

CORPORATE OVERVIEW

The Employees Provident Fund (EPF), established in 1951, is one of the oldest and largest retirement funds in the world. We have transformed significantly from our early days, driven by our Vision to help members achieve a better future.

In line with our Mission to safeguard members' savings and deliver excellent services, we have evolved from a primarily transaction-centric organisation to a professional fund management organisation with strong focus on retirement security.

We oversee a mandatory retirement savings scheme for all private and non-pensionable employees in the country. The EPF is based on a defined contribution model where both employees and employers contribute a fixed percentage of the employees' monthly salary into the employee's (member's) account. By law, we also ensure the 540,833 employers registered with the EPF, as at 31 December 2016, fulfil their responsibility of contributing towards their employees' retirement savings. Our membership grows by the year and today stands at 14,806,595, of whom 6,882,983 are active members (those who have contributed at least once within the 12-month period).

Our mandate is not just to preserve but also grow members' assets. As at 31 December 2016, our total investment assets stood at RM731.11 billion. Guided by stringent investment policies, we invest our assets into a portfolio of safe and relatively high-yielding instruments. Our diverse asset classes comprise government bonds and securities balanced by investments in equities, money market instruments and real estate and infrastructure.



OUR SHARED VALUES



Integrity



Customer Focused



Continuous Improvement



Teamwork

INTEGRITY

We practice a zero-tolerance policy on breaches of integrity and ethics, in order to maintain the highest level of trust and confidence in our organisation.

CUSTOMER FOCUSED

We are committed to providing our members with fast, accurate and pleasant service whether through kiosks, telephone, face-to-face, online transaction, email or traditional mail.

CONTINUOUS IMPROVEMENT

We encourage a performance-driven culture and ensure EPF employees undergo regular training and skills enhancement, in order to keep pace with the rapid changes in the operating environment by using latest technologies for a more effective and efficient service.

TEAMWORK

We instil the values of teamwork by breaking down the silos to create a healthy and vibrant working environment.

AWARDS

ASIANINVESTOR INSTITUTIONAL EXCELLENCE AWARDS 2016

- Southeast Asia

PENSIONS & INVESTMENT'S WORLDPENSIONSUMMIT INNOVATION AWARDS 2016

- The EPF's Retirement Advisory Service (RAS) was accorded the award in the Communications category during the awards ceremony at the Louwman Museum in The Hague, Netherlands

HR ASIA BEST COMPANIES TO WORK FOR IN ASIA 2016

MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS 2016

- Ranked 62nd among the Top 100 Most Popular Employers
- Government-Linked Companies Sector Finalist

UNIVERSUM MALAYSIA'S MOST ATTRACTIVE EMPLOYER AWARD

- Top 100



Malaysia's 100 Leading Graduate Employers 2016
Ranked 62nd among the Top 100 Most Popular Employers

HR Asia Best Companies To Work For In Asia 2016

AsianInvestor Institutional Excellence Awards 2016
Southeast Asia

IFN Awards Islamic Investor 2015
Best Institutional Solutions Provider

GRADUAN® BRAND AWARDS 2015

- 32nd Place for Top 50 Most Preferred Employers
- First Place for Top 3 Companies by Industry (Government)

AWARD OF EXCELLENCE FOR E-PAYMENT DIRECT DEBIT (e-CARUMAN)

- Second Place

PROGRAM SISTEM STAR RATING (SSR) 2015

- Recognised as five-star agency for the fourth consecutive year

MS ISO 9001:2008 CERTIFICATION

- Certification Retained

ISO/IEC 20000-1:2011 CERTIFICATION

- Monitoring Audit

CLEAN AUDIT CERTIFICATE FOR FINANCIAL AUDIT 2015

IFN AWARDS ISLAMIC INVESTOR 2015

- Best Institutional Solutions Provider

CERTIFICATION ISO/IEC 27001:2013 INFORMATION SECURITY MANAGEMENT SYSTEMS

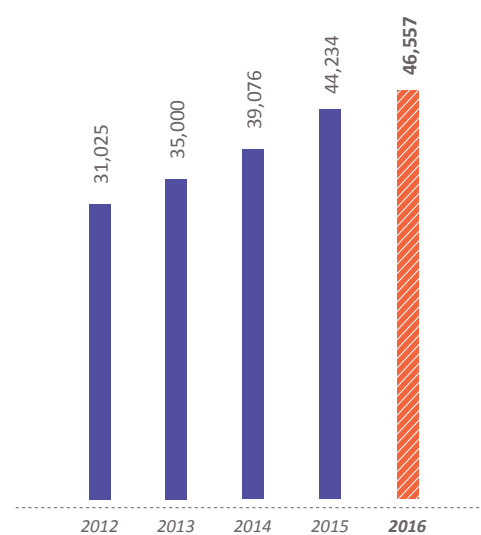
- Security Techniques – Information Security Management Systems – Requirements

