

# CHIEF EXECUTIVE OFFICER'S MESSAGE



**ALIZAKRI ALIAS**

*Chief Executive Officer*

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2019 proved to be yet another eventful and tumultuous year. Tensions in the Middle East, uncertainties in Europe owing to Brexit, and continued escalations of the US-China trade war, were among the many contributors to a constant environment of economic and political turbulence. Ongoing political change, economic instability, and growing social unrest added to a discomfiting arrival of a new decade.

## **A RENEWED MISSION FOR A NEW DECADE**

Towards the later years of the 2010s, it has become increasingly evident that in order for the EPF to achieve our vision of helping members achieve a better future in these complicated times, we must shift our focus beyond social security. We now firmly believe that a brighter tomorrow is only possible when the overall social well-being of our members is brought to the forefront of our mission.

As we left 2019 and entered 2020, the world was thrown into upheaval yet again, with the onslaught of the COVID-19 pandemic and the race for its elusive vaccine ushering us into the new decade. We ended 2019 cautiously, welcoming a new world that is truly Volatile, Uncertain, Complex, and Ambiguous (VUCA), full of adversities and yet bountiful with opportunities.

In this age of turbulence, we are more determined than ever to achieve our mission of bringing value to our members and become their beacon of certainty, in our pursuit of a meaningful, healthy, and sustainable future.

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### FUTURE-PROOFING OPERATIONS FOR AN UNCERTAIN WORLD

With the only certainty we are confident of is that uncertainty will continue, the EPF accelerated its efforts to transform and future-proof the way we work and how we serve our members, in order to deliver our mandate to safeguard their savings. 2019 saw our Operations and Digital teams responding to members' demands, as well as leveraging on technology to innovate and improve our product offerings and service qualities.

Foremost of these is the continued digitalisation of our business model, a timely and necessary evolution to keep up with the rapid growth of our younger, more tech-savvy members, as well as the increasing spread of the gig economy. On top of this, we are committed to delivering on the Malaysian National Strategy for Financial Literacy 2019-2023, which the EPF undertakes to incorporate into its products and services at every opportunity. This is to impress upon our members the financial understanding and knowledge needed to make educated decisions for their own future.

We launched i-Invest in August 2019, after much planning, to empower our members with the ability to manage their own EPF savings under the Members Investment Scheme (MIS). A facility under i-Akaun, i-Invest is a digitised upgrade of the MIS, offered to members at near-zero cost, which also enables them to invest into unit trust funds without going through any agent. i-Invest was well received by members, with RM81.8 million transacted up to December 2019.

Meanwhile, our initiative for self-employed workers, i-Saraan, continued to gain ground

with 120,738 new registrations, including those coming from gig workers who work on contract or ply their trade as freelancers. Uptake for i-Saraan increased by 22.1%, with further growth expected as business models change and more Malaysians opt out of the formal workforce to become part of the gig economy.

Similarly, the i-Suri programme, targeted to ensure the social protection and well-being of women homemakers are also taken care of, received 81,511 registrations in 2019. We expect this number to increase over the next few years as the EPF continues to explore ways to further grow the programme's reach.

These efforts, among other ongoing refinements to our standard operating procedures and the continuous updating of our technology, will be key to us prevailing in the next 10 years.

### STABILISING OUR INVESTMENTS FOR SUSTAINED RETURNS

Despite the uncertain outlook throughout the entirety of 2019, we need to ensure the sustainability of our returns. The EPF's investments continued to record reasonably solid numbers, largely owing to our Strategic Asset Allocation (SAA) and the vigilance of our capable teams and Investment Panel.

On top of this, having taken a measured view of the continued instability of market conditions both global and local, the EPF embarked on efforts to shift our approach to managing both our financial and non-financial risks.

