

**STATEMENT OF COMPLIANCE WITH
THE MALAYSIAN CODE FOR INSTITUTIONAL
INVESTORS FOR THE YEAR 2023**

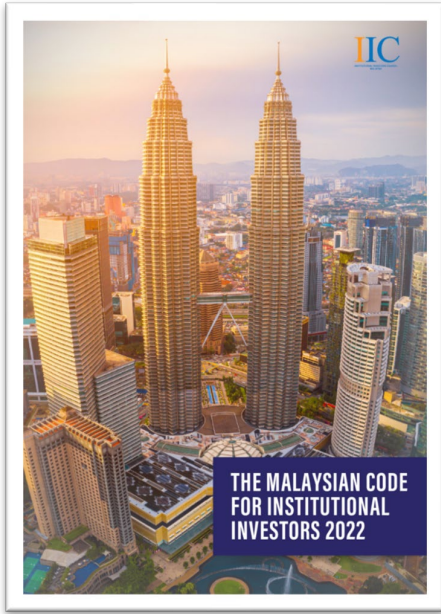


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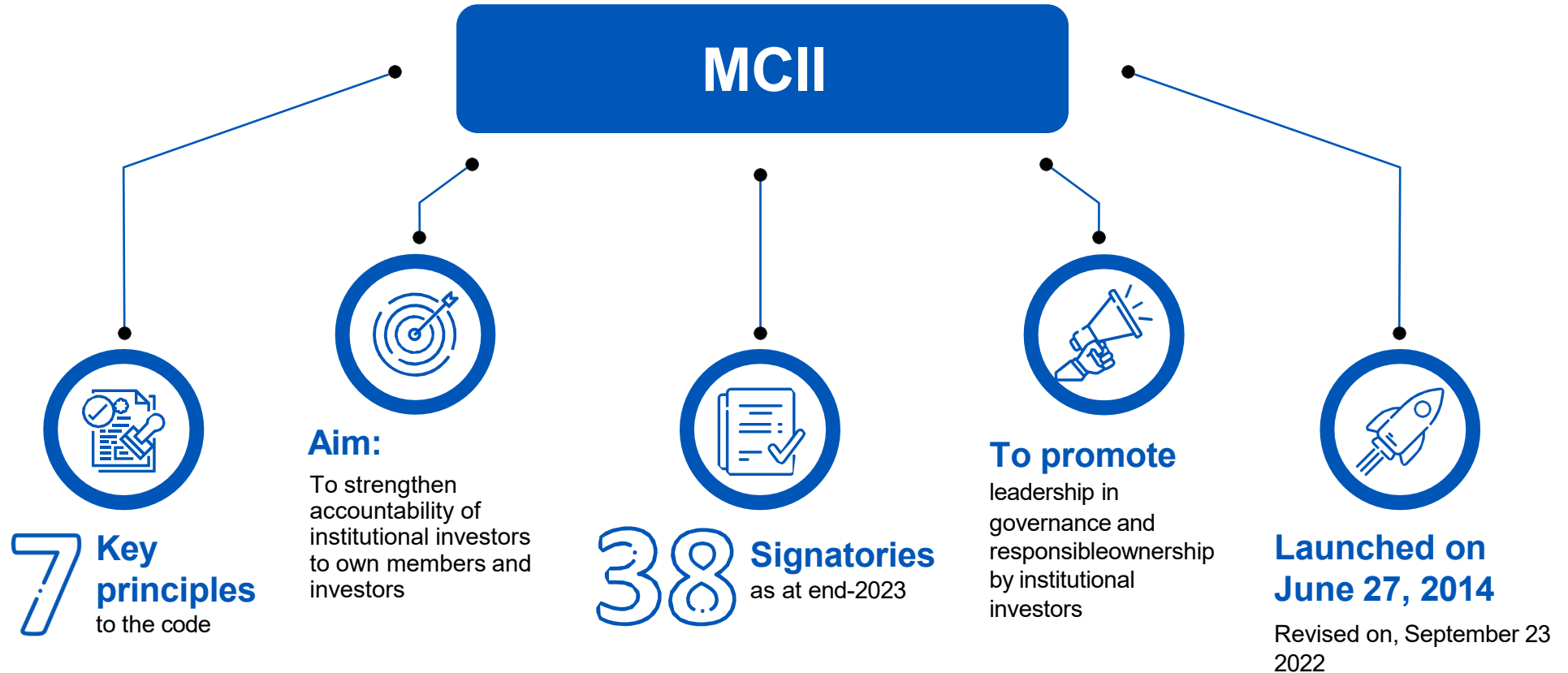
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Malaysian Code for Institutional Investors



