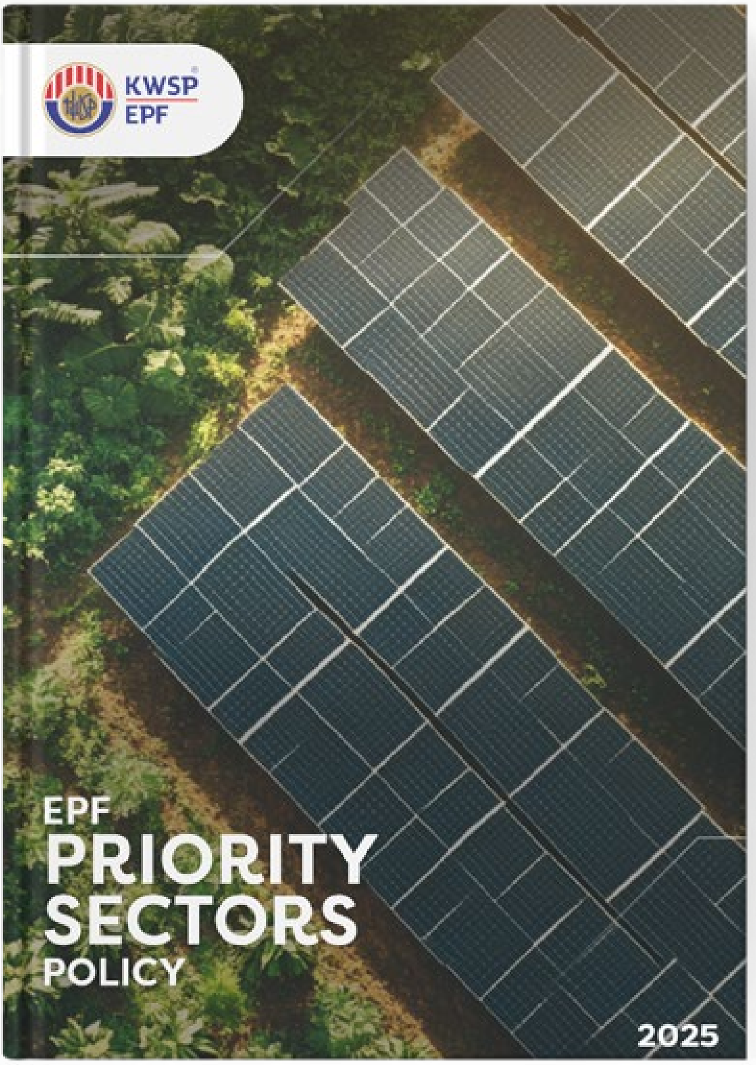
KWSP
EPF

EPF PRIORITY SECTORS POLICY

2025



Cover Rationale

In this age of transition, various sectors are adapting by fostering resilience, embracing technology and collaborating with more stakeholders to withstand challenges and scrutiny. The pace and scale of adaptation determines how well organisations are able to contribute effectively to achieve a sustainable future.

Sector prioritisation is crucial in embedding sustainability, particularly for portfolio decarbonisation. Targeting high impact sectors allows us to focus our efforts to reduce emissions and communicate the wider expectations we have that are inherent to these sectors.

TABLE OF CONTENT

EPF PRIORITY SECTORS POLICY

1 ABOUT THIS DOCUMENT

1.1 Context and Background

The Employees Provident Fund ("EPF") is Malaysia's foremost pension fund acting in accordance with the Employees Provident Fund Act 1991 (Act 452) with the objective of building a better retirement future for Malaysia. As a long-term and global financial investor, we recognise the criticality of incorporating and addressing sustainability considerations in our investments. We believe that doing so will not only strengthen our management of investment risks and opportunities but also enhance long-term risk-adjusted returns for our members.

The EPF Priority Sectors Policy was developed to complement the Climate Change Policy and the Workers Wellbeing Policy, by addressing material sector-specific sustainability risks. This policy outlines EPF's sustainability requirements on the following six priority sectors, identified based on EPF's exposure as well as the inherent sustainability risks of these sectors.

