

# **SUSTAINABILITY GOVERNANCE AND FRAMEWORK**

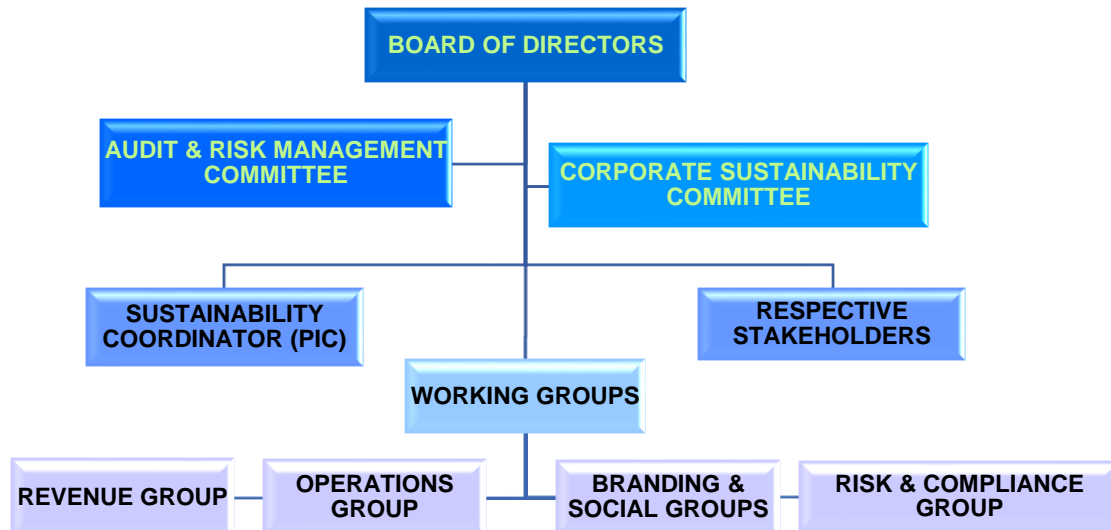
## **A. INTRODUCTION**

1. Mercury Securities Group Berhad (“Company”) being a listed company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) is required to comply with the ACE Market Listing Requirements of Bursa Malaysia (“ACE LR”).
2. Among others, the ACE LR requires listed issuer to publish the Sustainability Report as part of the disclosure requirements in its annual report within 4 months from the listed issuer’s financial year end.

## **B. SUSTAINABILITY GOVERNANCE**

1. Robust corporate governance and risk management form the bedrock of a sustainable business and underpin long-term success. The Company and its subsidiaries (“Group”) are committed and dedicated to upholding business integrity and have embedded sustainability focus across the Board, Board Committees, Management and working groups, enabling the Group to realise our sustainability ambitions through our Sustainability Framework.
2. The Company’s Board has the ultimate responsibility and oversight for sustainability of the Group. In this regard, the Board takes and considers material economic, environmental and social (“EES”) factors relevant to the Group’s business and operations when setting the strategic directions of the Group including sustainability matters.
3. To support the Board, the Company’s Audit and Risk Management Committee (“ARMC”) shall review the Sustainability Report prepared by the Management for inclusion in the Company’s Annual Report and also assist the Board on all other sustainability matters relating to the Group.
4. The Corporate Sustainability Committee (“CSC”) is formed to spearhead the Group’s sustainability directions, implementation and to assist the Board and the ARMC to drive and achieve its sustainability agenda and reporting requirements. The CSC is established to oversee the formulation, implementation and effective management of the sustainability agenda in line with the Group’s sustainability strategy. This structure also encourages continuously improvement of sustainability initiatives in the Group by involving relevant category of employees and other stakeholders.
5. The CSC shall be headed by the Managing Director (“MD”) assisted by the Sustainability Coordinator and supported by various working groups responsible for implementing the sustainability initiatives within the Group.

6. The MD shall lead and provide the Board and ARMC on regular update relating to all key EES and related risks and opportunities concerning the Group's sustainability matters.
7. The sustainability governance structure of the Group for the overall sustainability matters is depicted in the chart below:



## 8. Roles and Responsibilities:

The key roles and responsibilities of the Board, ARMC, CSC and the working groups are summarised as follows:

### 8.1 Board of Directors

- The Board has ultimate responsibility for and provides oversight for the Group's overall sustainability strategy and agenda.
- In executing its role, the Board takes the Group's material EES factors into account when setting the strategic directions of the Group. This includes overseeing the effective management of opportunities and risks associated with material EES factors and issues prioritised in terms of its relevance and significance to the Group and its stakeholders.

### 8.2 Audit and Risk Management Committee

- Supports the Board in its oversight of the Group's sustainability matters in conjunction with other relevant Board Committees.

- Provides guidance and strategic directions on sustainability issues including providing directions to the CSC with a focus on engagement with stakeholders, materiality matters, setting performance targets, measuring outcome of action implemented and sustainability reporting matters.

