

STATEMENT ON CORPORATE GOVERNANCE

We believe that a sound corporate governance framework, supported by strong leadership and good management practices, contribute towards enhanced integrity, accountability, and transparency. In this regard, we continue to focus our efforts in raising awareness and adopting of sound corporate governance. As Malaysia’s largest retirement fund with investment assets totaling RM924.75 billion, we strive to be at the forefront in championing sustainable investments by incorporating Environmental, Social, and Governance (ESG) principles in our investment considerations.

In 2019, we continue to raise awareness on corporate governance and practices through the following initiatives:

CORRUPTION RISK MANAGEMENT

The EPF has developed a Corruption Risk Management (CRM) mechanism through the Q-Radar system. It is one of the anti-corruption initiatives undertaken by the EPF to support the efforts of the Malaysian Anti-Corruption Commission (MACC), in preventing corruption, and the Management’s commitment, under the Corporate Integrity Pledge signed on December 7, 2015. A total of 10 departments have implemented the Corruption Risk Management. They are as follows:

DEPARTMENT
Treasury Department
Private Market Department
Domestic Equity Department
International Equity Department
Capital Market Department
Enforcement Department
Digital Infrastructure Department
Property Management Department
Procurement Management Department
Investment Services Department

COMMUNICATION AND OUTREACH INTEGRITY PROGRAMME

The EPF has expanded its communication and awareness programmes to its employees on integrity and anti-corruption to educate and raise awareness on integrity through the Integrity Video Edu Promo, SmartFAQ Integrity, Integrity Portal, Integrity Fact Check Programme, and Integrity Outreach Dashboard. Face-to-face programmes have also been implemented as follows:

- (a) Integrity Dimension Programme:
 - (i) Briefing on Integrity by Syamsul Amri (Syamsul Debat), held on 1 October 2019;
 - (ii) Briefing on the Procedure for Enabling Corporate Liability Section 17 (A) of the Malaysian Anti-Corruption Commission Act 2009, held on 11 November 2019, was presented by Y.Bhg Tan Sri Abu Kassim Mohamed, Director-General of the National Centre for Governance, Integrity and Anti-Corruption (GIACC); and
 - (iii) Integrity briefing by officers from the Integrity and Governance Department (JITU) to eight departments and 11 branches.
- (b) Integrity Reflection Programme:

The Integrity Reflection Programme featured speakers such as Edika Yusof, Ameng Spring and Ras Adiba Radzi, sharing their life experiences to inculcate values among EPF employees.

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EPF INTEGRITY AND ANTI-CORRUPTION PLAN

