



**KWSP**<sup>®</sup>  
**EPF**



# **EPF** **WORKERS' WELLBEING** **ISSUE POLICY**

# EPF Workers' Wellbeing Issue Policy

## 1. ABOUT THIS DOCUMENT

---

### 1.1 Context and Background

The Employees Provident Fund (“EPF”) is Malaysia’s foremost pension fund acting in accordance with the Employees Provident Fund Act 1991 (Act 452) with aims of safeguarding members’ savings and helping members achieve a better future. As a long-term and global financial investor with those aims, we recognise the importance of incorporating and addressing sustainability matters in our investments. We believe that doing so will allow us to better manage risk exposures and identify wider value creation opportunities for our members.

In 2020, we established our Sustainable Investment (“SI”) policy which forms our view on how we think about sustainability. This issue policy, as well as our sector policies, builds upon the foundations of our SI policy. This Workers’ Wellbeing Issue Policy document supports our aim to address sustainability matters across our investments by establishing

how we expect companies<sup>1</sup> to manage various Workers’ Wellbeing matters. To encourage standardisation of ESG disclosures globally, we aligned our expectations to internationally recognised principles and standards, including United Nations’ Principles for Responsible Investing (“UNPRI”), United Nations’ Sustainable Development Goals (“UN SDG”), Sustainability Accounting Standards Board (“SASB”) Materiality Map, Global Reporting Initiative (“GRI”) Reporting Standards, United Nations’ Global Compact, UN Guiding Principles on Business and Human Rights, and the International Labour Organisation Standards (“ILO”). This document is a starting point for EPF to interact with companies on Workers’ Wellbeing issues and sets the foundations for EPF to meet our target of having a fully ESG-compliant portfolio by 2030.

### 1.2 Scope and Applicability

Our expectations are directed at boards and management teams of all external fund managers and investee companies (“companies”)<sup>1</sup> 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 Workers’ Wellbeing 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<sup>2</sup>, we also developed supplementary sector policies that build on top of this issue policy – companies that are part of EPF’s priority sectors should refer to the sector policy in tandem and strive to meet the expectations listed in both the issue and sector policy.

---

<sup>1</sup> Includes both investee companies and external fund managers (“EFM”) in EPF’s portfolio

<sup>2</sup> Includes oil and gas, palm oil, banking, mining, power generation and construction sectors

## 2. WORKERS' WELLBEING AS A PRIORITY

Our view on Workers' Wellbeing as a critical issue to address is in line with global priorities. This is evidenced by detailed reports and findings from the United Nations Children's Fund ("UNICEF")'s Child Labour: "Global Estimates 2020" and ILO's Global Wage Report 2020-2021. Locally, we also see increasing controversies surrounding labor rights issues amongst businesses, resulting in international coverage and heightened scrutiny by various stakeholders. We believe Workers' Wellbeing has the potential to significantly impact business reputation, performance and ultimately overall portfolio returns. As such, we recognise the urgency and are committed to play a part in addressing Workers' Wellbeing issues.

## 3. DEFINING WORKERS' WELLBEING

The ILO defines Workers' Wellbeing as "relating to all aspects of working life, from the quality and safety of the physical environment, to how workers feel about their work, their working environment, the climate at work and work organisation".

As a further step in defining Workers' Wellbeing, we broke this down to six key sub-issues as follows:

No	Sub-Issues	Definition
1	Diversity and Inclusion	Equality of opportunity and treatment across the employee lifecycle without any form of discrimination against various characteristics <sup>3</sup>
2	Employee Health and Safety	Healthy occupational and environmental conditions to ensure physical, mental and emotional health and safety for all employees
3	Training and Education	Provision of basic education, core work skills and lifelong learning opportunities for employees to improve productivity and contribute to a future proof workforce
4	Forced / Child Labour	Standards against all forms of forced or bonded labour, child labour, modern slavery and human trafficking within internal business operations and across the supply chain
5	Fair Wages and Benefits	Remuneration standards to account for minimum living wage practices, considerations on pay gap practices across diversity indicators and positions, as well as the provision of appropriate social security instruments <sup>4</sup> , benefits and overtime pay.
6	Freedom of Association	The right to organise and form employers' and workers' organisations for sound collective bargaining and social dialogue

Table 1: List of sub-issues for Workers' Wellbeing

The list of expectations in Section 5 of this document will draw reference to the sub-issues in the table above. We encourage companies to conduct a materiality assessment to identify the relevant sub-issues to your business. This can serve to inform the scope of the expectations for each company to meet<sup>5</sup>.