Formulation of Code

is a recommendation under the Corporate Governance Blueprint 2011



PNB became a signatory in **September 2019**

Prepared by:



PNB

PNB was established on 17 March 1978 as one of the instruments of the Government's NEP. Over the last four decades, PNB has grown to become one of the largest fund management companies in Malaysia.

OUR PURPOSE

To uplift the financial lives of Malaysians across generations.

OUR MANIFESTO

At PNB, we exist to uplift the financial lives of Malaysians across generations. We are the bridge between where they are today and their hopes and dreams for tomorrow. We are the connective thread that ties every Malaysian together, guiding us all in our collective journey towards greater financial health, wealth, and wisdom.

OUR VALUES



PRUDENCE

We exercise prudence and do not compromise on integrity in safeguarding the wealth of our unit holders.



ADAPTABILITY

We strive to develop adaptability and nimble ways of working to suit the constantly changing environment.



COLLABORATION

We cultivate a culture of collaboration, mutual respect and empowerment in achieving our shared aspirations.



EXCELLENCE

We continually strive to achieve excellence through competent execution of our mandate.

Managing **17 Funds**, with clear and well-defined investment objectives



6 FIXED PRICE Funds

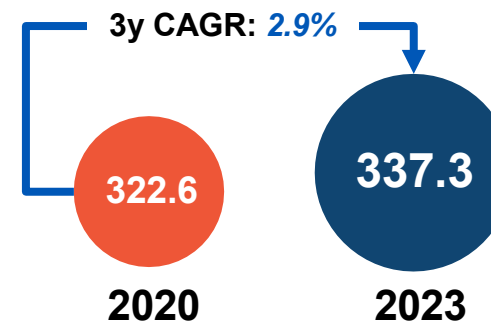
Generate sustainable returns and preserve Unit Holders' investment capital



11 VARIABLE PRICE Funds

Ensure top performance and industry leadership

Assets under Management (RM Billion)



PNB Sustainability Framework



ENVIRONMENT

Enable transition to a green economy

- 1 Net Zero Enterprise by 2025
- 2 Net Zero Portfolio by 2050
- 3 RM10 billion in new Green & Transition Assets by 2030



SOCIAL

Promote equity and inclusion

- 4 Living Wage in PNB
- 5 Labour Rights Policy
- 6 40% Women in PNB Leadership by 2025
- 7 Balancing Profitability and Social Investment



GOVERNANCE

Advocate sound governance practices

- 8 Triple Bottom Line Stewardship Model
- 9 Transparency in Voting
- 10 TCFD-aligned Disclosure

PNB CLIMATE TARGETS

<h3>2050</h3> <p>Net Zero Portfolio</p>	<p>70% of portfolio emissions to have credible Net Zero targets by 2030</p>	<p>30% Investment intensity reduction by 2030 (vs. 2022)</p>	<p>No new investments into greenfield coal</p>	<p>No deforestation, no peat, no exploitation (NDPE)</p>
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PRINCIPLE 1: Disclosing Policies on their Stewardship



PNB continues to exercise its stewardship responsibilities to ensure its investee companies practice good corporate governance, deliver sustainable and long-term shareholder's value.

PNB endeavours to achieve the intended outcomes of the three (3) key principles of good corporate governance which form the foundation of the Malaysian Code on Corporate Governance (MCCG 2021):

PRINCIPLE A
BOARD LEADERSHIP AND
EFFECTIVENESS

PRINCIPLE B
EFFECTIVENESS OF AUDIT
AND RISK MANAGEMENT

PRINCIPLE C
INTEGRITY IN CORPORATE
REPORTING AND MEANINGFUL
RELATIONSHIP WITH
STAKEHOLDERS

PNB has also established the following **9 committees** in dealing with specific functions or areas to further govern its business functions:

- **Investment Committee**
- **Nomination & Remuneration Committee**
- **Appeals Committee**
- **Audit Committee**
- **Risk Management Committee**
- **Compliance Committee**
- **Tender Committee**
- **Shariah Advisory Committee**
- **Sustainability Committee**

