2025 EPF INVESTMENT STEWARDSHIP REPORT

Strengthening Governance Through Active Stewardship

KWSPMalaysia

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CIO'S FOREWORD

As a long-term institutional investor, Employees Provident Fund (EPF) recognises that effective stewardship is essential to safeguarding members' retirement savings and supporting sustainable long-term value creation.

This inaugural EPF Investment Stewardship Report provides an overview of the key observations, engagement outcomes, and governance insights arising from EPF's stewardship activities in 2025. The report focuses on Malaysian listed companies, highlighting key governance trends, engagement priorities, and recurring areas of concern observed across Corporate Malaysia.

In today's evolving investment environment, stewardship extends beyond proxy voting. It includes continuous governance monitoring, constructive engagement with boards and management, and active participation in strengthening governance standards and market accountability.

Throughout the year, EPF engaged with investee companies on matters relating to board effectiveness, director independence, remuneration practices, capital allocation, shareholder rights, and sustainability governance. A key area of focus has been the alignment of corporate strategy and executive incentives with long-term Total Shareholder Return (TSR), which EPF views as a key indicator of sustainable shareholder value creation.

This report reflects EPF's continued commitment to promoting strong governance, accountability, and responsible stewardship. We hope the observations and insights shared in this inaugural publication will contribute to more constructive dialogue and continuous improvement in strengthening of governance practices across corporate Malaysia.

We look forward to continuing our collaboration with companies, investors, regulators, and stakeholders in fostering resilient, well-governed, and future-ready businesses that deliver sustainable long-term value.

Mohamad Hafiz Kassim
Chief Investment Officer

EPF'S STEWARDSHIP APPROACH

2.1 Governance Stewardship and Philosophy

EPF's stewardship approach is anchored on the view that strong corporate governance is fundamental to long-term value creation and the protection of members' retirement savings.

As a long-term institutional investor, EPF expects investee companies to demonstrate high standards of accountability, transparency, integrity and ethical conduct.

EPF's stewardship activities are guided by its publicly available governance and sustainability frameworks, which outline the principles, expectations, and stewardship approach applied across its investment portfolio.

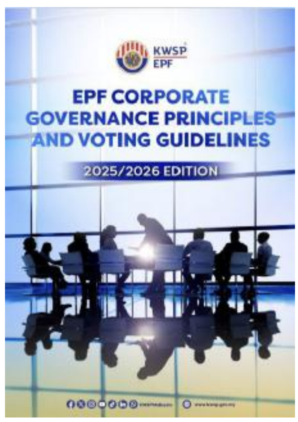
These include:

Sustainable Investment Stewardship Policy (SISP)

The SISP outlines EPF's stewardship approach in exercising investor rights and engaging with investee companies and external fund managers to promote sound sustainability practices, effective governance, and long-term value creation.

EPF Corporate Governance Principles and Voting Guidelines

The Guidelines set out EPF's governance expectations of investee companies and provide the framework that guides EPF's voting decisions, engagement priorities, and stewardship actions on key governance and sustainability matters.



2.2 EPF's Guiding Principles on Stewardship

At the core of EPF's governance philosophy are **eight (8) key principles** that consistently guide its stewardship activities and form the foundation for engagement and voting decisions across investee companies.

Board Responsibility

The Board of Directors must act in the best interests of the company, prioritising its long-term sustainability and the interests of shareholders.

Lawful and Ethical Conduct

Companies should conduct business responsibly, in compliance with the laws and with high ethical standards, to protect reputation and foster trust.

Shareholder Rights

Shareholder rights must be clearly defined, communicated, and safeguarded to ensure accountability and fairness.

Fair Treatment

All shareholders should receive equitable and impartial treatment from the Board and Management.

Independent Oversight

The Board and its Committees should be structured to enable objective, independent decision-making and free from conflicts of interest.

Effective Controls

Adequate internal controls and procedures should be in place to guide management in overseeing day-to-day operations effectively.

