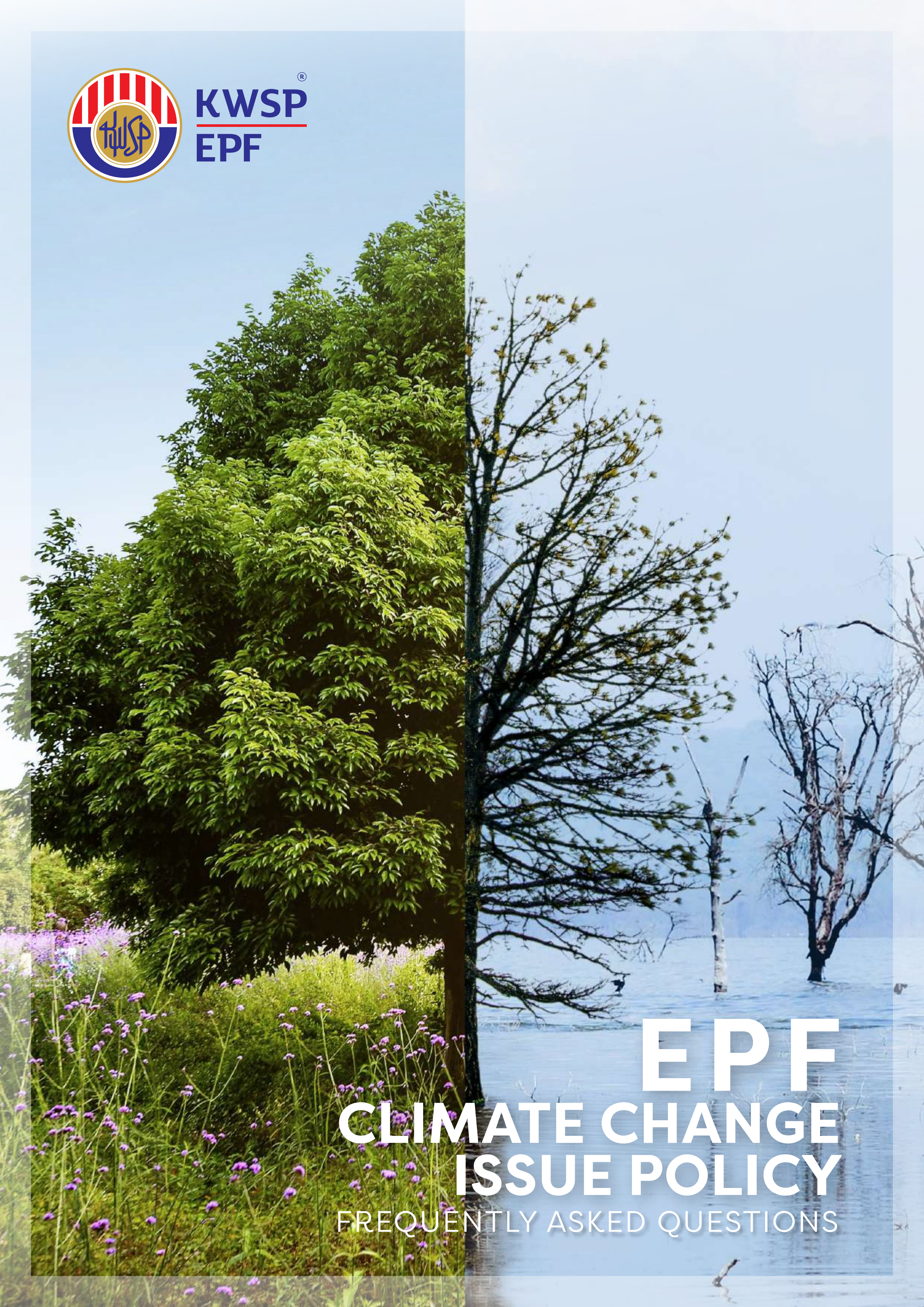

KWSP
EPF

EPF CLIMATE CHANGE ISSUE POLICY

FREQUENTLY ASKED QUESTIONS

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1. Why are EPF's investee companies and external fund managers expected to address issues relating to Climate Change?

EPF's views on Climate Change as a critical issue to address is in line with national and global priorities. We believe that Climate Change has the potential to significantly impact business reputation and performance, from the perspectives of risk management and value creation, and ultimately overall portfolio returns.

As such, as a long-term and global financial investor that aims to safeguard our members' savings and help them achieve a better future, EPF is committed to addressing the Climate Change issues as an enterprise, as well as through our investments. With our Climate Change policy, the set of expectations provide guidance to investee companies and external fund managers to address these issues in a meaningful manner.

2. There are some sub-issues that may not necessarily be significant / relevant to my business / sector. Are investee companies and external fund managers expected to address all of EPF's Climate Change sub-issues?

EPF recognises that some sectors / businesses are more exposed to certain sub-issues than others. Hence, investee companies and external fund managers are expected to perform a materiality assessment and engage with EPF in a dialogue on the applicability of the sub-issues and accompanying expectations to their respective businesses.

