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EPF

EPF SUSTAINABLE INVESTMENT STEWARDSHIP POLICY

2025



Cover Rationale

In the evolving and volatile investment landscape, integrating sustainability practices into traditional capital markets practices remains challenging. Navigating the spectrum of risks and resistance is essential to drive transparency, accountability and long-term value creation.

Sustainable investment stewardship is an integral role we play as a provident fund and a fiduciary to our members. We strive to bolster the efforts of our investments of steering through rough seas and to remain vigilant during calm waters to ensure enduring financial growth and sustainable development.

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EPF SUSTAINABLE INVESTMENT STEWARDSHIP POLICY

1

ABOUT THIS DOCUMENT

The EPF Sustainable Investment Stewardship Policy (“Policy”) outlines the processes and guidelines the Employees Provident Fund (“EPF”) follows in exercising its investor’s rights to foster good sustainability practices amongst its investee companies and external fund managers (“EFMs”).

The scope of the Policy covers all asset classes, including both public and private investments, across internally and externally managed funds.

The Policy is updated annually or as and when required. All changes in the provisions of the Policy are endorsed by the Management Investment Committee (“MIC”) and Investment Panel (“IP”), and approved by Members of the Board (“Board”).

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OVERVIEW

2.1 EPF Sustainable Investment Stewardship Philosophy

The United Nations-backed Principles for Responsible Investment (“PRI”) defines stewardship as the use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns, and client and beneficiary interests depend.

The EPF upholds its fiduciary duty to build a better retirement future for Malaysia by prioritising the delivery of long-term sustainable value. Hence, Sustainable Investment (“SI”) is a core investment consideration as the integration of sustainability factors results in better-informed investment decisions.

With the objective of maximising portfolio-level risk-adjusted returns, the EPF is committed to leveraging on its influence and rights to promote the adoption of good sustainable practices among its investee companies and EFMs. In addition, the EPF believes that stewardship plays a pivotal role as an enabler in realising its sustainability aspiration of accelerating positive change for a sustainable future via a just transition. This includes supporting the EPF’s environmental action by aligning its investments with the long-term goal of achieving a Net Zero Portfolio by 2050. Overall, EPF SI Stewardship forms an integral part of delivering long-term sustainable returns for its members, while also generating positive societal and environmental impacts.

2.2 EPF SI Stewardship Commitments

EPF’s commitment to SI stewardship is grounded in its key guiding principles as outlined in the EPF Sustainable Investment Policy.

EPF's stewardship philosophy is centred on four key activities:

1 | Proxy Voting

The EPF's voting decisions at 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.

2 | Monitoring

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

3 | Active Engagement

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

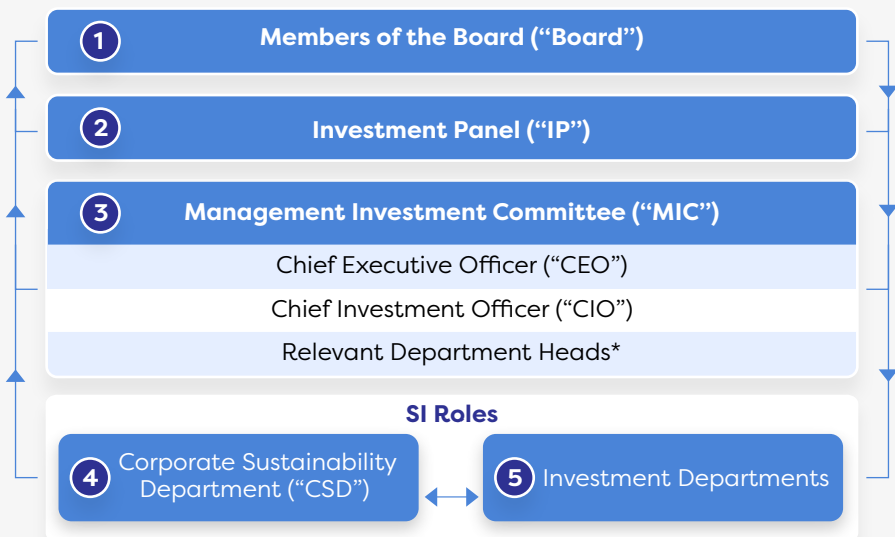
4 | Collaborative Initiatives

The EPF collaborates with other institutional investors, policy makers and regulators to share best practices and thought leadership, as it believes that a collective and uniformed stance from all stakeholders is more effective in improving transparency and performance on sustainability matters in its investee companies.

