

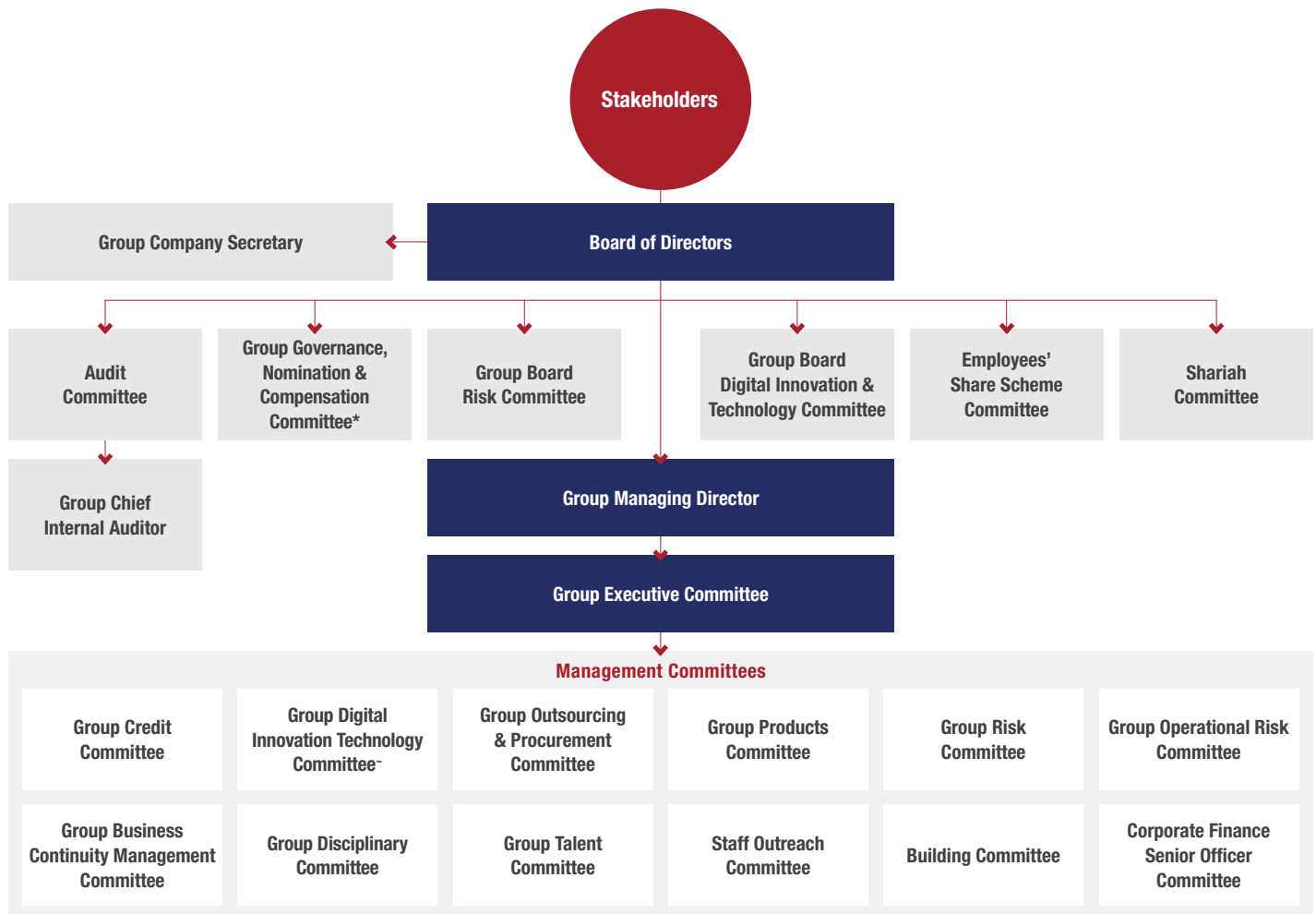
CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS (“BOARD”) REGARDS CORPORATE GOVERNANCE AS VITAL TO THE SUCCESS OF THE BUSINESS OF KENANGA INVESTMENT BANK BERHAD (“KIBB” OR “THE COMPANY”) AND IS UNRESERVEDLY COMMITTED TO APPLYING THE PRINCIPLES NECESSARY TO ENSURE THAT THE PRINCIPLES OF GOOD GOVERNANCE ARE PRACTISED IN ALL OF ITS BUSINESS DEALINGS AND OPERATIONS.

The Board understands that the responsibility for good corporate governance rests with them. Therefore, the Board strives to adopt the principles and best practices of corporate governance and ensures that KIBB complies with the various guidelines issued by Bank Negara Malaysia (“BNM”), Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Securities Commission Malaysia (“SC”).

The Board is also committed to continuously undertake the appropriate actions to embed the said principles and recommendations of the Malaysian Code on Corporate Governance (“MCCG”) into the Company’s existing policies and procedures.

CORPORATE GOVERNANCE FRAMEWORK



* Formerly Known as Group Nomination & Remuneration Committee.
 ~ Formerly Known as Group Information Technology Steering Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is charged with leading and guiding the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company’s values and standards and ensures that its obligations to its shareholders and other stakeholders which include the regulators, business partners, clients, employees, suppliers and vendors, are clearly understood and adhered to.

The Board reserves full decision-making power, notwithstanding any delegation of authority to the Management or Committees, on matters relating to amongst others, strategies, business plans and budget; significant policies; conflict of interest issues relating to substantial shareholder and/ or a Director; material acquisitions or disposals of assets not in the ordinary course of business; investment in capital projects; authority levels; risk management policies; as well as, key human resource issues. The Board reserved matters are also reflected in the Board Charter.

The roles and responsibilities of the Board are clearly defined in the Board Charter which is available on KIBB’s website at <https://kenanga.com.my/investor-relations>.

Board Reserved Matters

The Board’s key activities during the financial year included amongst others, reviewing, deliberating, recommending and approving where appropriate, key matters as outlined below.

- Audited Financial Statements for the Financial Year Ended 31 December 2019 and the Reports for the Directors and Auditors
- Interim Dividend for Financial Year Ended 31 December 2019
- Re-Appointment of External Auditors
- Report on Non-Budgeted Expenditure Exceeding RM100,000
- Reports on Associate and Joint Venture Companies
- Renewal of Solvency Statement in Relation to the Share Buyback Exercise
- Increase in Issuance Limit from RM25 Million to RM100 Million for Tier 2 Subordinated Notes Under the Tier 2 Subordinated Note Programme
- Provision of Financial Support and Contingency Funding for Subsidiaries
- Establishment of New Branches and/or Closures of Branches
- Plant and Equipment Write-Off
- Change in Shareholding of Kenanga Capital Islamic Sdn Bhd

Strategy/ Financials

- Budget and Business Plan for KIBB Group for the Financial Year Ending 31 December 2021
- Updates on Budget 2020
- Proposals on New Investments/ Business Collaborations/ New Business Initiatives
- Monthly Management Accounts
- Quarterly Financial Results
- Write-Off of Impaired Equity Accounts

Risk, Compliance and Oversight

- Monthly Regulatory Reports
- Assessment on Compliance with the Guidelines on Adequate Procedures Issued Pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009
- Whistleblowing Framework: Enhancing and Evaluating Staff’s Understanding with Kenanga’s Whistleblowing Video and Quiz
- Report on Staff Survey on Embracing of the New Normal under COVID-19 Pandemic
- Execution of Revised International Swap and Derivatives Association Agreement with Other Banks

- BNM's Composite Risk Rating Assessment on KIBB for 2019
- Compliance with the Guidelines on the Adequate Procedures Issued Pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009
- Monthly Risk Management Reports
- Review of Impact of COVID-19 Pandemic on KIBB's Credit Portfolio
- Economic Impact of COVID-19 and Stimulus Packages for Individuals and Businesses in Malaysia
- Measures for COVID-19 Pandemic Introduced by the Regulators
- Implementation of Targeted Assistance Post COVID-19 Moratorium – Temporary Restructuring and Rescheduling Guidelines
- Monthly Share Margin Financing Report
- Recovery Time Objectives and Maximum Tolerable Downtime of Critical Business Functions for Year 2020
- Business Continuity Management Framework
- Business Continuity Plan and Disaster Recovery Plan Test Matrix 2020
- Technology Risk Management Framework and Cyber Risk Policy
- Internal Capital Adequacy Assessment Process for 2019
- MY HORIZON Report 2019/ Volume 3: BNM Operational Risk Landscape Report for Banking Industry
- Operational Risk Capital Charge Assessment for Year 2019
- Establishment of New Policies and Review of Existing Policies
- Credit Proposals as Recommended/ Approved by the Group Credit Committee
- Issuance of New Series of Structured Warrants to be Listed on the Structured Warrants Board of Bursa Securities

- Quarterly Cyber Security Updates
- Group Level Business Continuity Plan
- Pillar 3 Disclosure as at 31 December 2019
- Half-Yearly Review on Shariah Committee's Decisions
- Annual Attestation of Products Issued for 2019
- Review of the Tier-1 Board Month-to-Date and Year-to-Date Profit & Loss Management Action Trigger Limit for Equity Derivatives' Option Book
- Exercise of Discretionary Credit Mitigation and Management for Equity Option Facility
- 2020 First Supplementary Base Prospectus in Respect of Structured Warrants
- Proposals and Updates on Digital Investment Management Business
- Annual Assurance on Safeguarding of Customer Information for Year 2019
- Operationalisation of the Ruling of BNM's Shariah Advisory Council on Non-Compounding of Profit

Governance



- Appointments and Re-Appointments of Directors within KIBB Group
- Appointment of New Chairman of KIBB
- Review of Composition of the Boards of KIBB's Subsidiaries
- Review of Composition and Terms of Reference of KIBB's Management Committees
- Appointment of KIBB's Representatives to the Board of Associate Companies
- Proposed Expansion of the Roles and Responsibilities and Renaming of the Group Nomination & Remuneration Committee to "Group Governance, Nomination & Compensation Committee"

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Governance



- Review of Compositions of Board and Board Committees
- Reports by Board Committees on Matters Discussed at the Respective Board Committees' Meetings
- Assessment on the Fitness and Propriety and Re-Appointment of Members of Shariah Committee of KIBB and Review of Their Remuneration
- Proposed Revision of KIBB's Shariah Committee's Terms of Reference and Remuneration
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2019
- Directors' Training Calendar for 2020
- Status Report on KIBB Group Directors' Training for 2019/ 2020
- Remuneration and Benefits for Directors of the Group
- Notification by Directors and Principal Officers in Relation to Dealings in the Securities of KIBB
- Declaration of Interest by a Director Pursuant to Section 221 of the Companies Act 2016
- Directors and Officers Liability Insurance
- Establishment of the Corporate Finance Senior Officer Committee Pursuant to the Securities Commission Malaysia's Guidelines on Submission of Corporate and Capital Market Product Proposals
- Issuance of Bonus Shares by Kenanga Futures Sdn Bhd
- Key Human Resource Matters
 - Review of the List of Management Key Responsible Persons ("KRPs") of KIBB Group as at 1 January 2020
 - Review of the List of KIBB Group's Management KRPs' Employment Contracts Expiring in Year 2020
 - New Appointment, Review and Renewal of Contract of Appointment of Management KRPs

- 2019 Performance Appraisal and Annual Assessment on Fit and Proper for Management KRPs
- Renewal of Group Staff Insurance Policies for 2021
- Progress Report on Implementation of Asian Institute of Chartered Bankers Certifications for KIBB
- 2020 Balanced Scorecards for Management KRPs
- Proposals in Relation to Employees' Share Scheme
- 2019 Performance Bonus and 2020 Annual Salary Increment
- Management KRPs' Succession Plan
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as KIBB's Adviser
- Identification and Updating of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group

Roles of Chairman and Group Managing Director ("GMD")

The Company aims to ensure a balance of power and authority between the Chairman and the GMD with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of the Chairman and the GMD are separated and their roles and responsibilities are clearly defined and formally documented in the Board Charter.

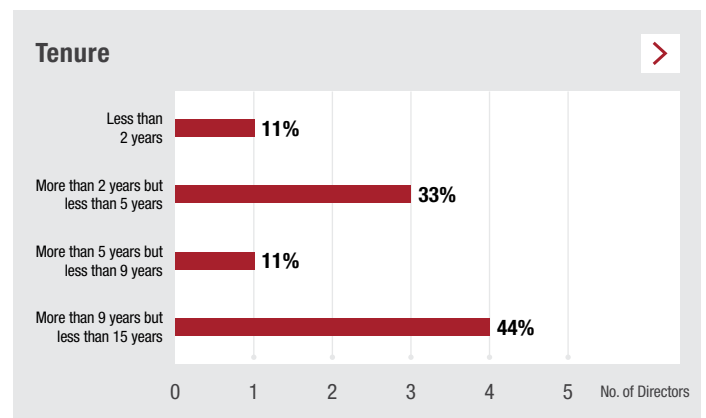
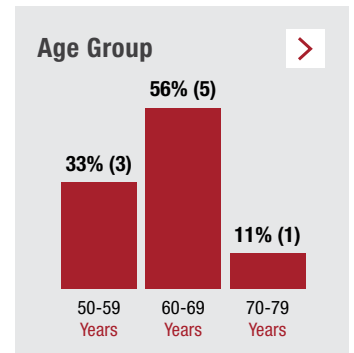
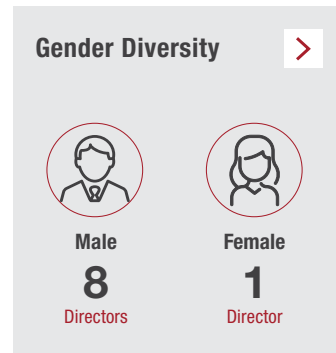
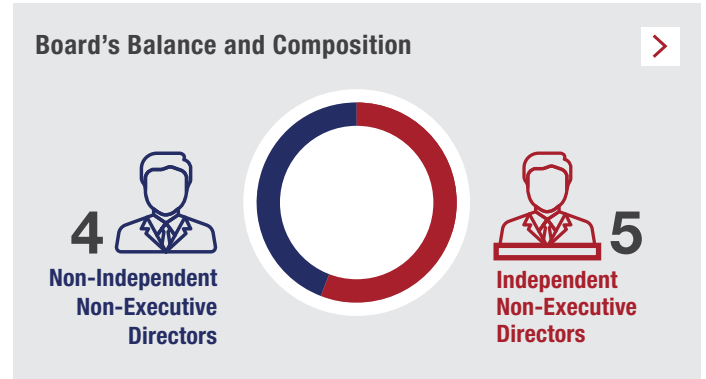
Whilst the Chairman is responsible for leading the Board in setting the values and standards of the Company, as well as, maintaining a relationship of trust with and between Management and Non-Executive Directors, the GMD, on the other hand, is entrusted with the executive responsibility for the day-to-day management of the business which includes developing the strategic direction of the Company for review and approval by the Board and ensuring that the Company's strategies and corporate policies as approved by the Board are effectively implemented with the assistance of the Management team. In fulfilling this role, he is given certain powers to execute transactions, guided by the internal rules and procedures and in accordance with the threshold set in the Group Approving Authority Framework.