2023

In 2023, PNB has undertaken substantial enhancements in our stewardship practices, executing comprehensive improvements to advance better investment stewardship:

- ✓ PNB has officially released its updated voting guidelines, effective October 1, 2023, reflecting a refined approach **that integrates ESG** considerations.
- ✓ PNB has subscribed to the services provided by a proxy service provider enabling PNB to **automate** the disclosure process, streamlining the communication of its voting decisions through an advanced and reliable platform.
- ✓ PNB has initiated the exercise of voting rights for our top holdings in international equities, underscoring our dedication to active ownership and responsible investment practices.
- ✓ PNB officially became a member of the International Corporate Governance Network (ICGN), leveraging this affiliation for **global networking opportunities** and robust capacity-building initiatives.

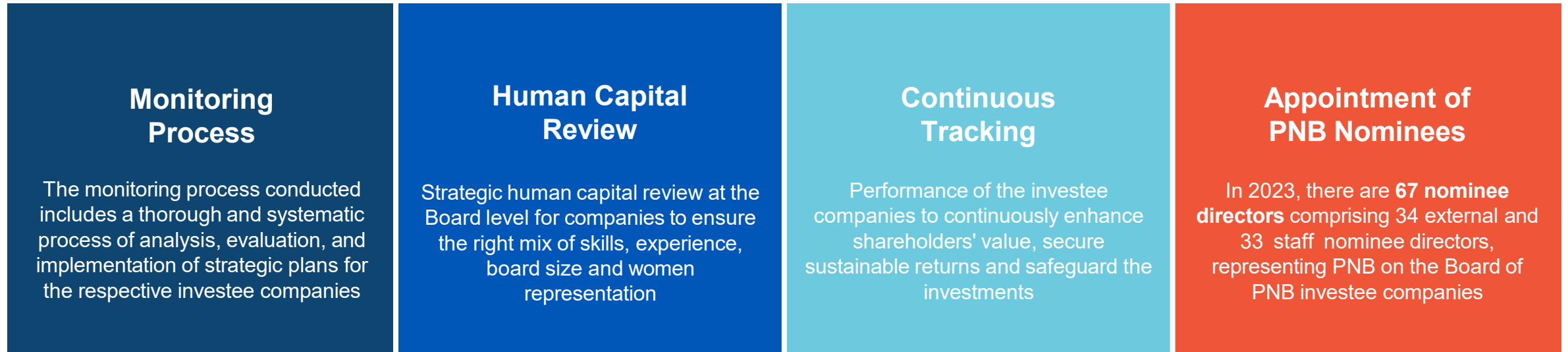
PRINCIPLE 2: Monitoring Investee Companies

The investment portfolios of PNB and the UTFs are actively monitored and managed by the respective investments departments. The monitoring team undertakes active monitoring of PNB's investment with an objective of safeguarding and ensuring optimal returns through the extraction of dividends, whilst maintaining close engagement with stakeholders. PNB aims to foster transparent communication and engagement with stakeholders, facilitating alignment of investment strategies with their interests and expectations.

The monitoring process is conducted in accordance with the SI Framework, which amongst others targeted the following objectives:

- **Maximizing long-term value creation towards generating sustainable returns to PNB and funds**
- **Having structured approach in identifying and executing Value Creation Plans**
- **Optimizing level of strategic shareholding with opportunity to monetize investments**

PNB's Approach



PRINCIPLE 3: Engaging Investee Companies

In its commitment to shareholder engagement, PNB is governed by its **Stewardship Framework**. The Framework has yielded favorable outcomes thus far, with an approach to investee communications that prioritizes capital discipline, governance, organizational health, and guidance on becoming a value-adding investor. Initiatives undertaken in 2023 includes:



Publishing of Notice to PNB Investee Companies on PNB's website outlining its views and objectives



Disclosing PNB's Voting Guidelines and Decisions to promote transparency and accountability



Engaging with Investee Companies on a range of ESG issues including Net Zero, Labour Rights and Biodiversity



Periodic meetings amongst members of respective investments departments to share best practices and alignment of interests

