

SUSTAINABILITY STATEMENT FY2022

ABOUT THIS REPORT

The Board of Directors (“Board”) of ELK-Desa Resources Berhad (“ELK-Desa” or the “Company”) is pleased to continue disclosing the sustainability progress, performance, and achievements of the businesses and operations of ELK-Desa and its group of subsidiaries (“ELK-Desa Group” or the “Group”) to our stakeholders. The Board, in its stewardship of the Group, embraces holistic, long-term business sustainability by incorporating economic, environmental, social, and governance (“EESG”) considerations in the Group’s corporate strategies.

The Board presents this Sustainability Statement (“Statement”) which is prepared in accordance with the relevant provisions of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) and has considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. In addition, this Statement has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards – Core option and has also incorporate other better practices on sustainability reporting where applicable.

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

Reporting Scope and Period

The scope of this Statement continues to focus on the sustainability progress of the Hire Purchase Financing Division (“HP Division”), which represents the Group’s core business, for the reporting period from 1 April 2021 to 31 March 2022 (“FY2022”), unless otherwise stated.

During the financial year under review, the Group continued to enhance the sustainability management and reporting process for the HP Division, including a more in-depth review of sustainability matters and a review of the data collection process.

The Group’s HP Division operates a non-bank lending business which finances used cars and as an agency for motor-related general insurance products through the Group’s headquarters in Kuala Lumpur and office in Klang, Malaysia, serving customers and used-car dealers mainly in the Klang Valley. It is also a member of the Association of Hire Purchase Companies Malaysia and the Federation of Motor & Credit Company Association of Malaysia. During the financial year under review, due to various COVID-19 preventive initiatives and measures, including government-imposed movement restriction regulations and flexible working arrangements undertaken by the Group, our offices were temporarily closed or minimally staffed from June to September 2021. Nevertheless, our business remained to be in operation with the assistance of technology and online infrastructure.

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

Assurance

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

Contact Details

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

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GED/CEO'S MESSAGE

As the pandemic continued to affect lives and livelihood around the world, Malaysia was not spared and has experienced prolonged periods of various degrees of movement control regulations in 2021. In addition to being tested for their ability to keep business afloat, many Malaysian businesses were also being tested for their ability to take care of employee safety and health, to accommodate flexible working arrangements to safeguard stakeholders, to incorporate technology in businesses, as well as to optimise cost.

In ELK-Desa Group, the sustainability progress that we had made in the past has set a good foundation for us to demonstrate resilience in the pandemic, through our readiness to adopt technology, established stakeholder communication channels, as well as our risk management strategies.

This year, we have incorporated the GRI Standards: Core option in our sustainability reporting, with an aim to deliver a more structured communication of the Group's sustainability strategies, priorities, and performance to our stakeholder. To ensure there is a reasonable level of completeness, reliability, and accuracy of our reported data, we have also undertaken an independently performed internal verification for the Group's sustainability data, focusing on information disclosed pursuant to the GRI Standards and relevant GRI Topic Standards.

Our sustainability management process has also been further enhanced. With the establishment of the Sustainability Steering Committee ("SSC") in FY2021, sustainability management and performance are now monitored and deliberated at least quarterly, and this also provided a platform for heads/ senior managers of various departments and functions to discuss and address the Group's sustainability risks and opportunities in an integrated manner.

Moving forward, in addition to continuous improvement to our sustainability management and reporting processes, we also aim to focus on enhancing the alignment between our sustainability strategies with the long-term objectives of the Group while considering the needs and interests of our stakeholders. We believe we are on track towards our goal to expand our sustainability management and reporting practices to the Furniture Division by FY2025.

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

OUR SUSTAINABILITY PHILOSOPHY

At ELK-Desa Group, we aspire to become "Your Trusted People Centric Partner in Value Creation". We strive to create a positive value for our stakeholders, whether as a business, a service provider, an employer, or as a business partner. In all we do, we uphold our Core Values – Enthusiastic, Trustworthy, Humble, Innovative, and Committed ("ETHIC"). This means that we also have a responsibility to protect the environment and society and minimising any negative environmental or social impacts our business or operations may create. We hold ourselves accountable not only to shareholders but also to other stakeholders. We consider a successful business as one that takes care of the stakeholders involved in its business, in addition to merely shareholders.

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

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SUSTAINABILITY GOVERNANCE



The Board, which is responsible for the overall governance of the Group, is ultimately responsible for the governance, management, and performance of the Group's business sustainability. The Board also provides leadership and ensures that the Group's strategic plan supports long-term value creation, incorporating EESG considerations underpinning sustainability. In this regard, the Board reviews the Group's short- and long-term business strategies annually. In addition, the Board reviews key matters which may have impacts on the business strategies, including sustainability risks and opportunities, Management's strategies for managing sustainability matters, as well as their progress and performance. The Board also ensures stakeholders, where relevant, are communicated adequately with regard to the Group's sustainability strategies and priorities.

The Board is assisted by the Group Executive Director/Chief Executive Officer ("GED/CEO") whose responsibilities include to review, deliberate, and approve the Group's sustainability strategies and initiatives which are then endorsed by the Board. The GED/CEO is responsible for overseeing the implementation of sustainability strategies and initiatives as well as the performance thereof in the day-to-day management of the Group's business. The Board holds the GED/CEO responsible for the overall sustainability performance of the Group while the GED/CEO delegates the responsibility of implementing sustainability initiatives to achieve targets to the heads/ senior managers of the relevant functions or operations, through the SSC.

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

The SSC is responsible for developing sustainability strategies while ensuring alignment with the Group's overall business strategies and long-term goals, driving stakeholder engagement and channels, and setting management approach and targets to manage the Material Sustainability Matters ("MSMs") determined for the HP Division. During FY2022, the SSC reviewed the HP Division's sustainability data collection and reporting process on a quarterly basis, including any potential improvement areas as well as improvement progress. Furthermore, the SSC also considered Management's recommendation for additional sustainability information, including indicators, to be monitored and tracked, which is also included in this Statement.