Apart from the above, the EPF's stewardship commitments are solidified with its membership in several principles-based codes. The EPF has been a signatory to The Malaysian Code for Institutional Investors ("MCII") since January 2017 and the PRI since April 2019. These codes mandate that the EPF be an active owner and incorporate sustainability considerations into its ownership policies and practices. Adhering to these principles ensures the effective implementation of global stewardship best practices.

2.3 Sustainable Investment Governance at EPF

Figure 1 : EPF SI Governance Structure



*Comprises heads from investment departments, risks, etc.

| No. | Body | Roles and Responsibilities |
|-----|------------------------|---|
| 1 | Board | Approves sustainability-related policies and provides high-level oversight of their implementations to ensure alignment with the EPF's fiduciary responsibilities |
| 2 | IP | <ul style="list-style-type: none"> Endorses and sets Sustainable Investment and Corporate Governance (relating to sustainable investment) Policies Oversees the implementation of the policies and integration of sustainability considerations across investment processes in delivering sustainable long term risk-adjusted returns |
| 3 | MIC | <ul style="list-style-type: none"> Oversees the effective integration of sustainability considerations into investment operations and ensure the effective implementation of sustainability strategies and plans Deliberate on appropriate responses to sustainability issues that have been escalated Deliberate on and approve voting recommendations |
| 4 | CSD | <ul style="list-style-type: none"> Responsible for spearheading sustainable investment initiatives and integration of sustainability including climate considerations into EPF's investment 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 Work closely with, where relevant, Risk, Compliance and/or Legal, on sustainability matters that overlaps with risk, compliance and/or legal Advocate good sustainability practices within the organisation and capital market |
| 5 | Investment Departments | <ul style="list-style-type: none"> Integrate sustainability considerations into investment processes Monitor and engage investee companies' progress on sustainability issues 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 |

3

PRINCIPLES AND GUIDELINES

3.1 Alignment with Global and Local Stewardship Codes

As an institutional investor with local and global investments, the EPF strives to align its stewardship practices with the principles set out by global and local stewardship codes such as the International Corporate Governance Network ("ICGN") Global Stewardship Principles and MCII. In essence, these principle-based codes outline several expectations of effective stewardship for investors such as the disclosure of stewardship policy, engagement with companies, and integration of sustainability consideration into investment decision making processes.

3.2 EPF Corporate Governance and Sustainable Investment Policies

In addition to aligning with global and local stewardship codes, this Policy is anchored in and guided by EPF sustainability-related policies and processes, specifically the EPF Corporate Governance Principles & Voting Guidelines and EPF Sustainable Investment Policies. The expectations and requirements set out in these policy documents are applicable to all EPF's investments, which include both internally and externally managed funds. As such, this Policy should be read in conjunction with the abovementioned principles and policies.

3.2.1 EPF Corporate Governance Principles and Voting Guidelines

The EPF Corporate Governance Principles constitute a set of corporate governance expectations for its investee companies. Putting these principles into practice, the policy document also outlines voting guidelines at shareholders' meetings, including but not limited to resolutions regarding re-election of directors and directors' fees.

3.2.2 EPF Sustainable Investment Policies

Sustainable investments in EPF are guided by a few sets of policies, namely the Sustainable Investment Policy, the Climate Change Policy, the Workers' Wellbeing Policy and the Priority Sectors Policy.

i

Sustainable Investment Policy explains EPF's overall approach to sustainable investing and the integration of sustainability factors into EPF's investment processes and stewardship practices. The SI policy forms part of EPF's overarching investment strategy that has been reviewed and approved by the Board.

