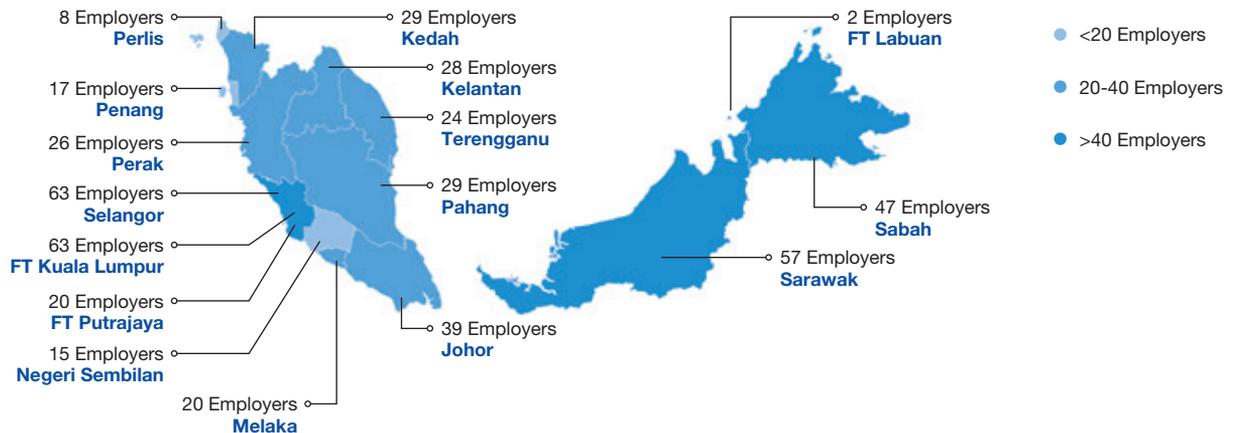
TOTAL CONTRIBUTIONS 2020-2022



QUARTERLY CONTRIBUTION IN 2022



DISTRIBUTION OF CONTRIBUTORS BY STATE



487 EMPLOYERS
As at 31 December 2022

KWAP recorded 487 registered employers in 2022, with higher saturation of 381 in West Malaysia, compared to 106 in East Malaysia. Kuala Lumpur and Selangor represent the states with the highest number of employers in West Malaysia at 63 each, followed by Sarawak with 57.

TOP 10 CONTRIBUTORS AS AT 31 DECEMBER 2022

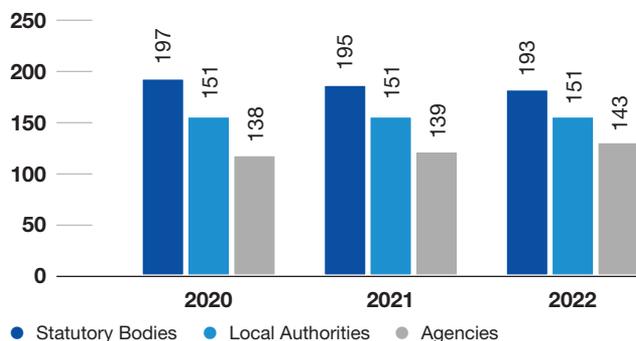
No.	Employer	RM (million)
1	Universiti Teknologi Mara	167.90
2	Majlis Amanah Rakyat	102.18
3	Universiti Kebangsaan Malaysia	73.48
4	Universiti Putra Malaysia	48.55
5	Dewan Bandaraya Kuala Lumpur	46.19
6	Universiti Teknologi Malaysia	43.38
7	Universiti Malaya	41.33
8	Hospital Universiti Sains Malaysia	36.47
9	Universiti Sains Malaysia	34.05
10	Pusat Perubatan Universiti Malaya	28.61

Universiti Teknologi Mara (UiTM) emerged as the highest contributor, followed by Majlis Amanah Rakyat (MARA) and Universiti Kebangsaan Malaysia (UKM). This is due to the high number of staff registered, with UiTM having 14,889 staff, MARA with 9,203 staff and UKM with 6,916 staff.

ENTERPRISE REVIEW

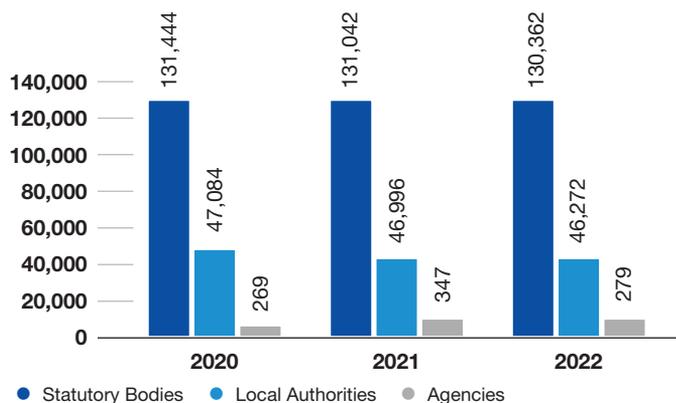
CONTRIBUTION MANAGEMENT

Number of Employers by Category



Total employers registered with KWAP have been generally consistent for the last three years with 487 in year 2022, 485 in year 2021 and 486 in year 2020.

Number of Employees by Category



A 1.2% reduction in total registered employees was recorded in 2022, with employees numbering 176,913 as compared to 178,385 in 2021. The reduction in total employees generally reflect retirement, deaths and reduction in new registrations.

Most of the Key Performance Indicators (KPIs) were conducted internally with only one initiative Virtual Interaction With Employers Programmes (VIWEP), incurring a cost of RM1,440. Though confronted by the challenges of resource constraints such as a shortage of staff and time, as well as lack of engagement from stakeholders, good progress was made on all KPIs.

There was an increase in employer contribution collection from RM1.34 billion in 2021 to RM1.37 billion in 2022, with a compliance rate of 98%.

The year's key focus was to achieve a fast and effective compliance programme with employers, contributing to the improved compliance rate of registered employers. The introduction of a Self-Compliance Checklist has also helped KWAP in ensuring effective compliance from employers. A total of 24 checklists have been distributed with score of 83.3% received on the effectiveness of the programme.

A series of engagement programmes were conducted throughout the year in ensuring compliance and to create awareness in relation to Statutory and Local Authorities Pension Act 1980 (Act 239) and related service circulars. A total of 31 compliance visits were held with employers consisting of 12 statutory bodies, nine local authorities, and 10 agencies. In addition, 11 engagement sessions have been conducted with various Ministries, State Secretary Offices, Appointing Authorities and new secondment agencies.

Eight VIWEP workshops were conducted in 2022 with total participation of 155 employers and 358 participants, to provide training and guidance to employers on various contribution areas and to close the operational gaps among employers and KWAP. The programme scored an average session effectiveness of 88%. Seven were conducted virtually while one was a hybrid session conducted simultaneously via both physical and virtual platforms at KWAP's KL Office.

Further improvement in terms of data management, data governance and contribution system mainly regarding ICMS, has been KWAP's focus point throughout the year with the objective of gaining higher efficiency of contribution collection and better monitoring by KWAP. Data cleansing, data reconciliation and data mapping activities in ICMS has been successfully conducted with a success rate of 94.14% for data cleansing and 100% for both data reconciliation and data mapping. Among challenges that KWAP faces in achieving the objective is on the adequate resources needed such as special skills staff and tight timeline.

Moving forward, KWAP is focused on continuous improvements in managing contribution. Towards this end, planned initiatives such as the introduction of a contribution management micro-organisation structure and the development of a new contribution system are proposed to be implemented in the near future.

ENTERPRISE REVIEW

DIGITALISATION

Various initiatives were implemented throughout the year to embrace digital transformation and to provide greater benefits to KWAP. Improvements to Information Technology (IT) security and IT infrastructure, deployment of an enhanced business system, establishment of a new Enterprise Data Solution and the activation of the Digital Division were among the initiatives.



Cyber Security Resilience

As an ongoing effort to improve the human pillar of the cyber security defence, the level of difficulty of phishing simulation was increased following the recommended global security benchmark. When KWAP first increased the difficulty level during phishing simulation early of the year, the phish prone percentage was recorded at 15.6%. However, the phish prone percentage dropped to 5.7% at the end of 2021, and improved further to 4.2% towards the end of 2022. Both instances illustrated the trend of continuous improvement of employee's cyber security awareness. The Multi-Factor Authentication (MFA) has also been enforced to all personnel as an added layer of security authentication while Enterprise Mobility and Security was implemented and configured to secure the digital data on mobile devices. A new sophisticated cyber security tool and services were also deployed to further protect the endpoints.

Additionally, in ensuring its information security management meets the global standards, KWAP managed to successfully renew its ISO 27001 certification in 2022 where it has been certified with ISO 27001 since 2013. Besides that, to date, KWAP has also succeeded in taking down 56 occurrences of digital fraudulence in the form of 10 fake MyPesara mobile application, 45 counterfeit websites impersonating KWAP and its subsidiary Prima Ekuiti (UK) Limited, and a social media account impersonation as part of its continuous effort to safeguard its digital environment.



Technology Infrastructure Upgrades

To enhance employees' productivity while working remotely, KWAP upgraded the technology infrastructure to fully support remote work culture. The upgrades include transitioning online meeting platform from obsolete Skype for Business to Microsoft Teams, widening the internet bandwidth and expansion of Virtual Desktop Infrastructure's resource capacity. To further enhance the remote working experience, KWAP refreshed the remaining 20% of its laptops completing previous year's effort, ensuring that all employees are equipped with the latest devices. Additionally, installation of video conferencing equipment in meeting rooms at Kuala Lumpur and Cyberjaya offices were made in pursuit of enabling hybrid meeting.

ENTERPRISE REVIEW

DIGITALISATION



Business System Enhancements

In terms of the business system, KWAP successfully implemented an enhanced Real-Time Electronic Transfer of Funds and Security system (RENTAS) to support ISO 20022 standard payment messages. ISO 20022 is a globally recognised standard for electronic data interchange between financial institutions. In comparison to previous ISO 15022 standard, the new standard improves the data content, provides a more structured messaging format, and has the ability to accommodate modern technologies easily. With this implementation, KWAP's payment messages process is more efficient with high quality data and is in compliance with with Bank Negara Malaysia's migration strategy to enhance RENTAS system to the new standard.



Enterprise Data Solution

Businesses use data to make more efficient and organised decisions where data provides valuable insights. KWAP completed a comprehensive analysis on its existing data warehouse infrastructure, as to make the most out of the mountains of data that it produces every day. Based on the findings, improvements will be made to address the growing enterprise data. Furthermore, the establishment of an Enterprise Data Solution unit focusing on emerging solutions such as data analytics, advanced reporting and artificial intelligence will enable access to high-quality data for accurate analysis, enhance customer experience and boost efficiency through tasks automation.



Digital Division Activation to Drive Digital Excellence

KWAP also activated the formation of Digital Division in the fourth quarter of 2022 to drive and accelerate digital excellence throughout the organisation. The division comprises Digital Strategy and Services, Digital Infrastructure, Digital Security, Digital Business Systems and Digital Data Management. This transformation is intended to allow digital activities to be more focused and aligned with business in executing digital initiatives while still providing the necessary day-to-day operational support to the stakeholders.



FOR BETTER **GOVERNANCE**

Strengthening group governance and enhancing oversight of subsidiaries framework with effective compliance.

OUR LEADERSHIP

PROFILE OF THE BOARD MEMBERS

DATUK JOHAN BIN MAHMOOD MERICAN

*Secretary General of Treasury,
Ministry of Finance*

*Section 6(4)(a) Retirement Fund
Act 2007*



ENCIK ADNAN ZAYLANI BIN MOHAMAD ZAHID

*Bank Negara Malaysia's
Representative*

*Section 6(4)(b) Retirement Fund
Act 2007*



Datuk Johan was appointed as KWAP's Chairman of the Board effective 27 February 2023.

He is currently the Secretary General of Treasury, Ministry of Finance. Prior to that, he was the Deputy Secretary General (Policy) at the Ministry of Finance since March 2022.

Datuk Johan has served in the Government in various roles such as the National Budget Director at the Ministry of Finance, Deputy Director General of the Economic Planning Unit, and Chief Executive Officer of Talent Corporation Malaysia. Before serving the Government in 2004, he had worked for nine years in corporate finance and accounting roles in the private sector.

Datuk Johan is a qualified Chartered Accountant of Institute of Chartered Accountants in England and Wales (ICAEW) and graduated with an Economics Degree from the University of Cambridge.

Encik Adnan Zaylani was reappointed as a member of the Board on 1 March 2021.

Encik Adnan Zaylani is the Assistant Governor with responsibility to oversee the financial markets and the investment sector. He started his career at Bank Negara Malaysia as a foreign exchange trader and portfolio manager in 1994 and played key roles in managing the international reserves, the National Trust Fund and several other public sector funds. He also oversaw financial market operations and was involved in advising the government on its cashflow management and debt strategy, participating in its international Sukuk roadshows in 2015 and 2016. He was appointed as the Assistant Governor for financial markets, investment, foreign exchange administration and currency management in 2016 before furthering his studies in 2017. Upon completion of this in 2018, he took over as the Assistant Governor of the Development Sector until 31 March 2022 and is currently again overseeing the financial markets and investment sector.

He is also a member of the Bank's Monetary Policy Committee and Financial Stability Committee; and Chairman of the Financial Market Committee, an industry-central bank platform for the development of financial markets.

Encik Adnan holds a Master's in Public Policy from the Blavatnik School of Government, University of Oxford, Masters of Science ('MSc') in Global Market Economics, London School of Economics and Bachelor of Sciences ('BSc') in Economics, London School of Economics.

**DATO' ANIS RIZANA BINTI MOHD
ZAINUDIN @ MOHD ZAINUDDIN**

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



Dato' Anis Rizana 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 Advanced Leadership Management Programme at INTAN, the Advanced Management Programme (AMP) at Harvard Business School, Boston, USA and Advanced Leadership Development Programme with Razak School of Government.

Dato' 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), served as the Head of Economic Stimulus Secretariat Unit, MOF. In 2009, Dato' 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.

Dato' 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, Malaysia Petroleum Resources Corporation and a Member of the Energy Commission. She also serves as Director in private companies under the purview of MOF.

OUR LEADERSHIP

PROFILE OF THE BOARD MEMBERS

DATUK HAJAH NIK AMLIZAN MOHAMED

*Chief Executive Officer (Ex-Officio
Member)*

*Section 6(4)(d) Retirement Fund
Act 2007*



DATUK DR. YACOB BIN MUSTAFA

*Federal Government's
Representative*

*Section 6(4)(e) Retirement Fund
Act 2007*



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

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

Her professional career spans almost 30 years in financial services and pension funds, overseeing investment functions across all asset classes, while having vast experience in fund management industry, transformational change and change management, as well as corporate governance matters.

She is currently the Vice Chairman of the Malaysia Institutional Investors Council, a Board member of the Minority Shareholders Watch Group, and a member of the Institute of Integrity Malaysia.

She is also a Board member of Prima Ekuiti (UK) Limited and KWEST Sdn. Bhd. – both of which are wholly-owned subsidiaries of KWAP, and a Board member of edotco Group Sdn Bhd. She also currently serves as a mentor for the Women Leadership Foundation Malaysia.

Datuk Hajah Nik Amlizan graduated with a Bachelor's Degree in Economics/Accounting from Claremont McKenna College, United States in 1991.

Datuk Dr. Yacob retired on 5 June 2022 and was later reappointed as a member of the Board on 3 August 2022, after his reappointment as the Accountant General of Malaysia.

Datuk Dr. Yacob is also a Chartered Accountant (Malaysia), Fellow of Certified Practising Accountant (Australia) and Chartered Public Finance Accountant (UK). Prior to his current position, he served as Deputy Accountant General (Corporate) and Deputy Accountant General (Operation) in AGD. His career journey spanned over more than 30 years serving various government department.

Currently, Datuk Dr. Yacob serves as Director of Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), Perbadanan Insurans Deposit Malaysia (PIDM) and Lembaga Hasil Dalam Negeri (HASiL).

Datuk Dr. Yacob holds a degree in accounting from Universiti Malaya, and a master's degree in business administration and a PhD in economics from Universiti Kebangsaan Malaysia.

**DATUK SITI ZAINAB
BINTI OMAR**

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



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

Datuk Siti Zainab read law and obtained LLB (Hons.) from 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 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 a wide range of 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.

OUR LEADERSHIP

PROFILE OF THE BOARD MEMBERS

DATO' MOHD SHAIFUL BIN IBRAHIM

Federal Government's Representative

Section 6(4)(e) Retirement Fund Act 2007



DATO' AZMI BIN ABDULLAH

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007



Dato' Mohd Shaiful has been appointed as KWAP Board Member on 15 December 2022. He is currently the Director of the Pension Division, Public Service Department since 2020.

Dato' Mohd Shaiful has more than 25 years of experience in the government service, particularly in the Educational Services Commission, Public Services Commission and the Public Service Department. He was the Senior Deputy Director under the Service Operations Branch, Service Division, Public Service Department before being appointed as the Director of the Pension Division.

Dato' Mohd Shaiful holds a degree in Library and Information Science from Universiti Teknologi MARA and a Master of Information Technology from the National University of Malaysia. He also holds a Diploma in Public Administration from the National Institute of Public Administration (INTAN).

Dato' Azmi has been as 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 for more than 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 B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) Honorary Doctorate in Business Administration from UKM on 16 August 2006.

**YM RAJA TEH MAIMUNAH BINTI
RAJA ABDUL AZIZ**

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007



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 Chief Executive Officer of ACS Digital Berhad. Prior to her current appointment, she was the Managing Director of Wholesale Banking, AmBank Group and Chief Executive Officer of AmInvestment Bank and before that, the Managing Director and Chief Executive Officer of Hong Leong Islamic Bank Berhad and COO of Digital Innovation and Transaction Banking at Hong Leong Banking Group. 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). 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.

OUR LEADERSHIP

PROFILE OF THE BOARD MEMBERS



DATO' SRI SHARIFAH SOFIANNY BINTI SYED HUSSAIN

Private Sector's Representative

Section 6(4)(f) Retirement Fund Act 2007

Dato' Sri Sharifah Sofianny 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 a lasting imprint on the businesses that she led. She has been a catalyst for organisational changes that have yielded efficient and profitable 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.

**ENCIK ABDUL RAHMAN
BIN MOHD NORDIN**

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



Encik Abdul Rahman was reappointed as a member of the Board on 1 March 2021.

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

RESIGNED/RETIRED BOARD MEMBERS

No.	Name of Board Member	Date of Resignation/ Retirement
1	Tan Sri Mohd Khairul Adib Bin Abd Rahman	16 January 2022
2	Dato' Sri Mohd Shafiq Bin Abdullah	12 December 2022
3	Datuk Seri Asri Bin Hamidon @ Hamidin	4 January 2023

OUR LEADERSHIP

PROFILE OF INVESTMENT PANEL MEMBERS

DATO' MOHAMAD NASIR BIN AB LATIF

*Chairman of the Investment
Panel*

*Section 7(2)(a) Retirement
Fund Act 2007*



ENCIK MOHAMMAD REEZAL BIN AHMAD

*Ministry of Finance's
Representative*

*Section 7(2)(c) Retirement Fund
Act 2007*



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

Dato' Mohamad Nasir started his career with the Employees Provident Fund 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 Director of Malaysia Resources Corporation Berhad, RHB Bank Berhad and Yinson Holdings Berhad.

Dato' Mohamad Nasir graduated with a Bachelor's degree 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.

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

He currently serves as Deputy Under Secretary, (Indirect Taxes & GST Policy), Tax Division, Ministry of Finance Malaysia (MOF). Prior to the current designation, he was the Deputy Chief Economist (Macroeconomics) at the Fiscal and Economics Division, MOF after holding the post of Under Secretary of Statutory Body Strategic Management Division, MOF.

Encik Mohammad Reezal began his career in 1999 as an Accountant in Kedah State Government. Later in 2000, he joined 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 Ministry of Finance 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 Non Independent Non-Executive Director of Perbadanan Kemajuan Pertanian Selangor, Lembaga Pelabuhan Kuantan, Westports Malaysia Sdn Bhd and Lembaga Hasil Dalam Negeri Malaysia (HASiL) respectively.

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

DATO' NOORAZMAN BIN ABD AZIZ*Private Sector's Representative**Section 7(2)(e) Retirement Fund Act 2007*

Dato' Noorazman 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 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 rejoined 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 a Managing Director of FajrCapital Limited, 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 Sendirian Berhad.

Dato' Noorazman holds a BSc Finance from Louisiana State University, USA. He holds membership of 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.

OUR LEADERSHIP

PROFILE OF INVESTMENT PANEL MEMBERS

ENCIK MOHAMED NAZRI BIN OMAR

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



DATO' MOHAMED ROSS BIN MOHD DIN

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



Encik Mohamed Nazri 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 Managing Director of Bank Pembangunan Malaysia Berhad. Previously, he was a 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). 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.

Dato' Mohamed Ross was appointed as a member of the Investment Panel since 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.

