

KENANGA INVESTMENT BANK BERHAD

GROUP BOARD RISK COMMITTEE

TERMS OF REFERENCE

1.0 OBJECTIVES

- 1.1 Support the Board of Directors (“**Board**”) in meeting the expectations on risk management as set out in Bank Negara Malaysia’s policy document on Risk Governance.
- 1.2 Assist the Board in the implementation of a sound remuneration system, by examining whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Group Nomination & Remuneration Committee (“**NRC**”).

2.0 COMPOSITION

- 2.1 The Group Board Risk Committee (“**GBRC**” or “**the Committee**”) shall comprise only Non-Executive Directors with at least three (3) members of which majority shall be Independent Directors.
- 2.2 The membership of the GBRC, including the position of Chairman shall be approved by the Board of Kenanga Investment Bank Berhad (“**KIBB**” or “**the Company**”) based on the recommendation of the NRC.
- 2.3 The Chairman of the GBRC shall be an Independent Non-Executive Director and shall not be the Chairman of the Board.
- 2.4 Members of the GBRC may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Directors of the Company.

All members of the GBRC, including the Chairman, will hold office only so long as they serve as Directors of the Company.

- 2.5 In the event of any vacancy resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.

Note

If corporate finance activities are to be overseen by the GBRC, none of the Committee members shall be a licensed dealer’s representative and undertake dealing in securities activities, and there shall be appropriate procedures to preserve client confidentiality and limit disclosure of price sensitive information with respect to securities.

3.0 SECRETARY

The Company Secretary shall act as the Secretary of the GBRC.

4.0 RIGHTS OF THE GBRC

- 4.1 The GBRC shall have the resources and full and unrestricted access to the records of KIBB and/or its subsidiaries (including the records of all Board and Management Committee meetings), properties and officers which are relevant to its activities, in carrying out its duties and responsibilities.
- 4.2 The GBRC shall have the means and ability to seek independent third party views or information on risk implications as appropriate, before coming to any conclusion or making any significant policy decisions, at the cost of the Company. This should serve to promote informed and robust decision-making by the GBRC/ Board in a manner that complements and adds value to the work of Senior Management.

5.0 MEETINGS

5.1 Quorum

- a. The quorum of the GBRC meeting shall be two-thirds (2/3) of the GBRC members with an Independent Director present. Meetings with a quorum in attendance shall constitute a competent and fully empowered GBRC, able to exercise all authority vested in and exercisable by the GBRC.

If the Chairman is not present those present shall elect one of their number, who is an Independent Director, to chair the meeting.

- b. No business shall be transacted unless a quorum is present either in person or by video or telephone conferencing throughout the proceedings of the meeting.

5.2 Frequency of Meetings

- a. The GBRC shall meet on a bi-monthly basis or as and when required.

- b. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by at least two-thirds (2/3) of the GBRC members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.
- c. On a half-yearly basis, the GBRC shall convene a joint meeting with the Group Audit Committee to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the risk appetite and business plans of KIBB and/or its subsidiaries.

5.3 Attendance at Meetings

The GBRC may invite the Directors or members of the Senior Management and employees of KIBB and/or its subsidiaries to be in attendance during meetings to assist in its deliberations.

5.4 Minutes of Meetings

- a. The minutes of each GBRC meeting shall be distributed to all the GBRC members and presented at the Board meeting for notation.
- b. The Minutes of the GBRC meetings shall be made available for inspection by any member of the GBRC, Board, internal and external auditors, as well as relevant regulators.

6.0 RESPONSIBILITIES OF THE GBRC

6.1 Risk Strategies and Risk Profile

- a. Review and recommend to the Board for approval, the Company's overall risk strategy¹, including the risk appetite², as recommended by the Group Risk Committee ("GRC") and assist the Board in overseeing implementation of the same.
- b. Review Management's implementation of an appropriate risk strategy and obtaining assurance that organisational units are operating within the parameters of KIBB's appetite for specific types of risk.

¹ Risk strategy is the plan to ensure that the business is operating within the Company's risk appetite.

² Risk appetite is a high level determination of how much risk the Company is willing to accept taking into account risk/return attributes.

- c. Assist the Board in ensuring that KIBB's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
- d. Review risk profiles report periodically and recommendation from the GRC on risk positioning strategies in response to change of internal and/or external economic environments and key factors that may affect the outcome KIBB's original business plan.

6.2 Risk Policies and Framework

- a. Assist the Board in reviewing and overseeing the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of KIBB in line with its risk appetite and has taken into account changes in the business environment.
- b. In doing so, the GBRC must provide constructive challenge to Management on the credibility and robustness of the framework to ensure that there are no material gaps or weaknesses.

6.3 Risk Appetite and Limits Setting

- a. Assist the Board in reviewing and affirming KIBB's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in KIBB's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions.
- b. Regularly obtain information from Senior Management on adherence to KIBB's risk appetite and the implementation of risk management policies, processes, and controls within KIBB in managing the key risks to KIBB, as well as emerging risks. This should be supported by independent assessments by the risk management and control functions.
- c. Provide constructive challenge to Senior Management and critically review the risk information and developments affecting KIBB and/or its subsidiaries.

6.4 Risk Methodologies and Infrastructure

Ensure that risk management tools and methodologies, infrastructure, resources and systems are in place by ensuring that the staff responsible for implementing risk management systems performs those duties independently of KIBB's risk taking activities.

- 6.5 Assist the Board in ensuring that a sound control environment exists within KIBB and its subsidiaries with clear identification of responsibilities for incurring and controlling risks assigned respectively to business units, the risk management and control functions, and internal audit.
- 6.6 The GBRC and the Group Audit Committee must also periodically meet to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the Company's risk appetite and business plans.
7. In this Terms of Reference, any reference to any provision of legislations, guidelines, circulars or directives shall include all amendments, modifications, consolidations or replacements as may be issued from time to time.

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