

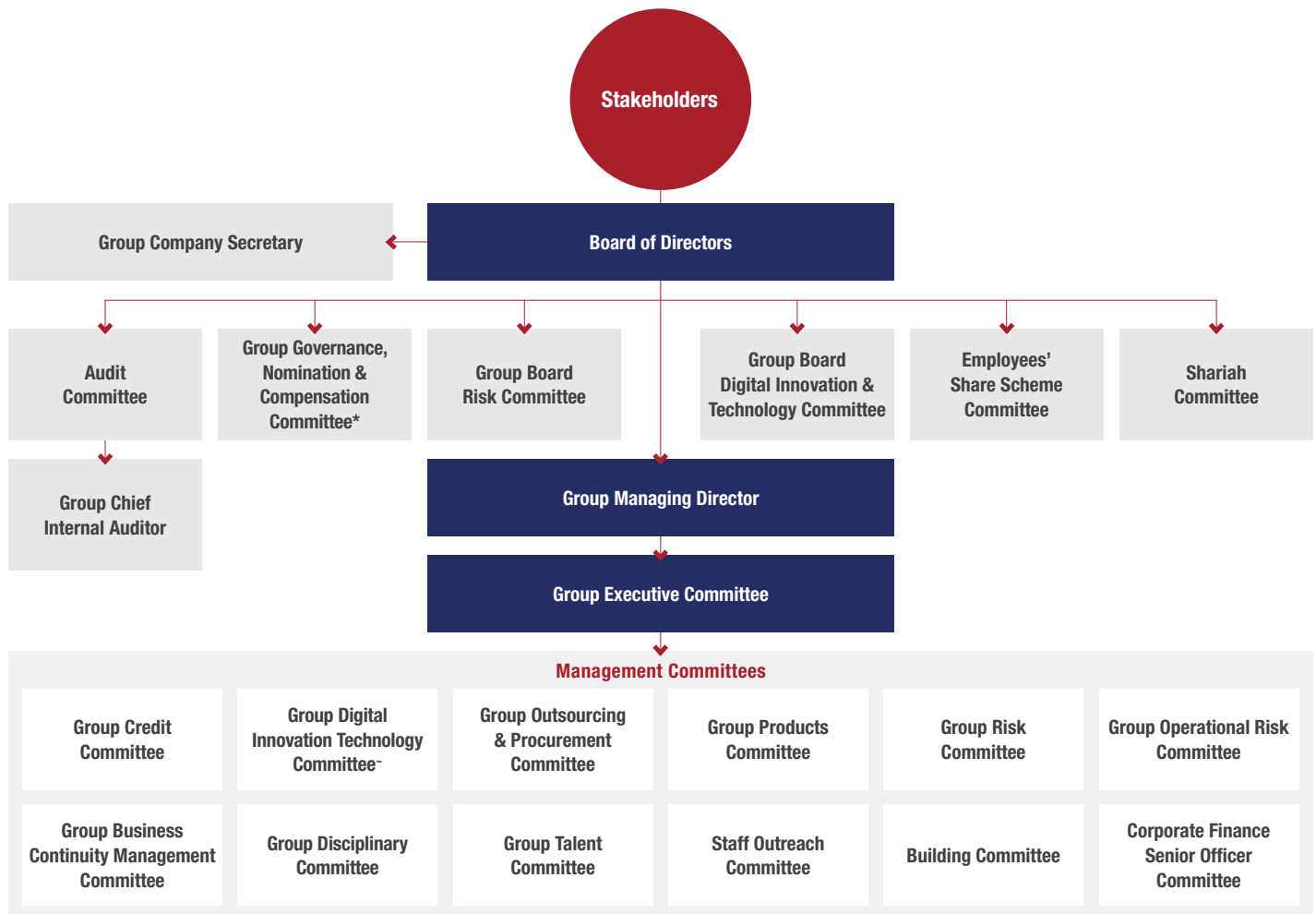
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

