



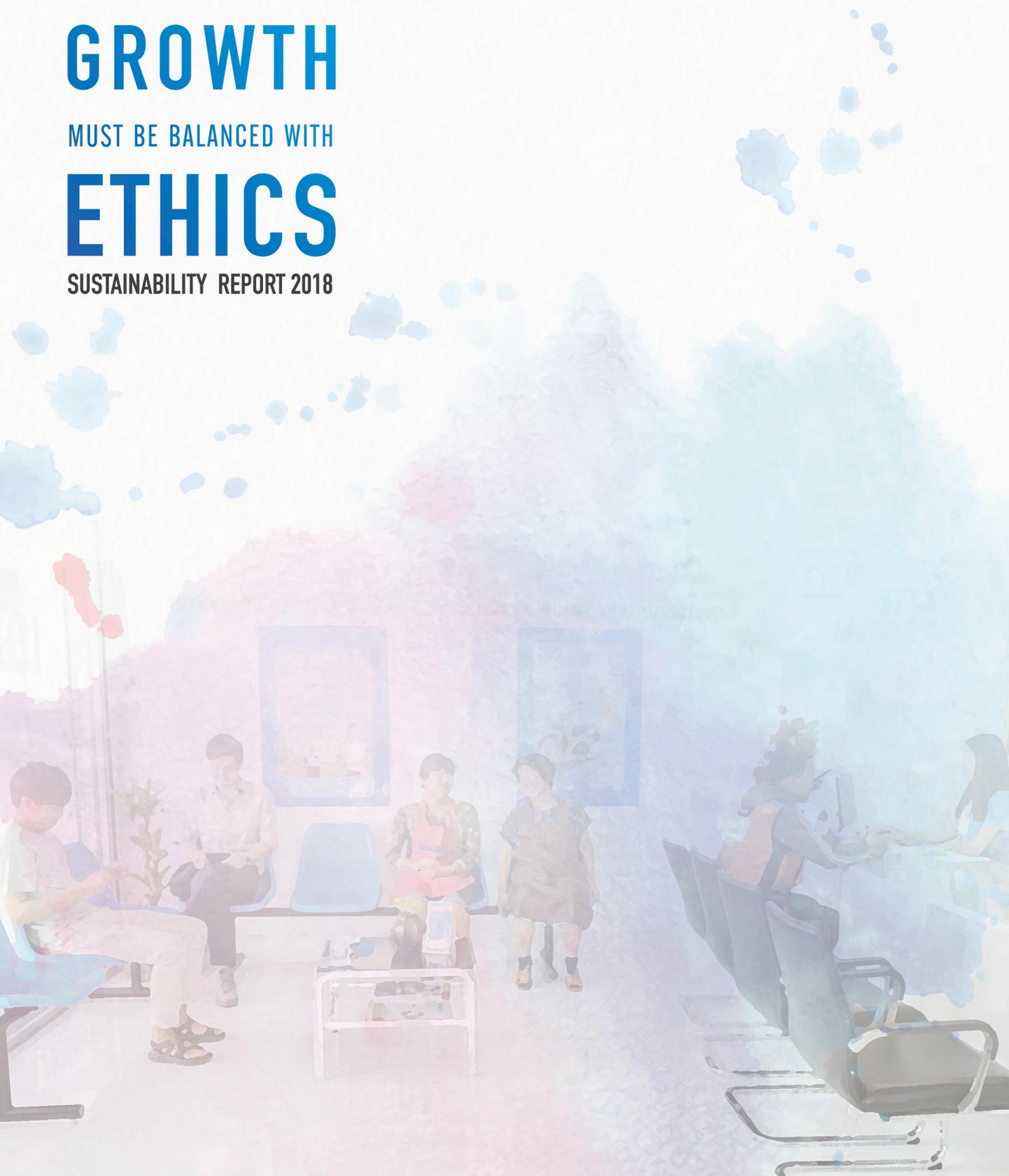
บริษัท เมืองไทย แคปปิตอล จำกัด (มหาชน)  
MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED

# THE BUSINESS GROWTH

MUST BE BALANCED WITH

# ETHICS

SUSTAINABILITY REPORT 2018





บริษัท เมืองไทย แคปปิตอล จำกัด (มหาชน)  
MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED

## Sustainability Report 2018

*THE BUSINESS GROWTH*  
**MUST BE BALANCED**  
*WITH*  
**ETHICS**

# Contents

## Sustainability Report 2018

---

### 05

#### Overview

Muangthai Capital: The Responsible Microfinance

Business Growth Must Be Balanced with Ethics: Message from Adm. Apichart Pengsritong, Chairman of the Board of Directors

Building a Responsible Microfinance: Message from Mr.Chuchat Petaumpai, Chairman of The Executive Committee

Milestones in 2018, Recognitions and Participations

### 13

#### Walking Our Way to Sustainability

Sustainability Strategy: Targets and 2018 Sustainability Performance & SDGs

### 15

#### Good Corporate Governance

Governance & Risk Management

---

19

**Happy Economy**

Growth of Financial Inclusion  
Improvement of Industry's  
Integrity

31

**Happy Social**

Implanting Employee Life time Commitment  
Building Strong Community

39

**Happy Environment**

Long-term Carbon Footprints Reduction:  
Emission Enemy, Energy Less, Efficient  
Office

---

31

**About This Report**

Headquarter

Bangkok

**THAILAND**

Listed Date in the SET

26 November 2014

**MTC.BK**

Registered Capital

**2,120**

Million Baht

### Regulator

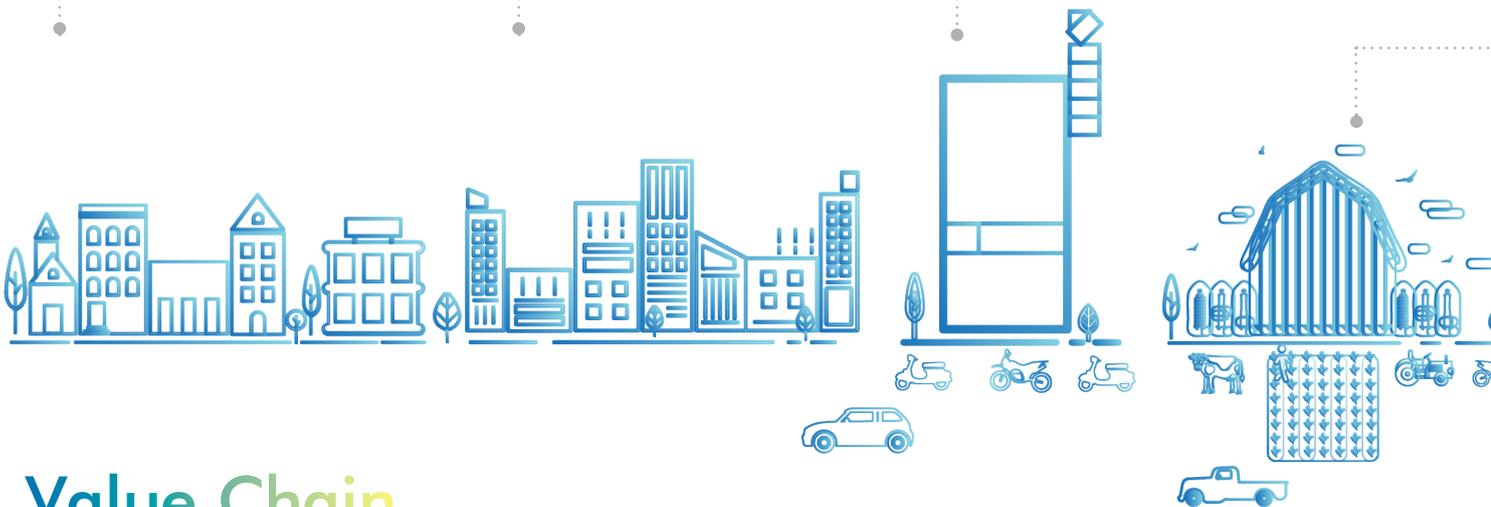
- Compliance
- Collaboration

### Creditor

- Secured source of funding
- Cost of Funding Management

### Employee

- Human Rights
- Safety
- Training & Education



## Value Chain

### Vehicle Title Loan

Vehicle title loan is the core financial service products in which providing small ticket - size against the vehicle title.

Motorcycle Title Portfolio  
**16,800 milion Baht**

Car Title Portfolio  
**15,394 milion Baht**

Agricultural Vehicle Title Portfolio  
**2,081 milion Baht**

### Land Deed Loan

Land deed loan is a loan lending against agricultural land deed.

Land Deed Portfolio  
**6,631 milion Baht**

Percentage of Free - Share

**31.62 %**

Loan Receivable

**48,047**

Million Baht

2.31 Million active contracts

Domestic Distribution

**3,279**

Branches

in 74 provinces

## Customer

- Financial Inclusion
- Industry Market Conduct Restructuring

## Community

- Education
- Public Healthcare
- Religion & Culture

## Environment

- Reduce CO2 Footprints
- LEED certified HQ



## Personal & Nano Finance Loan

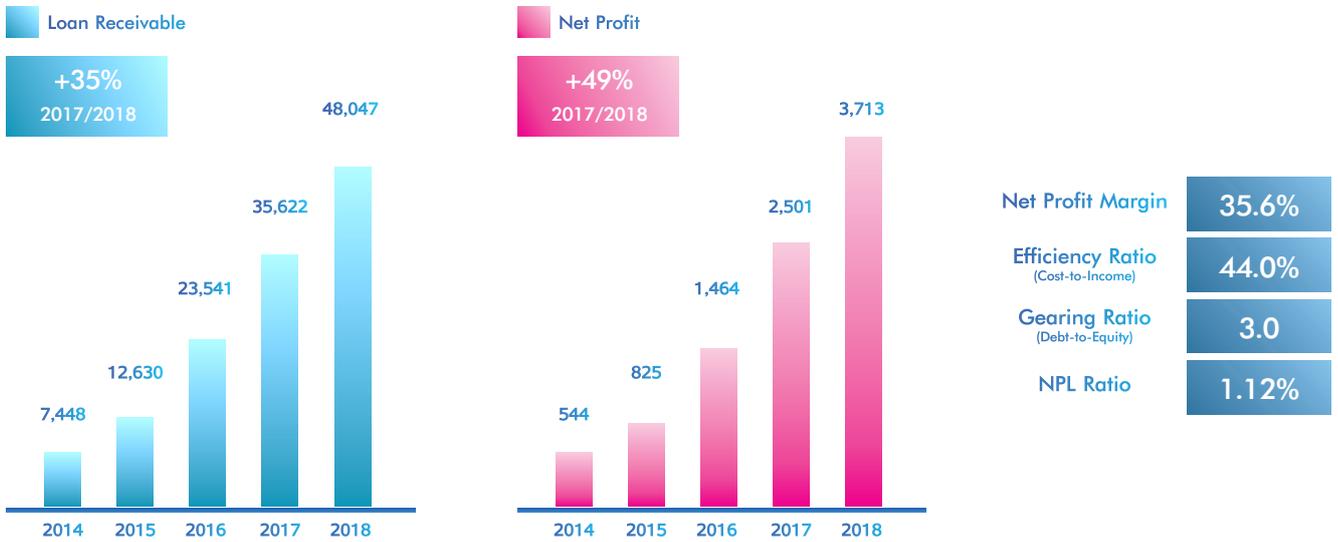
Unsecured loan we provide to the good existing customers to meet their needs of credit.

Personal & Nano Finance  
**8,847 million Baht**

## Mandatory Vehicle Insurance

The mandatory vehicle insurance is available to encourage our customers to comply with the regulations in accordance to the Land Transport Department.

## Muangthai Capital: The Responsible Microfinance



## Diversification is the key to our sustainable and predictable growth

### Geographic Diversification

The 3,279 branch network is distributed across country, where the average density is 20,000 populations/branch. In this sense, there are rooms for more branches in North East, Bangkok and South for us to explore.

### Product Segmentation Diversification

There are six products of secured and unsecured loan. Although, our main strategic is to focus on the motorcycle title loan, the segmentation of the products are well balanced between their risks and yields.