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STAKEHOLDER ENGAGEMENT

In ensuring we adequately understand our stakeholders and have sufficient communication with them on relevant matters, we approach stakeholder engagement through a structured process, where we analyse stakeholders and identify their matters of interest to inform our stakeholder engagement strategies. In its oversight of ensuring effective and adequate engagement between the HP Division and its stakeholders, the Board, via the GED/CEO, has tasked the SSC to drive stakeholder engagement, including ensuring relevant sustainability matters and topics are addressed via our engagement channels with its various stakeholders.

Stakeholder Analysis

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

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

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

During FY2022, we continued to carry out most of our stakeholder engagements leveraging on digital and online platforms due to limitations brought by the pandemic and relevant movement restriction regulations. A summary of the HP Division's stakeholder groups, engagement approaches, and key discussion topics during the financial year under review is presented as follows:

STAKEHOLDER GROUP	ENGAGEMENT METHOD	SUSTAINABILITY CONCERN
Regulators	<ul style="list-style-type: none"> Meetings/discussions Consultation sessions 	<ul style="list-style-type: none"> Governance New regulations, if any Compliance with rules and regulations Ethical and responsible business and better practices Corporate culture
Shareholders and Investors	<ul style="list-style-type: none"> Annual General Meeting Annual Report Analyst briefings Group's website Investor relations channel 	<ul style="list-style-type: none"> Financial Performance Major corporate decisions, strategies, and directions Ethical and responsible conduct Compliance with rules and regulations Group's sustainability
Financier	<ul style="list-style-type: none"> Meetings Annual Report 	<ul style="list-style-type: none"> Financial performance Responsible Financing Major corporate decisions, strategies and directions
Customers	<ul style="list-style-type: none"> Customer Satisfaction Survey Social Media Customer service channels Group's website 	<ul style="list-style-type: none"> Customer experience and quality of products and services Data security Responsible finance and product/ services transparency Products and services which cater to customer needs

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STAKEHOLDER GROUP	ENGAGEMENT METHOD	SUSTAINABILITY CONCERN
Dealers and Business Partners	<ul style="list-style-type: none"> • Due diligence on dealers and business partners • Ongoing business engagements (formal and informal) • Process for procurement or the establishment of business relationships 	<ul style="list-style-type: none"> • Business Integrity • Governance and Compliance • Fair pricing • Efficient and responsible business relationships
Employees	<ul style="list-style-type: none"> • Performance review • Learning and Development Programmes • Occupational safety and health programmes • Employees surveys 	<ul style="list-style-type: none"> • Career progress • Employees' remuneration and benefits • Employee health and safety • Workplace safety • Work-life balance • Workplace culture and business ethics • COVID-19 response

OUR MATERIAL MATTERS

Material Assessments Process

During FY2021, the Group conducted special engagements, mainly via online surveys and assessments, to obtain stakeholders' input for its comprehensive materiality assessment, through which MSMs of the HP Division were determined.

During FY2022, to ensure the continued relevance of the MSMs, the SSC reviewed the materiality assessment and concluded that there were no significant changes to the MSMs of the HP Division.

Materiality Assessment Process

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

When assessing a sustainability matter, considerations undertaken may include:

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

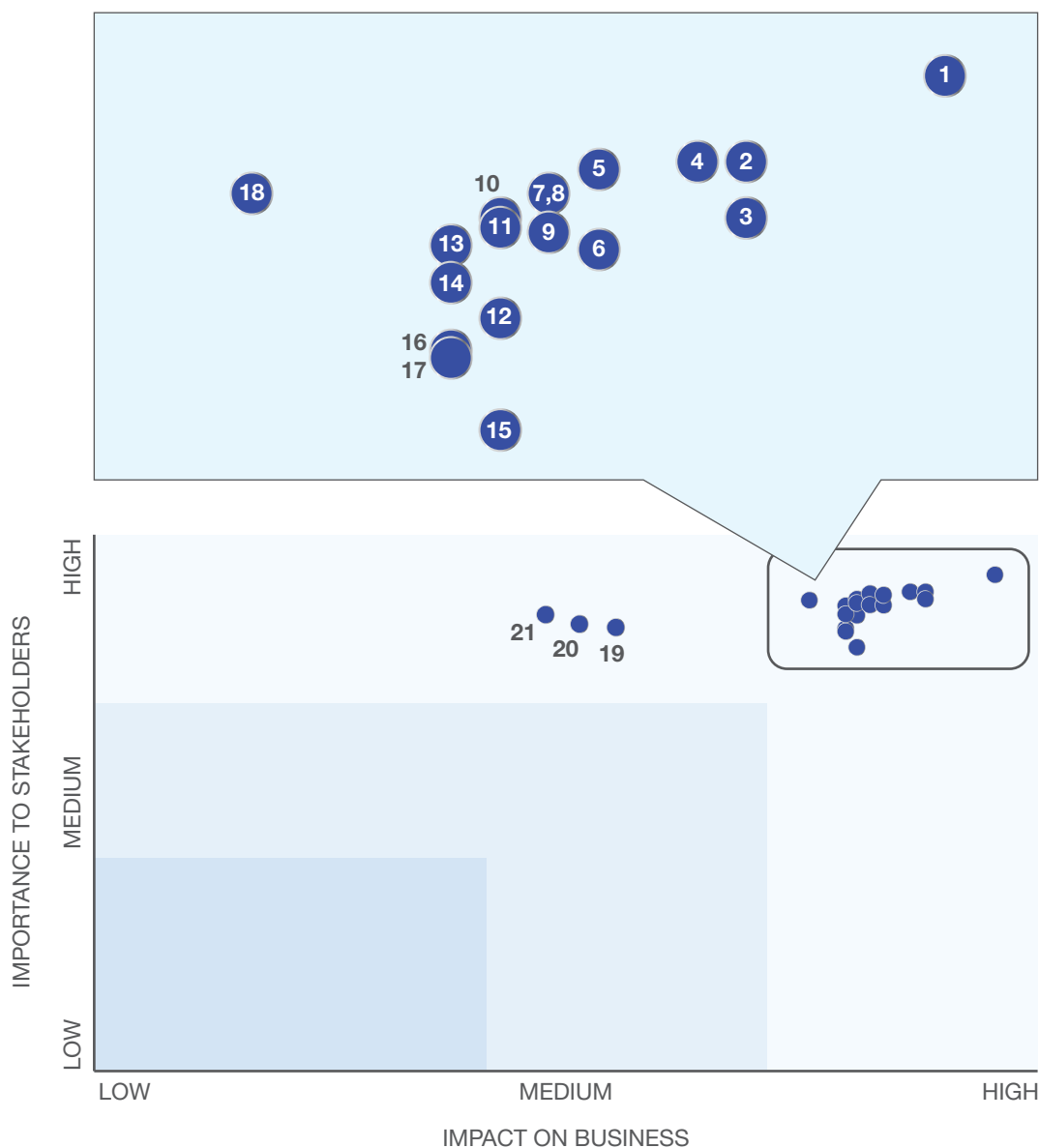
Generally, the SSC is tasked to conduct a comprehensive materiality assessment once in every three years. In its assessment, members of the SSC who are persons-in-charge for their respective functions or departments contribute their assessments from the perspective of the business, as well as the viewpoints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

