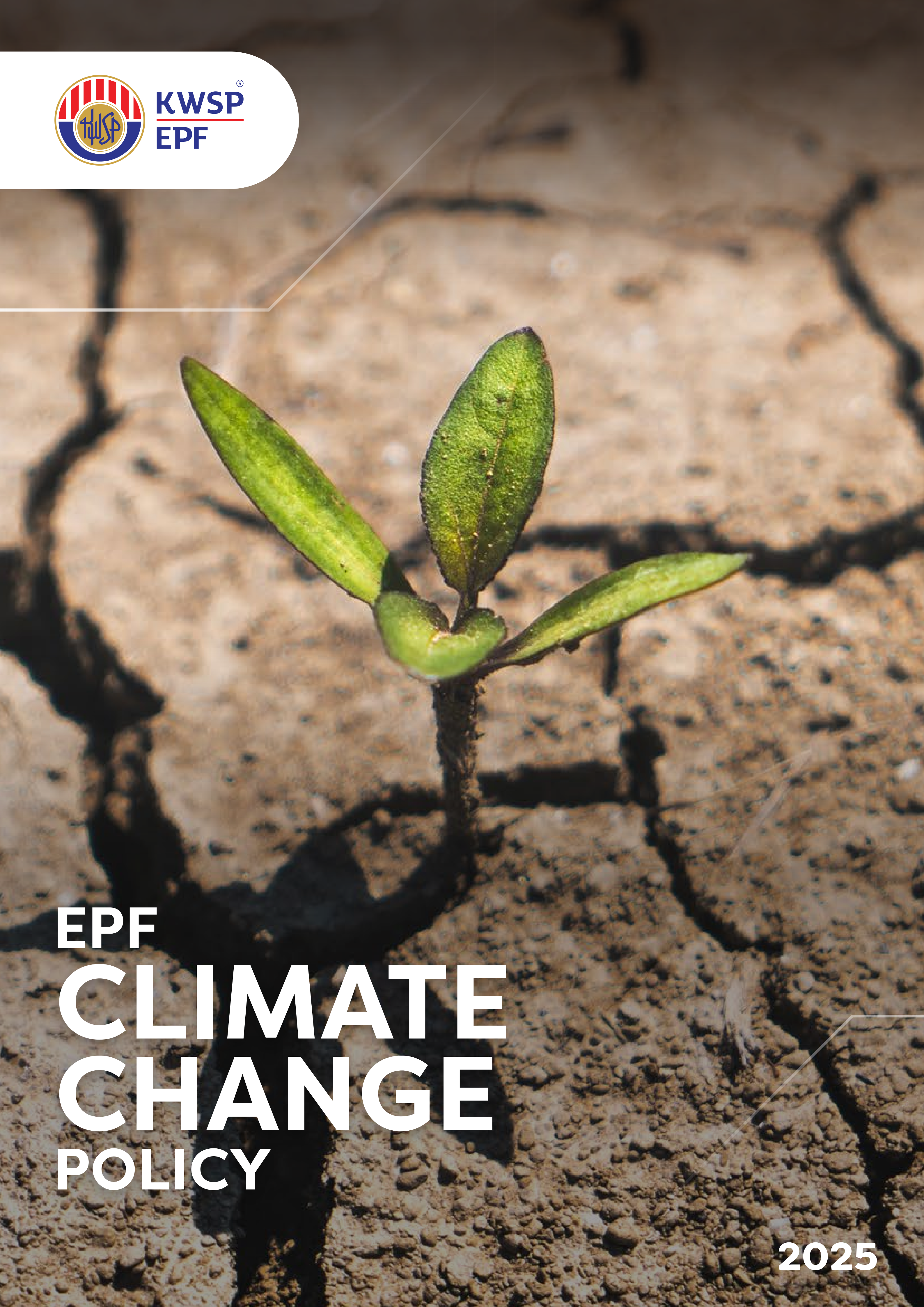

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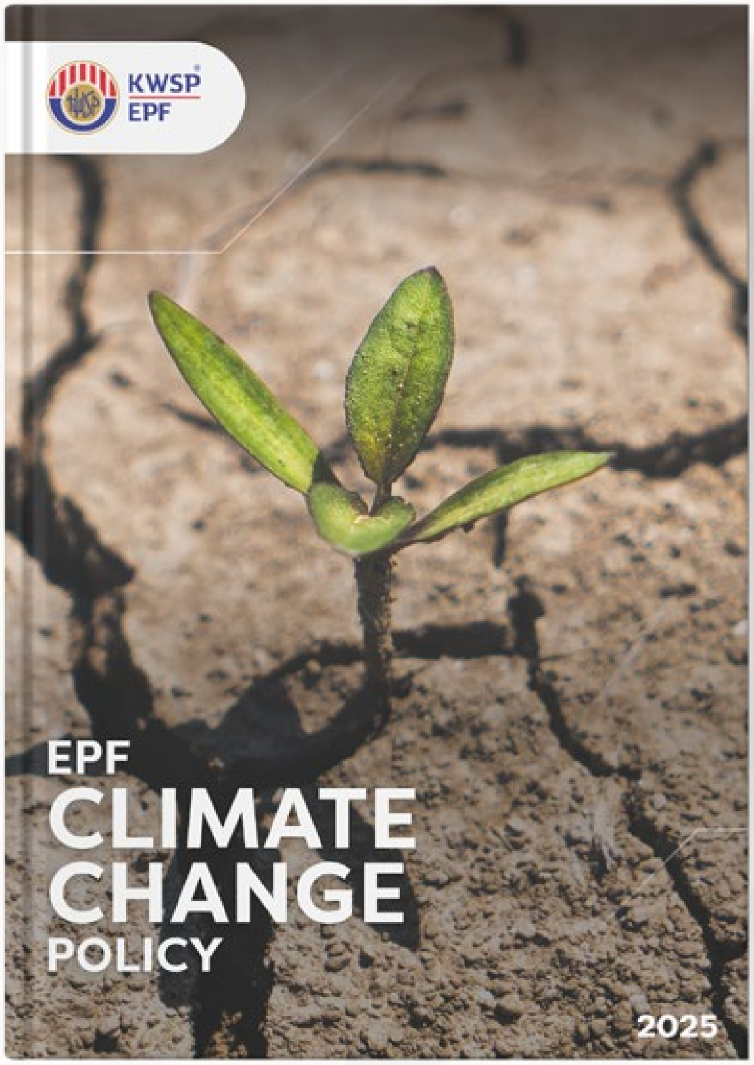
EPF

EPF CLIMATE CHANGE POLICY

2025



Cover Rationale

Overwhelming scientific evidence indicates that our planet is facing an unprecedented threat: an irreversible future of climate catastrophe.

Immediate and bolder climate action is crucial to avoid or mitigate the devastating impacts of climate change.

Change is possible, and the urgent need to act amidst growing climate threats provides hope that a responsible transition to achieve a sustainable future for generations to come is within reach.

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EPF CLIMATE CHANGE POLICY

1 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. Building upon this foundation, we developed a suite of thematic and sectoral policies, including the Climate Change Policy to provide more targeted expectations on material sustainability matters.

This updated Climate Change Policy reflects the evolution of our climate strategy and our deepened commitment to align with leading global practices in sustainability. Notably, we have elevated our climate ambition from achieving a Climate-Neutral Portfolio by 2050 to a Net Zero Portfolio by 2050, a refinement that echoes growing consensus among global investors to ensure orderly, if not bolder global decarbonisation expectations as well as supports Malaysia's climate commitments. The EPF has also set an interim emissions intensity reduction target of 40% by 2030 and a 75% portfolio coverage target by 2030, which are crucial milestones that will guide our near-term actions and enable us to track progress on a credible decarbonisation pathway.