### Customer Group Diversification

In the event of uncertainty, the customer group are diverted into different sectors, of both formal income and informal income customers. such as construction and service worker, farmer ,merchant, factory worker ,civil officer and motorcycle taxi.



# Message from the Chairman of the Board of Directors

Our commitment is to maintain our reputation and improve industry's market conducts to provide our customers' fairness and trust. While this fragmented industry continues to face challenges, we are now building a more sustainable microfinance institution, a more responsible company - doing business in a more sustainable way.

The Committee has retained its forward looking, strategic outlook focusing on its priorities of value, culture, people, customers, communications and environmental, social and ethical issues. On behalf of the Board, I would like to thank our Chairman of the Executive Committee, all senior colleagues for their leadership, as well as each of our 7,600 employees for their commitment to providing legendary service to our customers, the regulators for helping us being a part of industry restructuring for a better market conduct. I also want to thank our shareholders for their strong ongoing support and our customers for the opportunity to serve them every day. We look forward to continuing to work on your behalf in 2019.

## THE BUSINESS GROWTH MUST BE BALANCED WITH ETHICS



Adm. Apichart Pengsritong  
Chairman of the Board of Directors

# Message from the Chairman of the Executive Committee

## Mr.Chuchat Petaumpai

Chairman of The Executive Committee

For the past 26 years, our main business objective had always been enhancing financial inclusion, regardless of race, gender, religion and career with honest and transparency because we understand the fundamental issue of national economy regarding the financial inequality very well. As a result, more than 5 millions numberof customers have already been engaged into our networking.



In the year 2018, however, we have further witnessed and recognized the significance of our impact towards social and national economic as a whole. Hence, we are more than happy to announce that our sustainability commitment has been accelerated to be “Responsible Microfinance”, as we are having a strong belief that balancing financial integrity with financial inclusion is the key success to “Sustainability”.

Besides the internal sustainable business strategies and directions, the external circumstance, especially the regulatory risk was one of the most powerful risk that could directly impact us and the whole industry. We believe that, resolving this risk is the first step of reorganizing this fragmented industry to benefit all stakeholders. To customers, the market conducts are improved. To non-bank financial service providers, the regulatory risk is diminished.

**“Regulations are needed to reshape the diverse microfinance sector”**

This year, a significant change of supervisory framework for non-bank financial service provider, which including microfinance sector, hence, has been initiated. Thanking to the releasing of new Personal Loan Regulation and multiple regulators, Ministry of Finance and Bank of Thailand, to initiate the developing and reorganizing our industry.

Next year, we believe that the challenge would be even greater to achieve the new sustainable value we have set. With another huge growth of financial inclusion, balancing with the cost of funding, we are looking forward to accomplish the great result at the end of next year.

In additions, thanks to the strength of our philosophy, business model and corporate culture, we have earned the lasting customer loyalty, which is the key ingredient for business sustainability. We will continue a further step of achievement on our scales, diversification, and growth in all dimensions with a good balance of our asset quality. In the other word, we will keep being aggressive in the growth but rather conservative in the risk. With a greater impact, our responsibility towards stakeholders are greater. To customers, we will provide more flexibility to fulfill their needs. To employees, we will focus on turnover rate improvement of new employees. To risk management, the increase of policy rate will be closely monitored and managed, where the financial technology will be brought in to mitigate the technology disruption and customer behavior change risks.

Growth: We are aiming to maintain the largest market share in microfinance with a 30% growth of loan portfolio in new loan issuing with no concentration risk via branch expansion and new product lines.

Asset Quality: The growth must come along with a good quality. NPL Ratio has to be lower than 2%, as our main KPI.

**BUILDING A RESPONSIBLE MICROFINANCE**

**Strategic Targets 2019**

- 1st Market Leader**  
of microfinance by having largest market share in term of loan book and number of customers
- 30% Loan Portfolio Growth**  
The new loan is contributed to low and informal income customers via branch expansion
- <2% NPL Ratio**  
Asset quality and risk management must be well under controlled
- 2 million individual customers**  
Focus on growth in horizontal



**Mr.Chuchat Petaumpai**  
Chairman of the Executive Committee

# 2018 MILESTONES RECOGNITIONS and PARTICIPATIONS

## Sustainability Achievements

### CG Awarded Excellence



MTC to receive the Excellence CG  
Awards by IOD Thailand

## Shareholders

• **26.5%**

total shareholders return

• THB **103,880** million

market capital value, making MTC  
included in MSCI Global Index on  
30 November, 2018

## Communities

• Education : **3** Children Development Centres

• Religion : **4** Kathina ceremonies

• Public Health Care : **1,477,550** cc of Blood Donated

## Environments

• Environmental Policy

Implementation of environmental initiatives

• CDP Submission

• LEED Certified HQ

## Corporate Governance

- **New AML/CFT and Whistleblowing Policies**

added to the other sectoral policies

- **New regulatory and Sector Association**

MTC together with 30 other non-banks have joined the Vehicle Title Loan Trade Associations to develop the landscape of microfinance industry and its proper market conducts. With this collaboration, the impact from regulatory risk has been diminished throughout the industry.

- **Board of Directors Matrix Skills**

Conducted to ensure the right balance of directors to set and achieve company's strategic.

## Customers

- **3,279 Branches Across Thailand**

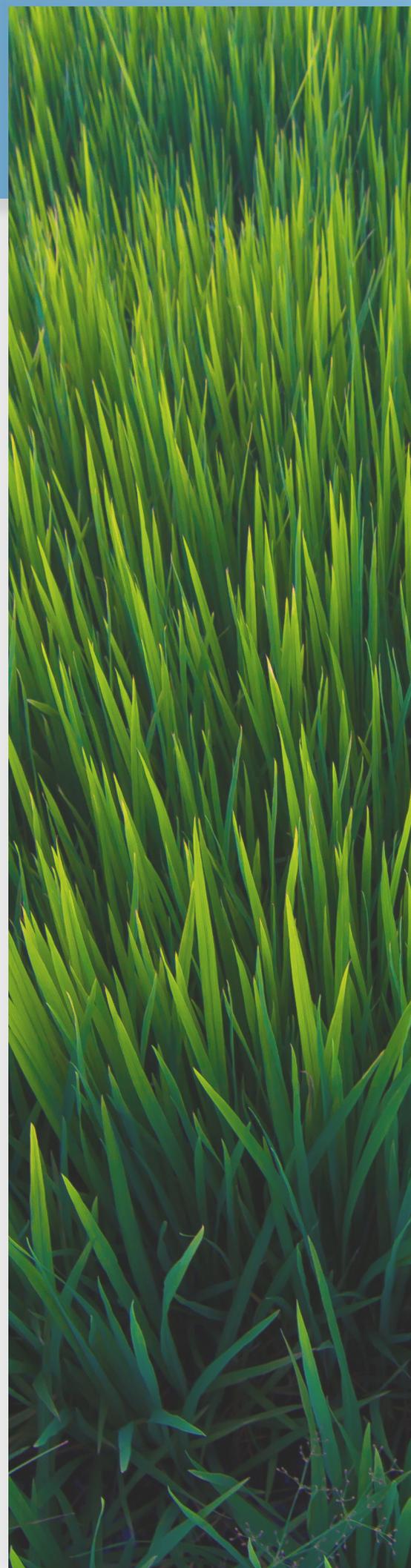
A financial inclusion strategic is for people of Thailand with low and informal incomes to have a measurable social impact through an unconventional range of products and our branch expansion.

- **Bringing regulations and market conducts to Microfinance**

Major contribution to Bank of Thailand (BOT) to undertake the restructuring of the microfinance sector and set standards for market conducts as well as interest rate restriction.

- **Cashless is a click away**

To improve customer's pleasant experience, the cashless technology was adopted and will be ready for the customers to make the repayment online by 2019.



# Walking Our Way to Sustainability

## Sustainability Strategy: Targets and 2018 Sustainability Performance & SDGs

As a leading Microfinance service provider, with the sustainability commitment of being a “Responsible Finance”, our responsibility is not limited to reduce the financial inequality in Thailand but also to contribute in developing the industry’s market conduct to be transparent and fair for every group of our stakeholders for sustainable mutual benefits with ethics for transparency and fairness.

	Goals	Targets
Happy Environment	<b>Emission Enemy</b>	Our target is to have 100% accomplished in Forest-Friendly products with FSC certified and green certified papers. The practice scope shall extend to cover all branches and all type of papers we are consuming.
	<b>Energy Less</b>	The reduction is intended to be based on energy consumption, which allows the company to adopt HQ office energy consumption reduction programs. The energy consumption reduction per user is relevant as a tool to assume the level of consumption. With the basic program, we managed to achieve the energy consumption reduction of 0.89 KW/user/day or equivalent to 0.63 KG CO2 of emission/user/day. Our target is to maintain this amount as nearly 100% of energy source of use are from fixed assets with the more users.
	<b>Efficient Office</b>	To become an efficient office, MTC is not starting from ground zero. Yet, this year the new strategy has a huge scaling up of our carbon reduction footprint practices. However, during 2017-2020, we are maintaining our focus on the reduction of paper use with technology, since it causes high environmental impacts in its production process. Our target remains, as stated in our SD report last year, that our paper consumption index will be reduced to 15.2 papers/employee/day.
Happy Social	<b>Earning Employee life-time Commitment</b>	Our program to enhance our employee commitments are to improve the communications within the organization, to improve employee’s wellbeing and safety, to support their development in knowledge and skill and to encourage diversity. Some target to be used as an index for monitoring the development in gaining employee’s commitments are to have more 4/5 of all aspects of employee’s satisfaction towards the working environment, to reduce employee turnover rate to 10% and 1% of accident cases, to have the average training hour per employee of not less than 8 hours.
	<b>Strong Supporting Community</b>	Our CSR program target has been committed to build strong communities where our people (employee and customer) are living in. Their better quality of life will eventually help growing our business sustainability, in term of growth and asset quality.  In targets for the 3 initiatives are: <ul style="list-style-type: none"> <li>• For Education: building 3 children development center a year, where needed.</li> <li>• For Public Healthcare: At least, 60% of our employees are contributing in Blood Donation Program.</li> <li>• For Religion: 4 hosting of KatinW ceremonies.</li> </ul>
Happy Economic	<b>Growth of Financial Inclusion</b>	New Customer Acquired: 30% growth of number of active customers. Old Customer Returned: 70% of customer are retained customers. Trusted Customer Stayed: Trust is not built overnight and the measure of its strength is time. We are aiming to set up an index to measure the life-time duration relationship.
	<b>Improvement of Industry’s integrity</b>	Our target on this challenge is to uplift the microfinance industry and develop fair and transparent market conducts by cooperating among the microfinancial service providers and regulatory supervisors.
	<b>Fraud Free</b>	To become a “Fraud Free” organization is one of the most difficult commitment we give to public, but its importance is as important to us as to our stakeholders. Our risk management function, together with the risk management committee are keeping an eye closely on monitoring the fraud and corruption cases and they are fully unacceptable conducts for us. In the meantime, all necessary processes, tools and policies are implemented to prevent and detect such cases on the best effort basis.

