

Respecting Human Rights

PETRONAS Human Rights
Report 2020



PETRONAS



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About This Report

This report is written according to the **United Nations Guiding Principles Reporting Framework**.

We have been disclosing our work in social performance and in upholding human rights through our sustainability reports since 2013.

This report presents our commitment to document the foundational steps we have taken. Our objectives in sharing this are to:

- Highlight our efforts in embedding the respect and promotion of human rights into key processes of our business;
- Outline the material and salient issues and risks we face;

- Report on our progress publicly and share our challenges;
- Outline our priorities for the future; and
- Seek feedback and guidance from our stakeholders.

We share this as part of our effort to continuously improve in the face of the remaining challenges.



Reaffirming the necessity and importance of continual conversation, update and engagement across businesses, operating units and functions.



Identifying a need to review existing standards and guidelines as living documents, which should evolve as expectations and best practices evolve.



Reiterating the focus on capability development, capacity building, training and the sharing of best practices.



Identifying the need to strengthen processes to address specific issues such as contractor management, as well as labour and working conditions.

Foreword

Nurturing Respect



I am proud to share with you the inaugural PETRONAS Human Rights Report. This report is published to share the efforts, successes, challenges and way forward for human rights management across PETRONAS.

As the company continues to make progress and meet its business objectives, we recognise that respect for human rights is fundamental for sustainable operations and that positive social impact begins with proper management of human rights risks.

In 2013, PETRONAS established its Social Performance Unit in Group Health, Safety, Security and Environment (GHSSE) which became a catalyst in laying the foundation for our work on human rights with the creation of our Social Performance Framework.

Since then, PETRONAS has rolled out the PETRONAS Human Rights Commitment and the supplementary company requirements in 2015, which include the implementation of technical standards and guidelines for human rights due diligence, grievance mechanism among others that are aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs). PETRONAS also has a technical subskill group to develop our in-house Social Performance talent.

Our dedicated team of Social Performance Technical Professionals work collaboratively with different parts of the business and external stakeholders to manage human rights risks and opportunities for the benefit of our employees, contractors and communities living in areas of operations globally. It is truly a team effort, and I congratulate everyone involved for helping PETRONAS operate responsibly.

We will continue our journey to push for human rights to be respected in all aspects of our work and move towards being a leader in human rights in the industry and beyond. I hope you find this inaugural report informative and welcome any feedback.

Thank you,

Dzafrî Sham Ahmad

Vice President
PETRONAS Group Health, Safety, Security and Environment

United Nations Guiding Principles on Business and Human Rights

Under the United Nations Guiding Principles on Business and Human Rights (UNGPs), businesses have the duty to respect human rights under these three pillars: to have a policy or a commitment on human rights, to conduct human rights due diligence and to provide access to remedy.



PETRONAS is guided by its Human Rights Commitment which was established in 2015. It states the company's respect for human rights through a management commitment with the necessary risk assessment processes and grievance mechanism in place.

This Commitment, along with our codes, standards and guidelines are aligned with the UNGPs and complements our existing Code of Conduct and Business Ethics (CoBE), Anti-Bribery and Corruption Policy and Guidelines (ABC Manual).

Key Milestones



Laying the Foundation

2013

- Established Social Performance Unit in PETRONAS
- Established Social Performance Framework
- Established Social Performance Working Group

2014

- Established Human Rights Task Force to align the development of Human Rights Commitment with the United Nations Guiding Principles on Business and Human Rights (UNGPs)
- Conducted 14 social risk assessments across assets and projects globally to identify human rights risks



Putting the Processes in Place

2015

- Launched PETRONAS Human Rights Commitment, aligned with UNGPs
- Developed Human Rights due diligence tools aligned with UNGPs
- Aligned practices with International Finance Corporation (IFC)'s Performance Standards for Refinery and Petrochemical Integrated Development (RAPID) project
- Developed Social Risk Assessment, Human Right Due Diligence and Grievance Mechanism guidelines and rolled out across PETRONAS

2016

- Operationalised human rights practices to meet International Finance Corporation's Performance Standard requirements in RAPID
- Established human rights as a risk element in PETRONAS Enterprise Risk Management
- Conducted active stakeholder engagement sessions on human rights awareness with management committees and HSSE fraternity across organisation, domestically and internationally
- Incorporated grievance mechanism in PETRONAS Health, Safety and Environment Mandatory Control Framework

