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# SUSTAINABILITY STATEMENT

Our Sustainability Strategy

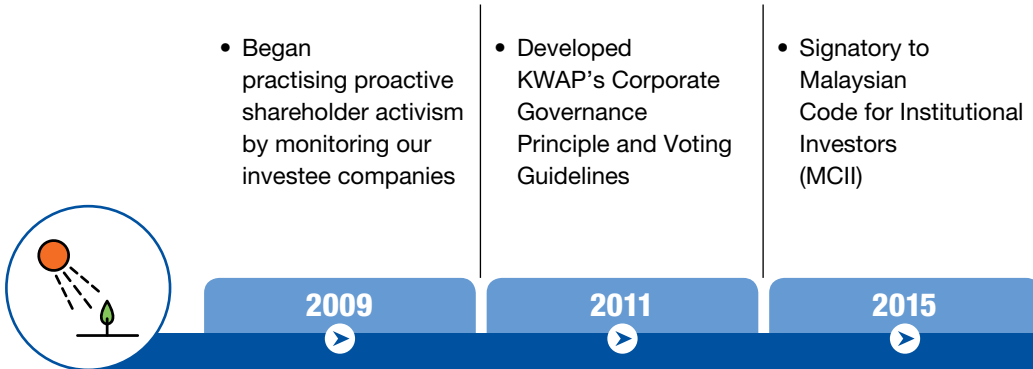
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# OUR SUSTAINABILITY STRATEGY

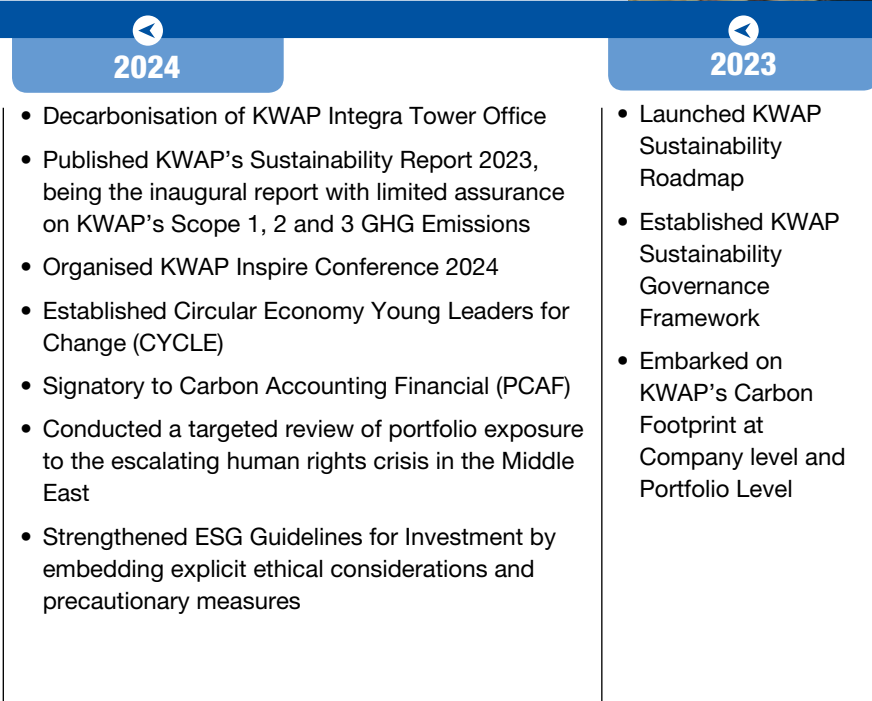
At KWAP, in commitment to a sustainable future, we have outlined five Sustainability Pledges that represent a holistic and responsible approach to sustainability, addressing not only environmental concerns but also social and governance aspects to position KWAP as the thought leader in sustainable practices.



