MINISTRY OF FINANCE

SUSTAINABLE INVESTING STANDARDS



KWSP EPF · PNB Permodalan Nasional Berhad · KWAP · KHAZANAH NASIONAL · TABUNG HAJI · LTAT

CONTENTS

	Page
Preamble	3
Terms, Definitions, Acronyms and Abbreviations	5
Guiding Principles for Sustainable Investing Standards	8
Principles of the Standards **1. Governance and Structure** **2. Strategy Alignment** **3. Investment Processes and Methodologies** **4. Investors' Rights and Responsibilities** **5. Disclosure and Transparency**	 9 17 25 41 53
Acknowledgement	69
Appendices Appendix 1 – Mapping of SIS with other standards or framework Appendix 2 – Issue-specific expectations Appendix 3 – Sector-specific expectations	70
References	77
Blurbs	80

PREAMBLE

Background

In alignment with the 2030 Agenda for Sustainable Development and Shared Prosperity Vision 2030, the theme "Advancing Sustainability" was introduced in the Twelfth Malaysia Plan to catalyse growth and reposition Malaysia in the global economy. The plan takes Malaysia a step forward to its aspiration in becoming a prosperous, inclusive, and sustainable nation.

In embracing the sustainability[1] agenda, steady progress is observed amongst the Government-Linked Investment Companies (GLICs) and financial institutions in Malaysia. GLICs, for instance, have taken on their own measures demonstrating commitment towards the sustainability agenda by becoming signatories of global framework and guidelines such as the Principles for Responsible Investment (PRI). In supporting organisations throughout their sustainability journey, several national level guidelines have been developed addressing a breadth of topics related to sustainable finance and investing. Nonetheless, as Malaysia moves the needle on a key climate target by pledging to achieve net-zero GHG emission earliest by 2050, strong follow up measures are required to shift the economy towards realising this target.

Against that backdrop, the Ministry of Finance (MOF), under the banner of Program Memperkukuh Syarikat Pelaburan Kerajaan, initiated a coordinated drive across the GLICs to incorporate and integrate sustainability considerations into the investment process. Acknowledging GLICs contributions to and its salient role in the financial market, the outcome of this exercise shall then be able to place GLICs in a position of advantage and enhanced resilience against the sustainability megatrends.

Whilst the transition is underway, it is equally important to acknowledge the imperativeness of responsible investment and just transition. As fiduciaries, there is a compelling case for GLICs to reinvigorate their duty by better capturing the interrelated environmental and social drivers, taking into account of the interests in different sectors and areas affected by the transition. Moving forward, investing with a just transition mindset shall be the best way in managing the strategic risks and opportunities that flow from the shift to a prosperous, low-carbon and inclusive economy that Malaysia seeks to become.

The Sustainable Investing Standards (SIS), hence, comes into fruition as a result of productive consultation and cooperation between the MOF and the GLICs in realising the above aspirations. As an important policy lever in nation-building, the GLICs are expected to elevate the baseline of their sustainability practices and drive the necessary changes, based on the guidance outlined in the SIS.

[1] The term "sustainability" will be rendered equivalent to that of "ESG".

Sustainable Investing Standards (SIS)

The SIS aim to enhance the role of GLICs in sustainable investments by providing guidance in incorporating sustainability considerations into the investment process. This is aligned with the role of GLICs towards creating long-term value and impact on the economy, as well as in supporting Malaysia's commitments in meeting the global climate ambitions and sustainability agenda. The SIS contain requirements on the integration of sustainability considerations in investment processes, as well as relevant disclosures to enhance the transparency in sustainable investment practices of GLICs. While the SIS provide the broad requirements and practical guidance to serve as common standards for GLICs, each individual GLIC shall ensure alignment of the SIS implementation with its own mandates and objectives[2].

The development of the SIS takes into account existing and relevant document of references applicable to GLICs, industry practices as well as relevant benchmark standards from other jurisdictions (refer to **Appendix 1** for the mapping of SIS with other standards or framework). These include but are not limited to governance codes, stewardship codes, responsible investment principles, ESG investment standards, etc. While the SIS focus on sustainable investments, it should be read together with the Principles on Good Governance (PGG) and Malaysian Code for Institutional Investors (MCII) which provide the relevant requirements and best practices on governance and stewardship for the GLICs.

The SIS is intended to be used by GLICs. Nevertheless, it may also serve as a guidance for the broader institutional investment community or other asset managers and asset owners, including pension funds and insurance companies.

Implementation, Monitoring and Progress Report

The required structures and mechanisms should be in place to oversee the adoption and implementation of the SIS by the GLICs and facilitate periodic enhancements to the document to ensure it remains fit for purpose. Progress on the adoption of the SIS by GLICs will be monitored closely to ensure that the SIS is implemented in substance and not merely in form and manifests positively in the sustainability governance and overall performance of the GLICs. Key information shall also be made publicly available to bolster accountability and stakeholders' trust and confidence in these entities.

The SIS is intended to be a living document and may be subject to revision as and when necessary. GLICs are expected to adopt the standards and implement the recommendations, and progress towards full adoption of the SIS by 2025.

[2] The word "should" is to be interpreted as a commitment of the GLICs to adopt and implement them, whereas "could" indicates best practices and guidance that GLICs aim to achieve in the long run.

TERMS, DEFINITIONS, ACRONYMS AND ABBREVIATIONS

Terms and Definitions

Unless otherwise defined, for the purpose of the Sustainable Investing Standards (SIS), the terms defined in the Malaysian Code for Institutional Investors (MCII) and the Principles on Good Governance for Government Linked Investment Companies (PGG) together with the following apply.

Government Linked Investment Companies (GLICs)	refers to the definition assigned to it in the PGG, which states that GLICs means federal government investment linked companies that allocate some or all of its funds to government linked companies (GLCs) investments. The appointment and approvals of its board members and senior management are appointed by the federal government, where these individuals report directly to the federal government. The entities' funding for operations and/or capital (and some income) placed by unit holders/contributors may be guaranteed by the federal government. For purposes of the SIS, GLICs refer to the Employees Provident Fund, Khazanah Nasional Berhad, Kumpulan Wang Amanah Negara, Kumpulan Wang Persaraan (Diperbadankan), Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji and Permodalan Nasional Berhad.
Malaysian Code for Institutional Investors (MCII)	sets out the principles of effective stewardship by institutional investors.
Principles on Good Governance for Government Linked Investment Companies (PGG)	is the single reference on baseline governance and sustainability practices that should be adopted by GLICs.
Program Memperkukuh Institusi Pelaburan Milik Kerajaan (PERKUKUH)	is a medium-term strategic transformation programme to enhance the GLIC setup and optimise the role of government in business.
sustainable investment	is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management.

Source: 2020 Global Sustainable Investment Review, MCII, PERKUKUH Booklet, PGG

Acronyms and Abbreviations

For the purpose of this SIS, the following acronyms and abbreviations apply.

ADIA	Abu Dhabi Investment Authority, Emirate of Abu Dhabi
APG	Algemene Pensioen Groep, the Netherlands
AUEP	Asian Utilities Engagement Program
AUM	assets under management
CalPERS	California Public Employees' Retirement System, United States
CMM	Capital Markets Malaysia
CPP Investments	Canada Pension Plan Investments Board
EAPF	Environment Agency Pension Fund, United Kingdom
EFM	external fund manager
ESG	environmental, social and governance
EPF	Employees Provident Fund, Malaysia
FF	Future Fund, Australia
GIC	Government of Singapore Investment Corporation
GHG	greenhouse gas
GPIF	Government Pension Investment Fund, Japan
GSF	Government Superannuation Fund, New Zealand
HESTA	Health Employees Superannuation Trust Australia
IIC	Institutional Investors Council Malaysia
ILO	International Labour Organization
ISIF	Ireland Strategic Investment Fund, Republic of Ireland
Khazanah	Khazanah Nasional Berhad, Malaysia
KIA	Kuwait Investment Authority
KIC	Korea Investment Corporation, Republic of Korea
KWAP	Kumpulan Wang Persaraan (Diperbadankan), Malaysia

NBIM	Norges Bank Investment Management, Norway
NGO	non-governmental organisation
NIIF	National Investment and Infrastructure Fund, India
NPS	National Pension Service, Republic of Korea
NZSF	New Zealand Superannuation Fund
OECD	Organisation for Economic Co-operation and Development
OPSWF	One Planet Sovereign Wealth Funds Coalition
OTPP	Ontario Teachers' Pension Plan, Canada
PGB	Pensioenfonds PGB, the Netherlands
PIF	Public Investment Fund, Saudi Arabia
PMT	Pensioenfonds Metaal en Techniek, the Netherlands
PNB	Permodalan Nasional Berhad, Malaysia
PPF	Pension Protection Fund, United Kingdom
PRI	Principles for Responsible Investment
PSP Investments	Public Sector Pension Investment Board, Canada
RFP	request for proposal
SASB	Sustainability Accounting Standards Board
SC	Securities Commission Malaysia
SDG	Sustainable Development Goals
SIP	Sustainable Investment Platform
SIS	Sustainable Investing Standards
SSF	Swiss Sustainable Finance, Switzerland
TCFD	Task Force on Climate-related Financial Disclosures
Temasek	Temasek Holdings Limited, Singapore
UN	United Nations

PRINCIPLES FOR SUSTAINABLE INVESTING

In developing a sustainable investment framework, GLICs should take into account and incorporate the principles for sustainable investing, as set out below:

1. **Governance and Structure**

   GLICs will establish an appropriate sustainable investment governance framework, which includes principles, guidelines and practices that guide and support management in seeking long-term sustainable returns.

2. **Strategy Alignment**

   GLICs will develop policies on how to incorporate sustainability considerations including material insight into their investment objectives and processes and when discharging their fiduciary responsibilities.

3. **Investment Processes and Methodologies**

   GLICs will adopt and deploy sustainable investment methodologies and investment decisions where appropriate.

4. **Investors' Rights and Responsibilities**

   GLICs will be active stewards and incorporate sustainability considerations into ownership policies and practices.

5. **Disclosure and Transparency**

   GLICs will disclose their sustainable investment policies, guidelines and activities in respect of the SIS.

1.0 Governance and Structure

GLICs will establish an appropriate sustainable investment governance framework, which includes principles, guidelines and practices that guide and support management in seeking long-term sustainable returns.

This principle aims to develop robust governance structures that incorporate sustainability considerations among GLICs, with regards to their investment management approaches.

An effective governance framework is crucial as it provides the oversight and structure needed to achieve the goals of an organisation. Embedding sustainability considerations in the governance framework would enhance the role of board and management in defining the approach towards sustainability within the organisation, as well as in setting the direction of sustainability-related initiatives and sustainable investment approaches of GLICs. Furthermore, an appropriate sustainable investment governance framework would also promote sustainable investing awareness amongst employees and investee companies, as well as external fund managers (EFMs) and other service providers along the investment value chain.

The PGG forms a strong foundation or baseline of the governance practices that should be adopted by GLICs. In order to ensure that GLICs are able to effectively discharge their fiduciary duties, they should be committed in practising good governance.

Sustainable Investment Governance

1.1 GLICs should develop their governance framework with respect to sustainable investment, which includes the following:

a) Roles and responsibilities of the board members, board committees and management with respect to sustainable investment management, in order to enhance accountability and facilitate the overall development of the GLIC's sustainable investment approach;

b) Clear reporting lines for sustainable investment management within the organisation; and

These requirements shall be in line with the guidance outlined in PGG under paragraph 1.20, which states that "the board establishes a governance structure for the oversight of sustainability, which includes clear points of accountability and reporting line to ensure Environmental, Social Governance (ESG) considerations are managed effectively by management".

1.2 GLICs should aim to develop and include sustainable investment targets as part of their organisational goals and aspirations.

1.3 In addition to the SIS, GLICs should consider the merits and applicability of adopting widely accepted sustainable investment initiatives alongside public demonstration and signaling of commitment to sustainable investment.

Guidance:

Among widely accepted sustainable investment initiatives which GLICs could consider include (in alphabetical order):

- Asia Investor Group on Climate Change (AIGCC)
- Global Impact Investing Network (GIIN)
- One Planet Sovereign Wealth Funds Coalition (OPSWF)
- United Nations (UN)-backed Principles for Responsible Investment (PRI)
- UN-convened Net-Zero Asset Owner Alliance (NZAOA)

Example 1: **Government Pension Investment Fund (GPIF), Japan**

GPIF is the largest pension fund in the world. It is also the largest public fund in Japan.

Some of the initiatives that GPIF committed to include:

- Signed the PRI in 2015
- Joined the Thirty Percent Coalition (US) and the 30% Club (UK) in 2016
- Declared support for TCFD in 2018
- Joined Climate Action 100+ in 2018

- Joined International Corporate Governance Network (ICGN) in 2019
- Joined Council of Institutional Investors (CII) in 2019

Read more about GPIF's collaborations and partnerships **here**.

Example 2: **Kuwait Investment Authority (KIA)**

KIA is Kuwait's largest sovereign wealth fund. Established in 1953, KIA is also the oldest sovereign wealth fund in the world.

KIA was one of the six founding sovereign wealth funds the OPSWF Working Group, which was established at the inaugural One Planet Summit on 12 December 2017 in Paris. The initiative's mission is to work on integrating climate change risks and investing in the smooth transition to a low emissions economy.

In July 2018, the OPSWF Framework was published, consisting of a set of principles to guide efforts to further integrate climate change analysis into large, long-term and diversified asset pools.

Read more about KIA's involvement and adherence to the OPSWF **here**.

Role of the board or board equivalent committee in overseeing sustainable investments

1.4 GLICs, via the board or board equivalent committee, should make portfolio alignment with sustainable investment a priority in setting internal sustainable investment goals and targets.

1.5 GLICs, via the board or board equivalent committee, should ensure that the management actively considers and integrates sustainability considerations into investment decision-making processes.

1.6 GLICs, via the board or board equivalent committee, should identify and determine where the oversight responsibilities or accountabilities on sustainable investment management should reside within the organisation.

Guidance:

a) GLICs are encouraged to add responsibilities related to sustainable investing to an existing board committee, such as the Board Risk Committee or Investment Committee / Investment Panel; or

b) Alternatively, GLICs could consider establishing a separate committee within the board, such as the Board Sustainability Committee or Sustainable Investment Committee.

c) Among the factors that should be considered in addressing the sustainable investment accountability include but not limited to:

- depth of sustainable investment issues being considered; and
- scope of existing board committee.

1.7 GLICs, via the board or board equivalent committee's oversight on sustainability risks and opportunities with respect to investment management, should include:

a) Determining the processes and frequency that the board and/or board committees are updated about sustainability issues either through board level discussions or updates by management;

b) Identifying and articulating the GLIC's objectives with regards to sustainability, including the approach taken in considering sustainability risks and opportunities in the investment process;

c) Determining how the board or board equivalent committee provides oversight and monitors progress against internal sustainability targets as well as other sustainability issues that GLICs may be exposed to within the investment value chain;

d) Monitoring and reviewing risk tolerance and internal control system, including related controls for overseeing sustainability risks vis-à-vis the implementation of investment decisions; and

e) Keeping abreast of the relevant developments in sustainable investment.

In relation to the oversight responsibility of the board or board equivalent committee on sustainability risks and opportunities, these requirements should be in line with the guidance outlined in paragraphs 1.20 to 1.24 of the PGG, which states that "the board should proactively consider sustainability issues when it oversees the planning, performance and long-term strategy of the entity".

1.8 In preserving its independence, GLICs should refer to and ensure alignment with the requirements and guidance outlined in paragraphs 1.28 and 1.29 of the PGG.

Role of the management team in managing sustainable investments

1.9 GLICs, via their management teams, should ensure that sustainability considerations are effectively integrated into investment processes, decisions, culture and values.

Example: **California Public Employees' Retirement System (CalPERS), United States**

CalPERS administers retirement benefits for California state, school and public agency members. Acknowledging sustainability issues can impact all areas of the portfolio, CalPERS develops, uses, and continually refines tools and practices to help its internal and external managers utilise sustainable investment considerations throughout the life cycle of the investments. These includes investment selection, and contracting and monitoring processes, which are subject to fiduciary principles.

Extract from CalPERS's website

The Sustainable Investments (SI) Program helps the Investment Office delivers returns through the identification, analysis, and management of high-value sustainable investment risks and opportunities that may affect our investment returns.

The SI team implements this in four ways:

- Research to understand how a topic may affect our investments
- Integration of ESG risks and opportunity considerations into investment decision-making
- Engagement with companies and managers to understand, mitigate, and/or manage ESG risks and opportunities
- Advocacy with government bodies and standard setters on topics that can affect our returns

As a total fund resource deployed to meet a variety of high-value needs for the Investment Office, the SI team leverages our expertise across a wide-range of sustainable investment topics, including human capital, climate change risk, integrated reporting, and financial market structures.

Read more about CalPERS's Sustainable Investment Program **here**.

1.10 GLICs, via their management teams, should assess and manage sustainability risks and opportunities vis-à-vis investment management processes, which include the following:

a) Developing sustainable investment strategies and approaches of the organisation;

b) Managing and implementing sustainable investment initiatives within the organisation;

c) Ensuring that the board and relevant stakeholders are updated on the sustainability risks and opportunities of the organisation, vis-à-vis sustainable investment; and

d) Keeping abreast with the developments in sustainable investment and in alignment with the investment mandate and operations of GLICs, and to adapt to these developments as necessary.

Guidance:

Among the risks and opportunities with respect to sustainable investment in which the board and relevant stakeholders as determined by respective GLICs should be informed of include, but not limited to:

- Exposure to potential risk of stranded assets due to climate transition;
- Fair treatment of foreign labour at investee companies; and
- Poor governance practices at investee companies.

Sustainable investment opportunities include, but not limited to:

- Renewable energy;

- Sustainable supply chain; and
- Carbon finance.