The revision of this policy is driven by several key developments:

1 | Evolving Standards and Expectations

Since the adoption of EPF Climate Change Priority Issue Policy in 2022, the global climate landscape has undergone notable shifts. International standards, regulatory frameworks, and stakeholder expectations have continued to evolve, setting higher benchmarks for climate-related governance, risk management, and disclosures. On the global front, we note a major shift in climate-related disclosures in 2023 with the International Sustainability Standards Board ("ISSB") releasing the inaugural global sustainability and climate-related disclosure standards, establishing a unified baseline for corporate reporting on climate risks and opportunities. Closer to home, the ASEAN Taxonomy for Sustainable Finance is also evolving to provide clearer definitions for climate-aligned investments across the region, with Version 3 emphasising science-based targets and inclusivity, catering to different development stages within the member states. In Malaysia, Bank Negara Malaysia and the Securities Commission have issued enhanced guidance on climate risk management and sustainability integration for financial institutions as well as corporates. A key development is the National Sustainability Reporting Framework ("NSRF"), where a climate-first approach is taken to support Malaysia's net zero goals, with a focus on transparency and accountability.

2 | Clearer Alignment and Accountability

The updated policy introduces more specific criteria for Net Zero alignment, enabling EPF to assess and engage investee companies more effectively on their transition readiness. The climate-related expectations set out in this policy also serve as a key lever in achieving EPF's interim portfolio emissions intensity reduction targetof 40% by 2030 and, ultimately Net Zero by 2050.

3 | Enhanced Stewardship and Risk Management

With greater climate-related financial risks and opportunities emerging, the revised policy ensures that EPF's investment decisions and stewardship actions support a just and credible low-carbon transition.

Our climate expectations have been updated accordingly and remain aligned with globally recognised frameworks and standards, including the United Nations' Principles for Responsible Investment ("UNPRI"), the United Nations Sustainable Development Goals ("UN SDGs"), the Sustainability Accounting Standards Board ("SASB") Materiality Matters, the Net Zero Investment Framework ("NZIF"), the Climate Action 100+ ("CA100+"), and the International Financial Reporting Standards ("IFRS") Sustainability Disclosure Standards, particularly IFRS S2 on climate-related disclosures (which builds upon and replaces the Taskforce for Climate-Related Financial Disclosures).

In addition, our approach is informed by national-level policies and commitments, including Malaysia's National Energy Transition Roadmap ("NETR") and the National Climate Change Policy 2.0, which collectively provide strategic direction for a low-carbon, climate-resilient economy. The EPF is committed to continuously monitor and adapt to the ever-evolving climate frameworks and disclosure landscape to ensure our practices remain relevant, science-aligned and impactful.

All in, this Policy sets a clear foundation for EPF's climate stewardship. It serves as a strategic tool to guide engagement with investee companies, manage and mitigate climate-related risks, and drive the long-term resilience and sustainability of our investment portfolio.

1.2 Scope and Applicability

Our expectations are directed at boards and management teams of all external fund managers ("EFMs") and investee companies ("companies") in our portfolio and cover aspects of a company's strategy, operations, processes, reporting and engagement activities. These expectations 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 climate change sub-issues and expectations than others. As such, companies are encouraged to perform a materiality assessment and engage us on the applicability of the expectations to their businesses.

For selected priority sectors , we also developed sector policies that build on this policy. Companies that are part of EPF's priority sectors should refer to the sector policy in tandem and strive to meet the expectations and requirements listed in both the Climate Change and Priority Sectors Policy.

2 CLIMATE CHANGE AS A PRIORITY

Our commitment to addressing climate change is aligned with evolving global and national priorities, which continue to underscore the need for immediate and sustained action. Globally, the latest reports by the Intergovernmental Panel on Climate Change ("IPCC"), including the 2023 Synthesis Report reaffirm that global warming has already reached 1.1°C above pre-industrial levels and is accelerating. Without deep, rapid, and sustained emissions reductions across all sectors, limiting warming to 1.5°C will be beyond reach. The IPCC's findings are echoed by the Swiss Re Institute's "The Economics of Climate Change", which estimates that climate change could reduce global GDP by up to 18% by mid-century if no mitigating actions are taken.