**ENCIK ANTHONY LIM
CHOON ENG**

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

**DATUK HAJAH NIK
AMLIZAN MOHAMED**

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



Encik Anthony Lim was appointed as an Investment Panel Member of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] since 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 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, information technology, operational and regulatory compliance and risk management. He later joined Implico GmbH, Germany and Malaysia from 2010 to 2014 as Private Equity Investor/Director. In 2011, he joined Sumitomo Mitsui Banking Corporation Berhad, Malaysia as 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 Degree in Applied Finance from the 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 had attended both the Advance Management Program and Senior Leadership Program in Wharton School of Business, University of Pennsylvania, USA.

Datuk Hajah Nik Amlizan was appointed as the Chief Executive Officer and Investment Panel member of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] on 2 November 2020. Her full profile is available on page 88.

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**DATUK HAJAH NIK
AMLIZAN MOHAMED**

*Chief Executive Officer
(CEO)*

Datuk Hajah Nik Amlizan was appointed as the Chief Executive Officer of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] on 2 November 2020. Her full profile is available on page 88.



**ENCIK HAZAD RIZAL
BIN A AZIZ**

Chief Financial Officer (CFO)

Encik Haizad Rizal has over two decades of experience in financial services and served as Chief Financial Officer at Sime Darby Oils, SME Bank Group and Johawaki Group previously. He began his career in Ireland for nine years with BDO Simpson Xavier, Daiwa Europe Fund Managers and KPMG Ireland. Subsequently, he joined RHB Banking Group in 2009 where he took on various roles.

He is a Fellow Chartered Accountant (FCA) from Institute of Chartered Accountants in Ireland (ICAI) and holds a BA (Hons) in Accounting and Finance from Dublin Business School. He also attended the Advanced Management and Leadership Programme at Said Business School, University of Oxford.



**ENCIK HAZMAN HILMI
BIN SALLAHUDDIN**

*Chief Investment Officer
(CIO)*

Encik Hazman Hilmi was appointed as the Chief Investment Officer of KWAP on 3 January 2022. He was previously the Managing Director of Damansara Assets Sdn Bhd (DASB) – a wholly owned real-estate subsidiary of Johor Corporation (JCorp) and the Chief Executive Officer of AMAL by Malaysia Airlines – a wholly owned subsidiary of the Malaysian Aviation Group. Prior to that, Encik Hazman Hilmi was with Khazanah Nasional Berhad where he served in various roles across the organisation over 12 years, including as the Senior Vice President of Khazanah Europe Investment Limited based in London, and Vice President of Khazanah Turkey Regional Office based in Istanbul. Hazman has multi-sector experience in private equity and venture capital investments with a focus on strategy, investment execution, deal negotiations, and value creation planning.

He obtained his MEng (First Class) in Engineering, Economics and Management from Balliol College, University of Oxford, United Kingdom, and MSc in Operational Research from the London School of Economics and Political Science, United Kingdom.



**ENCIK MAZ MIRZA
BIN MOHD AMINURASHID**

Chief Digital Officer (CDO)

Encik Maz Mirza was appointed as the first Chief Digital Officer of Kumpulan Wang Persaraan (Diperbadankan) [KWAP] on 3 October 2022.

Encik Maz Mirza who brings 25 years of expertise in the Information Technology (IT) industry and cybersecurity previously served as the Head of IT at Mass Rapid Transit Corporation (MRT Corp). Before joining MRT Corp, he served as the Head of IT at Puspakom. Prior to that, he was attached to several subsidiaries of Sime Darby group for a span of 13 years.

Encik Maz Mirza graduated with a Bachelor's Degree (Honours) in Computer Science from University of Cambridge, United Kingdom in 1997.



**ENCIK AZLAN
BIN HUSSIN**

Head, Equity Department

Encik Azlan has more than 20 years of experience in portfolio management. Prior to this, he was the CEO of MIDF Amanah Asset Management Berhad where he managed to grow the asset under management to RM4 billion from an initial size of RM300 million.

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

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



**ENCIK SAIFULBAHRI
BIN HASSAN**

*Head, Private Equity
Department*

Encik Saifulbahri has over 20 years of experience in various technology related sectors ranging from IT services to manufacturing. Encik Saifulbahri spent over 15 years in Private Equity and Venture Capital investing in various stages of enterprise development and its funding needs. He is also active in the development of the domestic and international private investing eco-system from influencing policymaking to building linkages with international eco-systems.

He graduated with a Bachelor's Degree in Economics from University of Missouri-Kansas City, Missouri, USA and obtained his Master's Degree in Management from the International Islamic University, Malaysia.



**ENCIK MOHAMED KHABIR
BIN REEZA MUSTAFFA**

Head, Fixed Income Department

Encik Mohamed Khabir has more than 15 years of experience in the financial markets, covering a wide spread of institutions which include regulatory, development as well as fund management.

He started his career with Bank Negara Malaysia and subsequently moved to SME Development Bank where he led the Treasury and Investment department.

Currently, he is the Head of KWAP's Fixed Income department where he oversees the management of a variety of products which includes bonds, derivatives, FX as well as money market for both domestic and international portfolios.

He graduated with a Bachelor's Degree in Finance from University Teknologi Mara and is a member of the Financial Market Association Malaysia.



**ENCIK AHMAD SHAKIR
BIN MOHD ASRI**

*Head, Real Estate
Department*

Encik Ahmad Shakir has over 15 years of experience in various positions, with more than 10 years in investments across different asset classes. More recently, he had joined the Real Estate Department in 2019 after his stint as Principal Officer at Prima Ekuiti (UK) Limited, a KWAP subsidiary in the United Kingdom. Earlier, he had joined KWAP as an Equity Fund Manager in 2014 after completing almost seven years in Bank Negara Malaysia.

He had graduated with a BSc Accounting and Finance from University of Warwick, United Kingdom. Encik Ahmad Shakir is also a CFA charterholder.

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SENIOR MANAGEMENT TEAM PROFILES



ENCIK NAZAIFUL AFFENDI BIN ZAINAL ABDIN

*Head, Portfolio Strategy and
Research Department*

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



ENCIK MOHD FAIZAL BIN MOHD YUSOF

*Head, Corporate Strategy
Department*

Encik Mohd Faizal has over 15 years of experience years in accounting, corporate strategy & planning, corporate finance and financial advisory services. He started his career in PricewaterhouseCoopers where he had over seven years of experience, providing financial statutory audit and advisory services to multinational corporations, listed and private entities mainly in the plantation, consumer & industrial manufacturing, property development and infrastructure sectors.

He joined Felda Global Ventures (FGV) in 2010 where he co-led the corporate finance team in the Initial Public Offering exercises of Malayan Sugar Manufacturing (MSM) Berhad and FGV Berhad. Subsequently, he joined KWAP as Vice President of Corporate Finance in 2014.

He holds a Bachelor of Business, majoring in Accounting & Finance from the Royal Melbourne Institute of Technology University and is a member of CPA Australia since 2005.



ENCIK KHAIRUL AZWA BIN KAMALUL BAHRIN

*Head, Risk Management and
Compliance Department*

Encik Khairul Azwa has over 20 years of experience in risk management and banking. Prior to joining KWAP, he was with OCBC Bank (Malaysia) Berhad.

He obtained his LL.B (Hons) from University of Liverpool, UK and MBA Management, University of Wales, Cardiff, UK. He is also a Certified Financial Risk Manager (FRM), Global Association of Risk Professionals.



TUAN SYED ALI HAIDAR BIN SYED SHAHABUDDIN

*Head, Legal and Secretarial
Department*

Tuan Syed Ali Haidar has over 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 University of Glamorgan, Wales, UK and obtained his Certificate of Legal Practice, Legal Profession Qualifying Board, Malaysia.



**PUAN SITI ILMIAH
BINTI RAMLI**

*Head, Human Resources
Department*

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

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



**ENCIK HAMKHUSHAIRI
BIN JAHARI**

Head, Internal Audit Department

Encik Hamkhusairi has over 20 years of working experience in banking industry. Prior to joining KWAP, he was the Senior Country Audit Manager at Standard Chartered Bank Malaysia Berhad and Senior Risk Manager at Perbadanan Insurans Deposit Malaysia. He also spent considerable number of years with Bank Negara Malaysia as Senior Supervisor.

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



**ENCIK MOHD NASIR
BIN AB. HADI**

*Head, Integrity and
Governance Office*

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

He has a total of over 20 years of experience as an Anti-Corruption practitioner while serving the MACC since 1984 to 2005. He was seconded to the Malaysian Human Rights Commission (SUHAKAM) as Principle Assistant Secretary in 2001 to 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 has been a Panel Member of the Kuala Lumpur Industrial Court from 2010 to 2012.

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

OUR LEADERSHIP

SENIOR MANAGEMENT TEAM PROFILES



ENCIK MUHAMAD HAFIZ BIN ABAS

*Head, Pension Services
Department*

Encik Muhammad Hafiz has over 20 years of experience in the area of internal audit, risk management and operations management. Prior to joining KWAP, he was the head of risk management at RHB Insurance Berhad and internal auditor at Public Bank Berhad.

He graduated with a Bachelor's Degree in Finance and Economics from New York University, USA and obtained his Master of Business Administration from International Islamic University, Malaysia



PUAN NAJIHAH BINTI MOHAMAD NORWI

*Head, Accounts and
Management Services
Department*

Puan Najihah has over 20 years of experience as a corporate accountant in sectors such as insurance, IT, utilities and infrastructure. Prior to KWAP, she was a 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.



PUAN FAROZA BINTI MOHAMED SOHOR

Head, Contribution Department

Puan Faroza has over 25 years of experience in governance, transformation, business process improvement, Management Information Systems and Data Management.

Prior to joining KWAP in 2013, she was the Head of Management Information System at the Asian Finance Bank Berhad (AFB), a foreign full-fledged Islamic Bank backed up by Qatar Islamic Bank Group, now officially known as MBSB Bank Berhad.

Prior to that, Puan Faroza was with the Ambank Group, where she led the non-performing loan statutory and management reporting for consumer banking by implementing business application enhancements for both conventional and Islamic products.

Puan Faroza obtained her Masters in Business Administration (MBA) in Applied Finance Investment from the University Kebangsaan Malaysia (UKM) in 2008 and Bachelor of Science (BSc) in Finance from Oklahoma State University, Oklahoma USA in 1996. She also obtained her Diploma in Banking Studies from the Universiti Teknologi Mara (UiTM) in 1992.



ENCIK MD HAYRANI BIN MIRESO

*Head, Investment Operations
Department*

Encik Md Hayrani joined KWAP in 2007. He has over 25 years of experience as an accountant as well as in treasury and fixed income management in the banking sector. Prior to joining KWAP, he served as a manager in Treasury Division, Treasury and Investment Department in Bank Simpanan Nasional.

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



**ENCIK ABDUL RAZAK
BIN JABAR**

*Head, Digital Strategy &
Services Department*

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

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



**PUAN NOR FARIDAH
BINTI AMIN**

*Head, Strategic
Communications Department*

Puan Nor Faridah is a Marketing graduate with more than 20 years of experience in sales, marketing and promotions, communications and event management.

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

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

RESIGNED/RETIRED SENIOR MANAGEMENT TEAM

No.	Name of Senior Management	Date of Resignation/ Retirement
1	Encik Nik Ahmad Fauzan Bin Nik Mohamed	31 August 2022
2	Puan Tursina Binti Yaacob	14 July 2022

STATEMENT ON CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD

KWAP's Board comprises qualified, experienced, and skillful 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 86 to 93 of this Annual Report.

In 2022, the tenure of appointment of Datuk Dr. Yacob Bin Mustafa has ended pursuant to his retirement on 5 June 2022. Subsequently, the Minister of Finance had approved the reappointment of Datuk Dr. Yacob as KWAP Board member on 3 August 2022, pursuant to his reappointment as the Accountant General of Malaysia.

The following new Board members had been appointed in 2022, namely:

- i. Dato' Sri Mohd Shafiq Bin Abdullah, the new Director-General of Public Service Department has been appointed on 1 March 2022 to replace Tan Sri Mohd Khairul Adib Bin Abd Rahman who has retired on 16 January 2022; and
- ii. Dato' Mohd Shaiful Bin Ibrahim on 15 December 2022, to replace Dato' Sri Mohd Shafiq bin Abdullah whose service with the Government of Malaysia ended on 12 December 2022.

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.

INITIATIVE UNDERTAKEN IN LINE WITH PRINCIPLES ON GOOD GOVERNANCE OF GOVERNMENT-LINKED INVESTMENT COMPANIES

For continuous improvement in the leadership and performance in the Board and the Investment Panel, KWAP has embarked on Board and Investment Panel's Effectiveness Assessment (BEA) in Q4 2022, so that their respective roles are carried out efficiently and effectively.

This is also in line with the Principles on Good Governance for Government-Linked Investment Companies (PGG) issued by the Ministry of Finance in April 2022, which states that "a board evaluation facilitated by independent experts is conducted once every year".

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 two years, and/or as and when required.

COMPONENTS OF AN EFFECTIVE BOARD

Structuring a high-performing Board

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

Ensuring effective Board operations and interactions

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

Fulfilling the Board's fundamental roles and responsibilities

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

STATEMENT ON CORPORATE GOVERNANCE

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 eight 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 2022, 11 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 requires simple majority approval which will be reported during the following Board meeting for notification.

The attendance of the Board Members for 2022 is set out below:

No.	Name	Attendance
1	Datuk Seri Asri Bin Hamidon @ Hamidin ¹	11/13
2	Dato' Sri Mohd Shafiq Bin Abdullah ²	3/11
3	Datuk Dr. Yacob Bin Mustafa	12/13

No.	Name	Attendance
4	Datuk Siti Zainab Binti Omar	9/13
5	Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin	11/13
6	Dato' Azmi Bin Abdullah	13/13
7	Encik Adnan Zaylani Bin Mohamad Zahid	10/13
8	YM Puan Raja Teh Maimunah Binti Raja Abdul Aziz	8/13
9	Dato' Sri Sharifah Sofianny Binti Syed Hussain	13/13
10	Encik Abdul Rahman Bin Haji Mohd Nordin	12/13
11	Dato' Mohd Shaiful Bin Ibrahim ³	- (No Board Meeting was held after 15 December 2022)
12	Tan Sri Mohd Khairul Adib Bin Abd Rahman ⁴	- (No Board Meeting was held before 16 January 2022)
13	Datuk Hajah Nik Amlizan Mohamed	13/13

¹ Resigned as Secretary General of Treasury, Ministry of Finance on 4 January 2023 and ceased to be KWAP Board Member on the same day.

² Appointed on 1 March 2022; the service with Government of Malaysia ended on 12 December 2022 and ceased to be KWAP Board Member on the same day.

³ Appointed on 15 December 2022.

⁴ Retired from the Government Service on 16 January 2022 and ceased to be KWAP Board Member on the same day.

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

The key proposals approved by the Board for 2022 are as follows:

- i. KWAP's Corporate Scorecard and Financial Results for 2021;
 - ii. KWAP's Business Plan and Corporate Scorecard for FY2023;
 - iii. Proposal to Approve 2023 Investment Strategy and Return Target;
 - iv. KWAP's Audited Financial Statements for Financial Year 2021;
 - v. KWAP's Expenditure Budget for Financial Year 2023;
 - vi. Implementation of Data Privacy Initiative (Phase 2) Recommendation;
 - vii. Approval for KWEST Sdn Bhd's 5-Year Blueprint (2022-2026);
 - viii. Proposal to Approve Business Plan for Prima Ekuiti (UK) Limited;
 - ix. Proposal to Enhance Prima Ekuiti (UK) Limited Governance Structure;
 - x. Proposal on MySTEP Programme 2022 for KWAP;
 - xi. Implementation of Enhanced Organisational Structure;
 - xii. Proposal to Update the Accounting Policy for KWAP;
 - xiii. Update and Approval on Proposed Revision to Target Operating Model's Implementation Plan;
 - xiv. Proposed Revision to the Terms of Reference of Board Committees of KWAP;
 - xv. Proposal on the Realignment of Management Committees and Working Groups;
 - xvi. Proposal on KWAP Brand Strategy Roadmap;
 - xvii. Proposal on Corporate Social Responsibility Policy; and
 - xviii. Proposal to Approve KWAP's Customer Experience (CX) Framework.
- Apart from approval papers, the Board of KWAP had also deliberated on reports which were tabled for its notification on monthly or quarterly basis, amongst others, are as follows:
- i. Notification on Investment Activities and Performance Reports;
 - ii. Notification on Financial Reports;
 - iii. Notification on Pension Services Department Performance Review;
 - iv. Quarterly Pension Contribution Report;
 - v. Progress Report on TERAS 5 Implementation; and
 - vi. Quarterly Risk Management and Compliance Department Report.

STATEMENT ON CORPORATE GOVERNANCE

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. The Investment Panel is generally responsible to recommend the relevant investment policies and strategies to be approved by the Board. Further, the Investment Panel shall have the authority and limit as specified under KWAP Act, KWAP's Investment Policy, Investment Guideline and/or other relevant policies currently in force.

Composition of the Investment Panel

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

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

A brief profile of each Investment Panel member is presented on pages 94 to 97 of this Annual Report.

Primary Duties and Responsibilities of the Investment Panel

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

Investment Panel Meetings

During the financial year 2022, 12 Investment Panel meetings and four 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	Dato' Mohamad Nasir Bin Ab Latif – Chairman	16/16
2	Encik Mohammad Reezal Bin Ahmad	13/16
3	Dato' Noorazman Bin Abd Aziz	15/16
4	Dato' Mohamed Ross Bin Mohd Din	15/16
5	Encik Mohamed Nazri Bin Omar	9/16
6	Encik Anthony Lim Choon Eng	16/16
7	Datuk Hajah Nik Amlizan Mohamed	15/16

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 Committee, Board Risk and Compliance Committee, Board Nomination and Remuneration Committee, Board Procurement Committee and Board Disciplinary Committee. The Board Committees are granted the authorities to act on the Board's behalf in accordance with their respective Terms of Reference which are provided in the Board Charter.

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

BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was established to provide oversight on KWAP Group's financial reporting process and internal controls framework and to assist the Board in assessing the adequacy of controls in the processes and procedures undertaken are in accordance with applicable laws, rules and regulations directives and guidelines established by the relevant regulatory bodies.

Membership

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

- i. Dato' Azmi Bin Abdullah – Chairman;
- ii. Datuk Dr. Yacob Bin Mustafa – Member;
- iii. Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin - Member;
- iv. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Member; and
- v. Datuk Siti Zainab Binti Omar – Member¹

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

Four BAC meetings and four Special BAC meetings were held throughout year 2022.

BAC Meeting Attendance:

No.	Name	Attendance
1	Dato' Azmi Bin Abdullah	8/8
2	Datuk Dr. Yacob Bin Mustafa	6/8
3	Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin	8/8
4	Dato' Sri Sharifah Sofianny Binti Syed Hussain	8/8
5	Datuk Siti Zainab Binti Omar ¹	2/2

Summary of the BAC's Activities:

Among major issues deliberated by the BAC during the year 2022 were:

- i. Consolidated Financial Statements of KWAP for the Financial Year Ended 31 December 2021;
- ii. Internal Audit Plan 2022;
- iii. Internal Audit Department Scorecard 2021 Results;
- iv. 2022 Internal Audit Department's Initiatives;
- v. Audit Activity Report; and
- vi. Internal Audit Reviews and Outstanding Audit Issues of several departments in KWAP.

¹ Appointed on 26 August 2022.

STATEMENT ON CORPORATE GOVERNANCE

BOARD INTEGRITY COMMITTEE

The Board Integrity Committee (BIC) was established to assist the Board in overseeing the implementation of integrity, anti-corruption and governance functions in KWAP and/or KWAP Subsidiaries, as the case may be, monitor related issues, and ensure adequate measures for integrity and good governance within the organisation.

Membership

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

- i. Dato' Sri Mohd Shafiq Bin Abdullah - Chairman¹;
- ii. Datuk Dr. Yacob Bin Mustafa - Member;
- iii. Datuk Siti Zainab Binti Omar - Member;
- iv. Encik Abdul Rahman Bin Mohd Nordin - Member; and
- v. YM Puan Raja Teh Maimunah Binti Raja Abdul Aziz - Member²

Two BIC meetings were held throughout the year 2022.

BIC Meeting Attendance:

No.	Name	Attendance
1	Dato' Sri Mohd Shafiq Bin Abdullah	2/2
2	Datuk Dr. Yacob Bin Mustafa	1/1
3	Datuk Siti Zainab Binti Omar	2/2
4	Encik Abdul Rahman Bin Mohd Nordin	2/2
5	YM Puan Raja Teh Maimunah Binti Raja Abdul Aziz ²	1/1

Summary of the BIC's Activities:

Key issues deliberated by the BIC in 2022 were:

- i. Proposed Revision to the Terms of Reference (TOR) of BIC;
- ii. Proposal on Adoption of KWAP's Anti-Corruption Policies by Subsidiaries; and
- iii. Proposal on Integrity and Governance Office Initiatives for 2023.

BOARD RISK AND COMPLIANCE COMMITTEE

The Board Risk and Compliance Committee (BRCC) was established to assist the Board in reviewing the risk management strategies, determining risk appetite, reviewing the risk management framework, policies and limits, reviewing risk exposures and overseeing the overall risk management.

Membership

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

- i. Dato' Sri Sharifah Sofianny Binti Syed Hussain - Chairman
- ii. Dato' Azmi Bin Abdullah - Member
- iii. Encik Adnan Zaylani Bin Mohd Zahid - Member
- iv. YM Puan Raja Teh Maimunah Binti Raja Abd Aziz - Member
- v. Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin - Member³

Six BRCC meetings were held throughout the year 2022.