1.11 GLICs should partake in engagements, to discuss amongst others, sustainability matters with investee companies.

These requirements should be in line with the guidance outlined in PGG under paragraph 1.20, which states that "duties of management include but are not limited to the development and execution of robust and relevant ESG strategies, effective management of material ESG risks and opportunities and taking the necessary measures to fulfil commitments and targets".

1.12 GLICs should identify and determine where the responsibilities or accountabilities on sustainable investment implementation should reside within the organisation.

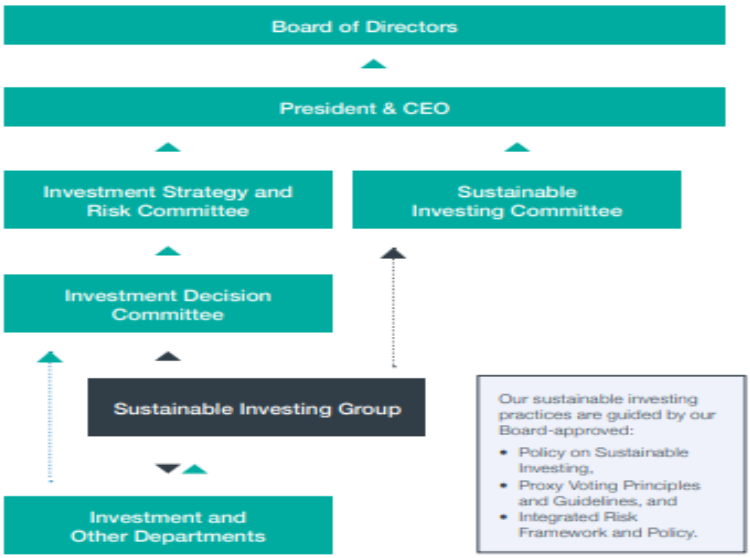
Guidance:

GLICs are encouraged to identify, who among their senior executives, would hold the ultimate responsibility on sustainable investment implementation and integration within the organisation and investment portfolio.

Example 1: **Canada Pension Plan Investments (CPP Investments)**

CPP Investments is a global investment management organisation that invests the assets of the Canada Pension Plan. CPP Investments has adopted an integrated sustainable investing framework which clearly illustrates the roles of different committees and departments within the organisation.

Extract from CPP Investments' 2021 Report on Sustainable Investing



CPP Investments' Board of Directors are responsible for supporting the management in developing the strategic direction of the organisation including risk management policies and controls, as well as monitoring and reporting mechanisms. The Board approves CPP Investments' Proxy Voting Principles and Guidelines, Policy on Sustainable Investing and Integrated Risk Framework, which includes ESG factors.

CPP Investments' President & CEO oversees the execution of our sustainable investing strategy. CPP Investments' Investment Strategy and Risk Committee (ISRC) is responsible for oversight of portfolio design and all key risks under the organisation's Investment Risk Framework. The ISRC also oversees the Investment Decision Committee (IDC) which reviews major transactions recommended by investment departments and weighs transaction-specific underwriting and risk/return considerations against strategic enterprise matters and risks, such as significant ESG risks. CPP Investments' Sustainable Investing Committee (SIC) is responsible for the monitoring and guidance of issues related to ESG, including climate change.

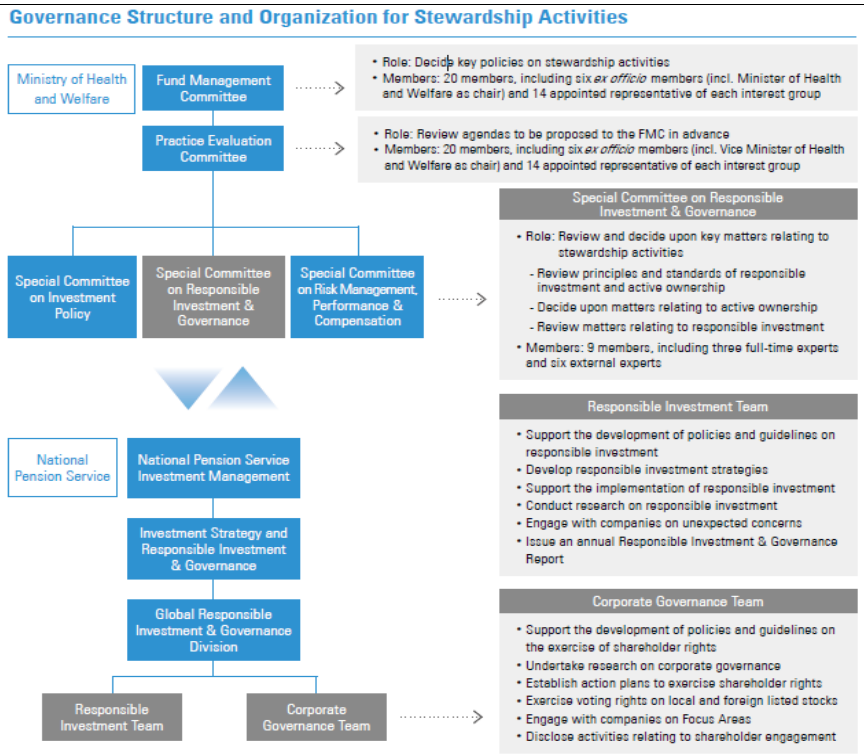
Read more about CPP Investments' sustainable investment practices (2021 Report on Sustainable Investing) **here**.

Example 2: **National Pension Service (NPS), Republic of Korea**

NPS is the largest public pension fund in South Korea. NPS undertakes responsible investment and stewardship activities in line with the policies approved by the Fund Management Committee (FMC). The Special Committee on Responsible Investment & Governance, under the FMC, makes decisions on responsible investment, as well as reviews and approves key matters relating to ESG investing and the exercise of shareholder rights.

Responsible investment is conducted by the Global Responsible Investment & Governance Division under the Managing Director of Investment Strategy and Responsible Investment & Governance, which consists of the Responsible Investment Team and the Corporate Governance Team. The Responsible Investment Team supports the development of policies and guidelines relating to responsible investment and establishes responsible investment strategies and action plans to support in-house portfolio managers in incorporating ESG factors into investment decisions. ESG evaluation is carried out internally: undertaking ESG research, monitoring ESG-related controversial issues, and conducting ESG-related active ownership activities.

Extract from NPS's 2020 Annual Report



Read more about NPS's stewardship and responsible investment activities, as well as its 2020 Responsible Investment & Governance Report **here**.

2.0 Strategy Alignment

GLICs will develop policies on how to incorporate sustainability considerations including material insight into their investment processes and when discharging their fiduciary responsibilities.

This principle aims to align GLICs' organisational strategy with their approach to sustainable investments which has been derived from the organisation's mandate, policy, strategy or belief.

Incorporating sustainability considerations in the investment strategy is crucial in meeting the sustainable investment goals and targets of GLICs.

GLICs should actively incorporate sustainability considerations as part of their investment strategy to ensure that the organisation's sustainability principles are effectively cascaded throughout the investment process. A successful implementation of organisational sustainable investment strategy involves aligning the understanding of internal and external stakeholders, transparency and accountability.

In engaging EFMs and investment service providers in implementing GLICs' investment strategy, GLICs should take into account prevailing national, regional and international sustainable investment standards and requirements where the EFMs or service providers operate. In addition, as part of the engagement, GLICs should encourage EFMs and service providers to continually enhance their sustainable investment capabilities.

In-house strategy

2.1 GLICs should incorporate sustainability considerations when developing their investment strategy, including but not limited to, investment beliefs, philosophy or statements, investment guidelines, implementation approach, and appetite for risks.

2.2 GLICs should establish clear principles or guidelines to outline the overall sustainable investment approach and to guide the incorporation of sustainability considerations into the investment process, which may include corporate governance guidelines or investment policy.

2.3 GLICs should define and formalise their commitment to sustainable investment in the form of a policy, framework or blueprint, tailored to their respective organisations, in support of a robust investment strategy.

Guidance:

a) Amongst others, GLICs should define the following:

i) Organisation's overall guiding principles, position and approach with regards to sustainable investment;
ii) Material sustainability factors and issues;
iii) Application of sustainable investment approach towards different asset classes, such as equity, fixed income, private equity etc;
iv) Outline of responsibilities of personnel in managing sustainability matters vis-à-vis investment management;
v) Processes undertaken in managing sustainable investment;
vi) Monitoring and reporting of investment portfolio vis-à-vis compliance with sustainable investment policies; and
vii) Approach to stewardship and active ownership for continuous improvements and compliance with sustainable investment policies.

b) The commitment to sustainable investment could be demonstrated by:

i) GLICs developing and/or revising their core investment policy to incorporate sustainable investment considerations, thus integrating and aligning sustainable investment factors within mainstream policy considerations.

GLICs integrating sustainability considerations into the investment policy which would demonstrate their recognition of the materiality of sustainability factors and the commitment to integrate such factors into the investment process.

ii) GLICs developing a separate sustainable investment policy, instead of integrating sustainable investment considerations into their core investment policy, while ensuring alignment in the investment strategy implementation phase.

Establishing a standalone policy would assist to describe the GLICs' stance on sustainable investment, whilst setting clear expectations for their investee companies.

Example 1: **Pension Protection Fund (PPF), United Kingdom**

Approach: Incorporating sustainability as part of investment policy

PPF is a statutory fund in UK which was created under the UK's Pensions Act 2004. PPF has incorporated responsible investment considerations as part of its Statement of Investment Principles. PPF's Statement of Investment Principles provides a clear outline on how the organisation views ESG and how it would integrate ESG throughout its investment value chain. It further provides a high-level description on its management of fund managers.

Extract from PPF's Statement of Investment Principles

- PPF believes that in order to fulfil this commitment and to protect and enhance the value of the investments in the Fund, it must act as a responsible and vigilant asset owner and market participant.
- PPF further believes that ESG factors can have an impact on the performance of its investments, and that the management of ESG risks and exploitation of ESG opportunities, particularly for a portfolio-wide issue like climate change, can add value to its portfolio.
- PPF defines ESG factors as the interaction of its investments with:
  - the physical environment (environmental);
  - communities, workforces, wider society and economies (social);
  - the governance structures of the organisations and markets PPF invests in, as well as of its agents (governance, including corporate governance).
- PPF will integrate the consideration of material ESG and climate-related issues across all asset classes and markets in which it invests. PPF expects its fund managers, where appropriate, to have integrated material ESG factors, including climate-related risks, as part of their investment analysis and decision-making process. Appropriate weight will be given to ESG policies, processes, stewardship activities and reporting in the appointment of fund managers. PPF will engage with and hold fund managers to account in this regard as part of its regular monitoring process.
- PPF will also demonstrate appropriate stewardship activities through responsible allocation, engagement, and monitoring of its fund managers, investee companies and other agents. In particular, PPF, or its agents on its behalf, will exercise its ownership rights, including access to company management and voting rights on matters including capital structure, risk, strategy, performance, social and environmental issues (including climate change) and corporate governance, in order to safeguard sustainable returns.

Read more about PPF's Statement of Investment Principles **here**.

Example 2: **Canada Pension Plan Investments (CPP Investments), Canada**

Approach: Establishing a standalone sustainable investment policy

CPP Investments' Policy on Responsible Investing illustrates a clear outline on the organisation's approach to ESG as well as how it exercises shareholder activism.

The components covered in the responsible investment policy include:

- **Mandate from the federal and provincial governments** in serving as the stewards of the CPP
- **Broad investment principles** including responsible investing which state that ESG factors have a positive influence on long-term financial performance and that investment analysis should incorporate ESG factors to the extent that they affect risk and return
- **Engagements** including engagement methods and focus areas
- **Responsibilities and reporting** specifically on the role of the Responsible Investing Committee and annual Report on Responsible Investing

Read more about CPP Investments' Policy on Responsible Investment **here**.

2.4 GLICs should apply their sustainable investment framework to their assets under management (AUM). GLICs may choose to apply different sustainable investment approaches to individual asset classes, strategies or portfolios, but should ensure that transparency on sustainable investment approaches is provided to relevant stakeholders.

Example: **Public Investment Fund (PIF), Saudi Arabia**

PIF is the sovereign wealth fund of the Kingdom of Saudi Arabia, mandated to be the driver of the Kingdom's economic transformation and diversification.

PIF's Green Finance Framework outlines ESG strategy and roadmap towards achieving ESG integration across processes and portfolios, and dedicated disclosure in line with international standards. Thus, PIF has identified the following broad initiatives in terms of ESG coverage and integration:

- Develop of proprietary ESG scoring framework;
- Implement PIF's carbon transition plan to support the Kingdom's ambition of net zero by 2060;
- Develop ESG policy and guidelines for portfolio companies;
- Attract thematic investments including through issuance of green bonds;
- Shape and adopt international reporting and disclosure standards; and
- Establish a voluntary exchange platform for carbon credits.

PIF also aims to champion six (6) key ESG themes based on its portfolio and pipeline:

- ecological impact and biodiversity;
- carbon footprint and energy management;
- renewable energy and clean-tech adoption;
- water and waste management;
- community and socio-economic impact; and
- corporate governance.

Read more about PIF's Green Finance Framework **here**.

2.5 In developing their investment strategy, GLICs should undertake an assessment to identify the internal and external factors to which their investment portfolios would be exposed to. This could be on asset-specific, depending on GLICs' appetite and preferred approach.

Guidance:

These assessments would ensure that GLICs' investment portfolios are able to weather any fluctuations or shocks in the capital market.

a) Some examples of internal factors are:
   i) Organisation's individual mandate and fiduciary duties; and
   ii) Risk-return preference.

b) Some examples of external factors are:
   i) Environmental factors, such as climate change, deforestation and pollution;
   ii) Social factors, such as labour rights, demographics and poverty; and
   iii) Governance factors, such as market regulations and legal system.

c) For externally managed portfolios, GLICs should encourage their EFMs to undertake similar assessments.

Externally-managed funds and service providers

2.6 GLICs should engage with their EFMs in setting expectations for the EFMs to follow the GLICs' sustainable investment policies, strategies or framework.

Example: **Employees Provident Fund (EPF), Malaysia**

EPF is a retirement fund which functions as a social security organisation in Malaysia. On 31 March 2022, EPF launched its Sustainable Investment Policy, Priority Issues Policies, and Priority Sector Policies.

As part of EPF's Sustainable Investment framework, EPF requires all 16 of its EFMs to incorporate ESG considerations into their investment decision-making and to collaborate with the EPF to promote the ESG agenda. At EPF's launch ceremony, all 16 EFMs signed the Sustainable Investment Pledge to pledge their commitment towards including ESG considerations into their investment decision-making processes.

This example illustrates a case of how GLICs can ensure their sustainable investment policies are conveyed to its EFMs.

Read more about EPF's Sustainable Investment Policies **here** and the **speech by the Minister of Finance**.

2.7 GLICs should direct their EFMs and investment service providers, such as financial analysts, consultants, actuaries, brokers, research firms, index providers or rating companies, to integrate sustainable investment considerations into the services provided to GLICs.

Guidance:

While the EFMs and investment service providers may be at different stages of their sustainable investment journey, vis-à-vis respective jurisdictional requirements and geographical exposure of the investment portfolio, the sustainable investment standards and criteria may be deemed fulfilled and satisfied, so long as the EFMs and service providers demonstrate commitment to and progress in integrating sustainability considerations into the provision of services to GLICs.

Example: **Future Fund (FF), Australia**

FF considers the extent to which the manager is effectively managing the financial risks and opportunities that may arise from ESG issues, as part of its manager selection and monitoring process.

Extract from FF's Statement of Investment Policies

Partnering with external investment managers

Direct asset investments

12.4 The Agency structurally integrates ESG considerations into the Future Fund's investment decision making process, including assessments of ESG and reputational risk issues for all new investments considered by the Investment Committee as well as the Asset and Manager Review Committees where relevant.

12.5 Where we make direct investments (eg in infrastructure, property, timberland or private equity), an evaluation of ESG and reputational risk factors is undertaken internally. The due diligence supporting direct investments typically features dedicated analysis by our investment managers to review the extent of ESG risk related to the assets under consideration. Where particularly complex or unique risks have been identified, the Agency may procure supplementary third-party research to ensure these issues are accurately integrated in our investment decision making process.

12.6 The Board will review the governance arrangements of an investment vehicle before committing capital. Where applicable, the Board will seek appropriate information, engagement, enforcement and termination rights and will ensure its interests are effectively represented through appropriate active representation on the vehicles' governance bodies. The Board will oversee the quality of the governance of the underlying assets held through those vehicles either through its managers or directly as appropriate.

Read more about FF's Statement of Investment Policies **here**.

2.8 GLICs should include sustainable investment considerations and requirements in the EFM mandates, as well as in their due diligence process.

Guidance:

a) This could be in the form of a request for proposal (RFP) questionnaire to assess the robustness of the sustainable investment approach of the EFMs, and catered

in accordance to the specific requirements of the mandate, such as geographical exposure, size and style of the mandate, as well as past performance of the EFM, including sustainability performance.

b) GLICs are encouraged to embed sustainable investment considerations throughout relevant parts of the RFP questionnaire, or to allocate a dedicated section for sustainability within the questionnaire.

c) Some of the sustainability considerations which can be included in the RFP questionnaire include:

i) Firm structure and investment policy
- Details of the EFM's sustainability governance framework (e.g. if the EFM refers to an investment or sustainability policy and how it is implemented within the firm)
- Adherence to responsible investment standards that are globally or widely accepted
- Internal capabilities and resources (e.g. if the EFM has a dedicated sustainability team and the nature of interaction with the investment teams)

ii) Investment process
- Details on how sustainability is integrated into investment decision making process
- Details on the sustainability data, tools and research used in investment decision making process
- Details on how sustainability materiality risk assessments are conducted
- Extent to which sustainability would influence investment decision making

iii) Active ownership
- Influence of active ownership on investment decision making
- Frequency of engagement with portfolio companies
- Escalation process to investors

iv) Reporting
- Frequency on reporting of integration activities
- Method of reporting on integration activities

Example: **Government Pension Investment Fund (GPIF), Japan**

GPIF examines ESG initiatives when evaluating their EFMs which manage their equity and fixed income assets. GPIF also formed partnerships with several multilateral development banks and governmental financial institutions to expand investment opportunities in green, social, and other ESG-related bonds.

