Sustainability Statement

Pan Merchant Berhad is pleased to present its inaugural Sustainability Statement for the financial year ended 31 December 2025. This Statement marks an important milestone following the IPO listing, reflecting our commitment to embedding sustainability across all facets of our operations. From responsible manufacturing practices and carbon awareness to strong governance and meaningful social contributions, Pan Merchant is taking deliberate steps to build a business that is resilient, accountable, and future-ready.

Guided by our vision for purposeful growth, we are establishing a strong foundation for a sustainability-driven future, one that enhances operational resilience while delivering long-term value to our stakeholders. Sustainability is not a standalone agenda at Pan Merchant; it is integrated into how we operate, make decisions, and drive progress across our value chain.

Anchored by our corporate values, stakeholder priorities, and alignment with the United Nations Sustainable Development Goals (UNSDGs), we are setting a clear direction towards responsible growth through transparency, accountability, and disciplined execution. As this is our inaugural disclosure, it represents the beginning of a structured and evolving journey. Pan Merchant and its subsidiaries remain committed to strengthening this foundation, enhancing our practices, and progressively integrating sustainability into our business strategy, ensuring that sustainable growth and business success go hand in hand.

Sustainability Statement

Statement Overview

Reporting Scope

This Sustainability Statement covers Pan Merchant's sustainability approach, initiatives, and performance for the financial year from 1st January 2025 to 31st December 2025, unless otherwise stated. The scope of this Statement only encompasses operations under the Group's operational control in Malaysia, where our primary manufacturing capabilities and significant majority of its workforce are based.

Malaysia

Exclusions

Our subsidiaries in Singapore, Netherlands and USA, which primarily function as sales and marketing offices, are excluded from the reporting scope. Notably, most of our workforce and primary manufacturing capabilities are based in Malaysia. These subsidiaries will be incorporated into the future reporting cycle as they grow and become more significant to the Group.

The disclosures also focus on the Group's core business segments; Filtration Solutions, Steel Works, and Technical Support Services, which represent Pan Merchant's principal economic activities and areas with the most significant environmental and social impacts.

Filtration Solutions | **Steel Works** | **Technical Support Services**

Frameworks and Standards

This Statement has been prepared in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, with reference to the Bursa Malaysia Sustainability Reporting Guide (3rd Edition). Where applicable, the disclosures are also guided by the Global Reporting Initiative ("GRI") Standards and aligned with the United Nations Sustainable Development Goals.

Bursa Malaysia Sustainability Reporting Guide (3rd Edition)

United Nations Sustainable Development Goals (UNSDGs)

Global Reporting Initiative (GRI) Standards

The data presented reflects the Group's best efforts to capture sustainability performance during the reporting period based on currently available systems and internal reporting processes. As this is Pan Merchant's inaugural Sustainability Statement, the Group acknowledges that its reporting practices will continue to evolve in line with regulatory developments and stakeholder expectations.

Assurance and Data Reliability

This Sustainability Statement has not been subjected to internal audit review or independent external assurance. The disclosures have been prepared on a best-effort basis using available data and internal reporting processes. While formal verification has not been conducted for this reporting cycle, Pan Merchant is committed to progressively strengthening its data governance frameworks and reporting controls.

Moving forward, the Group aims to enhance the accuracy, completeness, and reliability of its sustainability disclosures, and consider the adoption of internal or external assurance practices in line with applicable regulatory requirements and listing obligations.

Feedback and Enquiries

Pan Merchant welcomes and encourages stakeholders to share their views on this Sustainability Statement and the matters addressed herein. Feedback plays an important role in strengthening our sustainability approach and improving future disclosures. Stakeholders may direct their enquiries or feedback to:

Email : esg@pmi-group.com

Attention : Sustainability Department

Tel. : +603 5569 3993

Sustainability Statement

Sustainability Governance Structure

Pan Merchant recognises that a robust governance framework is essential to effectively drive sustainability across the organisation. The Group has established a structured governance approach with clear roles, responsibilities, and acountability to ensure sustainability considerations are embedded within business strategy, risk management processes, and operational decision-making.

Board of Directors	Oversight	The Board provides overall oversight of the Group's sustainability agenda. This includes reviewing sustainability strategies, priorities, policies, and key initiatives, as well as ensuring alignment with the Group's business plans and risk management framework.
Sustainability Steering Committee	Strategic Direction	The Sustainability Steering Committee is responsible for guiding the integration of sustainability into the Group's strategy. The Committee advises the Board, develops and recommends sustainability priorities, and monitors progress to ensure alignment with long-term business objectives and regulatory expectations.
Sustainability Working Group	Implementation	The Sustainability Working Group is responsible for the day-to-day execution of sustainability initiatives. This includes implementing policies, driving action plans, supporting data collection, and monitoring performance to facilitate continuous improvement.

Determining What Matters

Pan Merchant's materiality assessment process forms the foundation for identifying and evaluating the sustainability matters most relevant to the Group and its stakeholders. The process is guided by Bursa Malaysia's Sustainability Reporting Guide (3^{rd} Edition) and the GRI Standards, while being aligned with the UNSDGs.

The assessment is conducted within the context of Economic, Environmental, Social, and Governance ("**EESG**") considerations, ensuring a holistic evaluation of sustainability risks, opportunities, and impacts across the Group's operations. This approach enables Pan Merchant to prioritise matters that are critical to long-term value creation, business resilience, and stakeholder confidence. To ensure a structured and robust approach, Pan Merchant adopts a four-step materiality assessment process:

1. Identification

A desktop review of industry trends, peer disclosures, regulatory requirements, and sustainability frameworks to identify a preliminary list of relevant sustainability topics.

2. Stakeholder Engagement

Engagement with internal stakeholders, including the Board of Directors, Heads of Department, and employees, as well as selected external stakeholder groups, to gather insights on key sustainability priorities and concerns.

3. Prioritisation

Evaluation and ranking of identified topics through structured discussions and workshops involving the Sustainability Steering Committee and Sustainability Working Group, based on their impact on the business and significance to stakeholders.

4. Validation

Final validation of material matters by the Sustainability Steering Committee and Sustainability Working Group, followed by approval from the Board of Directors.

Determining What Matters (Cont'd)

Stakeholder Engagement

For its inaugural Sustainability Statement, Pan Merchant conducted an internal assessment to identify its key stakeholder groups based on their level of influence on, and dependence upon, the Group's operations. The Group's key stakeholders include the Board of Directors, shareholders, investors and financiers, employees, customers, suppliers and business partners, local communities, government authorities and regulators, industry peers and associations, as well as the media and press.

Pan Merchant recognises that effective stakeholder engagement is essential in shaping its sustainability priorities and strengthening its responsiveness to evolving expectations. The Group remains committed to maintaining open, transparent, and constructive communication with all stakeholder groups to support informed decision-making and continuous improvement.

Key Stakeholders	Topic of Interest / Concerns	Engagement Level / Method	Frequency
Board of Directors	• Group's business and financial performance • Management and corporate governance • Risk management • Strategies and plans toward value creation and sustainability	**COLLABORATE / CONSULT**	
		Board meetings	• Quarterly • As Needed
		Reporting review and approval	• Quarterly • As Needed
		Training and awareness sessions	• As needed
		Committee oversight	• Ongoing
Investors/ Financiers	• Group's overall performance • Business prospects and planning • Management and corporate governance	**CONSULT / INFORM**	
		Investors' briefings	• As Needed
		Annual general meetings	• Annually
		Announcements and reporting	• Quarterly • As Needed
		Investor relations disclosures	• Ongoing
Shareholders	• Management and corporate governance • Business growth and strategic direction • Strategies and plans toward value creation and sustainability	**CONSULT / INFORM**	
		Annual general meetings	• Annually
		Circulars and annual reports	• Annually • As Needed
		Website and social media updates/disclosures	• Ongoing
		Electronic voting or proxy form	• As Needed
		Press releases	• As Needed
Employees	• Group's overall performance • Career development and upskilling opportunities • Health and safety at the workplace • Remuneration, welfare and benefits • Inclusive workplace • Fair employment practice	**COLLABORATE**	
		Surveys/ feedback/ appraisal	• Annually
		Townhall/ dialogue sessions	• Quarterly • As needed
		Training and career development programmes	• Ongoing
		Code of Conduct	• Ongoing
		Internal communications (email, newsletter, etc.)	• As needed
Customers/ Clients	• Products and service quality • Consumer data privacy • Product innovation and industry collaboration	**INVOLVE**	
		Feedback channel/ helpdesks	• Ongoing
		Engagement at tradeshows/ expos	• Annually

Determining What Matters (Cont'd)

Stakeholder Engagement Cont'd

Key Stakeholders	Topic of Interest / Concerns	Engagement Level / Method	Frequency
Suppliers/ Contractors	• Transparent and fair procurement processes • Legal compliance	**INFORM**	
		Supplier Code of Conducts	• Ongoing
		Contracts and legal compliance	• Ongoing
		Site visits and meetings	• As Needed
		Transparent and fair procurement practices	• Ongoing
		Effective pricing/ prompt payments	• Ongoing
Press and Media	• Industry insights, and trends • Company performance, milestones, and strategic developments • Access to accurate, timely, and transparent corporate information	**INFORM**	
		Press conference/ media briefings	• As Needed
		Press releases and news updates	• As Needed
		Interviews, events invitations/ site visits	• As Needed
Local communities/ Society	• Community welfare & continued livelihood	**INFORM**	
		Townhall meetings/ dialogue sessions	• As Needed
		Community programmes	• As Needed
Government agencies/ Regulators	• Compliance with applicable licenses and regulations	**INVOLVE**	
		Compliance submission	• Ongoing
		Dialogue sessions	• As Needed
		Site inspections	• As Needed
Industry peers/ associations	• Industry insights, and trends • Company performance, milestones, and strategic developments • Collaboration opportunities and industry initiatives	**CONSULT**	
		Participation in industry forums/ conferences	• As Needed

Determining What Matters (Cont'd)

Our Material Matters

For its inaugural reporting year, Pan Merchant has undertaken a limited-scale, foundational materiality assessment in accordance with its established materiality assessment process. Guided by Bursa Malaysia's common sustainability matters and indicators, the identified sustainability topics were evaluated based on their impact on the Group's operations and their significance to stakeholders, taking into account alignment with relevant UNSDGs and assessed within the broader context of EESG considerations to ensure a balanced and comprehensive evaluation of the Group's key sustainability impacts, risks, and opportunities.

