

KEY MESSAGES

- ▶ 07 Chairman's Message
- ▶ 11 Chief Executive Officer's Message

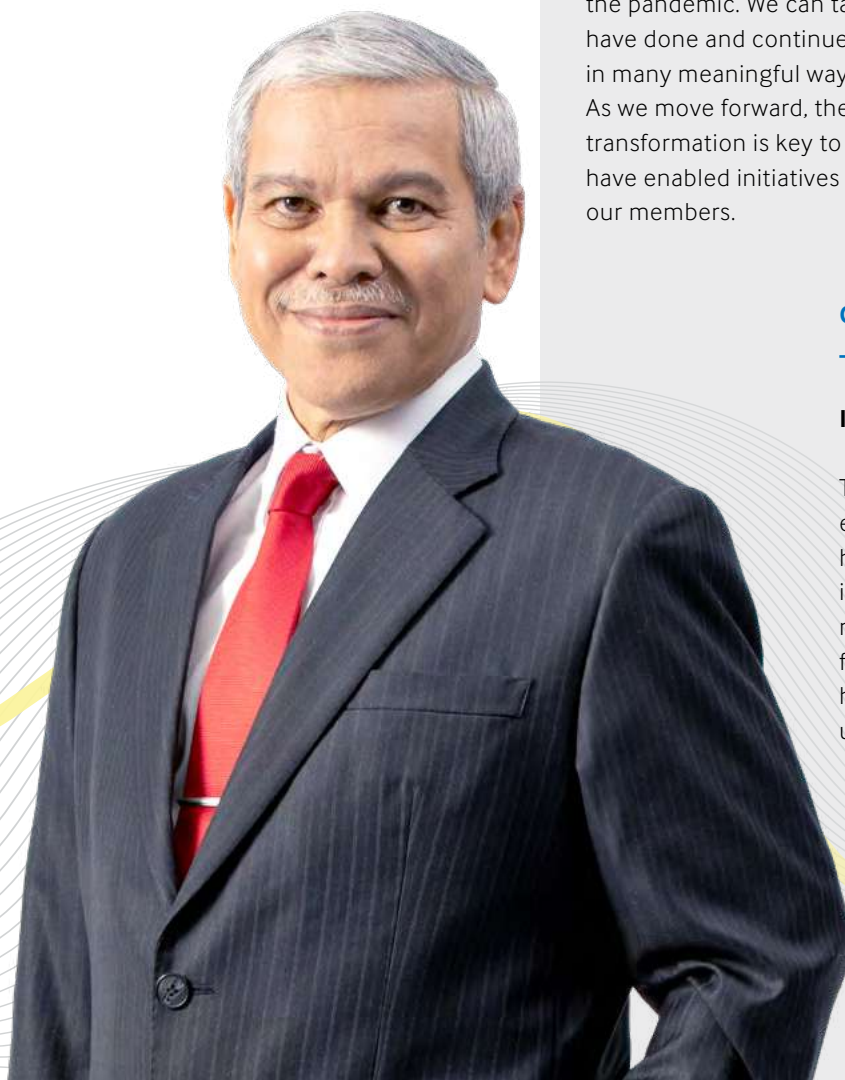


CHAIRMAN'S MESSAGE

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The trust and support in the EPF as Malaysia's premier retirement savings fund and catalyst for economic growth has empowered the Fund to serve the broader interest of society by driving long-term sustainable value creation for its stakeholders.”

Tan Sri Ahmad Badri Mohd Zahir
EPF Chairman



On behalf of the Employees Provident Fund (EPF) Board of Malaysia, I am pleased to present the EPF's inaugural Integrated Annual Report for the Financial Year 2021. As the EPF embarks on its Integrated Reporting <IR> journey, the management of the key capitals coupled with a winning long-term strategy has enabled the Fund to create value for its stakeholders in the short, medium, and long term.

I would like to convey my sincere appreciation to the EPF's leadership team and all EPF employees who have shown perseverance, dedication, and agility during the toughest of times. As challenging as the year was, 2021 was also a year of hope and optimism as global economies began to recover from the pandemic. We can take pride in the fact that the work we have done and continue to do at the EPF has helped Malaysians in many meaningful ways and made difficult times a little easier. As we move forward, the EPF acknowledges that continuous transformation is key to ensuring progress. In recognising this, we have enabled initiatives to sustain delivery of excellent services to our members.