Transparency in Reporting

Companies must report their financial, operational and governance activities in a transparent, accurate, and timely manner.

Board Accountability

The Board should have the authority to hold management accountable by requiring explanations for decisions or actions not aligned with shareholders' best interests.

2.3 Sustainability in Stewardship Focus

Sustainability considerations are an integral part of EPF's stewardship approach, reflecting its responsibility as a long-term investor managing retirement savings. EPF's sustainability focus is structured around **three (3) key areas**:

1. **Environmental considerations**
   Including climate transition
2. **Social priorities**
   Including workforce practices and wellbeing
3. **Governance**
   With emphasis on board oversight and accountability

EPF has also set a long-term ambition to achieve a Net Zero Investment Portfolio by 2050, supported by interim targets for emissions reduction and increased coverage of investee companies with credible transition plans.

40% REDUCTION
in financed emissions investment intensity (tCO2e/RM Mn invested), relative to a 2023 baseline.

75%
of our portfolio emissions are to be covered by investee companies with credible net zero targets.

2.4 Stewardship in Practice

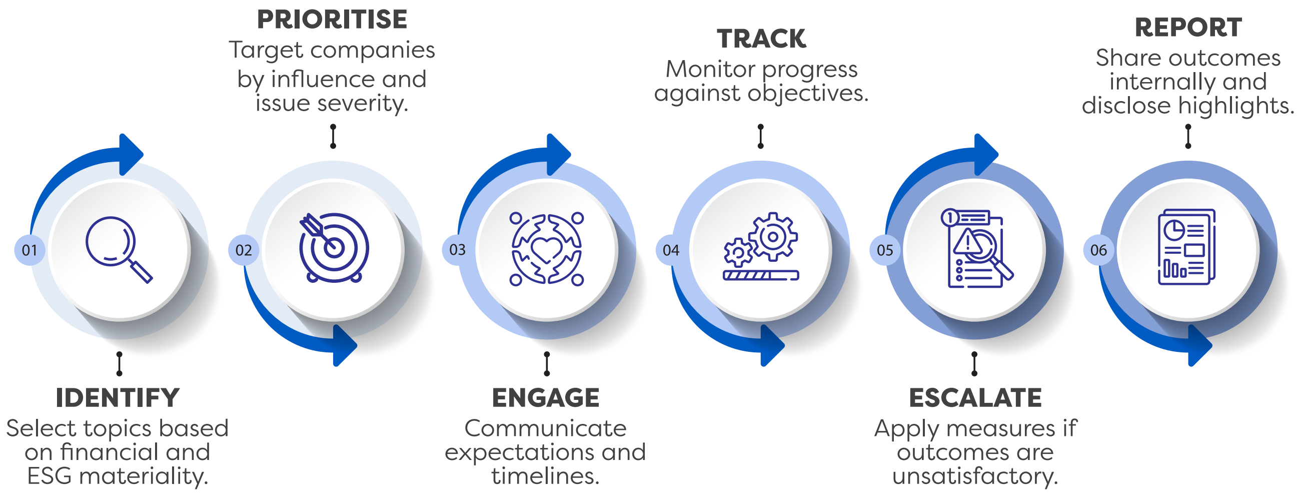
1. EPF undertakes stewardship through a structured and integrated approach encompassing engagement, voting and collaborative advocacy.

2. Engagements are prioritised based on material governance, financial, and sustainability risks identified across investee companies. They are conducted through direct discussions with companies, written communications, and investor collaboration platforms.

3. EPF's stewardship engagements typically cover a broad range of governance, financial and sustainability-related matters, including board composition, executive remuneration, capital allocation, and shareholder rights.

4. To ensure accountability, EPF discloses its voting decision five (5) days ahead of general meetings, including rationales for any votes against or abstentions.

