

ENRICHING LIVES OF
THE UNDERSERVED THROUGH

INNOVATIVE FINANCIAL SERVICES



SOCIAL IMPACT REPORT 2021



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ABOUT THIS REPORT

This report covers the social impact of Merchantrade's products and services to date. All figures quoted are accurate as of 31 Dec 2021, unless stated otherwise.



Scan to visit the Social Impact Page on our corporate website

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FOUNDER'S MESSAGE

“ OUR MISSION TO MAKE A DIFFERENCE ”

From our humble beginnings 25 years ago, it has been an incredible journey guiding Merchantrade to become Malaysia's largest money services business (MSB) operator and leading e-money player today. The true value of our progress, however, lies in seeing the many benefits that we have unlocked for those around us, especially those in underserved communities such as migrants, low-income individuals, refugees, micro-enterprises, small businesses and more.

”

RAMASAMY K. VEERAN,
Founder & Managing Director
Merchantrade Asia Sdn. Bhd.



OUR 3Ps SERVING THE UNDERSERVED



PEOPLE

Financially empower one group of people and the spillover effects can reach across entire nations. Lifting, educating and empowering communities around us is a mission that is fostered throughout Merchantrade.



PRODUCT INNOVATION

Financial inclusion is the key inspiration behind every product, service and technology that we innovate. We are heartened to see how our digital financial solutions have successfully solved key pain points, increased accessibility to essential services, provided a gateway to participation in the formal economy and transformed lives for the better.



PARTNERSHIPS

Our impact has been greatly supported by working closely with like-minded partners who share our vision of enriching the lives of the underserved. This includes our large agent-merchant network, who we consider our 'agents of financial inclusion'.



Through the creation of our inaugural Social Impact Report, we are humbled to share the many ways we have provided value to our customers, agent-merchant network, employees and the larger community here in Malaysia, as well as regionally. Although we have grown significantly over the years and evolved strategically with changing times, our commitment will always remain the same – To Enrich Lives Of The Underserved Through Innovative Financial Services.

Thank you for taking the time to read our story of social impact; one that continues to energise and drive our work both here in Malaysia and across the region.

RAMASAMY K. VEERAN,
Founder & Managing Director
Merchantrade Asia Sdn. Bhd.

SOLUTIONS AND TECHNOLOGIES THAT SERVE A PURPOSE

Merchantrade Asia is **Malaysia’s largest money services business (MSB) operator and leading e-money player**. Our core business is centered on remittance & currency exchange, digital payments, micro-insurance and mobile communications.

With decades of experience within the industry and an innate understanding of our key customer segments, we have successfully developed a wide range of solutions that empower their financial aptitude in a multitude of ways. With the needs of our customers at the centre of what we do, our goal is to enrich lives with our innovative financial services – making connections easier, quicker and more convenient.

REMITTANCE & CURRENCY EXCHANGE

Remittance and Currency Exchange Made Easy

- Remittance and currency exchange via our network of branches, agents and Cash-In Cash-Out (CICO) merchants
- Digital remittances via eRemit, Merchantrade Money, Valyou Wallet and eBiz (B2B Remittance Payments)
- Multi-currency wallet via Merchantrade Money

DIGITAL PAYMENTS AND WALLETS

Revolutionising Safety and Convenience

- Visa Prepaid Card
- Digital wallets: Merchantrade Money & Valyou Wallet
- Digital salary top up services

MICRO-INSURANCE PRODUCTS

Building Financial Resilience

- Life insurance
- Medical insurance
- Personal accident & illness coverage
- Medical cards via Merchantrade Insure

MOBILE COMMUNICATIONS

Connecting With Loved Ones

- Prepaid sims and plans (voice and data)
- International Airtime Transfer service

End Goal A FULL SUITE OF DIGITAL FINANCIAL SERVICES

Providing Total Financial Empowerment

OUR IMPACT

A WIDE REACH



We offer **8 digital products** that enrich the lives of the underserved



Our customers comprise **185+** nationalities



Our services reach people in **200+** countries and territories worldwide, including **140+** developing countries



More than **80%** of our customers are from underserved communities



3 million+ underserved customers have access to safe and secure remittance services



189,000+ customers are protected by our micro-insurance plans, of which **18%** are women



700,000+ customers have been onboarded for digital wallets, of which **14%*** are women



A ROBUST NETWORK



630,000+ payout locations around the globe



97** branches
502** agents locations
539** CICO merchants



100+ partners worldwide, of which **40+** are leading international banks



380 QR and Electronic Draft Capture (EDC) merchants located in rural locations in Malaysia

A CARING COMMUNITY



1,000+ employees have been provided job opportunities



We work with **15** NGOs to reach more underserved communities



1,200 micro-enterprises and small businesses (Agents, CICO merchants, QR/EDC merchants) are supported through our network



* As of Sep 2021

** As of Feb 2022

Note: All figures quoted in this report are accurate as of 31 Dec 2021, unless stated otherwise.



PART I - UNLOCKING THE FULL POTENTIAL OF HOMEBOUND REMITTANCES

As the world has evolved into a globally integrated economy, the importance and impact of cross-border remittances has come to the fore, driven by migrants from developing countries remitting money back home to their loved ones. Remittances to low-and-middle-income countries in 2021 were projected by The World Bank to reach \$589 billion¹, a 7.3% year-on-year increase.

More importantly, it was estimated that 800 million people worldwide, or approximately 10% of the global population, are directly supported by remittances², indicating that remittances are an essential service that hundreds of millions of families in developing countries rely on for their very survival. Our efforts to grow the regional remittance industry has therefore played, and continues to play, a vital role in the socio-economic progress of migrants as well as their families and communities back home.

Our remittance business operations and initiatives contribute to the following UN Sustainable Development Goals (UN SDGs):



¹ The World Bank (2021), *Remittance Flows Register Robust 7.3 Percent Growth in 2021*, <<https://www.worldbank.org/en/news/press-release/2021/11/17/remittance-flows-register-robust-7-3-percent-growth-in-2021>>
² F. Ponsot, B. Vásquez, D. Terry, P. de Vasconcelos (2017), *Sending Money Home: Contributing to the SDGs, one family at a time*, International Fund for Agricultural Development (IFAD)



GROWING THE REGIONAL REMITTANCE INDUSTRY

Over a decade ago, we recognised that there were fundamental shortcomings in the accessibility of and infrastructure supporting remittances from Malaysia to countries in Southeast and South Asia.

Today, however, Bangladeshis, Indonesians and many other migrants in Malaysia can send money to their loved ones in just a matter of minutes with our online and offline channels. In this section, we explore how we helped to make this happen and the many socio-economic benefits that our efforts have brought to people and communities in developing countries across the region.

AT A GLANCE:

Migrants in Malaysia

- Malaysia is a host country to **an estimated 2 million documented migrant workers**³ from developing countries in the region
- We have one of the **largest migrant worker populations** amongst ASEAN countries



³ As estimated by the International Organization for Migration, <https://www.iom.int/countries/malaysia>

ESTABLISHING INFRASTRUCTURE: THE ENGINE & THE RAILS

For individuals and families receiving remittances, these funds play a crucial role in their survival, as it helps to provide for basic needs such as food, sanitation, clothing and shelter, while also enabling families to pay bills and meet health and education expenses.