COMMENDABLE 2021 PERFORMANCE

Investment Highlights

The COVID-19 pandemic, along with other economic and political uncertainties, has had a tremendous impact on both the international and domestic investment markets. Nonetheless, despite the financial shocks and challenges, the EPF has managed to remain resilient under unprecedented circumstances.



**Dividend Rate for
Simpanan Konvensional**

6.10%

**Dividend Rate for
Simpanan Shariah**

5.65%

**Annual Contributions
Received from Employees
and Employers**

RM72.89 billion

Total Assets

RM1.01 trillion

For the year 2021, the EPF's investment performance surpassed its pre-pandemic 2019 performance when it declared a 6.10% and 5.65% dividend for Simpanan Konvensional and Simpanan Shariah, respectively. The Fund generated a total of RM68.89 billion in investment income, while total assets also increased by 1% to RM1.01 trillion.

Such commendable performance was indicative of the EPF's resilience while operating in volatile global and domestic markets in the year 2021. The gradual reopening of the Malaysian economy helped support the recovery, thus providing the EPF with the opportunity to rebuild members' savings and enhance coverage to include those outside the formal sector .

The trust in and support of the EPF as Malaysia's premier retirement savings fund

and catalyst for economic growth have empowered the Fund to serve the broader interests of society through driving long-term sustainable value creation for its stakeholders.

In creating value for its members, the EPF has strived to champion sustainable investments by integrating environmental, social, and governance (ESG) factors in its investment considerations. As a signatory of the United Nations Principles for Responsible Investment (PRI) since 2019, the EPF prioritises sustainable investing practices based on the principles of the PRI. It also continues to review all investment proposals for material ESG risks and opportunities to enable strategic decision-making with regard to investment, which is pivotal to facilitate sustainable investment growth and the generation of long-term value.

CHAIRMAN'S MESSAGE



Members

15,217,902

Active Members

7,691,973



Ensuring our human capital is equipped with the necessary knowledge and skills to deliver excellent services



Enterprise-wide Highlights

In 2021, the EPF recorded a 2.22% increase in new member registrations, adding up to 15,217,902 members, and a 1.33% increase in active members amounting to 7,691,973 members.

The EPF is focused on enhancing its capabilities to meet the evolving needs and expectations of members and employers. This includes ensuring its people are equipped with the needed knowledge and skills to deliver excellent services, as well as improving products and services to help members make more efficient and informed decisions regarding their savings and retirement wellbeing.

Since March last year, the EPF has provided members in need with facilities to help them survive during the COVID-19 crisis by rolling out the i-Lestari and i-Sinar facilities. In July 2021, the Fund introduced the i-Citra facility to provide another round of short-term relief for members affected by the Movement Control Orders, even as the Government stepped up efforts to bring the country back to normalcy.

Meanwhile, to ease the financial burdens of employers during the COVID-19 pandemic, we provided a helping hand in the form of late payment exemptions and a reduction in late payment charges. These initiatives were rolled out with the aim of managing cash flows while ensuring they continue to fulfil their responsibility as employers to contribute towards their employees' retirement savings.

MATERIALIZING ASPIRATIONS INTO ACTIONS

To ensure the EPF upholds its mission of safeguarding members' savings and delivering excellent services, the Board has endorsed the Three-Year Rolling Plan (3YRP) for 2021-2023, outlining the strategic thrusts and strategies needed to keep the EPF relevant.

This year, the EPF expanded its 3YRP to include a fifth strategic thrust - Institutionalising Sustainability. This strategic thrust reinforces the Fund's commitment towards incorporating sustainable practices across all aspects of the organisation in order to create value for all stakeholders.

To ensure continued success, a range of initiatives were implemented to fulfil the goals of this strategy such as building and enhancing digital technology platforms to boost services provided to members, equipping the EPF's workforce with future-fit skills and knowledge, and developing products and services that better meet the needs of EPF members and employers.



More information regarding these initiatives can be found in the Strategy and Business Outlook section (pg. 31) of this Integrated Annual Report.

