

Positive Social Impact

Human Rights

Why Is It Important?

Respecting human rights is essential for our social license to operate. It is our responsibility to manage human rights risks and impacts arising from areas of our operations while contributing to society in a responsible, ethical and transparent manner.

PETRONAS is committed to respecting human rights in areas of our operations, complying with our Code of Conduct and Business Ethics (CoBE) and all relevant legal requirements.

Respecting human rights across our value chain, inclusive of employees, suppliers, contractors, partners and communities where we operate is very important to PETRONAS in upholding our duty as a business enterprise. Human rights is the foundation of sustainable development and creating positive social impact comes with proper management of social risks. Upholding human rights through fair and ethical practices is fundamental to our business. It creates a safe and secure operating environment that complies with laws and regulations and meets the expectations of our stakeholders. Respecting human rights is also essential to achieve our purpose in being a progressive energy and solutions partner, enriching lives for a sustainable future.

To support our Human Rights Commitment, we integrate controls throughout our systems and processes including risk management, procurement and supply chain, HSE, human resource management, business operations, legal and security. The following standards, policies and guidelines guide us:

Human rights tools applied in PETRONAS

List of external human rights tools applied in PETRONAS:

1. United Nations Guiding Principles (UNGPs) on Business and Human Rights
2. Fundamental Principles of the International Labour Organisation
3. UNGP Effectiveness criteria

List of internal human rights tools applied in PETRONAS:

Policies:

1. PETRONAS Human Rights Commitment
2. PETRONAS Code of Conduct and Business Ethics (CoBE)
3. PETRONAS Health, Safety and Environment Policy
4. PETRONAS Anti-Bribery and Corruption Policy and Guideline (ABC Manual)
5. PETRONAS Contractors Code of Conduct on Human Rights

Standards:

1. PETRONAS Technical Standard on Social Risk Assessment
2. PETRONAS Technical Standard on Grievance Mechanism
3. PETRONAS Security Management System

Guidelines:

1. PETRONAS Technical Guideline on Human Rights Due Diligence
2. PETRONAS Technical Guideline on Indigenous Peoples Assessment
3. PETRONAS Technical Guideline on Cultural Heritage Assessment
4. PETRONAS Technical Guideline on Land Acquisition and Involuntary Resettlement

As the industry evolves with the energy transition, respecting human rights has become even more critical to our business. It shows strong alignment to respecting the best interests of our rightsholders and interested parties.

What Is Our Approach?

Identifying exposure to potential human rights risks and impacts, mitigating and addressing them are important in our operations. Salient potential human rights issues material to PETRONAS are:

Labour and Working Conditions	Community Well-being	Supply Chain	Responsible Security
<ul style="list-style-type: none"> ➤ Forced and trafficked labour in contractors' and subcontractors' workforce. ➤ Child labour. ➤ Condition of employment and work. ➤ Discrimination in hiring and contractual terms. ➤ Freedom of association and collective bargaining. ➤ Workers' health and safety. ➤ Workers' camp conditions. 	<ul style="list-style-type: none"> ➤ Community health and safety. ➤ Access to natural resources for health, cultural needs and livelihood. ➤ Land acquisition and involuntary resettlement with/without economic displacement. ➤ Indigenous peoples. ➤ In-migration. 	<ul style="list-style-type: none"> ➤ Contractor/supplier performance related to labour and working conditions, community well-being and security. 	<ul style="list-style-type: none"> ➤ Use of force and conduct of third-party security. ➤ Provision of Human Rights training for staff and third-party security.

Our human rights approach is embraced and advanced by our leaders, with clear governance processes to ensure implementation and accountability. Our commitment is led from the top, our work in human rights is overseen by the PETRONAS Board and ELT.

The Board and ELT regularly discuss human rights as part of our approach to sustainability, reviewing issues with actual or potential impact, where a business-critical decision needs to be taken, or where substantial financial investment may be needed to address the impact.

Efforts to uphold human rights are integrated throughout our organisation and extend to our broader ecosystem, including suppliers, contractors, partners and the communities we serve.

Our Due Diligence

To minimise social risks and their impact on our employees, partners, contractors and communities, we have established technical standards and guidelines on due diligence that include assessments on indigenous peoples, cultural heritage, land acquisitions and involuntary settlement as well as grievance mechanism. Our Social Performance technical practitioners lead our due diligence programmes, identifying, mitigating, tracking, and monitoring potential human rights issues.

We also require human rights due diligence for potential mergers and acquisitions. As we transition to a low carbon future, we ensure our processes, tools, and practices remain updated and applicable in identifying how new energy infrastructure and developments impact human rights. We also share best practices with our supply chain partners to ensure the effective implementation of human rights due diligence.

Throughout 2022, there were no reported violations involving indigenous peoples' rights. There was also no activity on land acquisition and involuntary resettlement.

