FASSET®

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE, (ESG) REPORT FOR H2 2025

VASP Name: Fasset FZE
VARA License Number: VL/23/07/0023
Reporting Due Date: 31st January 2026

Statement of Compliance: This ESG report is submitted in accordance with the Dubai VARA Company Rulebook - Part V, ESG Disclosure Requirements.

For and on behalf of Fasset FZE

Mehtap Onder
Managing Director

Introduction

Our internal governance framework includes several key policies, such as the ESG Policy, Code of Ethics and Conduct, Anti-Bribery and Corruption Policy, and Whistleblower Protection Procedure. These policies are reviewed periodically and form part of staff onboarding and ongoing training programs.

To support this, and rather than establishing a dedicated ESG team, the company adopts a cross-functional approach where each department—Compliance, Operations, HR, and Technology—contributes to implementing and monitoring ESG practices relevant to their functions.
The Compliance department coordinates the tracking of ESG risks and actions across the company. All teams are expected to identify and manage ESG-related considerations in their operations, such as ensuring staff training, monitoring resource use, and upholding ethical practices.

This governance model is designed to be practical and scalable while enabling continuous improvement. ESG efforts are periodically reviewed by senior management to ensure relevance and alignment with both business operations and regulatory expectations under VARA.

ESG Risk Management

At Fasset Fze, we recognize that Environmental, Social, and Governance (ESG) risks can materially impact our operations, reputation, and regulatory standing. Therefore, ESG risk identification and assessment are documented in the ESG policy.

Risks are reviewed periodically and recorded in a central ESG Risk Register maintained by the Compliance team. Key risks are assessed using a qualitative matrix based on likelihood and impact, and categorized under Environmental, Social, or Governance pillars.

Social Impact and Financial Inclusion

Empowering Underserved Communities

Fasset is committed to financial inclusion through strategic partnerships and education programs:

- **Invest & Connect:** Monthly events covering financial literacy topics such as 'Starting Your Investment Journey', 'Introduction to Stablecoins' and 'Women in Crypto'.

2. Consumer Protection and Transparency

- **Clear Fee Disclosures:** Ensuring users are fully informed of transaction costs before execution.

- **User-Friendly Compliance Interfaces:** Simplified in-app compliance workflows to promote responsible investing.

- **Diversity & Inclusion Information Disclosure:** Regularly publishing up-to-date information on D&I initiatives, including ongoing efforts, measurable targets, and progress updates related to workforce diversity, equitable hiring practices, mental health support, and gender representation in leadership. Supporting VARA's ESG requirements and reinforcing Fasset's commitment to inclusive, responsible growth.

Environmental Impact

1. ESG Considerations Across the Product Lifecycle

1.1 Design & Architecture Phase

During the design and architecture phase, Fasset incorporates ESG considerations through system design choices that prioritise scalability, operational efficiency, and resource optimisation; where appropriate and without compromising security, auditability, or regulatory requirements, we use layered architectures and off-chain computation to reduce unnecessary on-chain transactions. In addition, the selection of third-party blockchain networks and infrastructure providers includes a structured assessment of key ESG-related factors, including the underlying consensus mechanism, relative energy efficiency, and overall network maturity/resilience, to support responsible technology choices across our product lifecycle.

Planned initiatives include formalising an ESG-by-design checklist within product requirement documents (PRDs), incorporating specific environmental and governance criteria, and implementing an explicit scoring methodology for blockchain networks and infrastructure providers based on key factors such as energy intensity, decentralisation, and resilience, to strengthen consistent ESG consideration in technology and vendor selection decisions.