ASPIRING TOWARDS DIGNIFIED RETIREMENT

One of the main factors contributing to the EPF's long-standing reputation as the nation's premier retirement savings fund is its ability to pivot and introduce new capabilities to meet the ever-evolving expectations of its stakeholders. The EPF's values, and what they stand for, are the key elements that drive its actions and decisions. Clear examples of these can be found in the Fund's efforts to take the lead on social protection, its commitment to providing long-term returns, and the extraordinary assistance provided to members.

As outlined in Budget 2022, the Government remains committed to continuing various social protection programmes that will benefit the entire Keluarga Malaysia. One of the measures announced during the tabling of the budget was an extension of the age eligibility for i-Saraan members from 55 to 60, which was very welcome, as was an increase in individual tax relief of up to RM4,000 for EPF voluntary contributors.

Social protection is a human right intended for all, regardless of whether they are in the formal or informal sectors. We are appreciative of the Government's support for the Fund, which is now able to take this opportunity to encourage more voluntary contributions from those who are employed in informal sectors. This is to ensure they have the eventual financial safety net that the EPF, as a retirement fund, can provide.

The EPF is no longer merely managing members' savings for returns. It is also ramping up its efforts across all stakeholders and exploring the dynamics of public-private collaboration to spur economic growth. In 2021, the EPF signed two memorandums of understanding, with on-demand work platform GoGet Malaysia in February and with Grab Malaysia in September, to increase and expand social protection coverage to those currently not included in the EPF scheme. This will encourage them to prepare for their retirement, in addition to enjoying the benefits as EPF members such as annual dividends, tax relief, and other advantages accorded to members.

ACKNOWLEDGEMENT

The year 2021 marked the EPF's entry into its eighth decade of operations and despite undergoing continuous year-on-year growth and transformation, our focus on helping members achieve a better future remains unchanged.

I would like to record my deepest appreciation to the members of the Board and the Investment Panel for their guidance and support that have shaped the EPF's direction and drive for value creation.

The EPF also welcomes Datuk Seri Amir Hamzah Azizan who joined the family in April 2021, taking the helm from Tunku Alizakri Alias as Chief Executive Officer, whose leadership had ensured the EPF remained resilient against the volatilities brought by the pandemic, while continuing to be agile in managing the ensuing disruptions and changing circumstances.

To all EPF employees, my heartfelt appreciation goes to each and every one of you for always going above and beyond what is expected of you. Your commitment and dedication to the EPF's vision, mission, and purpose have allowed us to adapt to the challenging environment and extraordinary demands of the times. In keeping with this ethos, I can only see greater things from this time forward for the EPF.

Finally, and most importantly, on behalf of the EPF Board, the leadership and management team, and all EPF employees, I would like to thank all EPF members for their trust and confidence in the EPF to manage their savings and allow us to fulfil the EPF's vision of helping members achieve a better future.

TAN SRI AHMAD BADRI MOHD ZAHIR
Chairman



CHIEF EXECUTIVE OFFICER'S MESSAGE

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Our performance for the year was largely attributable to our approach to diversification as guided by our Strategic Asset Allocation (SAA), which has kept the EPF resilient to financial shocks and challenges in unprecedented situations.”

Datuk Seri Amir Hamzah Azizan

Chief Executive Officer

As the Malaysian economy continues on the recovery path, the Employees Provident Fund (EPF) continues to uphold its mandate to safeguard members' savings, and focusing on bringing members back to restoring and rebuilding their savings for a sustainable retirement future.

2021 was an eventful year, marked by key developments that helped elevate the EPF to greater heights in its nation-building role and progression in becoming digitally equipped, accessible, and sustainable in the long term.



EXCEPTIONAL PERFORMANCE

Despite having to manage investments in volatile and unpredictable financial markets in 2021, the EPF managed to generate RM68.89 billion in total gross investment income, representing a 9% increase from the RM63.45 billion recorded in 2020. The strategic management of investments also resulted in commendable returns across its equity portfolios where it recorded an ROI of 10.44% on foreign listed equities, and 19.01% for private equity.