# OUR SUSTAINABILITY STRATEGY (CONTINUED)



## OUR SUSTAINABILITY JOURNEY TO DATE



- Established KWAP's Corporate Level ESG Guidelines and ESG Based Research Methodology

2016



- Country host for International Corporate Governance Network (ICGN) Annual Conference 2017

2017



- Signatory to United Nations Principles of Responsible Investment (UNPRI)
- Developed ESG Guidelines for Fixed Income
- Organised KWAP Inspire: Environmental Conference 2018
- Won Institutional Excellence Awards

2018



2022



- Added two new investment policies to make clear stance on unmitigated violations of ESG factors
- Revised/Updated Voting Guidelines for Domestic Listed Equity Investment
- Amendment on KWAP Investment Beliefs to incorporate ESG elements

2021



- Rated in the Second Quintile under the Responsible Asset Allocator initiatives (RAAI) 2021 Index
- Reviewed KWAP Investment Policy and Guidelines
- Reviewed ESG Rating research methodology to include two new parameters on Greenhouse Gas (GHG) emissions and best labour practices

2020



- Kicked-off ESG engagements with investee companies selected under the ESG Watchlist
- Developed ESG Guidelines for Private Equity

# OUR SUSTAINABILITY STRATEGY (CONTINUED)

## PLEDGE 1

## ADVOCATE OF SOCIAL AGENDA



### Focus Area

#### 1) Diversity, Equity, and Inclusion (DEI)

We champion DEI to create a better workplace and positively impact communities. We have a zero-tolerance policy for discrimination and foster an environment where employees can express their opinions without fear.

Our recently launched KWAP Cultural Framework outlines the three culture pillars – Purpose, Trust, and Camaraderie that ensures we remain dynamic and fulfilled at KWAP.

#### 2) Sustainability Capacity Building

We continue raising sustainability awareness through comprehensive capacity building programmes. Our training and learning initiatives enhance employees' knowledge in key sustainability areas including responsible investment, circular economy, and GHG Protocol.

### Key Metric

#### Workplace Gender Equality

Our commitment to gender equality is reflected in the following:

- 52% of our workforce are female.
- 40% of C-Suite positions are held by women, that achieved our goal to empower women leadership in our 2023 target for Senior Management.
- 27 participants currently pursuing studies under KWAP's Education Assistance Scheme (EAS).
- Continued the Upskill Programme to cohort 3 (KWAP Upskill Programme 3.0) with 12 participants.

#### Building Internal Capacity Through ESG and Circular Economy Training

We made ESG and circular economy training mandatory for all employees, forming the foundation of our capacity-building initiatives, with key activities outlined below:

- Six knowledge-sharing sessions on circular economy were conducted throughout the year, including during the month-long KWAP Circular Month 2024 (KCM24).
- A five-module online training series titled "ESG Unplugged Journey" was made mandatory for all employees.
- 17 ESG specialists achieved full certification in Responsible Investment in Practice from the PRI Academy, with a 100% passing rate.
- KWAP recorded an average of 13.6 training hours per employee, covering:
  - i. Two sustainability-focused sessions tailored for the Board, Investment Panel Members, and Senior Management.
  - ii. Training for employees across departments.

## PLEDGE 1

## ADVOCATE OF SOCIAL AGENDA



## Focus Area

## 3) Sustainability Culture

We promote sustainability not just in theory but as an inclusive organisational culture, making it practicable for employees in their everyday lives. Initiatives like the #FueltheFuture Used Cooking Oil (UCO) Collection Campaigns in collaboration with PETRONAS Dagangan Berhad was carried out to demonstrate our commitment to inculcate sustainability culture.

In addition, at KWAP Karnival MyPesara 2024 in Johor Bahru which had attracted more than 20,000 participants, two circular economy campaigns were deployed to manage food waste and UCO collection with 2 partners from FOLO Farm and FatHops.

## Key Metric

## Harnessing Youth Potential for a Circular Future

- We launched the KWAP Circular Economy Young Leaders for Change (CYCLE), a youth-driven movement driving circular economy practices, alongside KCM24, our inaugural circularity campaign, with over 50 young employees already onboard.

