

Perkukuh Pelaburan Rakyat programme until 2024

20 key initiatives announced for the Government-Linked Investment Companies (GLICs)



Source: Finance Ministry

TheStar graphics

Refreshed mandate for GLICs

Reform and future-proof on the cards under Perkukuh

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PETALING JAYA: The country's sovereign wealth funds (SWFs) will undergo a "re-balancing of focus" between financial returns and socio-economic deliverables.

Prime Minister Tan Sri Muhyiddin Yassin said yesterday that the SWFs will prioritise long-term capital investing in a more strategic and targeted way into new growth areas. The SWFs are Khazanah Nasional Bhd,

Retirement Fund Inc (KWAP), National Trust Fund (KWAN) and Minister of Finance Inc.

Meanwhile, Malaysia's institutional fund investors such as the Employees Provident Fund (EPF), Permodalan Nasional Bhd (PNB), Lembaga Tabung Haji (LTH) and Lembaga Tabung Angkatan Tentera (LTAT) will retain their mandate of maximising returns of contributors.

At the same time, Muhyiddin said the institutional investors will also play a synergistic role in contributing to national development.

"This will include a more cohesive and scaled-up approach to corporate social responsibility and supporting national priorities like environmental, social and governance (ESG) and green financing," according to the premier.

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Operating effectively in a regulated environment is crucial

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Over the next three years, the government will reform and future-proof the government-linked investment companies (GLICs), comprising the SWFs and the institutional investors, under the Perkukuh Pelaburan Rakyat programme or "Perkukuh".

Speaking during the virtual launch of Perkukuh yesterday, Muhyiddin said the programme comprises 20 key initiatives to achieve five key outcomes, namely:

- > Sharpened clarity on the mandate of each GLIC;

- > Enhanced focus on developmental and catalytical investments to spur new growth and enhanced socio-economic impact;

- > Crowd-in the private sector while streamlining the role of the government and its agencies in business;

- > Future-proof GLICs with best-in-class governance, capabilities and strategies; and

- > Strengthen social safeguards and fiscal resilience.

The 20 key initiatives will be implemented on a multi-wave basis until 2024.

"Perkukuh will also look at optimising the operations of the relevant SWFs and institutional investors where the management of certain asset classes will be pooled to achieve economies of scale and improved returns.

"This clarity will ensure each GLIC has a laser-sharp focus on its role and maximises the impact in their respective portfolios and areas of expertise.

"Perkukuh will push for optimal capital allocation and sharpen target outcomes for highly strategic new growth areas.

"To ensure alignment of these areas with key policy measures like MyDigital, the upcoming 12th Malaysia Plan and Shared Prosperity Vision 2030, a New Growth Coordination Council chaired by me, will be established," stated Muhyiddin.

The prime minister points out that the government aims to spur the crowding-in of pri-

ivate sector investments in the long-term.

On its part, Khazanah Nasional will kickstart development of new growth ecosystems through its new RM6bil Dana Impak programme.

"Already, efforts to jumpstart co-investments with several international institutional investors and other sovereigns, are underway as we speak.

"To crowd-in private investments, Perkukuh will also streamline the relationship between the government and businesses, through among others, the review of golden shares, the re-definition of previous strategic sectors, and determining new areas of national interest," Muhyiddin said.

He added that such efforts will increase the attractiveness of relevant government-linked companies (GLCs), while allowing them to operate effectively in a regulated environment.

The implementation of Perkukuh over the next three years will cover a wide network of stakeholders.

For example, Muhyiddin said the Securities Commission will spearhead the 'sustainable investment standard' initiative together with Bank Negara.

"Together with the GLICs, these initiatives will be driven by the Ministry of Finance's Laksana agency, which will act as the Programme Management Office," according to him.

Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz, who also spoke at the virtual launch, said Perkukuh is a medium-term initiative as part of the last key pillar of the government's 6R Economic Recovery Strategy (Resolve, Resilience, Restart, Recovery, Revitalise and Reform).

Key performance indicators of Perkukuh will be clearly defined and closely tracked by the Finance Ministry to ensure that sub-programmes remain on track.

"Ultimately, the outcomes of this programme will boost Malaysia's longer-term

economic prospects and resilience, focusing on good governance that enables sustainable growth, strengthened socio-economic inclusivity, and environmental sustainability.

"As the ultimate beneficiaries of this initiative, the rakyat will see more high-skilled and high-paying jobs generated from both domestic and foreign direct investments through the GLICs and GLCs' refreshed mandate," he said.

Tengku Zafrul highlighted that the government's role as a regulator or an overseer of GLICs or GLCs are underscored by obligations towards the general public.

"Hence, GLICs and GLCs would need to ensure that the financial and non-financial dispositions of their portfolio serve not only their bottom lines, but also the creation of value for the wider population," he said.

GLICs and their entities control approximately RM1.7 trillion of assets under management, make up more than a quarter of the market capitalisation of Bursa Malaysia, while directly and indirectly employ nearly half a million people.

Following the launch yesterday, Khazanah Nasional, PNB, EPF and KWAP have welcomed and supported the Perkukuh initiative.

Khazanah Nasional said it will focus on high-impact and commercially viable investments to catalyse new growth areas, build Malaysia's economic competitiveness, and increase national resilience, while driving priority socio-economic outcomes, as called for under Perkukuh.

The SWF will increase its development investing over the next five years through the Dana Impak initiative, which will be funded through profits and capital returned from its commercial investments.

"Under Perkukuh, Khazanah Nasional will also further enhance its investment strategies and processes for sustainable and responsible investing, which has become an increasingly significant component of our investment approach over the years.

"Khazanah Nasional will build upon our Responsible Investment Policy, which outlines our philosophy on ESG as well as our approach for integrating ESG considerations into the investment decision-making processes.

"Moving forward, we will look to actively engage more with our investee companies and place emphasis on material ESG issues, to ensure that those issues are appropriately managed," it said.

Meanwhile, PNB group chairman Tun Arifin Zakaria said the SWF will be devoting substantial resources on ESG to transition its investment portfolio towards sustainable business models and practices.

"In our view, long-term sustainable returns can only come from sustainable practices.

"The synergistic collaboration of all GLICs would bring about a positive impact on the capital market and our economy," he said.

KWAP chief executive officer Nik Amlizan Mohamed said the launch of Perkukuh was timely, given the impact of the pandemic and the accelerated need to increase resilience and sustainability.

"At this current juncture, Perkukuh is a pertinent move by the government to ensure Malaysia's pension ecosystem is well equipped in addressing both the growing pension liabilities and the inflationary pressures of the economy," according to Nik Amlizan.

In a separate statement, EPF said it fully supports the initiative to introduce the Green Investing Opt-in Funds by allowing members to make investment choices that are reflective of their "personal values and causes".

"In the areas of social protection, measures are being explored under this plan to enhance coverage and adequacy of social protection to ensure all Malaysians are protected and afforded a good standard of living.

"The EPF also acknowledges the enhancements outlined in Perkukuh for institutional investors, so all Malaysians will stand to benefit from the strengthened risk-return performance," it said.