



# **CODE OF ETHICS AND CONDUCT FOR DIRECTORS OF KENANGA GROUP**

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## GLOSSARY

Terms	Description
<b>BNM or Central Bank</b>	Bank Negara Malaysia
<b>Board</b>	Board of Directors of Kenanga Investment Bank Berhad or its subsidiaries
<b>CMSA</b>	Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Conflict of Interest</b>	Situations where financial or other personal considerations may lead to compromise, or have the appearance of compromising Directors' professional judgment in the performance of their duties.
<b>Connected Party(ies)</b>	<p>In line with BNM's Guidelines on Credit Transactions and Exposures with Connected Parties, "Connected Party(ies)" refers to any of the following:</p> <ul style="list-style-type: none"> <li>(i) Director of the Group, whether as an executive director or otherwise, and whether or not receiving compensation, and his close relatives. This includes alternate directors.</li> <li>(ii) Controlling shareholder of the Group and his close relatives. A person shall be deemed to be a controlling shareholder if he fulfils any of the following criteria, whether individually or with other persons acting in concert with him: <ul style="list-style-type: none"> <li>(a) Controls more than 50% of the voting rights;</li> <li>(b) Holds more than 50% of the issued share capital whether directly or indirectly (excluding preference shares);</li> <li>(c) Controls the composition of the board of directors;</li> <li>(d) Has the power to appoint and/or remove all or a majority of the board of directors;</li> <li>(e) Controls the controlling shareholder of the Group; or</li> <li>(f) Is a person in accordance with whose directions or instructions, a director of the Group or its holding company are accustomed to act.</li> </ul> </li> <li>(iii) Executive officer of the Group and his close relatives. An executive officer is defined as a person who is a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Group and/or its subsidiaries (other than in the capacity as a director), whether or not the officer has an official title, or is entitled to salary or other compensation.</li> </ul>

Terms	Description
<b>Connected Party(ies)</b> <b>(cont'd)</b>	<p>(iv) Officer who is responsible for or has the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and his close relatives.</p> <p>(v) Firms, partnerships, companies or any legal entities which control, or are controlled by, any person (including close relatives in the case of individuals) listed in (i) – (iv) above. ‘Control’ shall be determined with reference to the criteria set out in Para (ii) above.</p>
<b>Director</b>	any person who holds the position of Director in any entity within the Kenanga Group irrespective of any designation used, including Alternate Director. A Director also includes both executive and non-executive directors as well as executive and non-executive chairpersons.
<b>Employee(s)</b>	Person(s) employed by/on pay roll of the Group (including Salaried Dealers of Kenanga Investment Bank Berhad), irrespective whether on temporary basis such as attachment trainees and internal secondment within the Group where the tenure is more than thirty (30) days.
<b>FSA</b>	Financial Services Act 2013 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>Kenanga Group <u>OR</u> the Group</b>	Kenanga Investment Bank Berhad and its subsidiaries
<b>Material Non-Public and Price Sensitive Information</b>	As defined in the Group’s Chinese Wall and Insider Trading Policy
<b>Relative(s)</b>	<p>As defined in the FSA, “Relative” in relation to a person means:</p> <p>(a) the spouse of the person;</p> <p>(b) the brother or sister of the person;</p> <p>(c) the brother or sister of the spouse of the person;</p> <p>(d) any lineal ascendant or descendant of the person;</p> <p>(e) any lineal ascendant or descendant of the spouse of the person;</p> <p>(f) the spouse of any person referred to in paragraph (b), (c), (d) or (e);</p> <p>(g) any lineal descendant of a person referred to in paragraph (b), (c) or (f);</p> <p>(h) any uncle, aunt or cousin of the person or the spouse of the person; or</p> <p>(i) any spouse, or any lineal ascendant or descendant of a person referred to in paragraph (h).</p>

Terms	Description
<b>Securities</b>	<p>As defined in section 2 of the CMSA, “Securities” shall include the following:</p> <ul style="list-style-type: none"> <li>• debentures, stocks or bonds issued or proposed to be issued by any government;</li> <li>• shares in or debentures or, a body corporate or an unincorporated body;</li> <li>• unit trusts or prescribed investments</li> </ul> <p>and includes any right, option or interest in respect thereof but does not include Futures contract.</p>

Where applicable, words importing the singular shall include the plural number and vice versa and reference to the male gender shall include the female and neuter genders.

