

# SUSTAINABILITY

## STATEMENT FY2021

### ABOUT THIS REPORT

ELK-Desa Resources Berhad (“ELK-Desa” or the “Company”) is committed to delivering sustainable values to our stakeholders through the businesses and operations of ELK-Desa and its group of subsidiaries (“ELK-Desa Group” or the “Group”). The Board of Directors (“Board”) of ELK-Desa, in its stewardship of the Group, embraces the philosophy of holistic business sustainability by incorporating economic, environmental, social, and governance (“EESG”) considerations in the Group’s corporate strategies.

The Board is pleased to present this Sustainability Statement (this “Statement”) of ELK-Desa Group which sets out the Group’s ongoing process and performance in its management of sustainability matters, i.e., EESG matters, which are material to the Group. This Statement is prepared in accordance with the relevant provisions of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and has considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits and other better practices on sustainability reporting.

This Statement, together with ELK-Desa’s Annual Report Financial Year 2021 (“AR FY2021”), is also published on our corporate website at <http://www.elk-desa.com.my/ar.html>.

### CEO’S MESSAGE

ELK-Desa Group is primarily involved in the business of hire purchase financing for used motor vehicles. We are a non-bank lender serving buyers who are seeking small value financing in a niche market which remains underserved by the mainstream financial institutions such as banks. The Group has also commenced its furniture trading business in 2015 which is currently focused on the wholesaling of home furniture in the domestic market. All of the Group’s business operations are based in Malaysia.

We strive to deliver sustainable value to all our stakeholders. Since being listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”), we have built ourselves a reputation as a reliable dividend stock as well as a dynamic and growth-oriented counter. Our Hire Purchase Financing Division also brings financial inclusion to our customers in enabling inclusive growth in the nation as Malaysia moves forward towards becoming a developed country.

In the FY2021, we continue to progress in our sustainability journey and conducted a review of the Group’s sustainability management approach, which, amongst others, entailed a review of the stakeholder assessment and materiality assessment process. Arising from the review, the Group embarked on the next stage of the sustainability journey to enhance its materiality assessment process. As our two business divisions are of vastly different natures, the focus of our enhancement initiatives will be first placed on the Hire Purchase Financing Division which is the core business of the Group.

In the coming years, we plan to undertake enhancements in our sustainability management process which will consider more rigorous stakeholder engagements, a more structured materiality assessment with more comprehensive stakeholder inputs, and better alignment of sustainability strategies and targets. Focusing on the Hire Purchase Financing Division, for now, will also allow us to undertake a more comprehensive, thorough, and meaningful management of our stakeholders and material EESG risks and opportunities (“Material Sustainability Matters”) and attain maturity in the enhanced management process before applying the same for the Furniture Division. Meanwhile, without diminishing their importance, existing sustainability management practices which have already been applied in the Furniture Division will continue to be carried out.

Impacted greatly by the COVID-19 pandemic, FY2021 had been a great challenge to most businesses and economies around the world, not only to ELK-Desa Group. The Malaysian economy shrunk by 5.6% in 2020 according to Bank Negara Malaysia<sup>1</sup>. While hopes for recovery grow as Malaysia rolls out its COVID-19 National Immunisation Program, how quickly the recovery will be remains to be seen. On top of that, the economic recession that we are currently in is likely going to put pressure on private sector spending and asset quality, in general. We will continue to exercise prudence and diligence in charting the Group’s businesses through these challenges, while equivalent focus and efforts will also be placed in managing business sustainability risks and opportunities in view of long-term, sustainable value creation.

1 <https://www.bnm.gov.my/-/quarterly-developments-q4-2020>

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### REPORTING SCOPE

As the Group embarks on the next stage of its sustainability journey to enable more comprehensive management of stakeholders and EESG matters, focus is placed on the Hire Purchase Financing Division which is the Group's core business.

As such, this Statement, which reports on the Group's sustainability progress for the financial year under review, i.e., 1 April 2020 to 31 March 2021 ("FY2021"), focuses on the Hire Purchase Financing Division, unless otherwise stated.

Enhancement initiatives are currently being implemented in the Hire Purchase Financing Division and the Group aims to extend their applications in the Furniture Division by FY2025.

### OUR SUSTAINABILITY JOURNEY

Our guiding principle – "Your Trusted People Centric Partner in Value Creation" – drives our business focus and value creation for the various stakeholders of our business and organisation. Through our Core Values – Enthusiastic, Trustworthy, Humble, Innovative, and Committed – we strive to build ourselves as a trustworthy and reliable business partner, employer, and service provider.

Even before our first Sustainability Statement in our Annual Report FY2018, we have been incorporating the interest and views of our stakeholders in the way we do business. Our comprehensive review of stakeholder assessment and materiality assessment during FY2021 enables a more in-depth understanding of our stakeholders and their interest and views and a better focus on the material sustainability matters of the Hire Purchase Financing Division in our stakeholder value creation and preservation process.

### SUSTAINABILITY GOVERNANCE



Stewardship of the sustainability of ELK-Desa Group lies at the highest level of the governance structure within the organization, namely the Board. The Board holds ultimate responsibility, provides leadership, and ensures that the strategic plan of the Group supports long-term value creation and consists of strategies incorporating EESG considerations underpinning sustainability.

The Board is supported by the Group Executive Director/ Chief Executive Officer ("CEO"), who reviews, deliberates, and approves the Group's sustainability strategies and initiatives which are then endorsed by the Board. The CEO is also responsible for overseeing the implementation of sustainability strategies and initiatives as well as the performance thereof in the day-to-day management of the Group's business, which are delegated to the heads/ senior managers of the respective functions or operations.

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During the financial year under review, a Sustainability Steering Committee (“SSC”) has been established to assist the CEO, from the development of strategies, overseeing stakeholder engagements, to monitoring sustainability performance. The Sustainability Steering Committee is chaired by the CEO, and its members consist of the heads/ senior managers of key functions and operations of the Hire Purchase Financing Division.

