PNB

Business And Human Rights Policy
- FAQ -



1. What is the scope of the Policy?

The Policy covers labour and human rights impacts across a broad set of stakeholders – including employees, customers, communities, and suppliers. However, PNB recognises that the relevance and materiality of each stakeholder group will vary by Company, sector, and business model. Companies are expected to determine, based on their own risk and impact materiality assessments, which stakeholder groups and issues are most material to their operations. The Policy is principle- and process-based: PNB expects Companies to establish appropriate governance, policies, processes and action plans to identify, assess and manage Key Material Issues. The Policy does not prescribe that Companies achieve specific outcomes, full remediation of all issues, or comprehensive disclosure of all relevant data by a fixed date.

2. Does the Policy require Companies to extend the expectations to clients and suppliers?

Where material, yes – but PNB acknowledges the practical challenges of influencing parties outside a Company's direct control. Companies should determine which expectations regarding clients, suppliers, or third parties are material, impactful, and feasible to implement over time, and PNB will consider a credible plan with clear milestones as aligned with its expectations, even where full cascading isn't immediately achievable.

3. Is there a single compliance deadline for the Policy?

No single blanket deadline, but the Policy is anchored to PNB's own portfolio-level target: 100% of priority companies to align with PNB's Business and Human Rights Policy by 2030. PNB recognises that a single deadline may not appropriately reflect differences in company size, resources, sector exposure, and existing maturity. Companies may adopt a phased implementation approach, calibrated to their own readiness and risk profile. At minimum, PNB expects that by 2030, Companies will have established the foundational elements – clear plans, strategies, targets, and processes – that demonstrate a credible pathway toward full alignment. Sequencing beyond this baseline can be tailored to each Company's circumstances, provided progress is documented and monitored on an annual basis.

4. How does PNB define "priority companies" for the PNB Business and Human Rights Policy?

Priority companies for Business and Human Rights alignment include entities where PNB holds significant shareholdings, namely strategic companies, core companies, direct investments, and PNB subsidiaries.

5. How should Companies address the absence of a standardised living wage definition?

PNB recognises that the lack of a standardised living wage definition, and constraints around data availability, are genuine challenges given the diversity of sectors and geographies in the portfolio. Companies in sectors with an emerging or established industry benchmark are encouraged to align to that benchmark once finalised. In sectors without an established reference point, Companies should adopt a reasonable, documented methodology and disclose the basis for their approach, refining it as better data becomes available.

6. What if expanding coverage to third parties and wider stakeholders creates a resourcing burden?

PNB recognises this represents a genuine constraint for some Companies, particularly smaller entities or those earlier in their sustainability journey. PNB's expectations are intended to be principle- and process-based rather than prescriptive – Companies are expected to prioritise implementation based on materiality and available resources, rather than pursuing uniform compliance across all areas at once. Where appropriate, PNB will consider providing shared tools, templates, or guidance materials to help reduce implementation burden, particularly for resource-constrained Companies.

7. Our internal governance and processes (e.g. Human Resources; Health, Safety, Sustainability and Environment; Procurement; Whistleblowing; Stakeholder Engagement) are still fragmented – how much time do we have to formalise these before being expected to comply?

PNB recognises Companies are at different starting points, and that factors such as a recent transition from private to publicly listed status can reasonably justify a longer runway to formalise governance structures. That said, these expectations are not new – PNB has engaged portfolio Companies on this topic for approximately three years, and many underlying requirements were already set out in PNB's Labour Rights Policy, which has now been expanded and superseded by the Business and Human Rights Policy, as well as existing regulatory reporting frameworks Companies must comply with. Where a Company's sector peers have progressed within a comparable timeframe, PNB would encourage the Company to examine internal operational or resourcing efficiencies rather than treating this solely as a readiness issue. PNB welcomes further discussion on specific barriers so that support and expectations can be appropriately calibrated.

8. Do Companies need a fully mature grievance mechanism and HRDD process from the outset?

No. PNB expects Companies to begin with foundational mechanisms and improve them progressively, rather than requiring a fully mature approach immediately. HRDD specifically is considered best practice rather than a strict requirement, and Companies should apply it where genuinely impactful or material to their operations.

9. How does PNB evaluate a Company's alignment with the Policy?

PNB evaluates Companies' disclosures in annual, integrated, or sustainability reports against a proprietary assessment that scores Companies' disclosures against the expectations set out in the Policy, using a four-point scoring matrix based on the granularity of information disclosed – ranging from limited or no disclosure through to comprehensive, well-substantiated reporting on Policy, governance, strategy, assessment, grievance mechanism and stakeholder engagement. This assessment approach provides PNB with a consistent basis for evaluating alignment across the portfolio, while Companies retain flexibility in how they design and execute their own approach.

10. Do Companies need to have a standalone Business and Human Rights Policy covering all 10 Key Material Issues (KMIs)?

No. Companies are not required to have a single standalone Policy document that addresses all 10 Key Material Issues (KMIs). The assessment considers whether each KMI is formally addressed through policy commitments or statements within the company's governance framework. As such, the 10 KMIs may be covered across a suite of governance-related documents, such as Human Rights Policies, Labour Rights Policies, Diversity and Inclusion Policies, Supplier Codes of Conduct, Occupational Health and Safety Policies, Environmental Policies, or other relevant corporate policies. The key requirement is that **all 10 KMIs are adequately addressed through clear policy commitments**, regardless of whether they are consolidated in one document or distributed across multiple governance documents.

11. What happens if a Company does not comply with the Policy?

PNB will engage with Companies to identify and understand the challenges in adopting the Policy. In line with PNB's Escalation Matrix, various investor touchpoints will apply where Key Material Issues remain unaddressed or unmitigated. Consistent with PNB's Voting Guidelines, PNB may also vote against the re-election of the Chairperson or the Chairperson of the Board Sustainability Committee (or its equivalent), where a Company has not adequately demonstrated appropriate actions or disclosed relevant strategies on managing material labour and human rights issues.

12. Should Companies or organisations have further queries on the Policy, how can they reach PNB?

Kindly reach out to esgstewardship@pnb.com.my for further clarification.