

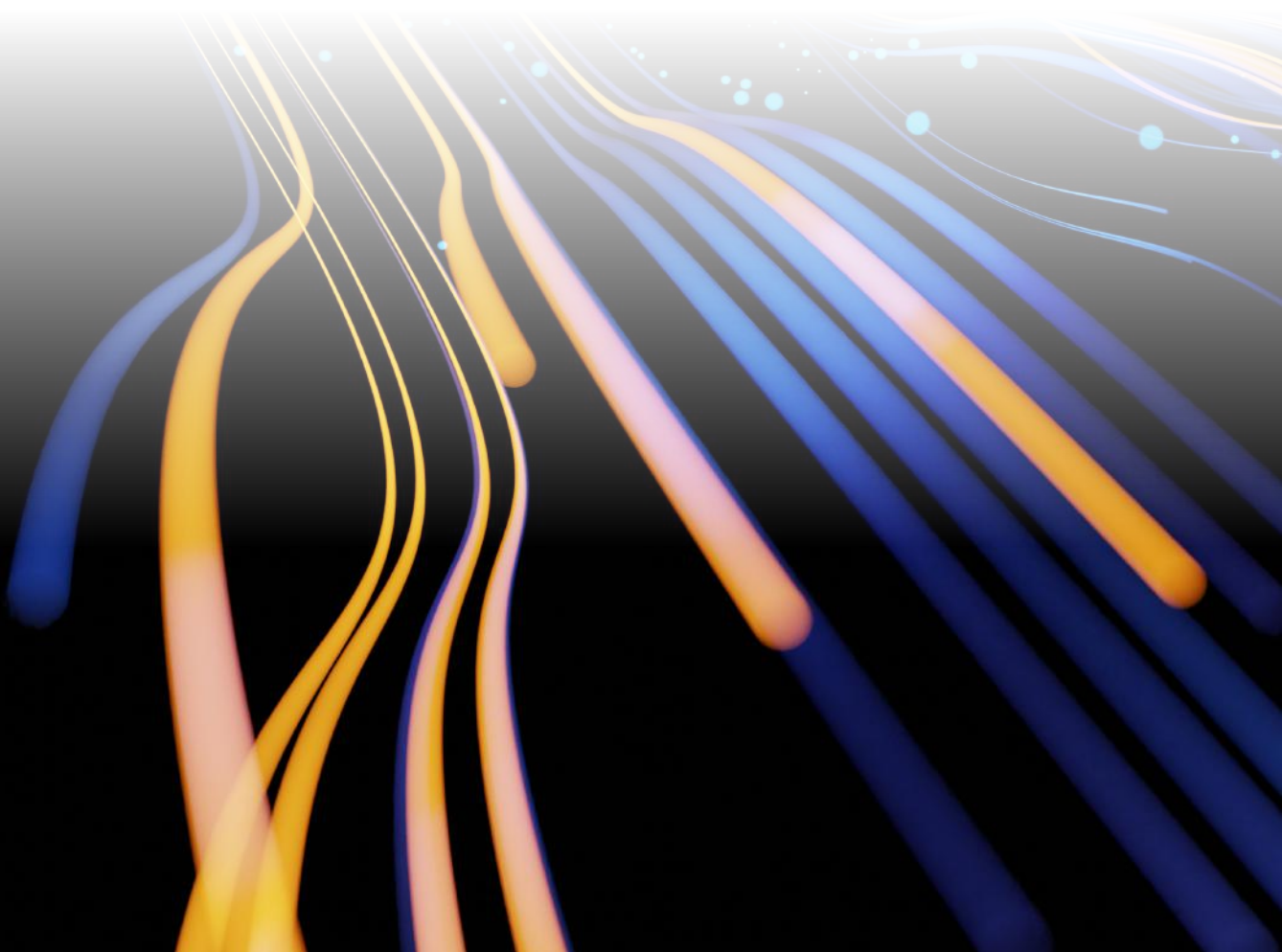


**STATEMENT OF COMPLIANCE WITH**

# **THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS FOR THE YEAR 2023**

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# Introduction

The Statement of Compliance with the Malaysian Code for Institutional Investors (the Code) for the year 2023 supports the objectives of the Code, which are to enhance communication between institutional investors like EPF with their investee companies, and to help enhance long-term returns to shareholders. Encouraging good governance practices is essential to achieving this objective. We declare our compliance with the Seven (7) Principles of the Code.