The SSC is tasked to develop and recommend sustainability strategies for the Hire Purchase Financing Division and ensure they are aligned with the Group’s overall business strategy and long-term goals. The SSC is also responsible for overseeing and tracking the target setting and management performance of Material Sustainability Matters in the Hire Purchase Financing Division. This includes overseeing the implementation of enhancement opportunities identified through the review of the Group’s sustainability management process conducted during FY2021, such as strategising effective stakeholder engagement approaches and ensuring their successful implementation in the coming financial year.

The SSC reports directly to the CEO with regard to the abovementioned delegated responsibilities. Members of the SSC are responsible for leading their respective functions or operations in the execution of sustainability initiatives and achievement of sustainability targets set.

### STAKEHOLDER ENGAGEMENT

During the financial year under review, the SSC performed a review of the Hire Purchase Financing Division’s stakeholder assessment and stakeholder engagement. The process was guided by an external consultant and was carried out based on methodologies in line with the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. Stakeholders were assessed based on, amongst others, their influence, i.e., ability to impact business operations or reputation, and their interest in the business, i.e., the extent the business’ operations or performance will have on them. Based on the assessment, stakeholders were grouped and prioritised. We have also performed a review on our engagement approaches with each stakeholder groups and subgroups, and additional engagement channels were developed, as the case may be, to enhance engagement levels. Appropriate engagement channels with stakeholders are important for us to communicate information and updates on the business performance, operations, as well as to obtain valuable stakeholder feedback regarding their needs, interests, and expectations.

During the financial year, we devised stakeholder engagement strategies which include carrying out additional, specific engagements with some of our key stakeholders to obtain their input for the materiality assessment process of the Hire Purchase Financing Division. These engagements were conducted largely based on online surveys and were considered in the materiality assessment for FY2021.

A summary of our stakeholders, engagement approaches, and key discussion topics with stakeholders in FY2021 is as follows.

STAKEHOLDER GROUP	ENGAGEMENT METHOD	SUSTAINABILITY CONCERN
Regulators	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Meetings/ discussions</li> <li>Consultation sessions</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>New regulations, if any</li> <li>Compliance with rules and regulations</li> <li>Ethical and responsible business and better practices</li> <li>Corporate culture</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Analyst briefings</li> <li>Group’s website</li> <li>Investor relations channel</li> </ul>	<ul style="list-style-type: none"> <li>Financial Performance</li> <li>Major corporate decisions, strategies, and directions</li> <li>Ethical and responsible conduct</li> <li>Compliance with rules and regulations</li> <li>Group’s sustainability</li> </ul>
Financier	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Meetings</li> <li>Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Responsible Financing</li> <li>Major corporate decisions, strategies and directions</li> </ul>

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STAKEHOLDER GROUP	ENGAGEMENT METHOD	SUSTAINABILITY CONCERN
Customers	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Customer Satisfaction Survey</li> <li>Social Media</li> <li>Customer service channels</li> <li>Group's website</li> </ul>	<ul style="list-style-type: none"> <li>Customer experience and quality of products and services</li> <li>Data security</li> <li>Responsible finance and product/ services transparency</li> <li>Products and services which cater to customer needs</li> </ul>
Dealers and Business Partners	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Due diligence on dealers and business partners</li> <li>Ongoing business engagements (formal and informal)</li> <li>Process for procurement or the establishment of business relationships</li> </ul>	<ul style="list-style-type: none"> <li>Business Integrity</li> <li>Governance and Compliance</li> <li>Fair pricing</li> <li>Efficient and responsible business relationships</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Materiality Assessment Rating Form</li> <li>Performance review</li> <li>Learning and Development Programmes</li> <li>Occupational safety and health programmes</li> <li>Employees surveys</li> </ul>	<ul style="list-style-type: none"> <li>Career progress</li> <li>Employees' remuneration and benefits</li> <li>Employee health and safety</li> <li>Workplace safety</li> <li>Work-life balance</li> <li>Workplace culture and business ethics</li> <li>COVID-19 response</li> </ul>

## OUR MATERIAL MATTERS

### Material Assessments Process

During the financial year under review, we have conducted special engagements with some of our key stakeholders to obtain their input on the Group's materiality assessment process. The engagements were conducted via online surveys which include seeking their assessment ratings on relevant EESG matters, as well as obtaining their views and feedback on other sustainability-related concerns.