¹ Appointed on 15 March 2022 and resigned on 12 December 2022.

² Appointed on 26 August 2022.

² Appointed on 26 August 2022.

BRCC Meeting Attendance:

No.	Name	Attendance
1	Dato' Sri Sharifah Sofianny Binti Syed Hussain	6/6
2	Dato' Azmi Bin Abdullah	6/6
3	Encik Adnan Zaylani Bin Mohamad Zahid	4/6
4	YM Puan Raja Teh Maimunah Binti Raja Abd Aziz	6/6
5	Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin ¹	2/2

Summary of the BRCC's Activities:

Key issues deliberated by the BRCC in 2022 were:

- i. Proposal for Enterprise Risk Management (ERM) Framework Document Update (from COSO 2004 to ISO 31000);
- ii. Proposal to Approve Revision on Cut Loss Provision for Equity Portfolio;
- iii. Proposal to Consolidate Investment Risk Policies and Notification on the Consolidated Investment Risk Guidelines;
- iv. Proposed Revision to The Terms of Reference (TOR) of BRCC of KWAP;
- v. Report and Recommendation on Data Privacy Initiative (Phase 2);
- vi. Proposal to Enhance the Investment Risk Policy and Notification on the Revised Investment Risk Guidelines (Phase 2A);
- vii. Approval on Market Risk Controls; and
- viii. Approval on the Revision of Risk and Compliance Committee (RCC) Membership in TOR.

¹ Appointed on 26 August 2022.

² Appointed on 26 August 2022.

BOARD NOMINATION AND REMUNERATION COMMITTEE

As a committee of the Board, Board Nomination and Remuneration Committee (BNRC) is generally responsible to review, assess and where relevant, advise, recommend and/or notify the Board in relation to the matters as set out in the Terms of Reference of BNRC. BNRC is accountable to the Board for its performance.

Membership

Currently, BNRC comprises five Board members i.e. a Chairman and the following four other members who have been appointed by the Board:

- i. Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin - Chairman
- ii. Dato' Azmi Bin Abdullah – Member
- iii. Encik Adnan Zaylani Bin Mohamad Zahid – Member
- iv. Encik Abdul Rahman Bin Mohd Nordin – Member
- v. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Member²

Six BNRC meetings and one Special BNRC meeting was held throughout the year 2022.

BNRC Meeting Attendance:

No.	Name	Attendance
1	Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin	7/7
2	Dato' Azmi Bin Abdullah	6/7
3	Encik Adnan Zaylani Bin Mohamad Zahid	7/7
4	Encik Abdul Rahman Bin Haji Mohd Nordin	7/7
5	Dato' Sri Sharifah Sofianny Binti Syed Hussain ²	3/3

STATEMENT ON CORPORATE GOVERNANCE

Summary of the BNRC's Activities:

Among the proposals deliberated and endorsed by BNRC during the year 2022 were:

- i. KWAP's Corporate Scorecard Achievement for 2022;
- ii. Renewal of Several Contracts of Employment of Heads of Department in KWAP;
- iii. Proposal on MySTEP Programme 2022 for KWAP;
- iv. Proposal on the overall Organisation Structure for KWAP;
- v. Implementation of Enhanced Organisational Structure;
- vi. Proposal on KWAP Recruitment Policy; and
- vii. Proposal to Adopt the Amendments to the Employment Act 1955.

BOARD PROCUREMENT COMMITTEE

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

Membership

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

- i. Datuk Siti Zainab Binti Omar – Chairman;
- ii. Adnan Zaylani Bin Mohd Zahid – Member;
- iii. Dato' Sri Sharifah Sofianny Binti Syed Hussain – Member;
- iv. Encik Abdul Rahman Bin Mohd Nordin – Member;
- v. YM Puan Raja Teh Maimunah Binti Raja Abd Aziz – Member¹

Three BPC meetings and two Special BPC meetings were held throughout the year 2022.

BPC Meeting Attendance:

No.	Name	Attendance
1	Datuk Siti Zainab Binti Omar	5/5
2	Encik Adnan Zaylani Bin Mohd Zahid	4/5
3	Dato' Sri Sharifah Sofianny Binti Syed Hussain	5/5
4	Encik Abdul Rahman Bin Haji Mohd Nordin	5/5
5	YM Puan Raja Teh Maimunah Binti Raja Abd Aziz ¹	1/2

BOARD DISCIPLINARY COMMITTEE

Membership

Board Disciplinary Committee (BDC) comprises four Board members i.e. a Chairman and three other Board members who will be appointed by the Board as and when required:

- i. Dato' Anis Rizana Binti Mohd Zainudin @ Mohd Zainuddin - Chairman

No BDC meetings was held throughout the year 2022.

Duties and Responsibilities of BDC

BDC is responsible for any disciplinary proceedings and imposing penalties on employees as provided under the KWAP's Disciplinary Policy.

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 2022, the Board and the Investment Panel members received a total remuneration of RM1,107,526 and RM545,040 respectively.

¹ Appointed on 26 August 2022.

RISK MANAGEMENT AND COMPLIANCE

In line with KWAP's expanded role in both investment and non-investment activities over the last 16 years, 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 Policy.

No.	Risk Appetite Main Guiding Principles and 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.

RISK MANAGEMENT AND COMPLIANCE

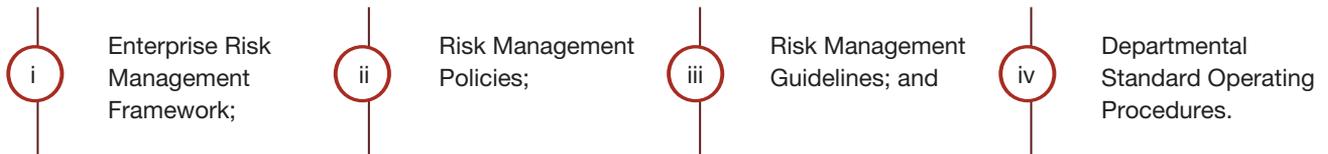
No.	Risk Appetite Main Guiding Principles and Statement
4	The Board and Investment Panel state that KWAP shall only take on risks that it can assess and manage at a reasonable level of comfort, hence such risks, in aggregate, in the normal course of business, shall not cause the Fund material financial 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: <ol style="list-style-type: none"> i. A reasonably high degree of confidence in the preservation of capital value; ii. A reasonably high degree of liquidity in the asset or portfolio of assets; and iii. A reasonable return on investment adjusting for risks.
6	KWAP's ability to take risks and the level of risk should consider 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 rate on a rolling 10-year basis, and KWAP accepts that it should have no less than a 75% chance of exceeding inflation over the same rolling period.

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:



- | | |
|--|---|
| <p>i. The long-term goal of the fund, which is to help meet the government's pension liabilities;</p> <p>ii. The Board's and Investment Panel's oversights and responsibilities over the risk that the fund takes;</p> <p>iii. The need to balance between return expectation and risk appetite;</p> | <p>iv. Requirement of periodic reporting to the Board and Investment Panel;</p> <p>v. Key criteria for investment activities such as safety, liquidity and reasonable risk adjusted return over a long-term horizon; and</p> <p>vi. The need for KWAP to continuously enhance internal capacity and capability to manage risks.</p> |
|--|---|

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



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 independence and integrity of the different functions.

The reporting line is depicted by the Organisation Chart on page 20.

ACTIVITIES IN 2022

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.
- KWAP had initiated and completed various activities aimed at promoting risk management awareness and practices within the organisation.

RISK MANAGEMENT AND COMPLIANCE

Enhanced Risk Analytics

- Established structured and well-defined stress-testing framework to carry out forward-looking scenario analysis. KWAP's stress-testing process include generating scenarios, translating them into risk parameters through macroeconomic quantification, assessing the impact of these scenarios on the market and on KWAP's profit and loss. All of this informs an action plan to mitigate risks and swiftly capture opportunities.
- In 2022, we conducted several stress-test exercises covering a broad range of emerging risks.

TERAS 5 Initiative: The Refinement of KWAP's Corporate Governance Framework

- In addition to Retirement Fund Act 2007 and Board and Investment Panel Charter, KWAP has developed guidelines and implemented several initiatives related to Corporate Governance.
- The new Corporate Governance Framework, which was approved by the Board in 2022, is expected to enhance the corporate governance in KWAP by streamlining and reinforcing the various governance elements.
- The objective of the Corporate Governance Framework is to provide an overview of the corporate governance structures, principles, and practices with respect to the business activities undertaken by KWAP.
- The Framework also aims to promote a more transparent, cohesive, and efficient approach to corporate governance as well as to provide clear guidance on how authority is exercised within KWAP.

TERAS 5 Initiative: The Realignment of Management Committees and Working Groups in KWAP

- There have been tremendous achievements by KWAP over the years. However, organic growth requires KWAP to reimagine an effective and robust committee structure that can cater for the next phases in our growth trajectory.
- Hence, KWAP has conducted a thorough assessment of its existing structure of Management Committees and Working Groups to ascertain their alignment and efficacy in bolstering the organisation's governance, management and operational efficiency. The reorganisation rationalised the committee structure and reduced the number of committees by 33 percent. This was achieved by collapsing committees with overlapping responsibilities, retiring committees with redundant responsibilities, while ensuring proper oversight of committee deliberations. All the while, right-sizing committee sizes and membership to ensure the right skill sets are in place to maximise the efficiency and effectiveness of the committees.
- The revised structure for the Management Committees and Working Groups, which was approved by the Board in 2022, is to fortify decision-making effectiveness at the management levels and enhance operational efficiency throughout the organisation.

Site Visits to KWAP Properties/Associate Companies/Potential Investment

- KWAP conducted site visits to properties and fund managers offices to ensure an independent risk assessment and risk oversight of the properties and private equity firms' investments are conducted.
- In 2022, KWAP visited four Private Equity (PE) Fund Managers and four properties in which we have vested interest to discuss potential risk matters with the Asset Manager, investment advisors and our Fund Managers on the management of the investment, risk and compliance matters as well as to ensure relevant risks identification, controls and mitigations are in place.

The pace of site visits has been curtailed due to travel restrictions.

TECHNOLOGY AND INNOVATION IN RISK MANAGEMENT AND COMPLIANCE DEPARTMENT

KWAP extensively leverages on technology to handle the multiple portfolio analytics and scenario analysis to cater for KWAP's portfolio risk management needs. KWAP subscribed to investment risk systems with integration to the investment management systems and market data providers for risk analytics purposes, of which key risk measures are generated and used for management reporting and insights.

Business Continuity Management remains one of our key focuses 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

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.

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, with its own developing standard and best practices.

KWAP had established its ERM framework in 2012 by adopting the Committee of Sponsoring Organisations of the Treadway Commission (COSO) ERM - Integrated Framework (COSO ERM 2004). 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. The

framework requires enhancement to incorporate stronger risk governance and culture, reflective of KWAP's business expansion and current operations. Further to this, there is also a need to place greater emphasis on the importance of enterprise risk management in strategic planning and embedding it throughout the organisation.

As such, to be able to adapt and address the internal and external change, KWAP has embarked on a multi-year project to adopt the International Organisation for Standardisation (ISO) 31000:2018 ERM Standard (ISO Standard), replacing the current ERM Standard. The ISO Standard places greater emphasis on creating and protecting value as a key driver of risk management. It aims to deliver a clearer, shorter and more concise guide that will help KWAP use risk management principles to improve planning and make better decisions.

In 2022, KWAP has successfully revised and streamlined the current ERM framework to be in sync with the provisions of the ISO standards. The revised document also elaborates on the principles, key components and processes that make for effective risk management.

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:

- i. Identification and assessment of risk using risk management tools;
- ii. Effective implementation of controls and mitigation action plans to manage risks;
- iii. Consistent monitoring and timely reporting of risks to respective oversight committees; and
- iv. Promoting risk ownership and accountabilities throughout the organisation, across all departments and staff of all levels.

RISK MANAGEMENT AND COMPLIANCE

The CRP presented material risk events or categories with relevant details, including the corresponding risk levels and risk outlooks for a three-month horizon for respective risk category, tabulated in a risk heatmap and risk dashboard.

In addition, to provide context and a clear understanding of risk areas, 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 reports.

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

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 main 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. In addition, KWAP provides an independent risk review on investment proposals, as well as periodic investment risk reporting to senior management.

Market Risk Controls

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

Value-at-Risk Limit	to manage the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.
Modified Duration Limit	to manage the sensitivity or change in value of a security or portfolio in response to a change in interest rates. It also follows the notion that interest rates and bond prices move in opposite directions. It is a sensitivity analysis used to determine the effects of a 1% change in interest rates will have on the price of a bond.
Stress Testing Exercise	to assess the investment portfolio's vulnerabilities to historical stressed market events as well as 'what-if' scenarios.

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 and mitigate currency volatility on KWAP's overseas investments.

PRIVATE MARKETS RISK MANAGEMENT

As at 31 December 2022, KWAP's total exposure in private investments was at 10.3% of KWAP's total asset. KWAP's private investments consists of private equity, infrastructure and real estate investments.

Private Equity and Infrastructure

Risk management of private equity funds, infrastructure and direct investments were typically concentrated in the pre-appointment evaluation of its managers and investment strategies. Getting the right managers in is the key to building a successful, healthy investment portfolio. Post-investment activities concentrated in operational risk management and monitoring of the funds with potential red flags as well as to possible write-offs or losses with adherence to risk limits. The ability to exit in private equity funds post-investments are severely limited due to the illiquid nature of the asset class.

KWAP is constantly developing its knowledge and skills to improve risk management of these markets which has grown and become attractive for investors as opposed to traditional assets such as equity and bonds. As at 31 December 2022, KWAP's total exposure in PE and Infrastructure stood at 4.0% and 1.9% of KWAP's total assets, respectively.

Real Estate

KWAP's real estate investments are diversified both domestically and internationally. Portfolio construction is important in this space which relies on diversification of geography and asset types which provides risk diversification and naturally reduces the sum of individual property risk to a lower portfolio risk level. The properties are long-term in nature; hence the risk is structural as opposed to transactional. Besides being exposed to the movement on real estate prices, management of the rental leases and operating costs are also important in maintaining a sustainable income stream. Risk management activities for real estate investment portfolios are focused on pre-investment assessment vis-à-vis independent risk review as well as post-investment monitoring vis-à-vis risk limits. As at 31 December 2022, KWAP's total exposure in real estate stood at 4.4% of KWAP's total asset.

CREDIT RISK MANAGEMENT

Credit risk is defined as the probability of losing principal or income from failure of obligors, counterparties or issuer 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 level and to ensure the returns commensurate with the risk taken. KWAP is responsible for developing, enhancing, and communicating effective and consistent credit risk management policies, guidelines and methodologies across KWAP to ensure that appropriate standards are in place to identify, measure, control, monitor and report such risks. These are carried out mainly through the Credit Risk Management Policies and Credit Risk Management Guidelines. Industry best practices are instilled via continuous updates of credit risk policies, guidelines, and processes with the objective of minimising credit defaults and losses.

RISK MANAGEMENT AND COMPLIANCE

KWAP has emplaced, amongst others, limits, and related guidelines, for:

Credit Risk Scope

Leverage Risk

To ensure KWAP's leverage activities are maintained within a pre-determined acceptable risk levels based on Total KWAP level, asset class level and portfolio level

Credit Value at Risk (CvaR)

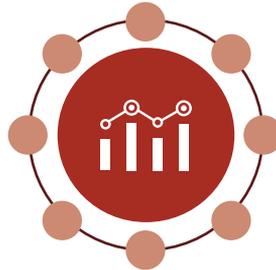
Circulates profit/loss of exposures over a number of simulations, the resulting distribution is the credit risk profile of the portfolio

Counterparty Risk

The risk to each party of contract that the counterparty is not able to meet the contractual obligations

Concentration Risk

Risk of loss arising from having a significant position in a single asset, product or market exposure



Issuer Risk

The probability of loss resulting from the default or downgraded credit rating of the issuer of a security

Credit

Internal Rating

Internal credit rating scoring model for corporate bond, loan and unrated counterparty in case an exposure does not have an external credit rating

Credit Analysis

Conduct a detailed evaluation to measure the issuer's ability to meet its debt obligation by maintaining credit risk exposure within acceptable parameters

Credit Review

Evaluation on credit proposal will be reviewed before tabled to the management and committee

COMPLIANCE

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

The main objectives of compliance are to preserve KWAP's reputation so that our competitive standing and reputation are not only maintained, but also enhanced. To achieve this objective, Compliance's objective is to effectively measure and manage the compliance risk of the organisation to meet the expectations of all stakeholders. Providing the foundation to this aspiration is the Compliance Framework which was implemented in 2010 and further revised in 2022; from which the building blocks of the compliance functions are shaped. In managing the roll-out of Compliance Framework, Compliance also adopts the Three Lines of Defence Model in managing the compliance risk in KWAP.

Scope of Compliance

a

Regulatory Compliance

This covers the external regulations and guidelines which KWAP is bound to comply with such as the relevant Acts of Parliament, Minister of Finance's Decrees, regulations issued by Bank Negara Malaysia, Securities Commission, Bursa Malaysia and other regulatory bodies. The regulatory requirements will be embedded into the internal processes and practices to ensure adherence to the regulations.

b

Internal Compliance

This covers the compliance to the Frameworks, Policies, Guidelines and Standard Operating Procedures established by KWAP.

Ownership of regulatory/internal compliance lies with the Business Units as the first line of defence, any potential non-compliance should be identified up front before the event, addressed and highlighted to Compliance team.

Compliance Process

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



Identification	Identifying the relevant regulations and internal requirements that business units need to comply with.
Assessment	Assessing the relevant regulations and internal requirements to ensure compliance by business units.
Attestation	Semi-annual and/or annual of periodic attestation via Self Compliance Checklist and declare any incident of non-compliance during the reporting period.
Monitoring and Reporting	Monitor the controls and process. Report any non-compliance incident to Management.
Validation	Perform periodic compliance review to assess the veracity of approved Self-Compliance Checklist via sample checks.

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 the 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 behavior. All employees are aware that the Board and Senior Management must take 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 external fund managers (EFMs). Our EFMs are required to declare on monthly basis on their adherence to KWAP Investment Management Agreement and to immediately report to KWAP on any breach of the approved Investment Mandate. This is to ensure that the EFMs are always adhering to the guidelines imposed on them. In addition, EFMs are also required to declare on a monthly basis that the parameters of the compliance requirements are captured in the relevant system.

RISK MANAGEMENT AND COMPLIANCE

Chinese Wall Policy

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

Automated Self-Compliance Checklist

KWAP has implemented automated self-compliance checklist where all attestation process is performed via a compliance system. The compliance system covers both regulatory and internal requirements. The self-compliance checklist will be filled in by respective department's compliance liaison officers and approved by their Head of Department via the system. The attestation exercise is performed 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 in an initiative called 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 through 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 have successfully completed the first cycle of visits to domestic EFMs in 2020. We are currently in the second cycle and the EFM visits are conducted annually, with visits to up to six domestic EFMs, at most. The objective of these visits are to ensure that the EFMs' activities and practices comply with the approved Investment Mandates, and to ensure their internal risk controls are in place.

Regulatory Compliance Depository

The Compliance team has established a Regulatory Compliance Depository for KWAP and its subsidiaries. It was published on the KWAP Intranet Portal in September 2022. It is an online depository which allows users to search the regulatory requirements that are applicable to all departments in KWAP and KWAP subsidiaries. The depository covers regulations, which include but are not limited to Acts of Parliament, Minister of Finance's Decrees, *Pekeliling Perkhidmatan* and regulatory requirements issued by regulatory bodies.

Know Your Counterparty screening

The compliance team performs Know Your Counterparty (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, detect potential financial fraud, political exposure or corruption, and prevents KWAP from being used for criminal activities like money laundering.

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss resulting from inadequate or failed internal process, people, systems or from external events. It includes but 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 to the complex operations in today's business, KWAP utilises 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 2022, there were no risk events with damaging impact on KWAP's operation as most of OREs were successfully rectified in a timely manner. The reported OREs were mainly under the following categories of risk events:

- i External Fraud;
- ii Business disruption and system failures; and
- iii Execution, delivery and process management.

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

- The team facilitated discussions with other parties to mitigate the risk and avoid recurrence of incident;
- The team and the first line of defence 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;
- The team presented the OREs reported at EXCO, RCC and BRCC meetings to ensure all issues were properly addressed; and
- The team tracked and monitored outstanding OREs with respective parties to ensure mitigation actions are in place to minimise recurrence of the incident.

FRAUD RISK MANAGEMENT PROGRAMME

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.

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

RISK MANAGEMENT AND COMPLIANCE

In 2022, the fraud and corruption risk assessment workshops were conducted collaboratively by those two departments. The two departments continued to instil the awareness on fraud and corruption risk during training programmes and challenge sessions with all departments.

Moving forward, we will continue to:

- i. Strengthen fraud risk governance framework in KWAP by periodically reviewing the fraud risk management policy and guidelines;
- ii. Conduct continuous training and awareness for a strong culture on anti-fraud and anti-corruption within KWAP; and
- iii. 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

Business Continuity Management (BCM) has always been essential to KWAP in responding to the internal or external threats to the organisation. In 2022, in line with its business expansion, KWAP has conducted several BCM exercises and programmes:

- BCM Exercise involving critical system and business functions in a live and non-live environment.
- Call Tree Exercise.
- Mobilisation of KWAP personnel to alternate site to perform system recovery and critical business functions.
- Implementation of split team arrangement due to COVID-19 situation.