Recognising the importance of every dollar sent home, we developed the Merchantrade International Remittance System (MIRS), a proprietary in-house remittance tech platform connected directly to a network of more than 100 international partners, providing a disruptive alternative to existing legacy remittance methods. With the ability to process remittance transactions in billions, MIRS empowers migrants to take care of their loved ones back home by making transfers safer, faster and more convenient than ever before – ultimately delivering essentials that families depend on.

Outbound transfers from Malaysia make up 61% of the total remittances we process.

The majority of these transfers are done by migrant workers supporting their families back home.

In 2021, to help their families meet essential needs, our remittance services have enabled our migrant customers in Malaysia to remit approximately:



RM5.2 billion

for family and household maintenance



RM157 million

for bills, goods, and services



RM53 million

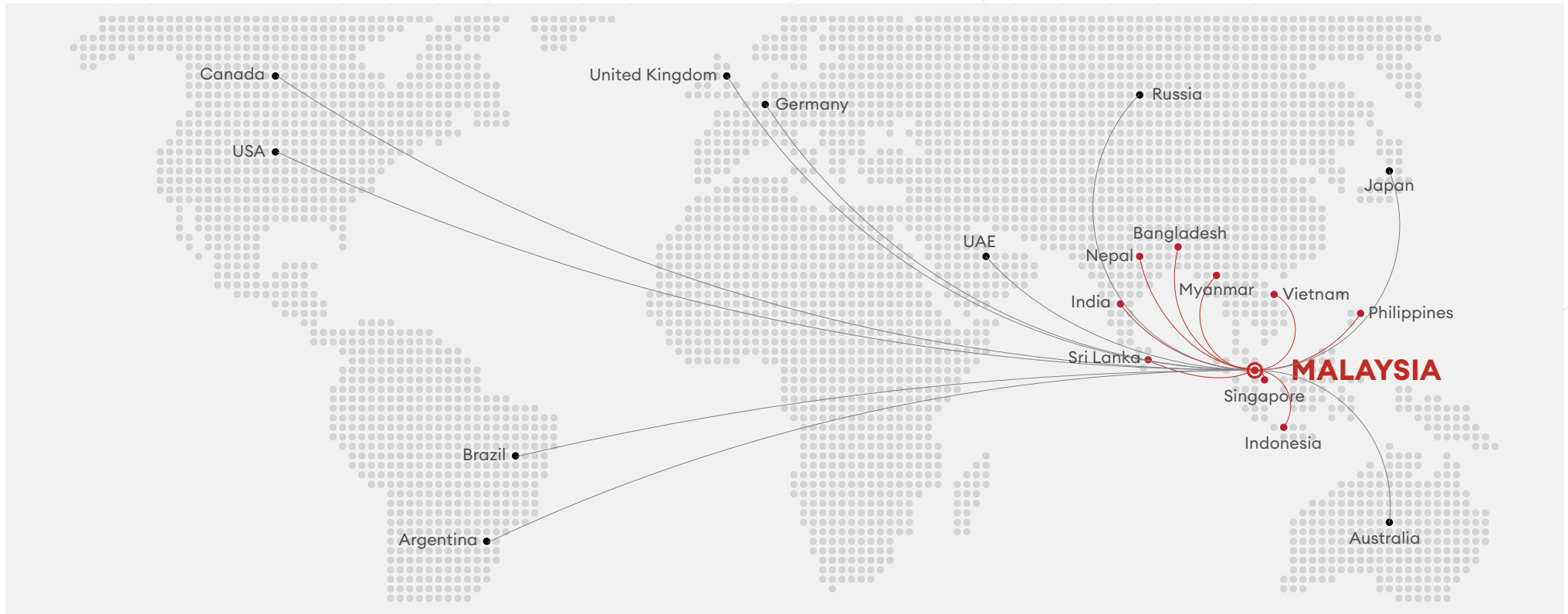
for education



RM37 million

for medical expenses

MIRS: POWERING REMITTANCES IN THE REGION



A GLOBAL REACH

MIRS connects people from more than 200 countries and territories worldwide, with over 630,000 touchpoints.

BOOSTING SPEED

MIRS enables cross-border money transfers within an hour to many key migrant corridors*.

DIRECT CONNECTIVITY

Leveraging on API technology, the platform enables seamless integration with partners worldwide.

INCREASED AFFORDABILITY

Building direct rails with partners eliminates third-party costs incurred when working with intermediaries, thus driving down the price of our services.

PROMOTING SAFETY & SECURITY

A robust Anti-Money Laundering (AML) system and dedicated teams for real-time screening and transaction monitoring.

* Bangladesh, Indonesia, Myanmar, China, Nepal, Pakistan, the Philippines, Sri Lanka and Vietnam



STRENGTHENING THE FIRST & LAST MILE

Migrant workers leave their small towns and villages back in their home countries to come to Malaysia, and many end up working in various rural locations around the country due to the nature of their employment – labour-intensive industries such as agriculture, construction and manufacturing.

In many of these areas, the lack of formal remittance services poses major challenges for those who need to send money back home – this includes having to travel long distances, which takes up time and can be costly, or having to use informal remittance services that are unreliable and fraught with risk.

To address their quagmire, we are proud to have built an extensive remittance network within Malaysia and worldwide, with an ongoing emphasis on expanding our presence and boosting accessibility in the most rural locations where migrants and their families can benefit from our services.



CONNECTING CUSTOMERS FROM EVERY CORNER OF MALAYSIA TO EVERY CORNER OF THE WORLD



Our Presence in Malaysia

97*
branches

502*
agent locations

539*
(CICO) merchants

We provide services crucial to migrants via:

1,100+ touchpoints across the country

31%** of our physical network in Malaysia is strategically located in rural and underserved areas

Our Global Presence

200+ countries and territories

100+ international partners, of which 40+ are banks with extensive branch networks and third party cash pick-up agents in rural locations within their respective countries



630,000+ touchpoints worldwide

* As of Feb 2022

** Estimation from internal studies

AN INVALUABLE TRANSITION TO DIGITAL REMITTANCES

With the COVID-19 pandemic demonstrating the great importance of digital services, we feel privileged to have put in place our infrastructure and digital ecosystem ahead of time to facilitate a quick transition to digital remittances at the onset of the various movement control orders that were implemented.

With the closure of physical locations and the inability to travel during lockdown periods, our growing digital remittance platforms proved to be a vital resource of critical significance as it became the only way that many migrants were able to continue supporting their families back home during this important time of need.

Additionally, the adoption of digital platforms has greatly expanded in rural and remote locations that lack formal financial services.



We recorded a **114% increase** in digital remittance transactions during the first 3 months of the lockdown



We recorded a **211% increase** in the number of existing customers (who used to visit branches and agent locations to perform remittances) who shifted to digital channels in April 2020



21% pre-COVID-19 to **43%** as of Dec 21
Since the start of the pandemic in March 2020, the proportion of our outbound remittance from Malaysia via digital channels has been increasing at a steady pace

NARROWING THE FORMAL FINANCIAL SERVICES GAP IN EAST MALAYSIA

Thanks to the large oil palm industry and other agricultural activities, Sabah and Sarawak have become home to more than 200,000 migrant workers⁴ from Bangladesh, Indonesia, the Philippines and other developing Asian nations.

However, due to the sparse population, lack of infrastructure and poor access to financial services, rural migrants often have to travel up to 40km and spend at least RM150 to visit their nearest financial institution⁵. This gave rise to *hawala*, informal money transfer operators who have the necessary connections in migrant home countries to facilitate the transfer of cash to the migrants' families. Unsurprisingly, many senders get cheated or robbed, losing their hard-earned money in the process.