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

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The diagram below provides the outcome of the materiality assessment and shows the relative materiality among the MSMs assessed in FY2022.



MATERIAL SUSTAINABILITY MATTERS

1	Anti-Corruption, Anti-Money Laundering and Ethical Business Practices	12	Talent Development
2	Integrity	13	Employee Wellbeing
3	Risk Management	14	Learning and Development
4	Company Presence, Stability and Growth	15	Company Culture
5	Data Security & Privacy	16	Technology and Digitalisation
6	Employee Engagement	17	Innovation
7	Transparency	18	Responsible Finance
8	Financial Performance	19	Emissions (direct and indirect)
9	Integrating Sustainability into the Business	20	Recycling & Waste Management
10	Customer Experience and Satisfaction	21	Energy Management
11	Customer Privacy		

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The following section of this Statement discusses the MSMs of the Group's HP Division in the thematic aspects of economic, environmental, social, and governance.

ECONOMIC

COMPANY PRESENCE, STABILITY AND GROWTH, AND FINANCIAL PERFORMANCE

Through its hire purchase financing business, ELK-Desa's has established itself a reputation as a progressive and reliable lender amongst stakeholders from used-car dealers to borrowers. Throughout the pandemic in the past 2 years, we continue to work toward delivering our commitment to upholding our reputation and market presence, tackling challenges head-on and adapting to changes in the uncertain business and economic environment.

Balancing the cost and benefits of business decisions across the long-term while ensuring immediate, short-term issues are addressed, we undertake prudent business management and continuously strengthen our business fundamentals towards achieving business stability and steady growth. Our leadership and Management team continued to diligently and prudently drive business performance with their extensive experience and knowledge.

	FY2020	FY2021	FY2022
Revenue (RM'000) (Hire Purchase Financing Division)	104,673	93,310	85,301
Return on Equity	8.3%	8.1%	5.8%
Earnings Per Share (sen)	11.75	11.87	8.66
Dividend (sen per share)	7.25	7.25	5.25

Further details of the financial performance and position of the Group are set out in the **Management Discussion and Analysis Statement** of this Annual Report 2022.

Financial inclusion and support for local economic development

The Group's HP Division operates a business model which provides small value financing to second-hand car buyers who are generally not adequately served by available products by mainstream financial institutions including self-employed and qualified low-to-middle income individuals. In Kuala Lumpur and Selangor, vehicle ownership can serve as an enabler towards harnessing better economic opportunities, which in turn translate into economic development and increased disposable income. Our business and services also enable greater financial inclusion amongst lower-income communities with respect to investing in mobility which in turn enables them to progress economically, helping as much as possible to not leave anyone behind as Malaysia progresses. In FY2022, we served approximately 38,879 hirers with an average outstanding receivable of RM13,286 per hirer.

Currently, we only finance Malaysia-registered cars. This means that 100% of our financed fund directly goes into the local economy, within Malaysia. As a responsible corporate citizen, we also pay a fair share of corporate taxes to the country.

Furthermore, the HP Division provides employment opportunities through our established business network of local car dealers across Kuala Lumpur and Selangor, as well as through its operations which employs 187 individuals in FY2022, supporting the local employment market and economy. See **Organisation Culture – Our Employees** section for further information on our employee base.

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	FY2020	FY2021	FY2022
Number of employees (Hire Purchase Financing Division)	194	188	187
Approximate number of hirers	44,780	40,989	38,879
Average outstanding net hire purchase receivables per hirer (RM)	14,069	13,552	13,286
Tax Contribution (RM) (Hire Purchase Financing Division)	12,826,898	12,426,972	14,031,704
Community Investment (RM) (Hire Purchase Financing Division)	164,906	103,620	27,610

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

	FY2022 (RM'000)
Direct economic value generated ("DEVG"), mainly in the form of revenue and other income	87,325
Economic value distributed ("EVD"):	67,080
Comprising:	
Operating cost	16,018
Employee wages and benefits	11,838
Payment to providers of capital	
i) Dividend	15,806
ii) Finance cost	9,358
Payment to government, in the form of taxes	14,032
Community investments, including donations	28
Economic value retained (DEVG-EVD)	20,245

RESPONSIBLE FINANCING

Amongst others, we are accountable to the interests of our shareholders and customers, by safeguarding the assets of the Group as well as ensuring customers gain an overall benefit through our products and services, and not committing themselves to a non-sustainable financial solution. We have a stringent credit approval process to mitigate credit risk, considering customers' financial capacity and financial background, including their source of income, to prevent and avoid financing customers who may not be able to take on further financial obligations.

