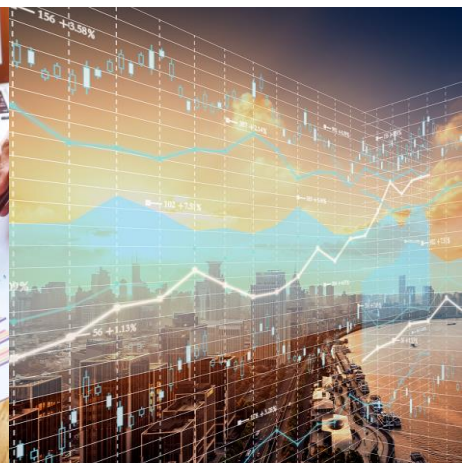




Statement of Compliance with The Malaysian Code For Institutional Investors 2020



An Introduction

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Established in 2007, KWAP is the long-term investment manager of Malaysia's pension fund for civil servants.

We manage contributions from the Federal Administration and relevant agencies to obtain maximum returns through sound management and investment.

At KWAP, our aim is to empower retirees with not only wealth through prudent and strategic investments, but also to enable them to achieve a better quality of life through programmes that facilitate more meaningful retirement.

We believe in ensuring that our business practices are sustainable and responsible and this is why we place ESG at the heart of all our operations. This document describes KWAP's approach in complying with the Malaysian Code for Institutional Investors 2014.

KWAP and MCII at a glance



The Code was introduced in June 2014



KWAP became a signatory to the Code on 19th October 2015



KWAP is among the 35 signatories of the Code



What is MCII's purpose?

As a deliverable of the Corporate Governance Blueprint 2011, this Code sets out six principles towards the delivery of sustainable long-term value to the institutional investors' ultimate beneficiaries or clients.

The Code is voluntary and provides guidance to help institutional investors understand and implement the principles.



Role of KWAP

Given KWAP's standing as one of the largest institutional investors, KWAP is in a strategic position to influence good corporate governance practices at the industry level as well at its investee companies.

KWAP can promote its conviction that good ESG practices can contribute towards generating sustainable long-term returns.

Principle 1: Institutional investors should disclose the policies on their stewardship responsibilities

In order to fulfill our objective of achieving optimum returns on investments for the fund so as to assist the Federal Administration in financing its pension liability, KWAP recognises the importance of putting in place good governance practices which are made transparent. In line with this, we disclose our policies on stewardship responsibilities in our Annual Reports.



Our stewardship approach

- We manage contributions from the Federal Administration, Statutory Bodies, Local Authorities and other agencies.
 - We are responsible for the administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investment as permitted under the Retirement Fund Act 2007 (Act 662).
 - Our investments are guided by policies as approved by our Board.
 - These include the Investment Policy and Guidelines (IPG) as well as the Strategic Asset Allocation which is reviewed periodically to assure optimum returns from relatively low-risk investments.
 - An analysis of the fund's performance is reported monthly to our IP and Board. This analysis includes performance against benchmark indices and absolute target returns for the different asset classes.
- Additionally, the Board has continuously striven to adopt best practices in corporate governance in all of KWAP's processes and operations.
 - In relation to this, the Board has established various committees to oversee specific matters relating to the operations of KWAP, namely:
 - i. Board Audit Committee
 - ii. Board Risk Committee
 - iii. Board Remuneration
 - iv. Nomination Committee; and
 - v. Board Procurement Committee
 - The terms of reference of the Board Committees which formed part of the Board Charter were reviewed and approved by the Board in 2017.
 - Going beyond our mandated role, we also seek to enhance pensioners' knowledge on financial management. We have organized various corporate social responsibility (CSR) events to uplift the lives of the marginalised and financially compromised.

