

SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

The Board of Directors (“Board”) of ELK-Desa Resources Berhad (“ELK-Desa” or the “Company”) presents this Sustainability Statement (“Statement”) which discloses the sustainability progress, performance, and achievement of the businesses and operations of ELK-Desa and its group of subsidiaries (“ELK-Desa Group” or the “Group”) towards creating and preserving long-term value for our stakeholders. The Board, in its stewardship of the Group, embraces holistic, long-term business sustainability by incorporating economic, environmental, social, and governance (“EESG”) considerations in the Group’s corporate strategies.

This Statement is prepared in accordance with the relevant provisions of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) and has considered the Sustainability Reporting Guide – 3rd Edition and its accompanying Toolkits. In addition, this Statement has also been prepared in accordance with the GRI Standards and has incorporated other better practices on sustainability reporting where applicable.

This Statement has been reviewed by the Board and is published on our corporate website at <https://www.elk-desa.com.my/ar2023.html>.

Reporting Scope and Period

The scope of this Statement continues to focus on the sustainability progress of the Hire Purchase Financing Division (“HP Division”), which represents the Group’s core business, for the reporting period from 1 April 2022 to 31 March 2023 (“FY2023”), unless otherwise stated.

During the financial year under review, the Group continued to enhance the sustainability management and reporting process for the HP Division. This includes a review of the integration of sustainability considerations in the business strategies of the HP Division and an ongoing review and enhancement of the data collection process.

The Group’s HP Division operates a non-bank lending business which finances used cars and as an agency for motor-related general insurance products through the Group’s headquarters in Kuala Lumpur and office in Klang, Malaysia, serving customers and used-car dealers mainly in the Klang Valley. It is also a member of the Association of the Hire Purchase Companies Malaysia and the Kuala Lumpur & Selangor Car Dealers and Credit Company Association of Malaysia.

Enhancement to the HP Division’s sustainability management and reporting processes will continue to be carried out moving forward and we aim to extend these processes to the Group’s Furniture Division by FY2025.

Assurance

The Group currently does not obtain any external assurance specific to this Statement. Nevertheless, the Group has undertaken an internal verification process on its sustainability data reported in this Statement, which was performed by an independent external service provider, focusing on indicators disclosed with reference to the GRI Standards, including relevant topics.

Contact Details

We value and appreciate all feedback for us to continue enhancing our Statement. Please send any questions in relation to our sustainability initiatives or reporting, or comments and feedback, to the Company Secretary, Mr. Loke Weng Fook at the email address: enquiry@elk-desa.com.my.

SUSTAINABILITY STATEMENT

cont'd

GED/CEO'S MESSAGE

In 2023, most countries including Malaysia progressed with their economic recovery initiatives following the widespread roll-out of COVID-19 vaccination programmes. Businesses moved on within a business environment that has changed considerably in various aspects, including where employees carry out their work, how the business enables communication with stakeholders, and how these changes affect dynamics and interactions at the workplace.

It is also noticeable that more businesses are deepening their engagement with employees, listening to and working together with employees to find more effective working arrangements, as well as greater adoption of technology and increased efforts to achieve cost optimisation.

At ELK-Desa Group, we have always been putting emphasis on initiatives that help us build foundations towards long-term business sustainability, including establishing strong relationships with key stakeholders. We also evaluate our investments carefully to drive optimal value creation. Our investment in technology in recent years has helped us develop more flexible and convenient payment channels for our hirers, reducing risks related to the handling of physical cash, and the launching of e-Learning Management Systems ("e-LMS"), an online platform for employees' learning and development, has also helped us create a structured process towards building the talents and skills required to support long-term business success.

In ensuring our sustainability efforts are meaningful and are aligned with our business objectives and purpose, we have reviewed the integration of sustainability matters in our business strategies for the HP Division, where matters material to business value creation are prioritised and put through a set of performance monitoring systems, as follows.

Material Matters	Commitments	Indicators	FY2023 Targets	FY2023 Actual Results
Anti-corruption, Anti-Money Laundering, and Ethical Business Practices	To demonstrate our adherence to integrity, governance, and responsible business practices within expectation of the marketplace and stakeholders. We have adopted a zero-tolerance approach on anti-bribery and corruption.	Reported cases involving bribery or corruption	0 reported cases	0
		Suppliers/business partners to whom we have communicated or affirmed to our code of conduct/ anti bribery and corruption policy	95% of suppliers/ business partners	97.5%
		Employees who have received training on policy and procedure related to anti-bribery, corruption and code of ethics and conduct	95% of employees	96.9%
		Board members and Senior Management endorsed the Declaration of conflict of interest/ communicated regarding the anti-corruption policy and procedure	100% of Board members and Senior Management	100%
		Operations function assessed for risk related to corruption divided by total operations per annum	95% of operations	100%
Financial Performance	To achieve steady financial performance growth.	Return on equity	> 8%	10.4%
		Return on assets	> 5.5%	7.5%
		Earnings per share growth	> 5%	83.0%
		Dividend payout ratio	> 60%	62%

SUSTAINABILITY STATEMENT cont'd

Material Matters	Commitments	Indicators	FY2023 Targets	FY2023 Actual Results
Responsible Finance	To serve the under privileged community not supported by mainstream lenders, e.g., bank and license financial institution.	Hirers that fall under B40 and M40	95% of hirers	99.3%
		Hirers have been briefed on financing terms	100% of hirers	100%
	To treat customers fairly through practices of clear and transparent financing terms, lending only to those who can afford to repay.	Loan approved for motor vehicles that passed PUSPAKOM inspection	100% loan approved	100%
		To finance road-worthy motor vehicles.		
Employee Engagement and Employee Wellbeing	Commit to engage regularly with employees.	Employee engagement activities per year	To conduct at least 4 engagement activities	6
	Commit to provide employee training and development.	Average training hours per employee per year	Minimum average 10 hours of training and development	35.03
	To ensure the low rate of staff turnover.	Staff turnover per annum	< 5% of staff turnover	13.4%
	To ensure the happiness of employees.			
Innovation	Commit to approach/educate all hirers and dealers to use our innovative products.	Product adoption rate by hirer or dealers (e.g. e-payment channel, mobile phone app)	At least 65% adoption rate	90.2% for e-payment channel 31.3% for mobile phone app
		To improve products, services and internal processes using technology.		
		Number of accepted innovative ideas/processes per annum	Minimum 2 projects per department that meet project criteria per annum	Average 1.25 projects per department

Increasing awareness of environmental and social responsibilities is driving changes to the broader landscape of the vehicle market. In order to understand the longer-term impact of EESG aspects on our HP Division, we collaborated with Datametrics Research and Information Centre to conduct an objective study on the sustainability of the used car market. The study is expected to enable greater knowledge sharing to the public regarding the sustainability considerations of the used car market, in addition to enabling the Group to align its future business strategies.

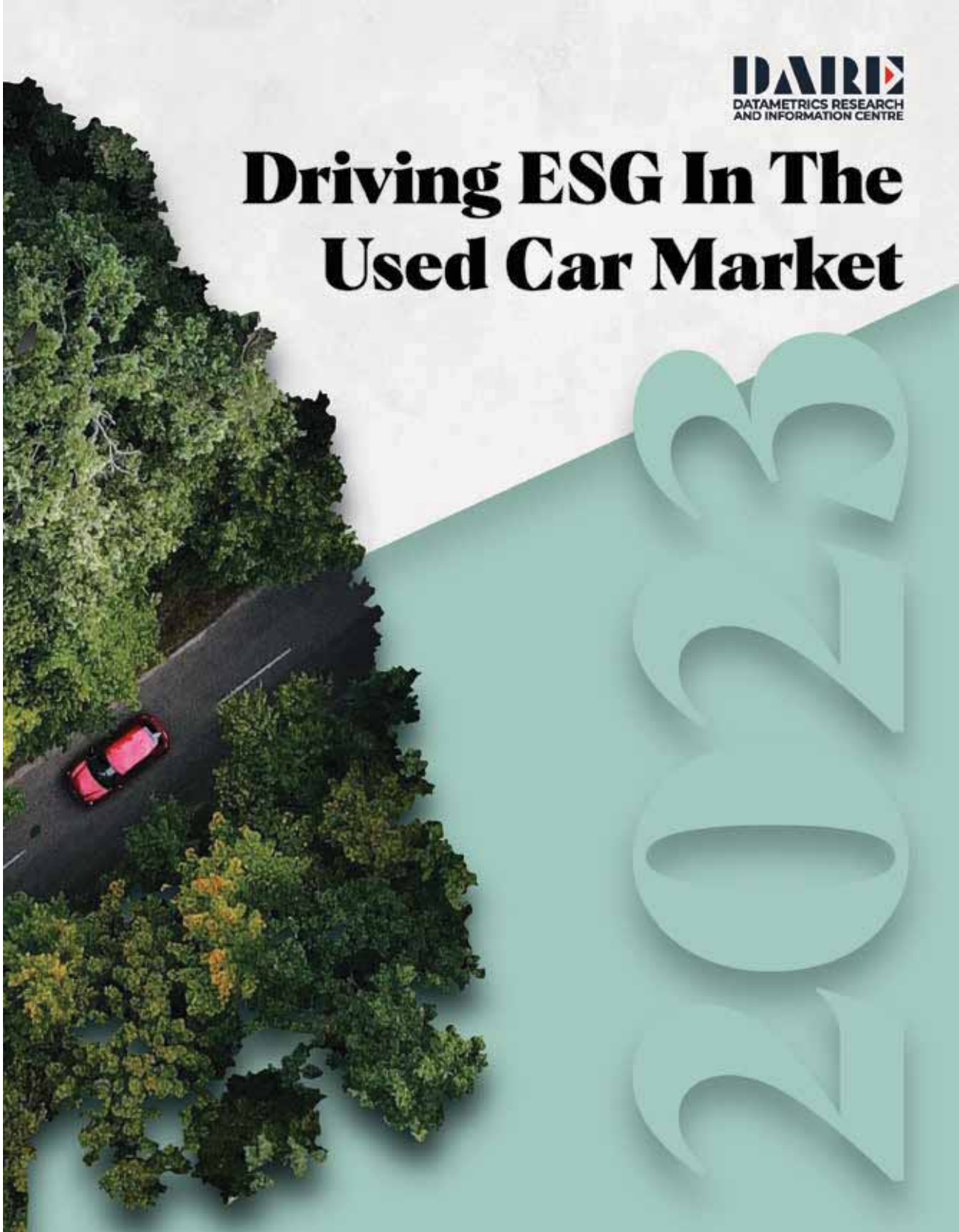
In this Statement, we prepared our sustainability disclosures in accordance with the GRI Universal Standard 2021 which is effective for reports published on or after 1 January 2023. We also undertook the initiative to align our disclosures, as much as possible, with the amendments to the MMLR which will only come into effect for annual reports for the financial year ending after 31 December 2023.

With regard to the target to expand our sustainability management and reporting practices to the Furniture Division by FY2025, ongoing assessments are being carried out and we will strive to work towards the set target.

ELK-Desa Group is committed to carry out its roles and responsibilities as a responsible corporate citizen and enable long-term, sustainable value creation and preservation for our stakeholders.

SUSTAINABILITY STATEMENT

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SUSTAINABILITY STATEMENT

cont'd



SUSTAINABILITY
STATEMENT
cont'd

Table of Contents

Section 1 - Executive Summary	01
Section 2 - Premise	02
Section 3 - What is ESG and Sustainability	03
Section 4 - The Malaysian Automotive Landscape	04
Section 5 - Malaysian Used Car Market	07
• Reality Check: Used Car Industry IS ESG Compatible	
• Environment	
• Social	
• Governance	
Section 6 - Key Take Outs	12

SUSTAINABILITY
STATEMENT
 cont'd

Driving ESG In The Used Car Market 2023

Section 1 Executive Summary

Malaysia's automotive ecosystem is massive and complex. It involves numerous industries and companies including car manufacturers, distributors, importers, service providers, and insurers, among others.

A key component of the automotive ecosystem is the used car industry, which is sizeable, with used cars accounting for 40% of cars on Malaysian roads. In absolute numbers, a total of 400,000 used cars were sold in 2021. In the same year, 600,000 new cars were sold.

The growth of the used car industry both in terms of volume and value is expected to increase by nearly 10% by 2025. This is in stark contrast to the decline in the industry between 2015-2020.

An important factor for this impressive growth is the affordability of used cars, which have a lower entry cost than newer cars. Most used cars in the market use internal combustion engines (ICEs) which run on cheaper fuels.

The emergence of online car trading platforms which have made the process of buying used cars easier and more transparent. Additionally, the unreliable public transport system especially in the Klang Valley has led more to purchasing their own vehicles. Having a personal vehicle has also been essential for those working with e-hailing and p-hailing companies.

However, there are challenges facing the used car industry, particularly where environmental, social, and governance (ESG) agendas are concerned. ESG goals are becoming increasingly important to governments, markets, and end-consumers but the used car industry is often perceived as

being incompatible with these goals.

In fact, the National Automotive Policy (NAP) 2014-2020 and the subsequent NAP 2020-2030 places an emphasis on the "Green and Sustainability" theme. Locally and globally, many believe that fuel-efficient and low-emission cars are the only vehicles that comply with ESG goals.

For example, the used car industry is not viewed as being environmentally-friendly because most of the cars in the market are considered old, high-polluting, and contributing towards the consumption of fossil fuels. Additionally, these cars are perceived as contributing to traffic jams and accidents because of their ageing parts.

There are also concerns over the social and governance aspects of the used car industry which contribute to perceptions surrounding used cars.

However, as this paper discusses, the used car market is actually ESG-compatible.

Used cars help reduce wastage and the use of valuable limited resources. The second-hand market is also increasingly being populated with more fuel-efficient and environmentally friendly cars. Additionally, the lower prices of used cars compared to new cars mean they help facilitate social mobility.