International platforms such as the 2023 United Nations Climate Change Conference ("COP28") have seen renewed commitments to phase down fossil fuels, scale up climate finance, and implement robust adaptation strategies — reinforcing the role of investors in enabling the global transition to a low-carbon economy.

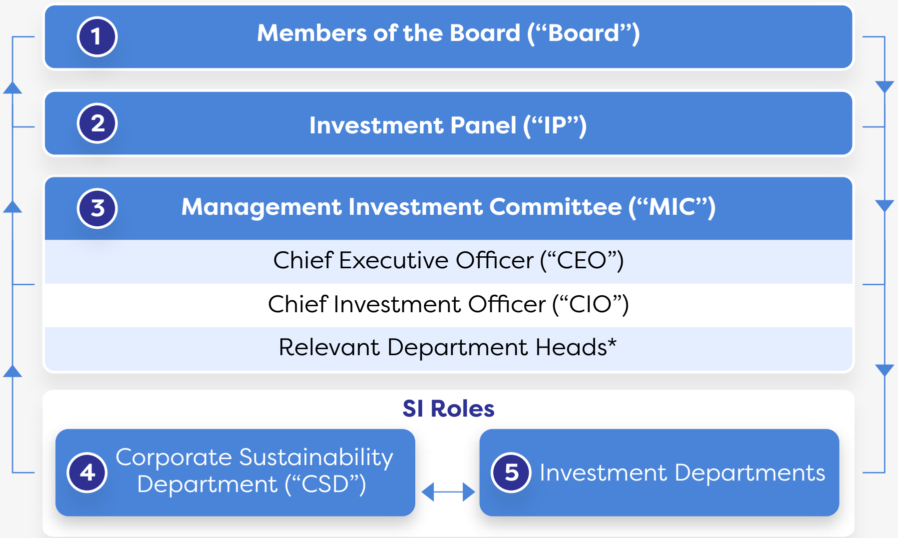
On the domestic front, Malaysia has placed climate action high on the national agenda. The government has committed to achieving net zero greenhouse gas emissions by 2050, and has introduced the NETR and the Low Carbon Nation Aspiration 2040 under the 12th Malaysia Plan. These initiatives aim to accelerate renewable energy deployment, improve energy efficiency, and mobilise sustainable finance, creating a clear policy signal for market participants.

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

2.1 Climate Governance

The EPF's Climate Governance Structure ensures that climate-related risks and opportunities are effectively managed across all levels of the organisation.

Figure 1 : EPF SI Governance Structure



**Comprise heads from investment departments, risks, etc.*

No.	Body	Roles and Responsibilities
1	Board	Approves climate-related policies and provides high-level oversight on its implementation to ensure alignment with the EPF's fiduciary responsibilities
2	IP	• Endorses and sets climate-related (relating to sustainable investment) Policies • Responsible for setting and reviewing progress of EPF's climate commitments and targets • Oversees the implementation of the policies and integration of climate considerations across investment processes in delivering sustainable long-term risk-adjusted returns
3	MIC	• Provides strategic guidance and oversees the implementation of climate-related initiatives • Responsible for management of climate-related risks and opportunities in the portfolio
4	CSD	Leads and coordinates all climate-related efforts pertaining to the investment portfolio, ensuring alignment with EPF's Sustainable Investment Policies, targets and stewardship activities
5	Investment Departments	• Integrate climate considerations into investment processes • Monitor and engage investee companies' progress on emissions performance and climate-related issues

3 DEFINING CLIMATE CHANGE

EPF adopts the United Nations' Framework Convention on Climate Change ("UNFCCC") definition of Climate Change as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods. In support of the global commitment to addressing the climate crisis, the Science Based Targets initiative ("SBTi") provides a science-based approach for organisations to set emissions reduction targets in line with the Paris Agreement. Through this alignment, SBTi operationalises the UNFCCC's mandate by guiding investors and companies manage and reduce their climate impacts in a measurable science-aligned manner.