Principle 1: Institutional investors should disclose the policies on their stewardship responsibilities (cont'd)

OUR KEY INITIATIVES



2019

Adopted ESG Guidelines for Private Equity & Updated Voting Policy



2017

Adopted ESG Guidelines for Fixed Income



2014

Established a Responsible Investment team, Adopted Corporate Governance Principles and Voting Guidelines



2018

Became a signatory to the UN-backed Principles of Responsible Investment (PRI)



2016

Formulated Corporate Level ESG Guidelines

Principle 2: Institutional investors should monitor their investee companies

KWAP is committed in ensuring that both KWAP and its investee companies undertake sustainable business practices. In order to achieve this, we practice a structured monitoring process which includes the involvement of our senior management and officers from various departments. These include departments such as Equity, Research, Fixed Income, Alternative Investment, Risk Management & Compliance and the Responsible Investment team.

How we monitor our investee companies	
Performance and value drivers	<ul style="list-style-type: none"> • Monitor company announcements and news flows daily to capture material changes. • Monitor quarterly financial performance of the companies and track performance against peers and industry players.
Risk areas – reputational and environmental risks	<ul style="list-style-type: none"> • Monitor disclosures and reports published by the investee companies and media coverage on issues. • Keep close watch on the companies' financial risk based on the company internal and external development.
Quality of reporting by the investee companies, media discussion and analysis	<ul style="list-style-type: none"> • Encourage investee companies to ensure the quality and timeliness of reporting is upheld including having a high degree of disclosure and transparency disclosed in a prompt manner.
Leadership including composition of Board and Senior Management	<ul style="list-style-type: none"> • Conduct engagements with our investee companies to promote gender diversity on their Board, staff composition and the independence of their Boards (e.g.: tenure and number of Independent Directors).

Principle 2: Institutional investors should monitor their investee companies (cont'd)

How we monitor our investee companies	
<p>Adherence to the Malaysian Code on Corporate Governance</p>	<ul style="list-style-type: none"> • In the event that the investee companies do not abide by any of the Corporate Governance codes, we will post queries to the company and request for an explanation. • This is normally conducted during AGM/EGMs but when the situation warrants immediate attention, we will engage with the investee companies immediately.
<p>Signs of problem/red flags</p>	<ul style="list-style-type: none"> • We engage with our investee companies whenever we suspect any possible Corporate Governance red flags. • Our concerns would be conveyed to the respective Investor Relations team who will then escalate the matter to their Senior Management for their explanation/action. When required, meetings with the company's management will be carried out.
<p>Attending AGM and EGMs</p>	<ul style="list-style-type: none"> • In 2020, KWAP attended 141 AGM/EGMs and exercised our voting rights based on our published Voting Guidelines made available to all investee companies. • Furthermore, KWAP monitored the issues which were deliberated at the investee companies' AGM/EGMs.

Principle 3: Institutional investors should engage with investee companies as appropriate

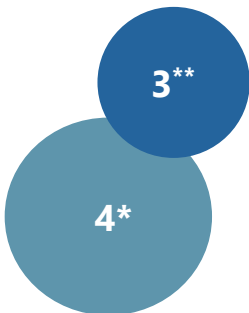
KWAP is an active shareholder that regularly communicates with its investee companies. We believe that communication is crucial in ensuring that our corporate governance and ESG beliefs are conveyed accordingly. In line with that, KWAP issues an annual CEO letter to all our investee companies which clearly specifies our expectations from them for the financial year. The matters mentioned include ESG, financial performance, strategic investments (which are available in public domain), request for prompt dissemination of information and sustainability.

In 2020, we engaged with our investee companies through the following channels:



i. Senior Management engagements

KWAP conducts senior management engagements with its investee companies to discuss financial and non financial matters including company overview, market condition, company's future business plans and ESG related issues.



ii. Engagements by Responsible Investment team

KWAP conducts ESG engagements with companies under its internal ESG Watchlist. The progress will be monitored with the aim of improving the company's ESG performance.

* ESG engagements, ** Follow-up ESG engagements

Principle 3: Institutional investors should engage with investee companies as appropriate (cont'd)



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iii. Engagements by Research team

KWAP analysts from our Research team would actively participate in various engagements throughout the year. These engagements include analyst briefings, internal meetings and visits in order to keep abreast with the performance of investee companies.