ESG Integration in Asset Manager Evaluations

Most of GPIF's portfolio assets are managed externally by asset management companies in Japan and overseas. The Public Market Investment Department and Investment Strategy Department work together to select and evaluate these companies. Managers are evaluated on their investment policies, asset management processes, organizational structure and human resources. ESG integration is a key part of the asset management process review.

As a PRI signatory, in 2018 we defined ESG integration as "the explicit and systematic inclusion of ESG factors into investment analysis and investment decisions," based on the definition provided by PRI.

In fiscal 2019, we established evaluation criteria for ESG integration based on this definition and began comprehensive asset manager evaluations according to these new criteria. In addition to evaluating existing external asset managers, the new ESG integration criteria are also used when selecting new external asset managers.

Although an increasing number of asset managers emphasize ESG and are explicitly and systematically including it in their investment analysis, there are no established methods for assessing how and to what degree ESG factors have an impact on corporate value, and individual asset managers have adopted their own various initiatives in this regard. We hope to see further progress in this and other areas of ESG integration among asset managers in the future.

ESG Integration in Fixed Income Investments

GPIF and the World Bank Group have been working together to promote ESG integration in fixed income investment through efforts such as publishing a joint research paper entitled "Incorporating Environment, Social and Governance (ESG) Factors into Fixed Income Investment" in 2018.

Following up on this research, the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC)—both members of the World Bank Group—drew up a new proposal in 2019 to provide GPIF's external asset managers with an opportunity to invest in green, social and sustainability bonds.

GPIF provides its external asset managers with opportunities to both integrate ESG into their fixed income investments and gain excess return over government bonds by building platforms in which they can invest in green, social and sustainability bonds issued by multilateral development banks and governmental financial institutions.

The initiative, launched in collaboration with IBRD and IFC, has since expanded to more of the world's major multilateral development banks. In fiscal 2020, while maintaining these existing partnerships, we have entered into new partnerships with three governmental financial institutions : Nederlandse Waterschapsbank (NWB Bank) in the Netherlands, Kommunalbanken Norway (KBN) in Norway, and Export Development Canada (EDC) in Canada. As of March 31, 2021, we have built investment platforms with ten multilateral development banks and six governmental financial institutions as issuers.

GPIF is committed to promoting ESG-based investment, not only in equities but also in fixed income and other assets, in order to limit negative environmental and social externalities and enhance the long-term return of the portfolio across all asset classes.

Read more about GPIF's ESG in external equity and fixed income management **here**.

2.9 GLICs should require their EFMs to provide a board-approved sustainable investment policy to understand the EFMs' commitment towards sustainable investment management at firm-level.

Guidance:

GLICs should require their EFMs to conduct a walkthrough of their sustainable investment approach and methodology in order to gain further insight of the manager's sustainability capabilities and to verify responses to the questionnaire.

3.0 Investment Processes and Methodologies

GLICs will adopt and deploy sustainable investment methodologies and investment decisions where appropriate.

This principle aims to ensure that GLICs incorporate appropriate sustainable investment strategies, processes and methodologies into their investment activities. Given its wide-ranging implications, sustainability should be appropriately considered in investment decisions of the GLICs. By incorporating sustainability considerations, GLICs would be able to enhance their risk-adjusted returns in the long term and also be fulfilling their fiduciary duties to their stakeholders.

There are various sustainable investment approaches available, and these may differ for each asset class and size of the investment portfolio. This principle is not meant to prescribe the sustainability investment approaches for the GLICs, but to provide guidance on how sustainability investment approaches can be incorporated by the GLICs.

Where GLICs outsource investment mandates to EFMs in the deployment of sustainable investments, GLICs should take into account prevailing national, regional and international sustainable investment standards and requirements where the EFMs operate, and seek to engage and upgrade EFMs in scenario where less stringent standards are applied.

The requirements under this principle support the adoption and implementation of Principle 5 of the MCII which states that institutional investors "should incorporate corporate governance and sustainability considerations, including climate-related matters into their investment decision-making process and should seek to deliver sustainable returns in the long-term interest of their beneficiaries or clients".

Sustainable investment management

3.1 GLICs should incorporate sustainability considerations in their investment decisions and active ownership conducted throughout the investment value chain, including their governance structure and policies, as well as investment strategy formulation and implementation, either executed by an in-house team or by an EFM.

Example: **Korea Investment Corporation (KIC), Republic of Korea**

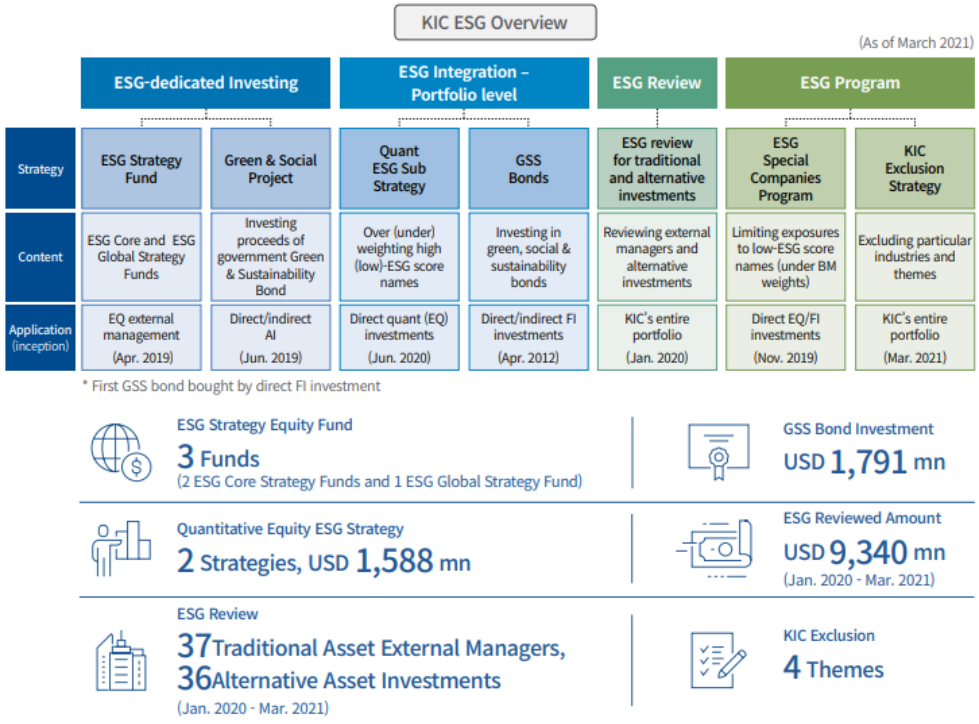
KIC was established in 2005 to manage public funds entrusted by the government and Bank of Korea through investing in a variety of international financial assets. KIC publishes an annual sustainable investment report, apart from its annual report, to provide an update to its shareholders on its various sustainable investment policy, activities and initiatives.

Extract from KIC's 2021 Sustainable Investment Report

ESG integration represents an investment approach that incorporates ESG factors in all investment decision-making processes. KIC has established and is applying ESG approaches suitable for traditional and alternative assets as well as direct and indirect investments. We target higher long-term returns through considering ESG factors that may heavily affect the long-term asset values of our investment targets.

At KIC, we apply ESG integration through four main channels:

1) ESG-dedicated investing: Investment strategies and portfolios are centered around ESG factors. KIC owns three ESG strategy external public equity funds and seven green and social project alternative assets.
2) Portfolio-level ESG integration: This is applied to fixed-income through green, social and sustainable bonds and to quant investments through ESG sub-strategy respectively.
3) ESG review: We review all external managers as well as our alternative investment direct investments and co-investments in terms of ESG factors.
4) ESG program: We also operate the ESG Special Companies Program and KIC Exclusion Strategy.



Read more about KIC's Sustainable Investment Report **here**.

3.2 GLICs are encouraged to engage their stakeholders, include but not limited to, via surveys or interviews, to understand their views and expectations on sustainability factors, in identifying their sustainability mission, vision or statement of purpose.

Example: **Pensioenfonds PGB (PGB), Netherlands**

PGB is a private sector pension fund in Netherlands. PGB conducted a survey in 2016 to gain insight into participants' expectations and wishes regarding sustainable investment.

This resulted in the following:

- Socially responsible investment should not be at the expense of returns or lead to higher risks;
- Avoid high rewards, corruption and fraud;
- Make policies that promote good health, working conditions and human rights;
- Do not invest in the most controversial sectors; tobacco and weapons;
- Do not invest in companies that use child labour; and
- Invest more in Dutch companies and infrastructure.

Extract from PGB's SRI Policy

In 2018, PGB expressed the desire to have a positive impact on the environment. To this end, a connection was made with the 17 United Nations Sustainable Development Goals (SDGs). In 2018 and 2019, participants were then asked which of the 17 development goals they considered most important.

The following goals are identified as the most important ones:

- Good health and well-being (SDG 3)
- Affordable renewable energy (SDG 7)
- Decent work and economic growth (SDG 8)
- Industry, Innovation and Infrastructure (SDG 9) and
- Action to combat climate change (SDG 13)

PGB uses these five SDGs as key objectives in this socially responsible investment policy and reports on them in the socially responsible investment reports.

Read more about PGB's survey and approach to responsible investment **here**.

3.3 GLICs should incorporate sustainability considerations in implementing their investment strategy which will influence the formulation, selection and operationalisation of their investment strategy and targets.

Guidance:

a) There are various approaches that could be taken by GLICs in incorporating sustainability considerations in implementing their investment strategy. An example is through conducting scenario analysis which would enable GLICs to explore a range of possible scenarios and develop an understanding of how various physical and transition risks and opportunities may impact business over time.

b) GLICs could consider the following categories of sustainability risks and opportunities when conducting scenario analysis (non-exhaustive):

- Market and technology shifts.
- Reputational considerations.
- Policy, legal and regulatory environment.
- Physical (acute and chronic).

Example: **Temasek Holdings Limited (Temasek), Singapore**

Temasek is a state holding company owned by the Government of Singapore. In line with its longer-term portfolio strategy, Temasek adopts a scenario-based approach to ascertain the potential impact of different temperature pathways.

Extract from Temasek's website

Temasek incorporates the climate scenario analysis, alongside other macroeconomic or geopolitical events, within the Temasek Geometric Expected Return Model (T-GEM), which uses a scenario-based approach to simulate its 20-year long term expected returns.

Given the inherent uncertainty of the global trajectory and returns, in T-GEM, Temasek simulates its 20-year expected returns under different alternate scenarios, which include: (1) one of Low Ambition, with zero transition impact but high physical costs expected in the longer term; and (2) one of High Ambition, with much higher nearer term transition costs to avert or reduce the longer-term physical costs.

The table below summarises the scenarios:

Name	Scenario	Description	Temperature increase (by 2100)
Low Ambition	SSP2-Baseline	Business as usual (BAU) scenario reflecting only existing climate policies and predicted technology cost trends, with no further policy changes.	4.0°C
Medium Ambition	SSP2-45	Assumes immediate policy action with gradual adaptation and relatively less disruption; full availability of carbon dioxide removal technologies is also assumed.	2.0 - 2.2°C
High Ambition	SSP2-26, FPS	Incorporates likely effects of more ambitious climate policies to limit global warming below 2°C, which involves much greater near-term transition costs and a reliance on negative emissions technologies.	1.7°C

Read more about Temasek's climate scenario analysis **here** or **here**.

3.4 GLICs should consider the development of sustainable investment mandates across asset classes, which should include how sustainability considerations will be embedded into the investment decision-making process.

Guidance:

a) GLICs are encouraged to develop customised sustainable investment mandates for each asset class, including their sustainability approaches and relevant aspects to consider.

b) Alternatively, GLICs could consider formulating a common sustainable investment mandate that is relevant and applicable for all asset classes.

Example 1: **California Public Employees' Retirement System (CalPERS), United States**

Extract from CalPERS's website

In 2016, CalPERS developed a set of sustainable investment practice guidelines for each asset class that reflects their needs and strategies. The guidelines integrate existing beliefs, principles, and policies related to ESG considerations, including the Investment Beliefs, Global Governance Principles, and United Nations-supported six Principles for Responsible Investment, and are intended to evolve and adapt with industry best practices and as data and tools emerge and improve:

- Global Equity Sustainable Investment Practice Guidelines
- Global Fixed Income Sustainable Investment Practice Guidelines
- Private Equity Sustainable Investment Practice Guidelines
- Real Assets Sustainable Investment Practice Guidelines

Read more about CalPERS's Sustainable Investments Program **here**.

Example 2: **Algemene Pensioen Groep (APG), the Netherlands**

APG is a pension provider that provides the pensions for more than 4.8 million people on behalf of several Dutch pension funds, with its services covering pension fund administration, asset management, management support and communication services.

Extract from APG's Guidelines for Green, Social, and Sustainable Bonds

For APG, responsible investing is a way to improve the investment portfolio's risk/return profile while contributing to a sustainable world for our clients and their participants. As a long-term investor, APG is committed to growing its investments in solutions that contribute to the UN SDGs, on behalf of its clients. Investing in green, social, and sustainable bonds helps APG to achieve this.

APG first evaluates potential bond investments to ensure they meet its financial risk and return requirements as well as ESG considerations. Subsequently, it uses a sector-specific framework to identify which investments contribute to the SDGs and are classified as Sustainable Development Investments (SDIs). In order to ensure that each investment lives up to its ESG quality and integrity standards, APG addresses the key issues facing the market for green and social bonds, in a prudent manner.

Read more about APG's Guidelines for Green, Social, and Sustainable Bonds **here**.

Example 3: **Kumpulan Wang Persaraan (Diperbadankan) (KWAP), Malaysia**

KWAP is Malaysia's public services pension fund. KWAP has developed customised sustainable investment mandates for some of the asset class in which the fund invests in.

Extract from KWAP's 2020 Statement of Compliance to MCII

KWAP established internal ESG Guidelines for Fixed Income in 2017. This document aims to serve as a guideline for KWAP in monitoring the conduct of its borrowers and bond issuers in relation to ESG. In 2019, KWAP introduced its ESG Guidelines for Private Equity. In 2020, KWAP 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.

Read more about KWAP's ESG practices **here**.

3.5 GLICs should be guided by their fiduciary duty and relevant legislative requirements in deciding on the appropriate sustainable investment methodology, or combination of methodologies, that best fits their objectives and investment mandates.

a) For guidance, GLICs may want to consider the sustainable investment approaches outlined below, which are illustrative of the various sustainable investment approaches currently in practice globally and are not intended to be exhaustive.

Core Approaches	Description
ESG integration	The systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis.
Corporate engagement and shareholder action	Employing shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.
Norms-based screening	Screening of investments against minimum standards of business or issuer practice in Malaysia, and where applicable and appropriate, with relevant international norms.
Negative/exclusionary screening	The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable. Exclusion criteria (based on norms and values) can refer, for example, to product categories (e.g. weapons, tobacco), company practices (e.g. animal testing, violation of human rights, corruption) or controversies.
Best-in-class/positive screening	Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers, and that achieve a rating above a defined threshold.
Sustainability themed/thematic investing	Investing in themes or assets specifically contributing to sustainable solutions - environmental and social - (e.g.

	sustainable agriculture, green buildings, lower carbon tilted portfolio, gender equity, diversity.
Impact investing and community investing	**Impact investing** Investing to achieve positive, social and environmental impacts - requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution. **Community investing** Where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose. Some community investing is impact investing, but community investing is broader and considers other forms of investing and targeted lending activities.

Source: 2020 Global Sustainable Investment Review

b) GLICs may also refer to other commonly used sustainable investment approaches.

c) GLICs should decide on the use of these strategies and approaches, which best fit the mandates and objectives of respective organisations. These strategies and approaches are not mutually exclusive and may be used in combinations.

Example 1: **Abu Dhabi Investment Authority (ADIA), Emirate of Abu Dhabi**

Approach: ESG integration

ADIA, the sovereign wealth fund owned by the Emirate of Abu Dhabi, recognises the importance of building a portfolio that is able to capture opportunities and anticipate challenges arising from major global trends. As such, it has taken steps over the years to analyse the implications of climate change and integrate climate considerations into its decision-making around new and existing investments.

Extract from ADIA's website

Some of ADIA's approaches and initiatives include:

- ADIA created eight internal asset class-specific task forces, who considered in detail the potential ramifications of climate change for ADIA.
- As a founding member of the One Planet Sovereign Wealth Fund Working Group, ADIA endorses the principles in the framework developed by the One Planet Sovereign Wealth Fund Working Group, which aims to promote the integration of climate change analysis in the management of large, long-term and diversified asset pools.

ADIA has embedded climate change into its investment process, which include:

- Encouraging its investment departments to explore climate change related opportunities, within their own existing allocations, risk budgets and guidelines;
- Encouraging its investment departments to incorporate climate change impact and risk assessment as part of investment proposals, company and external manager due diligence, portfolio reporting, and departmental planning;
- Establishing cross-departmental working groups to monitor changes in technology and climate policy, with periodic reporting to the Investment Committee; and
- Encouraging its investment departments to monitor climate change investment practices in their interactions with external managers.

Read more about ADIA's sustainable investing approach **here**.

