

# SUSTAINABILITY STATEMENT

## EMBRACING SUSTAINABILITY

ELK-Desa Resources Berhad (“ELK-Desa” or “the Group”) is committed towards embracing the tenets of sustainability in a comprehensive manner. We believe that by adopting sustainability practices throughout our value chain, we are able to enhance value for our shareholders in a meaningful way while contributing positively to the well-being of our stakeholders at large.

ELK-Desa’s primary operation revolves around the provision of hire purchase financing solutions for the used car segment. As a non-bank lender in this niche market, the Group plays an important role in facilitating the transportation needs of those living and working in the Greater Kuala Lumpur area.

The Group is also making progress in expanding its furniture manufacturing and trading business. While still at the nascent stage, this division has the potential to spur economic activity and job creation, more so in and around areas of its operations.

In view of its business activities, ELK-Desa plays a vital role in the growth of our national economy and, as such, it is important that the Group consistently operates in a transparent and sustainable manner. During the year, ELK-Desa reviewed and implemented initiatives that accorded with the key principles of sustainability, specifically in relation to the three sustainability pillars of economic, environmental and social (EES) themes.

The Board of Directors of ELK-Desa has tasked the Group Executive Director/Chief Executive Officer (“Group Executive Director”), who is supported by the Executive Director/Chief Financial Officer, to review, deliberate and approve the Group’s sustainability strategy and initiatives. When it comes to implementing and executing these initiatives, the Group Executive Director delegates responsibilities to the relevant Heads of Department within the Group.

Ultimately, the Board remains responsible for the sustainability performance of the Group. As such, sustainability strategies and initiatives developed by the Group Executive Director will need to be endorsed by the Board.

## IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

ELK-Desa’s growth trajectory is based on a myriad of factors, both internal as well as external. However, there are factors that are much more important than others when it comes to determining the outcome of the Group’s performance, be it from a short or a long-term perspective. These ‘integral performance factors’ are also known as material sustainability matters.

Each material sustainability matter comes with its own variables, risks and opportunities. It is very important for the Group to not only identify its material sustainability matters but also truly understand them so that the Group can put in place effective sustainability strategies that will ultimately drive the organisation further forward.

## SUSTAINABILITY STATEMENT (CONT'D)

When it comes to identifying ELK-Desa's material sustainability matters, we focus on prioritising the issues that matter most across our entire value chain, from our business to our stakeholders. We set our priorities according to:

1. The level of significance an issue or matter relates to our Group's strategic vision and core business activities;
2. The impact, relevance and importance of the issue in relation to our internal and external stakeholders; and
3. The ability of the Group to control and manage these matters.

Based on the criteria above, the Group was able to assess and prioritise materiality issues based on information and feedback from internal and external parties. This information gathering and assessment process was conducted via stakeholder engagement exercises. Relevant areas covering the broad spectrum of EES pillars were discussed with each stakeholder segment. Key sustainability matters were then identified, prioritised and validated by the Senior Management team led by the Group Executive Director.

ELK-Desa has identified six (6) Material Sustainability Matters, namely **Robust Risk Management, Indirect Economic Impact, Workplace Best Practices, Fair Market Practices and Compliance, Community Enrichment** and **Waste Management**. These six (6) areas will continue to be reviewed periodically to ascertain material relevancy vis-a-vis the organisation.

### 1. Robust Risk Management

As a non-bank lender for the used motor vehicles segment, ELK-Desa employs a robust risk management system to protect its financial foundation and to maintain manageable non-performing loan levels.

The Board entrusts the Audit Committee to oversee the risk management framework of the Group and reviews the risk management reports tabled by the Management every six (6) months. The Management is responsible for implementing processes and internal controls to manage the key risks highlighted in the said risk reports.

Details of the Group's risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

### 2. Indirect Economic Impact

ELK-Desa is cognisant that our operations, mainly our hire purchase financing business, has an indirect economic impact within the region where we operate from.

ELK-Desa hire purchase financing business is focused on the under-served hire purchase financing of used motor vehicles. Given that most financial institutions and banks do not commonly provide financial solutions to this segment, ELK-Desa is able to facilitate vehicle ownership for qualified middle-income and self-employed individuals. In turn, having access to a car can enable one to not only enjoy a better quality of life but also open up economic opportunities or acquire more time and cost savings that can translate into high disposable income.