Board Composition

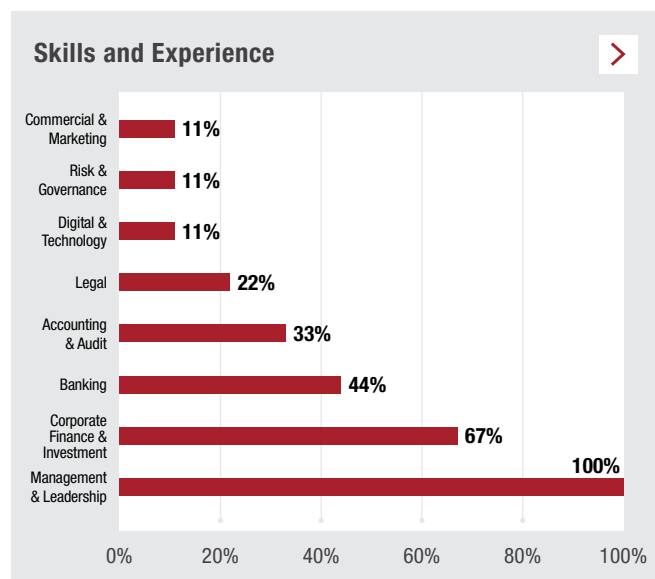
The Board of KIBB currently comprises the following nine (9) Directors, five (5) of whom are Independent Non-Executive Directors (“INED”) and the remaining four (4) are Non-Independent Non-Executive Directors (“NINED”):

- > **YAM TAN SRI DATO’ SERI SYED ANWAR JAMALULLAIL**
Chairman, INED
- > **DATUK SYED AHMAD ALWEE ALSREE**
Deputy Chairman, NINED
- > **DATO’ RICHARD ALEXANDER JOHN CURTIS**
NINED
- > **LUIGI FORTUNATO GHIRARDELLO**
NINED
- > **ISMAIL HARITH MERICAN**
NINED
- > **LUK WAI HONG, WILLIAM**
INED
- > **JEREMY NASRULHAQ**
INED
- > **NORAZIAN AHMAD TAJUDDIN**
INED
- > **KANAGARAJ LORENZ**
INED

Snapshot of the Board's Profile



CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board's composition complies with the minimum one-third requirement of Independent Directors as stipulated in the Main Market Listing Requirements ("MMLR") of Bursa Securities and the majority of Independent Directors requirement stipulated in BNM's Policy Document on Corporate Governance.

The profile of each Director is available on pages 22 to 30 of this Annual Report.

Board and Board Committee Meetings

In 2020, eleven (11) Board meetings were held, two (2) of which were special meetings convened to consider urgent proposals that required the Board's expeditious review and consideration.

As stipulated in the Board Charter, as well as, the Constitution of the Company, a Director of the Company must attend at least 75% of the Board meetings held during the financial year, in line with the requirement of BNM's Policy Document on Corporate Governance.

During the Financial Year Ended 31 December 2020, all the Directors of the Company attended 100% of the Board meetings convened, demonstrating a strong commitment and dedication of the Board members in fulfilling and discharging their respective roles and responsibilities as Directors of the Company.

Given the circumstances surrounding the COVID-19 pandemic and the implementation of the Movement Control Order by the Government of Malaysia commencing March 2020, all meetings of the Board and Board Committees were

held in accordance with the Standard Operating Procedures put in place by the respective authorities and regulators.

The Directors' attendance at the Board and Board Committee meetings held during the Financial Year Ended 31 December 2020 are provided below.

Board






Name of Director	Number of Meetings		Percentage (%)
	Held	Attended	
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail ⁽¹⁾	11	5/5	100%
Izlan Izhah ⁽²⁾	11	11/11	100%
Datuk Syed Ahmad Alwee Alsree	11	11/11	100%
Dato' Richard Alexander John Curtis	11	11/11	100%
Luigi Fortunato Ghirardello	11	11/11	100%
Ismail Harith Merican	11	11/11	100%
Luk Wai Hong, William	11	11/11	100%
Jeremy Nasrulhaq	11	11/11	100%
Norazian Ahmad Tajuddin	11	11/11	100%
Kanagaraj Lorenz	11	11/11	100%

NOTES:






⁽¹⁾ Appointed as Chairman and INED of KIBB on 1 July 2020. During the period from July 2020 to December 2020, five (5) Board meetings were held and YAM Tan Sri Dato' Seri Syed Anwar Jamalullail attended all these five (5) meetings.

⁽²⁾ Upon relinquishing his position as the Chairman of the Board on 1 July 2020, Encik Izlan Izhah had continued to serve as an INED of KIBB until 31 December 2020.






Audit Committee (“AC”)

Name of Director	Number of Meetings		Percentage (%)
	Held ⁽¹⁾	Attended	
Jeremy Nasrulhaq (Chairman)	8		100%
Izlan Izhab	8		100%
Luk Wai Hong, William	8		100%
Kanagaraj Lorenz	8		100%
Ismail Harith Merican	8		100%







Group Nomination & Remuneration Committee (“NRC”)*

Name of Director	Number of Meetings		Percentage (%)
	Held	Attended	
Norazian Ahmad Tajuddin (Chairman)	7		100%
Luk Wai Hong, William	7		100%
Jeremy Nasrulhaq	7		100%
Datuk Syed Ahmad Alwee Alsree	7		100%
Luigi Fortunato Ghirardello	7		100%

Group Board Risk Committee (“GBRC”)

Name of Director	Number of Meetings		Percentage (%)
	Held ⁽¹⁾	Attended	
Luk Wai Hong, William (Chairman)	8		87.5%
Norazian Ahmad Tajuddin	8		100%
Kanagaraj Lorenz	8		100%
Dato’ Richard Alexander John Curtis	8		100%
Luigi Fortunato Ghirardello	8		100%

Group Board Digital Innovation & Technology Committee (“GBDITC”)

Name of Director	Number of Meetings		Percentage (%)
	Held	Attended	
Kanagaraj Lorenz (Chairman)	6		100%
Luk Wai Hong, William	6		100%
Jeremy Nasrulhaq	6		83%
Norazian Ahmad Tajuddin	6		100%
Dato’ Richard Alexander John Curtis	6		100%
Luigi Fortunato Ghirardello	6		100%






NOTES

⁽¹⁾ Total number of meetings held is inclusive of one (1) joint meeting between the AC and the GBRC.






* Renamed as Group Governance, Nomination & Compensation Committee with effect from 1 January 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Employees' Share Scheme Committee ("ESS Committee")

Name of Director	Number of Meetings		Percentage (%)
	Held	Attended	
Norazian Ahmad Tajuddin (Chairman)	2		100%
Luk Wai Hong, William	2		100%
Jeremy Nasrulhaq	2		100%
Datuk Syed Ahmad Alwee Alsree	2		100%
Luigi Fortunato Ghirardello	2		100%

Shariah Committee

Name of Shariah Committee Member	Number of Meetings		Percentage (%)
	Held	Attended	
Dr. Kamaruzaman Noordin ⁽¹⁾	12		100%
Dr. Ghazali Jaapar (Chairman) ⁽²⁾	12		100%
Dr. Mohd Fuad Md Sawari ⁽³⁾	12		100%
Dr. Muhammad Arzim Naim ⁽⁴⁾	12		100%
Dr. Mohammad Firdaus Mohammad Hatta	12		100%

NOTES

⁽¹⁾ Ceased as Chairman of the Shariah Committee on 31 March 2020.

⁽²⁾ Appointed as Chairman of the Shariah Committee on 1 April 2020.

⁽³⁾ Ceased as a member of the Shariah Committee on 31 October 2020. As BNM's approval for the appointment(s) of new Shariah Committee member(s) was still pending at that point in time, BNM has allowed KIBB's Skim Perbankan Islam (Islamic Banking Window) to operate with two (2) Shariah Committee members effective from 1 November 2020.

⁽⁴⁾ Ceased as a member of the Shariah Committee on 31 October 2020.

Group Nomination & Remuneration Committee

(Renamed as Group Governance, Nomination & Compensation Committee with effect from 1 January 2021)

The NRC of KIBB comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

Details on the NRC's composition, as well as, its members' attendance at the NRC meetings during the Financial Year Ended 31 December 2020 are provided on page 47 of this Annual Report and in Section B of the Corporate Governance Report ("CG Report") which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

The functions and responsibilities of the NRC are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

During the Financial Year Ended 31 December 2020, the NRC had deliberated, reviewed and made appropriate recommendations to the Board for approval, pertaining to the matters stated below.

- Appointments and Re-Appointments of Directors of KIBB Group
- Appointment of New Chairman of KIBB
- List of Management KRPs of the Group as at 1 January 2020
- New Appointment, Review and Renewal of Contract of Appointment of Management KRPs
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as Adviser of KIBB
- Appointment of KIBB's Representatives to the Board of Investee Companies
- Review of Compositions of the Board and Board Committees
- Appointment of New Group Executive Committee Member and Management KRP
- Annual Performance Review and Assessment on the Fitness and Propriety of Management KRPs
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2019, Together with the Annual Assessment on Independence and Fitness and Propriety of Directors
- Proposed Identification and Updating of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group
- Remuneration and Benefits for Directors of KIBB Group
- Directors Training Calendar for 2020
- Status Report on KIBB Group's Directors Training for 2019/ 2020

- 2019 Annual Performance Bonus and 2020 Annual Salary Increment for the Group
- Revised Succession Plan for Management KRPs
- 2020 Annual Balanced Scorecards for Management KRPs
- Assessment on the Fitness and Propriety and the Re-Appointment of Members of the Shariah Committee of KIBB and their Remuneration
- Revision of KIBB's Shariah Committee's Terms of Reference
- Expansion of the Roles and Responsibilities and Renaming of the Group Nomination & Remuneration Committee to "Group Governance, Nomination & Compensation Committee"

Board Appointment Framework

The Board, via the NRC, has put in place a formal and transparent framework governing the appointments of new Directors and Board Committee members, wherein the NRC will recommend the appointment of suitable candidate as Director and Board Committee member of the Company and its subsidiaries to the Board for approval.

With regard to skills and experience, processes had been put in place whereby the NRC will undertake a rigorous assessment of potential candidates, prior to making any recommendations to the Board for appointment of a new Director.

In recognition of the benefits of a diverse Board in terms of the ability to tap into the many talents which the Board members with their different ages, cultural backgrounds, perspectives, views, abilities and gender bring to the Company, as well as, their abilities to respond to business opportunities more rapidly and creatively, the Company has endeavoured and will continue to endeavour to achieve an appropriate mix of members to achieve diversification, not only in terms of gender, but also skills set, expertise, experience, as well as, ethnic background.

With regard to gender diversity, although, as at 31 December 2020, the Board only comprised one (1) female Director in its composition, the Board will endeavour to source for suitable female candidates for future appointment as and when changes to the Board composition are required or reviewed, in line with the Company's business direction and strategic goals.

During the Financial Year Ended 31 December 2020, the composition of the Board of KIBB was revised with the appointment of the new Chairman, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail on 1 July 2020, in place of Encik Izlan Izhab.

Encik Izlan Izhab, who had served as the Chairman of the Company since 7 February 2017, had, however, remained on the Board of KIBB as an INED until 31 December 2020. Encik Izlan retired from the Board of KIBB on 1 January 2021.

Board Education and Development

1. Induction Programme for Newly Appointed Director

KIBB has developed an induction programme for newly appointed Directors to familiarise them with the industry and KIBB's business and operations, within three (3) months of their appointments.

This induction programme, which is facilitated by the Group Company Secretary's Office, will be by way of a briefing and discussion amongst the Senior Management with the newly appointed Director, on the Company's vision and mission, its philosophy and nature of business, current issues, the corporate strategy of the Group, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, risk management strategy of KIBB, legal requirements, compliance and regulations, as well as, financial overview of the Group and the expectations of KIBB with regard to contributions from the Directors towards achievement of the Company's goals.

During this induction programme, the newly appointed Director will also be briefed on the Company's governance framework, the Board processes, as well as, his/ her individual roles and responsibilities as a Board member.

Non-Executive Directors appointed to the Boards of subsidiaries within the Group shall also be provided with similar induction programme tailored to the scope of their appointments at the respective entities.

As a new Chairman and INED of the Company, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail had completed the in-house Induction Programme for Newly Appointed Director on 24 September 2020.

2. Directors' Continuous Education and Development

The Company, via the Group Company Secretary's Office, facilitates the participation and attendance of Directors at appropriate external and in-house training programmes to ensure the Directors are kept abreast of new developments pertaining to the laws and regulations, the changing commercial risks, as well as, technology and cyber security issues, which may affect the Board and/ or the Company and to ensure that they are fully equipped with the necessary knowledge to assist them in discharging their responsibilities as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition to the Mandatory Accredited Programme as required by Bursa Securities, the Financial Institutions Directors’ Education (“**FIDE**”) Core Programme as required by BNM, as well as, the Capital Market Director Programme (“**CMDP**”) as required by the SC for newly appointed Directors, Board members are also encouraged to attend training programmes, conducted by highly competent professionals, which are relevant to the Company’s operations and business.

In relation to the CMDP, being a newly appointed Director, YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail had duly completed four (4) modules of the CMDP, within the timeline stipulated by the SC.

On 30 March 2018, BNM had, issued a Circular with regard to the compulsory requirements for all existing Directors of the following institutions to complete the Islamic Finance for Board (“**IF4BOD**”) Programme by end of 2020:

- a. Licensed Islamic banks under the Islamic Financial Services Act 2013 and their holding companies which are licensed banks under the Financial Services Act 2013 (“**FSA**”);
- b. Licensed banks and licensed investment banks under the FSA approved to carry on Islamic banking business pursuant to section 15(1)(a) of the FSA; and
- c. Prescribed institutions under the Development Financial Institutions Act 2002 (“**DFIA**”) approved under section 129(1) of the DFIA to carry on Islamic banking business or Islamic financial business.

However, in view of safety concerns of participants attending the IF4BOD programme arising from the COVID-19 pandemic and the implementation of the Movement Control Order (“**MCO**”) since March 2020, BNM had, on 3 July 2020, extended the completion deadline for the programme from end of 2020 to end of 2021 for all existing Directors.

For newly appointed Directors, they are required to complete the IF4BOD Programme within two (2) years of their appointments.

All matters pertaining to Directors’ training requirements are facilitated by the Group Company Secretary’s Office, including but not limited to, monitoring the status of all mandatory training programmes to be completed by the Directors.

As part of this process, an Annual Directors’ Training Calendar encompassing external training programmes, available in the market and/ or recommended by the Board members and/ or in-house training programmes, is developed and tabled at the NRC and the Board for endorsement in the first (1st) quarter of each year to create awareness amongst the Directors of training programmes available for the year. Thereafter, the NRC and the Board will be updated on the status of Directors’ participation in these training programmes on a quarterly basis.

In developing the Annual Directors’ Training Calendar, feedback received from Directors during the annual Board evaluation process in terms of specific training needs required to enhance the Board’s effectiveness, was also taken into consideration.

3. Training Programmes Attended by Directors

The training programmes attended by the Directors during the Financial Year Ended 31 December 2020 are as listed below.