References to the provisions of any law include a reference to any modification and re-enactment thereof so far as such modification or re-enactment applies or is capable of applying to any transaction entered into under or in connection with this Code.

## DOCUMENT HISTORY

Version	Date Approved by Board	Effective Date of Implementation	Description
1	28 April 2016	28 April 2016	1 <sup>st</sup> version of the Code

## CONTENTS

1	INTRODUCTION.....	5
2	PURPOSE.....	5
3	OBJECTIVE.....	5
4	GOVERNING LAWS AND REGULATORY REQUIREMENTS.....	6
5	SCOPE OF THE CODE.....	6
6	LIMITATION CLAUSE.....	7
7	CORPORATE GOVERNANCE.....	7
8	PROFESIONAL STANDARD.....	9
9	CONFLICT OF INTEREST.....	9
10	MISUSE OF POSITION.....	11
11	MISUSE OF INFORMATION.....	11
12	INTEGRITY OF RECORDS AND TRANSACTIONS.....	12
13	CONFIDENTIALITY.....	12
14	FAIR AND EQUITABLE TREATMENT.....	12
15	ADDITIONAL INFORMATION.....	13

## 1. INTRODUCTION

One of the underlying keys to success in the financial service industry is earning the confidence, respect and trust of the key constituents. As the Kenanga Group grows and evolves its operations, it is crucial to continue promoting a favourable and lasting impression in the minds of everyone with whom it interacts.

As the business environment and laws continue to become more complex and impose a greater demand for reasonable competence amongst company directors, it is important for the Kenanga Group to establish a standard of competence for corporate accountability which includes standards of professionalism and trustworthiness in order to uphold good corporate integrity and governance amongst its Directors.

Thus, each and every Director of the Kenanga Group must ensure that they conduct the business of the Kenanga Group with the highest level of ethical behaviour and in a professional manner. Hence, by the observance of this *Code of Ethics and Conduct for Non-Executive Directors of Kenanga Group* ("**Code**"), it is hoped that it will serve its purpose in upholding the proper working and ethical standards that is expected of the Kenanga Group.

## 2. PURPOSE

This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of:

- establishing a standard of ethical behaviour for Directors based on trustworthiness and values that can be accepted, are held or upheld by any one person; and
- upholding the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.

## 3. OBJECTIVE

The primary purpose of this Code is to aid the identification of the areas and situations where public trust and confidence might be compromised or a law might be violated and to reiterate the high standards of conduct that are associated with ethical business practices, as well as to set forth policies and guidelines governing such situations.

The policies and guidelines enumerated herein are principled on promoting best ethical conduct as follows:

- a. Avoiding conflicts of interest, or potential conflicts, between Director's personal interests and the interests of the Kenanga Group, its shareholders or clients;
- b. Avoiding misuse of position of Director;
- c. Keeping Material Non-Public and Price Sensitive Information confidential and secure;
- d. Avoiding misuse of Material Non-Public and Price Sensitive Information relating to securities or other financial instruments;
- e. Ensuring completeness and accuracy of the relevant records of the Kenanga Group;
- f. Properly caring for and protecting the properties and assets of the Kenanga Group; and
- g. Prompting reporting of any knowledge or information about unethical business conduct and suspected commission of crimes.

#### **4. GOVERNING LAWS AND REGULATORY REQUIREMENTS**

This Code is premised on the relevant rules, circulars, directives or guidelines issued from time to time by the regulatory authorities, including but not limited to:

- Code of Ethics for Directors issued by Companies Commission of Malaysia;
- BNM's Policy Document on Corporate Governance;
- Capital Markets and Services Act 2007; and
- Rules of Bursa Malaysia Securities Berhad.

#### **5. SCOPE OF THE CODE**

This Code applies to all Directors of the Kenanga Group. The policies and procedures enumerated in this Code are meant to serve as a guide for proper standards of business ethics and conduct for the Directors. This Code shall not derogate, replace or restrict the matured judgment of the Director in discharging his/ her duties and responsibilities as a Director.

## 6. LIMITATION CLAUSE

This Code shall not be undertaken to overrule the specific laws or guidelines relevant to the businesses and operations of the Kenanga Group. Where there is change to any of the laws or guidelines which subsequently contradicts with this Code, the laws or guidelines shall prevail.