1.2 Development Phase

Currently, Fasset's engineering teams follow efficient coding practices to reduce unnecessary compute cycles, excessive logging, and redundant processing, supported by a modular services architecture that limits system-wide redeployments and avoids compute waste; our cloud-native development approach enables elastic scaling instead of fixed over-provisioning, and the platform leverages asynchronous order execution and hedging workflows to enable non-blocking processing and efficient resource utilisation, minimising idle compute, reducing peak

infrastructure requirements, and improving throughput per unit of energy consumed compared to synchronous models. Planned enhancements include introducing engineering efficiency metrics (e.g., compute cost per transaction and API calls per user journey) and deploying automated static analysis to identify inefficient queries, loops, and resource-heavy workflows for continuous optimisation.

1.3 Deployment & Operations Phase

Currently, Fasset uses major cloud providers with publicly stated commitments to carbon reduction, carbon neutrality initiatives, and increased renewable energy usage, and the platform is hosted on Amazon Web Services (AWS), which operates hyperscale data centres designed for energy efficiency and supports renewable-energy adoption. By leveraging AWS's shared-responsibility cloud model, Fasset reduces reliance on dedicated on-premise infrastructure, avoids over-provisioning, and benefits from infrastructure-level efficiency optimisations, while auto-scaling and load-balancing help minimise idle capacity. In addition, strong system observability through monitoring and alerting supports faster incident detection and resolution, reducing downtime and limiting unnecessary resource consumption.

1.4 Maintenance & Decommissioning

Currently, Fasset undertakes regular decommissioning of unused services, databases, and test environments to reduce unnecessary infrastructure consumption, and applies archival policies to limit long-term storage overhead for inactive data. Planned enhancements include implementing automated lifecycle policies for ephemeral environments (such as sandbox and staging) and establishing a formal service sunsetting framework that incorporates an ESG impact review to ensure systems are retired in a controlled, efficient, and responsible manner.

2. Blockchain Energy Efficiency Considerations

2.1 Network Selection

Current

- Avoidance of proof-of-work (PoW) blockchains for core product flows where alternatives exist.
- Preference for proof-of-stake (PoS) or equivalent low-energy consensus mechanisms.
- On-chain usage is limited to settlement, ownership, or verification functions only.

Planned

- Periodic reassessment of supported blockchain networks based on energy consumption per transaction.
- Support for emerging layer-2 and rollup technologies to further reduce on-chain load.

2.2 Transaction Optimization

Current

- Transaction batching and aggregation techniques to minimize on-chain writes.
- Off-chain reconciliation with cryptographic proofs where applicable.

Planned

- Further adoption of state compression and rollup-based settlement models.

3. Technological Initiatives to Reduce Environmental Impact

3.1 Cloud & Infrastructure Efficiency

Current

- Cloud-first strategy avoids on-premise data centers.
- Right-sizing of compute resources based on usage patterns.
- Preference for managed services (databases, queues) that optimize resource utilization at scale.

Planned

- Carbon-aware workload scheduling where supported by cloud providers.
- Internal targets for year-on-year reduction in compute cost per active user.

3.2 Data Management & Storage

Current

- Tiered storage strategies (hot/warm/cold) reduce energy-intensive storage usage.
- Controlled data replication policies to avoid unnecessary duplication.

Planned

- Data retention policies aligned with both regulatory and ESG principles.
- Automated purging/anonymization of expired operational data.

3.3 Engineering Tooling & Ways of Working

Current

- Hybrid and Remote engineering models reduce commuting-related emissions.
- Digital collaboration tools replace physical documentation and travel.

Planned

- Measurement of ESG impact of engineering operations as part of quarterly reviews.
- Inclusion of ESG objectives in engineering OKRs.

4. Governance & Accountability (Product & Engineering)

Current

- Clear ownership of systems, services, and production access.
- Change management, access control, and audit logging embedded in engineering workflows.
- Asynchronous execution and hedging workflows enhance system resilience by isolating failures, supporting controlled retries, and enabling reconciliation without impacting customer-facing services. This design reduces operational risk and supports auditable transaction flows, particularly during periods of market volatility.

Planned

- Annual ESG review of product architecture and infrastructure decisions.