The Company has set the sustainability direction under the three pillars  
 “Happy Economy, Happy Social and Happy Environment”

2018 Performance

All toiletry paper specification to be green label and FSC certified only.		
In 2018, we managed to maintain the energy consumption reduction of 0.89 KW/user/day or equivalent to 0.63 KG CO2 of emission/user/day.		
Paper usage 16.10/employee/day, down from 17.5/employee/day last year.		
This year, the employee’s satisfaction survey revealed a lower-than-the target score for work life balance aspect. Our turnover rate is 17%, where 80% of employees who departed were those with working duration under 6 months with us. The accidents (including in and out of duty) is 3.5%. However, the training hour per employee is 9.19 hours, achieved the target.		
Education: 3 development centers were contributed to 3 communities. Hence, as of end of 2018, total number of children taken care under total 12 development centers are 415. Public Healthcare: Total 1,477,550 cc of blood from our employee donors are donated to public via Thai Red Cross, or accounting of 64% of our employees. Religion: 4 hosting of Katin ceremonies were accomplished to build relationship among community’s people and us, as well as to preserve the national’s religious culture. Total charity amount is THB 7,146,725.		
New Customer Acquired: 286,954 number of new active customers. Old Customer Returned: 71.46% of customer are retained customers.		
Licenses to operate • P-Loan, Nano Finance, Civil Codes Tax Policy • Tax Risk Management • Tax Transparency		
• Whistleblower Policy • Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) • Anti-Corruption Policy (revision)		

# Governance and Risk Management

## Stakeholder Engagement

The stakeholders of the company are groups that are directly affected, indirectly affected and unaffected by the business operations of the company. The stakeholders are categorized into 6 groups (appendix: Stakeholder Engagement & Communication). The interest issues can be altered from time to time along with the change in the business environment and the change in risks. The company will regularly revise the issue accordingly. For our sustainability development, we are encouraged to develop more and better quality communication channels to engage all group of stakeholders sufficiently, effectively and timely.

## Sustainable Governance

### “Ethics, Transparency and Accountability of the Board’s structure”

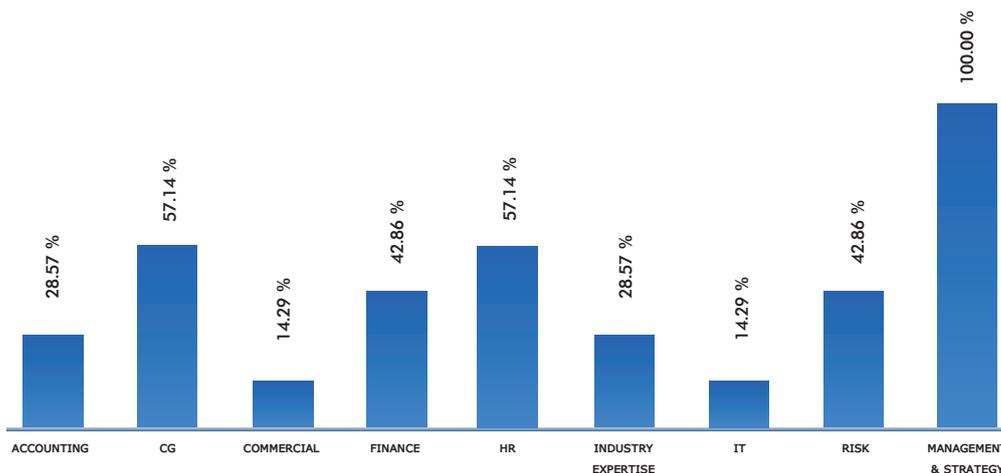
Managements believes that the key success of company’s proper management strategies, in which will lead the company to a sustainable growth, are ethics, transparency and accountability value, in the other word, a good corporate governance. In the year 2018, the solid foundation and business conduct practices are continued as commitments to our stakeholders. The CG policy and related policies are fully disclosed in company’s website.

Our Board of Directors is consisting of five independent directors out of seven and the Chairman of the Board of Directors is an independent director. Three independent directors are audit committees, who oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations with prudence.

The annual self-assessment carried out for the board of directors, individual committees as well as individual directors. The results are disclosed to public (see Corporate Governance section in the Annual Report Form 56-2).

## Skill Matrix in Board of Directors

The skill self-assessment of the member of Board of Directors was used as a tool to evaluate the board’s composition. Our board skill matrix strengthens an organization’s overall governance practices by identifying the current skills, knowledge, experience and capabilities of current board members. The matrix helps identifying areas for individual and overall board skills development which can be enhanced through additional education and training. It also helps the recruitment of a new board member that possesses a specific skill set to improve the board’s composition. At the moment, in the missing areas, the company may consider professionals when appropriate.



## Anti-Corruption

Company’s aim is to reach the World Bank’s standard of code of conduct and to become a dedicated responsible microfinance in Thailand. For the past years, the company has developed and complied with the code of conduct which is governing the foundation of how the company conducts business towards all stakeholders in accordance with the highest standards. This year, the company has further developments in corporate governance by ensuring that its ethical, social and environmental strategies are integrated. The Whistleblowing Policy and AML/CFT Policy were added to further improve the Anti-Corruption policy as well as engaging more stakeholders into the implementation of the policy.

MTC’s policies, codes and procedures regarding sustainability are reviewed on annual basis by the Board of Directors. In 2018, the board updated the Code of Conducts and Anti-corruption policies in order to meet the Collective Action Against Corruption (CAC)’s compliance.

### Whistleblowing

### Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

The whistleblowing policy enables stakeholders to raise concerns and to disclose information which they believe shows wrongdoings. The policy aims to protect the whistleblowers.

To ensure the compliance with the laws on anti-money laundering (AML) and international criteria on anti-money laundering and counter financing of terrorism (AML/CFT), the Board of Directors has established the AML/CFT Policy, the Know Your Customer (KYC) Policy, the risk management policy and reporting practices against customer’s money laundering activities.

## Risk Management

Muangthai Capital has focused on risk management which is considered as one of the principle culture of the organization. In order to ensure that the operations of the company are in accordance with the principles of good corporate governance, creating a sustainable business, creating credibility and building confidence to investors. The company, this year, therefore, has newly established a Risk Management and Legal department to support the Risk Committee to formulate risk management policy, follow up the implementation of the risk management plan, assess the adequacy of risk management plan and report significant risks to the board of directors.

## Corporate Risk Culture

Although the values of the company are to be aggressive in business growth strategy, however, we are highly conservative in risk management. Such values are cultivated to employees at all levels that it becomes our corporate culture, via the 360 degree internal communication channels, to share the experience of risk management throughout the organization as well as to raise awareness about risks, and training and development programs for directors and executives.

# 2018 Key Risks, Challenges and Opportunities

## Regulatory and Compliance Risk

### Challenge

In 2018, the Company was awared of amovement in the industry's regulatory environment, as a consequence, the licenses to operate had been altered to affect the whole industry's operations in a better way, especially for the market conduct development.

### Opportunity

Board approved an establishment of a new Department of Risk Management and Legal to replace a risk management working group function the board resolved in years earlier. The Risk Management and Legal Department is reporting to the Managements and Risk Management Committee on a quarterly basis to mitigate the risks relevant to regulatory environmental changes. As a result, we have also adding the regulatory authority into one of our key stakeholders.

## Fraud and Corruption Risk

### Challenge

To become a "**Fraud Free**" organization is one of the most difficult commitment we give to public, but its importance is as important to us as to our stakholdersas it is a key success factor to deliver what customer's needs, which is a quick cash via our fully decentralized operation.

Our risk management function, together with the risk management committee are keeping an eye closely on monitoring the fraud and corruption cases and they are fully unacceptable conducts for us. In the meantime,all necessary processes, tools and policies are implemented to prevent and detect such cases on the best effort basis.

### Opportunity

#### **Whistleblowing Policy**

The whistleblowing policy was newly established and approved by the Board during this year. The complaints and reports received through whistleblowing channel/focal person are reported directly to the respective governing body which is the audit committee. During 2018, the audit committee was reported once about the general situation of the whistleblowing channel activities.

#### **Anti-Corruption Policy**

The Board approved that policy should be reviewed by an independent external expertise for an improvement and revision to ensure that proper conducts are taken during a corruption risk-related activity and a confidentiality of the whistleblower. Prevention of money laundering and financial of terrorism Besides the AML/CFT policy, the prevention procedures and its risk management frameworks were approved by the Board and was implemented within the company during 2018. There is a mandatory course for all employees. It is also required that this issue shall be reported to the risk committee periodically, although the risk exposure is considered relatively low due to the nature of the business activities and the target group of customers.

Sources and Costs of Funding

**Challenge**

Due to the uncertainty of global macroeconomics, partly from the unsystematic risk regarding America First Policy, MTC considered that the impact could lead to higher cost of funding.

**Opportunity**

With this matter, the organization chart will be restructured by separating a clearer role and responsibility of Treasury and Corporate Finance function, expecting to be effective in 2019. The financial risk, therefore, will be mitigated with our financial management strategy and closely monitored.

Climate Change Risk

**Challenge**

probably indirect impact up to 70% of our portfolio which is involving customer from agriculture and construction sectors. Such risk could result in higher NPL and short-term funding ability of the company due to a sudden surge in demand for loan services.

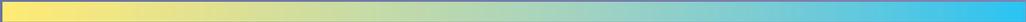
**Opportunity**

The company is well aware of the risk regarding to the climate change which is increasingly important in all sectors. In 2018, the managements approved the Environmental Policy to encourage the internal task force mainly relating to the resource consumption within the company, including the green building which is still the construction process.





# Happy Economy

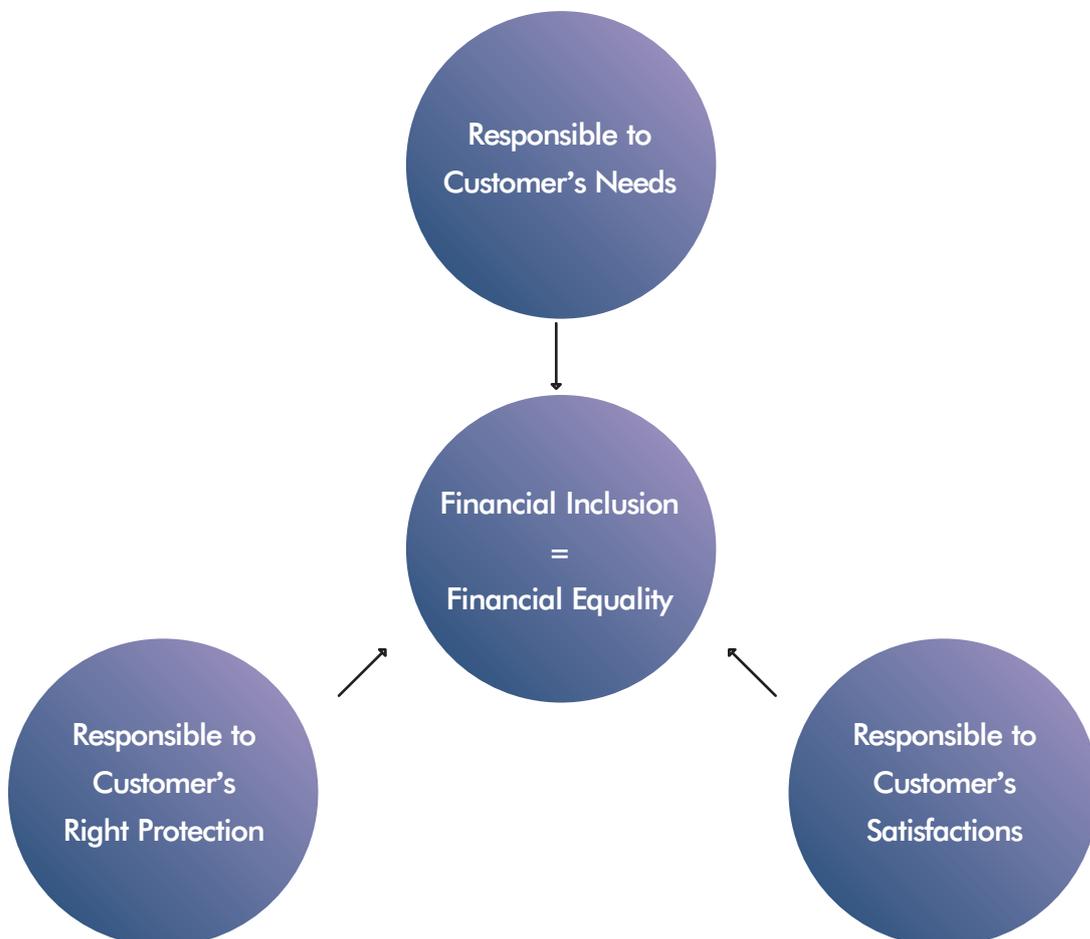


# Growth of Financial Inclusion

## The Challenge

The limitation and inequality to access to banking facilities and services in Thailand has been implanted deeply in our economic welfare problem. Despite the government's attempt and the national strategic plan to resolve the financial inclusion problem, according to World Bank report in 2014, around 15.40% of Thailand population borrowed from financial institutions and millions people still do not have access to basic banking services. Our concerted efforts are being made to bring Microfinancial services to these unbanked individuals, in order to distribute financial accessibility with fair and transparent cost to fund to majority to them.