With the increased adoption of the ESG agenda by Malaysian companies, particularly automotive industry players, it is clear that the used car industry cannot be left out of ESG conversations and policies. All stakeholders must be aware of the important role the used car industry can, and will play, in furthering Malaysia's pursuit of the ESG agenda.

SUSTAINABILITY STATEMENT

cont'd

Section 2 Premise

Malaysia's automotive ecosystem is driven by the National Automotive Policy (NAP), which was first introduced in 2006 to facilitate the required transformation and to integrate the local automotive industry into the increasingly liberalised and competitive global environment.

In NAP 2014-2020, the Government has placed an emphasis on being 'green' or environmentally friendly as well as being sustainable with a focus on developing Malaysia as a hub for energy efficient vehicles (EEVs). This has led to the burgeoning of EEVs that include Battery Electric Vehicles (BEVs), Plug-in Hybrid Electric Vehicles (PHEVs) and Hybrid Electric Vehicles (HEVs) into the Malaysian automotive market.

The growth trend in EEV is expected to continue into the foreseeable future, as EEVs are also expected to play a role in NAP 2020 – 2030, which emphasizes Connected Mobility in a bid to enhance the automotive industry in the digital industrial transformation era. One of the objectives of NAP 2020 – 2030 is to reduce carbon emission from vehicles by improving fuel economy level in Malaysia by 2025 in line with the ASEAN Fuel Economy Roadmap of 5.3 Lge / 100km.

The emphasis on reducing carbon emissions and putting more energy efficient vehicles on the road is in tandem with the increasing global commitment towards sustainability, which has in turn driven the adoption of ESG (Environment, Social and Governance) for automotive industry players across the world.

In Malaysia, the used car industry is a critical component of the local automotive system. This industry consists of an extensive eco-system that include used car dealerships,

financing companies, after-market parts and services, importers and exporters, vehicle inspection agencies as well as online trading platforms.

While the global and domestic automotive industry is adopting the pillars of ESG throughout its value chain, the used car industry in Malaysia is still very much focused on internal combustion engines (ICEs). As such, there is a perception that the used car industry may find it challenging to adopt ESG as it facilitates and pro-long the use of ICE vehicles that may not be as energy efficient or as eco-friendly as EEVs.

This paper (supported by ELK-Desa Capital Sdn. Bhd.) seeks to determine if the used car industry in Malaysia is ESG compatible while outlining ways to enhance ESG in this industry.

Key sections in this paper include

- Definition of ESG
- 02. Malaysian automotive landscape
- 03. Used car market from an ESG perspective

Driving ESG In The Used Car Market 2023

SUSTAINABILITY
STATEMENT
cont'd

Driving ESG In The Used Car Market 2023

Section 3

What is ESG and Sustainability?

ESGs refers to a set of standards used to evaluate a company. Investors use ESGs to screen potential investments to determine the ethical impact of investing in a company.

The environmental criteria focuses on the impact a company and its operations has on the environment. It also looks at a company's policies to minimise its impact on the environment, address climate change, and reduce energy consumption and carbon emissions, among others.

The social criteria centres around a company's impact on society, which includes its employees, suppliers, customers and surrounding communities. This criteria covers labour practices, community engagement, diversity and inclusion, and human rights, among others.

The governance criteria examines a company's structure and leadership, issues of transparency, internal control and compliance, risk management, and stakeholder rights, among others.

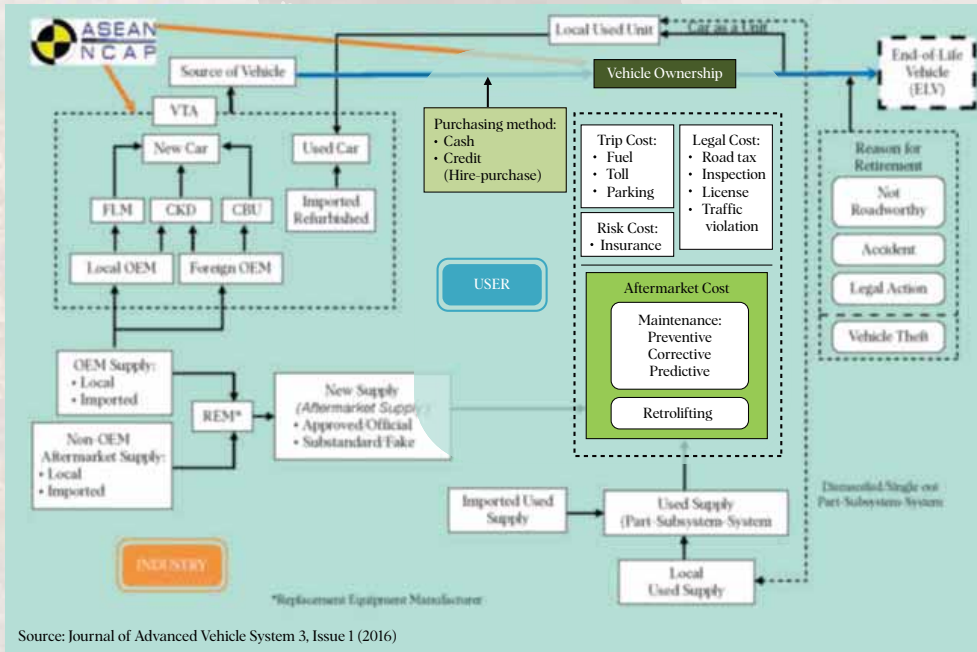
Sustainability assesses a company's ability to operate and grow in an economically, environmentally, and socially responsible manner. This involves the adoption of policies and best practices to have lasting and positive impact on stakeholders, surrounding communities and the environment.



SUSTAINABILITY
STATEMENT
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Section 4 The Malaysian Automotive Landscape

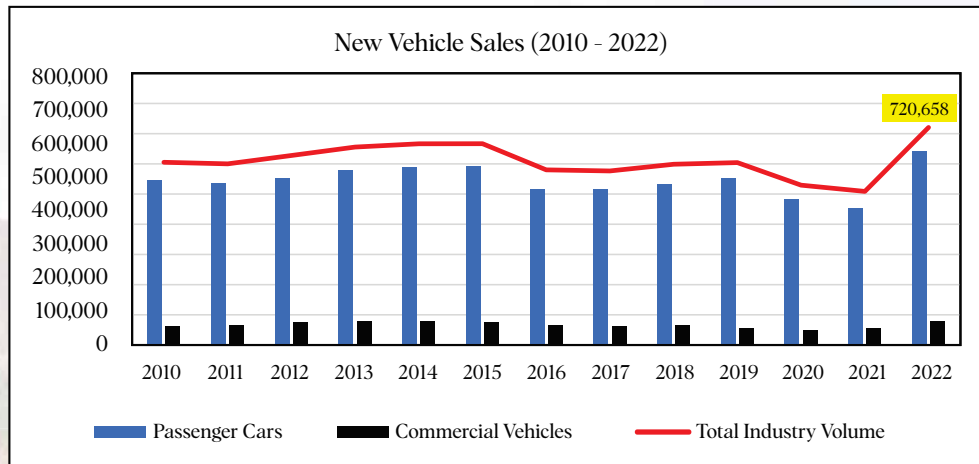
The Malaysian automotive ecosystem is complex and encompasses multiple industries and players, from car manufacturers, importers, distributors, end-car financing, servicing, repairs, and insurers. Used cars are a part of this ecosystem and comprise imported and refurbished vehicles.



In terms of growth, vehicle sales saw an uptick last year after a period of slight decline between 2016 and 2021. According to statistics from the Malaysian Automotive Association (MAA), a total of 720,658 vehicles were sold last year. This has been supported by the growth of online vehicle trading platforms and an unreliable public transport system. While ICE vehicles still dominate the market, electric vehicle (EV) sales are gaining ground.

SUSTAINABILITY
STATEMENT
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Driving ESG In The Used Car Market 2023



Source: Malaysian Automotive Association, MAA

In terms of the local industry, the NAP 2020-2030 also touches on moving beyond EEVs. Globally, the concept of mobility will influence the direction of product development, from a purely powertrain-based vehicle to the incorporation of artificial intelligence and connectivity features in vehicles.

POLICY DRIVEN		VISION DRIVES POLICY	
SUPPLY CHAIN INTEGRATION	INVESTMENTS PROMOTION	GREEN AND SUSTAINABILITY	CONNECTED MOBILITY
NAP 2006 (2006-2009)	NAP 2009 (2009-2014)	NAP 2014 (2014-2020)	NAP 2020 (2020-2030)
ADOPTED POLICY	REVIEWED	FOCUSED	ENHANCED
Introduced to transform the domestic automotive industry and integrating it into the increasingly competitive regional and global industry network.	Reviewed to enhance the capability and competitiveness of the domestic automotive industry.	Focused on developing Malaysia as the hub for Energy Efficient Vehicle (EEV)	Enhance Malaysia's automotive industry in the era of digital industrial transformation.

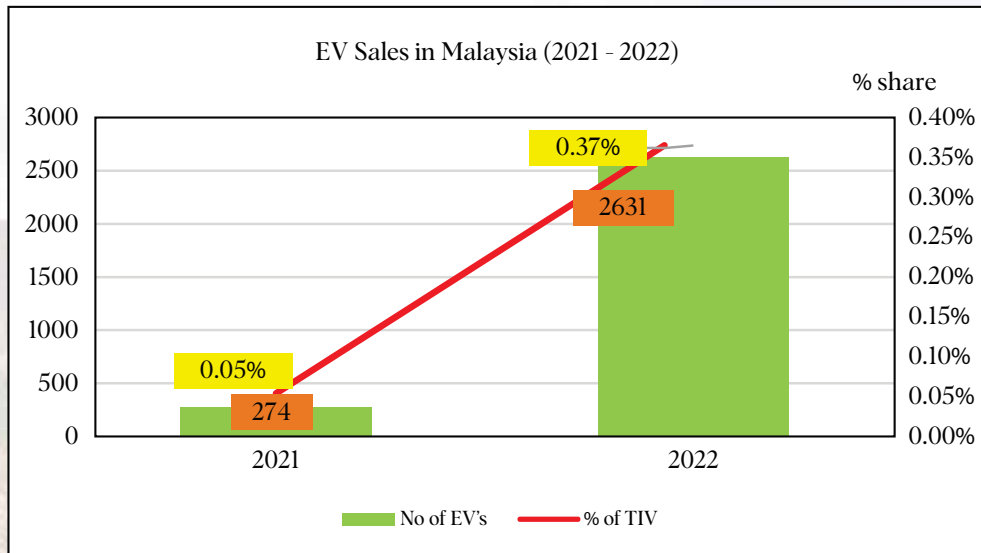
Source: National Automotive Policy 2020, Ministry of International Trade and Industry (MITI)

A greater emphasis on ESG goals are also strongly shaping the automotive industry, particularly the development of more EEVs in line with consumer demands. In Malaysia, the sale of EEVs grew by almost tenfold from 2021 (274 units) to (2,631 units) a year later.

SUSTAINABILITY STATEMENT

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Driving ESG In The Used Car Market 2023



Source: Malaysian Automotive Association, MAA

The Malaysian automotive landscape is also expected to see changes in line with the Government's plans to reduce carbon emissions. Notably, Malaysian automotive industry players like UMW Holdings and Bermaz Auto Berhad have adopted ESG agendas. UMW, which is the sole distributor for the Toyota and Lexus brands, has, among others, pledged to achieve 100% carbon-neutrality by 2050. Bermaz Auto, which distributes Mazda, Peugeot, and Kia vehicles has already brought EVs into the market as part of its ESG goals.

The Malaysian Government is also seeking to develop the Next Generation Vehicle (NxGV) technology ecosystem to turn Malaysia into a regional hub for the production of NxGVs which are environmentally friendly and fuel-efficient with low or no emissions. Electric vehicles (EVs), hybrid vehicles (HVs), plug-in-hybrid vehicles (PHEVs), and fuel cell vehicles (FCVs) are examples of NxGVs. Of the NxGVs, the Malaysian Government has placed special emphasis on EVs, and has set up a National EV Taskforce which has set targets to increase the total industry volume of EVs and HVs to 38% by 2040.

Currently, EVs only account for less than 5% of the total industry volume in Malaysia. The Taskforce also aims to establish 10,000 public charging stations by 2025.

SUSTAINABILITY
STATEMENT
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Driving ESG In The Used Car Market 2023

Section 5 Malaysian Used Car Market

The Malaysian used car market is sizeable in nature, with 2 out of every 5 cars sold in the country being a used car. In 2021, 400,000 used cars were sold compared to 600,000 new cars. The growth of online car trading platforms such as Carsome and MyTukar has contributed to an uptick in used car sales and this trend is expected to continue in years to come.



Historical Market Growth (CAGR 2015 - 2020)
Used car market by volume: -0.1%
Used car market by value: 1.2%



Future Market Growth (CAGR 2015 - 2020)
Used car market by volume: 8.6%
Used car market by value: 9.6%



Competition Structure
Highly Fragmented with 4,500-5,000 multi-brand dealers, 10-12 OEM certified, 5-7 auction players, 10-15 C2B players, 10-15 Online auto classified



Market Stage
Late-growth Stage



Basis of Competition
Number of listings, vehicle Brands offered, Number of listings, Additional service offerings (Financing/ Warranty/ After sales), Key Focus areas, Partnerships (For offline players)



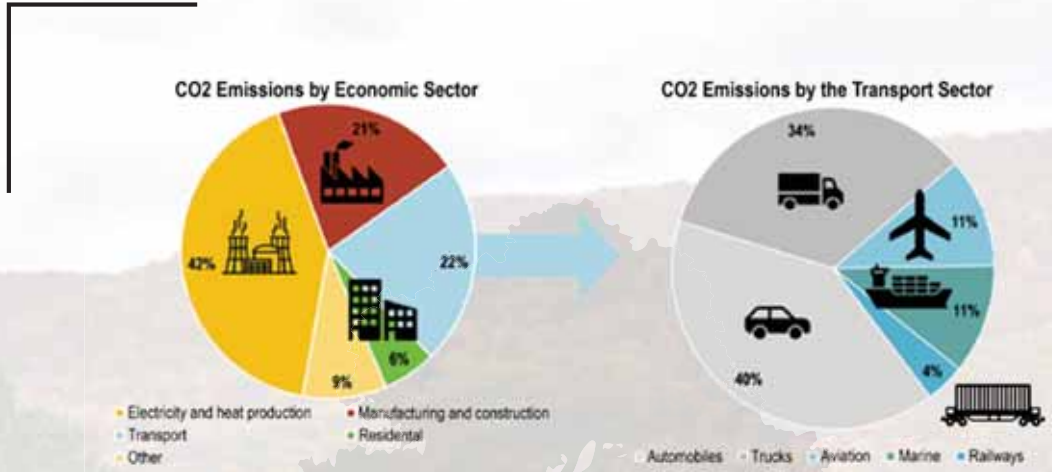
Source: KenResearch

Aside from these online platforms, there are some 5,000 brick-and-mortar used car dealers offering multiple brands. An unreliable public transport system, including frequent train breakdowns is also contributing to increased used car sales. In fact, the growth of the used car market by volume is expected to hit 8.6% by 2025 compared to the -0.1% growth seen between 2015 and 2020.