5. Environmental Impact – Operations, IT & Infrastructure

This section addresses environmental impact considerations related to day-to-day operations, IT systems, and infrastructure, complementing the Product & Engineering ESG disclosures. It reflects both current practices and forward-looking initiatives.

5.1 Energy Consumption

Current

- We do not operate on-premise data centers. Core production systems are hosted on cloud infrastructure providers, primarily Amazon Web Services (AWS), which abstracts direct measurement of physical energy consumption.

- Energy usage is managed indirectly through infrastructure efficiency practices such as auto-scaling, right-sizing of compute resources, and controlled lifecycle management of environments.

Planned

- Leverage cloud provider sustainability and cost-optimization tooling to gain improved visibility into energy consumption proxies (e.g., compute usage per transaction, infrastructure utilization per active user).

5.2 Carbon Footprint & Emissions

Current

- We manage carbon exposure through architectural and operational choices, including a cloud-first strategy and infrastructure efficiency controls that reduce absolute compute demand.
- Carbon impact considerations form part of infrastructure dependency assessments, leveraging environmental impact disclosures and carbon reduction commitments published by major cloud service providers.
- Direct, standalone organizational carbon footprint calculations are not yet formalized due to reliance on third-party cloud infrastructure; however, relevant emissions are indirectly governed through provider-level sustainability programs.

Planned

- Progressive alignment with industry practices for estimation of relevant Scope 2 and applicable Scope 3 emissions, particularly those related to cloud infrastructure usage and employee operations.
- Evaluation of emission reduction and offset initiatives as part of longer-term ESG planning.

5.3 Renewable Energy Usage

Current

- Renewable energy usage for core infrastructure is indirectly supported through reliance on hyperscale cloud providers that have public commitments to increasing renewable energy adoption across their global data center operations.

Planned

- Where feasible, infrastructure deployment decisions will consider regions and services with higher renewable energy penetration, subject to regulatory, latency, and resilience requirements.

5.4 Electronic Waste (E-Waste) Management

Current

- We maintain a limited physical hardware footprint, primarily consisting of employee end-user devices.
- No proprietary mining, validation, or specialized blockchain hardware is operated.

Planned

- Formalization of e-waste management practices, including responsible device lifecycle management, reuse, and recycling through approved vendors, in accordance with applicable local regulations and best practices.

Employee Well-Being and Diversity

Diverse and Inclusive Workforce

- Multi-National Representation: Employees from 16+ nationalities, ensuring a diverse workplace.

- Equitable Hiring Practices: HR mandates screening of at least five nationalities per role.

- Gender Equity Commitment:

➜ Three women in leadership roles currently
➜ Balanced hiring approach to promote equal gender representation

Employee Development & Mental Health Support

- Learning & Development Programs: Bi-weekly 'Lunch & Learn' sessions, cross-functional training, and mentorship programs.

- Mental Well-Being Initiatives:

➔ Health insurance coverage including wellness programs (yoga, meditation, and sports activities).

➔ Hybrid work model promoting work-life balance.

➔ Employee recognition programs and career progression opportunities.

Cybersecurity and Data Privacy

1. Cybersecurity incidents, root causes, and remediation actions

In Q4 2025, Fasset experienced a single, material custody-related cybersecurity incident caused by exposed API credentials and IAM weaknesses; the incident was fully contained with no data breach, and robust credential governance, transaction controls, monitoring, and operational resilience measures are now in place to safeguard customer assets and prevent recurrence

1.1 Cybersecurity incidents

- One material cybersecurity incident occurred in Q4 2025, spanning 10–17 November 2025, impacting Fasset's production Fireblocks wallet environment.
- The incident involved unauthorized cryptocurrency withdrawals enabled by a compromised Fireblocks API key associated with an internal system account (fasset_api_user)

1.2 Root causes

- Primary root cause: Exposure of a Fireblocks API key.

