

MERCHANTRADE™

Stepping Stones to a

Brighter Future



ESG Report 2022



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Reduce the environmental impact of this ESG Report 2022 by scanning and reading it online!



Enriching Lives with Financial Services

The provision of accessible and affordable financial services is a fundamental stepping stone towards economic and social advancement. As a financial services provider, we are the engine that drives this mission forward.

By facilitating life-sustaining international remittances, promoting digital financial products, and helping small businesses thrive, we are proud of the multi-tiered social impact we are able to bring about, not just in the local economy but across the region as well.

With a mission to enrich lives with financial services, each year we welcome more underserved individuals and small businesses to the formal economy - bettering their lives and creating a brighter, more sustainable tomorrow.



The Merchantrade Impact

Billions in transactions.
Millions of satisfied customers.
One company.
One network.



“

Living in Malaysia for many years without a local bank account was a struggle for me. I only registered for Merchantrade Money last year. The platform's range of digital financial features has changed my life forever. ”

Fadzila

A worker from Bangladesh who sends money home to her loved ones

“

As a small business, I'm grateful for the opportunity to be a CICO (Cash-in Cash-out) Merchant under Merchantrade's guidance. It has helped me to meet my monthly financial commitments and manage the daily needs of my family. ”

Sharon

Owner of Kedai Runcit¹ Draglynn in the rural plantations of Sabah

“

After experiencing the loss of my husband, being left with no income, and having to care for 7 children, I realised the true importance of having insurance. Merchantrade Insure has been a lifesaver for me. ”

NurLina

A claimant who lost her husband in a tragic accident

1. 'Kedai Runcit' is a mini grocery store.

Note: To respect the confidentiality and protect the identities of the individuals referenced, their actual names have been withheld from this statement.



A Message From Our

Managing Director

Dear Stakeholders,

I am pleased to present our first ESG report, signifying our commitment to sustainability and the progress we have made in our pursuit to make a difference.

The market had faced significant challenges in recent years, starting with the impact of the pandemic, followed by inflationary pressures and extreme weather conditions. We saw many of our customers, agents, merchants, employees, business partners and vendors endure hardship during these turbulent times. However, I'm grateful to report that FY2022 marked a significant turning point as we collectively rebounded from the economic slowdown.

Amidst these challenges were opportunities for innovation and transformation that have not only helped us navigate through difficult times, but also positioned us for a stronger future.

This period was a profound reminder of the importance of sustainability and has pushed us to actively embed it in our decision-making processes, operations and engagement

with stakeholders - as we understand the pivotal role sustainability plays in our long-term success and its impact on the communities we serve.

As Malaysia's leading non-bank financial services provider, we believe the true value of our progress lies in seeing the many benefits that we have unlocked for those around us, especially those in underserved communities. Our ESG Report 2022, themed "Stepping Stones to a Brighter Future", highlights the incremental progress we've made in enriching lives through our innovative solutions.

While we are a company built on social impact and strong governance, this year also marks significant further advancement as we extend our focus to include the environmental aspect as well.

We invite you to explore this report and appreciate the stepping stones we have laid towards a brighter future, in line with our vision to drive sustainability in our industry.

Ramasamy K. Veeran

Managing Director, Merchantrade Asia

Our FY2022 sustainability highlights



Onboarded

860,000+
e-wallet customers

to date

(with the majority being the underserved)



Achieved an average cost of

approximately **1.79%** for
remittances sent through Merchantrade
network in FY2022

(including service fee and foreign exchange)



Built a network of

250+ agents and
470+ merchants, with

93% being micro-enterprises and **45%**
having at least one female business owner



Formed a new **Data Governance & Control Department** and a
dedicated **Information Security and Governance team**



Distributed

526,423
free insurance policies

with a total coverage value of

RM2,105,692



Digitalisation efforts have
boosted transactions made
through our digital platforms to

60% of total transactions in FY2022
from **2%** in FY2012



Disposed over

270kg of e-waste

as part of our partnership with

Electronic Recycling Through Heroes
(ERTH)



Our Anti-Bribery and Corruption ("ABC")

Policy was communicated to **100%**
of our staff force, as well as subsidiaries,
agents, vendors and partners



Achieved

ZERO reported
cases related to bias or
discrimination in FY2022



Invested

RM840,000+

in training and development in
FY2022, marking a

12% increase from the
year before



Completed

12 dedicated
AMCO training sessions

for **805** staff and agents.



Provided over

550 hours of training
to agents and merchants in our
network



100%

of all employees completed their
annual AML/CFT assessment in
FY2022

About Merchantrade

Over the span of 25 years, Merchantrade has successfully transformed its business to become Malaysia's leading Money Services Business (MSB) operator and a fast-growing player in the digital payments landscape. With a mission to enrich lives, we have developed an end-to-end ecosystem of digital products that cater to a diverse range of customers, including underserved individuals, Small Medium Enterprises (SMEs), large corporates, banks, financial institutions and more. Our core service pillars include:



Money Services

Enabling international remittances for individuals and businesses via our physical and digital channels. Offering competitive currency exchange services through our retail outlets, wide network of agents and our innovative multi-currency wallet.

As an International/Domestic Money Transfer Operator (IMTO/DMTO), we act as an aggregator enabling millions to send and receive remittances, even in the most rural of areas via our extensive network of partners across the region.

Remittance (P2P & B2B)

Branch & Agent

Multi-currency wallet

IMTO/DMTO

Retail & Wholesale Currency



Payment Services

Transforming the lives of underserved communities and reducing barriers to the adoption of meaningful financial tools, as well as enabling first-time access to life-changing products and services.

e-wallets
(Card & Network based)

White-Label and Co-Brand
Solutions

Payment Gateway

Cash-in Cash-out Merchants

RPP (coming soon)



Micro-Insurance

Providing a social safety net for the underserved communities who lack access to basic insurance. Our micro-insurance products have been specifically customised to meet the financial protection needs of the underserved communities and travellers.

Life Insurance

- Life Insurance
- Medical Insurance

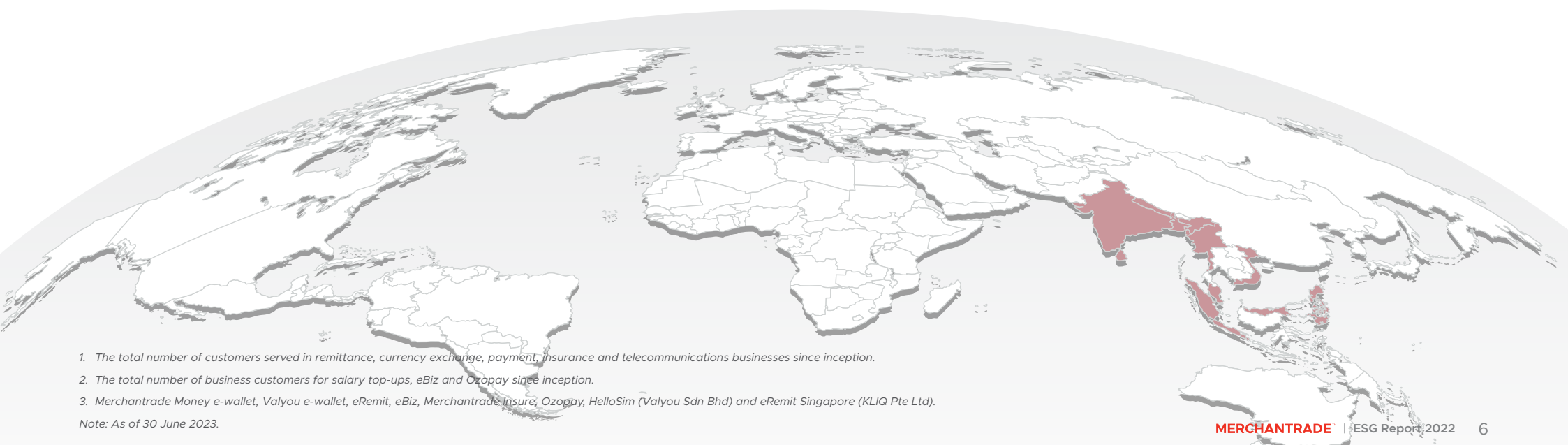
General Insurance

- Motor Insurance
- Travel Insurance
- Personal Accident & Illness

Our network

A Homegrown Brand with an International Presence

Merchantrade Asia Sdn Bhd is a private limited Malaysian company headquartered in Petaling Jaya. We maintain three subsidiaries based in Malaysia, namely Celcopon Sdn Bhd, EightSquare Infotrans Sdn Bhd and Valyou Sdn Bhd, and one subsidiary, KLIQ Pte Ltd, based in Singapore. With an expansive branch, agent and merchant network within Malaysia, as well as a global partner network, we have established a strong presence not only in Malaysia, but also across Asia and worldwide.



1. The total number of customers served in remittance, currency exchange, payment, insurance and telecommunications businesses since inception.
 2. The total number of business customers for salary top-ups, eBiz and Ozopay since inception.
 3. Merchantrade Money e-wallet, Valyou e-wallet, eRemit, eBiz, Merchantrade Insure, Ozopay, HelloSim (Valyou Sdn Bhd) and eRemit Singapore (KLIQ Pte Ltd).
 Note: As of 30 June 2023.

A pair of hands is shown holding a small green seedling with several leaves, growing out of a mound of dark soil. A white line starts from the base of the seedling, loops around it, and then extends to the right, ending at an open book icon. The background is a vibrant red with a large, dark red, abstract shape on the left side. The overall theme is sustainability and growth.

Our Approach To Sustainability

Our approach to ESG has evolved over time as we remain committed to building a more sustainable future. At the core of our mission is a robust sustainability governance and framework.

We know our actions have far-reaching impacts, which is why we strive to embed sustainable practices across every level of our organisation. This empowers us to implement meaningful ESG changes that reflect the needs and values of our stakeholders.

About this report

We are pleased to present our inaugural sustainability report, depicting our sustainability framework, initiatives and performance across the 16 identified material topics during the period of 1 January 2022 to 31 December 2022 (FY2022). This report is publicly accessible at www.mtradeasia.com. We value your comments and feedback, which may be directed to sustainability@mtradeasia.com.

Scope and Boundary

The performance data disclosed within this report is limited to the activities and performance of Merchantrade Asia Sdn Bhd (otherwise referred to as “Merchantrade” or the “company”) and excludes data from our other subsidiaries. We aspire to expand our reporting scope in future to include performance data from our other subsidiaries. As this is our first sustainability report, we have established FY2022 as our baseline year for performance reporting.

Assurance

The Board, assisted by the Sustainability Steering Committee of Merchantrade, have exercised good governance and robust internal reporting practices to ensure the veracity of data disclosed within this report. FY2022 marked the foundational year of our ESG journey. Moving forward, we strive to improve our data collection, analysis and reporting practices as we progressively enhance our sustainability framework and ESG compliance efforts. As we make further traction within our sustainability journey, we will firmly consider the adoption of an external assurance for our disclosures in the near future. No restatement of information is noted for the current reporting period as this is our inaugural sustainability report.

Reporting Approach

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, which ensures our coverage of the following key principles:

- Stakeholder Inclusiveness: Capturing our stakeholders’ expectations and concerns;
- Sustainability Context: Presenting our performance in the wider context of sustainability;
- Materiality: Identifying and prioritising key sustainability challenges and initiatives; and
- Completeness: Reporting on all relevant sustainability topics impacting or influencing our stakeholders.

The disclosures within this report are aligned with specific GRI Standards covering the following material matters:

GRI 205: Anti-corruption 2016

GRI 401: Employment 2016

GRI 301: Materials 2016

GRI 404: Training and Education 2016

GRI 302: Energy 2016

GRI 405: Diversity and Equal Opportunity 2016

GRI 305: Emissions 2016

GRI 406: Non-discrimination 2016

Our sustainability framework

We strive to create shared value through our actions. Our sustainability framework reflects this aspiration, defining key areas of impact and providing guidance to our sustainability strategies and initiatives.

Our Six Core Principles

People are at the core of all we do, and we want to engage their efforts meaningfully in this journey towards greater sustainability. We have thus embedded the following six principles within our workforce to unlock a collective, effective and united movement across the Merchantrade Group.

Equitable Economic Growth

Investing in Our People

Transparency and Trust

Supporting Our Communities

Delivering Positive Environmental Impacts

Ethical and Responsible Business Practices

Vision & Mission: To align business growth with positive social impact and environmental action

Environmental Stewardship

Decarbonisation

Embracing our responsibility to protect the environment and embarking on several initiatives to monitor and minimise our carbon footprint.

- Emissions and Energy Management



Resource Management

Paying closer attention to the utilisation of materials and striving to protect our natural ecosystems for future generations.

- Material Consumption
- Waste Management



Social Responsibility

Socioeconomic Impact

Leveraging our position and resources to champion social advancement and uplift lives across the region.

- Financial Inclusion
- Economic Empowerment
- Social Welfare



People and Culture

Embracing our responsibility to protect our employees, ensuring their wellbeing and supporting their personal and professional growth.

- Employee Wellbeing
- Growth and Development
- Diversity and Inclusion



Good Governance

Governance and Accountability

Holding ourselves to the highest standards of business conduct and striving to meet and surpass the expectations of our stakeholders.

- Ethics and Compliance
- Risk Management



Information Technology

Recognising the importance of protecting our digital assets and customer privacy to instill customer confidence.

- Cybersecurity and Data Privacy



Healthy Business

Operational Resilience

Ensuring economic contributions to our stakeholders and establishing strategies to sustain our business operations.

- Economic Performance
- Digitisation and Innovation
- Customer Excellence



Materiality

Materiality Assessment Process

We undertook our first materiality assessment in FY2022. The assessment enabled us to identify the relevant key contributing factors that impacts people, communities and the environment, which led to the formulation of the 16 topics disclosed in this report. We deployed a four-step assessment process to identify these topics and evaluated their significance to our performance and operations, as well as their importance to our stakeholders.

Identify

A detailed analysis of the industry landscape and trends was undertaken to determine potential sustainability issues that could impact our operations.