While the Malaysian used car industry remains a critical component to the overall automotive system and a key economic contributor, the industry is perceived to be a laggard when it comes to adopting ESG.

SUSTAINABILITY STATEMENT

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Global Greenhouse Gas Emissions by the Transportation Sector

Source: The Geography of Transport Systems, Global Greenhouse Gas Emissions by the Transportation Sector

From an environmental perspective, the used car market is often seen as a conduit for keeping old, inefficient, and polluting cars on the road. It must be noted that the transport sector in Malaysia accounts for 20% of greenhouse gas emissions. Of this figure, cars contribute around 40% of carbon emissions.

From a social standpoint, used cars are also often perceived as problematic and costly to maintain and as such, become a financial burden especially to M40 and B40 owners. The used car industry is also blamed for keeping many cars on the road, leading to traffic congestions and the need to spend on building more highways and roads.

In terms of governance, used car dealers are often regarded as unethical, pushing for sales of cars that may have problems. The used car eco-system is also believed to be opaque and non-transparent as Malaysian may not understand the breadth and depth of the eco-system.

Driving ESG In The Used Car Market 2023

SUSTAINABILITY
STATEMENT
 cont'd

Driving ESG In The Used Car Market 2023

Reality Check: Used Car Industry IS ESG Compatible

In spite of the misperceptions surrounding Malaysia’s used car industry from a sustainability perspective, there are already tangible and viable elements embedded within the industry eco-system that are ESG compliant. Furthermore, as the entire global and domestic automotive industry shifts towards a more sustainable operating stance, used car industry stakeholders are able to strengthen against risks and take advantage of more ESG opportunities to ensure long term value creation for the society at large.

The following are key areas where the Malaysian used car industry has and will continue to contribute towards a more sustainable automotive eco-system.

Environment

Reducing the need to produce more cars

The used car industry mitigates the need to produce or import new cars. This conforms to the tenets of recycle, reuse and reduce. When a used car is purchased, it gets a new lease on life instead of being scrapped. In addition to reducing the need for more vehicle scrapping facilities or ‘junkyards’, used cars negate the need to manufacturer even more cars, whether at home or from abroad. This means lowering the need to utilise commodities like steel, rubber, plastics and aluminum that are commonly used in car manufacturing. Also, car makers have to use a substantial amount of fossil fuels not only as energy for the car manufacturing process but also for the synthesis of plastics and other synthetic materials, thus generating even more greenhouse-gas (GHG) emissions and natural resources.

Greener more energy efficient used cars

It is important to note that the used car industry is ultimately a trend follower, not a trend setter. The introduction of more eco-friendly ICE vehicles as well as energy efficient vehicles into the automotive market and their growing demand will naturally see a rise of these vehicles in the used car market. If the growth trajectory of EEVs is maintained, the Malaysian used car industry will eventually see EEVs commanding a much larger presence of the market share and older, less eco-friendly and energy efficient vehicles being phased out.

Similarly, the used car industry could also see an increase in its market for electric vehicles (EV). While the number of EVs in Malaysia rising rapidly, with the entry of new players and more cost efficient EVs, it is critical to understand that EVs themselves may not be a suitable replacement for other EEVs or ICE vehicles at this juncture.

In general, EVs primary source of power comes from electricity and that is primarily generated from fossil fuels, particularly coal, in Malaysia. In addition, batteries in EVs today uses lithium-ion batteries that are typically made from raw materials including cobalt, nickel and manganese. Lithium-ion batteries are extremely expensive to produce and require high levels of mining activity. Comparatively, traditional diesel and petrol-powered vehicles benefit from lead-acid batteries, which are widely recyclable.

SUSTAINABILITY STATEMENT

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While the EV market is still at a nascent stage, albeit growing rapidly, the entry of more EVs into the used car market will be dependent on supply and demand. Perhaps in future, when EV technology becomes more sustainable and cheaper to own, the popularity of used EVs will grow.

Technology driving green

The growth and popularity of on-line trading platforms for used car may potentially create an eco-friendlier eco-system. The evolution of online trading platforms that are information rich, has provided potential used car buyers with the necessary resources to conduct preliminary research and surveys to make an informed decision. This itself will reduce the carbon footprint throughout the process.

Well informed consumers that demands for higher quality, energy efficient and competitive pricing could potentially lead to more eco-friendly and better maintained cars on the road. Brick-and-mortar car dealers will need to evolve to be more competitive, potentially lead to improving operational efficiency and better-quality cars, hence reducing its carbon footprint in the process.

Social

Driving the national economy

Malaysia used car market was valued at USD25.14 billion (RM111.57 billion) in 2021, and it is expected to reach a value of USD35.25 billion (RM156.44 billion) by 2027, registering a CAGR of 5.4% during the forecast period (2022 - 2027) according to Mordor Intelligence Malaysia Used Car Market Industry Report.

Clearly, the vibrancy of the used car industry makes it a sustainable contributor to Malaysia's economic recovery efforts following the COVID-19 pandemic. In addition, the industry also generates revenue for the Malaysian Government in the form of tax revenue. The industry also generates positive multiplier effect from a socio-economic perspective in the area of attracting foreign and local investments, job creation and talent enrichment as well as enabling the growth of the new car market.

Job creator

The extensive eco-system of the used car industry is an important source of income for hundreds of thousands of Malaysians.

The key avenues where used cars are traded in Malaysia, which include franchise and independent car dealers, rental car companies, buy here pay here dealerships, leasing offices, auctions, and private party sales (individual dealers), have become an important generator of jobs for Malaysians.

In addition, the used car industry is also supported by a large network of financial institutions and insurers, parts and after-sales service providers as well as vehicle inspection officers and facilities, amongst others, all of which employs mostly Malaysian talent and create business opportunities for local entrepreneurs.

SUSTAINABILITY STATEMENT cont'd

Enhancing social mobility

The used car industry provides a more affordable avenue for those in the medium to lower income brackets, namely the M40 and B40 segments, to own a private vehicle. The cost of a new car, even the cheapest in the market, may be out of reach of these segments, more so with the rise in cost of living.

Owning a private vehicle is more than just convenience. Those who own their own vehicles are more likely to travel further, beyond their homes, to seek out better jobs and employment opportunities. While public transportation is readily available, especially in city centers, the lack of connectivity, service issues and long travel times may discourage certain groups of people from venturing too far for work.

Facilitating private ownership of a vehicle can also open up income opportunities like the provision of e-hailing or e-delivery services.

Governance

Adherence to robust regulations

There are various laws that the used car industry has to adhere to including the Road Transport Act 1987, the Second-Hand Dealers Act 1946 (Revised 1977) and the Hire Purchase Act of 1967, among others. The Government is also considering putting in place 'lemon laws' to further safeguard purchasers of used cars.

Generally, used car industry players are committed towards complying with the existing laws and regulations. This is because the operating landscape is competitive and any reputational damage or adverse enforcement action may lead to business failure.

Commitment towards ESG

As the global and domestic automotive industry is embracing ESG throughout its value chain, it is natural that participants of the used car industry also follow suit in order to remain competitive, viable and sustainable. In addition to complying with existing rules and regulations, used car players from franchised and organised dealers to financing solution providers are taking the lead by embedding elements of ESG into their operations. In doing so, they are able to continue to adhere to ESG standards required by automotive authorities, financial institutions and regulating bodies, while enabling their business to grow and create value for their respective stakeholders.

SUSTAINABILITY STATEMENT

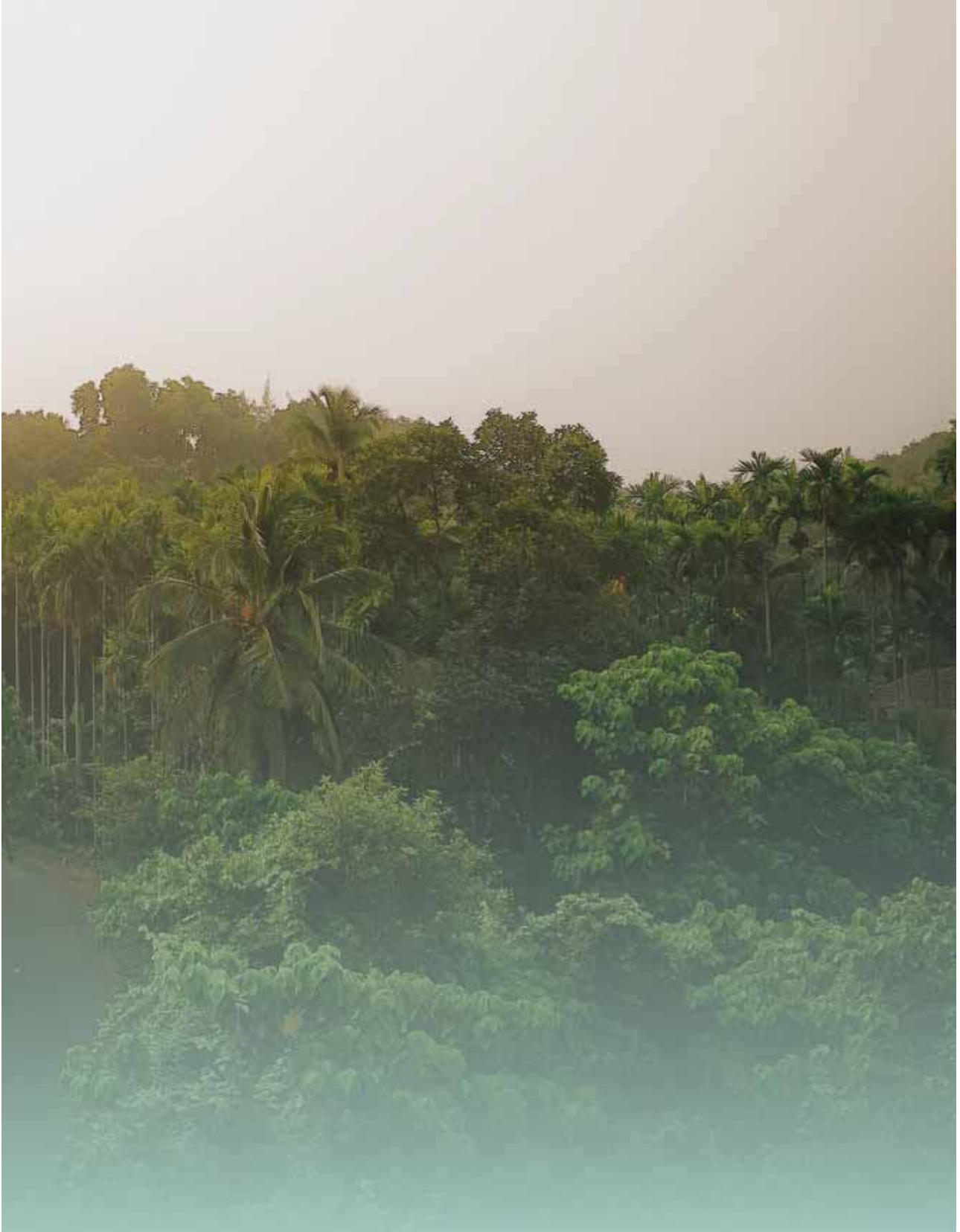
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Section 6 Key Take Outs

- 1.** **The used car market is ESG compatible.** From the environmental, social, and governance perspectives, much of the used car eco-system has built-in elements that conform to the standards and spirit of sustainability. The used car industry can help reduce wastage, mitigate the use of valuable and limited natural resources, contribute to the economic growth and social mobility while industry players has and will continue to adhere to high standards of corporate governance in order to remain competitive.
- 2.** **The used car industry is a trend follower based on supply and demand.** The growth of EEVs and EVs coupled with the lowering cost of these vehicles mean that in time to come, the used car market will be able to offer more eco-friendlier vehicles. Technology will also play an important role in future used cars to ensure that energy-efficient vehicles are truly sustainable.
- 3.** **Used car stakeholders are embracing ESG.** A number of Malaysian automotive players are committed towards the ESG agenda, clearly outlining risks, opportunities and sustainable strategies in their corporate strategies. This will be the impetus for the used car industry to follow suit in tandem with the National Automotive Policy.
- 4.** **Technological advancements,** from the development of more environmentally friendly cars like EEVs to vehicle inspection equipment to online car trading platforms, will help facilitate the used car industry to achieve ESG goals.