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Snapshot of Financial Results	IN RM MILLION				
Gross Investment Income	31,024.94	35,000.36	39,076.48	44,234.03	46,557.22
Net Investment Income	28,970.55	32,532.72	37,824.88	40,701.25	37,917.09
Other Income	98.81	156.63	165.82	231.71	196.31
Total Income	29,069.36	32,689.35	37,990.69	40,932.96	38,113.39
Total Expenditure *	860.81	1,227.75	1,175.85	1,245.88	1,248.26
Net Income	28,208.55	31,461.60	36,814.84	39,687.08	36,865.13
Dividend Credited to Members' Account	27,450.92	31,200.17	36,656.46	38,243.40	37,076.32
Summarised Financial Position	IN RM MILLION				
Total Members' Fund **	532,274.73	593,450.87	640,207.42	688,294.55	737,048.39
Total Assets	536,029.19	597,820.50	646,697.25	696,113.49	742,324.48
Total Liabilities	3,754.46	4,369.63	6,489.83	7,818.94	5,276.09
Key Financial Ratios	ALL IN PERCENTAGE (%)				
Return On Investment	6.87	6.97	7.25	7.48	7.12
Total Expenditure Over Total Income ***	2.71	3.48	2.99	2.78	2.67
Total Expenditure Over Total Assets	0.16	0.21	0.18	0.18	0.17
Investment Growth	12.31	11.37	11.13	8.42	7.34
Annual Dividend Rate	6.15	6.35	6.75	6.40	5.70

Gross Investment Income

In RM Million



* Comprising Operating Expenditure and Statutory Charges.

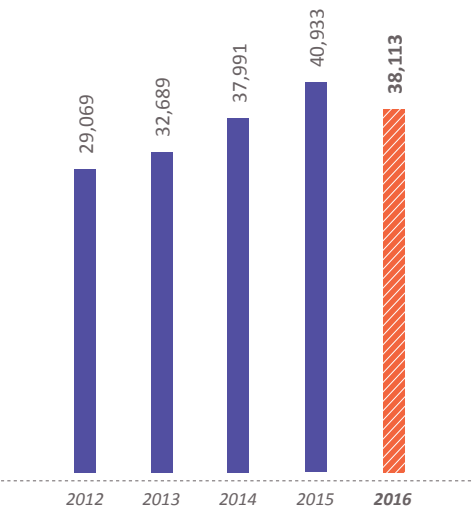
** Comprising Contributions Account, Available-For-Sale Financial Assets Reserve (from 2010 onwards) and Section 50(3) Reserve (until 2011 only).

*** Total Income includes writeback of impairment allowance on financial assets and reversal of impairment loss on investment in subsidiaries and associates.