Shortlist

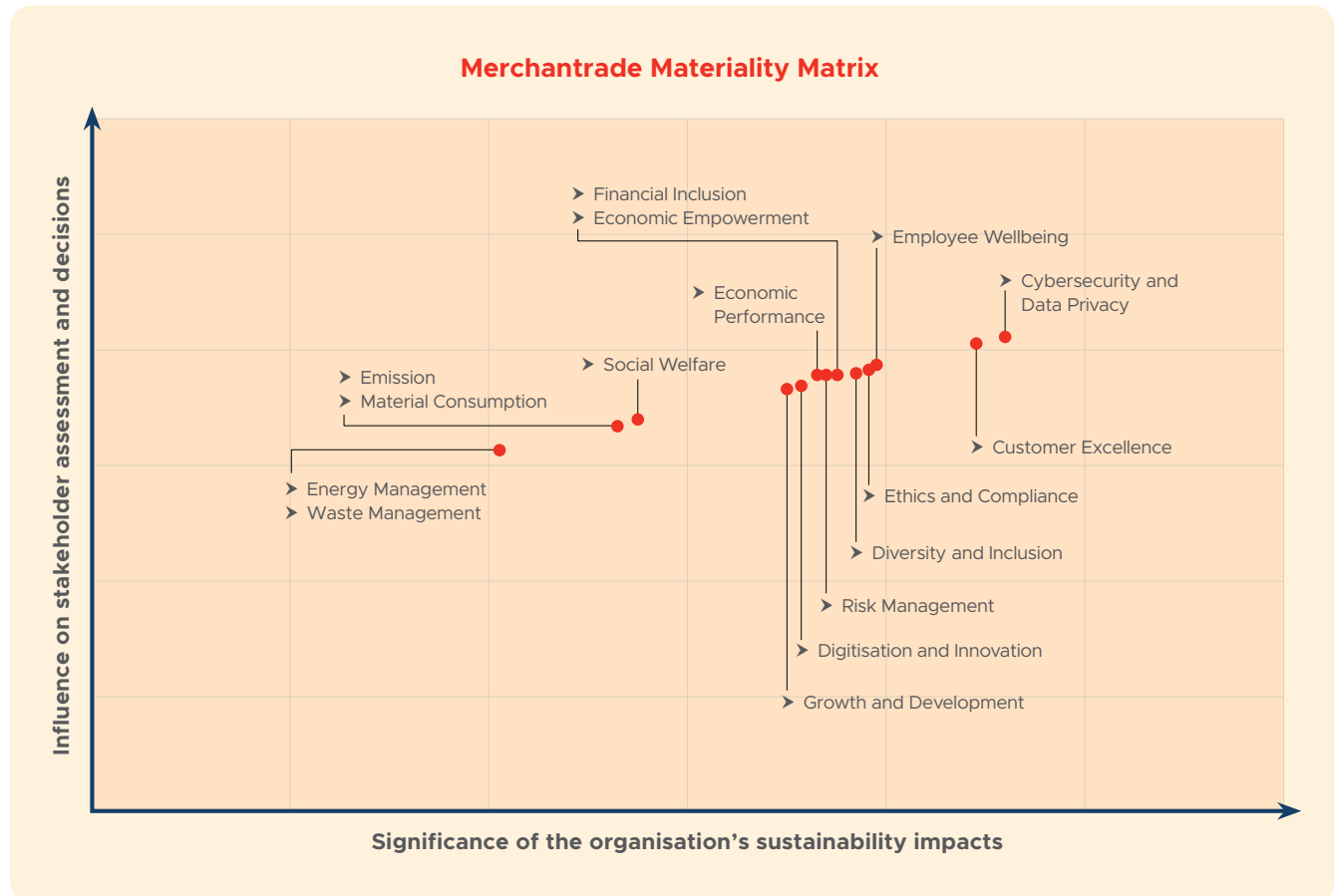
The issues identified were further reviewed and assessed for their relevance to our stakeholders' needs and concerns, impact to our strategic objectives, regulatory requirements and overall significance to the sustainability of our business.

Prioritise

The shortlisted issues were then assessed through various consultations with key stakeholders and our leadership team, informing the level of importance we should assign to each issue.

Validate

Incorporating the proposed list of sustainability topics and the insights gained from the preceding three steps, a materiality matrix was generated and used as a base to develop our ESG Framework, which was presented to the Board for their approval.



Stakeholder engagement

We value the perspectives of our stakeholders, and conduct regular and thorough engagements with them in order to understand their needs and concerns. This enables us to develop strategies that deliver shared value, driving the sustainability of our business and maximising the positive impact that we create across the ESG spectrum. We prioritise engagement based on our stakeholders' expectations and vested interest in the success and practices of our business, as well as the degree to which they are able to influence our strategies and business operations.

Stakeholders	Engagement Frequency	Engagement Channels	Engagement Priorities (by ESG Topics)
REGULATORS, STATUTORY BODIES AND ASSOCIATIONS	<ul style="list-style-type: none"> Monthly Quarterly Annually (through reports) As needed 	<ul style="list-style-type: none"> Regulatory and other reporting (i.e. staff training expenditure) Correspondence and monitoring via letters, emails and calls Virtual and in-person meetings, phone calls, email correspondence Site visit Online survey (annual sustainability survey) 	<ul style="list-style-type: none"> Ethics and Compliance Risk Management Cybersecurity and Data Privacy Emissions
SHAREHOLDERS, INVESTORS AND BOARD OF DIRECTORS	<ul style="list-style-type: none"> Monthly Quarterly 	<ul style="list-style-type: none"> Regular dialogues/updates (one-on-one) Board meetings Online survey (annual sustainability survey) 	<ul style="list-style-type: none"> Economic Performance Risk Management Cybersecurity and Data Privacy
CUSTOMERS <i>Individuals and Businesses</i>	<ul style="list-style-type: none"> Ongoing As needed Daily 	<ul style="list-style-type: none"> Customer service centre Customer surveys Social media Branch or digital (via app/email) communication Online survey (annual sustainability survey) 	<ul style="list-style-type: none"> Customer Excellence Financial Inclusion Digitisation and Innovation
VENDORS	<ul style="list-style-type: none"> As needed 	<ul style="list-style-type: none"> Business negotiations 	<ul style="list-style-type: none"> Ethics and Compliance
BUSINESS PARTNERS <i>Including Agents and CICO, QR and EDC Merchants</i>	<ul style="list-style-type: none"> Annually As needed When onboarded Daily 	<ul style="list-style-type: none"> Meetings/discussions Special events, such as festivals, product launches or press conferences Onboarding sessions Compliance training, onsite visits or audits, and frequent window shopping Communication via calls and emails, partner surveys and collecting testimonials Complaints channel Online survey (annual sustainability survey) 	<ul style="list-style-type: none"> Ethics and Compliance Economic Empowerment Financial Inclusion Economic Performance Digitisation and Innovation
EMPLOYEES	<ul style="list-style-type: none"> Ongoing Every quarter As needed Annually 	<ul style="list-style-type: none"> Regular meetings and employee engagement activities, such as town hall meetings Internal communications via chat apps and email Online survey (annual sustainability survey), performance appraisals and compensation reviews Training and development or team building activities Whistleblowing channel Community engagement and volunteer programmes Recognition programmes (branch performance, long service award) 	<ul style="list-style-type: none"> Diversity and Inclusion Employee Wellbeing Growth and Development Ethics and Compliance Cybersecurity and Data Privacy Digitisation and Innovation Waste Management
COMMUNITY	<ul style="list-style-type: none"> As needed Annually 	<ul style="list-style-type: none"> Corporate Social Responsibility (CSR) activities Social media Branch or digital (via app/emails) communication Online survey (annual sustainability survey) 	<ul style="list-style-type: none"> Social Welfare Financial Inclusion

Sustainability governance

We have established a clearly defined governance structure to oversee our sustainability agenda and drive progress across our areas of focus. Further to their responsibilities in relation to our material topics and initiatives, the three parties in our governance structure work collectively to enhance **Ownership and Execution, Direction and Enablement and Confidence and Assurance**, and are supported by an internal assurance team that provides additional oversight.

Board of Directors

- Oversees and periodically reviews our sustainability framework to ensure it remains aligned with our purpose and strategy
- Stays updated on risks and opportunities relevant to our operations and industry
- Oversees and monitors the performance of strategies against established targets

Sustainability Steering Committee

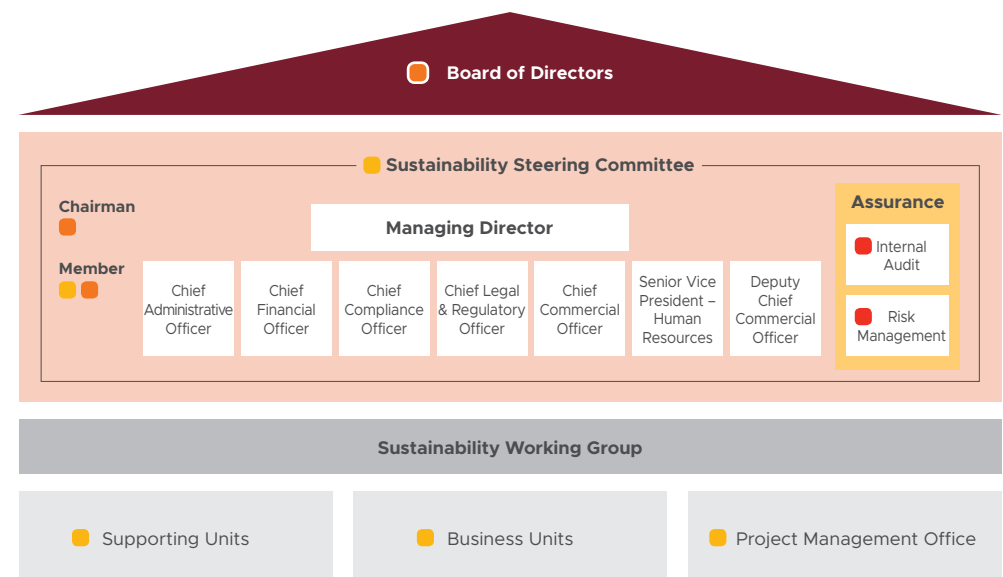
- Identifies and validates sustainability risks and opportunities for corporate planning and strategy
- Reviews and updates our ESG Framework and policies in line with ESG
- Facilitates and monitors the implementation of new and ongoing initiatives and actions carried out by the Sustainability Working Group

Sustainability Working Group

- Coordinates the execution of strategies and roll-out of sustainability initiatives
- Facilitates the adoption of new practices and shifts in culture in line with sustainability targets
- Consolidates sustainability performance data and oversees all sustainability reporting processes

Internal Assurance Team

- Provides support and guidance over the execution of the sustainability framework, policies, procedures and initiatives, as well as the data collection process
- Reviews sustainability disclosures and reporting practices
- Implements an approach for evaluating and managing sustainability-related risks



legend:

● Ownership and Execution <i>Custodians of our Sustainability Initiatives and Data Management</i>	● Direction and Enablement <i>Setting our Strategies and Ensuring Implementation</i>	● Confidence and Assurance <i>Safeguarding Accuracy, Credibility and Transparency</i>
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Corporate governance

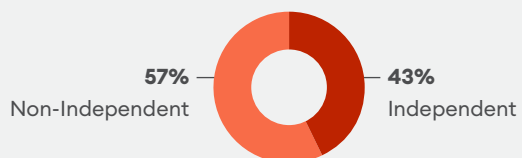
Board of Directors

Our Board of Directors sets the tone from the top, fostering a culture of sustainability throughout the organisation. They are empowered to fulfill their duties effectively through robust governance practices and via the support of various Board Sub-Committees, Management Committees and company-wide policies.



Board Diversity

Our Board, led by Chairman Dato' Mohzani Bin Datuk Dr Abdul Wahab, comprises seven members, including three independent directors and four non-independent directors. In terms of gender, the Board consists of six male directors and one female director. Drawing from their extensive experience in diverse industries such as banking and finance, telecommunications, energy and more, our directors bring a wide range of knowledge and skills to the table. This diverse composition allows for varied perspectives that greatly contribute to informed decision-making processes. Furthermore, our Board members also serve on other public listed company boards, which facilitates the exchange of best practices and valuable insights.



5

Board meetings held in FY2022

100%

attendance from all Board of Directors in FY2022

Board Professional Development

The Board has received training in material areas such as cyber security awareness and risk governance. Additionally, two Board members were actively involved in ESG trainings conducted by our consultant.

Board Committees

Board Committees have been constituted with clear **Terms of Reference (TOR)** and play important roles in ensuring corporate governance. The Board is kept updated on discussions of the Committees via circulation of minutes and regular updates at board meetings.

- **Nomination and Remuneration Committee**
- **Risk Management and Audit Committee**

Corporate governance

Our Senior Management Team

Together with our Board of Directors, our senior management team is responsible for ensuring successful implementation of our sustainability initiatives and thus play a key role in driving value creation for the business and our stakeholders.



01 **Ramasamy K. Veeran**
Managing Director
Chairman of Sustainability Steering Committee

02 **Ravindra Vamathevan**
Chief Executive Officer of Subsidiaries

03 **Peggy Oh Saw Wah**
Chief Administrative Officer
Member of Sustainability Steering Committee

04 **Dr. Abdul Rahman Bin Mokhtar**
Chief Compliance Officer
Member of Sustainability Steering Committee

05 **Julian Anthony Francis**
Chief Legal & Regulatory Officer
Member of Sustainability Steering Committee

06 **Danishkumar Karupiah**
Chief Technology Officer

07 **Danny Leong**
Chief Commercial Officer
Member of Sustainability Steering Committee

08 **Kamaleraj Ghnavello**
Chief Internal Auditor
Member of Sustainability Steering Committee

09 **Lee Ming Wei**
Chief Financial Officer
Member of Sustainability Steering Committee

10 **Ivan Alias**
Deputy Chief Commercial Officer
Member of Sustainability Steering Committee

11 **Noorzliana Binti Ahmad**
Executive Vice President
- Money Services Business

12 **Loo Woon Lee**
Executive Vice President
- Cards Division

13 **Serena Kong Lan Ai**
Executive Vice President
- Risk Management
Member of Sustainability Steering Committee

14 **Kow Mam Tian**
Executive Vice President
- Sales

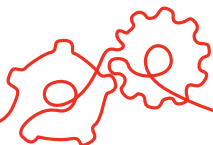
15 **Susheela Sabaratnam**
Senior Vice President -
Human Resources
Member of Sustainability Steering Committee

16 **Leong Hoey Feng**
Senior Vice President
- Data & Analytics

Corporate governance

Key Policies and Codes

We have established a comprehensive range of policies to ensure high standards are applied consistently across our businesses. We adhere to regulatory standards, guidelines and where applicable, adopt best practices to consistently be at par with leading industry practices.



Existing Frameworks, Policies & Codes

Anti Bribery & Corruption Policy

Whistleblowing Policy

Personal Data Protection Act Policy

IT Security Policy

AML/CFT and TFS Policy

Human Capital Disciplinary Policy

Risk Management Policy

IT Disaster Recovery Policy

Data Management Policy

Data Management & Governance Guideline

Enterprise Risk Management Framework

Cyber Resilience Framework

Technology Risk Management Framework

Code of Ethics

Vendor Code of Ethics

Business Continuity Framework, Business Continuity Plan and Crisis Management Plan



Frameworks, Policies and Codes in the Pipeline

Health and Safety Policy

Workplace Harassment Policy

Sustainability Policy

Diversity and Equal Opportunity Policy

Outsourcing Policy

Procurement Policy

Corporate Social Responsibility Policy



Environmental Stewardship

For the world to achieve its environmental objectives, we must all recognise and appreciate the profound impact that our actions can have on the environment.

Making positive changes, however small, can go a long way in protecting the planet and creating a more sustainable future for generations to come.

FY2022 marks an important milestone in this journey for us, as it establishes the baseline towards which our future environmental performance will be compared to and assessed.

Environmental Stewardship Decarbonisation

IMPACTFUL ENERGY ACTION

We have set FY2022 as the baseline year upon which to improve our energy efficiency and fuel emissions



Although our business operations do not heavily rely on energy consumption, we have nevertheless initiated company-wide practices to enhance our efforts in energy conservation and emissions control. This includes the incorporation of energy efficiency and carbon footprint reduction components into our broader ESG framework, and setting actionable targets to drive progress. We will continue to expand our scope to enhance future reporting disclosures.

» UTILISING THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS AS GUIDANCE, WE HAVE COMMITTED TO **CONDUCTING A GAP ANALYSIS AND IDENTIFYING THE CLIMATE RISKS RELEVANT TO OUR BUSINESS OPERATIONS BY FY2030.**



Emissions and energy management

Businesses have a major role to play in mitigating against the threat posed by climate change. To ensure we are able to contribute meaningfully, we have commenced with monitoring and management of our environmental data in FY2022, with this being the first year we are disclosing our performance data. Complementing this, we strive to embed a climate-conscious, responsible culture across our workforce, empowering our employees to propose and adopt energy saving tactics.