2017

- Adopted the PETRONAS Human Rights Commitment across all PETRONAS listed companies
- Established human rights articles and PETRONAS Contractors Code of Conduct on Human Rights (CoCHR) in General Terms and Conditions of new contracts
- Engaged 1,400 contractors face-to-face on CoCHR awareness
- Embed Social Performance requirements in Procurement, Upstream, Downstream and Projects management systems
- Mandatory human rights trainings for employees assigned overseas
- Established Social Performance technical skill group



Strengthening and Developing Processes

2018

- Piloted CoCHR Compliance Assessment on contractors with high risk activities
- Conducted site verification on human rights performance with contractors
- Launched monthly Security and Human Rights trainings to auxiliary police of Group Security
- Digitalisation initiatives developed for social performance indicators to manage monitoring and tracking efficiently
- Launched grievance mechanism trainings rolled out to PETRONAS Group
- Launched Human Rights Management training module for 110 health, safety and environment (HSE) managers across PETRONAS
- PETRONAS elected as chair for Social Performance Asia Pacific Circle (SPAC), a networking platform for social performance practitioners in Asia-Pacific region

2019

- Embedment of Social Performance requirements into PETRONAS HSE Management System
- Introduced digital self-assessment for 1,000 contractors on CoCHR compliance to establish contractors' baseline on human rights performance
- Conducted site verification on human rights performance with contractors
- Kicked off grievance mechanism effectiveness assessment by using UNGP Grievance Effectiveness Criteria Guideline
- Launched Human Rights Management E-learning module across PETRONAS
- PETRONAS subsidiary, MISC launched its Human Rights Commitment and Modern Slavery Policy and Statement

2020

- CoCHR compliance assessment for contractors is business as usual
- Conducted external verification exercise on adequacy of governance processes in respecting human rights
- Issued inaugural PETRONAS Human Rights Report 2020
- Operationalisation of single PETRONAS Grievance Mechanism system
- Included human rights components in the Legal Functional Checklist for operating units to self-assess its legal compliance controls and compliance status

Our Strategy



Phase I –

Setting Our Social Performance Roadmap:

We developed our framework, created clarity on our focus areas, and strengthened PETRONAS social performance lenses across functions and geographies to include a new approach to the management of human rights risks aimed at guiding our relationships with PETRONAS employees, contractors and partners. This phase is mostly complete.



Phase II –

Developing Capability and Enhancing Reporting:

Our focus is on creating awareness, engagement, training and effective implementation of the human rights commitment, and carrying our obligations, including enhancing reporting on human rights across functions and geographies. This phase is in progress.



Phase III –

Respecting Human Rights is Business As Usual:

Once the foundational human rights work is well-established, our focus shifts to leading and driving best practices across industries, coaching others in critical target areas and beyond. This phase is in progress.

Social Performance Framework

The PETRONAS Social Performance Framework was developed in the same year with five areas of focus: Health, Safety, Environment, Socio-economic and Cultural, and Security. The framework is a structured approach providing clarity and guidance in conducting our business as a socially responsible corporate citizen. We see human rights as a cross-cutting, foundational aspect that drives our performance in these five areas.



Health

Covers the health of community, staff and contractors



Safety

Covers the safety of community, staff and contractors



Security

Engagement of third-party security in areas of our operations



Environment

Biodiversity and ecosystem services affecting community's livelihood and access to natural resources



Socio-economic and Cultural

Covers areas ranging from cultural heritage, indigenous people, local content, resettlement and livelihood restoration

Our Governance

Our human rights agenda 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 Chairman, PETRONAS President & Group CEO, and supported by the PETRONAS Board of Directors and PETRONAS Executive Leadership Team.

The PETRONAS Executive Leadership Team regularly discusses human rights as part of the overall PETRONAS Sustainability Agenda and strategy, reviewing issues with severe 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.