FIVE-YEAR FINANCIAL HIGHLIGHTS

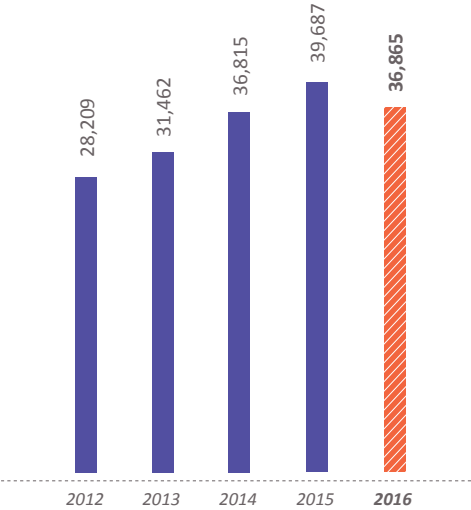
Total Income

In RM Million



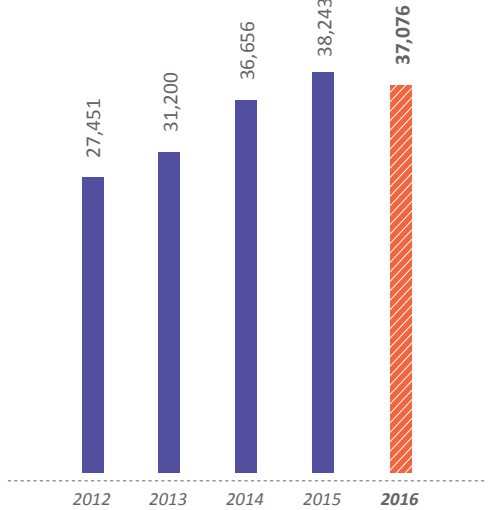
Net Income

In RM Million



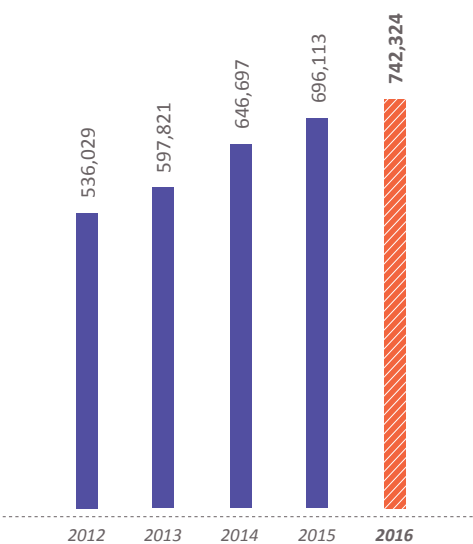
Dividend Credited into Members' Account

In RM Million



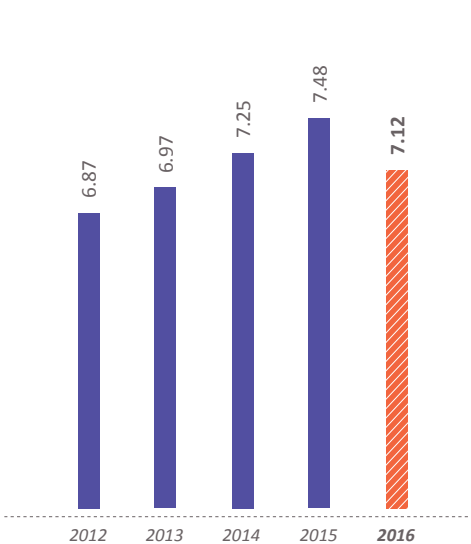
Total Assets

In RM Million



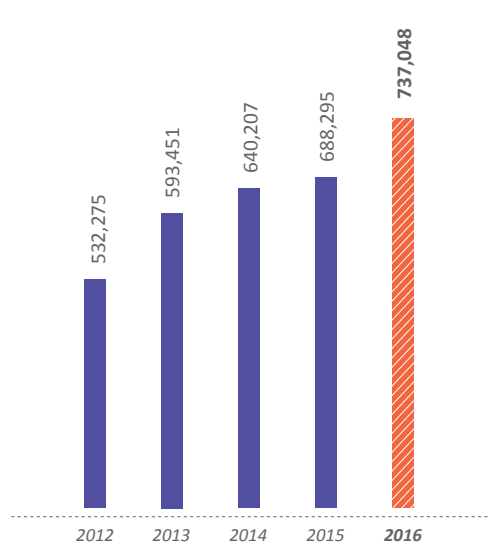
Return on Investment

All in Percentage (%)



Total Members' Fund

In RM Million



CORPORATE DIARY 2016

JANUARY

- 8 Visit by officers from TalentCorp Malaysia



- 13 Visit from the Social Security Organisation

- 21 EPF Industry Dialogue with Fund Management Institutions and the Federation of Investment Managers Malaysia



- 22 Opening of EPF Manjung
- 27 Opening of EPF Seri Petaling

FEBRUARY

- 15 Visit from Pos Malaysia
- 18 Chinese New Year Celebration in Headquarters



- 22 Press Conference on EPF Dividend 2015

MARCH



- 2 Visit from the Unified Accumulative Pension Fund of Kazakhstan

- 8 Visit from the Administrative Staff College of India



- 21 Visit from Suruhanjaya Pengangkutan Awam Darat

- 29 Visit from Lembaga Tabung Haji

APRIL

- 5 Visit from Perodua
- 7 EPF Portfolio Managers Annual Dinner 2016
- 8 Opening of EPF Jalan Raja Chulan



- 14 EPF Management Conference 2016



- 20 Staff Briefing on Simpanan Shariah

MAY

- 3 Press Conference on the EPF Annual Report 2015

- 6 Opening of EPF Kuala Krai



- 25 Opening of EPF Batu Pahat

- 26 Visit from former EPF Chairman Tan Sri Sallehuddin Mohamed

Visit from the Salaries & Remuneration Commission of Kenya

JUNE

- 1 Visit from Polis Diraja Malaysia
- 2 Visit from the Human Resources Development Fund Malaysia
- 14 Visit from Pusat Perubatan Universiti Kebangsaan Malaysia



- 16 Visit from the Bhutan National Pension and Provident Fund

- 20 Press Conference on Simpanan Shariah



- 22 Breaking of fast at EPF Headquarters

CORPORATE DIARY 2016

JULY

- 15** Visit from the Singapore High Commissioner
- 29** Hari Raya Celebrations at the EPF Headquarters

AUGUST

- 1** Mobile Team Opening Ceremony



- 2** Visit from Lembaga Tabung Angkatan Tentera



Visit by Deputy Ministers of Finance I & II



- 8** Registration for Simpanan Shariah starts
- 9** Visit by Datuk Johari Abdul Ghani, Second Finance Minister
- 10-11** International Social Security Conference 2016
- 26** Visit from the General Organisation for Social Insurance of Saudi Arabia

SEPTEMBER



- 2** Visit from Maybank

OCTOBER



- 4** EPF 65th Anniversary Celebration



- 8** National Sports Day 2016
- 17** Visit from Kolej Universiti Islam Melaka



- 31** Visit from Universiti Malaya
- Relocation of EPF Shah Alam branch to IDCC Shah Alam

NOVEMBER



- 2** Opening of EPF Kepong
- 7** Visit from the Egyptian Financial Supervisory Authority and the World Bank
- 8** Visit from Lembaga Kemajuan Wilayah Pulau Pinang
- 8-9** 2016 Legal Conference Seminar



- 23** EPF Integrity Day



- 25** EPF Head Office Annual Dinner 2016

DECEMBER



- 22** Visit from the Social Security Administering Body for Employment, Indonesia

CHAIRMAN'S STATEMENT



“The year 2016 saw moderate recovery of the global economy with a challenging investment environment across both advanced and emerging economies.”