1	Palm Oil	3	Mining	5	Construction
2	Oil and Gas	4	Utilities	6	Banking

These requirements serve as a foundation for effective management of material sustainability risks, ultimately contributing to the long-term resilience of companies within these sectors.

1.2 Scope and Applicability

Our requirements are directed at boards and management teams of investee companies ("companies") in our internally and externally managed portfolios operating in the six identified sectors focused in this policy document. These requirements are global in scope but tailored to the local context, covering both existing and new investments. Companies that are part of the identified priority sectors should refer to the sector policy in tandem with our other Sustainable Investment Policies to appreciate our sustainable investment philosophy and strive to meet the requirements listed in these policies.

2 OUR APPROACH TO PRIORITY SECTOR POLICY REQUIREMENTS

2.1 Implementation of Sector Policy Requirements

This policy adopts an engagement-based approach to reflect our commitment to fostering meaningful progress in driving real-world sustainability outcomes. All investee companies are expected to work towards meeting the requirements set out in the policies 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 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.

3 SECTOR-SPECIFIC SUSTAINABILITY REQUIREMENTS

3.1 Palm Oil Sector

Background

The palm oil sector is an important pillar of the Malaysian economy, contributing significantly to the livelihood of local communities. As one of the largest producers and exporters of palm oil globally, Malaysia plays a crucial role in feeding and fueling a growing global population. Palm oil is not only a key agricultural commodity but also one of the most efficient oilseed crops given that it produces significantly more oil per hectare than its alternatives, which supports global food security by providing affordable, nutritious edible oil and other essential derivatives.

However, the expansion and operation of oil palm plantations have been associated with a range of adverse environmental and social impacts, such as deforestation, greenhouse gas ("GHG") emissions, forced labour and challenges related to the rights of indigenous and local communities. These risks, if not properly managed, can result in serious long-term consequences and undermine the resilience of companies in the sector. Recognising the strategic importance of the palm oil sector and the intensifying global scrutiny of its practices, we are committed to promoting responsible practices within the industry for the betterment of the communities it impacts as well as to ensure a sustainable food ecosystem. Our requirements for Palm Oil Sector aim to urge palm oil companies to better manage sustainability risks associated with the sector and encourage an orderly transition towards a sustainable future.

Scope of Coverage

This section covers EPF's investments in the following:

i. Companies directly involved in the upstream segment of palm oil value chain which constitute a significant part of their activities such as oil palm cultivation, harvesting and milling.

ii. Excludes companies in downstream segment and further down the value chain (for instance refiners, producers or traders of palm oil derivatives, or manufacturers and retailers of ingredients and products containing palm oil).

List of Requirements

No.	Requirement
1	Become a Roundtable on Sustainable Palm Oil ("RSPO") member and have a time-bound action plan to obtain full RSPO certification for operations
2	Obtain and maintain local sustainable palm oil certifications such as Malaysian Sustainable Palm Oil ("MSPO") and/or Indonesian Palm Oil ("ISPO")
3	Develop group-wide environmental policies and practices, including commitment to: 1. No deforestation and new development on peat land (or part of NDPE commitment) 2. Adopting zero burning practices, and disclosing fire incidents and mitigation measures in place to address them 3. Protecting biodiversity including High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas, as well as no development in UNESCO World Heritage Sites, Key Biodiversity Areas ("KBAs") and other legally designated protected areas 4. Minimising GHG emissions from operations and supply chain through adoption of more efficient practices[1] and/or adoption of Nature-based Solutions ("NbS")[2] to sequester carbon
4	Time-bound commitment to achieve 100% traceability of palm oil supply to plantation level
5	Develop group-wide human resource policies and practices, including commitment to: 1. Respecting and upholding international labour and/or human rights standards 2. No child or forced labour, slavery or human trafficking (or part of NDPE commitment) 3. Providing safe and decent working conditions for workers 4. Ethical recruitment including zero recruitment fee, where relevant
6	Commitment and practice to respect rights of indigenous people and local communities by aligning to the principle of Free, Prior and Informed Consent ("FPIC") prior to any new development

[1] Efficient practices may include but are not limited to the use of biomass to reduce reliance on fossil fuel, stabilized fertilizer to reduce NOx emissions, methane capture from POME
[2] Nature-based Solutions ("NbS") include reforestation and restoration of degraded land or peatland

3.2 Oil & Gas Sector

Background

The oil and gas industry has long been a cornerstone of the global and Malaysian economy, playing a vital role in supporting energy security and economic development. However, as the world accelerates its transition toward a low-carbon and more sustainable future, the industry faces increasing scrutiny over its sustainability performance, particularly regarding its GHG emissions.