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iv. Institutional Investors Council (IIC) engagements with public listed companies (PLCs)

KWAP participated in three engagements conducted between the IIC and public listed companies namely with Bursa Malaysia, FGV Holdings Berhad and the plantation industry which included Sime Darby Berhad, IOI Corporation Berhad, Kuala Lumpur Kepong Berhad, and Boustead Plantations Berhad.

Principle 4: Institutional investors should adopt a robust policy on managing conflicts of interest which should be publicly disclosed

At KWAP, we recognise the importance of confidentiality and integrity at our workplace and have implemented various initiatives and policies to manage conflicts of interest which are published on our annual report and website. In 2020, we adopted a Conflict of Interest Policy (CIP). Conflict of interest with regards to KWAP's Board and Investment Panel members are addressed in the Retirement Fund Act 2017 (Act 662) (KWAP Act) and the Board Charter.



KWAP's Board and Investment Panel Members

- A member must abide by the requirements under the KWAP Act in relation to the disclosure of interest in any matter under discussion, where he/she acquires a direct or indirect interest by himself/herself, a member of his/her family or his/her associate.
 - Further, a member must declare any potential conflict(s) of interest arising from position held in company(ies), organization(s), governmental or otherwise, or entity(ies) related to subject matter tabled before the Board and/or Investment Panel.
 - As part of best practice and good governance, all the Board and Investment Panel members are also required to disclose their personal holding of shares or any conflict(s) of interest arising from their position as the Board/Investment Panel member of KWAP on annual basis.
 - The declaration form would be submitted to KWAP's Legal and Secretarial Department at the beginning of each financial year.
- All disclosure of conflict(s) of interest shall be recorded in the minutes of the meeting at which the declaration was made or read.
 - Each member shall at all times act in the best interest of KWAP consistent with KWAP Act and other fiduciary duties.
 - The member shall not be present or take part in any discussion or vote upon any resolution or question relating to transactions where he/she has declared his/her interest and nature of that interest to the Board, IP and Board Committees.
- In addition to this, KWAP adopted a Conflict of Interest Policy (CIP) effective 4th June 2020 with the aim of controlling and monitoring any possible conflict of interest between employee's personal interest and KWAP's interest.
- The CIP emphasises that all Employee(s) shall act in the best interest of KWAP and not putting themselves in a position where they are involved in an activity for personal gain that is in conflict with KWAP's interest.

Principle 4: Institutional investors should adopt a robust policy on managing conflicts of interest which should be publicly disclosed (cont'd)

KWAP's staff are required to maintain confidentiality with respect to non-public price sensitive information as required under KWAP's Code of Conduct for Investment Activities. We have adopted an Integrity Pact and also established 'Chinese Wall' policy to exhibit the highest level of corporate governance in our business and investment activities.

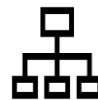
Managing confidentiality of all information pertaining to KWAP is addressed by the Retirement Fund Act 2017 (Act 662). All KWAP Staff are required to declare their assets under KWAP's Asset Declaration Policy. Further, KWAP has adopted a No Gift Policy in line with the best industry practice.



KWAP's Integrity Pact

At KWAP, we recognise the need to disclose all known potential conflicts of interest and to explain how they are managed to our service providers. KWAP's Integrity Pact was adopted to ensure that our staff and service providers do not act in their personal interest in all business transactions.

The purpose of the Integrity Pact Guidelines is to increase awareness among staff members who have dealings with third parties on procurement related matters and to prevent the occurrence of corrupt practices.



KWAP's Chinese Wall Policy

In order to curb any potential corruption, insider trading, and bribery, KWAP established the "Chinese Wall" policy in 2014 whereby it aims to control the flow of material non-public and price sensitive information within KWAP to minimise the risk of insider trading and potential breach of laws and regulation.

This policy also helps to ensure that the possession of material non-public and price sensitive information does not give rise to the risk or perceived risk of a conflict between KWAP's interest, public interest and the employee's personal interest.

