

Public Mutual's Statement of Compliance with the Malaysian Code for Institutional Investors (MCII)

Introduction

The Malaysian Code for Institutional Investors (MCII), which was jointly launched by the Securities Commission Malaysia and the Minority Shareholders Watch Group, sets out broad principles to guide institutional investors on the effective exercise of their stewardship responsibilities towards the delivery of long-term value to the institutional investors' clients.

This Statement of Compliance outlines Public Mutual's application of the 6 principles in the MCII.

PRINCIPLE 1: Disclosing Policies on Stewardship

1. Policies on Stewardship in the Investment Process

- 1.1 Public Mutual is cognisant of the importance of fostering effective stewardship practices which are integral to our mission of delivering superior long-term returns to our investors.
- 1.2 Public Mutual recognises the importance of observing high standards of corporate governance to ensure that the values of integrity and accountability are embedded in our investment process.

Comprehensive policies have been developed and implemented to mitigate and manage conflict-of-interest situations in the investment process.

Public Mutual's Investment Committee oversees the investment process of our unit trust and Private Retirement Scheme (PRS) funds.

- 1.3 Our investment philosophy is based on fundamental research and long term investment strategies with the objective of delivering superior returns for investors.

The financial performance, management strategies, risks and capital structures of investee companies are analysed and evaluated with a view to enhance shareholders' returns.

- 1.4 We are cognisant of the responsibility accorded to institutional investors to exercise their shareholder voting rights to ensure investee companies uphold good standards of corporate governance.
- 1.5 Our Shariah-based funds are managed in accordance with Shariah principles and are certified as Shariah-compliant by an Independent Shariah Adviser. To ensure compliance with Shariah requirements at all times, our Shariah-based funds' investments are reviewed regularly by the Shariah Adviser.
- 1.6 Public Mutual recognises the importance for investee companies to incorporate sustainability considerations in their business operations to ensure their long-term sustainability and continued delivery of long-term value to their shareholders.

PRINCIPLE 2: Monitoring Investee Companies

2. Monitoring of Investee Companies

- 2.1** Public Mutual recognises the importance of monitoring investee companies as an essential part of our stewardship role to ensure the investee companies conduct their business operations in the best interest of their key stakeholders.
- 2.2** The monitoring of our investee companies is undertaken based on principles within the Malaysian Code on Corporate Governance.
- 2.3** The monitoring process is conducted in an active manner which include but not limited to monitoring the investee companies for the following:
- Financial performance
 - Business strategies
 - Utilisation of shareholder capital
 - Industry dynamics
 - Risk management
 - Leadership including key management staff and the Board of Directors
 - Related party transactions
- 2.4** In addition, for our sustainable and responsible investment (SRI) funds, we incorporate ESG considerations in the investment process, including ESG-based screening and selection, as well as the monitoring and engagement of investee companies.

PRINCIPLE 3: Engaging Investee Companies

3. Engaging Investee Companies

- 3.1** Public Mutual recognises the importance of the engaging with investee companies as an extension of the monitoring process to enhance the understanding of the companies' business operations, performance, management strategies, governance and risk management.
- 3.2** We will engage with investee companies where possible to obtain updates on their financial performance, corporate developments, industry outlook and business strategies.
- 3.3** In the event material issues pertaining to financial and operational performance or risk management arise and there is a lack of information to improve its financial and operational performance or risk management, we will engage with investee companies, where possible, to work towards better outcomes.
- 3.4** During the engagement process, we will seek further clarification from the company's management on the relevant issues, the potential financial impact and the company's strategies in addressing the issues.
- 3.5** For investee companies in our SRI funds, in the event material ESG issues arise, or where investee companies no longer meet the ESG criteria, and there is a lack of information to improve their ESG standing, we will engage with them, where possible, to work towards improving their ESG standing.

PRINCIPLE 4: Managing Conflicts of Interest

4. Managing Conflicts of Interest in the Investment Process

- 4.1 Public Mutual recognises the importance of observing high standards of corporate governance to ensure that the values of integrity and accountability are embedded in our investment process.
- 4.2 Public Mutual has implemented appropriate internal policies to promote transparency and manage situations where there could be potential conflicts of interest with regards to the investment process.
- 4.3 We have implemented the following policies to address potential conflicts of interests:
- i. **No gift policy**
As a general rule, staff (including their immediate family members) are prohibited from offering, providing, soliciting or receiving any gifts, entertainment, hospitality and non-business travel from/to external party in exchange for some future benefits or advantages.
 - Personal dealing**
 - ii. All employees are to comply with the Company's Personal Dealing Policy which requires a full disclosure of all interest or holdings in securities and derivatives on an annual basis. Staff who are involved in fund management activities are also required to seek prior approval before they undertake any transaction of securities or derivatives.
 - Material non-public information (MNPI)**
 - iii. Employees are not permitted to deal in securities for the funds and in their personal capacity when in the possession of MNPI. They are also not permitted to communicate MNPI to another person if he/she knows or ought reasonably to know that the other person would personally or procure a third person to acquire or dispose such securities.
 - Stockbroking rebates and soft commissions**
 - iv. Public Mutual does not receive any form of rebates from any broker/dealer. Public Mutual may receive goods or services which include research materials, data and quotation services and investment related publications by way of soft commissions provided they are of demonstrable benefit to the funds and unit holders.
 - Cross trade**
 - v. Cross trade transactions between funds may be undertaken if such transactions are deemed to be in the best interest of the funds and are transacted through a dealer or a financial institution on an arm's length and fair value basis.

PRINCIPLE 5: Incorporating Sustainability Considerations

5. Incorporating Sustainability Considerations

- 5.1** Public Mutual recognises the importance for investee companies to incorporate sustainability considerations in their business operations to ensure their long-term sustainability and continued delivery of long-term value to their shareholders.
- 5.2** Our approach towards incorporating ESG considerations in the investment process is outlined in our SRI Framework for Unit Trust and PRS Funds.
- 5.3** The ESG review process for our SRI funds includes the incorporation of ESG considerations into the investment analysis and decision-making process and seeks appropriate disclosures by investee companies on material ESG issues.

PRINCIPLE 6: Publishing Voting Policy

6. Voting Policy

- 6.1** Public Mutual is cognisant of the responsibility accorded to institutional investors to exercise their shareholder voting rights to ensure investee companies uphold good standards of corporate governance, which ultimately enhances long-term shareholder value. Proxy voting is viewed as an integral part of the corporate governance review and engagement process.
- 6.2** Proxy voting will be implemented for investee companies that are listed on Bursa Malaysia which Public Mutual's unit trust and PRS funds have significant aggregate holdings or when material agendas / resolutions are presented.
- 6.3** In general, we will vote FOR resolutions that are tabled at annual general meetings (AGMs), extraordinary general meetings (EGMs) and other shareholders' meetings of the investee companies when the following criteria are fulfilled:
 - i.** The resolutions tabled are deemed to benefit the investee company and its minority shareholders;
 - ii.** The resolutions tabled are deemed to have no adverse effect on sustainability and/or environmental, social and governance practices of the company;
 - iii.** The resolutions tabled are deemed to be in line with the government's policies, rules and/or regulations; and
 - iv.** There is adequate disclosure of material information relating to the resolutions tabled.

We may vote AGAINST resolutions that do not meet one or more of the abovementioned criteria.