Greener Offices

- Switching off electrical equipment, lightings and fixtures when not in use
- Replacing conventional lights with LED lights throughout all premises
- In FY2023, we began observing a one hour long Earth Hour every Friday to promote energy conservation
- Reducing energy consumption through the adoption of hybrid working arrangements
- Exploring the use of hot desking for employees
- Promoting virtual meetings and discussions to limit unnecessary travel and electricity use

Reducing Logistics-related Emissions

- Implementing route planning within our logistics department to determine the most efficient routes for travels in order to drive fuel savings
- Ensuring frequent maintenance of vehicles based on mileage
- Encouraging the practice of carpooling amongst our employees

Our operations consumed
2,061.36 MWh¹
of energy in FY2022

Our operations consumed
5,739.48 litres²
of fuel in FY2022

Our Carbon Footprint (tCO₂e) in FY2022

Scope 1 ³	Direct emissions from fuel consumption by vehicles on company business	14.77
Scope 2 ⁴	Indirect emissions resulting from electricity consumption	1,205.90

FY2022 Energy Intensity⁵
13.83

FY2022 Emissions Intensity⁵
8.19

1. Energy consumption data is calculated from electricity usage and gathered from 89 branches (total branches: 95) and 19 office locations (total offices: 23) that have initiated the performance monitoring exercise.

2. Fuel consumption is calculated from the diesel used by 1 company vehicle (total vehicles: 7) used for logistics purposes that has initiated the performance monitoring exercise.

3. Scope 1 emissions are computed based on the emission factor published by Intergovernmental Panel on Climate Change (IPCC) 2006 and IPCC AR5 4.

4. Scope 2 emissions are computed based on the emission factor published by the Institute for Global Environmental Strategies 2021 List of Grid Emissions Factor.

5. Energy and emissions intensity are calculated by dividing our total energy usage and emissions footprint by our total revenue of RM149 Mil.

Environmental Stewardship

Resource Management

SAVING THE TREES

Our commitment towards digitalisation has successfully reduced paper utilisation across our business operations



We are committed to using resources and managing waste responsibly, cognisant of the importance of resource management and the role it plays in creating a sustainable future. While we do not use any natural raw materials in our operations, we contribute to the relevant United Nation's Sustainable Development Goals (UN SDGs) in any way we can.

OUR FY2022 PAPER CONSUMPTION¹: 15,314 KG

We have targeted to reduce our overall paper consumption by 60% in FY2030, compared to our baseline performance in FY2022.



1. Figure derived from the total paper distributed to branches and offices during FY2022.

Curbing our use of paper

The primary objective of with our ongoing digitalisation journey is to embed green thinking amongst our workforce and instil environmental consciousness across our organisation. With paper being our single largest material resource, we are committed to reducing paper usage across our operations, and have identified key areas in which we can achieve the biggest impact.

Pivoting Away from Internal Printing

- Adopting the use of digital or e-signatures to limit printing needs
- Utilising paperless payment receipts for selected products
- Sharing information via softcopy documents instead of generating hardcopies
- Implementing paperless onboarding for customers via tablets
- Leveraging e-KYC to promote a 100% paperless registration experience for customers
- Using digital forms and customer agreements
- Practicing the use of recycled paper for internal printing needs and ensuring that printing is performed on both sides of the paper
- Limiting and minimising the printing of sales and marketing materials

A Digital Roadmap

In FY2023, we will embark on a company-wide digitalisation exercise, enabling us to reduce paper consumption further.

The transition will include the implementation of digital receipts, digital storage and the use of e-signatures across all our branches, including our headquarters and corporate offices.

Encouraging Digital Payments and Paperless Processes

As we spearhead the migration to digital payments for millions of our customers, we have also incorporated green values in our product design and business strategy.

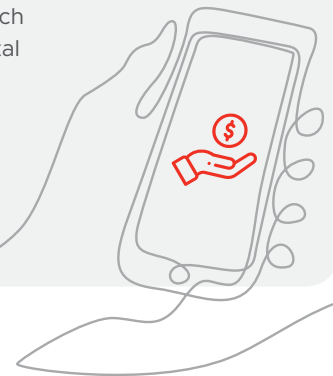
Our growing list of products and solutions that promote digital payments include:

- Our multi-currency wallet on our Merchantrade Money app
- Digital Remittances
- Salary Top-Up Portal

Our Salary Top-Up Portal: Promoting Greener Operations for Our Partners

Designed to eliminate manual payroll processes, our Salary Top-Up Portal plays a crucial role in encouraging the switch from traditional paper-based salary payments to our digital payment solution.

This is aligned with the goal of accelerating the country's migration to electronic payments (e-payments) and supports the Government's target to reduce cheques by more than half from 207 million to 100 million per year¹.



1. <https://www.bnm.gov.my/driving-towards-electronic-payments>.

A collective mission to enhance green practices

We closely engage with our employees to inculcate the 3R principles of Reduce, Reuse and Recycle. We encourage them to carefully monitor and manage the resources we consume to minimise environmental impacts and maximise positive contributions to the community. In doing so, we can enhance our sustainability performance while creating a sense of shared purpose and responsibility among our workforce.

Embedding Responsible Practices

As part of our commitment to waste reduction, we promote simple lifestyle modifications amongst employees to help generate a positive impact on the environment.

Some of our ongoing practices include:

- Providing our staff with reusable cutlery, plates and bowls.
- Discouraging the use of disposable products, especially single-use plastics.

Environmental Consciousness Starts With Every Employee

Our efforts to protect the environment starts from the actions of each individual staff member. To empower them to play a meaningful role, we regularly communicate the importance of sustainability practices every other week on our internal communication platform as part of our 'Think Green Thursdays' initiative.

We also encourage their participation in regularly organised internal company-wide green activities and initiatives.



Recycled Christmas tree campaign



Tree planting

Responsibly managing e-waste across our operations

As our business is largely electronic-based, we promote principles of a circular economy by implementing responsible practices throughout our business to manage our electronic waste (e-waste). This includes regular and thorough assessment of all aged or obsolete IT equipment as well as the safe disposal of these equipment.

To accomplish this, we have established a partnership with Electronic Recycling Through Heroes (ERTH), a social enterprise with a collection facility registered under Jabatan Alam Sekitar that helps Malaysians manage and recycle their e-waste in a more responsible manner.

Furthermore, we have implemented a process where electronic items that can be repaired and reused are donated to our employees to support the educational needs of their children. This initiative underscores our commitment to educate and empower, as we recognise that access to technology is an essential tool for learning and growth.



“

I'm very thankful to have received this PC, it has come in handy for my family, especially for my children's education.

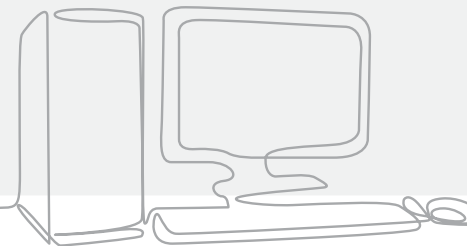
”

Veni from Rawang Branch



In FY2022, we responsibly disposed of **270 kg** of e-waste

In FY2022, we donated **59 PCs** to members of our workforce



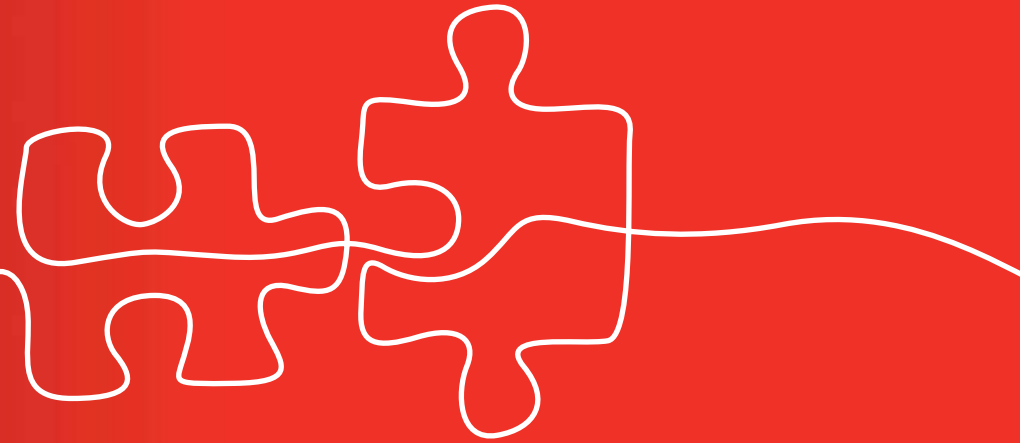
Sustainability in Action

Planting Saplings for the Future

In line with our commitment to be mindful of our business and the potential impact we have on the environment, we organised a mangrove sapling planting exercise in November 2022. The restoration event took place at the Kuala Selangor National Park and saw the participation of 20 of our employees and their family members.

This year, we target to sponsor 200 trees, supporting the national agenda to address climate change through the Greening Malaysia Programme’s ‘100 Million Tree-Planting Campaign 2021-2025’, and doing our part to invest in long-term good for the environment.





Social Responsibility

As a business that connects people and communities through the financial services we provide, we have prioritised the integration of thoughtful social commitments across all aspects of our business.

We design our initiatives and practices to nurture and safeguard our employees, empower underserved communities and small businesses, and provide vital support to various underprivileged groups connected with our industry and business.

Social Responsibility

Socioeconomic Impact

EMPOWERING PROGRESS

In FY2022, the average cost of sending remittances through Merchantrade network was approximately 1.79% of the amount sent (including service fee and foreign exchange)



As Asia's leader in money services and digital payments, we have a tremendous opportunity to be a force for good across the many countries where we have a presence. Specifically, we aspire to initiate meaningful change in the lives of our customers, especially those from underserved communities. We also seek to enhance the financial resilience of the agents and merchants in our network, as well as inspire progress and transformation across entire rural towns and communities.



In a survey conducted internally¹, we identified that:

- **91%** of our underserved customers have indicated that Merchantrade Money was their first financial product, allowing them to transact digitally
- **26%** of our customers did not have any bank accounts even in their home countries
- **67%** of our underserved customers purchased their first insurance policy with us
- **31%** of our remittance customers previously used illegal channels to send money home



1. Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 56 remittance customers, 42 e-wallet customers and 33 micro-insurance customers.

Financial inclusion

Access to financial services is a fundamental right, empowering individuals to participate fully in the economy and improve their livelihoods.

Through inclusive financial tools and digital solutions, we are breaking down the barriers that have prevented so many from accessing financial services. We've helped millions of previously unbanked or underbanked customers across Asia¹ gain access to safe remittances, their first e-wallet and prepaid card allowing them to transact digitally, their first insurance policy, and much more.

Remittance

E-wallets & Salary Top-Up Portal

Micro-Insurance

Three Tenets of Financial Inclusion

Accessibility

- We maintain an omni-channel model that includes a large physical network and multiple digital channels
- We leverage technology to support digital onboarding in rural locations

Affordability

- We innovate to reduce the cost of remittance
- We provide bite-sized financial products that are affordable yet vital

Inclusivity

- We create products that develop financial resilience and build customers' credit histories, potentially enabling access to more products in future
- Our products extend across the non-bank financial services spectrum, forming an end-to-end ecosystem of inclusive, digital financial solutions

Total customers:

5+ million²

Digital products

8

Reach (countries & territories):

200+

Physical network in Malaysia:

~1000³



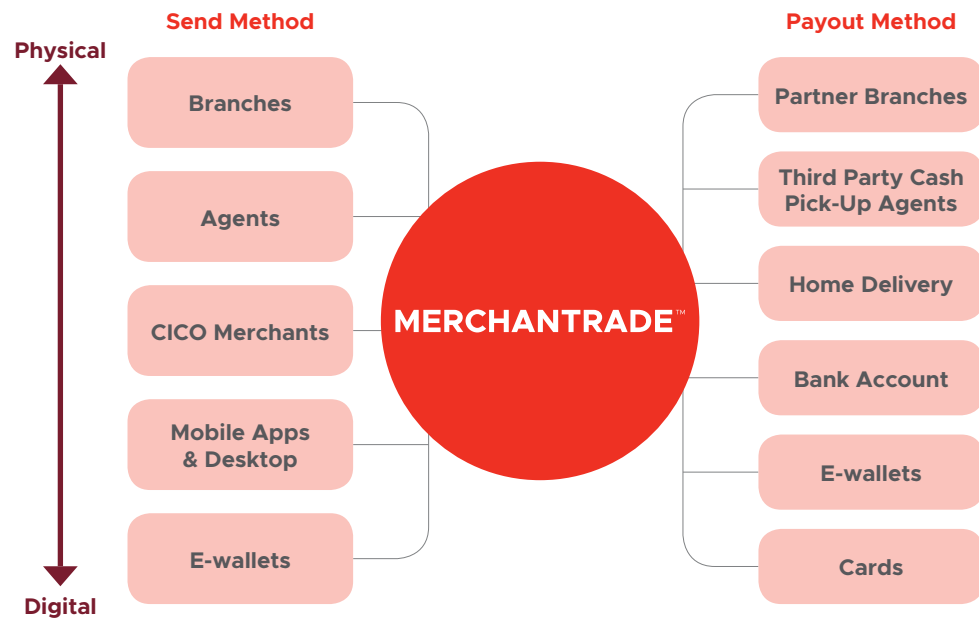
1. Bain & Company estimates that 55% of Malaysia's adult population is unbanked or underbanked.

2. The total number of customers served in remittance, currency exchange, payment, insurance and telecommunications businesses since inception.

3. Data includes branches, agents and CICO merchant locations as of 30 June 2023.

Promoting an inclusive remittance model

As Malaysia's leading money services business player, our goal is to ensure our remittance services cater to all walks of life. We understand that our services are utilised by various segments that have varying levels of financial literacy and technological proficiency – this includes parents who send money to their children studying abroad, foreign workers who remit funds to their families back home, and Small and Medium Enterprises (SMEs) that make international payments to their vendors and suppliers. We've customised our remittance services based on the needs of our customers, making us one of the few players with a holistic model that offers a range of payment options from physical cash to fully digital.

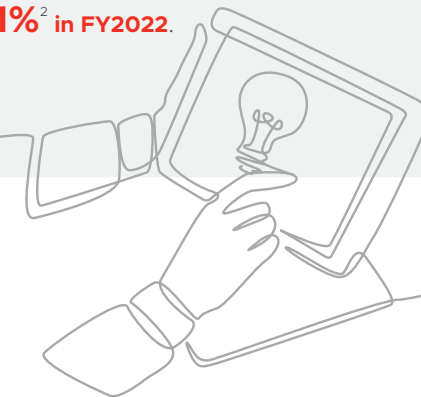


Bridging the digital divide

While we acknowledge that cash remains king and face-to-face interactions hold value among underserved communities, we are on a mission to empower them to embrace our available digital channels.

Besides introducing user-friendly mobile applications that come in multiple languages and e-KYC technology to enable digital onboarding - our network of 94 branches, 430+ agent locations, and 430+ cash-in cash-out merchants¹ plays a pivotal role in promoting digital financial literacy and providing a stepping stone for many to transition to digital. We are pleased to witness the proportion of outbound remittances conducted via digital channels increasing from

14% in FY2014 to 31%² in FY2022.



1. Data includes branches, agents and CICO merchant locations as of 30 June 2023.

2. Figures represent all P2P outbound transfers from Malaysia as well as IMTO (International Money Transfer Operator) transfers.

Note: Branches here also refer to our DMTD and IMTO partner's branches.

Sustainability in Action

Driving Inclusion Beyond Borders

Our innovative remittance model allows us to cater to the diverse needs of our customers as well as their families worldwide – driving inclusion at a global scale. Our efforts have not only resulted in a more seamless remittance experience for our customers, it has also opened doors for them to embrace digital payment options.