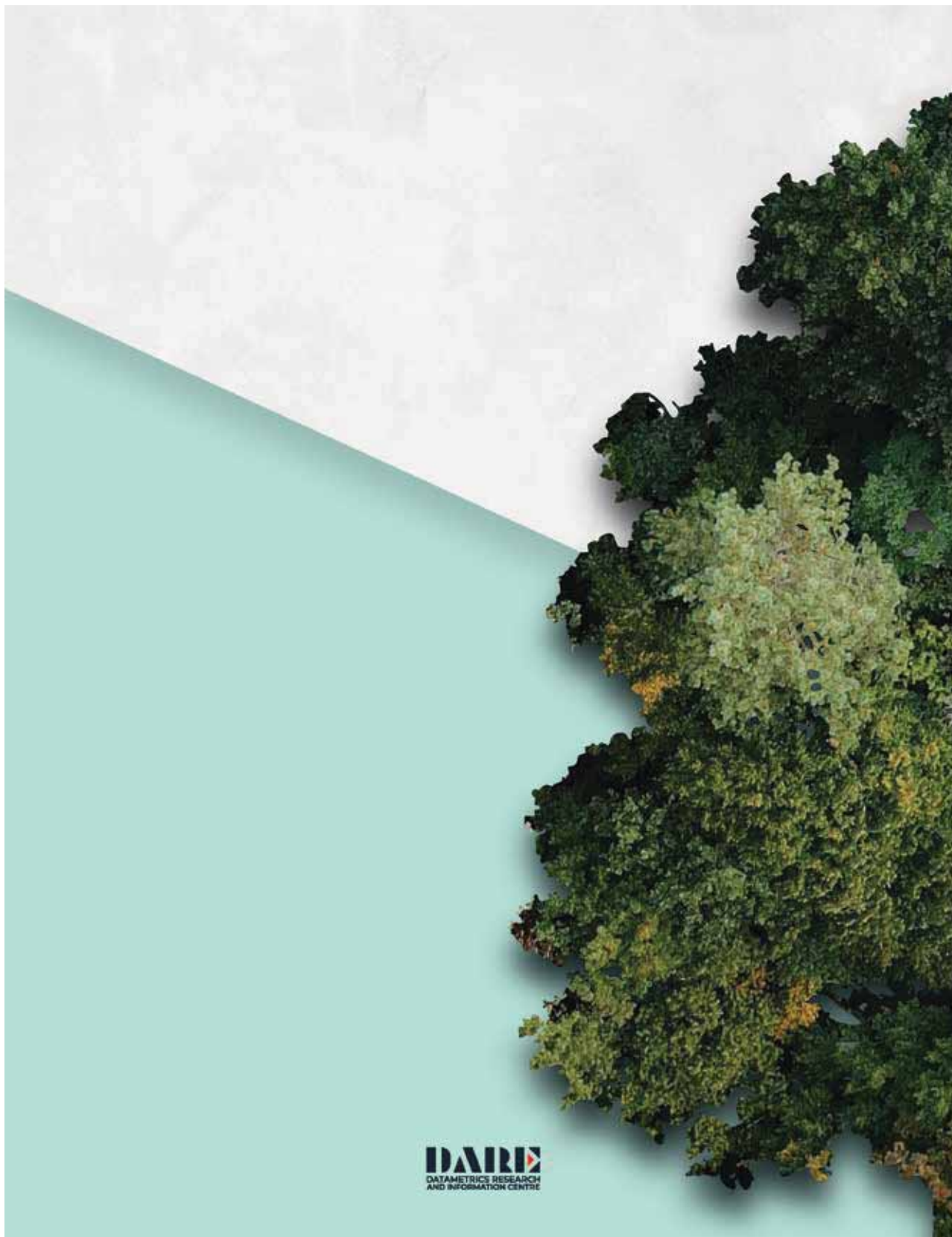
SUSTAINABILITY STATEMENT

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SUSTAINABILITY STATEMENT

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SUSTAINABILITY STATEMENT

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OUR SUSTAINABILITY PHILOSOPHY

ELK-Desa Group’s business philosophy is to become “Your Trusted People Centric Partner in Value Creation”. Through our business and operations, we aim to create positive value for our stakeholders as a business, a service provider, an employer, or a business partner.

Our business value creation process is built around our Core Values of Enthusiastic, Trustworthy, Humble, Innovative, and Committed (“ETHIC”), including our responsibility to protect the environment and society by minimising any negative environmental or social impacts our business or operations may create.

This philosophy and belief form the foundation of ELK-Desa’s corporate strategies, which integrate sustainability consideration, as well as the governance structure and management and reporting process pertaining to the management of business sustainability within our Group.

SUSTAINABILITY GOVERNANCE



The Board, which is responsible for the overall governance of the Group, is ultimately responsible for the governance, management, and performance of the Group’s business sustainability. The Board provides leadership and ensures the Group’s strategic plan supports long-term value creation, incorporating EESG considerations underpinning sustainability.

The Board reviews the Group’s short and long-term business strategies, considering key matters which may have impacts on business strategies, including sustainability risks and opportunities. The Board also reviews Management’s strategies for managing sustainability matters, as well as their progress and performance. In its review, the Board also oversees effective and adequate communication with the Group’s stakeholders, particularly in relation to sustainability strategies, priorities, targets, and performance.

The Board is assisted by the Group Executive Director/Chief Executive Officer (“GED/CEO”) whose responsibilities include to review, deliberate, and approve the Group’s sustainability strategies and initiatives which are then endorsed by the Board. The GED/CEO is 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. The Board holds the GED/CEO responsible for the overall sustainability performance of the Group while the GED/CEO delegates the responsibility of implementing sustainability initiatives to achieve targets to the heads/ senior managers of the relevant functions or operations, through the SSC.

SUSTAINABILITY STATEMENT

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The GED/CEO is assisted by the SSC whose members include the heads/ senior managers of key operations and functions. The SSC is chaired by the GED/CEO and meets regularly to discuss and review EESG matters of the business. Individual members of the SSC are responsible for leading their respective functions or operations in the execution of sustainability initiatives and the achievement of sustainability targets set.

The SSC is responsible for developing sustainability strategies while ensuring alignment with the Group's overall business strategies and long-term goals, driving stakeholder engagement and channels, and setting management approaches and targets to manage the Material Sustainability Matters ("MSMs").

During FY2023, the SSC has reviewed the sustainability integration in the Group business and operations and has also expanded to include representatives of the Group's Furniture Division. Hence, the Sustainability Working Groups ("SWGs"), namely the HP Working Group and Furniture Working Group, have been established to support the SSC in developing sustainability strategies, direction, targets, and indicators. The SWGs are also responsible to report on sustainability progress and actions taken in managing the EESG risks and opportunities to the SSC periodically. Regular review of stakeholder engagement is conducted by the SWGs to ensure that the concerns of relevant stakeholders are considered in assessing our EESG matters. The establishment of the Furniture Working Group marks another step towards ELK-Desa's reporting on the adoption of sustainability management processes and practices for the Furniture Division by FY2025.

STAKEHOLDER ENGAGEMENT

ELK-Desa Group has established a set of engagement channels through which the Group communicates with stakeholders through a structured process. The engagement channels allow the Group to analyse stakeholders, identify matters which are of their interest, as well as to communicate key matters and disseminate consistent information across the Group's stakeholders. Stakeholder engagement is an important process for the Group to align its business value creation with the interest of the different stakeholder groups, and the key engagement outcomes are taken into consideration in business decision-making.

In its oversight of ensuring effective and adequate engagement between the HP Division and its stakeholders, the Board, via the GED/CEO, has tasked the SSC to drive stakeholder engagement, including ensuring relevant sustainability matters and topics are addressed via our engagement channels with its various stakeholders.

Stakeholder Analysis

Stakeholders were assessed based on two areas, namely their influence, i.e., ability to impact business operations or reputation, and their interest in the business, i.e., the extent of impact the business' operations or performance will have on them. The stakeholders were grouped and prioritised based on the assessment results.

The heads/senior managers of departments and functions are responsible for carrying out effective engagements with the respective stakeholders and updating the SSC on key issues arising when dealing with stakeholders. Such issues may include comments, concerns, or complaints from stakeholders.

Annually, the SSC performs a review of our engagement approaches with stakeholder groups and subgroups, with a focus to ensuring appropriate and effective engagement channels and platforms are maintained to enable us to engage with stakeholders on information and updates pertaining to business performance, operations, as well as to obtain valuable stakeholder feedback regarding their needs, interest, and expectation. The SSC's review, including any enhancement which will be undertaken, as well as any key significant issues raised by stakeholders, is tabled to the Board.

Emerging from the pandemic in 2022, our stakeholder engagement channels have expanded to a broader set of approaches including both physical engagements and online engagements. During the financial year under review, we sought employees' views on the benefits, compensation, sense of affiliation and achievement offered by the Group through employee engagement activities such as town hall sessions and employee surveys. In addition, we have initiated special engagements with various stakeholder groups to obtain their input for HP Division's materiality assessment for FY2024, and the engagements are ongoing as of the date of this Statement.

SUSTAINABILITY STATEMENT cont'd

A summary of the HP Division’s stakeholder groups, engagement approaches, and key discussion topics during the financial year under review is presented as follows:

Stakeholder Groups	Engagement Methods	Sustainability Concerns
Regulators	<ul style="list-style-type: none"> Meetings/discussions Seminars/training 	<ul style="list-style-type: none"> Governance New regulations, if any Compliance with rules and regulations Ethical and responsible business and better practices Corporate culture
Shareholders and Investors	<ul style="list-style-type: none"> Annual General Meeting Annual Report Analyst briefings Group’s website Investor relations channel Quarterly Financial Results IR briefing 	<ul style="list-style-type: none"> Financial Performance Major corporate decisions, strategies, and directions Ethical and responsible conduct Compliance with rules and regulations Group’s sustainability
Financier	<ul style="list-style-type: none"> Meetings Annual Report Quarterly financial results and updates Yearly facilities review 	<ul style="list-style-type: none"> Financial performance Responsible Financing Major corporate decisions, strategies and directions
Customers	<ul style="list-style-type: none"> Customer Survey Social Media posting Customer service and careline channels Group’s website 	<ul style="list-style-type: none"> Customer experience and quality of products and services Data security Responsible finance and product/services transparency Products and services which cater to customer needs
Dealers and Business Partners	<ul style="list-style-type: none"> Due diligence on dealers and business partners Ongoing business engagements (formal and informal) Process for procurement or the establishment of business relationships Social media posting Customer careline channels 	<ul style="list-style-type: none"> Business Integrity Governance and Compliance Fair pricing Efficient and responsible business relationships
Employees	<ul style="list-style-type: none"> Half-yearly appraisal Learning and Development Programmes Occupational safety and health programmes Employees surveys Group activities such as townhall, brainstorm, and teambuilding SOP walkthrough 	<ul style="list-style-type: none"> Career progress Employees’ remuneration and benefits Employee health and safety Workplace safety Work-life balance Workplace culture and business ethics COVID-19 response

SUSTAINABILITY STATEMENT

cont'd

OUR MATERIAL MATTERS

ELK-Desa Group's material sustainability matters are determined via a materiality assessment process, illustrated as follows.

Materiality Assessment Process

A sustainability matter is material if it reflects the Group's significant economic, environmental, and social impact, including impacts on human rights, or substantively influences the assessment and decisions of stakeholders.

When assessing a sustainability matter, considerations undertaken may include:

- the extent to which the Group's business and operations have an impact on the matter assessed;
- the extent to which the matter impacts the Group's business and operations; and
- the extent to which the matter affects stakeholders or stakeholders' decisions.

Generally, the SSC is tasked to conduct a comprehensive materiality assessment once every three years. In its assessment, members of the SSC who are persons-in-charge for their respective functions or departments contribute their assessments from the perspective of the business, as well as the viewpoints of stakeholders. As appropriate, the SSC will also seek the input of Management and other employees to obtain further understanding and clarity with an aim to appropriately determine the materiality of sustainability impacts while ensuring a balanced view between stakeholders and the business is considered. The SSC may also initiate special engagements with selected stakeholders to obtain their input in relation to the comprehensive materiality assessment process.

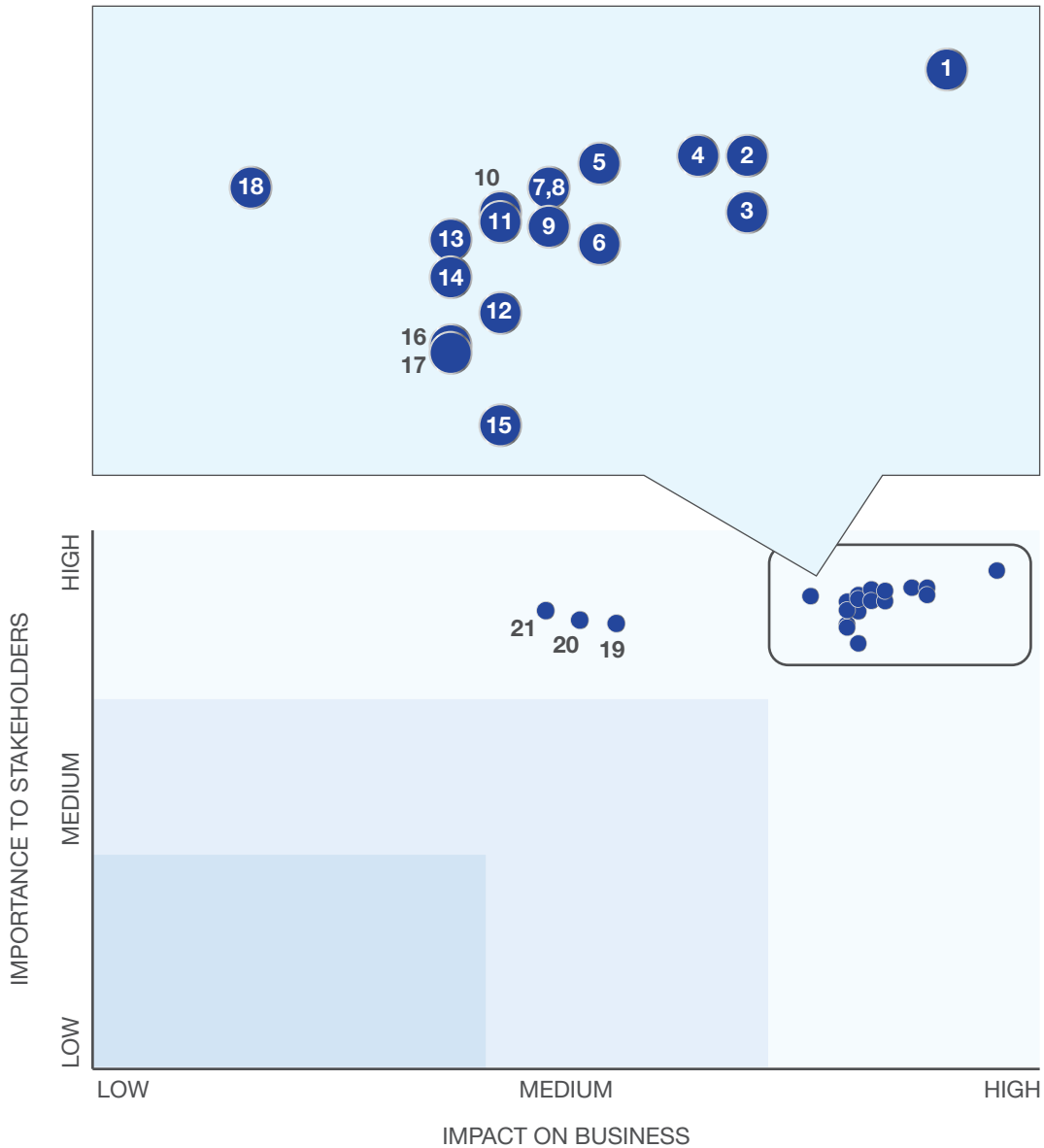
In between comprehensive materiality assessments, the SSC also reviews the materiality assessment outcome on an annual basis.