The identified material matters form the basis of Pan Merchant's sustainability priorities and underpin the Group's approach to strategy development, initiative implementation, and performance reporting. Through this process, Pan Merchant ensures that its sustainability efforts remain focused, relevant, and responsive to evolving stakeholder expectations. The Group will continue to review and refine its material matters periodically as its operations scale and the external environment evolves.

Identified Material Matters

- Economic Performance
- Anti-Corruption
- Supply Chain Management
- Energy Management
- Emissions Management
- Waste Management
- Water Management
- Diversity
- Labour Practices and Standards
- Health and Safety
- Community/ Society

Determining What Matters (Cont'd)

Risks and Opportunities Landscape

Building on the identified material matters, Pan Merchant assesses sustainability-related risks and opportunities that may influence its long-term performance and stakeholder expectations. These considerations are evaluated within the broader EESG context, taking into account the Group's industry landscape and operating environment.

Identified Material Matters	Risks	Opportunities
Economic and Governance		
Economic Performance	Exposure to economic volatility, fluctuations in market demand, rising operating costs, and supply chain disruptions may impact the Group's financial performance and stability, potentially constraining growth and value creation.	Driving operational efficiency, maintaining cost discipline, and undertaking strategic investments enable Pan Merchant to enhance resilience, optimise profitability, and deliver sustainable long-term value to stakeholders.
Anti-Corruption	Instances of corruption or unethical conduct may result in reputational damage, regulatory penalties, financial losses, and erosion of stakeholder trust.	Strengthening governance frameworks, internal controls, awareness training and ethical standards enhances credibility, reinforces stakeholder confidence, and positions the Group competitively in the marketplace.
Supply Chain Management	Reliance on limited or single-source suppliers may increase exposure to supply disruptions, quality inconsistencies, and price volatility, affecting operational continuity.	Establishing resilient and diversified supply chains, alongside strong supplier partnerships, promotes innovation, improves quality, enhances cost efficiency, and strengthens long-term competitiveness.
Environmental		
Energy Management	Inefficient energy usage and rising energy costs may increase operational expenditure and contribute to higher environmental impact, particularly in energy-intensive manufacturing processes.	Improving energy efficiency, adopting energy-saving technologies, and exploring alternative energy sources can reduce costs, lower environmental impact, and enhance operational sustainability.
Emissions Management	Increased regulatory scrutiny, evolving climate-related requirements, and stakeholder expectations on emissions reduction may expose the Group to compliance risks and reputational pressures.	Proactive carbon management, including emissions monitoring and reduction initiatives, positions Pan Merchant to align with climate-related expectations, improve environmental performance, and strengthen long-term resilience.
Waste Management	Non-compliance with waste management regulations may result in penalties, legal action, and operational disruptions. Inadequate waste handling or disposal could lead to environmental contamination, safety risks, and reputational damage, while inefficient processes may increase costs and reduce operational efficiency.	Effective waste reduction, reuse, and recycling initiatives enhance resource efficiency and support circular economy practices. Strengthening waste management systems can reduce disposal costs, improve operational performance, and reinforce regulatory compliance and stakeholder confidence.
Water Management	Non-compliance with discharge standards or permit requirements may result in regulatory penalties. Water scarcity or supply disruptions could impact operations, while poor water management may lead to environmental harm, increased costs, and reputational risks.	Improving water efficiency and reuse practices can reduce consumption and wastewater generation. Effective water management supports cost optimisation, operational efficiency, and responsible resource stewardship.

Determining What Matters (Cont'd)

Risks and Opportunities Landscape (Cont'd)

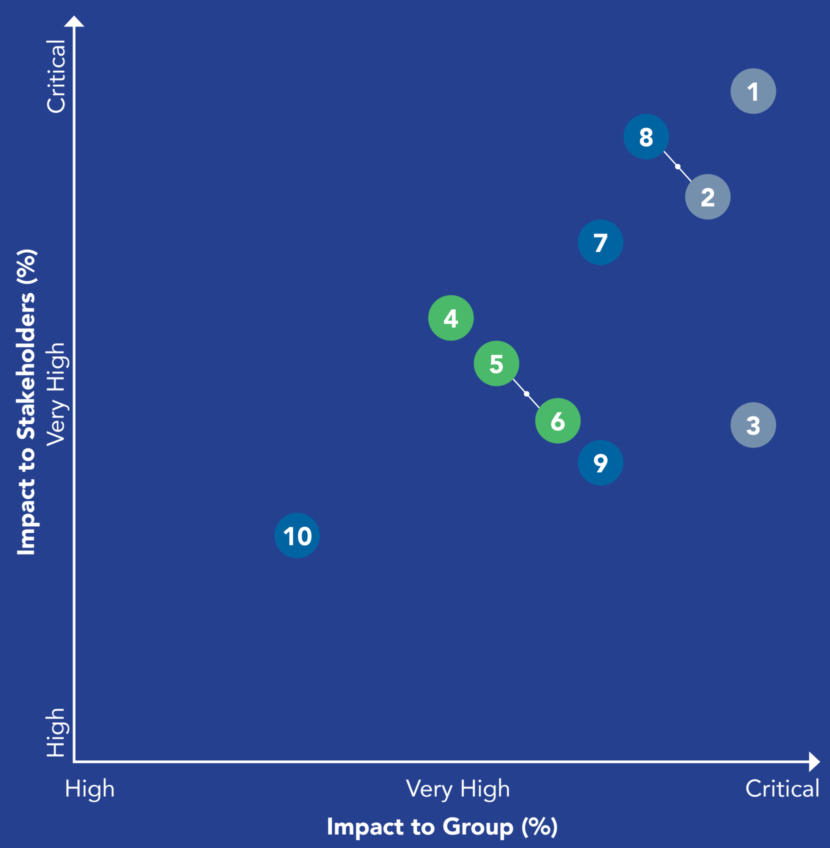
Identified Material Matters	Risks	Opportunities
Social		
Labour Practices and Standards	Inadequate labour practices, including unsafe working conditions, discrimination, or non-compliance with labour standards, may result in regulatory penalties, reputational damage, and reduced workforce morale.	Promoting fair labour practices, safe working conditions, and respect for human rights enhances employee engagement, strengthens organisational culture, and supports talent attraction and retention.
Diversity and Inclusion	A lack of diversity and inclusion may lead to reduced innovation, limited perspectives in decision-making, and lower employee engagement.	Fostering a diverse and inclusive workplace encourages varied perspectives, enhances creativity, and supports better decision-making and organisational performance.
Health and Safety	Failure to effectively manage workplace hazards may lead to accidents, injuries, or fatalities, resulting in legal liabilities, operational disruptions, and reputational impact.	Embedding a strong safety culture and implementing robust health and safety practices enhances employee well-being, improves productivity, and reinforces stakeholder confidence.
Community/ Society	Failure to address social issues, economic disparities, and community grievances may fuel social unrest, civil unrest, protests, and community opposition, posing operational disruptions, reputational damage, and regulatory scrutiny.	Strategic community investment initiatives, philanthropic donations, and social programs enable organisations to address social challenges, support underserved communities, and create positive social impact, contributing to poverty alleviation, education, healthcare, and sustainable development goals.

Through proactive management, Pan Merchant seeks to mitigate potential risks while identifying opportunities where sustainability can drive innovation, enhance operational efficiency, and support long-term growth. By systematically addressing these factors, the Group aims to strengthen resilience, safeguard stakeholder interests, and position itself for sustainable value creation.

Determining What Matters (Cont'd)

Materiality Matrix

Arising from its inaugural materiality assessment, Pan Merchant has identified and prioritised the sustainability matters most relevant to its operations and stakeholders. These matters are mapped onto a materiality matrix, which reflects the intersection between the sustainability matters and impact to business and stakeholders, providing a balanced view of the Group's most critical EESG considerations.



Indicators

1. Economic Performance
2. Anti-Corruption
3. Supply Chain Management
4. Climate Change Management
5. Waste Management
6. Water Management
7. Labour Practices and Standards
8. Health and Safety
9. Diversity and Inclusion
10. Community Investment

Note: Climate Change Management represents a consolidated material matter encompassing Energy Management and Emissions Management.

The Materiality Matrix enables Pan Merchant to strategically focus its resources and initiatives on areas of greatest significance, ensuring that sustainability efforts are targeted, effective, and aligned with the Group's objectives. Following this prioritisation, the Group translates identified matters into actionable strategies and initiatives across its operations. Pan Merchant remains committed to continuously refining its materiality assessment process and strengthening the integration of sustainability into its business strategy and decision-making.

Sustainability Statement

Our Sustainability Framework

With its material matters identified and prioritised, Pan Merchant has established a structured sustainability framework anchored on EESG principles. The framework is organised into three strategic pillars; **Economic and Governance, Environmental and Social**. Each pillar provides a focused and structured approach to addressing the Group's sustainability priorities, enabling alignment between operational activities, risk management processes, and long-term growth objectives.

