



KWSP[®]
EPF

EPF WORKERS' WELLBEING POLICY

2025



Cover Rationale

Nature offers many remarkable examples of the power of community and teamwork – none more so than bees. Their seamless cooperation serves as a model for effective human collaboration. The diverse strengths within a hive are leveraged to drive productivity whilst balancing well-being.

A healthy, engaged workforce is a strategic investment. It encourages shared purpose and establishes mutual trust that are essential for long-term success of an organisation and benefits the society at large.

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EPF WORKERS' WELLBEING POLICY

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ABOUT THIS DOCUMENT

1.1 Context and Background

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 Malaysia.

As a long-term and global financial investor, we recognise the irrefutable urgency to embed and address sustainability matters in our investment approach. We believe that doing so enables us to better manage emerging and systemic risk exposures, while also identifying wider value creation opportunities for our members.

In 2020, we established our Sustainable Investment (“SI”) Policy, which outlines our overarching approach to sustainability for investment. Building on this foundation, we developed a suite of thematic and sectoral policies, including the EPF Workers’ Wellbeing Policy, to provide more targeted requirements on material sustainability matters. The sustainability requirements in this policy serve as a foundation for effective management of material sustainability risks, ultimately contributing to the long-term resilience of companies.

To encourage standardisation of sustainability disclosures globally, we aligned our requirements to internationally recognised principles and standards, including the United Nations-supported Principles for Responsible Investing (“PRI”), the United Nations’ Sustainable Development Goals (“UN SDGs”), the Sustainability Accounting Standards Board (“SASB”) Materiality Map, the Global Reporting Initiative (“GRI”) Reporting Standards, the International Financial Reporting Standards (“IFRS”) Sustainability Disclosure Standards, United Nations’ Global Compact (“UNGC”), the United Nations’ Guiding Principles on Business and Human Rights (“UNGPR”), and the International Labour Organisation Standards (“ILO”).

1.2 Scope and Applicability

Our requirements are directed at boards and management teams of all external fund managers and investee companies in our portfolio and cover aspects of a company’s strategy, operations, processes, and reporting activities. These requirements are global in scope, covering both existing and new investments, and applicable to all sectors and industries. We are, however, mindful that some sectors are more exposed to certain workers’ wellbeing material matters and requirements than others. As such, investee companies are encouraged to perform a materiality assessment and engage us on the applicability of the requirements to their businesses.

For selected priority sectors¹, we have also developed sector policies that build on this policy. Investee companies that are part of the EPF’s priority sectors should refer to the sector policy in tandem with this policy and strive to meet the requirements listed in both the Workers’ Wellbeing Policy and Sector Policy.

¹ Includes oil and gas, palm oil, banking, mining, utilities and construction sectors

Our view on workers' wellbeing as a critical issue to address is strongly aligned with evolving global priorities and labour rights standards. There has been a marked increase in global scrutiny over labour practices, particularly concerning forced labour, migrant worker exploitation, and modern slavery. This is underscored by the ILO 2024 report, *Profits and Poverty: The Economics of Forced Labour*, which reveals a staggering 37% increase in illegal profits from forced labour since 2014, now estimated at USD236 billion annually. In response, governments and international bodies have introduced stronger regulatory frameworks, such as the European Union's Corporate Sustainability Due Diligence Directive, which mandates human rights and environmental due diligence across supply chains, and the U.S. Uyghur Forced Labor Prevention Act, which bans imports linked to forced labour in China's Xinjiang region.

In Malaysia, labour rights concerns continue to surface, particularly in relation to debt bondage, excessive overtime, and abusive working and living conditions. Controversies involving the exploitation of migrant workers have attracted international media coverage and regulatory scrutiny, placing local companies and the Malaysian Government under the global spotlight. These incidents have triggered heightened expectations from investors, consumers, and regulators for greater transparency and responsible labour management.

We believe that workers' wellbeing is not only a moral imperative but also a material factor that can significantly influence business reputation, financials and operational resilience, and ultimately, our portfolio performance. As such, we recognise the urgency and are committed to playing an active role in addressing workers' wellbeing issues across our investment portfolio.

The ILO defines workers' wellbeing as "relating to all aspects of working life, from the quality and safety of the physical environment, to how workers feel about their work, their working environment, the climate at work and work organisation".

As a further step in defining workers' wellbeing, we broke this down to six key material matters as follows:

No.	Material Matters	Definition
1	Diversity and Inclusion	Equality of opportunity and treatment across the employee lifecycle without any form of discrimination against various characteristics ²
2	Employee Health and Safety	Healthy occupational and environmental conditions to ensure physical, mental and emotional health and safety for all employees
3	Training and Education	Provision of basic education, core work skills and lifelong learning opportunities for employees to improve productivity and contribute to a future proof workforce
4	Forced and Child Labour	Standards against all forms of forced or bonded labour, child labour, modern slavery and human trafficking within internal business operations and across the supply chain
5	Fair Wages and Benefits	Remuneration standards to account for minimum living wage practices, considerations on pay gap practices across diversity indicators and positions, as well as the provision of appropriate social security instruments ³ , benefits and overtime pay
6	Freedom of Association	The right to organise and form employers' and workers' organisations for sound collective bargaining and social dialogue

Table 1: List of material matters for workers' wellbeing

The list of requirements in Section 5 of this document will draw reference to the material matters in the table above. We encourage investee companies to conduct a materiality assessment to identify the relevant material matters to your business. This can serve to inform the scope of the requirements for each company to meet⁴.