Since our entry into the remittance market, we have made a difference by appointing agents and CICO merchants in some of the most rural and underserved towns such as Beluran and Lahad Datu in Sabah, and Long Lama, Kanowit and Bakong in Sarawak. We have also equipped them to provide remittance services and promote our digital remittance products such as Merchantrade Money and Valyou Wallet, thus reducing the reliance of migrants in the area on informal channels.

Our impact was further strengthened by targeted financial education programs including Project Greenback (a joint-effort by the World Bank and Bank Negara Malaysia). As a result, migrants from these communities are finally empowered with the knowledge and means to send money home to their loved ones via formal channels. Through this initiative, we are also pleased to have supported the government's efforts in tackling the problem of the shadow economy.



OUR IMPACT

Our presence in Sabah and Sarawak:

182

CICO merchants appointed

53

agent locations appointed

2

digital wallets (offering digital remittances) introduced

During the last two years, our initiatives have resulted in:

114%

growth in remittance volume

76x

increase in digital remittance volume

The share of digital remittance transactions in these areas has **increased from 2% to 59%**

⁴ World Bank Malaysia (2020), *Who Is Keeping Score? Estimating The Number Of Foreign Workers In Malaysia*, <https://documents1.worldbank.org/curated/en/892721588859396364/pdf/Who-is-Keeping-Score-Estimating-the-Number-of-Foreign-Workers-in-Malaysia.pdf>

⁵ The Borneo Post (2016), *Challenges facing islamic banking industry in Sabah, Sarawak*, <https://www.pressreader.com/malaysia/the-borneo-post-sabah/20160822/282617442161890>

Note: All figures represent only P2P outbound transfers from Malaysia

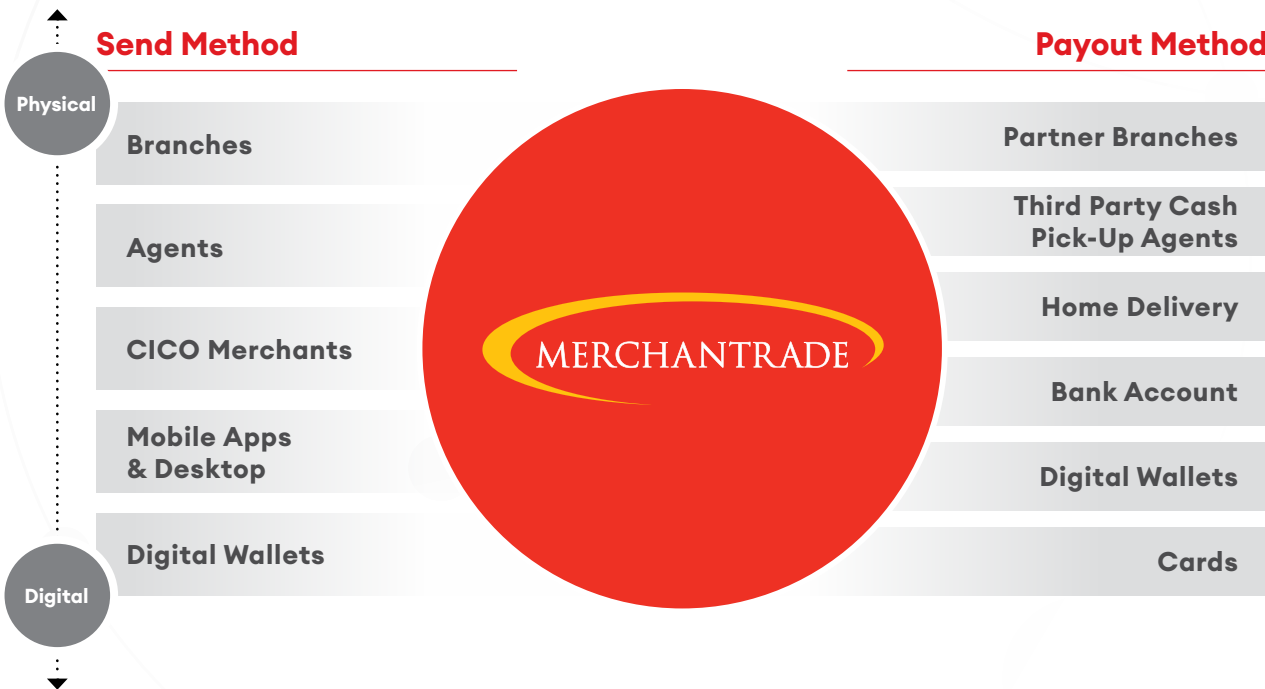


MAKING REMITTANCES MORE INCLUSIVE

With advanced regional remittance infrastructure, easier physical access and the availability of digital remittance solutions, the experience for those sending and receiving money is now a far cry from previous times.

In a bid to make remittances even more accessible and inclusive, our innovative remittance model offers a range of payment options from physical cash to fully digital, allowing us cater to the needs of our many underserved customers and their families worldwide.

The interoperability of our remittance system is supported by the frictionless sending and receiving of remittances across different networks within our partner ecosystem, thus creating a seamless journey.



Going the **extra mile** makes a difference

My uncle doesn't have a bank account and stays in a remote part of Vietnam. Travelling to the nearest cash pick up location is too far for him. Thankfully, with Merchantrade's remittance home delivery service in partnership with Donga Bank in Vietnam, I'm able to deliver funds to him on a monthly basis without any difficulties."

Pham from Vietnam

"I used to walk into the Merchantrade branch in Klang at the end of every month to send money to my family back home. However, during the lockdown I shifted to digital platforms as we were unable to leave our homes. The digital remittance feature on the Merchantrade Money e-wallet has given me greater choice and flexibility as I can now remit at home, or even when im on the go"

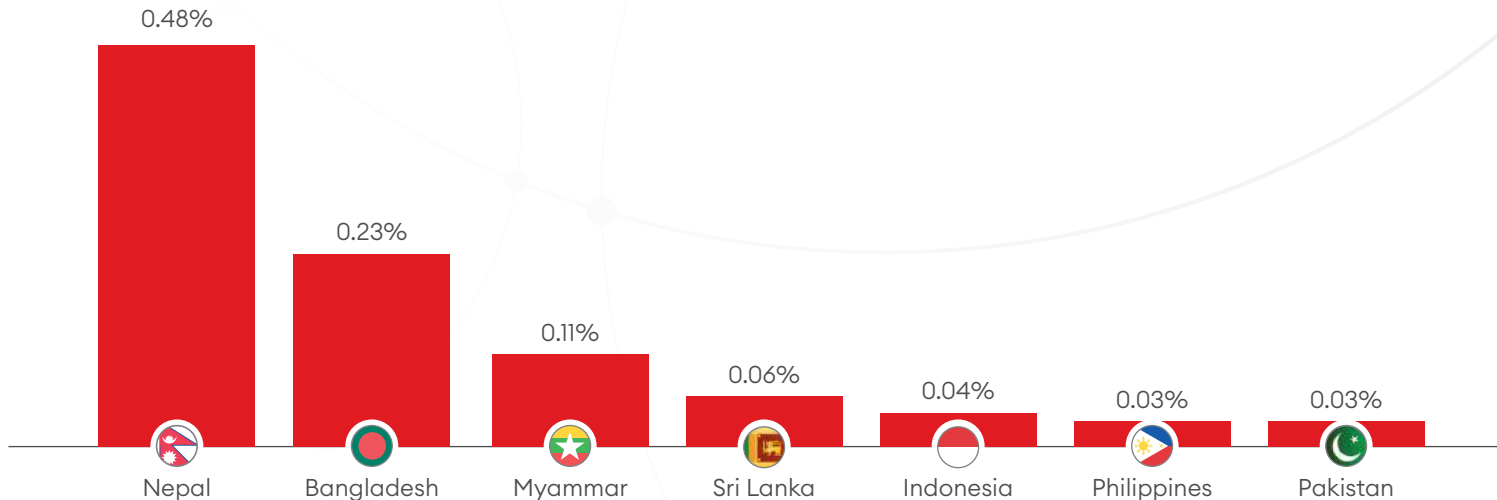
Masud from Bangladesh

BOOSTING DEVELOPING ECONOMIES ACROSS ASIA

Having significantly advanced the remittance infrastructure across Asia, we are proud to now play a growing role in the socio-economic development of many developing Asian nations. This is because the sheer volume of remittances made through Merchantrade channels to many of these countries is large enough to make a significant contribution to the country's GDP and thus, to their economic stability and sustainability.