<sup>3</sup> This includes gender, age, beliefs, skin colour, ethnicity, and disabilities

<sup>4</sup> Social security instruments could include benefits for survivors, unemployment, old-age, employment injury, family, maternity, and invalidity

<sup>5</sup> For example, to meet Expectation #4: "Companies should establish a clear ambition, management stance and commitment across the material sub-issues" – Companies can limit the setting of stance for sub-issues that are most relevant to their business by conducting a materiality assessment

## 4. OUR APPROACH TO WORKERS' WELLBEING EXPECTATIONS

### 4.1 Identifying Workers' Wellbeing Expectations

Informed by the sub-issues, we identified the list of expectations based on the framework below:

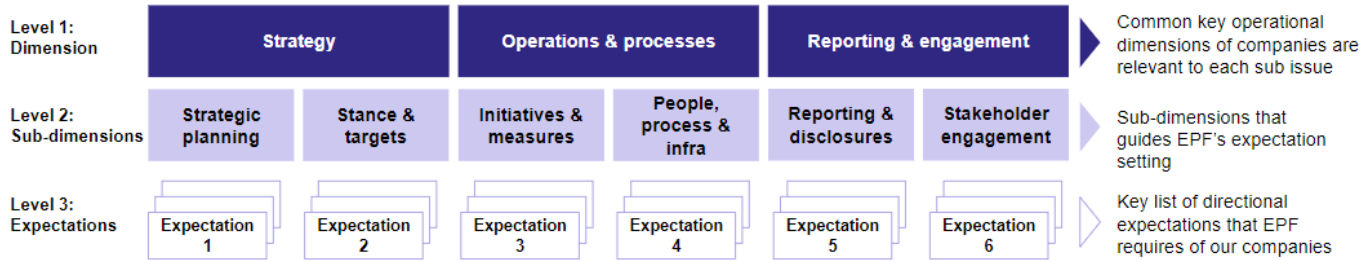


Figure 1: Framework for identifying Workers' Wellbeing expectations

The framework establishes the “Level 1: Dimensions” and “Level 2: Sub-dimensions” of a company to guide our development of Climate Change expectations. By adopting the “Level 1” and “Level 2” lenses, our expectations would sufficiently cover key operating aspects of a company – from strategic planning to stakeholder engagement.

### 4.2 Implementation of Workers' Wellbeing Expectations

To support the rollout of the policy, we grouped the list of Workers' Wellbeing expectations into three classifications: (1) Core Requirement, (2) Best Practice, and (3) Voluntary.

Classification	Definition
<b>Core Requirement</b>	EPF's minimum requirement for all investee companies / fund managers (new and existing investments). These requirements are in line with global standards, and are deemed good practices for all companies to adopt
<b>Best Practice</b>	Expectations that investee companies / fund managers are encouraged to comply with
<b>Voluntary</b>	Expectations that investee companies / fund managers may choose to comply with at their discretion in the immediate term

Table 2: Classification of expectations

This classification is used to support the phased implementation of the expectations as per below:

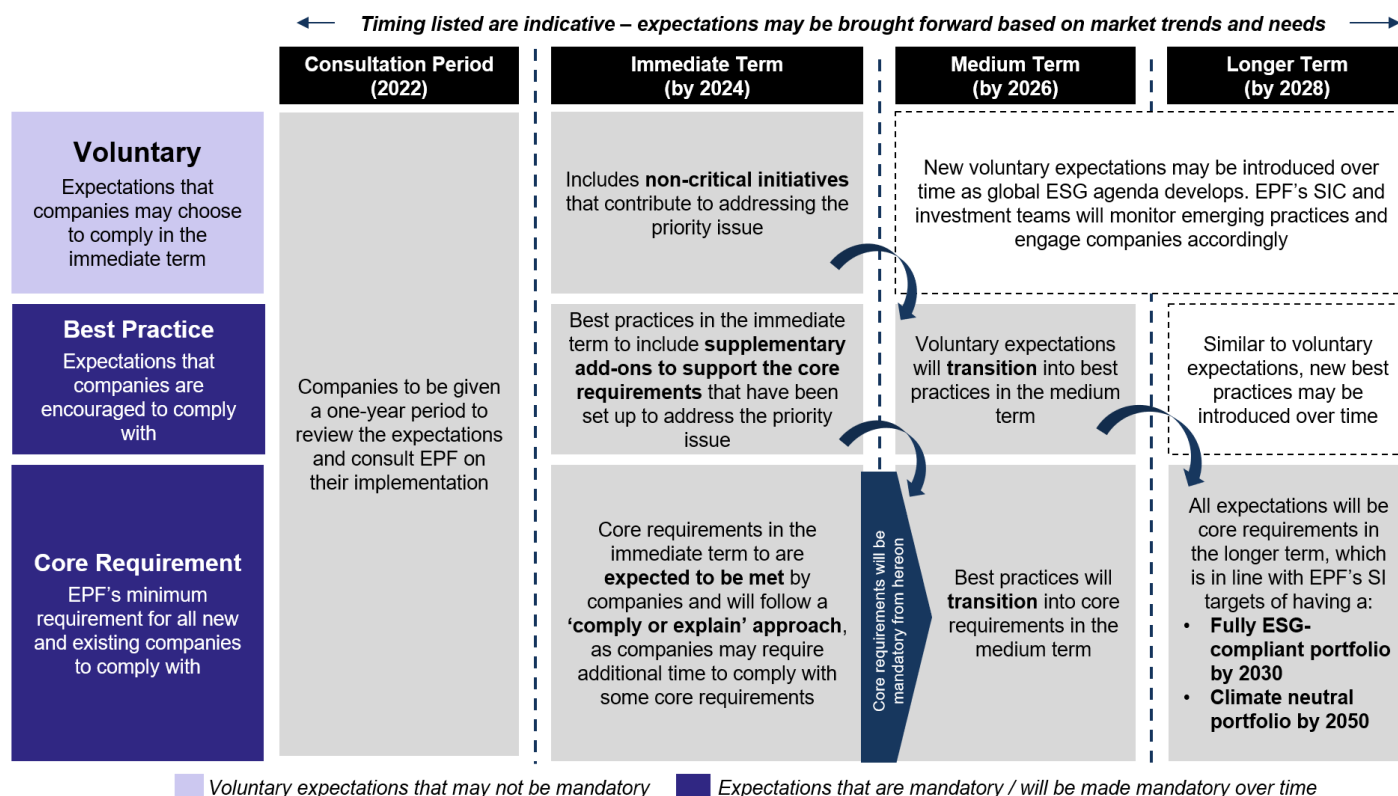


Figure 2: Phasing approach for EPF's expectations

As part of our commitment to support our companies on their own sustainability journey and account for the varying levels of ESG maturity in our portfolio, we will phase the implementation of our expectations. In the immediate term (by 2024), we expect all companies to meet the core requirements expectations. By the medium term (by 2026), best practice will evolve into core requirements expectations. Lastly, by 2028, we expect companies to meet all the expectations as listed in Section 5<sup>6</sup>.

Timelines set for the immediate, medium and long term are indicative and serve as a checkpoint to assess companies' progress and efforts towards meeting the expectations. We will adopt a comply-or-explain approach as we assess a company's compliance against the core requirement expectations to account for extenuating circumstances<sup>7</sup>. We will also consider various stewardship actions based on the outcomes of periodic ESG assessment – refer to Section 6 of this document and our stewardship policy for further information.

<sup>6</sup> Not all voluntary expectations in Section 5 may evolve to be mandatory in the long term. EPF may also introduce new voluntary expectations based on global trends and movements on this issue.  
<sup>7</sup> Explanations on expectation gaps will be evaluated on a case-by-case basis; we will also consider other factors such as the company's size and capabilities