We strictly comply with relevant laws and regulations, including, amongst others, the Hire-Purchase Act, 1967, ensuring all customers are provided with relevant information regarding the hire purchase arrangement, including, but not limited to, deposit, pricing, terms charges, number of instalments, and the rights of customers and the financier, all of which are included in our hire purchase agreement. In addition, as part of our process, our employees are required to verbally highlight and explain key terms of the hire purchase arrangement, including the risks and consequences of non-payment, in ensuring all customers are well informed and have a clear expectation of their financial obligations.

Other products such as motor and Loan Protector insurance, are also guided by regulations and accompanied by product disclosure sheets which will also be briefed by our employees to customers before they undertake the commitment.

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Any customers or potential customers who require any clarification regarding our products, the hire purchase arrangement terms and conditions, as well as their rights protected by laws and regulations, are able to contact us via our MyELK-Desa mobile application as well as our Careline team.

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

For the financial year under review, the HP Division's impaired loans ratio (gross) continued to increase, affected mainly by periods of movement control order ("MCO") imposed by the government which had impacted hirers' source of income, as well as impacts of the Temporary Measures for Reducing The Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 which prevented any car repossession and write-off activities. In addition, the higher impaired loans ratio (gross) was also contributed by our arrangements with hirers to allow lower payment amounts, in contrast with the contracted payment schedule, during the MCO periods.

In balancing between sustainable business performance and supporting our customers in meeting their financial obligations, we will continue to engage closely with borrowers.

	FY2020	FY2021	FY2022
Impaired loans ratio (Gross)	1.4%	4.9%	9.9%
Impaired loans ratio (Net)	0.9%	1.4%	2.9%
Credit loss charge	4.2%	3.2%	4.1%

Further details of the impaired loans ratio and credit loss charge are set out in the **Management Discussion and Analysis Statement** of this Annual Report 2022.

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ENVIRONMENT

The main direct environmental impact from our HP Division mainly arises from our operations at both offices, in the form of use of energy, emissions, use of resources and generation of waste. While we are involved in the business of financing the purchase of used cars, we only support ownerships of road-worthy cars which have passed PUSPAKOM's vehicle inspection including emission tests. For our customers, purchasing a used car may even have a lower carbon footprint, as compared to new cars which may incur high carbon emissions during the production process, in addition to extending the useful life of resources and materials via ownership of road-worthy used cars.

EMISSIONS, CLIMATE CHANGE, AND RESOURCE MANAGEMENT

Energy and Emissions

We have identified electricity usage as one of the key contributors to our environmental impact as we need to power offices with a total floor space area of approximately 4,888 m², used for air-conditioners, digital equipment, lighting systems, as well as our security systems. We currently use electricity usage to gauge the HP Division's overall energy consumption and we do not directly use any fuels, heating, cooling, or steam, in our operations.

To understand the extent of electricity usage, we started to collect electricity consumption data via electricity bills of the premises operated by the HP Division, since FY2021. FY2022 recorded 318,196 kWh of electricity consumption, 24% lower than FY2021 mainly due to little activities in our offices between June and September. Similarly, energy intensity has also reduced in FY2022 for the same reason.

	FY2021	FY2022
Electricity usage (kWh)	418,725	318,196
Total floor areas (m ²)	4,888	4,888
Energy intensity (kWh/m ³)	85.66	65.10

We have completed the installation of solar panel system on our offices in Klang, which is able to generate approximately 61,800 kWh electricity and offset 41 metric tonnes of CO₂ annually, equivalent to the CO₂ absorbed by 1,236 trees in one year. Actual electricity generated may depend on weather conditions. The solar panel system is expected to begin operation in FY2023.

While the HP Division's impact on greenhouse gas ("GHG") emissions is less material and we do not expect a significant impact in this area, we have undertaken the initiative to estimate GHG emissions to play our part in managing and reporting emission in alignment with global efforts towards tackling climate change. Currently, our emission estimation is derived directly from purchased energy and offset against the emission avoidance contributed by our solar panel system, and it has yet to consider Other Indirect (Scope 3) emissions. Moving forward, we will continue to enhance our emission estimation approach to align with the relevant industry standards.

GHG emission (Scope 1 and 2 only)	FY2021	FY2022
Direct (Scope 1) emissions (tCO ₂ e)	Insignificant	Insignificant
Indirect (Scope 2) emissions ¹ (tCO ₂ e)	239	175
Total emissions (tCO₂e)	239	175
Total floor areas (m²)	4,888	4,888
Emission intensity (tCO₂e/m³)	0.05	0.04

¹ Estimated based on the Emission Intensity (for FY2020 and FY2021) reported by Tenaga Nasional Berhad, the sole seller of electricity in Peninsular Malaysia, in its Integrated Annual Report FY2021.

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To minimise our energy consumption and emissions, we always promote responsible use of electricity such as turning equipment or appliances off when not in use and take advantage of natural lighting, ventilation, and cooling where possible.

Management will carry out further analysis and monitoring activities to explore how we are able to minimise our energy consumption and emissions. We will consider using FY2022 as a base year, being the first year of our structured data collection process, after relevant adjustments to assume full-year operations to eliminate the impact of the periods where our offices were temporarily closed or minimally staffed.