The objectives of BCM exercises and programmes were to:

- i. Simulate the real scenario of BCM activation for KWAP personnel;
- ii. Readiness of departmental Business Continuity Plan (BCP) in responding to any BCM activation;
- iii. Ensure departmental Business Impact Analysis (BIA) is relevant and up-to-date;
- iv. Ensure system recovery strategy is aligned with KWAP's operations;
- v. Readiness of all systems at alternate site KWAP-Kuala Lumpur Office to KWAP-Cyberjaya Office and vice-versa;
- vi. Ensure basic infrastructures such as IT hardware/software, devices function properly at the alternate site;
- vii. Verify system capabilities based on accessibility and functionality;
- viii. Ensure employees' telephone numbers are correct and updated; and
- ix. Measure the ability to resume business operations within the stipulated timeframe based on criticality of business functions.

BCM exercises were successfully conducted throughout 2022 which not only test 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.

2023 OUTLOOK AND DIRECTION

KWAP acknowledges the presence of numerous risks that may impact the global economy and financial markets in 2023 and beyond. It is nevertheless a challenging and intricate task to accurately predict the risk outlook and trajectory for a specific year. Despite the complexity of the task given the uncertain geopolitical outlook on the global economy, some potential risks that may impact 2023 and beyond include:

Economic factors and uncertainties	<p>The global economy has been gradually recovering from the COVID-19 pandemic. Nevertheless, some new challenges crop up, such as inflationary pressures, interest rate hikes, supply chain disruptions, stock market volatility, and changes in trade policies (for example China and United States), that may have severe impact on the economic outlook for 2023. COVID-19 pandemic lingers both in the memory and in new variants may also pose unexpected risks to public health and economic recovery.</p>
Geopolitical risks	<p>Escalating tensions between major global powers such as the United States, China and Russia has lead to increased geopolitical risks and long-term impact of these tensions will go beyond 2023. Regional conflicts (MENA and Africa) or natural disasters that escalate in intensity and destructiveness may also impact global economic stability.</p>
Cybersecurity risks	<p>The growing reliance on technology and digital infrastructure in an increasingly digital world has increased the risk of cyberattacks. With technology continuing to evolve, the risks associated with cybersecurity are likely to increase, resulting in loss due to cyber theft or cyber terrorism including loss of productivity due to increased cybercrimes.</p>

Climate risks

Climate change continues to be a major risk factor, with the potential to impact economies, societies, environments and KWAP's investment portfolios. Extreme weather events, rising sea levels and natural disasters may lead to significant economic and social disruptions. We are already seeing the impact of mass migrations as people flee from environmental disasters, war and famine.

Keeping the aforementioned factors in mind, KWAP will continue to focus on mitigating risks and building resilience in 2023 through continued investments in risk infrastructure and technology, cybersecurity, sustainability and contingency planning. KWAP will continue solidifying collaboration and communication within KWAP to ensure maximum agility and responsiveness to changing market conditions.

KWAP anticipates continued digital transformation internally and across the organisation, accelerated adoption of sustainable practices through the establishment of the Sustainability Risk Framework and Policy, as well as increased focus on social and environmental responsibility.

Consistent with the adoption of ISO 31000 Enterprise Risk Management Standard, KWAP will continue to innovate our Risk Infrastructure through the introduction of new risk mitigation measures and the revamping of our current risk governance, ensuring all risks are duly and promptly managed.

In conclusion, it is essential to acknowledge that the future is unpredictable and unforeseen events could always impact the risk outlook and directions for 2023. KWAP will stay informed, adapt to changing circumstances and make informed decisions based on current information and expert advice.

STATEMENT ON 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 function 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 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 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 function occur, this would be reported to the BAC.

SCOPE OF WORK

The scope of internal audit function encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the BAC, Management and external parties on the adequacy and effectiveness of governance, risk management and control processes in KWAP.

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

- i. Conducting special investigations; and
- ii. 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.

The team continues to adopt a risk-based audit plan approach, prioritising the internal audit function according to the audit risk level. A total of 12 audit reports were issued in 2022 as compared to 13 audit reports in 2021, of which three audits were brought forward from 2020 Audit Plan. Status of outstanding audit issues are reported to the Management on a monthly basis and to the BAC on a quarterly basis. The Internal Audit continues to monitor the implementation of action plans as agreed by the Management. For 2022 and 2021, there was no overdue action plan reported to the BAC.

2022 ACHIEVEMENTS

Internal Audit's most notable achievements for 2022 is the development of the Internal Audit Strategic Plan that will propel Internal Audit's value and status within KWAP to the next level. Additionally, Internal Audit has also established new risk assessment criteria matrix as additional tool to determine risk exposure for each audit observation, successfully implemented Guest Auditor Programme which serves as leadership training programme for future KWAP leaders. 11 awareness sessions on good governance practices were conducted to raise awareness on the importance of practicing good governance within KWAP. The team has completed all audit assignments with the reports issued within the same year.

INTEGRITY AND GOVERNANCE

KWAP upholds integrity as part of its values. We implement relevant controls and measures and continuously instil a culture of integrity among our employees so as to ensure good governance practice and understanding of KWAP's zero-tolerance approach to corruption.

INTEGRITY, GOVERNANCE AND ANTI-CORRUPTION TRAINING AND AWARENESS

KWAP's Integrity and Governance Office (IGO) works to implement regular integrity training and awareness programmes in order to keep the workforce mindful and knowledgeable about identifying and avoiding corruption. 10 such programmes were conducted in 2022.

The year in review saw the manifestation of the organisation's anti-corruption stance through the realisation of various programmes and activities. Enhancement of employee' awareness on KWAP's policies and the issues surrounding integrity and corruption were made through the speeches by the Chief Executive Officer of KWAP, policy briefings, integrity talks, monthly 'INTEGRITY & U' e-bulletin, email blasts, corporate publication and celebrations of national and international integrity and anti-corruption days. Information on integrity, governance and anti-corruption for public consumption were also published on KWAP's official website and social media.

Below are the highlights of the programmes and events organised in 2022:

i. GLIC Integrity Event 2022

The event that was held on 9 November 2022 was jointly organised by Khazanah Nasional Berhad, Kumpulan Wang Simpanan Pekerja, Lembaga Tabung Angkatan Tentera and Permodalan Nasional Berhad in conjunction with the celebration of National Integrity Day. KWAP's Head of Integrity and Governance Office, Mohd Nasir Ab. Hadi was one of the speakers for the event, which was attended by more than 150 integrity practitioners from participating Government-Linked Investment Companies and their respective Government-Linked Companies or investee companies.

ii. KWAP Business Associates Outreach Programme

The programme was held on 30 November 2022 with the objective to raise the awareness of KWAP business associates on corruption and their understanding on the importance of observing KWAP's anti-corruption policies and practices. The session was attended by more than 50 KWAP business associates consisting brokers, fund managers and vendors. They were given a briefing on KWAP Anti-Bribery and Corruption Policy, followed by a talk on '*Breaking the Corruption Chain: A New Era of Corporate Governance*' by Mohd Nur Lokman Samingan, Head of the Private Sector Branch, Community Education Division from the Malaysian Anti-Corruption Commission.

iii. KWAP Integrity Day 2022

KWAP Integrity Day was held on 9 December 2022 in conjunction with International Anti-Corruption Day 2022. The main agenda of the event was a special talk titled '*Authority and Accountability: Reinforcing Integrity - Top Down and All Around*' by Dato' Muhammad Salim Sundar Abdullah, Trustee of Perdana International Anti-Corruption Champion Foundation. Apart from that, the winning entries of SenINTEGRITI, a digital art competition focusing on the themes of integrity and anti-corruption, were also celebrated during the prize giving ceremony.

iv. Integrity Talks

Integrity talks by external speakers:

- '*Strengthening Self-Integrity through Human Governance*' by Dr. Saiful Amin Jalun of Putra Business School, Universiti Putra Malaysia was held on 28 June 2022
- '*Tanpa Integriti, Aib Menanti*' by Syamsul Amri Ismail (Syamsul Debat) was held on 23 September 2022

INTEGRITY AND GOVERNANCE

CORRUPTION RISK MANAGEMENT

KWAP has established its Corruption Risk Management mechanism since February 2020. Since then, all departments and subsidiaries have developed their own Fraud and Corruption Risk Profiles which assessment and review would be done on annual basis. 2022 fraud and corruption assessment exercise, which entailed the conduct of relevant activities, was undertaken by a total of 25 subsidiaries, departments and sections from April until mid October.

KWAP ORGANISATIONAL ANTI-CORRUPTION PLAN

KWAP has established and launched its own Organisational Anti-Corruption Plan 2021 – 2025 (KWAP OACP) on 24 February 2021. KWAP OACP consists of 57 initiatives, targeted to be undertaken or completed in a period of five years. These initiatives aimed to address integrity, governance and corruption issues and risks within KWAP. By the second year of implementation in FY2022, KWAP has achieved a 56% completion rate, in which 32 out of 57 initiatives of the OACP have been completed.

ISO 37001:2016 ANTI-BRIBERY MANAGEMENT SYSTEM

KWAP has been certified with ISO 37001:2016 Anti-Bribery Management System (ABMS) since 3 December 2021. It serves as evidence of our continuous efforts in ensuring efficient business operations by managing risks related to bribery and corruption. For 2022, KWAP completed its first ABMS surveillance audit which exercise covered KWAP's departments operating in Kuala Lumpur and Cyberjaya offices as well as KWAP's subsidiaries, namely, KWEST Sdn Bhd and Prima Ekuiti (UK) Limited.



KWAP'S FIRST INTEGRITY ASSESSMENT

KWAP had completed its first organisation-wide integrity assessment by using Integrity Assessment Tool (IAT), introduced by the Malaysian Institute of Integrity (IIM). IAT is a self-assessment tool which enables organisations to assess and measure their progress in incorporating ethics and integrity at workplace. The IAT online survey was deployed to all employees from 22 December 2021 until 17 January 2022. According to the IIM scoring result, KWAP has achieved a total score of 84.17% from the survey, putting it at the high level of an organisation that has best practices in ethics and integrity.

WHISTLEBLOWING

The whistleblowing mechanism in KWAP has been established to promote a robust whistleblowing practice in the organisation and its subsidiaries. Managed by the IGO, access to whistleblowing information is governed by the strictest confidentiality. The whistleblowing channels provide proper and secured avenues for employees and members of the public to report any knowledge of improper conduct in good faith, without fear of any adverse consequences.

There was a slight escalation to 16 whistleblowing reports during the year, compared to 13 reports received in 2021, which is a welcome trend as it indicates growing alertness within the workforce.

KWAP's whistleblowing channels are as below:

- e-Form on KWAP website and other internal platforms
- Email:
whistleblow@kwap.gov.my
chairman.bic@kwap.gov.my (for report against IGO personnel)
- Meet IGO officer in person
- Hotline: 03-2174 8090
- Physical mail to IGO: Integrity and Governance Office, Level 36, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur.



FOR BETTER **RETURNS**

Proactively prepared with responsive strategies to ensure business continuity and sustainable returns for all our stakeholders.

AUDITOR GENERAL'S CERTIFICATION



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
RETIREMENT FUND (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 Retirement Fund (Incorporated). The financial statements comprise the Statements of Financial Position as at 31 December 2022 of the Group and of the Retirement Fund (Incorporated) and the Statements of Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows of the Group and of the Retirement Fund (Incorporated) 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 161.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Retirement Fund (Incorporated) as at 31 December 2022, 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 Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated) is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Group and of the Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated) that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Retirement Fund (Incorporated), the Board is responsible for assessing the Group's and the Retirement Fund's (Incorporated) 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 Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated), whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk

AUDITOR GENERAL'S CERTIFICATION

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 Retirement Fund's (Incorporated) 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 Retirement Fund's (Incorporated) 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 Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated) 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 Retirement Fund (Incorporated), 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 reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR GENERAL'S CERTIFICATION

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 Retirement Fund (Incorporated) 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 WAN SURAYA BINTI WAN MOHD RADZI)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA

12 SEPTEMBER 2023



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

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

We, **Datuk Johan bin Mahmood @ Johan Mahmood Merican** 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 2022 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 Johan bin Mahmood @ Johan Mahmood Merican**
 Title : Chairman of the Board
 Date : 11 September 2023
 Venue : Kuala Lumpur

Signed on behalf of the Board,



.....
 Name : **Dato' Azmi bin Abdullah**
 Title : Member of the Board
 Date : 11 September 2023
 Venue : Kuala Lumpur

STATUTORY DECLARATION

BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT
OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2022

STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF KUMPULAN WANG PERSARAAN (DIPERBADANKAN) 2022

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 Statements of Financial Position, Statements of Comprehensive Income, Statement of Changes In Equity and the Statements 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 1.1. SEP. 2023)


.....

Before me,


COMMISSIONER FOR OATHS
01-1-2, GROUND FLOOR, MENARA 1 DUTAMAS,
TOLARIS DUTAMAS, NO. 1, JALAN DUTAMAS 1
50480 KUALA LUMPUR

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		KWAP	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Gross Investment Income	4	7,333,953	6,772,296	7,010,017	6,330,818
Dividend Income		2,654,698	2,789,509	2,654,698	2,789,509
Net Gains From Divestment		1,403,652	764,099	1,404,176	496,342
Interest Income		2,697,905	2,416,514	2,699,226	2,432,047
Rental Income		445,214	473,135	-	-
Other Investment Income		132,484	329,039	251,917	612,920
Other (Expense)/Income	4	(580,549)	236,318	(538,086)	231,991
Operating Expenses	5	(688,062)	(790,962)	(336,151)	(329,593)
Transaction Cost		(31,172)	(27,328)	(31,172)	(27,328)
Net Unrealised (Loss)/Gain On Financial Assets Designated As Fair Value Through Profit Or Loss		(5,550,296)	4,052,840	(5,550,296)	4,007,291
Reversal of/(Allowance Made For) Impairment Losses On Financial Assets		79,773	(88,064)	73,329	(79,699)
Allowance Made For Impairment Losses On Non-Financial Assets		(166,496)	(199,975)	(364,669)	(141,799)
Profit Before Taxation		397,151	9,955,125	262,972	9,991,681
Finance Cost		(53,475)	(60,869)	-	-
Share Of Results From Associates		102,279	78,962	-	-
Share Of Results From Joint Ventures		1,915	2,490	-	-
Taxation	6	(2,677)	(6,952)	-	-
Profit After Taxation		445,193	9,968,756	262,972	9,991,681
Attributable To:					
Contributors Of KWAP		445,193	9,968,756	262,972	9,991,681
		445,193	9,968,756	262,972	9,991,681

**STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Other Comprehensive Income				
Item That Will Not Be Reclassified To Profit Or Loss:				
Fair Value Changes On Equity Instruments				
At Fair Value Through Other Comprehensive Income				
- Revaluation Gain/(Loss)	481,157	(725,459)	481,157	(725,459)
- Loss From Sale Not Transferred To Retained Earnings	(381,354)	(285,389)	(381,354)	(285,389)
Item That May Be Reclassified Subsequently To Profit Or Loss:				
Foreign Exchange Reserves	(77,637)	121,457	-	-
Share Of Other Comprehensive (Loss)/Gain Of Associates And Joint Ventures	(16,675)	4,475	-	-
Fair Value Changes On Debt Instruments				
At Fair Value Through Other Comprehensive Income				
- Revaluation Loss	(867,932)	(1,767,274)	(867,932)	(1,767,274)
- Allowance On Debt Instruments At Fair Value Through Other Comprehensive Income	(60,745)	63,496	(60,745)	63,496
Other Comprehensive Loss For The Year	(923,186)	(2,588,694)	(828,874)	(2,714,626)
Total Comprehensive (Loss)/Income	(477,993)	7,380,062	(565,902)	7,277,055
Attributable To:				
Contributors Of KWAP	(477,993)	7,380,062	(565,902)	7,277,055
Total Comprehensive (Loss)/Income	(477,993)	7,380,062	(565,902)	7,277,055

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		KWAP	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Non-Current Assets					
Property And Equipment	7	15,484	20,658	12,791	17,193
Computer Softwares	8	19,945	31,101	19,917	31,065
Investment Properties	9	6,587,242	7,162,540	225,032	226,493
Land Held for Development	9	761,972	731,018	-	-
Investment In Subsidiaries	10	-	-	6,279,964	6,445,638
Investment In Associates	11	1,135,412	1,007,442	831,930	786,820
Investment In Joint Ventures	12	2,756	841	-	-
Loans And Receivables	13	434,136	1,005,068	687,954	1,319,024
Long Term Receivables	13	22,077	23,984	-	-
Debt Instruments At Amortised Cost	14	16,372,543	15,792,014	16,372,543	15,792,014
Debt Instruments At Fair Value Through Profit Or Loss	15	580,340	604,916	552,139	576,387
Equity Instruments At Fair Value Through Profit Or Loss	15	51,271,327	54,972,077	51,271,327	54,972,077
Debt Instruments At Fair Value Through Other Comprehensive Income	16	39,202,380	36,011,956	39,202,380	36,011,956
Equity Instruments At Fair Value Through Other Comprehensive Income	17	28,912,706	28,356,757	28,912,706	28,356,757
Derivative Financial Assets	18	35,721	13,312	-	-
		145,354,041	145,733,684	144,368,683	144,535,424
Current Assets					
Loans And Receivables	13	584,683	1,970,209	584,683	1,970,209
Debt Instruments At Fair Value Through Profit Or Loss	15	258,566	364,373	465,848	573,040
Derivative Financial Assets	18	469,389	135,295	416,590	127,479
Asset Held For Sale	9	-	453,559	-	-
Sundry Debtors And Deposits	19	208,888	132,620	110,581	166,869
Trade Receivables	20	2,546,594	2,725,153	2,407,595	2,676,535
Deposits And Placements With Financial Institutions	21	9,463,718	7,534,385	9,463,718	7,534,385
Cash And Bank Balances	21	3,383,526	2,337,832	2,797,116	1,617,120
		16,915,364	15,653,426	16,246,131	14,665,637

**STATEMENTS OF
FINANCIAL POSITION**
AS AT 31 DECEMBER 2022

	Note	Group		KWAP	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Current Liabilities					
Derivative Financial Liabilities	18	-	7,879	-	-
Trade Payables	22	2,422,937	63,839	2,371,761	31,744
Other Payables And Accruals	23	310,558	305,203	137,346	133,133
Deferred Income		50,635	46,721	-	-
Borrowings	24	279,184	580,822	-	-
Lease Liabilities	25	2,399	2,554	-	-
		3,065,713	1,007,018	2,509,107	164,877
Net Current Assets		13,849,651	14,646,408	13,737,024	14,500,760
		159,203,692	160,380,092	158,105,707	159,036,184
Financed By:					
Allocation Of Statutory Funds	26	28,001,944	27,501,944	28,001,944	27,501,944
Pension Contributions	27	61,877,619	59,742,777	61,877,619	59,742,777
Withdrawal By Federal Government	28	(17,500,000)	(14,500,000)	(17,500,000)	(14,500,000)
Retained Earnings	29	92,791,732	92,346,539	92,747,131	92,484,159
Other Reserves	30	(59,215)	(42,540)	-	-
Foreign Exchange Reserves	30	(77,903)	(266)	-	-
Fair Value Through Other Comprehensive Income Reserves	30	(7,025,999)	(6,197,125)	(7,025,999)	(6,197,125)
		158,008,178	158,851,329	158,100,695	159,031,755
Non-Current Liabilities					
Derivative Financial Liabilities	18	800	889	-	-
Deferred Tax Liabilities	31	22	38	-	-
Employee Benefits	32	5,012	4,429	5,012	4,429
Lease Liabilities	25	110,139	117,274	-	-
Long Term Deposit		7,161	9,951	-	-
Borrowings	24	1,072,380	1,396,182	-	-
		159,203,692	160,380,092	158,105,707	159,036,184

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Non-Distributable					Distributable		Total
	Allocation Of Statutory Funds (Note 26) RM'000	Pension Contri- butions (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 Compre- hensive Income Reserves (Note 30) RM'000	Retained Earnings (Note 29) RM'000	
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
At 1 January 2022	27,501,944	59,742,777	(14,500,000)	(42,540)	(266)	(6,197,125)	92,346,539	158,851,329
Profit For The Year	-	-	-	-	-	-	445,193	445,193
Other Comprehensive Loss	-	-	-	(16,675)	(77,637)	(828,874)	-	(923,186)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(3,000,000)	-	-	-	-	(3,000,000)
Net Pension Contribution And Claims Received	-	2,134,842	-	-	-	-	-	2,134,842
At 31 December 2022	28,001,944	61,877,619	(17,500,000)	(59,215)	(77,903)	(7,025,999)	92,791,732	158,008,178