Title of Training Programme	Attended By
1. The Prohibition of Gharar (Uncertainty) in Islamic Finance - Shariah Adviser of Kenanga Islamic Investors Berhad (“ KIIB ”)	Datuk Syed Ahmad Alwee Alsree (“ DSA ”)
2. Corporate Board Leadership Symposium 2020 - Malaysian Institute of Accountants (“ MIA ”)	Izlan Izhah (“ II ”), Jeremy Nasrulhaq (“ JN ”), Kanagaraj Lorenz (“ RL ”)
3. Reinventing Cybersecurity with Artificial Intelligence - MIA	YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail (“ TSAJ ”)
4. The Board Chair: First Among Equals - Institute of Corporate Directors Malaysia (“ ICDM ”)	II
5. Digital Banking: Why Does It Matter? - FIDE FORUM	JN, Norazian Ahmad Tajuddin (“ NT ”), RL
6. Digitalisation - Review of Competitive Strategies Using AI: A Board’s Perspective - Encik M. Nazri Muhd, ICDM Faculty and President/ CEO, MyFinB, Singapore, ICDM	NT

Title of Training Programme	Attended By
7. Digitalisation: Cybersecurity Considerations Amid a Global Pandemic - Mr. Ho Siew Kei, Executive Director, Risk Advisory - Cyber Risk, Deloitte Malaysia hosted by ICDM	NT
8. COVID-19 and Current Economic Reality: Implications for Financial Stability - Dr. Andy Xie, FIDE FORUM	NT, RL
9. Training on Qawaid Fiqhiyyah (Islamic Legal Maxims): Principle of Intention in Islamic Finance - Shariah Adviser of KIIB	DSA
10. Outthink the Competition: Excelling in a Post COVID-19 World - FIDE FORUM	JN, NT, RL
11. Initial Coin Offerings and the Regulatory Landscape – Securities Industry Development Corporation (“SIDC”)	Ismail Harith Merican (“IHM”), RL
12. Blockchain Applications and How It Can Safeguard Investors’ Interest – SIDC	IHM, RL
13. Challenging Times: What Role Must the Board Play? - FIDE FORUM	JN, RL
14. Audit Your Anti-Bribery and Corruption Programme Effectively - Institute of Internal Auditors Malaysia (“IIAM”)	JN
15. Force Majeure and COVID-19: How are Contractual Relationships Affected and Managed? - Asian School of Business (“ASB”)	NT
16. AccTech Conference - MIA	JN
17. Risks: A Fresh Look from the Board’s Perspective - FIDE FORUM	JN, NT, RL
18. Digital Financial Institution Series: Managing Virtual Banking and Insurance Businesses - FIDE FORUM	Dato’ Richard Alexander John Curtis (“DRC”), RL
19. Training on Umum al-Balwa in Islamic Finance (Shariah Screening Methodology) of Companies Listed as Shariah Counters on Bursa Malaysia Securities Berhad - Shariah Adviser of KIIB	DSA
20. Banking on Governance, Insuring Sustainability - ASB	DRC, Luigi Fortunato Ghirardello (“LFG”), Luk Wai Hong, William (“LWH”), JN
21. HR in the 2020s: Culture Sculptor, Risk Manager and More - ASB	LWH
22. Digital FI Series: Fidor’s Experience - FIDE FORUM	LFG, LWH, NT
23. ICDM PowerTalk #11: Preparing the Board for a Post-COVID World - ICDM	LFG
24. Staying Ahead with Data Analytics - ASB	LWH
25. In-House Briefing Session on Structured Warrants Business for the Board of Directors of KIBB - Equity Derivatives of KIBB	TSAJ, II, DSA, DRC, LFG, IHM, LWH, JN, NT, RL

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Title of Training Programme	Attended By
26. BNM-FIDE Forum Annual Dialogue with Governor of BNM - FIDE FORUM	LWH, NT, RL
27. CAE Summit - IIAM	JN
28. Board Effectiveness Focus Group Discussion with Directors - FIDE FORUM	NT, RL
29. Conventional Accounting vs Islamic Accounting - Shariah Adviser of KIIB	DSA
30. SCxSC Fintech Conference 2020 - SC	JN
31. CMDP - Module 1 Gatekeepers of Market Participation - SIDC	TSAJ
32. CMDP - Module 2A Challenges and Regulatory Expectation - What Directors Need to Know (Equities & Futures Broking) - SIDC	TSAJ
33. CMDP - Module 3 Risk Oversight and Compliance - Action Plan for Board of Directors - SIDC	TSAJ
34. CMDP - Module 4 Emerging and Current Regulatory Issues in the Capital Market - SIDC	TSAJ
35. Climate Action: The Board's Leadership in Greening the Financial Sector - FIDE Forum	DRC, JN, NT
36. Governance Symposium 2020: Driving Governance in the New Normal: The Future Begins Now - MIA in Collaboration with Malaysian Institute of Corporate Governance	II
37. Anti-Corruption Training - Messrs. Wong & Partners	TSAJ
38. Green Fintech: Ping An's Journey to Becoming a Top ESG Performing Financial Institution - FIDE FORUM	JN, NT
39. KIBB's In-House Programme on Cyber Risk Awareness - Firmus Sdn Bhd	TSAJ, DRC, LFG, IHM, LWH, JN, NT, RL
40. Business Foresight Forum 2020 - SIDC	JN
41. Waqf – Shariah Advisor of KIBB	DSA
42. Stakeholder Capitalism - A Vital Pandemic Agenda - ICDM	NT
43. Compliance with Main Market Listing Requirement - Reporting of Financial Statements - Mr. Chee Kai Mun, Director cum Principal Trainer of CKM Advisory Sdn Bhd for Directors of Kenanga Investors Berhad	DSA, NT
44. Singapore FinTech Festival 2020 (SFF x Switch 2020)	DRC, LWH, JN, RL

4. Training Programmes Attended by Members of Shariah Committee

The training programmes attended by the Shariah Committee members during the Financial Year Ended 31 December 2020 are provided below.

Title of Training Programme	Attended By
1. Pricing Policy of Takaful Products - FWD Takaful	Dr. Ghazali Jaapar (“DGJ”)
2. Takaful Products Development - FWD Takaful	DGJ
3. Cyber Security and Risk Management in Technology	Dr. Mohd Fuad Md Sawari (“DFS”)
4. Takaful Operational Framework Operational Policies	DFS
5. Certified Shariah Adviser Certification: Legal Regulatory Framework	Dr. Mohammad Firdaus Mohammad Hatta (“DMF”)
6. Certified Shariah Adviser Certification: Introduction to Commercial Law	DMF
7. Workshop on Registration of Financial Services Industry Terminologies	DMF
8. Malaysian Postgraduate Workshop Series	DMF

Succession Plan

1. Board and Board Committee

The Board had, in October 2015, formalised the Board Succession Planning Framework (“**Framework**”) which entails the guiding principles for effective succession planning, as well as, the detailed procedure in ensuring a smooth transition in the Board’s process and functioning as existing Directors leave and new ones come on board. This Framework is reviewed on an annual basis to ensure its alignment with the latest development in the relevant regulatory requirements, if necessary.

2. Senior Management

In July 2015, the Board had, upon the NRC’s recommendation, approved the Talent and Succession Management Framework and Methodology for the Group, which aims at ensuring ready successors for leadership positions capable of driving business growth and achieving the Group’s strategic business plan, ensuring a pool of qualified and competent staff prepared and ready to fill up critical positions within the Group as and when required; and ensuring effective development, engagement and retention of high potential employees.

Non-Executive Directors’ Remuneration Framework

The Company aims to set remuneration levels which are sufficient to attract and retain the Directors and Senior Management needed to operate the Company successfully, taking into consideration all relevant factors including the functions, workload and responsibilities involved, but without excessively overpaying to achieve its goal. With regard to the level of remuneration of the GMD and Senior Management personnel, it is determined by the NRC after giving due consideration to compensation levels of comparable positions of other similar companies in Malaysia.

The NRC carries out the annual review of the overall remuneration policy for Directors, the GMD and Senior Management whereupon recommendations are submitted to the Board for approval. The NRC also reviews annually the performance of the GMD, Chief Executive Officers of the subsidiaries of the Company, as well as, Senior Management and make appropriate recommendations to the Board for approval accordingly.

The remuneration of GMD and Senior Management are made up of two (2) components i.e. fixed basic salary and a variable component comprising the annual discretionary performance bonus and share awards under the Employees’ Share Scheme. The share awards will only be vested upon the GMD and Senior Management meeting the agreed Key Performance Indicators. Details of such share awards are set out in Note 55 of the Financial Statements section of this Annual Report.

For the Financial Year Ended 31 December 2020, the Directors and Shariah Committee Members are paid the following annual fee and meeting allowance for each meeting of the Board, Board Committee or Shariah Committee that they have attended, respectively:

Fees	Financial Year Ended 31 December 2020
Chairman of the Board	RM520,000.00 ⁽¹⁾
Deputy Chairman of the Board	RM390,000.00
Director	RM270,000.00
Chairman of AC/ NRC/ GBRC/ GBDITC	RM40,000.00
Chairman of Shariah Committee ⁽²⁾	RM71,900.00
Member of AC/ NRC/ GBRC/ GBDITC	RM30,000.00
Member of Shariah Committee ⁽³⁾	RM45,000.00
	RM50,500.00
	RM42,500.00

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Type of Meeting Allowance	Chairman	Member
	Per Meeting	
Board Meeting	RM2,000.00	RM2,000.00
General Meeting	RM2,000.00	RM2,000.00
AC/ NRC/ GBRC/ GBDITC/ ESS Committee Meeting	RM2,000.00	RM2,000.00
Shariah Committee	RM600.00	RM500.00

NOTES

- (1) The increase in the Chairman's Annual Director Fee from RM440,000 to RM520,000 was due to the exclusion of Club Membership Fee.
- (2) The total fees of RM71,900.00 comprised the following:
- RM15,500.00 when Dr. Kamaruzaman Noordin was serving as Chairman of the Shariah Committee from 1 January 2020 to 31 March 2020; and
 - RM56,400.00 when Dr. Ghazali Jaapar was serving as Chairman of the Shariah Committee from 1 April 2020 to 31 December 2020.
- (3) The annual fee for the Financial Year Ended 31 December 2020 are based on the number of years served as a Shariah Committee member, as well as, the scope of roles and responsibilities being undertaken.

The payment of Directors' fees will be made after obtaining the shareholders' approval at the Annual General Meeting ("AGM").

The breakdown of the remuneration of individual Directors which includes fees, other emoluments and benefits-in-kind for the Financial Year Ended 31 December 2020 is set out below.

Group Level	Fees ⁽¹⁾ RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits -in-Kind RM	Total RM
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail ⁽⁶⁾	261,420.77	-	10,000.00	-	15,575.00 ⁽²⁾	286,995.77
Izlan Izhah ⁽⁶⁾	424,535.51	-	48,000.00	-	21,987.80 ⁽³⁾	494,523.31
Datuk Syed Ahmad Alwee Alsee	510,000.00	-	64,000.00	-	19,633.40 ⁽⁴⁾	593,633.40
Dato' Richard Alexander John Curtis	330,000.00	-	52,000.00	-	-	382,000.00
Luigi Fortunato Ghirardello	410,000.00	-	78,000.00	-	-	488,000.00
Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Luk Wai Hong, William	400,000.00	-	82,000.00	-	-	482,000.00
Jeremy Nasrulhaq	370,000.00	-	68,000.00	-	-	438,000.00
Norazian Ahmad Tajuddin	410,000.00	-	102,000.00	-	-	512,000.00
Kanagaraj Lorenz	370,000.00	-	66,000.00	-	-	436,000.00
TOTAL	3,785,956.28	-	610,000.00	-	57,196.20	4,453,152.48

NOTES

- (1) Subject to the shareholders' approval at the forthcoming AGM.
- (2) Benefits-in-kind for the current Chairman included leave passage, driver, car and other claimable benefits.
- (3) Benefits-in-kind for the previous Chairman included golf club membership, leave passage, driver, car and other claimable benefits.
- (4) Benefits-in-kind for the Deputy Chairman included golf club membership, car and other claimable benefits.
- (5) Appointed as Chairman of KIBB on 1 July 2020. Hence his remuneration has been prorated for the six (6) months period from July 2020 to December 2020.
- (6) Re-designated from Chairman to a Board Member on 1 July 2020. Hence, his remuneration has been prorated accordingly.

Company Level	Fees ⁽¹⁾ RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits -in-Kind RM	Total RM
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail ⁽⁵⁾	261,420.77	-	10,000.00	-	15,575.00 ⁽²⁾	286,995.77
Izlan Izhab ⁽⁶⁾	384,535.51	-	40,000.00	-	21,987.80 ⁽³⁾	446,523.31
Datuk Syed Ahmad Alwee Alsree	420,000.00	-	42,000.00	-	19,633.40 ⁽⁴⁾	481,633.40
Dato' Richard Alexander John Curtis	330,000.00	-	52,000.00	-	-	382,000.00
Luigi Fortunato Ghirardello	360,000.00	-	70,000.00	-	-	430,000.00
Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Luk Wai Hong, William	400,000.00	-	82,000.00	-	-	482,000.00
Jeremy Nasrulhaq	370,000.00	-	68,000.00	-	-	438,000.00
Norazian Ahmad Tajuddin	370,000.00	-	72,000.00	-	-	442,000.00
Kanagaraj Lorenz	370,000.00	-	66,000.00	-	-	436,000.00
TOTAL	3,565,956.28	-	542,000.00	-	57,196.20	4,165,152.48

NOTES

⁽¹⁾ Subject to the shareholders' approval at the forthcoming AGM.

⁽²⁾ Benefits-in-kind for the current Chairman included leave passage, driver, car and other claimable benefits.

⁽³⁾ Benefits-in-kind for the previous Chairman included golf club membership, leave passage, driver, car and other claimable benefits.

⁽⁴⁾ Benefits-in-kind for the Deputy Chairman included golf club membership, car and other claimable benefits.

⁽⁵⁾ Appointed as Chairman of KIBB on 1 July 2020. Hence his remuneration has been prorated for the six (6) months period from July 2020 to December 2020.

⁽⁶⁾ Re-designated from Chairman to a Board Member on 1 July 2020. Hence, his remuneration has been prorated accordingly.

Board Performance Evaluation

In line with the requirements of the MMLR, BNM's Policy Document on Corporate Governance and the recommendations of the MCCG, the performance and contribution of the Board, Board Committees and individual Directors are assessed annually in accordance with the Board Evaluation Framework approved by the Board.

This performance evaluation aims to objectively improve the effectiveness, maximise strengths and address weaknesses of the Board, Board Committees, as well as, individual Directors, if any. It enables the Board to assess how they are performing and identify how certain elements of their performance may be improved.

Individual Director's performance evaluation is also aimed at assessing whether each Director continues to contribute effectively and is able to demonstrate commitment to the role, including commitment of time for the Board and Board Committee meetings and any other duties.

The performance evaluation was conducted using the self-assessment method for the Board and Board Committees and a combination of self-assessment and peer assessment

method for individual Directors, based on pre-determined criteria covering key areas in line with the Board Charter, as well as, the Terms of Reference of the Board Committees.

The Board's effectiveness was assessed in the areas of its structure, operations and interaction, roles and responsibilities, strategy and planning, financial overview, performance management, human capital management, risk management and internal control, shareholders communication and investor relations and understanding of the Board Committees' roles.

Arising from the assessment, feedback from the Board members were obtained in the areas of Board oversight practices and processes, Board composition and structure, Board succession planning, as well as, Board development plan and training needs to further enhance its overall effectiveness.

The effectiveness of each of the Board Committee was also discussed in detail and areas for enhancements identified accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Independent Professional Advice

The Directors (either individually or as a group) have access to independent professional advice, at the expense of the Company, as well as, separate and independent access to Senior Management and the Company Secretary at any point in time.

Directorships in Other Companies

A Director must not have competing time commitments that may impair his/ her ability to discharge his/ her duties effectively. Directors are required to notify the Board before accepting any new directorship in a public company incorporated in Malaysia and all its subsidiaries incorporated in Malaysia or otherwise. The notification should include an indication of time that will be spent on the new appointment.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC of KIBB comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

Details on the AC's composition, as well as, its members' attendance at the AC meetings held during the Financial Year Ended 31 December 2020 are provided on page 47 of this Annual Report and Section B of the CG Report which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

The AC is established to provide independent oversight on the Group's internal and external audit functions, internal controls and ensuring checks and balances within the Group.

