PNB

Climate Action Policy
- FAQ -



1. What is the scope of the Policy?

This Policy applies to all PNB Companies, both domestic and international, across all sectors. Unlike some of PNB's other sustainability policies, this Policy does not designate primary or secondary exposed sectors — PNB expects all Companies to assess and manage their exposure to climate mitigation and adaptation, with the nature and intensity of that exposure varying according to each Company's own risk and impact materiality assessments.

2. Does the Policy require Companies to extend climate expectations (e.g. Scope 3, supplier engagement) to their value chain?

Where material, yes – but PNB acknowledges the practical challenges of influencing emissions and practices outside Company's direct control, particularly Scope 3 and supplier-level decarbonisation. Companies should determine which value chain expectations are material, impactful, and feasible to implement over time. A credible plan with clear milestones – even where full value chain coverage isn't immediately achievable – will be considered aligned with PNB's expectations.

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 targets: 70% of portfolio emissions to be covered by credible net zero targets by 2030, and a Net Zero Portfolio by 2050. PNB recognises that a single implementation deadline may not appropriately reflect differences in Company size, sector emissions intensity, resources, and existing decarbonisation maturity. Companies may adopt a phased implementation approach, calibrated to their own readiness and risk profile, provided their pathway credibly contributes toward these 2030 and 2050 milestones.

4. How should Companies address the absence of a standardised decarbonisation pathway or target-setting methodology for their sector?

PNB recognises that the lack of a universally standardised sector pathway, and constraints around emissions data availability, are genuine challenges given the diversity of sectors and geographies in the portfolio. Companies in sectors with an established SBTi or industry-specific pathway are encouraged to align to that pathway 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 and sector benchmarks become available.

5. How does PNB assess whether a Company's climate targets or transition plan are "credible"? How does PNB measure Companies' alignment with the Policy?

PNB evaluates Companies' disclosures in annual, integrated, or sustainability reports against a proprietary Net Zero Assessment approach to track and monitor Companies' decarbonisation progress, underpinned by six core indicators – including whether such Company has set interim targets to guide its transition to net zero, and whether it has developed and implemented a robust decarbonisation strategy that identifies the key levers to address its most material sources of emissions. This evaluation approach is closely aligned with widely recognised guidelines such as the Net Zero Investment Framework and Climate Action 100+, to ensure credibility and enable benchmarking against internationally accepted standards.

Beyond the six core indicators, PNB also considers additional best practices – such as whether a Company has established strong climate governance, adopted principles of Just Transition, and transparently reported its climate-related transition risks and opportunities. This assessment approach gives PNB a consistent basis for evaluating credibility across the portfolio, while still allowing Companies flexibility in how they design and execute their own decarbonisation plans. The full scope of assessment including Indicators and Guiding Questions is available in the Appendix of the Policy.

6. What if building out climate governance, emissions measurement systems, and transition planning creates a resourcing burden?

PNB recognises this represents a genuine constraint for some Companies, particularly smaller entities, those earlier in their decarbonisation journey, or those in emissions-intensive sectors requiring significant capital investment. 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 full alignment 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 climate governance is still fragmented (e.g. emissions data spread across operations, procurement, finance) – how much time do we have to formalise this 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 climate governance structures and cross-functional ownership. That said, these expectations are not new – PNB has engaged portfolio Companies on climate-related topics for several years, and many underlying requirements already align with existing regulatory reporting frameworks (e.g. NSRF/IFRS S2) 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 transition plan and emissions verification process from the outset?

No. PNB expects Companies to begin with foundational climate governance and measurement processes and improve them progressively, rather than requiring a fully mature decarbonisation/transition plan immediately. Third-party assurance of emissions data specifically is considered best practice rather than a strict requirement in early stages, and Companies should adopt it progressively as processes mature.

9. 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 climate issues.

10. 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.