According to the International Energy Agency ("IEA"), oil and gas operations account for approximately 9% of global GHG emissions, while the combustion of the fuels the industry produces contributes an additional 33%. As such, this sector also represents one of the highest contributors to EPF's financed emissions, underscoring the material exposure of our portfolio to climate-related risks.

Beyond climate impact, the sector is also subject to a growing wave of sustainability-related regulations and stakeholder expectations that can significantly influence its license to operate and long-term financial stability. Failure to address these sustainability risks can result in reputational damage, regulatory penalties and stranded assets - factors that could adversely affect the financial performance of our Oil and Gas investee companies and, by extension, the value of EPF's investments.

We expect our investee companies in the oil and gas Sector to strengthen the management of sustainability risks and opportunities across the value chain. The goal is to promote responsible, transparent, and forward-looking practices that align with global sustainability ambitions while safeguarding long-term shareholder value.

Scope of Coverage

This section covers EPF's investments in the following:

- i. Oil and gas companies
- ii. Groups or joint-ventures owning oil and gas assets, which represent a significant share of their total assets
- iii. Companies which are directly involved in exploration, production, transportation, storage terminals, retail (excluding petrochemicals) or operation related to oil and gas activities

Refer to the table below for the Scope of Coverage across the Oil & Gas value chain:

UPSTREAM	DOWNSTREAM
Exploration & Production	Refining
	Distribution
	Retail & Marketing
MIDSTREAM	
Transportation & Storage	Physical trading

List of Requirements

No.	Requirement
1	Derive no revenue from oil sands and oil and gas activities in Arctic region and UNESCO heritage sites
2	Meeting the industry's sector specific international standards, where relevant: • Environment (biodiversity & decommissioning including ship recycling) • Gas Flaring (Exploration, Production) • Methane Management • Marine Pollution (Exploration, Production, Transportation, Spillage)
3	Identify and outline transition plan, setting out priorities for responding and contributing to energy transition, in a manner that captures opportunities, maintains energy security and avoids adverse impacts for stakeholders and society.
4	Evaluate and outline the impact of the current and anticipated implications of the entity's strategic energy transition ambition on its business model and value chain
5	Commitment to zero accident at worksite, including disclosure of number of accidents, injuries, fatalities and Lost Time Injury Frequency Rate ("LTIFR") and measures to prevent. (*Disclosure to include contract workers*)
6	Establish and disclose policies and practice to respect and uphold human rights, including commitments to: • Providing safe and decent working conditions for workers • Respect rights of indigenous people and local communities by aligning to the principle of FPIC prior to any new development
7	Disclose approach and process to uphold and/or uplift human rights and occupational health & safety throughout the value chain

3.3 Mining Sector

Background

The mining industry plays a crucial role in facilitating the global transition to a low-carbon economy. According to the World Bank, the demand for minerals, such as graphite, lithium and cobalt could increase by nearly 500% by 2050 to meet the growing needs of clean energy technologies. This surge in demand for critical minerals presents economic opportunities for resource-rich developing countries to diversify away from coal-based industries.

However, if not managed responsibly, mining activities can lead to significant environmental and social challenges, including the impact on climate change as well as risks to health and safety to employees and the community at large. These issues can adversely affect a company's reputation, financial performance, and ultimately, the EPF's investment value.

In light of these risks and opportunities, we've detailed our requirements for the Mining Sector in order to compel mining companies to adopt responsible mining practices and enhance their management of sustainability risks. By doing so, we aim to ensure that the operation of mining companies contributes positively to both people and the planet.