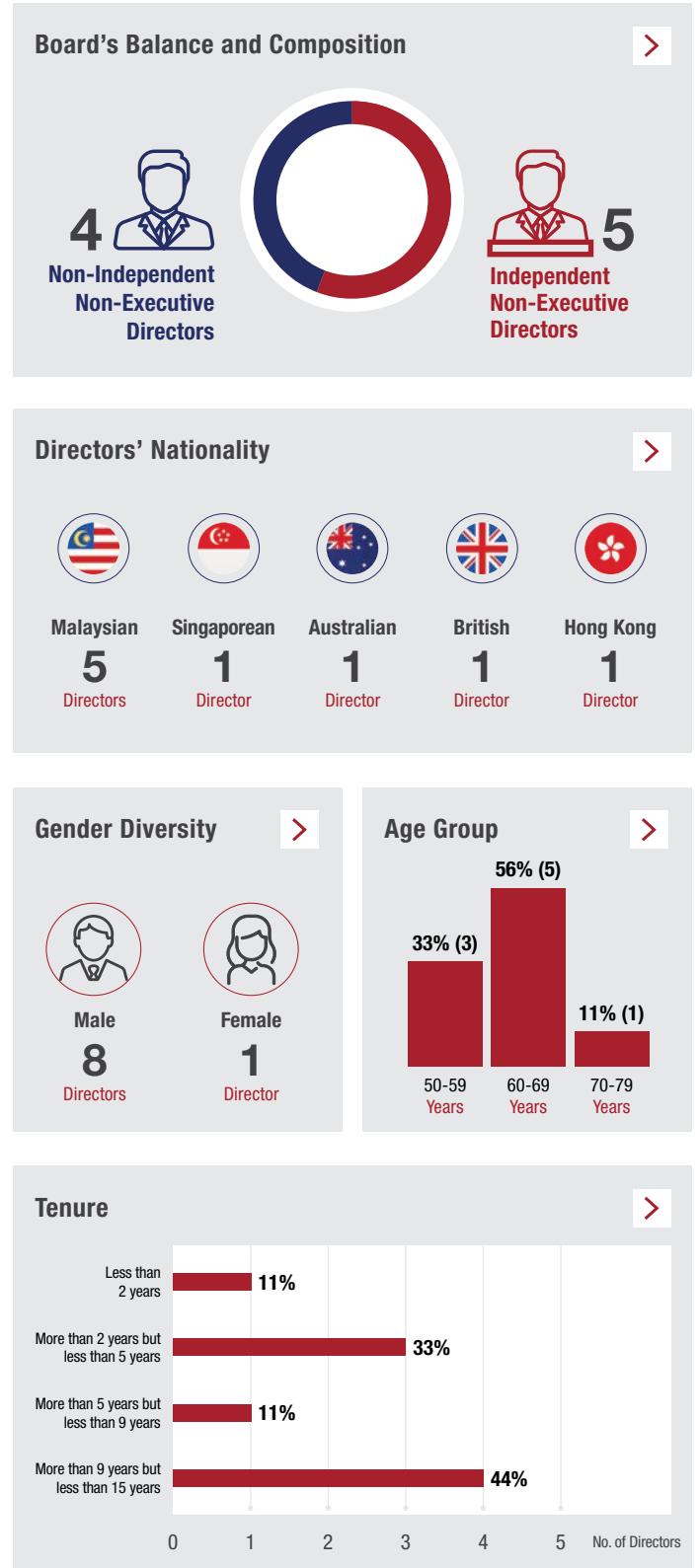
Whilst the Chairman is responsible for leading the Board in setting the values and standards of the Company, as well as, maintaining a relationship of trust with and between Management and Non-Executive Directors, the GMD, on the other hand, is entrusted with the executive responsibility for the day-to-day 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

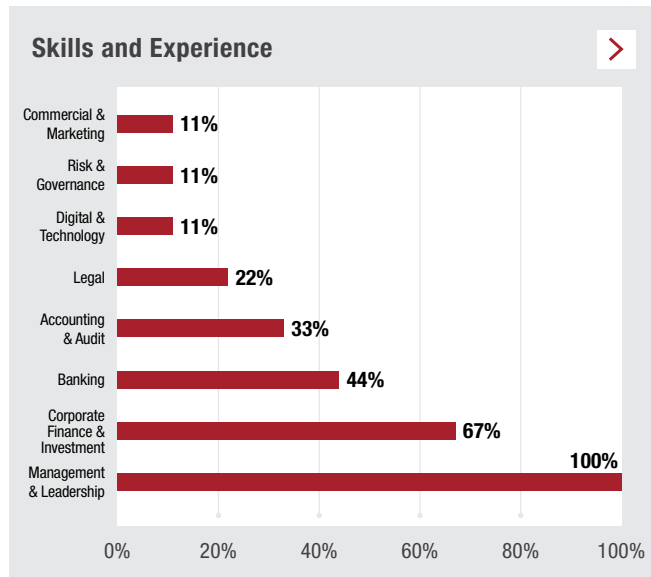
The Board of KIBB currently comprises the following nine (9) Directors, five (5) of whom are Independent Non-Executive Directors (“INED”) and the remaining four (4) are Non-Independent Non-Executive Directors (“NINED”):

- > **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 Izhah ⁽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