Our employees and partners play a critical role in forming and implementing our strategy. While our health, safety, security and environment (HSSE) project delivery and human resources teams are accountable for ensuring human rights are respected within our operations, our efforts in the PETRONAS supply chain are led by Group Procurement. Group Legal, Group Human Resources Management and Group Integrity are responsible for the *Prevent-Detect-Respond Framework* to implement the Code of Conduct and Business Ethics (CoBE) and related company policies developed to supplement the general policy statements set out in the Code across all PETRONAS operations. The Vice President of Group Health, Safety, Security and Environment (HSSE) leads the human rights strategy and best practices globally.



Our Policy Framework

We believe that it is important to have a strong policy framework and the strategic direction to embed the elements of human rights in all aspects of our business.

It helps us set clear and consistent expectations and allows us to enforce compliance with the intention of shaping and driving positive behaviour aligned with our values. It enables our employees to work with partners, governments, community leaders and other stakeholders to push standards and boundaries where needed. It also enables us to

operationalise the United Nations Guiding Principles on Business and Human Rights and embed them into our business' existing processes.



**Human Rights
Commitment**

**Code of
Conduct and
Business Ethics**

**Contractors
Code of Conduct
on Human Rights**

**Health, Safety
and Environment
Policy**

Human Rights Commitment



Objective

Launched in October 2015, this statement consolidates our existing commitments and creates clarity on our processes and procedures. Its principles are implemented across our operations and value chain.



How We Implement It

It is on our global corporate website. Our overall governance learning programme is designed to spread awareness among employees. We also run special campaigns on Human Rights Day, sharing messages from our leaders on the importance of respecting human rights through platforms such as our intranet. These trainings and communications are run both face-to-face and digitally.



Issues Addressed

- Health and Safety of Employees, Contractors and Community
- Responsible Security
- Forced Labour
- Child and Minor Labour
- Non-Discrimination
- Freedom of Association
- Workplace and Accommodation Health and Safety
- Conditions of Employment and Work
- Land Management
- Indigenous Peoples
- In-migration
- Grievance Mechanism
- Contractor Management
- Compliance, Monitoring and Reporting



Code of Conduct and Business Ethics



Objective

Benchmarked against international standards, our Code of Conduct and Business Ethics (CoBE) was launched for groupwide implementation in April 2012. The CoBE emphasises and advances our shared values of loyalty, professionalism, integrity and cohesiveness that are critical to the success and well-being of the PETRONAS group.

The Code is intended to apply to every employee and director (executive and non-executive) of every PETRONAS group company worldwide. We also expect our contractors, subcontractors, consultants, agents, representatives and others performing work or services on our behalf to comply with the relevant parts of the Code. The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each individual to whom the CoBE applies.



How We Implement It

The CoBE is disseminated to key stakeholders, including all employees of PETRONAS worldwide, through a series of trainings and focused communication programmes. Since 2013, all new hires are required to attend mandatory training on the CoBE, as part of PETRONAS' on-boarding programme for new executives (PIPE).

A mandatory CoBE refresher e-learning module is scheduled to be rolled out to all employees in 2021.



Issues Addressed

- Fighting Corruption and Unethical Practices
- Workplace Culture and Environment which covers:
 - Safe, Secure and Conducive Workplace
 - Unlawful Discrimination
 - Sustainable Development
 - Sexual Harassment
 - Occupational Health
 - Safety and Environment
 - Substance Misuse (Drug and Alcohol Abuse)
 - Discipline, Disciplinary Process and Sanctions

Contractors Code of Conduct on Human Rights



Objective

Launched in July 2017, the code extends our commitment to ensure that our contractors respect human rights.



How We Implement It

We give guidance to our contractors on how to implement each of the Contractors Code of Conduct on Human Rights (CoCHR) Principles. Our Self-Assessment CoCHR Questionnaire gap analysis tool and audit checklist help contractors map themselves against our requirements for working with us.



Issues Addressed

- Freedom of Labour
- Prevention of Child Labour
- Wages and Benefits
- Working Hours
- Grievance Mechanism
- Non-Discrimination
- Freedom of Association
- Humane Treatment
- Foreign and Migrant Workers



Health, Safety and Environment Policy



Objective

The policy ensures provision of a safe and healthy workplace for all employees working at its facilities and minimising the impact of its operations on the environment.