**STATEMENTS OF
CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Non-Distributable					Distributable		Total
	Allocation Of Statutory Funds (Note 26) RM'000	Pension Contri- butions (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 Compre- hensive Income Reserves (Note 30) RM'000	Retained Earnings (Note 29) RM'000	
KWAP								
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
At 1 January 2022	27,501,944	59,742,777	(14,500,000)	-	-	(6,197,125)	92,484,159	159,031,755
Profit For The Year	-	-	-	-	-	-	262,972	262,972
Other Comprehensive Loss	-	-	-	-	-	(828,874)	-	(828,874)
Receipts From Statutory Funds	500,000	-	-	-	-	-	-	500,000
Withdrawal By Federal Government	-	-	(3,000,000)	-	-	-	-	(3,000,000)
Net Pension Contribution And Claims Received	-	2,134,842	-	-	-	-	-	2,134,842
At 31 December 2022	28,001,944	61,877,619	(17,500,000)	-	-	(7,025,999)	92,747,131	158,100,695

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 2022

	Group		KWAP	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash Flows From Operating Activities				
Profit Before Taxation	397,151	9,955,125	262,972	9,991,681
Adjustments For:				
Depreciation Of Property And Equipment and Investment Properties	203,538	216,498	6,973	9,198
Adjustment Of Property And Equipment and Investment Properties	769	4,054	722	4,892
Amortisation Of Computer Softwares	13,177	8,127	13,155	8,106
Net Unrealised Loss/(Gain) On Financial Assets Designated At Fair Value Through Profit Or Loss	5,550,296	(4,052,840)	5,550,296	(4,007,291)
Net Unrealised Loss On Fair Value Of Derivatives	661,951	195,101	742,155	195,101
Gain From Divestment	(1,403,652)	(764,099)	(1,404,176)	(496,342)
Interest Income	(2,697,905)	(2,416,514)	(2,699,226)	(2,432,047)
Dividend Income	(2,654,698)	(2,789,509)	(2,654,698)	(2,789,509)
Share Of Results From Associates And Joint Ventures	(104,194)	(81,452)	-	-
Provision For Employee Benefit	619	562	619	562
(Reversal Of)/Allowance Made For Impairment Losses Of Financial Assets	(79,773)	88,064	(73,329)	79,699
Allowance Made For Impairment Losses Of Non-Financial Assets	166,496	199,975	364,669	141,799
Operating Profit Before Changes In Working Capital	53,775	563,092	110,132	705,849
Changes In Working Capital:				
Decrease/(Increase) In Trade Receivables	178,559	(261,024)	268,940	(259,988)
(Increase)/Decrease In Sundry Debtors And Deposits	(74,362)	44,619	56,289	(48,680)
Increase/(Decrease) In Trade Payables	2,375,280	(1,469,956)	2,340,015	(1,519,711)
Increase In Other Payables And Accruals	6,700	112,005	4,213	6,470
Income Taxes Paid	(3)	(7)	-	-
Net Cash Generated From/(Used In) Operating Activities	2,539,949	(1,011,271)	2,779,589	(1,116,060)

**STATEMENTS OF
CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		KWAP	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash Flows From Investing Activities				
Proceeds From Sale of Financial Instruments				
At Amortised Cost	1,569,467	450,000	1,569,467	450,000
Purchase Of Financial Instruments				
At Amortised Cost	(2,127,527)	(1,019,852)	(2,127,527)	(1,019,852)
Proceeds From Sale Of Financial Assets				
Designated At Fair Value Through Profit Or Loss	12,710,024	11,560,070	12,710,024	11,560,070
Purchase Of Financial Assets				
Designated At Fair Value Through Profit Or Loss	(13,260,536)	(15,125,954)	(13,260,536)	(15,125,954)
Proceeds From Sale Of FVOCI Investments	5,637,046	4,691,542	5,637,046	4,691,542
Purchase Of FVOCI Investments	(9,934,989)	(8,316,363)	(9,934,989)	(8,316,363)
Deposits And Placements With Financial Institutions	(92,419)	168,542	(92,419)	168,542
Purchase Of Property And Equipment	(4,074)	(8,003)	(3,510)	(7,562)
Purchase Of Computer Softwares	(343)	(1,274)	(329)	(1,274)
Purchase Of Investment Properties	(20,816)	(1,022,452)	-	-
Issuance Of Loans	-	-	(253,819)	-
Proceed From Sale Of Asset Held For Sale	453,559	-	-	-
Proceeds From Disposal Of Property And Equipment	-	482,301	-	-
Interest Received	2,701,206	2,568,874	2,701,206	2,568,874
Dividend Received	2,654,698	2,789,509	2,654,698	2,789,509
(Increase)/Decrease in Derivatives	(1,026,422)	34,468	(1,031,266)	97,292
(Increase)/Decrease in Investments in Subsidiaries, Associates and JV	(25,691)	52,749	(244,105)	(762,332)
Benefits Paid	(36)	(8)	(36)	(8)
Receipt On Repayment Of Loans	1,966,598	2,481,583	2,278,575	2,481,583
Increase in Investment In Land Held For Development	(30,954)	(70,168)	-	-
Net Cash Generated From/(Used In) Investing Activities	1,168,791	(284,436)	602,480	(425,933)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		KWAP	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash Flows From Financing Activities				
Allocation Of Statutory Funds	500,000	500,000	500,000	500,000
Receipts Of Pension Contribution	2,145,885	2,448,474	2,145,885	2,448,474
Repayment Of Pension Contribution	(11,043)	(12,906)	(11,043)	(12,906)
Withdrawals By Federal Government	(3,000,000)	(5,000,000)	(3,000,000)	(5,000,000)
Changes in other reserves	(16,675)	4,475	-	-
(Payment)/Receipt Of Lease Liabilities	(7,290)	2,968	-	-
Net Cash Used In Financing Activities	(389,123)	(2,056,989)	(365,158)	(2,064,432)
Net Increase/(Decrease) In Cash And Cash Equivalents	3,319,617	(3,352,696)	3,016,911	(3,606,425)
Effect Of Changes In Foreign Currency	(437,009)	(49,963)	-	-
Cash And Cash Equivalents As At 1 January	9,832,333	13,234,992	9,111,620	12,718,045
Cash And Cash Equivalents As At 31 December	12,714,941	9,832,333	12,128,531	9,111,620

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 2022

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 2022 were accepted and approved by the Board of KWAP on 29 August 2023.

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 2022

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 2021.

(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
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>Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules</i>	1 January 2023
Amendments to MFRS 16, <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101, <i>Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107, <i>Statement of Cash Flows</i> and MFRS 7, <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024
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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has all of the following criteria:

- Power to exercise control over the financial and operating policies to direct the relevant activities of the entity;
- Exposure, or rights, to the variable returns from its investment with the entity; and
- The ability to use its power over the entity to affect its returns.

Subsidiaries are consolidated from the date of which control is transferred to the Group and are de-consolidated from the date that control ceases. Investments of unquoted shares in subsidiaries are recognised at cost whereby the amount is reconciled to the recoverable value including impairment losses for the year, if any. The policy in relation to the impairment of non-financial assets is as set out in Note 2.18.

Acquisition cost is measured at fair value of the assets received, equity instruments issued and existing outstanding liabilities or liabilities assumed at the date of exchange, plus direct costs attributable to the acquisition, if any.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries And Basis Of Consolidation (continued)

(b) Basis of consolidation

The consolidated financial statements comprise of the financial statements of KWAP and its subsidiaries. The individual financial statements of KWAP and its subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the event where KWAP has less than the majority of the voting rights in an entity, consideration of the following is required in the assessment on the sufficiency of the voting rights in relation to KWAP's power over the entity:

- The size of KWAP's holding of voting rights relative to the size and dispersion of the holdings of other vote holders;
- Potential voting rights held by KWAP, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts or circumstances which indicate KWAP's current ability to direct the relevant activities at the time of the decision making including the voting patterns at previous shareholders' meetings.

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 whereby subsequent settlement, if any, 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 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments In Associates And Joint Ventures (continued)

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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments In Associates And Joint Ventures (continued)

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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible Assets (continued)

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss upon derecognition.

Depreciation of intangible assets with finite useful lives is provided for on a straight-line basis where the cost of the asset is written off to its residual value based on the following rate:

Computer software and licenses	33.33%
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2.6 Property And Equipment

Property and equipment are initially measured at cost, net of tax, except where the amount of tax incurred is not recoverable from the government. In the event the amount of tax incurred is not recoverable from the government, the tax is recognised as part of the cost of acquisition of the property and equipment. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Group and KWAP and the cost of the item can be reliably measured.

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 2022

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 Fair Value Through Profit or Loss (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement

The Group and KWAP applied MFRS 9 and classify their financial assets in the following measurement categories – Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI) or FVTPL.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Company recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a gain or loss on remeasurement in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired (“POCI”) financial assets).

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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(b) Classification and subsequent measurement (continued)

1. Debt instruments (continued)

Business model assessment

The Group and KWAP assess the objective of a business model in which a financial asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors under consideration include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning the contractual interest revenue, maintenance of a particular interest rate profile, matching the duration of the financial assets to the duration of the financial liabilities that are funding the said assets or realisation of cash flows through the sale of the financial assets.

Other factors under consideration also include the frequency, volume and timing of sales in prior periods, evaluation of the financial asset's performance, the reporting to key management personnel as well as the assessment and management of the risks.

Reclassification of debt investments

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those said assets.

2. 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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial Assets (continued)

(c) Reclassification of financial assets

The Group and KWAP may choose to reclassify non-derivative financial assets out from the FVTPL category (other than equity instruments), in rare circumstances, in the event the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and KWAP may also choose to reclassify financial assets that would satisfy the definition of Loans and Receivables out of the FVTPL or FVOCI category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity by the Group and KWAP.

The Group and KWAP reclassify debt instruments when and only when there is a change in the business model for managing those assets.

2.8 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities, within the scope of the MFRS 9, are recognised in the Statement of Financial Position when, and only when, the Group and KWAP become a party to the contractual provisions of the financial instruments. The Group and KWAP classify its financial liabilities in the following measurement categories - Amortised Cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- (i) financial liabilities at FVTPL; and
- (ii) financial guarantee contracts and loan commitments.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial Liabilities (continued)

FVTPL

Financial liabilities at FVTPL include financial derivatives that do not satisfy the hedge accounting criteria. Financial derivatives are measured at fair value, whereby the gains or losses are recognised in profit or loss. Exchange differences are included in the net gains or losses on derivatives.

Other Financial Liabilities

Borrowings are derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract. The difference between the carrying amount of a financial liability that was derecognised or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, if any, is recognised in profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the occurrence of the draw-down. In the event that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.9 Derecognition Of Financial Assets And Liabilities

The Group and KWAP derecognise a financial asset when the contractual cash flows from the financial asset expire or when the rights to receive the contractual cash flows of the financial assets are transferred in a transaction in which substantially all the risks and rewards of ownership are also transferred. Any interest in the transferred financial assets that is created or retained by the Group and KWAP is recognised as a separate asset or liability.

A financial liability is derecognised from the Statement of Financial Position upon the discharge, cancellation or expiry of the obligation specified in the contract by the Group and KWAP.

2.10 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 2022

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 2022

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 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investment Properties (continued)

The residual value, useful life and depreciation method of investment properties are reviewed at the end of each financial year, and adjusted prospectively, when appropriate.

Investment properties are derecognised upon disposal or permanent withdrawal from use whereby no future economic benefit is expected from the disposal or retirement. Gains or losses on the disposal or retirement of investment properties are recognised in profit or loss in the year of disposal or retirement, if any.

Transfers are made to or from investment properties when, and only when, there is a change in use. In terms of a transfer from an investment property to owner-occupied property, the deemed cost for subsequent accounting purposes is the fair value at the date of change in use. For a transfer from an owner-occupied property to investment property, the property is subsequently accounted for in accordance with the accounting policy for property and equipment set out in Note 2.6 up to the date of change in use.

Freehold land with unlimited useful life and land held for property development are not depreciated and recognised at cost less impairment losses, if any.

Land Held For Property Development consists of land whereby no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as Non-Current Assets and is recognised at costs.

Depreciation of investment property is provided for on a straight-line basis where the cost of each asset is written off to its residual value based on the following rates:

Buildings	2.50%
Leasehold Land (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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions (continued)

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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue And Income Recognition (continued)

(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 properties

Rental income from investment properties 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 is recognised in the accounting period in which the service is rendered and the customer receives and consumes the benefit provided by the Group and KWAP, and the Group and KWAP have a present right to payment for the said services.

(f) Utilities income

Revenue from air-conditioner and chilled water charges are recognised upon the supply of the air-conditioner and chilled water to the customer and the customer receives and consumes the supplies, and the Group and KWAP have a present right to payment for the said supplies.

2.16 Income Tax

(a) Current tax

Current tax assets and liabilities are measured at the expected recoverable amount from the taxation authorities. The tax rates and tax laws employed for the computation of the recoverable amount are the tax rates and laws enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss with the exception of tax related items which are recognised outside profit or loss, either in Other Comprehensive Income or directly in equity.

KWAP is exempted from income tax in accordance with Section 127[3A] of the Income Tax Act 1967 for all income from domestic sources as well as the withholding tax in accordance with Section 107A(1) and Section 109 on the interests and special classes of income. All income from international sources are subject to the income tax laws and rates of the respective country of origin.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(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.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income Tax (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Such deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity. Deferred tax arising from a business combination is adjusted against the respective goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off the current tax assets against the current tax liabilities, whereby the deferred taxes relate to the same taxable entity and taxation authority.

2.17 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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign Currencies (continued)

(b) Foreign currency transaction and balances (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment Of Non-Financial Assets

Impairment assessment is executed at each reporting date to identify the indication for impairment of assets. In the event of an indication for impairment or the requirement for an impairment assessment, the estimated recoverable amount of the asset is established.

Recoverable amount is the higher of fair value of the asset less costs to sell and value in use of the asset. For impairment assessment purposes, assets are grouped at the lowest levels where the cash flows are separately identifiable, i.e. CGU.

In the assessment of value in use, the estimated future cash flows expected to be generated by the asset are discounted to the present value using the pre-tax discount rate that reflects the current market assessment of the time value of money as well as the risks specific to the asset. In the event the carrying amount of the asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are initially allocated to reduce the carrying amount of goodwill allocated to the unit or groups of units, if any, followed by the reduction of the carrying amount of other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

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 the 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.

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI financial assets, lifetime expected credit losses are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI financial assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime expected credit losses since initial recognition of the asset.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

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 the 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 the credit risk since the initial recognition and no credit impairment since 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 the credit risk since the initial recognition but no credit impairment since origination, a lifetime ECL is recognised. A significant increase in the 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 in relation to the ECL during the reporting period.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

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 the 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 the credit risk on an ongoing basis throughout each reporting period. In the assessment of a significant increase in the 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 the 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 fulfill the contractual cash flow obligations in the near term by the borrower; and
- adverse changes will not necessarily reduce the ability of the borrower to make payments when they fall due.

Definition of default and credit-impaired financial assets

The Group and KWAP define the default of a financial instrument, which is fully aligned with the definition of credit-impairment, when it fulfills one or more of the following criterias:

(a) Quantitative criteria:

Failure of the counterparty to make contractual payment within 90 days when they fall due.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

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 (continued)

(b) Qualitative criteria:

Satisfies the criteria of unlikeliness to pay by the counterparty, which indicates its significant financial difficulty such as the following instances:

- breach of financial covenants;
- concessions made by the lender relating to the counterparty's financial difficulty;
- high probability of bankruptcy or other financial reorganization;
- insolvency; and
- disappearance of an active market for the financial asset due to financial difficulties.

Credit-impairment of financial instruments is assessed on an individual basis by the Group and KWAP.

(b) **Write off of financial assets**

The Group and KWAP write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and subsequently concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on the inability of the debtor's sources of income or assets to generate sufficient future cash flows to repay the outstanding amount. The Group and KWAP may write-off financial assets that are still subject to enforcement activity.

2.20 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in the net gain or loss on fair value movement of derivatives.

2.21 Employee Benefits

(a) **Short term benefits**

Wages, salaries, bonuses, social security contributions (SOCSSO), 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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee Benefits (continued)

(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 also 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 an external valuer.

2.22 Fair Value Measurement

Financial instruments, such as derivatives and financial investments, are measured at fair value at each reporting date. The fair values of financial instruments measured at Amortised Cost are set out in Note 34 to the financial statements.

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either:

- In the principal market for the assets or liabilities, or
- In the absence of the principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group and KWAP. The fair value of assets or liabilities are measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants will behave in their economic best interest.

The fair value measurement of non-financial assets takes into consideration the market participant's ability to generate the economic benefits by the utilisation of the assets in its highest and best use or by sale to another market participant that would utilise the assets in its highest and best use.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair Value Measurement (continued)

Assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorised in accordance with the following fair value hierarchy, based on the lowest level of input significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level of input significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level of input significant to the fair value measurement is unobservable.

In relation to assets and liabilities recognised in the financial statements on a recurring basis, reassessment of the categorisation is conducted to determine the occurrence of transfers of assets between the levels in the hierarchy (based on the lowest level of input significant to the fair value measurement as a whole) at the reporting date.

2.23 Contingent Assets And Contingent Liabilities

Contingent assets are possible assets that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP. There was no recognition of contingent assets, only disclosure of its existence whereby the inflow of economic benefits is probable but virtually uncertain. Contingent liabilities are possible obligations that arise from past events whereby the existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and KWAP, or present obligations that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liabilities may also arise in the extremely rare case where a liability is not recognised due to its inability to be measured reliably.

There was no recognition of contingent liabilities, only its disclosure in the financial statements.

2.24 Offset Of Financial Instruments

Financial assets and liabilities are offset whereby the net amount is presented in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right shall not be contingent on future events and shall be enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

2.25 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Pension Contribution

Pension contributions are recognised upon receipt of contributions from Statutory Bodies, Local Authorities and other Agencies as well as Government's share, gratuities and other deductions in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008. Penalty for late contribution payments are recognised upon receipt.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the establishment of judgements, estimates and assumptions by the Group and KWAP that affect the reported amounts of revenues, expenses, assets and liabilities as well as the accompanying disclosures and the disclosure of contingent assets and liabilities in accordance with the relevant MFRS. Uncertainties in relation to the assumptions and estimates may result in outcomes which require material adjustments to the carrying amount of affected assets or liabilities in future periods.

Judgements applied by the Group and KWAP in the application of accounting policies, key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date with significant risk of material adjustments to the carrying amount of affected assets and liabilities within the next financial year are discussed as follows:

(a) Impairment of interest in subsidiaries and associates

Assessment on the objective evidence for impairment of investments are conducted at each reporting date. Factors such as, amongst others, the prolonged shortfall between the indicative fair value and the carrying amount, significant changes with adverse effects on the investments as well as the deterioration of the financial performance of investments are taken into consideration to determine the objective evidence for impairment, if any.

Judgements are applied by the Group and KWAP in the selection of a suitable method of valuation such as, amongst others, the discounted cash flow, realisable net asset value and sector average price-earning ratio depending on the nature as well as the industries in relation to the investment.

Upon the selection of a suitable method of valuation, certain assumptions are established to estimate the future recoverable amount of the investment. Such assumptions may include, amongst others, assumptions on the expected future cash flows, revenue growth, discount rate used for the purpose of discounting the future cash flows, which incorporates the relevant risks, as well as the expected future outcome of certain past events relating to the specific investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of non-financial assets

Impairment of non-financial assets is executed when the carrying value of the asset or CGU exceeds the recoverable amount of the asset or CGU, which is the higher of fair value less costs to sell and value in use. The calculation of the fair value less costs to sell is based on the available data from binding sales transactions, conducted at arm's length for similar assets or the observable market prices less the incremental costs for the disposal of assets. The calculation of the value in use is based on the discounted cash flow model whereby the cash flows are derived from the next five (5) year budget excluding the restructuring activities yet to be committed by the Group or KWAP, or significant future investments that will enhance the asset performance of the tested CGU. The recoverable amount is most sensitive to the discount rate employed for the discounted cash flow model and the expected future cash inflows as well as the growth rate used for extrapolation purposes.

(c) Impairment of financial assets

The Group and KWAP review the fixed income instruments designated as investment at FVOCI or amortised cost which are subject to impairment under the MFRS 9 at each reporting date to reflect changes in the credit risk of the financial investments not at FVTPL. The MFRS 9 incorporates forward looking and historical, current and forecasted information into the ECL estimation.

In the execution of impairment review, the following judgements by management 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 the ECL that reflects:
 - An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - The time value of money; and
 - Reasonable and supportable information that is available without undue cost or effort at the reporting date about current conditions and forecasts of future economic condition.

(d) Fair value of financial instruments

Fair value is the price that would be received upon the sale of assets or paid upon the transfer of liabilities in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions for the sale of assets or transfer of liabilities occur either in the principal market for the assets or liabilities, or in the absence of the principal market, in the most advantageous market for the assets or liabilities.

The fair value of assets or liabilities is measured using the assumptions that the market participants would use when pricing the assets or liabilities, assuming that the market participants behave in their economic best interest.

In the absence of an active market, the fair value of financial instruments is determined using the valuation techniques that are deemed appropriate in circumstances whereby sufficient data are available for the fair value measurement with the maximisation of the use of relevant observable inputs and the minimisation of the use of unobservable inputs.