The functions and responsibilities of the AC are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

Internal Audit Function

The Group Internal Audit ("GIA") is established by the Board to provide independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and operating effectively and efficiently. To ensure independence and objectivity, GIA, which is headed by the Group Chief Internal Auditor ("GCIA"), reports independently to the AC and has no responsibilities or authority over any of the activities reviewed by GIA.

The internal audit function is guided by its Audit Charter which is approved by the AC. The Audit Charter outlines amongst others, the GIA's objectives, mission, scope, responsibility, accountability, authority, independence and objectivity, as well as, standards and ethics.

An Annual Audit Plan based on the appropriate risk-based methodology has been developed and approved by the AC. On a quarterly basis, internal audit reports and status of internal audit activities including the sufficiency of GIA's resources are presented to the AC for review. Periodic follow up reviews are conducted to ensure adequate and timely implementation of audit recommendations by Management.

The GCIA is invited to attend the AC meetings to facilitate the AC's deliberations of audit reports.

The AC, pursuant to its Terms of Reference, oversees the effectiveness of the internal audit function of KIBB by:

- reviewing, approving and reporting to the Board the audit scope, procedures and frequency;
- reviewing and reporting to the Board key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other issues identified by GIA;
- taking note of significant disagreements between the GCIA and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact such disagreements may have on the audit process or findings;
- establishing a mechanism to assess the performance and effectiveness of the internal audit function;
- reviewing and reporting to the Board the adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
- appointing, setting compensation, evaluating the performance and deciding on the transfer and dismissal of the GCIA and of any staff member of the internal audit function at the request of the GCIA.

Group Board Risk Committee

The GBRC comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

Details on the GBRC's composition, as well as, its members' attendance at the GBRC meetings held during the Financial Year Ended 31 December 2020 are provided on page 47 of this Annual Report and in Section B of the CG Report which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

The GBRC was established to support the Board in meeting the expectations on risk management as set out in BNM's Policy Document on Risk Governance. It also assists 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 NRC.

The functions and responsibilities of the GBRC are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

Employees' Share Scheme Committee

The ESS Committee comprises a majority of INEDs and chaired by an INED who is not the Chairman of the Board.

The ESS Committee was established to assist the Board to administer the Employees' Share Scheme ("ESS" or "Scheme") in accordance with the By-Laws governing the Scheme as approved by the shareholders of KIBB.

The main objective of the ESS, as approved by the shareholders of KIBB on 25 May 2017, is to align the employees' interests with the long-term objectives of KIBB Group to create sustainable value enhancement for its shareholders through a high-performance culture.

The roles and responsibilities of the ESS Committee which are outlined in its Terms of Reference include the determination of all questions of policy and expediency that may arise in the administration of the ESS including, amongst others, the terms of eligibility of the employees of the Company and its non-dormant subsidiaries ("Eligible Employees" or "Eligible Persons"), the method or manner in which the grants are made to and exercised by Eligible Employees and any conditions imposed in relation thereto, and the termination of any options, and generally the exercise of such powers and performance of such acts as are deemed necessary or expedient to promote the best interests of the Company.

The functions and responsibilities of the ESS Committee are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

Group Board Digital Innovation & Technology Committee

The GBDITC comprises a majority of INEDs and chaired by an INED who is not the Chairman of the Board.

The GBDITC was established on 29 August 2019 to support the Board in providing direction and oversight over technology-related matters as set out in BNM's Policy Document on Risk Management in Technology.

In addition to providing oversight on technology-related matters, including risks, the GBDITC also reviews, evaluates and makes appropriate recommendations to the Board for approval, proposals on technology/ digital innovations put forward by Management, in line with KIBB Group's medium and long-term business strategy which includes the digitalisation strategy for the Group.

The functions and responsibilities of the GBDITC are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

Shariah Committee

The Shariah Committee was established to provide objective and sound advice to the Board of KIBB to ensure that the Company's aims and operations, business affairs and activities pertaining to its Islamic Banking Window (Skim Perbankan Islam) comply with Shariah rules and regulations as reflected in the fatwas, rulings and guidelines issued by Shariah Advisory Council of BNM and the SC.

The composition of the Shariah Committee is in line with Paragraphs 13.1 to 13.5 of BNM's Shariah Governance Policy Document except for the requirement for the Shariah Committee to comprise a minimum of three (3) members. In this regard, as BNM's decision on the appointment(s) of new Shariah Committee members was still pending at that point in time, BNM had allowed KIBB's Skim Perbankan Islam (Islamic Banking Window) to operate with two (2) Shariah Committee members effective from 1 November 2020. However, BNM had, subsequently on 9 April 2021, approved the appointment of an additional Shariah Committee member, namely Dr. Fadillah Mansor. With this, the Shariah Committee composition complies with BNM's requirement of having at least here (3) members.

All of the Shariah Committee members have the Shariah background except for Dr. Muhammad Arzim Naim who is from Islamic finance/ Islamic accounting practitioner's background and whose appointment was approved by BNM. However, he has ceased to be a member of Shariah Committee since 31 October 2020.

The functions and responsibilities of the Shariah Committee are set out in its Terms of Reference which is available on KIBB's website at <https://kenanga.com.my/investor-relations>.

Risk Management and Internal Control

The Board is responsible for ensuring that KIBB has in place effective and comprehensive risk management policies, procedures and infrastructure to identify, measure, monitor and control the various types of risks undertaken by KIBB Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In discharging this responsibility, the Board approves and periodically reviews the risk management capabilities of KIBB Group to ensure their ability to support KIBB Group's business activities and any expansion thereof.

It is important to emphasise that the ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Group's inherent system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as, to safeguard the shareholders' investments and the Group's assets.

The details of KIBB Group's internal control system and risk management framework are set out in the Statement on Risk Management and Internal Control appearing on page 70 to 73 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Audit Committee to Ensure Compliance with Financial Reporting Standards

At the Board meetings, the Board reviews the Management's reports on the business performance of KIBB, as well as, its major subsidiaries, associate and joint-venture companies and the analysis of the Group's performance in comparison to the positions in the preceding month and year-to-date.

The Board deliberates, and in the process, assesses the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on KIBB's business or on its financial position, as well as, the related mitigating factors.

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the Audited Financial Statements and quarterly financial reports, as well as, through material disclosures made in accordance with the MMLR of Bursa Securities.

The AC assists the Board in overseeing the integrity of the Group's financial reporting and part of this role involves the operation of the financial reporting processes. The processes are aimed at providing the assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial positions.

During the year under review, two (2) sessions between the AC and the External Auditors were held in the absence of the Management, as part of the medium for greater exchange of views and opinions between both parties in relation to financial reporting.

Investor Relations and Shareholder Communications

The Board is committed to providing the shareholders, investors and other stakeholders with comprehensive, timely and equal access to information on the Group's activities to enable them to make informed investment decisions.

The Group employs a wide range of communication channels such as direct communication and publication of all relevant Group information on its website at www.kenanga.com.my. The Group utilises its corporate website as a means of providing information to its shareholders and the broader investment community.

KIBB Group's corporate website provides comprehensive and easy access to the latest information about the Group. The Group's information made available on the corporate website includes information relating to inter alia, KIBB and its subsidiaries' corporate profiles, Board, Senior Management, corporate governance related matters such as the Board Charter, as well as, the Terms of Reference of the various Board Committees, financial reports, annual reports and corporate news.

Information relating to the procedures of whistleblowing is also available on the corporate website.

General Meetings

In line with its digital transformation efforts, the Company has focused on the dissemination of its Annual Report via its website at <https://kenanga.com.my/investor-relations/AGM2021> in order to reach a wider spectrum of shareholders who are active internet users.

Shareholders are encouraged to attend the AGM and any Extraordinary General Meeting ("EGM") of the Company and to use these opportunities to raise questions and vote on important matters affecting the Group, including the election of Directors, the receipt of the Audited Financial Statements, Directors' Remuneration, Renewal of Share-Buy Back Authority, as well as, corporate proposal, if any. The External Auditors and advisers also attend the AGM and EGM and are available to answer any queries.

Due to the Coronavirus Disease 2019 ("COVID-19") pandemic situation and the enforcement of the MCO by the Government of Malaysia which restricted movement and mass gathering to curb the spread of COVID-19, KIBB had leveraged on technology to reach out to its shareholders by conducting its Forty-Sixth (46th) AGM fully virtual via live webcast and online remote voting using the Remote Participation and Voting Facilities ("RPV Facilities"), the services of which were rendered by KIBB's Share Registrar, Boardroom Share Registrars Sdn Bhd ("Boardroom").

Shareholders who logged in to participate in the AGM at the Virtual AGM Portal at <https://web.lumiagm.com> were able to cast their votes online via the same portal using the same login credentials and pose their questions to the Board on a real time basis.

In addition to offering the shareholders with the opportunities to participate in the AGM, pose questions and vote remotely via the RPV Facilities, the Company had enabled its first (1st) e-Proxy lodgement via Boardroom Smart Investor Portal, a service also rendered by Boardroom. This alternative mode of submitting the Proxy Form via electronic means was a step up to enable more shareholders to exercise their voting rights by appointing a Proxy to attend and vote in their stead.

To assist shareholders in manoeuvring the RPV Facilities, an Administrative Guide with detailed steps was provided to the shareholders to guide them through the process. In addition, Boardroom also provided a Helpdesk service to assist shareholders who were less-IT savvy.

To foster better engagement with the shareholders during the Forty-Sixth (46th) AGM, the Company had also arranged for one of its Senior Management personnel to brief the shareholders on live telecast on the Company's financial performance and operations in respect of the Financial Year Ended 31 December 2019 and Business Prospects for 2020 to keep them abreast of the Company's achievements and plans moving forward.

The above virtual platform had enabled the Company to reach out to a wider spectrum of shareholders by giving them the opportunity to exercise their rights as shareholders by participating at the AGM, and voting from wherever location they might be, even from the comfort of their home.

Apart from the above engagement with stakeholders through the Administrative Guide, Annual Reports and general meetings, the Company also makes announcements relating to its quarterly results and other relevant announcements to Bursa Securities via Bursa LINK to provide stakeholders with material key information which could affect their decision making, thus enhancing the level of transparency.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS (Pursuant to Paragraph 15.26(a) of the MMLR)

The Board is fully accountable for ensuring that the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group and of the profit and loss and cash flow as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with reasonable and prudent judgment and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis, as the Board has a reasonable expectation, after having made enquiries that the Group has adequate resources, to continue its operational existence in the foreseeable future.

ADDITIONAL INFORMATION

Audit and Non-Audit Fees

The details of the audit and non-audit fees payable to the External Auditors, Ernst & Young PLT ("EY") and its affiliates, for the Financial Year Ended 31 December 2020 are provided below.

	Group (RM)	KIBB (RM)
Statutory Audit	542,239	345,000
Audit/ Assurance Related	57,750	57,750
Non-Audit Fees – EY Assurance Team	65,000	27,000
Total	664,989	429,750

Related Party Transactions ("RPTs") and Recurrent Related Party Transactions ("RRPTs")

RPTs and/ or RRPTs entered into by the Company and/ or KIBB Group are reviewed by the AC during its quarterly meetings to ensure compliance with the MMLR.

Material Contracts Involving Interests of Directors, GMD or Major Shareholders

There were no material contracts entered into by the Company or its subsidiary companies involving the interests of the Directors, the GMD or major shareholders which still subsisted at the end of the Financial Year Ended 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Utilisation of Proceeds Raised from Corporate Proposals

There was no new fund raising corporate exercise undertaken during the Financial Year Ended 31 December 2020.

The proceeds from the previous issuance of Subordinated Notes under the RM250 Million in Nominal Value Tier 2 Subordinated Note Programme which was established on 27 March 2017 were being utilised by the Company for working capital requirement.

Details on the outstanding subordinated notes under the aforementioned programme are set out under Note 25 of the Financial Statements section appearing on page 224 of this Annual Report.

Employees' Share Scheme

After obtaining the shareholders' approval at an EGM held on 25 May 2017, KIBB had, on 21 September 2017, established and implemented the ESS of up to 10% of its total issued share capital (excluding treasury shares) at any one time during the duration of the Scheme for the Eligible Employees which would be valid for a period of five (5) years from its commencement date. Following the Board's approval on 10 June 2020, the duration of the ESS has

been extended for another five (5) years from 21 September 2022 to 20 September 2027 in accordance with the provisions of the By-Laws of the ESS.

The ESS comprises an Employees' Share Option Scheme ("ESOS") and an Employees' Share Grant Plan ("ESGP"). It is governed by the ESS By-Laws approved by the shareholders at the aforesaid EGM and administered by the ESS Committee, comprising three (3) INEDs and two (2) NINEDs.

Since the commencement of the ESS on 21 September 2017, five (5) offers had been made under the ESOS on 2 January 2018, 31 May 2018, 2 May 2019, 17 June 2019 and 1 July 2020 respectively, whilst none under the ESGP. The details of the ESS are set out under Note 55 of the Financial Statements section appearing on pages 324 to 330 of this Annual Report.

Brief details on the number of options granted, exercised, forfeited and outstanding since the commencement of the ESS on 21 September 2017 and during the Financial Year ("FY") 2018, FY 2019 and FY 2020 are set out below.

For the Period from 21 September 2017 to 31 December 2018

ESOS ⁽¹⁾	Total	GMD ⁽²⁾	Senior Management	Other Entitled Employees
Granted	59,423,000	10,000,000 ⁽³⁾	16,580,000 ⁽³⁾	32,843,000 ⁽³⁾
Exercised	194,400	0	0	194,400
Forfeited ⁽⁵⁾	1,479,000	0	0	1,479,000
Outstanding	57,749,600	10,000,000	16,580,000	31,169,600

For the Period from 1 January 2019 to 31 December 2019

ESOS ⁽¹⁾	Total	GMD ⁽²⁾	Senior Management	Other Entitled Employees
Granted	6,431,000	0	750,000 ⁽⁴⁾	5,681,000 ⁽⁴⁾
Exercised	0	0	0	0
Forfeited ⁽⁵⁾	1,528,000	0	0	1,528,000
Cancelled ⁽⁶⁾	265,500	0	195,000	70,500
Outstanding	62,387,100	10,000,000	17,135,000	35,252,100

For the Period from 1 January 2020 to 31 December 2020

ESOS ⁽¹⁾	Total	GMD ⁽²⁾	Senior Management	Other Entitled Employees
Granted	3,311,000	0	0	3,311,000 ⁽⁴⁾
Exercised	9,247,100	0	1,161,000	8,086,100
Forfeited	1,731,000	0	450,000 ⁽⁶⁾	1,281,000 ⁽⁶⁾
Cancelled ⁽⁷⁾	952,500	0	195,000	757,500
Outstanding	53,767,500	10,000,000	15,329,000	28,438,500

NOTES

⁽¹⁾ The ESOS is offered to Eligible Employees.

⁽²⁾ The GMD is not a Director of KIBB. None of the Directors of KIBB is entitled to participate in the ESOS.

⁽³⁾ The offer to the GMD was granted on 31 May 2018 while the offer to Senior Management and Other Entitled Employees was granted on 2 January 2018 respectively.

⁽⁴⁾ The offer to Other Entitled Employees and Senior Management was granted on 2 May 2019, 17 June 2019 and 1 July 2020 respectively.