## Community Empowerment

- A total of 742 kg of UCO, collected from three Fuel the Future campaigns of different locations with diversified stakeholders involving KWAP employees, pensioners and local communities surrounding the campaign venue.
- 79 kg of food waste was successfully diverted from landfill to be composted as fertiliser benefited local community farms in Johor.
- 17 KWAP Food Warriors in collaboration with What-a-Waste to redistributed 269 kg of surplus food from the KWAP Inspire Conference 2024, benefiting 287 underprivileged individuals.



Used Cooking Oil (UCO) collection drive joined by pensioners at KWAP Cyberjaya during KWAP Circular Month 2024



KWAP's Food Warriors comprising KWAP CYCLE volunteers redistributed surplus food during KWAP Inspire Conference 2024, in partnership with What-a-Waste (WaW)

# OUR SUSTAINABILITY STRATEGY (CONTINUED)

**PLEDGE 2** **EMPOWER PARTNERSHIPS FOR COLLECTIVE ACTION**



**Focus Area**

**1) Stewardship Engagement**

As a signatory to the MCII and PRI, we promote effective stewardship by actively engaging investee companies through clear policies, proactive monitoring, direct and collaborative ESG integration, to optimise risk-return, uphold fiduciary duties, and foster sustainable business practices.

**2) Supply Chain Management**

We ensure responsible sourcing that respects human rights and promotes environmental responsibility. In line with our efforts to positively influence suppliers towards more sustainable practices, we create opportunities for local businesses in markets where we operate.

Our procurement strategy prioritises local sourcing to contribute to community economic development whilst maintaining high sustainability standards.

**Key Metric**

**ESG Engagements**

- Conducted 10 ESG Engagements with selected KWAP’s investee companies based on our ESG watchlist, focusing on ESG progress, carbon footprint, controversies, opportunities in the ESG investment space and other ESG-related matters.

**Collaborative Engagements**

- Held collaborative engagements with 13 companies, including investee companies, industry peers and players, and ESG experts to exchange insights on latest financial performance and ESG progress.

**Analyst Engagements**

- KWAP conducted 672 engagements comprising 452 domestic and 220 international, including analyst briefings, internal meeting and reviews of investee companies’ ESG practices, where applicable.

- During the reporting year, a total of over RM157.5 million was spent on the procurement of products and services, of which RM115.2 million (73%), was sourced from 499 local suppliers. These local suppliers constituted 89% of our total supplier base.



*Women of Will produced upcycled merchandise from used hotel linens and recycled glass jars filled with locally sourced spices for the KWAP Inspire Conference 2024, empowering single mothers from PPR Lembah Subang*

**PLEDGE 2**

**EMPOWER PARTNERSHIPS FOR COLLECTIVE ACTION**



**Focus Area**

**3) Strategic Partnership**

We establish strategic partnerships to develop nature-based solutions and forest carbon offset mechanisms that advance our net-zero commitments.

Through these collaborations, we leverage collective expertise to address complex sustainability challenges and accelerate progress toward our environmental goals.

**Key Metric**

- Exploring collaborative initiatives with Malaysian Forest Fund (MFF) on Forest Conservation Certificate (FCC) and Forest Carbon Offset (FCO).
- KWAP received exclusive invitation to participate in the Guidelines Technical Working Group (TWG) sessions and to provide insights in our role as a responsible institutional investor.
- This partnership will also explore additional strategies to support the nation’s net zero target, to be formalised through a Memorandum of Understanding.

**PLEDGE 3**

**NET ZERO PORTFOLIO BY 2050**



**Focus Area**

**1) Net Zero Strategy Development**

We have anchored our Net Zero ambition to Malaysia’s broader national priorities, particularly the national aspiration to achieve net zero emissions by 2050. Our strategy emphasises investing in transition assets and developing a structured decarbonisation pathway, aligned with key government initiatives such as the National Energy Transition Roadmap (NETR) and the GEAR-uP initiative. Concurrently, we remain committed to upholding global standards and aligning our efforts with the Paris Agreement goal of limiting global warming to 1.5°C.