Principle 5: Institutional investors should incorporate corporate governance and sustainability considerations into investment decision-making process

At KWAP, we recognise the importance of our commitment to corporate governance and the ESG pillar. We have incorporated ESG considerations across all our operations via KWAP's Corporate Level ESG Guidelines.

Corporate governance and sustainability considerations are incorporated into our decision-making processes through the following channels:

i. Investment Policy and Guidelines



The Investment Policy and Guidelines forms the core foundation for all our business activities as it outlines our operating framework. Our investments beliefs on ESG factors are included to provide guidance on all our investment decision-making process.

ii. Corporate Governance Principles and Voting Guidelines



Apart from being a return focused organisation, KWAP expects its investee companies to generate sustainable shareholder value in the long term. To ensure sustainability, the investee companies are required to effectively manage the ESG aspects of its operations as well as the financial aspects.

iii. Corporate Level ESG Guidelines



Some of the main objectives of the Corporate Level ESG Guidelines relates to Corporate Governance and sustainability including to improve the sustainability and long-term investment performance of KWAP and our investee companies as well as promoting good ESG practices in the capital market and KWAP's business partners.

Principle 5: Institutional investors should incorporate corporate governance and sustainability considerations into investment decision-making process (cont'd)

iv. ESG-Based Research Methodology



The ESG-Based Research Methodology is guided by our ESG Tracking Methodology which incorporates our internal ESG Ratings, Investment Carbon Footprint and other existing controversies to monitor the ESG performance of public listed companies under KWAP's domestic equity universe.

v. ESG Guidelines for Fixed Income



Being one of our main asset class, we developed ESG Guidelines for Fixed Income in 2017. It serves as a guideline for KWAP in monitoring the conduct of its borrowers and bond issuers pertaining to ESG.

vi. ESG Guidelines for Private Equity



We developed ESG Guidelines for Private Equity in 2019. In 2020, KWAP has intensified ESG integration on all PE investment proposals for new and existing general partners. ESG has been incorporated in the scoring process for selection of fund managers for PE investments.

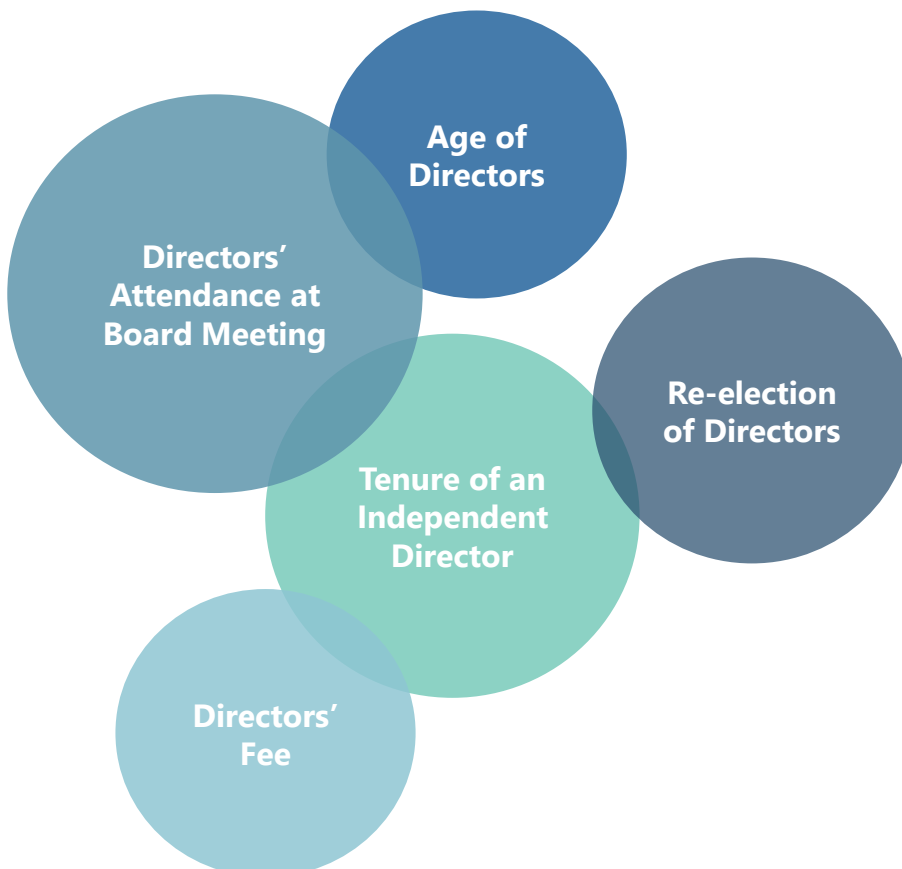
Principle 6: Institutional investors should publish a voting policy