Waste Management

We do not generate hazardous waste or scheduled waste in our operations. Paper waste represents one of the key forms of non-hazardous waste generated from the HP Division. In ELK-Desa, we have a structured process to manage wastepaper due to the sensitivity of information including customer information that may appear on wastepaper. All paper waste is required to be disposed of in designated bins, which will be handed over to shredding service vendors for shredding and recycling, where possible.

This year, we started to compile information on our paper waste via our invoices from selling paper waste to shredding service vendors which include records of the amount sold, in weight. The shredding service vendors will also provide records confirming the shredding of the paper waste, as part of the assurance for us in ensuring data security risk is managed, as well as the amount of shredded waste that has been put to recycle. Before engaging shredding service vendors, we also conduct due diligence, via interviews and background checks, and to understand how vendors manage collected paper waste, their shredding process, as well as how they manage the shredded materials.

	FY2022
Waste Generated	
Hazardous waste (kg)	0
Non-hazardous waste (kg) Comprising of: Paper waste	1,381
Waste Diverted from Disposal	
Non-hazardous waste: Recycling (off-site)	1,381
Waste Directed to Disposal	
Non-hazardous waste: Recycling (off-site)	0

In recent years, we have invested in efforts to digitise our information and documentation management systems, including payment channels such as JomPay, e-Pay at Shell stations and KK Mart, and our own MyELK-Desa mobile app. Generally, digitised operations help us reduce overall paper use and wastage while enhancing customer experience and business efficiency.

We have also undertaken various initiatives to minimise wastage, such as setting all printers and photocopiers to 2-sided printing to reduce unnecessary paper wastage by 50%, increasing awareness and promoting environmentally friendly habits among our employees.

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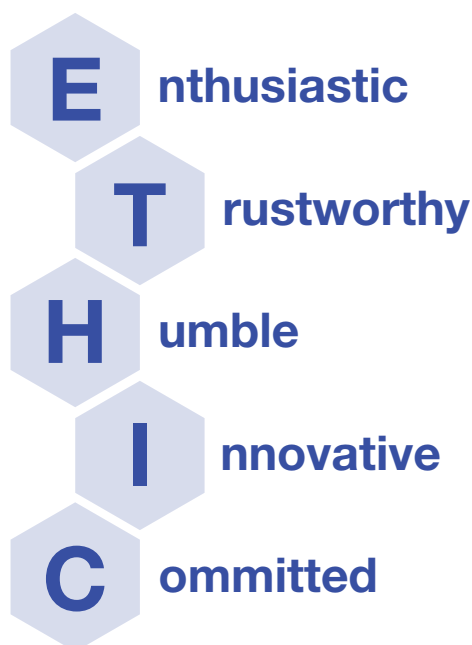
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SOCIAL

ORGANISATION CULTURE

In ELK-Desa Group, we have a “People Centric Organisational Culture” philosophy which we aim to integrate in our business dealings and how we engage with stakeholders including hirers, dealers, and employees. Guided by our philosophy, we prioritise the development of positive mindset and behaviours of our employees and establish strong internal and external customer service interactions.

Our people-focused philosophy is further supported by 5 core values, which guide our engagements with key stakeholders, setting a strong foundation for long-term sustainable business.



In ensuring consistent application and demonstration of our core values, the Group has established a group-wide Code of Ethics and Conduct (“Code”) which, together with other policies of the Group, governs acceptable standards of conduct and ethics of our employees in business operations.

Human Rights and Fair Labour Practices

We are committed to safeguarding our employees with respect to human rights, fair labour practices, and protecting our employees from all forms of discriminatory practices and sexual harassment. To this end, the Group’s human resources policies specifically address these issues.

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

Diversity and Inclusion

The Group ensures equal employment opportunity and treatment to all employees, across all our human resources management practices from recruitment, ongoing appraisals, to career development, regardless of their gender, age, ethnicity, culture, sex, disability, religion, and any other status. A Board-level policy has also been established to ensure gender diversity at the leadership level. The Group is committed to creating a harmonious work environment that is free from discrimination and any abusive, offensive, or harassing behaviour.

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Reporting Violations

To protect our employees, an open and transparent communication has been put in place, covering the entire Group, and allows and encourages employees to speak up against any violation of human rights issues, unethical practices, or situations which put employees in an unsafe or unfair work environment. Employees may also make reports via the grievance reporting mechanism managed by Human Resources, as well as making confidential reports via the Group Whistleblowing Programme, which is overseen by the Audit Committee and independent from Management, for serious concerns or violations.

Our Employees

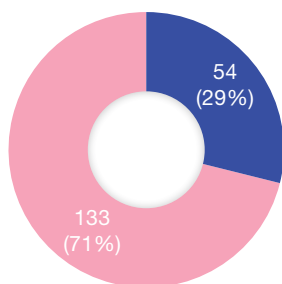
As at 31 March 2022, the HP Division employs a total of 187 employees, including 14 contract employees who are 60 years old and above. All 187 employees of the HP Division are Malaysians.