During the financial year under review, the SSC reviewed the materiality matrix of the HP Division and noted that the MSM and their significance levels remained relevant. Being cognisant of the latest amendments to the Listing Requirements with regard to the sustainability matters requiring disclosure, the Management has also undertaken steps to incorporate such considerations in the comprehensive materiality assessment which will be carried out in FY2024.

SUSTAINABILITY STATEMENT

cont'd

The following diagram illustrates the current materiality matrix of the HP Division.



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		

SUSTAINABILITY STATEMENT

cont'd

The following section of this Statement discusses the MSMs of the Group's HP Division in the thematic aspects of EESG.

ECONOMIC

THE VALUES WE CREATE AS A PEOPLE-CENTRIC BUSINESS

Company Presence, Stability and Growth

ELK-Desa has built itself as a dependable lender in the hire purchase financing business, gaining the trust of stakeholders from used-car dealers to borrowers. We remain committed to maintaining our reputation and market presence by proactively addressing obstacles and adapting to changes in the uncertain and economic environment.

We are committed to undertaking prudent business management by balancing the costs and benefits of our decisions over the long-term while addressing immediate, short-term issues. Through this approach, we continuously enhance our business fundamentals to achieve stability and consistent growth. We continuously monitor the trends of the used car market and industry to ensure our business remains relevant and sustainable. In Malaysia, the used car market continues to be important due to its relative affordability compared to new cars. It is estimated that approximately 40% of the total cars sold in 2021 were used cars.

Our leadership and management team, with their extensive experience and knowledge, continue to drive business performance forward diligently and prudently. In enabling long-term business value creation, our Senior Management also undertakes ongoing monitoring and research to understand the current market to ensure the business remains relevant to meet the market's current needs and requirements.

FY2023 Financial Performance

The financial performance of the Group's HP Division is summarised as follows.

	FY2021	FY2022	FY2023
Revenue (RM'000) (Hire Purchase Financing Division)	93,310	85,301	100,758
Return on Equity	8.1%	5.8%	10.4%
Return on Assets	5.0%	4.1%	7.5%
Earnings Per Share (sen)	7.86*	5.74*	10.50
Dividend (sen per share)	7.25	5.25	6.50#
Dividend payout ratio	61%	61%	62%

Notes: * earnings per share (sen) in FY2021 and FY2022 were restated after considering the bonus issue of 151,601,337 shares completed in March 2023

first interim dividend has been restated in respect of bonus issuance

For more information on the financial performance and position of the Group, please refer to the **Management Discussion and Analysis Statement** of this Annual Report 2023.

Financial inclusion and support for local economic development

The HP Division of the Group operates a business model that provides small value financing to second-hand car buyers who are often underserved by mainstream financial institutions, including self-employed individuals and those with low-to-middle incomes. In Kuala Lumpur and Selangor, owning a vehicle can bring better career and economic opportunities, leading to economic development and increased disposable income. Our business and services aim to promote financial inclusion and to serve the under privileged and lower-income communities by enabling them to invest in mobility and progress economically, thus, ensuring that no one is left behind as Malaysia progresses. In FY2023, 99.3% of our hirers are within the B40 and M40 income groups.

SUSTAINABILITY STATEMENT cont'd

For the financial year under review, we provided services to approximately 40,938 hirers with average outstanding receivables of RM15,231 per hirer.

Currently, we only provide financing for cars registered in Malaysia. As a result, all our financed funds are directly injected into the local economy. As a responsible corporate citizen, we also comply with our obligation by paying a fair and reasonable amount of corporate taxes to the country.

In addition, our HP Division creates job opportunities by collaborating with a network of local car dealers in Kuala Lumpur and Selangor. In FY2023, we also contribute to the local employment market and economy by employing 194 individuals in our operations. Please refer to the **Organisation Culture – Our Employees** section for further information on our employee base.

	FY2021	FY2022	FY2023
Number of employees (Hire Purchase Financing Division)	188	187	194
Approximate number of hirers	40,989	38,879	40,938
Average outstanding net hire purchase receivables per hirer (RM)	13,552	13,286	15,231
Tax Contribution (RM) (Hire Purchase Financing Division)	12,426,972	14,031,704	12,454,841
Community Investment (RM) (Hire Purchase Financing Division)	103,620	27,610	215,716
Proportion of spending on local* suppliers	N/A	100%	100%

Note: * local suppliers refer to used car dealers and vendors registered in Malaysia

Overview of economic value generated and distributed

The breakdown of direct economic value generated, economic value distributed, and economic value retained from the HP Division during FY2023 are as follows.

	FY2023 (RM'000)
Direct economic value generated (“DEVG”), mainly in the form of revenue and other income	102,577
Economic value distributed (“EVD”):	84,439
Comprising:	
• Operating cost	19,298
• Employee wages and benefits	14,313
• Payment to providers of capital	
i. Dividend	29,563
ii. Finance cost	8,594
• Payment to government, in the form of taxes	12,455
• Community investments, including donations	216
Economic value retained (DEVG-EVD)	18,138

SUSTAINABILITY STATEMENT

cont'd

Community Investments

During the financial year under review, the Group continued to support local communities and those in need through CSR activities, such as charitable donations to schools, hospitals, study grants, and sponsorships to associations.

RESPONSIBLE FINANCING

Responsible lending

Responsible financing is vital for the business sustainability of the HP Division, ensuring we only lend to those who can repay by adopting ethical and responsible lending. We also hold ourselves accountable to the interests of our shareholders and customers by safeguarding the Group's assets and ensuring that customers gain an overall benefit through our products and services, and not committing themselves to a non-sustainable financial solution. To minimise credit risk, the Group employs a stringent credit approval process that considers customers' financial backgrounds and capacity, including their source of income, to avoid and prevent financing customers who may not be able to take their financial obligations further.

We analyse our portfolio composition, looking into income demographics and the financial sustainability of our hirers. In order to enable financial inclusivity while ensuring that we lend responsibly, we utilise a combination of indicators in our assessment, such as the debt service ratios of our hirers.

Indicators such as impaired loan ratio and credit loss charge are among the key measurements for assessing our portfolio quality. We continue to maintain close engagement with borrowers, striving to strike a balance between sustaining business performance and supporting our customers in fulfilling their financial obligations.

In FY2023, the HP Division's impaired loan ratio (gross) and (net) improved due to the positive recovery activities in the current market as well as continuous repayment from our hirers.

	FY2021	FY2022	FY2023
Impaired loan ratio (Gross)	4.9%	9.9%	7.4%
Impaired loan ratio (Net)	1.4%	2.9%	1.9%
Credit loss charge	3.2%	4.1%	1.2%

For more information on the non-performing loan ratio and credit loss charge, please refer to the **Management Discussion and Analysis Statement** of this Annual Report 2023.

Product and disclosure responsibility

We also take responsibility for our product and disclosure responsibilities, committed to treating customers fairly through practices of clear and transparent financing terms and financing road-worthy motor vehicles.

In line with relevant laws and regulations, such as the Hire-Purchase Act, 1967, we provide customers with all necessary information regarding the hire purchase arrangement, such as deposit, pricing, terms charges, number of instalments, and the rights of customers and financiers. As part of our process, our employees verbally highlight and explain key terms of the hire purchase arrangement, including the risks and consequences of non-payment, to ensure that all our customers are well informed and have a clear understanding of their financial obligations when signing the hire purchase agreement. Consistent with regulatory compliance requirements, all hirers were briefed on the financing terms.

Other products such as motor and Loan Protector insurance, are also regulated and accompanied by product disclosure sheets, which our employees brief to customers before they commit to the product.

In addition, we endeavour to mitigate the possible negative environmental or social impacts arising from our financing activities by financing road-worth vehicles. For FY2023, 100% of our loan approved was for motor vehicles that passed the PUSPAKOM inspection.

SUSTAINABILITY STATEMENT cont'd

Our Careline team is available for any customers or potential customers who require any clarification about our products, the hire purchase arrangement terms, and conditions, as well as their rights protected by laws and regulations.

The Group commits to not supporting the financing of any activities related to corruption, smuggling, human trafficking, or other prohibited actions under anti-corruption, anti-money laundering, and anti-terrorism financing laws, if such knowledge comes to its attention.

ENVIRONMENT

The HP Division's environmental impacts are mainly derived from operations at both offices, from the use of energy and related emissions, use of resources, and generation of waste. As for our financing activities, we finance road-worthy vehicles that have passed PUSPAKOM's vehicle inspection, including emission tests. For our customers, purchasing a used car may even have a lower carbon footprint, as compared to new cars which may incur high carbon emissions and consumption of materials that are environmentally costly to produce in the car production process, in addition to extending the useful life of resources and materials via ownership of road-worthy used cars.

EMISSIONS, CLIMATE CHANGE, AND RESOURCE MANAGEMENT

Energy and Emissions

Energy use at offices, which have a total floor space area of approximately 4,888 m², is solely from purchased electricity, which is used for basic office appliances such as air-conditioners, computers, lighting systems, and security systems. There is no direct use of fuels, heating, cooling, or steam in our operations, apart from fuel use in company vehicles.

The HP Division's electricity consumption for FY2023 is as follows. The electricity consumption in FY2023 was generally higher than in FY2021 and FY2022 as business activities at our offices gradually resumed to full capacity during the economic recovery compared to the more intensive movement control periods in FY2021 and FY2022.

	FY2021	FY2022	FY2023
Electricity purchased from TNB (kWh)*	418,725	318,196	463,951
Solar/renewable fuel consumption (kWh)**	N/A	N/A	17,223
Total energy consumption (kWh)	418,725	318,196	481,174
Total floor areas (m²)	4,888	4,888	4,888
Energy intensity (kWh/m²)	85.66	65.10	98.44

Notes:

* derived from electricity bills

** derived from solar reports

Our energy management strategy focuses on reducing our reliance on energy from non-renewable sources, and this includes reducing our purchased electricity and investing in renewable energy production capacity where applicable.

We have completed the installation of solar panel system in our offices in Klang, which is able to produce approximately 61,800 kWh of electricity and offset 41 metric tonnes of CO₂ annually, equivalent to the CO₂ absorbed by 1,236 trees within a year. However, the amount of electricity generated may depend on the weather conditions.

The solar panel power generation systems commenced in July 2022 and generated approximately 25,262 kWh of electricity where 17,223 kWh was for the Group's own use, and the rest was sold and used to offset our energy bills with TNB.

SUSTAINABILITY STATEMENT

cont'd

FY2023 GHG Emissions

We do not expect significant Scope 1 greenhouse gas (“GHG”) emissions from fuel use due to the low numbers of company vehicles. On the other hand, Scope 2 GHG emissions are derived from electricity usage.

During the financial year under review, we avoided an approximately 9.5 tonnes of CO₂e by using solar-generated electricity instead of purchased electricity. We will continue to undertake efforts to enhance emissions data collection and calculation to enable more accurate emissions reporting moving forward.

GHG emission (Scope 1 and 2 only)	FY2021	FY2022	FY2023
Direct (Scope 1) emissions (tCO ₂ e)	Insignificant	Insignificant	Insignificant
Indirect (Scope 2) emissions (tCO ₂ e)	239	175	255
Total emissions (tCO₂e)	239	175	255
Total floor areas (m²)	4,888	4,888	4,888
Emission intensity (tCO₂e/m²)	0.05	0.04	0.05

The HP Division, on an ongoing basis, undertakes appropriate steps to manage and optimise the use of energy and emissions, through enhancing energy efficiency and emissions efficiency, toward supporting global efforts in addressing climate change. Amongst our efforts, we promote responsible electricity use, including turning off equipment and appliances when not in use and utilising natural lighting, ventilation, and cooling, to minimise our energy consumption and emissions.

Continuing with our efforts to shift to cleaner energy sources by installing solar panels power generation systems at our office in Klang, we are undertaking further efforts to install solar panels power generation systems at our KL headquarters. The project is targeted for completion in FY2024.

Waste Management

No hazardous waste or scheduled waste is generated in our operations. Paper waste is the key non-hazardous waste produced by the HP Division. Due to the potential presence of sensitive information, such as customer data, all wastepaper is subjected to a structured waste management process in ELK-Desa where wastepaper containing sensitive data is collected at designated bins and subsequently processed by shredding service vendors for shredding and recycling, if possible. This process is also a control supporting the HP Division’s management of data security risks.

