

PNB



PNB Nature and Biodiversity Policy

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About This Document



1. About This Document

1.1. Background

Permodalan Nasional Berhad (“PNB”) acknowledges the critical importance of nature and biodiversity to the well-being of our planet and the prosperity of our society. Recognising the immense value that terrestrial and marine ecosystems hold for business sustainability and societal progress, PNB is dedicated to ensuring the protection and enhancement of biological diversity and ecosystem services within the scope of its influence.

This PNB Nature and Biodiversity Policy (“Policy”) was developed with reference to internationally recognised principles and standards, including but not limited to the Global Biodiversity Framework (“GBF”), the Science Based Targets Network (“SBTN”), the Taskforce on Nature-related Financial Disclosures (“TNFD”), the Roundtable on Sustainable Palm Oil (“RSPO”), the High Carbon Stock Approach (HCSA), the High Conservation Value Network (HCVN), the Forest Stewardship Council (“FSC”), as well as the National Policy on Biological Diversity (2022-2030).

1.2. Scope

This Policy complements PNB’s Sustainability Policy and outlines our key approaches and shareholder expectations with respect to managing nature and biodiversity risks and impacts.

This Policy is applicable to PNB investee companies (both domestic and international) which identify “Nature”, “Biodiversity” or any related themes as a priority for their business operations, determined from their own respective materiality assessments (collectively, “Companies”).

Based on our internal assessment, we have identified sectors which are potentially exposed to nature-related risks. Primary sectors are those which have significant exposure to nature-related risks, whereas secondary sectors may face considerable nature-related risk exposure. Companies operating within the relevant sectors (see Figure 1) should consider possible alignment with this Policy. This Policy will also apply to PNB and its group of companies (“PNB Group”), the entities that we own, and the facilities that we manage.