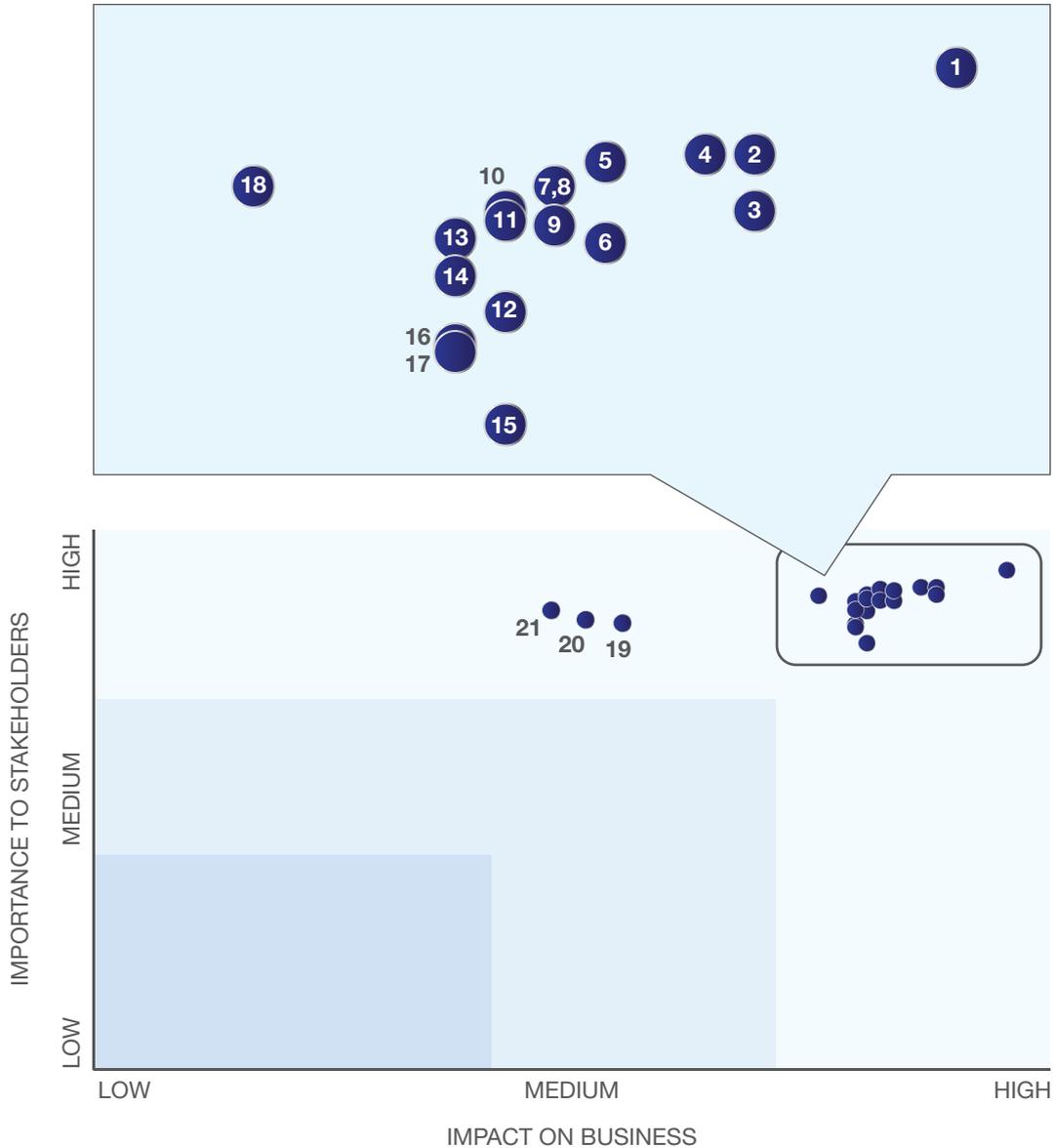
Through the surveys, we are able to more meaningfully determine what EESG matters are deemed 'material' to the Group, and this is also in alignment with the definition of "material sustainability matters" provided by the Listing Requirements, which reflect the significant economic, environmental, and social impacts of the Group and substantively influence the assessments and decisions of stakeholders.

The materiality assessment process was conducted by the SSC considering the outcome of the specific stakeholder engagements conducted during the financial year. As appropriate, the SSC also sought the input of Management and other employees to obtain further understanding and clarity with an aim to appropriately determine the materiality of EESG impacts while ensuring a balanced view between stakeholders and the business is considered.

The following materiality matrix illustrates the materiality assessment outcome and shows the relative materiality among the material EESG matters assessed.

# SUSTAINABILITY STATEMENT FY2021

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### MATERIAL SUSTAINABILITY MATTERS

1	Anti-corruption, anti-money laundering and ethical business practices	12	Talent Development
2	Integrity	13	Employee Wellbeing
3	Risk Management	14	Learning and Development
4	Company presence, stability and growth	15	Company Culture
5	Data Security & Privacy	16	Technology and Digitalisation
6	Employee Engagement	17	Innovation
7	Transparency	18	Responsible Finance
8	Financial performance	19	Emissions (direct and indirect)
9	Integrating Sustainability into the business	20	Recycling & Waste Management
10	Customer Experience and Satisfaction	21	Energy Management
11	Customer Privacy		

The following section of this Statement discusses the material EESG matters of the Group’s Hire Purchase Financing Division in the thematic aspects of economic, environmental, social, and governance.

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### ECONOMIC

#### COMPANY PRESENCE, STABILITY AND GROWTH, AND FINANCIAL PERFORMANCE

ELK-Desa's Hire Purchase Financing Division has established a solid reputation as a progressive and reliable lender amongst its stakeholders in the industry, from used-car dealers to borrowers. We are committed to uphold our reputation and market presence through prudent business management which aims to continuously strengthen business fundamentals in order to achieve business stability and steady growth.

As a Group, we are committed to deliver sustained value and we have demonstrated this through our track records. In the past five years, we have continuously delivered positive earnings per share and return on equity to our shareholders and investors. This is made possible through the diligent and prudent efforts by our Management team which has extensive knowledge and experience in the industry, as well as the strong financial position of the Group.

	FY2019	FY2020	FY2021
Revenue (RM'000) (Hire Purchase Financing Division)	84,900	104,673	93,310
Return on Equity	8.2%	8.3%	8.1%
Earnings Per Share (sen)	11.22	11.75	11.87
Dividend (sen per share)	7.00	7.25	7.25

The financial performance and position of the Group are discussed in detail in the **Management Discussion and Analysis Statement** of this AR FY2021.

#### Financial inclusion and support for local economic development

Our Hire Purchase Financing Division has a presence in the capital city of Kuala Lumpur and the Klang Valley. Our business is one that supports the local economy through providing small value financing for second-hand car buyers who generally are not adequately served by available products by the mainstream financial institutions, including qualified low-to-middle income and self-employed individuals. In Greater Kuala Lumpur, vehicle ownership can serve as an enabler towards harnessing better economic opportunities, which in turn translate into economic development and increased disposable income. The element of financial inclusion embedded in our hire purchase financing business model also helps us deliver corporate responsibility in promoting responsible finance and supporting certain underserved communities to not get left behind as the nation progresses.

The Hire Purchase Financing Division also contributes to local economic development through providing 188 job opportunities to the local economy, as well as through its established business network of local car dealers across Greater Kuala Lumpur, matching demand and supply directly and indirectly for the local used car industry. Our business also plays its part as a responsible corporate citizen by paying its fair share of corporate taxes.