### 8.3 Corporate Sustainability Committee

- To set and drive the Group's sustainability strategy and sustainability reporting requirements.
- To assess EES and/or climate-related risks and opportunities to ensure its alignment, relevance and effectiveness in supporting the Group's strategic directions, business and operations.
- To ensure that identified and prioritise material EES factors are monitored on an ongoing basis and appropriately managed.
- To continuously identify, prioritise, review and validate EES factors relevant to the Group with the view to enhance the materiality factors, metrics and performance targets to measure issues that are material to the Group's business and operations.
- To review the outcomes against performance targets and recommend initiatives to enhance the measurement and achievement of the performance targets.
- To continuously strengthen the approaches on sustainability in terms of strategy, governance, engagement with stakeholders, prioritisation of materiality of EES factors.

### 8.4 Working Groups

- To drive performance against identified and prioritised material EES factors through the setting and measurement of performance targets.
- To identify, prioritise, review and validate material EES factors impacting the Group align to the Group's four sustainability priorities:
  - Sustainable economic growth;
  - Responsible environmental stewardship;
  - Empowering peoples and communities;
  - Good governance.

- To recommend milestone and timeline, deliverables and outcome of initiatives to the CSC.
- To monitor and track Departmental or Business Units initiatives aligning to sustainability matters against performance targets.
- To assemble input and collation of data from common indicators from the relevant departments and functions of the overall operational management of the sustainability matters.
- To engage with internal and external stakeholders on sustainability matters.

### **C. SUSTAINABILITY STRATEGY**

1. The Group aspires to create a positive economic, environmental and social impact on our stakeholders by embedding responsible and sustainable business practices in everything we do to build a sustainable future for all.
2. To meet the needs and aspirations of various stakeholder groups, the Company has identified four core pillars of our sustainability strategy execution to anchor the Group's purposes and values, and a robust governance structure.
3. Value creation in the four (4) core pillars will be guided by 17 material economic, environmental and social ("EES") factors that act as strategy drivers. These 17 EES material factors were identified and prioritised due to their significance to the Group's business and operations. The Company had and will continue to implement core initiatives and priorities aligned to these 17 material EES factors in order to achieve the Group's sustainability strategies and goals.

### **D. REPORTING SCOPE & BOUNDARIES**

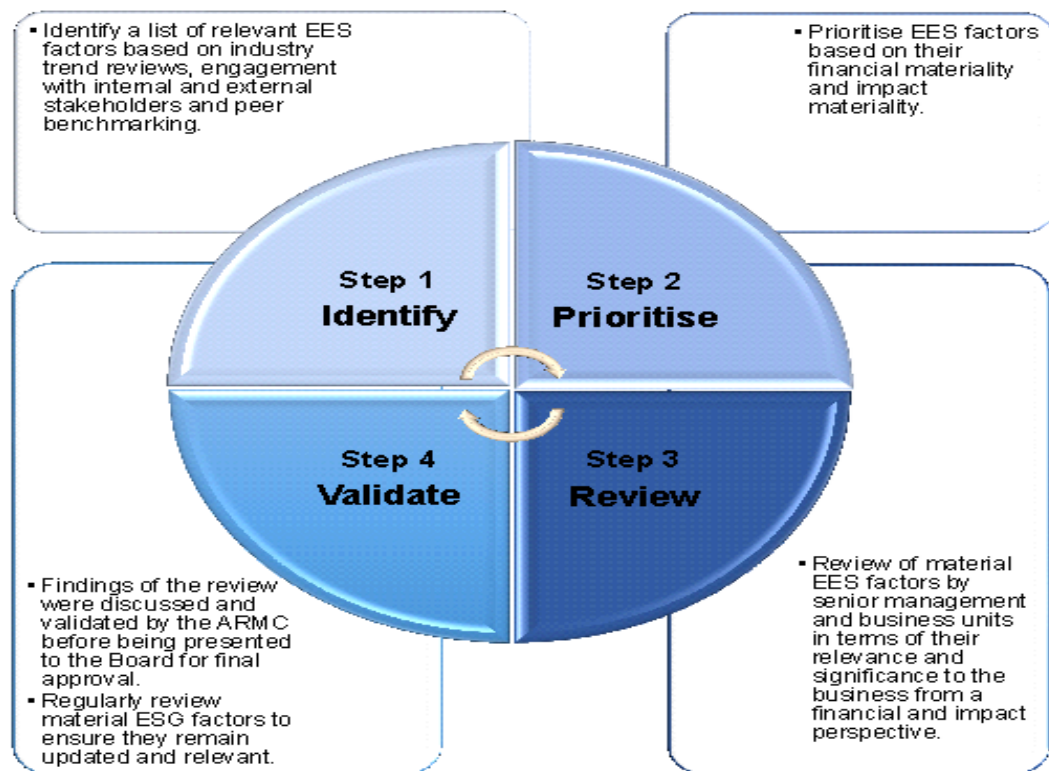
The scope and boundaries of the Company's Sustainability Report shall cover the entire Group's operations and business where the Group has significance board and management influence and control.