⁽⁵⁾ ESOS forfeiture in compliance with Section 92 of the FSA.

⁽⁶⁾ ESOS forfeiture due to staff resignation.

⁽⁷⁾ ESOS not released/ vested due to vesting conditions not fully met.

Maximum Allowable Allocation of the Scheme

The aggregate maximum number of KIBB shares that may be offered to Eligible Employees under the Scheme shall be determined at the sole and absolute discretion of the ESS Committee after taking into consideration, amongst others, the provisions of the By-Laws of the ESS, MMLR of Bursa Securities or other applicable regulatory requirements prevailing during the option period relating to employees' and/ or directors' share issuance schemes, as well as, the performance, targets, position, annual appraised performance, seniority and length of service of the Eligible Person or such other matters which the ESS Committee may in its sole and absolute discretion deem fit and subject to the following:

- aggregate maximum number of KIBB shares which may be made available under the Scheme shall not in aggregate exceed 10% of the issued share capital of the Company (excluding treasury shares) ("**ESS Shares**") at any point in time during the duration of the Scheme ("**Maximum ESS Shares**"); and
- not more than 10% of the aggregate number of KIBB shares to be issued under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the issued share capital of KIBB (excluding treasury shares, if any).

With regard to the ESS granted to the GMD and Senior Management during the Financial Year Ended 31 December 2020 and since the commencement of the ESS:

- The aggregate maximum allocation is 40% of the Maximum ESS Shares; and
- The actual percentage of the ESS Shares granted to them as at 31 December 2020 was 37.42% of the Maximum ESS Shares.

In respect of Financial Year 2020, the External Auditors, EY had reviewed the allocation of the shares under the ESS made to the Eligible Employees and had reported to the AC at its meeting on 24 February 2021, that in its opinion, the allotment of shares made under the ESS was in compliance with the criteria for allocation of shares which had been disclosed to the Eligible Employees.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2021.

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman

ETHICS AND COMPLIANCE STATEMENT

WHERE WE STAND

Over the years, Kenanga Investment Bank Berhad (“**KIBB**”) and Its Group of Companies (“**Kenanga Group**” or “**the Group**”) have consistently made its stand and position in relation to good corporate governance abundantly clear, in not only what we say, but also in what we do.

Kenanga Group’s commitment to compliance, ethics and integrity continued to be evident in the year 2020 despite the wave of changes the COVID-19 pandemic brought and the many challenges that came with it for most. In this regard, Kenanga Group was well positioned to embrace the transformation necessary in furtherance to its digital strategy. In addition, Kenanga Group’s long-standing emphasis on raising awareness and instilling a culture of compliance complemented these initiatives.

In 2020, as majority of employees shifted to working from home, Kenanga Group continued its commitment to ensuring that its clients and stakeholders were served and engaged while our values of ethics and integrity in our business and operations remain a priority.

WHAT WE DO AND OUR STRUCTURE

Group Regulatory and Corporate Services (“**GRCS**”) carries out the fundamental role of advocating that the compliance philosophy which is fortified by principles and standards of ethics and integrity is adopted all across Kenanga Group. In the continuous efforts of doing so, GRCS provides support to the various departments, divisions and subsidiaries within Kenanga Group towards ensuring that the business and operations are conducted in line with good corporate governance.

GRCS consists of the following six (6) departments which cohesively functions to ensure the roles and functions of GRCS are executed timely:

- Group Compliance;
- Group Financial Crime Intelligence;
- Group Prudential Supervision and Regulatory Affairs;
- Group Legal;
- Group Company Secretarial; and
- Group Business Ethics and Integrity (“**GBEI**”).

Each department collectively serves to counsel on and steer Kenanga Group’s business and operational entities to adhere to the applicable laws, regulations and guidelines issued by regulators, and policies, procedures and controls adopted internally.

GRCS reports directly to the Board of Directors (“**Board**”) of KIBB considering the significant nature of the role and functions

GRCS performs. This will ensure proper and adequate oversight in relation to the matters GRCS oversees.

FURTHER DEVELOPING AND ENHANCING THE ETHICS AND INTEGRITY FRAMEWORK

GRCS executed various programs in line with the philosophy of good corporate governance in the interest of Kenanga Group and all its clients and stakeholders. These programs encapsulated diverse areas, emphasising on a holistic and an all-inclusive approach.

As was in the previous years, the endeavours by GRCS in 2020 received the full support of the Board of Directors and the Senior Management. It is evident that both the Board of Directors and Senior Management appreciate and recognise that there should not be any compromise on standards of compliance, ethics and integrity notwithstanding the changes adopted within Kenanga Group to comply with the standard operating procedures in light of COVID-19.

• Compliance with the Guidelines on Adequate Procedures

Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“**MACCA**”) was made effective on 1 June 2020 and GRCS, with GBEI taking the lead, continued with the measures that were first initiated in 2019 to ensure Kenanga Group’s compliance with the said provision that imposes ‘corporate liability’ on corrupt acts. One of the fundamental measures that was taken was to assess and engage the various departments, divisions and subsidiaries across Kenanga Group towards complying with requirements as stipulated under Guidelines on Adequate Procedures that was issued pursuant to section 17A(5) of the MACCA (“**Guidelines**”).

In this regard, a total of 86 requirements were adopted internally based on an extensive jurisdictional benchmark and comparative analysis including references to the 2010 UK Bribery Act Adequate Procedures issued by the Transparency International UK and the ISO 37001 Anti-Bribery Management System published by the International Organization for Standardization as guidance for conduct of assessment. These requirements encapsulated a wide range of key areas and included undertaking the necessary initiatives as control measures in relation to the areas that warrant specific attention.

The goal of achieving internal compliant status in respect of all 86 requirements was achieved before section 17A of the MACCA came into effect.

- **Group Gifts, Entertainment and Hospitality Policy**

While the Group Code of Professional Ethics and Conduct for Employees already had certain specific provisions relating to offering and accepting gifts by employees, the introduction of the Group Gifts, Entertainment and Hospitality Policy was in keeping with the best practices and benchmarked standards, as well as, to address a specified matter in the Guidelines.

The Group Gifts, Entertainment and Hospitality Policy provides the necessary guidance on the principles to adopt and sets out the procedural requirements for employees of Kenanga Group as to circumstances when it is permissible or otherwise to offer or accept gifts, entertainment or hospitality.

The issuance of this policy is aimed at ensuring the highest standards of ethics and integrity amongst employees in relation to their conduct concerning the offering or accepting of gifts, entertainment or hospitality to or from third parties and complying with the relevant laws at all times.

- **Group Incoming Non-Commercial Sponsorship Policy**

Kenanga Group also introduced the Group Incoming Non-Commercial Sponsorship Policy to establish and adopt a single, coordinated and transparent approach when employees request or accept sponsorships that are non-commercial in nature for activities or programs organised by Kenanga Group particularly in relation to increasing awareness and encouraging employee engagements.

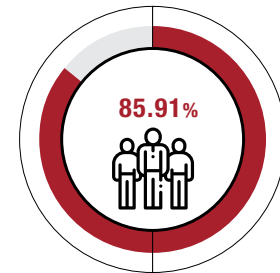
The Group Incoming Non-Commercial Sponsorship Policy sets out the provisions in relation to the principles to take into account, the documentation and parties involved, and the methods of providing acknowledgement for acceptance of any sponsorships. Ultimately, this policy will warrant that all non-commercial sponsorships are managed and dealt with in a fair and open manner.

- **Survey on Ethics and Integrity Culture at Workplace**

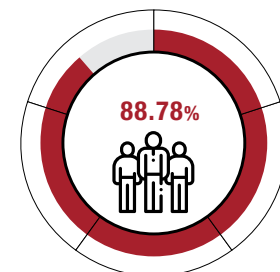
The Survey on Ethics and Integrity Culture at Workplace (“Survey”) was conducted for the second time in 2020 to gauge views and perceptions of the employees on policies and practices related to ethics and integrity in Kenanga Group. A total of 86.13% employees responded to the Survey:

Similar to 2019, for purpose of the Survey, the employees were segregated into three (3) different groups based on their seniority level and each group was requested to respond to a different set of questionnaires. The Survey questionnaires covered three (3) core values where greater emphasis was directed at understanding perception of the employees on the roles and responsibilities undertaken by the Board of Directors and Senior Management.

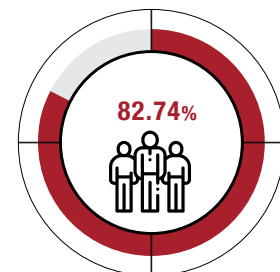
No. of responses in 2020



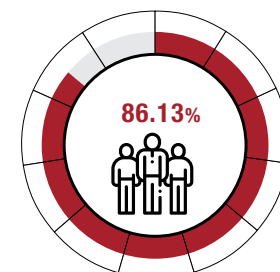
128 / 149
SVP/Above



459 / 517
AVP/VP



326 / 394
Associate/SA



913 / 1,060
Total



ETHICS AND COMPLIANCE STATEMENT

Core Values	Employee Group	Employees' Response				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
TOP LEVEL COMMITMENT: Scope of the questionnaire obtains views of the respondents whether there were visible strategic actions by the Board and Senior Management to set and communicate policies and objectives related to ethics and integrity, and to raise awareness, motivation and involvement of the employees	SVP and Above	29.43%	51.30%	16.15%	2.08%	1.04%
	AVP and VP	16.65%	56.60%	23.53%	1.83%	1.39%
	Associate and SA	18.35%	64.21%	15.70%	1.43%	0.31%
PROFESSIONAL ACCOUNTABILITY: Scope of the questionnaire aims at understanding whether the respondents acknowledge their responsibility to subscribe to ethics and integrity principles while undertaking assignments and commitments at work	SVP and Above	39.06%	51.76%	7.42%	0.98%	0.78%
	AVP and VP	17.43%	70.59%	11.00%	0.44%	0.54%
	Associate and SA	15.95%	69.63%	14.11%	0.31%	0.00%
PROFESSIONAL ACCOUNTABILITY: Scope of the questionnaire aims at understanding whether the respondents acknowledge their responsibility to subscribe to ethics and integrity principles while undertaking assignments and commitments at work	SVP and Above	42.19%	47.14%	9.63%	1.04%	0.00%
	AVP and VP	26.43%	63.76%	8.57%	0.51%	0.73%
	Associate and SA	22.39%	64.42%	12.88%	0.31%	0.00%

NOTE: SVP – Senior Vice President; AVP – Assistant Vice President; VP – Vice President; SA – Senior Associate.

The results of the Survey again indicated a positive perception of ethics and integrity culture in Kenanga Group. In fact, improvements were noted in the overall response rate and positive responses to the Survey. This implied acknowledgement and appreciation of the employees on the continuous efforts and initiatives undertaken by the Board and Senior Management on ethics and integrity.

Nevertheless, Kenanga Group will continue the efforts towards elevating ethical practices within Kenanga Group furthermore as enforcement of ethics and integrity are now assimilated in the laws and regulations, including section 17A of the MACCA.

PRESERVE AND ENHANCE STANDARDS OF ETHICS, INTEGRITY AND COMPLIANCE TOWARDS MANAGING RISKS ASSOCIATED WITH CONDUCT AND CULTURE

• **Group Code of Ethics and Conduct for Employees**

Kenanga Group's morals and values are reflected through the behaviour and conduct of its employees. As such, in line with the goals of executing the Ethics Blueprint that was established in December 2018 and the holistic approach to inculcating an ethical culture as envisaged in the Ethics Governance Structure, the Group Code of Ethics and Conduct for Employees (which was formerly titled 'The Group Code of Professional Ethics and Conduct for Employees') was revamped accordingly.

The Group Code of Ethics and Conduct for Employees was extensively revamped to introduce new provisions for clarity and to streamline existing provisions for enhancements and easier comprehension by employees. With the changes made, Kenanga Group continues to advocate the ideals for employees to observe so as to maintain the highest standards of professionalism, integrity and conscientiousness in all dealings, with fellow colleagues, as well as, with external parties.

• **Group Code of Conduct for Vendors**

The implementation and adoption of the Group Code of Conduct for Vendors that was issued in the first quarter of 2020 was executed throughout the year.

The Group Code of Conduct for Vendors which specifies the expected business conduct and ethical practices of Kenanga Group's vendors and service providers was incorporated or is to be made a fundamental clause in legal agreements signed between Kenanga Group and such parties. In addition, the Group Code of Conduct for Vendors was also made an essential element of Kenanga Group's tender documents in order to provide potential vendors with prior notice on the principals and standards required of them in the performance of their work for Kenanga Group.

• **Anti-Fraud, Bribery and Corruption**

Fraud, bribery and corruption poses serious threats to organisations and their sustainability, as well as, the growth of the nation at large. This is particularly so for financial institutions such as Kenanga Group which plays an important role in the ecosystem of economic development. In line with Kenanga Group's 'zero tolerance' approach to fraud, bribery and corruption, the Group Anti-Fraud, Bribery and Corruption Policy stipulates the principles and standards for identifying

and preventing fraudulent activities, bribery and corruption, and it is to be complied by the Board of Directors, Senior Management, as well as, employees of Kenanga Group.

Kenanga Group's commitment to preventing fraud, bribery and corruption is further demonstrated by declaring the importance and emphasis on conducting its business with the right values on its publicly accessible website. Kenanga Group conducts all businesses in an honest and ethical manner and pledges to prevent fraud, bribery and corruption within Kenanga Group regardless of its form or manner. In addition, the Group Anti-Fraud, Bribery and Corruption Policy imposes requirements for employees to undertake the necessary due diligence exercise prior to engaging or forming any relationships with an external party.

With the coming into effect of section 17A of the MACCA, Kenanga Group also undertook a timely and extensive review of the Group Anti-Fraud, Bribery and Corruption Policy to incorporate the requirements of new provision pertaining to offences by a commercial organisation.

• **Anti-Money Laundering and Counter Financing of Terrorism**

Kenanga Group is continuously devoted to enforcing a robust and effective Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT/TFS") framework in adherence to all related laws, regulations, guidelines and industry best practices towards ensuring the management of Kenanga Group's financial crime risks to mitigate potential regulatory and reputational risk.

Fundamental reassessment of the approach to managing financial crime risks was conducted in lieu of the pandemic that has hit the entire world resulting in the emergence of new threats and vulnerabilities. These new challenges range from the changing structures of organised crime groups to the explosion in new technology, the increasingly interconnected global economy, rapid evolution of the AML/CFT regulatory landscape and modus operandi coupled with rapidly growing markets and complex business structures.

At the heart of any effective strategy for protecting the business from exposure to financial crime is the implementation of meaningful financial crime policies which act as a clear marker of an organisation's red lines and ethical standards. Without processes and behaviours that are aligned with high-level policies, there is a danger that such policies can be seen as mere window dressing or platitudes.

ETHICS AND COMPLIANCE STATEMENT

Kenanga Group’s AML/CFT/TFS policy and procedure have incorporated the required practices, control measures, guidance and direction in adherence to all related laws, regulations, guidelines and industry best practices towards ensuring the management of Kenanga Group’s financial crime risks to mitigate potential regulatory and reputational risk. In line with the latest development, AML/CFT/TFS procedure has been further enhanced to effectively communicate the organisation’s expected standards to all relevant stakeholders while addressing the new threats and vulnerabilities, and numerous AML/CFT/TFS programmes have been rolled out to closely monitor the level of AML/ CFT adherence to meet the regulatory expectations. Keeping in pace with the digitalisation era, Kenanga Group also continuously enhances its management information system for timely detection, monitoring and reporting of suspicious activities in accordance with a Risk Based Approach.