How We Implement It

Every PETRONAS employee must conscientiously and diligently comply with all health, safety and environment requirements, measures, work rules and standard operating procedures set out in manuals, handbooks and documents issued by PETRONAS as amended and updated from time-to-time and all applicable laws and regulations. We also have ongoing trainings to raise awareness on these matters. All employees, contractors and visitors to PETRONAS sites must work and behave safely.



Issues Addressed

- Health, Safety and Environment
- Compliance, Monitoring and Reporting



Vital Role of Stakeholders

Human rights issues can be challenging to identify, address and resolve. Owing to the localised and culturally-specific nature of many of the issues we face, we often cannot solve them alone. Much of our work over the past five years has been to better understand the challenges across our value chain. Our external stakeholders bring the insight and expertise we need to ensure we have better visibility and that our approaches are both comprehensive and locally relevant.

As we progress further to demonstrate respect to human rights, we are also working to improve our consultation with external stakeholders. Most of our operating sites and facilities are matured operations where we coexist with the surrounding communities. Periodical stakeholder engagements are regulated where operational risks and impacts are shared with key stakeholders and interested parties. Collaborations are conducted with the UN Office and Human Rights Commission of Malaysia in seeking advice on business and human rights.

Additionally, we have created a network of social performance practitioners in the Asia-Pacific region. This allows us to discuss human rights risks and issues within the industry. We actively participate in industry organisations such as International Petroleum Industry Environmental Conservation Association

and International Gas Union. We leverage our membership by working with other businesses to scale up solutions on human rights issues.

We acknowledge that stakeholder demands for human rights disclosure and transparency will continue to rise. We are committed to reporting the performance indicators required by FTSE4Good for our public listed subsidiaries. We also recognise that our stakeholders expect more than a commitment of adherence but also stewardship and leadership from our business.



Our Approach

The oil and gas industry operates in various parts of the world ranging from developed to emerging economies, and sometimes in countries with more challenging conditions. PETRONAS aspires for its business presence to positively benefit its stakeholders by complying with national laws and respecting international conventions of the countries where we operate. We respect the rights of our staff, local communities, partners, and other stakeholders that we interact with across our operations. Social performance is defined as "managing impacts arising from areas of our business while contributing to the society in a responsible manner". The integration of social performance in our business has the aim to secure social license to operate, minimise operational risks, delays and cost overrun, as well as to enhance reputation.



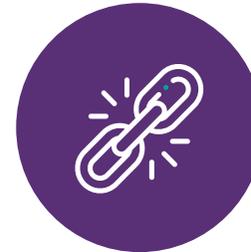
Operationalising Human Rights

Based on the risks identified, we have selected four salient areas that can have an impact on our duty as a business to respect human rights: community well-being, supply chain, labour and working conditions as well as security.



Community Well-Being

Support access to community health and safety including natural resources required for health, cultural needs as well as livelihood



Supply Chain

Expand current supply chain practices to review contractors and suppliers' performance in the areas of labour and working conditions, community well-being and security



Labour and Working Conditions

Eliminate forced or trafficked labour, child labour or underaged workers in contractors' and subcontractors' workforce. Ensure conditions of employment and work are in line with human rights practices, including eliminating discrimination in hiring and contractual terms



Security

Promote human rights training for staff and third party security to prevent use of excessive force. All employees of PETRONAS Group of Companies, contractors, subcontractors and any third parties within PETRONAS premises or performing work and/or business for or on behalf of PETRONAS are required to abide by the Human Rights Commitment

The responsibility to respect human rights is a global standard of expected conduct for all PETRONAS businesses wherever we operate. Addressing adverse human rights impacts requires taking adequate measures for their prevention, mitigation and, where appropriate, remediation. Human rights risks are

understood to be the businesses' potential adverse human rights impacts. Potential impacts should be addressed through prevention or mitigation, while actual impacts – those that have already occurred – should be a subject for remediation.

To standardise and guide our approach to managing social risks and human rights, we developed the PETRONAS Technical Standards (PTS) and PETRONAS Technical Guidelines (PTG) which are available for use across the projects and operations lifecycles.