Example 2: **Employees Provident Fund (EPF), Malaysia**

Approach: Negative screening

Extract from EPF's website

EPF's approach to sustainable investing includes negative screening at the highest level of businesses that it has determined to be controversial, and employing the appropriate investment strategy based on EPF's level of involvement and influence over an investment asset as well as ESG performance.

Negative screening excludes potential investment opportunities related to controversial business activities and countries defined by EPF. The existing Controversial Business Activity List already excludes companies that engage with the production, distribution and/or trade of weapons, tobacco, alcohol beverages, adult entertainment and gambling. EPF will be enhancing the list of exclusions by accounting for ESG considerations across all asset classes. EPF seeks alignment, where possible, with local and international standards as well as the best practices defined by various organisations. The exclusion list will be reviewed annually.

EPF's Sustainable Investment Policy covers all asset classes that EPF is invested in, across both conventional and Shariah investment.

For Shariah investments, EPF illustrates that although the negative screening approach adopted in Shariah investment has a positive social impact that is similar to ethical investment, for Shariah investment to be considered sustainable investment it would require beyond exclusionary screening, including but not limited to positive screening, norms-based screening, active engagement and thematic investments that are compatible with the objectives of Shariah (Maqasid Shariah) which promote the welfare of humankind and prevent harm by preserving religion (faith), life, intellect, offspring (future generation) and wealth.

Read more about EPF's sustainable investment policy **here**.

Example 3: **Pensioenfonds Metaal & Techniek (PMT), the Netherlands**

Approach: Best-in-class/positive screening

PMF is a union pension for the metal and technology industry in the Netherlands. PMF adopts the best-in-class/positive screening approach when investing in companies.

Extract from PMT's Responsible Investment Policy

PMT only wants to have companies and countries in its portfolio that perform well with regard to ESG factors. At the same time, PMT does not drop companies that do their best to improve on ESG themes and also show these improvements when PMT enters into discussions with these companies.

In the equity portfolio, companies are assessed on the basis of the MSCI ESG score, whereby companies with a relatively low score are removed from the portfolio. In addition, companies in the most carbon-intensive sectors in the equity portfolio are also assessed based on the MSCI Low Carbon Transition Score. This measure is based on current carbon intensity (emissions versus sales) and a forward-looking management score. 20% of companies with the lowest score within the carbon intensive sectors will be removed. In this way, for example, utilities that make relatively large use of coal for energy generation and have no plans to reduce this are excluded from the portfolio.

By 2030, PMT no longer wants to have any companies in its portfolio that do not comply with the Paris Agreement, provided that a portfolio can be composed with the remaining companies that matches the return target and the strategic investment framework of PMT.

Read more on PMT's responsible investment policy **here**.

Example 4: **Canada Pension Plan Investments (CPP Investments)**

Approach: Thematic investing

Extract from CPP Investments' 2021 Report on Sustainable Investing

In 2019, CPP Investments' Thematic Investing team began investing in a dedicated Climate Change Opportunities portfolio across five sub-areas: (1) Green Consumerism, (2) Buildings & Materials, (3) Transportation, (4) New Power Generation and (5) Agricultural Technology. This portfolio invests in both public and growth-stage private companies, offering new technologies and business models to adapt to or mitigate climate change. The strategy is fundamentally driven and contains a global and diverse set of innovative public and private companies.

The Climate Change Opportunities portfolio includes investments in companies, such as Perfect Day, that are creating alternative proteins (to reduce emissions from animals in food production) and making building cooling more efficient.

Read more about CPP Investment's approach towards thematic investing **here**.

3.6 GLICs are encouraged to adopt metrics which are relevant to their sustainable investment management as part of their investment process.

Guidance

Some examples of metrics include but are not limited to:

- Percentage of AUM to which the sustainable investment approach is applied;
- Explicit sustainability impacts, dependencies, risks and opportunities for each asset class; and
- Tracking of engagement types (individual or collaborative, service provider-led), communication and outcomes against identified engagement targets, as well as sustainability impact against measurable, timebound and (where possible) evidence-based targets; and Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions.

External mandates

3.7 GLICs should incorporate sustainability considerations and requirements during the appointment process of EFMs or general partners, especially in the binding fund documentation, including but not limited to, Investment Management Agreement (IMA), Limited Partnership Agreement (LPA) or a side letter.

Guidance:
The fund terms should also include arrangements on how the GLICs will be regularly informed on the sustainability developments of the EFM, either in written documentation or in-person meetings.

3.8 GLICs should communicate their sustainability objectives to the EFMs, and discuss with the EFMs how these will be carried out in practice in the selection of assets for investment and subsequent monitoring of the portfolio.

3.9 GLICs should track and monitor the sustainability performance of investments overseen by EFMs and investment service providers.

Guidance:
GLICs are encouraged to track the performance on a frequent periodic basis (for example once every quarter) to assess their progress and commitment in implementing the sustainable investment strategies of GLICs.

Example: **Korea Investment Corporation (KIC), Republic of Korea**

KIC reviews the responsible investments of EFMs for indirect investments. For direct and co-investments in alternative assets, we review the ESG factors of investment targets.

Extract from KIC's 2021 Sustainable Investment Report



5.3.1 ESG Assessment Platform For External Managers (Traditional Assets)

When selecting external managers, KIC looks at how they conduct responsible investments for such traditional assets as equities and fixed-incomes. We give additional points to managers assessed to conduct responsible investments well, to properly reflect ESG factors in the manager selection process.

For external managers of traditional assets, assessments are based on ESG policies, ESG philosophies, extent of EGS factor consideration in the investment process, internal resources such as ESG research capability and an independent ESG team, stewardship activities and ESG-related-disclosures.

We evaluated three fixed-income managers and three equity managers selected after the adoption of our ESG assessment platform in January of 2020. Evaluation results were reflected in the final investment decision.

Also, in the first half of 2020, we evaluated the degree to which our existing external managers conducted responsible investments and sent written notices about their evaluations. We strive to spread awareness of the importance of responsible investment.

5.3.2 ESG Assessment Platform For Alternative Investments

KIC conducts an independent ESG review of the target companies and target assets involved in direct and co-investments to check for potential ESG risks. Especially, when investing in green and social projects with the capital raised from a government-issued green & sustainability bond that we manage, we consider such related impacts as reduced carbon emissions, energy savings and job creation.

For indirect investments in alternative assets, we use an ESG Questionnaire to assess the responsible investment status and plans of general partners(GPs). Due to the nature of GPs who handle alternative assets, they are evaluated qualitatively instead of with additional quantitative points, which is the case for external managers of traditional assets.

In doing so, we encourage our GPs to actively consider policies and processes related to responsible investment. KIC will also better identify the best practices of global managers and strengthen our capabilities.

ESG findings on all alternative assets are reported to both the Investment Working Committee and the Investment Committee and are reflected in our investment decisions.

Also, when needed, ESG Working Group which is comprised of managers from each asset class discusses important ESG-related issues.

Read more about KIC's Sustainable Investment Report **here**.

3.10 GLICs should consistently monitor the efforts of the EFMs in undertaking investment management or advisory services in adherence to the sustainable investment practices of GLICs, and communicate the implications of failure to fulfill the sustainable investment requirements.

Guidance:

The monitoring process of EFMs should cover, but not limited to, the following areas:

a) Disclosures on investment activity including firm level, asset class level, stewardship and outcome on engagements conducted;
b) Frequency of reporting;
c) Verification of reports by third party, where relevant;
d) Review and confirmation of the information provided by EFMs;
e) Standardised reporting format to enable comparisons by GLIC; and
f) Identification of action points based on disclosure provided by EFMs.

Example: **Government Pension Investment Fund (GPIF), Japan**

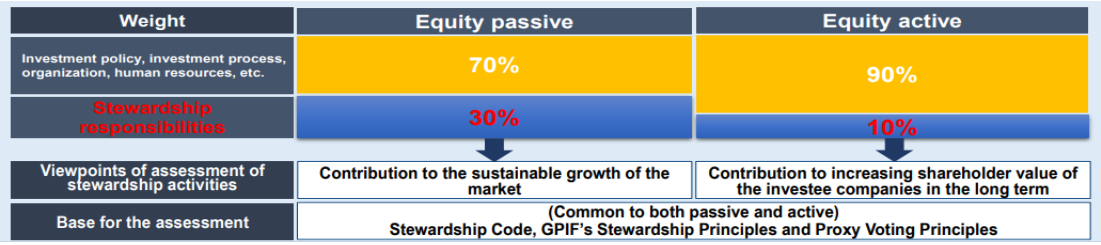
GPIF undertakes a comprehensive assessment of asset managers through qualitative assessment while taking into consideration quantitative achievements. For the improvement of returns for GPIF, the organisation believes that the sustainability of the entire market is crucial. Therefore, GPIF believes that it is critical for passive managers to implement engagement activities, which would encourage investee

companies to increase their corporate value and the sustainable growth of the entire market from the long-term perspectives.

GPIF actively monitors its investment managers through various approaches. Its assessment method for alternative assets has been described below.

Extract from GPIF's Stewardship Activities Report 2020-2021

With respect to Stewardship activities, passive managers are assessed in terms of their contribution to the sustainable growth of the market, whereas active managers are assessed in terms of their contribution to increasing shareholder value of the investee companies in the long run.



Extract from GPIF's ESG report 2019

GPIF monitors asset managers if there is any change in their organisation in charge of ESG, whether the funds in which they invest to establish a diversified portfolio are signatories to the Principles for Responsible Investment (PRI), and how these funds implement each element of ESG. In addition to requesting that each asset manager provide a report detailing the status of their ESG initiatives, GPIF ensures it actively engages and stays updated on these issues through regular dialogue with them.

Read more about how GPIF manages ESG and its stewardship activities **here** and **here**.

Sustainable investment risk management

3.11 GLICs should ensure that their policies and procedures for investment management processes include identifying relevant and material sustainability risks that could affect the valuation and/or returns of their investment portfolios across all asset classes, which forms an integral part of the investment analysis and decision making.

3.12 GLICs should develop monitoring mechanism to ensure continuous oversight and gauge the potential impact of sustainability risk exposure of investee companies to their overall investment portfolio.

Guidance:

a) The initial screening of an investment opportunity can provide an early-stage assessment of how it aligns with a GLIC's sustainable investment objectives.

b) The proposed monitoring mechanism may include quantifying where possible, the effects of physical and transition risks of the investee companies, by geographical, asset class and sectoral distribution, to the investment portfolio, taking into consideration the portfolio's risk profile.

3.13 Where sustainability considerations are integrated into investment selection, GLICs are encouraged to include sustainability performance or impact, in addition to the explicit financial performance in the investment process.

Guidance:

a) GLICs may refer to relevant frameworks where practicable (e.g. targets linked to climate science or taxonomy, and the resulting scope of actions to avoid breaching thresholds), in determining their sustainability performance or impact, which might differ according to the timeframes of the investment.

3.14 GLICs are encouraged to compile a checklist to screen for high-level sustainability risks before embarking on detailed due diligence, or during the due diligence process.

Guidance:

a) The content of this checklist will be dependent on GLICs' strategy and the nature of the business of the investee company, with broad and high-level checks pertinent to sectoral and/or geographic-related sustainability risks and opportunities.

b) GLICs are encouraged to periodically review this list to incorporate new developments or insights which may significantly influence their composition.

c) GLICs could consider excluding controversial industries and activities (e.g. cluster munitions, tobacco, gaming or alcohol) or follow the relevant national and international guidelines on country exclusions, in alignment with the government policy of Malaysia.

Example: **National Investment and Infrastructure Fund (NIIF), India**

NIIF is a fund manager that invests in infrastructure and related sectors in India. An institution anchored by the Government of India, NIIF is a collaborative investment platform for international and Indian investors with a mandate to invest equity capital in domestic infrastructure.

Extract from NIIF's website

Every project/investment of NIIF will be mandatorily guided by the following Environmental and Social (E&S) Management Principles and Policy, which includes screening of material E&S risks and impacts, E&S due diligence, and periodically monitored for effective implementation of E&S items and covenants.

Read more about NIIF's E&S management approach and policy **here**.

Knowledge, resources and capacity building

3.15 GLICs should ensure relevant employees receive appropriate training and are equipped with necessary skillset to enable them to integrate sustainability considerations into the investment process, as well as to implement relevant sustainability initiatives of the organisation.

Example: **Temasek Holdings Limited (Temasek), Singapore**

Extract from Temasek's website

In order to deepen ESG and climate integration and support the investment teams, Temasek's ESG team expands and upgrades the tools and training options available for the organisation on a regular basis. Connecting business issues with climate issues and demonstrating the material relevance of those risks and opportunities helps the investment professionals contextualise the forward-looking nature of those perspectives, while connecting them in a meaningful way with their day-to-day investment work.

Read more about Temasek's approach to managing sustainability **here**.

3.16 GLICs should support the development of sustainability-related tools, metrics, and analyses, as well as actively support and/or participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.

Guidance:

a) GLICs are encouraged to participate in relevant capacity building and knowledge sharing platforms vis-à-vis the financial industry or corporate sector, such as those organised by the Institutional Investors Council Malaysia (IIC), Capital Markets Malaysia (CMM), Sustainable Investment Platform (SIP) etc.

Example 1: **Sustainable Investment Platform (SIP), Malaysia**

Extract from SIP's microsite

SIP was jointly established by IIC and CMM in April 2021, to support institutional investors and the fund management industry in building the depth of sustainable and responsible investment strategies which align financial returns with broader ESG priorities. It offers a common platform to accentuate the impact and visibility of

sustainable investors, in addition to cultivating stakeholders' capacity for data collection that will support innovation in sustainable investment strategies.

Read more about SIP's publication and events **here** and **here**.

Example 2: **Government Superannuation Fund Authority (GSF), New Zealand**

The GSF Authority is an autonomous Crown Entity of New Zealand, established in October 2001. Its functions are to manage and administer the Government Superannuation Fund.

It partners with other Crown financial institutions in New Zealand, by sharing resources and collaborates on sustainability-related initiatives.

Extract from GSF's Role and Action on Climate Change

Partnering with Others

We also leverage off the larger resources and investment influence of our fellow Crown financial institutions, the NZ Super Fund and the Accident Compensation Commission. The Authority shares research resources and collaborates with them where we can usefully do so. All three of us are members of the Principles for Responsible Investment (**PRI**).

We partner with them by:

- Meeting regularly to share information on best practice. This allows us, for example, to benefit from the NZ Super Fund's membership of the Investor Group on Climate Change[1], the Responsible Investment Association Australasia[2], the Carbon Disclosure Project[3], the Transition Pathway Initiative[4] and the One Planet Sovereign Wealth Fund Framework[5].
- Being members of the Principles for Responsible Investment (PRI)[6].
- Using an independent third party, BMO Global Asset Management[7], to advise us on global environmental, social and governance issues and engage with companies on our joint behalf; and
- jointly investigating participation in global initiatives, such as those that seek to promote disclosure of emissions by companies.

Reporting

Finally, we have committed to reporting regularly on progress by making ongoing and regular disclosures on our website and in our annual reports, by aligning disclosure of our climate-related exposures and actions with the requirements of the Taskforce on Climate-Related Financial Disclosures[8] and the Authority Board monitors progress on the suite of climate change work through its regular meetings.

Read more about GSF's role and action on climate change **here**.

4.0 Investors' Rights and Responsibilities

GLICs will be active stewards and incorporate sustainability considerations into ownership policies and practices.

This principle aims to provide guidance to GLICs on being active owners. This principle has been adapted from investor stewardship guidance outlined in the MCII to better align with sustainable investment for the GLICs. This includes exercising the rights and responsibilities that are conferred with ownership, while aligning with the wider interests of the nation, with resources deployed for the most effective pursuit of the GLICs' objectives.

By playing the role as active stewards, GLICs would be able to preserve and enhance their long-term value and risk-adjusted returns. Furthermore, in the long run, effective stewardship would influence and assist investee companies in delivering desirable performances. These are in line with GLICs' fiduciary duty of maximising returns to stakeholders.

GLICs can demonstrate effective stewardship through transparency on engagement and voting activities and monitoring. The MCII has increased emphasis on disclosure and transparency in engagement and voting, with a view to preserve and enhance long term value of the investments, which is also highlighted in the PGG.

Exercising rights and responsibilities

4.1 GLICs should develop and maintain their own stewardship and engagement policies and practices on sustainability considerations or issues.

Guidance:

a) The stewardship policies and practices should cover the areas relevant to the organisation, including setting expectations for EFMs that act on the GLIC's behalf.

Alternatively, GLICs could consider relying on the engagement policy of a service provider, where appropriate, if there are capacity and resources constraints.

b) GLICs should actively exercise their ownership rights and responsibilities across asset classes where there is the ability to do so, and disclose deviations in approach across asset classes or geographies.

These requirements can be met by and should be in line with the guidance outlined in Principle 1 of the MCII which states that institutional investors "should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities".

Example 1: **Public Sector Pension Investment Board (PSP Investments), Canada**

PSP Investments is a Canadian Crown corporation which manages assets of the federal public service and the Canadian Forces amongst others. PSP Investments has disclosed its stewardship activity in its Responsible Investment Report.

PSP Investments has included several case studies of its investee companies and on how PSP Investments' stewardship activity successfully improved the said company's business practice. PSP Investments further states the engagement progress of its organisation including the focus areas of the engagements.

Read more about PSP Investments' stewardship activities **here**.

Example 2: **Ireland Strategic Investment Fund (ISIF), Republic of Ireland**

Managed and controlled by the National Treasury Management Agency (NTMA), ISIF is a sovereign development fund with a mandate to invest on a commercial basis to support economic activity and employment in Ireland.

ISIF conducts active ownership for its Irish investments, while the engagement activities for its global portfolio is performed by a stewardship service provider.