- **Whistleblowing**

The importance of having an adequate and secure channel to facilitate both employees and third parties to make reports pertaining to any breach or suspected breach of laws, regulations or internal policies and procedures within Kenanga Group cannot be understated. Through the Group Whistleblowing Policy & Guidance Notes, Kenanga Group assures its stakeholders and general public that a sound and an effective whistleblowing framework is in place.

Specifically, the whistleblowing framework stipulates, among others, the manner reports may be made, the safeguards, such as confidentiality and non-retaliations, that are accorded to persons making bona fide reports and the steps Kenanga Group undertakes towards ensuring that reports received are thoroughly investigated and the appropriate actions are taken.

- **Managing Conflict of Interest**

The workplace is one of the most common places where conflicts of interests may occur and it is important that the employees of Kenanga Group understand the nature and types of conflict of interest that they may come across in carrying out their responsibilities. The Group Conflicts Management Policy provides the principles and standards to observe and emphasises the ethical duty all employees of Kenanga Group have in order to ensure that their direct or indirect personal interests are not inconsistent with or interferes in any way with those of Kenanga Group.

The Group Conflicts Management Policy sets forth the procedures for disclosing such conflicts of interest so that they may be reviewed, approved, managed, and monitored and escalated appropriately. In addition, it also provides common situations of conflicts of interest to enhance the employees understanding and so that they can identify the same if it arises.

- **Chinese Wall and Insider Trading**

Kenanga Group has in place the Group Chinese Wall Policy which is applicable to all employees within the Group that are likely to have access to confidential or material non-public price sensitive information. The Group Chinese Wall Policy establishes relevant guidelines to control the flow of confidential information or material non-public price sensitive information within Kenanga Group, to avoid the risk of possible breach of insider trading provisions, protect client confidentiality, as well as, manage conflict of interest.

Towards this, the Control Room monitors and supervises employee trading to avoid potential violations of the applicable law and regulations on insider trading and accordingly, contributing to overall market integrity.

- **Competing Fairly and Ethically**

Kenanga Group believes that fair competitive practices lead to efficiencies and improvement of quality of products and services. Premised on this, the Group Competition Act Compliance Policy stresses on the importance of applying the principles and rules as provided in the applicable Malaysian competition laws, policies and guidelines.

The Group Competition Act Compliance Policy is integrated to align with Kenanga Group’s businesses and operations, including dealings with any third parties. The Group Competition Act Compliance Policy is also built on ensuring an effective and clear stand against anti-competitive practices to prevent or minimise the risk of competition law infringements from occurring and to help Kenanga Group to promptly detect any infringements that do occur.

- **Common Reporting Standards (“CRS”)**

In year 2020, Kenanga Group had submitted the financial account information of non-resident clients to the Inland Revenue Board of Malaysia (“IRBM”) in August and November 2020 respectively in order to comply with the CRS requirement. The submission involved 77 entities and funds of Kenanga Group registered with the IRBM for CRS purposes.

INTENSIFYING EMPLOYEE ENGAGEMENT THROUGH TRAINING AND AWARENESS PROGRAMS

Throughout 2020, GRCS continued to communicate, engage and reach out to Kenanga Group's employees in order to ensure that they are updated and fully aware of the latest regulatory changes, as well as, to communicate the initiatives that are rolled out particularly on improving the ethical culture and good corporate governance amidst the pandemic. Various methods were used to execute the programs on training and raising awareness such as video-sharing, quizzes, webinars, as well as, the annual e-tests.

- **4th Fraud Awareness Campaign**

As it was in the years prior, Kenanga Group's Fraud Awareness Campaign in 2020 kicked off in October 2020. The campaign culminated with Kenanga Group having its 4th Fraud Awareness Week ("FAW") from 16 to 20 November 2020, which was held in conjunction with the International FAW from 15 to 21 November 2020 organised by the Association of Certified Fraud Examiners ("ACFE") of which Kenanga Group has been a corporate alliance member since 2015.

The Fraud Awareness Campaign and FAW is held annually to continuously raise awareness on the detection and prevention of fraud. This was especially important in 2020 as global reports and surveys show that fraudsters often attempt to take advantage of changing trends and use it for opportunities to commit fraud on the less informed.

Taking note of the increased risks of fraud during the COVID-19 pandemic and with the aim of always being a step-ahead, Kenanga Group appropriately chose the 4th FAW's theme to be "Ethics & Integrity: Culture for Combating Fraud in the New Normal". All activities for the 4th FAW were held virtually employing the use of technology such as video-conferencing platforms and survey administration applications.

Taking the 4th FAW digital was in line with the present 'new normal' of physical distancing to safeguard the participants while still ensuring that the objectives of the FAW are achieved. These activities included:

- **FAW Virtual Live Opening Ceremony**

The 4th FAW was officiated fully online on 16 November 2020 with a series of speeches by key individuals both from within Kenanga Group and outside including the Chairman of KIBB, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, the President and Chief Executive Officer for the ACFE based in Austin, Texas, Mr. Bruce Dorris, as well as, the Chief Commissioner of the Malaysian Anti-Corruption Commission, Datuk Seri Azam Bin Baki. A total of 498 persons joined the event virtually of which 255 viewers were external parties.

- **FAW Games**

The FAW Games which has always been a much-anticipated event of the FAW was also held online. Despite it being held virtually, the response for the FAW Games 2020 was overwhelming both from internal and external teams and. The FAW Games 2020 had a record 65 teams registering to participate comprising 35 internal teams and 30 external teams. The external teams that participated included teams from regulatory, statutory and professional bodies, as well as, financial institutions and listed companies in Malaysia.

- **Training Programmes**

The Annual Regulatory Seminar ("ARS") was incorporated as one of the events for the FAW. In aligning with the theme of the FAW, as well as, addressing contemporary key issues, the theme of the 5th ARS was "Digitalisation and Disruption: Where Do We Go From Here". The training programme sessions were provided by various speakers from within Kenanga Group and covered a wide range of subject matters including regulatory outlook and development, ethics and integrity, cyber security, as well as, regulators' expectations as the COVID-19 pandemic continued. The pre-recorded sessions were accessible online by all employees nationwide through Kenanga Group's learning portal.

- **Thematic Videos and Quizzes**

In keeping with the online and virtual trend of the FAW, videos on nature of fraud, identity theft, as well as, on internet and cyber frauds were shared with all employees and external participants of the FAW Games. This was followed with a quiz on the video that was shared to test understanding and to add an element of interaction, competition and excitement to win prizes. In addition, a special video and quiz just for members of the Senior Management team was also shared to stress on the 'Tone from the Top' message.



ETHICS AND COMPLIANCE STATEMENT

- Membership in the Malaysian Chapter of the ACFE (“MACFE”)**
 Kenanga Group continues to encourage and support the growth and development of its employees as it is vital that they are at the forefront when it comes to critical issues concerning anti-fraud and the related measures. In such spirit, Kenanga Group had sponsored the membership of its ACFE members in MACFE.

The MACFE serves as domestic platform for ACFE members to network and build strong professional relationships while fulfilling continuing education criteria as required.

- Enhanced AML/CFT/TFS Reviews**
 Kenanga Group has rolled out numerous AML/CFT/TFS reviews on the integrity of the screening function, risk scoring methodology, cash threshold reporting, branch practices and system reviews based on the programs to closely monitor the level of adherence in line with the expectations of Bank Negara Malaysia and the Securities Commission Malaysia. Enhancement of processes and monitoring standards are also carried out continuously to be in line with best practices and to be able to better respond to potential money laundering and terrorism financing threats.
- Employee Trading via Explainer Video**
 Kenanga Group issued the “Know Your 5Ws Requirements on Employee Trading” via a video to all employees of KIBB as an outreach programme to educate and re-enforce the requirements in relation to employees’ trading as stipulated in the Group Chinese Wall Policy.

The key highlights in the Explainer Video were the do’s and don’ts of trading in securities in order to avoid potential violations of the applicable law and regulations on insider trading, as well as, ensuring the integrity of the market.

MAINTAINING A HIGH LEVEL OF CORPORATE GOVERNANCE

Details on Kenanga Investment Bank Berhad’s corporate governance disclosure are available in the Corporate Governance Overview Statement appearing on pages 41 to 61 of this Annual Report and Corporate Governance Report which is available on KIBB’s website at <https://kenanga.com.my/investor-relations/AGM2021>.

OUR EMPHASIS IN THE YEAR AHEAD AMIDST THE NEW NORMAL

- Forging Ahead by Leveraging on Technology for Compliance in a Digitalised Landscape**
 The opportunities that come with digital transformation are numerous. While the focus is often times, on using technology to improve services or to have an edge in market

competitiveness, GRCS has undertaken appropriate measures to meet the compliance imperatives in light of these changes. GRCS constantly keeps updated on the transformations in the compliance landscape arising from digitalisation. Specific focus is given on raising awareness and developing broader skill sets to enhance understanding of the emerging range of Regtech and Fintech platforms. In 2021, we will continue to leverage on technology in the execution of our compliance roles and functions for Kenanga Group.

- Executing Targeted Control Measures to Manage Fraud, Bribery and Corruption Risks**
 With the introduction of section 17A of the MACCA and the increased emphasis and scrutiny by the regulators on having corporations undertake businesses ethically without fraud, bribery and corruption, one of the key focus of GRCS in 2021 is to execute targeted measures on evaluating and advising departments, divisions and subsidiaries within Kenanga Group on areas which may pose heightened risks due to their nature. In this regard, engagements, guidance and recommendations will be employed to educate and counsel the relevant personnel towards management of risks related to fraud, bribery and corruption.
- Elevating Organisational Culture of Ethics and Integrity and Highlighting Accountability**
 Planned initiatives will be deployed for employees to appreciate and continue to always do what is “right” in line with the principles of ethics and integrity of Kenanga Group. This is particularly so as employees adapt to the further changes anticipated in a post-pandemic setting. Additionally, as observed in Australia, Singapore, Hong Kong and the United Kingdom, the implementation of enhanced individual accountability regimes by regulators continues. In this regard, GRCS will proactively highlight the significance of taking accountability for actions and conduct in the work that we do in Kenanga Group.
- Manage Threat of Financial Crimes**
 GRCS has embarked on a project to develop an AML/CFT/TFS Business Wide Risk Assessment to ensure the comprehensiveness of the assessment of money laundering and terrorism and proliferation financing risk profile and effectiveness of risk control measures taking into account key activities, client segments, geographical areas, products and services, transactions and delivery channels, as well as, recent developments in AML/CFT/TFS laws and regulations. More interesting and interactive trainings on AML/CFT/TFS shall also be organised to further enhance the knowledge and awareness of employees on the expected standards to be implemented and the latest AML/CFT/TFS trends.

- **Upskilling Employees through Reinforced Engagements**

Arising from the lessons the COVID-19 pandemic has taught the world and the shared experience gained as everyone moved to working from home and adapting to digitalisation across various sectors and industries, Kenanga Group is committed to leverage and use these opportunities to assist employees to upskill and expand their knowledge. Online training and awareness will also be continuously provided to GRCS' employees to keep them abreast of the diverse regulatory and operational changes. This will be supported by constant and continuous communication and periodic knowledge sharing sessions among the team members.

- **Cyber Security and Data Protection in the Age of the New Normal**

The pace in which businesses moved to offering products and services virtually as a means of adapting to lockdowns and physical distancing has resulted in a lot more personal data and clients' information being transmitted and stored electronically. Kenanga Group has always emphasised the importance of managing the risks arising from cyber threats and protecting personal data. In this regard, GRCS with other relevant parties within Kenanga Group continues to remain agile, innovative and up-to-date in taking the steps necessary to remain operationally resilient while having the adequate measures in place to protect data and deal with threats.

FORWARD LOOKING STATEMENT

With vaccinations rolled out across the globe including in Malaysia, the expectation of life returning to a semblance of normalcy is justified. Nevertheless, Kenanga Group and GRCS aims to leverage on the changes embraced in the year that was in order to continue being at the forefront of digitalisation and at the same time, prioritising its stakeholders' interests and managing regulators' expectations. This will be facilitated with ongoing efforts that highlight Kenanga Group's commitment to principles of ethics, integrity and good governance. Accordingly, the ultimate goal of successfully executing and achieving Kenanga Group's digital strategy roadmap will be one that is both holistic and sustainable.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), a listed issuer must ensure that its Board of Directors (“Board”) includes in its annual report a statement about the state of its risk management and internal controls as a group. In addition, the Malaysian Code on Corporate Governance (“MCCG”) also stipulates that the Board should maintain a sound system of internal controls, including a review of its effectiveness to safeguard shareholders’ investments and the Group’s assets.

Set out below is the Board’s Statement on Risk Management and Internal Control in compliance with the MMLR of Bursa Malaysia.

BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of internal controls and has instituted a risk management framework, as well as, good corporate governance measures to monitor the effectiveness in safeguarding shareholders’ investments and the assets of Kenanga Investment Bank Berhad and Its Group of Companies (“Kenanga Group” or “the Group”).

The Board is responsible for determining key strategies and policies for significant risks and control issues, whereas functional management is responsible for the effective implementation of the Board’s policies by way of identifying, monitoring and managing risks. However, as any system of internal controls will have its inherent limitations, the system has been designed to manage risks rather than provide absolute assurance against material misstatement, fraud or loss.

The Board has also received reasonable assurance from the Group Managing Director and Group Chief Financial and Operations Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board and Management of the Group are committed to the implementation of an internal control system to manage those risks that could affect the Group’s continued growth and financial viability.

Measures are taken to continuously evaluate changes in the risk profile of the Group and business complexities to assist the Board and Management to anticipate and manage all potential risks and protect shareholders’ value.

The key elements of the Group’s internal control system include the following:

Risk Management Framework

The risk governance structure in the Enterprise Risk Management Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership. It sets out the principles of sound corporate governance to assess and manage risks to ensure that risk taking activities are aligned with the Group’s capacity to absorb losses and its long-term viability.

The risk management philosophy adopted by the Group is based on the three (3) lines of defence approach. The line management is the first line of defence and is primarily responsible for the day-to-day risk management by identifying the risks, assessing impact and taking appropriate actions to manage and mitigate risks.

The second line of defence is the oversight functions comprising Group Risk Management (“GRM”) and Group Regulatory and Corporate Services (“GRCS”). They perform independent monitoring of business units, reporting to Management and Board to ensure that the Group is conducting business and operations within internal guidelines and is regulatory compliant.

The third line of defence is Group Internal Audit (“GIA”) which provides independent assurance to the Board on the adequacy and effectiveness of system of internal controls, risk management and governance processes.