The EPF takes guidance from SBTi and relevant sectoral decarbonisation pathways in shaping and defining our approach in pushing for credible net zero and decarbonisation. These frameworks help ensure that our climate strategy is aligned with the latest scientific consensus and global efforts towards meeting our Net Zero Portfolio by 2050 goal.

As a further step in defining Climate Change, we broke this down to 6 key material matters as follows:

No.	Material Matters	Definitions
1	Greenhouse Gas ("GHG") Emissions	Direct and indirect greenhouse gas emissions from a company's operations
2	Airborne pollutants	Air pollutants such as Nitrogen Oxides, and particulate matters that are generated from business operations
3	Energy usage and efficiency	Management of energy efficiency and intensity, energy mix as well as grid reliance across business operations
4	Waste management	Management of hazardous and non-hazardous waste generated by company's operations, including its treatment, recycling and disposal
5	Land usage and natural resource depletion	Impact on land and available land, ocean and natural resources (e.g. oil, food source, freshwater, minerals, etc.) for business operations
6	Resilience against natural disasters	Management of a company's business operations against natural disasters such as flooding, forest fires, hurricanes, earthquakes, etc.

Table 1: List of material matters for Climate Change

The list of expectations in Section 5 of this document will draw reference to the material matters in the table above. We encourage companies to conduct a materiality assessment to identify the relevant material matters to your business. The outcomes of this assessment can help define the appropriate scope and applicability of the expectations each company is expected to meet.

4 OUR APPROACH TO CLIMATE CHANGE

4.1 Guiding Principles

1 | Long Term Commitment to Net Zero

EPF acknowledges the systemic risk climate change poses to financial stability and long-term value creation as the anthropogenic era has had devastating effects on climate and nature. We are committed to supporting the global transition to low carbon economies and align our investment portfolio with the objective of achieving net zero GHG emissions by 2050, guided by the Paris Agreement. It is the right thing to do if we want a viable, habitable and investible future.

2 | Integration Across Investment Value Chain

To address the inherent climate-related risks as well as opportunities in our portfolio, we endeavour to integrate climate into our:

- Engagement with investee companies
- Proxy voting and stewardship actions
- Investment decision making process including universe inclusion and investment research reports
- Manager selection and evaluation
- Risk management and scenario analysis framework

3 | Guided by Global and National Framework and Policy

Our climate strategy is guided by:

- Malaysia's National Climate Change Policy 2.0, which pledges to achieve net zero GHG emissions by 2050 and targets a 45% reduction in carbon intensity (relative to 2005) levels
- International frameworks such as NZIF, ISSB, UK Transition Plan Taskforce ("UK TPT"), CA100+ and the Net Zero Asset Owner Alliance ("NZAOA")
- SBTi and credible sectoral decarbonisation pathways such as International Energy Agency ("IEA") Net Zero 2050 (IEA Southeast Asia scenarios)

4 | Decarbonisation with a Just Transition

Operating in a developing market, we are cognisant of the importance of a fair and inclusive transition. EPF champions Just Transition by ensuring that climate action takes into account the wider social and economic impact on workers, communities and the broader society.

5 | Phased Implementation and Milestones

EPF will implement its climate strategy in phases, including:

- Establishing interim portfolio emissions intensity reduction target; 40% investment intensity reduction by 2030 (vs 2023 baseline)
- Engaging portfolio companies to set credible net zero targets with a target to achieve 75% of portfolio emissions to have credible Net Zero targets by 2030
- Gradually reducing exposure to high-emitting sectors not aligning with sectoral decarbonisation pathway
- Scaling up investments in climate solutions (e.g., renewables, smart grids, low-carbon infrastructure)

6 | Transparency and Accountability

We are committed to ongoing climate-related disclosure referencing ISSB standards, including metrics, targets, governance structures and progress updates.

4.2 EPF's Climate Alignment Framework

To guide our assessment of investee companies' alignment with a net zero pathway, EPF references the NZIF, developed by the Institutional Investors Group on Climate Change ("IIGCC"), as a foundational framework. This globally recognised framework provides a structured approach for investors to support the transition to net zero emissions by 2050.

