To Chairperson of Public Listed Companies

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 your board's attention to several issues that we believe is important to ensure the best standards in corporate governance practices.

2. 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. As such, <u>it is our policy to vote against the reappointment of independent directors whom have served for more than twelve years</u>. In such case where the independent director has contributed positively to the board, we have no objection to the re-designation as non-independent, so long as the overall independent director's composition on the board is at least a third where the chairman is independent, or half of board if the chairman is non-independent.

3. 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, <u>we will continue with EPF policy to vote against directors of age 80 years and above.</u>

4. 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. EPF support the government's call for 30% female board representation in the public listed companies, prioritising merit as one of the key criterion. In addition, it is <u>EPF's policy to vote against any directors' reappointment if the company does not have any women directors on its board.</u>

5. Remuneration of key executive positions. EPF believes that remuneration of directors should be performance based that balance both short term and long term objectives. EPF strongly encourage company to disclose the composition of salary and benefits of its key employees along with each and every individual directors in the annual report. In the event that the remuneration is considered excessive or does not commensurate with the performance of the company, EPF proxies will engage and raise the issue with the management and the board of the company at shareholder meetings. EPF 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. In addition, <u>the board must also ensure that its remuneration committee to comprise of only non-executive directors, majority of which are independent</u>.

6. Disclosure of CEO and employee remuneration data. We now request for a more comprehensive disclosure of corporate remuneration structure in the form of CEO pay gap ratio in annual report to promote corporate transparency and enhance the quality of data being disclosed. Among the new key data, and this may be enhanced in the future, is the mean and median employee remuneration in the corresponding financial year. For ease of reference, we define employee as a person who is hired on a full-time basis in the company's Malaysian-based operations or subsidiaries. We urge all companies to disclose the following data in the upcoming annual report where possible.

Remuneration data disclosure (Annual pay)	CEO
Total Pay (RM)	

Remuneration data disclosure (Annual pay)	Employee
Mean pay (RM)	
Median pay (RM)	
Lowest total pay (RM)	
Highest total pay (RM)	

Note: Total Pay include wages, allowances, bonuses, commissions, contribution etc.
Mean refers to the average salary of a Malaysian-based employee.
Median refers to the midpoint salary among the Malaysian-based employees.

7. **Employee share schemes.** Employees are valuable asset of any organisation and should be rewarded in accordance to performance. Schemes that award equity of the company to employees is an effective 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.

8. **Share buy-back scheme.** The company has to ensure that the share buy-back scheme is conducted in the best interest of the company and its shareholders. Such consideration should balance between the benefits of deploying excess cash into reinvestment that will sustain future profitability or return cash to shareholders in the form of dividends or share buy-back scheme. <u>EPF will vote against any share buy-back resolutions if the company does not have a good dividend payment record and the company has a weak balance sheet as represented by its high gearing.</u>

9. **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.

10. **Care and protection for the environment and local communities.** It is 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. Further disclosures on safety and health policies and procedures in conducting ordinary course of business should be made available to public through the publication in the annual report**.**

11. **Sustainability metrics disclosure**. To express our commitment under the UN-Principles for Responsible Investment, we are crafting measurable sector specific ESG metrics which would be required to be disclosed by the companies moving forward in the annual report. The data disclosures required will be notified in due course.

12. **Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009** will take effect on 1 June 2020 and will affect the corporate liability of Malaysian businesses for the first time. Under this provision, directors and management are liable for the actions of the company if it is involved in bribery unless it can prove that it has successfully implemented adequate procedures designed to prevent employees from undertaking such conduct. To ensure that the company has built-in anti-corruption policies, EPF require the disclosure of the policies and procedures in the company annual report. In line with this, EPF will vote against any reappointment of director who is involved in corruption regardless of its scale.

13. **Shareholders' empowerment.** The introduction of Section 195 of the Companies Act 2016 places a special right for shareholders to raise key matters of which could be in the best interest of the company for the board to consider. Notwithstanding the fact that the company are managed by experience and capable individuals, EPF may time to time, in the best interest of the company engage with other key shareholders to pass a special resolution and to make a binding proposal to the board.

We hope the board understands 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.

Yours sincerely,

ROHAYA MOHAMMAD YUSOF
Chief Investment Officer

VOTING GUIDELINES AT SHAREHOLDER MEETINGS 2020

	SHAREHOLDER RESOLUTIONS	VOTING
1.	**RE-ELECTION OF DIRECTORS** If any of the following applies on any directors for re-appointment: 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
2.	**SUCCESSION PLANNING** Re-appointment of director exceeding 80 years old (except the founder of the company).	AGAINST
3.	**INDEPENDENCE** Re-appointment of any Independent Director who has served on the Board for more than 12 years.	AGAINST
4..	**BOARD DIVERSITY** For companies where there is no female director on the board, the voting is implemented in the following order: a. Chairman of the Board, or b. Chairman of Nomination Committee (or its equivalent), or c. Re-appointment of any male directors	AGAINST
5.	**EXCESSIVE REMUNERATION** For companies where EPF believes the Executive Directors receive excessive payment, the voting is implemented in the following order: a. Chairman of the Board, or b. Chairman of Remuneration Committee (or its equivalent), or c. Re-appointment of any Independent Directors	AGAINST
6.	**DIRECTORS FEES** a. If past decisions from the board has brought the company into a financial stress.	AGAINST
7..	**EMPLOYEE SHARE SCHEME (ESS)** 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 performance-based d. The entire ESS issue is vested immediately and not on staggered-basis. e. The ESS is awarded to Non-Executive Directors of the company.	AGAINST
8.	**SHARE BUY-BACK SCHEME** a. The company has a weak balance sheet with high gearing or does not generate strong cash flow. b. The company does not have a good dividend payment record or no dividend payout statement.	AGAINST