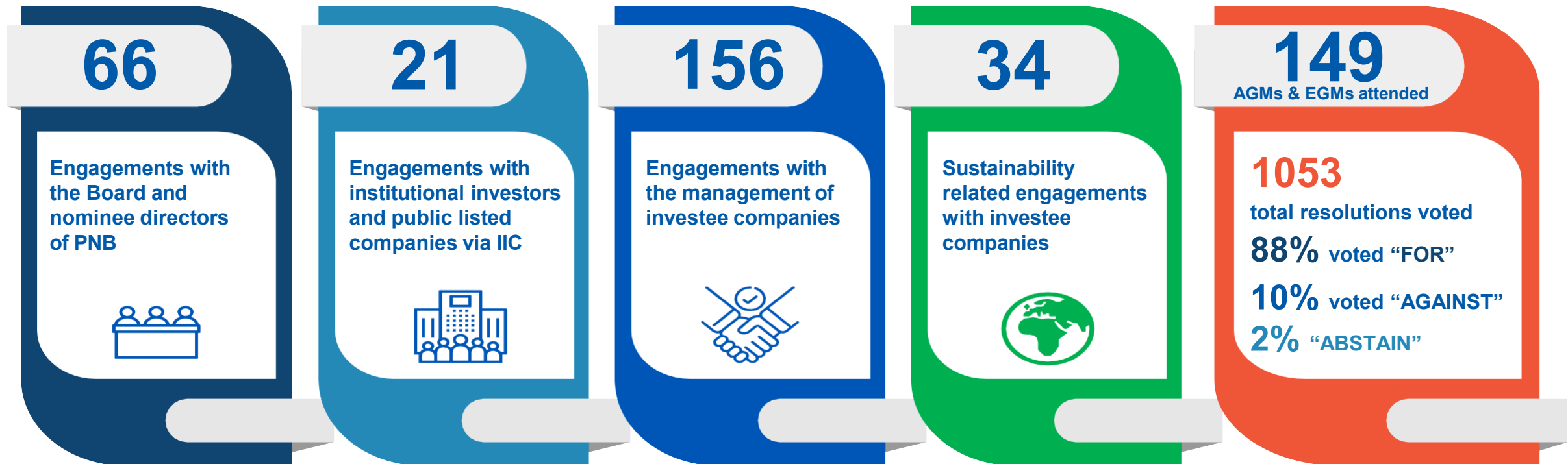


PNB upholds stringent governance standards and endeavors to actively involve its investee companies and significant stakeholders in the pursuit of sustainable, long-term value creation. **PNB perceives engagements as an opportunity for reciprocal dialogue, facilitating the exchange of diverse perspectives, ideas, and recommendations among shareholders to enhance corporate performance and safeguard investment integrity.** This collaborative approach fosters a conducive environment for constructive feedback and proactive measures aimed at fortifying the resilience and prosperity of invested enterprises.

PRINCIPLE 3: Engaging Investee Companies

PNB has successfully initiated numerous engagements with its investee companies, institutional investors, and regulators, emphasizing the oversight of strategy, performance, and diverse environmental, social, and governance (ESG) considerations.

PNB's engagements throughout 2023 includes:



PRINCIPLE 4: Managing Conflicts of Interests

PNB is committed to adhere to high standards of corporate governance to ensure that the values of integrity and accountability are embedded in our investment activities and process to avoid, mitigate and manage any actual, potential or perceived conflicts of interest. PNB has in place robust internal policies and procedures to identify, control and manage conflicts of interest, which include the requirement to make declarations of interest prior to meetings and abstain from taking part in the discussion and decision making. Dealings on behalf of clients and transactions between funds may be undertaken if such dealings or transactions are deemed to be in the best interest of the funds and are transacted through a dealer or financial institution at arm's length and fair value basis.

Furthermore, in support of PNB Group's vision and commitment to fostering an anti-bribery and anti-corruption principle of "A Bribery-Corruption Free Business Environment", PNB has implemented several policies and frameworks, each with its own set of principles and objectives.

PNB Group has also achieved **ISO 37001:2016 Anti-Bribery Management Systems (ABMS) certification from SIRIM QAS International Sdn Bhd**, underscoring its dedication to upholding the utmost standards of integrity and ethical behavior across all facets of its business operations and activities.



