

High ESG Risk Sector (HERs) Position Statement

Public Bank Berhad
Public Islamic Bank Berhad

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1. Introduction

Public Bank Group (PBG) (i.e. Public Bank Bhd and Public Islamic Bank Bhd) is committed to deliver long term value through its core banking business by incorporating sustainability as an important element. With the roll out of the Group's Sustainable Finance Framework¹, the High ESG Risk Sectors (HERs) Position Statement is created for sectors which are considered as having inherently elevated potential for negative environmental and social impacts.

The position statement sets out Environmental, Social, and Governance (ESG) expectations for these sectors to benchmark against good industry practices, especially corporate customers larger than small and medium sized enterprises (SMEs). The ESG expectations are classified into Basic practice, Best practice, or Rejected practice with the following definition:

Basic practice - We expect customers to meet basic ESG requirements to manage their ESG impacts in a responsible manner.

Best practice - We encourage customers to adopt best practices which demonstrate commitment for improving their ESG practices.

Rejected practice – We reject customers' engagement in all activities under the PBG ESG Exclusion List².

While adherence to the position statements are not legally binding, they reflect the Group's aspirations to conduct our business in a sustainable manner. At minimum, all customers are expected to comply with laws and regulations including environmental and social regulations, demonstrate respect to human rights and occupational safety & health, and track sustainability performance through data gathering to support implementation of sustainability initiatives. Echoing PBG's Exclusion List, customers are also expected to practice "No Deforestation, No New Peat and No Exploitation" (NDPE) in their value chain.

The position statement is under development for selected sectors and will be updated in revised versions of this document periodically.

¹ Refer to <<https://www.publicbankgroup.com/sustainability/sustainability-report>> for PBG's Sustainable Finance Framework.

² PBG's ESG exclusion list is documented in the Sustainable Finance Framework.

PALM OIL

We recognise sustainability risk may arise from sector activities including:

- Consumption of excessive water from irrigation of crops
- Pollution due to release of chemicals and effluent into waterways
- Land and soil degradation and contamination
- Loss of biodiversity from forest clearing
- Loss of natural habitat and land encroachment due to land acquisition
- Exposure to air emissions from open burning

Scope

This section covers activities related to growing of palm oil (for estate and smallholdings) and also palm oil millers.

Basic practice

1. Obtain and maintain Malaysian Sustainable Palm Oil (MSPO) and/or Indonesian Sustainable Palm Oil (ISPO) certification(s)
2. Implement zero burning and fire prevention measures
3. Conduct Environmental & Social Impact Assessment (ESIA)
4. Comply with land use title condition

Best practice

1. Obtain Free, Prior and Informed Consent (FPIC) from affected communities, if applicable
2. Obtain Roundtable on Sustainable Palm Oil (RSPO) certification or develop time bound plan to obtain RSPO certification
3. Monitor Greenhouse Gas (GHG) emissions
4. Develop integrated pest and weed management plan
5. Conduct Climate Risk and Vulnerability Assessment and develop climate adaptation measures (e.g. cultivate productive yields which can withstand climate change such as heat stress and flood, etc.)
6. Practice rehabilitation and biodiversity restoration of land used e.g. adopt Best Management Practices (BMPs) for existing plantations on peat
7. Perform environmental and social due diligence on operations and supply chain
8. Identify and protect or enhance forest with High Conservation Values (HCV) or High Carbon Stock (HCS)

CONSTRUCTION & INFRASTRUCTURE

We recognise sustainability risk may arise from sector activities including:

- Loss of biodiversity and natural habitats from land clearing
- Air, waste, noise and water pollution
- Soil erosion from excavation and earth works
- Abandonment or demolition of structures
- Safety hazards that lead to worker accidents and injuries

Scope:

This section covers activities related to general construction and specialised construction for buildings and civil engineering works (e.g. include new work, repair, additions and alterations, the erection of prefabricated buildings or structures on the site and also construction of a temporary nature).

Basic practice

1. Conduct ESIA for major construction projects or infrastructure developments
2. Provide safe working conditions, Personal Protective Equipment (PPE), and safety training for employees
3. Comply with regulatory requirements to minimize pollution (air, noise and water contamination) to the environment

Best practice

1. Obtain Free, Prior and Informed Consent (FPIC) from affected communities, if applicable
2. Develop properties that meet green certification (e.g. Green Building Index, Green Mark, Sustainable Infrastructure Rating Tool, Greenroads Rating System, etc.)
3. Maximise usage of locally supplied materials and also green building materials
4. Assess supplier's ESG practices as part of sourcing consideration
5. Conduct Climate Risk and Vulnerability Assessment and develop building/ infrastructure for climate adaptation (e.g. flood barriers, slope protection from landslides, etc.)