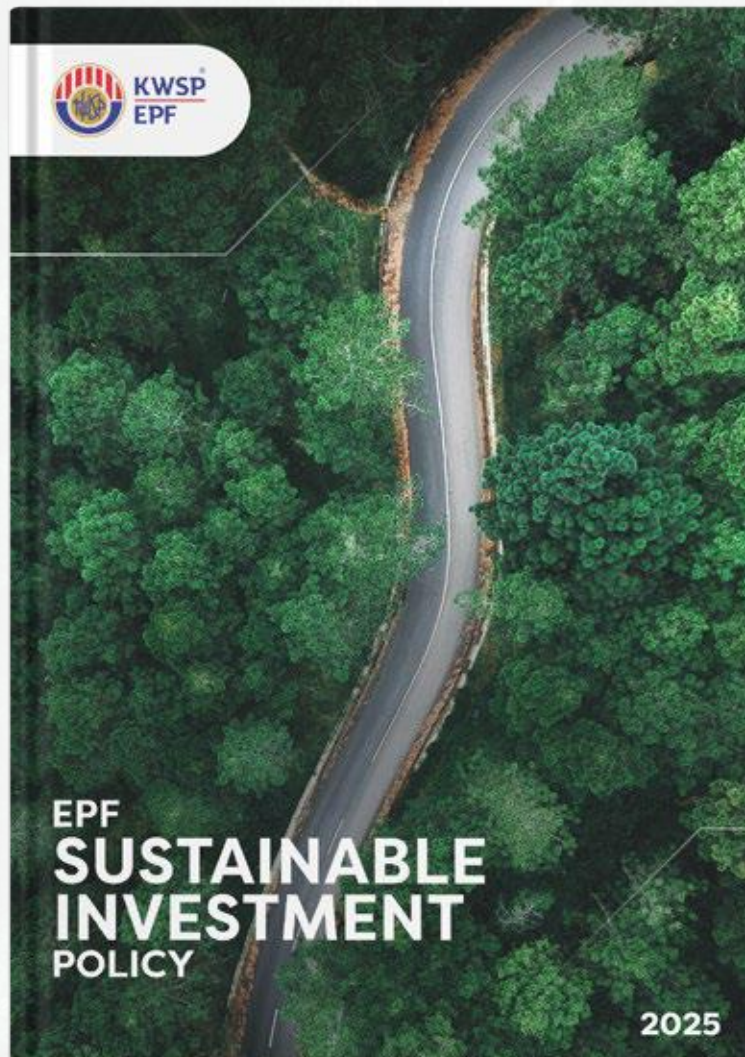




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**EPF**

# **EPF SUSTAINABLE INVESTMENT POLICY**

**2025**



## Cover Rationale

The increasing uncertainty and volatility in the markets have resulted in some standing at a crossroads, while those who continue to diligently pursue sustainability face a winding road or an uphill battle.

Despite the headwinds, the stronger mobilisation of capital towards sustainability remains a high priority for a sustainable future.

We recognise sustainability as a strategic driver for long-term growth and resilience, and we have aligned our actions with the aspirations of a just transition and responsible capital deployment.

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# EPF SUSTAINABLE INVESTMENT (“SI”) POLICY

## 1

### MANDATE

The Employees Provident Fund (“EPF”) is one of the world’s oldest provident funds, established in 1951 to safeguard the retirement future of the Malaysian workforce. Over the decades, we have grown not only in size—managing over 16 million members and total investment assets exceeding RM1 trillion—but also in our mission to build a better retirement future for all Malaysians.

Today, EPF’s purpose of building a better retirement future for Malaysia is underpinned by our mission to help members achieve a comfortable retirement income through sustainable investment practices that enable us to deliver long term value creation. This is guided by our sustainability aspiration of accelerating positive change for a sustainable future via a just transition.

The widespread, rapid and intensifying frequency and magnitude of climate change-related weather events serves as a clarion call for immediate and comprehensive action to mitigate its devastating effects on the planet and people. Inaction and/or disorderly action may result in a confluence of calamities that will effect certain segments of communities and geographies disproportionately. We at EPF believe we have a critical role to play in driving sustainability by deploying capital towards environmentally and socially responsible investments as well as advocating for stronger transition to low carbon economies in the various geographies we invest in.