5. Where concerns remain unresolved, EPF may escalate its action through voting decisions, formal communications, collaboration with other investors, or other appropriate shareholder mechanism.



STEWARDSHIP IN ACTION: VOTING & ENGAGEMENTS

3.1 EPF Corporate Governance and Voting Guidelines 2025/2026

As part of EPF's ongoing commitment to strengthening governance standards and enhancing stewardship practices across its investee companies, EPF updated its Corporate Governance Principles and Voting Guidelines in 2025. The updated Guidelines reinforce EPF's expectations on effective governance, responsible capital management, and the protection of minority shareholder rights.

The revised Guidelines continue to serve as the foundation guiding EPF's proxy voting and stewardship decisions, while providing investee companies with greater clarity on governance and sustainability-related practices.

Key enhancements introduced in the updated Guidelines include strengthened expectations in the following areas:
- Board composition, renewal and diversity;
- Directors' remuneration and long-term incentive alignment;
- Share buy-back proposals and capital management considerations;
- Related party transactions and minority shareholder safeguards; and
- Share issuance mandates and shareholder dilution concerns.

In line with EPF's Sustainable Investment Stewardship Policy (SISP) and Net Zero 2050 ambition, the updated Guidelines also place greater emphasis on sustainability governance, climate oversight, and transparency in sustainability-related disclosures.

Beginning January 2027, EPF will progressively integrate climate alignment considerations into its proxy voting approach. Where companies demonstrate insufficient climate governance oversight or inadequate progress on climate-related expectations, EPF may exercise its voting rights against the reappointment of relevant board leadership positions, including the Chair of the Board or relevant board committee chairs.

These enhancements reflect EPF's commitment to proactive, transparent and forward-looking stewardship practices that support long-term value creation and sustainable business resilience.

3.2 EPF's Voting Participation Overview

Proxy voting remains one of EPF's key stewardship tools in promoting strong governance practices, board accountability, and long-term shareholder value creation across investee companies.

IN 2025, EPF PARTICIPATED IN

118 Shareholder Meetings	**81%** AGMS	**19%** EGMS

The majority of resolutions reviewed related to board governance matters, with director re-elections and directors' remuneration forming the largest categories. EPF remained broadly supportive of investee companies, with the majority of resolutions receiving votes in favour.

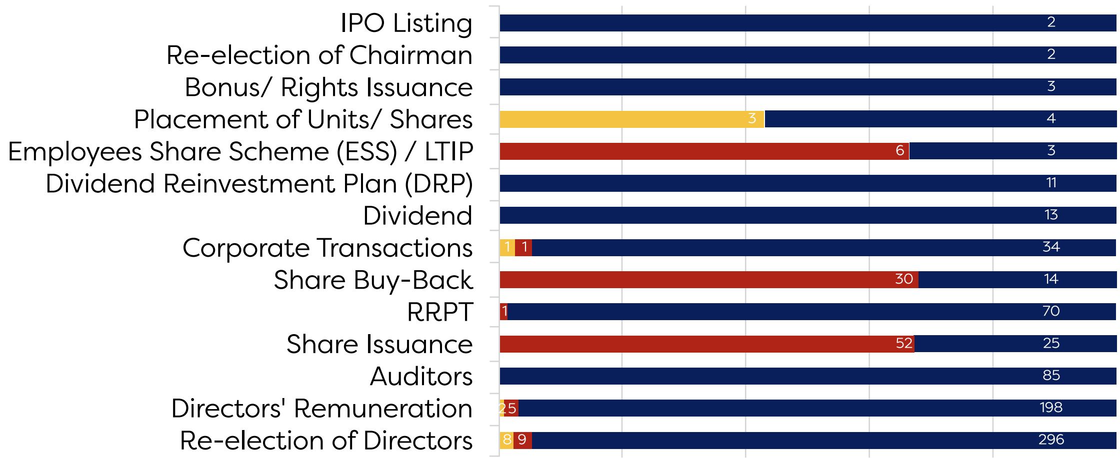
Nevertheless, EPF exercised selective **AGAINST** and **ABSTAIN** votes where governance concerns were identified, including the following:

1. Director re-elections involving tenure-related concerns
2. Remuneration structures not aligned with market practices or long-term performance outcomes
3. Share issuance mandates without sufficient disclosure of utilisation plans
4. Share buy-back proposals undertaken despite weak financial positions

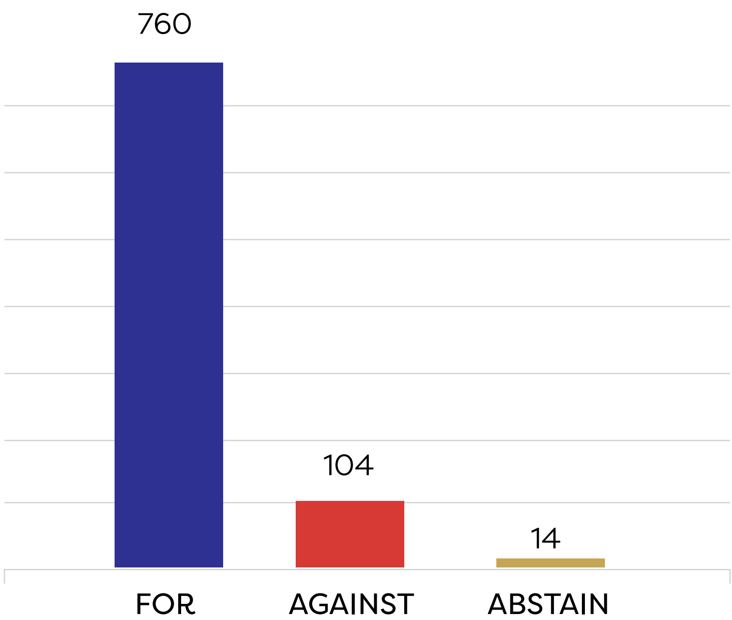
This selective voting approach reflects EPF's commitment to exercising independent judgement in safeguarding long-term shareholder interests and reinforcing accountability among investee companies.

EPF also continued to emphasise transparency and constructive engagement throughout the voting process by engaging with companies ahead of general meetings where material governance concerns were identified.

3.2.1 Distribution of Resolution Types Reviewed



3.2.2 Overview of EPF Voting Decisions in 2025



3.3 Stewardship Through Active Engagement

Constructive engagement remains central to EPF's stewardship approach. Through regular dialogue with investee companies, EPF aims to promote stronger governance practices, improve transparency, and support sustainable long-term value creation.

During the year under review, EPF raised 61 governance and stewardship matters across 55 investee companies through its engagement efforts. Engagements were primarily focused on board governance matters, which represented approximately 59% of total concerns raised, including:

- Board composition and diversity;
- Independent director tenure and board independence;
- Directors' remuneration and incentive alignment; and
- Board accountability and succession planning.

In addition to governance-related matters, EPF also engaged companies on capital management proposals, related party transactions, long-term incentive plans, financial performance considerations, and audit-related matters.

EPF adopts a constructive and solutions-oriented engagement approach, encouraging companies to strengthen governance practices while balancing business realities and long-term shareholder interests.

Encouragingly, 84% of engaged companies provided defined action plans or commitments in response to EPF's concerns, demonstrating increasing responsiveness towards stewardship expectations.

Notable engagement outcomes during the year included:

1. Improvements in long-term incentive plan disclosures and performance alignment;
2. Progress in board renewal and director succession planning;
3. Strengthening of board diversity practices, including progress towards achieving the 30% women representation target; and
4. Enhanced disclosures relating to related party transactions and capital management exercises.

These engagement efforts demonstrate EPF's commitment to active ownership and its role in supporting stronger governance standards across the Malaysian capital market.