In order to exercise shareholder activism, KWAP actively partakes in AGM/EGMs of all our investee companies. Updated in 2019, our Corporate Governance and Voting Guidelines serves as a guideline in the manner that we vote in AGM/EGMs. We also engage with our investee companies whenever there are dissenting votes to communicate justifications for our stance (in the proxy form prior to AGM/EGMs). Further, we request for clarifications in order to understand the motivation behind such resolutions from our investee companies’.

KWAP’s approach to securities lending is addressed in KWAP’s Investment Policy and Guidelines which allows KWAP to recall securities if we need to exercise our voting rights. Our Corporate Governance Principles and Voting Guidelines has been published on KWAP’s website.

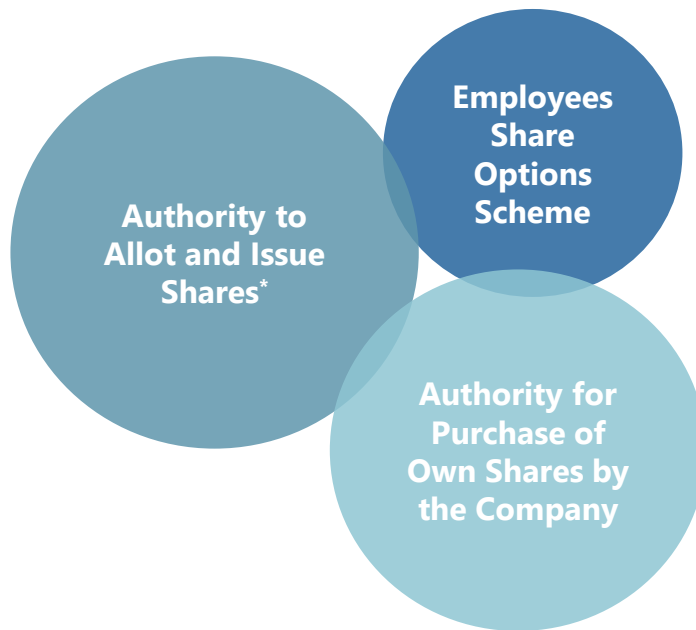
Our Voting Policy includes areas such as:

Board of Directors

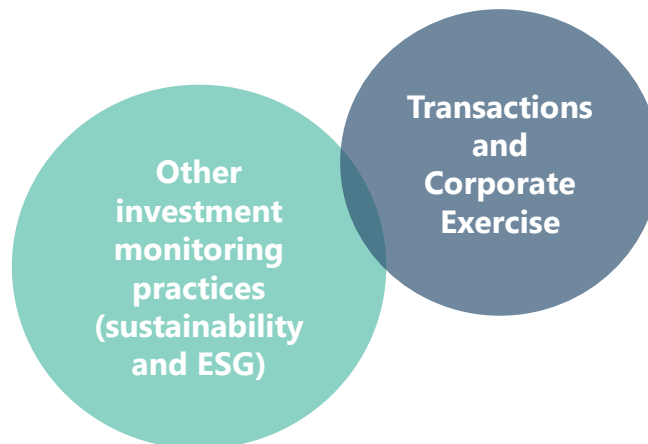


Principle 6: Institutional investors should publish a voting policy (cont'd)

Issuance of Shares, Share Repurchase By Companies & Share Incentive Schemes



Other matters



* Pursuant to Section 132D of the Companies Act, 1965



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