Customer Utilisation of our Diverse Remittance Channels in Key Migrant Countries

Indonesia



Cash pick-up	Bank account
1%	99%

Bangladesh



Cash pick-up	Bank account	E-wallet
77%	21%	2%

Philippines



Cash pick-up	Bank account	E-wallet
62%	35%	3%

Note: Figures represent all P2P outbound transfers from Malaysia as well as IMTO (International Money Transfer Operator) transfers.

Championing affordable remittances

A survey conducted internally amongst our customers found that they send an average of **65%¹ of their wages** back to their families. From our interactions with them, we understand that affordability is a fundamental concern, as many of them send a large percentage of their hard earned salaries home to their loved ones. We consider it our duty to ensure that their families receive as much of these funds as possible.

We therefore place great emphasis on balancing their interests with that of our bottom line, striving to find the perfect cost equilibrium that enables us to maintain a high level of quality, flexibility and security across our services.



Valuing Every Dollar Sent Home

Through our continuous efforts to establish direct money transfer rails to key migrant home countries and develop innovative digital money transfer services, we have successfully lowered the average cost of remittances sent via our network to approximately 1.79% (includes service fee and foreign exchange) of the amount sent. We are proud to be among the industry players with the lowest costs, driving affordability and accessibility for our valued customers.

The average cost of sending remittances through Merchantrade network in FY2022 was approximately **1.79%²** of the amount sent.



1. Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 56 remittance customers.

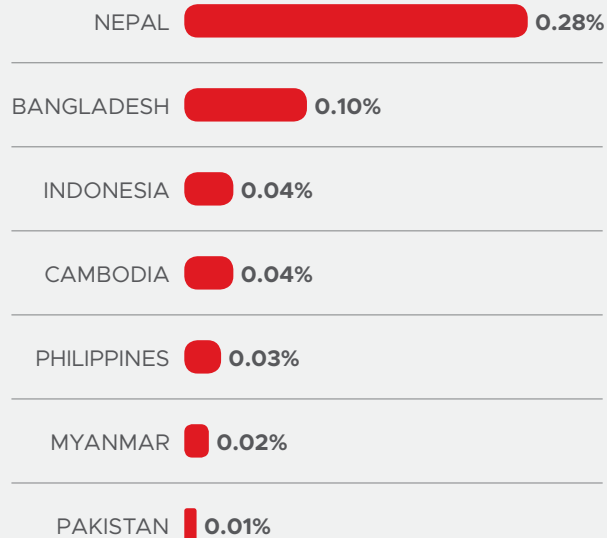
2. The cost of remittance is calculated based on actual transactions, with an average ticket size of approximately RM 1,400. The computed cost of remittance includes both the service fee and foreign exchange spread for Merchantrade only.

Driving economic development

As the majority of our customers are foreign workers, we recognise that remittances are not only a lifeline for their families but also a crucial source of income for their communities and countries.

The sheer volume of remittances made through Merchantrade channels to many of these developing countries is large enough to make a significant contribution to the country's GDP and, thus, to their long-term economic development and sustainability.

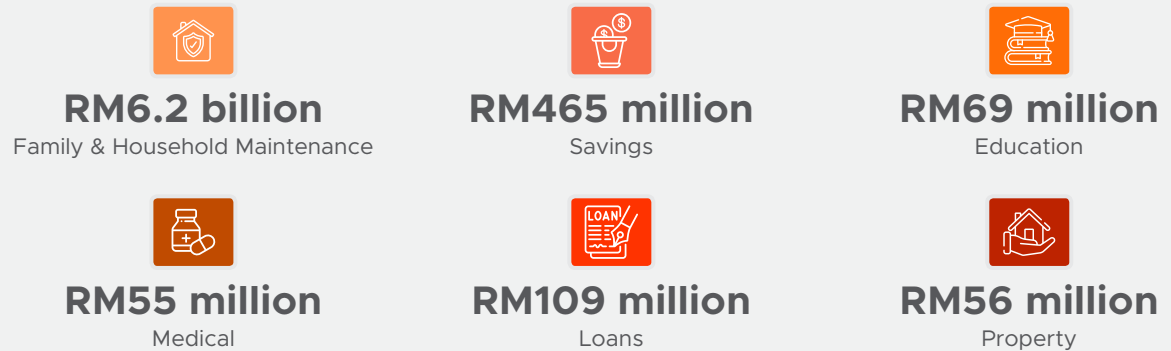
Our GDP Contribution¹



In FY2022, close to **RM7.3 billion**¹

was remitted through our network (including international partners) by more than **763,000** customers

Facilitating Purpose-Driven Remittances: Top 6 Priorities



Figures represent all P2P outbound transfers from Malaysia as well as IMTO (International Money Transfer Operator) transfers

1. Data was derived from GDP data from World Bank-KNOMAD, November 2022 and internal figures on P2P outbound transfers from Malaysia and IMTO (International Money Transfer Operator) transfers.

Unlocking a world of digital possibilities

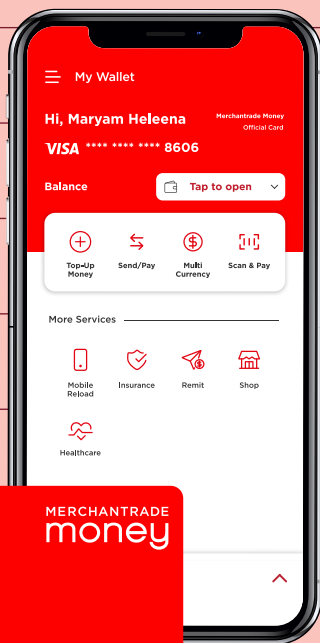
Top-ups and Withdrawals

P2P Transfers

Multi-Currency Wallet

Bill & Online Payments

Tele-Health



Mobile Reloads & Airtime Transfer

Micro-Insurance

Digital Remittances

Currency Exchange

Salary Crediting

Large Wallet Size – RM20K

Our Merchante Money Visa Prepaid Card and e-wallet has been a gamechanger for many - the powerful combination has revolutionised how the unbanked transact and manage their money digitally from the palm of their hands.

Our strategic collaboration with the world's payment leader, Visa, provides our customers with access to over 80+ million merchant locations across the globe, be it physical or online platforms.

Merchante Money fulfills basic financial needs by offering the unbanked a secure platform to transact digitally. This not only unlocks a myriad of financial possibilities but also acts as a stepping stone to the formal economy.

Inspiring financial progress and literacy

Access to an e-wallet and prepaid card is a vital stepping stone forward for many of our customers, empowering them to perform their first cashless payment at a grocery store, their first digital remittance transaction or their first online purchase (shopping) on an e-commerce site.

Through our suite of tailored financial services and features available on our e-wallets, Merchantrade Money and Valyou, we have significantly improved the digital financial literacy of our unbanked customers and fostered their participation in the formal digital economy. We are pleased to facilitate these key milestones and witness first-hand how it has improved their lives.

Number of e-wallet customers:

860,000+

↑ 18% Y-o-Y

Total transacted value via
our e-wallets in FY2022:

RM2.9 billion

Most used features:

#1 Card-to-card transfers

#2 Digital remittances

#3 Retail purchases

5%

Y-o-Y Growth
Digital remittance



92%

Y-o-Y Growth
Retail purchase

34%

Y-o-Y Growth
Online shopping

45%

Y-o-Y Growth
International & domestic
airtime top-up

All figures include data from Merchantrade Money as well as Valyou wallet, which was acquired during FY2022.

Revolutionising digital wage payments

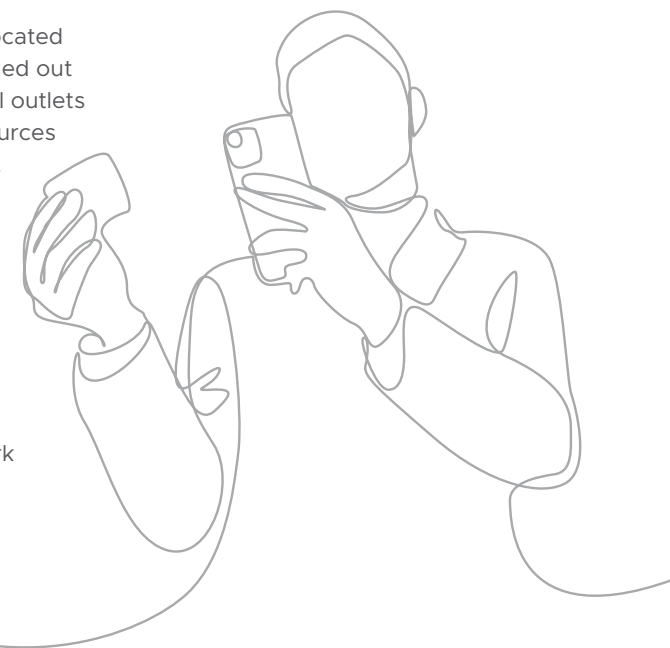


Our approach to financial inclusion is double pronged, targeted at both underserved individuals as well as the large corporate entities that employ them.

To complement Merchantrade Money, we introduced digital salary top-up services for corporates. This proprietary platform enables employers to disburse salaries and allowances directly into each employee's Merchantrade Money e-wallet, thus eliminating the need for cash based wage payments and enhancing cash security and handling for both employers and employees.

With many of our corporate partners located in remote locations, we have also reached out to nearby convenience stores and retail outlets to educate and provide them with resources and tools to accept cashless payments.

Aided by our digital solutions and our continued outreach efforts across the nation, Merchantrade has actively contributed to gradually building sustainable financial ecosystems and progressively empowering remote communities. This endeavor aligns with Malaysia's Financial Inclusion Framework FY2023–FY2026.



Sustainability in Action

Building 'Cashless Kampung' Across Malaysia

Enhancing Financial Resilience Amongst Remote Communities

Aring is one of FGV Holdings Berhad's most rural estates. Located an hour away from Gua Musang, it is a small village ("kampung") entrenched in the deep jungles of central Kelantan.

Given its remote location, access to financial services posed a significant challenge for those who worked and lived in Aring. FGV's estate workers often had to travel approximately 40km to the nearest town to remit money through formal channels, which frequently resulted in wage losses. Those who opted for alternative remittance methods, the majority of which were illegal, often fell victim to scams or, even worse, had their families back home exploited by these illegal third-party remittance service providers.

Recognising this as an opportunity, our team crafted a plan together with FGV in FY2020, just before the pandemic struck, to transform the entire estate into a mini digital economy or a "cashless kampung".

We onboarded FGV's workers for our Merchantrade Money card and e-wallet and worked with FGV to digitise the entire internal wage payment process. This was to enable their workers' salaries to be directly credited to their respective e-wallets, which could then be used to make cashless payments. In order to digitise the entire ecosystem, we further equipped the mini grocery stores ("kedai runcit") within the vicinity with dedicated QR codes and EDC terminals to facilitate cashless payments. To ensure our efforts are sustainable, we continuously work closely with FGV to provide awareness on financial literacy, training and guidance to the workers and merchants in Aring.

To date, we have onboarded and educated 2,558 workers in Aring, with 1,030 new workers onboarded in FY2022. A total of 15 merchants have also been onboarded to date. Using our experience in Aring as a blueprint for transformation, we have successfully activated various other 'cashless kampung' across Malaysia.



Briefing estate workers at Aring Estate of FGV Holdings and onboarding merchants in the vicinity

A safety net for the underserved

Despite being vulnerable to economic shocks and financial risk, underserved communities lack awareness, understanding and generally have a negative perception towards insurance. Our aim – reinventing insurance and influencing a shift in mindset with inclusive, affordable products.

We have partnered with MCIS Insurance Berhad (MCIS Life), AXA¹ (now known as Generali Insurance Malaysia Berhad) and Chubb Insurance Malaysia Berhad to create simple, affordable, bite-sized micro-insurance products that can be accessed directly through our digital app or via our physical network.

In a survey conducted internally with some of our insurance customers,

- **67%** reported that this was their first time buying insurance for themselves or their families
- **67%** did not possess adequate knowledge on insurance products
- **73%** admitted they could not comfortably handle any financial emergency amounting to RM1,000

Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 33 micro-insurance customers.

Through our Merchantrade Insure products, we are committed to ensuring that financial protection is within everyone's reach. With premiums starting at just RM 1, our products enable more underserved individuals to attain financial security and protection.

Furthermore, in both FY2021 and FY2022, we partnered with MCIS Life in support of the Malaysian government's Perlindungan Tenang voucher program. This initiative was specifically designed to address the issue of low insurance penetration among the Malaysian B40 segment.



Championing affordable insurance

Malaysia Book of Records recognises MCIS Life and Merchantrade for their commitment in launching the lowest life insurance premium at just RM1 per policy

The Impact of Merchantrade Insure in FY2022

160,000+

customers educated and protected

↑ 22% Y-o-Y

780,000+

policies have been sold

RM1,900,000+

in claims have been paid out

20/20

of the claimants interviewed recognised the importance of insurance

1. As of FY2023, AXA is now known as Generali Insurance Malaysia Berhad.

Economic empowerment

In addition to driving financial inclusion for individuals, our business also empowers our merchants and agents in meaningful ways. We help many small businesses and micro-enterprises across Malaysia, from money changers to telco and grocery store owners, live better lives as part of the Merchantrade network.

By leveraging our platform, merchants and agents can benefit from our cost-effective business model that requires minimal upfront investment and provides additional revenue-generating opportunities that are complementary to their existing retail businesses. Our partnership with these entrepreneurs play a pivotal role in uplifting the local economy in urban and rural locations across Malaysia.

Furthermore, being part of our network enables these agents and merchants to embrace digital transformation and ensures their long-term sustainability in a dynamic business landscape.

Empowering Micro-Enterprises and Small Businesses

With our support, business owners and their employees are equipped with essential skills to help them thrive.

Training Programmes and Industry Knowledge

Providing intensive technical, compliance and soft skills training programmes supplemented by periodic refresher courses to ensure knowledge is retained and progressively enhanced in order to maintain a competitive advantage

Digital Capabilities

Equipping them with EDC terminals and QR code technology to accept cashless payments, with further education to ensure its proper use

Marketing Support

Extending on-ground marketing support in the form of flyers, buntings, banners and more



In FY2022

Our network comprises **250+ agents**¹ and **470+ merchants**¹

93%²
Micro-enterprises

45%³
Women-owned

83%⁴
New entrants to the money services business industry

552
Training hours provided to agents and merchants

1. As of 31 December 2022.

2. Definition of Micro-entrepreneur is an organisation with sales turnover of less than 300,000 or has less than 5 employees. <https://www.smecorp.gov.my/index.php/en/micro-entrepreneurs#:~:text=Sales%20turnover%20of,Services%20and%20Other%20Sectors>.

3. Merchants/agents with at least one business owner who is female.

4. Prior to joining Merchantrade these merchants/agents were not from MSB related industries.

Empowering small businesses and transforming lives

The additional income earned and capabilities acquired from being part of the Merchantrade family make a tangible difference in the lives of small business and micro-enterprise owners. Our impact became especially important when the Covid-19 pandemic caused widespread economic disruption, hitting micro-enterprises and small businesses the hardest. Through our **annual internal survey**, we discovered the extent of our impact in their lives, gaining insights that further drives our efforts.

How our agents and merchants have benefited from the Merchantrade network

71%

said the additional income helped them survive the pandemic

76%

learnt more about technology, remittance systems and digital payment tools

49%

said with the additional income, they were able to make investments and plan for their futures too

68%

were able to earn a higher income in FY2022 by being part of the Merchantrade network

49%

said the additional income helped them attain financial stability and live a debt-free life

38%

said with the additional income, they were empowered to provide their families with a higher standard of education



Data extracted from an online survey conducted in Q4 FY2022, among 70 of our agents and merchants.