### **E. REPORTING STANDARDS**

1. The Company shall adopt the Sustainability Reporting Guide and Toolkits published by Bursa Malaysia Securities Berhad as the main reporting standards for the Company's Sustainability Report.
2. The Company will supplement the reporting standards with other sustainability guidelines and standards such as, prescribed by the Sustainability Accounting Standards Board (SASB), and International Financial Reporting Standards (IFRS) and other standards prescribed by the Advisory Committee on Sustainability Reporting (ACSR) when made mandatory for adoption by Bursa Malaysia.

## F. MATERIALITY ASSESSMENT PROCESS

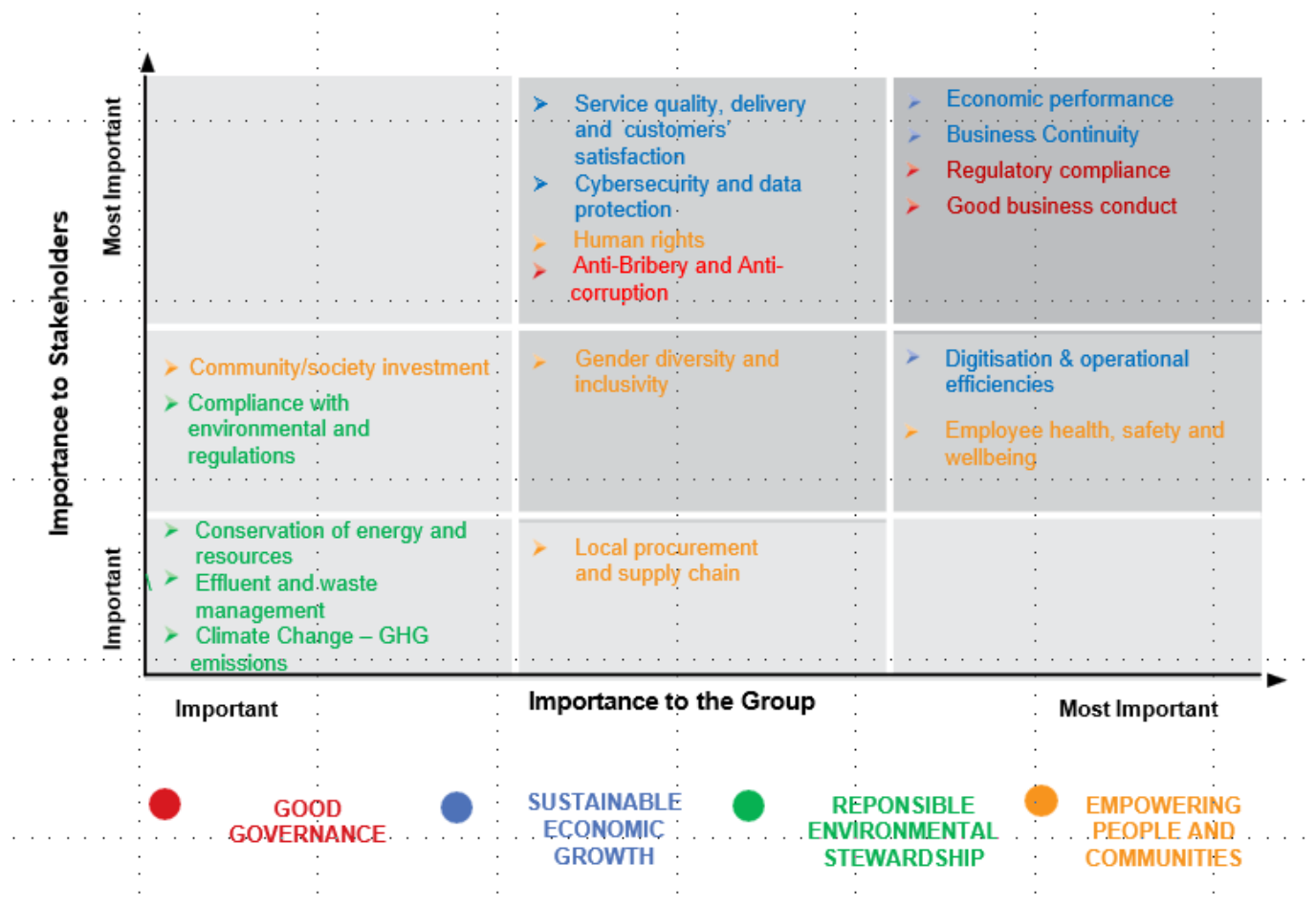
1. To fully assess the impact of the EES factors on our stakeholders, business and operations, the Company adopts a double materiality approach that captures both the financial materiality and impact materiality of these EES factors. This double materiality approach not only provides the Company with a more holistic picture of the various financial risks and opportunities arising from each material factor, it also aids in identifying priority areas and integrating EES risks and opportunities into our Group's strategic planning and risk management processes.
2. The Company shall adopt the process as depicted in the chart below to identify, prioritise, review and validate the relevant material EES factors impacting the Group.