GOVERNANCE THEMES & MARKET OBSERVATIONS

4.1 2025 Stewardship Engagement Focus Areas

Governance-related matters remained a key focus of stewardship discussions in 2025, reflecting rising market expectations around board effectiveness, accountability, and long-term valuecreation.

1

Capital Allocation & Transactions

- Engagements on capital allocation centred on share buy-backs, share issuances, and major corporate transactions.
- Discussions focused on the underlying strategic rationale, capital discipline, and the equitable treatment of shareholders.

2

Remuneration & Alignment

- Remuneration engagements focused on the design of remuneration frameworks, including Long-Term Incentive Plan (LTIP) metrics, performance hurdles, and disclosure practices.
- Concerns were raised where incentive appeared weakly linked to long-term performance or shareholder outcomes.

3

Board Composition & Effectiveness

- Engagements on board composition emphasised independence, tenure, gender diversity, and succession planning.
- Companies were encouraged to strengthen board skill sets and ensure effective oversight of strategy and risk.

4

Shareholder Engagement & Transparency

- Discussions highlighted the importance of timely, accurate, and accessible disclosures.
- The quality of engagement, board accessibility, and responsiveness to shareholder concerns varied across companies.

5

Board Accountability

- Expectations were reinforced on the Board's role in providing effective strategic oversight and driving long-term value creation.

6

Sustainability Oversight

- Engagements examined how Boards oversee material ESG risks and opportunities.
- Focus areas included climate risks, transition planning, supply chain practices and human capital management.

Through these engagements, EPF continues to advocate for governance practices that support resilient businesses, responsible capital allocation, and sustainable long-term value creation for all shareholders.

4.2 Key Governance Observations and Ongoing Challenges

Across engagements and corporate surveillance activities in 2025, EPF observed a mix of encouraging governance developments and persistent structural challenges across the market, reinforcing the need for continued engagement and active ownership.

KEY OBSERVATIONS

Voting Responsiveness and Influence

Companies tend to be more responsive when EPF votes against or abstains on resolutions, reflecting stronger recognition of institutional shareholder signals

GLICs Peer Voting Outcomes

Similar voting outcomes observed across GLIC peers contributes to stronger aggregate voting influence on governance outcomes

Enhanced Board Composition and Independence

LTIP design and disclosures have improved
While public disclosures remain limited in detail, engagement discussions provide better context; however, pay-for-performance alignment remains inconsistent

Remuneration Linkage to Performance

Continued progress in board renewal and diversity, including gradual improvements in gender representation

Improved Disclosure and Engagement Practices

Some companies demonstrate better responsiveness and improved disclosure quality, particularly in response to shareholder engagement

Capital Allocation Transparency

Companies are increasingly more transparent in articulating capital allocation priorities and strategic rationale

ONGOING CHALLENGES

Engagement Quality and Board Accessibility

- Engagement remains largely IR-led, with limited consistent access to board-level strategic dialogue.
- Weak or reactive IR functions in some companies result in delayed, generic, or insufficiently substantive responses to shareholder queries.

Shareholder Alignment and Capital Discipline

Consistency in capital allocation discipline and alignment with long-term shareholder value remains uneven

Transition to Institutional Governance

- The shift from family-controlled to more institutionalised governance structures remains complex.
- Differing strategic priorities and succession dynamics can complicate board renewal and Independent Non-Executive Director (INED) transition processes.

Departures from Malaysian Code of Corporate Governance (MCCG)

- MCCG deviations persist in some strong-performing companies, occasionally justified by financial performance.
- This highlights the need for continued board-level focus on governance standards and accountability beyond financial performance considerations.

Company Secretary (CoSec) Capacity and Advisory Effectiveness

- Shared CoSec arrangements across multiple listed entities may pose capacity and effectiveness challenges.
- The role of the CoSec as strategic advisor to the Board should be strengthened.