Governance

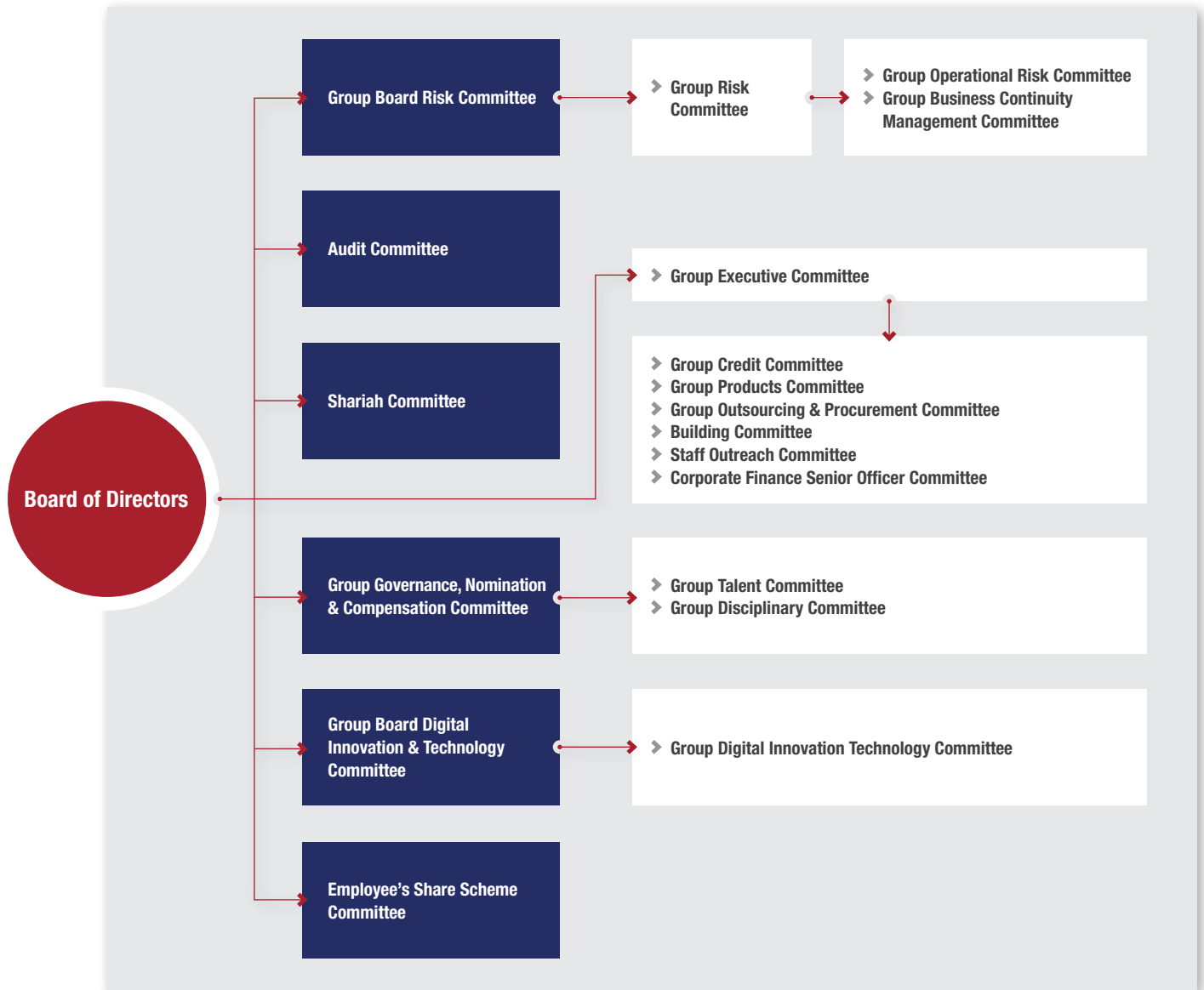
The Board, through its appointed Board Committees such as the Group Board Risk Committee (“GBRC”) and Group Board Digital Innovation & Technology Committee (“GBDITC”), ensures that the Group’s activities are consistent with its approved risk appetite, strategies and policies.

The GBRC is supported by the Group Risk Committee (“GRC”) that provides a forum to address and review the management of credit, operational, market, liquidity, technology and other significant risks to enable effective oversight, accountability and responsibilities for risk taking decisions. Assisting the GRC is the Group Operational Risk Committee and the Group Business Continuity Management Committee.

The GBDITC focuses on technologies and IT risk of the Group at the Board level and is supported by the Group Digital Innovation Technology Committee (Formerly Known As Group Information Technology Steering Committee) which covers the Group’s technology plans and projects.

Quarterly meetings are held by the Audit Committee (“AC”) together with management to review issues highlighted in the reports by internal and external auditors, as well as, audits conducted by regulators such as Bank Negara Malaysia (“BNM”), Securities Commission Malaysia (“SC”) and Bursa Malaysia, in particular the actions taken to address issues. If required, the internal auditors will also assist the AC to periodically review the measures taken to address the AC’s concerns on any internal control system.

Board appointed Committees Management Committees



Management Committees (“MC”) are established to oversee specific responsibilities based on defined terms of references. They are held regularly to ensure that business operations are executed in accordance with approved strategies, policies and business directions. The MCs are responsible for, amongst others:

- reviewing the actual performance against expectations and budget;
- addressing any internal control issues with the AC, GBRC, GBDITC, GIA, regulators and the external auditors; and
- addressing any matters arising from the meetings of the Board, AC, GBRC and GBDITC; and ensuring that actions are taken in relation to these matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Process and Infrastructure

The risk management process is a combination of both bottom-up and top-down approaches to facilitate decision making based on available information known at the time and creating opportunities to refine inputs when new information is available.

In addition to establishment of risk policies, tools and methodologies to identify, quantify and manage the risks, GRM is also responsible for establishing the risk measurement and monitoring process to ensure that the Group's risk profile and portfolio concentration are reported to the various risk committees on a regular basis.

Internal Policies and Procedures

Policies and procedures which set out standard day-to-day operations and managing risks are formulated based on current regulatory requirements and industry best practices.

The adequacy and compliance with regulatory requirements of the policies and procedures are assessed by independent control functions such as risk management, compliance and audit, prior to obtaining approval from the Board or relevant management committee.

Existing policies and procedures are reviewed regularly to ensure improvements and in consideration of emerging or changing risks profile, new products or services, as well as, new or updated regulatory requirements.

Annual Business Plans and Budgets

The Board reviews and approves the business plans and budgets which are developed in line with the Group's strategies and risk appetite. Actual performances against the approved budgets are escalated to the Management and Board on a monthly basis allowing responses and corrective actions to be taken.

Human Capital Management

The organisational structure, which is aligned to business and operational requirements are led by Heads of Departments with accountability in place.

Human Resources' policies and procedures are reviewed regularly to ensure they remain relevant to manage operational and people related risks.

There are regular trainings and updates for employees on requirements/guidelines of BNM, Bursa Malaysia and the SC, as well as, on the importance of corporate governance, risk management and internal control. Various awareness programmes on operational risks, ethics and fraud are also conducted regularly.

Business Continuity Management

Business Continuity Plans and Disaster Recovery Plans are established to ensure non-disruption of business or efficient business resumption. Regular testing or drills are also conducted for the purpose of staff preparedness, readiness of disaster recovery site, effectiveness of communication, escalation and recovery procedures. For effective business continuity management ("BCM"), awareness training is held annually for BCM coordinators and key persons.

Information Technology Security

The use of information technology ("IT") is essential and central to the Group's business. In order to ensure the reliability and resiliency of the business operations to meet the expectations of customers and all stakeholders, and in line with the guidelines of regulators such as BNM's Risk Management in Technology, the Group has established the corporate IT Security Policy and implemented the necessary security procedures to protect the confidentiality, integrity and availability of information systems and data.

With the increase in adoption of digitalisation and service delivery via cyberspace, the Group will continue to reinforce its IT security efforts and initiatives to be aligned with the Group's current and envisaged operations, strategies and business environments. The IT security posture of the Group is also continuously reviewed and enhanced to mitigate the risks arising from new and emerging threats. In-house IT security training and security updates on the latest threats are constantly provided to all staff to ensure their awareness on the importance of IT security.

Compliance Function

The Board is unreservedly committed and always strives to adopt the principles and recommendations of the MCCG issued by the SC Malaysia, as well as, other relevant regulatory requirements relating to corporate governance.

Compliance reviews and monitoring are undertaken by GRCS using various tools and approaches based on the framework set by Group Compliance, a department of GRCS. These reviews and monitoring are performed to assess the level of compliance with the relevant regulatory requirements and the respective companies' internal policies and procedures. Any regulatory deviation or compliance breaches will be reported to the respective Boards of operating entities within the Group and the relevant regulators. Pursuant to this, appropriate corrective actions including disciplinary actions will be taken to address the breach with a view to pre-empt and prevent the occurrence of a similar breach.

Aside from Group Compliance, the five (5) other departments of GRCS undertake functions to review and monitor compliance in their respective areas. In this respect, Group Financial Crime Intelligence, Group Prudential Supervision and Regulatory Affairs, Group Business Ethics and Integrity, Group Legal and Group Company Secretarial provide timely, structured and comprehensive advice and support to the Group in matters relating to the laws, rules and regulations applicable to the Group.

GRCS has also implemented self-assessment framework to facilitate and promote regulatory compliance by the business within the Group. For this purpose, a list of identified laws, regulations and other regulatory instruments applicable to the Group is documented and maintained to facilitate compliance.

Please refer to the 'Ethics and Compliance Statement' for more details on functions, roles and responsibilities of GRCS.

Internal Audit

GIA provides independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and are operating effectively and efficiently. To ensure independence and objectivity, the GIA reports independently to the AC and has no responsibilities or authority over any of the activities it reviews. GIA's scope of work and activities are guided by the Internal Audit Charter, mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework and relevant regulatory guidelines.

An Annual Audit Plan based on the appropriate risk based methodology has been developed and approved by the AC. On a quarterly basis, audit reports and status of internal audit activities including the sufficiency of GIA resources are presented to the AC for review.

Periodic follow up reviews are conducted to ensure adequate and timely implementation of Management's action plans.

Associate and Joint Venture Companies

The Board does not regularly review the internal control systems of associate companies and joint venture company as the Board does not have any direct control over their operations. Notwithstanding this, the Group's interests are served through representation on the Boards of the respective companies via receipt and review of management accounts, periodical reports, as well as, deliberation on proposals related to these companies. Such representation also provides the Board with information for decision-making on the continuity of the Group's investments based on the performance of these associate companies and joint venture company.

Conclusion

The Board, through the AC and the GBRC, confirms it has reviewed and considered the effectiveness of the Group's risk management and internal control system as adequate during the financial year and has taken into consideration any material developments up to the date of approval of the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2020. The main financial risk areas faced by the Group and the guidelines and policies adopted to manage them are provided in detail under Note 50 of the Audited Financial Statements of the Company for the Financial Year Ended 31 December 2020.

The Board is satisfied that there is an effective on-going process for identification, evaluation and management of risks and there are regular reviews to ensure controls are efficient and effective.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guides ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the internal controls of the Group. AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 1 April 2021.

AUDIT COMMITTEE REPORT

1. COMPOSITION

- 1.1 The Audit Committee (“**AC**”) of Kenanga Investment Bank Berhad (“**KIBB**” or “**the Company**”) presently comprises four (4) members of the Board of Directors (“**Board**”), three (3) of whom are Independent Non-Executive Directors (“**INED**”) and one (1) is a Non-Independent Non-Executive Director (“**NINED**”) as follows:

<p>a. Jeremy Nasrulhaq <i>Chairman, INED</i></p>	<p>b. Luk Wai Hong, William <i>Member, INED</i></p>	<p>c. Kanagaraj Lorenz <i>Member, INED</i></p>	<p>d. Ismail Harith Merican <i>Member, NINED</i></p>
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NOTE

Encik Izlan Izhah ceased to be member of the AC effective from 1 January 2021 upon his retirement as an INED of KIBB.

- 1.2 The composition of the AC is in line with Paragraphs 15.09(1)(a) and 15.09(1)(b) of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) which require the AC to comprise no fewer than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

Two (2) of the AC members, namely Jeremy Nasrulhaq, currently the Chairman of the AC and Kanagaraj Lorenz, are members of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants respectively, in line with the requirements of the MMLR of Bursa Securities. This strengthens the effectiveness of the AC and facilitates the AC’s succession plan in terms of its membership to ensure full compliance with the relevant regulatory requirements.

- 1.3 The effectiveness of the AC as a whole, as well as, its members individually, is assessed annually in accordance with the Board Evaluation Framework based on a set of criteria covering the areas of composition, processes and procedures, interaction with Management, as well as, roles and responsibilities. Based on the assessment conducted in 2020, the Board is satisfied with the performance of the AC and with the manner in which the AC has discharged its roles and responsibilities as stipulated in its Terms of Reference (“**TOR**”), which is available at the Company’s corporate website at www.kenanga.com.my.

2. AC MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

- 2.1 During the Financial Year Ended 31 December 2020, the AC had convened eight (8) meetings, inclusive of one (1) joint meeting with the Group Board Risk Committee (“**GBRC**”). The meetings were appropriately structured where members were given the agenda and sufficient notification. The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss the emerging issues.

The AC conducted its meeting in an open and constructive communication mode and encouraged focused discussion, questioning and expressions of differing opinions.

- 2.2 The Group Chief Internal Auditor (“**G CIA**”) attended all meetings of the AC to present the respective internal audit reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues arising from the internal audit reports.

The Group Chief Financial and Operations Officer (“**GCFOO**”) on the other hand, attended the AC meeting to present the unaudited quarterly financial statements, audited financial statements, as well as, other financial reporting related matters for the AC’s deliberation and recommendation to the Board for approval.

- 2.3 In addition, separate private discussions were also held between the Chairman of the AC and/or the AC with the G CIA and between the AC and the External Auditors, Ernst & Young PLT, without the presence of Management. During the financial year under review, the AC met with the External Auditors without Management’s presence twice, i.e. on 30 January 2020 and 27 October 2020, after the tabling of the Audit Results in respect of the Financial Year Ended 31 December 2019 and the External Auditors’ 2020 Audit Plan respectively.






During these meetings, the AC sought the feedback from the External Auditors with regard to the support provided by Management in terms of providing timely and accurate information, as well as, the adequacy of resources in the financial reporting functions. Based on the External Auditors' feedback, Management was noted to have provided full cooperation to the External Auditors in the course of the External Auditors' audit assignments. The External Auditors had also indicated that Management had been very pro-active in approaching them for any issues arising during the year, which contributed to an effective audit planning by the External Auditors.

- 2.4 In fulfilling its reporting responsibility to the Board, after each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board.

The Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

2.5 AC Members' Attendance at Meetings

The details of the AC members' attendance at its meetings held during the Financial Year Ended 31 December 2020 are as stated below.

Name of Member	Number of Meetings		
	Held ⁽¹⁾	Attended	Percentage (%)
Jeremy Nasrulhaq (Chairman)	8		100%
Izlan Izhah (Retired w.e.f. 1 January 2021)	8		100%
Luk Wai Hong, William	8		100%
Kanagaraj Lorenz	8		100%
Ismail Harith Merican	8		100%

NOTE

⁽¹⁾ Total number of meetings held was inclusive of one (1) joint meeting between AC and GBRC.

3. SUMMARY OF THE AC'S ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3.1 Financial Reporting

- a. In discharging its role and responsibility pertaining to the Company's financial reporting, the AC had at its meeting held on 30 January 2020, reviewed the quarterly financial statements for the quarter ended 31 December 2019, as well as, the annual Audited Financial Statements for the Financial Year Ended 31 December 2019.

In reviewing the annual audited financial statements, the AC discussed with Management and the External Auditors, the accounting principles and standards that were applied and their judgment of the items that might affect the financial statements.

The AC also deliberated on audit issues and key audit matters raised by the External Auditors and the action plans required to address those issues, based on the External Auditors' recommendations.

