PNB

Sustainability Policy



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1.0 PURPOSE OF THE POLICY

1.1 PNB Group's[1] ("PNB") sustainability commitment and approach to integrating Environmental, Social, and Governance ("ESG") factors into our operations and investing mandate is encapsulated in this Policy.

1.2 The world around us is changing rapidly. Climate change, shifting societal expectations, rising ESG-related regulations and growing pressure on natural capital are reshaping the environment in which businesses and markets operate. Embracing sustainability is therefore part of how PNB stays attuned to an evolving world.

1.3 As a fund management company, sustainability is central to our fiduciary duty. Managing ESG risks[2] and opportunities over time protects and enhances our operational and investments decisions – safeguarding both financial returns and the interests of millions of unitholders across generations that invest through us.

1.4 This Policy outlines the foundation, ownership, and oversight mechanism which have been built on and around the PNB Sustainability Framework, comprising three (3) anchors, six (6) commitments and sixteen (16) targets, which was announced by PNB in 2026. The Sustainability Framework supersedes the Ten (10) ESG Commitments announced by PNB in 2022.

1.5 This Policy governs PNB's business operations, investment processes and decision-making activities.

2.0 SCOPE OF THE POLICY

2.1 This Policy governs PNB's business operations, investment processes and decision-making activities.

3.0 APPROVAL OF THE POLICY

3.1 This Policy shall be implemented upon the initial approval of the Board of Directors. Any subsequent material variation and/or amendment to this Policy, may be approved by the Management Sustainability Committee ("MSC"). Any non-material variation and/or amendment to this Policy, may alternatively be approved by the President and Group Chief Executive ("PGCE") as deemed fit.

3.2 In the event of an immediate change in the regulatory requirement, that may affect this Policy, the Head of Corporate Sustainability and Stewardship ("CSS") is authorized to issue directive to ensure compliance with the requirement of the regulators and thereafter update the PGCE and the MSC of the directive issued. All amendments to the Policy will be escalated to the Board of Directors for ratification.

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1 PNB Group shall refer to Permodalan Nasional Berhad (PNB), Amanah Saham Nasional Berhad ("ASNB"), ASNB Wakalah, PNB Research Institute Sdn Bhd ("PNBRI"), PNB UK and any other company or entity sanctioned by the Board of Directors of PNB.

2 ESG risks refer to risks arising from environmental, social and governance factors, including but not limited to, climate-related risks, business and human rights risks, nature and biodiversity risks, and other emerging sustainability-related issues

4.0 SUSTAINABILITY PHILOSOPHY & PRINCIPLES

4.1 PNB's sustainability journey is grounded by five (5) key guiding beliefs to ensure the approach undertaken in PNB is consistent, robust and transparent.

Guiding Belief 1: ESG Driving Long-term Values

We believe that by integrating ESG issues more systematically in our investing activities and operations, we will be better positioned to seize new opportunities while accounting for rapidly evolving risks in delivering sustainable returns to our unitholders and upholding our social mandate.

Guiding Belief 2: Responsible Leadership

We also believe that with our size and influence, especially within Malaysia and across all regions that we invest, we have an important and strategic role to play in addressing the systemic challenges facing our stakeholders[3] today and in the future.

Guiding Belief 3: Collective Action and Partnership

We are cognisant that we alone cannot solve these challenges. With collective action and greater partnership between private and public sectors, together we believe that we will be able to make a lasting impact and address these challenges more effectively.

Guiding Belief 4: Walk the Talk

We strive to align our behavior with our principles to build trust and credibility as we believe action speaks louder than words. Walking the talk means consistently demonstrating our values and taking responsibility for any inconsistencies. By doing so, we create a culture where actions reflect our beliefs.

Guiding Belief 5: Progress over Perfection

We believe in progress over perfection. As the science around climate change evolves – alongside emerging social risks and rising governance standards, we will periodically review and update our Sustainability Framework to ensure it remains relevant and reflective of the latest developments.

3 Refer to our internal and external stakeholders which shall include but not limited to our unitholders, employees, investors, analysts, regulators, suppliers and community.