Scope of Coverage

This section covers EPF's investments in the following:

- i — Mining companies
- ii — Groups or joint ventures owning mining assets, which represent a significant share of their total assets
- iii — Companies which are directly involved in exploration, development or operation related to mining activities

List of Requirements

No.	Requirement
1	Derive not more than 20% of revenue from thermal coal
2	A commitment to phase out thermal coal mining activities in the OECD and European countries by 2030, and globally by 2040, where applicable
3	No development of new thermal coal extraction capacities
4	No extraction of asbestos
5	Develop group-wide environmental policies and practices, including commitment to: 1. Respect legally designated protected areas and ensure that any new operations or changes to existing operations are not incompatible with the objectives for which the protected areas were established. 2. Not explore or develop mine in UNESCO World Heritage sites and KBAs 3. Assess and address material risks and impacts to biodiversity and ecosystem services by implementing mitigation hierarchy actions to achieve a minimum of no net loss ("NNL") or net gain of biodiversity by completion of closure
6	Full compliance with the Global Industry Standard on Tailing Management ("GISTM") for International Council on Mining and Metals ("ICMM") members; or a commitment to align practices with the GISTM for non-ICMM members"
7	Develop group-wide human resource policies and practices, including commitment to: 1. Respect and uphold international labour and/or human rights standards; and 2. No child or forced labour, slavery or human trafficking
8	A commitment to zero accident at worksite, including disclosure of number of accidents, injuries, fatalities and LTIFR and measures to prevent
9	A commitment to respect the rights of indigenous people and local communities by aligning to the principle of FPIC prior to any new development
10	No construction of new tailings dam using the upstream method

3.4 Utilities Sector

Background

The utilities sector is central to global economic growth and human development, providing the energy necessary for industry, infrastructure, and everyday life. However, it is also one of the most carbon-intensive sectors globally, accounting for over 40% of energy-related CO_2 emissions, largely due to its reliance on fossil fuel-based generation.

For EPF, the power sector is not only systemically important from an investment perspective but it is also a significant contributor to the Fund's financed emissions footprint. This positions the sector as a critical focus area in EPF's efforts to manage climate-related financial risks and align with global decarbonisation pathways.

The sector is rapidly evolving amid rising regulatory pressures, increased investor scrutiny, and a growing societal push for clean and affordable energy. Companies that fail to adapt to this transition face escalating risks, including asset stranding, policy non-compliance, cost volatility, and reputational damage. Conversely, those that successfully manage sustainability risks and embrace innovation in low-carbon technologies stand to gain long-term competitive advantage.

In this section, we set out our requirements for investee companies in the Utilities Sector to encourage the systematic and responsible management of sustainability risks in a forward-looking manner. These requirements include improving emissions performance, upholding community and labour rights, and demonstrating transparent governance. These requirements aim to support a resilient and sustainable energy sector while safeguarding the long-term value of EPF's investments and the communities we serve.

Scope of Coverage

This section covers EPF's investments in the following:

> i
>
> Companies involved in the business of electricity generation, transmission and distribution.

List of Requirements

No.	Requirement
1	No new thermal coal extraction capacity, development of new coal-fired power plants or expansion of current coal plants
2	Commitment to a managed phase-out and clear plan to phase-out all unabated existing coal-fired electricity generation in accordance with 1.5°C pathways, as provided by the IPCC and referenced by the International Energy Agency ("IEA") *(Phase outs in most thermal coal assets by 2030 for industrialized countries and a full phase out globally by 2040)*
3	Clear current and future investment plans to scale: • low and zero carbon energy generation and storage assets, which include but not limited to wind, solar, hydro, geothermal, green hydrogen and battery energy storage system ("BeSS"), • transmission and distribution grid infrastructure (including network upgrades and expanding grid access); • other relevant technologies (e.g. digitalisation or electric vehicle charging infrastructure); • Abatement of existing coal-fired electricity generation
4	Environmental and social impact assessments ("ESIA") for new infrastructure (e.g., hydropower, transmission lines)
5	Commitment to zero accident at worksite, including disclosure of number of accidents, injuries, fatalities and LTIFR and measures to prevent. *(Disclosure to include contract workers)*
6	Commit to providing a just transition and energy security by setting out, in a board level report, how the company intends to manage the wider societal impact of transitioning to net zero and the value chain responsible for implementing its strategy
7	Assess and disclose the sensitivity and resilience of their long-term business strategy to different transition and physical climate scenarios (e.g. 1.5 – 2 degrees Celsius scenario) and have clear business continuity planning measures against scenarios

3.5 Construction Sector

Background

The construction industry remains as the backbone of a country's economic development, with a strong multiplier effect that stimulates new development areas, promotes trade and creates employment opportunities. As urbanisation continues to expand globally, demand for resilient and climate adaptive buildings and infrastructure is on the rise.