## Management Approach



## Responsible to Customer’s Needs

The sustainable value of the company has been accelerated to become a “Responsible Micro Finance”, which means we would like to balance the financial inclusion growth with good market conduct. The financial inclusion is used as an indicator of the financial inequality. The higher financial inclusion, the lower financial inequality. The higher financial inclusion, however, has been an indicator of company’s growth and success. The financial inclusion growth alone, nevertheless, is not going to allow company’s sustainable success. We strongly believe that the sustainable success would require a crucial component which is morality and the morality can be managed via good market conduct. Our best attempt this year, therefore, was to push for changes beyond just us, but in the whole non-bank sector in Thailand. The areas we are focusing in order to reach the sustainability success, therefore, are restructuring the fragmented industry, to keep increasing financial inclusion in Thailand, to provide fair treatment to customers and to adopt technology to improve the efficiency in the operation.

### Hearing what customer’s needs is the essential process to direct the company to sustainability.

MTC’s Response to Customer’s Needs	How it matters	Sustainable Targets
Quick Cash	<ul style="list-style-type: none"> <li>• Decentralization &amp; Fraud Management</li> <li>• Technology Improving Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver services per customer’s choice of preference</li> </ul>
Sufficient Credit Line	<ul style="list-style-type: none"> <li>• Financial Inclusion</li> <li>• Asset-Based Credit Assessment &amp; Credit Line Extension</li> </ul>	<ul style="list-style-type: none"> <li>• Thailand’s financial inclusion enhanced</li> <li>• Increase financial equality</li> </ul>
Fair & Transparent Interest Rate	<ul style="list-style-type: none"> <li>• Pushing the Industry to the New Regulatory Body</li> <li>• Set New Mean of Market Interest Rate</li> </ul>	<ul style="list-style-type: none"> <li>• Develop long-term and sustainable microfinance industry</li> </ul>
Good Treatment	<ul style="list-style-type: none"> <li>• Service Excellence Policy &amp; Standardization</li> <li>• Morality Vs. KPIs Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Gain customer’s loyalty and trustworthiness</li> <li>• Gain company’s creditworthiness</li> <li>• Gain employee’s esteem in self and company</li> </ul>

## Quick Cash

Although the cashless technology has aggressively disrupted the whole financial markets, our customer's needs of cash and quick transaction, however, still remains. In order to deliver the customer's needs of cash transaction, the company is required to properly implement the decentralization process with a strong internal control of fraud risk and the right technology for efficiency improvement.

### Decentralization & Internal Control of Fraud

While the major directions are handed on by top managements, the business daily operations and decision-making responsibilities are delegated to middle and lower-level managers within the organization via our branch networking in the most efficient way.

With traditional manual controls, together with technology implementations, we have developed an effective internal control of fraud process. The fraud risk has been monitored closely by Risk Management department as well as internal audit department.

### Technology Improving Efficiency

Our strategy is to start acquiring the financial technology in which appropriate and supportive to our main business operations in the right timing when it is not as costly and not risky. We believe that, rather being disrupted by the technology, it is helping increase in our efficiency, improving customer experiences and reducing operational and fraud risks.

## Technology Acquisitions

### 1. SAP Operation System

SAP, which is one of the most powerful and trustful operating system, has been implemented to allow the company to manage financial transactions and business activities in real-time across all branches. The financial risk, operational risk and fraud risk are ensured to be under control.

### 2. Muangthai Capital 4.0 App

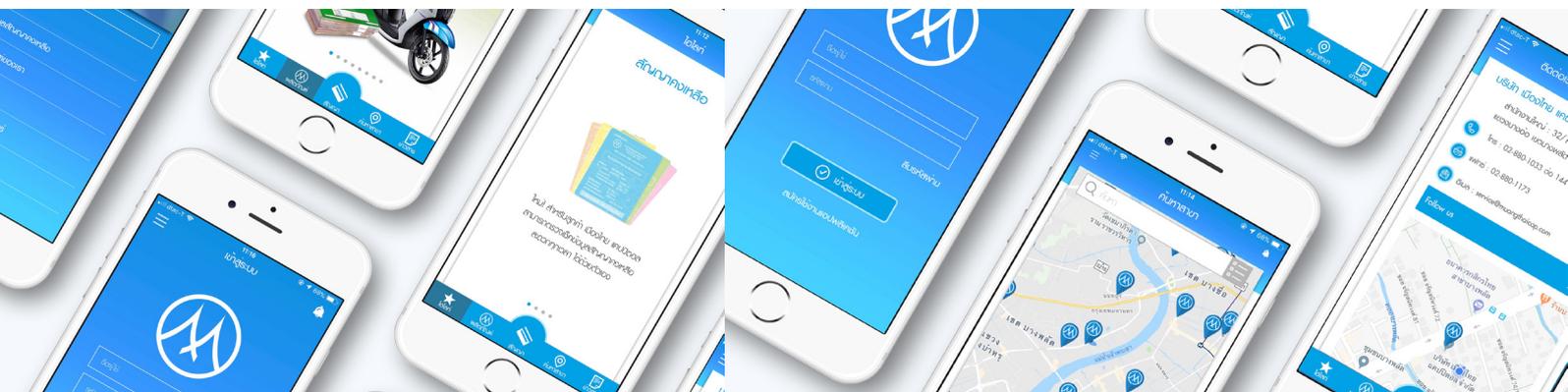
Muangthai Capital 4.0 application was launched in late 2017, comprising of 4 functions which are;

- 1)Balance Checking
- 2)Products & Services
- 3)News and Updates
- 4)Branch Location Search

It helps increasing customer experience, reducing fraud risk and improving operational efficiency.

### 3. Cross-Bank Bill Payment

The cross-bank bill payment is under developing process for system integration. The technology allows customers to make repayment through PromptPay via any bank. It will provide a greater inconvenience to customers and a huge developed in internal operational efficiency.



## Sufficient Credit Line

### Financial Inclusion Expansion

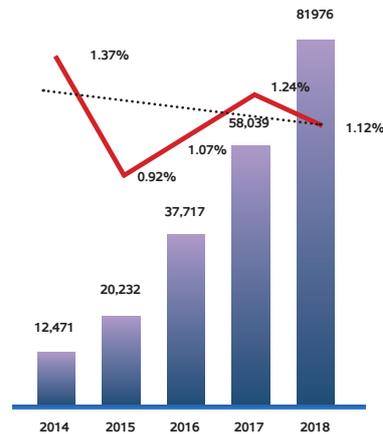
In order to improve the access to inclusive finance, that is where we are playing an important role with our loan portfolio expansion growth that allowing majority of non-financial inclusion to gain an opportunity to access funding with fair interest rate. Last year, our portion in microfinance loan might not be considered significant, comparing to the national GDP. However, this year, the regulators started to see its potential and realized how much impact to the national economy and social it could be. We, therefore, are grateful to be supervised by the Bank of Thailand, yet, our main intention remains to provide our best effort to expand the accessibility for highest coverage in Thailand and to be truly approachable for all group of Thai people, especially the informal income and unbanked people.

For the past 5 years, the number of our branches has been rising in relation to the size of loan portfolio, in which we are using as an indicator for financial inclusion. However, our consideration is not only limited to the accessibility of financial inclusion, the quality of loan is another element we involve in the controlling and improving, meaning that the growth of lending shall be contributed to good customers for their sustained and self-sufficient livelihood with responsibility, resulting in better quality of loan and lower rate of default probability and NPL.

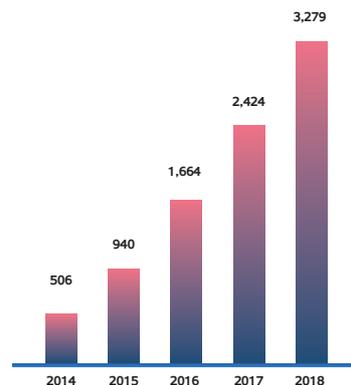
### Asset-Based Credit Assessment and Credit Line Extension

MTC's operation is generally associated with lending against nontraditional collaterals such as vehicle titles and land deeds. The credit assessment process is direct and simple. The credit line is granted based on value of the assets, with less considering other kind of credit worthiness. It, hence, is applicable to all customers with required documents and assets, regardless of their incomes, gender, ages, races, religions and careers.

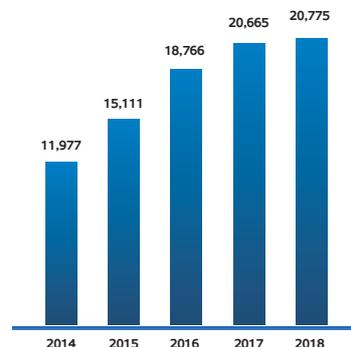
Throughout the years, we have adopted new loan products to help credit line extension for our customers to fulfill the customers' need when their wealth is growing. With very limited source of funding back two decades ago, we only provided loan against motorcycle title. After our IPO in 2014, we added car title loan, land deed loan, and unsecured loans, hence extending the credit line for greater needs of our customer's credit line.



Graph: Loan Receivable vs NPL ratio



Graph : Number of branch period 2014-2018



Graph : Average ticket size period 2014-2018

## Loan Portfolio Profile

Number of Active Contracts

**2.3** million active contracts

Number of Active Customers

**1.5** million lives impacted

Loan Portfolio Size

THB **48** billion of financial inclusion

Consistent Plain Vanilla Product Mix

- Motorcycle Title Loan
- Car Title Loan
- Agricultural Vehicle Title Loan
- Land Title Loan
- Unsecured Loan

## Fair and Transparent Interest Rate

### Pushing the Industry to the New Regulatory Body

New regulation for microfinance industry establishment, especially the vehicle title loan product, was partially contributed by the association and the company, incorporating with the Bank of Thailand and the Ministry of Finance, in order to govern and improve a better transparent and fair and proper market conducts to microfinance institutions (non-bank) and customers. This year, in collaboration with the Vehicle Title Loan Trade Association (“VTLA”), we are a part playing an important role in driving BOT’s supervision process by sharing the relevant information for the best interest of both lenders and borrowers, since we are the market leader, having the largest market share as well as number of customers; we have the deepest understanding our customer’s requirements and behaviors. It is, eventually, resulting in the revision of Personal Loan’s regulation to cover vehicle title loan with interest rate capped at 28% p.a. and proper market conducts

### Set New Mean of Market Interest Rate

The market rate has been brought down on average, whilst our interest rate and fee charges are still at the lowest in the market. This year, with our further contribution incorporating with the regulators such as BOT and Ministry of Finance, the interest rate has been recently capped at 28% p.a. under the Personal Loan’s regulations, with clearer instructions on market conducts, helping the overall industry improved with the fairness and transparency. Although, the BOT allows the interest rate charge to be up to 28% p.a. , however, we prefer to maintain our interest rate charge as low as usual for our customers, as a reward for their retention of lowest NPL.

## Good Treatment

### Service Excellence Policy & Standardization

We adopt standardization, especially focusing on the Service Excellence Policy (further clarified in Customer Engagement & Fair Treatment section), to create uniform business processes, such as service standards, loan issuing, asset valuation, debt collection, etc. across branches. The expected results are processes that consistently meet our cost and performance objectives using a well-defined practice.

Standardization, thus, reduces the risk of failure in both operationally (human error, fraud, etc.) and financially (overvaluation of collateral asset, credit risk, etc.), Advantages from standardization, beyond direct cost and quality improvements, include ;

- The process becomes more reliable; variations in quality shrink.
- Comparing the performance between different units of an organization becomes easier.
- Process standardization is an important prerequisite for the standardization of IT systems.
- The loan approval standardization has helped less discrimination/ favourism in the loan approving process, resulting in a better and a fair chance for customers to access the funding.