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

As at 31 March 2022	Hire Purchase Financing Division		
	FY2020	FY2021	FY2022
Male	57	54	54
Female	137	134	133
Malay	110	108	110
Chinese	57	55	54
Indian	25	23	22
Others	2	2	1
Aged below 30	82	63	53
Aged between 30-50	87	98	104
Aged above 50	25	27	30

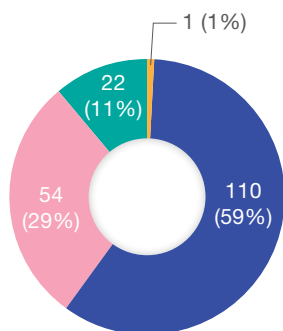
As at 31 March 2022, the HP Division’s diversity in relation to gender, ethnicity, and age is summarised as follows:

Hire Purchase Financing Division - Employees by Gender (as at 31 March 2022)



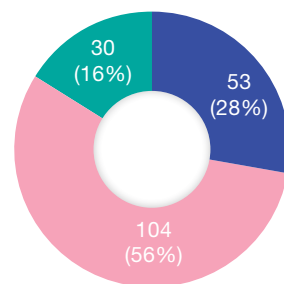
■ Male ■ Female

Hire Purchase Financing Division - Employees by Ethnicity (as at 31 March 2022)



■ Malay ■ Chinese ■ Indian ■ Others

Hire Purchase Financing Division - Employees by Age Group (as at 31 March 2022)



■ Below 30 ■ Between 30 - 50 ■ Above 50

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Number (Percentage*) - Governance body and employee category	Hire Purchase Financing Division							
	Aged < 30		Aged 30 – 50		Aged > 50		Total	
	M	F	M	F	M	F	M	F
Senior Managers	0	0	1	1	4	1	5 (71%)	2 (29%)
	0 (0%)		2 (29%)		5 (71%)		7 (4%)	
Middle Managers	0	0	3	12	6	7	9 (32%)	19 (68%)
	0 (0%)		15 (54%)		13 (46%)		28 (15%)	
Executives	8	15	11	61	2	8	21 (20%)	84 (80%)
	23 (22%)		72 (69%)		10 (9%)		105 (56%)	
Non-Executives	14	16	5	10	0	2	19 (40%)	28 (60%)
	30 (64%)		15 (32%)		2 (4%)		47 (25%)	
Total	22	31	20	84	12	18	54 (29%)	133 (71%)
	53 (28%)		104 (56%)		30 (16%)		187	

Note:

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

Following is the new hire rate and employee turnover rate of the HP Division as at 31 March 2022.

New employee hire and employee turnover	Age			Gender		Total
	< 30	30-50	> 50	Male	Female	
New employee hire						
Number	5	6	2	3	10	13
Rate	2.7%	3.2%	1.1%	1.6%	5.4%	7.0%
Annual employee turnover						
Number	5	7	3	4	11	15
Rate	2.7%	3.8%	1.6%	2.2%	5.9%	8.1%

EMPLOYEE ENGAGEMENT

Employees are a key stakeholder to the Group. Communication channels are set up to facilitate effective internal communication and engagements, including the functional/ team reporting structure, ongoing communication via electronic means. We undertake an open approach to employee engagement to encourage all employees to share their ideas and voice out concerns. Apart from enabling the Management of the Group to obtain a holistic view and understanding of the business operations, we were also able to appreciate the perspectives of employees, the challenges they face in their respective roles and positions, as well as how the Group could improve the work environment, leading to mutual growth between the Group and its employees.

Through open communications and engagement, we were also able to promote the sharing of business ideas, sharing of experience in dealing with work issues, and delivering enhanced value to our stakeholders. These open platforms have also enabled the Group to identify and nurture talents and skills by providing opportunities for talents to demonstrate their abilities.

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

SUSTAINABILITY STATEMENT FY2022

cont'd

In FY2022, for the HP Division, we continued to focus our employee engagement efforts on matters pertaining to ensuring business continuity, assessing from time to time if changes or enhancements to our operational procedures, especially those affected by COVID-19 Prevention Measures (“CPM”), are required. Employees contributed their views and concerns which had led us to maintain work-from-home arrangements during periods when COVID-19 cases were high in Kuala Lumpur.

One of our key engagement tools with employees is the performance appraisal which is conducted with all employees twice a year. Through the performance appraisal sessions, supervisors or managers review the performance of employees, at the same time discuss and understand employees’ career goals, set targets, and understand how the company can support mutual development. Employees also make use of the opportunity to share with their supervisors or managers any challenges at the workplace or areas where the company may further improve. During FY2022, performance appraisals continued to be held for all employees and Management had also taken extra care to identify if any employees may require additional assistance to help cope with working-from-home arrangements.

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

EMPLOYEE WELLBEING

A positive, healthy, and vibrant workplace environment helps to inspire creativity, improves employee motivation, reduces stress, and enhances employees’ capabilities in their work performance and leads to greater job satisfaction and sustainable workforce. We focus on the well-being of our employees in different aspects, including promoting a safe and healthy working environment and fair remuneration and benefits.

Workplace Safety and Health

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

We also conduct regular risk assessments in relation to occupational safety and health to ensure our workplace is safe for our employees. We provide training and briefings to our employees on how to report work-related injuries, in addition to training on emergency responses when faced with emergency situations, safety risks, fire, and others. During the pandemic, educational materials on preventive measures to safeguard employees and their family against COVID-19 is also disseminated, including information on taking care of both their physical and mental health.

SUSTAINABILITY STATEMENT FY2022

cont'd

In FY2022, the CPM Task Force which was set up in FY2021 continued to be in place, implementing and enforcing safety measures to prevent the spread of COVID-19 at our offices. During the financial year under review, we continued to maintain the following safety measures and Standard Operating Procedures (“SOPs”) to minimise our employees’ exposure to COVID-19:

- visitor registration process;
- body temperature checks;
- face masks/ shields for frontline staff;
- sanitiser dispensers at customer hall and offices;
- routine cleaning of the office premises especially high touch point areas;
- education on hygiene care;
- work-from-home arrangements;
- providing self-test kits for employees who are required to work in the office;
- staggered working hours; and
- increased online engagements instead of physical meetings.

The CPM Task Force is also responsible to ensure the Group’s practice is in compliance with any relevant rules and regulations issued by the federal and state governments.

During the financial year under review, there were no fatalities and serious occupational serious injuries amongst HP Division’s employees.