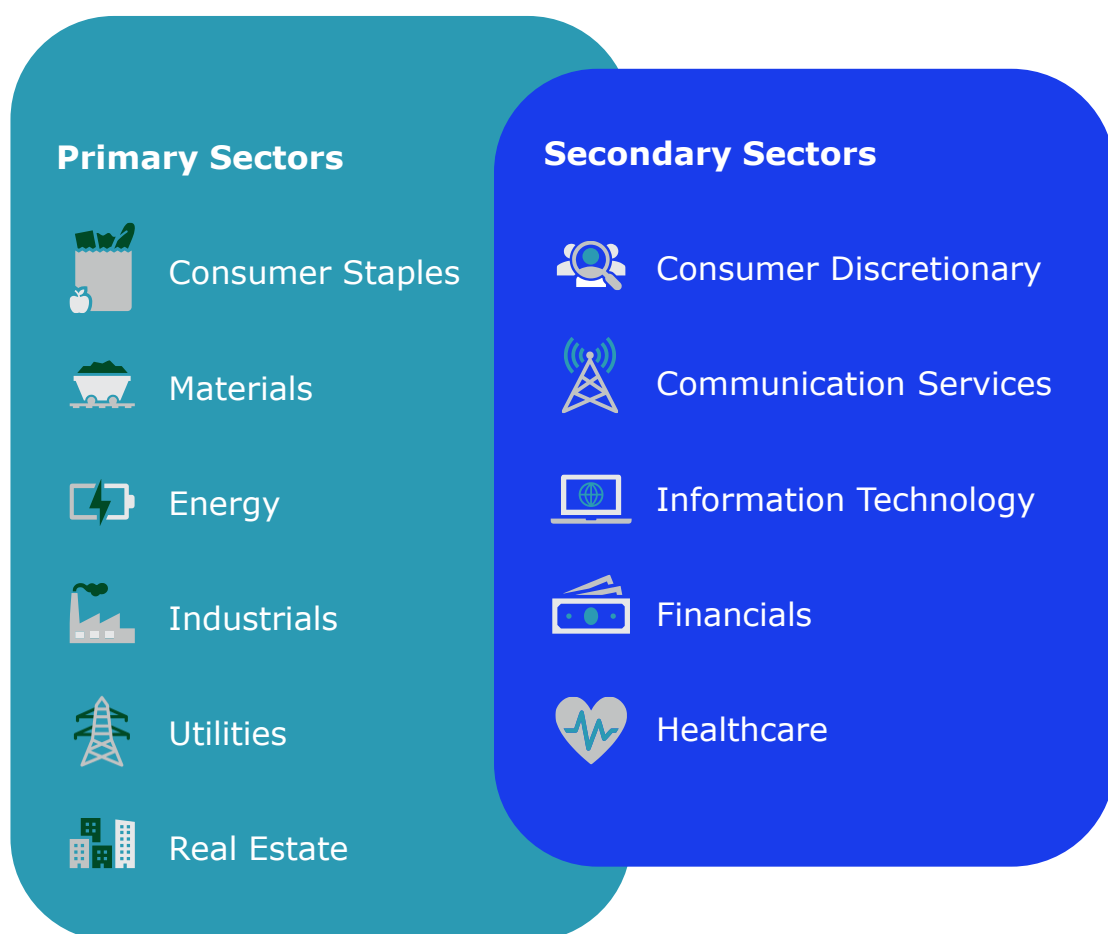


Figure 1: Primary sectors and secondary sectors exposed to Nature and Biodiversity risks.

Statement of Purpose



2. Statement of Purpose

Nature encompasses the entirety of the natural world. This broad scope includes the diversity of life known as biodiversity, the structures and functions of ecosystems, the process of evolution, and the biosphere. Our collective evolutionary heritage and the intricate web of biocultural diversity are key components of nature.

Biodiversity is the vast range of life forms and the differences among living organisms from all environments, including land, the ocean, and other water bodies. It encompasses the variability present within species at a genetic level, the observable traits and behaviours of species, the variety of species themselves, and the multitude of ecosystems they form and inhabit. This concept also takes into account the dynamic nature of life, recognising that the number and distribution of organisms, as well as the composition of communities and ecosystems, are constantly evolving over time and across different geographies.

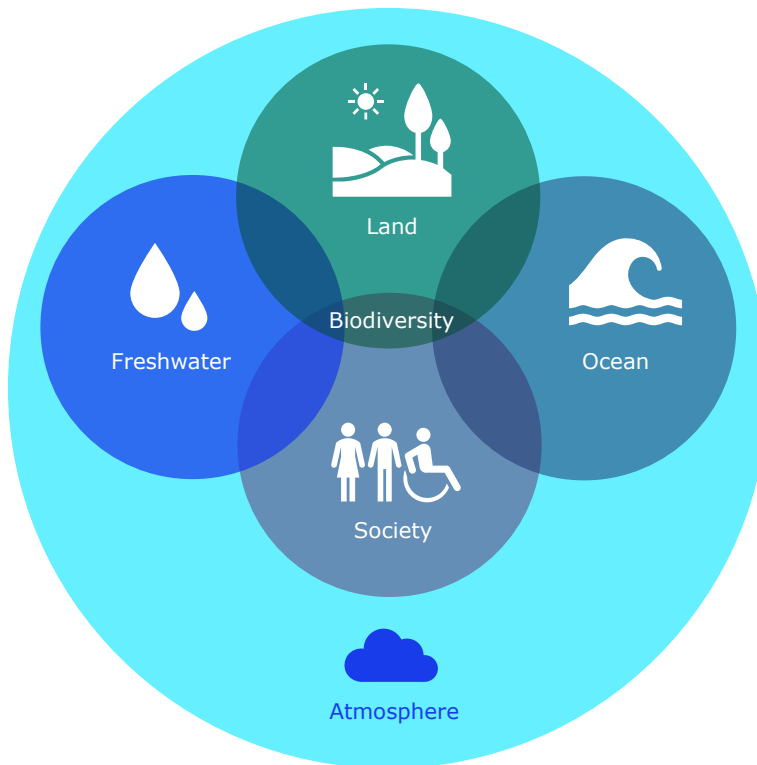


Figure 2: Nature's four realms – Biodiversity in land, ocean, freshwater and atmosphere. Sourced from TNFD.

The purpose of this Policy is to establish clear guidelines and principles that direct PNB's commitment to preserving and nurturing nature and biodiversity. It serves as a cornerstone for PNB's stewardship role in promoting environmental responsibility and sustainable development.

As stewards of capital, PNB recognises that biodiversity is not only an ecological concern but also a critical driver of economic stability. The global economy relies profoundly on well-functioning habitats and ecosystem services. From clean water to climate regulation, nature underpins all economic activities. The alarming rate of biodiversity loss threatens ecosystems, species, and the services they provide. Biodiversity loss poses financial and reputational risks to companies, as supply chain disruptions, regulatory scrutiny, and public perception can impact long-term value.