## 7. CORPORATE GOVERNANCE

As stipulated in the Code of Ethics for Directors issued by the Companies Commission of Malaysia, a Director, in the performance of his/ her duties, should at all time:

- 7.1 have a clear understanding of the aims and purpose, capabilities and capacity of the Kenanga Group;
- 7.2 devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- 7.3 ensure that the Kenanga Group is properly managed and effectively controlled;
- 7.4 stay abreast of the affairs of the Kenanga Group and be kept informed of the Kenanga Group's compliance with the relevant legislation and contractual requirements;
- 7.5 insist on being kept informed on all matters of importance to the Kenanga Group in order to be effective in corporate management;
- 7.6 limit his/ her directorship of companies in accordance with the relevant regulatory requirements to ensure that he/ she can best devote his time and effectiveness; each Director is his own judge of his abilities and how best to manage his time effectively in the Kenanga Group in which he holds directorship;
- 7.7 have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations, are complied with;
- 7.8 exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Kenanga Group;
- 7.9 disclose immediately all contractual interests whether directly or indirectly with the Kenanga Group;

- 7.10 neither diverts to his own advantage any business opportunity that the Kenanga Group is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- 7.11 with utmost good faith towards the Kenanga Group in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- 7.12 be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Kenanga Group is at stake.
- 7.13 in respect of relationship with stakeholders,
- a. be conscious of the interest of the stakeholders of the Kenanga Group;
  - b. promote professionalism and improve the competency of Management and employees; and
  - c. ensure adequate safety measures and provide proper protection to workers and employees at the workplace.
- 7.14 in respect of social responsibilities and the environment,
- a. ensure that necessary steps are taken in accordance with the law to properly wind-up or strike off any of the entities within the Kenanga Group's register if any of the entities has not commenced business or has ceased to carry on business and is not likely to commence business in the future or resume business as the case may be;
  - b. adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
  - c. ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
  - d. be more proactive to the needs of the community and to assist in society-related programmes in line with the aspirations of the concept of 'Caring Society' in Vision 2020; and
  - e. ensure that the activities and the operations of the Kenanga Group does not harm the interest and well-being of society at large and assist in the fight against inflation.

## 8. PROFESSIONAL STANDARD

A Director shall not compromise integrity and morality, both of the Kenanga Group and his/her own personal capacity, in the name of profit or competition.

The Director's consideration, decision and action, both as a Director and as a member of the public, shall be made with due care, skill and diligence, and shall not be damaging to the Kenanga Group's reputation, integrity and credibility.

A Director shall conduct all communications and dealings involving the Kenanga Group in a fair, honest, and transparent manner and shall at all times ensure that these are done in the best interest of the Kenanga Group and its clients.

## 9. CONFLICT OF INTEREST

Directors must not engage directly or indirectly in any business activity that competes or conflicts with the Kenanga Group's interests. These activities include, but are not limited to the following:

### 9.1 Outside Financial Interest

- a. A Director shall immediately disclose to the Board the nature and extent of his/ her interest in a material transaction or material arrangement<sup>1</sup>, and, if such material transaction or material arrangement is being deliberated during a Board meeting, to be absent from the meeting during such deliberations.
- b. Where a Director has a financial interest in a client, whether as a sole proprietor, partner, shareholder, creditor or debtor, such an interest shall also be disclosed immediately to the Board.
- c. Thereafter, that Director should not be directly involved in the Kenanga Group's dealings with the client so long as the interest continues to exist.

### 9.2 Entertainment and Gift

- a. Directors shall not accept costly entertainment from a client (including potential client) or supplier unless the expense is mutually paid or the Director is able to reciprocate (i.e. by providing in return, something of a

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<sup>1</sup> A transaction or an arrangement will be considered "material" if it is one which a Director is required to declare under section 131 of the Companies Act 1965, unless the Director or any person linked to him/ her cannot be reasonably expected to derive a benefit or suffer detriment from the transaction or arrangement in a way that will place the Director in a position of conflict.

similar cost), either through his/ her personal expense or by obtaining reimbursement from the Kenanga Group through actual receipts.