To monitor our paper waste output, we record the sales of paper waste in weight via invoices from our shredding service vendors. The shredding service vendors will provide reports to us confirming the amount of paper waste shredded and recycled.

In FY2023, we recorded a significantly higher amount of paper waste as we carried out digitalisation exercises to migrate physical documents to softcopies. All paper waste generated was sold to the shredding service vendors and recycled accordingly.

Before engaging shredding service vendors, due diligence, such as interviews and background checks, is conducted to understand how vendors manage the collected paper waste, their shredding process, and how they manage the shredded materials.

SUSTAINABILITY STATEMENT

cont'd

	FY2022	FY2023
Waste Generated		
Hazardous waste (kg)	0	0
Non-hazardous waste (kg) Comprising of: Paper waste	1,381	20,468
Waste Diverted from Disposal		
Non-hazardous waste: Recycling (off-site)	1,381	20,468
Waste Directed to Disposal		
Non-hazardous waste: Incineration/landfilling (off-site)	insignificant	insignificant

Our investments in the digitalisation of information and documentation management systems have helped to reduce our paper consumption and waste in general, as well as improve business efficiency and customer satisfaction. Digital payment channels like JomPay, e-Pay at Shell stations and KK Mart, and our own MyELK-Desa mobile application have helped to avoid the use of paper for documentation. Other paper-saving efforts include enabling 2-sided printing on all printers and photocopiers and actively promoting environmentally friendly habits among our employees.

SOCIAL

ORGANISATION CULTURE

ELK-Desa’s “People Centric Organisational Culture” philosophy continues to be a central principle in how we engage with our stakeholders, including hirers, dealers, and employees. This is also aligned with our long-term business objectives to create and preserve stakeholder value, through an understanding and alignment of interests with our stakeholders. Guided by our philosophy, we prioritise the development of positive mindsets and behaviours among our employees and the establishment of strong internal and external customer service interactions.

Supporting our people-focused philosophy is the ELK-Desa Group’s Core Values of “ETHIC”, which sets out our attitude and stance towards the business, society, and the environment.



SUSTAINABILITY STATEMENT

cont'd

EMPLOYMENT PRACTICES AT ELK-DESA GROUP

Work environment at ELK-Desa

Human Rights and Fair Labour Practices

We are committed to safeguarding our employees with respect to human rights, fair labour practices, and protecting our employees from all forms of discriminatory practices and sexual harassment.

To this end, the Group's human resources policies specifically address these issues.

While none of our employees are covered under a collective bargaining agreement, we respect the rights of all employees with regard to their freedom of association and collective bargaining, and we do not impose any restriction in any form in this regard.

Our employees are fairly remunerated, with due regard to their merits, including experience, expertise, roles and responsibilities, and performance.

During the financial year under review, there were no substantiated complaints concerning human rights violations.

Diversity and Inclusion

The Group ensures equal employment opportunity and treatment to all employees, across all our human resources management practices from recruitment, and ongoing appraisals, to career development, regardless of their gender, age, ethnicity, culture, sex, disability, religion, and any other status.

A Board-level policy has also been established to ensure gender diversity at the leadership level.

The Group is committed to creating a harmonious work environment that is free from discrimination and any abusive, offensive, or harassment behaviours.

Safety and Health and Wellbeing

We place emphasis on the safety and health and wellbeing of our employees, towards building long-term and mutually supportive relationships with our employees.

OUR EMPLOYEES

As at 31 March 2023, the HP Division employs a total of 194 employees, including 13 contract employees who are 60 years old and above. All employees of the HP Division are Malaysians. We do not employ based on non-guaranteed hours basis. There are approximately 20 workers who are not employees, such as security guards and cleaners, who work at our premises.

Employment categories (As at 31 March 2023)	Male	Female	Total
Permanent employees	47	134	181
Contract-based employees	7	6	13
Full-time employees	54	140	194
Part-time employees	0	0	0

SUSTAINABILITY STATEMENT

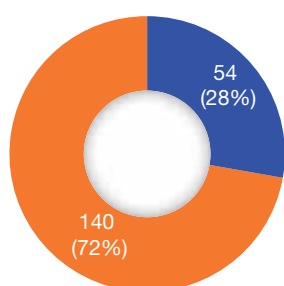
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The table below shows a summary of our balanced and diverse workforce, which is reflective of the national demographics:

	Hire Purchase Financing Division		
	FY2021	FY2022	FY2023
Male	54	54	54
Female	134	133	140
Malay	108	110	120
Chinese	55	54	54
Indian	23	22	20
Others	2	1	0
Aged below 30	63	53	55
Aged between 30-50	98	104	112
Aged above 50	27	30	27

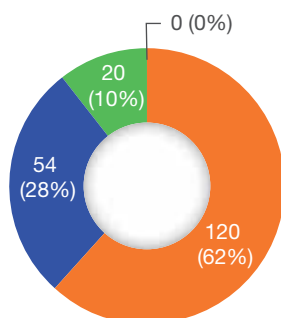
As at 31 March 2023, the HP Division's diversity in relation to gender, ethnicity, and age is summarised as follows:

Hire Purchase Financing Division - Employees by Gender (as at 31 March 2023)



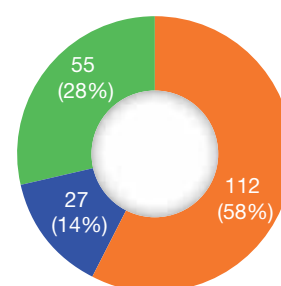
■ Male ■ Female

Hire Purchase Financing Division - Employees by Ethnicity (as at 31 March 2023)



■ Malay ■ Chinese ■ Indian ■ Others

Hire Purchase Financing Division - Employees by Age Group (as at 31 March 2023)



■ Below 30 ■ Between 30 - 50 ■ Above 50

Our employee demographics, broken down into employee categories, gender, and age group are illustrated below.

	ELK-Desa Resources Berhad							
	Aged < 30		Aged 30 - 50		Aged > 50		Total	
	M	F	M	F	M	F	M	F
Number (Percentage) of Board								
Board	0	0	2	2	5	0	7 (78%)	2 (22%)
	0 (0%)		4 (44%)		5 (56%)		9	

SUSTAINABILITY STATEMENT

cont'd

	Hire Purchase Financing Division							
	Aged < 30		Aged 30 – 50		Aged > 50		Total	
	M	F	M	F	M	F	M	F
Number (Percentage*) of employees - Employee category								
Senior Managers	0	0	1	1	4	1	5 (71%)	2 (29%)
	0 (0%)		2 (29%)		5 (71%)		7 (4%)	
Middle Managers	0	0	6	14	5	7	11 (34%)	21 (66%)
	0 (0%)		20 (63%)		12 (37%)		32 (16%)	
Executives	13	22	10	68	2	6	25 (21%)	96 (79%)
	35 (29%)		78 (64%)		8 (7%)		121 (62%)	
Non-Executives	8	12	5	7	0	2	13 (38%)	21 (62%)
	20 (59%)		12 (35%)		2 (6%)		34 (18%)	
Total	21	34	22	90	11	16	54 (28%)	140 (72%)
	55 (28%)		112 (58%)		27 (14%)		194	

Note:

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

EMPLOYEE ENGAGEMENT AND EMPLOYEE WELLBEING

Employment engagement is key to building a strong relationship with our employees. In ELK-Desa Group, we adopt an open and transparent working environment where all employees are encouraged to share their ideas and voice any concerns.

In addition, various channels have been developed to facilitate effective internal communication and engagements, including the functional/team reporting structure, ongoing communications including via electronic means, town hall sessions, and many others.

The engagement channels serve various objectives including enabling the Management to communicate the Group's policies, business strategies and direction, towards enabling aligned implementation of the business plans and actions. In addition, the engagement channels also enable Management to obtain a holistic view and understanding of the business, appreciate the perspectives of employees, the challenges they face in their respective roles and positions, as well as how we could improve the work environment. Through these channels, we were also able to promote the sharing of business ideas, sharing of experience in dealing with work issues, as well as identifying and nurturing talents and skills within the Group.

Before putting in place significant initiatives or measures which may affect employees or business operations, we conduct engagements with employees to obtain their input and feedback, which are then factored into our 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.

ELK-Desa also endeavours to promote and enhance the wellbeing of employees toward building a conducive work environment which helps to inspire creativity, improve employee motivation, reduce stress, and enhance employees' capabilities.

SUSTAINABILITY STATEMENT cont'd

During FY2023, 6 employee engagement activities were conducted on top of general day-to-day engagements. Our HP Division continued to carry out people management and development activities in accordance with our strategies for the year, including a focus on continuous learning and development, performance enhancement, and talent acquisition and retention, as well as employee compensation and benefits.

Some of our more notable achievements include the launching and integration of our induction programme into the Group's e-Learning Management System ("e-LMS") online learning platform during the year and the review of our performance appraisal process which is ongoing.

FY2023 Progress in Employee Engagement and Wellbeing

The HP Division is committed to engaging regularly with its employees and to providing relevant training and development opportunities. In addition, the HP Division strives to enable a work environment which contributes to the happiness of employees and achieves a low staff turnover rate.

Performance Appraisal

Our people is important to the Group as they bring the required skills, expertise, and experience to drive the business towards its objectives. Our people management strategies take a long-term view, taking into consideration our succession planning needs and skillset required, as well as the gap within the current workforce.

Striving to groom talents and expertise from within, we undertake continuous investment in the technical and non-technical development of our employees.

Performance appraisal is carried out for all employees at least twice a year to evaluate the performance of each employee, analysing their strengths and weaknesses and identifying the relevant training needs. At the same time, through the performance appraisal sessions, supervisors or managers discuss with the employees to understand their career goals, set targets, and understand how the company can support mutual development.

This process enables suitable and relevant training programmes to be identified to enhance the competencies and professional knowledge of our workforce. Employees also make use of the opportunity to share with their supervisors or managers any challenges at the workplace or areas where the company may further improve.

Employees underwent regular performance and career development review	FY2022		FY2023	
	Number	Percentage	Number	Percentage
By Gender				
Male	54 / 54	100%	54 / 54	100%
Female	133 / 133	100%	140 / 140	100%
By Employee Category				
Senior Managers	7 / 7	100%	7 / 7	100%
Middle Managers	28 / 28	100%	32 / 32	100%
Executives	105 / 105	100%	121 / 121	100%
Non-Executives	47 / 47	100%	34 / 34	100%

Learning and Development

We continued to carry out our learning and development programme, providing training on topics aimed at enhancing operating effectiveness, leadership skills, as well as "walkthrough sessions" to review relevant SOPs of our business and operations. The "walkthrough sessions" enable employees to have an understanding of the business processes, controls, and their rationale, while providing opportunities for everyone to contribute to process improvement activities.

SUSTAINABILITY STATEMENT

cont'd

Our learning and development programme is carried out across various channels, including conventional and digital training platforms such as our e-LMS platform.

During the financial year under review, among others, the Board has undertaken training in relation to sustainability in order to enhance their knowledge, skills, and experience on matter-related to sustainability.

The table below summarises the learning and development programmes attended by employees in FY2023:

Training Topics	Description
HR360 Individual Development Plan Programme	360° is an initiative to develop a customised program 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 these staff.
Innovative Task Force Development Programme	Leadership development programme for managerial staff with task-oriented operational/management training. This program aims to sharpen designated managers to assume higher responsibilities in the future.
SOP Walkthrough Programme	A biannual workshop to review the SOP of respective department through group studies, analytics, Brainstorming and Assessment Test to further strengthen SOP of department. Work process improvements are also required to be launched to complete the process.
Anti-Bribery Management System ("ABMS") Awareness Programme and Implementation	An awareness program to affirm the Company's commitment to conducting all business of the Company in an honest, ethical, corruption-free, and professional manner wherever the company operates.
Learning Management System ("e-LMS") Training	LMS is an On-Line Training platform conducted on virtual basis in which the company subscribed from Talents LMS - International Learning solution provider. All staff are encouraged to participate in the training program with monthly uploading of training courses. The key topics that have been put up in e-LMS during the financial under review were categorised into 6 main groups as below: <ol style="list-style-type: none"> 1. Business Skills 2. Human Resources knowledge 3. Leadership Skills 4. Safety and Compliance regulations 5. Sales and Service techniques 6. Technology Enhancement
Malaysia Institute of Accountants (MIA) Training Program subscription	A Program for managerial staff to accumulate CPE points through attending courses conducted by MIA on a yearly basis. (Minimum of 6 to 12 CPE Points per annum)
In-house Collection Training	A skill based technical training for staff of Collection Department to strengthen their collection techniques and mental strength.
Core System Training	A In house training program launched by IT department to familiarise staff in the operations of systems and IT functions of the company.
HP Business Interviewer Skill Training	A skill based technical training for staff of HP Business Department to strengthen their interviewing techniques and mental strength.

SUSTAINABILITY STATEMENT cont'd

During the year, our HP Division employees recorded a total of 6,796.30 training hours, translating to an average of 35.03 training hours per employee.

Learning and Development	FY2022		FY2023	
	Total Training Hours	Average Training Hours	Total Training Hours	Average Training Hours
Total Training Hours	9,564.60	51.15	6,796.30	35.03
Gender				
Male	2,231.55	41.33	1,458.80	27.01
Female	7,333.05	55.14	5,337.50	38.13
Employee Category				
Senior Managers	340.50	48.64	99.50	14.21
Middle Managers	1,875.25	66.97	1,927.15	60.22
Executives	5,294.35	50.42	4,001.55	33.07
Non-Executives	2,055.05	43.72	768.10	22.59

Workplace Safety and Health

With an operation which involves handling cash, we are cognisant of the safety risks to our employees, which may be threatened by incidents of robbery and burglary. Across our business and in our premises, we have undertaken several security initiatives such as the installation of closed-circuit televisions (“CCTVs”), security guards, security management, and logistics service providers. The availability of more online payment options now has also helped to reduce security risks relating to robbery or burglary.