EPF believes that aligning our investment activities with the broader interests of society would serve our objectives well as a retirement savings fund driven by long-term, sustainable value creation for our stakeholders. We recognise that in addition to financial considerations, sustainability factors are essential to make better informed and holistic investment decisions and achieving a climate-resilient portfolio. Given EPF’s position as a keystone organisation in Malaysia, we also believe that our vision-driven corporate practices will influence and impact adjacent businesses and investee companies, thereby benefitting our members and contributing to a wider sustainability ecosystem.

This SI Policy outlines EPF’s approach to sustainable investing and the considerations to integrate sustainability factors into EPF’s investment processes and stakeholder engagement.

As a signatory to the United Nations-supported Principles for Responsible Investment (“UNPRI”), EPF will implement the six Principles for Responsible Investment, which include embedding sustainability considerations into investment analysis and decision-making processes and seeking appropriate sustainability disclosures from investee companies.

The SI Policy forms part of EPF’s overarching investment strategy that has been endorsed by the Management Investment Committee (“MIC”) and Investment Panel (“IP”), and approved by the Members of the Board (“Board”). This policy is reviewed and updated periodically to reflect relevant updates.

EPF defines SI as embedding sustainability considerations into investment management processes and ownership practices in the belief that these factors can improve risk-adjusted financial returns whilst creating positive impact. We believe we achieve a more comprehensive understanding of opportunities and risks associated with an investment by applying the lens of a sustainable investor, which will consequently lead to better investment decision-making. The integration of sustainability factors across all asset classes, including both conventional and Shariah investments, is a crucial element of our SI approach.

The EPF's approach to SI is guided by three Sustainability Pillars - (1) Environmental Action, (2) Social Impact, and (3) Culture and Governance - which inform our investment strategies and stewardship priorities. Each pillar is accompanied by clear sustainability commitments that align our actions with the overarching sustainability aspiration of accelerating positive change for sustainable future via a just transition.

We believe SI as an investment practice that considers a holistic range of sustainability-related issues across sustainability areas that will uplift the sustainability and overall performance of our investee companies. EPF continues to work closely with investee companies across a wide range of sectors to achieve good sustainability standards. SI is therefore a core EPF investment strategy that focuses on delivering long-term sustainable value through sustainability risk management and value creation while balancing shorter-term financial returns.

EPF strives to invest in companies with robust sustainability practices that directly address societal problems, provide access to financial services and education, as well as maintain environmentally friendly business practices, that have strong returns potential. We believe that the balancing of economic, environmental and social sustainability is fundamental in achieving resilient long term results.

## 2.1 Definition of Sustainability

EPF understands SI as the overarching investment strategy and sustainability as a data toolkit to identify and inform our SI priorities.

Environmental factors capture the direct and indirect environmental risks and opportunities of a company's business activities. These themes include, but are not limited to greenhouse emissions, energy usage and efficiency, exposure to climate-related risks and biodiversity impacts. As stewards of our members' savings, we are cognisant that climate change and environmental degradation can create financial risks in corporate value chains, potentially affecting the value of our investments. In particular, with the impact of climate change well underway, we aim to align our investments with the transition to a low-carbon future by focusing on Climate Change. Further information on EPF's expectations on Climate Change is available in EPF's Climate Change Policy.

Social factors assess the internal and external social risks and opportunities that may influence a company's long-term performance and societal impact. Internally, these include a company's workplace health and safety, fair and equitable remuneration practices, labour rights compliance, and diversity, equity, belonging and inclusion ("DEBI") initiatives. Externally, social factors cover the company's broader interactions with the community, such as respect for human rights across supply chains, data privacy and protection and community impact. Emerging concerns such as modern slavery, forced labour and social inequality are increasingly shaping sustainable investment decisions globally.

Positive social factors not only aligned with our mission, but are also congruent with the objectives of Shariah (Maqasid Shariah) in valuing life, religion (faith), intellect, offspring and wealth. With the increasing spotlight on corporates labour rights issues, EPF has identified Workers' Wellbeing as its focus for the social pillar. This affirms our commitment to promoting fair labour practices, safe working environments, and decent work across all investee companies. Companies that demonstrate strong social governance are more likely to foster workforce resilience, enhance stakeholder trust, and deliver sustained performance. Further information on the EPF's requirements regarding workers' wellbeing can be found in the EPF Workers' Wellbeing Policy.

