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MEDIA STATEMENT

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GLC TRANSFORMATION PROGRAMME BROADENS TO DELIVER SIGNIFICANT STAKEHOLDER BENEFITS

In addition to bolstering shareholder value through improved financial and operational results, Government-Linked Companies (“GLCs”) have **broadened** the GLC Transformation (“GLCT”) Programme to deliver **significant benefits to stakeholders** at large, improve procurement processes and embrace corporate social responsibility (“CSR”).

Completing the first 12 months of the three-year Phase 3 (2007-2010) of the GLCT Programme, the GLCs are showing a more consistent and promising results both in terms of financial performance and stakeholders benefits, reports the *GLCT 2007 Interim Progress Review*.

The *Interim Progress Review* was presented to YAB Prime Minister, Dato’ Seri Abdullah Ahmad Badawi during the GLCT Programme Update by the Putrajaya Committee for GLC High Performance (“PCG”) chaired by YB Second Finance Minister, Tan Sri Nor Mohamed Yacop, here today.

The GLCT Programme was launched by YAB Prime Minister on 14 May 2004. The programme, led by the PCG, implements comprehensive policies to transform the G-20¹ into high-performing entities.

Improved Financial and Operational Performance

Significant progress has been achieved across-the-board with GLCs rapidly growing, improving in productivity and operational performance. The largest GLCs, the G-20, are on course to deliver strong earnings growth with the **total aggregate profits** for the year 2007 estimated to rise to **RM17.4 billion**² as compared to **RM10.2 billion** in 2006. This estimated rise of 70% is three times faster than the consensus earnings growth for the broader market³ for 2007.

Capital markets continue to positively recognize these improvements. Since the Programme’s commencement on 14 May 2004, the **Total Shareholders Return** (“TSR”) of the G-20 has **outperformed** the **KLCI** by **3.3%** as at 30 November 2007, while market capitalisation increased by **83% (or RM121 billion)** to **RM266 billion**. In addition, the **market capitalisation** of the **G-47**⁴ has increased by **70%** (or RM148 billion) to **RM361 billion**.

¹ The “G-20” is a selection of 20 GLCs controlled by Government-Linked Investment Corporations that constitute the PCG. As of 30 November 2007, the number of GLCs in the G-20 has dropped to 18 with the merger between Sime Darby, Kumpulan Guthrie and Golden Hope Plantations to become the newly re-listed Sime Darby.

² Estimation based on actual reported 2007 earnings and analyst consensus estimates for 2007.

³ KLCI consensus earnings growth of 23.1% – Source: Bloomberg. Note G-20 accounts for approximately 35% of the market capitalisation of the KLCI.

Key Benefits to Stakeholders⁵

More than just delivering financial and operational benefits, the GLCT Programme has broadened in bringing significantly more benefits to stakeholders at large. Several examples were highlighted at the progress briefing today, including:

- **Customers** experiencing higher service levels. Tenaga, CIMB and TM saw service interruption, customer queueing and broadband service restoration improve by 19%, 56% and 75% respectively in 2007, while many GLCs including CIMB, MAS, TM, Boustead and Maybank were awarded multiple product and service awards.
- For **employees**, of which there are approximately 360,000 people including 75,000 professionals, all benefited from rising performance-based compensation, staff benefits and job prospects with the improvement in performance of GLCs. In addition, heavy emphasis on human capital development has seen multiple programmes or staff development and lifelong learning being intensified.
- For the **community** at large, GLCs have taken the lead to invest in education, environmental protection and alleviation of poverty. Under the PINTAR programme, for example, 96 schools nationwide covering more than 38,400 students have been adopted by 25 GLCs.
- **Suppliers** benefit from increased active supplier management that involves working in partnership with GLCs under vendor development programmes including an upgraded **Bumiputera** Vendor Development Programme. More than 10,000 Bumiputera vendors and suppliers are already covered under this programme.

As part of the GLCT Programme, the PCG continues to monitor and track the implementation of 10 initiatives geared at helping GLCs perform better. In the *GLCT 2007 Interim Progress Review*, in line with the emphasis on broadening the benefits of GLC Transformation to beyond financial and operational gains, two key initiatives - the Silver Book on Achieving Value Through Social Responsibility and the Red Book on Procurement Guidelines and Best Practices – were highlighted.