Even though in 2021 we recorded our first ever negative net contribution (contributions after withdrawals) in 20 years of RM58.20 billion due to the pandemic-related withdrawals, we were able to maintain a healthy cash balance at the end of the year while delivering above-expected dividend rates.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Alhamdulillah, the EPF declared a solid dividend rate of 6.10% for Simpanan Konvensional, with a total payout of RM50.45 billion; and 5.65% for Simpanan Shariah, with a total payout of RM6.27 billion, bringing the total payout for 2021 to RM56.72 billion. For the most part, our performance for the year was largely attributable to our approach to diversification as guided by our Strategic Asset Allocation (SAA), which has kept the EPF resilient to financial shocks and challenges in unprecedented situations. Our investment team was also firm in aligning our strategies with global economic recovery efforts, supported by vaccination rollouts, as well as fiscal and monetary policies that played a key role in buttressing economic activities and growth.

Having taken a measured view of the continued instability of market conditions on both the global and local fronts, the EPF actively embarked on efforts to shift

its approach in managing its financial and non-financial risks.

Over the years, we have been meaningfully incorporating environmental, social, and governance (ESG) factors into our due diligence and decision-making process, while reinforcing our existing risk management framework. 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.

In line with our sustainability efforts, we have embarked on the Integrated Reporting <IR> journey, giving members and stakeholders a view into the EPF's long-term values, beyond merely financial reporting.

Through the internationally recognised lens of the Integrated Reporting <IR> Framework, we seek to provide readers with

an insight into the ESG elements that are being managed by the EPF. The Integrated Report also aims to impart to its readers how the EPF considers these elements in shaping its strategic direction, creating value, and meeting aspirations.

As one of Malaysia's largest institutional investors, the EPF is cognisant of the critical supporting role it plays in fostering economic growth for the nation while maintaining healthy investment returns for its members. As a signatory to the Malaysian Code for Institutional Investors since 2017, the EPF aims to promote effective stewardship as an institutional investor, further encouraging domestic asset investments that help catalyse economic growth. We believe that with government initiatives such as the National Recovery Plan and the reopening of international borders, the economic rebound is set to increase local investment opportunities.