Extract from ISIF's website

Active ownership or stewardship involves investors using their formal rights (e.g. the ability to vote shareholdings) and informal influence (e.g. their ability to engage) to encourage companies to improve its management systems, ESG performance or reporting. This approach has been a key element of the ISIF Sustainability and

Responsible Investment Strategy for several years. EOS at Federated Hermes provides Active Ownership services for the Global Portfolio. The ISIF team conducts engagement and analysis in respect of the Irish Portfolio of investments.

Read more about ISIF's responsible investment approach **here**.

Monitoring and engagement

4.2 GLICs should establish and maintain a process for monitoring, including voting of their investee companies on sustainability considerations or issues.

Guidance:

a) GLICs should continuously review their stewardship activities and update their stakeholders on material progress or changes on the investments or relevant developments of the investee companies.

b) Some of the internal tracking and reporting mechanisms to review the efficacy of stewardship activities include:

i) Assessment of sustainability performance and risks;
ii) Evaluation of the comprehensiveness of sustainability information and disclosure;
iii) Measurement of sustainability outcomes;

Measurement or target-based approaches include targets linked to climate science, SDGs, TCFD and the relevant taxonomy on sustainable finance activities in part or in their entirety.

iv) Tracking of progress against sustainability objectives and escalation thresholds;
v) Review of the allocation of resources; and
vi) Management of key sustainability risks and opportunities.

These requirements can be met by and should be in line with the guidance outlined in Principle 2 of the MCII, which states that institutional investors "should monitor their investee companies".

4.3 GLICs should establish and maintain a process for engaging with their investee companies, including individually or collaborative engagements with other institutions, as well as in responding to issues relating to sustainability.

Guidance:

a) The sustainability issues may include a review of sustainability topics and their relevance to the GLICs or type of investment, the size of the holding and the magnitude of the issue, as well as practical issues that might affect the method of engagement, including resources, location of investor/investment and response to stakeholders.

b) GLICs are encouraged to formulate a set of expectations and/or requirements vis-à-vis issue and sector relevant to their sustainable investment policies, strategies and approaches.

Refer to **Appendix 2** and **Appendix 3** for guidance on selected issue and sector-specific sustainability expectations, which the GLICs could refer to in engaging with investee companies.

Example 1: **Future Fund (FF), Australia**

FF is guided by its Statement of Investment Policies in deploying its investment function, which includes investee companies' engagement activities.

Extract from FF's Statement of Investment Policies

Engagement with investee entities

12.16 The Board recognises the value of focussed dialogue with company management, board and relevant fiduciaries to establish a climate of long-term asset stewardship, with active oversight from investors and accountability of management to the provider of capital. Company engagement also complements our voting activities to improve analysis and the signalling power of the votes cast.

12.17 We leverage the engagement activities conducted by our investment managers in making our voting decisions. These managers are the front line of engagement, given their in-depth company knowledge and contacts.

12.18 We also engage directly with key investee entities on pertinent ESG issues where this may promote better practice and yield long term value creation. This direct engagement is conducted mainly with Australian domiciled companies, given the size and influence of our investments in our local market and practical considerations.

12.19 We partner with our investment managers to coordinate engagement activities with investee entities to ensure that a consistent and mutually reinforcing approach is communicated.

Read more about FF's Statement of Investment Policies **here**.

Example 2: **Norges Bank Investment Management (NBIM), Norway**

NBIM manages the Norwegian Government Pension Fund Global, often referred to as the Norwegian oil fund, to ensure responsible and long-term management of revenue from Norway's oil and gas resources, so that this wealth benefits both current and future generations of Norway.

NBIM outlines its expectations of companies in a set of expectation documents, which include:

- Children's rights
- Climate change
- Water management
- Human rights
- Tax and transparency
- Anti-corruption
- Ocean sustainability

- Biodiversity and ecosystems

Extract from NBIM's website

Within this framework of internationally agreed standards, we set our own priorities based on our mandate and characteristics as a fund. We formulate expectations of companies, guidelines for our voting and positions on governance issues. These public documents communicate our priorities to the wider market and ensure predictability in our long-term ownership.

Read more about NBIM's expectation documents **here**.

4.4 GLICs are encouraged to consider some of the following forms of engagement, which include but are not limited to:

a) Each GLIC holds direct corporate engagement or individual dialogue on sustainability aspects with investee companies. Such engagements are often carried out by sustainability or research analysts and/or portfolio managers that hold a dialogue with senior management and/or boards of the investee companies.

b) GLICs cooperate and collaborate with other institutions in the dialogue with investee companies or when co-filing shareholder proposals. Collaborative engagement processes can be formalised into dedicated organisations, such as the IIC in Malaysia.

Example 1: **Asian Utilities Engagement Program (AUEP)**

The AUEP is an investor-led initiative, which aims to engage on sustainable energy transitions with major utility companies that are not within the Climate Action 100+ focus list.

Extract from AUEP's website

As the Asian electric utility sector is critical to the net zero transition as it contributes to approximately 23% of global carbon dioxide emissions, investors and service providers are seeking to collaboratively engage with Asia's systematically important electric utilities to increase the effectiveness of climate engagement with a common agenda.

The current focus companies of AUEP include:
- China Resources Power Holdings
- CLP Holdings
- Chubu Electric Power Co
- J-POWER
- Tenaga Nasional Berhad

Read more about AUEP **here**.

Example 2: **Ontario Teachers' Pension Plan (OTPP), Canada**

Extract from OTPP's website

OTPP invests and administers the pensions of active and retired teachers and is one of the largest public-pension managers in Canada. OTPP's CEO Jo Taylor and the CEOs of seven large Canadian pension plan investment managers issued a statement in November 2020 noting their joint commitment to sustainable and inclusive growth. The eight pension funds, representing approximately $1.6 trillion in AUM, stated that it is vital for companies to report relevant ESG data in a standardised way.

Collectively, the eight pension funds asked that companies measure and disclose their performance on material, industry-relevant ESG factors by leveraging the SASB standards and the TCFD framework because "both are useful to investors and informative to companies working to frame their ESG reporting."

Read more about OTPP's responsible investing **here**.

c) GLICs engage legislators and policymakers for improved frameworks for a sustainable economy, such as incentives for sustainable projects and initiatives.

Example: **Norges Bank Investment Management (NBIM), Norway**

Extract from NBIM's responsible investment report

The fund is global and owns a small slice of the world's largest listed companies. We are therefore dependent on global solutions to common challenges such as climate change. We take our starting point in international principles and standards from the UN and the OECD, which provide a framework for our work with companies and other stakeholders.

We contribute to the further development of standards. In 2021, we participated in 14 public consultations relating to responsible investment and were in regular contact with international organisations, regulators and other standard setters. These consultations concerned topics that are important to us, such as good corporate governance, climate reporting and responsible business practices. We also had meetings with the Task Force on Climate-Related Financial Disclosures (TCFD), the International Financial Reporting Standards (IFRS) Foundation, the European Commission, the European Securities and Markets Authority (ESMA), the UK Financial Reporting Council (FRC) and national standard setters in Germany and Sweden.

Read more about NBIM's Responsible Investment Report **here**.

d) And that these requirements should be in line with the guidance outlined in Principle 3 of the MCII, which states that institutional investors "should engage with investee companies as appropriate and collaborate with other investors to enhance engagement outcomes".

4.5 GLICs should formalise an escalation framework and process on material issues affecting investee companies within the engagement policy.

Guidance:

a) A range of escalation approaches could include, but not limited to, notes, letters or meetings and operational visits, board voting policy changes, issuing shareholder resolutions or voting against management, as well as divestment or sell decisions

b) GLICs should identify the next steps for the engagements, including changes to the engagement approach and, where applicable, divestment.

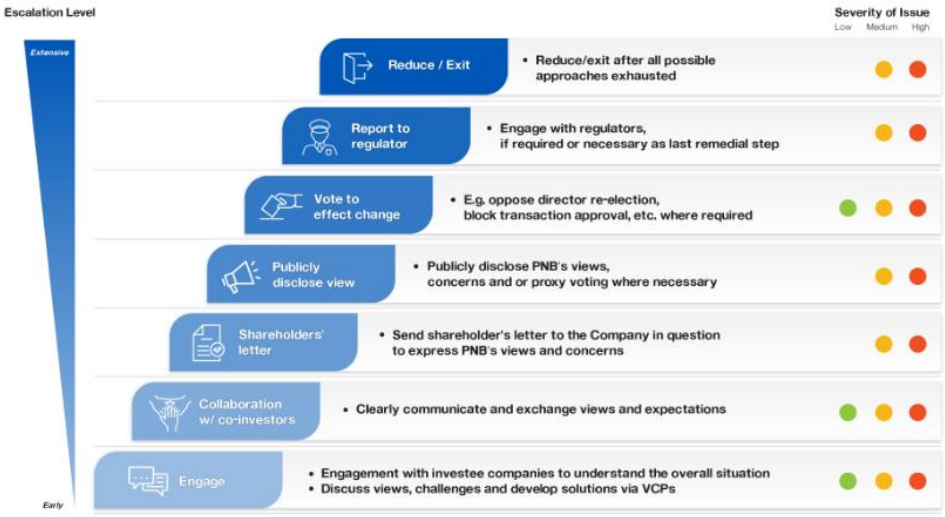
c) GLICs should develop and maintain a process for how and when the investor communicates with investee companies on sustainability considerations or issues.

d) GLICs should ensure their third-party service provider has a formalised engagement policy and process, on engagement activity carried out on behalf of GLICs.

Example: **Permodalan Nasional Berhad (PNB), Malaysia**

Extract from PNB's website

PNB was established as one of the instruments of the Malaysian Government's New Economic Policy (NEP). It is one of the largest fund management companies in Malaysia. PNB has established an escalation matrix which describes PNB's approach mechanisms with investee companies through various activism touchpoints.



Read more about PNB's stewardship approach, including its stewardship framework **here**.

Further to the above, on 22 April 2022, PNB announced its Sustainability Framework which aims to define and internalise its goals for a more sustainable future amidst a changing global investment landscape. Details on the sustainability framework can be found **here**.

Code of ethics and voting policy

4.6 GLICs should develop and publicly disclose their own code of ethics and integrity policy vis-à-vis managing conflicts of interest.

These requirements can be met by and should be in line with the:

a) paragraphs 1.12 and 1.13 of the PGG, in relation to "Code of Conduct and Ethics";

b) guidance outlined in Principle 4 of the MCII, which states that institutional investors "should adopt a robust policy on managing conflicts of interest which should be publicly disclosed"; and

c) UN Convention against Corruption.

4.7 GLICs should develop and publicly disclose their own voting policy or guidelines, on sustainability considerations or issues.

Guidance:

a) The policy should be applicable to general meetings (annual general meetings and extraordinary or special general meetings) of the investee companies, covering the company policy and stance on areas of concern (e.g. retirement age of board of directors, climate policies, remuneration standards, diversity targets), or act on the advice of external or specialised service providers, incorporating the sustainability expectations of the GLICs.

b) GLICs are encouraged to include the collection of data and disclosure of voting activity, the intention to vote, variances in segregated portfolios or discrete mandates, and circumstances in which the GLICs are able to override the policy, in relation to their voting policy.

c) The policy should include how voting supports the sustainability objectives, as part of GLICs' sustainable investment strategy and approach.

d) The policy should cover proxy voting, which includes a nominated third-party (e.g. corporate representative) that has been issued instructions and is undertaking the voting activity on behalf of GLICs.

   i) The duly appointed proxy or corporate representative is entitled to exercise voting on behalf of the GLIC, as the GLIC could exercise voting, if it were an individual member of the investee company.

   ii) The voting exercised by a proxy shall be conducted in an informed manner, based on relevant information presented and discussed during the general meeting.

These requirements can be met by and should be in line with the guidance outlined in Principle 6 of the MCII states that institutional investors "should publicly disclose their corporate governance policy and voting guidelines".

Example 1: **Future Fund (FF), Australia**

FF recognises the importance of managing conflicts of interests, as well as the disclosure of voting policy and activities in its Statement of Investment Policies.

Extract from FF's Statement of Investment Policies

12.14 The Board is governed by the Future Fund Act 2006. In particular, Division 8 of the Act outlines specific requirements to prevent conflicts of interest in Board decision making. The Agency is also governed by the Act, as well as the Public Governance, Performance and Accountability Act 2013. In addition to these legislative requirements, the Board has established rules for considering and opining on proxy voting decisions in line with applicable governance standards.

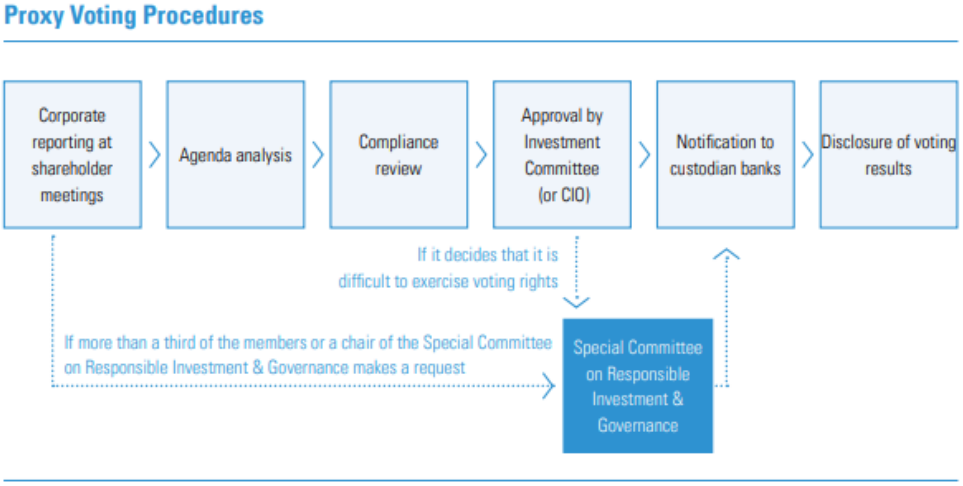
12.15 The Board will disclose, in its annual report, the extent to which it exercised its ownership rights and, in broad terms, the nature of its voting.

Read more about FF's Statement of Investment Policies **here**.

Example 2: **National Pension Service (NPS), Republic of Korea**

NPS exercises voting rights in the best interests of pension participants and beneficiaries, in accordance to its Guidelines on Responsible Investment & Governance, which defines standards, procedures and practices on voting, while referring to advice from external experts to exercise voting rights in a more professional and faithful manner.

Extract from NPS's 2020 Annual Report



Read more about NPS's responsible investment approach **here**.

Stakeholder relations

4.8 GLICs should identify relevant stakeholders in their sustainable investment approach and provide relevant policies on the sustainability commitments and practices.

These requirements can be met by and should be in line with the guidance outlined in the MCII, which requires its signatories to incorporate corporate governance and sustainability considerations into the investment decision-making process and seek to deliver sustainable returns in the "long-term interest of their beneficiaries or clients".

Guidance:

These policies should cover relevant sustainability issues and areas, such as diversity targets and policies, as well as key environmental and social matters, as per Principle 5 of the MCII.

4.9 GLICs should develop and maintain a process for communications with relevant stakeholders to ensure that they are, where appropriate, involved in the identification and management of sustainability issues in relation to investment and engagement processes.

Guidance:

This should include an appropriate process that would facilitate the collection and monitoring of relevant stakeholder feedback which can range from seeking comment or input on specific sustainability issues to establishing dedicated consultative and/or advisory committees.

Example: **New Zealand Superannuation Fund (NZSF), New Zealand**

NZSF is a sovereign wealth fund in New Zealand. NZSF's Responsible Investment Framework guides all of the organisation's responsible investment decision making and activities.

NZSF conducts review on its responsible investment strategy to continue evolving its approach and thinking, and identify next steps.

Extract from NZSF's 2021 Annual Report

The review was set within the context of the statutory obligations under our governing legislation, and considered each of the three requirements set down in our mandate. Research and findings were presented across three separate work streams that centred on stakeholder expectations and emerging trends, improving environmental, social and governance (ESG) performance, and positive investment.

In 2019, we underwent a formal process surveying our internal and external stakeholders to better understand the topics that are material to our 50apitalizati. Consistent with the Global Reporting Initiative (GRI) Standards, we sought to assess the significant economic, environmental and social impacts of the Guardians, as well as the issues and risks that stakeholders consider important in their assessment of us.

This year we undertook an abbreviated materiality analysis to reflect the aspects of our organisation that may have increased or decreased in importance over the past financial year.

Earlier this year we engaged GRC Partners to survey stakeholders from a broad range of organisations to identify key stakeholder expectations relevant to our social licence to operate, particularly in relation to ESG matters. These views, including their implications and our potential response, were considered in the context of a wider review of our responsible investment strategy which we undertook over the financial year.

Read more about NZSF's responsible investment strategy review and process **here**.

4.10 GLICs should play an active and collaborative role to share expertise in initiatives that support sustainable investment implementation and development of relevant policies or regulations.

Guidance:

a) GLICs are encouraged to designate a role or responsibility for engagement with policy makers with regards to sustainable investment matters under its respective sustainable investment governance framework.

b) GLICs are encouraged to consider alignment of voting policy on general areas of concern, as well as coordinated voting at general meetings, or establish a set of harmonised voting guidelines, to be accepted and applied by all GLICs.

   An example would be the "Stewardship Spotlight" section in the MCII, which outlines the expectation of institutional investors on investee companies in relation to key corporate governance and sustainability matters, alongside recommended action and/or voting decision.

These requirements can be met by and should be in line with the guidance outlined in Principle 7 of the MCII states that institutional investors "should collaborate where appropriate to respond to corporate governance and sustainability concerns or risks. The collective voice and views of institutional investors is an important lever in shaping behaviour and promoting good corporate governance, in particular on emerging issues such as sustainability reporting and investing".