TAN SRI SAMSUDIN OSMAN
Chairman

From a financial perspective, we closed the year with RM46.56 billion in total gross investment income (which was the highest recorded since the establishment of the EPF in 1951) with a gross return on investment (ROI) of 7.12 per cent.

2016 IN PERSPECTIVE

2016 proved to be another challenging year for the Employees Provident Fund (EPF) amidst heightened competition for quality and sustainable assets coupled with slow performances of both the domestic and global economies. This difficult environment was further complicated by the uncertain future of the European Union signaled by Brexit and the fiercely contested US Presidential elections and its results. From a financial perspective, we closed the year with RM46.56 billion in total gross investment income (which was the highest recorded since the establishment of the EPF in 1951) with a gross return on investment (ROI) of 7.12 per cent. Despite a lower investment income of RM20.49 billion in

the first half of the year, our performance picked up significantly in the second half with an amount of RM26.07 billion.

Alhamdulillah, I am also proud to say that the EPF recorded several significant milestones in 2016 such as:

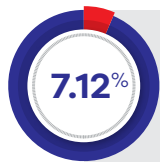
- Being the first retirement fund in the world to introduce a shariah-compliant savings account for its members, and
- Introducing several significant enhancements to the EPF Act 1991 with the establishment of Akaun Emas, a second nest egg for members who choose to work beyond age 55 until 60.

CHAIRMAN'S STATEMENT

RM46.56 billion

Gross Investment Income

(Highest recorded since the establishment of the EPF in 1951)



with a gross

Return On Investment (ROI)



First Retirement Fund in the World to introduce a **Shariah-Compliant Savings Account**

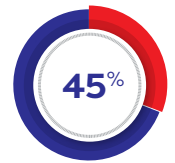


Akaun Emas a second nest egg for members who choose to work beyond **age 55** until **age 60**

Declaring the **2016 Dividend**



Our investment in **Shariah Asset**



RESILIENCE IN CHALLENGING TIMES

The year 2016 saw moderate recovery of the global economy with a challenging investment environment across both advanced and emerging economies.

The EPF lived through both interesting and dramatic times in 2016 starting with the global impact over the slowdown of the Chinese economy. The contest for the 45th US presidential seat between Hillary Clinton and Donald Trump provided a heady ride in the stock markets. Other externalities included the Brexit-led tumble of the Pound Sterling and the Brent crude price plunging below USD30 per barrel, which was the lowest in 13 years, spreading a deflationary reaction across the fixed income market.

Be that as it may, our continued focus of investing in long-term, high quality and low risk assets as well as ensuring the highest levels of governance allowed us to weather the storm and end the year with RM46.56 billion in gross investment income and declaring the 2016 dividend of 5.70 per cent.

BIRTH OF SIMPANAN SHARIAH

8 August 2016 has been etched as a historical moment for the EPF as we opened Simpanan Shariah for registration to all our members, allowing them a choice from their existing EPF savings, now termed as Simpanan Konvensional, to be managed and invested in accordance with Shariah principles.

Malaysia is the forerunner and recognised innovator in Islamic financial products. The Global Islamic Finance Report 2016¹ published an updated Islamic Finance Country Index (IFCI) that puts Malaysia on the prestigious number one spot for the first time

The EPF, being one of the largest retirement funds in the world, further fortified Malaysia's position in the Islamic capital markets with the groundbreaking Simpanan Shariah initiative.

in the history of the index, officially cementing our country as the leader in the global Islamic finance marketplace. The EPF, being one of the largest retirement funds in the world, further fortified Malaysia's position in the Islamic capital markets with the groundbreaking Simpanan Shariah initiative. With an initial allocation of RM100 billion, Simpanan Shariah was the biggest financial 'hijra' or migration ever.

The development and introduction of Simpanan Shariah was a result of the Members' Consultation exercise held in 2015, which saw a staggering 71 per cent of respondents agreeing to the EPF introducing a Shariah-based savings option. It is hoped that through Simpanan Shariah, we will get a first-mover advantage as well as become a catalyst for the Islamic finance industry which has been predicted to hit RM16 trillion by end-2020.

We are of the view that Shariah investing is a component of sustainable investing as it is predicated on a risk-sharing concept. We are on track to grow our investment in Shariah assets - already 45 per cent of our total investment assets are Shariah compliant and the expectation is to now grow these assets by at least RM25 billion a year on average.