**1. Social Risk Assessment
Guideline:**

Provide a holistic view of social risks and issues across the project lifecycle. This includes mitigation plan for risks identified



**2. Human Rights Due
Diligence Guideline:**

Formalise the assessment of Human Rights risks over the project lifecycle. This includes mitigation plan to address infringed Human Rights



**3. Indigenous Peoples
Assessment Guideline:**

Guide projects and operations on assessing and managing impacts to indigenous peoples



**4. Land Acquisition and
Involuntary Resettlement
Guideline:**

Provide good practices for oversight and complementary actions over the land acquisition and resettlement lifecycle



**5. Cultural Heritage
Assessment Guideline:**

Guide projects and operations on assessing and managing impacts on cultural heritage



**6. Grievance Mechanism
Standard:**

Provide minimum requirements on designing and implementing operational level grievance mechanism

The PETRONAS human rights due diligence is included within the broader enterprise risk management systems. Our human rights due diligence exercises are initiated as early as possible in the development of a new activity or relationship, given that human rights risks can be increased or mitigated at the earlier stage of structuring contracts or other agreements, and may be inherited through mergers or acquisitions.

As PETRONAS has a large number of entities in our value chain, we embed the requirement of conducting social risk assessments in the HSSE, Procurement, Human Resources processes to name a few, and establishing grievance mechanism is mandatory to all projects and operating units from the construction phase to decommissioning phase. This assists us to identify general areas where the risk of adverse human rights impacts is most significant in our business where we operate.

Our Salient Human Rights Issues

The UN Guiding Principles (UNGPs)

Reporting Framework is unique in its focus on saliency rather than the materiality of a business's issues. This is how the difference is explained in the framework:

"Definitions of materiality can centre on valuation-based decisions by shareholders, on broader interests of shareholders, or on the perspectives of a wider set of stakeholders combined with assessments of the company's positive and negative impacts on society. Some practices look first and foremost at risk to the business, whereas the company's responsibility to respect human rights under the Guiding Principles focuses specifically on risks to human rights.

"Companies' frequent belief that human rights are not material for purposes of public disclosure is often based on flawed thinking or assumptions. By contrast, the process to identify salient human rights issues provides an effective and consistent means for a company to identify the human rights issues on which it should report, in line with the Guiding Principles' focus on the severity of negative impacts on human rights."

In line with the UNGP Framework, we have focused this report on our salient human rights issues. These are human rights that are at risk of the most severe negative impacts through a company's activities or business relationships.

In PETRONAS, our salient human rights issues are categorised into the following aspects:

- Supply Chain
- Labour and Working Conditions
- Community Well-Being
- Responsible Security

Supply Chain



Risk

Contractors/subcontractors committing human rights violations



Challenges

Ensure compliance throughout our entire supply chain



Successes

Contractor engagements, collaboration with Group Procurement

Embedding human rights into the procurement process

PETRONAS recognises that our contractors contribute towards economic growth for the benefit of society. A supply chain that respects rights of workers while creating opportunities for development is consistent with our Human Rights Commitment and Contractors Code of Conduct on Human Rights (CoCHR).

In 2016, we held engagement sessions with the Group Procurement (GP) management team and practitioners. The objectives of these sessions were to roll out the PETRONAS Human Rights Commitment and communicate how it will be integrated into the supply chain system and processes. The sessions provided a platform for GP practitioners to deliberate on potential risks to human rights and essential impacts to the value chain.

The work on contractor management started in 2017, where we organised engagements using the Vendor Relationship Management platform in collaboration with Group Procurement, reaching out to 1,368 registered and active contractors. The sessions, led by our internal social performance experts, imparted insights on our expectations on vendors to comply with CoCHR, as well as the roles and responsibilities of the vendors in upholding our Human Rights Commitment.

In 2018, we focused on contractor management as part of our two-year programme to familiarise contractors with CoCHR and assessed contractors' ability to meet the requirements. We initiated the programme to identify and mitigate issues related to a contractor's human rights performance.



Our approach to contractor management is taken from a labour and working conditions lens, and is part of the company's overall effort to address adherence to health, safety and environment (HSE) standards. In the first year, a total of eleven domestic contractors were assessed on compliance with CoCHR. The result of these assessments indicated that contractors were able to comply with the related national laws and PETRONAS' CoCHR, with areas for improvement in the formalisation of grievance mechanisms.