- b. Directors shall not accept gifts in the form of cash, bonds, negotiable securities, personal loans, airline tickets, use of vacation property in any circumstance or any other items of a significant monetary value.
- c. A Director shall not indirectly do what he/ she is directly prohibited from doing as specified in clauses 9.2(a) and (b) above, for example, arranging for gifts or entertainment for his Relatives.
- d. The prohibitions stipulated from clause 9.2(a) and (b) above shall be applicable whether such entertainment or gift was obtained via “quid pro quo” exchange (i.e. as a gratuity) or as a reward for preferential action or service rendered by the Director.
- e. A Director is prohibited, directly or indirectly, from asking for or receiving, or consenting or agreeing to receive as a consideration for procurement of credit or other facilities:
  - i. any gifts, commission, emolument, gratuity, money, property, token or thing of value; or
  - ii. any service, facility or other tangible benefit,whether for his/ her own personal benefit or advantage or for the benefit or advantage of any other person.
- f. The Board, however reserves the absolute right to require the Director to surrender any gift accepted from the client or supplier and to decide on how to handle or dispose of such gift.

### 9.3 Credit Transaction and Exposure with Connected Party

- a. Where applicable, Directors shall comply with BNM’s Guidelines on Credit Transactions and Exposures with Connected Parties and policies and procedures adopted by the Kenanga Group to extend credit and make investments in the ordinary course of business to/ in Connected Parties.
- b. The Kenanga Group shall ensure due care in entering into credit transactions with the Connected Parties to ensure that the transactions are on arm’s length basis.

- c. The Connected Party shall abstain from participating directly or indirectly in the deliberation and decision-making process involving a credit transaction and management of credit exposures.

## 10. MISUSE OF POSITION

- 10.1 Directors shall not use the Kenanga Group's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar types of activities.
- 10.2 Directors and their relatives shall not use their connection with the Kenanga Group to borrow from or become indebted to clients or prospective clients. The use of position to obtain preferential treatment, such as in purchasing goods, shares and other securities, is prohibited.
- 10.3 Further, Directors shall not use the Kenanga Group's facilities and influence for speculating in commodities, gold, silver, foreign exchange or securities, whether acting personally or on behalf of friends or relatives.
- 10.4 Directors of entities which are under BNM's purview shall not use his/ her position or influence to obtain preferential treatment or personal benefit or mutual benefits or enter into any arrangement with the Directors of other financial institutions for mutually beneficial transactions in return for similar facilities, designed to circumvent ethical guidelines specified in the Code.

## 11. MISUSE OF INFORMATION

- 11.1 Directors shall not deal in the securities of any company listed or pending listing on a stock exchange at any time when he is in possession of information, obtained as a result of his/ her appointment by, or his connection with the Kenanga Group which is not generally available to shareholders of that company and the public, and which, if it were so available, would likely bring about a material change in the market price of the shares or other securities of the company concerned.
- 11.2 A Director shall not remove, copy or make use of any information obtained in the course of discharging his/ her function, in which the Kenanga Group has proprietary rights, for his direct or indirect benefit or of other persons.

### 11.3 Insider Trading

- a. A Director shall ensure proper understanding and compliance with the regulatory rules and regulations and internal policies and procedures on Insider Trading as detailed in the Group Chinese Wall Policy.
- b. A Director shall not deal in securities of a company listed or pending listing on Bursa Securities at any time when he is in possession of Material Non-Public and Price Sensitive Information obtained as a result of his/ her appointment or his connection with the Kenanga Group.
- c. A Director who possesses Material Non-Public and Price Sensitive Information shall also not use it:
  - i. to influence any client or any third party in dealing in any transaction; or
  - ii. to communicate such information to any client, for the benefit of himself or herself or other persons.

## 12. INTEGRITY OF RECORDS AND TRANSACTIONS

Accounting records and reports must be complete and accurate. Directors should never make entries or allow entries to be made for any account, record or document of the Kenanga Group that are false or would obscure the true nature of the transaction, as well as to mislead the true authorisation limits or approval by the relevant authority of such transactions.

## 13. CONFIDENTIALITY

Directors shall ensure proper understanding and compliance with the secrecy requirements in existing applicable laws.

## 14. FAIR AND EQUITABLE TREATMENT

- 14.1 All business dealings on behalf of the Kenanga Group with current and potential clients, and with all those who may have cause to rely upon the Kenanga Group, should be conducted fairly and equitably.

- 14.2 Directors must not be influenced by friendship or association, either in meeting a client's requirements, or in recommending that they be met. Such decisions must be made on a strictly arms-length business basis.

## **15. ADDITIONAL INFORMATION**

Any questions relating to the interpretation of this Code should be forwarded to the Group Company Secretary Office.