	FY2019	FY2020	FY2021
Number of employees (Hire Purchase Financing Division)	195	194	188
Approximate number of hirers	38,573	44,780	40,989
Average outstanding net hire purchase receivables per hirer (RM)	12,138	13,631	13,907
Tax Contribution (RM) (Hire Purchase Financing Division)	11,233,641	12,826,898	12,426,972
Community Investment (RM) (Hire Purchase Financing Division)	227,680	164,906	103,620

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### RESPONSIBLE FINANCING

A sustainable lending landscape is one that mitigates credit risk for the business and ensures customers can afford to pay their loans. We have in place stringent credit approval process which considers customers' financial background and financial capacity, such as their sources of income, to avoid financing customer who may not be able to take on further financial obligations. Our credit process helps us manage credit risk while preventing the business from inducing customers to live beyond their means.

Our Hire Purchase Financing Division complies strictly with relevant laws and regulations. Guided by the Hire-Purchase Act, 1967, we ensure customers are provided with all relevant information regarding the hire purchase arrangement, including, but not limited to, the pricing, deposit, terms charges, number of instalments, and instalment amount, which are set out clearly in the hire purchase agreement. Other details in the hire purchase agreement include the rights of the financier and the rights of the customer. It is also part of our process to verbally highlight and explain key terms of the hire purchase arrangement, including the risks and consequences of non-payment, to ensure customers well informed and have a clear expectation of their financial obligations, amongst others. Other financial products offered, such as automotive insurance, are also guided by regulations and accompanied by product disclosure sheets which will also be briefed to customers by our employees.

Furthermore, as a responsible organisation, the Group commits that if it has come to its knowledge any transaction is associated with corruption, human trafficking, smuggling activities, or those prohibited by law, it will not support the financing of such activities or involvement in such transactions, in line with anti-corruption and anti-money laundering and anti-terrorism financing laws.

#### Financial assistance during COVID-19 pandemic

In FY2021, the Malaysian economy dipped into recession due to the COVID-19 pandemic and the movement control orders ("MCOs") imposed by the relevant federal and state governments. Since the beginning of the financial year, we increased our engagement with borrowers and have offered assistance to eligible borrowers, on a case-to-case basis, to make minimum payment for a specific period. We have also undertaken initiatives to ease borrowers' burdens such as waiving overdue interest during the initial period of MCO.

Due to the weaker economic environment and the assistance offered to eligible borrowers, non-performing loan ("NPL") ratio for the financial year increased to 4.9%. Nonetheless, the higher NPL ratio was expected as part of the effects of our assistance offered to borrowers which we monitor closely to strike a balance between maintaining sustainable business performance and supporting borrowers in meeting their financial commitments with us. Despite the challenging economic situation, credit loss charge improved to 3.2% due to lower losses incurred for reposessions and better repayment performances arising from our financial assistance initiatives.

	FY2019	FY2020	FY2021
Non-performing loan ratio	0.8%	1.4%	4.9%
Credit loss charge	3.8%	4.2%	3.2%

For further details of the non-performing loan ratio and credit loss charge, please refer to the Management Discussion and Analysis section of this Annual Report.

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## STATEMENT FY2021

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### ENVIRONMENT

#### EMISSIONS, CLIMATE CHANGE, AND RESOURCE MANAGEMENT

The direct emission the Group's Hire Purchase Financing Division mainly stems from the use of electricity in its operation premises, including for use in air-conditioners, operation of IT equipment, and lighting systems. In our premises, we promote energy conservation habits amongst employees, encouraging them to switch off electricity consuming equipment when not in use. During the financial year under review, electricity usage of Hire Purchase Financing Division amounted to 418,725 kWh.

	FY2021
Electricity usage (kWh)	418,725

We are also in the midst of installing solar panel system in one of our offices in Klang, as a pilot project, to generate renewable energy for own use. The solar panels are estimated to produce 61,800 kWh and offset 41 metric tonnes of CO<sub>2</sub> annually, equivalent to the CO<sub>2</sub> absorbed by 1,236 trees in one year.

The use of natural resources also has an impact on the environment as the business consumes materials such as paper and electricity, which derives its source mainly from fossil fuels such as natural gas and coal and gas in Malaysia. As a responsible organisation, the Group aims to minimise its environment footprints and emissions via efficient management of natural resources, including waste.

Throughout the recent years, we have been investing in digitising our information and documentation management systems. The gradual implementation of our information systems and migration from paper documentation to electronic documentation have helped us to achieve lower paper use and wastage. During the financial year, we have rolled out various customer payment channels such as JomPay, e-Pay at Shell stations and KK Mart as well as MyELK-Desa mobile app to enable customers to make payment online, which helps to reduce the use of paper and wastage, on top of ensuring customers have uninterrupted access to our services. In addition, employees are constantly reminded to consider if it is necessary to print or use paper before doing so. Currently, we are also recycling a majority of our paper waste to do our part in preserving natural resources.

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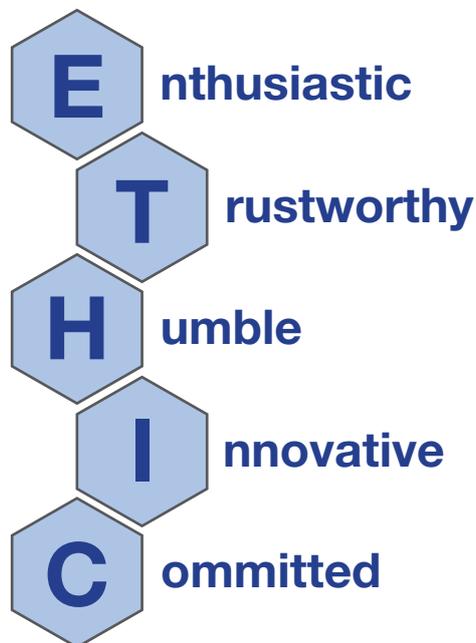
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### SOCIAL

#### ORGANISATION CULTURE

Culture plays an important role for ELK-Desa Group as a whole in the way we do business and engage with stakeholders. We adopt a philosophy of “People Centric Organisational Culture”, where we prioritise the development of positive mindset and behaviours of our employees and their behaviours, as well as establishing internal and external customer service interactions. Our people-focused philosophy is further supported by 5 core values which we aim to demonstrate in our business and see in our people. These values guide our engagement with key stakeholders such our customers, employees, and business partners, as well as setting the foundation for long-term sustainable business. Furthermore, we have established a group-wide Code of Ethics and Conduct which, together with other policies of the Group, governs acceptable standards of conduct and ethics of our employees in business operations.