Lending support where it is needed most

Our impact extends beyond just the products and services we offer. Under the umbrella of our 'Merchantrade Cares' corporate social responsibility programme, we provide support to many marginalised groups across Malaysia, as well as to our own employees. We undertake empowerment programmes, make donations, encourage volunteerism, provide humanitarian assistance and deliver post-disaster relief to enhance their financial resilience and help ease their burden during times of uncertainty.

Insuring Underserved Communities

The pandemic had a significant impact on the affordability of insurance and takaful products for many, with 62%¹ of the population finding such protection out of their reach.

Leveraging our collaborative partnerships, reach and expertise, we've made it our mission to provide free insurance to as many underserved individuals as possible. Along with educating, creating awareness and influencing a shift in mindset, we can bring about long-term and meaningful impact amongst the community.

In FY2022, we distributed a total of 526,423 free insurance policies to customers who had performed digital remittance transactions with us.

In FY2022, we distributed a total of
526,423 free insurance policies
 with a total coverage value of RM2,105,692

Working Hand-in-hand to Enable Humanitarian Flows

In response to the devastating floods in Pakistan in September, we stepped up and worked together with our partners to enable a 'ZERO-fee programme' for all transactions sent to Pakistan between 15 September to 15 October 2022.

This programme was extended across online channels as well as our branches and agents. By leveraging on our extensive network and available resources, we had successfully coordinated a collective effort throughout our ecosystem to extend international support to those that needed it the most.

We have executed a total of
4,085 zero-fee transactions
 in the face of natural disasters

#GiveEidBack - Celebrating the Gift of Protection

Our internal Raya Campaign in FY2022 included a fundraising initiative to distribute free life insurance policies to the underserved and underprivileged, as well as to inculcate a culture of volunteerism internally amongst our staff that prioritises CSR programmes and activities.

The RM1,896 collected from the staff fund raising initiative enabled us to provide one year's life insurance coverage for 158 people from nine community outreach organisations.

These included individuals who are physically, visually or intellectually challenged, refugees and other underprivileged groups.

Value of total coverage provided via
 #GiveEidBack initiative
RM632,000

1. Survey on the 'Impact of Pandemic on Protection' commissioned by Zurich Malaysia | 2021 <https://www.zurich.com.my/en/about-zurich/zurich-in-the-news/2021/2021-10-26>.

Going beyond to care for our employees

We understand the financial constraints faced by many of our employees, especially those with families and children to raise. To lend a hand, we have implemented an Employee Assistance programme (EAP) that provides financial support in a variety of ways, with a specific focus on education and natural disaster relief. For more information on the benefits we provide our employees, please read "Employee Wellbeing" on page 44.



A total of
RM72,600

was provided as a subsidy to **83** staff with school-going children in FY2022

A total of
RM25,500

was provided to **6** staff members impacted by floods in FY2022

“

Our commitment to our employees extends beyond words; it is reflected through our actions and initiatives. Prioritising their wellbeing and providing comprehensive support programs demonstrate our genuine care as an employer. We recognise that investing in our employees is crucial for our long-term sustainability and success. ”

Susheela Sabaratnam
Head of Human Resources



Social Responsibility

People and Culture

STRENGTH IN DIVERSITY

Our united, harmonious and multi-racial workforce comprises 59% women and 41% men



At Merchantrade, we think of our people not as employees, but as valued partners who have committed to join us on this journey towards a shared collective vision. Prioritising their wellbeing, growth and development is the key to our long-term sustainability and success.

We strive to create a workplace where employees are empowered to reach their full potential, where health and safety are paramount, and where diversity and inclusion are not just buzzwords, but deeply embedded in our culture.

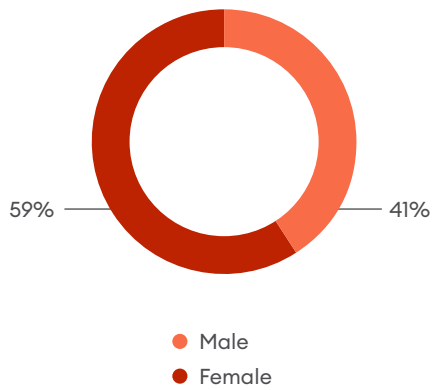


AS OF FY2022, WE BOAST A 1,027 STRONG WORKFORCE

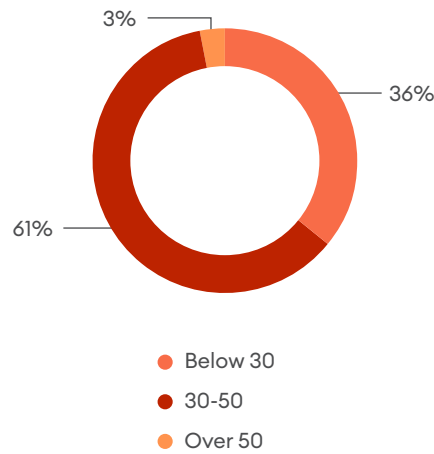


Our diversity at a glance

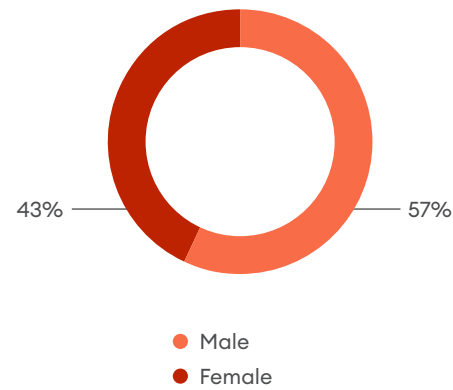
Employee Breakdown by Gender



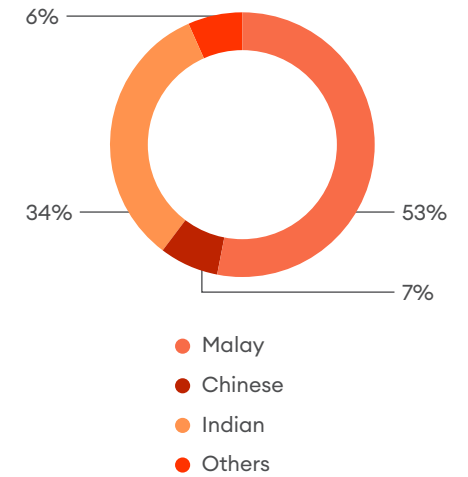
Employee Breakdown by Age Group



Top Management Breakdown by Gender



Employee Breakdown by Ethnicity



Our workforce comprises:

2

Persons with Disability (PWD)

5

Permanent Residents (PR)

26

Foreign Nationals from Five Countries



Diversity and inclusion

As an organisation with customers from all around the world, we recognise the important role we play in advancing and promoting DEI (Diversity, Equity & Inclusion). We believe when people with different backgrounds, perspectives and experiences work together, they can bring unique, innovative ideas to the table and unlock new opportunities – this allows us to go the extra mile for our customers, agents and merchants, as well as the communities around us. We are committed to fostering an environment where every employee feels valued, heard and respected, regardless of their background or identity.

Maintaining Unbiased Recruitment and Labour Practices

Diversity starts with our policies, and in both our recruitment and labour practices, we uphold equal treatment and opportunity for employees regardless of their race, colour, religion, natural origin, gender, age, ancestry, sexual orientation, political and social affiliation.

In practice, this means that no actual or potential employee shall be discriminated against when being considered for employment or in the course of their day-to-day work.

ZERO cases related to bias or discrimination were reported in FY2022



A Zero-Tolerance Approach

We uphold a strict stance against all forms of direct and indirect discrimination. In the event such incidents occur, employees are empowered to file a report with the HR Department, who will investigate the case and escalate matters to the Senior Management if required.

Our whistleblowing channel is also available for employees and other stakeholders to safely voice their concerns without fear of retaliation. All reports are treated with confidentiality.



Developing an equitable framework

With the aim of promoting diversity and non-discrimination across all dimensions and at all levels, we are currently developing a comprehensive framework that will include company-wide policies and alignment with internationally-recognised bodies.

Diversity and Equal Opportunity Policy

We are in the midst of developing a Diversity and Equal Opportunity Policy that will set a clear standard in this area across our business footprint.

The policy will clearly define the actions and approaches that constitute a diverse and equal opportunity workplace, and will be accompanied by targeted training for key internal stakeholders to implement its requirements.

Workplace and Sexual Harassment Policy and Procedures

Our workplace harassment policy sets clear guidelines and procedures in place to educate, prevent and address any form of workplace harassment.

Whistleblowing and Employee Grievance Policy

While we have successfully maintained zero incidents related to discrimination, we are actively taking steps to improve our policies and practices to create a safe and inclusive work environment.

To this end, a new formal grievance policy has been prepared and will soon be implemented and communicated to all employees.



The following policies were endorsed by the Board in FY2023.

Employee wellbeing

In FY2022, we reassessed our remuneration and benefits structure, expanding our suite of benefits to give employees new types of additional leave while also extending the entitlement of some existing benefits. The HR Department will review our remuneration structure in FY2023, enabling us to benchmark our practices against industry standards and strive to become the preferred employer within the financial services industry.

By FY2025, we aim to publicly validate our adherence to various international human rights and labour standards.

Our Suite of Employee Benefits



Insurance Coverage

Personal Accident Insurance

Term Life Insurance

Hospitalisation & Surgical

Medical & Dental
Outpatient Claims



Leaves

Annual Leave

Maternity Leave (up to 98 days)

Paternity Leave (up to 7 days)

Marriage Leave (up to 3 days)

Birthday Leave¹

Hospitalisation Leave

Prolonged Illness Leave

Medical Leave

Compassionate Leave



Other Benefits

Subsidy on Parking Fees

Wedding Token

Baby Hamper
(for Branch Staff)

Birthday Celebrations
(for Branch Staff)

Long Service Award²

Back to School Subsidy

Condolences Fund

Flood Relief Fund

Free Meals (for Branch Staff
During Peak Weekends)

1. Birthday leave was implemented in January FY2023.

2. Long Service Award will continue in FY2023.

Upholding fair and inclusive employment practices

We have established and maintained an impartial and responsible recruitment process that is integrated with due diligence practices to ensure we hire the right talents to contribute meaningfully towards our objectives.

We gain feedback from our associates through personal meetings undertaken by HR team members, while also utilising exit interviews to gain insights for future improvement.

Our HR team remains informed about the latest rules and regulations, ensuring that we consistently uphold best practices and remain compliant.



Parental Leave Usage¹

Staff entitlement in FY2022

174 Paternity Leave
601 Maternity Leave

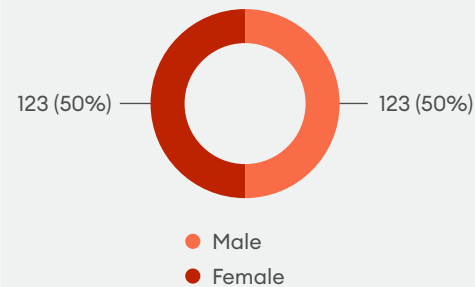
Utilised leave in FY2022

23 Paternity Leave
31 Maternity Leave

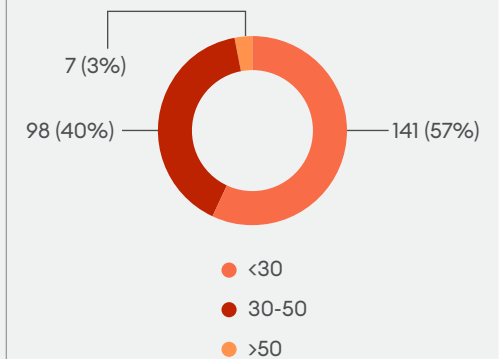
100% of our staff

returned to work after taking their maternal or paternal leave

New Hires by Gender



New Hires by Age



1. The basis of parental leave entitlement is in accordance with the criteria set forth in the Employment Act 1955 and Employment Act (Amendment) FY2022.

Driving engagement and building camaraderie

As a company whose mission is to empower the lives of millions across the world, it is vital that we first empower those who are fundamental to the ongoing success and stability of our business. Our employees enjoy a wide range of engagement and social activities throughout the year and are given the freedom to choose activities in line with their interests via surveys and polls. These activities and festivities bring us closer as a team and as a community, fostering greater understanding, trust and collaboration.

Looking ahead, we will undertake our inaugural company-wide Employee Happiness Index Survey in FY2023, using that as a baseline to measure employee satisfaction and to identify areas to foster a more productive and healthy workforce.

Creating an Engaging Work Environment



Townhalls and Senior Management Meetings

Held twice last year for employees to provide feedback and engage with leaders



Sports and Outdoor Activities

We drive healthy engagement through physical activities, with our sports programme in FY2022 including futsal, hiking and badminton



Festive Occasions

During Hari Raya, Chinese New Year, Deepavali and Christmas, we come together to revel in each other's traditions and customs



Global Commemorations

We also celebrated International Women's Day and Employee Appreciation Day in FY2023

Putting employee health and safety first




We want all our employees to feel secure and motivated knowing that their health and safety will always be our top priority. By inculcating a healthy, safe and conducive work environment, we enable our people to flourish and, in turn, contribute to the long-term prospects and sustainability of our business.

Ensuring Fundamental Safety Standards

All essential health and safety measures such as first aid kits, fire extinguishers and exit emergency plans are properly installed and maintained at all branches. The building management supports us to do the same at our corporate offices.

Protecting our Most Vital Assets

We provide all permanent employees with basic medical claim benefits as well as three types of standard insurance coverage to protect against unforeseen incidents.

-  Hospitalisation & Surgical Insurance
-  Term Life Insurance
-  Personal Accident Insurance

Continually Enhancing our Safety Practices

We are in the midst of strengthening our Occupational Safety and Health Administration (OSHA) practices to further safeguard and educate our employees. Our upcoming initiatives may include the creation of the following teams and assets:

-  Health and Safety Policy
-  OSHA Committee
-  Manuals and SOPs
-  Emergency Response Team
-  HIRARC Framework
-  Training Programmes

Sustainability in Action

Safeguarding Our Employees Against COVID-19



We leave no stone unturned when it comes to prioritising the health and safety of our employees, customers and stakeholders.

The COVID-19 pandemic brought this priority into sharp focus, and while we are proud to have risen to the challenge and protected our employees well, we are consistently seeking ways to take our health and safety practices to the next level.

ZERO

fatalities from COVID-19 were recorded in FY2022

ZERO

layoffs and retrenchments during the pandemic

100%

of our **481** staff who contracted COVID-19 in FY2022 have fully recovered

Our COVID-19 Support Framework



Channels for Staff Communication

Utilised to spread general awareness on COVID-19 SOPs and measures, vaccination protocols and more



Protecting Our Frontliners

Frontline employees were provided with free additional life insurance coverage



Dissemination of Care Kits

These kits included face shields, masks, gloves, sanitisers and oximeters, amongst others



Vaccination Arrangements

Assisting staff and their families to get vaccinated



COVID-19 Support Group

Extended daily support to staff infected with COVID-19



Health Talks and Briefing

Topics included a Virtual Health Talk with Dr Malar, Managing Covid-19 Stress, Depression and Healthy Lifestyles

Growth and development

We encourage and support the personal and professional development of our people within the three pillars of training, development and learning. Employees who feel supported are more likely to progress their career with us, leading to a stable, dedicated and productive workforce that ultimately drives long-term profitability.

But it's not just about the bottom line. By investing in our employees, we are creating a culture of excellence, one that inspires innovation, collaboration, and a sense of purpose.