In general, the EPF will ensure, as a whole, that its Strategic Asset Allocation has an appropriate mix between conventional and Shariah compliant assets based on expected returns. The investment assets, however, will be segregated into Shariah and non-Shariah portfolios with two sets of dividends respectively. To ensure that all investments are managed and regulated based on Shariah principles, a dedicated Simpanan Shariah Department as well as the Shariah Advisory Committee were established in 2016 and 2010 respectively.

SEAMLESS TRANSACTIONS, GREATER CONVENIENCE

In our continual pursuit to ensuring efficient transactions, we introduced several enhancements to our online facilities, namely e-Pengeluaran for members and e-Caruman for employers. In April 2016, we expanded the e-Pengeluaran facility to include Education Withdrawals, where members can now submit their application online to withdraw from their EPF savings to fund their own or their children's education at local higher learning institutions.

The year also witnessed the EPF entering into a strategic collaboration with the Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear), a wholly-owned subsidiary of Bank Negara Malaysia and operator of the FPX system, with the launch of the Contribution Payment Transformation Programme. The integration of FPX into the EPF's e-Caruman facility allows employers to make online payments directly from the e-Caruman portal and mobile app at zero transactional charges.

¹ Global Islamic Finance Report 2016: Islamic Finance Policy, "Islamic Finance Country Index - IFCI 2016, Table 7: Adjusted IFCI Scores for 2016"

CHAIRMAN'S STATEMENT



After 65 years, we gave the existing EPF logo a simple makeover by updating it to have a cleaner, fresher and contemporary look while maintaining the strong visual identity.

Hassle-free has always been a fundamental part of our operations and in this case, we wanted to ensure the switch from Simpanan Konvensional to Simpanan Syariah was done in a seamless, convenient and efficient manner for both members and employers. We were able to maintain the same operations and processes, from registration to withdrawal, with only minor adjustments to incorporate the Syariah requirements. Members wishing to move to Simpanan Syariah were only required to produce their identification card and affix their thumbprint on the *Akad Wakalah* (contract agreement). For employers, there is no change to the current contribution process.

ACTIVE AGEING

The United Nations, in its World Population Ageing Report 2015², has projected that Malaysia is to become an aged country by 2030 where people aged 60 and above will make up 14 per cent of the population. While Malaysians are enjoying an increase in lifespan from an average age of 50 in 1950s to the present average age of 75, the issue is not about longevity, but rather the quality of life as we get older.

14 years until 2030 is a very narrow window of opportunity for the Malaysian Government to address complex issues, such as social protection and public policy and national infrastructure

development, and ensure that our country has a solid social security infrastructure. Recognising this as a potential crisis, the EPF has been working closely with various stakeholders to provide input towards the development of policies and legislation in areas relating to social protection such as minimum retirement age and re-employment policy.

In August 2016, we hosted the 5th International Social Security Conference (ISSC) where experts and industry players from across the world convened in Kuala Lumpur to discuss the many issues and challenges in social security. Themed “Active Ageing: Live Long and Prosper”, the ISSC 2016 gathered experts from Malaysia, Denmark, Canada, Japan, Hong Kong and Singapore to share ideas and experiences on healthy ageing, how to establish age-friendly communities, as well as encourage engagement of the growing senior generation in the economic and social landscape. Apart from panelists challenging the definition of retirement, we also heard how elderly citizens could be empowered and cared for using cutting-edge robotics technology.

From a global front, we were honoured that our efforts in creating the region’s first Retirement Advisory Service (RAS) received international attention when we were awarded the WorldPensionSummit Innovation Awards 2016. This award will only encourage and motivate us to further improve and innovate in delivering our mandate to our members.

65TH ANNIVERSARY AND BRAND REFRESH

It was a special 65th anniversary celebration for the EPF. Apart from acknowledging achievements and reaffirming our commitment to members, we also took the opportunity to unveil a refreshed EPF logo and launch our brand refresh initiative.

Taking into account the rapidly changing demographics, the EPF has progressively changed and evolved throughout the decades and we felt that it was timely for our brand to also keep pace with the developments and higher expectations of our members. After 65 years, we gave the existing EPF logo a simple makeover by updating it to have a cleaner, fresher and contemporary look while maintaining the strong visual identity that has made the EPF easily recognisable and trusted by Malaysians. We hope that our fresh brand and logo effectively reflects our zeal and zest in living our core values of continually improving ourselves to serve our members better.

ENHANCEMENT OF EPF SCHEMES AND POLICIES

Ensuring a sufficient income to maintain a comfortable lifestyle post retirement remains a core focus on our members’ minds. As a responsible retirement fund, it is incumbent upon us to help our members retire within a reasonable level of comfort

² United Nations World Population Ageing Report 2015: Annex III Summary Tables: “Table A.III.1 Population aged 60 years or over, percentage of population aged 60 years or over and median age, 2015, 2030, 2050”

CHAIRMAN'S STATEMENT

and dignity. It is for this reason we introduced several measures such as Akaun Emas (Age 60 Withdrawal), which acts as a second nest egg for those who continue to work after age 55, in addition to the existing members' Age 55 Withdrawal account. All new contributions received from age 55 to 60 will be parked in Akaun Emas where withdrawals can only be made once members reach the age of 60, in line with the new minimum retirement age. We assure members there is no change to age 55 withdrawal.