As a signatory of the Malaysian Code for Institutional Investors (MCII), EPF continues to honour its commitment to adhering to the principles of the MCII. The Statement of Compliance with the Malaysian Code for Institutional Investors (the Code) for the year 2023 aligns with the objectives of the Code, which aim to enhance communication between institutional investors and their investee companies, with the overarching goal of improving shareholders' returns. We believe continuous effort to encourage our investee companies to adopt the best governance practices and exercise our voting rights responsibly are crucial to align with these objectives. We hereby declare our compliance with the Seven (7) Principles of the Code.

- Principle 1: Disclosing Policies on Stewardship
- Principle 2: Monitoring Investee Companies
- Principle 3: Engaging Investee Companies
- Principle 4: Managing Conflicts of Interest
- Principle 5: Incorporating Sustainability Considerations
- Principle 6: Publishing Corporate Governance Policy and Voting Guidelines
- Principle 7: Collaborative Response on Corporate Governance and Sustainability Issues

# Principle 1: Disclosing Policies on Their Stewardship

EPF recognises stewardship as a top priority to reinforce its active leadership role in driving sustainable investing and managing investee companies in its portfolio to provide sustainable returns. EPF strongly believes and advocates for effective stewardship in creating long-term shareholder value.

Our stewardship philosophy is centred on four key activities:

## Proxy Voting

Exercising our voting rights on the public-listed companies where we are a substantial shareholder, based on EPF's latest Voting Guidelines, [here](#).

## Corporate Surveillance

Monitoring of potential, material Environmental, Social and Governance (ESG) risks as well as opportunities across investment cycles. We maintain close relationship with local and regional ESG champions to set common reporting requirements.

## Active Engagement

Regular engagement with our investee companies to understand how best the companies are being managed from a financial / capital and ESG standpoint.

## Collaborative Initiatives

Collaborating with other institutional investors, asset managers, policy makers and regulators to learn, share, and adopt best practices in our investment stewardship activities.





## Principle 2: Monitoring Investee Companies

EPF places an emphasis on timely monitoring of its investee companies. Our internal investment team conducts a periodic investment screening of our investment portfolios, including analysing investee companies' annual reports and corporate announcements. It is also part of our process to schedule necessary meetings with the top management of the investee companies.

As part of the monitoring activities, EPF on the business development and strategic action plans that the company is set to embark on, reviewing financial performance and relevant ESG issues. We also communicate any significant risks to our investment portfolios that arise during the screening process.



If EPF believes that a proposed action or decision by the investee companies potentially brings a negative impact to the company in the long-term, we will escalate our concern through written queries, meetings, dialogues, or engagement with the top management and/or board of directors. This also includes exercising our shareholders' right through a voting on certain key business decisions.

EPF would then monitor the company's response to ensure that our concern is properly addressed, and specific measures are being taken to protect our shareholders' value. However, if the response received is unsatisfactory, EPF will not hesitate to exercise its shareholders' right during the general meeting and/or extraordinary general meeting.

In 2023, we attended 83 AGMs and 20 EGMs held by our investee companies as part of our monitoring exercise.

## Principle 3: Engaging Investee Companies

EPF strongly believes that the alignment of interest between long-term shareholders and companies will result in sustainable financial performance.

EPF regularly engages with its investee companies on matters related to the companies financial performance, long-term strategic plans, and ESG issues. The engagement usually conducted by the EPF investment team with the top management of investee companies. Further engagement is escalated over time according to the nature and severity of concerns and the responsiveness of the companies to the issues.

There are two approaches we adopt when conducting our engagement activities:

- 1** Engagement with the top management and board of directors of our investee companies on issues of ESG and long-term strategy with the objective of maximising long-term shareholder value. Throughout 2023, we conducted 54 engagement sessions with the top management, addressing concerns on the business outlook as well as exploring investment opportunities. During the corporate surveillance engagement, we highlighted our concerns on board composition, diversity, among others.
- 2** Engagement with the management of the investee companies by EPF's team of analysts on business models and financials with the objective of ongoing monitoring of the investee companies. In an effort to promote good ESG practices in line with our Sustainable Investment Policies, EPF engaged with 77 external stakeholders from domestic PLCs and bond issuers in 2023.