Our focus in 2019 was intensified to assess our supply chain's adherence to the CoCHR to identify risks,

good practices, and areas for improvement, starting from our Malaysian supply chain. A self-assessment questionnaire was sent to active contractors and suppliers in 2019, with a 75 per cent response rate.

Face-to-face dialogues were conducted with 70 per cent of contractors and suppliers who were in the elevated risk category due to the value of the contracts, high risk nature of the work, remote locations where the work was conducted, and hiring of third-party labour. The dialogues were used to discuss the results of the questionnaire, as well as issues and risks in their procurement processes.

Overall, suppliers and contractors were able to comply with the CoCHR. Areas for improvements were on subcontractor assessments, effective implementation of contractor grievance mechanisms and overall awareness trainings on human rights.

We have taken those findings on board for improvements of PETRONAS' procurement processes and seek opportunities to collaborate with the supply chain for engagements and trainings.

Strengthening Our Foundation - PETRONAS Contractors Code of Conduct on Human Rights

The PETRONAS CoCHR was established in 2017 to help strengthen the implementation of our Human Rights Commitment.

Under the CoCHR, we require our Contractors to:



Respect internationally-recognised human rights, comply with PETRONAS' Code of Conduct and Business Ethics and all relevant legal requirements



Ensure policies and guidelines are in place to demonstrate its respect for human rights



Provide human rights awareness training to its employees and contract personnel



Establish a grievance mechanism for their employees, contract personnel and any party involved in providing services to PETRONAS



Provide timely feedback to PETRONAS regarding the contractor's human rights performance within the duration of the contract



PETRONAS Expects Our Contractors and Suppliers to Adhere to the Following Nine Principles:

Freedom of Labour

Not engaging or employing any persons, under any circumstances, against their own free will or engaging them in bonded labour/debt slavery.

Prevention of Child Labour

Not employing children below the legal minimum working age requirement of any country. Employees and contract personnel must be at least eighteen (18) years of age (unless otherwise determined by the local laws of the host country).

Wages and Benefits

Complying with all applicable laws related to employee compensation, including minimum wage, overtime hours and legally mandated benefits.

Working Hours

Complying with local laws of the host country or agreements regarding working hours, overtime hours, and work during holidays.

Establish Grievance Mechanism

Provide a means of grievance reporting and appropriate follow-up measures while ensuring that the identity of the complainant is protected.

Non-Discrimination

Respecting diversity in the workplace and not engaging in any form of unlawful discrimination based on gender, race, ethnicity, skin colour, religion, nationality, sexual orientation, age, marital status, pregnancy, political affiliation, or disability in hiring and employment practices.

Freedom of Association

Respecting the legal rights of employees to become members of a labour union or otherwise.

Humane Treatment

Respecting employee's rights and ensuring no harsh and inhumane treatment, including any form of mental or physical coercion, or verbal abuse of employees.

Foreign and Migrant Workers

If foreign or migrant employees are engaged, they are to be employed in full compliance with the labour and immigration laws of the host country. Prior to hiring, the basic terms of employment must be provided to employees in their native language or language in which they understand. Passports and other forms of personal identification must remain in the employee's possession at all times and are never to be withheld by the contractor or any third party in full compliance with the labour and immigration laws of the host country.



Average Score on the Nine Human Rights Principles

Score 0 - 4:

4 - the Principle is being managed sustainably
0 - the Principle is not being managed at all

Freedom of Labour

3.14

Prevention of Child Labour

3.29

Wages and Benefits

3.14

Working Hours

3.14

Establish Grievance Mechanisms

1.61

Non-Discrimination

2.68

Freedom of Association

3.00

Humane Treatment

2.86

Foreign or Migrant Workers

3.83

0 1 2 3 4

Labour and Working Conditions



Risk

- Forced labour
- Human trafficking
- Substandard working and living conditions
- Child labour
- Discrimination in hiring
- Foreign/migrant workers exploitation



Challenges

- Ensuring the completeness of assessments of contractors' labour practices across the value chain
- Implementation of training and awareness sessions at the contractor and subcontractor levels
- Establishment of effective grievance mechanisms at contractor level