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FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Post-retirement medical benefit obligation

The present value of the post-retirement medical benefit obligation is dependent on a number of factors that are determined on an actuarial basis based on a number of assumptions. The assumptions employed in the determination of the net cost for post-retirement medical benefit include the discount rate and the actual medical costs incurred during the financial year with the limit of a medical retiree's claim up to RM3,000 a year. Changes in the assumptions shall impact the carrying amount of the post-retirement medical benefit obligation.

The appropriate discount rate is determined annually upon the performance of the 3-year 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. (EXPENSE)/INCOME

Income of the Group and of KWAP consist of the following:

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Gross Investment Income	7,333,953	6,772,296	7,010,017	6,330,818
Other (Expense)/Income				
Other Operating Income	35,810	34,886	28,799	30,906
Net Loss Arising From Derivative Financial Instruments	(661,951)	(195,101)	(742,155)	(195,101)
Net Gains From Foreign Currency Exchange	45,592	396,533	175,270	396,186
	(580,549)	236,318	(538,086)	231,991

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4. (EXPENSE)/INCOME (CONTINUED)

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

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Dividend Income				
Financial Assets At Fair Value Through Profit Or Loss (FVTPL)	1,365,681	1,579,304	1,365,681	1,579,304
Financial Assets At Fair Value Through Other Comprehensive Income (FVOCI)	1,289,017	1,210,205	1,289,017	1,210,205
	2,654,698	2,789,509	2,654,698	2,789,509
Net Gain/(Loss) From Divestment				
Financial Assets At Amortised Cost	2,653	(1,432,884)	2,653	(1,432,884)
Financial Assets At Fair Value Through Profit Or Loss (FVTPL)	1,391,732	1,810,196	1,391,732	1,834,273
Financial Assets At Fair Value Through Other Comprehensive Income (FVOCI)	9,791	94,953	9,791	94,953
Investment Property	(524)	291,834	-	-
	1,403,652	764,099	1,404,176	496,342
Interest Income				
Financial Assets At Amortised Cost	714,497	535,384	714,497	535,384
Financial Assets At Fair Value Through Profit Or Loss (FVTPL)	27,578	186,822	27,578	186,822
Financial Assets At Fair Value Through Other Comprehensive Income (FVOCI)	1,611,424	1,371,823	1,611,424	1,371,823
Money Markets, Deposits and Others	344,406	322,485	345,727	338,018
	2,697,905	2,416,514	2,699,226	2,432,047
Rental Income	445,214	473,135	-	-
Investment in Subsidiary, Associate & Joint Venture	1,787	21,449	162,000	326,052
Miscellaneous Income	130,697	307,590	89,917	286,868
	7,333,953	6,772,296	7,010,017	6,330,818

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5. OPERATING EXPENSES

	Note	Group		KWAP	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Employee Costs	A	151,011	140,170	143,648	133,577
Property Related Expenditure		94,811	86,590	4,715	3,782
Professional Services And Fees		141,616	241,830	87,098	78,269
Audit Fees		7,592	1,803	467	466
Directors' Fees And Remuneration		1,336	788	963	725
Depreciation Charges		203,538	216,498	6,973	9,198
Amortisation Charges		13,177	8,127	13,155	8,107
Tax Expenses		35,070	63,796	35,070	63,659
Management Aid		837	870	837	870
Rental Charges		6,444	6,512	15,066	15,299
Other Operating Expenditure		32,630	23,978	28,159	15,641
		688,062	790,962	336,151	329,593

Note A – Employee Costs:

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Salaries And Allowance	95,586	83,641	89,138	77,532
Statutory Deductions	22,681	20,188	22,284	19,757
Others	32,744	36,341	32,226	36,288
	151,011	140,170	143,648	133,577

As at 31 December 2022, the number of employees of the Group was 702 (2021: 628), with 684 (2021: 617) being employees of KWAP.

**NOTES TO THE
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6. TAXATION

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Current Taxation		
Foreign Income Tax	2,693	6,963
Deferred Taxation		
Foreign Income Tax	(16)	(11)
Tax expenses for financial year	2,677	6,952

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

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Profit Before Taxation	397,151	9,955,125	262,972	9,991,681
Taxation At The Malaysian Statutory Tax Rate Of 24% (2021: 24%)	95,316	2,389,230	63,113	2,398,003
Different Tax Rates In Other Countries*	2,693	6,963	-	-
Income Not Subject To Tax	(95,316)	(2,389,230)	(63,113)	(2,398,003)
Capital Allowances In Excess Of Depreciation	(16)	(11)	-	-
Tax Expenses For The Financial Year	2,677	6,952	-	-

* Different tax rates in other countries refers to the corporate tax rate of the United Kingdom of 19% (2021 – United Kingdom: 19%).

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FOR THE YEAR ENDED 31 DECEMBER 2022

7. PROPERTY AND EQUIPMENT

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electronic Equipment RM'000	Total RM'000
GROUP								
Cost								
At 1 January 2022	22,717	13,904	22,260	386	679	5,308	92	65,346
Additions	17	202	666	-	-	3,171	18	4,074
Transfer In/(Out)	-	1,414	39	-	-	(3,146)	15	(1,678)
Adjustments/Disposal	-	-	-	-	-	(722)	-	(722)
Foreign Exchange Difference	-	-	(53)	-	-	-	-	(53)
At 31 December 2022	22,734	15,520	22,912	386	679	4,611	125	66,967
Accumulated depreciation								
At 1 January 2022	17,857	10,305	15,434	386	636	-	70	44,688
Depreciation Charge For The Year	3,374	1,194	2,183	-	28	-	22	6,801
Foreign Exchange Difference	-	-	(6)	-	-	-	-	(6)
At 31 December 2022	21,231	11,499	17,611	386	664	-	92	51,483
Net Book Value								
At 31 December 2022	1,503	4,021	5,301	-	15	4,611	33	15,484
KWAP								
Cost								
At 1 January 2022	22,639	13,875	15,233	386	679	5,308	92	58,212
Additions	17	202	102	-	-	3,171	18	3,510
Transfer In/(Out)	-	1,414	39	-	-	(3,146)	15	(1,678)
Adjustments/Disposal	-	-	-	-	-	(722)	-	(722)
At 31 December 2022	22,656	15,491	15,374	386	679	4,611	125	59,322
Accumulated depreciation								
At 1 January 2022	17,785	10,283	11,859	386	636	-	70	41,019
Depreciation Charge For The Year	3,364	1,191	907	-	28	-	22	5,512
At 31 December 2022	21,149	11,474	12,766	386	664	-	92	46,531
Net Book Value								
At 31 December 2022	1,507	4,017	2,608	-	15	4,611	33	12,791

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7. PROPERTY AND EQUIPMENT (CONTINUED)

	Office Renovation RM'000	Computers RM'000	Paintings, Office Furniture And Equipment RM'000	Gymnasium Equipment RM'000	Vehicles RM'000	Work In Progress RM'000	Electronic Equipment RM'000	Total RM'000
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/Disposal	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	20,658
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

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FOR THE YEAR ENDED 31 DECEMBER 2022

8. COMPUTER SOFTWARE

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Cost				
At 1 January	54,984	20,604	54,875	20,495
Additions	343	1,274	329	1,274
Transfer In	1,678	33,106	1,678	33,106
At 31 December	57,005	54,984	56,882	54,875
Accumulated Amortisation				
At 1 January	23,883	15,756	23,810	15,704
Charge For The Year	13,177	8,127	13,155	8,106
At 31 December	37,060	23,883	36,965	23,810
Net Book Value As At 31 December	19,945	31,101	19,917	31,065

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.

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9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT

(a) Investment Properties

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Land And Building				
Cost				
At 1 January	8,326,575	8,108,224	235,261	235,261
Addition	20,816	1,022,452	-	-
Disposal	-	(239,571)	-	-
Adjustments	-	(1,266)	-	-
Reclassification To Assets Held For Sale	-	(566,929)	-	-
Foreign Exchange Reserve	(287,275)	3,665	-	-
At 31 December	8,060,116	8,326,575	235,261	235,261
Accumulated Depreciation				
At 1 January	936,825	825,089	8,768	7,307
Depreciation Charge	196,737	207,570	1,461	1,461
Disposal	-	(42,681)	-	-
Adjustments	-	448	-	-
Reclassification To Assets Held For Sale	-	(89,876)	-	-
Foreign Exchange Reserve	(36,430)	36,275	-	-
At 31 December	1,097,132	936,825	10,229	8,768
Impairment				
At 1 January	227,210	52,140	-	-
Impairment Charge	166,496	175,833	-	-
Foreign Exchange Reserve	(17,964)	(763)	-	-
At 31 December	375,742	227,210	-	-
Net Book Value As At 31 December	6,587,242	7,162,540	225,032	226,493
Fair Value As At 31 December	9,378,435	10,595,318	270,000	270,000

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.

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FOR THE YEAR ENDED 31 DECEMBER 2022

9. INVESTMENT PROPERTIES AND LAND HELD FOR PROPERTY DEVELOPMENT (CONTINUED)

(a) Investment Properties (continued)

The fair value of the investment properties of the Group and of KWAP as at 31 December 2022 amounted to RM9,378.4 million and RM270.0 million respectively (2021: RM10,595.3 million and RM270.0 million respectively), which was determined based on the property valuations performed at the reporting date.

Valuations are performed by accredited independent valuers with recent experience in the land and property valuation field. The valuations are based on the comparison method that involves sales of similar properties, analysis and factors which can influence the value or price of the said properties.

Right-of-use asset

Inclusive in the Investment Properties is the lease for the 100 Cheapside property in London for a period of 153 years commencing on 24 November 2014 amounting to GBP10.8 million (2021: GBP10.8 million).

(b) Land Held For Development

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Land Held For Development		
Cost:		
At 1 January	731,018	660,850
Addition	30,954	70,168
At 31 December	761,972	731,018

(c) Asset Held For Sale

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Asset Held For Sale	-	453,559
At 31 December	-	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. The asset was disposed for a consideration of AUD150.9 million with a gain of AUD 0.025 million.

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10. INVESTMENT IN SUBSIDIARIES

	KWAP	
	31 December 2022	31 December 2021
	RM'000	RM'000
Unquoted Shares Inside Malaysia	2,505,573	2,431,378
Unquoted Shares Outside Malaysia	4,866,197	4,741,397
	7,371,770	7,172,775
Less: Allowance For Impairment Losses	(1,091,806)	(727,137)
	6,279,964	6,445,638

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
		2022	2021	2022	2021	
		%	%	%	%	
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	99.6	0.4	0.4	Management of investment trust
Prima Harta U (Jersey) Limited	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 2 (Jersey) Unit Trust	Jersey	100.0	100.0	-	-	Management of investment trust
Prima Harta 3 (Lux) S.á.r.l	Luxembourg	100.0	100.0	-	-	Management of investment trust
Prima Harta 4 (Jersey) Unit Trust	Jersey	99.6	99.6	0.4	0.4	Management of investment trust
Prima Harta 4 U (Jersey) Limited	Jersey	100.0	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 (Jersey) Limited	Jersey	100.0	100.0	-	-	Management of investment trust

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10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, with the country of incorporation are as follows: (continued)

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Non-Controlling Interest		Principal Activities
		2022 %	2021 %	2022 %	2021 %	
Prima Harta 6 (Jersey) Unit Trust	Jersey	99.9	99.9	0.1	0.1	Management of investment trust
Prima Harta 6 (Jersey) Limited	Jersey	100.0	100.0	-	-	Management of investment trust
Capsquare Tower Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
KWEST Sdn Bhd	Malaysia	100.0	100.0	-	-	Property development
Harta Integra Berkhat Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property
Harta Rini Sdn Bhd	Malaysia	100.0	100.0	-	-	Management of property

* None of the subsidiaries are audited by Jabatan Audit Negara Malaysia.

11. INVESTMENT IN ASSOCIATES

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Shares At Cost,				
Quoted Shares	-	-	-	-
Unquoted Shares	838,429	796,063	831,930	786,820
	838,429	796,063	831,930	786,820
Share Of Post Acquisition Reserves	296,983	211,379	-	-
	1,135,412	1,007,442	831,930	786,820
Less: Allowance For Impairment Losses	-	-	-	-
	1,135,412	1,007,442	831,930	786,820

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11. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of the associates, with the country of incorporation are as follows:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Ownership Interest		Accounting Model Applied	Principal Activities
		2022 %	2021 %		
Aerodyne Ventures Sdn. Bhd.	Malaysia	6.67	3.47	Equity method	Software and services
edotco Group Sdn. Bhd.	Malaysia	5.29	5.29	Equity method	Communications infrastructure
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. The MFRS 128 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

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

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

	edotco Sdn. Bhd.	
	2022	2021
	RM'000	RM'000
Summarised Statement of Financial Position		
Total Assets	12,439,323	8,949,694
Total Liabilities	(8,493,093)	(4,855,231)
Total Net Assets	3,946,230	4,094,463
Non-Controlling Interests (NCI)	(544,176)	(524,963)
Total Net Assets excluding NCI	3,402,054	3,569,500
Extraction from Statement of Comprehensive Income		
Income	2,481,188	1,974,965
Profit After Tax For The Financial Year	191,370	297,316
Other Comprehensive (Loss)/Income For The Financial Year	(210,902)	53,712
Total Comprehensive Income For The Financial Year	2,461,656	2,325,993
Dividend Received from Associates For The Financial Year	-	-
Group's Share In %	5.29	5.29
Group's Share Of Net Assets	208,756	216,597
Goodwill	461,931	461,931
Carrying Amount	670,687	678,528

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11. INVESTMENT IN ASSOCIATES (CONTINUED)

The summary of the financial information in relation to the associates of KWEST Sdn. Bhd. is as disclosed below.

	Compass IP Sdn. Bhd.	
	2022	2021
	RM'000	RM'000
Summarised Financial Information		
Non-Current Assets	287,449	280,877
Current Assets	135,268	17,588
Non-Current Liabilities	(206,580)	(145,873)
Current Liabilities	(83,315)	(7,590)
Net Assets	132,822	145,002
Year Ended 31 December		
(Loss)/Profit From Continuing Operations	(12,180)	15,061
Profit From Discontinuing Operations	-	-
Total Comprehensive (Loss)/Income	(12,180)	15,061
Included In The Total Comprehensive (Loss)/Income Is:		
Revenue	176	109,444
Reconciliation Of Net Assets To		
Carrying Amount As At 31 December		
Group's Share Of Net Assets	26,564	29,000
Carrying Amount In The Statement Of Financial Position	26,564	29,000

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11. INVESTMENT IN ASSOCIATES (CONTINUED)

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates which are accounted for using the equity method.

	2022 RM'000	2021 RM'000
Total Carrying Amount of Individually Immaterial Associates	464,725	328,914
Aggregate Amounts Of The Group's Share Of:		
Profit For The Year	102,279	43
Other Comprehensive Loss	(16,675)	-
Total Comprehensive Income	85,604	43

12. INVESTMENT IN JOINT VENTURES

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Shares At Cost,				
Unquoted Shares Outside Malaysia	-	-	-	-
Unquoted Shares In Malaysia	1,000	1,000	-	-
	1,000	1,000	-	-
Share Of Post Acquisition Reserves	1,756	(159)	-	-
	2,756	841	-	-
Less: Allowance for impairment losses	-	-	-	-
	2,756	841	-	-

Details of the joint venture of KWAP, incorporated in Malaysia, are as follow:

Name	Country Of Incorporation/ Principal Place	Effective Interest Ownership		Accounting Model Applied	Principal Activities
		2022 %	2021 %		
Tap Crunch Sdn Bhd	Malaysia	50.0	50.0	Equity method	Investment holding entity

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

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12. INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint venture of subsidiaries are as follow:

Name	Country Of Incorporation/ Principal Place Of Business	Effective Interest Ownership Interest		Accounting Model Applied	Principal Activities
		2022 %	2021 %		
Persada Mentari Sdn Bhd	Malaysia	20.0	20.0	Equity method	Real estate development services

The summary of the financial information in relation to aggregated joint ventures of the Group and KWAP are as disclosed below.

	2022 RM'000	2021 RM'000
Total Carrying Amount of Individually Immaterial Joint Ventures	2,756	841
Aggregate Amounts Of The Group's Share Of:		
Profit For The Financial Year	1,915	2,490

13. LOANS AND RECEIVABLES

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Non-Current				
Loans And Receivables				
- Commercial Loan	434,136	1,005,068	434,136	1,005,068
- Loans To Related Parties	-	-	253,818	313,956
	434,136	1,005,068	687,954	1,319,024
Long Term Receivables	22,077	23,984	-	-
Current				
Loans And Receivables				
- Commercial Loan	584,683	1,970,209	584,683	1,970,209

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13. LOANS AND RECEIVABLES (CONTINUED)

Loans and Receivables to corporate institutions are subject to interest rates ranging from 3.60% to 4.68% (2021: 1.83% to 4.61%) per annum as well as the annual review.

As at 31 December 2022, Loans to Related Parties relates to two (2) new loans being the loans to High Bay Logistics 1 (Lux) S.à r.l. and High Bay Logistics 2 (Lux) S.à r.l., subsidiaries of Prima Harta 3 (Lux) S.à r.l. with the principal amount of RM141.1 million or EUR30.1 million and RM112.7 million or EUR24.1 million respectively (2021: Nil), at an interest rate of EURIBOR + 1.10% for both loans.

As at 31 December 2021, Loans to Related Parties relates to the loan to KWAP MIT 2, with the principal amount of RM312.0 million or AUD103.0 million, at an interest rate of 5-year AUD swap rate plus 2.50% credit spread per annum, which was fully repaid in 2022.

(a) Movements in the allowance for Loans and Receivables

There was a reversal of allowance for impairment losses on one (1) commercial loan amounting to RM13.8 million during the year (2021: RM13.8 million loss) due to the improvement in the credit assessment of the said loan.

All Loans and Receivables were categorised as Stage 1 in the ECL assessment.

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

There was no net remeasurement of allowance for impairment losses during the year (2021: RM13.8 million).

(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 allowance for impairment losses during the year (2021: Nil).

(d) Write-offs still under enforcement activity

There was no outstanding contractual amount written off during the year (2021: Nil).

14. DEBT INSTRUMENT AT AMORTISED COST

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Non-Current				
Fixed Income Instruments	16,372,543	15,792,014	16,372,543	15,792,014
	16,372,543	15,792,014	16,372,543	15,792,014

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14. DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)

(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

Debt Instruments At Amortised Cost	12-months expected credit losses RM'000	Total RM'000
At 1 January 2021	3	3
Net Remeasurement of Loss Allowance	-	-
At 31 December 2021/1 January 2022	3	3
Net Remeasurement of Loss Allowance	(1)	(1)
At 31 December 2022	2	2

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

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

Allowance for impairment losses reflected the ECL measured using the three-stage approach under the MFRS 9, as described in the Significant Accounting Policies section.

The gross carrying amount of debt instruments at Amortised Cost increased by RM580.5 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 2021	15,199,224	15,199,224
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 2021/1 January 2022	15,792,014	15,792,014
New Financial Assets Originated Or Purchased	2,127,527	2,127,527
Financial Assets That Have Been Derecognised	(1,569,467)	(1,569,467)
Movement Of Accretion Of Discount	22,469	22,469
At 31 December 2022	16,372,543	16,372,543

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14. DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)

(d) Write-offs still under enforcement activity

There was no outstanding contractual amount written off during the year (2021: Nil).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		KWAP	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Non-Current				
Debt Instruments At Fair Value Through Profit Or Loss	580,340	604,916	552,139	576,387
Equity Instruments At Fair Value Through Profit Or Loss				
- Quoted	42,762,679	48,183,617	42,762,679	48,183,617
- Unquoted	8,508,648	6,788,460	8,508,648	6,788,460
	51,271,327	54,972,077	51,271,327	54,972,077
Current				
Debt Instruments At Fair Value Through Profit Or Loss	258,566	364,373	465,848	573,040

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Debt Instruments At Fair Value Through Other Comprehensive Income	39,202,380	36,011,956	39,202,380	36,011,956
	39,202,380	36,011,956	39,202,380	36,011,956

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

(a) Reclassification of debt instruments at FVOCI

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

(b) Movements in allowance for debt instruments at FVOCI

Debt instruments at FVOCI	12-months Expected Credit Losses RM'000	Lifetime Expected Credit Losses (Collectively Assessed - Not Credit Impaired) RM'000	Lifetime Expected Credit Losses (Collectively Assessed - Credit Impaired) RM'000	Total RM'000
At 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 2021/1 January 2022	109	65,756	-	65,865
Changes Due To Financial Assets Recognised In The Opening Balance That Have:				
- Transferred To 12-months ECL	59,321	(59,321)	-	-
Net Remeasurement Of Loss Allowance	(59,408)	(435)	-	(59,843)
New Financial Assets Originated Or Purchased	1	-	-	1
Financial Assets That Have Been Derecognised	(8)	(895)	-	(903)
At 31 December 2022	15	5,105	-	5,120

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

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

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

Allowance for impairment losses reflected the ECL measured using the three (3) stage approach under the MFRS 9, as described in the Significant Accounting Policies section. The following explanation relates to the contribution of the significant changes in the gross carrying amount of debt instruments at FVOCI during the year to the changes in the allowance for impairment losses for the Group and KWAP under the ECL model.

Overall, the total allowance for impairment losses decreased by RM60.7 million compared to the opening balance at the beginning of the year. The net decrease was driven by the movement of the calculated provision from the previously recognised lifetime expected credit loss to the 12-months expected credit loss.