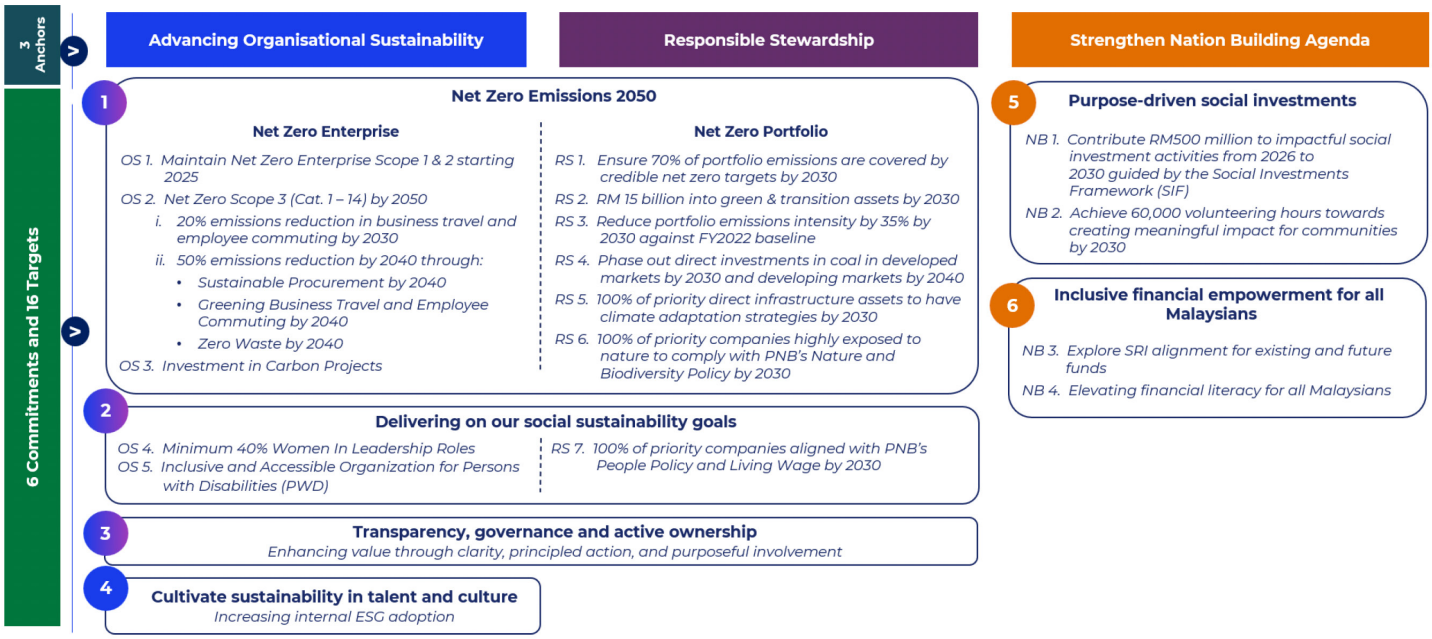
5.0 SUSTAINABILITY MANDATE & STRATEGY

5.1 This Policy is anchored on PNB's mandate which is to enhance the economic wealth of the Bumiputera community and all Malaysians, for the prosperity of the nation.

5.2 PNB's Sustainability Framework (Exhibit 1), guided by the purpose statement "Investing Responsibly, Empowering Generations", is designed to enable a structured and coherent sustainability response.

5.3 The Sustainability Framework transitions PNB towards a clear architecture that separates enduring commitments from time-bound, measurable targets, addressing materiality[4] from an asset manager perspective.

Exhibit 1: PNB Sustainability Framework



4 Materiality is dynamic and may evolve in response to changing stakeholder expectations, sustainable development goals, regulatory requirements and broader industry trends. The assessment of material sustainability matters may vary depending on the purpose, scope and objectives of the activity being undertaken, including enterprise functions, investment decision-making and stewardship activities.

5.4 We are embedding ESG considerations into all parts of the organisation (Exhibit 2). Embedding ESG into all processes of decision-making allows us to augment our efforts in identifying opportunities for value creation and managing ESG risks.

Exhibit 2: PNB's Sustainability Approach



6.0 GOVERNANCE

6.1 PNB has established a Sustainability Governance Structure to integrate sustainability into the decision-making process across the organisation as well as to ensure transparency and accountability of our sustainability journey.

6.2 PNB's sustainability governance starts with the Board of Directors of PNB that is ultimately responsible for oversight of PNB's overall sustainability strategy and approval of proposals beyond the Terms of Reference of the Management Sustainability Committee of PNB ("MSC").