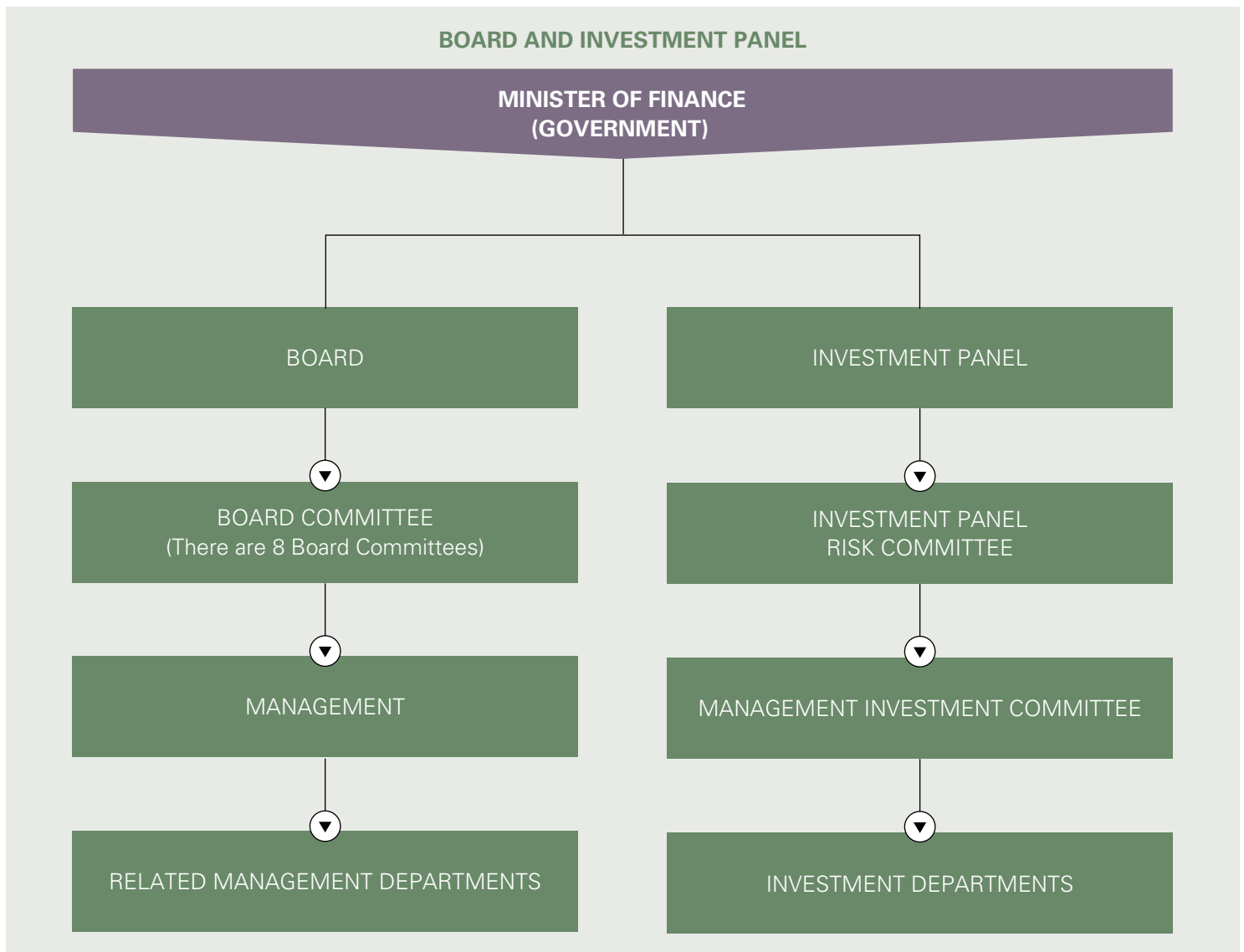
The Government launched the National Anti-Corruption Plan (NACP) 2019–2023 in early 2019 with the following aspiration, “Malaysia to be known for her integrity and not corruption”. All ministries, departments, agencies, and organisations are required to develop an Organisational Anti-Corruption Plan (OACP) within a year and report its status to the Anti-Corruption Committee, Ministry of Finance.

The Integrity & Governance Department (JITU), in line with the National Anti-Corruption Plan (NACP), has developed an OACP, known as the **EPF’s Integrity and Anti-Corruption Plan**, which covers aspects of governance, integrity, and anti-corruption within

the organisation. The EPF’s Integrity and Anti-Corruption Plan will be fully implemented involving everyone, including the Board, Management, all departments, branches, and EPF employees. This Integrity and Anti-Corruption Plan will be presented to the EPF Board for approval by year 2020.

CERTIFIED INTEGRITY OFFICER

The MACC requires that every organisation’s integrity unit must include a Certified Integrity Officer (CeIO). In light of this, the EPF currently has two Certified Integrity Officers serving in the Integrity & Governance Department (JITU). All JITU officers will be certified as CeIO within two years.



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BOARD AND INVESTMENT PANEL APPOINTMENT PROCESS

The Board committee and Investment Panel members and the Chief Executive Officer (CEO) are appointed by the Minister of Finance. The Minister of Finance appoints persons who possess strong record of integrity, high calibre, and trustworthiness in executing their duties in an effective manner. The period of such appointment is two years.

BOARD AND INVESTMENT PANEL COMPOSITION

The EPF Act 1991 stipulates that membership of the Board must not exceed 20 persons, including the Chairman and CEO. In 2019, there were 18 members of the Board representing various interest groups:

- (a) Chairman;
- (b) Five members representing the Government, including a representative of the Ministry of Finance as Deputy Chairman;
- (c) Four members representing Employers;
- (d) Four members representing Employees;
- (e) Three professional members from various backgrounds; and
- (f) CEO as an ex-officio member.

The Investment Panel, headed by the Chairman of the EPF Board, comprises seven members:

- (a) Chairman;
- (b) One representative from the Ministry of Finance as Deputy Chairman;
- (c) One representative from Bank Negara Malaysia;
- (d) Three professional members from various backgrounds; and
- (e) CEO as an ex-officio member.

The EPF Board committee and Investment Panel members consist of individuals with distinguished achievements, diverse skills, competencies and experiences.