## Morality Vs. KPIs Mechanisms

As we have put our customer’s treatment as the first priority, as well as the hard works and efforts of our employees, the employee’s mechanisms have been designed in the way to benefit both stakeholders.

## KPI : Good Asset Quality

Morality Mechanism: Instead of focusing either on the loan growth or the amount of debt collected, the number of customer acquired and the low NPL are our main target to define the success of our employees’ efforts and to secure customer’s safety and privacy. It reflects in such a good asset quality shown today. Without this mechanism, the customer might be led into entering into false financial decision (too big ticket size) or risking their safety and privacy in the default events.

**KPI : Service Excellence**

Morality Mechanism: The better service we have been providing to our customers changing the whole face of competition in the market, reducing the violence and inequality treatment to customers. From our history, it is found that approximately 70% of customers are retained customers. We have been using such rate as one our KPI to indicate the quality of service our employees are providing. With any rate lower than 70%, meaning that there is a room for service quality to be improved. This year, the customer retention rate is 70%.

**MTC’s value proposition responds to the demands of informal income customers, to maintain their loyal, mainly via branch distribution channel but start to diverse with digital channels development and increase their satisfaction with the Service Excellence policy.**

The branch expansion continuous enhances financial inclusion to Thailand’s population successfully. The starting of digital channel, Muangthai Capital 4.0 application, has resulted in a remarkable increase of digital customers in 2018.

In 2019, MTC’s commitment to the growth of loan portfolio through the branch expansion remains priority, meanwhile the digitalization will be developed continuously.

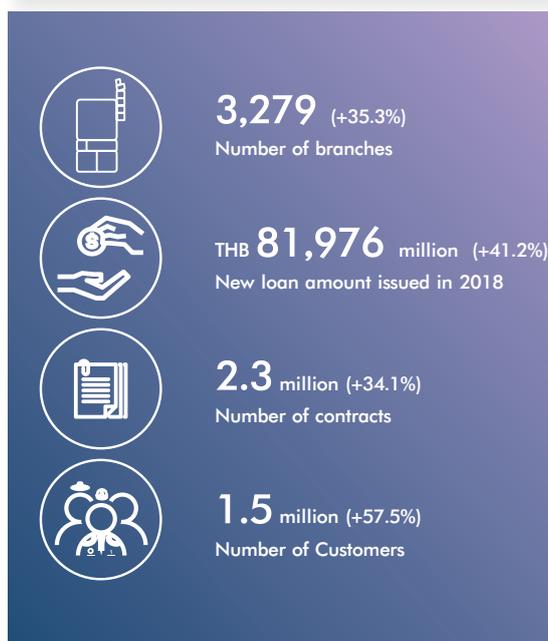
**Responsible to Customer’s Satisfaction**

**Customer Engagement Program**

Clear and transparent customer engagement process is an essential component of providing excellence services to our customers, maintaining their trust and loyalty, and empowering them to make the right financial decisions, in which being a secret recipe to keep our NPL low, as well as, maintaining our competency in competitiveness.

Our customer engagement strategy had been mainly focusing on the Service Excellence for the past years. A set of service standards that were created in accordance to the industry best practices and regulations had been monitored continuously for efficiency improvement across our branch networks. Our customer engagement strategy, therefore, had been executed via offline (thanking customer form) and online social network channels (FB Page: “เมืองไทย แคปปิตอล: Muangthai Capital” review: 4.2/5 from 336 reviews as of 31 December 2018).

This year, however, to enhance the sustainable customer empowering, we adopted a new process to assess our customer satisfaction in several aspects to get a greater insight into true customer’s needs and satisfactions towards our products and services. The customer engagement tools are mainly to establish public surveys on our webpage and other online channels for their satisfaction assessment, besides the service, on other areas we are interested in, such as, the demand for each products and service, the efficiency of marketing tools. After the analysis and conclusion of the results, several strategies, which are relating to enhance the customer experience, have been initiated and implemented.



**2018 Areas of Interest**

- Identification of customer needs about products and services
- Effective customer acquisition channels
- Efficiency of company’s website to penetrate target group
- Identification of company’s competency

### Customer’s Satisfaction Improvement Strategies

As a result, our commitments to improve customer’s satisfaction reflected in our 2019 business strategies;

- **Operation: Shift in product segmentation**  
Loan growth, Better Yield
- **Risk Management: New process to control risk**  
Risk profile maintained
- **Marketing: Shift to online marketing strategy**  
More efficient, lower cost
- **HR Development: Intensive in Service Training Program**  
Employee empowered

We clearly cannot control the customers but we can help inform and guide consumers in a way that benefits the company, consumer, society and the planet. Because customers tend to trust their family and friends more than a corporate PR message, the Service Excellence program, therefore, remains what we are embracing but with more works to cover other aspects to become a better industry’s leader.

### Responsible to Customer’s Rights

- **Appropriate Financial Decision**
- **Transparent Interest Rate and Fee**
- **Transparent Communication**
- **Respectful Treatment**
- **Customer Feedbacks Management**

### Credit Line Limitation and Loan-to-Value Policy

In order to prevent over-lending risk which leading to NPL, the credit line per person and per contract are established, incorporating with the loan-to-value of the assets. The assets, however, are evaluated to reflect the true market prices via our own auction houses (6). The market prices are updated twice on SAP system, in which sharing the most updated information among our branch network.

50%

**Avg. Loan-to-Value**

**THB200,000**

**Max. credit line per contract**

**THB400,000**

**Max. credit line per customer**

### Transparent Interest Rate and Fee

We realize that we are a component playing a fundamental role in enhancing financial accessibility of Thailand’s population. To achieve that, we are aiming to make financial resources available for the real economy, especially to the grass root at the bottom of the economy’s pyramid, and to offer microfinance products and services that serve, rather than harm, the public interest per social’s expectation. It reflects in our interest rate yields of approximately 23% p.a. , which is lower than the average market rate.

### Transparent Communication

To win customer trust and maintain their loyalty, the transparency in communication to customers is the heart. This transparency reflects clearly in our revenue structure as fair and simple as possible. Despite the level of financial literacy, the customers are having. It is our responsibility they must understand all terms and conditions they are binding into.

It is our policy to display a clear instruction of interest rate and all fees associating with the business operations that all employees and customers required to understand.

### Respectful Treatment

Retaining existing customers is critical to the sustainable success of microfinance business.

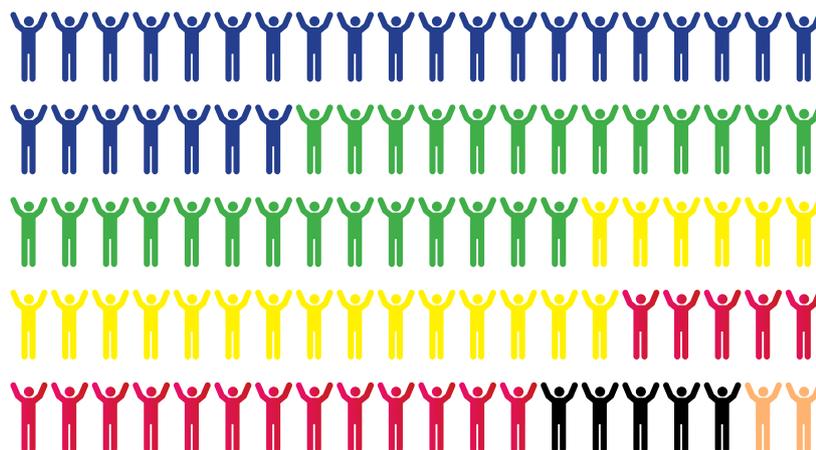
Our customer retention rate is approximately 70%, determining the importance of our retained customers and is set to be one of our employee's KPI.

### Customer Feedbacks on Multi-Channels

We have provided several interactive channels for the customers to communicate their feedbacks with us, both off-line and on-line platforms, which including;

- 3,279** Branch Network
- 8** Operators Call Center
- 2,426** Customers Line Application
- 40,934** likes Facebook
- Whistleblower Channels**  
(In 2018 no whistleblower report)

### Customer Segmentation by Career



- Constuction Service Worker 27%
- Agriculture 27%
- Merchant 21%
- Private Company Office 18%
- Government Office 5%
- Motorcycle Taxi 2%

# Improvement of Industry's integrity

## The Challenge

Due to the scaled-up and more commercialized, together with the necessity of the microfinance industry in this country, as a leader, we realized that this very fragmented industry shall be reshaped and being supervised by an authority for an improvement in its standard market conducts. In other words, the growth of financial accessibility, not only have to be balanced with the risks, it also has to be balanced with our business morality as well as standard market conducts.

## Management Approach

### Partnership and Collaboration

**Contribution in new regulatory body for microfinance industry, diminishing of regulatory risk and establishing standardized transparent and fair market conducts**

As a result, early of this year, we approached the Bank of Thailand as well as gathered a Vehicle Title Loan Trade Association ("VTLA") with another 30 companies in which vary in size and being active across regions in Thailand. With a significant collaboration between the Vehicle Title Loan Trade Association and the Bank of Thailand, in late September 2018, it was announced that the Personal Loan License issued by the Bank of Thailand is extended to secure loan product, in which including the vehicle title loan such as motorcycle, car and agricultural vehicle titles. With this essential move, we believe that the market conducts

in this whole industry will be overseen and supervised by the Bank of Thailand and expecting that the industry will be considered as legitimate as the banking sector in the near time.

## Improving Fair Interest and Fee Structure

In respect of building industry's integrity, we are the leader to initiate the use of effective interest rate and prepayment fee termination since May 2018, in which turning the Microfinance industry to mitigate the country's financial inclusion problem sustainably since it provides the flexibility to customer to break the loan cycles, hence enhancing the asset quality overall, as reflected in the dropping of NPL in the fourth quarter.

## MTC's operating under licenses and regulations

### Personal Loan License

Under BOT's supervisory since 2006, revised in 2018 to include vehicle title loans, with interest rate capped at 28% p.a.

### Nano Finance License

Under BOT's supervisory since 2015 with interest rate capped at 36% p.a.

### Civil and Commercial Code

Section Code: 0650-0656 Excessive Interest Rate Prohibition Act B.E. 2560



Pic : Vehicle Title Loan Trade Association annual Meeting in september 2018



# Happy Social



# Implanting Employee Life-Time Commitment

## The Challenge

Committed employees bring the achievement of sustainability goal to the organization through their determination, proactive support, high productivity and awareness of quality. But because our business is human driven, the strong discipline culture is taken as a key success factor to maintain our asset quality, which is a factor to business sustainable success, therefore, it is rather a challenge to retain newly employed employees and encourage them to adapt to the corporate culture. In 2018, our turnover rate is 17%, where 11% is from those employment durations under 6 months.

## Management Approach



**The business grow will never happen without our employee life-time commitments. To build up such commitments, the Company must create employees with loyalty, happiness and intellects and diversity within the organization. However, it is must be based on the principle of human rights of the employees, so that they sustainably work happily and efficiently.**

## Loyal Employee

### Technology Links Us All

Since we are having more than 3,279 branches with over 7,660 employees across country, the technology is implemented to connect peer-to-peer, top-down and bottom-up.

#### MTC University

Sustained use of “MTC University” internal platform; over 7,660+ users for official communication among employees and managements

#### MTC Forum

Open use of “MTC Forum” platform as the corporate social networking platform; for knowledge sharing, Q&A, comments, complaints, requests and whistleblows.



### Fair and Transparent Assessment Programs

#### Employee Satisfaction Assessment

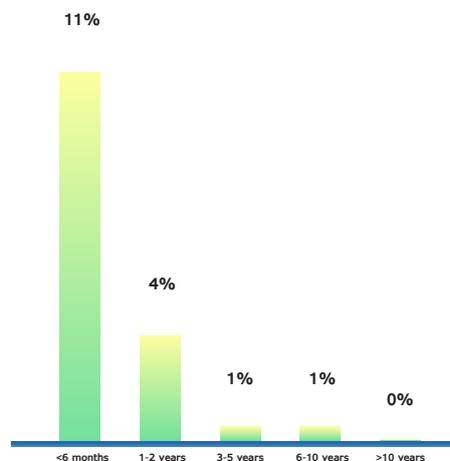
This year we started to conduct a blind employee satisfaction survey via the internal portal. Since the company’s employee turnover rate is high during the first 3 year of employment, the survey is, hence, performed heavily weighting on this group of employee. Their feedbacks are helping us better understand and integrate sustainability across our business.