Example: **Temasek Holdings Limited (Temasek), Singapore**

Extract from Temasek's website

Temasek seeks to identify sustainability-related issues that are of relevance across the portfolio, regardless of industry or geography. On such portfolio level issues, it takes steps to share insights on trends, best practices and opportunities, or articulate its expectations through engagement with its investee companies.

Temasek believes that dialogue and robust exchanges of information, best practices and ideas between stakeholders from the public and private sectors are critical enablers of sustainable growth, thus has fostered dialogues and spurred innovative solutions to build a world of active economies, beautiful societies and a clean Earth, for the common good.

In the area of ESG and sustainable finance, Temasek takes part in domestic and international discussions about definitions, priorities, standards and best practices. It actively participated, in support of the International Monetary Fund, in the development of best practices for responsible investing under the Santiago Principles for sovereign investments, and has exceeded the applicable standards of disclosure and other guidelines under the Santiago Principles.

Temasek also works with other investors and companies to encourage a longer-term focus in business and investment decision-making, by participating in the development of practical tools and approaches to support long term behaviours across the investment value chain. It regularly discusses sustainability issues with its stakeholders and partners, via a range of engagement sessions with companies in its portfolio, including its annual Ecosperity conference and regular portfolio roundtables.

Read more about Temasek's engagement approach **here** and the Ecosperity conference **here**.

5.0 Disclosure and Transparency

GLICs will disclose their sustainable investment policies, guidelines and activities in respect of the SIS.

This principle aims to provide guidance on disclosures pertaining to sustainable investments to encourage transparency of information. Just as it is important that investee companies and other associated entities report on their management of sustainability issues in their operations, transparency throughout the investment chain is crucial, which is why GLICs should monitor and report on their sustainable investment activities. As such, GLICs are expected to make disclosures to demonstrate how sustainability considerations are integrated into their investment processes and decision-making, taking into account the context of their sustainable investment frameworks, practices and approaches, as well as to align with the interests and expectations of relevant stakeholders.

The disclosure requirements are built on the recommendations of the industry and international best practices and guidelines, such as those of the TCFD (including the TCFD Application Guide for Malaysian Financial Institutions by the Joint Committee on Climate Change), International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), covering wider sustainability topics vis-à-vis investment management.

Nevertheless, GLICs are encouraged to refer to multiple commonly accepted disclosure frameworks and standards available, including Bursa Malaysia Berhad's Sustainability Reporting Guide, which could be used in combination to demonstrate how the GLICs are meeting the requirements of the SIS. The SIS recognises that efforts towards ensuring a common, standardised and harmonised sustainability reporting frameworks are on-going at the global level, thus the GLICs are provided the flexibility and choice on alignment in approach and in practice with sustainability frameworks, targets and codes, such as TCFD, GRI, SASB, as well as those outlined in the MCII and other national and/or international best practices and disclosure requirements.

Disclosure of sustainable investment related information

5.1 GLICs should prepare and publish their sustainable investment related information, which includes sustainability details and guidance vis-à-vis their investment strategies and portfolios, issued periodically and corresponding to the issuance of annual reports.

Guidance:

a) This could be in the form of a dedicated and separate sustainable investment report or included in the annual report and/or integrated report of respective GLICs.

b) GLICs should provide sufficient information to relevant stakeholders with respect to sustainable investment, in accordance with the requirements in the standards.

c) GLICs should take reasonable steps to publish their sustainable investment report and/or their portfolio report vis-à-vis sustainability issues, in a way that makes it easy for relevant stakeholders to locate and access, including, as a minimum, by making the most recent of these reports available in a prominent place, such as on the main website of GLICs.

d) GLICs should prepare and provide the sustainability information on investment strategy and portfolio to relevant stakeholders within a reasonable period of time, when a request for such information is received.

e) GLICs should appropriately explain any limitations on their ability to disclose and the steps being taken to address those limitations.

5.2 GLICs should disclose the implementation of the sustainable investment strategy to their stakeholders on a regular basis, to ensure transparent and timely information are provided, at the entity level and portfolio level.

Guidance:

a) GLICs are encouraged to prepare a sustainable investment report, at least on an annual basis, which provides further insights into relevant developments across different portfolios.

   For GLICs that already have sustainable investment disclosure obligations as required by relevant bodies of which the GLIC is a member, the GLIC is encouraged to make the report publicly available.

b) GLICs should disclose the known and likely impacts on society and the environment of their investments, and the difference made by their sustainable investment approach.

   This could include how investment strategies or portfolios meet sustainability objectives and the overall related impact, including financial, of those strategies and portfolios with sustainable investment objectives.

c) The report should outline how sustainability-related matters are taken into account in managing or administering investments.

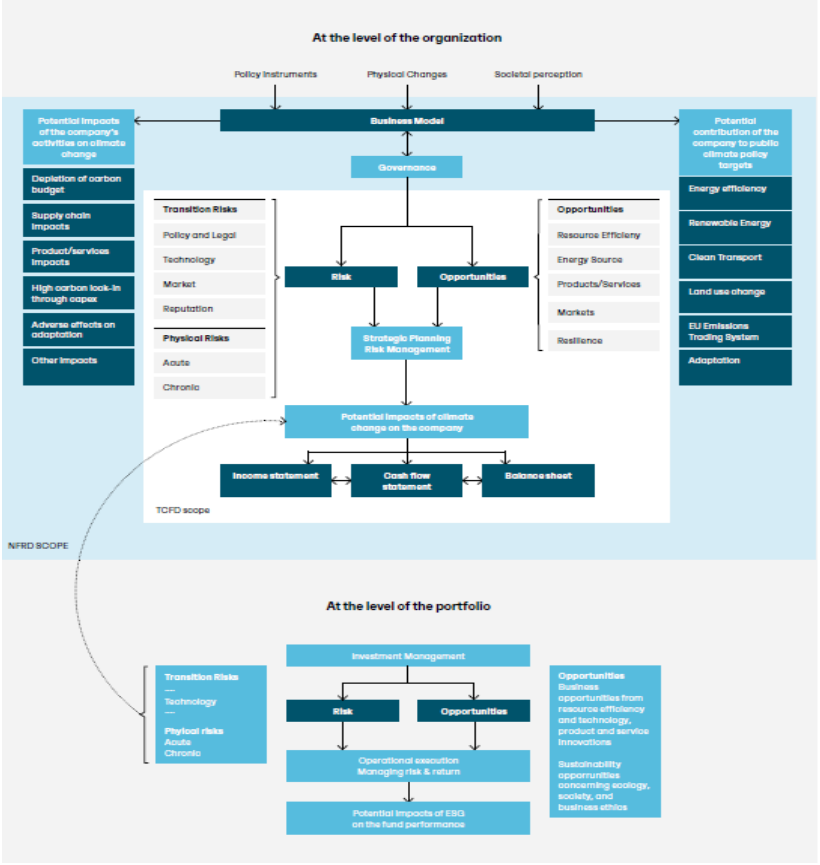
d) The report should discuss challenges and opportunities resulting from sustainability developments and illustrate examples of companies that benefit or adversely affected from such developments.

e) The report could provide an overview of exercised voting rights and the results of engagement activities.

Example 1: **Swiss Sustainable Finance (SSF), Switzerland**

SSF was created in 2014 to promote sustainability in the Swiss financial market, and strengthen Switzerland's position as a leading voice and actor in sustainable finance. It published a set of recommendations on portfolio ESG disclosures for asset owners and asset managers, which encompasses both at the entity-level and portfolio-level which should be disclosed, especially for asset owners and asset managers who manage multiple funds.

Extract from SSF's reporting recommendation



Read more about SSF's reporting recommendations **here**.

Example 2: **Khazanah Nasional Berhad (Khazanah), Malaysia**

Approach: Preparing sustainable investment related information as part of an integrated report

Khazanah includes a section in its annual report, which discusses its firm-wide approach to sustainability, including its sustainable investing initiatives, targets and ESG-related affiliations.

Extract from The Khazanah Report 2021

Sustainable Investing

Since the development of the Responsible Investment Policy in 2019, Khazanah has embarked on initiatives to deepen our understanding of ESG issues and its impact on our portfolio companies. We are committed to ensuring optimal outcomes for our companies through an equitable and responsible transition, supported and driven by continuous active shareholder engagement.

At the operational level, Khazanah has commenced integration of ESG considerations into its investment decision-making process.

Read more about Khazanah's approach to sustainable investing **here**.

Example 3: **Ireland Strategic Investment Fund (ISIF), Republic of Ireland**

Approach: Disclosing existing sustainable investment disclosure to a relevant body

ISIF, through its predecessor the National Pension Reserve Fund (NPRF), was a founding signatory to the PRI in 2006 and has continuously reviewed, adapted and enhanced its approach to responsible investment in response to both mandate and strategic changes since then.

As part of its responsible investment publications, ISIF discloses 2020 responsible investment transparency report to PRI on its website.

Read more about ISIF's PRI 2020 Public Transparency Report **here**.

5.3 GLICs should inform their stakeholders about the sustainability performance of the investment portfolio by integrating relevant sustainability key performance indicators or metrics, as well as additional information on relevant developments (e.g. sustainability considerations behind investment decisions) into their stakeholder communication tools and/or materials (e.g. in the fund factsheet or through appropriate communication channels).

Guidance:

a) GLICs should ensure that there is data accessibility and have the correct tools in place that allow for appropriate reporting on the sustainability performance of their portfolios.

b) GLICs should report in a transparent way on how sustainability is integrated into the investment funds and portfolios, which include but not limited to, the sustainable investment approaches applied, scope of the sustainable investment policy, list of exclusions of investments, applied sustainable investment metrics, results of the engagement process, voting records etc

Example 1: **Norges Bank Investment Management (NBIM), Norway**

NBIM discusses its responsible investment activities and updates annually on market, portfolio and companies-level.

Extract from NBIM's 2021 Responsible Investment Report

Our goal is to identify long-term investment opportunities and reduce our exposure to unacceptable risks. We assess how companies impact on the environment and society, and we follow up industries and companies with unacceptable risks. We see opportunities in companies that enable more environmentally friendly economic activity.

Portfolio

We integrate environmental, social and corporate governance considerations into the management of the fund. We gather data on markets, industries and companies to gain a broader understanding of risks and opportunities in our investments. This information forms the starting point for our active ownership with individual companies.

To perform analyses of this kind, we need relevant, comparable and reliable data on environmental, social and governance topics. We collect corporate sustainability data in an internal database, assess companies' reporting, and analyse greenhouse gas emissions from companies in the portfolio.

We conducted a total of 4,196 assessments of companies' reporting in 2021. We assessed the reporting of 1,500 companies on climate change, 701 on human rights, 500 on children's rights, 500 on water management, 250 on anti-corruption, 250 on ocean sustainability, 268 on deforestation, 200 on tax and 27 on biodiversity. The companies assessed accounted for 75.8 percent of the equity portfolio's market value at the end of the year.

We contact companies we consider to have weak or limited disclosure. We wrote to 110 companies in 2021 to urge them to improve their reporting. The average improvement in performance at the companies we contacted in 2020 was 11.9 percentage points. The overall improvement from 2020 to 2021 at the companies covered by our assessments was 4.7 percentage points. The difference was greatest at companies we contacted about climate change, human rights and ocean sustainability, and least for water management and tax transparency. All in all, we saw improvements at 64.9 percent of the companies we contacted.

Read more about NBIM's annual report and responsible investment report **here**.

Example 2: **Government Superannuation Fund Authority (GSF), New Zealand**

GSF has a responsible investment exclusion list, which includes a list of companies in which it has decided not to be held in the portfolio, and is periodically reviewed.

Extract from GSF Responsible Investment Exclusion List – July 2022

GSF RESPONSIBLE INVESTMENT EXCLUSION LIST - July 2022

This is a list of the companies whose securities the Government Superannuation Fund Authority has decided will not be held by the Government Superannuation Fund. This exclusions list is periodically reviewed and updated, and is provided for general information purposes only and not intended for any other purpose.

Activity	Company
Cluster Munitions	Anhui Great Wall Military Industry Co Ltd
Cluster Munitions	Aryt Industries Ltd.
Cluster Munitions	Ashot Ashkelon Industries Ltd.
Cluster Munitions	Bharat Dynamics Ltd
Cluster Munitions	Elbit Systems Ltd
Cluster Munitions	Lig Nex1 Co., Ltd.
Cluster Munitions	Poongsan Corporation
Anti-Personnel Mines	Northrop Grumman
Anti-Personnel Mines	National Presto Industries, INC
Nuclear Explosive Devices and Nuclear Base Operators	BWX TECHNOLOGIES, INC.
Nuclear Explosive Devices and Nuclear Base Operators	CNIM Group SA
Nuclear Explosive Devices and Nuclear Base Operators	FLUOR CORPORATION
Nuclear Explosive Devices and Nuclear Base Operators	GENERAL DYNAMICS CORPORATION
Nuclear Explosive Devices and Nuclear Base Operators	HONEYWELL INTERNATIONAL INC.

Read more about GSF's responsible investment exclusions list **here**.

Example 3: **Korea Investment Corporation (KIC), Republic of Korea**

KIC has an exclusion strategy, which aims to exclude companies in certain industries and themes and applies the exclusions to its entire portfolio, including direct and indirect investments.

Extract from KIC's 2021 Sustainable Investment Report

In first quarter of 2021, KIC introduced the KIC Exclusion Strategy. This can be classified as "Norm-based Screening" according to the GSIA's ESG strategy classification, excluding companies that fail to meet internationally accepted norms such as the UN Global Compact and OECD Guidelines on Multinational Enterprises. KIC excludes companies in certain industries and themes and applies the exclusions to our entire portfolio – to both direct and indirect investments.

The companies in the selected industries and themes are updated quarterly through regular monitoring by ESG personnel and Sustainability Working Group discussions. Target industries and themes are monitored yearly and shared company-wide.

Read more about KIC's exclusion strategy **here**.

5.4 The disclosure framework should cover each area of the SIS, i.e. governance and structure, strategy alignment, investment processes and methodologies, as well as investors' rights and responsibilities, referencing or using frameworks, guides or standards as appropriate to the topic area.

Guidance:

a) GLICs should describe how the topics have been covered through these disclosures, including how these align with stakeholders' requirements and time horizons.

b) Reporting and disclosure include the presentation of the sustainable investment targets and progress against these for strategies and portfolios.

c) Disclosures should cover the policy, outline of process and how they are monitored through data collection and reporting.

5.5 GLICs should review the disclosure framework in a timely manner to ensure the sustainable investment disclosures remain relevant and comprehensive, taking into account national and/or international developments on sustainability, as well as best practices and recommended approaches on sustainability disclosures.

Guidance:

GLICs should take reasonable steps to ensure their sustainable investment disclosures reflect material sustainability insights and factors, relevant to the GLIC's sustainable investment reports.

Disclosure on governance and structure

5.6 GLICs should disclose their sustainable investment governance framework and structure through annual reports or a publicly accessible website.

Paragraph 1.3 in the MCII requires institutional investors to "disclose the governance structures and processes on how oversight and monitoring activities are undertaken to ensure effective stewardship activities within the organisation".

5.7 GLICs should establish a disclosure framework to inform their stakeholders of the organisational objectives and sustainable investment progress of the GLICs.

Guidance:

a) This disclosure framework should support the collection, monitoring and review of data relevant to the sustainable investment practices and approaches of GLICs.

b) GLICs should publish their own sustainable investment framework as part of the disclosure regime and ensure that these are publicly disclosed.

c) The disclosure regime should share material information on GLICs' sustainable investment approach, including their sustainable investment governance framework, in adherence to their commitments and scope of activity.

Example 1: **Environment Agency Pension Fund (EAPF), United Kingdom**

EAPF discloses its Responsible Investment Strategy and its policy on climate change on its website.

Extract from EAPF's website



Responsible investment makes business sense.

For over 15 years now we've seen that our Fund generates strong financial returns by investing in companies that contribute to the long term sustainable success of the economy and society.

Our approach has been recognised internationally too – we've been recognised as a global leader on responsible investment by the United Nations Principles of Responsible Investment for the past 2 years running.

But with investment comes responsibility – responsibility for a wide range of environmental, social and governance issues, with none bigger and more urgent than climate change.

Download our Responsible Investment Strategy to see our plans on responsible investment up to 2025.

Download our Policy to Address Climate Change.

Read more about EAPF's approach to responsible investment including strategies and policies **here**.

Example 2: **New Zealand Superannuation Fund (NZSF), New Zealand**

NZSF is a sovereign wealth fund in New Zealand. NZSF's Responsible Investment Framework guides all of the organisation's responsible investment decision making and activities. NZSF discloses its Responsible Investment Framework on its website.

NZSF also commits to best practice disclosure by indexing its reports against the Global Reporting Initiative (GRI) criteria.

Read more about NZSF's annual report and sustainable finance disclosures **here**.

5.8 GLICs should disclose the oversight responsibility of the board or board equivalent committee on sustainability-related risks and opportunities in relation to sustainable investment management.

Guidance:

a) GLICs should disclose how the board or board equivalent committee provides oversight on sustainability-related matters, to inform relevant stakeholders on how GLICs view sustainable investment, which could be reflected in the terms of reference, board mandates and other related framework, policies, or guidelines.

b) GLICs should disclose the process and frequency by which the board or board equivalent committee, such as the investment committee/panel, risk committee or sustainability committee, are informed about sustainable investment related issues.

5.9 GLICs should disclose the management's role in assessing and managing sustainability-related risks and opportunities in relation to sustainable investment management.

Guidance:

a) GLICs should pay particular attention to providing visibility in terms of how investment strategy, integrates responses to such risks and opportunities. GLICs should disclose how the management assess and manage sustainable investment matters, including accountability and decision-making structure on sustainable

investment-related risks and opportunities, alongside their responsibility in monitoring and reporting progress against sustainable investment management goals and targets to the board.

b) GLICs should disclose the process and frequency by which the management is informed about and monitors sustainable investment-related issues, including reviewing sustainable investment related risk management and policies, as well as managing sustainability risk and opportunity matters.