AUDIT COMMITTEE REPORT

- b. The subsequent quarterly financial statements for the quarters ended 31 March 2020, 30 June 2020 and 30 September 2020 were tabled and reviewed by the AC at its quarterly meetings held on 29 April 2020, 22 July 2020 and 27 October 2020 respectively, upon which the AC had recommended the quarterly financial statements to the Board for approval.
- c. The AC had, at its meeting held on 27 October 2020, reviewed the basis and assumptions used for the annual assessment for impairment of assets of KIBB Group for the Financial Year Ended 31 December 2020, and recommended the same for the Board's approval, subject to the final assessment to be done for the financial results as at 31 December 2020.
- d. At each of its quarterly meeting, the AC was also notified of the amount of non-audit fees incurred and paid by KIBB Group to the External Auditors and their affiliate to ensure compliance with the Group's Policy on Non-Audit Services by External Auditors.
- e. The AC had, at its meeting held on 30 January 2020, reviewed and recommended to the Board for approval, the revision to the Group Accounting Policy to incorporate KIBB Group's latest business developments and to enhance the existing impairment methodologies in accordance with the Malaysian Financial Reporting Standard 9 – Financial Instruments as recommended by the Group Executive Committee. The AC's recommendation was subsequently approved by the Board on 31 January 2020.
- f. The AC had, at its meeting held on 26 February 2020, deliberated on the change of Tax Agent for KIBB and Its Subsidiary Companies for the year of assessments beginning on and after 2019. The final selection was authorised by the Group Managing Director and the GCFOO in line with the Group Procurement Policy.

3.2 External Audit

- a. The report by the External Auditors on the statutory audit of the financial statements of the Company for the Financial Year Ended 31 December 2019 was reviewed and deliberated by the AC at its meeting held on 30 January 2020.

During its deliberations, in addition to the relevant disclosures in the Audited Financial Statements, the AC had also considered the recommendations made by the External Auditors towards enhancing internal controls and procedures.

- b. The AC had also at the same meeting reviewed the list of services provided by the External Auditors during the financial year which comprised audit and regulatory-related services, issuance of a written communication to Management and the AC pertaining to the External Auditors' audit/ findings, together with the recommendations for improvements in controls and procedures.

The External Auditors' services also included the review of the Statement on Risk Management and Internal Control, as well as, other regulatory submission as required under the various regulatory requirements.

- c. At its meeting held on 26 February 2020, the AC was subsequently updated by the External Auditors, on the latest status of the statutory audits conducted on KIBB Group. The AC had, at the same meeting, duly deliberated on the audit matters which required its attention.

At the same meeting, the AC was also informed by the External Auditors that they had reviewed the allotment of shares under the Employees' Share Scheme ("ESS") made to Employees and Executive Directors of KIBB and Its Non-Dormant Subsidiaries during the Financial Year Ended 31 December 2019. Based on the review, the External Auditors were of the opinion that the allotment of shares under the ESS was in compliance with the criteria for allotment of shares which had been disclosed to the Employees and Executive Directors of KIBB and Its Non-Dormant Subsidiaries. The AC had concurred with the External Auditors' opinion.

- d. Pursuant to Section 67(1) of the Financial Services Act 2013 (“**FSA**”), an auditor appointed by a licensed person shall meet the qualification criteria set out in Bank Negara Malaysia (“**BNM**”)’s Policy Document on External Auditor and shall continue to meet the criteria throughout the audit engagement.

In addition, BNM’s letter dated 3 May 2012 on “Supervisory Expectations on AC Pertaining to the Appointment/ Re-Appointment of External Auditors” also sets out the areas of assessment to be performed.

Being a licensed financial institution under the FSA, the Company is required to undertake an annual assessment on areas focusing on performance and independence of the External Auditors.

In relation to the audit of the Company’s financial statements for the Financial Year Ended 31 December 2019, the External Auditors had given a written assurance to the AC that they were not aware of any relationships or matters that, in their professional judgement, might reasonably be thought to bear on their independence; and that they were independent in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, throughout their audit engagement for 2019.

This written assurance by the External Auditors was contained in the External Auditors’ report which was presented to the AC on 30 January 2020.

Based on the assessment conducted, the AC at the same meeting, had concluded that the External Auditors had fulfilled all the qualification set out in BNM’s Policy Document on External Auditor in terms of its performance and independence and had therefore recommended to the Board that the External Auditors be re-appointed as the Company’s External Auditors for the Financial Year Ending 31 December 2020.

- e. At its meeting held on 27 October 2020, the AC reviewed and recommended to the Board for approval, the External Auditors’ 2020 Audit Plan outlining their scope of work and proposed fees covering their recurring audit assignments, as well as, other regulatory-related services.

During the presentation of their 2020 Audit Plan, the External Auditors had also highlighted to the AC the developments in the financial reporting as summarised below.

- i. Amended Malaysian Financial Reporting Standards (“**MFRS**”) and Interpretations Committee Interpretations effective for annual period beginning on or after 1 January 2020

Description	Effective Date
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)	1 June 2020
Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4: Insurance Contracts)	Effective immediately (17 August 2020)

AUDIT COMMITTEE REPORT

- ii. New and amended MFRS issued but not yet effective

Description	Effective Date
Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2020

At the same meeting, the AC had also taken note of the Annual Inspection Report 2019 (“**AIR 2019**”) issued by the Securities Commission Malaysia (“**SC**”)’s Audit Oversight Board (“**AOB**”), as presented by the External Auditors. The AIR 2019 provided insights into the observations arising from the AOB’s inspections at both audit firm and audit engagement levels in 2019.

- f. On 25 January 2021, the GCFOO briefed the AC that the pre-approved tax fees and non-audit fees incurred and paid by KIBB Group to the External Auditors for the Financial Year Ended 31 December 2020 were RM123,800 or 22.9% and RM168,067 or 31.1% respectively, of the audit fees for the Financial Year Ended 31 December 2019, which was in line with the Group’s Policy on Non-Audit Services by External Auditors.

3.3 Internal Audit

- a. At its meeting on 30 January 2020, the AC had reviewed and approved the 2020 Audit Plan tabled by Group Internal Audit (“**GIA**”) after considering the adequacy of scope and comprehensiveness of the coverage of activities within KIBB Group, as well as, the adequacy of resources in the internal audit department.

Due to the COVID-19 pandemic and the imposition of Movement Control Order by the Government of Malaysia, the AC had deliberated and approved the deferment of certain audit reviews planned for 2020 at its meetings held on 29 April 2020 and 27 October 2020.

Arising from the deferment, the total number of reviews had been revised from forty-seven (47) to forty-one (41).

- b. In 2020, the AC had reviewed and deliberated on a total of forty-one (41) internal audit reports in relation to the audits carried out by GIA, together with the audit recommendations made by GIA and Management’s responses to those recommendations. Where appropriate, the AC had directed Management to rectify and improve control and workflow procedures based on GIA’s recommendations.

The AC, at all its quarterly meetings, also reviewed the implementation status of the corrective actions arising from the audit recommendations to ensure that the key risks and control lapses were addressed in a timely manner.

With regard to long outstanding audit recommendations, where appropriate, the relevant Heads of Department were invited to the AC meeting to provide relevant explanation for the delay in implementing such audit recommendations.

- c. In addition to the audit conducted on the processes and systems of Support and Business Units within KIBB Group, during Financial Year 2020, GIA also conducted various reviews required by the relevant regulators in areas including, amongst others, Anti-Money Laundering/ Counter Financing of Terrorism, Basel II (Pillar 3), Related Party Transactions, verification of RM Marketable Securities, Staff Training Fund, Cyber Security, and Business Continuity Plan/ Disaster Recovery Plan Testing.
- d. For the purpose of evaluating the performance of the GCIA, the AC had at its meeting on 30 January 2020, reviewed and deliberated the GCIA’s 2019 Performance Appraisal and the Annual assessment on Fit and Proper, as well as, the 2020 Balanced Scorecard, prior to submission of the same to the Group Governance, Nomination & Compensation Committee (“**GNC**”) (Formerly Known as Group Nomination & Remuneration Committee) for its further recommendation to the Board of KIBB for approval. The AC’s recommendation was subsequently approved by the Board of KIBB on 31 January 2020.

- e. The AC, at its meeting on 29 April 2020, had deliberated the revised Internal Audit Manual and implementation of the Internal Auditor's Annual Declaration Form with the objectives of:
- i. incorporating the revision to the Internal Audit ("IA") procedures subsequent to the implementation of the Audit Management System; and
 - ii. inclusion of new procedures to be in line with the requirement under the International Professional Practices Framework of The Institute of Internal Auditors.
- f. Given the significance of IA function in safeguarding a company against weaknesses in risk management, internal control and with the heightened emphasis placed on the effectiveness of IA function in the Malaysian Code on Corporate Governance, Bursa Securities, together with the Institute of Internal Auditors Malaysia had, in 2019, conducted a thematic review on IA function of forty (40) selected public listed companies ("PLCs").

The review focused on seven (7) criteria of the IA function, namely:

- i. Adoption of a recognised IA framework;
- ii. Independence and objectivity;
- iii. Planning the audit;
- iv. Effectiveness of IA function;
- v. Resource management;
- vi. Communicating audit results; and
- vii. Monitoring progress.

This study revealed a wide gap, especially in five (5) of the aforementioned seven (7) criteria, pertaining to the work of the IA function in meeting the needs of the PLC. The study further highlighted that the AC of the PLCs, being tasked with overseeing the IA function, should consider the following measures to enhance the IA function in terms of competency of personnel, standards deployed in IA and the overall quality of work performed:

- i. adoption of a recognised framework; and
- ii. on-going education for ACs on their roles pertaining to the IA function.

The AC at its meeting on 27 October 2020, had noted that from KIBB's perspective, all the aforementioned seven (7) criteria of the IA function had been adopted. However, based on the key takeaways from the thematic review, the disclosures in KIBB's Annual Report might be further enhanced in terms of the extent of details to be disclosed for transparency purpose.

3.4 Regulatory Examinations/ Inspection Report

As stipulated in its TOR, the AC also deliberates on reports issued by the regulators arising from their examinations or inspections on entities within KIBB Group. This is to ensure proper implementation of appropriate remedial and corrective measures in respect of the findings arising from examinations/ inspections conducted by the regulators.

During the year, at its meeting on 5 June 2020, the AC had deliberated on BNM's 2019 Composite Risk Rating Assessment on KIBB. In its deliberation, the AC not only discussed in detail the findings, areas for enhancement and recommendations made by the regulator, but also on the action plans identified by Management to address those findings and implement the recommendations.

AUDIT COMMITTEE REPORT

3.5 Related Party Transactions

During its quarterly meetings, the AC also reviewed the related party transactions and recurrent related party transactions entered into by the Company and/or its group of companies to ensure compliance with the MMLR.

3.6 Enhancement and Evaluation of Staff's Understanding of KIBB Group's Whistleblowing Framework

KIBB Group had put in place the Whistleblowing Policy and Guidance Notes ("**Whistleblowing Policy**") since January 2015. Apart from providing a comprehensive explanation on whistleblowing, the Whistleblowing Policy also detailed out the framework adopted by KIBB Group, outlined the obligations of the employees and set out the various channels to report any illegal or unethical practices.

As a means to continuously educate, train and engage the employees of KIBB Group and to enhance their understanding on the Whistleblowing Policy, Group Business Ethics and Integrity of Group Regulatory and Corporate Services, had published a video on the Whistleblowing Policy via KIBB's Learning Management System. The video was accompanied by a compulsory quiz aimed at evaluating the employees' understanding of the Whistleblowing Policy as explained in the video.

In this regard, the AC had, at its meeting on 29 April 2020, taken note of the results of the quiz and the findings in relation thereof, which would be used to identify gaps in knowledge and areas for improvement.

3.7 Compliance with the Guidelines on the Adequate Procedures Issues Pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009

The AC at its meetings on 29 April 2020 and 5 June 2020 was updated on the status of the assessment on KIBB Group in respect of its compliance with the Guidelines on Adequate Procedures ("**Guidelines**") issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

At the said meeting, the AC had observed that overall, as at March 2020, KIBB Group's status of compliance with the aforementioned Guidelines was noted to be satisfactory where, from the total of eighty-six (86) requirements, the Group had complied with seventy (70) requirements (i.e. 81.4%), with the remaining sixteen (16) requirements targeted to be fully complied with by June 2020.

Subsequently, at its meeting on 22 July 2020, the AC was updated that as at end of May 2020, KIBB Group had achieved 100% compliance with the requirements as stipulated in the Guidelines.

3.8 Disclosure for Annual Report 2019

Under its TOR, the AC was also tasked to review the accuracy and adequacy of the corporate governance and internal control disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

In this regard, the AC at its meeting on 24 March 2020 had also reviewed and recommended to the Board of KIBB for approval, the disclosure of the following reports and/or statements in KIBB's Annual Report 2019:

- Audit Committee Report;
- Statement on Risk Management and Internal Control;
- Sustainability Statement; and
- Corporate Governance ("**CG**") Overview Statement and CG Report.

The AC's recommendation was subsequently approved by the Board of KIBB on 31 March 2020.

At the same meeting, the AC had also granted its concurrence on the Chairman's Statement and the Group Managing Director's Management Discussion & Analysis.

3.9 List of Disciplinary Actions Meted Out on Employees' Misconducts within KIBB Group

The list of disciplinary actions meted out on employees who had committed misconduct within KIBB Group tabled by Head of Group Human Resource, were reviewed and deliberated by the AC at its meetings held on 26 February 2020, 22 July 2020 and 27 October 2020 respectively.

3.10 Post Approval Review by Independent Credit Review ("ICR")

The reports on the Post Approval Review conducted on Share Margin Financing and Corporate Loans by the ICR, were reviewed and deliberated by the AC at its meetings held on 30 January 2020 and 29 April 2020 respectively, as required under Paragraph 17.5 of BNM's Policy Document on Credit Risk.*

* Paragraph 17.5 of BNM's Policy Document on Credit Risk requires the outcomes of independent credit reviews to be escalated directly to the Board Risk Committee, Board Audit Committee and Senior Management.

3.11 Joint Meeting Between the AC and the GBRC

Pursuant to BNM's Policy Document on Risk Governance, the GBRC and the AC were expected to 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 KIBB Group's risk appetite and business plans.

In this regard, a joint meeting between the AC and the GBRC was held on 11 August 2020 as per BNM's requirement aforementioned.

3.12 GIA's Succession Plan

The AC had, at its meeting on 26 February 2020, recommended the revised Succession Plan (2019 Review) for GIA to the GNC for its further recommendation to the Board for approval, as recommended by the Group Talent Committee. The same was approved by the Board on 27 February 2020.

4. INTERNAL AUDIT FUNCTION

- 4.1 The internal audit function of KIBB is established in-house. In discharging its responsibilities, GIA, which reports functionally to the AC and administratively to the Group Managing Director, provides independent and objective assurance to the Board and Management that the policies, procedures and operations that Management has put in place for risk management, control and governance are adequate, operating effectively and efficiently, and in compliance with prescribed laws and regulations.
- 4.2 During the year under review, GIA carried out internal audit reviews based on its 2020 Audit Plan as approved by the AC. This Audit Plan was developed using a risk-based methodology. The audit reviews conducted by GIA included business support processes, Information Technology/ technical audits and compliance audits on regulatory requirements.
- 4.3 All GIA's reports, detailing the audit findings, audit recommendations, as well as, Management's responses to those recommendations were circulated to the Group Managing Director and Heads of the respective Divisions/ Departments within KIBB Group. Follow-up reviews were performed on the implementation status of the audit recommendations and reported to the AC accordingly.
- 4.4 The total costs incurred by GIA in discharging its functions and responsibilities in 2020 amounted to RM4.08 million.
- 4.5 As at 31 December 2020, GIA's headcount was twenty (20).