6.3 The Board of Directors of PNB is supported and informed by the MSC that will oversee the overall implementation of PNB's Sustainability Framework's commitments and targets, and initiatives to achieve them.

6.4 The segregation of sustainability-related roles and responsibilities at the Board, Management and operational levels shall be guided by the Three Lines Model (3LM) adopted by PNB under the PNB Group Enterprise Risk Management (ERM) Framework.

7.0 RESPONSIBLE STEWARDSHIP

As a responsible steward of capital, PNB actively engages with its investee companies to protect and enhance long-term value. Our stewardship activities are guided by our fiduciary duty to our unitholders and are informed by our sustainability commitments and expectations.

Our detailed stewardship expectations for investee companies are set out in dedicated thematic policies – the Climate Action Policy, the Nature & Biodiversity Policy and the Business & Human Rights Policy. Each policy articulates the specific standards, disclosures and practices we expect of the companies we invest, enabling us to communicate differentiated expectations aligned with sector exposures and material ESG risks. These policies complement this overarching policy by providing the specificity required to guide our stewardship actions.

PNB may leverage on board representation in investee companies, where appropriate and proportionate to its ownership interests, as a key stewardship mechanism to safeguard long-term shareholder value and drive sustainable business practices. Through board representation, PNB seeks to promote effective governance, risk oversight, talent and succession planning, and the integration of material sustainability considerations into corporate strategy and decision-making.

Our stewardship philosophy is centred on five (5) key levers:

7.1 Voting Guidelines

PNB exercises its voting rights, both domestically and internationally, in a manner consistent with its Voting Guidelines and sustainability expectations. PNB is committed to transparency in voting and publishes its voting decisions to drive shareholder engagement and provide transparency to stakeholders.

Moving forward, PNB will review our Voting Guidelines by considering regulatory and market developments as well as account for changes in global standards and best practices related to sustainability and corporate governance.

7.2 Escalation Matrix

PNB adopts an Escalation Matrix to guide our approach to engaging our Investee Companies. The Escalation Matrix determines the steps that PNB, as an investor, should take when engaging the Investee Companies. Different engagement levers can be undertaken by PNB, ranging from informal discussions to more formal and assertive measures, such as voting against management proposals or divesting from an Investee Company, if necessary.

We choose to adopt the Escalation Matrix to ensure that our engagements with the Investee Companies are consistent & well-structured, and able to achieve our objectives effectively and efficiently. Having a clear tool ensures that all parties involved in the engagement process are aware of the steps that can be taken and the expectations for each degree of escalation.

PNB maintains an Escalation Matrix, publicly disclosed on our corporate website, which sets out the key stewardship levers and engagement mechanisms applied in fulfilling its responsibilities as a long-term investor.

7.3 Board Representation

PNB strengthens governance stewardship through effective representation on the Boards of its Investee Companies. Guided by its internal Nomination Policy and structured assessments of Board requirements, this governance-focused board representation enhances the quality of shareholder engagement, reinforces voting accountability, and enables informed oversight at the Board level, while nominees remain subject to the fiduciary duties owed to the investee companies. PNB also leverages its representation through Nominee Directors to engage with the Investee Companies on ESG-related matters, address key concerns, and communicate PNB's ESG expectations to support the implementation and integration into the business practices of Investee Companies.

7.4 ESG Stewardship Milestone Framework (M0-M5) ("Stewardship Ladder") Focused

PNB has also adopted an ESG Stewardship Milestone Framework to guide the monitoring and assessment of outcomes arising from our stewardship activities. The framework establishes a structured pathway to track the progression of engagement outcomes, from the identification of concerns and acknowledgement by Investee Companies to the implementation of actions and the eventual materialisation of real-world outcomes.

We choose to adopt the ESG Stewardship Milestone Framework to ensure that stewardship activities are outcome-oriented, transparent and capable of demonstrating tangible progress over time. Having a clear milestone-based approach enables PNB to assess the effectiveness of engagements consistently, identify where further intervention may be required, and monitor whether intended outcomes have been achieved.

Further information on the ESG Stewardship Milestone Framework can be found on Appendix I of this Policy.

7.5 System-Level Stewardship

PNB recognises that certain sustainability challenges are systemic in nature and extend beyond the influence of any single Investee Company. As part of its stewardship approach, PNB may undertake system-level stewardship activities, where appropriate, to contribute towards broader market improvements and sustainable long-term investment outcomes. Beyond engagements with individual investee companies, PNB will also actively participate in co-investors engagements, networks and initiatives to promote both company-specific and industry-wide improvements, foster collaboration among market participants, as well as to support the development of a more sustainable market ecosystem, contribution to market standards, and policy advocacy.