Example 1: **Pension Protection Fund (PPF), United Kingdom**

PPF discloses an overview of the organisation's governance structure. The management, via its Investment Committee would be responsible for developing and maintaining the fund's responsible investment and stewardship principles and policies including climate-related matters.

Extract from PPF's 2021 Responsible Investment Report

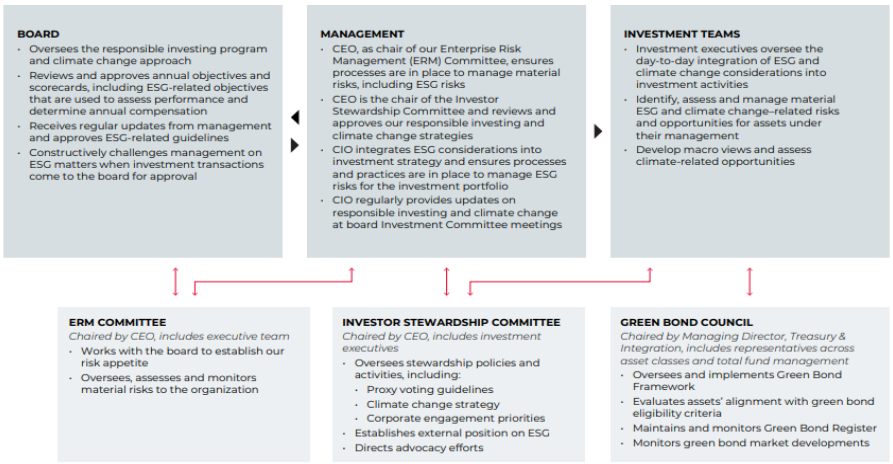
The Investment Team, led by the Chief Investment Officer, has the responsibility for ensuring adherence to the Responsible Investment framework, stewardship principles and associated policies across all asset classes, both internally and externally managed. The ESG team is also a part of the Investment Team and would provide support and expertise and oversee appropriate implementation of the Responsible Investment framework. This team would also engage with portfolio managers, external asset managers and stewardship service providers as well as monitor investments for ESG risks and opportunities.

Read more about PPF's governance structure and approach to sustainable investment **here**.

Example 2: **Ontario Teachers' Pension Plan (OTPP), Canada**

OTPP discloses its responsible investing governance on its Annual Responsible Investing and Climate Change Report and website.

Extract from OTPP's website



Read more about OTPP's responsible investing report **here** and responsible investing section on its website **here**.

Disclosure on strategy alignment

5.10 GLICs should disclose their sustainable investment policy, guidelines, framework or equivalent, which should include description of the sustainable investment approach of their organisation.

Example: **Health Employees Superannuation Trust Australia (HESTA)**

HESTA is an Australian industry superannuation fund for people working in health and community services. HESTA developed a Responsible Investment Policy to detail the approach taken by the organisation towards responsible investment and how it ensures that ESG risks and opportunities are adequately considered and managed.

The components covered in its responsible investment policy include:

- Purpose and objectives of the policy
- Governing legislation and regulatory requirements
- Roles and responsibilities including Investment Committee, Impact Committee, Trustee Office and the Investment teams
- Responsible investment overview including Responsible Investment integration in the investment process, deep impact investments, active ownership, advocacy and leadership as well as transparency and reporting
- Responsible investment integration in the investment process including ESG framework and exclusions

Read more about HESTA's Responsible Investment Policy **here**.

5.11 GLICs are encouraged to disclose the actual and potential impacts of sustainability-related risks and opportunities on the performance, strategy and operations of its investment management approach, where such information is material.

Guidance:

a) Disclosures relating to strategy should identify the type, extent/magnitude, and time scales of exposure to material sustainability issues, including possible outcomes/impacts of sustainability-related risks and opportunities.

b) GLICs should pay particular attention to providing visibility in terms of how investment strategy, integrates responses to such risks and opportunities.

Example: **Environment Agency Pension Fund (EAPF), United Kingdom**

EAPF discloses the impact on, and impact of, its fund on climate change.

Extract from EAPF's Responsible Investment Strategy 2020-2025

The scientific evidence is overwhelming that by the end of this century, we need to keep changes in global temperature to below 2 degrees Celsius (2°C), compared to pre-industrial levels, to avoid the worst impacts from climate change.

> **"Damaging climate impacts are already being felt. Every degree matters"**
> - UK Committee of Climate Change

There are 3 elements to climate change that we need to understand as a fund:

- How our investments are positioned in a warming world

We estimate from our modelling (Mercer's Investing in a time of Climate Change) that our portfolio is relatively well positioned to benefit from the opportunities presented by a low carbon transition and withstand the financial risks from climate change. We also know that keeping to a 2°C scenario or lower, is most beneficial from a long term investor perspective, as there are likely to be less physical risks to our investments. We will continue to monitor this.

- How much our investments are contributing to the warming

We need to understand the contribution our investments are making in relation to keeping the temperature rise below 2°C. We hope that by investing significantly in sustainable and low carbon assets, our contribution will be a favourable one but we need to measure this to understand more. We will work with others to see if we can do this to inform our approach and help improve understanding more broadly across the investment community.

- How climate change may impact on our future liabilities

As a pension fund, we need to make sure we are able to pay our members' pensions (future payments are known as our liabilities). We have started to consider with our actuaries Hymans Robertson, the impact of climate change on our liabilities. We are keen to develop this further.

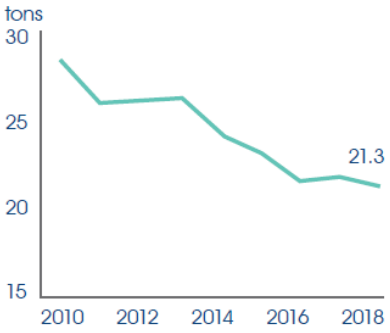
Investment Case Study

One of our investment managers is Ownership Capital who work proactively with company management teams towards achieving a more sustainable business.

One example of this is their engagement with a global industrial manufacturer of weighing equipment. The company lacked any environmental sustainability strategy, which presented urgent risks to its long term business model and cost structure. Ownership Capital worked with the company to identify the steps needed for it to become a sustainability leader.

Over the course of the investment, Ownership Capital met regularly with the company to provide feedback and monitor progress.

The company is now recognised as one of the leaders in its industry, decreasing its carbon emissions and improving its profitability.



Read more about EAPF's approach to calculate impact on and of its fund on climate change **here**.

5.12 GLICs should disclose the sustainability-related risks and opportunities they have identified over the short, medium, and long term, as well as include detailed milestones to show progress and to quantify impacts on their investment strategy and portfolio.

5.13 GLICs should request EFMs to disclose the sustainability approaches undertaken, exposure to sustainability risks and how these risks have been managed and addressed as part of investment decision making.

5.14 GLICs should encourage their EFMs to disclose information on sustainability policies, approaches and strategies to signal commitment towards sustainable investment.

Disclosure on investment processes and methodologies

5.15 GLICs should make statements recognising the sustainable investment risks on their investment returns and targets, outline measures undertaken in responding to these particular risks and subsequently publish these in their annual report and/or website.

> Example: **Kumpulan Wang Persaraan (Diperbadankan) (KWAP), Malaysia**
>
> KWAP has published four statements regarding ESG on its website:
>
> - KWAP's future is ESG
> - Impact Investing at the Nexus of Technology and Talent
> - The Impact of ESG Investing
> - Climate change
>
> These statements describe KWAP's stance onto ESG as well as the overall role of institutional investors in meeting their obligation towards sustainability concerns.
>
> Read more about KWAP's statements **here**.

5.16 GLICs should ensure the sustainability disclosures cover investment activity. This could include investment activities at portfolio level and/or asset class level depending on GLICs maturity and approach.

> **Guidance:**
>
> a) These disclosures should include stewardship and outcome on engagements conducted, as well as the frequency of reporting.
>
> b) GLICs are encouraged to have the sustainability disclosures verified by a third party, where relevant, alongside standardised reporting formats to enable comparisons to facilitate identification of action points for continuous improvement.

5.17 GLICs should disclose the policies and processes in identifying, assessing, monitoring and managing sustainability-related risks and opportunities, in relation to investment management.

> **Guidance:**
>
> a) GLICs should disclose how they identify and assess sustainability-related risks, at the entity and fund level, including how GLICs determine the relative significance of sustainability-related risks, vis-à-vis investment management, in relation to other risks.
>
> b) GLICs should describe their processes for managing sustainability-related risks for their portfolio or investment strategy, including how GLICs make decisions to mitigate, transfer, accept, or control those risks.

c) GLICs should describe their processes for prioritising sustainability-related risks, including how materiality determinations are made within their organisations, and whether they consider existing and emerging regulatory requirements related to sustainability (e.g. limits on emissions, treatment of labour, governance framework, sustainability transition) as well as other relevant factors.

d) GLICs should describe, where appropriate, engagement activity with investee companies, to encourage better disclosure and practices related to sustainability-related risks to improve data availability and GLICs' ability to assess sustainability-related risks.

Whether GLICs invest directly or through EFMs, GLICs bear the potential transition and physical risks to which their investments are exposed.

Example: **Algemene Pensioen Groep (APG), the Netherlands**

Extract from APG's website

APG is a Dutch pension investment company based in the Netherlands. It is a direct subsidiary of Stichting Pensioenfonds ABP, the largest pension fund in the Netherlands. APG integrates sustainability criteria into all its investment decisions, and shares information about these criteria both with its customers and with the outside world.

APG complies with the Sustainable Finance Disclosure Regulation (SFDR), also known as EU Regulation 2019/2088, and reports the following information on its website:

- Description of sustainability risk policies
- Adverse sustainability impacts statements
- Summary of sustainable development investments approach
- Summary of inclusion approach
- Summary of exclusion approach (corporate and sovereign)
- Summary of corporate governance and voting approach
- Summary of carbon reduction target and climate risk policy
- Sustainability-related disclosures of financial products – pools

Read more about APG's responsible investment and sustainability disclosures **here**.

5.18 GLICs should disclose the metrics and targets used to assess and manage relevant sustainability-related risks and opportunities, in relation to investment management, and the performance against targets where such information is material.

Guidance:

a) GLICs should disclose their sustainability-related commitments, aligned with the requirements and expectations in the SIS.

b) GLICs should determine and publish sustainability-related targets based on recognised metrics. This could include, but not limited to, cross-industry, sector-specific metrics and/or institution-specific metrics, vis-à-vis their investment portfolio.

c) Sustainable investment targets designed should be aligned with, and supportive of, GLICs' strategy and expectations, which could be informed by appropriate scenario analysis, forecasting and climate science.

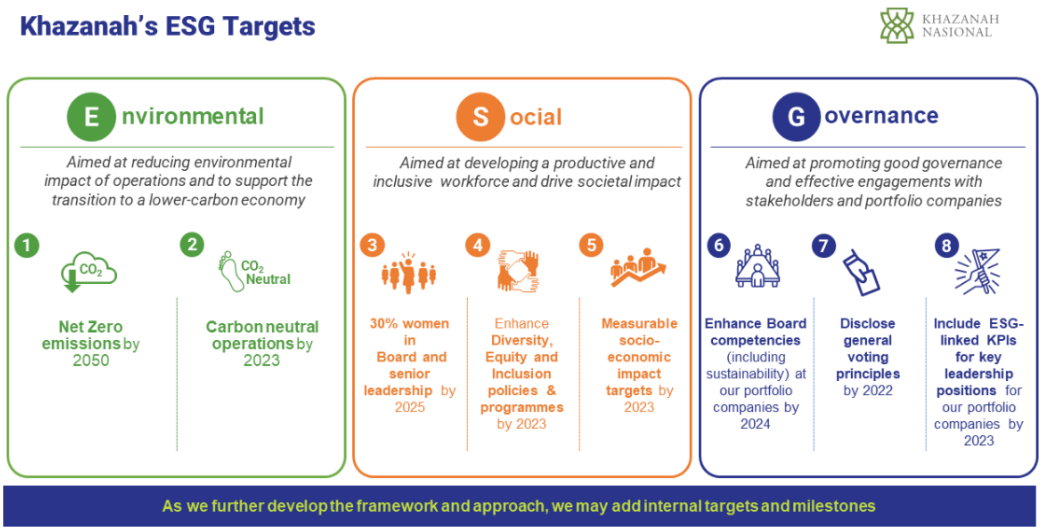
Example: **Khazanah Nasional Berhad (Khazanah), Malaysia**

Extract from Khazanah's website

Khazanah's approach to Sustainability is outlined through our Sustainability Framework, anchored on the ESG pillars.

Material issues relevant to Khazanah include:

- Environment – carbon emissions; climate change vulnerability
- Social – workforce management; workplace health and safety; fair and equitable access; diversity and inclusion
- Governance – regulatory exposure; board composition; political influence; shareholder rights; board and executive remuneration; privacy and data security



Read more about Khazanah's Sustainability Framework and Targets **here**.

5.19 Where applicable and feasible, GLICs are encouraged to describe the resilience of the organisation's and/or portfolio's investment strategy, taking into consideration different sustainability-related scenarios.

In relation to this, GLICs may consider disclosing qualitative and quantitative analysis of the resilience of their investment portfolio, in relation to significant and/or specific sustainability-related risks, such as when scenario analysis shall be used.

Example: **Government of Singapore Investment Corporation (GIC)**

GIC is a sovereign wealth fund that manages foreign reserves in Singapore.

GIC disclosed its proprietary practical approach in assessing sustainability risks that are financially material to the company.

Extract from GIC's website

In collaboration with the Monetary Authority of Singapore (MAS), GIC developed a set of climate scenarios, which have been applied to stress-test its portfolio. The scenarios cover the 1.5-degree to 4-degree range of global warming outcomes by 2100, and map broadly to the three reference scenarios recommended by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in June 2020. The risk drivers behind each scenario include:

- Timing and magnitude of policy action on emissions and, therefore, potential temperature outcomes;
- The impact of various energy technology pathways (where energy demand is primarily met either with renewable electricity, or with a combination of fossil fuels and carbon capture and sequestration technology); and
- Timing and extent to which markets would price in future climate-related risks.

GIC identifies risks and opportunities in the portfolio by triangulating top-down scenario analysis, sector estimates that consider total portfolio, asset class and security-level impacts, and impact estimates from third party studies.

Further, GIC integrates the assessment of climate change-related risks and opportunities into each step of our investment process, from opportunity sourcing and due diligence to post-investment monitoring. The investment committee for each asset class is responsible for defining the physical or transition risks most applicable to each investment opportunity and integrating the risk considerations into the investment decision.

Read more about GIC's sustainability report as well as application of TCFD's recommendations **here** and **here**.

5.20 GLICs should disclose the sustainable investment capacity building initiatives and collaborative efforts participated.

Disclosure on investors' rights and responsibilities

5.21 GLICs should disclose their own stewardship and engagement policies and practices on sustainability considerations or issues.

These requirements can be met by and should be in line with the guidance outlined in Principle 1 of the MCII which states that institutional investors "should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities".

5.22 GLICs should demonstrate over time the extent to which sustainable investment objectives have been achieved, including the outcomes of voting, engagement, collaborations and escalation by reference to the actions recorded and information collected under the GLIC's disclosure framework.

These requirements can be met by and should be in line with the guidance outlined in Principle 6 of the MCII which states that institutional investors "should publicly disclose their corporate governance policy and voting guidelines", as the MCII calls for disclosure on how monitoring leads to continuous improvement.

Example 1: **Permodalan Nasional Berhad (PNB), Malaysia**

PNB disclosed its stewardship framework and proxy voting records on its website. PNB's Stewardship Framework aims to showcase its stewardship philosophy and expectations for its investee companies, the investing public and the general market. The proxy voting records describes PNB's stance in voting for AGM/EGM resolutions of its investee companies.

Read more about PNB's stewardship framework, policies and guidelines, as well as its proxy voting records **here**.

Example 2: **Ontario Teachers' Pension Plan (OTPP), Canada**

OTPP publishes its voting decisions and rationale before each shareholder meeting, which can be viewed in its Proxy Voting Database.

The Proxy Voting Database demonstrates how OTPP intend to exercise its proxy votes in response to solicitations by either the management of the companies in which it owns voting shares, or others. It is intended to provide information to plan members, co-sponsors of the plan and others.

Read more about OTPP's Annual Responsible Investing and Climate Change Report **here**.

5.23 GLICs should provide the disclosures to relevant stakeholders, which should be published at a minimum annually, or within a reasonable timeframe to ensure relevant and timely information is provided to the stakeholders.

Guidance:

a) The stakeholders of GLICs depend on respective organisations, which may include but not limited to their beneficiaries, clients, contributors, members, parent agencies/ministries and the public.

b) The disclosure information should be directly accessible and understandable to stakeholders, as well as presented in a clear and objective manner, so as to ensure that the GLICs' stakeholders are properly informed in arriving to an informed decision and judgement.

c) Stakeholders should be made aware of any significant sacrifice of risk-adjusted returns that can occur due to sustainable investment strategies that are not entirely based on financial factors.

ACKNOWLEDGEMENT

This Sustainable Investing Standards (SIS) has been developed based on the input and contributions from the members of the PERKUKUH Working Group 11, which is comprised of representatives from the Ministry of Finance and GLICs.

The PERKUKUH Working Group 11 would like to express sincere appreciation and gratitude to the Securities Commission Malaysia (SC) as the lead entity of this initiative, as well as the Sustainable Investment Platform (SIP) as the Working Group Coordinator and strategically supported by Capital Markets Malaysia (CMM), for their invaluable time in providing insights and facilitating the initiative.