## Principle 4: Managing Conflicts of Interest

EPF is committed to adhering to the highest standard of corporate governance throughout the organisation. EPF has implemented various policies to address potential conflicts of interest in relation to stewardship. This serves to maintain the integrity of decision-makers in EPF when dealing with and managing its investments.

In respect of conflicts of interest within the fund, members of the EPF Board, Investment Panel, and sub-committees are required to make declarations of interest prior to meetings and abstain from taking part in discussion and decision-making. For example, if it concerns a related-party transaction in which a member of the EPF Investment Panel also sits the public listed company's Board, person will be excused from attending such discussions.

In addition, the following policies were also implemented to address possible conflicts of interest within EPF:



Chinese Wall Policy



Declaration of Listed  
Equity Transactions  
by Investment  
Officers



Declaration of  
Interest/Relationship  
with Panel Equity  
Brokers



Corruption-Free  
Pledge



No Gift Policy



Staff Declaration of  
Asset Ownership



## Principle 5: Incorporating Sustainability Considerations

As a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), EPF is committed to adopting the six principles of the UNPRI, which includes, among others, incorporating ESG issues into investment analysis and decision-making processes, as well as being an active owner by integrating ESG issues into its ownership policies and practices. To further solidify this commitment, the EPF has committed to two Sustainable Investment targets, namely to achieve 1) a fully ESG compliant portfolio by 2030, and 2) a climate neutral portfolio by 2050.



In 2022, EPF launched three sets of Sustainable Investment Policies:

1. Sustainable Investment Policy
2. Priority Issues Policies on Climate Change and Workers' Wellbeing
3. Priority Sectors Policy covering six key sectors: palm oil, oil and gas, mining, power generation, banking, and construction.

These policies are available on EPF's [website](#) for reference. The Priority Issues and Sector Policies contain ESG expectations that serve as guidelines in addressing material ESG issues affecting EPF's investee companies and investment assets. Compliance by our investee companies to these ESG expectations forms the yardstick in EPF achieving its target of a fully-ESG compliant portfolio by 2030.

ESG considerations are incorporated at every investment stage across all asset classes in EPF, where relevant. In addition to the application of negative screening on unethical sectors such as tobacco, alcohol, gambling, and weapon, EPF's investment processes are further enhanced with the integration of ESG factors at the pre-investment stage and throughout the ownership period. All new and existing investments are assessed and regularly monitored for their ESG performance based on, but are not limited to the following areas:

- Compliance with EPF Sustainable Investment Policies
- Involvement in any material ESG controversies
- Other material ESG risks and opportunities



# Principle 6: Publishing Our Voting Decisions

EPF values the voting rights attached to its equity holdings in Malaysian listed companies and always exercises those rights to ensure that its economic interest is protected. The latest EPF Corporate Governance principles and Voting Guidelines are available for public viewing [here](#). The guidelines are reviewed and updated as necessary.



As part of EPF's efforts to promote transparency and shareholder activism, we also publish our voting decisions at AGMs and EGMs 5 days prior to the meeting date. Our previous voting decisions can be found [here](#).

EPF's external asset managers are required to vote in accordance with the latest policy in EPF's Corporate Governance Principles and Voting Guidelines.

# Principle 7: Collaborative Response on Corporate Governance & Sustainability Issues

EPF fully supports the addition of Principle 7 into the Code. EPF firmly believes that fostering collaborative efforts will result in a greater impact when addressing ESG concerns.

EPF regularly meets with other institutional investors, asset managers, policymakers, and regulatory bodies to discuss challenges, propose solutions, and share best practices and thought leadership in the ESG space.

As a key member of the Institutional Investors Council (IIC), EPF actively participates in meetings with investee companies, regulators, and other stakeholders where a range of financial and ESG issues are discussed at length.

In 2023, EPF was involved in various collaborative initiatives with external stakeholders such as regulators and other peer investors, to promote the advancement of sustainability practices within the local capital market. This was achieved through participation in various external roundtable discussions, working groups, as well as guest speaking at various forums and seminars.









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