#### Human Rights and Fair Labour Practices

We are committed to supporting basic human rights, undertaking fair and good labour practices, and ensuring a work environment that free of discrimination and harassment for our employees. We have in place open and transparent communication across the Group where employees are encouraged to speak up against any violation of human rights issues, unethical practices, or situations which puts employees in an unsafe or unfair work environment.

#### Diversity and Inclusion

We treat employees fairly by adopting meritocracy, providing equal opportunities to all employees regardless of race, religion, culture, and gender, across all our human resources management practices from recruitment, ongoing appraisals, to career development. The Group is committed to create a harmonious work environment that is free from discrimination, abusive, offensive, or harassing behaviour. We also have a policy at the Board level to ensure gender diversity at the leadership level.

We have a balanced and diverse workforce, which is reflective of the national demographics, detailed in the table below. Our workforce comprises mainly of permanent full-time employees while we also have contract employees who are 60 years old and above. All employees of Hire Purchase Financing Division are full-time employees, where majority are permanent employees while only 12 are contract employees.

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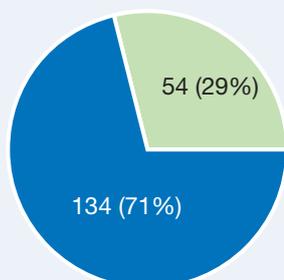
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As at 31 March 2021	Hire Purchase Financing Division		
	FY2019	FY2020	FY2021
Male	58	57	54
Female	137	137	134
Malay	114	110	108
Chinese	56	57	55
Indian	24	25	23
Others	1	2	2
Aged below 30	84	82	63
Aged between 30-50	88	87	98
Aged above 50	23	25	27

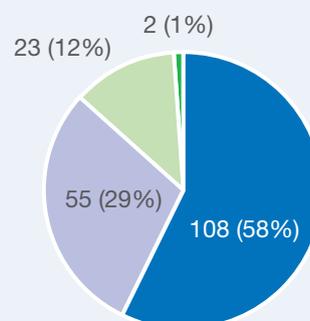
The Hire Purchase Financing Division's diversity in relation to gender, ethnicity, and age as at 31 March 2021 is summarised as follows:

**Hire Purchase Financing Division-Employees by Gender**  
(as at 31 March 2021)



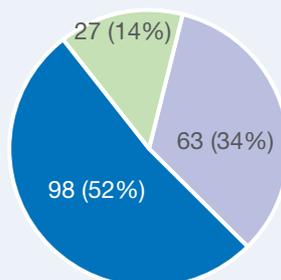
● Male ● Female

**Hire Purchase Financing Division-Employees by Ethnicity**  
(as at 31 March 2021)



● Malay ● Chinese ● Indian ● Others

**Hire Purchase Financing Division-Employees by Age Group**  
(as at 31 March 2021)



● Below 30 ● Between 30-50 ● Above 50

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Number (Percentage*) - Governance body and employee category	Hire Purchase Financing Division							
	Aged < 30		Aged 30 – 50		Aged > 50		Total	
	M	F	M	F	M	F	M	F
Senior Managers	0	0	2	1	3	1	5 (71%)	2 (29%)
	0		3 (43%)		4 (57%)		7 (100%)	
Middle Managers	0	0	2	12	6	6	8 (31%)	18 (69%)
	0		14 (54%)		12 (46%)		26 (100%)	
Senior Executives and below	24	38	14	68	3	8	41 (26%)	114 (74%)
	62 (40%)		82 (53%)		11 (7%)		155 (100%)	
Total	24	38	18	81	12	15	54 (29%)	134 (71%)
	62 (33%)		99 (53%)		27 (14%)		188 (100%)	

Note:

\* the percentage of employees in certain age group/ gender in relation to the total number of employees in the employee category

The Hire Purchase Financing Division's new hire rate and employee turnover rate as at 31 March 2021 are detailed as follows:

New employee hire and employee turnover	Age			Gender		Total
	< 30	30-50	> 50	Male	Female	
<b>New employee hire</b>						
Number	0	2	0	1	1	2
Rate (%)	0	1.06	0	0.53	0.53	1.06
<b>Annual employee turnover</b>						
Number	5	3	0	4	4	8
Rate (%)	2.64	1.58	0	2.11	2.11	4.22

The Group's human resources policies consider and adhere to fair labour practices, human rights, and non-discrimination standards. Our organisation culture is further safeguarded by a reporting system, namely the Group's Whistleblowing Programme, which enables a stakeholder to raise concerns in confidence without the fear of reprisal within the Group. Oversight of the Whistleblowing Programme is provided by the Audit Committee, which is independent from the Group's Management.

### EMPLOYEE ENGAGEMENT

Our employees are central to our business operations in the Hire Purchase Financing Division and they are also one of the key stakeholders of the Group. The employee engagement channels established include the functional/ team reporting structure, and ongoing communication via electronic means. We also have interim and year-end performance appraisals with all our employees to discuss and review employees' performance, discuss their career goals and how the company is able to support mutual development, as well as discussing any challenges faced in their work and areas upon which the business may improve.

Our business adopts open communication where employees at all levels are encouraged to contribute ideas and voice out concerns. This enables leaders of the Group to obtain a holistic view of the business operations as well as the perspectives of employees, including the challenges they face in their respective roles and positions. Such process also promotes the sharing of innovative ideas which may help improve our business and deliver enhanced value to our stakeholders.

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Before putting in place significant measures or initiatives which may affect business operations or employees, we conduct engagements with employees to obtain their input and feedback, which are then factored into decision making. We also aim to keep employees informed about the strategies of the business and any upcoming changes to communicate business directions and align expectations.