#### 360-Degree Assessment

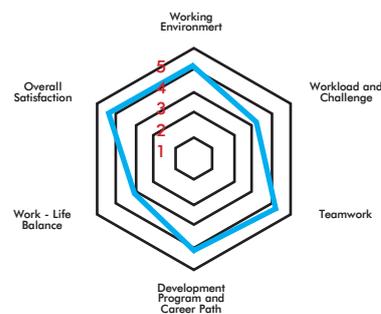
Because “teamwork” is a core essential in our culture and values, the emphasis, hence, has shifted towards 360-degree assessment process. For this reason, managements support this use of multiple-input performance for formal appraisal for employee and their developmental purposes. Moreover, the 360-degree assessment process is conducted in association between HR Department and Internal Audit Department as a tool for misconduct reporting channel. The process is normally performed in the way to maintain its independence.

#### Exit Interview Process

In 2018, the company started to collect feedbacks from departing employees in order to gain insights into all aspects of the working environment in which contributing to high turnover rate, especially those with under 3-year of employment. Total Employee Turnover Rate 17.21%, in which mostly are the newly employed employees.



Graph: Employee Turnover Rate by employment period



Employee Satisfaction Assessment

## Happy Employee

### Safety First

Due to MTC's safety policy for employees, the helmets and warning stickers are provided to all front office who required commuting by motorcycles during their operations.

### Well-being

#### Free accommodation for every employee

To enhance employee's quality of life, the accommodation is offered to all employees at free charge. The front officers are allowed to stay at the second/third floor of the branch, while the HQ officers are allowed to stay in company's dormitory located opposite the HQ in Banglad District, Bangkok.

#### Sport Events in 2018

MTC promoted long-run health benefit of employees by investing in sport events which have been arranged weekly and yearly throughout the year. Moreover, MTC also supports social healthcare by being a main sponsorship in the "Mini Marathon Bangkok Run in the City 2018" on 2 December, 2018 and providing opportunities to 100 employees to attend the running event.



## Intellectual Employee

In order to retain our talents, the company reckons that one of the most challenge for us is to create the opportunities and incentives that maximize employee contributions to corporate performance, to help the company benefits most from our crews. It is, therefore, our responsibility to provide our people the growth and development in their careers through the training program.

### Employee Orientation (8-12 hrs)

The orientation process in which we use to introduce the new employees to their new environment, corporate culture as well as the sense of "belonging" to the company.

### Compulsory Training

#### Service Excellence ; all level (8 hrs)

The Service Excellence training program is designed to focus on developing a culture of customer service excellence, which is the heart of our business competency, and provides employees with theories as well as critical skills at both the individual and organizational level.

#### Management Techniques ; Management level (8 hrs)

Because our business operation is decentralized, the effective leadership is, therefore, a vital element of the success. The training will help management level to run their team efficiently, resulting in a greater productivity for the company.

#### Selective Training (8 hrs)

The selective training is allowed for individual employee to select any particular course or training per their preference and work related to meet individual personal interest and improve skills and knowledge

#### Scholarships ; Management level

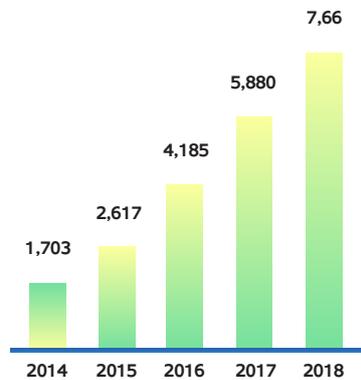
Scholarships are provided to employees to pursue higher education.



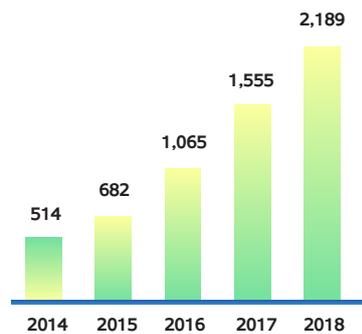
**Succession Planning**

For the continuity of effective business operation, MTC ensures that senior managements and executive managements are on our succession planning program, with the following practices;

1. Identifying the successors based on performance, potential and readiness of the persons.
2. Designing the development program for the selected successors to enhance their knowledge and skills.
3. Meeting requirements of the successors.
4. Job rotation for successor preparations.



Graph: Number of Employee 2014-2018



Graph: Full-time Compensation 2014-2018 (million baht)

**Diversity Organization – No One is Left Behind**

The diversity and inclusion are embraced through all level of the company. We are having a believe that our workforce shall truly reflect the communities we are living in and employing people with different backgrounds and perspectives would build us a stronger business.

**Employee Diversity**

- 10.93%** of workforce constitute women
- 40.49%** of HQ constitute women
- 21.43%** of management position constitute women
- 100%** of women returned after parental leaves in 2018

**Employee Inclusion (localized and Rotation)**

Employees from 77 provinces across Thailand

- 3** employees with disabilities
  - 1 Messenger
  - 1 Accounting
  - 1 Administration

**Safety Indicator**

**3.5%**  
Work-related accidents

**Training Indicator**

**THB10,765,260**  
Invested in training program

**9.19** Hours  
of training per employee

# Building Strong Communities

## The Challenge

Without support, these valuable members of our community risk losing their independence, their dignity, and their health, and weakening the social overall, resulted in lower quality of people who, eventually, are our stakeholders. Supports can be simple – ranging from donation to community for general or specific purpose to providing children day care school, to take care of the children while parents are away to work. Our challenge is to become a center of the community, where people would think of us when they are facing a problem.

## Management Approach

An investment in communities through CSR programs on the education, public health care and religion demonstrating how a corporate citizenship can create positive long-term impact towards our communities.

### Education

MTC has initiated a project to build new children development center under the name “Baan Mai Khong Noo” every year until present. The company had already built 9 children centers and this year, 3 more have been added, which are Baan Kongwa Children Development Center, located in Chiangmai, Sribanpot Children Development Center, located in Pattaloong and Nong Pakwan Children Development Center, located in Srakaew. Not only the physical building we have been providing, we also have set up a program to follow up to ensure that the facilities have been utilized per objective and efficiently by having appropriate amount of children under their cares. The number of children indicates the impact of the children development center towards its community, how many parents and households we can actually help in improving their quality of life.

### Public Healthcare

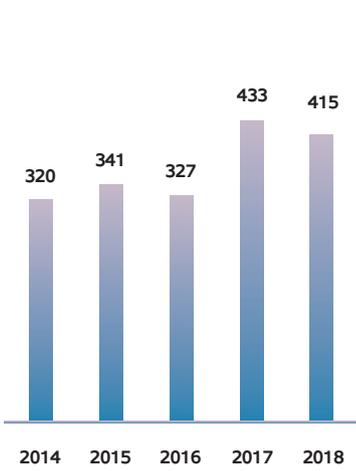
In June 2018, the “Muangthai Blood Donation” program was held again. The employees were very responsive and supportive in this activity by incorporating in blood donation at the nearby hospitals and the provincial Red Cross across Thailand. This year, we were having totaled 4,925 blood donors (300 cc each) accounted for 1,477,500 cc blood donated, with 4,925 blood donors surpassing the past year.

**A 271,200 cc (18.36%)**  
**B 520,500 cc (35.23%)**  
**O 564,300 cc (38.19%)**  
**AB 121,500 cc (8.22%)**

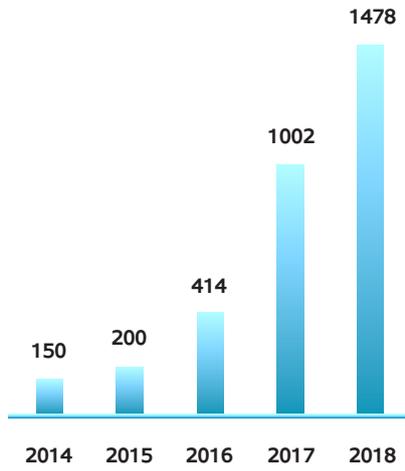
### Religion

The temple in each community remains the heart gathering nearby residence's bonding. By organizing and hosting a regular Kathin ceremony on a yearly basis, rotating to different areas, we help in reservation of the traditions inherited and to maintain good relationships with people in the communities. This year, the collection was totaled THB 7,146,725, which was contributed to the following temples;

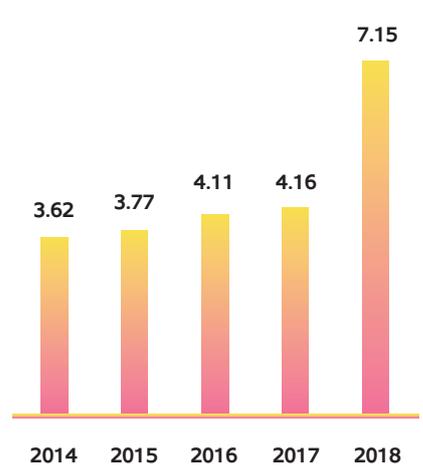
1. Nong Krang Temple, Angthong Province amount **THB 1,784,775**
2. Baan Num Poo Temple, Chainat Province amount **THB 1,787,220**
3. Ampawanaram Temple, Roi Ed Province amount **THB 1,785,910**
4. Ta Ma Pring, Chomporn Province amount **THB 1,788,820**



Education



Public Healthcare



Religion

## Contribution to sustainable development goals through community investment



**415 households beneficiaries**

having their children taken care under our development centers.



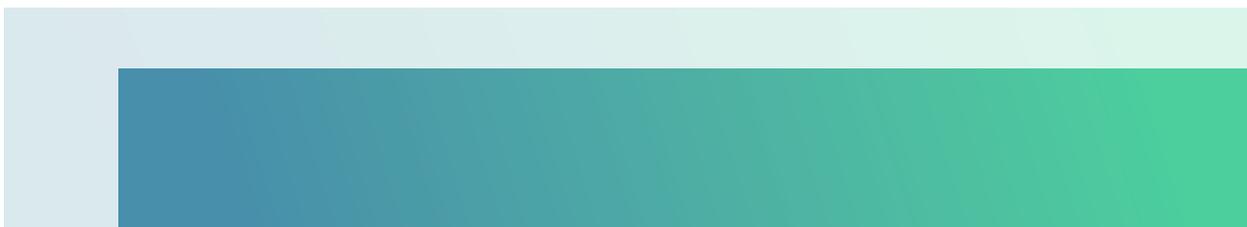
**1,477,500cc**

of blood being able to passed on to save thousands of people's lives.



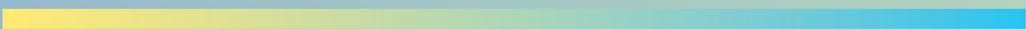
**7,146,725THB**

charity of Kathina ceremony helps villagers in our communities reaffirm their faith and, in a joyous fashion, bring the necessities to Buddha and his servants.





# Happy Environment



# Long-term Carbon Footprints Reduction

## The Challenge

As a Microfinance Institution, our role in the general social is consisting of both direct and indirect impacts towards the environment. The direct environmental impacts that we consider range from emissions produced by our Headquarters and branch offices as well as transportation used by staff, where the indirect impacts include the greenhouse gas emissions related to our business operations. It is a challenge for us to expand the scope to cover 100% of our operations which are spreading across Thailand and do not share 100% of the central procurement system.

## Management Approach

We, hence, account for the environmental effects of mainly the building and facilities management including excess paper and energy consumption.

The shift towards a low-carbon economy becomes our commitment since the establishment of our environmental policy in 2018.

### Emission Enemy

This year we started the initiative regarding the forestry protection by revising the Purchasing Code of Conduct to concern more environmental friendly issue, which resulted in changing from normal toilet paper rolls to the FSC certified one. Our target is to change 100% of paper used within the organization to green label.