Our Sustainability Framework

Vision

To deliver advanced filtration solutions that support environmental protection and resource efficiency by preventing pollution, reducing waste, enabling the production of sustainable alternative fuels, and optimising industrial processes for improved efficiency and reduced resource consumption.

Mission

Pan Merchant is committed to advancing its sustainability journey through targeted investments, innovation, and continuous improvement across its operations. Key focus areas include:

- **Strengthening Environmental and Safety Standards**
  Progressively enhancing operational practices through internationally recognised certifications.
- **Enhancing Data-Driven Sustainability Management**
  Establishing digital systems to improve the collection, monitoring, and analysis of sustainability-related data, enabling more informed decision-making and transparent reporting.
- **Advancing Renewable and Resource-Efficient Solutions**
  Evaluating and implementing initiatives such as LED smart lighting solutions, additional capacity to existing solar photovoltaic systems and rainwater harvesting to reduce environmental impact and improve resource efficiency.
- **Driving Sustainable Product Innovation**
  Redesigning filtration solutions to support sustainability-aligned industrial applications and optimising material efficiency in filter designs while maintaining performance and quality standards.
- **Improving Operational Efficiency and Waste Reduction**
  Investing in advanced machinery and process improvements to minimise material wastage during fabrication and enhance overall production efficiency, capacity utilisation and throughput.

Pillars: Economic, Environmental, Social and Governance (EESG)

1. **Economic and Governance**

   Economic Performance, Anti-Corruption, Supply Chain Management

2. **Environmental**

   Climate Change Management, Waste Management, Water Management

3. **Social**

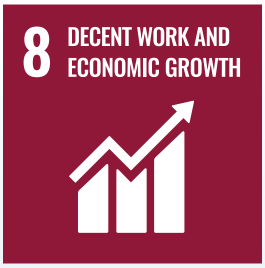
   Labour Practices and Standards, Diversity and Inclusion, Health and Safety, Community Investment

Together, these pillars form the foundation of Pan Merchant's sustainability approach, guiding the Group's initiatives, performance monitoring, and continuous improvement efforts. As Pan Merchant continues to scale following its listing, the Group remains committed to deepening the integration of sustainability into its business strategy and operations. This framework serves as a groundwork to align business objectives with stakeholder expectations, strengthen resilience, and deliver long-term sustainable value.

The Path of Our Material Commitments

1 Economic and Governance

Economic Performance



A Matter of Importance

Economic performance underpins Pan Merchant's ability to sustain operations, invest in future growth, and deliver long-term value to stakeholders. A strong financial foundation enables the Group to navigate market uncertainties, support its workforce, and contribute to broader economic development. This focus aligns with UNSDG 8: Decent Work and Economic Growth, which promotes sustainable economic growth, productive employment, and business resilience.

Economic performance reflects the Group's ability to generate and distribute value while maintaining financial discipline and operational efficiency. Pan Merchant tracks its performance through key indicators, namely Economic Value Generated, Economic Value Distributed, and Economic Value Retained, which collectively provide a comprehensive view of value creation and allocation.

1 Economic and Governance (Cont'd)

Economic Performance (Cont'd)

Economic Value Generated, Distributed and Retained

	FY 2025 RM'000
Economic Value Generated ("EVG")	
Revenue and other income	**127,699**
Economic Value Distributed ("EVD")	
Operating costs	**84,501**
Employee wages and benefits	**30,265**
Payment to capital provider	**1,704**
Payment to the Government	**3,425**
Community investment	**42**
Total Value Distributed	**119,937**
Economic Value Retained ("EVR")	**7,762**

In FY 2025, Pan Merchant recorded an EVG of RM127.7 million (FY 2024: RM142.2 million) reflecting a softer revenue environment during the year. This was primarily attributable to the timing of project execution and deferment of capital expenditure decisions by customers amid a cautious global economic landscape. EVD amounted to RM119.9 million (FY 2024: RM129.5 million), reflecting higher employee-related expenses, operating costs, and payments to stakeholders in line with increased business scale.

Consequently, the Group recorded an EVR of RM7.8 million, demonstrating its strengthened financial position and capacity to reinvest in the business, support future growth, and maintain resilience in a dynamic operating environment.

The Road Ahead

Pan Merchant will continue to strengthen its financial performance by enhancing operational efficiency, optimising cost structures, and pursuing disciplined growth strategies. The Group remains focused on balancing growth with prudent financial management and risk management, ensuring that resources are deployed effectively to sustain value creation, reinforce stakeholder confidence, and support long-term business resilience.

1 Economic and Governance (Cont'd)

Anti-Corruption

A Matter of Importance

Maintaining a strong stance against bribery and corruption is essential to safeguarding Pan Merchant's reputation, ensuring regulatory compliance, and building trust with stakeholders. Ethical business conduct is fundamental to sustainable growth and reinforces the integrity of the Group's operations. This commitment aligns with UNSDG 16: Peace, Justice and Strong Institutions, which promotes transparency, accountability, and the reduction of corruption in all forms.

Pan Merchant adopts a zero-tolerance approach towards bribery and corruption, guided by its Anti-Bribery and Anti-Corruption Policy ("**ABAC Policy**"). The policy outlines clear principles and procedures to prevent, detect, and address corruption-related risks across all operations. These principles are further reinforced through the Group's Employee Handbook and Code of Conduct, ensuring that expectations on ethical behaviour are clearly communicated and consistently applied across the organisation.

The ABAC Policy is reviewed periodically to ensure continued compliance with the Malaysian Anti-Corruption Commission Act 2009 (as amended in 2018), reinforcing the Group's commitment to maintaining high standards of corporate governance and ethical conduct.

1 Economic and Governance (Cont'd)

Anti-Corruption (Cont'd)

Corruption Risk Management

Pan Merchant conducts periodic assessments to identify and evaluate corruption-related risks across its operations, ensuring that potential vulnerabilities are addressed in a timely and structured manner. The Board, through the Audit and Risk Management Committee, provides oversight and ensures accountability in the management of corruption risks. In FY 2025, 100% of the Group's operations were assessed for corruption-related risks, reflecting a comprehensive and systematic approach to risk identification and mitigation.

Operations assessed for corruption related risk (%)

FY 2025 = **100%**

Training and Awareness

Pan Merchant is committed to fostering a culture of integrity through continuous education and awareness initiatives. As outlined in the ABAC Policy, the Group provides adequate training, communication, and resources to ensure employees understand the requirements, benefits, and their respective roles in anti-corruption and risk management practices. All employees are required to declare their understanding and adherence to the ABAC Policy by signing a declaration of compliance. The Group's Code of Ethics and Conduct sets broad standards for ethical and professional behaviour. The Group publishes the ABAC Policy and Code of Ethics and Conduct on the corporate website.

Compliance and Incidents

Number of confirmed corruption incidents

FY 2025 = **ZERO**

During FY 2025, there were no confirmed incidents of corruption, nor any related legal actions or proceedings involving the Group. This reflects the effectiveness of Pan Merchant's governance framework, supported by established policies, internal controls, and ongoing employee engagement on ethical conduct.

Speak-Up Framework

Pan Merchant maintains a whistleblowing channel in line with its Whistleblowing Policy, enabling employees and external stakeholders to report concerns relating to misconduct or unethical behaviour in a confidential and secure manner. The framework is overseen by the Audit and Risk Management Committee and supported by the Internal Audit function, ensuring independence, proper escalation, and timely resolution of reported matters.

Stakeholders may report concerns via the designated whistleblowing channel at whistle-blowing@pmi-group.com, which is accessible to both internal and external parties. All relevant governance policies are publicly available on the Group's website, reinforcing transparency and accountability.

The Road Ahead

Pan Merchant will continue to strengthen its anti-bribery and corruption framework by enhancing internal controls, expanding training coverage, delivering and recording periodic training refresher programmes, and reinforcing a culture of integrity across all levels of the organisation. The Group remains committed to upholding the highest standards of ethical conduct, ensuring that transparency and accountability remain embedded in its business practices.

1 Economic and Governance (Cont'd)

Supply Chain Management

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

A Matter of Importance

A resilient and responsible supply chain is critical to Pan Merchant's operational continuity, product quality, and overall business performance. Effective supply chain management enables the Group to mitigate risks, maintain cost efficiency, and uphold ethical and sustainability standards across its value chain. This aligns with UNSDG 12: Responsible Consumption and Production, which promotes sustainable resource use and responsible business practices.

Pan Merchant recognises that a responsible supply chain is fundamental to long-term success. Procurement activities are guided by internal policies to ensure that supplier engagements are conducted in a transparent, ethical, and accountable manner. The Group seeks to establish long-term partnerships with suppliers that share similar commitments to sustainability, quality, and responsible business conduct.