As part of our policy, we do not practice discrimination on any grounds. We continuously conducted reviews, strengthened policies and practices to ensure employees rights on equality and non-discrimination were upheld.

There were no complaints of discrimination received in 2022, based on our Industrial Relations data.

Access to Remedy

Grievance mechanisms create channels for dialogue, problem-solving and investigation and are applied to provide timely and fair remedies when needed. Workers and other rightsholders can raise complaints freely and with the expectation of obtaining effective and transparent resolutions. It also helps to identify country-specific solutions and actions to avoid recurrence.

Our grievance mechanism covers HSE, security, labour and working conditions, and supply chain concerns where we operate. We have designated personnel, community liaison officers and online complaint channels to manage grievances.

Additionally, PETRONAS contractors are required to establish a grievance mechanism for their workforce within our value chain. This mechanism shall be made known and communicated in relevant languages, providing a way to report grievances while ensuring that the identity of the person filing the grievance is protected. The grievance mechanism must adhere to the United Nation Guiding Principles (UNGPs) 'access to remedy' pillar.

Positive Social Impact

Value Creation in 2022

Strengthened Governance

1 Included Human Rights Section to the Revised PETRONAS Code of Conduct and Business Ethics (CoBE)

In 2022, we updated the PETRONAS CoBE to include a human rights section under Part III: Workplace, Culture, and Environment. The revised policy mandates all employees, contractors, partners and those involved in our operations to uphold the principles of respect for human rights and take measures to mitigate social and human rights risks, prohibit child labour, engage in or support human trafficking or modern slavery, including forced, bonded, or involuntary labour.

2 Sustained PETRONAS' Commitment to Zero Forced Labour and Child Labour in Malaysia-Based Supply Chain

We continue to uphold our pledge to eradicate forced and child labour in all our operations as part of our firm commitment to respecting human rights.

We comprehensively assessed our contractors performing high-risk activities from 2019-2022 to ensure full compliance with our human rights policies and practices. Bureau Veritas Certification (M) Sdn Bhd, a third-party verifier, assessed our supply chain due diligence on qualitative and quantitative data related to our key performance indicators for the PETRONAS Contractor Code of Conduct on Human Rights (CoCHR). The results affirmed that PETRONAS has adequate supply chain due diligence, and there was no evidence of child or forced labour practices within our supply chain.

We found no incidents of child and forced labour in the reporting year. To further strengthen the awareness and understanding of risks related to child and forced labour among our employees, we have organised an engagement as well as a Masterclass on Forced and Child Labour on 5 July 2022, with a speaker from the International Labour Organisation (ILO), and a Masterclass on Standard and Industrial Research Institute of Malaysia (SIRIM) 50¹ Social Accountability Standard on 17 November 2022.

These efforts were organised to promote and elevate our employees' awareness and knowledge of child and forced labour risks. Understanding the child and forced labour indicators and why they are essential, ensures our employees can identify potential child and forced labour risks in their respective operations.

3 Strengthened Social Risk Assessment Implementation

An evaluation on the effectiveness of social risk assessment (SRA) implementation was conducted by sampling 20 per cent of total SRAs for the past five years. No deviations were found from our SRA technical standard, indicating effective implementation of the assessment process. Enhancements were also made to our digital SRA tool from the review, with an upgrade of the SRA documentation from guideline to standard.

4 Human Rights Due Diligence (HRDD) in India

We reviewed the adequacy of controls to manage potential child and forced (bonded) labour risks in our operations across India.

The risk of child or forced labour is low due to compliance with regulatory requirements, strict penalties, and limited activities for contractors in our facilities in India. We have recommended further improvements to minimise our risk exposure, as listed below:

- Enhancement of contractor management to include human rights awareness briefings, and fit-for-purpose contractor self-assessments on labour, potential collaborations with partners or within joint ventures (JVs) on respect for human rights initiatives, revision of Codes of Conduct and relevant processes to align with revised CoBE, assessment of adequacy of controls on forced or bonded labour risks across the value chain, as well as assessment of forced and child labour risks across key contractors and suppliers.
- These include source material to comply with regulatory requirements such as the Factories Act 1948, The Child Labour (Prohibition and Regulation) Act 1986, Bonded Labour System (Abolition) Act 1976 and The Payment of Minimum Wages Act 1948.

¹ SIRIM 50 is a Malaysian social accountability standard that assesses an organisation's compliance with health and safety regulations and Malaysian labour laws and ethical practices. It defines social accountability requirements consistent with those in other international social standards such as ISO 26000 and SA 8000.