Key Growth and Development Highlights in FY2022

Average training hours

9.5 hours per employee

We invested

RM840,000+ in training and development in FY2022

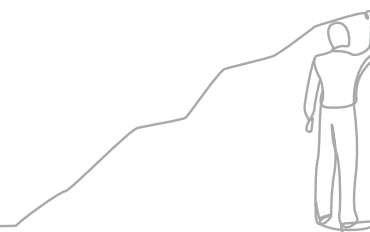
3-Year Training Spend



Our Future Commitments

To further empower the upskilling and growth of our employees:

- We aim to **establish ESG awareness training courses for all employees by FY2023.**
- We are **committed to establishing an effective training duration of 30 hours annually per employee by FY2025.**



Progressing careers and livelihoods

As we grow, we want our people to feel a similar sense of accomplishment as they progress in their careers. Our support stretches to all our employees, including those that work in smaller branches, who indeed play a vital role in building lasting relationships with customers and driving growth for the organisation.

Our Commitment to Continuous Professional Development



Branch to Corporate Programme

Approximately 35% of our workforce consists of branch staff, with the majority of them recruited from the local communities where our branches are located. Via this programme, we enhance career prospects for many of these individuals from rural communities, giving them opportunities to transition to corporate office positions within our organisation.

FY2020: **10** staff

FY2021: **24** staff

FY2022: **21** staff



Digital Upskilling

Upskilling our IT team with courses that provide data-driven insights and digital knowledge, enabling them to stay ahead of the digital curve.

Batch 1 (15 July FY2021 - 14 July FY2022)
44 employees completed

Batch 2 (6 May FY2022 - 5 May FY2023)
9 employees completed

“

I'm glad I decided to move to a new role and department as it was part of my personal development goals to improve and learn new skills. I'm thankful for the opportunity to keep building my career at Merchantrade. ”

Sua'da

Treasury Executive,
Treasury Department

Internal Transfer Programme

Providing our employees with the flexibility to request transfers to different departments, enabling them to broaden their skill sets and advance their careers.

In FY2022, **64** employees actively engaged in and benefited from this program.

“

I really had good practical exposure and I learnt a lot with the guidance received from my supervisor. She was very helpful throughout my internship period. Overall, I enjoyed my 3 months at Merchantrade. ”

Vasanth

Business Analyst Intern,
Business Process Unit

In FY2022, **25** college and university students participated in our internship programme.

Internship Programme

Equipping the next generation of leaders with industry knowledge and experience.



Good Governance

Good governance is essential to building a sustainable and responsible business that can develop trust and accountability while delivering long-term value to all of our stakeholders.

Our comprehensive governance framework encompasses all aspects of our business operations and is designed to instil a strong culture of ethics and compliance, meet all regulatory requirements and deliver the necessary to protect our employees, customers and partners from all forms of crimes, malpractices and unethical behaviours.



Good Governance

Governance and Accountability

NURTURING A RESPONSIBLE WORKFORCE

Our Anti-Bribery and Corruption (“ABC”) Policy was communicated to all staff, including 100% of our management, executive, and support staff, as well as subsidiaries, agents, vendors and partners



Our commitment towards responsible governance and accountability starts from the highest levels of leadership and is cascaded throughout Merchantrade by a well structured company-wide framework.

Cognisant of our unique responsibilities as a tech-driven financial company, we have established robust controls that reflect our unwavering commitment towards embedding effective and responsible risk management and compliance practices throughout the organisation.



In FY2022:

- **We did not receive any significant fines or sanctions for non-compliance during the year**
- **We completed 12 dedicated AMCO training sessions for 805 staff and agents**
- **100% of all relevant employees completed their annual AML/CFT assessment**



Ethics and compliance



We adopt a zero tolerance approach towards bribery and corruption and have established a robust governance structure backed by top-level commitment to mitigate any unethical business conduct across our businesses, including all subsidiaries, agents, vendors and partners.

A Robust Guiding Policy

Our **Anti-Bribery & Anti-Corruption (ABC) Policy**, which was developed in line with government requirements¹ and industry specific conditions, strictly prohibits any activity that would violate applicable anti-corruption laws. The policy covers **gifts and hospitality, facilitating payments, as well as political and charitable contributions**. The policy is made available online on our corporate website.

Communication and Training

Our ABC Policy is **actively communicated** to all of our employees, embedded within their employment contracts and communicated during the induction sessions with new employees. In addition, periodic reminders are disseminated via staff communication channels and **appropriate ABC clauses** are included in all agreements and contracts with stakeholders.

In order to drive greater understanding of our ethics standards as well as recommended actions in the case of an ethics breach, **ABC-specific training sessions** are provided to employees. On 9 December 2022, in observance of International Anti-Corruption Day, our Ethics Officer reinforced our commitment to ethical practices by reminding all employees about our ABC Policy and our whistleblowing channel.

Reporting Channels

We have established a **whistleblowing channel** that is made accessible to all our **employees and external parties**, enabling confidential reporting of any irregular activities including incidences of non-compliance. To ensure easy access, we have prominently displayed the whistleblowing channel details on our **website**.

Governance Structure

A **dedicated Ethics Officer** has been appointed to oversee all ABC related matters within the organisation.

We undertake a review of the policy every 2 years. During the last assessment carried out in FY2021 by an appointed third party, all five categories of bribery and corruption risk were assessed to be of 'low' risk. All the identified gaps and **corresponding remediation actions** have been completed.

1. The Policy is issued pursuant to section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Act 694), as stated in the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

Setting ethical standards

As the largest and leading money services player in the industry, we have a responsibility to lead the way when it comes to industry compliance and best practices. We do not abuse our leverage on other market players and have made it a point to ensure there are no anti-competition provisions in our agreements. Such practices reflect our company-wide commitment to ensure fair business conduct and to set an exemplary approach within the Money Services Business and Payments industry.

Oversight and Internal Controls

Our governance and internal control structure is led by the Board, which is aided in the discharge of their duties by our Managing Director, Senior Management Team and various oversight committees. By leveraging the collective expertise and experience from these various parties, we are empowered to make well-informed decisions and implement effective practices, ensuring that our organisation operates with integrity, transparency and accountability.

Oversight committees that contribute to our internal control structure include:

- Expense Review Committee
- Standard Agreement Assessment Committee
- Counterparty Trade Evaluation and Approval Committee
- Agent Evaluation and Approval Committee (AEAC)

Our Upcoming Targets

- Seek external assurance for ESG disclosure verifications by FY2025
- Adhere publicly to international human rights and labour standards by FY2025

Our Code of Ethics

We ensure our conduct remains bound to the following tenets of the Malaysian Association Of Money Services Business (MAMSB)'s **Code of Ethics**.

- Promote professional ethics and uphold the highest level of integrity and compliance;
- Maintain information confidentiality;
- Manage and avoid conflicts of interest;
- Promote healthy competition;
- Ensure a safe and healthy working environment; and
- Conduct dealings in a fair and transparent manner, etc.

All third parties that conduct business with Merchantrade have been informed of our **Vendor Code of Ethics**, which sets forth key compliance requirements and expectations regarding ethical business conduct. All parties involved must acknowledge their adherence, understanding and commitment to the code and undergo proper due diligence before commencing work on their respective engagements with the company.



Maintaining a secure financial ecosystem

Criminal networks, money launderers and financiers of terrorism are highly adaptable and quick to take advantage of technological advancements as well as the globalisation of the financial services industry – causing major detrimental socioeconomic effects.

The Compliance Division has the primary role in developing and ensuring the effective implementation of the company's Compliance Programme to safeguard our financial ecosystem from being abused across the following three actionable areas:

Money Laundering, Terrorism Financing
and Proliferation Financing

Hawalas

Financial Fraud

Sustainability in Action

Preventing Money Laundering, Terrorism Financing and Proliferation Financing

A Comprehensive Compliance Programme

Merchantrade is firmly committed to abiding with all relevant **Anti-Money Laundering /Counter Financing Terrorism and Targeted Financial Sanctions (AML/CFT & TFS) laws** as well as international best practices to prevent its business from being abused. We comply with and enforce targeted financial sanctions in accordance with regulatory-issued directives and **United Nations Security Council Resolutions (UNSCR)**.

Our compliance programme includes, amongst others:

- Robust AML/CFT & TFS Policy
- Customer Acceptance Policy (CAP)
- Customer Due Diligence (CDD) process



Effective Controls

► Screening and Verification

We are aware that screening customers is the first line of defense against money laundering and terrorism financing. Our comprehensive CDD processes include screening for Politically Exposed Persons (PEPs), negative lists, sanctions lists, high-risk countries and high-risk nationalities, as well as establishing customer risk profiles.

► Review and Audit

We regularly review our compliance programme to ensure it remains adequate and effective, with periodic assessments facilitated by independent auditors appointed by the Board.

► Transaction Monitoring and Reporting of Suspicious Transactions

We leverage the latest technology and analytics tools for transaction monitoring/ ongoing due diligence to detect suspicious transactions patterns and activities. We then promptly submit appropriate and relevant Suspicious Transaction Reports (STRs) to our regulators as part of our compliance obligations.

Sustainability in Action

A Stringent Approach to Internal Compliance

Managing Risks to Maintain Sustainability

We adopt a risk-based approach in implementing compliance policies, procedures, processes, systems and controls.

AML/CFT & TFS risk assessments are proactively conducted to assess the company's risk landscape and the effectiveness of our controls across our products, customers, partners and agents.

Through this prudent approach, we are able to maintain our inclusivity to serve the unbanked and underbanked customers with higher risk profiles, while still upholding high compliance standards.

Pioneering Innovation in Compliance

We are currently integrating an artificial intelligence and machine learning component into the Merchantrade Suspicious Transaction System (MSTS) to enhance our oversight.

We have also adopted a Supervision Analytics Approach that integrates data analytics tools into network monitoring to achieve more thorough and effective supervision of the network in order to identify violations and abuses.

Delivering Training and Enhancing Awareness

We rigorously provide AML/CFT & TFS training and awareness programmes for all stakeholders. All employees are to comply with the AML/CFT & TFS policy and complete the annual AML/CFT/TFS e-Learning assessments.

We have also formed the Alliance of Merchantrade Compliance Officers (AMCO) as part of our efforts to upskill and inculcate a strong compliance culture amongst members in our network.

100% of all relevant employees completed their annual AML/CFT assessment in FY2022.



“

Our goal is to set the gold standard when it comes to compliance and ensure our efforts are on par with leading international brands.”

Dr. Abdul Rahman Mokhtar
Chief Compliance Officer



Sustainability in Action

Ensuring Compliance Across our Network of Agents and Merchants

Given our ecosystem of over 250+¹ agents, it is essential that these agents do their part in ensuring compliance with legal and regulatory requirements, as a substantial portion of our transactions are initiated through them.

Due Diligence Processes

We conduct background checks on all prospective agents and merchants prior to onboarding and conduct periodic reviews as an additional safeguard. We also require all new applicants to be approved by our Agent Evaluation and Approval Committee (AEAC). Our screening efforts are vital to the industry as a whole, with Merchantrade agents comprising more than half of the entire Malaysian Money Services Business industry's licensees.

The Alliance of Merchantrade Compliance Officers

To streamline compliance practices across our network, we formed the AMCO with members from our own branch and agent network. Initiatives include providing members with regular AML/CFT & TFS training via our AMCO Workshop Series and serving as a support group for its members.

AMCO is spearheaded by our Chief Compliance Officer, who was the founder and former chairman of

Group of Compliance Officers (GOCO) for the Malaysian Association of Money Services Business (MAMSB).

AMCO Training in FY2022

Participant Groups	Total no. of Participants	Training Duration
Agents	283	1 hour
MTA Branches	222	2 hours
MTA HQ Staff	300	2 hours



Agent and Merchant Oversight

Policy Manuals

- Established a robust Agent Oversight Framework and Code of Conduct for Merchants. MSB Agents are also provided with a Standard Operating Manual and our AML/CFT & TFS Policy
- Disseminate advisories on AML/CFT & TFS and compliance updates in order to keep agents up to date on the most recent information

Assessments

- Periodic AML/CFT & TFS training and refreshers for agents
- All agents are required to complete an annual AML/CFT assessment
- Initiate pre-activation training for Directors and staff members of newly appointed agents on regulatory requirements, particularly on AML/CFT & TFS and MTA internal procedures
- Access to our AML/CFT & TFS e-learning platform to refresh their AML/CFT & TFS knowledge and understanding

Active Supervision

- Network actively supervised through visitation, monthly supervision and oversight
- Mystery shopping surveillance on agent and merchant operations

Addressing Non-Compliance

- In the event of non-compliance being detected, incident response teams are activated to investigate and ensure these issues are effectively managed and reported in a timely manner
- Meetings are held to determine the response and actions to be taken

1. As of 30 June 2023.

Sustainability in Action

Playing a Leading Role to Combat 'Hawalas'

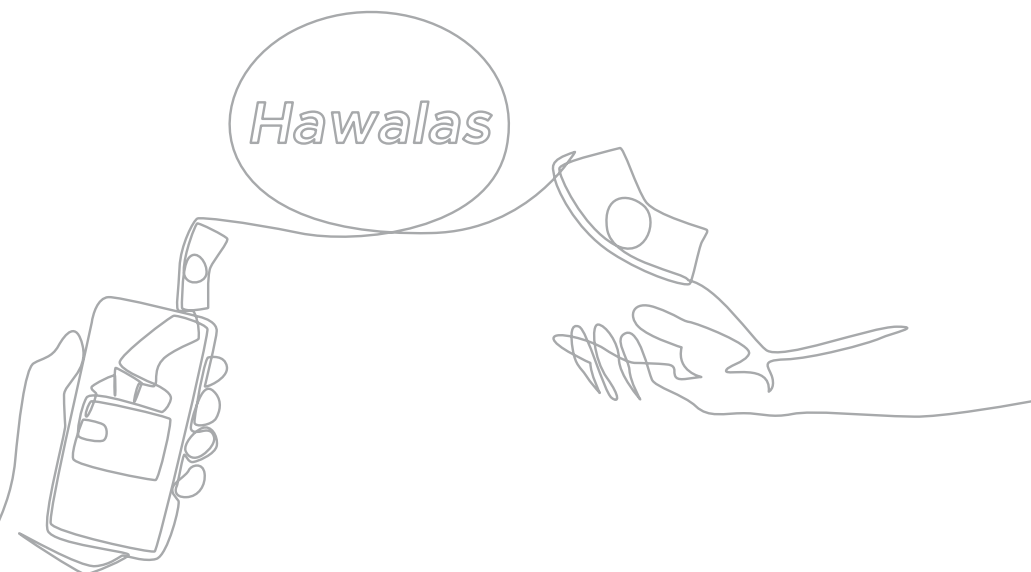
We remain cognisant that many of our customers located in remote and rural areas continue to rely on informal and illegal money transfer service providers called hawalas. Hawalas are considered an informal system of money transfer and remittance, a form of underground banking, and have been closely associated with money laundering and terrorism financing in some instances to transfer funds globally across geographical borders.

Many of our customers in underserved areas resort to hawalas as they lack access to formal financial services and have limited trust in them. This is the very obstacle that Project Greenback aims to overcome. Merchantrade has actively participated in this financial education programme targeted at promoting legal and safe remittance channels. Project Greenback was last organised pre-pandemic in FY2019, supporting the government's efforts to eradicate the shadow economy.

In a survey conducted amongst our customers, **31%**¹ of them admitted to previously using hawalas due to a lack of legal financial services providers in their rural or remote location



1. Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 56 remittance customers.



Sustainability in Action

Enhancing Security and Protection in the Digital Era

In an environment where digital financial crime is becoming more prevalent, we have established a robust framework to protect our customers against fraud. These include a variety of SOPs, features and practices that are being constantly upgraded and expanded to ensure the best possible security on our e-wallet and mobile applications.



Inhibiting Misuse Through Risk Reviews

Prior to launching our products, we undertake a comprehensive risk review process. This empowers us to pre-emptively safeguard and mitigate against any unlawful activities on our platform.