In addition, 100% of our employees have been fully vaccinated (i.e. 2 doses of vaccine) as at 31 March 2022.

Employee Remuneration and Benefits

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

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



SUSTAINABILITY STATEMENT FY2022

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

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

Notes:

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

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

TALENT DEVELOPMENT, LEARNING AND DEVELOPMENT

We believe that human capital is amongst our strongest assets of the Group. A mix of skills and specific experience is required of employees of hire purchase financing business, and we believe in the value brought by internally groomed talents and experience. By taking into consideration of the succession plans of the business, we continued to invest in technical and non-technical development in our employees.

An annual training needs analysis on our various key business functions as well as on our employees, including via the performance appraisal sessions, are conducted to ensure the right and relevant training programmes are provided to the employees to enhance their competencies and professional knowledge.

The Group adopts a two-pronged talent development strategy involving both conventional and digital training platforms. Due to the pandemic, most training conducted during FY2022 was carried out online. We have also launched a digital and self-learning platform, namely the Learning Management System, for all employees. Training provided during the year spanned across topics aimed at enhancing operational effectiveness to leadership skills, as well as a programme involving employees from all levels within the respective departments to review the relevant SOPs, enabling everyone to have an understanding of the rationale of processes and controls while providing opportunities for everyone to contribute to process improvement activities.

SUSTAINABILITY STATEMENT FY2022

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The table below summarises the learning and development programmes attended by employees in FY2022:

Training Topics	Description
HR360 Individual Development Plan Programme	360* is an initiative to develop a customised program for a group of designated staff in the company. The program includes workshops and coaching sessions to help identify the strength and areas of improvement for these staff.
Innovative Task Force Development Programme	Leadership development programme for managerial staff with task oriented operational/management training.
Introduction of Balance Score Card & Performance Management Training & KPI Setting	The Balance Score Card program was aimed at providing clarity on how to formulate company strategies by using the scorecard as a holistic measurement tool for flagging out early warning indicators on whether the company's strategic objectives will be achieved.
SOP Walkthrough Programme	A biannual workshop to review SOP of respective department through group studies, brainstorming and assessment tests to further strengthen SOP of department.
Anti-Bribery Management System ("ABMS") Awareness Programme and Implementation	An awareness program to affirm the Company's commitment to conducting all business of the Company in an honest, ethical, corruption-free, and professional manner wherever the company operates.
Learning Management System ("LMS") Training	<p>LMS is an On-Line Training platform conducted on virtual basis in which the company subscribed from Talents LMS - International Learning solution provider. All staff are encouraged to participate in the training program with monthly uploading of training courses. The key topics that have been put up in LMS during the financial under review were categorised into 4 main groups as below:</p> <ol style="list-style-type: none"> 1. Communications Skills 2. Technical Skills 3. Leadership Skills 4. Mindfulness Self Awareness Skills

Overall, a total of 9,564.60 training hours were clocked for our employees of the HP Division, translating to an average of 51.15 training hours per employee for the financial year under review.

Learning and Development	FY2022
Total Training Hours	9,564.60
Total Training Hours – By Gender	
Male	2,231.55
Female	7,333.05
Average Training Hours – By Gender	
Male	41.33
Female	55.14
Total Training Hours – By Employee Category	
Senior Managers	340.50
Middle Managers	1,875.25
Executives	5,294.35
Non-Executives	2,055.05
Average Training Hours – By Employee Category	
Senior Managers	48.64
Middle Managers	66.97
Executives	50.42
Non-Executives	43.72

SUSTAINABILITY STATEMENT FY2022

cont'd

FOCUSING ON CUSTOMERS

Customer Experience and Satisfaction

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

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

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

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

In FY2022, 100% of our products and services, i.e., Hire Purchase Financing and motor-related insurance, were assessed for health and safety impact safeguarded through mandatory vehicle inspection by PUSPAKOM for every used car we finance.

Customer privacy

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

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

	FY2020	FY2021	FY2022
Substantiated complaints concerning breaches of customer privacy	0	0	0

SUSTAINABILITY STATEMENT FY2022

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GOVERNANCE

RISK MANAGEMENT AND INTEGRATING SUSTAINABILITY INTO THE BUSINESS

Ensuring business sustainability across the long-term horizon will not be possible without having a structured process towards managing short-, medium-, and long-term risks. We have a set of risk management process which comprises the sustainability management process, which considers broad EESG matters, and the Enterprise-wide Risk Management Framework (“ERM Framework”), which addresses strategic, financial, operation, reputational, environmental, social, and governance risks at a detailed level. Our sustainability management process and the ERM Framework, considering risks from a macro-level and micro-level, respectively, complement each other in enabling a systematic, calculated approach towards taking and managing risks. The Group’s ERM Framework incorporates the ERM methodology guided by ISO 31000:2018 Risk Management – Guidelines.

The Board holds ultimate responsibility over the sustainability management of the Group, including ensuring sustainability strategies are aligned with and incorporated in the company’s strategies, as well as a responsibility over the overall risk management, including setting the risk appetite within which all risks shall be kept.

The Board reviews the materiality assessment conducted by the SSC and approves the MSMs of the Group, including relevant strategies to deal with these matters as well as the performance in relation to management effectiveness. The Board also oversees to ensure accountability is assigned, by considering sustainability performance in the assessment and remuneration of Directors and Senior Managers.

With respect to risk management, the Board is supported by the Audit Committee who is responsible to review and oversee Management in its implementation and sustained management of the ERM Framework. Amongst the Audit Committee’s activities pursuant to risk management include regular updates by Management on the Group’s risks and obtaining assurance on the integrity of the risk management system on behalf of the Board. The Audit Committee also reviews the ERM Framework from time to time to effect changes or amendments which reflect the changing business needs and regulatory developments before recommending for the Board’s approval. Further details of the ERM framework, together with the Group’s key internal control aspects, are set out in the **Statement on Risk Management and Internal Control** in this Annual Report 2022.