ROLES AND RESPONSIBILITIES OF THE BOARD AND INVESTMENT PANEL

The Board assumes a number of specific responsibilities, such as overseeing the implementation of policies related to the operations of the EPF, identifying key risk areas, and taking appropriate steps to manage these risks, as well as reviewing the adequacy and integrity of the internal control systems.

The Board relies on the integrity and due diligence of Senior Management, external auditors, and advisors to oversee the EPF's overall performance, key operational initiatives, financial plans and

annual budget, financial performance reviews, risk management, and corporate governance practices.

The EPF Act 1991 provides for the establishment of an Investment Panel to impart strategic directions on investment related issues. The Investment Panel determines and approves investment activities in line with existing guidelines, policies on risk control, and asset allocation.

Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and CEO are kept separate in accordance with best practices, and to ensure appropriate balance of power and supervision of the Management, increased accountability, and greater independence.

The Chairman leads and ensures effective and comprehensive discussion on matters brought to the Board and the Investment Panel. These include strategic issues as well as investment planning. The Chairman supervises the decisions of the Board and the Investment Panel, and ensures that the Board's decisions are translated into executive action.

The CEO's primary role is to manage the EPF's operations and investments effectively, in accordance with its strategies and policies, and provide close oversight, guidance, advice, and leadership to Senior Management.

Board and Investment Panel Effectiveness Evaluation (BEE/IPEE)

The EPF carries out a Board and Investment Panel Effectiveness Evaluation (BEE/IPEE) to assess the performance of the Board, the Investment Panel, Audit Committee, Board Risk Management Committee, Strategy Committee, Investment Panel Risk Committee, including the Chairman and CEO. This is in addition to the self and peer evaluation of the individual Board members. The review is carried out once in every two years by an independent professional body.

Board Diversity

In line with good governance practice, the EPF is committed to ensure diversity for the efficient functioning of the Board. The Board endeavours to bring together the diverse range of experiences, skills, knowledge, industry backgrounds, ethnicities, and genders to optimally achieve its investment objectives and governance performance.

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Board Attendance

A total of eight Board and 20 Investment Panel meetings were held in 2019. Details of members' attendance at these meetings are as follows:

	BOARD	BOARD AUDIT COMMITTEE	BOARD RISK MANAGEMENT COMMITTEE	FINANCE AND DEVELOPMENT COMMITTEE	STRATEGY COMMITTEE	PERSONNEL, APPOINTMENT AND SERVICES COMMITTEE	BOARD DISCIPLINARY COMMITTEE	BOARD DISCIPLINARY APPEAL COMMITTEE	PROCUREMENT BOARD
Tan Sri Samsudin Osman (<i>Chairman</i>)	8/8	-	-	4/4	-	-	-	1/1	-
Datuk Siti Zauyah Md Desa (<i>Deputy Chairman</i>) (Service completed on 14 November 2019)	5/6	6/6	-	3/3	-	-	-	-	-
Hazim Jamaluddin (<i>Alternate Member</i>) (Service completed on 14 November 2019)									
Tan Sri Borhan Dolah (Appointed with effect from 8 October 2018 and completed his service on 9 September 2019)	1/5	-	-	-	-	1/1	-	1/1	-
Datuk Dr. Roslina Ahmad Mokhtar (<i>Alternate Member</i>) (Appointed with effect from 1 June 2019 and completed her service on 9 September 2019)									
Dato' Amir Omar Dato' Lim Eng Hock (Retired on 26 July 2019)	5/8	-	-	-	1/2	-	1/1	-	-
Tan Sri Datuk Amar Haji Mohamad Morshidi Abdul Ghani (Service completed on 12 August 2019)	4/4	-	1/2	-	-	-	1/1	-	-
Datu Dr. Sabariah Putit (<i>Alternate Member</i>) (Service completed on 12 August 2019)									
Datuk Amar Jaul Samion (Appointed with effect from 13 August 2019)	3/4	-	1/2	-	-	-	-	-	-
Datu Haji Mohamad Abu Bakar Marzuki (Alternate Member) (Appointed with effect from 13 August 2019)									
Datuk Seri Panglima Hashim Pajjan (Service completed on 2 November 2019)	3/6	-	-	-	-	1/2	-	-	-
Datuk (Datu) Rosmadi Datu Sulai (<i>Alternate Member</i>) (Service completed on 2 November 2019)									
Tan Sri Azman Shah Haron	6/8	-	4/4	1/2	1/1	-	-	-	-
Datuk Mohd Hasnol Ayub	7/8	-	-	2/2	-	1/2	-	-	5/5
Datuk Abang Haji Abdul Karim Tun Abang Haji Openg (Service completed on 31 May 2019)	3/4	4/5	-	-	1/1	-	-	1/1	-
Datuk Dr. Ting Ding Ing (Appointed with effect from 1 June 2019)	3/4	3/3	-	-	1/1	-	-	-	3/3
Tan Sri Dr. Lim Wee Chai	3/8	-	-	-	-	1/1	-	-	-
Dato' Abdul Halim Mansor	8/8	-	-	-	2/2	-	-	1/1	-
Tuan Haji Adnan Mat	7/8	-	-	3/4	-	1/1	-	-	8/8
Hadijah Leen	8/8	7/8	-	-	1/2	-	1/1	-	5/5
Catherine Jikunan	8/8	-	3/4	-	-	1/1	-	1/1	3/3
Datuk Thomas George M.S. George	8/8	5/5	2/2	-	2/2	1/1	-	1/1	3/3
Khalid Haji Sufat	8/8	8/8	-	4/4	-	1/1	-	-	5/5
Zainal Abidin Mohd Kassim	7/8	3/3	2/2	-	2/2	-	1/1	-	-
Alizakri Alias	8/8	-	4/4	4/4	2/2	2/2	-	-	6/8

