

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

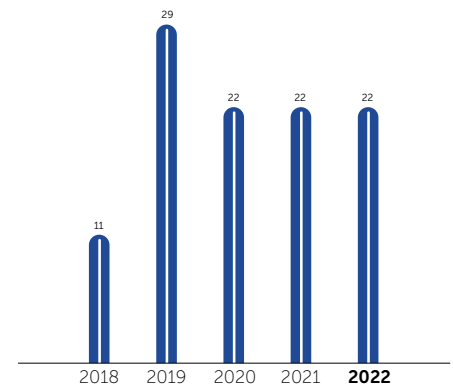
Under the PETRONAS Contractors Code of Conduct on Human Rights (CoCHR), we require our contractors to respect internationally-recognised human rights and comply with the PETRONAS Code of Conduct and Business Ethics (CoBE). We expect our contractors and suppliers to adhere to labour and working condition 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

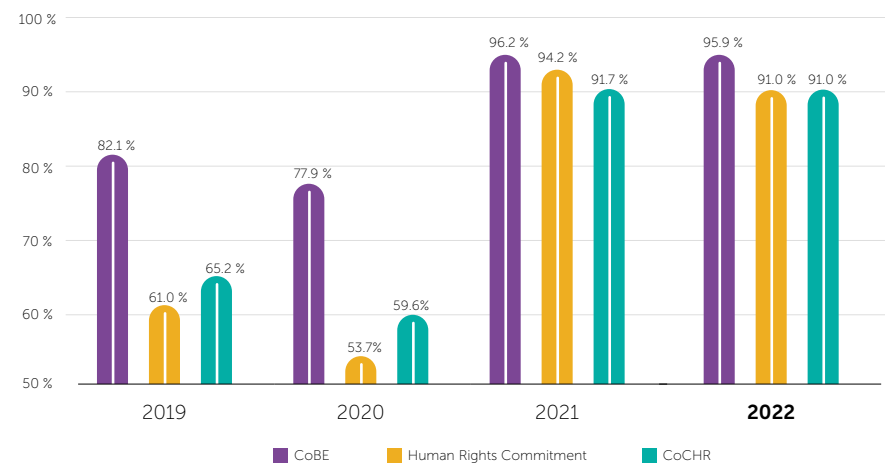


Number of CoCHR Compliance Assessments Conducted



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.

Positive Social Impact

Engagements

Human Rights Leaders' Series Campaign

To elevate the importance of human rights felt leadership, a Human Rights Leaders Series campaign was curated to promote and relate human rights management best practices in various functions across PETRONAS.

Capability Enhancements

01

Five PETRONAS Top Leaders featured in 'Human Rights: Leaders Series' posters published from November to December 2022.

- ILO webinar = **381 participants**
- SIRIM 50 Masterclass = **268 participants**

02

Human Rights Management

We conducted an engagement session between the Department of Labour Peninsular Malaysia and the Project Delivery HSE team with Social Performance practitioners to understand the updated requirements and share on PETRONAS' human rights management practices. The engagement allowed both parties to better understand the revised regulations governing the labour practices across our business and supply chain.



81%
of permanent employees completed the Human Rights Management e-learning module

Upskilling of Contractors and Vendors

We conducted several human rights awareness and upskilling sessions for our partners and contractors on human rights legislation and practices. These were delivered as part of the Strategic Partners Engagement, Vendor Development Programme and other activities.

On 29 September 2022, 680 participants joined a webinar on our Special Oil and Gas Services and Equipment Financing Programme. Topics on human rights were presented, including on business and human rights and principles to practice towards a sustainable supply chain.

281

contractors were upskilled on human rights management, labour and working conditions legislation and labour practices.



Assessments

Social Risk Assessment Functional Checklist (SRA FC)

We developed a Social Risk Assessment Functional Checklist (SRA FC) to measure the effectiveness of SRAs conducted, as well as to identify good practices and gaps by sampling 20 per cent of SRAs conducted in PETRONAS.

This initiative did not find any deviations from the PETRONAS Technical Standards, indicating effective implementation of the assessment process, although we made enhancements on our SRA digital platform to further improve monitoring of the SRA mitigation plan.

Social Risk Assessment with Local Communities

Social risk assessments were conducted throughout our projects and operations to ensure we could identify, assess and mitigate any social and human rights risks which may affect the communities where we operate.

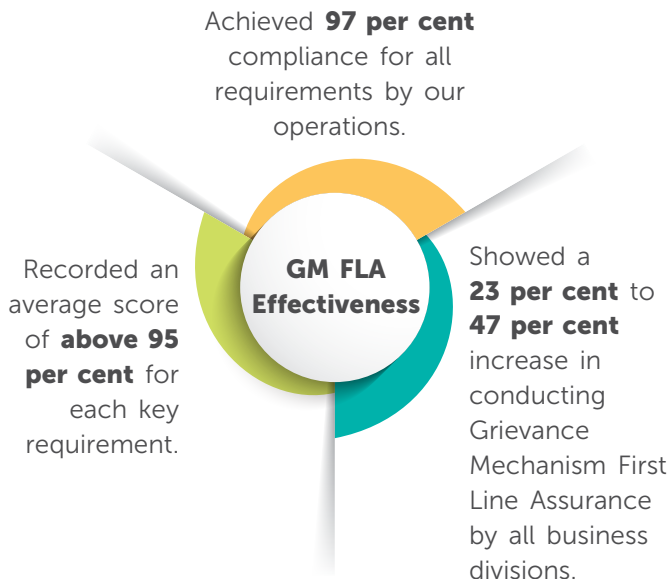
In 2022, we conducted seven Social Risk Assessments at our projects and operations. Based on the findings, there were no significant actual and potential violations involving rights of the communities surrounding our operations.

Grievance Management

Evaluation of Effectiveness of First Line Assurance

We have a Grievance Mechanism First Line Assurance (GM FLA) that acts as the first point of contact for resolving issues, thus addressing complaints swiftly and effectively.

An evaluation of the effectiveness of the grievance mechanism (GM) implementation was conducted by sampling 100 per cent of GM FLA. Results found that 97 per cent of operating units comply with the GM requirements, with a 47 per cent increase in assurance implementation from 23 per cent in the previous year. First line assurance by the operating units is risk-based.



Grievance Mechanism e-Module

We ensure our employees are kept updated on our Grievance Mechanism processes.



Managing Community Grievances

We received seven grievances in 2022, as listed below:



All seven grievance cases were closed in 2022. The number of grievances do not necessarily describe the effectiveness of the system as it is the outreach, trust and confidence in the system that is critical to us.

The evaluation on the effectiveness of our grievance mechanism processes in 2022 shows positive results, and we also acknowledge that there is room to further encourage our rightsholders to continue using our GM channels towards managing potential risks and impacts to the community, employees and contractors where we operate.