The gross carrying amount of debt instruments at FVOCI increased primarily due to the following:

- purchases made during the year;
- changes due to modification during the year; and
- derecognition during the year.

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 2021	33,747,383	134,273	-	33,881,656
Transfers:				
- Transferred To Lifetime ECL Not Credit Impaired – Collective	(7,686)	7,686	-	-
- Transferred To Lifetime ECL Credit Impaired – Collective	-	(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 Fluctuations	(1,759,037)	(29,587)	(41,949)	(1,830,573)
At 31 December 2021/1 January 2022	35,942,919	69,037	-	36,011,956
Transfers:				
- Transferred To 12-months ECL	62,737	(62,737)	-	-
New Financial Assets Originated or Purchased	8,833,175	-	-	8,833,175
Financial Assets That Have Been Derecognised	(4,609,135)	(888)	-	(4,610,023)
Exchange Fluctuations	(1,032,336)	(392)	-	(1,032,728)
At 31 December 2022	39,197,360	5,020	-	39,202,380

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

(d) Write-offs still under enforcement activity

There was no outstanding contractual amount written off during the year (2021: Nil).

17. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		KWAP	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Non-Current				
Equity Instruments At Fair Value Through Other Comprehensive Income				
- Quoted Equity	28,912,706	28,356,757	28,912,706	28,356,757
	28,912,706	28,356,757	28,912,706	28,356,757

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 RM1,289.0 million (2021: RM1,210.2 million) and RM1,365.7 million (2021: RM1,579.3 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 RM381.4 million (2021: RM285.4 million loss) subsequently recorded in the Other Comprehensive Income.

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Group			KWAP		
	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000	Nominal Value RM'000	Assets/ (Liabilities) RM'000	Assets/ (Liabilities) RM'000
2022						
Non-Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	338,590	35,721	35,721	-	-	-
Current Assets						
Derivatives Designated As Hedges:						
Financial Assets:						
Interest Rate Swaps	190,000	56,083		190,000	3,284	
Warrants & Rights	-	3,896		-	3,896	
Forward Exchange Rate Contracts	16,335,603	409,410	469,389	16,335,603	409,410	416,590
Non-Current Liabilities						
Interest Rate Floor	338,590	(800)	(800)	-	-	-
2021						
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 Swaps	343,477	(889)	(889)	-	-	-

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18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The outstanding forward exchange rate contracts as at 31 December 2022 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.

19. SUNDRY DEBTORS AND DEPOSITS

	Group		KWAP	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Deposit Received	11,885	14,411	1,629	1,678
Prepayment And Advances	53,000	9,136	7,191	2,726
Tax Recoverable	36,480	38,394	35,108	34,030
Other Receivables	107,523	70,679	66,653	128,435
	208,888	132,620	110,581	166,869

(a) Movements in allowance for sundry debtors and deposits

There was no allowance for impairment losses for sundry debtors and deposits during the year (2021: Nil).

(b) Impact of movements in the 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 (2021: Nil).

(c) Write-offs still under enforcement activity

There was no outstanding contractual amount written off during the year (2021: Nil).

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20. TRADE RECEIVABLES

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Sale Of Shares And Bonds	981	10,606	981	10,606
Dividend Receivable	77,506	88,500	77,506	88,500
Interest Income Receivable	772,009	727,432	772,009	734,554
Rental Receivable	11,707	5,007	-	-
Receivable From Brokers	1,557,019	1,845,682	1,557,019	1,842,665
Other Trade Receivables	127,372	47,926	80	210
	2,546,594	2,725,153	2,407,595	2,676,535

(a) Movements in the allowance for trade receivables

There was an allowance for impairment losses for interest income amounting to RM5.3 million during the year (2021: RM2.5 million).

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

The net remeasurement of allowance for impairment losses during the year amounted to RM5.3 million (2021: RM2.5 million).

(c) Write-offs still under enforcement activity

There was no outstanding contractual amount written off during the year (2021: Nil).

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21. DEPOSITS AND PLACEMENTS AND CASH AND BANK BALANCES

	Group		KWAP	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposit And Placements With Financial Institutions				
Deposits And Placements With Financial Institutions With Maturity Less 3 Months	9,331,415	7,494,501	9,331,415	7,494,501
Deposits And Placements With Financial Institutions With Maturity More Than 3 Months	132,303	39,884	132,303	39,884
	9,463,718	7,534,385	9,463,718	7,534,385
Cash And Bank Balances	3,383,526	2,337,832	2,797,116	1,617,120

	Group		KWAP	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash and Cash Equivalents				
Deposits And Placements With Financial Institutions With Maturity Less Than 3 Months	9,331,415	7,494,501	9,331,415	7,494,501
Cash And Bank Balances	3,383,526	2,337,832	2,797,116	1,617,120
	12,714,941	9,832,333	12,128,531	9,111,621

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 (2021: Nil).

(b) Impact of movements in the 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 loss during the year (2021: Nil).

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22. TRADE PAYABLES

	Group		KWAP	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amount Due To Private Equity Funds	27,478	1,537	27,478	1,537
Trade Creditors	2,395,459	62,302	2,344,283	30,207
	2,422,937	63,839	2,371,761	31,744

All trade payables, excluding repurchase agreements, are interest free with the normal trade credit terms ranging from 30 to 90 days granted to the Group and KWAP.

As at 31 December 2022, included as trade payables were repurchase agreements, subject to interest rates ranging from 2.40% to 3.48% (2021: Nil) and set to mature within 90 days.

23. OTHER PAYABLES AND ACCRUALS

	Group		KWAP	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Goods And Service Tax (GST) Payable	-	1,751	-	-
Sales and Service Tax (SST) Payable	473	362	419	306
Withholding Tax Payable	1,302	1,850	1,302	890
Amount Due to Subsidiaries	-	-	58,915	51,988
Provision For Bonus	44,840	43,465	44,840	42,465
Provision For Services	18,770	15,017	18,770	15,017
Provision For External Managers Fees	8,677	18,124	8,677	18,124
Provision For Custodian Fees	995	1,279	995	1,279
Provision For Tax	654	9,723	-	-
Other Payables And Accruals	234,847	213,632	3,428	3,064
	310,558	305,203	137,346	133,133

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24. BORROWINGS

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Current	279,184	580,822	-	-
Non-Current	1,072,380	1,396,182	-	-

- (a) The loan amounting to RM337.9 million or AUD113.4 million to KWAP Managed Investment Trust 3 (KWAP MIT 3) is at a floating rate of interest at BBR + 1.2% per annum with maturity on 5 February 2026 and is secured over the investment property of KWAP MIT 3.
- (b) The loan amounting to RM279.2 million or AUD93.5 million to KWAP MIT 3 is at a fixed rate of interest at 3.76% per annum with maturity on 2 October 2023 and is secured over the investment property of KWAP MIT 3.
- (c) The loan amounting to RM734.4 million or GBP139.2 million to Prima Harta (Jersey) Unit Trust (Prima Harta) is at a floating rate of LIBOR + 1.3% with maturity on 27 November 2024.

The table below illustrates the reconciliation of the 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 2022 RM'000	31 December 2021 RM'000
At 1 January	1,977,004	2,180,272
Cash Flow Changes From Financing Activities:		
Repayments Of Borrowings	(577,190)	(3,886)
Non-Cash Flow Movement:		
Capitalised Transaction Costs	(2,726)	(4,495)
Deferred Finance Cost	-	(519)
Accrued Interest For The Year	2,177	4,307
Effect of Changes in Foreign Exchange	(47,701)	(198,675)
At 31 December	1,351,564	1,977,004

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25. LEASE LIABILITIES

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Current Liabilities		
Obligation Under Lease Liabilities	2,399	2,554
Non-Current Liabilities		
Obligation Under Lease Liabilities	110,139	117,274
	112,538	119,828
	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Future Minimum Payment Due:		
Not Later Than One Year	5,288	5,631
After One Year But Not More Than Five Years	21,154	22,522
After Five Years	729,333	782,151
	755,775	810,304
Less: Finance Charges Allocated To Future Periods	(643,237)	(690,476)
Present Value Of Minimum Lease Payments	112,538	119,828
Present Value Of Minimum Lease Payments Is Analysed As Follows:		
Not Later Than One Year	9	2,554
After One Year But Not More Than Five Years	38	10,219
After Five Years	112,491	107,055
Present Value Minimum Lease Payments	112,538	119,828

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26. ALLOCATION OF STATUTORY FUNDS

	Group and KWAP	
	31 December	31 December
	2022	2021
	RM'000	RM'000
At 1 January	27,501,944	27,001,944
Add: Allocation For Current Year	500,000	500,000
At 31 December	28,001,944	27,501,944

27. PENSION CONTRIBUTIONS

	Note	Group and KWAP	
		31 December	31 December
		2022	2021
		RM'000	RM'000
Contribution From Statutory Bodies, Local Authorities And Other Agencies	A	19,937,844	18,564,748
Contribution From Government's Share, Gratutities And Other Deductions	B	41,939,775	41,178,029
		61,877,619	59,742,777

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.

	Group and KWAP		
	Accumulated	Receipts	Balance
	Contributions	RM'000	RM'000
2022	RM'000	RM'000	RM'000
Statutory Bodies	14,867,532	1,117,868	15,985,400
Local Authorities	3,568,691	250,973	3,819,664
Other Agencies	136,824	4,488	141,312
	18,573,047	1,373,329	19,946,376
Less:			
Repayment Of Claims	(8,299)	(233)	(8,532)
	18,564,748	1,373,096	19,937,844

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27. PENSION CONTRIBUTIONS (CONTINUED)

Note A – Contribution From Statutory Bodies, Local Authorities And Other Agencies (continued)

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

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:

2022	Group and KWAP		
	Contributions RM'000	Receipts RM'000	Balance RM'000
KWSP	31,093,782	732,013	31,825,795
KWSG	146,709	-	146,709
KWSG - Sabah	12,479	-	12,479
LTAT	8,657,804	-	8,657,804
SESCO	45,309	-	45,309
JPA	1,402,026	39,376	1,441,402
VETERAN ATM	2,352	662	3,014
Others	41,324	505	41,829
	41,401,785	772,556	42,174,341
Less:			
Repayment Of Claims	(223,756)	(10,810)	(234,566)
	41,178,029	761,746	41,939,775

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27. PENSION CONTRIBUTIONS (CONTINUED)

Note B – Contribution From Government's Share, Gratuities And Other Deductions (continued)

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

28. WITHDRAWAL BY THE FEDERAL GOVERNMENT

During the year, the total withdrawal by the Federal Government amounted to RM3.0 billion (2021: RM5.0 billion).

29. RETAINED EARNINGS

The Group's Retained Earnings amounting to RM92.8 billion was the balance of revenue reserves as at 31 December 2022 (2021: RM92.3 billion). KWAP's Retained Earnings amounting to RM92.7 billion was the balance of revenue reserves as at 31 December 2022 (2021: RM92.5 billion).

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30. RESERVES

	Note	Group		KWAP	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Other reserves		(59,215)	(42,540)	-	-
Foreign exchange reserve		(77,903)	(266)	-	-
Fair Value Through Other Comprehensive Income (FVOCI) Reserves					
Debt instrument at FVOCI reserve	A	(782,715)	145,962	(782,715)	145,962
Equity instrument at FVOCI reserve	B	(6,243,284)	(6,343,087)	(6,243,284)	(6,343,087)
		(7,025,999)	(6,197,125)	(7,025,999)	(6,197,125)

Note A: There are investments classified as debt instruments at FVOCI whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity. The accumulated changes in fair value are transferred to profit or loss upon disposal of the investments.

Note B: The Group and KWAP elected to recognise changes in the fair value of equity instruments in Other Comprehensive Income whereby the changes in fair value are accumulated within the Financial Assets at FVOCI Reserves within equity.

31. DEFERRED TAX LIABILITIES

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
At 1 January	38	49
Amount Recognised In Profit Or Loss	(16)	(11)
As At 31 December	22	38
After Appropriate Offsetting As Follows:		
Deferred Tax Liabilities	(22)	(38)
	(22)	(38)
Deferred Tax Liabilities:		
- Settled More Than 12 Months	(22)	(38)
	(22)	(38)

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32. EMPLOYEE BENEFITS

	Group and KWAP Post - Retirement Medical Benefits RM'000
At 1 January 2022	4,429
Provisions For The Year	619
Benefits Paid	(36)
As At 31 December 2022	5,012

The maturity structure of Employee Benefits are as follows:

	Group and KWAP	
	31 December 2022	31 December 2021
Active Members	4,307	3,806
Retirees	705	623
	5,012	4,429

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

	Group and KWAP	
	31 December 2022	31 December 2021
At 1 January	4,429	3,875
Current Service Cost	417	410
Interest Cost	203	178
Adjustments During The Year	(1)	(26)
Benefits Paid	(36)	(8)
Net Actuarial Loss	-	-
As At 31 December	5,012	4,429

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32. EMPLOYEE BENEFITS (CONTINUED)

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

	Group and KWAP	
	31 December 2022	31 December 2021
Net Liabilities As At 1 January	4,429	3,875
Total Post-Retirement Costs Recognised In The Statements Of Comprehensive Income And Other Comprehensive Income	619	562
Benefits Paid	(36)	(8)
Net Liabilities As At 31 December	5,012	4,429

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

	Group and KWAP	
	31 December 2022	31 December 2021
Current Service Cost	417	410
Interest Cost	203	178
Adjustments During The Year	(1)	(26)
Total Post-Retirement Costs Recognised In The Statement Of Comprehensive Income And Other Comprehensive Income	619	562

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

	Group and KWAP	
	31 December 2022	31 December 2021
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% (2021: 4.60%) on the basis that the underlying instrument is naturally considered to be conservative and liquid for the Group and KWAP.

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32. EMPLOYEE BENEFITS (CONTINUED)

- (e) The sensitivity analysis below are determined based on a method that extrapolates the occurrence of reasonable changes in the key assumptions in the same Statement of Financial Position whereby all other assumptions remain constant:

	Group and KWAP			
	31 December 2022		31 December 2021	
	RM'000		RM'000	
	Increase	Decrease	Increase	Decrease
Discount Rate (1% Movement)	(950)	1,258	(852)	1,132
Medical Inflation Rate (1% Movement)	118	(288)	109	(259)
	(832)	970	(743)	873

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 the 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.

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33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

Interest rate sensitivity (continued)

	Group	KWAP	Group	KWAP
	Effect On Equity RM'000	Effect On Equity RM'000	Effect On Profit Before Tax RM'000	Effect On Profit Before Tax RM'000
2022				
Increase In 100 Basis Points	(2,020,964)	(2,020,964)	(11,833)	(11,833)
Decrease In 100 Basis Points	2,020,964	2,020,964	11,833	11,833
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

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.

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33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

GROUP

2022	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	584,683	6,875	427,261	-	1,018,819
Long Term Receivables	-	22,077	-	-	22,077
Debt Instruments At Amortised Cost	-	2,680,143	13,692,400	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	258,566	580,340	-	-	838,906
Equity Instruments At Fair Value Through Profit Or Loss (FVTPL)	-	-	-	51,271,327	51,271,327
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	-	19,901,390	19,300,990	-	39,202,380
Equity Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	-	-	-	28,912,706	28,912,706
Derivatives Financial Assets	469,389	35,721	-	-	505,110
Deposits And Placements With Financial Institutions	9,463,718	-	-	-	9,463,718
Other Non-Interest Sensitive Assets	-	-	-	14,661,819	14,661,819
	10,776,356	23,226,546	33,420,651	94,845,852	162,269,405
Financial Liabilities					
Derivative Financial Liabilities	-	800	-	-	800
Trade Payables	1,781,754	-	-	641,183	2,422,937
Other Payables And Accruals	-	-	-	310,558	310,558
Deferred Income	-	-	-	50,635	50,635
Borrowings	279,184	1,072,380	-	-	1,351,564
Lease Liabilities	2,399	110,139	-	-	112,538
Long Term Deposit	-	7,161	-	-	7,161
Deferred Tax Liabilities	-	-	-	22	22
	2,063,337	1,190,480	-	1,002,398	4,256,215

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33. FINANCIAL RISK (CONTINUED)

(a) Interest rate risk (continued)

KWAP

2022	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	584,683	260,693	427,261	-	1,272,637
Debt Instruments At Amortised Cost	-	2,680,143	13,692,400	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	465,848	552,139	-	-	1,017,987
Equity Instruments At Fair Value Through Profit Or Loss (FVTPL)	-	-	-	51,271,327	51,271,327
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	-	19,901,390	19,300,990	-	39,202,380
Equity Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	-	-	-	28,912,706	28,912,706
Derivatives Financial Assets	416,590	-	-	-	416,590
Deposits And Placements With Financial Institutions	9,463,718	-	-	-	9,463,718
Other Non-Interest Sensitive Assets	-	-	-	12,684,926	12,684,926
	10,930,839	23,394,365	33,420,651	92,868,959	160,614,814
Financial Liabilities					
Trade Payables	1,781,754	-	-	590,007	2,371,761
Other Payables And Accruals	-	-	-	137,346	137,346
	1,781,754	-	-	727,353	2,509,107

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FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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FINANCIAL STATEMENTS**
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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
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

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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 Investment Panel 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	KWAP	Group	KWAP
	Effect On Equity RM'000	Effect On Equity RM'000	Effect On Profit Before Tax RM'000	Effect On Profit Before Tax RM'000
2022				
Domestic Equity				
Increase Of 5% In Equity Price	2,735,372	2,735,372	1,312,521	1,312,521
Decrease Of 5% In Equity Price	(2,735,372)	(2,735,372)	(1,312,521)	(1,312,521)
International Equity				
Increase Of 10% In Equity Price	1,697,185	1,697,185	1,651,616	1,651,616
Decrease Of 10% In Equity Price	(1,697,185)	(1,697,185)	(1,651,616)	(1,651,616)
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)

(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.



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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

	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
2022									
Financial Assets (RM'000)									
Investment Properties	1,719,222	-	1,226,517	3,255,670	385,833	-	-	-	6,587,242
Loan And Receivables	1,018,819	-	-	-	-	-	-	-	1,018,819
Long Term Receivables	1,004	-	2	21,071	-	-	-	-	22,077
Debt Instruments At Amortised Cost	16,372,543	-	-	-	-	-	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	838,906	-	-	-	-	-	-	-	838,906
Equity Instruments At Fair Value Through Profit Or Loss (FVTPL)	26,322,923	16,993,991	319,178	1,448,330	3,292,407	662,979	971,941	1,259,578	51,271,327
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	38,676,178	372,777	54,222	-	-	-	-	99,203	39,202,380
Equity Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	28,457,013	455,693	-	-	-	-	-	-	28,912,706
Derivative Financial Assets	416,590	-	35,721	52,799	-	-	-	-	505,110
Deposits And Placements With Financial Institutions	7,285,983	1,511,971	393,146	266,884	5,734	-	-	-	9,463,718
Cash And Bank Balances	654,346	2,360,635	50,258	252,246	66,041	-	-	-	3,383,526
	121,763,527	21,695,067	2,079,044	5,297,000	3,750,015	662,979	971,941	1,358,781	157,578,354

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33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

KWAP

2022	MYR	USD	AUD	GBP	EUR	HKD	JPY	Others	Total RM'000
Financial Assets (RM'000)									
Investment Properties	225,032	-	-	-	-	-	-	-	225,032
Loan And Receivables	1,018,819	-	-	-	253,818	-	-	-	1,272,637
Debt Instruments At Amortised Cost	16,372,543	-	-	-	-	-	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	810,705	-	-	-	207,282	-	-	-	1,017,987
Equity Instruments At Fair Value Through Profit Or Loss (FVTPL)	26,322,923	16,993,991	319,178	1,448,330	3,292,407	662,979	971,941	1,259,578	51,271,327
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	38,676,178	372,777	54,222	-	-	-	-	99,203	39,202,380
Equity Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	28,457,013	455,693	-	-	-	-	-	-	28,912,706
Derivative Financial Assets	416,590	-	-	-	-	-	-	-	416,590
Deposits And Placements With Financial Institutions	7,285,983	1,511,971	393,146	266,884	5,734	-	-	-	9,463,718
Cash And Bank Balances	436,471	2,360,635	2	5	3	-	-	-	2,797,116
	120,022,257	21,695,067	766,548	1,715,219	3,759,244	662,979	971,941	1,358,781	150,952,036

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33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

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

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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

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33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table demonstrates 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%
2022		
Currency		
USD	650,852	(650,852)
AUD	62,371	(62,371)
GBP	157,326	(157,326)
EUR	112,500	(112,500)
HKD	19,889	(19,889)
JPY	29,158	(29,158)
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)

**NOTES TO THE
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FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(c) Foreign exchange risk (continued)

The following table demonstrates 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%
2022		
Currency		
USD	650,852	(650,852)
AUD	22,996	(22,996)
GBP	51,457	(51,457)
EUR	112,777	(112,777)
HKD	19,889	(19,889)
JPY	29,158	(29,158)
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)

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(i) Credit risk management (continued)

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.

(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 the credit risk or presumption of a significant increase in the 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 Bank Negara Malaysia (BNM) Overnight Policy Rate (OPR) (Lag 1 year) & Equity Index 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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(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.