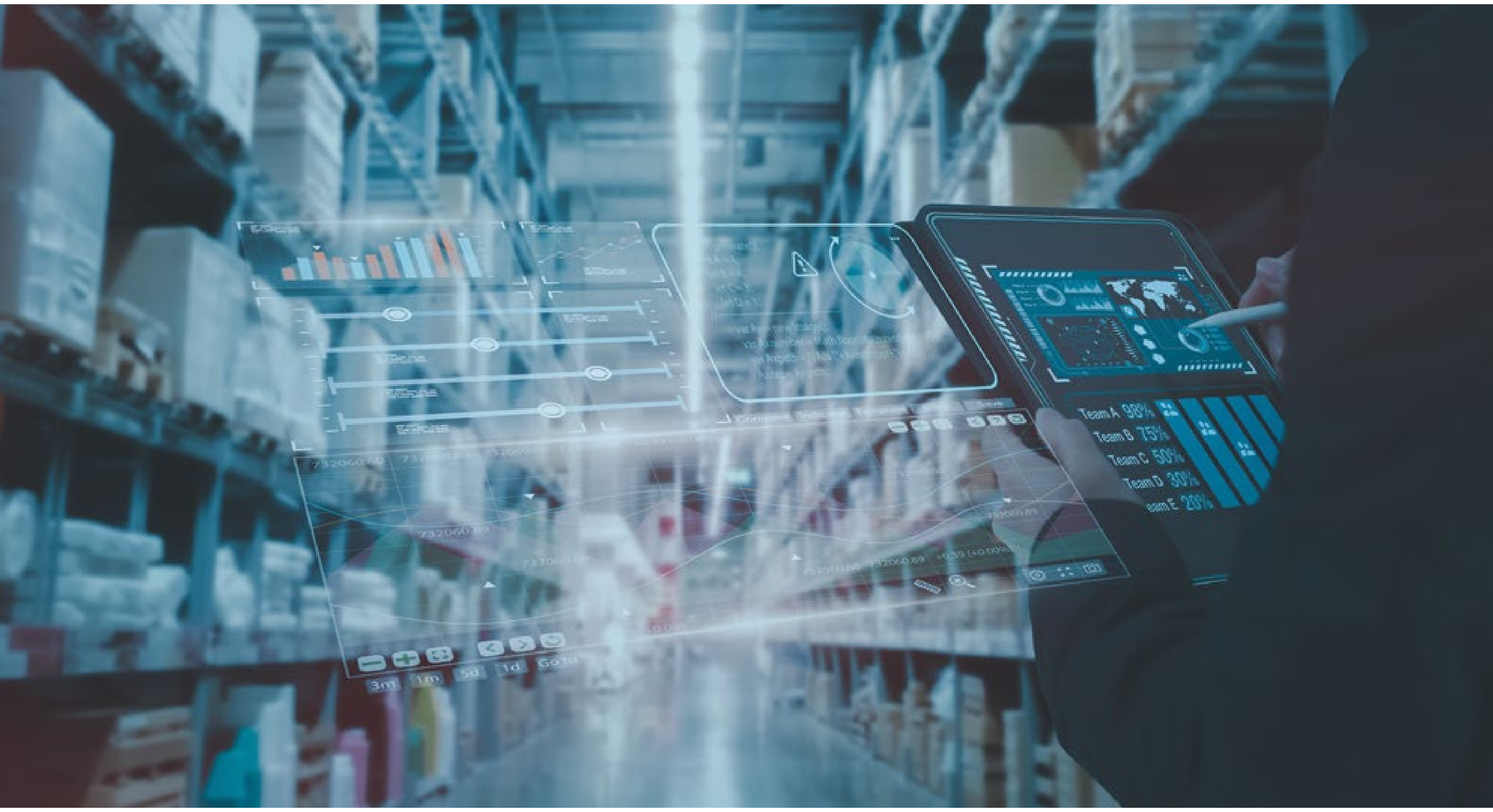
As part of its inaugural disclosure, Pan Merchant has initiated the tracking of procurement practices, with a focus on local sourcing, in alignment with Bursa Malaysia's sustainability reporting guidelines. Prioritising local suppliers supports domestic economic development, enhances supply chain resilience, and enables closer collaboration and oversight, contributing to more responsive and efficient procurement processes.

Number of local suppliers
FY 2025 = **286**

Number of overseas suppliers
FY 2025 = **37**

Total overall suppliers
FY 2025 = **323**

Proportion of spending on local suppliers (%)
FY 2025 = **67.70%**



1 Economic and Governance (Cont'd)

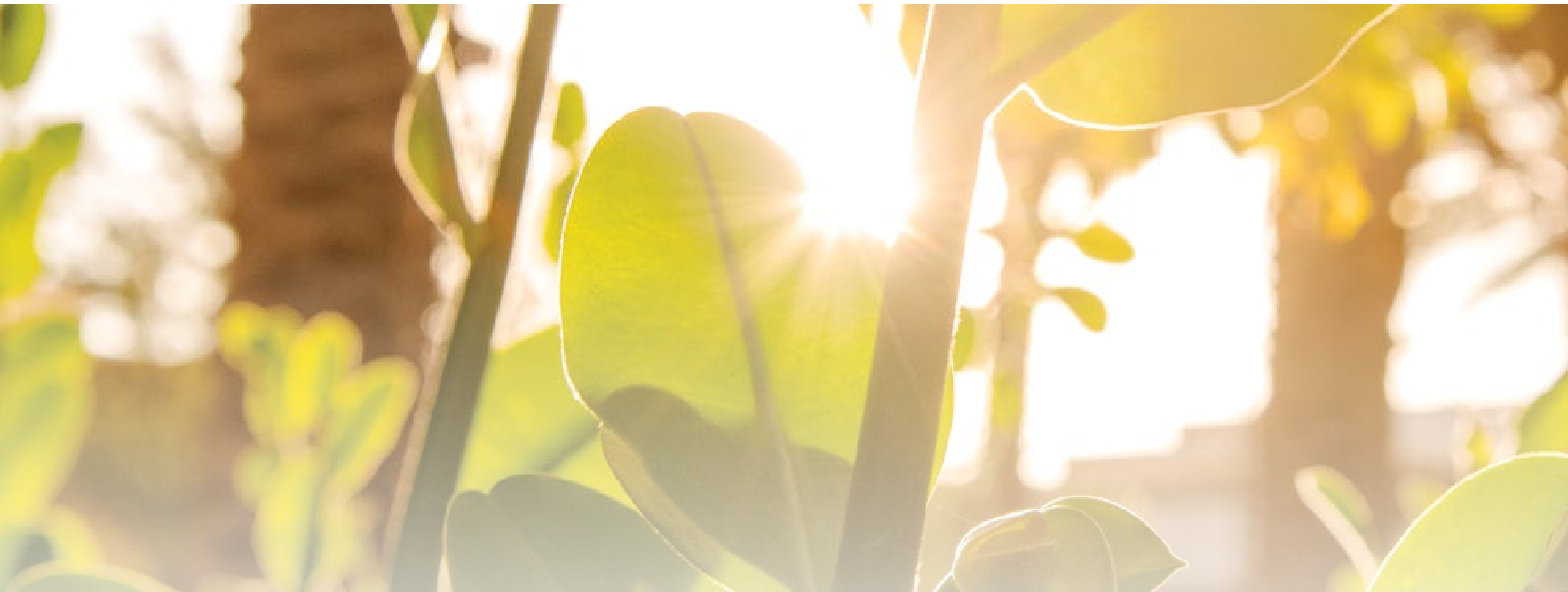
Supply Chain Management (Cont'd)

Suppliers' Engagement and Oversight

Pan Merchant engages its suppliers through structured processes designed to promote accountability, transparency, and continuous improvement. Key practices include; compliance with contractual and regulatory requirements, periodic site visits and performance discussions, as well as fair and transparent procurement practices, including customer service, pricing and payment terms. Through consistent engagement, Pan Merchant fosters strong, trust-based relationships while encouraging alignment with its sustainability and ethical standards.

The Road Ahead

Pan Merchant aims to further strengthen its supply chain resilience by enhancing supplier purchasing policy frameworks, promoting responsible sourcing practices, and improving visibility across its supply chain. The Group will continue to build collaborative partnerships with suppliers, focusing on driving shared value, improving operational efficiency, and supporting sustainable growth across the value chain.



2 Environmental

Climate Change Management

A Matter of Importance

Climate change presents both operational risks and strategic considerations for Pan Merchant, particularly in relation to energy consumption, regulatory developments, and evolving stakeholder expectations. As a manufacturing-focused organisation, managing environmental impact is essential to maintaining operational resilience, cost efficiency, and responsible growth. This aligns with UNSDG 13: Climate Action, which calls for urgent measures to address climate-related risks through improved resource management and emissions reduction.

Pan Merchant recognises the importance of addressing climate change and has begun establishing a structured, long-term approach to environmental management. For this reporting cycle, the Group focuses on two key areas; energy management and greenhouse gas ("GHG") emissions, which represent the primary drivers of its environmental footprint.

As part of its long-term direction, Pan Merchant aspires to progressively reduce its carbon footprint while supporting Malaysia's broader climate aspirations. The Group has initiated data collection efforts to establish baseline metrics that will support future target-setting and performance tracking. In parallel, Pan Merchant adopts a pragmatic approach by investing in proven green technologies where viable, with due consideration to operational feasibility and sustainable return on investment.

Environmental stewardship at Pan Merchant is guided by its Environmental Policy, developed in alignment with its ISO 9001:2015 certification. This provides a structured framework for identifying, managing, and mitigating environmental impacts, with an emphasis on regulatory compliance, resource efficiency, and integration into business decision-making.

2 Environmental (Cont'd)

Climate Change Management (Cont'd)

Energy Management

Energy management remains a key focus area as Pan Merchant advances its efforts to improve resource efficiency and reduce environmental impact. During the year, the Group implemented several initiatives to optimise energy usage across its operations, including:

- Evaluated current installation of 391 kilowatt-hour solar photovoltaic systems at our Lahat Plant
- Conducted feasibility study of LED smart lighting system
- Implemented use of precision laser cutting machine to streamline cutting of raw materials
- Continuous improvements in operational practices and equipment efficiency
- Promoted awareness of energy efficient behaviour and best practices amongst Pan Merchant employees

These initiatives represent practical first steps towards embedding energy-conscious practices into daily operations, delivering both environmental benefits and cost efficiencies. The Group will continue to identify opportunities to further optimise energy performance as part of its broader sustainability strategy.