PNB also recognises that nature conservation is intrinsically linked to our fight against climate change. Healthy ecosystems sequester carbon, mitigate extreme weather events, and enhance resilience. In parallel with our climate-related strategies, we believe that focusing efforts on safeguarding nature and biodiversity will contribute to PNB's climate commitments.

While the concept of 'Nature and Biodiversity' is gaining attention in the corporate world, we recognize that full compliance from Companies may not happen immediately. Implementing new processes and workstreams to meet disclosure requirements takes time and effort. Therefore, we encourage Companies to conduct materiality assessments. By doing so, they can determine the relevant scope of coverage regarding nature-risk exposure to their assets, industry practices, and sensitive locations. Starting with priority issues and gradually expanding the scope over time, Companies can adapt by integrating nature and biodiversity considerations on a staggered basis as data collection and monitoring become more feasible and cost-effective.

In addition, proactively integrating nature-related considerations into operations allows Companies to be well-prepared for future regulatory changes and new disclosure requirements. Although we refrain from imposing a strict compliance timeline, we will evaluate Companies based on their public disclosures against our assessment metrics over time. This assessment will guide our engagement plans and voting decisions, effective from 2026.

In summary, this Policy underscores the imperative of nature conservation as a strategic investment priority. By aligning financial goals with ecological well-being, PNB aims to create a more resilient, sustainable, and prosperous future for all stakeholders.

PNB will undertake an active stewardship approach in line with our Stewardship Framework¹ on nature and biodiversity, guided by the escalation matrix², via various activism touchpoints.

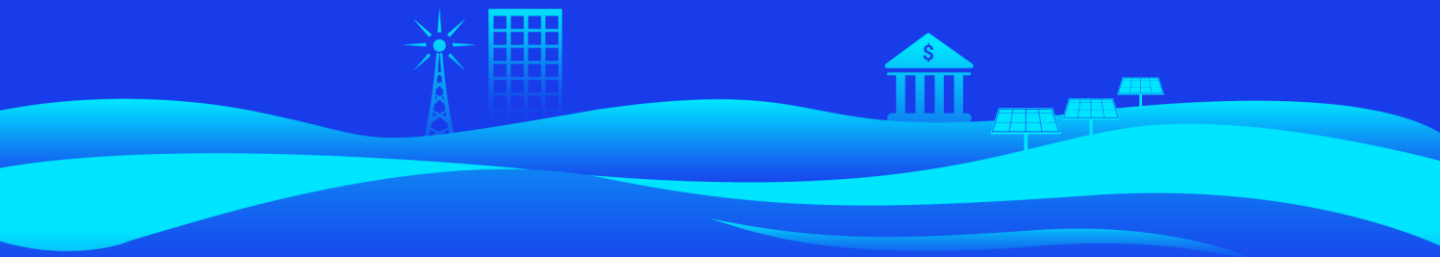
¹PNB Stewardship Framework showcases PNB's stewardship philosophy and expectations for its Companies, the investing public, and the general market. PNB Stewardship Framework among others guides PNB in playing its role as an active shareholder to create value and improve the performance of its Investee Companies.

²The escalation matrix provides clarity on PNB's approach mechanisms with Investee Companies through various activism touchpoints. Further information on PNB escalation matrix can be found on PNB's official website.



Our Approach to Nature and Biodiversity

Key Material Issues



3. Our Approach to Nature and Biodiversity

PNB aims to enhance its nature and biodiversity approach by:



Strengthening our nature and biodiversity risk assessments in our overall investment analyses using practical approaches.



Driving specific engagement strategies with high priority companies that are exposed to nature and biodiversity loss and encourage them to manage and assess their nature and biodiversity risks and impacts.



Continuously enhancing our own disclosures on nature and biodiversity related risks and opportunities while pushing for greater transparency among our companies.



Actively using our voting rights to ensure companies integrate responsible practices to minimise impact on nature and biodiversity, where material.



Engaging policymakers, regulatory bodies and other stakeholders on nature and biodiversity issues, where necessary.



Participating in collaborative engagement efforts and investor statements related to nature and biodiversity.

4. Key Material Issues

PNB aims to anchor this Policy to six (6) Key Material Issues (see Figure 3), which were taken directly from the five (5) drivers of nature change, as described by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the TNFD, with the additional sixth Key Material Issue to address the importance of Indigenous Peoples and local communities in relation to nature conservation and aligning with national interests.