ii

Priority Sectors Policy is a set of sector specific policies, consisting of sustainability requirements on six sectors namely: 1) Palm Oil, 2) Oil & Gas, 3) Mining, 4) Utilities, 5) Construction and, 6) Banking. These sectors are chosen based on EPF's exposure as well as the sustainability risks imminent in these sectors. This policy aims to address material sustainability issues specific to the sector, beyond the scope of Climate Change and Workers' Wellbeing Policies. Companies that are part of EPF's priority sectors should refer to the sector policy in tandem with the Priority Issue Policies and strive to meet the expectations and requirements listed in both policies.

iii

Climate Change Policy reaffirms the organisation's commitment to supporting an orderly and just transition to a low-carbon economy, in line with global investor momentum toward achieving net zero. The updated Policy reflects the latest developments in climate standards, regulatory expectations, and investor best practices. It incorporates clearer alignment with net zero targets, strengthened portfolio decarbonisation pathways, and a more robust governance and accountability framework. A key feature of the Policy is the EPF Climate Alignment Framework, which introduces a structured set of 13 climate-related indicators across eight alignment criteria. This framework provides credible and pragmatic expectations for assessing and advancing the climate alignment of EPF's investment portfolio. Importantly, the Alignment Classification of investee companies based on these expectations directly informs EPF's engagement priorities and stewardship strategy, enabling targeted action and measurable progress toward climate goals.

iv

Workers' Wellbeing Policy which was developed to address the rising controversies surrounding labour rights issues amongst businesses, resulting in heightened scrutiny by various stakeholders. The EPF is committed to play its role in addressing this issue by setting sustainability requirements on investee companies to manage Workers' Wellbeing matters.

The EPF actively exercises its investor rights through a range of tools, focusing on key areas encompassing monitoring, engagement and escalation, as outlined below:

4.1 Monitoring Approach

Regular monitoring of investee companies is critical to identify sustainability risks and opportunities within EPF's investments. It also provides insights that can be integrated into its investment decision making and stewardship actions. The role of monitoring is a joint responsibility of the CSD and the relevant investment departments.

The outcomes of monitoring and stewardship activities are communicated to the relevant investment departments and external fund managers on a periodic basis to facilitate the timely incorporation of this information into investment decisions.

In general, the EPF's approach in monitoring investee companies' sustainability performance and risk is built around financially material sustainability topics identified, as the section below outlines.

4.1.1 Identification of Material Sustainability Topics

Recognising the breadth of sustainability topics, the EPF's monitoring approach focuses on topics that are financially material to the company and have significant impact on the society or the environment. The identification and assessment of these sustainability topics are guided by the EPF SI Policies which outline sector-agnostic and sector-specific sustainability topics to be managed, in line with globally recognised standards such as Sustainability Accounting Standards Board ("SASB").

Primary sources of information used include company disclosures which are obtained either through public disclosures or via engagements. In addition, these are supplemented with information from sources such as news portals and third party sustainability data providers to provide a more robust view on investee companies' sustainability performance.

4.1.2 Monitoring of Sustainability Performance and Risk

Monitoring of investee companies' sustainability performance is embedded across investment stages and all asset classes.

In addition to the application of negative screening to exclude investments in unethical sectors, the EPF's investment process is further enhanced through the integration of sustainability considerations at pre-investment stage. All new investment proposals are subject to an independent sustainability assessment conducted by CSD and presented to MIC and/or IP for final deliberation.

During the ownership period, ongoing monitoring is carried out jointly by CSD and the respective investment department to ensure continued alignment with the EPF's sustainable investment objectives.

Areas of assessment and monitoring include, but not limited to:

- 1 Alignment with EPF Sustainable Investment Policies
- 2 Involvement in any material sustainability controversies
- 3 Alignment with EPF's net zero commitment
- 4 Other material sustainability risks and opportunities

4.2 Engagement Approach

The EPF believes that engagement enhances investment decisions and aligns the long-term interests of both the EPF and investee companies with sustainable financial performance. Engagements are regularly conducted by CSD, in collaboration with relevant investment departments. There are two key engagement approaches employed by the EPF:

1 Individual. One-on-one engagement sessions to understand company's management of sustainability risks and opportunities and communicate EPF's sustainability expectations and requirements. This is done through various communication channels such as direct meetings, written communications and phone calls.