In Nepal, where remittances have become a major contributor to household income and national GDP over the past two decades, it was found that remittances have played a significant role in poverty reduction and social transformation, with the overall socio-economic uplift also promoting the acquisition of modern skills and knowledge that will have a long-term impact on the nation's development⁶.

Remittances sent through Merchantrade as a share of GDP in 2021 (estimated)



Note:

Figures represent all P2P outbound transfers from Malaysia as well as IMTO (International Money Transfer Operator) transfers
 Data shown in bar chart was derived from GDP data from IMF World Economic Outlook (<https://www.knomad.org/data/remittances>) and internal figures on P2P outbound transfers from Malaysia and IMTO (International Money Transfer Operator) transfers

* Estimation: 1 customer can impact 4 people back home

⁶ Deepak Chaudhary (April 2020), Influence of Remittances on Socio-Economic Development in Rural Nepal

98%

of remittances via Merchantrade channels were sent to developing Asian nations



These include **Nepal, Bangladesh, Myanmar, Indonesia, the Philippines and India**



RM8.1 billion

was remitted through our network by more than **800,000 people** in 2021



Since inception, remittances made by our 3 million+ customers have impacted an estimated

12 million+*

lives regionally



A CLOSER LOOK: HOW REMITTANCES EMPOWER WOMEN



51% of our remittance recipients are women

The Global Findex Database 2017 by The World Bank indicates that women in developing economies are still 9% less likely than men to have a bank account⁷. As such, digital remittances and wallet transfers have been a game-changer.



Accessing **modern conveniences** in remote villages

"I live in Fatehpur, a small village in Southeastern Bangladesh. My husband left to Malaysia 14 years ago in pursuit of better career opportunities. Every month, I used to walk to the nearest cash pick-up point to collect my remittance. However, after having our first daughter, my husband encouraged me to sign up for a popular local e-wallet.

He makes the transfer from his e-wallet in Malaysia and the funds get transferred directly into my e-wallet - making my life so much easier! Thus far, I've learnt how to pay electricity and gas bills, and top-up my mobile phone using the wallet. In my village it is uncommon for women to have bank accounts or other forms of formal financial services, so I'm glad I discovered this service. I'm learning something new with it everyday."

Suma Rani from Bangladesh,
Remittance recipient

⁷ The World Bank (2018), The Global Findex Database 2017, <<https://globalfindex.worldbank.org/>>



PART 2 - OPENING DOORS TO A WORLD OF NEW POSSIBILITIES AND EXPERIENCES

For most people, having access to traditional financial services, at the very least a bank account, is a foregone conclusion. All it takes is a few minutes to register for an account. This is not the case for many underserved and unbanked individuals.

The future, however, is full of promise - their digital journey is only just beginning. The growing prevalence of smartphones and digital technology amongst these underserved segments has empowered us to help them overcome these obstacles through the provision of non-bank digital financial services that can make a real difference to their lives.

Our efforts to enhance financial inclusion amongst underserved individuals and communities contributes to the following UN SDGs:



CHAMPIONING FINANCIAL INCLUSIVITY THROUGH DIGITAL INNOVATION

The ability of migrants, refugees and low-income individuals to access financial services is hampered by the cost of banking fees, a lack of access to financial institutions, their perceived high-risk status, and a lack of proper documentation. As a result, storing and managing money is a struggle.

The transition towards digital financial tools is important and necessary for unbanked and underserved individuals in Malaysia. As long as they continue to receive their salaries in cash and store their savings improperly, it makes them extremely vulnerable to theft or even losses due to natural disasters. This puts their safety and that of their savings under constant threat. It also makes it harder for these communities to borrow, build savings or invest in the future – creating real barriers to overcoming poverty.

We have made it our mission to help them in this crucial step towards financial empowerment and have focused on innovating digital products and services that can meaningfully enrich their lives. In this section, we analyse the many ways our innovations have spurred digitalisation amongst underserved individuals and the growing impact that this transition is making in their lives and the larger communities around them.

The Unbanked Market

- **2 million** of Malaysia’s 24 million adults remained unbanked as of 2017⁸
- **50%** of our remittance customers interviewed in 2017 during a focus group discussion were unbanked, with no access to a bank account, credit or debit card
- **More than 75%** of migrants working in rural plantations do not have bank accounts⁹

⁸ The Edge (2018), Integrating the ‘unbanked’ into a cashless society, <https://www.theedgemarkets.com/article/integrating-unbanked-cashless-society>

⁹ The World Bank (2017), Three things to know about migrant workers and remittances in Malaysia, <https://blogs.worldbank.org/eastasiapacific/three-things-to-know-about-migrant-workers-and-remittances-in-malaysia>





MERCHANTRADE MONEY: A QUANTUM LEAP IN FINANCIAL INCLUSION

As smartphone ownership and internet access increased amongst underserved individuals, we recognised that digital wallets could provide a secure, affordable and fully legal alternative to banking services.

Thus, Merchantrade Money Visa Prepaid Card with digital wallet was launched in 2018 - a powerful combination revolutionising the way the unbanked transact and manage money.

At the same time, our strategic collaboration with the world's leader in digital payments, Visa, enables us to simultaneously offer these individuals access to over 70 million merchant locations across the physical and online world.

We are proud to have contributed to solving two of the key issues facing the unbanked in Malaysia - a lack of secure storage for funds and the inability to participate in the formal digital economy. More importantly, the access they have gained broadens their horizons to an exciting new world of commerce.