PNB adopts a system-level stewardship approach to ensure that its stewardship activities on systemic sustainability issues are coordinated, consistent, and aligned with its long-term investment objectives.

8.0 SUSTAINABLE INVESTMENTS

8.1 Sustainable Investing ("SI") Approach

PNB's SI approach is designed to strengthen and elevate the entire investment value chain to consider material ESG factors. The principles underlying SI is the foundation of a successful investment strategy and that SI considerations can materially improve long-term returns of our portfolio and ensure resilient risk management practices are embedded into our investment decisions.

PNB's SI principles are in line with the sustainable investment principles of the membership networks and standards that we subscribe to, which include the Principles for Responsible Investment ("PRI") supported by the United Nations and the Malaysian Code for Institutional Investors.

8.1.1 Two-Step Approach to Sustainable Investing

PNB adopts a two-step approach to sustainable investing; ESG Negative Screening and adopting an integrated approach to embed ESG considerations in our investment value chain.

8.1.1.1 ESG Negative Screening

ESG Negative Screening excludes potential investment opportunities related to controversial business activities defined by PNB, which are guided by PNB's exclusion list that excludes companies involved in the related sectors ("Exclusion List") due to ethical violations and / or exposure to unacceptable risks.

PNB seeks alignment, where possible, with local and international standards as well as the best practices defined by various organisations. Our Exclusion List will be reviewed annually by the MSC.

Further information on PNB ESG Negative Screening can be found on Appendix II of this Policy.

8.1.1.2 Embedding ESG into investment value chain

Beyond negative screening, PNB adopts an integrated approach that embeds ESG factors alongside conventional investment parameters across all investment decision-making. This integration is operationalised across investments – listed equities, fixed income, private markets, real estate and external fund managers ("EFM") – and is enabled by a suite of ESG guidelines and tools developed internally.

These integration efforts are progressively embedded across the investment lifecycle from research and due diligence to monitoring and stewardship. For external mandates, ESG is integrated through EFM due diligence and selection, side letters, and monitoring.

ESG considerations are also integrated into PNB's Maqasid Al-Shariah in Responsible Investment ("MSRI") Screening, ensuring that investment assessments incorporate both Shariah principles and sustainability factors as part of a holistic evaluation of long-term value and societal impact.

9.0 SUSTAINABLE ENTERPRISE

PNB is committed to advancing sustainability within its own operations by integrating environmental, social and governance considerations into its decision-making, business practices and organisational culture.

9.1 Maintaining Net Zero Enterprise

In line with its Net Zero Enterprise commitment, PNB shall progressively decarbonise its enterprise operations through a Reduce, Replace and Offset ("R2O") approach, prioritising emissions avoidance and reduction through resource efficiency, sustainable procurement, waste reduction, low-carbon mobility, and responsible behaviours.

Where emissions cannot yet be avoided or reduced, PNB shall progressively replace carbon-intensive technologies, processes, products and services with more efficient and lower-carbon alternatives, taking into account technological availability, operational feasibility, change management, and stakeholder considerations.

PNB shall adopt a prudent and credible approach to the use of carbon credits to address residual emissions that cannot reasonably be eliminated through reduction or replacement measures. Carbon credits utilised by PNB shall meet recognised integrity standards and support measurable climate outcomes, while contributing to broader environmental and social benefits where practicable.

9.2 Delivering on our social sustainability goals

PNB shall seek to promote equal opportunities, fair treatment and an inclusive working environment, maintain a minimum of 40% representation of women in leadership roles, and progressively improve the accessibility of its workplaces, facilities, services and customer touchpoints for Persons with Disabilities.

9.3 Cultivating sustainability in talent and culture

PNB shall cultivate a sustainability-oriented culture by strengthening employees' awareness, capabilities and participation in delivering the organisation's sustainability commitments.

Relevant training, engagement, communication and change-management initiatives shall be implemented to enable employees to understand how sustainability considerations apply to their respective roles and daily activities.

PNB will also observe the expectations set out in the dedicated thematic policies – the Climate Action Policy, the Nature & Biodiversity Policy and the Business & Human Rights Policy – where relevant to our own enterprise operations. In doing so, we aim to hold ourselves to the same standards we expect of our investee companies, reflecting our commitment to lead by example.