Other notable enhancements to EPF policies include scrapping the need for a witness when members do nomination, extending dividend payments from age 75 to 100, and streamlining withdrawal schemes for foreign EPF contributors.

LIVING OUR CORE VALUES

Our continuing efforts to build the right work behaviours, values and environment had borne fruit when we won the *HR Asia Best Companies to Work For in Asia 2016* for the second time in a row. The core objective of our efforts was to create an organisation where our talents are not only properly rewarded and recognised, but also an avenue to proudly work towards a noble purpose.

I am happy to have seen examples of such positive behaviours clearly demonstrated when we launched Simpanan Shariah. When we opened for registration, members came in droves to all our counters nationwide, some as early as 7am before our doors had even opened. However, our front-liners were well prepared for this, with branches opening their doors earlier than normal and some even developing their unique queuing system to manage the crowd. The first day alone saw a total of 41,583 members nationwide switching to Simpanan Shariah. By end-August, we had received more than 350,000 applications, which was equivalent to approximately RM38 billion worth of assets. When we closed registration on 23 December 2016, a total of 635,037 members had made the switch and RM59.03 billion from the initial RM100 billion allocation was taken up.

From the conceptual stage to the opening of Simpanan Shariah for registration, our employees had shown immense dedication and commitment to making it a success. The level of enthusiasm by all our staff, especially shown by our front-liners who had to patiently engage our members non-stop, was indeed



heartwarming. The EPF's four core values - Customer Focused, Continuous Improvement, Teamwork and Integrity - had been put to the test and I am proud to say that our staff passed with distinction. In addition, strong leadership and robust management have played a major role in ensuring continuous inculcation of the values, which in turn inspires the people around them to push the EPF to greatness.

OUTLOOK FOR 2017

Continuing geopolitical uncertainty will most likely mark 2017 as another real challenge for the world economy. We will maintain our long-term approach in our investments while executing transformative programmes so we can position the EPF with the right talent and capacity for our future.

To enable members' retirement well-being, we will continue with our financial literacy agenda, partnering with relevant parties, to highlight the importance of taking charge of one's finances early. As retirement planning is a continual effort, we plan to expand our RAS from the current 18 to 28 nationwide to enable easier access for our members.

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to all our Board and Investment Panel members who have been extremely supportive of our efforts and ensuring that a strong governance structure is in place to enable the EPF to succeed and deliver long-term sustainable growth.

I would also like to acknowledge the support of the Government and its agencies, notably the Ministry of Finance and Bank Negara Malaysia for continuing to engage and work with us in our endeavour to provide retirement well-being for our members.

As Chairman, I am pleased to welcome the newly appointed Board and Investment Panel members to the EPF, and my thanks and best wishes go to all the outgoing members for their contribution during their tenure with the EPF. Also on behalf of the EPF, I would like to take this opportunity to convey our sincere condolences to the family of the late Datuk Dr Sundaran Annamalai, former Deputy Secretary-General (Policy), Ministry of Finance, who had passed away on 5 May 2016 and to the family of the late Allahyarham Encik Khalid Atan, former president of the Malaysian Trades Union Congress (MTUC), who had passed away on 26 January 2016.

My profound gratitude goes to EPF Chief Executive Officer, Datuk Shahril Ridza Ridzuan for his decisive leadership and capability to steer the organisation on the right course as we aim for world-class standards. Not least, my heartfelt thanks and appreciation goes to each and every one of our management team and all employees for their commitment and dedication in making the EPF the respected organisation it is today.

We will continue to keep up the good work and remain focused on our aim to provide the best retirement service to our members.

TAN SRI SAMSUDIN OSMAN
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased that we have been able to announce a dividend of 5.70 per cent for 2016, a commendable performance given that the FTSE Bursa Malaysia KLCI closed negative for the third year in a row at -3.00 per cent.



DATUK SHAHRIL RIDZA RIDZUAN
Chief Executive Officer

“We ended the year with a gross return on investment (ROI) of 7.12 per cent and total gross investment income at RM46.56 billion, an increase of 5.27 per cent compared with the RM44.23 billion achieved in 2015, a performance that is admirable given the harsher economic environment.”

STEADY PERFORMANCE AMID VOLATILITIES

The year 2016 saw the Employees Provident Fund (EPF) navigate an extremely difficult terrain, marked by surprising and unexpected political developments in major economies around the world, such as the Brexit vote and the US Election outcome.

Looking back, we have been operating on the back of a period of low global growth, at the same time navigating between the change in monetary policies in major economies, the slump in crude oil and other commodity prices, a weak domestic currency, lackluster corporate earnings and large-scale withdrawal of capital from emerging market economies to developed economies and safe haven currencies. All these external factors had resulted in challenging trading conditions, with little opportunity to realise profits on both the domestic and global fronts throughout the first and second quarters of 2016.