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	INVESTMENT PANEL	INVESTMENT PANEL RISK COMMITTEE
	ATTENDED	ATTENDED
Tan Sri Samsudin Osman (Chairman)	20/20	-
Tan Sri Ahmad Badri Mohd Zahir	9/20	-
Adnan Zaylani Mohamad Zahid	15/20	-
David Lau Nai Pek	18/20	3/3
Rossana Annizah Ahmad Rashid	17/20	3/3
Dato' Md Agil Mohd Natt	20/20	3/3
Alizakri Alias	20/20	3/3

BOARD AND INVESTMENT PANEL MEMBERS REMUNERATION

Board and Investment Panel members are paid a Fixed Monthly Allowance and a Meeting Attendance Allowance for each meeting attended. Remuneration details for each Board and Investment Panel member during the financial year are as follows:

Fixed Monthly Allowance and Meeting Attendance Allowance of Board and Investment Panel Members

ALLOWANCE	BOARD (RM)	INVESTMENT PANEL (RM)	BOARD/INVESTMENT PANEL/BOARD AUDIT COMMITTEE/BOARD RISK MANAGEMENT COMMITTEE/INVESTMENT PANEL RISK COMMITTEE/BOARD DISCIPLINARY APPEAL COMMITTEE (RM)	OTHER BOARD COMMITTEE COMMITTEES (RM)
Fixed Monthly Allowance	5,000	5,000	-	-
Chairman of Meeting	-	-	2,000	1,500
Meeting Attendance Allowance including Alternate Members	-	-	1,500	1,300

For the year 2019, the total Fixed Monthly Allowance and Meeting Attendance Allowances paid to the Board and Investment Panel members was RM1,851,752.00.

Emolument of Top Management

Position	EMOLUMENT (RM)
Chief Executive Officer and Deputy Chief Executive Officers	9,400,145.52

QUALITY AND SUPPLY OF INFORMATION TO THE BOARD AND INVESTMENT PANEL

To assist the Board and the Investment Panel in keeping abreast of the EPF's operational and financial performance, key issues, challenges and opportunities, the Management releases adequate operations and investment reports as well as financial statements to the Board and Investment Panel on a regular and timely basis.

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BOARD AND INVESTMENT PANEL COMMITTEES

The Board and Investment Panel have established various Board and Investment Panel Committees to oversee specific matters pertaining to organisational operations and investments. Each committee operates within clearly defined terms of reference.