APPENDICES

Appendix 1

Mapping of SIS with other standards or frameworks

SIS	PRI	TCFD, ISSB	PGG	MCII
Principle 1 GLICs will establish an appropriate sustainable investment governance framework, which includes principles, guidelines and practices that guide and support management in seeking long-term sustainable returns.	Principle 1	Governance requirements	Role of the board with respect to ESG oversight: • Establishment of a governance structure for the oversight of sustainability • Ensure that management integrates ESG consideration in the strategies and operations of the entity	
Principle 2 GLICs will develop policies on how to incorporate sustainability considerations including material insight into their investment objectives and processes and when discharging their fiduciary responsibilities.	• Principle 1 • Principle 4 • Principle 5	Strategy requirements		Principle 7 (Collaborative response to corporate governance and sustainability concerns or risks)
Principle 3 GLICs will adopt and deploy sustainable investment	Principle 1	Requirements on risk management, and metrics and targets		Principle 5 (Incorporating sustainability considerations)

methodologies and investment decisions where appropriate.				
Principle 4 GLICs will be active stewards and incorporate sustainability considerations into ownership policies and practices.	• Principle 2 • Principle 3 • Principle 5			• Principle 1 (Disclosing policies on stewardship) • Principle 2 (Monitoring investee companies) • Principle 3 (Engaging investee companies) • Principle 4 (Managing conflicts of interest)
Principle 5 GLICs will disclose their sustainable investment policies, guidelines and activities in respect of the SIS.	• Principle 3 • Principle 6	Across the disclosure framework under pillars: • Governance • Strategy • Risk Management • Metrics and Targets		Principle 6 (Publishing corporate governance policy and voting guidelines)

Appendix 2

Issue-specific Expectations

Climate Change and Labour Rights have been identified as cross-cutting issues that need to be considered by GLICs in making sustainable investments, including that of EFMs and investee companies in GLICs' portfolio, given the significant impact these issues may pose to investments. As Climate Change and Labour Rights are important global and national priorities, and given their position of influence, GLICs should play their part in aligning their investments with these issues. In this regard, the SIS outlines Core Expectations to serve as minimum considerations in addressing these issues, and guidance on Best Practices to serve as additional considerations in line with international best practices.

These are not exhaustive, and GLICs may set additional expectations in relation to these issues.

Climate Change	
No	Expectations
Core Expectations	
1	To incorporate strategies in managing climate change issues, taking into account local environment laws, emerging standards and international best practices.
2	To disclose climate change-related policies, strategies, and metrics in alignment with globally recognised standards.
3	To establish short-, medium- and long-term strategy to manage Scope 1 and 2 emissions, emissions reduction targets, and an analysis of performance against those targets.
4	To commit to a net-zero target, in line with global or national-level targets.
5	To review performance against climate change-related material issues (Note 1)* and relevant risk exposures on a timely manner to identify areas for enhancement, and subsequently implement action plans to address those areas.
6	To conduct regular internal climate-related training and awareness programmes, ensuring employees are aware of the employer's policies and practices.
Best Practices	
1	To assess the sensitivity and resilience of their long-term business strategy to transition and physical climate risks and other climate scenarios (e.g. 1.5- – 2-degree pathways) and determine mitigation measures against these scenarios.
2	To extend in-house climate-related training and capability building across the supply chain, especially towards small-medium enterprises to measure and manage carbon emissions.
3	To monitor and disclose Scope 3 emissions arising from their value chain in absolute and relevant intensity terms in accordance with the GHG protocol or other relevant industry standards.
4	To advocate and promote climate change mitigation and adaptation, as well as engage with policy makers and relevant stakeholders with regards to climate change.

Note 1: *Material issues related to climate change include but not limited to: (i) greenhouse gas emissions; (ii) energy efficiency and usage; (iii) resource and wastewater management; (iv) biodiversity and ecosystem etc. [Source: UNEPFI, World Bank]

Labour Rights	
No	Expectations
Core Expectations	
1	To incorporate strategies in managing labour rights issues, taking into account local labour laws, emerging standards and international best practices.
2	To disclose labour rights-related policies, strategies, and targets that are aligned with globally recognised standards.
3	To establish grievance policy and mechanism for their employees to report incidents and concerns relating to any of the labour rights-related material issues.
4	To ensure workers' wellbeing are protected, including but not limited to, living conditions of both contract and sub-contract workers as well as employee safety and health.
5	To support and implement internal activities and initiatives relating to labour rights across the value chain.
6	To review performance against labour rights-related material issues (Note 2)* and relevant risk exposures on a timely manner to identify areas for enhancement, and subsequently implement action plans to address those areas.
Best Practices	
1	To identify, address and monitor exposures and labour rights-related risks on the material sub-issues across the value chain, including embedding these considerations across their procurement decision-making process.
2	To support and implement external activities and initiatives relating to labour rights across the value chain.
3	To advocate and promote labour rights, as well as engage with policy makers and relevant stakeholders with regards to labour rights.

Note 2: *Material issues related to labour rights include but not limited to: (i) safety and health; (ii) forced and child labour; (iii) fair wages and benefits; (iv) freedom of association etc. [Source: International Labour Organisation's Declaration on Fundamental Principles and Rights at Work]

Appendix 3

Sector-specific Expectations

The six (6) sectors that were selected in this document were identified based on the portfolio exposure of GLICs in these industries. These sectors were considered relevant as they are among the leading sectors in terms of market capitalisation, which would have the greatest sustainability impact and transition risk in the Malaysian context.

The guidance on these sector-specific expectations were determined based on the issues or factors deemed material for the sectors. The scope and sub-sectors of each of these sectors are aligned with the sector classification as defined by Bursa Malaysia Berhad. In this regard, the SIS outlines Core Expectations to serve as minimum considerations in addressing these issues, and guidance on Best Practices to serve as additional considerations in line with international best practices.

These are not exhaustive, and GLICs may set additional expectations in relation to these issues.

Construction Sector	
No	Expectations
Core Expectations	
1	To develop policies, strategies and approaches towards water, energy and waste management to ensure efficient usage of resources.
2	To ensure impact assessments are conducted to identify significant adverse impacts that could arise from the company's operations.
3	To meet the minimum scoring of local and whenever applicable, international sustainable construction certification, standards and best practices.
4	To meet the minimum certification of local workmanship quality requirement.
5	To report the number of incidents of non-compliance associated with waste and effluents quality permits, standards, and regulations.
Best Practices	
1	To apply the Industrialised Building System (IBS) in the construction works.
2	To embark on digital construction initiatives, such as usage of building information modelling (BIM) technology, for construction projects.
3	To establish a roadmap to increase usage of environmental-friendly and responsibly sourced raw materials, such as green cement, green concrete, green steel and timber.
4	To promote low carbon and sustainable practices among construction industry players in Malaysia, which includes a commitment to be an energy efficient company.

Energy Sector	
No	Expectations
Core Expectations	
1	To phase out revenue from oil sands and oil and gas activities in Arctic region.
2	To conduct regular impact assessments to identify significant adverse impacts that could arise from the company's operations and to develop remediation or mitigation measures on the adverse impacts.
3	To establish strategy to mitigate water, fuel and critical materials management risks.

4	To commit to reporting and reducing the amount of hazardous waste generated and the percentage of waste recycled as well as disclose any non-compliance associated with waste and effluents quality permits, standards, and regulations.
5	To meet the international standards that are relevant to energy sector.
Best Practices	
1	To diversify business activities into a low carbon industry.
2	To regularly engage with peers locally and internationally to keep abreast with best practices that are relevant to energy sector.

Financial Sector	
No	Expectations
Core Expectations	
1	To support transition to low carbon activities and better sustainability practices by offering and promoting products and services related to sustainable financing.
2	To develop sustainable financing strategies and policies to minimise risk and impacts arising from sustainability concerns and issues, including but not limited to, the offering of sustainability financing, and avoiding new financing and investment to sectors with exposure to high sustainability risk.
3	To disclose exposures to sectors with high sustainability risk.
4	To manage the material sustainability risks in compliance with the local standards, national guidelines on sustainable finance, investment and protection solutions, where relevant, as well as those prescribed by relevant financial sector regulators.
Best Practices	
1	To support financial inclusion by offering products and services that cater to the unserved and underserved segments of the community.
2	To be a signatory to relevant certifications/bodies/standards (e.g. UNPRI, Principles of Responsible Banking, Principles for Sustainable Insurance).

Industrial Products and Services Sector	
No	Expectations
Core Expectations	
1	To disclose the amount of hazardous waste generated and the percentage of waste recycled.
2	To establish a time bound action plan for efficient usage of water, fuel and electricity and responsible waste disposal methods including air emissions.
3	To disclose processes in place to assess and manage risks and/or hazards associated with chemicals in products.
4	To report the number of incidents of non-compliance associated with waste and effluents quality permits, standards, and regulations.
Best Practices	
1	To develop time bound action plan to transition towards more environmental-friendly raw materials/chemical.
2	To disclose actions to manage product lifecycle impacts and meet demand for sustainable products.

3	To develop a framework for a sustainable supply chain within the company to address environmental (e.g. biodiversity loss) and social issues (human/labour rights) arising from their operations.

Plantation Sector	
No	Expectations
Core Expectations	
1	To disclose incidents and related mitigation measures.
2	To be a member of relevant certifications/bodies/standards within a reasonable time frame.
3	To establish a roadmap to obtain full RSPO certification of their operations within a reasonable time frame.
4	To establish a roadmap to increase renewable energy usage for whole operations.
5	To report the number of incidents of non-compliance associated with waste and effluents quality permits, standards, and regulations.
Best Practices	
1	To commit to the rehabilitation of land used for plantation and increase yields in order to minimise land use.
2	To establish a roadmap to ensure that palm oil suppliers are compliant with the requirements listed in the Core Expectations and Best Practices.
3	To establish a roadmap for full RSPO certification of palm oil fresh fruit bunches supply base as per the verification mechanism for smallholders.
4	To establish a policy in relation to smallholders (if relevant), particularly in respect of training on key environmental and social issues, yield improvement and RSPO certification.
5	To establish a roadmap to trade and/or process only RSPO-certified palm oil (Note: Applicable to downstream).

Utilities Sector	
No	Expectations
Core Expectations	
1	No development of new coal-fired power plants and/or expansion of existing coal-fired power plants.
2	To have in place strategies to manage waste and effluents from utility activities including renewable energy.
3	To report the number of incidents of non-compliance associated with waste and effluents quality permits, standards, and regulations.
4	To manage the risks related to safety and emissions of gas delivery infrastructure, grid infrastructure and power generation activities.
Best Practices	
1	To commit to increase renewable power generation capacity.
2	To commit to reduce reliance of revenue from thermal power generation, and phase out thermal power generation activities within a stipulated time frame.

REFERENCES

Abu Dhabi Investment Authority (2022), *Sustainable Investing*

Algemene Pensioen Groep (2022), *Responsible Investment*

Asia Investor Group on Climate Change (2019), *Asian Utilities Engagement Program*

British Standards Institution (2020), *PAS 7341:2020 Responsible and sustainable investment management – Specification*

Capital Markets Malaysia (2021), *Sustainable Investment Platform: Resource Centre*

CFA Institute (2015), *Environmental, social and governance issues in investing*

CFA Institute (2021), *Global ESG Disclosure Standards for Investment Products*

CPP Investments (2019), *Responsible Investing Policy*

CPP Investments (2021), *2021 Report on Sustainable Investing*

Employees Provident Fund (2022), *Climate Change Issue Policy*

Employees Provident Fund (2022), *Priority Sector Policies*

Employees Provident Fund (2022), *Workers Well-being Issue Policy*

Environment Agency Pension Fund (2019), *Responsible Investment Strategy*

European Union, *Sustainable Finance Disclosure Regulation*

Financial Conduct Authority (2021), *Discussion Paper on Sustainability Disclosure Requirements and investment labels (DP21/4)*

Financial Conduct Authority (2021), *Policy Statement on Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers (PS21/24) – ESG Sourcebook*

Financial Stability Board (2017), *Final Report: Recommendations of the Task Force on Climate-Related Financial Disclosures*

Future Fund (2020), *Statement of Investment Policies*

Global Reporting Initiative (2021), *Universal Standard*

Global Sustainable Investment Alliance (2020), *2020 Global Sustainable Investment Review*

Government of Singapore Investment Corporation (2021), *GIC's Application of TCFD's recommendations*

Government of Singapore Investment Corporation (2021), *Sustainability Report 2020/2021*

Government of Singapore Investment Corporation (2022), *Investing Sustainably*

Government Pension Investment Fund (2020), *ESG Report 2019*

Government Pension Investment Fund (2021), *Stewardship Activities Report 2020-2021*

Government Superannuation Fund Authority (2022), *GSF Responsible Investment Exclusion List – Jan 2022*

Grantham Research Institute on Climate Change and the Environment (2018*), Investing in a Just Transition*

Health Employees Superannuation Trust Australia (2020), *Responsible Investment Policy*

Institutional Investors Council Malaysia (2022), *The Malaysian Code for Institutional Investors 2022*

International Organisation of Pension Supervisors (2019), *IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds*

International Organization of Securities Commissions (2021), *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*

International Social Security Association (2013), *ISSA Guidelines on Investment of Social Security Funds*

International Sustainability Standards Board (2022), *Exposure Draft: Sustainability Disclosure Standard*

Ireland Strategic Investment Fund (2022), *Responsible Investment*

Joint Committee on Climate Change (2022), *Task Force on Climate-related Financial Disclosures (TCFD) Application Guide for Malaysian Financial Institutions*

Khazanah Nasional Berhad (2022), *Khazanah Sustainability Framework and Targets*

Khazanah Nasional Berhad (2022), *The Khazanah Report 2021*

Korea Investment Corporation (2021), *KIC Sustainable Investment Report 2021*

Kumpulan Wang Persaraan (Diperbadankan) (2021), *Statement of Compliance with Malaysian Code of Institutional Investors 2020*

Kumpulan Wang Persaraan (Diperbadankan) (2022), *Our ESG integration approach*

Kuwait Investment Authority (2022), *About KIA: One Planet SWF Initiative*

Ministry of Finance, Malaysia (2021), *PERKUKUH (Perkukuh Pelaburan Rakyat): Strategic transformation of GLICs for enhanced resilience and socioeconomic impact*

Ministry of Finance, Malaysia (2022), *Principles on Good Governance for Government Linked Investment Companies*

National Investment and Infrastructure Fund (2021), *NIIFL E&S Management Policy*

National Pension Service (2020), *2020 Responsible Investment & Governance Report*

New Zealand Superannuation Fund (2021), *Annual Report 2021*

New Zealand Superannuation Fund (2021), *Responsible Investment Framework*

Norges Bank Investment Management (2021), *2021 Report on Responsible Investment*

One Planet Sovereign Wealth Funds (2018), *The One Planet Sovereign Wealth Fund Framework*

Ontario Teachers' Pension Plan (2021), *Annual Responsible Investing and Climate Change Report*

Pensioenfonds Metaal & Techniek (2021), *Responsible Investment Policy*

Pensioenfonds PGB (2020), *PGB integrated SRI Policy*

Pension Protection Fund (2021), *Responsible Investment Report 2020/2021*

Pension Protection Fund (2022), *Statement of Investment Principles*

Permodalan Nasional Berhad (2022), *Stewardship*

Permodalan Nasional Berhad (2022), *Sustainability Framework*

Principles for Responsible Investment (2022), *Asset owner resources*

Public Investment Fund (2022), *Green Finance Framework*

Public Sector Pension Investment Board (2021), *2021 Responsible Report*

Securities and Futures Commission of Hong Kong (2016), *Principles of Responsible Ownership*

Securities Commission Malaysia (2019), *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market*

Securities Commission Malaysia (2021), *Guidelines on Sustainable and Responsible Investment Funds*

Sustainability Accounting Standards Board (2018), *77 industry-specific sustainability accounting standards*

Swiss Funds & Asset Management Association and Swiss Sustainable Finance (2020), *Sustainable Asset Management: Key Messages and Recommendations of SFAMA and SSF*

Swiss Sustainable Finance (2017), *Handbook on Sustainable Investments: Background Information and Practical Examples for Institutional Asset Owners*

Temasek Holdings Limited (2022), *Approach to sustainability*

Temasek Holdings Limited (2022), *Sustainability – Focusing on Climate Change*

United Nations Conference on Trade and Development (2020), *How public pension and sovereign wealth funds mainstream sustainability: Practices of the frontrunners and a proposed integration framework*

United Nations Office on Drugs and Crime (2004), *United Nations Convention against Corruption*

World Bank Group (2020), *Sustainable Investment: Practice Disclosure Checklist for Pension Funds*

World Wide Fund for Nature (2017), *WWF Climate Guide to Asset Owners: Aligning Investment Portfolios with the Paris Agreement*

World Wide Fund for Nature (2020), *Climate Adaptation Guide for Asset Owners: Risk Mitigation and Opportunity Realization*

World Wide Fund for Nature (2021), *WWF Resource Guide for Asset Owners: Selecting, Appointing and Monitoring Your Investment Manager*

BLURB

The Sustainable Investing Standards (SIS) outline the enhancements to the role of GLICs in sustainable investments by providing guidance in incorporating sustainability considerations into the investment process. The SIS contain requirements on the integration of sustainability considerations in investment processes and relevant disclosures to enhance the transparency in sustainable investment practices of GLICs. This document should be read together with the Principles on Good Governance for GLICs (PGG) and Malaysian Code for Institutional Investors (MCII) which provide the relevant requirements and best practices on governance and stewardship for the GLICs. The SIS is intended to be used by GLICs but may also serve as a guidance for the broader investment community.

Published by:

Government Investment Companies Division (GIC)

Statutory Body Strategic Management Division (SBM)

In Collaboration with Securities Commission Malaysia (SC)

and Government-Linked Investment Companies (GLICs)

Ministry of Finance Malaysia

Putrajaya

26 May 2023