Governance factors evaluate a company's corporate governance framework and performance, such as voting policy, fair remuneration, accounting policies and corporate governance structures. Our corporate governance principles are guided by effective and independent board or management oversight which promotes disclosures, transparency and accountability, and efficient use of resources in delivering long term value to stakeholders. Further information on the EPF's corporate governance practices can be found in the EPF's Corporate Governance Principles and Voting Guidelines.

## 2.2 Sustainable Investing Targets

Since 2018, the EPF has been actively championing sustainability principles in its investment activities specifically and the overall Malaysian capital markets. We strongly advocated the integration of environmental, social and governance ("ESG") factors into decision making as well as good corporate governance practices, particularly with our investee companies. We established two overarching sustainable investing targets in 2022: [1] A Fully ESG-Compliant Portfolio by 2030; and [2] A Climate Neutral Portfolio by 2050. These targets represent our foundational step in aligning our investments with long-term sustainability considerations.

In recognition of the growing urgency and scale of global climate crisis, EPF has since elevated its ambition. As of 2025, we have renewed and strengthened our earlier commitments by pledging to achieve a Net Zero Portfolio by 2050, aligning with global best practices and the Paris Agreement's goal to limit global warming to 1.5°C. This represents a significant milestone in our sustainability journey and reflects EPF's role as a responsible investor and key institutional investor in Malaysia's economic ecosystem.

To support this commitment, EPF has introduced two supporting interim targets to be achieved by 2030:

1

**40% reduction in financed emission investment intensity** (tCO<sub>2</sub>e/RM Mn invested) by 2030, relative to a 2023 baseline. This target focuses on lowering the carbon intensity of our investments, particularly in emissions-intensive sectors.

2

**75% of our portfolio emissions to be covered by investee companies with credible net zero targets by 2030.** This requires that a significant proportion of our financed emissions are linked to investee companies with clear, science-based net zero pathways, backed by measurable actions and transparent disclosures.

These targets will be monitored and reviewed regularly to ensure progress, credibility, and accountability. The Climate Change Policy which outlined EPF's sustainability expectations on our investee companies will pave the way towards achieving this target. These commitments not only support our fiduciary duty to deliver long-term, sustainable value for our members, but also contribute meaningfully to national and global climate low carbon transition goals.

The EPF's commitment to SI is grounded on four key guiding principles to ensure consistency and transparency.

#### Guiding Principle 1

#### Sustainability in Investment Decision-Making

At EPF, we believe that sustainability factors play a critical role in safeguarding the longer-term returns of our investments. We have established minimum sustainability standards and thresholds for investments, as well as the necessary metrics and indicators for performance tracking. Each asset owner will have a tailored set of sustainability standards and thresholds to guide investment decisions. The relevance and impact of sustainability considerations to investment decisions varies across asset classes and strategies.

Additionally, EPF has also established a position on high priority sectors and issues, where clear guidelines and actions have been developed to manage scenarios in which the stances are challenged. Reviewed on a periodic basis, these stances ensure that any potential challenges in investments can be managed with consistency and transparency.

#### Guiding Principle 2

#### Stewardship as a Top Priority

As a keystone organisation in Malaysia, EPF recognises stewardship as a top priority to reinforce our active leadership role in driving SI and manage the investee companies in our portfolio to provide sustainable returns. We strongly believe and advocate for effective stewardship to create and ensure longer-term value. Examples of EPF's effective stewardship initiatives include responsible voting practices, sustainability monitoring as well as active engagements with investee companies and external fund managers.

#### Guiding Principle 3

#### Commitment to Local and Global Goals

EPF's commitment to becoming a regional leader in sustainable investing is aligned with our commitment to local and global sustainability goals. Anchored to relevant local and global goals to drive the nation building agenda, we have identified specific sustainable investing priorities for the EPF. For each priority, the EPF will be setting and communicating clear goals for the EPF and our investee companies. The Corporate Sustainability Department ("CSD") was established to accelerate our efforts as CSD will, amongst others, develop, implement, monitor and report our annual sustainable investing performance towards our committed goals. We strive to disclose our progress by identifying, quantifying and communicating our sustainability performance.