During the two-month pilot phase in 2017,

10,000+

underserved individuals signed up for Merchantrade Money

Today, the lives of **700,000+*** individuals have been transformed through our digital wallet solutions, the majority of whom were previously unbanked

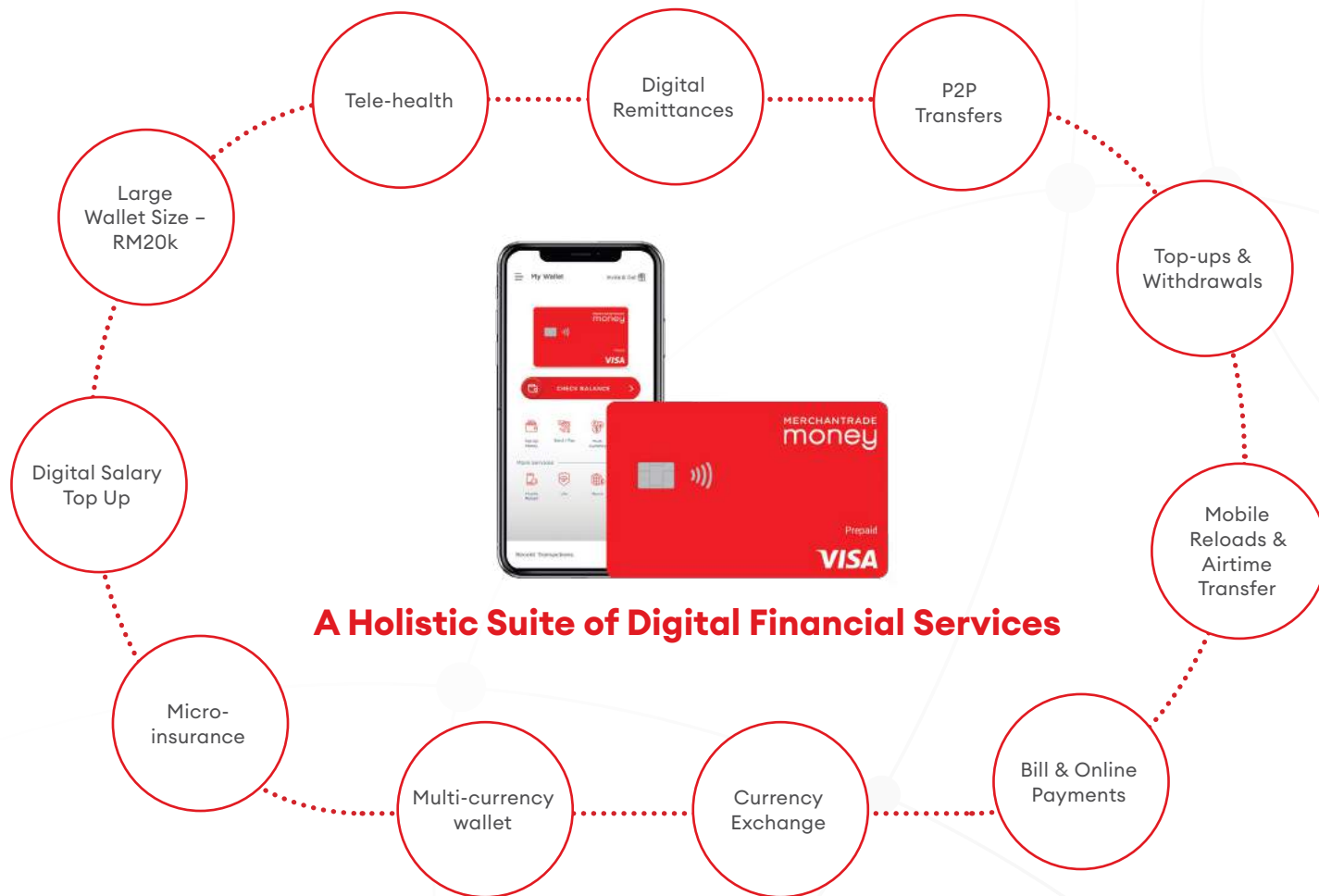
“At Visa, we think of financial inclusion as more than just access. It is about empowering people with both the tools and the knowledge to enhance their lives with formal financial services and creating the conditions to advance financial opportunity for all individuals in an increasingly digital economy. This is central to our belief that economies that include everyone, everywhere, uplift everyone, everywhere.”

Ng Kong Boon,
Country Manager for Visa Malaysia

* Includes Valyou Wallet

A COMPREHENSIVE ECOSYSTEM OF DIGITAL FINANCIAL SERVICES FOR THE UNBANKED

Access to a digital wallet and prepaid card is a big step forward, but it is not nearly enough for the underserved to achieve meaningful financial empowerment. Thus, we continue to leverage our data and analytics capabilities to create interconnected services and features within the Merchantrade Money mobile app that are specifically tailored to their needs.



“We see digital payments as a critical factor towards supporting and promoting broader financial inclusion, leading to greater financial security and happier lives for the underserved segment. We’re driven by and focused on building within Merchantrade Money a digital ecosystem of useful and affordable financial products and services as well as health and lifestyle related products that are relevant to them and that meet their daily needs - giving users the ultimate experience within a single app.”

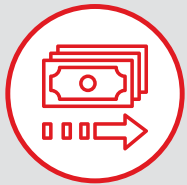
Ramasamy K. Veeran,
 Founder & Managing Director
 Merchantrade Asia Sdn. Bhd.



A Comprehensive Ecosystem Of Digital Financial Services For The Unbanked

As we have expanded the services and features we offer on Merchantrade Money, we have simultaneously advanced the digital financial literacy of our unbanked customers and encouraged their participation in the formal digital economy.

We are humbled to see continuing growth in the usage of the many complementary financial services that we offer, knowing the positive impact that they are making in the lives of these individuals – especially since many have never had access to these services in the past.



Our customers transacted a total of
RM 1.53 billion
on Merchantrade Money in 2021

Most used features include:



#1 Remittance



#4 Mobile reloads and airtime transfer



#2 Physical retail payments



#5 Insurance



#3 Online retail payments

In 2021, we saw:



53%

Y-o-Y growth
Digital remittances



259%

Y-o-Y growth
Cashless retail payments



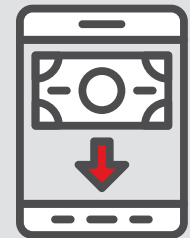
113%

Y-o-Y growth
Online shopping



74%

Y-o-Y growth
Mobile reloads and airtime transfers





TRANSFORMING LIVES THROUGH DIGITAL SALARY TOP UP SERVICES

Recognising that many of our unbanked customers were receiving salaries via cash, one of our key ongoing objectives is to promote the digitising of wages for the unbanked.

Powering this service is our proprietary in-house technology platform that enables employers to disburse salaries and allowances directly into each employee's Merchantrade Money digital wallet.

This win-win proposition helps employers increase their efficiency and transparency, while at the same time enhancing safety for their employees and providing a stepping-stone to their inclusion within the digital financial ecosystem. Our diverse salary top up partners range from large corporate entities within the manufacturing, plantation and construction industries to colleges and universities, travel agencies and other SMEs.



We have helped over

344 employers

transition to digital salary solutions

Fueled by COVID-19, we saw a

330% increase

in employees being onboarded and receiving salaries digitally compared to 2019

Our digital salary top up program has made it safer and more convenient for

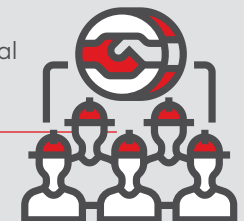
115,000

unbanked employees

We have transformed

300+

plantations, estates and mills with our end-to-end ecosystem of digital financial solutions



Transforming Lives Through Digital Salary Top Up Services

Our path to building digital ecosystems in rural locations:

Promote digital salary top up amongst employers

Onboard unbanked employees to Merchantrade Money

Promote financial literacy and continuous education amongst employees

Onboard merchants around employers' locations to further promote usage of prepaid card amongst employees

Create digital ecosystems and boost rural economic development in these areas

Helping corporations **help the underserved**

“As one of the world’s largest producers of crude palm oil (CPO) with a business that’s largely rural-based, most of our workforce are migrants and local Malaysians. Hence, we had a clear need for an efficient and scalable salary top up scheme.