Construction companies are increasingly exposed to a broad spectrum of sustainability risks, including those related to climate change and workers' health and safety. Failure to effectively manage these risks may lead to project delays, financial burden, reputational damage, and ultimately, unfavorable investment returns.

Given the intensifying pace of sustainability evolution, this Construction Sector outlines EPF's requirements for construction companies to integrate sustainability considerations into their operations planning and decision making by adopting sustainable construction practices for the greater good.

Scope of Coverage

This section covers EPF's investments in the following:

> i
>
> Construction companies, groups, joint-ventures or associates companies involved in the construction works of building, infrastructure, and/or specialised works not limited to fabrication works, marine engineering and piling works.

List of Requirements

No.	Requirement
1	Meeting the minimum scoring of local sustainable construction certification
2	Meeting the minimum certification of local workmanship quality requirement
3	Commitment to zero accident at construction site, including disclosure of number of accidents, injuries, fatalities and LTIFR and measures to prevent (*Disclosure to include contract workers*)
4	Ensure that engagements with local communities are appropriately conducted in good faith prior to starting a new project or settling in a new area where significant adverse impacts are likely to occur from the company's operations
5	A group-wide human resource policies and practices which include commitment to: 1. Respect and uphold international labour and/or human rights standards 2. No child or forced labour, slavery or human trafficking 3. Providing safe and decent working conditions for workers 4. Ethical recruitment including zero recruitment fee
6	Integrate modular or prefabricated construction method, such as usage of Industrialised Building System ("IBS") in construction works
7	Integrate digital construction initiatives such as usage of building information modelling ("BIM") technology for construction projects
8	Adopt sustainable construction waste management system for construction and demolition waste
9	Reclamation projects must include plans for habitat restoration, erosion control, and long-term ecological monitoring, while also ensuring that the sand sourced are extracted and transported in a socially and environmentally sound manner

3.6 Banking Sector

Background

It is an irrefutable fact that sustainability considerations have become integral to the way businesses operate today. No industry is spared from the adverse effects of failing to appropriately manage sustainability risks and challenges. Financial regulators and investors are increasingly acknowledging the financial instability from ignoring sustainability factors.

In the banking sector, the implications are particularly significant. Banks by nature is a catalytic force of any economy and will therefore face significant exposure to physical and transition risks arising from a variety of sectors that it mobilises capital to. These risks can be materialised through unmanaged exposures to vulnerable corporations and countries. In addition, the landscape of sustainable finance is evolving, marked by shifts in alliances, stricter regulations, and heightened scrutiny around issues such as greenwashing. This growing complexity places higher expectations on financial institutions to demonstrate accountability and resilience.

As key providers of capital and financial services, banks play a pivotal role in supporting the transition to a greener and sustainable future. Therefore, the requirements laid out in the Banking Sector section aim to advocate for the adoption of sustainable financial practices that align with long-term resilience and responsible growth in the financial sector specifically and the economies it serves.

Scope of Coverage

This section covers EPF's investments in the following:

i. Commercial banks
ii. Islamic banks
iii. Investment banks
iv. Development Financial Institutions

List of Requirements

No.	Requirement
1	Establish a sustainable financing policy that integrates ESG risk considerations into lending and investment decisions
2	Commitment to no new coal financing by 2030 or earlier, encompassing of new thermal coal extraction capacity, development of new coal-fired power plants or expansion of current coal plants
3	Adopt No Deforestation, No Peat, No Exploitation ("NDPE") principles by 2030 or earlier, where applicablet
4	Financing in the palm oil sector comprises only plantation companies that are certified under MSPO, ISPO, or RSPO standards by 2030 or earlier, where applicable
5	Disclose portfolio exposures to high ESG risk sectors and credible transition plans aligned with achieving net zero emissions
6	Implement client monitoring mechanisms as part of the sustainable finance framework to assess and track progress toward meeting the sustainability targets
7	Adopt and disclose a formal policy on fair marketing and product advice, including practices to prevent mis-selling and promote transparency
8	Implement and disclose cybersecurity and data privacy governance frameworks including board-level oversight, incident response protocols and compliance with local laws and regulations