² This includes gender, age, beliefs, skin colour, ethnicity, and disabilities

³ Social security instruments could include benefits for survivors, unemployment, old-age, employment injury, family, maternity, and invalidity

⁴ For example, to meet Requirement #3: "To establish a clear management stance and commitment on Workers' Wellbeing Material Matters identified from the materiality assessment. Investee companies can limit the setting of stance and commitment for material matters that are most relevant to their business by conducting a materiality assessment

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OUR APPROACH TO WORKERS' WELLBEING REQUIREMENTS

This policy adopts an engagement-based approach to reflect our commitment to fostering meaningful progress in driving real-world sustainability outcomes. Investee companies are expected to work towards meeting the requirements set out in the policy and are encouraged to go beyond the stated requirements by adopting leading practices aligned with evolving industry standards and best practices. We will regularly assess, monitor and engage with selected investee companies to evaluate the authenticity and significance of progress in meeting the policy requirements and aligning with our overall sustainable investment philosophy. We may activate escalation measures in line with the EPF Sustainable Investment Stewardship Policy, where necessary.

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EPF WORKERS' WELLBEING REQUIREMENTS

To support the implementation of this Policy, we have established a structured set of 12 workers' wellbeing requirements, across five criteria, setting the foundation for investee companies' management of workers' wellbeing. Investee companies are expected to disclose the approaches and actions taken to meet these requirements, which is crucial in promoting transparency and accountability.

No.	Criteria	Requirement
1	Strategic Planning	Incorporate workers' wellbeing considerations and adopt relevant workers' wellbeing global standards into long-term business strategy and planning
2	Strategic Planning	Perform a materiality assessment to determine the level of relevance and risk exposure of each workers' wellbeing material matters, and disclose the assessment results
3	Stance & Targets	Establish a clear management stance, commitment and strategy on workers' wellbeing material matters identified through the materiality assessment
4	Initiatives & Measures	Implement relevant programmes within business operations to manage workers' wellbeing material matters identified through the materiality assessment
5	People, Process & Infrastructure	Conduct risk assessment and establish mitigation measures related to workers' wellbeing material matters identified through the materiality assessment
6	People, Process & Infrastructure	Establish workers' wellbeing-related policies and practices to reflect management stance and commitment on workers' wellbeing material matters identified through the materiality assessment
7	People, Process & Infrastructure	Develop and conduct appropriate training programmes for employees, based on their training needs
8	People, Process & Infrastructure	Formulate and promulgate a formal grievance mechanism for employees, including contract workers, to report any workers' wellbeing-related issues, with appropriate safeguards in place for whistleblowers
9	People, Process & Infrastructure	Establish a clear responsibility and accountability structure that supports the development, implementation and monitoring of workers' wellbeing-related policies and practices
10	People, Process & Infrastructure	Conduct performance review assessment against workers' wellbeing material matters identified through the materiality assessment in a timely manner to identify areas for improvement and implement corresponding action plans
11	Reporting & Disclosures	Align workers' wellbeing-related disclosures and reporting practices with the IFRS Sustainability Disclosure Standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
12	Reporting & Disclosures	Disclose three years historical performance metrics on workers' wellbeing material matter identified through the materiality assessment

Table 2: List of requirements for workers' wellbeing

As a long-term investor with a fiduciary duty to safeguard the retirement future of the Malaysian workforce, we are committed to holding our investee companies to the requirements outlined in this Policy in response to the rapidly evolving sustainability landscape. Investee companies that fail to demonstrate meaningful progression in meeting these requirements without reasonable justifications will be subjected to our escalation actions, including, but not limited to:

Option	Description
Active Engagement	Direct and constructive dialogues with senior management of investee companies. This aims to foster mutual understanding and encourage corrective actions to be taken in addressing the concerns raised.
Shareholders' Letter/ Activation of EPF Nominees	Board-level intervention through formal letter to chairman of the board or activation of EPF's nominee directors (if any) to ensure necessary measures are taken to address the concerns.
Collaborative Engagement	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.
Proxy Voting	Leverage on shareholder's voting rights to weigh in on decisions on company's future direction and to express EPF's concerns.
Signal Divestment	Progressive disposal of holdings as part of a risk mitigation action and as a signal to reinforce EPF's sustainability view and stance.
Outright Divestment	The EPF may completely divest away from the company as a last option.

Table 3: List of EPF's escalation options

Through these actions, we aim to support our investee companies to progress along this sustainability journey with us, while driving meaningful impact in addressing material sustainability issues.

Workers' wellbeing is an evolving issue globally. As such, we are committed to assessing the trends and movements of this issue moving forward. To ensure continuous relevance, we will periodically review the contents of our Workers' Wellbeing Policy and announce updates accordingly. All updates will be proactively communicated to the relevant stakeholders of this policy.

For more information, please contact us at
sustainability@epf.gov.my

The background of the page is a photograph of a clear blue sky. Several birds are captured in flight, appearing as soft, out-of-focus shapes against the sky. The birds are scattered across the frame, with some near the top and others lower down. The overall tone is bright and airy.

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