We have adopted and/or adapted key elements of the NZIF and other frameworks (such as the CA100+ and UK TPT) to reflect EPF's investment philosophy, regulatory landscape, and national and regional climate priorities. Specifically, EPF evaluates alignment using the following core **Alignment Criteria**:

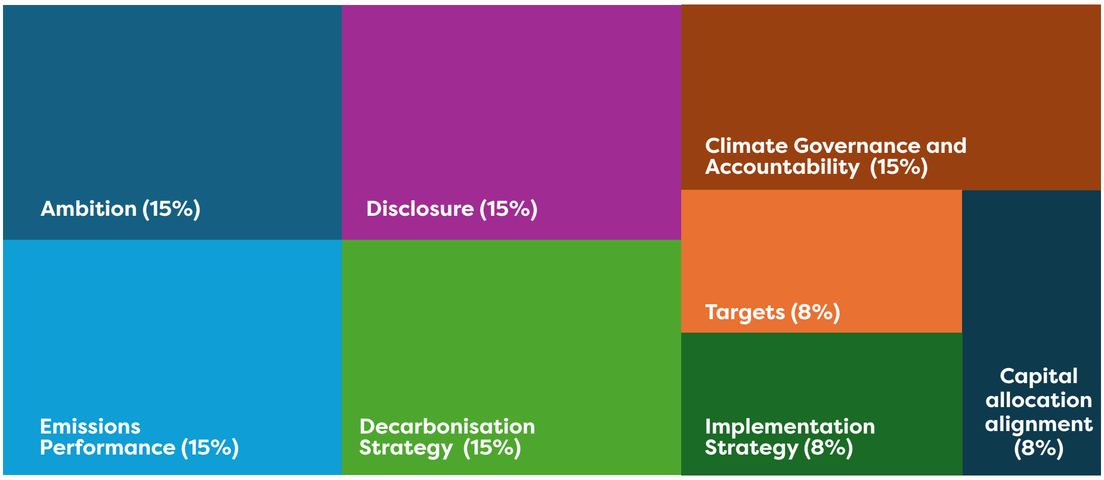


Figure 2: Alignment Criteria

Tree map in Figure 2 reflects the weight of each Alignment Criteria based on the Climate Change expectations it represents.

Alignment Criteria	Description
Ambition	Long-term net zero commitment aligned with science and policy
Targets	Short- and medium-term emissions reduction targets (Scope 1, 2 and material Scope 3)
Implementation Strategy	Tangible action plan to achieve decarbonisation targets
Emissions Performance	Historic emissions trend and intensity improvements (Scope 1, 2 and material Scope 3)
Disclosure	Emissions data transparency
Decarbonisation Targets	Credible levers to deliver GHG targets and treatment of offsets
Capital Allocation Alignment	Capital expenditures are consistent with Net Zero emissions by 2050
Climate Governance and Accountability	Climate oversight, incentive structure and leadership commitment

Table 2: Classification of Alignment Criteria

These criteria allow EPF to evaluate the climate transition readiness and credibility of companies in a structured, comparable manner, enabling better risk management, stewardship, and portfolio alignment over time.

4.3 Alignment Guide

To evaluate the credibility of investee companies' climate strategies, EPF applies an alignment guide categorising companies into one of three alignment positions:

Classification	Definition
Aligned to Net Zero	The company meets the majority of EPF's Net Zero Alignment Criteria, demonstrating a credible, science-based pathway to achieve net zero by 2050. This includes long-term and interim targets, implementation plans, clear emissions reduction performance, transparent disclosure, and climate governance.
Aligning to Net Zero	The company has made partial progress across several alignment criteria, such as setting ambition and disclosing emissions, but lacks robustness in implementation strategy, capital allocation, or governance. EPF views these companies as having potential to align with active engagement.
Not Aligned	The company shows limited or no evidence of alignment with a net zero pathway. It lacks targets, credible plans, emissions transparency, or climate governance. These companies may be subject to intensified stewardship or investment review.