4 STEWARDSHIP ACTIONS

As a global institutional investor domiciled in Malaysia, the EPF is committed to holding our investee companies accountable to the requirements set out in this policy. Companies that fail to demonstrate meaningful progression in meeting these requirements without reasonable justification(s) will be subject 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 ESG view and stance
Outright Divestment	The EPF may completely divest away from the company as a last option.

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.

5 FOLLOW-UP AND MAINTENANCE

Sustainability is a rapidly evolving global issue. We are therefore committed to continuously assessing the trends and movements of these sectors and we will periodically review the contents of this policy to ensure relevance. All updates will be proactively communicated to the relevant stakeholders of this policy.

6 REFERENCES

Sector	References
Palm Oil	• RSPO • Sustainability Accounting Standards Board – Agricultural Products • Palm oil sector policies or positions from local and global financial institutions such as BNP Paribas, Standard Chartered, DBS, and Maybank • SPOTT • Mining companies' Sustainability Reports
Oil & Gas	• Sustainability Accounting Standards Board – Oil and Gas • International Petroleum Industry Environmental Conservation Association ("IPIECA") • BNP Paribas Unconventional Oil and Gas Policy • International Energy Agency ("IEA") • Oil and Gas Climate Initiative ("OGCI") • Societe Generale Oil and Gas Sector Policy
Mining	• Sustainability Accounting Standards Board - Metal & Mining • ICMM's Mining Principles • BNP Paribas's Mining Sector Policy • Reclaim Finance - Coal Policy Tool • Climate Analytics - Special Report on 1.5°C • Mining companies' Sustainability Reports
Utilities	• Sustainability Accounting Standards Board - Electric Utilities & Power Generators • National Energy Transition Roadmap • International Energy Agency • BNP Paribas's Coal-Fired Power Generation Sector Policy • Reclaim Finance - Coal Policy Tool • IFC Performance Standards • International Hydropower Association ("IHA") Sustainability Guidelines • World Bank Environmental and Social Framework ("ESF")
Construction	• Sustainability Accounting Standards Board – Construction • Construction Industry Development Board ("CIDB") Malaysia • Malaysia National Construction Policy ("NCP") 2030 • Credit Agricole Sector Policies – Real Estate, Transport Infrastructure • Malaysian Construction Companies' Sustainability Reporting • Environment Protection Department ("EPD") of Sabah • United Nations Environment Programme ("UNEP")
Banking	• Sustainability Accounting Standards Board ("SASB") • BNM Climate Change & Principle Based Taxonomy ("CCPT") • Principles of Responsible Banking ("PRB") • Net-Zero Banking Alliance ("NZBA") • EU Sustainable Finance Disclosure Regulation ("SFDR") • BNM Risk Management in Technology ("RMiT") • Financial Services Act 2013 ("FSA") • IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information