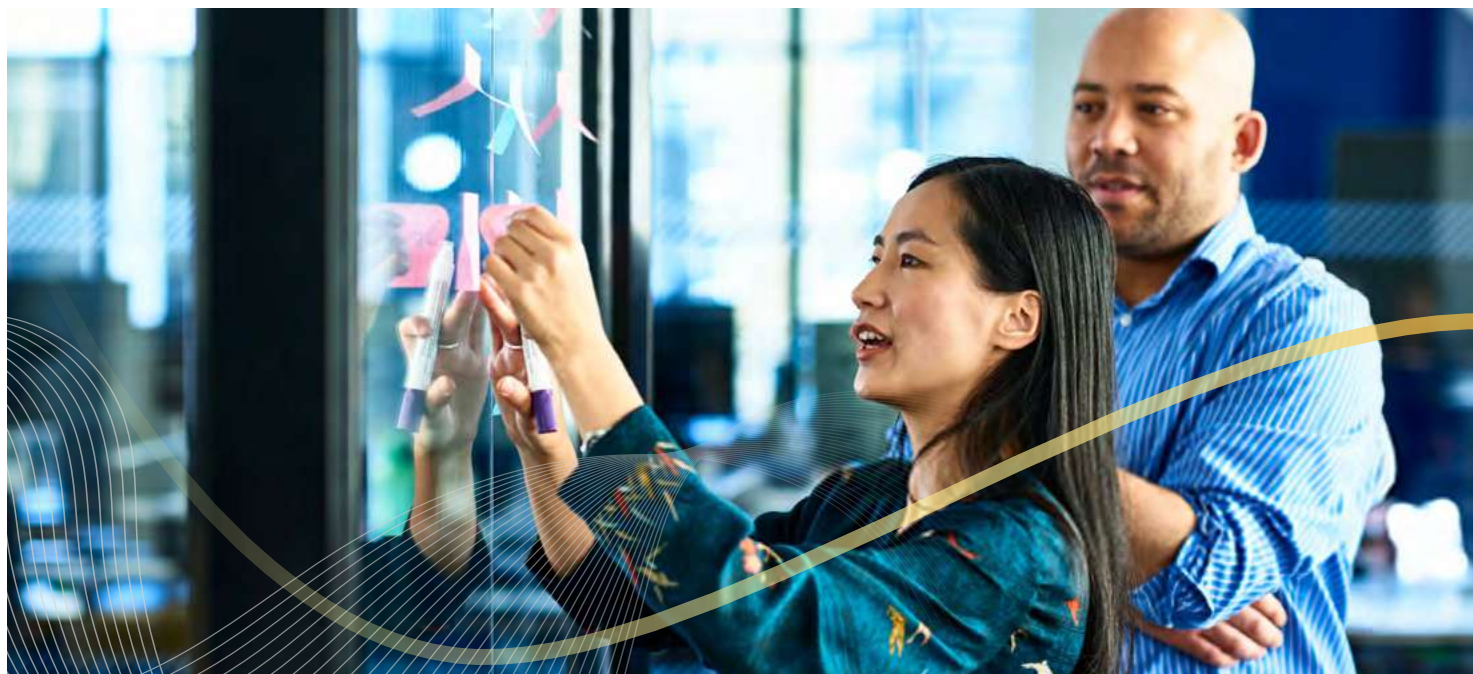


Total Gross Investment Income

RM**68.89** billion

As one of Malaysia's largest institutional investors, the EPF is cognisant of the critical role it plays in fostering economic growth for the nation while maintaining healthy investment returns for its members





The EPF's overseas assets were also critical contributors to its overall performance, where different asset classes, markets, and currencies provided income stability and added value to the EPF's overall returns. As of December 2021, a total of 37% of EPF's investment assets were outside of Malaysia, encompassing all asset classes.

BRIDGING THE SOCIAL PROTECTION GAP

Integral to our role as the country's premier retirement fund is the commitment to our Vision of helping members achieve a better future. The COVID-19 pandemic has had a profound impact on lives and livelihoods, forcing upon us a disruption on a scale not seen before. This has resulted in far-reaching social and economic consequences for the country.

Since 2020, the EPF was one of the first institutions to help its members tide over the crisis by reducing the statutory contribution rate from 11% to 9%, to increase their take-home pay. As lockdowns continued to spill over into 2021, multiple small businesses were

severely impacted, with many having to cease operations, thus causing widespread job losses. As an immediate effort to sustain the livelihood of our members, we introduced i-Citra in July 2021 which allowed members to withdraw up to RM5,000.

Although these responses were necessary in light of the situation, the pandemic-related withdrawals worsened the future situation for our members, many of whom now face the risk of having insufficient funds to live a dignified retirement.

As the country's largest retirement fund, we are deeply concerned by this situation as it will not only be detrimental to individual livelihoods, but also impact the socio-economic landscape of the country and its fiscal health. The pandemic has also shifted the employment landscape towards informality, which is expected to increase further.

In this context, the EPF is in full support of the Government's initiative to extend the i-Saraan programme to include those from age 55 to 60, thus making i-Saraan more attractive to those in the informal sector

to save for their retirement with the EPF. The Caruman Sukarela Insentif Suri, or i-Suri, which has been integrated with the Social Security Organisation (SOCSO) and renamed 'Kasih Suri Keluarga Malaysia', meanwhile gives housewives and widows registered under the Government's e-Kasih system, to gain access to social security. Other initiatives include promoting our Voluntary Excess (VE) scheme where members can increase their EPF contribution above the 11% statutory rate.


These were some of the initiatives rolled out by the EPF during the year as part of the solution to address the adequacy of savings and retirement income security, and reflects the EPF's goal of bridging the country's social protection gaps.

DIGITAL TRANSFORMATION

The Digitise EPF 2025 roadmap continues to guide its approach towards becoming a digitalised EPF. The roadmap is based on five strategic pillars, each covering a core aspect of our digitalisation journey. These pillars form the basis of initiatives and plans implemented across its operations.

CHIEF EXECUTIVE OFFICER'S MESSAGE


We take pride in being recognised for our digital solutions as the EPF emerged as a winner of the Pensions & Investments WorldPensionSummit 2021 Innovation Award in the Technology category held in The Hague, Netherlands, for our e-Payroll system.

 More on our approach to digital transformation can be found in the Strategy and Business Outlook section on page 31 of this Integrated Annual Report.

SUPPORTING OUR WORKFORCE

Much of the progress made can be attributed to our team of self-motivated individuals who demonstrated solid commitment, dedication, and agility in helping build the EPF into the sustainable organisation that it is today.