In FY2021, we have undertaken an employee engagement process to review the Hire Purchase Financing Division's standard operating procedures ("SOPs"), in view of the need to develop temporary procedures as part of the COVID-19 Prevention Measures ("CPM") as well as enhancing the business SOPs in pursuit of higher productivity and efficiency. These engagements were phenomenally successful as Management was able to obtain practical considerations and innovative ideas which were then incorporated in the enhanced procedures.

During the financial year, we have also conducted employee surveys on CPM effectiveness and improvement opportunities, as well as a survey on business sustainability which aims to include employees' assessment and ratings in determining the material EESG matters relevant to our business. The assessment outcome was considered in the materiality assessment discussed in this Statement.

### EMPLOYEE WELLBEING

Having a positive, healthy and vibrant workplace environment promotes employee motivation, inspires creativity, reduces stress, and helps enhance employees' capabilities in their work performance and leads to greater job satisfaction and sustainable workforce. We focus on the wellbeing of our employees in different aspects, including workplace safety and health and remuneration and benefits.

#### Workplace Safety and Health

As we operate in the financing business and involves the handling of cash, we are cognisant of the safety risks to our employees, which may be threatened by incidents of burglary and robbery. Across our business and in our premises, our business, we employed security measures such as installation of CCTVs, security guards, security management, and logistics service providers. We provide briefings to our employees on emergency responses when faced with emergency situations, safety risks, fire, and others.

In addressing the COVID-19 pandemic, Management formed a CPM Task Force to establish CPM in our business operations. The CPM Task Force also conducted employee engagement to obtain employees' input on CPM effectiveness and to improve CPM from time to time. These measures include visitor registration process, body temperature checks, face masks/ shields for frontline staff, sanitiser dispensers at customer hall and offices, routine cleaning of the office premises especially high touch point areas, education on hygiene care, work-from-home arrangements, staggered working hours, and increased online engagements instead of physical meetings. The CPM Task Force is also responsible for ensuring compliance with any relevant rules and regulations issued by the federal and state governments.

Being aware of the fact that the heightened risk awareness and changing work arrangements with respect to COVID-19 during the financial year may potentially have a negative impact on the physical and mental health of our employees, we also provided online briefing and materials guiding employees in managing their health and mind conditions during this period, as well as providing greater flexibility to employees in adopting work-from-home arrangements depending on the nature of work.

We are pleased to report that the Hire Purchase Financing Division did not record any serious occupational serious injuries amongst our employees during the financial year under review.

#### Employee Remuneration and Benefits

In its efforts to develop a sustainable workforce, the business aims to provide fair remuneration and adequate benefits for employees which also help to attract, retain, and motivate performance and talents. Through our employee engagement activities, we have conversations with employees to understand their needs to inform our human resources management strategy. Whilst the business has been impacted by the pandemic outbreak and MCOs, Management strives to preserve the sustainability of our workforce and there were no retrenchment or pay-cut exercises during the financial year under review.

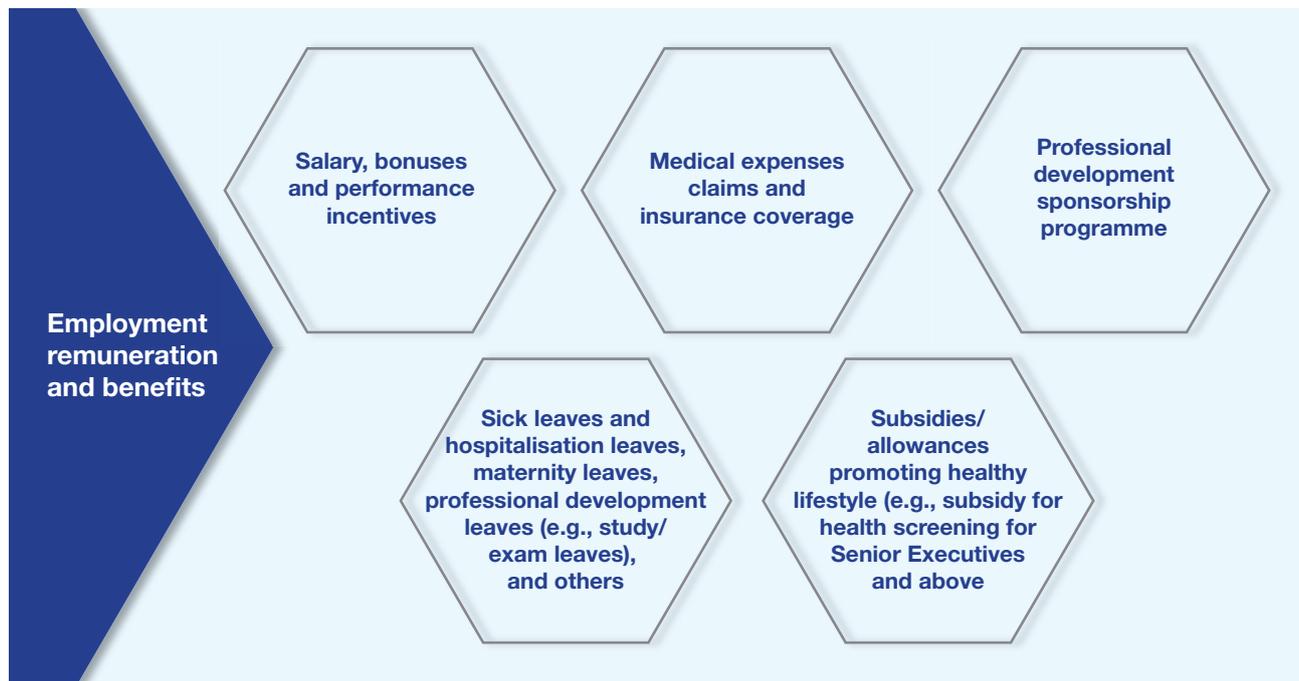
# SUSTAINABILITY

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(cont'd)

Generally, our employment remuneration and benefits may include the following:

- salary, bonuses and performance incentives;
- sick leaves and hospitalisation leaves, maternity leaves, professional development leaves (e.g., study/exam leaves), and others;
- medical expenses claims and insurance coverage;
- professional development sponsorship programme; and
- subsidies/ allowances promoting healthy lifestyle (e.g., subsidy for health screening for Senior Executives and above).