STEWARDSHIP OUTCOMES: CASE-BASED IMPACT

5.1 Observable Governance Improvements (Selected Cases)

Stewardship engagements in 2025 have contributed to observable improvements in governance practices across investee companies. These selected outcomes are summarised below.

Board Composition – 30% Women Representation

- Improved board diversity outcomes observed, with companies progressing towards the 30% women representation.
- Nomination and/or Remuneration Committee-level engagement has supported greater focus on structured board appointments and succession planning.
- Several companies have committed to strengthening talent pipelines, including collaborations with institutions such as Institute of Corporate Directors Malaysia (ICDM).

Board Leadership Structure – Separation of Chairman and CEO Roles

- Greater adoption of clear separation between Chairman and CEO roles observed across engaged companies.
- This has strengthened board independence, role clarity, and effective oversight.

Director Remuneration

- Engagements have led to independent benchmarking exercises to assess fee structures.
- Outcomes have supported more transparent, disciplined, and market-aligned remuneration practices.
- Greater transparency and improved justification of remuneration levels in several cases.

Board Independence – INED Tenure

- Board renewal actions observed following engagement on long-tenured INEDs.
- Increased awareness of independence concerns linked to extended board tenure.
- Succession planning practices strengthened across several companies.

Long-Term Incentive Plan

- Improved LTIP disclosure quality observed, with clearer articulation of performance conditions and vesting structures.
- Gradual strengthening of alignment between incentive frameworks and long-term value creation.

Auditor Tenure & Independence

- Periodic review and re-tendering of external auditors promoted in line with good governance practices, with companies generally complying with existing requirements.

Related Party Transactions (RPT)

- Greater transparency in disclosures and improved governance safeguards observed in selected cases.
- Stronger board-level oversight of RPT approvals emerging.
- Enhanced stewardship focus on ensuring RPTs demonstrate clear strategic rationale and support the company's long-term objectives beyond disclosure-based compliance.

Share Buy-Back

- Stronger discipline observed in share buy-back decision-making, with greater consideration of multi-year financial performance and shareholder returns.

MARKET INFLUENCE & POLICY CONTRIBUTIONS

6.1 Contribution to Governance Dialogue and Market Development

EPF's Role in Regulatory and Policy Advocacy

- In 2025, EPF's stewardship insights and engagements informed its contributions to regulatory and policy development, ensuring that practical market observations are reflected in evolving governance frameworks.

- This included participation in the Securities Commission Malaysia's consultation on the MCCG 2026, reflecting EPF's stewardship priorities in strengthening board accountability, capital discipline, and long-term value creation among listed issuers.

EPF's Key Responses to the MCCG

EPF's key responses to the MCCG 2026 consultation focused on strengthening governance accountability, enhancing board effectiveness and improving alignment between management incentives and long-term shareholder value. Selected positions are outlined below:

Board Accountability and Capital Oversight

- Boards should take ownership of capital allocation and actively oversee major investment decisions to ensure alignment with long-term shareholder value.
- Strengthen board accountability through clearer oversight of post-investment outcomes, enhanced disclosure on value creation, and stronger linkage of executive incentives to long-term performance indicators such as Total Shareholder Return (TSR).
- Governance expectations should apply to all Public Listed Companies (PLCs), with disclosure requirements scaled according to company size and complexity.

Executive Remuneration and Pay-for-Performance Alignment

- Support linking executive remuneration to long-term value creation indicators to align management incentives with shareholder outcomes.
- Recommendation to make such practices mandatory for Large PLCs and a best practice for Small and Mid-cap companies.
- Greater transparency on performance targets can strengthen investor scrutiny and engagement.
- Consideration given to introducing a "Say-on-Pay" framework to enhance shareholder oversight of CEO/MD remuneration.

6.2 Strengthening EPF's Stewardship Reach

EPF's stewardship activities extend beyond company-level engagements to include participation in regulatory consultations, policy dialogues, and regional governance platforms, supporting continuous improvement in corporate governance practices. These engagements provide channels for sharing investor perspectives and contributing to broader governance dialogue in Malaysia and the region.