Table 3: Classification of Alignment Guide

5 EPF CLIMATE CHANGE EXPECTATIONS

To assess the credibility of investee companies' alignment with a Net Zero trajectory, we have introduced a structured set of 13 climate-related expectations, across eight key alignment criteria that signal a credible and actionable path toward decarbonisation.

	Alignment Criteria	Expectations	Alignment Guide		
			Aligned to Net Zero	Aligning to Net Zero	Not Aligned
1	Ambition	Commits to a long term 2050 goal consistent with achieving Net Zero	Committed to Net Zero by 2050 and have a carbon reduction target aligned to Paris Agreement	Committed to net zero target but no alignment to Paris Agreement or >2050	No targets
2	Ambition	Consideration and alignment with any external requirements, commitments, science-based targets, transition pathways, roadmaps, or scenarios, which may include: i. national or international commitments made by governments; ii. any targets it is required to meet by law or regulation; iii. sectoral pathways, roadmaps, or other climate scenario; and iv. voluntary commitments	Alignment to SBTi or equivalent pathway	General references only	No commitment or alignment
3	Targets	Outlines short and medium term emissions reduction targets and milestones to measure progress towards Net Zero by 2050 (Scope 1, 2 and material Scope 3)	Science-based, interim targets disclosed and cover material Scope 3	Interim targets disclosed and cover Scope 1 and 2	No disclosure
4	Implementation Strategy	Disclose short, medium and long term actions to its business operations and portfolio of products and services to achieve Net Zero ambition; including but not limited to: i. any underlying taxonomy, tools, methodologies, or definitions used; ii. information on any current and anticipated changes relating to the entity's facilities and other physical assets.	Detailed action plan, tools, timelines disclosed	High level disclosures or inconsistent	No disclosure
5	Emissions performance	The company's GHG emissions intensity has decreased on a Year-on-Year basis	Reduction trend is clear and in line with targets	Flat or inconsistent trend	No disclosure
6	Emissions performance	Quantification of the main actions that have driven any Scope 1 & 2 emission changes, specifying the impact of any large "one-off" items (e.g., divestments, acquisitions, and mergers).	Quantitative attribution provided (e.g., divestments, efficiency)	Only qualitative attribution provided	No disclosure

Alignment Criteria		Expectations	Alignment Guide		
			Aligned to Net Zero	**Aligning to Net Zero**	**Not Aligned**
7	**Disclosure**	Disclosure of Scope 1,2 and material Scope 3 emissions	All disclosed and material Scope 3 categories estimated using GHG Protocol or any international / national carbon accounting standards	Disclosure of Scope 1 and 2 emissions using GHG Protocol or any international/national carbon accounting standards	No disclosure
8		Commitment to align its disclosures with the TCFD recommendations or ISSB Standards.	TCFD or ISSB-aligned disclosures published	Reporting under development	No disclosure
9	**Decarbonisation Targets**	Outline the contribution of individual decarbonisation levers to achieve medium and long-term GHG reduction targets.	Individual initiatives (e.g., electrification, efficiency) and their impacts are disclosed	Strategy available but is not granular	No disclosure
10		If the company chooses to employ offsetting and negative emissions technologies to meet its medium- and long-term GHG reduction targets, it discloses the quantity of offsets, type of offsets, offset certification and the negative emission technologies it is planning to use.	Offset use is minimal, certified, and transparently reported	Unclear reliance	Heavy reliance on offsets with no transparency and/or offsets not certified or lack credibility
11	**Capital Allocation Alignment**	Clear demonstration that company's capital expenditure is consistent with Net Zero emissions by 2050 and interim targets. Demonstrated through disclosure of capex allocated towards climate solutions in the: 1) last reporting year and 2) intended allocation in the future.	Capex is quantified and directionally aligned to decarbonisation levers and climate solutions detailed in #9.	Narrative on capex exist but lacks quantification and/or correlation to the decarbonisation levers and climate solutions detailed in #9.	No alignment or Capex actively supports fossil fuel expansion
12	**Climate Governance and Accountability**	The company's Board (or Board Committee) has clear oversight of climate change	Climate change is formally in board committee mandate	Informal or unclear	No oversight
13		The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate **climate change performance** as a Key Performance Indicator determining performance-linked compensation (references to 'Environmental, Social, and Governance (ESG)' or 'sustainability performance' are insufficient).	Explicitly includes climate related KPIs in short term and/or long-term incentives. The KPIs must be: 1) GHG specific; and/or 2) Quantified; and/or 3) Material to pay	KPIs only reference ESG or sustainability performance	No mention of climate change performance as KPI

