



EPF VOTING POLICY AT ANNUAL SHAREHOLDERS' MEETING

As one of the largest investors in listed companies in Malaysia, the Employees Provident Fund (EPF) would like to seek the attention of all board of directors to several issues that we believe is important to ensure the best standards in corporate governance practices.

2. Sustainability Statement that focuses on profit, people and planet. Sustainability statement, which is essentially a reporting format that gives information about economic, environmental, social and governance performance of the company is now a requirement for all companies as set out in Bursa Malaysia's Listing Rules (PN9). EPF expects to find guidance on actions by your company to make the world a better place. The report will be an important reference for EPF as a long term investor in your company as it will ensure continued progress and development in the business whilst ensuring care and protection for the people and the environment.

3. Term limit for independent director. The Malaysian Code of Corporate Governance specifies a term limit of nine years for independent directors to ensure the effectiveness of the director on the board. EPF policy is less stringent as we have raised the limit to twelve years. We also allow the re-designation of directors so long as the director is able to contribute positively to the company.

4. Succession planning. While we believe age should not hinder the ability to contribute to the board effectively, we also believe the board should have a clear succession plan to ensure continuity of leadership. As such, we will continue with our policy to vote against directors of age 80 years and above.

5. Changes to our voting policy on advance payments to directors. Section 230 of the Companies Act 2016 requires that all payments to directors be approved by shareholders at the annual general meeting. We have revised our voting policy in which EPF will no longer vote against payments of directors' fees before the completion of the fiscal year. However, we are introducing new policies on executive remuneration in the following section.

6. Full disclosure of all payments to each and every individual directors. Appendix 9C of the Bursa Malaysia Listing Rules and the MCCG requires that all payments to directors include salaries, fees, emoluments, benefits, allowances and any payments whether in cash or shares in the company be disclosed in the annual report. In addition, EPF strongly encourages the company to disclose the composition of salary and benefits of its top employees in the annual report. Disclosures of information such as the 'highest-to-median employee wage' and 'highest-to-lowest employee wage' ratios as well as declaration of the initiatives to improve employees' average pay are required to be disclosed in the annual report. This is aligned with the government's initiative to implement regulations requiring public listed companies in Malaysia to disclose key pay metrics each year in their annual report as mentioned in the Budget 2019. The board must also ensure that its remuneration committee to comprise of only non-executive directors, majority of which are independent.

7. Remuneration policy for key executive positions. The board should put in place a well-thought, robust and independent remuneration policy that is not only fair to shareholders but also to its own employees as well. While EPF as a shareholder is unable to vote directly on executive pay decisions by the board, we may raise this issue in our regular engagement with your representatives at working level if we believe the amount is excessive or does not commensurate with the performance of the company. In the event that EPF views the remuneration to be excessive, EPF proxies will raise this issue at shareholder meetings or will vote against the reappointment of the affected director(s), as well

as the Chairman of the Board, or the Chairman of Remuneration Committee (or its equivalent), or any independent directors.

8. **Employee share schemes.** Employees are valuable asset of any organisation and should be rewarded in accordance to their and company's performance. Schemes that award equity of the company to employees is one way to reward and retain talents in the organisation. However, EPF believes the share schemes should be capped at no more than 10% of existing capital. This will ensure that existing shareholders are not significantly diluted and at the same time, the interest of employees are aligned with the company. We also believe that the employee share schemes should not be extended to non-executive directors who are not employees of the company.

9. **Board diversity.** A board comprises of directors from diverse background in terms of demographics, culture, skills and experience will ensure active and effective boardroom discussion. EPF believes the board must formalise a diversity policy in its composition through its nomination committee. While EPF does not believe in setting a fixed quota of women directors at 30% as an example, EPF will vote against any directors' reappointment if the company does not have any women director on its board.

10. **Care and protection for the environment and local communities.** In light of the recent environmental incident in Sungai Kim Kim, Johor, it is the EPF's expectation that the board has in place strict policies on safety and health standards in safeguarding the environment and the community where the company operates. Any production of hazardous or non-biodegradable waste, for example, must be dealt with responsibly and adopt the best standards in waste management. These actions are vital to ensure sustainability in the value creation whilst safeguarding our future generations.

We hope the board understands the EPF position in pushing for strong governance of the company and to ensure a better future ahead for all of us and the planet we live in.

Thank you.



VOTING GUIDELINES AT SHAREHOLDER MEETINGS 2019

SHAREHOLDER RESOLUTIONS	VOTING
<p>1. RE-ELECTION OF DIRECTORS If any of the following applies on any directors for re-appointment:</p> <ul style="list-style-type: none"> a. The director has a poor reputation and conduct; b. The director has not acted in the best interest of the company and EPF; c. The director has a record of mismanagement, or has involved in financial scandals in any other company; d. The director failed to attend at least 50% of the Board and Audit Committee meetings, where applicable; e. The director did not fulfil sufficient training hours. 	AGAINST
<p>2. SUCCESSION PLANNING Re-appointment of director exceeding 80 years old (except the founder of the company).</p>	AGAINST
<p>3. INDEPENDENCE Re-appointment of any Independent Director who has served on the Board for more than 12 years.</p>	AGAINST
<p>4. EXCESSIVE REMUNERATION For companies where EPF believes the Executive Directors receive excessive payment, the voting is implemented in the following order:</p> <ul style="list-style-type: none"> a. Chairman of the Board, or b. Chairman of Remuneration Committee (or its equivalent), or c. Re-appointment of any Independent Directors 	AGAINST
<p>5. DIRECTORS FEES</p> <ul style="list-style-type: none"> a. Approving the Directors' Fees if past decisions from the board has brought the company into a financial stress. b. Any general mandate to approve the Directors' Fees within any threshold amount that will relinquish shareholders' right to vote annually. 	AGAINST
<p>6. EMPLOYEE SHARE SCHEME (ESS)</p> <ul style="list-style-type: none"> a. Total ESS issue exceeds 10% of the company's paid-up capital. b. No cancellation of outstanding ESS that are not yet exercised. c. Detailed criteria and basis of ESS allocation is not disclosed in the circulars, or are not based on performance. d. The entire ESS issue is vested immediately and not staggered over several years. e. The ESS is awarded to Non-Executive Directors of the company. 	AGAINST
<p>7. BOARD DIVERSITY For companies where there is no female director on the board, the voting is implemented in the following order:</p> <ul style="list-style-type: none"> a. Chairman of the Board, or b. Chairman of Nomination Committee (or its equivalent), or c. Re-appointment of any male directors 	AGAINST