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

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

ii. Short Term Rating For Payment Of Short Term Financial Obligations

Domestic	Credit Rating	Definition Of Quality Classifications
Strong	P1/MARC1	Strong ability to meet financial obligations
Moderate	P2/MARC2	Adequate ability to meet financial obligations
International	Credit Rating	Definition Of Quality
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.

The credit quality of financial assets can be assessed by reference to the internal rating system adopted by the Group and KWAP.

a. Loans and receivables

	12-months expected credit loss	Lifetime expected credit losses Not credit impaired	Lifetime expected credit losses Credit impaired
	RM'000	RM'000	RM'000
2022			
AA	-	-	-
2021			
AA	-	-	13,750

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality

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
2022			
AA	1	-	-
BBB	1	-	-
2021			
AA	1	-	-
A	2	-	-

c. 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
2022			
AA	7	-	-
A	4	-	-
BBB	4	-	-
B	-	5,105	-
2021			
AA	18	-	-
A	43	-	-
BBB	48	-	-
BB	-	6,435	-
C	-	59,321	-

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

Group

2022	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	1,005,068	13,751	-	-	-	1,018,819
Long Term Receivables	-	22,077	-	-	-	22,077
Debt Instruments At Amortised Cost	11,854,566	4,091,497	-	426,480	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	180,987	499,758	158,161	-	-	838,906
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	23,432,121	15,098,824	644,803	26,632	-	39,202,380
Trade Receivables	-	-	-	-	2,546,594	2,546,594
Sundry Debtors And Deposits	-	-	-	-	208,888	208,888
Deposits And Placements With Financial Institutions	389,590	7,850,512	1,223,616	-	-	9,463,718
Cash And Bank Balances	4,389	2,792,721	-	-	586,416	3,383,526
	36,866,721	30,369,140	2,026,580	453,112	3,341,898	73,057,451

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

KWAP

2022	Sovereign	Strong	Moderate	Weak	Non-rated	Total
Financial Assets (RM'000)						
Loans And Receivables	1,005,068	267,569	-	-	-	1,272,637
Debt Instruments At						
Amortised Cost	11,854,566	4,091,497	-	426,480	-	16,372,543
Debt Instruments At						
Fair Value Through Profit						
Or Loss (FVTPL)	180,987	678,839	158,161	-	-	1,017,987
Debt Instruments At Fair						
Value Through Other						
Comprehensive Income						
(FVOCI)	23,432,121	15,098,824	644,803	26,632	-	39,202,380
Trade Receivables	-	-	-	-	2,407,595	2,407,595
Sundry Debtors And Deposits	-	-	-	-	110,581	110,581
Deposits And Placements						
With Financial Institutions	389,590	7,850,512	1,223,616	-	-	9,463,718
Cash And Bank Balances	4,389	2,792,721	-	-	6	2,797,116
	36,866,721	30,779,962	2,026,580	453,112	2,518,182	72,644,557

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(iii) 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 2022

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
2022			
Loans and Receivables	60,378	1,018,819	958,441
2021			
Loans and Receivables	63,987	2,975,277	2,911,290

(v) 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% (2021: 0.09%). The financial effect of collateral held for the remaining financial assets are deemed to be insignificant.

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33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Maximum exposure to 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

	Maximum Exposure To Credit Risk	Fair Value Of Collateral Credit Enhancements Held		
		Properties, Aircraft, Other Fixed Assets	Net Collateral	Net Exposure
2022				
Financial Assets (RM'000)				
Loans And Receivables	1,018,819	(60,378)	(60,378)	958,441
Long Term Receivables	22,077	-	-	22,077
Debt Instruments At Amortised Cost	16,372,543	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	838,906	-	-	838,906
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	39,202,380	-	-	39,202,380
Trade Receivables	2,546,594	-	-	2,546,594
Sundry Debtors And Deposits	208,888	-	-	208,888
Deposits And Placements With Financial Institutions	9,463,718	-	-	9,463,718
Cash And Bank Balances	3,383,526	-	-	3,383,526
	73,057,451	(60,378)	(60,378)	72,997,073

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FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Maximum exposure to credit risk (continued)

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

Types of collateral or credit enhancements (continued)

KWAP

	Maximum Exposure To Credit Risk	Fair Value Of Collateral Credit Enhancements Held		
		Properties, Aircraft, Other Fixed Assets	Net Collateral	Net Exposure
2022				
Financial Assets (RM'000)				
Loans And Receivables	1,272,637	(60,378)	(60,378)	1,212,259
Debt Instruments At Amortised Cost	16,372,543	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	1,017,987	-	-	1,017,987
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	39,202,380	-	-	39,202,380
Trade Receivables	2,407,595	-	-	2,407,595
Sundry Debtors And Deposits	110,581	-	-	110,581
Deposits And Placements With Financial Institutions	9,463,718	-	-	9,463,718
Cash And Bank Balances	2,797,116	-	-	2,797,116
	72,644,557	(60,378)	(60,378)	72,584,179

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Maximum exposure to credit risk (continued)

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

Types of collateral or credit enhancements (continued)

Group

	Maximum Exposure To Credit Risk	Fair Value Of Collateral Credit Enhancements Held		
		Properties, Aircraft, Other Fixed Assets	Net Collateral	Net Exposure
2021				
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

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FINANCIAL STATEMENTS**
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33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(v) Maximum exposure to credit risk (continued)

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

Types of collateral or credit enhancements (continued)

KWAP

	Maximum Exposure To Credit Risk	Fair Value Of Collateral Credit Enhancements Held		
		Properties, Aircraft, Other Fixed Assets	Net Collateral	Net Exposure
2021				
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 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(vi) 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.

(vii) 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.

(viii) Aging analysis for financial assets that are either past due or impaired

The amounts in the following table reflect the exposure on the gross financial assets designated as either past due or impaired.

Group

2022	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	1,018,819	-	-	-	-	1,018,819
Long Term Receivables	22,077	-	-	-	-	22,077
Debt Instruments At Amortised Cost	16,372,543	-	-	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	838,906	-	-	-	-	838,906
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	39,202,380	-	-	-	-	39,202,380
Trade Receivables	2,517,387	950	1,494	15,870	10,893	2,546,594
Sundry Debtors And Deposits	208,888	-	-	-	-	208,888
Deposits And Placements With Financial Institutions	9,463,718	-	-	-	-	9,463,718
Cash And Bank Balances	3,383,526	-	-	-	-	3,383,526
	73,028,244	950	1,494	15,870	10,893	73,057,451

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FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(viii) Aging analysis for financial assets that are either past due or impaired (continued)

KWAP

2022	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	1,272,637	-	-	-	-	1,272,637
Debt Instruments At Amortised Cost	16,372,543	-	-	-	-	16,372,543
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)	1,017,987	-	-	-	-	1,017,987
Debt Instruments At Fair Value Through Other Comprehensive Income (FVOCI)	39,202,380	-	-	-	-	39,202,380
Trade Receivables	2,403,976	-	-	-	3,619	2,407,595
Sundry Debtors And Deposits	110,581	-	-	-	-	110,581
Deposits And Placements With Financial Institutions	9,463,718	-	-	-	-	9,463,718
Cash And Bank Balances	2,797,116	-	-	-	-	2,797,116
	72,640,938	-	-	-	3,619	72,644,557

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(viii) Aging analysis for financial assets that are either past due or impaired (continued)

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

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FINANCIAL STATEMENTS**
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33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(viii) Aging analysis for financial assets that are either past due or impaired (continued)

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 2022

33. FINANCIAL RISK (CONTINUED)

(d) Credit risk (continued)

(ix) Financial assets exposed to credit risk assessed as impaired

	2022		
	Allowances As At 1 January RM'000	Allowances Made During The Year RM'000	Allowances As At 31 December RM'000
Group			
Financial Asset At Amortised Cost	3	(1)	2
Debt Instruments At Fair Value Through Other Comprehensive Income	65,865	(60,745)	5,120
Other Financial Assets	29,920	(19,027)	10,893
	95,788	(79,773)	16,015
KWAP			
Financial Asset At Amortised Cost	3	(1)	2
Debt Instruments At Fair Value Through Other Comprehensive Income	65,865	(60,745)	5,120
Other Financial Assets	16,203	(12,583)	3,620
	82,071	(73,329)	8,742
	2021		
	Allowances As At 1 January RM'000	Allowances Made During The Year RM'000	Allowances As At 31 December RM'000
Group			
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

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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 the overall prudent liquidity management, the Group and KWAP maintain a portfolio of highly liquid assets to meet the working capital and investment requirements.

In addition, the Group and KWAP maintain a balanced and flexible funding structure through the use of credit facilities, short as well as long term borrowings. Short term flexibility is achieved through credit facilities and short term borrowings.

The table below summarises the maturity profile of the Group's and of KWAP's financial liabilities based on contractual undiscounted repayment obligations.

Group

2022	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Total RM'000
Financial Liabilities					
Derivatives Financial Liabilities	-	-	-	800	800
Trade Payables	641,183	797,890	983,864	-	2,422,937
Borrowings	-	-	279,184	1,072,380	1,351,564
Other Payables And Accruals	310,558	-	-	-	310,558
Deferred Income	-	-	50,635	-	50,635
Deferred Tax	-	-	-	22	22
Long Term Deposit	-	-	-	7,161	7,161
Lease Liabilities	-	-	2,399	110,139	112,538
Total Undiscounted Financial Liabilities	951,741	797,890	1,316,082	1,190,502	4,256,215

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FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK (CONTINUED)

(e) Liquidity risk (continued)

KWAP

2022	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Total RM'000
Financial Liabilities					
Trade Payables	590,007	797,890	983,864	-	2,371,761
Other Payables And Accruals	137,346	-	-	-	137,346
Total Undiscounted Financial Liabilities	727,353	797,890	983,864	-	2,509,107

Group

2021	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Total RM'000
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	On Demand RM'000	Less Than 3 Months RM'000	3 to 12 Months RM'000	1 to 5 Years RM'000	Total RM'000
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 2022

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

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Loans And Receivables	1,040,896	1,040,896	2,999,261	2,999,261
Debt Instruments At Amortised Costs	16,372,543	16,502,713	15,792,014	16,438,735
Financial Liabilities				
Borrowings	1,351,564	1,351,564	1,977,004	1,977,004

KWAP

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Loans And Receivables	1,272,637	1,272,637	3,289,233	3,289,233
Debt Instruments At Amortised Costs	16,372,543	16,502,713	15,792,014	16,438,735

(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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Determination of fair value (continued)

(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.

(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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

As at 31 December 2022, the Group and KWAP held the following financial instruments carried at fair value in the Statement of Financial Position:

Group

	2022						
	Fair Value of Financial Assets Carried At Fair Value				Fair Value of Financial Assets Not Carried At Fair Value		
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial Assets							
Loans And Receivables	1,018,819	-	-	-	-	-	1,018,819
Long Term Receivables	22,077	-	-	-	-	-	22,077
Debt Instruments At Amortised Cost	16,502,713	-	-	-	-	16,502,713	-
Debt Instruments At Fair Value							
Through Profit Or Loss (FVTPL)	838,906	-	733,126	105,780	-	-	-
Equity Instruments At Fair Value							
Through Profit Or Loss (FVTPL)	51,271,327	42,762,679	-	8,508,648	-	-	-
Debt Instruments At Fair Value							
Through Other Comprehensive Income (FVOCI)	39,202,380	-	39,202,380	-	-	-	-
Equity Instruments At Fair Value							
Through Other Comprehensive Income (FVOCI)	28,912,706	28,912,706	-	-	-	-	-
Derivative Financial Assets	505,110	3,896	501,214	-	-	-	-
Deposits And Placements							
With Financial Institutions	9,463,718	-	-	-	-	-	9,463,718
Trade Receivables	2,546,594	-	-	-	-	-	2,546,594
Sundry Debtors And Deposits	208,888	-	-	-	-	-	208,888
Cash And Bank Balances	3,383,526	-	-	-	-	-	3,383,526
	153,876,764	71,679,281	40,436,720	8,614,428	-	16,502,713	16,643,622
Financial Liabilities							
Borrowings	1,351,564	-	-	-	-	-	1,351,564
Payables And Accruals	2,733,495	-	-	-	-	-	2,733,495
Derivative Financial Liabilities	800	-	800	-	-	-	-
	4,085,859	-	800	-	-	-	4,085,059

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

KWAP

	2022						
	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
Financial Assets							
Loans And Receivables	1,272,637	-	-	-	-	-	1,272,637
Debt Instruments At Amortised Cost	16,502,713	-	-	-	-	16,502,713	-
Debt Instruments At Fair Value							
Through Profit Or Loss (FVTPL)	1,017,987	-	733,126	284,861	-	-	-
Equity Instruments At Fair Value							
Through Profit Or Loss (FVTPL)	51,271,327	42,762,679	-	8,508,648	-	-	-
Debt Instruments At Fair Value							
Through Other Comprehensive Income (FVOCI)	39,202,380	-	39,202,380	-	-	-	-
Equity Instruments At Fair Value							
Through Other Comprehensive Income (FVOCI)	28,912,706	28,912,706	-	-	-	-	-
Derivative Financial Assets	416,590	3,896	412,694	-	-	-	-
Deposits And Placements							
With Financial Institutions	9,463,718	-	-	-	-	-	9,463,718
Trade Receivables	2,407,595	-	-	-	-	-	2,407,595
Sundry Debtors And Deposits	110,581	-	-	-	-	-	110,581
Cash And Bank Balances	2,797,116	-	-	-	-	-	2,797,116
	153,375,350	71,679,281	40,348,200	8,793,509	-	16,502,713	16,051,647
Financial Liabilities							
Payables And Accruals	2,509,107	-	-	-	-	-	2,509,107
	2,509,107	-	-	-	-	-	2,509,107

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

Group

	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
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	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	368,042	-	-	-	-	-	369,042
Derivative Financial Liabilities	8,768	-	8,768	-	-	-	-
	2,353,814	-	8,768	-	-	-	2,346,046

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FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

KWAP

	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
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	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

(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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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:

Group and KWAP

	Equity Instruments At Fair Value Through Profit or Loss Unquoted Shares RM'000
At 1 January 2022	6,788,461
Net addition and disposal	1,330,426
Net fair value gain recognised in Profit or Loss	389,761
At 31 December 2022	8,508,648

Group

	Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000
At 1 January 2022	106,108
Net addition	-
Net fair value gain recognised in Profit or Loss	(328)
At 31 December 2022	105,780

KWAP

	Debt Instruments At Fair Value Through Profit or Loss Redeemable Convertible Preference Shares RM'000
At 1 January 2022	286,246
Net fair value gain recognised in Profit or Loss	(1,385)
At 31 December 2022	284,861

**NOTES TO THE
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34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Sensitivity analysis

Sensitivity analysis of the Level 3 fair valuation is as follows:

	Group	KWAP	Group	KWAP
	Effect On Equity	Effect On Equity	Effect On Profit Before Tax	Effect On Profit Before Tax
	RM'000	RM'000	RM'000	RM'000
2022				
Debt Instruments At Fair Value Through Profit Or Loss (FVTPL)				
Increase Of 5% In Equity Price	14,243	14,243	14,243	14,243
Decrease Of 5% In Equity Price	(14,243)	(14,243)	(14,243)	(14,243)
Equity Instruments At Fair Value Through Profit Or Loss (FVTPL)				
Increase Of 5% In Equity Price	425,432	425,432	425,432	425,432
Decrease Of 5% In Equity Price	(425,432)	(425,432)	(425,432)	(425,432)
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)

**NOTES TO THE
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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 (Jersey) Limited	Subsidiary
Prima Harta 6 (Jersey) Unit Trust	Subsidiary
Prima Harta 6 (Jersey) Limited	Subsidiary
Aerodyne Ventures Sdn Bhd	Associate
edotco Group Sdn Bhd	Associate
ValueCap Sdn Bhd	Associate
Vantage Solar Investments S.à r.l. (formerly known as Vortex Solar Investments S.à r.l.)	Associate
Compass IP Sdn. Bhd.	Associate
Persada Mentari Sdn Bhd	Joint venture
Tap Crunch Sdn Bhd	Joint venture

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FINANCIAL STATEMENTS**
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35. RELATED PARTY TRANSACTIONS (CONTINUED)

Subsidiaries, associates and joint ventures

The information above is consistent with the list of subsidiaries, associates and joint ventures of the Group and KWAP as set out in Note 10, Note 11 and Note 12, respectively.

Significant related party balances and transactions

	KWAP Subsidiaries	
	31 December 2022 RM'000	31 December 2021 RM'000
Net Income		
Interest Income	10,726	17,961
Administrative Fee	66	132
Dividend On Income	156,078	345,473
Rental Income	10,657	10,948
	177,527	374,514
Amount Due From		
Loan And Receivables	253,819	313,956
Debt Instrument At Fair Value Through Profit Or Loss (FVTPL)	207,282	208,667
Trade Receivables	7,682	7,121
	468,783	529,744
Amount Due To		
Other Payables and Accruals	29,716	173,413
	29,716	173,413

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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 2022 RM'000	31 December 2021 RM'000
Interest Income And Profit On Investments	1,674,681	1,510,065
Purchase Of Malaysian Government Securities And Bonds	8,628,714	8,899,900
Sale Of Malaysian Government Securities And Bonds	3,562,722	3,729,825
Repayment Of Loans	1,966,598	2,481,583

Key management personnel

Key management personnel are defined as the Board and senior management of KWAP whereby their remuneration are included as part of the staff costs.

	Group		KWAP	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<u>Board and Investment Panel</u>				
Wages, Salaries, Honorarium And Remuneration	1,706	911	1,653	848
Benefit in Kind	-	5	-	5
<u>Senior Management</u>				
Wages, Salaries, Honorarium And Remuneration	18,291	13,225	17,751	12,986
Benefit in Kind	14	7	14	6
Statutory Contribution To The Employees Provident Fund	3,358	2,498	3,264	2,456
	23,369	16,646	22,682	16,301

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36. CAPITAL COMMITMENT

	Group and KWAP	
	31 December 2022	31 December 2021
	RM'000	RM'000
Authorised and contracted for:		
Paintings, Office Furniture and Equipment	-	7
Electronic Equipment	-	1,156
Vehicles	227	-
Computer Software	1,507	17,488
Professional Service	1,097	9,817
	2,831	28,468
Authorised and not contracted for:		
Office Renovation	49	-
Computers	13	8
Paintings, Office Furniture and Equipment	-	1
Electronic Equipment	15	1
Computer Software	110	-
	187	10
	3,018	28,478

37. SUBSEQUENT EVENT DISCLOSURE**Withdrawal by the Government of Malaysia**

On 13 March 2023, the Minister of Finance (MOF) issued a formal letter to KWAP to request a withdrawal of RM3.0 billion to partially finance the Government of Malaysia's pension obligations in accordance with Section 13 (5) of the Retirement Fund Act 2007 (Act 662). The MOF requested the withdrawal to be gradually disbursed in four tranches, with the first two tranches of RM0.5 billion each for June and July 2023 and RM1.0 billion each for October and November 2023.



OTHER
INFORMATION

GLOSSARY OF TERMS

APEXJ (Asia Pacific Ex-Japan)

The FTSE APEXJ is one of a range of indices designed to help investors to benchmark their Asia Pacific investments.

ARR (Accounting Rate of Return)

ARR is a measurement of the rate of return based on the formula that divides the net income over the average fund size.

ASSA (ASEAN Social Security Association)

ASSA was formed to provide a forum for member institutions to exchange views and experiences on social security issues.

BMJ (*Bantuan Mengurus Jenazah* or Funeral Arrangement Assistance)

BMJ 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 passed away).

BPS (Basis Points)

BPS 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)

CAPEX 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.

ESG (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.

FTSE (The Financial Times Stock Exchange Index)

FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with (in principle) the highest market capitalisation.

Gross Domestic Product (GDP)

GDP is the standard measure of the value added created through the production of goods and services in a country during a certain period.

IPG (Investment Policy and Guidelines)

IPG serve to clearly communicate to all relevant parties the procedures, investment philosophy, guidelines and constraints to be adhered to by the parties.

IRS (Interest Rate Swap)

An exchange of one set of cash flows (based on 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)

IT is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics based combination of computing and telecommunications.

LEED Certification (Leadership in Energy and Environmental Design Certification)

LEED is one of the most popular green building certification programmes used worldwide.

MENA (Middle East and North Africa)

An acronym for the Middle East and North Africa (MENA) region.

MXWD (The MSCI World Index)

MXWD 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 capitalisation in each country.

OPEX (Operating Expenditure)

An operating expenditure is an expense that a business incurs through its normal business operations.

OPR (Overnight Policy Rate)

OPR 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)

ORE arises from failure of the people, systems or processes in an organisation.

Quasi-Government Bonds

Bonds issued by non-government entities, but they are usually backed by the government.

SAA (Strategic Asset Allocation)

The primary goal of a SAA is to create an asset mix that will provide an optimal balance between expected risk and returns for a long-term investment horizon.

SLA (Service-Level Agreement)

The service contract component between a service provider and customer.

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.

Shariah-compliant Funds

Shariah-compliant funds are investment funds governed by the requirements of Shariah law and the principles of the Islamic religion. Shariah-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.

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.



GLOSSARY OF TERMS

TWRR (Time-Weighted Rate of Return)

TWRR is a measure of return based on changes in values of investments over a specific time period.

UNSDG (United Nations Sustainable Development Goals)

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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