2 Collaboration. Engagements conducted in collaboration with peer institutional investors to collectively enhance the ability to mitigate and/or manage systemic risks affecting any sector or industry. This approach prioritises collaborative platforms, such as the IIC to align sustainability priorities among key stakeholders.

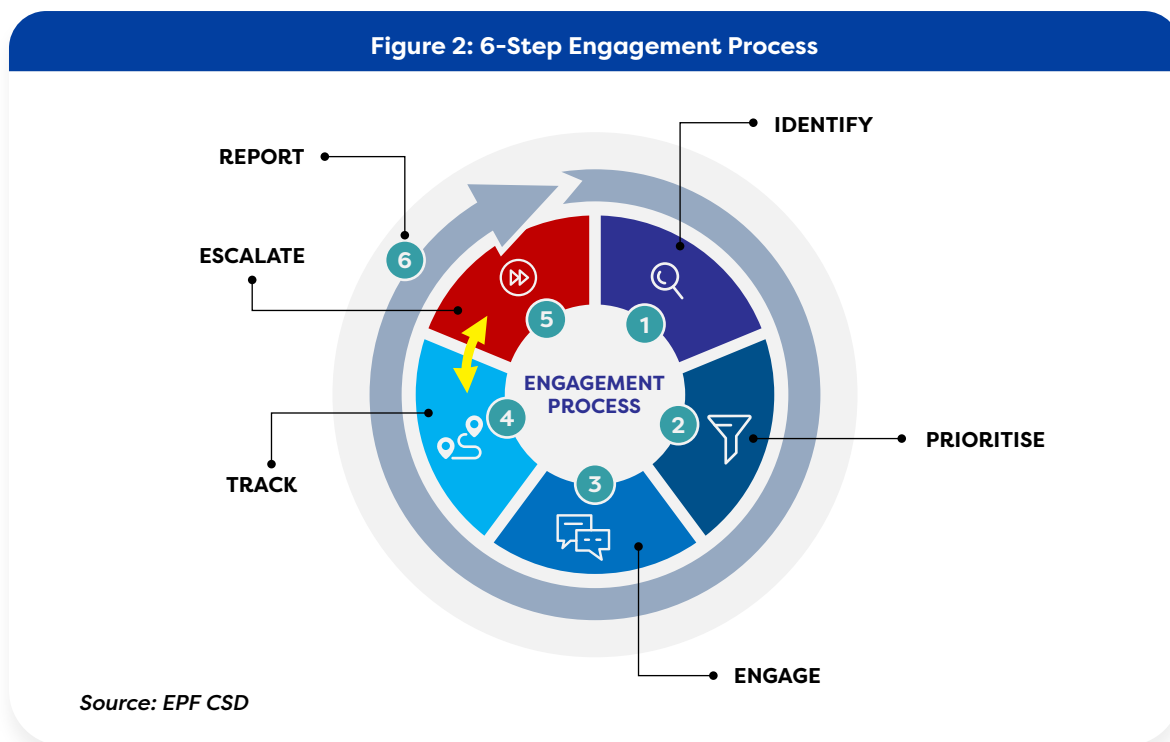
The EPF also plays an advocacy role in promoting the adoption of good sustainability practices within the capital market. This is carried out either individually or collaboratively, through engagements with regulators and policymakers, including participation in policy development via public consultations or working groups, and through conferences and educational initiatives that support the advancement of sustainable practices.

Depending on the objective that the EPF wants to achieve, engagements on sustainability issues are initiated on two fronts:

1 Thematic engagement. This top-down engagement program aims to enhance investee's management of systemic sustainability risks, such as topics related to climate change, workers' wellbeing, and/or sector-specific matters. The EPF will initiate dialogues with company representatives, including but not limited to the sustainability/ investor relations team, and senior management of the company.

2 Enhanced engagement. This bottom-up engagement program is tailored to address material sustainability concerns pertaining to investee companies. It aims to address company-specific concerns including involvement in any material controversies, as well as other material sustainability concerns that require further engagement with the company. The EPF will engage with the company's senior management and board of directors to understand and resolve the highlighted issues.