### Efficient Office

Implementation of SAP and mobile application reduced significant amount of paper usage and wastes, in which provides long-term positive impact to reduce the GHG emissions. Continuously, more modules will be added in the operational technologies, hence the paper usage will reduce to our target of 15.2 papers/employee/day in 2020. Additionally, this year is the first year we replace the use of CD for Annual Report and Sustainability Report with QR code technology to save more papers and wastes.

### Energy Less

In 2018, another big important step moving towards the environmental sustainability is to take our employee into contributing to reduce environmental impact by establishing the Environmental Policy, in which encouraging employees to consume all natural resources with cares.

#### Earth Hour Program

This year, our environmental policy is published in the corporate website.

We started the initiative for energy sustainable with an Everyday Earth Hour Program (HQ only), with an objective to reduce the electricity consumption. The saving of the energy eventually reduced GHE emissions, in which leading to reduction in demand for fossil fuel energy.

#### LEED Certified Green Building

As of end of 2018, the company has formed our networking spread across country of approximately 3,279 branches. They could possibly account for nearly 90% of our total CO2 emissions, it clearly makes sense to reduce the environmental footprint wherever possible. This comes to the newly construction of Headquarters project in Bangkok with LEED Certified Green Building to highlight the environmental improving that we can achieve in our largest property.

In the year 2018, the company was in the process of planning and designing the new Headquarters building, with the intention to details of environmental sustainability strategy in accordance with international standards.

The green buildings certified by LEED use less energy and fewer resources. Moreover, the green buildings also promote happier employees and occupants, lower operating costs, optimize public relations community benefits.

LEED works by awarding projects points across nine key areas of green building:

- Integrative process
- Location and transportation
- Sustainable sites
- Water efficiency
- Energy and atmosphere
- Materials and resources
- Indoor environmental quality
- Innovation
- Regional Priority

The new LEED office building is on the construction process which expected to complete in 2020.

**2018 CDP Submission**

We report to CDP's climate change program in order to provide details about our sustainability initiatives regarding environments.

In 2018, the following initiatives were to reduce resource consumptions, wastes and carbon footprints.



**Green Label Required**

**Responsible Paper Purchasing**  
Toilet paper specification to be green label and FSC certified only.



**Daily Earth Hour Program**

**Responsible Electricity Consumption (HQ only)**  
27,398 kg Co2 reduction



**Technology Replaces Paper**

5,351 kg Co2 reduction  
**Responsible Efficient Office**  
Information Technology (ex. SAP, mobile app, online internal communication platform) has been playing an important role in saving paper consumption. (Paper usage 16.10/employee/day, down from 17.5/employee/day last year, with target of 15.2/employee/day in 2020)

## Appendix

### Summary of Contributions to ESG

Human Capital

**THB 2,189 million**

Personal expense

**7,660**

Total number of employee at year-end 2018

**3**

Disabilities

Customers

**THB 48,047million**

Personal expense

**23.79%**

Average Fair and Transparent Interest Rate

**>1,517,416**

Individual unbanked supported across Thailand

Shareholders

**THB 103.9 billion**

Stock market value at year-end 2018, included in MSCI Global Index

**THB 0.11**

Dividend per share

**26.5%**

Return on Equity

Community

**THB 3.5 million**

Investment in Education under “Baan Mai Khong Noo” Program

**THB 7.2 million**

Contribution in Religion through Kratin Hosting Ceremony

**1,477,500 cc**

Contribution to Thai Red Cross’s blood bank

Creditor

**THB 9.61 billion**

New Bond Issued

**BBB Stable**

Contribution in Religion through Kratin Hosting Ceremony

**Local and Foreign Banks**

Source of Loan from Financial Institutions

Tax Contribution

**12.78%**

Tax to Revenue Ratio

**THB 911.83 million**

Corporate income tax

**THB 419.57 million**

Other taxes

Board of Directors/Managements and Auditor

**THB 7.12 million**

Board Remuneration

**THB 39.32 million**

Managements Remuneration, (13 Persons)

**THB 4.53 million**

External Auditor, +29.46%\*

# Materiality

MTC annually conducts a materiality assessment to monitor and revise the key sustainability and business-related issues in accordance to GRI framework. The key issues were selected taking into consideration of stakeholder interests, impact towards EGS and impact towards business. The assessment process is consisting of 1) identification and 2) prioritization.

## 1

### Identification

The identifying material concerns process in 2018 were conducted by reviewing materiality of other non-bank, surveys with stakeholders, megatrends analysis, risk management reporting from the risk management function, internal audit reports, together with global megatrends and value chain analysis. The results were validated by the managements, CG committee, Risk Management Committee and the board of directors.

## 2

### Prioritization

The output of the assessment process was a list of material topics, with a description to extend the “Key Business Materiality” of how they are matter to the company and stakeholders. Every issue of the business materiality are plotted in the materiality matrix based on ESG impact (x-axis) and stakeholder impact (y-axis). This year, the regulatory risk and compliance is placed greater weight, especially for the company’s EGS impact, as we identified them as our priority.

Issues of the key business materiality cover 9 goals of UN SDGs.



Significant Materiality	Scope and Boundary Interest in 2018	Location in SD Report 2018	Page
<b>Responsibility to Customers</b>	Meeting customer's needs, Engaging customer's satisfaction and Respecting customer's rights	Growth of Financial Inclusion	
<b>Risk Management</b>	The industry's challenge and opportunity in regulatory risks and a new regulatory authority to supervise the vehicle title loan products.	Governance & Risk Management Improving Industry's Integrity	
<b>Labour Management</b>	Responsibly providing the education, working environment (safety and wellbeing) by advocating the employee's human rights.	Implanting Employee Commitment	
<b>Good Corporate Governance</b>	Anti-corruption related policies engaged more stakeholders (employees, customers, and government authorities)	Governance & Risk Management	
<b>Emission, Energy and Waste</b>	Implemented environmental policy to manage emission and waste and energy consumption and through company's value chain via technology and procurement process.	Long-term Reduction of Carbon Footprints	

## Stakeholder Engagement and Communication

The stakeholders of the company are groups that are directly affected, indirectly affected and unaffected by the business operations of the company. The stakeholders are categorized into 6 groups per presented in the following table. The interest issues can be altered from time to time along with the change in the business environment and the change in risks. The company will regularly revise the issue accordingly. Moreover, the company has also prepared a code of ethics for each group of stakeholders, which are included in the business ethics of the company.

Group of Stakeholder	Communication Channel	Frequency	Interest Issue	Initiative in 2018
Shareholder/ Investor/Creditor or	Annual General Meeting of Shareholders	Frequency	Business performance	
	Annual Report and Sustainability Report		Short/middle/long-term business plan and strategy	
	Analyze Conference	Quarterly		
	Opportunity Day at SET	Quarterly	Risk, challenge, industry trend and impact to business performance	
	Other IR Activities	Regularly and Occasionally		
	Roadshow company's performance and strategic plan			
	IR line and Email		Impact of the business to economic, social, environment and sustainability development	
	IR website page			
	On-site visit activity			
	CSR activities			
Employee	Internal 360 degree communication via internal portal	Regularly	Business direction and operational problems	
	MTC University		Security in career	
	MTC Forum			
	Muangthai Sumpun Monthly Journal	Monthly		

Group of Stakeholder	Communication Channel	Frequency	Interest Issue	Initiative in 2018
	Internal meeting (Management level, Manager level, Department level, Internal Department and function)	Monthly	path, benefit and welfare Safety and healthcare on-the-job and off-the-job Educational and skill development activity to meet company's business direction	Supported 100 employees to attend a marathon event for 5 km and 10 km races in the Mini Marathon Bangkok on 2 December 2018
	Sport activity to promote healthcare and relationship among employees	Monthly and Annually	Risks in the operation. Ethics and disciplines in the operation and providing services with transparency and fairness	Conducted employee satisfaction survey on 6 aspects (working environment, workload and challenge, team working, education and training program, work life balance and overall satisfaction) Independent Exit Interview
	Executives meets Employees activity (Executives visit branches)t	Monthly and Annually		
	Employee satisfaction survey (Officially and unofficially)	Annually		
	Whistleblower channel	Regularly		
<b>Supplier/Business Partner</b>	Supplier/Business Partner Assessment Process	Regularly	Management for transparent and fair procurement process and maintaining relationships with valuable partners with similar sustainable business direction.	
<b>Customer</b>	Customer satisfaction survey	Monthly	Microfinance product and service development to meet customer's needs and satisfactions.	
	Open for comments/ suggestions/complaints and provide assistance and answers for inquiries Offline (Customer thanking form sent directly to customers from the HQ and sent back to HQ, call center, and branches) Online (Social media)	Regularly	Development of market conduct to be standard, transparent and fair Development of product and service that will not harm customer's rights	

Group of Stakeholder	Communication Channel	Frequency	Interest Issue	Initiative in 2018
<b>Community and Social</b>	Whistleblower Channel	Regularly		
	CSR program	Annually	Improving community's quality of life activities	Baan Mai Khong Nhoo, the children development centers, were distributed to 3 communities, which are Baan Kongwa in Chiangmai, Sribanpot in Pattalung and Baan Nong Pakwan in Srakaew
	Annual report and sustainability report	Annually	Impact to community and social from business operation	1,477,500 cc of blood donated through the Red Cross Thailand
	Open for comments/suggestions/complaints and provide assistance and answers for inquiries Offline (Call center and branches) Online (Social media)	Regularly	Environmental Policy	
<b>Regulatory Authority</b>	Whistleblower ChannelT	Regularly		
	Provide required reports to regulatory authorities in which supervising companies and industries.  Incorporate with the regulatory authorities to develop and issue regulations to govern the industry and provide the transparency and fairness to the service providers, customers and social.	Monthly and Quarterly  Occasionally	Disclosure with accuracy and transparency	Working incorporation with other vehicle title loan providers to establish the Vehicle Title Loan Trade Association to support the Bank of Thailand to revise the industry related regulations and licenses to operate with transparency and fairness

# About This Report

## Reporting Period and Content

Following the first Sustainability Report launched on 30 April, 2017, this is the second Sustainability Report published by Muangthai Capital PCL (“MTC”). It provides overviews of the key achievements and updates on our sustainability efforts. It is our long-term commitment to communicate our sustainability strategies to stakeholders. Therefore, the Sustainability Report, approved by Board of Directors, will be launched on an annual basis.

The data presented in this report covering from 1 January-31 December, 2018. Where appropriate, some historical data presented for comparison over time. Some numbers are rounded off.

The scope of activities in this report is broadly aligned with the core application of the Stock Exchange of Thailand Guidelines, UN’s objective and this material references the GRI Standards 2016. More information about each disclosure used, can be found in the GRI content index (page 51-53);  
Content can be summarized as follows:

### **Stakeholder Inclusiveness**

As described in the Stakeholder Engagement section of this report.

### **Materiality**

As described in the Business Materiality section of this report

### **Sustainability Context**

In each section of this report, the presentations are referring to 2018 performances. We typically present the year’s results relative to our own historic performance, international good practice standards or broader concepts of sustainability relevant to our activities.

### **Completeness**

For each of the EGS pillar, we have provided sufficient, reasonable and appropriate information to allow stakeholders to assess our performance during the reporting period.

This report should be read in conjunction with the 2018 annual report.

## Accessibility

MTC has printed only limited copies of this report as part of our environmental conservation efforts. The electronic version of the report can be viewed and downloaded at

<http://investor.muangthaicap.com/en/report/sustainability-report>

There are no significant changes to the material topics and boundaries, besides the reorganization of contents, no restatements of information were made. However, the change of company's value was disclosed in the Message from the Chairman of the Executive Committee section.

### Enquiries and Feedback

The stakeholder enquiries and feedbacks are welcomed. Please do not hesitate to contact us at [IR@muangthaicap.com](mailto:IR@muangthaicap.com).