Energy Consumption and Tracking

As energy consumption is a primary contributor to GHG emissions, monitoring and managing energy use is central to Pan Merchant's climate strategy. During FY 2025, the Group initiated structured data collection across its operations to establish a baseline for energy consumption. At this stage, electricity consumption serves as the primary indicator of energy use, forming the basis for future benchmarking and performance improvement.

Electricity purchased from the grid (kWh)

FY 2025 = **913,021**

Fuel consumption from company-owned vehicles, machinery (litres)

FY 2025 = **24,975**

Total Energy Consumption (GJ)

FY 2025 = **4,147.55**

In FY 2025, Pan Merchant recorded total energy consumption of 4,147.55 GJ (FY 2024: 4,887.59 GJ), representing a year-on-year reduction. The decrease reflects ongoing operational efficiency initiatives and optimisation of workforce management, in line with the Group's post-listing strategic plans on improving resource utilisation.

The trend reflects energy utilisation that scales with operational output. As data quality and coverage improve, Pan Merchant will focus on identifying efficiency opportunities, setting measurable reduction targets, and strengthening overall energy management practices.

2 Environmental (Cont'd)

Climate Change Management (Cont'd)

GHG Emissions

Managing GHG emissions is an integral component of Pan Merchant's long-term sustainability strategy. The Group's approach aligns with internationally recognised reporting practices, categorising emissions into Scope 1 (direct emissions from owned or controlled sources), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (other indirect emissions across the value chain).

For its inaugural reporting year, Pan Merchant has commenced emissions tracking across Scope 1, Scope 2, and selected Scope 3 categories, capturing emissions arising from operational energy consumption and relevant value chain activities. Scope 3 disclosures currently cover Category 6 (Business Travel) and Category 7 (Employee Commuting), where data is available. This represents an important baseline in establishing a structured carbon accounting framework and improving visibility over the Group's overall emissions profile.

Given the early stage of data collection, current Scope 3 disclosures are based on available data and best-effort estimates, focusing on key categories deemed most relevant to the Group's operations. Pan Merchant is progressively strengthening its data collection processes and intends to expand reporting coverage over time, including broader supplier engagement and waste-related emissions, as data availability and measurement capabilities improve.

	FY 2025
Scope 1 – Direct GHG Emissions	
Fuel consumption from company-owned vehicles, machinery (Non-renewable fuel) (tCO_2e)	**64.21**
Emission factor used: DEFRA GHG conversion factors 2025 – Diesel (average biofuel blend) = 2.57082 kg CO_2e/litre	

	FY 2025
Scope 2 – Indirect GHG Emissions	
Electricity consumption of facilities and operations (Location-based) (tCO_2e)	**675.64**
Grid emission factor used: Peninsular Malaysia 2022 – 2024 (provisional) = 0.74 kg CO_2e/kWh	

	FY 2025
Scope 3 – Other Indirect GHG Emissions	
Category 6 (Business Travel) (tCO_2e)	**64.15**
Category 7 (Employee Commuting) (tCO_2e)	**300.25**
Emission factor used: DEFRA GHG conversion factors 2025 *Business Travel – international flights (to/from non-UK) = 0.14253 kg CO_2e/km.* *Employee Commuting – based on mode-specific DEFRA emissions factors (e.g. car, bus, rail, motorcycle) as applicable.*	

As data coverage improves, Pan Merchant will progressively expand its reporting boundaries to include additional emission sources. Insights derived from this process will support the development of targeted emissions reduction strategies and strengthen the Group's transition towards a lower-carbon operating model.

The Road Ahead

Pan Merchant will continue to strengthen its climate management approach by enhancing data collection systems, improving monitoring capabilities, and establishing clearer performance targets for both energy use and emissions. In supporting its global growth ambitions, the Group is focused on improving carbon efficiency, with an emphasis on reducing emissions intensity on a per-unit basis. This will be achieved through ongoing optimisation of operational processes, adoption of energy-efficient technologies, and the integration of resource efficiency considerations into both operational and strategic decision-making. Through these efforts, Pan Merchant aims to progressively lower its carbon intensity and while advancing towards a more climate-resilient and sustainable operating model.

2 Environmental (Cont'd)

Waste Management

A Matter of Importance

Effective waste management is essential in minimising environmental impact, ensuring regulatory compliance, and promoting efficient use of resources. As a manufacturing-focused organisation, responsible waste practices are critical to reducing pollution and supporting sustainable operations. This aligns with UNSDG 12: Responsible Consumption and Production, which encourages waste reduction, recycling, and responsible resource management.

In line with its Environmental Policy, Pan Merchant adopts a structured approach to waste management, ensuring compliance with applicable environmental laws and regulations, including requirements set by the Department of Environment (DOE). The Group's management systems, developed in alignment with ISO 9001:2015 quality management principles, supports a systematic and disciplined approach to operational processes, including waste handling, segregation, storage, and disposal. These practices are embedded within daily operations to promote consistency, accountability and continuous improvement.

2 Environmental (Cont'd)

Waste Management (Cont'd)

Waste Management Performance

Pan Merchant manages its waste in accordance with applicable regulatory requirements, including those set by the Department of Environment (DOE), particularly in relation to the handling and disposal of scheduled waste. In parallel, the Group implements recycling initiatives where feasible, taking into consideration operational location and waste material type, as part of its efforts to minimise waste generation and promote resource efficiency.

Recyclable materials are systematically collected, segregated, and categorised, with volumes tracked to monitor the proportion of waste diverted from disposal streams. Waste generated across the Group includes general industrial waste, metal-related waste (such as mild steel scrap, machining chips, and metal drums), recyclable materials (including metal, paper, and plastics), as well as scheduled waste, namely, contaminated cloth and blasting sand. A portion of the waste diverted from disposal comprises recyclable metal materials, including Stainless Steel 316 (SS316) and Stainless Steel 304 (SS304), which are recovered and channelled for recycling. This contributes to the Group's overall waste diversion efforts and supports more efficient use of material resources.

In FY 2025, Pan Merchant generated a total of 280.365 metric tonnes of waste. Of this, 138.626 metric tonnes (49%) were successfully diverted from disposal through recycling and recovery efforts, while the remaining 141.739 metric tonnes (51%) were directed towards disposal in accordance with regulatory requirements.

Total waste generated (mt)

FY 2025 = **280.37**

Total waste diverted from disposal (mt)

FY 2025 = **138.63**

Total waste directed to disposal (mt)

FY 2025 = **141.74**

As this represents the Group's initial year of structured waste data tracking, formal reduction targets have not yet been established. Nonetheless, the baseline data collected provides a critical foundation for future performance benchmarking and the development of measurable waste reduction initiatives.
Since the commencement of data tracking, the Group recorded zero environmental non-compliance incidents, reflecting adherence to regulatory requirements and effective waste management controls.

The Road Ahead

Pan Merchant will continue to enhance its waste management practices by strengthening data tracking systems, improving waste segregation processes, and expanding waste diversion initiatives across its operations. The Group aims to establish clear waste reduction targets, increase recycling and recovery rates, and collaborate with licensed contractors and recycling partners to optimise waste management outcomes.

Over time, Pan Merchant also intends to explore opportunities to reduce waste generation at source, including process optimisation and material efficiency improvements, supporting its broader objective of advancing towards more sustainable and resource-efficient operations.

2 Environmental (Cont'd)

Water Management

6 CLEAN WATER AND SANITATION

A Matter of Importance

Water is a critical resource that supports Pan Merchant's operations and the communities in which it operates. Responsible water management is essential to minimise environmental impact, ensure operational efficiency, and support long-term sustainability. This aligns with UNSDG 6: Clean Water and Sanitation, which promotes sustainable water use and management.

Pan Merchant recognises water as a valuable and finite resource and is committed to responsible water stewardship across its operations. Guided by its Environmental Policy, the Group has implemented water management practices aimed at improving efficiency, reducing wastage, and supporting environmental protection as part of its broader sustainable resource management approach.

As part of these efforts, Pan Merchant has implemented a rainwater harvesting system with a capacity of approximately 260,000 litres at its Lahat plant, which is currently in operation. This system supports the reduction of reliance on treated water supply for non-potable uses and contributes to more efficient water utilisation within the facility.

In addition, the Group adopts practical water conservation measures such as routine monitoring of water consumption, periodic inspections to detect and address leaks, and internal awareness initiatives to promote responsible water usage among employees. These measures collectively support improved water efficiency and form the basis for ongoing enhancements in water management practices.

2 Environmental (Cont'd)

Water Management (Cont'd)

Water Consumption and Monitoring

Pan Merchant has initiated water consumption tracking to better understand and manage its resource utilisation. In FY 2025, the Group recorded total water consumption of 21.75 megalitres, establishing an initial baseline for future monitoring and performance improvement. The implementation of these tracking mechanisms enables Pan Merchant to identify consumption trends, improve efficiency, and support the development of measurable water reduction targets over time.

Total volume of water used (megalitres)

FY 2025 = **21.75**

The Road Ahead

Pan Merchant will continue to strengthen its water management practices by enhancing data coverage, improving monitoring systems, and identifying opportunities to optimise water usage across its operations. The Group will also promote water conservation awareness among employees and explore initiatives to reduce consumption intensity, reinforcing its commitment to responsible resource stewardship.

3 Social

Diversity and Inclusion

A Matter of Importance

Diversity and inclusion are fundamental to fostering innovation, strengthening collaboration, and enhancing organisational resilience. A diverse workforce enables Pan Merchant to draw from a wide range of perspectives and experiences supporting more effective decision-making and sustainable business performance. This aligns with UNSDG 5: Gender Equality and UNSDG 10: Reduced Inequalities, which promote inclusive and equitable opportunities for all.