In April 2019, we signed the United Nations-supported Principles for Responsible Investment (PRI), underlining our commitment towards responsible investing

and Environment, Social, and Governance (ESG) best practices while acting in the best long-term interests of our members. With climate change, environmental issues, and socio-economic challenges making headlines throughout the year, ensuring positive impact beyond profit across our investee companies has become vital in determining our decisions.

The evidence is in our favour, as ESG-compliant companies are proving to be more adaptable and future-ready, and in the longer term, more resilient and yield better returns. And, very recently, during the peak of the COVID-19 spread where lockdowns across the world severely slowed down the global economy, ESG-principled companies proved to be the most resilient in times of crisis. Because of this, we are ever more confident that our shift to focusing on responsible investing is the right call.

In light of the volatile market conditions of 2019, I am satisfied that we still managed to declare a solid dividend of 5.45% with a payout amounting to RM41.68 billion for Simpanan Konvensional, and 5.00% for Simpanan Syariah with a payout amounting to RM4.14 billion. This is a clear reflection of our strong fundamentals, strategic foresight, and most importantly, prudent management.

As of 31 December 2019, our overall investment assets stood at RM924.75 billion (including cash and bank balances), with 37% in the Shariah portfolio in line with the country's aspirations of becoming an Islamic finance hub. Our overseas holdings stood at 30.3% and contributed 41.0% to the overall gross investment income of RM50.91 billion, bearing returns from the plan to diversify our assets geographically. 2019 was also the third consecutive year that the EPF recorded a gross investment income of over RM50 billion.

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### TRANSFORMING FOR THE NEXT DECADE

Even though we are one of the world's oldest and most successful provident funds, the EPF has never rested on our laurels. We have continued to improve on our ranking among global peers, moving up to 16th place from 20th in the Melbourne Mercer Global Pension Index (MMGPI) in 2019.

Still, the need to continuously reflect on our successes and failures while demonstrating the willingness to transform for the better, is very critical in the EPF's journey into the next decade. The coming years are already fraught with more unpredictability and even at the time of writing, we have barely come out of the first wave of the COVID-19 pandemic before a potential global second wave is threatening to derail economic recovery.

This is on top of Malaysia becoming an ageing population by the year 2025. We are expecting the general population to grow to nearly 33.3 million this year, with 7.5% of them aged 65 and above. Also, despite living longer, according to the latest Khazanah Research Institute study,

Malaysians lose more than one-fifth of a year to the burden of medical conditions such as non-communicable diseases and mental disorders. As we consider the fact that a significant number of Malaysians do not have enough savings to last through their golden years, this new reality will surely impact the quality of life of our members.

Considering these factors, coupled with an increasingly volatile global economy, high local youth unemployment, and the recent business slowdown in many industries, the EPF must therefore bolster its efforts to help members achieve sufficient savings to lead a meaningful life as they leave their working years.

The fast-changing work landscape and rise of the gig economy, as well as shifts in business models and global supply chains, will all factor into the EPF's long-term strategies. For now, our priority is clear: we want to strengthen a purpose-driven, values-based foundation, and evolve from being just a social security organisation to building a more inclusive social well-being ecosystem. Sustainability will be at the core of this framework, both in terms

of financial returns to our members and also in judging the impact of the EPF as an organisation, on the environment and society at large. We will hold ourselves to the same high standards which we apply to our investments.

All changes must start with a shift in mindset. As VUCA defines the new normal, the EPF in turn seeks to embrace our very own connotation of it, one that emphasises Vision and Values, Understanding, Compassion, and Adaptability. Towards this end, we will continue to uphold and preserve our corporate culture through the values that have proven resilient over the past decades: Customer Focused, Continuous Improvement, Integrity, and Teamwork.

Finally, I would like to extend my deepest appreciation to our Chairman, the EPF Board, our passionate and talented personnel, our partners, employers, and of course our members, for being on this journey towards creating well-being for all Malaysians. We will forge ahead into the new decade with a renewed sense of vigour and purpose to help our members achieve a better future.

### ALIZAKRI ALIAS

*Chief Executive Officer*