According to GRI Standards, conducting a materiality assessment entails identifying the materials ESG issues that "represent the company's most significant impacts on the economy, environment, and people, including impacts on their human rights". Understanding a company's material ESG issues enables better identification of ESG risks and opportunities that the company is exposed to, and hence providing a directional steer on the priority areas that need to be addressed.

For more details, companies may refer to GRI Standards for guidance on approaching the materiality assessment.

3. Are EPF's expectations on Climate Change aligned with global ESG standards and frameworks?

EPF's list of ESG expectations are aligned with internally recognised ESG standards and frameworks. Investee companies and external fund managers can refer to the global standards below to identify the materiality of sub-issues / expectations, as well as the key activities and tasks that can be introduced to meet EPF's expectation list.

No.	ESG Standards	Description	Type	Link
1	SASB Materiality Map	A leading sustainability accounting standard for investors and companies; endorsed by top global investors such as Blackrock	Disclosures	*https://www.sasb.org/standards/materiality-map/*
2	GRI Standards	First global standards for sustainability reporting and currently the most widely used ESG reporting standards by companies	Metrics, Disclosures	*https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/*
3	UN SDGs Map	17 sustainability goals defined by the UN and adopted across 193 countries; commonly used by companies and investors to derive their ESG focus area	Metrics, Disclosures	*https://sdgs.un.org/goals*
4	TCFD Standards	Standards developed in 2015 focused on establishing guidance on voluntary climate-related financial risk disclosures	Disclosures	*https://www.tcfdhub.org*
5	Bloomberg	Leading data aggregator that compiles ESG sub-issues, metrics and data points from established sources such as RobecoSAM and SASB	Metrics	*https://www.bloomberg.com/professional/dataset/global-environmental-social-governance-data/*
6	UN PRI	Principle-based framework by a network of UN-supported international investors to integrate sustainability into investments	Metrics	*https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/environmental-issues*

No.	ESG Standards	Definitions	Type	Link
7	UN Global Compact	Largest corporate sustainability initiative by the UN that sets key principles surrounding environment, labour and human rights	Disclosures	*https://www.unglobalcompact.org/what-is-gc/our-work/environment*
8	WEF IBC	A set of common sustainability metrics and recommended disclosures that are aligned with existing standards and can be applied across industry sectors and countries	Metrics, Disclosures	*https://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf*

4. EPF has introduced different types of expectations ie core requirements, best practices and voluntary in its phased approach. What is the intention behind this approach?

One of EPF's investment philosophies is to uplift our investee companies and external fund managers on their respective ESG pursuits. Hence, the different types of expectations are set out to be implemented in a phased approach, with the purpose of encouraging companies to progressively enhance their ESG responses over time, starting with implementing the foundational core requirements in the immediate term. Nonetheless, for companies that are already fairly mature in their ESG pursuits, they are encouraged to adopt EPF's best practices and voluntary expectations, even in the immediate term, to advance further on their ESG journey.

5. Expectation #3, which is a core requirement, states that companies should establish a clear time-bound emissions reduction plan in line with achieving net zero by 2050. What if my company is not able to commit to achieving net zero by 2050 at this point in time?

EPF acknowledges that some businesses / sectors may require a longer time frame to achieve net zero, given sector- / business-specific nuances. Nonetheless, EPF expects companies to develop a realistic pathway towards achieving net zero, and to socialise it with EPF to enable common understanding. EPF may assess this on a case-by-base basis and provide further guidance, where relevant.

6. Expectation #11, which is a core requirement, states that companies should seek to align their disclosures and reporting practices relating to climate risks and opportunities with TCFD. What if my company is not able to adopt TCFD recommendations by 2024?

This expectation has intentionally been kept fairly broad, with the intention of encouraging companies to progressively enhance their climate disclosure practices. Currently, companies are expected to simply align with TCFD recommendations, e.g. through qualitative climate impact assessments and scenario analyses. Over time, companies can progressively enhance the robustness of their approach to fully adopt TCFD recommendations.

Additionally, aligning climate-related disclosures with TCFD recommendations is in line with global and regional trends, as well as EPF's reporting requirement as a UN PRI signatory. Locally, this is also aligned with BNM's Climate Risk Management and Scenario Analysis (Exposure Draft) issued in December 2021, which requires financial institutions in Malaysia to make annual climate-related disclosures that are aligned with TCFD recommendations by 31 Dec 2024.

7. How does EPF intend to monitor performance against the expectations set out in the Climate Change Issue Policy? Would the disclosures in my company's annual sustainability reporting suffice?

Companies' sustainability reporting would be one of the reference points for EPF to monitor performance against EPF's expectations. EPF may also leverage on external ESG data providers for additional information. Nonetheless, we acknowledge the data limitations of publicly available information, and hence we may reach out directly to companies to validate our findings and / or request for additional ESG data relating to the expectations in the Climate Change Issue Policy.

8. Is there a point contact from EPF whom I can reach out to for further clarifications on the Climate Change Issue Policy?

Kindly reach out to EPF's dedicated Sustainability Centre Office at sustainability@epf.gov.my.

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