Pan Merchant believes that a diverse and inclusive workplace is essential to long-term success. By embracing individuals from different backgrounds, perspectives, and experiences, the Group fosters an environment where employees feel valued, respected, and empowered to contribute meaningfully.

The Group's commitment extends beyond regulatory compliance and is embedded in its talent management practices, with a focus on; promoting equal opportunities across all levels of the organisation, encouraging gender diversity and balanced representation and cultivating a culture grounded in fairness, transparency, and mutual respect. These efforts strengthen employee engagement, enhance organisational cohesion, and support sustainable and inclusive growth.

3 Social (Cont'd)

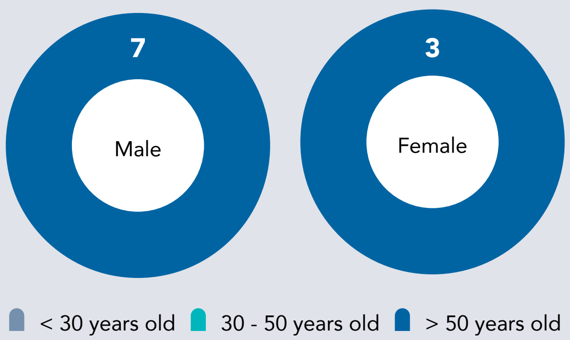
Diversity and Inclusion

Board Composition and Diversity

As the highest governing body, the Board plays a critical role in shaping Pan Merchant's strategic direction and sustainability agenda. A diverse Board enhances oversight, broadens perspectives, and supports balanced decision-making. In line with the Malaysian Code on Corporate Governance (MCCG) 2021, Pan Merchant is committed to maintaining diversity across gender, age, experience, and professional background.

The Group discloses its Board composition to reinforce transparency and alignment with governance best practices. Board composition as at FY 2025:

Age Group



30%

of female representative at Board level (FY 2025)

Workforce Profile

Pan Merchant recognises that its workforce is central to its operational strength and future growth. In FY 2025, the Group employed a total of 304 employees across its operations in Malaysia. The Group monitors workforce composition by gender, age, and ethnicity to support informed decision-making in talent development and inclusivity initiatives.

Total number of male employees

FY 2025 = **256**

Total number of female employees

FY 2025 = **48**

Total percentage of male employees

FY 2025 = **84.21%**

Total percentage of female employees

FY 2025 = **15.79%**

16.67%

Women in management positions (FY 2025)

27.52%

Women in executive roles (FY 2025)

3.50%

Women in non-executive and technical roles (FY 2025)

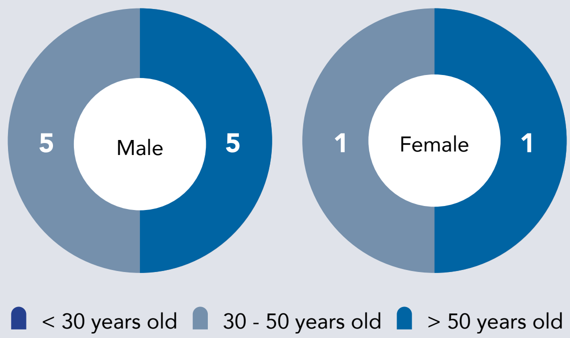
3 Social (Cont'd)

Diversity and Inclusion (Cont'd)

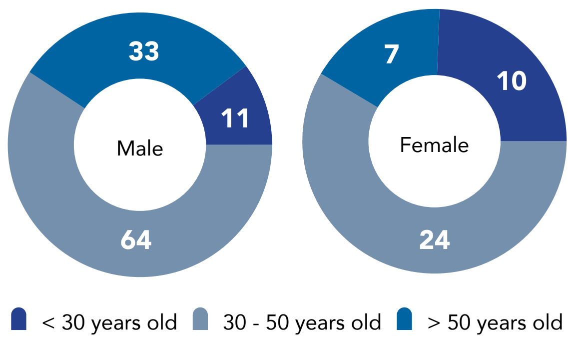
Workforce Profile (Cont'd)

Age and Gender by Employee Category as at FY 2025:

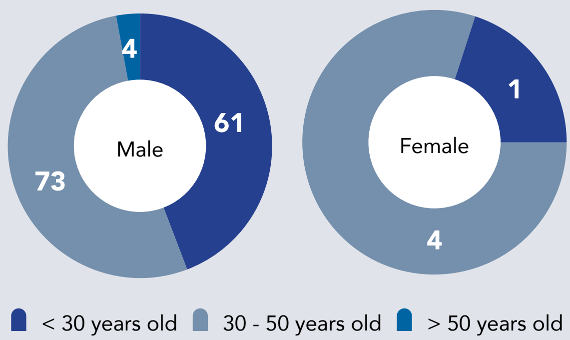
Senior Management



Middle Management



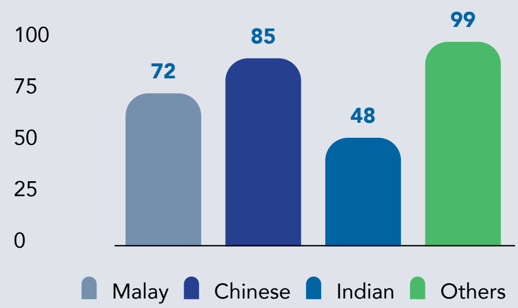
Non-Executive



Employees by Ethnicity

Reflecting Malaysia's multicultural landscape, Pan Merchant's workforce comprises a diverse mix of ethnic backgrounds, primarily Malay, Chinese, and Indian employees. This diversity fosters mutual respect, encourages the exchange of ideas, and strengthens collaboration across the organisation.

Ethnicity (FY 2025)



The Road Ahead

Pan Merchant will continue to strengthen diversity and inclusion by promoting equitable opportunities, enhancing representation across all levels, and fostering an inclusive workplace culture. The Group remains committed to building a workforce that reflects the diversity of the communities it serves while supporting long-term organisational resilience.

3 Social (Cont'd)

Labour Practices and Standards

8 DECENT WORK AND ECONOMIC GROWTH

A Matter of Importance

Pan Merchant recognises that its employees are central to its long-term success. Upholding fair labour practices ensures dignity, equity, and respect in the workplace. This aligns with UNSDG 8: Decent Work and Economic Growth.

3 Social (Cont'd)

Labour Practices and Standards (Cont'd)

Fair and Responsible Employment Practices

Pan Merchant is committed to maintaining fair labour practices in compliance with applicable laws, including the Employment Act 1955 of Malaysia. This commitment is guided by the Employees' Guidelines, which cover: Fair treatment and equal opportunity, working hours and compensation, Workplace conduct and expectations. Through structured policies and continuous monitoring, Pan Merchant ensures a respectful and inclusive work environment.

Learning and Capability Development

Pan Merchant recognises that continuous development is critical to sustaining growth and innovation. During FY 2025, Pan Merchant implemented a range of training programmes to strengthen employee competencies across sustainability, technical expertise, regulatory compliance, and operational excellence. Key training areas included:

Sustainability and ESG	• Sustainable Manufacturing Maturity Tools and Framework for ESG • Sustainable Manufacturing Maturity Analysis and Prioritisation for ESG • ESG and IFRS S1 & S2
Regulatory and Compliance	• FMM Annual Sales and Service Tax (SST) Seminar 2025: Navigating Compliance and Updates • FMM Seminar on SST Expansion: 100 Days in Review – Navigating Compliance and Updates • Seminar on Malaysia–United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA) • Mastering Joint Integrity: Best Practices and Smart Solutions • Company Overview and Credit Risk (Creditrack) Training
Operational Excellence and Continuous Improvement	• Kaizen Culture Training • Advanced Negotiation and Supplier Relationship Management • Policy for Purchasing: Centralised Systems and Microsoft 365 Integration • Microsoft Excel (Intermediate Level) • Employee Engagement and Sharing: Lunch and Learn Sessions • IMM Protective Coatings Technician (Blaster/Painter) – Levels 1 and 2
Health, Safety and Environment (HSE)	• Contractor Safety Passport System (ECITB – All Risk) • Authorised Entrant and Standby Person for Confined Space (Refresher) • Safe Handling of Forklift Truck • Occupational Safety and Health at Construction Site • Workplace Safety Seminar: "Working Safely, Returning Home Safely"

These initiatives support both professional growth and operational excellence, while reinforcing the Group's commitment to building a capable and future-ready workforce. Pan Merchant tracks total training hours as a key performance indicator to assess the effectiveness of its learning and development initiatives and to identify areas for enhancement. In FY 2025, 304 employees across all categories completed a total of 1992 training hours.

A total of **304** employees completed
1992 hours of trainings (FY 2025)

3 Social (Cont'd)

Labour Practices and Standards (Cont'd)

Employee Engagement and Workforce Stability

Pan Merchant adopts a zero-tolerance approach to discrimination and ensures all employees are treated with dignity and respect.