Key Material Issues	Example of nature-related impacts
Climate Change impact on nature and biodiversity	Climate change disrupts temperature patterns, precipitation, and sea levels, affecting species behaviour and freshwater availability.
Conservation in land, freshwater and ocean ecosystem	Changes in land use, including deforestation and urbanisation, have a direct impact on habitats, biodiversity, and ecosystem services.
Sustainable resource use and replenishment	Overexploitation which involves unsustainable resource harvesting, depletes ecosystems and puts species at risk.
Pollution reduction and biodiversity protection	Pollution from chemicals, plastics, and contaminants harms water quality, soil health, and air purity.
Management and control of invasive alien species	Invasive species outcompete native flora and fauna, disrupting ecosystems and threatening biodiversity.
Upholding social equity in biodiversity conservation	Recognising the crucial role of Indigenous Peoples and local communities in their stewardship of lands and territories.

Figure 3: PNB Nature and Biodiversity Policy – the six Key Material Issues.

The five (5) drivers of nature change, also commonly referred to as the five (5) drivers of biodiversity loss, significantly shape our environment and ecosystems. Understanding their importance is crucial for managing operational impact on nature and biodiversity, as well as driving conservation efforts. The sixth Key Material Issue was taken from Target 2 in the National Policy on Biological Diversity (2022-2030), whereby the roles of Indigenous Peoples and local communities, civil society, the private sector, and academia in biodiversity conservation shall be strengthened significantly by 2030.

This provides a comprehensive approach to environmental corporate reporting aligned to the Paris Agreement, the GBF, as well as the National Policy on Biological Diversity (2022-2030). It is important for Companies to proactively identify and address Key Material Issues that they are exposed or contributing to, and provide relevant disclosures on these issues. The relevance of the Key Material Issues for Companies shall depend on geographic-specific context, resource availability, regulatory compliance requirements, stakeholder expectations, supply chain complexity and other considerations that affect materiality for specific sectors.

Expectations



5. Expectations

To implement this Policy, PNB sets forth its core expectations integral to the successful implementation of this Policy pursuant to Section 1.2. In addition, best practices are drawn as additional considerations for PNB, PNB Group and the Companies, in line with widely accepted standards, guidelines and frameworks for nature and biodiversity management. Companies are not expected to address every question under each Core Expectation in their disclosures. The Guiding Questions are intended to be a starting point for Companies to determine their relevant methods of assessment and disclosures.

5.1. Core Expectations

Below are our core expectations to that serve as minimum standards that we expect from the Companies. This set of expectations are derived from the LEAP approach of the TNFD risk assessment and reporting framework.

Core Expectations	Description	Guiding Questions
<div style="background-color: #00728f; color: white; border-radius: 10px; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 10px 0;">1</div> <p>Locate sensitive areas</p>	<ul style="list-style-type: none"> • Identify where the business model and value chain intersects with natural habitats and environmentally sensitive locations. • Sensitive locations are defined as: <ul style="list-style-type: none"> ▪ Areas important for biodiversity, including species and/or ▪ Areas of high ecosystem integrity and/or ▪ Areas of rapid decline in ecosystem integrity and/or ▪ Areas of high physical water risks and/or ▪ Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, local communities and stakeholders, and/or ▪ Areas of peatland and/or Ramsar sites, and/or ▪ Habitats of species at high risk of global extinction guided by the International Union for Conservation of Nature (IUCN) Red List of Species, protected areas, UNESCO World Heritage sites, etc. 	<ul style="list-style-type: none"> • What are your organisation’s activities by sector, value chain and geography? Where are your direct operations? • Where are the sectors, value chains and direct operations with potentially moderate and high dependencies and impacts located? • Which biomes and specific ecosystems do your direct operations, and moderate and high dependency and impact value chains and sectors, interface with? • For your organisation’s activities in moderate and high dependency and impact value chains and sectors, which of these are in ecologically sensitive locations? And which of your direct operations are in these sensitive locations?