To achieve a successful engagement outcome, the EPF outlines a six-step process as illustrated in the figure below:



| No. | Step | Description |
|-----|-------------------|---|
| 1 | Identify | <ul style="list-style-type: none"> Identifying sustainability topics for engagement, prioritised based on materiality to the company's financials as well as to the environment and society. Define specific engagement objectives and timeline |
| 2 | Prioritise | <ul style="list-style-type: none"> Selection of companies for engagement, based on the level of influence that EPF has on the company |
| 3 | Engage | <ul style="list-style-type: none"> Initiation of dialogue with the identified company's representatives to communicate EPF's expectations including the objective and timeline |
| 4 | Track | <ul style="list-style-type: none"> Tracking and monitoring of company's progress in achieving the defined objective. Engagement program shall be closed once objective has been met or whenever deemed appropriate. |
| 5 | Escalate | <ul style="list-style-type: none"> Activation of escalation measures following unsuccessful engagements (refer 4.3 Escalation Options) |
| 6 | Report | <ul style="list-style-type: none"> Periodic reporting of engagement progress and outcome to investment decision makers and stakeholders. |

4.3 Escalation Options

The EPF upholds a steadfast commitment to working alongside its investee companies to uplift the Malaysian capital market's sustainability standards. However, there are instances where escalation may be necessary. The decision to escalate an engagement is taken on a case-by-case basis, subject to the asset class and level of influence, where a stricter and accelerated escalation process may be applied under Enhanced Engagements. Table 1 below shows the escalation options available to EPF. EPF may, at its discretion, exercise other rights, depending on the severity of the issues, including filing a shareholder resolution or taking legal action as EPF deemed necessary.

| Option | Description |
|--|--|
| Active Engagement | Direct and constructive dialogues with company's senior management team. 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 1: EPF's Escalation Options

The EPF assigns a portion of its fund to be managed by the appointed EFMs. Its sustainability incorporation and stewardship approaches for externally managed funds in public listed equities and fixed income are centred around four key areas as outlined below.

1

Engagement with EFMs: The EPF engages with the EFMs to convey its sustainability expectations, conducted through annual briefings and individual meetings with the sustainability and investment departments, and/or senior management of the EFMs.

2

Assessment on EFMs: The CSD performs an independent assessment to evaluate and monitor the progress of EFMs' sustainability incorporation practices, both at the firm and mandate level. This assessment is conducted on an annual basis and as needed, such as during the selection of new managers and mandates, covering areas such as EFM's responsible investment policy, sustainability incorporation and stewardship approach, as well as alignment with the EPF SI Policies. In addition, EPF monitors and assesses the EFM's involvement in any controversies and expect appropriate and timely remedial actions to be taken to address them

3

Portfolio Sustainability Integration: All EFMs managing EPF's fund are expected to incorporate sustainability considerations into their investment decision making processes in efforts to further enhance risk-adjusted returns. This expectation is formally embedded within the Investment Management Agreements ("IMAs") signed between EPF and its EFMs.

- i. At minimum, all investments must adhere to the EPF's exclusion list and strive to meet the expectations and requirements outlined in the EPF Climate Change, Workers' Wellbeing and Sector Policies, where relevant.
- ii. To support both the EPF's ambition to achieve Net Zero by 2050, EFMs across domestic and international mandates are expected to actively monitor and track the emissions of portfolios managed on EPF's behalf, and exercise caution when investing in high-emitting sectors such as utilities, palm oil, oil & gas and cement. The EPF may impose bolder expectations in the future as both EPF and EFMs progress further along their portfolio decarbonisation journey.
- iii. Beyond these expectations, EFMs are granted the flexibility to adopt their own responsible investment policies and sustainability integration strategies, as deemed appropriate.

4

EFM Stewardship Approach: In line with its SI Guiding Principles, the EPF advocates for active engagements with investee companies to enhance long term resilience and sustainable returns. EFMs are expected to use their influence to engage with investee companies, in support of the EPF's financials and sustainable investment objectives. In the event of unsuccessful engagements, EFMs may implement their own escalation strategies, where appropriate. As for proxy voting, all EFMs are required to vote in accordance with the latest EPF voting guideline and decisions.