**Key Metric**

- 84% of KWAP’s KL Office electricity consumption in FY2024 was sourced from renewable energy via TNB’s Green Electricity Tariff subscription, improving the enterprise Scope 2 company-level offices emission.
- As a signatory to Partnership for Carbon Accounting Financials (PCAF), we aligned the standard to establish financed emissions baseline across key asset classes, enabling consistent emissions accounting, high-emitting sector identification, and emissions data integration into investment processes for future decarbonisation efforts.

# OUR SUSTAINABILITY STRATEGY (CONTINUED)

**PLEDGE 4 INCREASE INVESTMENT IN TRANSITION ASSETS TO RM20 BILLION BY 2030**



**Focus Area**

**1) Strategic Capital Allocation**

We allocate an increasing portion of our fund to transition assets, focusing on initiatives that support the transition towards a sustainable, low-carbon economy and enhance environmental resilience.

This includes investments in green technology, sustainable industries, and green-certified properties, aligning with our vision for a greener future whilst maintaining strong returns for our stakeholders.

**2) Energy Transition**

Energy transition is a key focus within our innovative investment strategy, as one of our eight thematic investment areas, where we identify opportunities in projects that support and benefit from the global shift toward sustainability.

Through Dana Perintis, we adopt a structured approach to investing in transformative sectors with positive environmental and social impact, whilst actively engaging with investee companies to ensure climate integration, decarbonisation, and net-zero transition plans aligned with our Pledge 3 and Pledge 4 commitments.

**Key Metric**

- The ESG portfolio constitutes 7.8% of KWAP’s total investments, reflecting our commitment to sustainable investing.
- 14 of 22 properties are green certified, with additional four currently perusing for certification.
- Obtained Building Energy Intensity (BEI) Label for two buildings, endorsed by the Energy Commissioner under the Ministry of Energy Transition and Water Transformation.
- Obtained GreenRE Platinum Provisional Certifications under the Residential category for Fera Courtyard Terraces, Senna Semi-Detached Homes, Maris (formerly Plot D), and The Lume through the real estate development subsidiary, KWEST.
- We strengthened our renewable energy commitment with an investment of RM236.2 million.
- Under the 2024 ESG Watchlist, we engaged with high-emitting portfolio companies to assess their transition plans, including progress on low-carbon strategies, emission targets, and sustainability initiatives.
- Developed KWAP’s High-Level Investment Strategy for the Energy Transition Initiative, focusing on commercially viable opportunities in both transition and green assets, aligned with our investment verticals and national priorities.

## PLEDGE 5

## ENHANCE SUSTAINABILITY GOVERNANCE



## Focus Area

### 1) Collective Actions and Forging Partnerships

We actively engage in collaborative engagement to foster shareholder activism and impactful investment strategies, through the Institutional for Investors Council (IIC) Malaysia.

This high-level engagement ensures sustainability considerations are integrated into strategic decision-making and corporate governance processes.

### 2) Active Ownership and Shareholder Activism

KWAP integrates ESG factors into investment decisions, focusing on long-term value creation through active ownership, due diligence, and engagement with investee companies to enhance sustainability and mitigate risks throughout the investment life cycle.

## Key Metric

#### Active Stewardship via Institutional Investors Council (IIC)

- Participated in 35 IIC activities, including trainings, programmes, and engagements with investee companies, shareholders, and regulators.
- Active member of a Proxy Voting Working Group to develop a proxy voting mechanism for IIC members; a transparent platform designed to consolidate voting data and tabulate resolutions across Malaysian PLCs, enhancing coordination and transparency among members.
- Featured as a panellist at the IIC Corporate Governance Conference themed “Countdown to 2030: Investing Towards Sustainable Development in Malaysia.”

#### Policy Advocacy Through Collective Action

- Participated in key working groups:
  - i. Joint Committee on Climate Change (JC3) Subcommittee 5 – Bridging Data Gaps
  - ii. PRI Circular Economy Working Group
- Participated in four roundtable discussions to strengthen our capacity to drive sustainability change, with:
  - iii. Asia Investor Group on Climate Change (AIGCC); and
  - iv. Global Impact Investing Network (GIIN).
- Actively participated in nine speaking engagements, both locally and internationally, advancing the ESG agenda.