## SUSTAINABILITY STATEMENT (CONT'D)

### 2. Indirect Economic Impact (continued)

In addition to facilitating motor vehicle ownership, ELK-Desa is also contributing to the vibrant used-car industry. By providing hire purchase financing solutions to qualified individuals in an efficient and productive manner, we are able to help car dealers turnaround faster, in-directly contributing to their business growth.

### 3. Workplace Best Practices

ELK-Desa embraces workplace best practices in order to attract, train and retain the right talents. We believe that cultivating employees with the right mind-set and skills-set is important to achieving our strategic vision and reach our tactical goals as an organisation.

On this score, the Company has and will be investing in developing the skills-set and mindset of our employees at all levels.

ELK-Desa also has an observed policy on diversity whereby the Company aims to have an equal percentage of employees according to gender diversity. As a matter of fact, more than 58% of our total talent pool are females. Our employees are also reflective of our national demographics.

As part of its commitment towards workplace best practices, the Group's human resources policies adhere to fair labour practices and the human rights agenda. There is equal job opportunity for every employee irrespective of their race, religion, cultural background or gender.

In our efforts to develop young talents within our organisation as well as engage in succession planning, training and team building events are conducted on a timely basis. The Company also sponsors social activities that can foster a closer working relationship amongst our staff.

ELK-Desa also maintains high standards of occupational health and safety at the workplace by investing in safety equipment, providing hygienic and clean drinking water and promoting a conducive and safe work environment. Members of our Human Resources or Office Administration team are consistently updated with industry best practices in order to safeguard the health and safety of our employees.

In recognition of our employees as an important asset to our Group's success, ELK-Desa has provided insurance coverage to our employees. The coverage ranged from personal accidents to medical insurance.

## SUSTAINABILITY STATEMENT (CONT'D)

### 4. Fair Market Practices and Compliance

As ELK-Desa's operations have direct and indirect economic impact to the society, the Group is committed to comply with and adhere to all relevant laws and guidelines throughout its business operations. ELK-Desa will only conduct business with genuine car dealers and will always insist that the cars being financed are road-worthy and will not endanger other road users.

ELK-Desa has stringent lending guidelines to appraise the hirers' ability to meet repayment of their loan. Also, its credit risk management procedures and guidelines are frequently reinforced and updated to ensure their continuing relevance.

In addition, ELK-Desa has a channel for whistleblowing and its whistleblowing policy is available on the Company's website at [www.elk-desa.com.my](http://www.elk-desa.com.my)

ELK-Desa has a policy on anti-money laundering activities, unfair market practices and is against any form of corruption in order to safeguard the best interest of all its stakeholders. The policy is embedded in the Company's Code of Conduct, Director's Code Ethic and the Employees Handbook which is applicable to the Directors, employees and all stakeholders of the Group.

This Code of Conduct is available on our Company's website at [www.elk-desa.com.my](http://www.elk-desa.com.my)

### 5. Community Enrichment

As a socially responsible organisation, ELK-Desa continues to contribute positively towards enriching the lives of people within the communities where we operate in. The Board, Management and employees of ELK-Desa are dedicated towards achieving the right balance between the needs of the wider community and the requirements of shareholders, stakeholders and business growth.

During the year under review, the Group has contributed in cash and in kind to various organisations and causes ranging from healthcare to education. For education causes, the Group had contributed a total sum of approximately RM110,000 during the 12-month period.

In addition, the Group has made conscious efforts in environment conservation when our team took the initiative to support the cleaning up of Templer Park on 07 October 2017.

## SUSTAINABILITY STATEMENT (CONT'D)

### 6. Waste Management

As a Group, we are ever-conscious about how our operations impact the environment.

Our Group produces mainly office waste in the course of its daily operations. Currently, we are streamlining our operational processes with the aim of cutting down on paper usage. ELK-Desa has also put in place a recycling programme to manage office waste. We regularly dispose of our office waste such as used paper materials, used plastic bottles and used glass bottles to an established recycle company.

ELK-Desa commitment towards a 'greener' environment is reflected in our efforts to replace expired light bulbs with energy saving and efficient LED lights and utilise environmentally-friendly air-conditioning system. These initiatives will also enable us to achieve sizeable energy savings Group-wide.

### MOVING FORWARD

ELK-Desa aims to pay close attention to the material sustainability matters highlighted above. Change is a constant in our industries and as such, the Group must continue to adapt its strategic sustainability priorities and initiatives accordingly.

Led by the Board of Directors, the Group will review and develop new policies and procedures and implement various initiatives in a timely manner, as deemed pertinent, so as to facilitate ELK-Desa's aim to become a recognised and respected sustainable organisation.