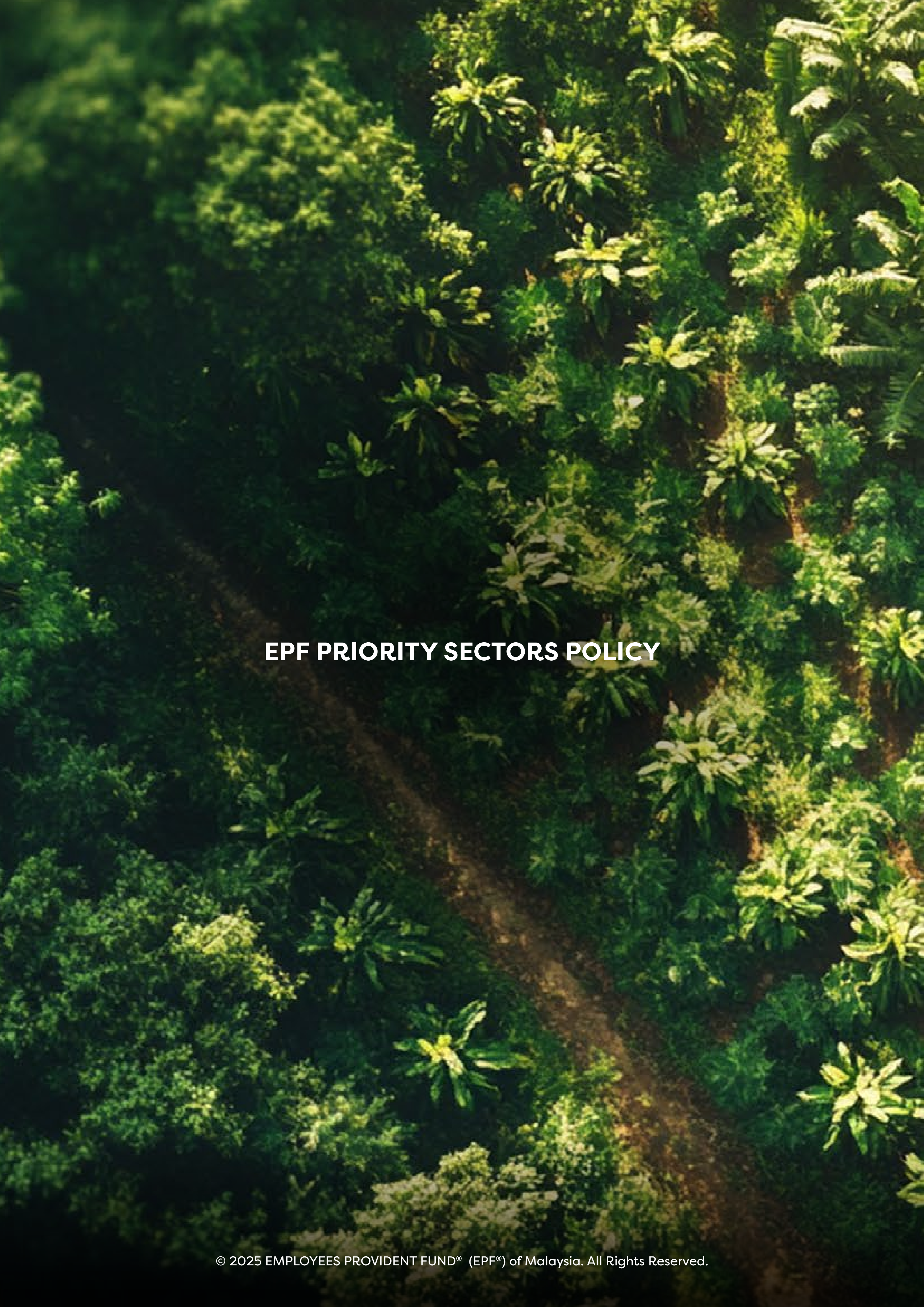
7 CONTACT US

For more information, please contact us at

sustainability@epf.gov.my

Additionally, feel free to reach out to the following analyst for sector specific enquiries:

Sector	Analyst	Contact Details
Palm Oil	Muhamad Zikri Harun	muhamad-zikri@epf.gov.my
	Muhamad Danial Wahid, CFA	muhamad-danial@epf.gov.my
Oil & Gas	Geetha Ravindran	geetha@epf.gov.my
	Syed Muhammad Afiq bin Syed Yussof	syed-muhammad@epf.gov.my
Mining	Muhamad Zikri Harun	muhamad-zikri@epf.gov.my
	Muhamad Danial Wahid, CFA	muhamad-danial@epf.gov.my
Utilities	Geetha Ravindran	geetha@epf.gov.my
	Syed Muhammad Afiq bin Syed Yussof	syed-muhammad@epf.gov.my
Construction	Nuraini Mohd Jaffar	nuraini@epf.gov.my
	Muhammad Nadzmi Jaigani	muhammad-nadzmi@epf.gov.my
Banking	Zahirah Zahri, CFA	zahirah@epf.gov.my
	Adleen Hayati Mohd Rashdan	adleen-hayati@epf.gov.my



EPF PRIORITY SECTORS POLICY