Core Expectations	Description	Guiding Questions
<p data-bbox="239 203 329 296">2</p> <p data-bbox="234 317 419 401">Evaluate dependencies and impacts</p>	<ul data-bbox="468 194 902 1110" style="list-style-type: none"> • Conduct materiality assessment across the six Key Material Issues that PNB has defined in this Policy. • Adopt a materiality principle approach that is tailored to the industry, balancing between single and double materiality considerations. • Regularly assess direct and indirect dependencies and impacts on biodiversity and ecosystem services, integrating these findings into risk management and decision-making processes. Where applicable, the High Carbon Stock (HCS) approach, High Conservation Value (HCV) assessment, Biodiversity Impact Assessment, or an Environmental Impact Assessment (EIA) should be conducted prior to any future development. • Utilise the applicable data tools to assess impact and dependencies, where required and available. 	<ul data-bbox="942 194 1288 1019" style="list-style-type: none"> • What are the sectors, business processes or activities to be analysed? What environmental assets, ecosystem services and impact drivers are associated with these sectors, business processes, activities and assessment locations? • What are your dependencies and impacts on nature? • What is the scale and scope of your dependencies on nature? • What is the severity of your negative impacts on nature? What is the scale and scope of your positive impacts on nature? • Which of the impacts are material?
<p data-bbox="239 1350 329 1444">3</p> <p data-bbox="234 1456 415 1541">Assess risks and opportunities</p>	<ul data-bbox="468 1342 885 1777" style="list-style-type: none"> • Assess, measure and prioritise nature-related risks and opportunities originating from the dependencies and impacts on nature determined from the Locate and Evaluate phases. • Strategically apply the biodiversity mitigation hierarchy, which involves steps such as avoidance³, minimisation, restoration, and offsetting. 	<ul data-bbox="942 1342 1282 1748" style="list-style-type: none"> • What processes and criteria do you use to assess your impact on biodiversity and ecosystems, and how is this information used to drive decision-making and risk management? • What are the corresponding risks and opportunities for your organisation?

³This also includes conservation efforts and protecting environmentally sensitive locations.



Core Expectations	Description	Guiding Questions
	<ul style="list-style-type: none"> This approach can minimise negative impacts on biodiversity while ensuring sustainable growth and contributing to environmental conservation. 	<ul style="list-style-type: none"> What existing risk mitigation and risk and opportunity management processes and elements are you already applying? How can risk and opportunity management processes and associated elements (e.g. risk taxonomy, risk inventory, risk tolerance criteria) be adapted? Which risks and opportunities should be prioritised?
<p>4 Strategy</p>	<p>Develop and integrate an ecological perspective into corporate decision-making, policies and strategies, acknowledging the interdependence with natural ecosystems and the services they provide.</p>	<p>How do you integrate ecological conservation and biodiversity considerations within your strategic planning and business model? Are there any biodiversity-related opportunities that can be unlocked for the business?</p>
<p>5 Report and Disclosure</p>	<p>Transparently disclose the steps taken to measure material dependencies, impacts, risks and opportunities, as well as strategy, initiatives, and progress in managing biodiversity and ecosystem services, in line with recognised international reporting frameworks.</p>	<p>How do you report on your biodiversity impact and management practices, and provide examples of how this reporting aligns with international standards?</p>
<p>6 Stakeholder engagement</p>	<ul style="list-style-type: none"> Engage local communities and Indigenous Peoples impacted by companies' operations in nature-sensitive areas. Engage with value chains and stakeholders to seek out and implement solutions that contribute to biodiversity conservation and the sustainable use of natural resources. 	<ul style="list-style-type: none"> If your organisation is significantly involved in nature-related activities, do you also engage with local communities and Indigenous People that depend on these ecosystems to sustain their lives and livelihoods? What approaches do you take to engage with your value chain and broader stakeholders on biodiversity conservation, and how do you collaborate to identify and implement sustainable solutions?



Core Expectations	Description	Guiding Questions
<p>7</p> <p>Adoption of the No Deforestation, No Peatland, No Exploitation (NDPE) commitment, along with other related commitments that embody the same principles as NDPE.</p>	<ul style="list-style-type: none"> • No deforestation is preventing the loss of natural rainforest ecosystems, by protecting natural habitats and environmentally sensitive locations⁴. • No peat means no new development on peatland for agricultural purposes and promoting best management practices for existing plantation on peat. Peat restoration should be considered where feasible. • No exploitation means that local communities and workers are treated fairly, by respecting and supporting internationally recognised human rights, the rights of all workers, children and their welfare throughout the supply chain. • Applies to all relevant sectors, including but not limited to forest-risk commodity industries and land intensive sectors as per SBTi's FLAG (Forest, Land and Agriculture) Guidance. 	<ul style="list-style-type: none"> • Does your company operate within any of the following sectors: Forest and Paper Products, Palm Oil Production and Processing? • If yes, have you considered making an NDPE commitment? • How do you assess exposure to NDPE across the land you own and/or intend to acquire? • How is the NDPE commitment integrated into business practice?