- Voting at Annual General Meetings/Extraordinary General Meetings (AGM/EGM):
  - i. Submitted a total of 906 companies' AGM/EGM resolutions for 2024, exercising voting rights per KWAP's Voting Guidelines.
  - ii. Published AGM/EGM voting decisions on KWAP's website since June 2024.

# OUR SUSTAINABILITY STRATEGY (CONTINUED)



## PLEDGE 5

## ENHANCE SUSTAINABILITY GOVERNANCE

### Focus Area

#### 3) Sustainability Governance, Compliance and Ethics

We strengthened sustainability governance by equipping the Board and Investment Panel with robust ethical frameworks and oversight tools. The Board actively oversees initiatives, focusing on improved carbon disclosure. We also formed KWAP’s first cross-departmental Sustainability Working Group (SWG) to enhance organisation-wide alignment.

#### 4) Sustainability related Guidelines

We have strengthened our sustainability framework by updating core guidelines to integrate ESG considerations into all investment decisions and operations.

### Key Metric

- Continued implementing KWAP’s 2023–2025 Sustainability Roadmap, with a focus on strengthening future carbon emissions disclosures.
- The Board approved KWAP’s Sustainability Report 2023, Sustainability Risk Framework and Sustainability Risk Policy.
- Quarterly updates to Board on corporate ESG and ESG investment related initiatives.
- Established KWAP’s first SWG, which provides updates on key matters, including:
  - i. Science based Target (SBTi).
  - ii. Introduction on Global Real Estate Sustainability Benchmark (GRESB).
  - iii. Capital Market Malaysia (CM<sub>2</sub>) on Simplified ESG Disclosure Guide (SEDG).
  - iv. ESG Guidelines for Investment.
  - v. KWAP’s exposure on Israel-Palestine conflict from the lens of ESG.
- Reviewed and consolidated all existing stand-alone investment-related ESG guidelines (i.e., KWAP ESG Guidelines for Investment, ESG for Fixed Income Investments, and ESG for Private Equity Investments) into a single unified KWAP ESG Guidelines for Investment.
- Enhanced our framework through:
  - i. Clear articulation of KWAP’s ESG priorities and material factors.
  - ii. Incorporation of ESG guidelines for Real Estate Investments.
  - iii. Introduction of ethical considerations in investment decision-making.
  - iv. Implementation of precautionary measures to safeguard KWAP’s institutional reputation.
- Conducted knowledge-sharing sessions with 107 employees across divisions, reinforcing ESG culture and integration in investment processes.
- Enhanced internal ESG due diligence for Private Markets investments to align with best practices, ensuring robust evaluation of ESG factors, later expanded the framework to include Private Credit investments.
- Enhanced KWAP ESG Guidelines for Investment to provide structured guidance on ESG integration across all investment processes and operational activities.

## PLEDGE 5

## ENHANCE SUSTAINABILITY GOVERNANCE



## Focus Area

**5) ESG Scoring Enhancement**

We continuously refine our ESG assessment methodologies to integrate climate and sustainability metrics into investment decisions, focusing on sector-specific material topics and aligning with evolving reporting standards. By enhancing consistency, comparability, and forward-looking insights, we ensure our portfolio aligns with global sustainability standards whilst capturing emerging risks and opportunities.

## Key Metric

- Revised the ESG scoring methodology to incorporate new parameters that enhance comparability, ensure forward-looking commitments, and address sector-specific nuances.
- Aligned assessment with industry development whilst maintaining flexibility for sector-specific considerations.
- Reviewed 118 stocks under KWAP Domestic Stock Universe.
- Incorporated ESG ratings into financial analysis, stock recommendations, and portfolio monitoring. We engage actively with investee companies to promote measurable improvements in their ESG performance and disclosures.