Notes to Chart:

- Financial Materiality** - Significant impacts on the Group's prospects including its financial performance, financial position and cash flow.
- Impact Materiality** - Significant impacts caused by the Group on the environment, people and community.

- The significance of the 11 common indicators to the Group and the stakeholders are depicted in the chart below:



## G. STAKEHOLDERS' ENGAGEMENT

- Continuous constructive and open dialogue is key to understanding stakeholders' expectations and interests. It also allows the stakeholders to better understand the Group's business and operations.
- Thus, stakeholders' engagement is conducted via a variety of channels on a regular basis and at every level of the Group. The outcomes of the Group's interactions with stakeholders will form the Group's approach to setting strategy, identifying and managing material EES factors and reporting on the Group's sustainability performance.

## H. SUSTAINABILITY FRAMEWORK

The Company's sustainability framework shall comprise of four (4) sustainability pillars and the seventeen (17) relevant material topics of these 4 sustainability pillars to the Group are set out in the table below:

<b>The Group's Four (4) Sustainability Pillars</b>			
<b>Sustainable Economic Growth</b>	<b>Responsible Environmental Stewardship</b>	<b>Empowering People and Communities</b>	<b>Good Governance</b>
<b>What it means to us</b>			
Integrate EES factors into our business decisions and value chain and manage EES risks and opportunities as we innovate to build a sustainable future.	Promote climate positive culture within the organisation and relevant external stakeholders to attain a low carbon economy.	Create a positive impact on our employees, clients, business associates, as well as communities in need.	Lead a responsible business underpinned by a robust compliance culture and high levels of ethical standards.
<b>Relevant Material Topics Relevant to The Group</b>			
<b>Economic performance</b>	<b>Conservation of energy and resources</b>	<b>Community/Society Investment</b>	<b>Regulatory compliance</b>
<b>Why material to us</b>			
Generating sustainable economic value and creating wealth for stakeholders to ensure the Group's long-term sustainability.	Responsible management of natural resources and energy to minimize waste, reduce environmental impact, and ensure sustainability for the future.	Create positive impact for communities in need through targeted social investments.	Conduct of business in compliance with relevant guidelines, rules and regulations will mitigate regulatory risks and enhance the reputation in the market place.
<b>Service quality, delivery and customers' experience</b>	<b>Effluent and waste management.</b>	<b>Gender diversity and inclusivity</b>	<b>Good business conduct</b>
<b>Why material to us</b>			
Satisfied customers will improve retention as well as to facilitate acquisition of new customers.	Minimize environmental harm, conserve resources, and promote a cleaner and healthier environment.	Providing equal treatment to all employees regardless of gender while maintaining a diverse and inclusive workforce to improve productivity.	Conduct of business ethically and professionally will foster trust and confidence by customers, regulators, shareholders and other stakeholders.

<b>Digitisation and operational efficiencies</b>	<b>Climate change – greenhouse gas (GHG) emissions</b>	<b>Employee health, safety and wellbeing</b>	<b>Anti-bribery and anti-corruption</b>
<b>Why material to us</b>			
Facilitate improvement in operational productivity, traceability and data privacy.	Reduce greenhouse gas emissions to prevent severe climate change.	Creating a conducive working environment through continuous employee engagement, promotion of employee welfare and benefits, as well as protection of human rights, health, safety and wellbeing.	Promoting ethical business and transparency by avoiding all forms of corruption such as bribery to mitigate and eliminate exposures to corporate and personal liabilities.
<b>Business continuity</b>	<b>Compliance with environmental regulations</b>	<b>Human rights</b>	
<b>Why material to us</b>			
Foster trust and confidence of customers to trade in securities with minimal disruption.	Adhering to legal requirements for protecting the environment, conserving resources, and promoting sustainability.	Treating employees with dignity, providing safe conditions, fair wages, and equal opportunities. Upholding fundamental freedoms and non-discrimination for an inclusive and equitable society.	
<b>Cybersecurity and data protection</b>		<b>Local procurement and supply chain</b>	
<b>Why material to us</b>		<b>Why material to us</b>	
Build trust and confidence between the Group, customers and the public, fosters transparency and promotes accountability in data security and handling practices.		Create jobs and economic growth within local communities, fostering sustainable economic development, local procurement aligns with the goals of responsible consumption and production.	