Reported incidents of discrimination or related grievances

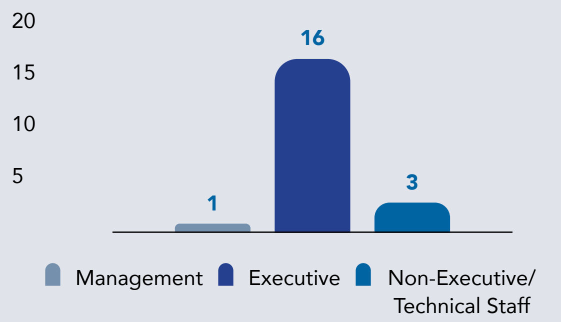
FY 2025 = **ZERO**

Beyond regulatory compliance, Pan Merchant is committed to fostering a supportive and inclusive work environment, supported by a comprehensive employee benefits framework. These include:

- **Outpatient Medical coverage**
- **Parental leave**
- **Medical leave**
- **Dental and Vision benefit**
- **Health Screening**
- **Group Insurance Coverage**

The Group has also established a standard notice period of 1 – 6 months, depending on seniority, for resignations and terminations, promoting transparency, mutual respect, and orderly workforce transitions. Through these practices, Pan Merchant aims to strengthen employee satisfaction, retention, and long-term organisational stability. In FY 2025, a total of 20 employees left the organisation, resulting in a workforce turnover rate of 6.52%.

Turnover by Employee Category (FY 2025)



Total number of employee turnover

FY 2025 = **20**

The Group maintains structured employment practices, including standard notice periods, to ensure orderly workforce transitions and operational continuity. Pan Merchant also monitors workforce composition, including the proportion of contractors and temporary staff, to ensure effective workforce planning and flexibility.

In FY 2025, the Group engaged a total of 50 contractors and temporary staff, representing approximately 14.12% of the total workforce. This supports operational requirements while maintaining a balanced and stable workforce structure.

Percentage of employees that are contractors or temporary staff (%)

FY 2025 = **14.12%**

3 Social (Cont'd)

Labour Practices and Standards (Cont'd)

Human Rights and Ethical Employment

Pan Merchant is committed to upholding fundamental human rights, including; prohibition of forced labour and child labour, fair and voluntary employment practices, and clear and transparent employment terms. These principles are embedded within the Group's policies and operational practices.

Number of substantiated compliants concerning human right violations

FY 2025 = **ZERO**

The Road Ahead

Pan Merchant will continue to strengthen its labour practices by enhancing employee engagement, expanding development programmes, and reinforcing a culture of fairness, respect, and inclusivity. The Group also aims to further strengthen talent retention strategies, improve workforce planning, and align human capital development with evolving business needs, ensuring a resilient and future-ready workforce.

3 Social (Cont'd)

Health and Safety

3 GOOD HEALTH AND WELL-BEING

A Matter of Importance

Ensuring a safe and healthy workplace is essential to protecting employees, maintaining operational continuity, and supporting long-term sustainability. This aligns with UNSDG 3: Good Health and Well-being, which advocates safe and healthy working environments for all.

Pan Merchant is committed to providing a work environment where employees can perform their duties safely and confidently. A strong safety culture not only protects employee well-being but also enhances productivity and organisational resilience.

The Group has established an Occupational Health and Safety (OHS) Policy across all subsidiaries, supported by:

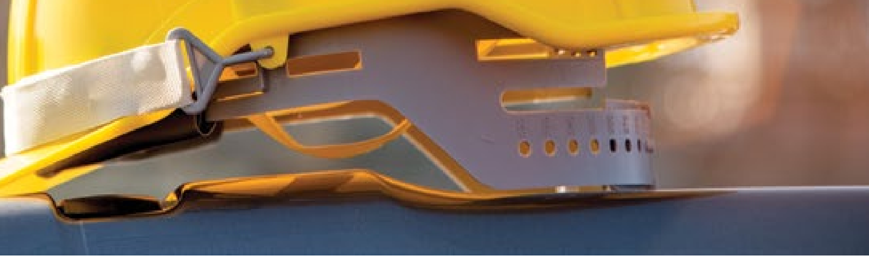
- **Standard Operating Procedures (SOPs)**
- **Hazard Identification, Risk Assessment and Risk Control (HIRARC) framework**

These practices are aligned with applicable regulatory requirements and internationally recognised industry standards, ensuring a structured and proactive approach to occupational health and safety management. Risk assessments are conducted periodically based on job scope to identify potential hazards, evaluate risks, and implement appropriate mitigation and control measures.

In addition, a Health and Safety Committee comprising cross-functional representatives facilitates:

- **Review of safety performance**
- **Continuous communication and awareness on safety practices**
- **Resolution of workplace safety concerns**

Regular safety briefings, toolbox talks, and incident reviews further reinforce a proactive and preventive safety culture across operations.



3 Social (Cont'd)

Health and Safety (Cont'd)

Safety Training and Capability Building

Pan Merchant invests in training programmes to equip employees with the knowledge and skills required to maintain a safe working environment and respond effectively to emergencies. During FY 2025, Pan Merchant conducted a series of safety training and awareness programmes to strengthen workplace safety competencies and promote a proactive safety culture across its operations. Key training initiatives included:

- General Workplace Safety and Awareness
- Chemical Handling and Hazard Awareness
- Electrical Safety Awareness
- Working at Height Safety Awareness
- Noise Exposure and Hearing Protection Awareness
- Grinding Safety Awareness
- Safety Lifting and Slinging Awareness
- Personal Protective Equipment (PPE) Awareness
- Fire Safety and Fire-Fighting Awareness
- Machining Safety Awareness
- Emergency Preparedness and Response Training

Number of employees trained health and safety

FY 2025 = **229**

2,031 total training hours dedicated to safety trainings (FY 2025)

3 Social (Cont'd)

Health and Safety (Cont'd)

Safety Performance and Monitoring

Pan Merchant actively monitors key occupational health and safety indicators, including Lost Time Injury ("LTI"). In FY 2025, the Group recorded one LTI, reflecting; effective safety management systems, strong compliance with established procedures, and high levels of employee awareness.

Lost time incident rate (LTIR)

FY 2025 = **0.31**

Work-related fatalities (number)

FY 2025 = **Zero**

One (1) work-related accident occurred during the financial year resulting in hospitalisation and medical leave. Based on the investigation findings, the incident was caused by improper use of PPE and guardrails when working on a platform. Throughout the reporting year, Pan Merchant remained focused on strengthening workplace safety through proactive monitoring and continuous improvement of safety practices.

The Road Ahead

Pan Merchant will continue enhancing its health and safety practices through improved training programmes, strengthened risk management processes, and the promotion of a proactive safety culture. The Group also aims to leverage data-driven insights to identify trends, prevent incidents, and continuously improve safety performance, ensuring that workplace safety remains a core operational priority.

3 Social (Cont'd)

Community Investment

11 SUSTAINABLE CITIES AND COMMUNITIES

A Matter of Importance

Pan Merchant recognises the importance of contributing positively to the communities in which it operates. Community investment reflects the Group's commitment to social responsibility and inclusive growth. This aligns with UNSDG 11: Sustainable Cities and Communities.

3 Social (Cont'd)

Community Investment (Cont'd)

Creating Positive Community Impact

As part of its commitment to responsible business practices, Pan Merchant seeks to create meaningful social impact through community engagement initiatives. During FY 2025, Pan Merchant undertook several community-focused initiatives aimed at supporting healthcare, environmental conservation, and social development:

1. Identification

Contribution to a breast cancer awareness and diagnostic campaign under the PPUM B40 Women Diagnostic Fund, supporting access to early detection and healthcare services for underprivileged women.

2. Community and Social Development

Participation in the 2025 UOB Heartbeat Run, a fundraising initiative supporting organisations such as SOLS Foundation, HOPE Worldwide Malaysia, Food Aid Foundation, and PINTAR Foundation, which focus on education access, youth development, food security, and community empowerment.

3. Environmental Conservation

Collaboration with the Malaysian Nature Society on tree planting initiatives and wildlife conservation efforts, including programmes supporting the protection of endangered species such as the Malayan tapir.

These initiatives contributed to local development, strengthened community relationships, and enhanced social well-being. In FY 2025, Pan Merchant invested a total of RM42,025, benefiting 6 organisations. Beyond financial contributions, the Group also encourages employee participation in community initiatives, fostering a culture of volunteerism and strengthening its social impact.