ETHICAL BUSINESS PRACTICES, INTEGRITY, AND TRANSPARENCY

It is of utmost importance that our business, including Management and employees, observes the highest standards of ethics and integrity, especially when our business as it involves financing and handling of money. We are committed to conduct business with integrity, consistent with high standards of business ethics and in compliance with all applicable and relevant laws and regulations as the principles of integrity and transparency are the foundations to building trustworthy, reliable, and strong stakeholders’ confidence in our business, products, and service.

We conduct open, regular, and well-maintained communication channels with our shareholders and investors to address the enquiries which our stakeholders may have, transparently and accurately. Similarly, we do not mislead our customers and we provide them with accurate information through our trained employees, product documentation, and product disclosures sheets.

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

The Code emphasises on the importance of, amongst others:



SUSTAINABILITY STATEMENT FY2022

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SOPs have been established by incorporating the application of ethical business practices to govern our business. These SOPs guide our employees on how to carry out their responsibilities and duties systematically with clear expectations of acceptable and unacceptable practices.

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

Anti-Corruption and Anti-Bribery

The Group adopts a zero-tolerance approach toward bribery and corruption and is committed to acting fairly, professionally, and with integrity in all our business dealings and relationships for the sustainability and benefit of the organisation and its stakeholders. Thus, an Anti-Bribery Management System ("ABMS") has been established via ELK-Desa Group's ABC Policy. A No-Gift Policy is established by the Group to prohibit the solicitation or acceptance of any gifts, apart from limited items which are insignificant in value, which may influence business decisions or puts an employee in a conflicting position. Apart from accepting and providing gifts or entertainment, the Group also prohibits facilitation payment, charitable donations and sponsorships, and any action or practice that may result in a conflict of interest. The ABC Policy is available on the ELK-Desa's corporate website.

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

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

All existing directors and employees of the HP Division have been briefed on the ABC Policy and they are also required to undergo refresher briefings or training annually moving forward, accompanied by written acknowledgment. All new employees will also be required to undergo briefing on the ABC Policy during orientation. Communication of the Group's ABC Policy to business associates will continue to be carried out progressively across its vast base of business associates. In effecting the communication and awareness of the ABC Policy to all relevant business associates, all employees have a part to play within their respective roles.

The following table summarises the number and percentage of Board, employees, and business partners who received communication and training on anti-corruption policies and procedures in FY2022, as follows:

	Hire Purchase Financing Division	
	Number	Percentage
Communication on anti-corruption policies and procedures		
Board of Directors	8 / 8	100%
Employees	184 / 187	98.40%
Business Partners	508 / 916	55.46%
Training on anti-corruption policies and procedures		
Board of Directors	8 / 8	100%
Employees	184 / 187	98.40%

SUSTAINABILITY STATEMENT FY2022

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Whistleblowing Programme

The Group has a Whistleblowing Programme which is established by the Board, to put in place a confidential reporting channel to encourage our employees or other external parties to report wrongdoing or improper conduct or concern without fear of reprisal. The Whistleblowing Programme is published and available on the ELK-Desa's corporate website.

For the financial year under review, there were no reported cases on corruption nor breaches of the Group's Code or ABC Policy. Apart from that, we are committed to continuously review its policies and processes in place to enable the observance of high ethical and integrity standards in the conduct of our business.

TECHNOLOGY AND DIGITALISATION

Technology, Digitalisation and Innovation

The pandemic in the past two years has further strengthened our determination to adopt technology and digitisation in our business. During the pandemic, we relied on technology and online platforms to facilitate most of our engagements with stakeholders, including customers and employees, conduct meetings, as well as to run our operations which are largely supported by online technology and infrastructure. In addition, our operational processes such as transactions, collection and payments, as well as outreach to new potential customers, have substantially been enabled to a much greater extent by digitisation.

Our IT Steering Committee, which was established in FY2021 continued to monitor and analyse trends of our business performance as well as stakeholder engagement activities, to further explore opportunities to leverage technology and digitisation in our HP Division.

Data Security & Privacy

As many businesses weighed on digital platforms to carry out business activities and engagements online during the pandemic, cybersecurity risks have also increased significantly during the last two years. In ELK-Desa, especially our HP Division, IT security risks such as data security risks and data privacy risks remain to be among the key risks to be managed and monitored.

Our processes and SOPs have incorporated internal controls guiding employees on procedures and practices which shall be adhered to, in safeguarding data security and privacy. Regular awareness or training on data security and privacy are also provided to employees as well as new joiners.

Where IT systems are concerned, we have engaged external professional service providers to manage our IT system and cybersecurity, including ensuring the necessary safeguards are in place and working as effectively. These safeguards, including, but not limited to, anti-virus software, firewall, data mirroring and offsite backup, provide protection to our IT systems, including hardware and software, and sensitive customer data and information.

To have an assurance on the systems, processes, and controls over the Group's IT functions, independent audits are conducted on our IT systems or processes at least once a year, either via external audit, internal audit, or both, where potential improvement areas are identified, and remedial actions are formulated to address any identified issues.

For the financial year under review, there were no cases of IT breaches which resulted in data or security breaches.

CONCLUSION

As the world emerges from the pandemic, it remains to be seen how the pandemic has affected a shift in business fundamentals, such as whether flexible working arrangements will continue to become a norm, whether customers will continue to prefer highly digitalised services without face-to-face human interaction, and other considerations. As we move on, uncertainties remain to be present. The ELK-Desa Group will continue to assess, manage, and monitor its sustainability risks and opportunities in a structured and systematic manner, in ensuring long-term business sustainability and towards achieving its long-term business objectives.

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