CHIEF EXECUTIVE OFFICER'S STATEMENT

We are of the view that Simpanan Shariah is set to become a significant mover in the Islamic finance landscape as it is expected to boost demand for Islamic products.

The economy took a turn for the better towards the middle of the year, due largely to improved conditions in global markets, and we have since been able to capitalise on our holding of overseas assets to take profits and reinvest them, resulting in a respectable third quarter performance. Towards the end of the year, we were again engulfed by huge volatility due to the withdrawal of capital from the domestic market, resulting in the Ringgit depreciating significantly.

We ended the year with a gross return on investment (ROI) of 7.12 per cent and total gross investment income at RM46.56 billion, an increase of 5.27 per cent compared with the RM44.23 billion achieved in 2015, a performance that is admirable given the harsher economic environment.

As a prudent investment fund we undertook larger provisioning in 2016, recognising net impairment amounting to RM8.17 billion as compared to RM3.07 billion in 2015, after factoring in lower equity prices, particularly in the banking and oil and gas sectors. Notwithstanding all these challenges, I am pleased that we have been able to announce a dividend of 5.70 per cent for 2016, a commendable performance given that the FTSE Bursa Malaysia KLCI closed negative for the third year in a row at -3.00 per cent.

During a time when the domestic market performed lower than expected, our diversified investments allowed us to take profit from other markets. As at 31 December 2016, our global investments, which constituted about 29 per cent of total asset under management (AUM) of RM731.11 billion, contributed about 39 per cent or RM18.16 billion to the total gross investment income for the year under review.

As we gear up towards becoming a trillion-ringgit fund, we are looking at increasing our exposure to global markets in coming years. This is in line with EPF's strategy of prudent investment and diversification across multiple asset classes, geographies and currencies. Our current formula of asset diversification has proven to work very well under adverse circumstances, giving us the flexibility to maneuver between different assets or markets at different times.

We also forged several long-term strategic partnerships with established players in the area of infrastructure and real estate investments, in line with efforts to boost our portfolio returns. Following a successful venture in 2015, the EPF again teamed up with Eco World Development Group Berhad for the development of two 198 acres of land in Ijok, Selangor into a mixed residential and commercial development known as Eco Grandeur and an integrated business park known as Eco Business Park V.

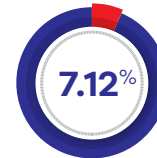
We also partnered with Taliworks Corporation for a third time, acquiring a 35 per cent stake in a waste management company SWM Environment Holdings; and with Ekovest Berhad in the acquisition of the Duta-Ulu Klang Expressway (DUKE). As a retirement fund focused on generating real rate of returns, the infrastructure and real estate asset class are in line with our strategy to increase exposure to inflation-linked assets which are able to meet our risk return expectations and generate a steady flow of income.

GROUNDBREAKING INITIATIVES

2016 has been a year of implementation for our medium to long term strategies where many of our initiatives came into fruition. All these initiatives were introduced after factoring in the views of our members collected during the Members' Consultation Exercise conducted in 2015. Among others, we moved from being a 'one-fund, one strategy' retirement fund to now providing options for our members with the introduction of Simpanan Shariah, the first and largest of its kind in the world to offer a fully Shariah compliant retirement scheme.

As we closed registration on 23 December 2016, a total of 635,037 members had switched from their conventional savings to Simpanan Shariah, with RM59.03 billion from the initial RM100 billion allocation taken up. We are of the view that Simpanan Shariah is set to become a significant mover in the Islamic finance landscape as it is expected to boost demand for Islamic products. In addition, Simpanan Shariah converges with the principles of socially responsible investing, another area garnering momentum in the investment world.

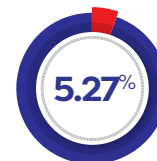
Return on Investment (ROI)



Total Gross Investment Income

RM46.56 billion

in 2016, compared with



RM44.23 billion

in 2015

“Our current formula of asset diversification has proven to work very well under adverse circumstances, giving us the flexibility to maneuver between different assets or markets at different times.”

CHIEF EXECUTIVE OFFICER'S STATEMENT



What is Akaun Emas?

Akaun Emas is an EPF Scheme Enhancement initiative introduced for members who continue to work after age 55, to serve as a second nest egg.

How does Akaun Emas (age 60 withdrawal) work?

Starting 1 January 2017, members' contribution from age 55 to age 60 will be parked under Akaun Emas, and which can only be withdrawn once members reach age 60.

Why was the Age 60 Withdrawal (Akaun Emas) introduced?

This facility was introduced in tandem with the increase of the compulsory retirement age from age 55 to age 60, as implemented by the government in July 2013.



Another groundbreaker was the introduction of Akaun Emas. Recognising the need to address longer life expectancy and inadequacy of retirement savings, the new Akaun Emas serves as a second nest egg for members who continue to work after age 55. All new contributions received from age 55 to 60 will be parked under Akaun Emas and withdrawals can only be made once members reach age 60. Tied to the new official retirement age of 60 in Malaysia, Akaun Emas will lengthen the accumulation phase of members' savings and also serves to shorten the duration of dependency on their retirement savings.