Merchantrade approached us in 2019 to onboard our plantation workforce onto the Merchantrade Money platform. The timing was great as we were seeking opportunities to enhance our workers’ welfare and benefits in providing them with greater security and conveniences.

As of today, we’ve managed to implement cashless salary payment for workers at 95% of our upstream division throughout Malaysia, with the remaining 5% set to be completed soon.”

Zarif Zainul,
Vice President
FGV Holdings Berhad



BOOSTING DIGITALISATION IN RURAL COMMUNITIES

In ensuring our customers, especially those in rural towns and remote areas where our salary top up clients are located - can enjoy the full benefit of Merchantrade Money, we go the extra mile to onboard and equip micro-enterprises and small businesses with dedicated QR codes and EDC terminals to accept cashless payments.

As grocery stores, mini markets, mobile phone shops, bus ticketing outlets, canteens and F&B stalls begin accepting digital payments, our customers no longer need to visit the nearest branch to withdraw money or carry cash for their everyday purchases. Therefore, both customers and merchants can benefit from the safety and convenience of going cashless. This has also enabled us to successfully digitise small communities around the vicinity of our client's worksites, boosting the local economy within these rural areas.



31%*

of our physical touchpoints in Malaysia are located in rural towns and communities

380

micro-enterprises and small businesses have been onboarded in rural locations

250_{QR}

merchants and

130_{EDC} merchants

have been equipped with technology to accept digital payments

* Estimation from internal studies

Creating ecosystems that **benefit the community**

“Using Merchantrade Money and digitising our payroll processes has revolutionised the way we operate. We’re glad to work together with Merchantrade to move one step closer towards our vision of a 100% cashless plantation ecosystem. To date, we have implemented digital salary top up solutions in more than 83 estates and mills.

We are also impressed by Merchantrade’s efforts to digitise payments in small shops and stores surrounding our workers’ living quarters, creating an end-to-end digital solution that benefits us as employers, our employees and the micro-enterprises and small businesses around us.”

Sudhakaran Nottath Bhaskaran,
Plantation Director
IOI Corporation Berhad

“Using an EDC terminal to accept payments has made it more convenient and safer for us as well as for our customers - we don’t have to manage physical cash and everything is stored digitally. It is our first time using cashless payment tools and I’m glad we had the opportunity to learn and use these innovative solutions to upgrade our business. From using only cash, we’ve evolved to become cashless.”

Jamaludin Sari,
Khairul Rizwan Trading
EDC merchant in Telupid, Sandakan

Boosting Digitalisation In Rural Communities



Transforming the lives of **rural workers**

“I work in a plantation in the remote area of Ladang Tanjong Gemok, Pahang. Not having a local bank account here was difficult for me as I receive my salary in cash. As a result, I usually have to keep my money under my pillow at night when I sleep and, in the day, I have to carry it with me wherever I go. On multiple occasions I’ve lost money while commuting.

A couple of months back, my employers carried out a major exercise to digitise salary payments and onboarded us to Merchantrade Money. Today, I receive my monthly salary directly into my Merchantrade Money wallet. I no longer have to request for time off from work, carry physical cash and travel for hours to go to the nearest Merchantrade branch to send money back home.

I use the wallet to digitally remit money to my family and perform mobile prepaid reloads for myself as well as my wife back in Indonesia. I use the card to make cash withdrawals at ATMs and carry out cashless payments at the shops around the plantation. It’s easy, convenient and so much safer - my wife is happy too, and she’s less worried about my safety.

I’m glad technology has made so many things that were impossible, possible for me.”

Suprianto,
Plantation worker from Indonesia

MERCHANTRADE INSURE: CLOSING THE PROTECTION GAP

Many of our customers live from paycheck to paycheck, which means that they often have little to no savings. Adding another layer of risk to their circumstances, they are often employed in jobs labelled as “3D” - dangerous, dirty and difficult. While many are covered under SOCSO or PERKESO during working hours, the fact remains that an unpredictable financial shock or unforeseen life event that diminishes their income-generating potential can have a devastating impact on their financial stability.

To address this, we have partnered with leading insurance brands MCIS Life and AXA, leveraging on their years of experience in the industry to provide a range of simple and affordable micro-insurance products available digitally via Merchantrade Money and through our physical network. These include life, medical, personal accident and illness insurance and a medical card. We have also partnered with the UN Capital Development Fund (UNCDF) under the I3 Program supported by MetLife Foundation, where we developed a targeted financial inclusion program for the Malaysian B40 segment (lower income group).



Merchantrade Insure has:

Educated and protected

189,000+ customers

Sold

267,000+ policies

Paid out a total of

RM490,000

Provided a safety net to

354 claimants

We are the 1st Malaysian company to:

- Allow migrant customers and B40s to purchase their own insurance without going through employer channels
- Enable pay-outs directly to beneficiaries in their home country

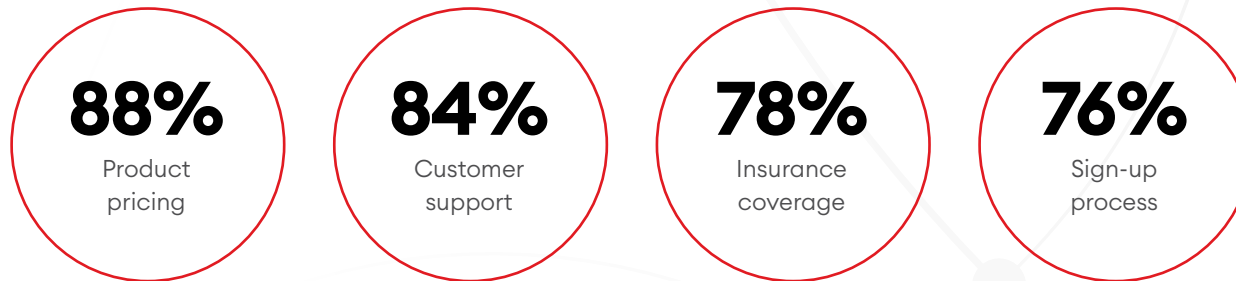


Merchantrade Insure: Closing The Protection Gap

With inclusivity at the core of what we do, our micro-insurance products are created with customers' needs in mind. We offer affordable premiums from RM1 per month, a hassle-free sign up process, comprehensive coverage and 24/7 customer support.

Through our insurance products, we hope to evolve the mindset of underserved individuals and empower them to plan more effectively for their future. This is something we are already seeing in the responsible manner that our insurance payouts are being utilised.

The majority of our customers expressed satisfaction with their Merchantrade Insure experience, indicating true product-market fit



The figures above represent customers who rated their experience 'Excellent' and 'Good' in a survey conducted together with the UNCDF.

"This milestone speaks volume about our purpose to empower people to live a better life via financial inclusion. More importantly, it exemplifies our ongoing commitment in bridging the protection gap among the underserved.

We at AXA hope to do our part by raising awareness on the importance of protection and - together with Merchantrade - we will remain committed to ensuring adequate protection for migrants and their loved ones."

Emmanuel Nivet,
Chief Executive Officer
AXA Affin General Insurance Berhad

As per our research survey, claims have been used for the following purposes:



WORKING TOGETHER TO PROVIDE A SOCIAL SAFETY NET

We are a proud partner of the Malaysian government's Perlindungan Tenang voucher program. Launched in September 2021, the initiative aspires to improve the social safety net for the 8.4 million* Malaysians who are Bantuan Prihatin Rakyat (BPR) recipients by increasing the accessibility and affordability of micro-insurance products.