Policy and Frameworks

- 01 PNB's Code of Business Ethics ("CoBE")
- 02 PNB Group Anti-Bribery And Anti-Corruption Policy Statement
- 03 PNB Group Organisational Anti-Corruption Plan 2022-2024
- 04 Conflict of Interest Policy
- 05 Compliance Charter & Framework
- 06 Chinese Wall Policy
- 07 Anti-Money Laundering, Counter-Financing of Terrorism and Targeted Financial Sanctions Framework
- 08 Personal Trading Policy
- 09 No Gift Policy
- 10 Whistleblowing Policy
- 11 Internal Assurance Policy

PRINCIPLE 5: Incorporating Sustainability Considerations

At PNB, we aim to uphold and promote a harmonious balance between people, planet, and profit. We achieve this by aligning our business practices with the environment in which we operate, facilitating an orderly and equitable transition toward a sustainable future for long-term resilience. To learn more about PNB's Sustainability Policy, please click [here](#).

Net Zero Portfolio by 2050

PNB is committed to achieve **30% reduction in emission intensity by 2030** by formalizing the integration of ESG factors into investment decision-making. PNB has developed and implemented an ESG assessment framework consisting of a three-part assessment:

- **Negative screening**
- **ESG Risk Exposure and Performance Assessment**
- **GHG Emissions Assessment**

These assessments enhance investment analyses by introducing an ESG overlay, facilitating the identification of material ESG issues for more robust risk management and decision-making.

RM10b in new Green & Transition Assets by 2030

PNB actively pursues opportunities to increase its exposure to Green & Transition assets. In 2023, guided by our Internal Green Taxonomy, PNB focuses on key sectors such as Green Transportation, Renewable Energy, Green Buildings, and Agriculture, Forestry, and Other Land-Use (AFOLU) to expedite deployments.

Progress has been achieved towards fulfilling the RM10 billion commitment announced on April 21, 2022, with investments diversified across Listed Equity, Real Estate, Fixed Income, and Private Equity Asset Classes.

PNB's Voting Guidelines now integrate ESG factors, aligning with our **70% portfolio emissions with credible net-zero targets by 2030**. This approach emphasizes transparent sustainability disclosures from investee companies to enhance due diligence and reporting on key environmental and social issues.

The guidelines further enhance companies' due diligence and reporting methods on key environmental and social issues, integrating the following **expectations** for investee companies to address specific ESG dimensions by 2025 and 2026:



Board Oversight

The Board of Directors of PNB has also instituted a practice of regular quarterly deliberations specifically dedicated to addressing ESG matters. These deliberations serve as a cornerstone in our ongoing efforts to integrate ESG considerations into our strategic decision-making processes aligning with our 10 ESG Commitments.

PRINCIPLE 6: Publishing Corporate Governance Policy & Voting Guidelines

PNB is committed to fostering effective engagement among management, boards, and shareholders. To enhance transparency, we disclose both our voting policy and actual votes at company general meetings on a searchable website.



PNB endeavors to disclose its voting decisions and in cases that necessitate further explanation, the rationale for said decisions up to 5 days prior to the General Meetings of its investee companies. PNB's commitment towards its transparency in voting will also provide an opportunity for investee companies to engage and/or address PNB's concerns prior to the General Meeting. Click [here](#) for further information on PNB's voting decisions in the past and upcoming General Meetings.

PNB's Voting Guidelines is reviewed on a regular basis. Below are the refinements undertaken in 2023:

- ✓ **Re-election of directors**
 - Minimum attendance requirements
 - ESG integrations
 - Women directorship
 - Active politician
 - Directorship tenure
- ✓ **Allotment and issuance of new shares instruments**
 - ESG considerations
 - Pre-emptive rights

The Voting Guidelines of PNB shapes the organization's voting decisions at the General Meetings of PNB's investee companies and is made available online on its website [here](#).

PRINCIPLE 7: Collaborative Response on Corporate Governance and Sustainability Issues



PNB is committed to collaborate with other institutional investors and regulators in order to review, promote enhancements and adoption of good corporate governance and sustainability practices in Malaysia's marketplace. PNB is also open to discuss views, common challenges, and develop shared solutions/best practices with major co-investors in the respective investee companies.

In 2023, PNB actively engaged in numerous collaborative initiatives on both a global and local scale, aligning efforts towards the shared objective of promoting sustainability and sound corporate governance practices.