### TALENT DEVELOPMENT, LEARNING AND DEVELOPMENT

Our hire purchase financing business requires a mix of required skills and specific experience and we believe in the value brought by internally groomed talents and experience. Bearing in mind the succession plans of the business, we continuously invest in technical and non-technical development in our employees.

Through our ongoing business performance review and employee engagements, including regular performance appraisals, training needs analysis is performed on our various key business functions as well as on our employees. Training schedules and programmes are then devised considering the outcome of the training needs analysis. Due to COVID-19, most of our learning and development programmes were conducted online during the financial year under review.

A summary of the learning and development topics and programmes provided to employees of Hire Purchase Financing Division during FY2021 is as follows:

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Training Topics	Description
HR360 Individual Development Plan Programme	An initiative to develop a customised individual development plan for a group of designated staff in the company. The program includes workshops and coaching sessions to help identify the strength and areas of improvement for them.
Innovative Task Force Programme	Leadership development programme for managerial staff with task oriented operational/management training and project executions.
Balance Score Card	The Balance Score Card programme was designed to provide clarity on how to make a strategy operational by using the scorecard as a holistic measurement tool for flagging out early warning indicators on whether the company's strategic objectives will be achieved. The training provided an overview on the mechanics of how to use strategy maps and scorecards as tools that help translate strategies into actions and actions into results.
Performance Management System & Key Performance Indicator Setting	A programme to equip leaders in setting the right KPIs that align and link to its strategy, properly cascade and clearly communicate throughout the organization, and effectively use its resources to achieve them.
SOP Walkthrough Programme	A biannual workshop to review SOPs of the respective departments through group studies, brainstorming and assessment tests to further enhance existing SOPs.
Anti-Bribery Management System ("ABMS") Awareness Programme and Implementation	An awareness program to affirm Company's commitment to conducting all business of the Company in an honest, ethical, corruption free, and professional manner wherever the company operates.

Overall, a total of 1,356 training hours were provided to our employees of the Hire Purchase Financing Division, translating to an average of 7.21 training hours per employee for the financial year under review.

## FOCUSING ON CUSTOMERS

### Customer Experience and Satisfaction

Apart from products, our value to customers also includes the service and experience we offer. In the financial services industry, customer experience and satisfaction are increasingly important for a business to meet customers' expectation and needs. Customer engagement is one of the key strategies we adopt to enhance customer experience and provide customised service, as well as advice, to our customers.

As part of our commitment to responsible financing, we ensure customers are well-informed about the products that we offer through clear documentation, briefing by our employees, and product disclosure sheets. We have also established various channels through which customers can reach us, such as our customer service care line, email, or our customer service at our office. We also leverage on social media platforms and digital communication channels such as Facebook, WhatsApp, and two-way SMS.

Our MyELK-Desa mobile application, launched in FY2021, allows customers to make payments as well as enquiring and seeking advice on loan, insurance and road tax matters online or to contact our Careline Team. In addition, we have also expanded our payment channels to enable more convenient payment methods for our customers, e.g., through JomPay and e-Pay networks. Our customer care line is now equipped with Interactive Voice Response which facilitates better communication and addresses more accurately customers' enquiries.

On top of ongoing communication, we also seek feedback and comments from our customers through, amongst others, a link to customer survey attached with our responses made through our email-based customer service channel. The link to customer survey is also available in our product brochure.

During FY2021, as we expand our engagement initiatives with the business' stakeholders, we have launched a sustainability assessment form which aims to obtain customers' view on what matters most to them in relation to the sustainability of our business. The assessment forms were available online and the outcome was considered in the materiality assessment discussed in this Statement.

Internally, Management conducts discussions and meetings with relevant personnel to assess and review the customers' experience and any issues they face, including complaints made. We take our customers' views and comments seriously and undertake efforts to improve our service and customer experience, where appropriate.

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### GOVERNANCE

#### RISK MANAGEMENT AND INTEGRATING SUSTAINABILITY INTO THE BUSINESS

We aim to create sustainable value over the long-term and with that objective in mind, it is of paramount importance for the Group to integrate sustainability considerations in its strategies across the long-, medium-, as well as short-term. Supporting this is the risk management system which is a process to identify, assess, and manage risks, and these risks may be categorised into, amongst others, strategic, operational, financial, reputation, environmental, social, and governance risks. The Group's risk management systems are broadly categorised into the enterprise-wide risk management Framework ("ERM Framework") which deals with core business risks and the sustainability management process which focuses on economic, environmental, social, and governance aspects.

The Board is ultimately responsible for risk oversight and setting the risk appetite for the Group's ERM Framework which incorporates the ERM methodology guided by ISO 31000:2018, Risk Management – Guidelines. It is further assisted by the Audit Committee which reviews and oversees Management in its implementation and sustained management of the ERM Framework, which involves, amongst others, Management providing regular updates on the Group's risks and obtaining assurance on the integrity of the risk management system on behalf of the Board. The Audit Committee review the ERM Framework from time to time to effect changes or amendments which reflects the changing business needs and regulatory developments, before recommending it for the Board's approval. Features of the ERM framework, together with the Group's key internal control aspects, are disclosed in the Statement on Risk Management and Internal Control in this AR.

The Board also holds ultimate responsibility over the Group's sustainability management process which generally facilitates the identification, assessment, and management of sustainability risks. Compared to enterprise-wide risks, these sustainability risks, or EESG risks, consider a wider group of stakeholders beyond the strategies and operations of the business. Our management of EESG risks, together with opportunities, are disclosed in this Statement.

#### ETHICAL BUSINESS PRACTICES, INTEGRITY, AND TRANSPARENCY

It is of utmost importance that our business, including Management and employees, observes the highest standards of ethics and integrity, especially when our business involves financing and handling of money. The principles of integrity and transparency are the foundations to building reliable, trustworthy, and strong stakeholders' confidence in our business, our products, and service. We maintain open, regular, and well-maintained communication channels with our shareholders and investors and address the enquiries which they may have transparently and accurately. Similarly, we do not mislead our customers and we provide them with accurate information through our trained employees, product documentation, and product disclosures sheets.