Perlindungan Tenang was rolled out in 2017 by Bank Negara Malaysia together with the insurance industry to address the issue of insurance penetration among Malaysians in the lower-income group.

We are honoured to be a distributor with MCIS Life as our partner for this program. We have also partnered with leading telecommunications players to extend reach in the country and enable more low-income Malaysians to benefit from the financial resilience that insurance coverage can provide.



A Savings and Protection Predicament

A joint research project done together with UNCDF revealed that one-third of Malaysian respondents had less than RM500 in savings. More than half said they would find it difficult to raise RM1,000 in the event of an emergency¹⁰.

Bank Negara Malaysia's Financial Capability and Inclusion Demand Side Survey (2018) revealed that only 17% of Malaysians have life insurance and takaful coverage. This figure is much lower, at only 2%, within the low-income segment¹¹.

"The Perlindungan Tenang program is the first of many, as our partnership with Merchantrade will allow us to roll out more inclusive and innovative solutions and digitized service offerings to customers from all walks of life, staying true to our brand promise – People Helping People."

Ganeson Velu,
Head Of Alternate Distribution
MCIS Insurance Berhad (MCIS Life)

* In 2022, the Bantuan Keluarga Malaysia (BKM) program is expected to benefit more than 9.6 million recipients

¹⁰ Results of an internal survey conducted together with UNCDF

¹¹ Bank Negara Malaysia (2018), Financial Capability and Inclusion Demand Side Survey 2018

Working Together To Provide A Social Safety Net



Securing coverage in the **nick of time**

“He was feeling light headed, so we rushed to the nearest clinic. While the doctors were examining him, he had breathing difficulties. Not long after, he passed away.

My husband had a history of diabetes and it had severely affected his health. I’m grateful that he had found Merchantrade Insure Life at the right time and redeemed it with the RM50 Perlindungan Tenang voucher. This was his first insurance and we had never invested in insurance prior to this as our monthly earnings were just enough to take care of our expenses.

I’m thankful for the RM20,000 in claims money that I’ve received. It has come in handy managing the household expenses and my children’s education as school has just reopened. Part of the money will also be invested in our small business selling food at the local *pasar malam* (night market).

I didn’t know much about insurance before, but I know the value of it now when it comes to unforeseen circumstances and securing a comfortable financial future for your loved ones.”

Shima,

Claimant of Merchantrade Insure Life
(A product underwritten by MCIS Life)

* Image shown above does not depict the person (Shima) who has provided the testimonial on this page.



PART 3 - DRIVING THE ADVANCEMENT OF MICRO-ENTREPRENEURS AND SMALL BUSINESS OWNERS

In our quest to drive financial inclusion amongst underserved individuals, we have also come to appreciate the struggles faced by various enterprises that form our physical network, most notably micro-enterprises and small businesses such as sundry shops, currency exchange outlets, telco shops, and other small “mom-and-pop” enterprises.

Due to factors such as their small scale, lack of resources and lack of experience with technology, they have found it hard to adapt to rapid technological changes. A 2018 study by Bain & Company found that despite being the backbone of the economy, only 16% of SMEs in the ASEAN region utilise digital tools¹¹.

To alleviate the difficulties they face, we have implemented an increasingly robust framework of support that is aimed at improving the livelihoods and digital capabilities of all micro-enterprises and small businesses in the Merchantrade network.

Our initiatives to support the economic sustainability and progress of micro-SMEs contributes to the following UN SDGs:



¹¹ Bain & Company (2018), *Advancing Towards ASEAN Digital Integration: Empowering SMEs to Build ASEAN's Digital Future*

A CRUCIAL INCOME STREAM TO SPUR BUSINESS GROWTH

We have been humbled to see and hear so many success stories from entrepreneurs who have joined our network and used the extra income to grow their enterprises and improve their lives.

Our commitment lies not only in helping them increase their earnings, but also in empowering them to take their businesses to greater heights, thereby realising their entrepreneurial dreams and aspirations. As they grow and hire more staff, this also boosts employment and strengthens communities in the areas they operate within.



1,200

micro-enterprises and small businesses (agents, CICO merchants, QR/EDC merchants) are supported through our network



Our network of micro-enterprises and small businesses has grown by

299%

in the last 3 years



Our agents and CICO merchants benefited from

329

total training hours in 2021



We help to provide employment opportunities for an additional

2,000+

individuals directly employed by micro-enterprises and small businesses in our network



A Crucial Income Stream To Spur Business Growth

Providing **new business opportunities** to micro-enterprises and small businesses

“I was an agent for a local bank in a small town called Chaah. I looked high and low for additional income streams to expand my business and finally came across Merchantrade remittance agent services. I successfully passed the interviews and had my application approved a few months later. That moment changed my life forever.

From more than 150 remittance transactions in the first month, we’ve managed to reach more than 1,300 transactions within a year. I have also opened up another agent branch in Labis, Johor, and from a one-man show my team has grown to three staff today.

Despite the last year being slightly challenging due to the pandemic, with the continuous support and guidance from the team at Merchantrade I’ve managed to save up enough to open my next branch in Bekok, Johor, and eventually I want to start my own travel agency – it’s one of my biggest dreams.”

Jayaletchumy Munusamy,

Merchantrade agent
Golden Emlink Sdn. Bhd.

Helping business owners **stay afloat** during the pandemic

“We started working with Merchantrade just before the lockdown had started, and I must say the partnership came at an opportune time.

We owned a small convenience store in Port Klang and it was doing well, but we were not prepared for the COVID-19 outbreak. Thankfully, by becoming a CICO merchant, we were able to generate close to 40% in additional revenue and with this we were able to sustain our business.

We’re excited to be part of the Merchantrade family as we’re always looking for ways to upgrade and expand our business. Our next goal is to become a Merchantrade agent, providing not just cash-in cash-out services but a full range of remittance and currency exchange services to our customers.”

Nordiana Binti Mohd Yahya & Ibrahim Miah,

Merchantrade CICO merchant
Arissa Danisa Enterprise



SUPPORTING THE OVERLOOKED BACKBONE OF THE ECONOMY

We consider the many micro-enterprises and small businesses within our network as part of one big Merchantrade family and place great emphasis on supporting their growth and success.

To this end, we have created a comprehensive framework of business, technological and training support to boost the sustainability and digitalisation of their various enterprises. We believe that by providing them with this ecosystem of support, we can enable greater financial resilience amidst challenges, thereby making a lasting impact on their livelihoods and the strength of their local communities.

Low Cost Business Model

As an additional income stream, our agents and merchants can earn commission by offering our services and leveraging on our established brand name, IT systems and digital infrastructure.

Upskilling and Training

We provide agents and merchants with intensive technical, compliance and soft skills training programs coupled with periodic refresher courses to ensure that they are well equipped with the right knowledge to service customers. We also keep them updated on the latest developments within the money services industry.

Our Ecosystem of Support For Micro-Enterprises and Small Businesses

Building Digital Capabilities

With so many micro-enterprises and small businesses still not using digital tools, we have taken it upon ourselves to equip them with the technology necessary to accept cashless payments, such as EDC terminals and QR code technology, while also educating them to ensure proper use.

Marketing Support

We extend on-ground marketing support in the form of printed materials - flyers, buntings, banners and more - to drive awareness, grow their customer base and boost sales.