Stewardship Advocacy via Institutional Platforms

IIC
INSTITUTIONAL INVESTORS COUNCIL MALAYSIA

- Contributed as a panelist in the IIC Dialogue Series discussions on the Malaysian Code for Institutional Investors (MCII 2022), sharing stewardship perspectives on governance practices.
- Participated in IIC-led governance dialogues and closed-door discussions on stewardship practices.
- Engaged in structured dialogues with other institutional investors to exchange views on governance and voting considerations in selected cases.

Regional Governance Engagements

ACGA

- Became a member of the Asian Corporate Governance Association (ACGA) in April 2026, expanding EPF's participation in regional stewardship initiative.
- Contributed to ACGA-led regional research.
- Participated in closed-door policy.

Board Diversity & Capability Building

30%+ Club
PATH TO PARITY

- Became a member of the 30% Club Malaysia network, supporting board diversity initiatives.
- Hosted board awareness and governance capacity-building programme in collaboration with 30% Club Malaysia at Menara KWSP.

Regulatory & Market Engagement

Suruhanjaya Sekuriti
Securities Commission
Malaysia

BURSA MALAYSIA

OECD

- Provided investor input to Securities Commission Malaysia consultations, including the MCCG review and governance practices relating to board oversight and AGM/EGM conduct.
- Contributed feedback to Bursa Malaysia's Public Listed Companies Transformation Programme.
- Shared investor perspectives with Organisation for Economic Co-operation and Development (OECD) on Malaysia's corporate governance landscape.

LOOKING AHEAD

7.1 Looking Ahead: Strengthening Stewardship Focus

EPF will continue to refine its stewardship approach by drawing on insights from ongoing surveillance, engagement outcomes, and observed governance practices across investee companies. These insights will inform more targeted and forward-looking engagement priorities in the next reporting period.

Emerging Governance Focus Areas

Recurring governance themes observed across companies will continue to shape EPF's engagement priorities. These include:

1. Board composition and balance of executive influence, including concentration of executive directors.
2. Board leadership continuity, including Chairman succession planning and board refreshment.
3. Governance structures in family-controlled or founder-led companies.
4. Board leadership workload and potential over-concentration of roles, including chairmanship across multiple committees.
5. Progress towards gender diversity targets, particularly the 30% women representation at board level.
6. Independence and tenure of independent non-executive directors, particularly prolonged board service.
7. Board effectiveness in overseeing corporate transactions and capital allocation decisions.
8. Audit governance, including auditor tenure and independence considerations.

These areas reflect both recurring structural governance gaps and evolving expectations in corporate Malaysia.

Forward-Looking Stewardship Priorities

Engagement will place greater emphasis on the early identification and escalation of governance risks, particularly for companies exhibiting repeated or unresolved concerns.

This approach is intended to reinforce a more proactive, rather than reactive, stewardship approach.

Key priorities will include:

- More frequent and structured review of higher-risk companies with persistent governance issues
- Strengthening follow-up mechanisms to track responsiveness and implementation of commitments made by boards
- Increased focus on board-level engagement, particularly where previous engagement has been IR-led or operational in nature
- Enhancing consistency in escalation decisions to ensure proportionate and transparent stewardship

Expected Stewardship Outcomes

Through this enhanced focus, EPF aims to achieve the following outcomes over time:

1. Earlier identification and management of governance risks
2. More timely and substantive engagement responses from boards
3. Improved consistency between engagement outcomes and voting decisions
4. Stronger follow-through on governance commitments made by companies
5. Progressive improvements in board composition, independence, and diversity
6. Greater alignment between corporate governance practices and long-term shareholder value creation

For further clarification on the Employees Provident Fund (EPF) 2025 Investment Stewardship Report, please contact the following:

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