The final age for dividend payment has been extended to age 100 from the previous age 75, acknowledging the fact that people now live and work longer, and hence need to manage their savings for a longer period. Extending the duration of dividend payment would help towards ensuring continued growth for members' accumulated savings.

CONTINUOUS IMPROVEMENT IN CORE SERVICES

At the EPF, we continuously seek to improve the quality of our service delivery for our 14.81 million strong and growing member base. Over the years we have been working diligently to reduce counter transactions, to be replaced with online services and mobile applications, and are constantly exploring new ways to enhance the online experience. 2016 saw our online platforms - such as i-Akaun, the EPF Kiosks and our website myEPF - continue to emerge as the preferred mode of transaction, with steady growth in

user numbers reported on a quarterly basis. It is notable that we have closed the year with 3.93 million i-Akaun registrations comprising both members and employers.

We are on track with our goal of moving 80 per cent of our transactions online by 2020. The use of technology has helped to keep operating costs low. At 25 basis points per AUM, the EPF is one of the most efficient fund managers in the world on a cost basis, despite the double-digit increase in our transaction volumes every year.

In collaboration with the Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear), a wholly-owned subsidiary of Bank Negara Malaysia and operator of online payment solution FPX, we launched the e-Caruman Contribution Payment Transformation Programme in October 2016 as part of our initiative to encourage employers to remit their monthly contribution payment using the FPX facility. We expect to see greater shifts towards e-Caruman by employers, as we gradually phase out the manual submission of Form A.

The e-Pengeluaran facility, where members can submit their withdrawal applications online, also recorded a substantial surge in usage, following the inclusion of online Education Withdrawal. After Housing Withdrawals, the Education Withdrawals was the latest and second addition to e-Pengeluaran, which has been further enhanced with an increase in the number of participating financial institutions and institutions of higher learning

CHIEF EXECUTIVE OFFICER'S STATEMENT

and education. We are working towards having more third parties participate in e-Pengeluaran in order for more members to experience the benefit of withdrawal at their fingertips from this online facility.

The expansion of our Retirement Advisory Service (RAS) to 18 branches nationwide has helped members become more aware of the importance of financial planning to prepare for a more comfortable retirement, and how to stretch their savings over their golden years by opting for staggered withdrawal which will help ensure a more sustainable stream of income upon retirement.

We are particularly encouraged that RAS has been recognised by the WorldPensionSummit for innovation in retirement services - the first in the region and second in the world to provide independent retirement advisory service that is free of charge and open to all members. We are now in the midst of preparing to expand RAS to another 10 branches by the end of 2017. By 2018, we target for all 67 branches to be able to provide RAS, and also to be able to reach out to rural communities via electronic and mobile platforms.

THE YEAR AHEAD

We will follow through on the initiatives that were introduced in 2016, while continually improving on our core services. As population demographics change, a sizeable number of millennials are expected to join the workforce and we need to keep up with evolving trends and expectations of the next generation. Hence, we are making the necessary investments to build up infrastructure, talent, capacity and capabilities in anticipation of the future.

We are bracing ourselves for another challenging year in terms of market performance, given the volatility of global markets and the unrealised implications of Brexit. Possible growing US isolationism and other geopolitical uncertainties will also likely result in further volatility going forward.

As a retirement fund, we remain committed to long-term strategic investments and will continue to invest more into assets like infrastructure, real estate, natural resources and private equity. These asset classes meet our investment objectives of



We are particularly encouraged that RAS has been recognised by the WorldPensionSummit for innovation in retirement services – the first in the region and second in the world to provide independent retirement advisory service that is free of charge and open to all members.

providing a steady and consistent stream of returns, while acting as a hedge against inflation.

We are cognisant that what we do today will impact future generations. Our commitment to members extends beyond providing best in-class services, strong governance and prudent investment activities. The AsianInvestor Institutional Excellence Award for Southeast Asia bestowed in 2016 was testament for our many progressive initiatives, including promoting diversity in our board and investment panel; putting in place strong governance frameworks to ensure internal discipline and transparency; diversification across multiple asset class, geographies and currencies; embracing ESG investing; promoting co-investments and strategic partnerships; and not least, for being the first retirement fund to offer Shariah-compliant savings option to members.

With this, my sincere thanks and appreciation goes out to all EPF employees, past and present, for their tireless dedication and steadfast professionalism throughout yet another challenging year. I am honoured to be working alongside a highly capable management team, without which our achievements for the past year would not have been possible. I am also immensely grateful to our Chairman, the Board and the Investment Panel for their strategic guidance, wisdom and support, which are all the more essential during such challenging times.

Lastly, thank you to all members and employers for your continuous support to our initiatives. I hope you will continue to actively engage in the public discourse on retirement and social security, so that we can work together in building a better retirement future for Malaysians.

DATUK SHAHRIL RIDZA RIDZUAN
Chief Executive Officer