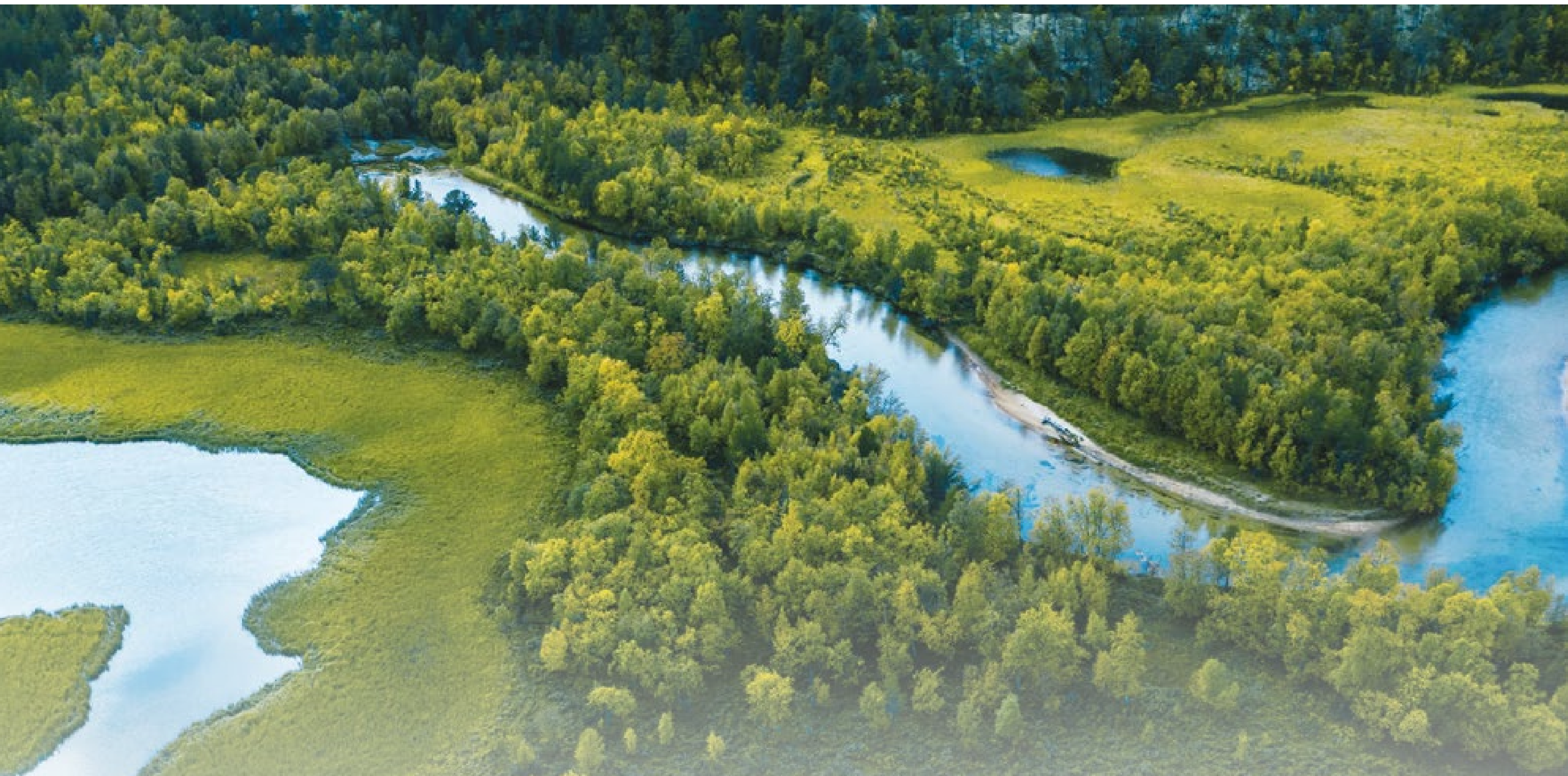
The Road Ahead

Pan Merchant aims to expand its community engagement efforts by strengthening partnerships with non-governmental organisations and local stakeholders, broadening outreach initiatives, and focusing on programmes that deliver sustainable and long-term impact. The Group will also seek to align its community investments more closely with its core sustainability priorities to maximise shared value creation.

Sustainability Statement

Sustainability Snapshots

Sustainability Statement



Advancing Our Sustainability Journey

As Pan Merchant concludes its inaugural Sustainability Statement, the Group marks a significant milestone in its journey towards embedding sustainability into its core business practices. This year represents the establishment of key foundations, including governance structures, policies, and baseline data to support a more structured and strategic approach.

Building on this foundation, Pan Merchant is focused on translating commitments into measurable outcomes. The Group will continue to; strengthen sustainability governance frameworks, enhance data collection and reporting capabilities as well as refine key performance indicators to improve transparency and accountability.

Looking ahead, Pan Merchant aims to further integrate sustainability considerations into its strategic and operational decision-making. This includes advancing environmental initiatives, reinforcing ethical business practices, and investing in the development and well-being of its workforce. As part of this commitment, the Group targets to achieve ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System) certifications by the fourth quarter of 2026. These certifications will strengthen Pan Merchant's management systems and support its ability to meet the requirements of customers in international markets.

At the same time, the Group remains mindful of an evolving external landscape shaped by regulatory developments, market dynamics, and stakeholder expectations. Pan Merchant is committed to remaining agile and responsive in identifying and addressing emerging risks and opportunities.

Ultimately, Pan Merchant's sustainability approach is anchored in the belief that long-term business success is intrinsically linked to responsible and sustainable practices. By maintaining this focus, the Group aims to strengthen resilience, create enduring value, and contribute meaningfully to the environment and communities it serves.

As we move forward, Pan Merchant will continue to build on its sustainability foundations, progressing with purpose and discipline towards a future where responsible growth and business excellence are intrinsically aligned.

Bursa Malaysia's Prescribed Table

Pan Merchant Berhad
BMLR Transition Period

Date & Time: 2026-04-29 18:44:00
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Anti-corruption - C1(a)	Percentage of employees who have received training on anti-corruption across all categories	%	N/A	N/A	No assurance	In FY2025, the Group communicated its ABAC policy and shared related training materials via internal communication channels, to promote awareness and understanding of ethical standards across all employees.
Anti-corruption - C1(b)	Percentage of operations assessed for corruption--related risks	%	100.00	N/A	No assurance	Internal verification conducted
Anti-corruption - C1(c)	Confirmed incidents of corruption and action taken	Number	0	N/A	No assurance	Internal verification conducted
Community / Society - C2(a)	Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	42,025.00	N/A	No assurance	Internal verification conducted
Community / Society - C2(b)	Total number of beneficiaries of the investment in communities	Number	6 organisations	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Senior Management <30	%	0.00	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Senior Management 30 - 50	%	50.00	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Senior Management >50	%	50.00	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Senior Management - Male	%	83.33	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Senior Management - Female	%	16.67	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Middle Management <30	%	12.08	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Middle Management 30 - 50	%	59.06	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Middle Management >50	%	28.86	N/A	No assurance	Internal verification conducted

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-29 18:44:00

Page 1 of 4

Bursa Malaysia's Prescribed Table (Cont'd)

Pan Merchant Berhad
BMLR Transition Period

Date & Time: 2026-04-29 18:44:00
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Diversity - C3(a)	Middle Management - Male	%	72.48	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Middle Management - Female	%	27.52	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Non-executive <30	%	43.36	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Non-executive 30 - 50	%	53.85	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Non-executive >50	%	2.80	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Non-executive - Male	%	96.50	N/A	No assurance	Internal verification conducted
Diversity - C3(a)	Non-executive - Female	%	3.50	N/A	No assurance	Internal verification conducted
Diversity - C3(b)	Directors <30	%	0.00	N/A	No assurance	Internal verification conducted
Diversity - C3(b)	Directors 30 - 50	%	0.00	N/A	No assurance	Internal verification conducted
Diversity - C3(b)	Directors >50	%	100.00	N/A	No assurance	Internal verification conducted
Diversity - C3(b)	Directors - Male	%	70.00	N/A	No assurance	Internal verification conducted
Diversity - C3(b)	Directors - Female	%	30.00	N/A	No assurance	Internal verification conducted
Energy Management - C4(a)	Total energy consumption	GJ	4,174.55	N/A	No assurance	Internal verification conducted
Health and Safety - C5(a)	Number of work-related fatalities	Number	0	N/A	No assurance	Internal verification conducted
Health and Safety - C5(b)	Lost time incident rate	Rate	0.31	N/A	No assurance	Internal verification conducted
Health and Safety - C5(c)	Number of employees trained on health and safety standards	Number	229	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(a)	Total Training Hours - Senior Management	Hours	904	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(a)	Total Training Hours - Middle Management	Hours	944	N/A	No assurance	Internal verification conducted

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-29 18:44:00

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Bursa Malaysia's Prescribed Table (Cont'd)

Pan Merchant Berhad

BMLR Transition Period

Date & Time: 2026-04-29_18:44:00

FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Labour practices and standards - C6(a)	Total Training Hours - Non-Executive	Hours	144	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(b)	Percentage of employees that are contractors or temporary staff	%	14.12	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(c)	Employee Turnover - Senior Management	Number	1	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(c)	Employee Turnover - Middle Management	Number	16	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(c)	Employee Turnover - Non Executive	Number	3	N/A	No assurance	Internal verification conducted
Labour practices and standards - C6(d)	Number of substantiated complaints concerning human rights violations	Number	0	N/A	No assurance	Internal verification conducted
Supply chain management - C7(a)	Proportion of spending on local suppliers	%	67.70	N/A	No assurance	Internal verification conducted
Data privacy and security - C8(a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	N/A	No assurance	Internal verification conducted
Water - C9(a)	Total volume of water used	Megalitres	21.75	N/A	No assurance	Internal verification conducted
Waste management - C10(a)	Total waste generated	Metric tonnes	280.37	N/A	No assurance	Internal verification conducted
Waste management - C10(a)(i)	Total waste diverted from disposal	Metric tonnes	138.63	N/A	No assurance	Internal verification conducted
Waste management - C10(a)(ii)	Total waste diverted to disposal	Metric tonnes	141.74	N/A	No assurance	Internal verification conducted

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-29_18:44:00

Bursa Malaysia's Prescribed Table (Cont'd)

Pan Merchant Berhad

BMLR Transition Period

Date & Time: 2026-04-29_18:44:00

FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Emissions Management - C11(a)	Scope 1	tCO2e	64.21	N/A	No assurance	UK DEFRA 2025 emission factor for Diesel (100% mineral) of 2.66155kgC-O2e/litre is applied as per the GHG Protocol
Emissions Management - C11(b)	Scope 2	tCO2e	675.64	N/A	No assurance	Malaysia Grid Emission Factor 2022 - 2024 (Provisional) of 0.74 kgCO2e/kWh is applied as per the GHG Protocol
Emissions Management - C11(c)	Scope 3: Category 6 (Business Travel)	tCO2e	64.15	N/A	No assurance	UK DEFRA 2025 emission factor for International, to / from non-UK, Flights of 0.14253 kgCO2e/km is applied as per the GHG Protocol
Emissions Management - C11(c)	Scope 3: Category 7 (Employee Commuting)	tCO2e	300.25	N/A	No assurance	UK DEFRA 2025 emission factor for Average Car of 0.16272 kgCO2e/km and for Local Bus (not London) of 0.12525 kgCO2e/km is applied as per the GHG Protocol

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