Successes

- Implementation of Contractors Code of Conduct on Human Rights (CoCHR) (refer to Supply Chain section), inclusion of human rights requirements in contracts, assisting PETRONAS operations and public listed companies in integrating human rights into their governance frameworks



Community Well-Being



Risk

In-migration of workers to project sites, disruption to community's health, access to natural resources, involuntary resettlement, indigenous people



Challenges

To obtain in-depth knowledge of possible social impacts on the community, ensure sustained social license to operate, community participation in risk mitigation



Successes

Conduct Social Risk Assessment (SRA) and Human Rights Due Diligence (HRDD), establish a robust grievance mechanism system

Social Risk Assessments and Human Rights Due Diligence

We recognise that we have an impact in the areas we operate. We strive to minimize our impact in our areas of operation and place emphasis on the importance for systematic social impact management plans to effectively address potential risks.

Our SRA and HRDD exercises are based on our internal guidelines and standards which are developed in alignment with the UNGP and based on benchmarking International Petroleum Industry Environmental Conservation Association (IPIECA) and good practices in the industry. Since 2013, we have conducted SRA and HRDD exercises for projects and assets to identify and profile social impacts associated with future and current operations. A total of 47 assessments have been conducted so far, which has helped the businesses and projects to manage their social risks .

Responsible Security



Risk

Inappropriate use of force and human rights violations by private or public security providing services to operations



Challenges

Control on actions of third-party security



Successes

100 per cent of PETRONAS Auxiliary Police trained in human rights management, refresher training is ongoing for all security personnel, human rights requirements have been incorporated into the revised PETRONAS Security Management System

The refresher training focuses on the definition of responsible security, the UN Basic Principles on the Use of Force and Firearms, rights defined under the Federal Constitution of Malaysia, International Standards on Security and potential human rights issues with regard to security.



Sharing sessions conducted across PETRONAS

In-house trainings

Efforts to advocate, reinforce and uplift existing understanding on social performance (SP) is ongoing, among internal and external stakeholders.

Since 2017 to date, a total of 233 in-house trainings were conducted by our SP practitioners targeting internal constituents of all levels representing our various businesses in Malaysia and internationally. The trainings were intended to elevate the importance and subsequently integrate human rights elements across our Businesses.



Human rights briefing for overseas assignment

Since end of 2017, we have collaborated with Group Human Resource Management to incorporate human rights into the Overseas Assignment and Remuneration Package (OARP) briefings conducted for our colleagues assigned to PETRONAS operations outside of Malaysia.

The human rights briefing aims to provide an enhanced understanding to our colleagues on the PETRONAS Human Rights Commitment, the codes that support our commitment as well as on the local human rights atmosphere in countries they are assigned to.



E-learning modules

In the spirit of embracing digitalisation and making knowledge readily accessible, we have launched two social performance internal e-learning modules on Human Rights Management and Grievance Mechanism respectively.

The e-modules are intended to provide our colleagues with an interactive and convenient method to learn about our commitment on human rights, the impacts of social risks to our business, ways to control and mitigate the risks, and the handling and importance of a grievance mechanism system.



Social Performance (SP) Masterclass

SP Masterclass is a series of talks aimed to educate PETRONAS staff on various topics related to Social Performance. In 2019, two Masterclasses were conducted on the topics of Human Rights and Migrant Workers by Tenaganita in April and Social Impact Assessment under Town and Country Planning Act 1976 by PlanMalaysia in June respectively.



Social Performance Asia Pacific Circle (SPAC)

In 2018, we jointly established the SPAC with Shell, a first for the industry. The SPAC is a platform where SP practitioners in the industry exchange ideas, discuss common SP issues, and advance SP implementation in the region. Members of SPAC include BP, ExxonMobil, Woodside and Repsol.



Capability Building

233

Social Performance trainings conducted

1,400

Contractors engaged face-to-face for CoCHR

2

E-learning modules on Social Performance

2

Social Performance Masterclass conducted annually

41

Social Risk Assessments conducted

1st

Social Performance technical fraternity in Asia-Pacific

107

OARP Human Rights Briefing

400

PETRONAS staff trained in Grievance Mechanism

658

Contractors participated in CoCHR compliance self-assessment

Grievance Mechanism

Grievance Mechanism (GM) plays a critical role in opening channels for dialogue, problem solving, investigation and, when required, providing remedy. They enable workers and other rights-holders to raise complaints freely and obtain effective and transparent resolutions. Moreover, they help identify country-specific solutions and preemptive action needed to avoid recurrence.