Among the highlights were commitment by GLCs to generate **procurement value creation** of a further **RM4.9 billion** within **4 years** and completion of long-term plans in implementing contributions to society by 70% of the G-20 – especially in the areas of developing **human capital**, engaging with local **communities** and protecting the **environment**.

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⁴ The “G-47” is the group of 47 listed GLCs as of 14 May 2004. The number of listed GLCs has changed over time with new listings/de-listings, restructuring and M&A activities. With the recently concluded Sime Darby merger, the number has decreased to 37 listed GLCs.

⁵ Refer to the *GLCT 2007 Interim Progress Review* for more examples, illustrations and case studies highlighting benefits to stakeholders at large.

About The Putrajaya Committee on GLC High Performance (“PCG”)

The PCG was formed in January 2005 to follow-through and catalyse the GLC Transformation Programme. PCG is chaired by the Second Finance Minister, with participation from the heads of the Government-Linked Investment Companies namely Khazanah Nasional Berhad, Permodalan Nasional Berhad, the Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Urusan Tabung Haji and representatives from the Ministry of Finance Incorporated and the Prime Minister’s Office to work together to monitor developments and recommend further measures of improvements.

A Transformation Management Office (“TMO”) has been established at Khazanah, the Secretariat to the PCG. This TMO is responsible for managing the roll-out and implementation of the 10 Initiatives proposed in the GLCT Programme.

GLC Roundtable Members

1. Affin Holdings Berhad
2. BIMB Holdings Berhad
3. Boustead Holdings Berhad
4. Bumiputra-Commerce Holdings Berhad
5. Chemical Company of Malaysia Berhad
6. Malayan Banking Berhad
7. Malaysian Airline System Berhad
8. Malaysia Airports Holdings Berhad
9. Malaysian Building Society Berhad
10. Malaysian Resources Corporation Berhad
11. Pos Malaysia & Services Holdings Berhad
12. Proton Holdings Berhad
13. Sime Darby Berhad
14. Telekom Malaysia Berhad
15. Tenaga Nasional Berhad
16. TH Plantations Berhad
17. UEM World Berhad
18. UMW Holdings Berhad

About The Silver Book: Achieving Value Through Social Responsibility

In tracking the commitment and execution of GLCs on corporate social responsibility, the *GLCT 2007 Interim Progress Review* notes that 70% of the G-20 have revamped or completed their respective plans for the “Contributions to Society Policy” outlined in the Silver Book. The CSP plans, which articulate how GLCs can proactively contribute to society while providing value to GLC shareholders, mark the first step for GLCs to clarify their CSR commitment. The core CSR areas prioritised by G-20 companies include human capital development, community involvement and environmental protection.

The *Interim Progress Review* also highlights specific ways the G-20 have contributed toward Human Capital Development i.e. scholarship funds, study loans and the establishment of universities, community colleges and centres of excellence. GLCs also made inroads in environmental protection by integrating international ISO14000 standards and practices into their operations – especially in manufacturing, plantations and mill management. A few GLCs have begun tapping on alternative sources of energy such as hybrid solar and wind turbine power plants in remote areas in Malaysia.

Launched in September 2006, the Silver Book calls for GLCs to achieve value through social responsibility. The book outlines principles and guidelines for GLCs to create benefits to society as an integral part of their corporate strategy and core business.

About The Red Book: Reviewing and Revamping Procurement Practices

In reviewing and revamping their procurement practices according to Red Book principles, GLCs have pledged to generate procurement value creation totalling RM4.9 billion over 4 years, or approximately 19% of total procurement spend, according to the *GLCT 2007 Interim Progress Review*.

This combination of cost reduction, cost avoidance and increased efficiency in processes will directly impact the bottom-line of GLCs. In order to increase the overall competitiveness of GLCs, the Red Book calls for GLCs to implement best practice procurement practices. The *Interim Progress Review* highlights the G-20 companies’ commitment to improve their procurement practices to world-class standards.

As part of the transformation programme, GLCs have been encouraged to develop local and Bumiputera vendors’ capabilities to support national development objectives. The majority of vendors engaged with GLCs are local vendors. There are 22,000 active vendors working with GLCs and of that, about 10,000 are Bumiputera suppliers. Meanwhile GLCs are continuing to implement vendor programmes stressing merit-based procurement processes that groom suppliers to become competitive in open markets.