5.2. Best Practices

In this Policy, we have also outlined a set of best practice expectations as voluntary step-ups that Companies can consider, where appropriate and feasible. We fundamentally believe these practices represent a natural progression once the core expectations of the Policy are integrated into business activities.

Best Practices	Description	Guiding Questions
<p>1</p> <p>Community efforts</p>	<ul style="list-style-type: none"> • Develop mechanisms for meaningful engagement with policymakers, Non-Governmental Organisations (NGOs), local communities, and other stakeholders to foster collective action for biodiversity conservation. 	<ul style="list-style-type: none"> • What engagement mechanisms do you employ to engage with stakeholders to support biodiversity conservation efforts?

⁴Definitions and approach for PNB's NDPE commitment aims to align with the High Carbon Stock Approach (HCSA) and the High Conservation Value Network (HCVN).

Best Practices	Description	Guiding Questions
	<ul style="list-style-type: none"> • The principle of Free, Prior and Informed Consent (FPIC) should be applied when engaging Indigenous Peoples to give or withhold their consent for any action that would affect their lands, territories or rights prior to any future development. • Human rights due diligence standards should be applied, where relevant. 	<ul style="list-style-type: none"> • What engagement mechanisms do you employ to engage with stakeholders to support biodiversity conservation efforts?
<p>2</p> <p>Rehabilitation /restoration</p>	<p>Invest in restoration initiatives that seek to halt nature and habitat degradation or species extinction.</p>	<p>What innovative approaches or circular economy solutions are you investing in to minimise waste and resource overexploitation, and how are these contributing to biodiversity conservation?</p>
<p>3</p> <p>Target Setting</p>	<ul style="list-style-type: none"> • Defining specific goals and objectives to manage impacts on nature and biodiversity. These targets align with societal and ecological thresholds, ensuring positive outcomes for nature. • Examples include a nature-positive commitment, an NDPE commitment, number of trees planted, waste reduction targets, etc. • Where appropriate, we encourage companies to validate targets with SBTN. 	<ul style="list-style-type: none"> • How can you set measurable, actionable, and time-bound targets for biodiversity? • What location-specific actions can you take to mitigate negative impacts? • How will you monitor progress and adapt your strategies?
<p>4</p> <p>Credible certification</p>	<ul style="list-style-type: none"> • Obtaining third-party validation or endorsement for a company’s biodiversity-related practices. • Assures stakeholders that the company adheres to recognised standards and guidelines such as RSPO, FSC, etc. 	<p>What certification schemes are relevant to your industry? Are there independent auditors or certifying bodies to engage?</p> <p>How can you demonstrate compliance with biodiversity standards?</p> <p>What benefits will credible certification bring to your reputation and stakeholder trust?</p>



Best Practices	Description	Guiding Questions
<p>5</p> <p>Commodity sourcing</p>	<ul style="list-style-type: none"> • Ensure appropriate traceability processes in the supply chain to avoid commodity-driven nature loss. • Leverage on widely accepted third-party certification systems related to sustainable forestry management, sustainable agriculture practices or commodity sourcing. 	<ul style="list-style-type: none"> • What is the due diligence process to evaluate forest-risk commodities⁵ that may contribute towards nature loss?
<p>6</p> <p>Research and development (R&D)</p>	<p>R&D efforts contribute to understanding the impact of business activities on ecosystems, identifying innovative solutions, and enhancing sustainable practices.</p>	<ul style="list-style-type: none"> • How can R&D help assess biodiversity footprint? • What research areas are relevant to your industry, considering biodiversity conservation and ecosystem health? • Are there opportunities to develop new products or processes that minimise negative impacts on biodiversity? • How can R&D inform your decision-making regarding land use, resource utilization, and waste management? • What partnerships or collaborations with research institutions, NGOs, or government agencies can enhance biodiversity-focused R&D efforts?

6. Conclusion

We believe that by adopting and actively implementing this Policy, PNB reinforces its commitment to environmental stewardship and sustainable business practices. We believe that a strategic approach to biodiversity and ecosystem services management is essential for long-term business resilience and societal prosperity.

⁵Forest-risk commodities are globally traded goods and raw materials, such as palm oil, soy, cocoa, coffee, rubber, timber, and beef, that originate directly from within forest areas or from areas previously under forest cover, posing a risk to forests due to their impact on deforestation and habitat loss.