Being a business that involves financing and sometimes handling cash, we are cognisant of the safety risks to our employees and are committed to protecting their safety. We conduct regular risk assessments in relation to occupational safety and health to ensure a safe workplace.

In the past few years, the implementation of online-based payment methods during the pandemic has also helped to reduce risks related to the handling of physical cash.

Apart from providing a healthy and safe workplace for our employees, the mental health of our employees is also one of our focuses. In FY2023, an event namely We Hear You (“WHY”) has been organised by the Group with the purpose of employees to share their welfare and health condition. Through this event, we are able to assess and monitor the mental health of our employees and promote a positive organisation culture.

We continued to provide safety and health training to our employees, including how to report work-related injuries, training on emergency responses when faced with emergency situations, safety risks, fire, and others.

During the financial year under review, there were no fatalities or serious occupational serious injuries among HP Division’s employees. The safety performance for the HP Division for FY2023 is summarised as follows:

	FY2023
Work-related fatalities	0

Employee Remuneration and Benefits

Fair and competitive remuneration and benefits help to attract, retain talents, as well as motivate their performance and enable business growth. Through our various stakeholder engagements, we are able to better understand employees to inform our human resources management strategy.

SUSTAINABILITY STATEMENT

cont'd

We remunerate all employees fairly and aim to support employees, to a practical extent, in achieving a healthy work-life balance. This includes providing medical and insurance coverage, retirement provisions, learning and development opportunities, as well as parental leaves to support employees' personal growth and family development.

Generally, the remuneration and benefits for full-time employees are summarised as follows:



Employee Retention

HP Division's employee turnover and new hire rates as at 31 March 2023, reported by age group, gender, and employee category, are summarised as follows.

New employee hire and employee turnover	Age			Gender		Total
	< 30	30-50	> 50	Male	Female	
New employee hire						
Number	13	23	0	7	29	36
Rate (%)	23.6	20.5	0	13.0	20.7	18.6
Annual employee turnover						
Number	11	13	2	9	17	26
Rate (%)	20.0	11.6	7.4	16.7	12.1	13.4

	New Hire		Turnover	
	No.	%	No.	%
Senior Managers	0	0	0	0
Middle Managers	6	18.8	4	12.5
Executives	26	21.5	15	12.4
Non-Executives	4	11.8	7	20.6
Total	36	18.6	26	13.4

SUSTAINABILITY STATEMENT cont'd

A summary of indicators for parental leaves pursuant to GRI 401-3 is as follows.

Parental Leave	FY2022	FY2023
Number of employees entitled to parental leave during the financial year		
Male	33	24
Female	82	63
Number of employees that took parental leave during the financial year		
Male	6	3
Female	7	8
Number of employees that returned to work during the financial year after parental leave		
Male	6	3
Female	7	7
Number of employees who were still employed 12 months after their return to work during the previous financial year		
Male	1	4
Female	5	5
Return to work rate *		
Male	100%	100%
Female	100%	100%
Retention rate **		
Male	50%	67%
Female	100%	71%

Notes:

* *return to work rate = total number of employees that returned to work after parental leave / total number of employees due to return to work after taking parental leave*

** *total number of employees who were still employed 12 months after their return to work during the previous financial year*

FOCUSING ON CUSTOMERS

Customer Experience and Satisfaction

To better understand customers' expectations, identify areas for improvement, and enhance service and experience, we ensure we remain engaged with our customers. We are committed to responsible financing and ensure our customers are well-informed about the products that we offer via clear documentation, briefing by our employees, and product disclosure sheets. Various channels, such as our customer service care line, email, or our customer service at our office, were established for our customers to reach us. We also leverage social media platforms and digital communication channels such as Facebook, WhatsApp, and two-way SMS. We have introduced a MyELK-Desa mobile application in FY2021 which allows customers to make their payments or to enquire or seek advice on loan, insurance, and road tax matters online or to contact our Careline Team. In addition, our payment channels have been expanded to enable more convenient payment methods for our customers, e.g., via JomPay and e-Pay networks. For better communication and to address more accurately customers' enquiries, our customer care line is now equipped with Interactive Voice Response.

SUSTAINABILITY STATEMENT

cont'd

These online engagement tools have enabled us to continuously keep in touch with existing customers at the same time to facilitate more efficient business processes. With the assistance of technologies and online tools, we have seen an improvement in the lead time from application to disbursement, serving our customers better.

We also seek comments and feedback from our customers through, amongst others, a link to customer survey attached with our responses made via our email-based customer service channel. The link to the customer survey is also available in our product brochure. The outcome of customer surveys is compiled, analysed, and considered for any improvement in our customer relationship management process and technology and digitalisation especially relating to our service to customers. Periodically, Management conducts discussions and meetings with relevant personnel to assess and review customers' experiences and issues they face. We take our customers' views and comments seriously and undertake efforts and relevant actions to improve our service and customer's experience and expectation, where appropriate.

Alongside key issues or highlights with regard to other stakeholders, highlights and key issues raised by customers, including how we address them and actions are undertaken to improve our customer relationship management process, are discussed at the SSC.

In FY2023, 100% of our products and services, i.e., Hire Purchase Financing and motor-related insurance, were assessed for health and safety impact safeguarded through mandatory vehicle inspection.

Customer Privacy

We have strict policies and procedures governing the protection of customer data in accordance with the Personal Data Protection Act 2010 ("PDPA 2010") and relevant laws and regulations protecting customers' privacy and data. Amongst others, these include training for employees, especially new employees, with regard to PDPA 2010, documented SOPs, document disposal practices, documentation practices, as well as ensuring robust IT and data governance practices are in place.

For the financial year under review, there were no cases of substantiated complaints received concerning breaches of customer privacy and losses of customer data, or complaints received from outside parties or from regulatory bodies. We are also pleased to report that there were zero cases of identified leaks, thefts, or losses of customer data.

	FY2021	FY2022	FY2023
Substantiated complaints concerning breaches of customer privacy and losses of customer data	0	0	0

GOVERNANCE

RISK MANAGEMENT AND INTEGRATING SUSTAINABILITY INTO THE BUSINESS

To ensure the sustainability of our business in the long-term, we have established a comprehensive risk management process that addresses short, medium, and long-term risks. Our approach to risk management includes the sustainability management process, which covers broad EESG matters, and the Enterprise-wide Risk Management Framework (ERM Framework), which focuses on strategic, operational, reputational, financial, environmental, social, and governance risks. Our sustainability management process and the ERM Framework enable a systematic and calculated approach to risk management at both macro and micro levels. Our ERM Framework incorporates the ERM methodology guided by ISO 31000:2018 Risk Management – Guidelines.

The Board holds the ultimate responsibility for sustainability management, ensuring that sustainability strategies are in line with the company's overall strategies, and overseeing risk management, including setting the risk appetite. The Board reviews the materiality assessment conducted by the SSC and approves the MSMs of the Group, including relevant strategies to deal with these matters as well as the performance in relation to management effectiveness. Sustainability performance is also considered in the assessment and remuneration of Directors and Senior Managers.

SUSTAINABILITY STATEMENT

cont'd

The Audit Committee supports the Board in its risk management oversight role, reviewing and overseeing the implementation of the ERM Framework by management. The Audit Committee receives regular updates from Management on the Group’s risks and obtains assurance on the integrity of the risk management system. The ERM Framework is reviewed periodically by Audit Committee to reflect the latest changing business needs and regulatory developments before being recommended for the Board’s approval. Further details on our ERM framework and internal control are provided in the **Statement on Risk Management and Internal Control** in this Annual Report 2023.

ETHICAL BUSINESS PRACTICES, INTEGRITY, AND TRANSPARENCY

It is of utmost importance that our business, including Management and employees, maintain high ethical and integrity standards in all aspects of the business, especially in financial dealings and transactions. We are committed to complying with all relevant laws and regulations as well as conducting business with transparency and openness towards stakeholders as the principles of integrity and transparency are the foundations to building reliable, trustworthy, and strong stakeholders’ confidence in our business, products, and service.

During the financial year under review, there were no significant instances of non-compliance with laws and regulations, nor there were any associated fines or non-monetary sanctions.

Open, regular, and well-maintained communication channels with our shareholders and investors are established to seek and address the concerns or comments that our stakeholders may have, transparently and accurately. We provide accurate and truthful information to our customers via well-trained employees, transparent product documentation, and product disclosure sheets.

ELK-Desa Group has a Code of Ethics and Conduct (“Code”) which governs the business ethics and practices of the Group’s Directors, employees, and operations. The Code is further supported by other governance policies such as the Anti-Bribery and Corruption Policy (“ABC Policy”) and the Employees Handbook. These codes or policies outline the specific expectations and guidelines that employees should follow in order to uphold the highest ethical standards in their work. The Code addresses matters including compliance, financial integrity, workplace culture, integrity and anti-corruption, and others. The Code is introduced to all new employees of ELK-Desa during their induction. The Code is also reviewed periodically and any updates will be communicated with all employees via the Group’s internal communication channels.

The Code emphasises 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

SOPs have been implemented by incorporating the application of ethical business practices to guide our business. These SOPs provide clear guidelines for employees on their responsibilities and duties, specifying acceptable and unacceptable practices. The Management is expected to set the tone at the top and set examples, upholding ethical business behaviours and integrity. Employees are encouraged to raise any concerns or questions they may have, including those related to ethics, and the Management is responsible for addressing them appropriately.

SUSTAINABILITY STATEMENT

cont'd

Anti-Corruption and Anti-Bribery

The ELK-Desa Group maintains a strict, zero-tolerance policy towards bribery and corruption and is committed to conducting all business dealings and relationships fairly, professionally, and with integrity. The Group has established an Anti-Bribery Management System ("ABMS") via its ABC Policy through which a series of controls and monitoring initiatives are put in place to safeguard business integrity. A No-Gift Policy is also established to prohibit the acceptance of any gifts that could influence business decisions or create conflicts of interest. The Group prohibits the use of facilitation payments and urges employees to avoid conflicts of interest. The ABC Policy is available on the Group's corporate website.

As part of its overall risk assessment, the Group identifies corruption, including bribery, facilitation payments, money laundering, fraud, extortion, and collusion, as a risk factor in its portfolio of risk. In FY2023, all of the Group's operations, including the Furniture Division, were assessed for risks related to corruption.

	FY2021	FY2022	FY2023
Percentage of operations assessed for corruption-related risks	N/A	100%	100%

The Anti-Bribery Compliance Function is responsible for overseeing the design and implementation of the ABMS, providing guidance to employees and business associates, monitoring the ABMS's performance, and reporting to the Board annually. The ABMS also provides for the inclusion of corruption risk in the Group's risk management processes, as well as other internal controls including regular or one-off due diligence on employees, business associates, and third-party organizations to assess exposure to bribery and corruption risk.

All Directors and employees of the HP Division have been briefed on the ABC Policy and are required to undergo annual refresher briefings or training and to provide written acknowledgement of their anti-corruption commitment. All new employees are also provided briefing on the ABC Policy during their induction programme. Communication of the Group's ABC Policy to business associates will continue to be carried out progressively across its vast base of business associates. In effecting the communication and awareness of the ABC Policy to all relevant business associates, all employees have a part to play within their respective roles. 97.5% of our suppliers or business partners have been communicated on the Code and Group's ABC Policy.

During the financial year under review, the number and percentage of Board members, employees, and suppliers/business partners who received communication and training on anti-corruption policies and procedures are summarised in the following table.

	Hire Purchase Financing Division	
	Number	Percentage
Communication on anti-corruption policies and procedures		
Board of Directors	9 / 9	100.0%
Employees	188 / 194	96.9%
Suppliers/Business Partners	1,150 / 1,179	97.5%
Training on anti-corruption policies and procedures		
Board of Directors	9 / 9	100.0%
Employees	188 / 194	96.9%

SUSTAINABILITY STATEMENT

cont'd

Whistleblowing Programme

At ELK-Desa Group, we encourage employees to speak up, especially against practices not in line with the Group’s principles. Employees can report a violation of the Code or any grievances via the grievance reporting mechanism managed by Human Resources.

There is also a Whistleblowing Programme, established via a Whistleblowing Policy, which allows employees as well as external stakeholders such as vendors, business dealers, and partners to raise any serious concerns such as serious violations of the Code of Ethics and Conduct, non-compliance with laws and regulations, violation of human rights, unethical practices, or situations which put employees in an unsafe or unfair work environment. The Whistleblowing Programme is made available on the Group’s corporate website and is a reporting channel independent from Management, allowing reports to be made in confidence while safeguarding the whistleblowers, especially when they are employees, from reprisals within the Group.

In FY2023, there were no confirmed incidents of corruption, bribery or breaches of the Group’s Code or ABC Policy. The Group is committed to continuously reviewing its policies and processes to ensure compliance with high ethical and integrity standards in conducting business.

	FY2021	FY2022	FY2023
Confirmed incidents of corruption	0	0	0

TECHNOLOGY AND DIGITALISATION

Technology, Digitalisation and Innovation

In the past years, we have invested in online platforms and technology to facilitate more effective and efficient engagement with stakeholders, such as communications with employees, services for our customers, and the conduct of meetings. Digitisation has also enabled our operational processes such as transactions, collections, and payments to be more expedient, on top of greater outreach to potential customers.

As we leverage innovative products to enhance our services for customers, we will also place emphasis on engaging and educating hirers and dealers on the adoption of our products and solution. Ongoing support is provided to customers via our call agents and carelines, who are subject to regular training. Relevant SOPs are also in place to guide our employees, particularly call agents and carelines, on how to use the enhanced systems and technology. The SOPs are reviewed periodically to ensure they are up-to-date and effective for our operations. As of 31 March 2023, the adoption rate for our e-payment channels and mobile phone app were approximately 90% and 31%, respectively. These solutions are aimed at shortening processing time while also providing convenience to our customers, reducing their travelling time and related expenses.

At ELK-Desa Group, we embed innovation as part of our culture and value. We encourage employees’ participation in the continuous enhancement and development of innovative solutions for the betterment of the business and its processes. Through our employee engagement activities, employees are provided with the platform to contribute ideas.