5 Contractors Code of Conduct on Human Rights (CoCHR)

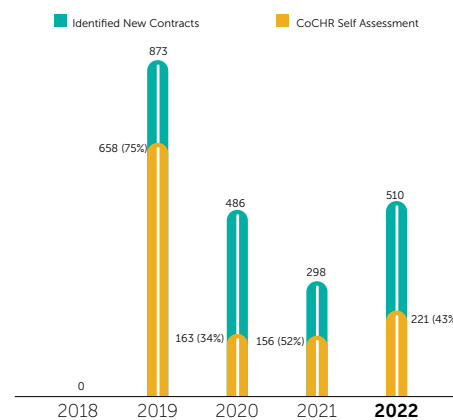
We continue to reinforce our commitment to human rights across our value chain, by assessing compliance on our Contractors Code of Conduct on Human Rights (CoCHR). The CoCHR is our supply chain due diligence on labour and working conditions, requiring ethical practices from our contractors in compliance with the PETRONAS Human Rights Commitment. We value contractors who share our commitment to integrity, anti-bribery and anti-corruption practices and sustainable development. Compliance with the CoCHR, including the principle of freedom of association and collective bargaining, is mandatory for all contractors. This requirement has been embedded into our procurement processes in Malaysia, where respect for human rights has become a contractual obligation for all goods and services providers who participate in our procurement process.

New Suppliers Screened Using Social Criteria

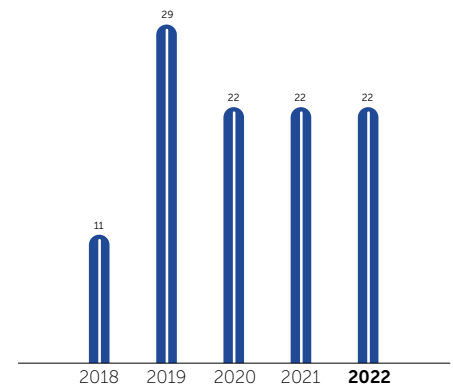
Under the PETRONAS Contractors Code of Conduct on Human Rights (CoCHR), we require our contractors to respect internationally-recognised human rights and comply with the PETRONAS Code of Conduct and Business Ethics (CoBE). We expect our contractors and suppliers to adhere to labour and working condition principles: freedom of labour, prevention of child labour, wages and benefits, working hours, grievance mechanism, non-discrimination, freedom of association, humane treatment and foreign and migrant workers.

1. From 2018 to 2022, PETRONAS conducted CoCHR Self-Assessments for identified new contracts and performed CoCHR Compliance Assessments based on the Self-Assessment results.
2. In 2022, the CoCHR survey was sent to 510 contractors.
3. Out of the 510 contractors, we identified 22 contractors with high risk exposure on human rights in 2022 and we completed 100 per cent CoCHR compliance on those contractors to understand their situations and challenges. Generally their gaps were on informal grievance mechanism within their workforce and lack of grievance management within their supply chain.

Participation Rate of CoCHR Online Self-Assessment

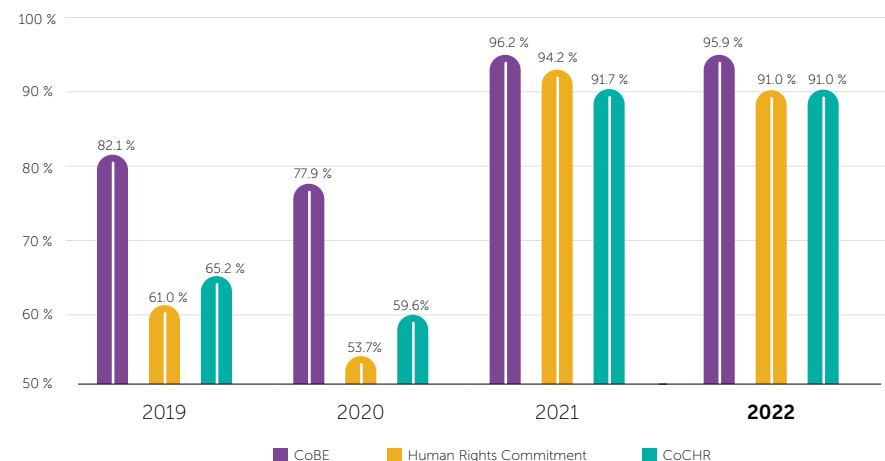


Number of CoCHR Compliance Assessments Conducted



Results from the online surveys conducted from 2019 – 2022 indicated that we managed to maintain more than 90 per cent awareness building among contractors for two consecutive years. Using CoBE as our baseline, the gap has narrowed to less than 5 per cent in 2021 and 2022, compared to about 20 per cent in 2019 and 2020.

Awareness on PETRONAS Governance Documents on Human Rights (Survey 2019 - 2022)



We conducted several engagement sessions with our employees to raise awareness of the risks associated with child or forced labour practices. We also collaborated with the Department of Labour Peninsular Malaysia to share our initiatives and gain a deeper understanding of the revised regulations.