Table 5: List of Climate Change Expectations and Alignment Criteria

6 STEWARDSHIP ACTIONS

As a long-term investor with a fiduciary duty to safeguard the retirement future of the Malaysian workforce, we are committed to uphold our companies and EFMs to the climate-related expectations outlined in this Policy in response to the rapidly evolving sustainability landscape. We have a responsibility as a collective to significantly reduce the risks and impacts of climate change that were caused during the Anthropocene epoch.

Stewardship actions are critical to addressing climate change because investors have both the influence and responsibility to guide companies toward sustainable practices. By actively engaging with investee companies, EPF will encourage stronger climate governance, more ambitious emissions reduction targets, and credible transition plans. Such stewardship ensures that capital is aligned with a low-carbon economy, mitigates financial and reputational risks, and supports long-term value creation for beneficiaries in a rapidly changing global environment. To effectively integrate the climate alignment expectations into EPF's stewardship actions, we have developed a structured stewardship framework:

1 | Prioritisation of Engagement Targets

- **Use the Alignment Criteria as a Screening Tool**: Prioritise companies for engagement based on the score that determines their alignment position (i.e. Aligned, Aligning, Not Aligned).
- **Focus on High-Emitting Companies**: To ensure the achievement of EPF's 75% portfolio coverage target by 2030, we aim to focus and conduct high touch monitoring with emissions-intensive companies that contribute significantly to our financed emissions, on a more stringent timeline.
- **Identify Gaps**: Target emissions-intensive companies that are "Aligning" or "Not Aligned" in critical areas such as targets, implementation strategy, or capital allocation.

2 | Engagement Objectives and Messaging

- **Tailor Engagement to Specific Criteria**: Focus of the engagement will be prioritised to the exact area of misalignment.
- **Alignment Guide as Reference**: Expectations will be communicated clearly and consistent to the clear alignment thresholds that have been set.
- **Push for Progression**: For companies "Aligning to Net Zero", timelines may be set to move towards the "Fully Aligned" status, particularly if it is a high-emitting holding.

3 | Escalation Strategy

- **Escalate Based on Lack of Progress**: The scoring system will be utilised to measure change over time. If alignment score remains static or declines within **two** engagement cycles, escalation actions (e.g., issuance of shareholders' letter, activation of EPF Nominee Directors, voting against directors). For severe deterioration or extended lack of progress, EPF may exercise signalling divestment with partial or gradual divestment over time as a signal to reinforce our stance on climate.

4 | Voting and Proxy Guidelines

- **Link Voting to Climate Criteria**: Beginning 2026 EPF endeavours to integrate the alignment performance into proxy voting policies.
  For example:

  EPF to vote against reappointment of Chair of the Board/ Chair of Nomination and Remuneration Committee/ Chair of Risk Committee or its equivalent if climate governance is lacking in emissions intensive companies. (Expectation #12)

5 | Transparency and Reporting

- **Publicly Disclose Engagement Outcomes**: Include summary statistics of how many companies are Aligned, Aligning, or Not Aligned.
- **Track and Report Alignment Progress**: Disclose how alignment scores evolve over time as a result of stewardship actions.

With these stewardship / intervention actions, we aim to support our companies to progress along this sustainability journey with us and produce meaningful impact to addressing Climate Change issues.

7 FOLLOW-UP AND MAINTENANCE

Climate Change 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 Climate Change 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

EPF CLIMATE CHANGE POLICY