## 5. OUR WORKERS' WELLBEING EXPECTATIONS

No	Expectations	Sub-dimensions
<b>Core Requirement</b>		
1	Companies should incorporate considerations relating to Workers' Wellbeing into their long-term business strategy and planning, taking into account emerging standards and good practices	Strategic Planning
2	Companies should perform a materiality assessment on the level of relevance and risk exposure of each sub-issue to their business, and disclose the results from the assessment, including the confirmation of material sub-issues	Strategic Planning
3	Companies should comply with local labour laws and adopt other relevant Workers' Wellbeing global standards in their business practices, as well as have in place a roadmap for implementation	Stance & Targets
4	Companies should establish a clear ambition, management stance and commitment across the material sub-issues	Stance & Targets
5	Companies should identify and consider relevant programmes within their own operations to manage the material sub-issues	Initiatives & Measures
6	Companies should identify and introduce process-based indicators and metrics across the material sub-issues and ensure they are aligned with relevant Workers' Wellbeing standards	Initiatives & Measures
7	Companies should review performance against the material sub-issues on a timely manner to identify areas for enhancement, and subsequently implement action plans to address those areas	People, Process & Infrastructure
8	Companies should have in place Workers' Wellbeing-related policies to reflect the committed stance across the material sub-issues	People, Process & Infrastructure
9	Companies should assess their employees' training needs, develop and conduct appropriate training programmes for different stakeholder groups	People, Process & Infrastructure
10	Companies should formulate and promulgate a formal grievance mechanism for their employees to report issues relating to any of the sub-issues. There should also be safeguards in place for the whistleblowers	People, Process & Infrastructure
11	Companies should have in place a clear responsibility and accountability structure that supports the development, implementation and monitoring of policies and initiatives that promote Workers' Wellbeing	People, Process & Infrastructure
12	Companies should disclose their Workers' Wellbeing-related policies, gaps, risk management and mitigation measures, strategies, roadmap and relevant globally recognised standards that companies have adopted	Reporting & Disclosures
13	Companies should seek to align their disclosures and reporting practices relating to Workers' Wellbeing with globally recognised standards	Reporting & Disclosures
14	Companies should regularly disclose Workers' Wellbeing-related metrics associated with their business operations	Reporting & Disclosures

No	Expectations	Sub-dimensions
<b>Best Practice</b>		
15	Companies should understand and identify the socio-economic impacts of their business and operations on the material sub-issues	Strategic Planning
16	Companies should put in place a mechanism for technical expert input (internal or third-party) across the policies and management strategy of the material sub-issues	Initiatives & Measures
17	Companies should identify and introduce impact-based metrics across the material sub-issues and ensure they are aligned with relevant Workers' Wellbeing standards	Initiatives & Measures
18	Companies should identify, address and monitor their exposures and Workers' Wellbeing-related risks on the material sub-issues across their value chain, including embedding these considerations across their procurement decision-making process	People, Process & Infrastructure
19	Companies should have in place key performance indicators of Board and Senior Management to integrate Workers' Wellbeing-related elements appropriately	People, Process & Infrastructure
20	Companies should have in place relevant tools and infrastructure to enable and support the implementation of initiatives relating to managing Workers' Wellbeing	People, Process & Infrastructure
<b>Voluntary</b>		
21	Companies should have policies or guidelines for engaging with policy makers, regulators, finance providers and customers on topics relating to Workers' Wellbeing	Stakeholder Engagement
22	Companies should engage with relevant third parties to advocate for sustainable practices and uplift their understanding of Workers' Wellbeing	Stakeholder Engagement

## 6. STEWARDSHIP ACTIONS

---

As an investor, we are committed to uphold our companies to these expectations on Workers' Wellbeing. Our core requirement expectations are implemented on a “comply-or-explain” basis at each assessment checkpoint listed in Section 4.2 of this document. Companies that do not meet the core requirement expectations and fail to provide adequate explanations will be subjected to our stewardship / intervention actions, including, but not limited to:

- 1. Proxy Voting**  
Weigh in on decisions on the company's direction and vote for mandates around ESG issues
- 2. Regular dialogues on ESG Progress**  
On-going dialogues to understand gaps and to provide low-touch guidance on action plans moving forward
- 3. High-touch ESG Monitoring and Review**  
Implementation of frequent reporting requirements and review cycles on ESG progress
- 4. Gradual / Signaling Divestment**  
Partial or gradual divestment over time as a signal to reinforce our ESG view and stance
- 5. Full Outright Divestment**  
Full divestiture of our equity ownership from the company<sup>8</sup>

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 Workers' Wellbeing issues.

## 7. FOLLOW-UP AND MAINTENANCE

---

Workers' Wellbeing 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 Workers' Wellbeing policy and announce updates accordingly. All updates will be proactively communicated to the relevant stakeholders of this policy.

For further clarifications kindly reach out to EPF's Sustainability Centre Office at  
[sustainability@epf.gov.my](mailto:sustainability@epf.gov.my)

---

<sup>8</sup> Full divestiture option will be evaluated on a case-by-case basis to account for liquidity of investments, contract agreements, market movements, etc.