Our IT Steering Committee, who plays an important role in overseeing the technology and digitisation initiatives of the HP Division, also continued to monitor and analyse trends in our business performance and stakeholder engagement activities to identify opportunities for leveraging technology and digitisation within our HP Division.

Data Security & Privacy

The pandemic has led many businesses to rely on digital platforms to conduct online business activities and engagements, resulting in a significant increase in cybersecurity risks. At ELK-Desa, particularly in our HP Division, IT security risks, such as data security and data privacy risks, continue to be among the key risks that we manage and monitor.

SUSTAINABILITY STATEMENT

cont'd

Regular training and awareness programmes on data security and privacy are provided to employees, on top of SOPs and internal controls which are in place to guide employees' practices on cyber hygiene and data security and privacy.

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

Independent audits are carried out on our IT systems at least once a year, either through external audit, internal audit, or both, to evaluate the effectiveness and adequacy of our IT controls and systems.

The Group is pleased to report that there were no cases of IT breaches which resulted in data or security breaches.

CONCLUSION

ELK-Desa Group is committed to continuously driving business sustainability. To meet and achieve our long-term value and business sustainability, a set of indicators has been set this year to monitor and oversee our performance in key sustainability areas. Apart from that, we are also taking proactive steps and approaches to reduce our environmental impact by installing renewable energy to reduce energy and emissions generated. As these initiatives are being carried out, the Group relentlessly engages with its stakeholders to explore methods to enhance the overall business, including our relationships with stakeholders. Moving forward, we strive to continue to integrate these practices into our business and to bring us closer to the Group's Core Values.

SUSTAINABILITY STATEMENT

cont'd

GRI CONTENT INDEX

Statement of use	ELK-Desa Resources Berhad has reported in accordance with the GRI Standards for the period of 1 April 2022 to 31 March 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards(s)	Not applicable

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	• Legal Name: ELK-Desa Resources Berhad				
		• Nature of Ownership: Public Listed Company				
		• Headquarters: Kuala Lumpur, Malaysia				
		• Country of Operation: Malaysia				
		SS: About This Report	19			
		AR: Notes to the Financial Statements – Corporate Information	117			
	2-2 Entitles included in the organization’s sustainability reporting	• Sustainability Statement only cover HP Division while Audited Financial Statements will cover HP Division and Furniture Division				
		SS: About This Report – Reporting Scope and Period	19			
	2-3 Reporting period, frequency and contact point	• Reporting Period: 1 April 2022 to 31 March 2023				
		• Frequency: annually (12 months)				
		• Publication Date: 20 July 2023				
		SS: About This Report – Reporting Scope and Period	19			
	2-4 Restatements of information	• No restatements of information made from previous reporting periods				
		SS: About This Report – Assurance	19			
2-5 External assurance	• Sectors: Financial Services Sector					
	• No significant changes in activities, value chain and other business relationships compared to the previous reporting period					
	SS: About This Report – Reporting Scope and Period	19				

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
General Disclosures (Cont'd)						
GRI 2: General Disclosures 2021 (Cont'd)	2-7 Employees	<ul style="list-style-type: none"> Number of employees are based on head count and at the end of the reporting period 				
		<ul style="list-style-type: none"> Employees required for operations are mainly office-based and their working time is mainly during working hours. Full time employment arrangements are ideal for such job nature. A few employees are contract-based as the Company employs them on contract-basis past their retirement age. 				
		<ul style="list-style-type: none"> No significant fluctuations in the number of employees during the reporting period and between reporting periods 				
		SS: Our Employees	50 - 52			
	2-8 Workers who are not employees	<ul style="list-style-type: none"> Number of workers who are not employees and whose work is controlled by the organisation are based on head count and at the end of the reporting period 				
		<ul style="list-style-type: none"> No significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods 				
		SS: Our Employees	50 - 52			
	2-9 Governance structure and composition	SS: Sustainability Governance	39 - 40			
		AR: Profile of Directors	6 - 9			
		AR: Corporate Governance Overview Statement	73 - 82			
	2-10 Nomination and selection of the highest governance body	AR: Corporate Governance Overview Statement	73 - 82			
		Corporate Governance Report				
	2-11 Chair of the highest governance body	AR: Profile of Directors	6 - 9			
		AR: Profile of Key Senior Management	10 - 11			
		Corporate Governance Report				
	2-12 Role of the highest governance body in overseeing the management of impacts	SS: Sustainability Governance	39 - 40			
		SS: Stakeholder Engagement	40 - 41			
		SS: Our Material Matters	42 - 43			
		Corporate Governance Report				
	2-13 Delegation of responsibility for managing impacts	SS: Sustainability Governance	39 - 40			
SS: Stakeholder Engagement		40 - 41				
SS: Our Material Matters		42 - 43				
Corporate Governance Report						

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
General Disclosures (Cont'd)						
GRI 2: General Disclosures 2021 (Cont'd)	2-14 Role of the highest governance body in sustainability reporting	SS: Sustainability Governance	39 - 40			
		SS: Our Material Matters	42 - 43			
		Corporate Governance Report				
	2-15 Conflicts of interest	AR: Corporate Governance Overview Statement	73 - 82			
		AR: Statement on Risk Management and Internal Control	85 - 91			
	2-16 Communication of critical concerns	SS: Stakeholder Engagement	40 - 41			
		SS: Ethical Business Practices, Integrity, and Transparency – Whistleblowing Programme	61			
	2-17 Collective knowledge of the highest governance body	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
		Corporate Governance Report				
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report				
	2-19 Remuneration policies	AR: Corporate Governance Overview Statement	73 - 82			
		Website: https://www.elk-desa.com.my/remuneration_policy.html				
	2-20 Process to determine remuneration	AR: Corporate Governance Overview Statement	73 - 82			
Remuneration Policy: https://www.elk-desa.com.my/remuneration_policy.html						
2-21 Annual total compensation ratio			2-21-a to 2-21-c	Information unavailable/incomplete	ELK-Desa is in the process of collecting relevant data for this Disclosure for FY2024	
2-22 Statement on sustainable development strategy	SS: GED/CEO's message	20 - 38				

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
General Disclosures (Cont'd)						
GRI 2: General Disclosures 2021 (Cont'd)	2-23 Policy commitments	SS: GED/CEO's message	20 - 38			
		SS: Responsible Financing	46 - 47			
		SS: Emissions, Climate Change, and Resource Management	47 - 49			
		SS: Employment Practices at ELK-Desa Group	50			
		SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
		Code of Ethics and Conduct: https://www.elk-desa.com.my/code_conduct.html				
		Anti-Bribery and Corruption Policy: https://www.elk-desa.com.my/anti_bribery_and_corruption_policy.html				
		Whistleblowing Programme: https://www.elk-desa.com.my/whistle_blower_policy.html				
	2-24 Embedding policy commitments	SS: Employment Practices at ELK-Desa Group	50			
		SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
	2-25 Processes to remediate negative impacts	SS: Our Sustainability Philosophy	39			
		SS: Organisation Culture	49			
		SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
	2-26 Mechanisms for seeking advice and raising concerns	Whistleblowing Programme: https://www.elk-desa.com.my/whistle_blower_policy.html				
		SS: Ethical Business Practices, Integrity, and Transparency – Whistleblowing Programme	61			
	2-27 Compliance with laws and regulations	SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
2-28 Membership associations	SS: About This Report – Reporting Scope and Period	19				
2-29 Approach to stakeholder engagement	SS: Stakeholder Engagement	40 - 41				
2-30 Collective bargaining agreements	SS: Employment Practices at ELK-Desa Group	50				

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Material Topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	SS: Our Material Matters	42 - 43			
	3-2 List of material topics	• No changes to the list of material topics compared to the previous reporting period				
		SS: Our Material Matters	42 - 43			
Topics-Specific Disclosures: Material Matters						
Company Presence, Stability and Growth						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: The Values We Create as a People-Centric Business	44 - 46			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	SS: The Values We Create as a People-Centric Business – Overview of economic value generated and distributed	45			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SS: The Values We Create as a People-Centric Business – Financial inclusion and support for local economic development	44 - 45			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	SS: The Values We Create as a People-Centric Business – Financial inclusion and support for local economic development	44 - 45			
Financial Performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: The Values We Create as a People-Centric Business	44 - 46			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	SS: The Values We Create as a People-Centric Business – Overview of economic value generated and distributed	45			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SS: The Values We Create as a People-Centric Business – Financial inclusion and support for local economic development	44 - 45			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	SS: The Values We Create as a People-Centric Business – Financial inclusion and support for local economic development	44 - 45			
Responsible Finance						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Responsible Financing	46 - 47			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SS: Responsible Financing – Responsible lending	46 - 47			
Energy Management						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Emissions, Climate Change, and Resource Management	47 - 49			

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Topics-Specific Disclosures: Material Matters (Cont'd)						
Energy Management (Cont'd)						
GRI 302: Energy 2016	302-1 Energy consumption within the organization	• The electricity consumption is extracted from the TNB's bills				
		• The conversion factor used was obtained from TNB's Annual Report FY2022				
		SS: Emissions, Climate Change, and Resource Management – Energy and Emissions	47			
	302-3 Energy intensity	SS: Emissions, Climate Change, and Resource Management – Energy and Emissions	47			
302-4 Reduction of energy consumption	SS: Emissions, Climate Change, and Resource Management – Energy and Emissions	47				
Emissions (direct and indirect)						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Emissions, Climate Change, and Resource Management	47 - 49			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	SS: Emissions, Climate Change, and Resource Management – FY2023 GHG Emissions	48			
	305-2 Energy indirect (Scope 2) GHG emissions	• Basis for emissions will be equity share, financial control, and operational control				
		• The conversion factor used was obtained from TNB's Annual Report FY2022				
		SS: Emissions, Climate Change, and Resource Management – FY2023 GHG Emissions	48			
	305-4 GHG emissions intensity	SS: Emissions, Climate Change, and Resource Management – FY2023 GHG Emissions	48			
305-5 Reduction of GHG emissions	SS: Emissions, Climate Change, and Resource Management – FY2023 GHG Emissions	48				
Recycling & Waste Management						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			
GRI 306: Waste 2020	306-1 Waste generation and significant waste- related impacts	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			
	306-2 Management of significant waste- related impacts	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Topics-Specific Disclosures: Material Matters (Cont'd)						
Recycling & Waste Management (Cont'd)						
GRI 306: Waste 2020 (Cont'd)	306-3 Waste generated	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			
	306-4 Waste diverted from disposal	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			
	306-5 Waste directed to disposal	SS: Emissions, Climate Change, and Resource Management – Waste Management	48 - 49			
Company Culture						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Organisation Culture	49			
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	• All senior managers of the HP Division are Malaysians				
		SS: Our Employees	50 - 52			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	SS: Our Employees	50 - 52			
Employee Engagement						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Employee Engagement and Employee Wellbeing	52 - 57			
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	SS: Employee Engagement and Employee Wellbeing – Performance Appraisal	53			
Employee Wellbeing						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Employee Engagement and Employee Wellbeing	52 - 57			
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	SS: Employee Engagement and Employee Wellbeing – Performance Appraisal	53			

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Topics-Specific Disclosures: Material Matters (Cont'd)						
Talent Development						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
	404-2 Programs for upgrading employee skills and transition assistance programs	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
Learning and Development						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	SS: Employee Engagement and Employee Wellbeing – Employee Retention	56 - 57			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> Significant locations of operation: our significant locations of operation for HP Division are mainly KL office & Klang office 				
	401-3 Parental leave	SS: Employee Engagement and Employee Wellbeing – Employee Retention	55 - 56			
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	SS: Employee Engagement and Employee Wellbeing – Workplace Safety and Health	55			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			
	404-2 Programs for upgrading employee skills and transition assistance programs	SS: Employee Engagement and Employee Wellbeing – Learning and Development	53 - 55			

SUSTAINABILITY STATEMENT cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Topics-Specific Disclosures: Material Matters (Cont'd)						
Customer Experience and Satisfaction						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Focusing on Customers – Customer Experience and Satisfaction	57 - 58			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	SS: Focusing on Customers – Customer Experience and Satisfaction	57 - 58			
Customer Privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Focusing on Customers – Customer Privacy	58			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	SS: Focusing on Customers – Customer Privacy	58			
Risk Management						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Risk Management and Integrating Sustainability into the Business	58 - 59			
Integrating Sustainability into the Business						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Risk Management and Integrating Sustainability into the Business	58 - 59			
Anti-Corruption, Anti-Money Laundering and Ethical Business Practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-2 Communication and training about anti-corruption policies and procedures	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-3 Confirmed incidents of corruption and actions taken	SS: Ethical Business Practices, Integrity, and Transparency – Whistleblowing Programme	61			

SUSTAINABILITY STATEMENT

cont'd

GRI Standard/ Other Source	Disclosure	Information/ Location	Page Number	Omission		
				Requirement(s) Omitted	Reason	Explanation
Topics-Specific Disclosures: Material Matters (Cont'd)						
Integrity						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-2 Communication and training about anti-corruption policies and procedures	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-3 Confirmed incidents of corruption and actions taken	SS: Ethical Business Practices, Integrity, and Transparency – Whistleblowing Programme	61			
Transparency						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Ethical Business Practices, Integrity, and Transparency	59 - 61			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-2 Communication and training about anti-corruption policies and procedures	SS: Ethical Business Practices, Integrity, and Transparency – Anti-Corruption and Anti-Bribery	60			
	205-3 Confirmed incidents of corruption and actions taken	SS: Ethical Business Practices, Integrity, and Transparency – Whistleblowing Programme	61			
Technology and Digitalisation						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Technology and Digitalisation – Technology, Digitalisation and Innovation	61			
Innovation						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Technology and Digitalisation – Technology, Digitalisation and Innovation	61			
Data Security & Privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	SS: Technology and Digitalisation – Data Security & Privacy	61 - 62			