Maintaining Stringent Oversight

We have deployed a dedicated Merchantrade Money Risk Management team that proactively monitors transactions to enhance our fraud oversight.

Creating Awareness and Education

We share informative content to raise awareness on social media and educate the community on preventative measures. Such resources are also made publicly available on our website.

Ramping Up Preventative Measures

Preventative measures we have implemented include:

- Strengthening transaction security through the implementation of two-factor authentication
- Enabling multi-factor authentication specifically for high-value transactions to enhance security
- Enhancing fraud prevention by implementing stricter rules and blocking suspicious transactions
- Implementing security phrases as a preventive measure against phishing attempts
- Safeguarding against fraud by enabling device binding to establish secure associations between users and their authorised devices
- Implementing advanced security measures such as obfuscation, encryption and defense against tampering, malware and reverse engineering

Maintaining a robust risk management framework

As a progressive company that's constantly evolving and adapting to new business realities, careful risk management plays a crucial role in enabling us to effectively respond to changes in market trends, regulatory requirements, external events and ESG related issues. Our stringent commitment is enshrined within a company-wide Enterprise Risk Management (ERM) Framework. Developed and managed by our Risk Management Department, the framework empowers us to embed risk management in all key processes and effectively safeguard our operational resilience in a dynamic and ever-changing business environment.

Our Enterprise Risk Management (ERM) Framework

Risk Management and Audit Committee (RMAC)

On behalf of the Board, the RMAC is responsible for:

- Overall oversight, implementation and monitoring of Merchantrade's Risk Management Framework, Standards and Practices.
- Reviewing and recommending risk management policies and strategies for the Board's approval.

The RMAC is comprised of three independent directors with extensive experience in numerous public listed companies, each contributing to diversity in thought and offering inimitable strategies, ideas and solutions.

The RMAC is assisted by the Risk Management Department in discharging its risk management responsibilities.

Risk Management Department

The Risk Management Department functions independently and is responsible for developing and presenting formal risk reports to the RMAC every quarter¹. The following frameworks and policies have been developed by the Risk Management Department, which collectively serve to integrate risk management into our processes and organisational culture to facilitate effective risk-based decision making.

- Enterprise Risk Management Framework
- Risk Management Policy
- Business Continuity Management Framework, Crisis Management Plan, Crisis Communication Plan and Business Continuity Plan (to complete in FY2023)
- Loss Event & Incident Management Guideline
- Risk Management Guideline for Projects, Products & Proposals
- Technology Risk Management Framework
- Cyber Resilience Framework

Managing Director and Senior Management

Our Managing Director and Senior Management play an important role in supporting our ERM framework.

They collectively maintain the responsibility for ensuring that the day to day management of the company's activities remains consistent with all Risk Management policies and guidelines that have been approved by the RMAC and the Board.

1. These reports may include various risk assessments, taking stock of current performance against future outlook (near/ longer term), the alignment of overall objectives/targets against high-level strategies, evaluations on the effectiveness of risk mitigating controls, enhancements to existing risk mitigation strategies, key project updates, highlights on pertinent incidences/events, monitoring of key risk indicators, etc.

Our risk assessment process

STEP 01

Establish Context

Develop an understanding of the risk in relation to the operating environment, industry landscape and our strategic mission and business objectives

STEP 02

Identify Risk

Determine and document the risks, including the threats and opportunities they present, that may affect the achievement of our goals, objectives and strategies

STEP 03

Analyse Risk Levels

Assess the likelihood and impact of risks from all perspectives to pinpoint the level of significance

STEP 04

Evaluate Risks

Evaluate risks to determine if the impacts are acceptable or unacceptable, taking into account existing measures to mitigate said risks

STEP 05

Risk Treatment

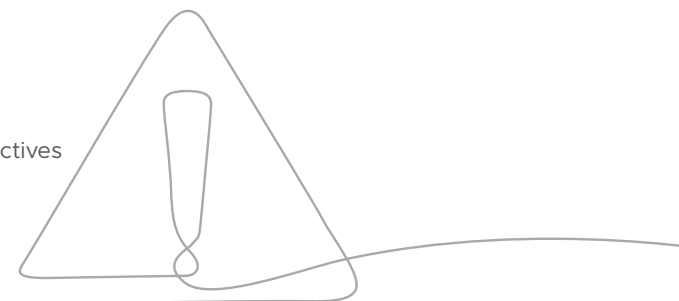
Execute measures to treat risks that are not already being fully mitigated, with strategies directed towards Avoiding, Reducing, Retaining or Transferring the risk



Monitoring Risks Stringently

Regular risk reports must be submitted by the Risk Management Department to the RMAC, with reports expected to include:

- An updated assessment of the risks
- An evaluation of the effectiveness of the controls
- Requirements for further controls
- Performance and outlook benchmarked against objectives
- Key project updates
- Reports of major incidences



Good Governance

Information Technology

EMBRACING SECURITY AND TRUST

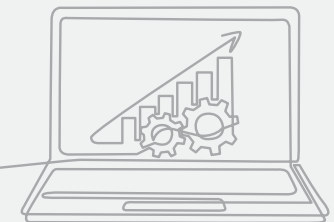
We have formed a new Data Governance & Control Department and a dedicated Information Security and Governance team



In an increasingly interconnected world driven by digital financial applications, prioritising the protection and confidentiality of sensitive data is paramount. In addition to staying ahead of regulatory requirements, our continuous commitment to developing robust practices underscores our dedication to safeguarding and maintaining the trust of our valued stakeholders.



- › **We established a new Data Management Policy in FY2022 and a Data Governance Management Guideline in FY2023 to provide guidance and promote responsible data management practices within the organisation.**
- › **A Data Management Awareness briefing was conducted in FY2022 for all relevant staff, which represents **68%** of our workforce.**



Building a resilient digital environment

Our Technology Risk Management and Cyber Resilience Frameworks were crafted in alignment with Risk Management in Technology (RMIT), National Institute of Standards and Technology (NIST) and Payment Card Industry Data Security Standard (PCI DSS) requirements. In order to maintain relevance to the changing cybersecurity landscape, the framework will be reviewed in FY2023.

We continually make significant investments in people, processes and technology to ensure the safety of all users on our platform. Simultaneously, we intend to empower our people to not only grasp but also to effectively employ the measures we have implemented. We thus provide mandatory training and annual refreshers for all relevant employees, senior management and Board members in order to enhance their cybersecurity awareness and capabilities.

Key Cybersecurity Highlights in FY2022

Enhanced **security operation centre and threat intelligence**

Formed a dedicated **Information Security and Governance team** to drive the security maturity of the organisation

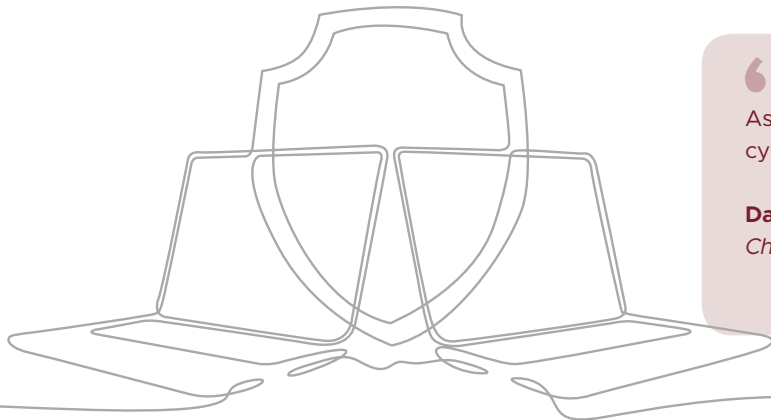
Maintained a suite of policies that articulates our approach to security including a **Technology Risk Management and Cyber Resilience Framework¹** in alignment with the NIST Framework

Proactive security **assessment and reviews** conducted over the application and infrastructure of security controls to ensure their effectiveness

“

As a financial services provider that relies heavily on technology, ensuring effective cybersecurity is paramount to our strategy and essential to our business. ”

Danishkumar Karuppiah
Chief Technology Officer



1. Endorsed by the Board in FY2022.

Upholding confidentiality and trust

In respecting and valuing the privacy of our employees, customers and partners, we place great emphasis on ensuring proper storage, handling and protection of sensitive data. To help us achieve and uphold high standards of data management, a new Data Governance & Control Department was formed in FY2022 to meet the requirements of the Financial Services Act 2013 (FSA), Risk Management in Technology (RMIT), Personal Data Protection Act 2010 (PDPA) and Management of Customer Information and Permitted Disclosure Policy (MCIPD) when managing and disclosing customer information. The team works closely with the IT Security, Risk Management, Information Security & Governance and Compliance teams to implement protection controls for the vast amount of data utilised across our organisation.

In FY2022, our Data Management Policy was developed in line with MCIPD requirements and reviewed by the Data Management Task Force prior to being approved by the Board. To effectively implement this policy, the Data Governance Management Guidelines were established in FY2023 to provide guidance and promote responsible data management practices within the organisation.

A Data Management Awareness briefing was conducted for all relevant staff, which represents 68% of our workforce. In terms of new hires, trainings pertaining to the safeguarding of Customer Information was rolled out at the start of the third quarter in FY2022.

Our 4E's Data Pillars

Embed

We provide regular training and education to employees at all levels to keep them apprised of the guidelines and their responsibilities.

Evaluate

Our Information Security & Governance and Risk Management teams constantly work to strengthen operational control measures, with regular evaluation undertaken to assure ongoing effectiveness.

Establish

The following policies and guidelines have been implemented:

- Privacy Notice
- Personal Data Protection Act (PDPA) Policy
- Data Management Policy
- Data Governance Management Guidelines (established in FY2023)

Empower

We empower customers by providing clear information on how we collect, use, process and disclose personal data through our Privacy Notice that is published publicly on our website. We also maintain a dedicated channel for queries, concerns or complaints that may be directed to the Data Privacy Team.





Healthy Business

Maintaining a resilient, progressive and agile business that is abundant with potential for growth is a vital component of our strategy to deliver sustainable value to all of our various stakeholders.

We are committed to staying ahead of the evolving industry landscape through consistent digitisation and innovation, while placing strong emphasis on holistically enhancing the service and experience we provide to our customers.

Healthy Business

Operational Resilience

FUTURE PROOFING OUR BUSINESS

Our digitalisation efforts have boosted transaction value through our digital platforms from an initial 2% in FY2012 to 60% in FY2022



It's important for us to ensure our business can grow and thrive consistently in line with the expectations of all our stakeholders. Understanding that our customers rely on us to provide them with affordable yet vital financial services, we work tirelessly to keep our services accessible to everyone, while simultaneously driving digital transformation in the communities we serve and providing exceptional customer care.


IN FY2022, OUR FOCUS ON DIGITISATION AND INNOVATION ENABLED US TO STRENGTHEN OUR BUSINESS'S ECONOMIC PERFORMANCE. THIS INCLUDES THE LAUNCH OF NEW PRODUCTS SUCH AS ENRICHMONEY¹, HYBRID WALLET AND AFFIN MERCHANTRADE PREPAID CARD, AND ESTABLISHING STRATEGIC COLLABORATIONS WITH MULTIPLE PARTNERS.

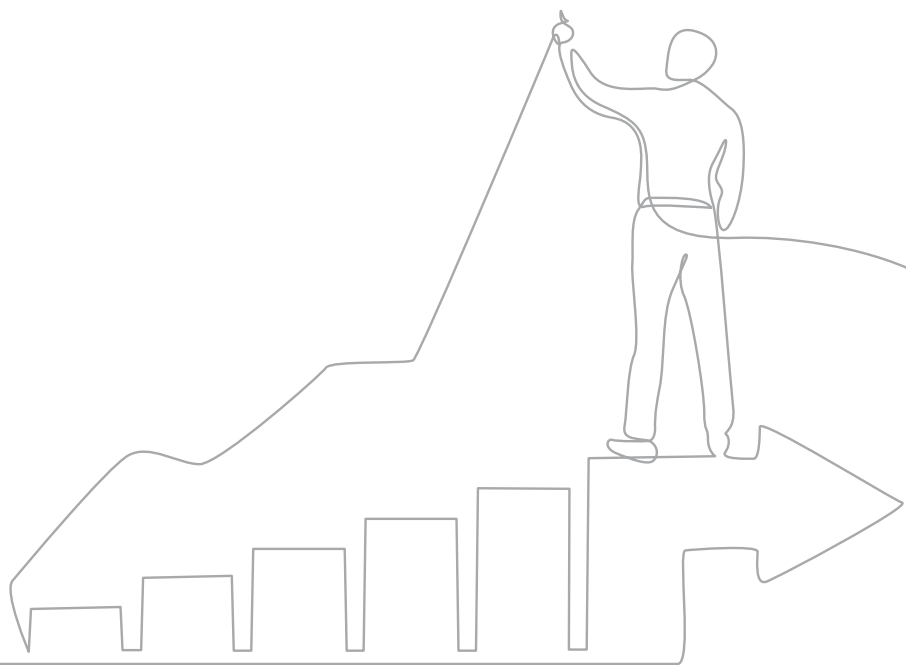


1. EnrichMoney was launched in March FY2023.

Sustaining our economic performance

Despite some headwinds to our economic performance in FY2022, such as the impact of COVID-19, slow recovery of the tourism industry and delay in the arrival of new foreign workers, we have made significant progress towards recovery and are optimistic about our future growth.

We understand the importance of fostering a solid financial position and a stable business to ensure we can continue to positively contribute to all our stakeholders. We are now poised to take on bigger things in the post-pandemic era.



Our Strategic Priorities in FY2022

Continue to drive innovation and digitisation

- new products and processes, new partners, new customer segments

Diversifying from retail (B2C) segment to expand services to corporate customers (B2B2C)

- **tailored fintech solutions such as** salary top-ups and white-label/co-branded solutions for SMEs, large corporates, financial institutions and banks

Implement a Comprehensive Business Continuity Framework, Business Continuity Plan and Crisis Management Plan

- completed in FY2023

Strategic partnerships to develop new products and services



Hybrid Wallet with AmBank

We formed a strategic collaboration with AmBank to establish a first-of-its-kind hybrid wallet. Customers are able to access a maximum limit up to RM20,000 from their wallet and a limit of up to RM30,000 from a Hybrid Current Account-i (HCA-i) with AmBank Islamic, giving them a combined limit of up to RM50,000.



EnrichMoney¹

We partnered Enrich by Malaysia Airlines to develop and launch EnrichMoney, an essential travellers' wallet that offers digital onboarding and enables customers to earn and redeem EnrichMoney Points while making cashless payments. This partnership marks a significant milestone for Merchantrade, enabling us to extend prepaid wallet services to the new market segment of travellers.



Affin Merchantrade Prepaid Card

An alliance with Affin Bank gave rise to the Affin Merchantrade Prepaid Card, which was developed to complement and elevate the Bank's product offerings to their customers. Affin Merchantrade Prepaid Card allows the Bank's customers to transact digitally, remit funds abroad and utilise a multi-currency wallet with zero transaction fees.



E-Payments for Digital Books²

We have partnered with Perbadanan Kota Buku (PKB), the country's largest digital book platform provider, to introduce seamless e-wallet payments for the purchase of books and other reading materials. This collaboration aims to enhance the convenience and accessibility of digital book transactions for our customers from FY2023 onwards.

E-wallet Services for Students³

Our new collaboration with Universiti Teknologi MARA (UiTM) enables us to provide e-wallet services to international and overseas students, staff and members.

New Underwriter and Payout Partner

We have partnered with Chubb Insurance as our new underwriter to develop a range of innovative and bespoke micro-insurance products. Additionally, we have secured Bank Jatim as a new payout partner.