BOARD COMMITTEE	COMPOSITION	KEY FUNCTIONS
Audit Committee	Five members, including the Chairman	<ul style="list-style-type: none"> Assists the Board in evaluating the effectiveness of the internal controls, risk management (except in making investment decisions), and EPF governance processes. Oversees the financial reporting process and quality of financial reporting of the annual and interim financial statements. Reviews the appropriateness of the EPF's accounting policies and changes to the policies. Reviews matters which include internal audit functions and audit plans for the year, and held eight meetings in 2019 to deliberate on the reports of the internal and external auditors. Maintains a formal and professional relationship with external auditors, and convened one meeting with external auditors in 2019 without the presence of the Management.
Board Risk Management Committee	Five members, including the Chairman	<ul style="list-style-type: none"> Assists the Board in overseeing all operational risk management activities, except in making investment decisions. Held four meetings in 2019.
Investment Panel Risk Committee	Four members, including the Chairman	<ul style="list-style-type: none"> Oversees investment risk, which includes recommending the level of risk appetite for the Investment Panel to sign off, approving risk management policies, limits and methodologies for measuring investment risks, and providing direction in relation to risk management practices within the investment function. Held three meetings in 2019.
Finance and Development Committee	Six members, including the Chairman	<ul style="list-style-type: none"> Approves additional budget of not more than 5% from the total annual budget approved by the Board. Assists the Board in approving matters relating to financial impact such as write-offs of loss (other than Investment related matters). Held four meetings in 2019.
EPF Strategic Committee	Eight members, including the Chairman	<ul style="list-style-type: none"> Reviews in detail proposed amendments and policy changes related to the EPF Scheme. Endorses any recommendations and policy changes to the Board for approval. Oversees organisation and strategic initiatives performance. Held two meetings in 2019
Personnel, Appointment and Services Committee	Seven members, including the Chairman	<ul style="list-style-type: none"> Assists the Board in considering and approving matters on employment, which includes employment terms and conditions. Held two meetings in 2019.
Board Disciplinary Committee	Five members, including the Chairman	<ul style="list-style-type: none"> Responsible for any disciplinary proceedings and imposes penalties on employees as provided under the EPF Rules and Regulations (Conduct and Discipline) 1993. Held one meeting in 2019.
Board Disciplinary Appeal Committee	Seven members, including the Chairman	<ul style="list-style-type: none"> Considers any appeal by employees against the decisions made by the Disciplinary Committees. Held one meeting in 2019.
Procurement Board	Five members, including the Chairman	<ul style="list-style-type: none"> Responsible for matters relating to the procurement of works, services and supply of goods, excluding appointment of services of consultants in relation to investments. Held eight meetings in 2019.

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MANAGEMENT COMMITTEES

Apart from the EPF Board and Investment Panel committees, other management committees have been established and report directly to the Chief Executive Officer (CEO) or relevant key Senior Management members.

MANAGEMENT COMMITTEE	KEY FUNCTION
Management Investment Committee	<ul style="list-style-type: none"> • Recommends investment activities to the Investment Panel in line with the EPF's guidelines, policies on risk control, and asset allocation. • Consists of 12 members, including the CEO (or Deputy CEO in the absence of the CEO) as Chairman. • Held 54 meetings in 2019.
Management Procurement Committee	<ul style="list-style-type: none"> • Responsible for matters relating to procurement of works, services and supply of goods, except for the service appointment of consultants relating to investment. • Consists of key Senior Management, including the CEO as Chairman. • Held 12 meetings in 2019.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide a clear, balanced, and comprehensive assessment of the EPF's financial performance and prospects through the annual financial statements. This is in addition to providing transparent and up-to-date disclosures on the EPF's financial performance and prospects through quarterly announcement of results to stakeholders. Refer to page 117 to 321 of the Annual Report.

Risk Management and Internal Control

The Board and Management are fully committed to a robust internal control system, policies and procedures, to ensure stakeholders' interests and the EPF's assets are safeguarded. The Statement on Risk Management and Internal Control is on page 46 to 50 of this Annual Report, providing an overview of the state of internal control system within the EPF.

Corporate Responsibility

The EPF believes that there should be a balance between value creation and corporate responsibility.

COMMUNICATION WITH STAKEHOLDERS

The EPF believes that communication with stakeholders forms an important part of the corporate governance framework and acknowledges the need to be transparent to its stakeholders. The EPF discloses quarterly reports on its investment activities, comprising information on asset allocation, revenue generated from each asset class, and total fund size. It also discloses the top 30 equity investments on a quarterly basis to ensure transparency and provide stakeholders with information on the EPF's holdings in public listed companies in Malaysia.

The EPF continues to hold dialogues with its investee companies. In 2019, the Management visited 39 companies (11 local and 28 overseas). The EPF also attended and voted actively in 120 annual general meetings (AGM) and 18 extraordinary general meetings (EGM) of its investee companies.

As the EPF becomes more active in overseeing its investments, the organisation has appointed nominees on the boards of listed and unlisted companies. As at 31 December 2019, the EPF has nominees in 11 listed companies and 24 unlisted companies.