PART 4 - A CORPORATE PHILOSOPHY TO ENGAGE, EDUCATE AND EMPOWER

In addition to our business-driven initiatives that leave a lasting socio-economic impact, we are also collectively inspired by our corporate philosophy to support, educate and empower progress through investments in local communities and our workforce.

Our CSR, educational and internal human resource activities contribute to the following UN SDGs:



CSR: LENDING SUPPORT IN TROUBLING TIMES

Under the umbrella of the Merchantrade Cares program, we pooled our resources and joined hands with many like-minded partners during 2021 to initiate and support a wide variety of community outreach projects in rural and underserved communities across Malaysia, specifically impacting those living in close proximity to the areas we operate in.

In addition to our key initiatives highlighted on this page, we are also long term participants in various other charitable initiatives that are congruent with our objective of empowering the underserved. These include our collaborations with local NGOs as well as The Edge Kuala Lumpur Rat Race, which supports projects related to education, training and skills development.



Jan
2021

A Flood of Support

When communities on the Northeastern coast of Malaysia were forced to evacuate their homes due to flooding in January 2021, we mobilised our staff to provide victims with essential items such as food, clothing, bedding, water and hygiene kits.

Jul
2021

A Swift White Flag Response

At the height of the pandemic in July 2021, when many Malaysian families were at the end of their fiscal rope, our team stepped up and worked together with NGOs to distribute food to communities in need across Malaysia.

Apr –
Dec
2021

Peace of Mind During Troubling Times

Through our partnership with iPay Remit (Nepal), i-Remit (Philippines) and Western Union, we provided one month in free insurance coverage for customers sending remittance transactions through these channels. More than 400,000 free insurance policies were provided and RM28,000 in claims paid out during this period.



CHAMPIONING FINANCIAL LITERACY AMONG THE UNDERSERVED

In driving financial inclusion, it is vital to ensure widespread awareness and provide continuous education.

While individuals from underserved communities may be aware that they can benefit greatly from the adoption of digital money and other financial tools, they continue to remain hesitant due to communication and location barriers, low literacy levels, a lack of familiarity with technology and a lack of experience in using formal financial services. Here are some of the ways that we are overcoming these obstacles and building trust, thereby creating awareness of the benefits they stand to gain and empowering them to make the transition.

Bridging the Communication and Language Barrier

A key effort we undertake is engaging with our customers in their native languages. This is applied across our printed marketing collaterals, inside our mobile apps (which offer up to 9 language options) and within our social media platforms, where instructional video and Facebook Live sessions are conducted in a variety of Asian languages. We also conduct our product demonstrations in native languages where possible.

Using Face-to-Face Education in Rural and Remote Locations

With our research indicating that face-to-face communication remains a strong catalyst in the transition to digital, we have formed dedicated on-ground sales teams to support our extensive physical network. These teams spread financial literacy amongst rural populations while supporting the use of our products by conducting live step-by-step guidance and demo sessions.

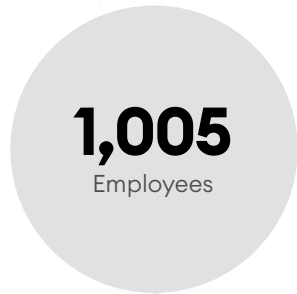
Using Community Groups to Build Trust

We place emphasis on working with NGOs to extend our reach to underserved communities and community groups. We also leverage our existing customers to become our 'brand ambassadors' and help promote and accelerate financial literacy within their communities.



FOSTERING A PROGRESSIVE AND EMPOWERED WORKFORCE

Creating inclusive products for our customers starts with fostering an inclusive team. Through our diverse workforce, we are better able to understand our customers - who come from all walks of life - and bring a greater variety of innovative ideas to the table.



Fostering A Progressive And Empowered Workforce

Nurturing Young Talent

With more than **75%** of our workforce being millennials, it is vital that we create programs that support continuous learning and progress.

Merchantrade Young Leaders Program

180 junior staff were provided with training and given opportunities to advance their careers. This included participating in international programs to gain maximum exposure and working on major cross-functional projects within the organisation, enabling them to gain a deep understanding of the business and immerse themselves in the Merchantrade culture.

Branch-to-Corporate Program

With 39% of our staff force coming from our branches, we introduced the Branch-to-Corporate Program, a placement program that bridges the gap to the corporate world and enables our branch staff to access further career development opportunities.

Creating Livelihood Opportunities in Rural Locations

In line with our objective to empower underserved communities, a significant number of our branches are based in remote locations across Malaysia. We therefore understand the need to provide sustainable career opportunities for individuals in these communities.



Via work at our branches, we provide **sustainable career & livelihood opportunities** to individuals from rural communities.



We also offer **upskilling & development programs** in areas such as sales, compliance and customer service to enhance their competencies.





Fostering A Progressive And Empowered Workforce

Propelling careers to greater heights with the Merchantrade Branch-to-Corporate Program

“My humble journey began in 2006 when I started work as a teller at a Merchantrade branch in the heart of Kuala Lumpur. I was then one of the few selected to join the corporate line as an Operations Executive. Ever since then, I’ve had the opportunity to grow, take on new projects and gain much more exposure. I even had the opportunity to work in Singapore with one of our subsidiaries, KLIQ, and complete my degree part-time while working.

With the knowledge and experience I’ve gained, today I head the Projects and Innovation team under our Money Services Business department. I hope to inspire and encourage those around me to never give up on their dreams and goals.”

Subhas Ponnar,

Vice President

Money Service Business (MSB) - Projects & Innovation

Giving rising talent the opportunity to reach their fullest potential

“My career at Merchantrade started at the Shah Alam branch and thereafter I had the opportunity to be part of the team that set up the company’s digital remittance operations at our headquarters. The opportunity forced me out of my comfort zone, and I was able to learn and take on new responsibilities that have moulded me into the young, confident professional I am today. I truly believe passion and hard work can lead to great things.”

Felicia Loh,

Assistant Manager

Operations, Digital Remittance



Broadening horizons through international exposure with the Merchantrade’s Young Leaders Program

“I recently graduated from the Migrant Remittances and Financial Services Executive Program (January 2022 cohort), a collaboration between UNCDF and Harvard Kennedy School Executive Education (HKSEE). I’m grateful to have had the opportunity to learn about inclusive financial services from all parts of the world. The experience has encouraged me to implement more inclusive products and strategies for the benefit of our customers, as well as to continuously benchmark ourselves against global peers.”

Ivan Alias,

Executive Vice President

Corporate Business Development



OUR VISION FOR AN INCLUSIVE FUTURE

In creating this Social Impact Report 2021 and witnessing the positive socio-economic impact we have been able to create in Malaysia and Southeast Asia, we feel validated that our efforts to innovative financial services and expand our reach have contributed significantly towards enriching the lives of the underserved.



Pioneering the Evolution of Digital Financial Support

Thanks to the many advancements that we have helped propel, digital financial services nowadays are more inclusive, affordable and accessible for underserved communities and developing nations in the region.



An Umbrella of Digital Financial Services

By developing a one-stop platform with all the relevant financial products (i.e. a 'Swiss Army Knife' of financial tools), we have significantly enhanced our customers' ability to conveniently access life-changing digital financial services.



A Gateway to Formal Financial Services

Our products and services act as a stepping stone for our customers - enabling them to create formal financial track records that will empower them and give them access to a wider variety of financial services in the future.

As one of Malaysia's leading fintech companies, we will continue to enhance the inclusivity of our digital financial ecosystem in order to reach more underserved customers in Malaysia and around the world, delivering the financial empowerment that everyone deserves.



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