Human capital-related measures implemented in 2021 focused on enhancing wellbeing and providing opportunities to broaden employee skillsets and knowledge. These measures included the introduction of the Employee Wellbeing Index and compulsory learning plans for all EPF employees. As our employees returned to the workplace, we also continued to maintain a conducive workplace by adhering to standard operating procedures to minimise health risks for our workforce.

 More information regarding how the Fund has managed its human capital can be found in the Strategy and Business Outlook section on page 31 of this Integrated Annual Report.

REALISING SUSTAINABLE DEVELOPMENT

The EPF has been diligent in discharging its investment stewardship responsibilities. This can be seen through our active engagement with investee companies on ESG compliance,



To successfully achieve a fully ESG compliant portfolio by 2030 and a climate-neutral portfolio by 2050, in line with the 12th Malaysia Plan's aspirations for a carbon-neutral Malaysia, we are committed to achieving our sustainable investment ambitions that will be the foundation of our overall pursuit of sustainability. This comes as we balance our power to influence change and the capabilities of our investee companies to meet those ambitions. Our Sustainable Investment Centre maintains purview over all the EPF's sustainable investment matters and is the primary body driving sustainable investment initiatives, which include conducting sustainability reviews for new investment proposals and developing and rolling out the Fund's sustainable investment policies.

The EPF's overarching targets towards climate neutrality and a fully ESG-compliant portfolio have assisted us in developing our investment activities around ESG issues. This includes the EPF's future focus on incorporating considerations beyond short-term returns and looking deeper into sustainability parameters as part of its key indicators for success and growth.

The EPF's commitment to responsible investing and promoting effective corporate governance as well as investor stewardship goes far beyond supporting the advancement of efficient markets and sustainable economies. It is slowly becoming the foundation to improve long-term outcomes for EPF members.

At the core of successful ESG and sustainable investing are strong governance practices, which are a prerequisite to protecting shareholders' interests, and lay the foundation for stronger environmentally and socially-conscious practices.

In addition to incorporating sustainability across investment activities, we are also working to operationalise sustainable practices across our offices and branches in order to limit the EPF's overall environmental footprint. In 2021, we paid close attention to our operational activities and identified opportunities to mitigate and reduce the environmental impact, where feasible, while operating in strict accordance with all applicable laws and regulations.

CHIEF EXECUTIVE OFFICER'S MESSAGE

FOCUS AREAS

The global economic recovery is continuing even as we face the existential threat brought by the pandemic. On the domestic front, we remain optimistic about Malaysia's growth prospects following the reopening of economic and social sectors. We expect growth to pick up as the year progresses due to heightened domestic and external demand.

At this point, we will be focusing on key priorities as outlined in our Three-Year Rolling Plan (3YRP) – ensuring income adequacy; enhancing EPF coverage; and achieving a fully ESG-compliant portfolio by 2030 and becoming climate neutral by 2050. As we align our strategies to the change in business and operational environments, other key activities such as engagement with investee companies and enhancing the strengths of the strong team we have at the EPF will also move in tandem to ensure we achieve the targets and outcomes we have set for ourselves.

As one of the pillars of the country's social protection framework, the EPF's fund performance and presence in the domestic capital market are integral to the country's economic success.

We will focus on delivering on and accelerating our ambition to empower more Malaysians to save for retirement. Moreover, we will continue to look for opportunities to pivot and enhance our services to better meet the dynamic needs of our members, employers, and other key stakeholders.

ACKNOWLEDGEMENT

On behalf of the EPF leadership team, I would like to convey my deepest appreciation to our Tan Sri Chairman and the other members of the EPF Board for their wisdom and guidance, as well as to the Investment Panel for their direction and trust in the EPF's leadership team.

What the EPF has accomplished would not have been possible without the dedication, contribution, and commitment of the 5,801-strong team in the EPF. Even in the face of adversity, the team remained resilient and adapted capably to the challenges of the past year, whilst keeping to the EPF's values of Integrity, Customer Focused, Continuous Improvements and Teamwork.

Clearly, the real driving force behind the EPF's achievements are our members and employers who have given us their trust and confidence in managing and enhancing the savings that will see them through their retirement years. We are privileged to have your support and look forward to continuing to serve you.

DATUK SERI AMIR HAMZAH AZIZAN
Chief Executive Officer