Employees can raise grievances through their trade union representative, line manager and/or their Human Resources representative. There are ad-hoc means of dialogue such as meetings and open forums that can be effective methods of communication, although these do not replace formal structures. In some of our operations such as our offshore platforms, chemical plants, project sites under construction for example, we have grievance focal who play a key role in supporting employees and contractors in managing grievances.

Our GM system allows us to monitor the number and type of formal individual or collective appeals received each year. This allows us to gain a better understanding of which issues are being raised, where they are being raised, how effective our grievance mechanisms are and how issues are being resolved. We use disaggregated data from cases raised through this procedure to help monitor our salient issues, addressing root causes to help prevent the need for further grievances to be raised.



The role of appointed grievance focal of receiving and remediating grievances is key and we recognise that we need to make sure that enough channels are available for issues to be raised. We are working on establishing a single GM system in managing grievances. We want to make sure we offer one integrated grievance channel to address health, safety, security and environment, and social risk related matters. To this end, we are implementing more effective processes to analyse the grievances we receive. For our contractors, it is our

expectation that our contractors establish their own GM for their workforce and PETRONAS expects our contractors to provide timely feedback to PETRONAS regarding the contractor's human rights performance within the duration of the contract when required.

We offer both internal and external channels for raising concerns, anonymously if required.

We have conducted a series of grievance mechanism effectiveness evaluations as per the United Nations Guiding Principles on Business and Human Rights (UNGPs) GM Effectiveness Criteria.

The effectiveness criteria are as below:

Legitimate

Accessible

Predictable

Equitable

Transparent

**Rights-
compatible**

**Source of
continuous
learning**

**Based on
engagement
& dialogue**

The evaluation of all businesses and projects is expected to be completed by 2021



Embracing Human Rights at Sea and Shore:

MISC's Human Rights Journey

Since 2018, MISC Berhad (MISC), a public listed company and a subsidiary of PETRONAS, has embarked on their journey in Human Rights with the creation of MISC Human Rights Working Group (HRWG). As a parent company, PETRONAS extended its support to MISC HRWG in shaping its direction on human rights.

PETRONAS social performance experts worked hand-in-hand with MISC HRWG in providing awareness training and technical support in shaping MISC's direction on human rights. Multiple engagements, brainstorming sessions and sharing of case studies were conducted to align MISC's business activities with human rights. These activities laid the foundation for MISC HRWG in developing its direction on human rights, which led

to the establishment of the MISC Human Rights Policy and Modern Slavery Policy and Statement in May 2019.

Pursuant to that, PETRONAS had also supported MISC in conducting its inaugural Social Risk Assessment (SRA) which culminated in the establishment of the first assessment report which was presented and approved by the management in December 2019. Consequently, MISC plans on conducting SRA independently on the subsidiaries owned by MISC in 2020. In addressing access to remedy, PETRONAS conducted a grievance mechanism training for MISC HRWG to develop the MISC Grievance Mechanism Guidelines.

Moving Forward

PETRONAS is focused on ensuring that human rights considerations are fully integrated into its key business processes, and implemented in projects and operations.

Respect for human rights is a foundational principle that drives our sustainability objective to create positive social impacts for staff, contractors and communities. We are focused on managing human rights risks and contributing to societal development where we operate.

Part of our effort to ensure operational excellence is to verify our human rights practices via a third-party gap analysis of our human rights governance processes. The third-party gap analysis will be completed in 2020. This assessment, based on the United Nations Guiding Principles on Business and Human Rights requirements, will enable PETRONAS to amplify the effectiveness of its human rights risk management and access to remedy processes. It will also identify any areas for improvement to be addressed.

We also continue to help other companies and industries through the sharing of good practices and learnings on various topics and issues. These are done through engagements and contributing to the development of guidance documents for the industry.





PETRONAS