6.1 Periodic Reporting of Stewardship Activities

The EPF is committed to transparency and accountability in its investment and stewardship practices. It aims to improve the reporting of its stewardship practices by incorporating detailed disclosures in its annual Stewardship Report which will include a comprehensive account of various activities, including but not limited to voting decisions, engagement progress and outcome, as well as other stewardship initiatives undertaken.

In addition to annual reporting, the EPF has begun disclosing all voting decisions at general meetings on its website on an ongoing basis. These disclosures include the rationale behind each decision and are published in advance of shareholders' meetings. These enhancements aim to provide stakeholders with a comprehensive overview of EPF's stewardship practices, demonstrating accountability and reinforcing its commitment to sustainable investment, in line with the principles-based codes.

APPENDIX 1: GLOSSARY

| Term | Definitions |
|--|--|
| External Fund Manager (“EFM”) | Asset manager appointed by EPF to manage a portion of assets under management (“AUM”) on its behalf. |
| ICGN Global Stewardship Principles | Issued by International Corporate Governance Network (“ICGN”), it sets out ICGN’s view of best practices in relation to investor stewardship obligations, policies and processes. Source: ICGN website |
| Institutional Investors Council (“IIC”) | An organisation that represents the common interests of institutional investors in Malaysia for the betterment of Malaysia's capital market. Source: IIC website |
| Malaysian Code for Institutional Investors (“MCII”) | A local stewardship code that was collectively developed by Malaysia’s largest institutional investors including the EPF. It sets out seven (7) principles of effective stewardship for institutional investors, including the disclosure of stewardship policies and engagement with investee companies. Source: IIC website |
| Sustainability Accounting Standards Board (“SASB”) Standards | A set of standards that enable organisations to provide industry-based disclosures about sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, access to finance or cost of capital over the short, medium or long term. Source: SASB |
| Sustainable Investment (“SI”) | An investment approach that balances traditional investing with sustainability insights to improve long-term outcomes. Source: CFA Institute |
| Sustainability integration | Including sustainability factors in investment analysis and decisions to better manage risks and improve returns. It is often used in combination with screening and thematic investing. Source: PRI Reporting Framework Glossary |
| United Nations-backed Principles for Responsible Investment (“PRI”) | An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact. It outlines six (6) principles of responsible investment including incorporation of sustainability issues into signatory’s ownership policies and practices. Source: PRI website |

APPENDIX 2: ALIGNMENT WITH PRINCIPLES-BASED CODES

| No. | Section | Page | Alignment |
|-----|--|------|---|
| 2.1 | EPF Sustainable Investment Stewardship Philosophy | 1 | MCII (P1), ICGN (P2), PRI (P2, PGS) |
| 2.2 | EPF SI Stewardship Commitments | 1 | MCII (P1), ICGN (P7), PRI (P2, PGS) |
| 2.3 | Sustainable Investment Governance at EPF | 2 | MCII (P1), ICGN (P1, P2), PRI (P2, PGS) |
| 3.2 | EPF Corporate Governance and Sustainable Investment Policies | 4 | MCII (P5), ICGN (P6), PRI (P1, PGS) |
| 4.1 | Monitoring Approach | 5 | MCII (P2, P5), ICGN (P3), PRI (P1, PGS) |
| 4.2 | Engagement Approach | 6 | MCII (P3, P7), ICGN (P4, P6), PRI (P2, P5, PGS) |
| 4.3 | Escalation Options | 8 | MCII (P3), ICGN (P4), PRI PGS |
| 5.0 | Approach for Externally Managed Funds | 9 | MCII (P1), ICGN P2, PRI SAM |
| 6.1 | Periodic Reporting of Stewardship Activities | 10 | MCII (P1, P3, P6), ICGN (P5, P7), PRI (P6, PGS) |

Note:

- MCII – Malaysian Code for Institutional investors
- ICGN – ICGN Global Stewardship Principles
- PRI – Principles for Responsible Investment, including relevant modules under its Reporting Framework such as Policy, Governance and Strategy (PGS), and External Managers Selection, Appointment and Monitoring (SAM)

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EPF SUSTAINABLE INVESTMENT STEWARDSHIP POLICY