#### Guiding Principle 4

#### Focus on Capabilities Building

To further EPF's successful transition towards becoming a leader in SI, we have identified internal capabilities building as a key principle in our SI approach. We will build internal capabilities and raise awareness surrounding SI via training and awareness programmes, embedding our sustainable and responsible investment approach throughout the organisation. Moreover, CSD enhances internal sustainability advisory capabilities by providing advice to senior management and across the investment portfolio, championing the sustainability agenda internally and externally. Beyond building capabilities within the firm, the EPF also aims to act as a convenor, helping investee companies by sharing good practices and initiatives on sustainability to stimulate collaboration to common sustainability issues.

EPF invests locally and globally through a range of asset classes across a myriad of business sectors, using tailored investment strategies. This includes making direct investments through EPF's internal fund managers and outsourcing a portion of capital to external fund managers to be invested on behalf of the EPF. EPF's SI approach covers the entire investment value chain across both internally and externally managed funds, from pre-investment to post-investment monitoring and stewardship.

#### 4.1 Approach to Sustainable Investing

EPF's approach to sustainable investing is anchored in our belief that sustainability factors, when appropriately integrated, contribute to sustainable, long-term value creation and prudent risk management. Our strategy adopts a structured and adaptable model that reflects our role as asset owner across a wide range of investment types and asset classes, and is based on the following:

- 1 **Negative screening** to avoid businesses and practices deemed misaligned with the EPF's values and sustainability goals. These include activities linked to controversial weapons, tobacco, gambling, and other sectors defined in the EPF's Controversial Business Activity List (Appendix 1).
- 2 Adopting a **dynamic sustainability integration approach** that reflects the nature of the asset class, materiality of sustainability issues and maturity of sustainability data.
- 3 Embedding **environmental considerations** in line with EPF's commitment to achieve Net Zero Portfolio by 2050. These targets are embedded into our investment strategies, supported by sectoral decarbonisation pathways, and reinforced through engagements with investee companies and external managers.

##### 4.1.1 Negative Screening

Negative screening excludes potential investment opportunities that are fundamentally misaligned with the EPF's principles. Our existing Controversial Business Activity List excludes companies that engage in the production, distribution and/or trade of weapons, tobacco, alcohol beverages, adult entertainment and gambling.

##### 4.1.2 Sustainability Integration Approach

All new investment proposals are subject to a mandatory sustainability review as part of EPF's sustainability due diligence process. This entails a thorough evaluation of the sustainability risks and opportunities associated with each proposed investment. The review also assesses the investment's alignment with EPF's sustainability-related policies, including but not limited to the Climate Change Policy and Priority Sector Policies. The outcomes of this assessment are documented and integrated into the investment evaluation materials presented to the MIC, the IP and the Board, thereby informing investment deliberation and decision-making.

In addition, sustainability assessments are carried out as part of the annual review process for fixed income assets. These reviews serve to monitor the sustainability performance of issuers over time and assess their ongoing alignment with EPF's sustainability expectations.

For externally managed assets, EPF integrates sustainability requirements into fund mandates and side letters. These agreements require fund managers to disclose sustainability integration practices, provide relevant reporting (e.g., carbon footprint), and exercise voting rights aligned with the EPF's stewardship expectations.

### 4.1.3 Environmental Considerations

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EPF integrates environmental considerations into our investment decisions to ensure alignment with our Net Zero 2050 commitment. This includes:

- 1 Assessing carbon intensity and transition readiness of companies and funds.
- 2 Tracking and reporting portfolio emissions and financed emissions trajectories, in line with global frameworks.

## 4.2 Stewardship

We believe that longer-term value creation for our stakeholders is also a function of ongoing engagement with a myriad of organisations and institutions. As part of our active ownership practice, it is our fiduciary duty to ensure that all aspects of our investments involve the consideration of sustainability-related factors in addition to financial returns. Engagement thus forms a key aspect of our investment governance process as we believe that this will translate into more sustainable returns over the long term.

Our stewardship philosophy is centred on three key activities:

### 4.2.1 Proxy Voting

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EPF's voting decisions on public listed equities shareholders' meetings are guided by the latest Voting Guidelines available on its website. By incorporating sustainability considerations into the voting guideline, the EPF strives to uplift the progress of sustainability practices among investee companies.