10.0 PERFORMANCE MEASUREMENT, STANDARDS & REPORTING

PNB's sustainability performance measurement is based on material issues identified through a structured materiality review process, including:

1. Identifying issues related to the operations and investments of PNB through employee feedback as well as research of trends and best practices in the market;

2. Understanding material topics for PNB through workshops, surveys, and engagement with stakeholders;

3. Prioritising material issues to shape PNB's sustainability commitment, strategy, approach, and reporting.

PNB will monitor the progress of sustainability initiatives and provide disclosure based on PNB's Sustainability Framework commitments and targets. PNB will progressively align its sustainability and climate-related disclosures with the National Sustainability Reporting Framework ("NSRF") issued by the Securities Commission Malaysia, which adopts the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board ("ISSB") — namely IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) — as the national baseline standards.

PNB will continue to reference other recognised frameworks where applicable, including the Global Reporting Initiative ("GRI") and the Integrated Reporting ("IR") framework, to complement its NSRF-aligned disclosures. The report on disclosure and progress will be published annually.

APPENDIX – ABBREVIATIONS

The table below sets out the abbreviations used throughout this Policy for ease of reference.

Term	Description
EFM	External Fund Managers
ERM	Enterprise Risk Management
ESG	Environment, Social and Governance
GRI	Global Reporting Initiative
IR	Integrated Report
IFRS	International Financial Reporting Standard
ISSB	International Sustainability Standards Board
MSC	Management Sustainability Committee
MSRI	Maqasid Al-Shariah in Responsible Investment
NSRF	National Sustainability Reporting Framework
PRI	Principles for Responsible Investment
PWD	Persons with Disabilities
R2O	Reduce, Replace and Offset
SI	Sustainable Investing
SIF	Social Investments Framework
SRI	Sustainable and Responsible Investment
3LM	Three Lines Model

APPENDIX I

PNB ESG Stewardship Milestone Framework (M0-M5) ("Stewardship Ladder")

The framework establishes a structured pathway to track the progression of engagement outcomes, from the identification of concerns and acknowledgement by Investee Companies to the implementation of actions and the eventual materialisation of real-world outcomes.

Milestone	Stewardship Outcome
M0	Companies tracked do not have any active ESG concerns requiring escalation or outcome tracking
M1	ESG concerns established and the company is made aware of PNB's position
M2	ESG concerns are acknowledged by management
M3	Company commits in principle to implement change
M4	Company established action plan with milestones in place
M5	Real-world outcomes materialised and verified by PNB

APPENDIX II

PNB ESG Negative Screening

PNB has established active monitoring processes to assess exposures to the negative screen activities against pre-defined parameters to ensure continued alignment with our sustainability values and ethical standards.

No.	Exclusion Criteria	Definition
1	Alcohol	Any business activities or transactions related to alcoholic drinks including production, distribution, retail and wholesale and supplying services, equipment, vehicles, bottles and raw materials to any persons or companies which engage in alcoholic drinks related business activities.
2	Gambling	Any business activities or transactions related to gambling including supplying services, equipment and vehicles to any persons or companies who are engaged in gambling related business activities including direct web site gambling and lottery activities.
3	Thermal Coal Investment	This involves exploration, construction, and operation of new thermal coal mines and new thermal coal fired power plants. By not directly investing in the development of new thermal coal infrastructure, PNB can contribute towards preventing the expansion of thermal coal generating capacities in the future. In line with PNB's climate commitments, PNB aims to phase out direct investments in coal in developed markets by 2030 and in developing markets by 2040.
4	Tobacco and Cigarettes	Manufacture of cigarettes and related activities as well as import of automatic cigarette vending machines.
5	Marijuana & Recreational Drugs	Any business activities or transactions related to the production and distribution of dangerous drugs or narcotic drugs which are not for medication, including but not limited to marijuana and/or recreational drugs.
6	Weapons	This involves design and development, manufacturing, distribution and after-sales support of weapons, from small arms to large military weapons.
7	Adult Entertainment	Pornography and businesses that offer adult content (videos, magazines, websites etc) – any business activities or transactions related to pornography including movie/cinema outlets, screening pornographic movies, and supplying of services, equipment and vehicles to any persons or companies who are engaged in pornography related business activities.
8	Prostitution	Any business activities or transactions related to prostitution including escort services.