# GRI Content Index

GENERAL DISCLOSURES	DESCRIPTIONS	REFERENCES	QR - Code
<b>GRI 102: General Disclosure</b>			
<b>Organizational Profile</b>			
102-1	Name of the organization.	Muangthai Capital Public Company Limited (MTC.BK) 2018 SD Report	
102-2	Activities, brands, products and services.	Section: Value Chain p.5-6 2018 Annual Report	
102-3	Location of Headquarters.	Section: Company's policy and overview of business activities p.13 Section: General information and other significant information p.35	
102-4	Location of operations.	Corporate website Link: <a href="https://www.muangthaicap.com/en/index.php">https://www.muangthaicap.com/en/index.php</a>	
102-5	Ownership and legal form.		
102-6	Markets served.		
102-7	Scale of the organization.		
102-8	Information on employees and other workers.	2018 SD Report Section: Implanting Employee's Commitment P.33-36 We do not collect employment numbers based on gender defined by GRI Standards due to the specific roles and responsibilities for majoring of employees are more suitable for male which is relating to their operational safety concerns. 2018 Annual Report Section: Employees P.44-45 Section: Corporate Governance/Equitable Treatment of All Shareholders/Roles of Stakeholders/Employees/Staff Development P.52	
102-9	Supply chain.	2018 SD Report Section: Value Chain P.3-5 Section: Stakeholders Engagement and Communication P.46 2018 Annual Report Section: Corporate Governance/Equitable Treatment of All Shareholders/Business Partners and Debtors P.53	
102-12	External initiatives.	2018 SD Report Section: Improvement of Industry's Integrity P.30	
102-13	Membership of associations.	Corporate website Link: <a href="http://investor.muangthaicap.com/en/newsroom/news-clippings/News">http://investor.muangthaicap.com/en/newsroom/news-clippings/News</a> Link: <a href="https://www.matichon.co.th/news-monitor/news_1149735">https://www.matichon.co.th/news-monitor/news_1149735</a> <a href="https://siamrath.co.th/n/47719">https://siamrath.co.th/n/47719</a> <a href="https://www.prachachat.net/finance/news-225636">https://www.prachachat.net/finance/news-225636</a> Other websites: Link: <a href="https://www.vtithailand.com">https://www.vtithailand.com</a>	
<b>Strategy</b>			
102-14	Statement from senior decision-maker.	2018 SD Report Section: Message from Chairman of Board of Directors P.8 Section: Message from Chairman of Executive Committee P.9-10 2018 Annual Report Section: Message from Chairman of Board of Directors P.2 Section: Message from Chairman of Executive Committee P.3	
102-15	Key impacts, risks and opportunities.	2018 SD Report Section: Message from Chairman of Executive Committee P.9-10 Section: 2018 Key Risks, Challenges and Opportunities P.17-18 Section: Materiality P.44-45	
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behavior		
102-17	Internal and External mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	2018 SD Report Section: Corporate Governance and Risk Management/Anti-Corruption/Whistleblowing P.16 2018 Annual Report Section: Whistleblower Policy P.56 Corporate website Link: <a href="http://investor.muangthaicap.com/storage/sustainability/corporate-governance/mtls-cg-whistle-blowing-th.pdf">http://investor.muangthaicap.com/storage/sustainability/corporate-governance/mtls-cg-whistle-blowing-th.pdf</a> <a href="https://www.muangthaicap.com/en/contact.php">https://www.muangthaicap.com/en/contact.php</a>	
102-18	Governance Structure.	2018 Annual Report Section: Management Structure P.38	
102-19	Delegating authority.	Corporate website	
102-20	Executive-level responsibility for economic, environmental and social topics.	Link: <a href="http://investor.muangthaicap.com/en/corporate-information/organization-chart">http://investor.muangthaicap.com/en/corporate-information/organization-chart</a>	
102-22	Composition of the highest governance body and its committees.		
102-23	Chair of the highest governance body and CEO's conflict of interest.		
102-24	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	2018 Annual Report Section: Scope of authorities, duties and responsibilities of the Nomination and Remuneration Committee P.69 Section: Selection criteria of new directors P.75	

GENERAL DISCLOSURES	DESCRIPTIONS	REFERENCES	QR - Code
<b>GRI 102: General Disclosure</b>			
<b>Ethics and Integrity</b>			
102-25	Processes for the highest governance body to ensure conflicts of interest and the disclosures of conflicts of interest.t	2018 Annual Report Section: Scope of authorities, duties and responsibilities of the Audit Committee P.68-69 "5. To review a connected transaction or transaction that may lead to conflict of interest to ensure that the company complies with all related rules and notification of the SET and that the transaction is reasonable and give the company the maximum advantage."  "6.(e) opinion on transactions which may cause conflict of interest."  Section: Policy on Conflict of Interest P.79 Section: Report of Audit Committee P.4  "4. Review of connected transactions and conflict of interest: The Committee reviewed the connected transactions and conflict of interest based on a fair, reasonable and transparent basis, while taking into consideration the benefits of all stakeholders and the sufficiency of information disclosures as required by SET and SEC."	
102-26	Highest governance body's and senior executives roles in the development, approval and updating of the organizations purpose value or mission statements, strategies, policies and goals related to economic, environmental and social.t	2018 SD Report Section: Scope of authorities, duties and responsibilities of the Board of Directors P.66-67 "3. All directors in the Company's Board of Directors are competent, capable and experienced from various professions. They are responsible for deciding the Company's vision, mission and for approving business direction, policy, strategy and goal so that management team shall use as framework for developing business plan, business supporting plan and annual budgeting."	
102-27	The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	2018 SD Report Section: Skill Matrix P.15	
102-30	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes.	2018 Annual Report Section: Scope of authorities, duties and responsibilities of the Risk Management Committee P.70  "4. To consider and review the progress reports of the Company's risk management program and to provide opinions regarding the potential risks and control measures as well as the development of the risk management systems to the RMCC to ensure the continuity and the effectiveness of the program."	
102-31	The frequency of the highest governance body's review of economic, environmental and social topics and their impacts, risks and opportunities.t	2018 Annual Report Section: Management Structure; the Risk Management Committee; No. of time attending meeting/no. of meeting P.40	
102-32	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	2018 SD Report Section: About the report P.49-50 The sustainability report is reviewed by the Corporate Governance Committee and approved by the Board of Directors. In 2019, the Corporate Governance Committee has been changed to Corporate Governance and Sustainability Development Committee. Corporate Website: Sustainability Development: <a href="http://investor.muangthaicap.com/en/sustainability/overview/mtc-sustainability-overview-2019/145/sustainable-development-policy-and-structure?145">http://investor.muangthaicap.com/en/sustainability/overview/mtc-sustainability-overview-2019/145/sustainable-development-policy-and-structure?145</a>	
102-33	The process for communicating critical concerns to the highest governance body.t	2018 Annual Report Section: Corporate Governance; Company's committee; Scope of authorities, duties and responsibilities of Risk Management Committee P.70  "5.To update the status of the Company's risk management to the Board and to promptly notify the Board for acknowledgement and consideration in case of any significant risk factors or critical situations."	
102-35	Remuneration Policy	2018 Annual Report Section: Executive remuneration P.43 Section: Employee Remuneration P.44 Section: Remuneration for External Auditor P.80	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups engaged by the organization.	2018 SD Report Section: Value Chain P.5-6	
102-42	The basis for identification and selection of stakeholders with whom to engage.	Section: Stakeholder Engagement and Communication P.46-47	
102-43	The organization's approach to stakeholder engagement.		
102-44	Key topics and concerns raised through each stakeholders.		
<b>Reporting Practices</b>			
102-45	Entities included in the consolidated financial statements.	2018 SD Report Section: About This Report P.49-50	
102-46	Defining report content and topic Boundaries.		
102-47	List of material topics.		
102-48	Restatements of information.		
102-49	Changes in reporting.		
102-50	Reporting period.		
102-51	Date of most recent report.		
102-52	Changes in reporting.		
102-53	Contact point for questions regarding the report.		
102-54	Claims of reporting in accordance with the GRI Standards.		
102-55	GRI content index.	2018 SD Report Section: GRI Content Index P.51-53	

## GRI 200-400: Topics and Indicators

## GRI 200: Economic

201	Economic Performance	<p>2018 SD Report</p> <p>Section: 2018 Performance P.7</p> <p>Section: Sustainability Strategy: Targets and 2018 Sustainability Performance &amp; SDGs P.13-14</p> <p>Section: Happy Economy P.20-30</p> <p>2018 Annual Report</p> <p>Section: Key Financial Information P.107</p> <p>Section: Management Discussion and Analysis P.116</p> <p>Section: Financial Statements P.132-185</p> <p>Corporate Website</p> <p>Link: <a href="http://investor.muangthaicap.com/en/financial-information/financial-highlights">http://investor.muangthaicap.com/en/financial-information/financial-highlights</a></p> <p><a href="http://investor.muangthaicap.com/en/financial-information/revenue-structure">http://investor.muangthaicap.com/en/financial-information/revenue-structure</a></p> <p><a href="http://investor.muangthaicap.com/en/financial-information/quarter/financial-statements">http://investor.muangthaicap.com/en/financial-information/quarter/financial-statements</a></p> <p><a href="http://investor.muangthaicap.com/en/financial-information/quarter/management-discussion-and-analysis">http://investor.muangthaicap.com/en/financial-information/quarter/management-discussion-and-analysis</a></p>
202	Market Presence	<p>2018 SD Report</p> <p>Section: Value Chain P.5-6</p> <p>Section: Diversification is the key to our sustainable and predictable growth P.7</p> <p>Section: Customer Segmentation P.28</p> <p>Corporate Website</p> <p>Link: <a href="https://www.muangthaicap.com/en/search.php">https://www.muangthaicap.com/en/search.php</a></p>
203	Indirect Economic Impacts	<p>2018 SD Report</p> <p>Section: 2018 Milestones Recognitions and Participations P.11-12</p> <p>Section: Summary of Contribution to ESG P.43</p>
204	Procurement Practices	<p>2018 SD Report</p> <p>Section: Stakeholder Engagement and Communication P.46-47</p>
205	Anti-Corruption	<p>2018 SD Report</p> <p>Section: Risk Management P.16</p> <p>2018 Annual Report</p> <p>Section: Anti-corruption Policy P.55</p>

## GRI 300: Environmental

302	Energy	<p>2018 SD Report</p> <p>Section: Happy Environment P.41-42</p>
305	Emissions	

## GRI 400: Social

401-1	Total number and rates of new employees hires and employee turnover.	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.33</p> <p>Section: Summary of Contributions to ESG P.43</p> <p>2018 Annual Report</p> <p>Section: Number of employee P.44</p>
401-2	Benefits provided to full-time employees.	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.36</p> <p>Section: Summary of Contributions to ESG P.43</p>
402	Labor/Management relations	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.33</p>
403	Occupational health and safety	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.34-35</p>
404	Training and education	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.35</p>
405	Diversity and equal opportunity	<p>2018 SD Report</p> <p>Section: Implanting Employee Commitment P.36</p>
406	Non-discrimination	<p>2018 Annual Report</p> <p>Section: Fair Treatment to Employee P.57-58</p> <p>Besides the non-discrimination by GRI definition, MTC also includes the disabilities people into account. P.36</p>
412	Human rights	<p>2018 Annual Report</p> <p>Section: Respect for Human Rights P.57</p>
413	Local communities	<p>2018 SD Report</p> <p>Section: Building Strong Communities P.37-38</p> <p>Section: Summary of Contributions to ESG P.43</p> <p>2018 Annual Report</p> <p>Section: Corporate Social Responsibility P.83</p>
417	Marketing and labeling	<p>2018 SD Report</p> <p>Section: Transparent Communication P.28</p> <p>Since the company's products and services are secured and unsecured loans, the transparency in communication of interest rates and fees are essential to the customers. The company's policy is to disclose the table of the interest rates and fees where clearly exposed to the customers in every branches.</p>





บริษัท เมืองไทย แคปปิตอล จำกัด (มหาชน)  
MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED

Muangthai Capital Public Company Limited  
32/1 Charan-sanitwong Road  
Bang-Or, Bangplad, Bangkok 10700  
Tel : 02 880 1033  
Fax : 02 880 1173

Sustainability Report  
**2018**