### 4.2.2 Monitoring

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Monitoring the sustainability performance of investee companies is embedded in EPF's sustainability integration process across investment stages and asset classes. This facilitates the identification and assessment of material sustainability risks and opportunities, thereby informing EPF's investment decision making and stewardship actions.

### 4.2.3 Active Engagement

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EPF believes that engaging with investee companies on financially material sustainability issues not only enhances risk management but also creates value for its investments, as well as the broader society. EPF diligently monitors and engages its investee companies, either individually or collaboratively with its peer institutional investors.

### 4.2.4 Collaborative Initiatives

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Collaboration with peer investors and external fund managers by pooling resources and influence to address matters of collective interest. External collaborative platforms such as the Institutional Investors Council or the Principle for Responsible Investment can be leveraged to facilitate such efforts.

## 5

## REPORTING

EPF is committed to transparent, consistent, and meaningful communication on our sustainable investment activities. Clear and accessible reporting is a core tenet of our Sustainable Investment Policy, as it reinforces trust, accountability, and alignment with stakeholder expectations and evolving market standards.

We regularly report on our stewardship activities, including how we exercise our rights as a shareholder and our approach to corporate engagements. This includes outlining the objectives, processes, and outcomes of our engagements with investee companies, particularly on material sustainability issues.

Disclosures are made through a variety of channels, including EPF's Integrated Annual Report, EPF SI Stewardship Report, corporate website, and where appropriate, media engagement or direct stakeholder communication.

To further strengthen transparency and alignment with global best practices, the EPF also strives to achieve the following:

1

**Alignment with local and international standards:** Reporting will align with regional and international best practices, where applicable, such as the National Sustainability Reporting Framework ("NSRF"), International Sustainability Standards Board ("ISSB"), and the Principles for Responsible Investment ("PRI").

2

**Portfolio-level sustainability metrics:** We will periodically disclose relevant sustainability performance metrics and, including our portfolio carbon footprinting.

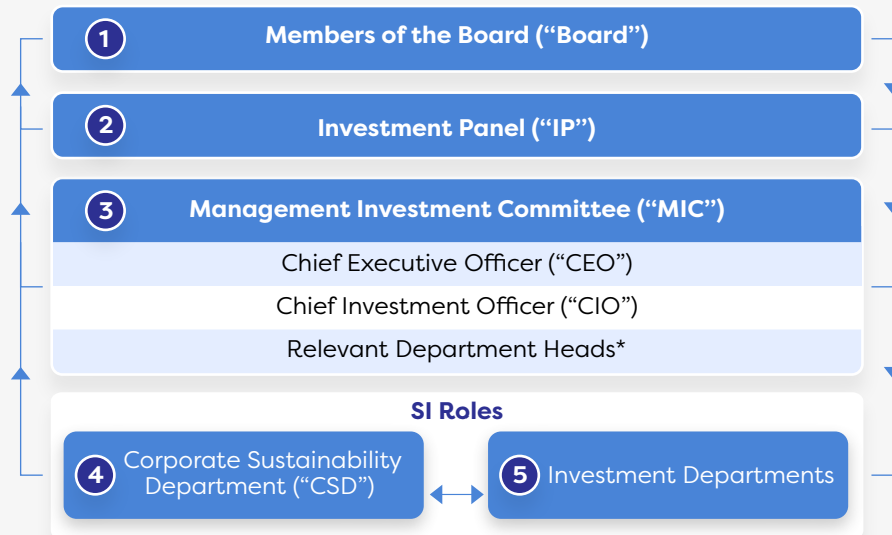
## 6

## SUSTAINABLE INVESTMENT GOVERNANCE AND OVERSIGHT

We recognise that strong governance is fundamental to the delivery of long-term, sustainable outcomes. As such, oversight of sustainability matters is fully integrated into EPF's overall governance structure and investment decision-making framework.

Sustainability governance at EPF is anchored by clear accountability at both management and investment panel levels, ensuring that sustainability considerations are consistently monitored, evaluated, and acted upon across all asset classes. This integrated approach enables EPF to safeguard our members' savings, manage sustainability-related risks, and contribute to positive impact through our investment activities.

Figure 1 : EPF SI Governance Structure



\*Comprises heads from investment departments, risks, etc.