1.2.1 Contributing factors

- Compromised user credentials that enabled AWS IAM manipulation and CLI access to rotated secrets.
- Excessive IAM permissions and insufficient least-privilege enforcement.
- Manual Transaction Authorization Protocol (TAP) approvals, where three second-tier approvals were mistakenly granted.
- Lack of automatic API key rotation, IP whitelisting, and continuous monitoring prior to the incident.
- Suspected endpoint compromise (infected laptop) used to facilitate credential abuse.

1.3 Remediation actions

1.3.1 Immediate containment (completed)

- Destruction of compromised system and user accounts.
- Revocation and rotation of all Fireblocks API keys.

- Suspension of automated custody operations.
- Sanitization of AWS IAM roles and permissions.
- Endpoint remediation (device wipe).
- Engagement with Fireblocks Security for log validation and IP tracing

1.3.2 Remediation and hardening (implemented / in progress):

- Enforcement of stricter TAP rules (mandatory second-tier approval for transactions > USD 1,000).
- Introduction of API key lifecycle governance, including mandatory rotation, expiry enforcement, and revocation on off-boarding.
- Integration of Fireblocks logs, AWS CloudTrail, and SIEM for correlated detection.
- IAM audit and privilege hardening.
- Enhanced logging and pursuit of a 24/7 SOC capability

1.3.3 Effectiveness

- Containment declared complete with no further unauthorized transactions observed.
- Detection time reduced to <10 minutes post-remediation.
- Credential-related attack surface significantly reduced through destruction of long-lived keys and IAM cleanup

2. Ongoing data protection and customer asset safeguarding measures

2.1 Data protection posture

- No customer PII or personal data was compromised during the incident.
  - As a result, no data protection authority (DPA) breach notification was required.
- Regulatory classification was based on asset loss and custody control failure, not data exposure

2.1.1 Fasset has implemented and is continuing to strengthen defense-in-depth controls focused on custody and asset protection

2.1.1.1 Credential and identity protection

- Mandatory rotation and expiry of all privileged API keys.
- Tightened AWS IAM governance with least-privilege enforcement and audit sign-off requirements.

2.1.1.2 Transaction safeguards

- Hardened Transaction Authorization Protocol (TAP) with enforced dual approval thresholds.
- Narrowing of FinOps permissions and contextual transaction limits.
- Automated suspension and lockdown of high-risk API sessions.

2.1.1.3 Monitoring and detection

- Centralized logging across Fireblocks, AWS CloudTrail, and SIEM.
- Improved alerting and escalation SLAs.
- Transition toward continuous, SOC-backed monitoring rather than manual detection.

2.1.1.4 Operational resilience and assurance

- Formal Wallet Breach Incident Response Plan aligned to regulated custody operations.
- Defined metrics (MTTD, MTTC) and audit-ready evidence capture.
- Quarterly reviews, tabletop exercises, and continuous assurance reporting planned for 2026

Governance & Legal Oversight

ESG Oversight Mechanisms Within the Governance Framework

Fasset's ESG oversight is maintained at Board level in line with Part I(B)(2) of the VARA Company Rulebook, which requires VASPs to incorporate ESG considerations into governance and decision-making. While a dedicated ESG committee has not yet been established, ESG oversight is integrated into the Board's existing governance framework. Operationally, ESG coordination is jointly led by the Compliance and Legal functions, which support the review of internal ESG-related policies, track relevant regulatory developments, and coordinate cross-departmental data collection for ESG disclosure and reporting. To strengthen specialisation and maintain ongoing alignment with sustainability objectives, Fasset is evaluating the establishment of a dedicated ESG division and the potential engagement of third-party ESG professionals to support implementation and provide assurance over future disclosures.

Whistleblower Report

During the reporting period, no whistleblower reports were received via HR, or Compliance channels. Fasset maintains a formal whistleblower policy and internal reporting mechanism designed to ensure secure, confidential, and non-retaliatory reporting of ethical, legal, or ESG-related misconduct.