1. EnrichMoney was launched in March FY2023.

2. MOU with Perbadanan Kota Buku was signed in March FY2023.

3. MOU with Universiti Teknologi MARA (UiTM) was signed in January FY2023.

Accelerating our digitisation agenda

Over the years, Merchantrade has undergone a remarkable transformation from a local brick and mortar player to a full-fledged digital financial services provider. Our transition has been substantial, with digital platforms now accounting for nearly 60% of our total transaction value, compared to just 2% in FY2012.

Recognising the significance of bolstering our digital capabilities, we prioritise the development and enhancement of our digital infrastructure. By doing so, we aim to achieve sustainability and operational efficiency in our operations.

Crafting New Digital Products and Experiences

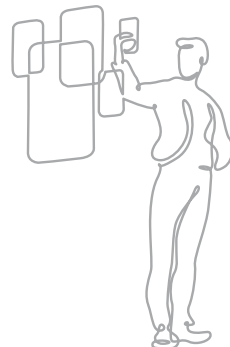
With innovation and technology at our core, over the years we have consistently introduced new products and services, as well as offered our individual and corporate customers a seamless and integrated digital experience catered to their evolving needs.

- eRemit (FY2011)
- Merchantrade Money (FY2017)
- Salary Top-up Portal (FY2018)
- Merchantrade Insure (FY2018)
- Merchantrade Ozopay, Payment Gateway (FY2019)
- Kenanga Money with Kenanga Investment Bank (FY2020)
- Hybrid Wallet with AmBank (FY2022)
- Affin Merchantrade Prepaid Card with Affin Bank (FY2022)
- EnrichMoney with Enrich by Malaysian Airlines (FY2023)

The launch of these innovative solutions are crucial to our digitisation journey and serve as a driving force behind our aspirations of building an end-to-end ecosystem of digital financial products and services.

Driving Digital Engagement

We encourage more digital onboarding channels and have provided tablets to our Sales & Marketing Team to digitally onboard customers. We have also begun providing digital receipts for selected products.



Advancing Digitisation and Automation in our Internal Business Processes

Aligned to our commitment of promoting paper sustainability and enhancing overall productivity, we have prioritised the digitisation of internal processes. Through this digital transition, we aim to streamline operations, reduce reliance on paper-based systems and create a more efficient work environment.

• Finance Transformation Project (Work-In-Progress)

Key aspects of the project include finance system upgrades, implementation of new workflows, reconciliation tools, reporting tools, budgeting tools, e-claims processing and more.

• E-learning platform

Our enhanced e-learning platform was specifically designed to provide comprehensive training on AML/CFT and serve as a accessible platform for continuous learning.

• Migration to cloud based-solutions (Work-In-Progress)

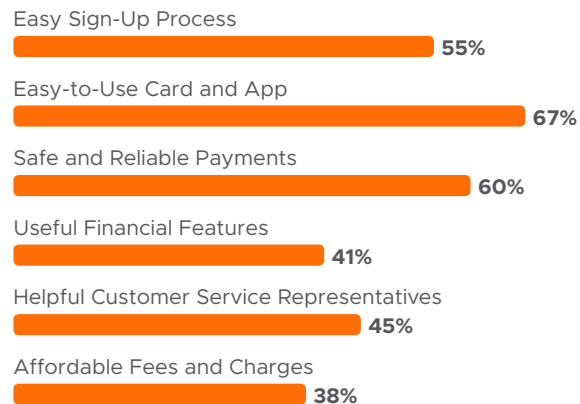
Our efforts to migrate to the cloud have enabled us to embrace a more scalable and agile infrastructure, empowering us to automate various processes and streamline workflows.

Customer excellence

As a company that connects people through our financial services, we are equally committed to connecting deeply with customers. We have developed a robust customer-centric culture and integrated a strong company-wide framework to achieve this objective, with values such as Trust, Integrity, Safety, Security, Transparency and Service Warranty being clearly defined in our Client Charter that is published on our website.

In the spirit of constant improvement, our customer service representatives have developed satisfaction surveys and collected feedback to understand our customers better. This provides us with important insights into what customers think about our products, services and our brand.

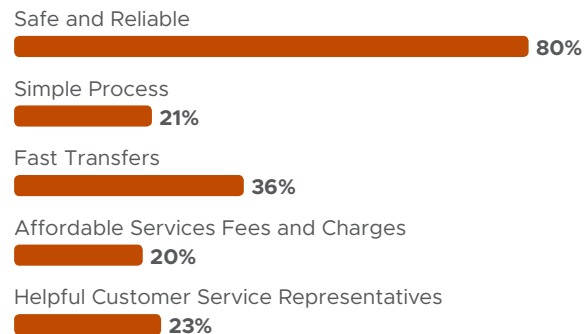
Merchantrade Money



67%

of customers have expressed their satisfaction with Merchantrade Money's user-friendly card and mobile app

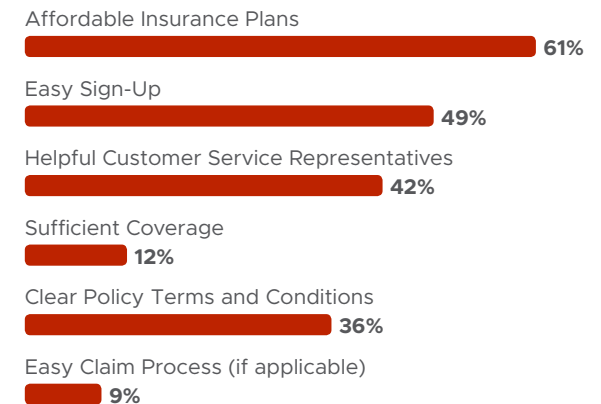
Remittance



80%

of customers value safe and reliable remittances to their families back home

Merchantrade Insure



61%

of our customers appreciate the affordability of our insurance plans

Note: Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 56 remittance customers, 42 e-wallet customers and 33 micro-insurance customers.

Sustainability in Action

Setting Benchmarks Through Customer Surveys

Amongst our efforts to strive for excellence in customer service and satisfaction, we have implemented the globally recognised Net Promoter Score (NPS) for 3 of our key products.

By gaining insightful feedback from users, we are empowered to compute scores for key Merchantrade products that accurately reflect their popularity, usefulness and value to our customers. To promote a culture of continuous improvement, we have embedded it as a key performance indicator for our product teams. Our use of NPS also allows us to compare our current performance to industry standards and establish goals for future enhancement.



Our average NPS score
in FY2022

53%¹

Our FY2025
target

55%

1. Figure derived by computing average NPS across 3 key products. Data extracted from an on-ground survey conducted in Q4 FY2022, at our branches, among 64 remittance customers, 42 e-wallet customers and 33 micro-insurance customers.

Crafting optimal customer experiences

We want to make it as convenient as possible for customers to reach out to us – and when they do, we want them to have a fulfilling experience that builds trust, loyalty and confidence in our services. The following are some of the practices employed to achieve this.

Enabling Convenient Contact Points

- Our omni-channel touchpoints enable a diverse set of customers to reach us via telephone, email or live chat, as well as through customer service representatives at branches
- We have assembled a Social Media Team to manage all our social media platforms (FB, IG, LinkedIn) and provide customers with prompt responses

Ensuring Effective Communication

- We have appointed multi-lingual employees amongst our Sales and Marketing team and Call Centre to attend to customers in their native languages
- We have prepared a comprehensive Call Centre SOP and system guide to instil service excellence amongst our executives
- Our Call Centre acts as a “One Stop Contact Centre” with customer service representatives assisting with various types of product and service related enquiries
- Customer service representatives undergo thorough training and preparation in order to ensure prompt and clear communication

Delivering Speedy Resolutions

- We have implemented KPIs for customer service representatives in order to ensure performance meets our quality requirements and customer expectations
- Monthly tests are carried out to update and assess the knowledge of customer service representatives
- A centralised ticketing system provides easy escalation, quick response times and also ensures queries are tracked and recorded
- Our customer service representatives are assessed based on several key factors, including the volume and speed of issue resolution as well as customer satisfaction levels



Our award-winning approach

With a philosophy that prioritises our customers' needs above all else, we have received numerous awards over the years for our innovative products and services. This inspires us to go the extra mile and strive for even greater accomplishments. Ultimately, our focus on customer satisfaction contributes to our long-term financial strength and stability.

Awards and Accolades



FY2022

- The Best Remittance Business Partner from PT Bank Syariah Indonesia Tbk (Bank BSI)
- Best Multi-currency Payments solutions provider by APAC Business Awards

FY2021

- Global Business Outlook Award – Most Innovative Digital Payment Platform 2021 (Malaysia)

FY2019

- Malaysia Technology Excellence Award (Fintech – Financial Services)
- Visa Innovative Product 2018/19 (VISA Malaysia Most Outstanding Innovation Prepaid Travel Money)
- New Insurance Product of the Year (Merchantrade Insure Basic)
- Remtech Award 2019 (Popular Votes – Merchantrade Money)

FY2018

- Florin Asia Innovation Award 2018 (1st Runner Up – Merchantrade Money)

FY2017

- Winner for Interbank GIRO (IBG) Campaign 2017 by PayNet in the SMEs, Partnerships and Sole Proprietorship category
- Best Brands in E-Commerce, Digital Remittance for Product Branding by The Brand Laureate SMEs Best Brands Award
- Most Outstanding Customer Experience from MAMSB MCX Awards 2017

FY2016

- Florin Awards Asia for “Best Remittance Breakthrough Transfers Award” (Community Vote)
- International Association of Money Transfer Networks Award for “Best Retail Money Transfer Operator”
- Greenback 2.0 Gold Partner

FY2013

- MyClear 2013 Award for “FPX Top Merchant Award”

FY2012

- MyClear 2012 Award for “FPX Most Outstanding Merchant (transaction volume)”



GRI content index

GRI Standard	Disclosure	Page Reference/ Remarks
GRI 2: General Disclosures	2-1 Organisational details	<ul style="list-style-type: none"> About Merchantrade, Page 5 Our Network, Page 6
	2-2 Entities included in the organisation's sustainability reporting	<ul style="list-style-type: none"> Our Network, Page 6
	2-3 Reporting period, frequency and contact point	<ul style="list-style-type: none"> About This Report, Page 8
	2-4 Restatements of information	<ul style="list-style-type: none"> About This Report, Page 8
	2-5 External assurance	<ul style="list-style-type: none"> About This Report, Page 8
	2-6 Activities, value chain and other business relationships	<ul style="list-style-type: none"> About Merchantrade, Page 5
	2-7 Employees	<ul style="list-style-type: none"> People and Culture, Page 40 - 50
	2-8 Workers who are not employees	Not applicable
	2-9 Governance structure and composition	<ul style="list-style-type: none"> Sustainability Governance, Page 12
	2-10 Nomination and selection of the highest governance body	<ul style="list-style-type: none"> Sustainability Governance, Page 12
	2-11 Chair of the highest governance body	<ul style="list-style-type: none"> Sustainability Governance, Page 12
	2-12 Role of the highest governance body in overseeing the management of impacts	<ul style="list-style-type: none"> Sustainability Governance, Page 12
	2-13 Delegation of responsibility for managing impacts	<ul style="list-style-type: none"> Sustainability Governance, Page 12 Corporate Governance, Page 13 - 14
	2-14 Role of the highest governance body in sustainability reporting	<ul style="list-style-type: none"> Sustainability Governance, Page 12
	2-15 Conflicts of interest	<ul style="list-style-type: none"> Governance and Accountability – Ethics and Compliance, Page 53 - 59
	2-16 Communication of critical concerns	<ul style="list-style-type: none"> Key Policies and Codes, Page 15 People and Culture – Diversity and Inclusion, Page 41 - 43 Governance and Accountability – Ethics and Compliance, Page 53 - 59
	2-17 Collective knowledge of the highest governance body	<ul style="list-style-type: none"> Corporate Governance, Page 13-14
	2-18 Evaluation of the performance of the highest governance body	<ul style="list-style-type: none"> Corporate Governance, Page 13-14
	2-19 Remuneration policies	Further consideration will be taken by the company to gather and disclose this information in the future.
	2-20 Process to determine remuneration	
	2-21 Annual total compensation ratio	

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GRI Standard	Disclosure	Page Reference/ Remarks
GRI 2: General Disclosures (Cont'd)	2-22 Statement on sustainable development strategy	<ul style="list-style-type: none"> • A Message From Our Managing Director, Page 3
	2-23 Policy commitments	<ul style="list-style-type: none"> • Key Policies and Codes, Page 15 • Governance and Accountability – Ethics and Compliance, Page 53 - 59
	2-24 Embedding policy commitments	<ul style="list-style-type: none"> • Key Policies and Codes, Page 15 • Governance and Accountability – Ethics and Compliance, Page 53 - 59
	2-25 Processes to remediate negative impacts	<ul style="list-style-type: none"> • Key Policies and Codes, Page 15 • Governance and Accountability – Ethics and Compliance, Page 53 - 59
	2-26 Mechanisms for seeking advice and raising concerns	<ul style="list-style-type: none"> • Key Policies and Codes, Page 15 • People and Culture – Diversity and Inclusion, Page 41 - 43
	2-27 Compliance with laws and regulations	Further consideration will be taken by the company to gather and disclose this information in the future.
	2-28 Membership associations	
	2-29 Approach to stakeholder engagement	<ul style="list-style-type: none"> • Stakeholder Engagement, Page 11
	2-30 Collective bargaining agreements	Not applicable
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<ul style="list-style-type: none"> • Materiality, Page 10
	3-2 List of material topics	<ul style="list-style-type: none"> • Materiality, Page 10
GRI 205: Anti-corruption 2016	3-3 Management of material topics	<ul style="list-style-type: none"> • Governance and Accountability – Ethics and Compliance, Page 53 - 59
	205-2 Communication and training about anti-corruption policies and procedures	<ul style="list-style-type: none"> • Governance and Accountability – Ethics and Compliance, Page 53 - 59
	205-3 Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> • Governance and Accountability – Ethics and Compliance, Page 52
GRI 301: Materials 2016	3-3 Management of material topics	<ul style="list-style-type: none"> • Resource Management, Page 19 - 23
	301-1 Materials used by weight or volume	<ul style="list-style-type: none"> • Resource Management, Page 19 - 23
GRI 302: Energy 2016	3-3 Management of material topics	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
	302-1 Energy consumption within the organisation	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
	302-3 Energy intensity	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
GRI 305: Emissions 2016	3-3 Management of material topics	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
	305-1 Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
	305-2 Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18
	305-4 GHG emissions intensity	<ul style="list-style-type: none"> • Decarbonisation – Emissions and Energy Management, Page 18

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GRI Standard	Disclosure	Page Reference/ Remarks
GRI 401: Employment 2016	3-3 Management of material topics	• People and Culture, Page 40 - 50
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	• People and Culture – Employee Wellbeing, Page 44
	401-3 Parental leave	• People and Culture – Employee Wellbeing, Page 45
GRI 404: Training and Education 2016	3-3 Management of material topics	• People and Culture – Growth and Development, Page 49 - 50
	404-1 Average hours of training per year per employee	• People and Culture – Growth and Development, Page 49 - 50
	404-2 Programs for upgrading employee skills and transition assistance programs	• People and Culture – Growth and Development, Page 49 - 50
GRI 405: Diversity and Equal Opportunity 2016	3-3 Management of material topics	• People and Culture, Page 40 - 50
	405-1 Diversity of governance bodies and employees	• People and Culture – Diversity and Inclusion, Page 41 - 43
GRI 406: Non-discrimination 2016	3-3 Management of material topics	• People and Culture, Page 40 - 50
	406-1 Incidents of discrimination and corrective actions taken	• People and Culture – Diversity and Inclusion, Page 42

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