No.	Body	Roles and Responsibilities
1	Board	<ul style="list-style-type: none"> <li>Approves sustainability-related policies and provides high-level oversight of their implementations to ensure alignment with the EPF's fiduciary responsibilities</li> </ul>
2	IP	<ul style="list-style-type: none"> <li>Endorses and sets SI and Corporate Governance (relating to sustainable investment) Policies</li> <li>Oversees the implementation of the policies and integration of sustainability considerations across investment processes in delivering sustainable long-term risk-adjusted returns</li> </ul>
3	MIC	<ul style="list-style-type: none"> <li>Oversees the effective integration of sustainability considerations into investment operations and ensure the effective implementation of sustainability strategies and plans</li> <li>Deliberate on appropriate responses to sustainability issues that have been escalated</li> <li>Deliberate on and approve voting recommendations</li> </ul>
4	CSD	<ul style="list-style-type: none"> <li>Responsible for spearheading sustainable investment initiatives and integration of sustainability including climate considerations into EPF's investment</li> <li>Work closely with the investment team on matters related to sustainability including engagement with investee companies, external fund managers and EPF's board nominee directors</li> <li>Work closely with, where relevant, Risk, Compliance and/or Legal, on sustainability matters that overlaps with risk, compliance and/or legal</li> <li>Advocate good sustainability practices within the organisation and capital market</li> </ul>
5	Investment Departments	<ul style="list-style-type: none"> <li>Integrate sustainability considerations into investment processes</li> <li>Monitor and engage investee companies' progress on sustainability issues</li> <li>Strategic Investment Department ("SID") is responsible for Corporate Surveillance activities of EPF's investee companies, assessment of shareholders meeting resolutions at Annual and Extraordinary General Meetings, proposing voting recommendations, exercising proxy voting rights and engaging with EPF's nominee directors and other key stakeholders including company representatives, regulators and the Institutional Investors Council ("IIC") Malaysia.</li> </ul>

The SI Policy is supported by a suite of complementary governance documents that collectively guide the integration of sustainability considerations across EPF's investment activities. These complementary policies also serve to operationalise our sustainability commitments and provide clear expectations to internal investment teams, external fund managers, and investee companies.

The following related policies are integral to the effective implementation of this Policy:

1

#### **EPF Corporate Governance Principles and Voting Guidelines**

Outlines EPF's expectations on board accountability, shareholder rights, transparency, and other core governance matters. This document also provides guidance on proxy voting practices at domestic investee company meetings.

2

#### **EPF Priority Sectors Policy**

Outlines EPF's sector-specific sustainability requirements for high-risk sectors, namely, the Oil and Gas, Utilities, Palm Oil, Mining, Construction, and Banking sectors.

3

#### **EPF Climate Change Policy and Workers' Wellbeing Policy**

These policies articulate EPF's expectations and requirements on material sustainability themes that are cross-sectoral in nature, currently covering Climate Change and Workers' Wellbeing. They are applicable to all investment activities, including direct holdings and externally managed portfolios.

4

#### **EPF SI Stewardship Policy**

Outlines the EPF's approach to active ownership, including engagement with investee companies, collaborative investor efforts, escalation protocols, and proxy voting strategies.

These policies are reviewed periodically to ensure alignment with international best practices, evolving stakeholder expectations, and regulatory requirements. Further details and the latest versions of these policies are publicly accessible at the EPF website.

# APPENDIX

## 1.0 STANCE ON CONTROVERSIAL BUSINESS ACTIVITIES

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As a sustainable and responsible investor, we endeavour to exclude companies involved in the following sector or activity from our investment universe:

- **Weapons:** The EPF views weapons of any kind and their applications as controversial, given their detrimental effect on human populations. The EPF does not invest in companies that are involved in the production, development, distribution and/or trade of any weapon.
- **Tobacco:** The EPF will not engage in new investments in companies involved in the manufacturing or trading of tobacco products such as cigarettes and cigars.
- **Alcohol beverages:** Companies involved in the production or trading of alcoholic beverages.
- **Adult entertainment:** Any activities in pornography and prostitution.
- **Gambling:** Companies involved in gambling or betting activities.

The exclusions are applied based on **asset-class-specific threshold as defined by consolidated revenue**. We are cognisant of the need to have different standards for investments in developed versus developing economies. This section will be reviewed periodically.

For more information, please contact us at

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## EPF SUSTAINABLE INVESTMENT POLICY