The ethical values and standards governing our business and employees are set out in the Group's Code of Ethics and Conduct (the "Code"). The Code is further augmented by other governance policies including the Anti-Bribery and Corruption Policy ("ABC Policy") and the Employees Handbook.

The Code emphasises on the importance of, amongst others:

**Treating stakeholders with trust and credibility**

**Complying with relevant laws and regulations**

**Avoiding conflict of interest situations**

**Demonstrating integrity and anti-corruption**

**Ensuring business financial integrity and accurate financial reporting**

**Maintaining a workplace which is safe, fair, and respectful**

**Demonstrating professionalism**

**Caring for the physical environment**

# SUSTAINABILITY

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Our business is also governed by established SOPs which have incorporated application of ethical business practices. Guided by these SOPs, our employees carry out their duties and responsibilities systematically with clear expectations of acceptable and unacceptable practices.

The Management is expected to set the tone at the top and setting examples by carrying out of ethical business behaviours and making business decision without compromising business ethics an integrity. Employees are encouraged to raise concerns and questions, including on matters pertaining to ethics, while Management is expected to address the concerns or questions accordingly.

### Anti-Corruption and Anti-Bribery

In light of the recent introduction of corporate liability via Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Group established an Anti-Bribery Management System (“ABMS”) via an ABC Policy and has made relevant revisions in governance policies. The Group adopts a zero-tolerance approach towards bribery and corruption and has established a No-Gift Policy which prohibits the solicitation or accepting of any gifts, apart from limited items which are insignificant in value, which may influence business decisions or puts employee in a conflicting position. The ABC Policy is available on the ELK-Desa’s corporate website.

The Anti-Bribery Compliance Function is responsible for overseeing the design and implementation of the ABMS, providing relevant guidance and advice, as well as monitoring the ABMS performance and reporting to the Board annually. The ABMS also provides for the inclusion of corruption risk in the Group’s risks management processes, as well as other internal controls including the conduct of due diligence on employees, business associates, and other organisations to assess any exposure to bribery and corruption risk.

Since the establishment of the ABMS and ABC Policy, all existing directors and employees of the Hire Purchase Financing Division have been briefed on the ABC Policy and they are also required to undergo refresher briefings or training annually moving forward, accompanied with written acknowledgment. All new employees will also be required to undergo briefing on the ABC Policy during orientation.

### Whistleblowing Programme

The Group has a Whistleblowing Programme, a confidential reporting process which allows employees or other external parties to report wrongdoing or improper conduct without fear of reprisal. The Whistleblowing Programme is publicly accessible via ELK-Desa’s corporate website.

For the financial year under review, we are pleased to report that there were no report cases on corruption nor breaches of the Group’s Code or ABC Policy.

We will continuously review its policies and processes in place to enable the observance of high ethical and integrity standards in the conduct of our business.

## TECHNOLOGY AND DIGITALISATION

### Technology, Digitalisation and Innovation

The adaptation of technology and digitisation in our business continues to be a driver towards greater business potentials through better operational efficiency and innovative business models or processes. The case for change in favour of digitisation was further accelerated during the COVID-19 pandemic and MCOs, where online platforms have become the major means of communication, meetings, and even transactions. Owing to our efforts to regularly assess our systems, business processes and infrastructure, we were better prepared to respond to the changing business circumstances, such as having the capability to enable work-from-home arrangements, increased online engagement with customers and employees, more online payment options, and others.

Taking advantage of digitisation, we have further expanded our options of payment channels which allows customers to make payment without coming into our office. This has helped us control physical crowds at our offices, lowering the risk of spread of COVID-19 while ensuring payments continue to be made. Compared to the previous year where over-the-counter (“OTC”) payments constitute more than 60% of the overall payments, FY2021 has seen OTC payments comprising only approximately 25% of overall payments. We believe our business will continue to benefit from such flexibility and mobility brought by digitisation.

# SUSTAINABILITY

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Technology use has also enabled more efficient stakeholder engagement activities, which we have noted through our daily business communications with employees, customers, and business partners. The sustainability assessment and rating exercise we conducted with key stakeholders for the purpose of materiality assessment were also carried out over online platforms exclusively.

In FY2021, we have established an IT Steering Committee whose role is to drive the development and deployment of IT initiatives in our business operations. In order to pursue innovation and adoption of technological capabilities in our Hire Purchase Financing Division, specific budget is allocated for technology and capability enhancement at the Group-level to support long-term business sustainability.

### DATA SECURITY & PRIVACY

As our reliance on technology and digital infrastructure deepens, IT security risks such as data security risks and privacy risks emerge as significant risks which must be addressed. As a non-bank lender, we handle vast amount of customer data and information as well as management and financial information or sensitive data in our IT infrastructure.

We have engaged external professional service providers to manage our IT system and cybersecurity, including ensuring the necessary safeguards are in place and working as effectively. These safeguards, such as anti-virus software, firewall, data mirroring and offsite backup, provide protection to our IT systems, including hardware and software, and sensitive customer data and information.

Our handling of customers' information is also in compliant with the Personal Data Protection Act 2010 ("PDPA 2010") and relevant rules and regulations to protect our customers' privacy. Apart from ensuring IT and data governance practices are in place, we also provide training to our employees from time to time on the proper handling of customers' data.

Independent audits are also conducted on our IT systems or processes at least once a year, either via external audit, internal audit, or both, where potential improvement areas are identified and remedial actions are formulated to address any identified issues.

For the financial year under review, there were no cases of major IT breaches nor where there any violations against the PDPA 2010.

### CONCLUSION

As we strive to build and maintain a sustainable business, it is imperative for the business to continue managing the various sustainability matters affecting the business' value creation and preservation for its stakeholders. Moving forward, we will remain committed to continuous progress along our sustainability journey and communicating our progress and outcomes to our stakeholders.