

Our ESG Framework

Our newly developed ESG Framework serves as a focal point for how we articulate our sustainability aspirations for the long-term. Anchored upon four (4) key sustainability pillars - Sustainable Economic Growth, Environmental Stewardship, Empowering People and Communities, as well as, Good Governance - the framework guides us in our efforts in addressing ESG issues that are material to our business which align with our strategies and targets.

OUR SUSTAINABILITY VISION

As a leading independent investment bank, Kenanga is committed to promoting and adopting business-relevant sustainable practices by embedding ESG in our core business strategy and operations while considering the ESG risks and opportunities in shaping up sustainable investment products and services towards contributing to the best interests of our stakeholders.

OUR PILLARS



Sustainable Economic Growth

Integrate ESG factors into our business decisions and value chain and manage ESG risks and opportunities as we innovate to build a sustainable future.



Environmental Stewardship

Promote climate positive culture within the organisation and relevant external stakeholders to attain a low carbon economy.



Empowering People and Communities

Create a positive impact on our employees, clients, business associates, as well as communities in need.



Good Governance

Lead a responsible business underpinned by a robust compliance culture and high levels of ethical standards.

OUR KEY FOCUS AREAS

Responsible Investment

Incorporate ESG factors into our investment processes, offer and promote sustainable products and solutions and take an active stewardship role in the companies in which we invest.

Digitalisation

Leverage technological advancements to develop secure, meaningful and innovative products and solutions that will help shape the future of investing.

Climate Impact

Take ownership of climate risks and opportunities of our operations through monitoring environmental performance, identifying and practising behaviours to promote climate positive action and outcomes.

Diversity, Inclusion and Wellbeing

Inculcate an equitable workplace culture that recognises the unique needs and contributions of employees and where employee rights, safety, health and wellness are promoted.

Community Investment

Enhance financial literacy for investors and the community through education. Reaching out to communities in need through targeted social investments and employee volunteerism.

Good Business Conduct




Promote and embed good business conduct and high standards of integrity throughout the organisation, operate ethically and transparently and in compliance with applicable laws and regulations.

ALIGNMENT WITH UN SDGS



Stakeholder-Driven Sustainability

Stakeholder engagement, assessment and feedback are integral to our organisation. We continuously improve our engagement approaches through various communication channels to ensure we meaningfully engage with our stakeholders, gather feedback relevant to current trends and understand their changing priorities.

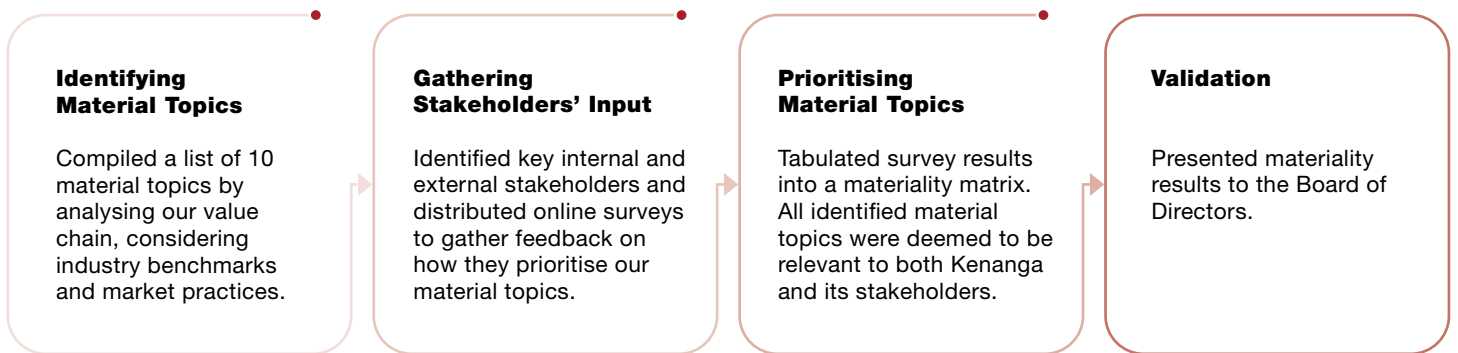
| Our Stakeholder Groups | Our Commitment | How We Engage | Areas of Interest |
|---|---|--|--|
| <p>Those Whom We Are Accountable</p>  | <ul style="list-style-type: none"> Ensure our investors and shareholders are kept abreast on how we embed ESG in our business strategy and operations Incorporate feedback to create long-term, sustainable value for our stakeholders Leverage innovation and technology to enhance the client experience | <p>Shareholders</p> <ul style="list-style-type: none"> Provide updates and gather feedback through meetings, reports and disclosures <p>Clients</p> <ul style="list-style-type: none"> Provide products, tools, education and insights through our trading platforms, mass media channels, events, emails, websites and social media channels Respond to queries, as well as, gather input and feedback via social media channels, helplines and emails | <ul style="list-style-type: none"> Cyber security and data protection Portfolio performance Financial inclusion Financial literacy Digitalisation Responsible investing New products and services Market outlook Enhanced client experience |
| <p>Those Who We Collaborate With</p>  | <ul style="list-style-type: none"> Create a safe, inclusive and high-performing work environment Embed our values of ethics, integrity and compliance throughout the organisation, to lead a responsible business operation | <p>Regulators</p> <ul style="list-style-type: none"> Participate in industry discourse and enforce adherence to regulations and policies <p>Employees</p> <ul style="list-style-type: none"> Engage through internal policies, meetings, emails, dialogues, training programmes, special events and performance appraisals <p>Remisiers and Agents</p> <ul style="list-style-type: none"> Engage through policies and procedures, training programmes and special events <p>Vendors</p> <ul style="list-style-type: none"> Collaborate through meetings, policies and procedures | <ul style="list-style-type: none"> Compliance culture Cyber security and operational resilience Training and development Product training Certifications, examinations and tutorials ESG and climate awareness |
| <p>Those Whose Lives We Enrich</p>  | <ul style="list-style-type: none"> Create positive impact for communities in need through targeted social investments and employee volunteerism Enhance the financial literacy of our communities to empower them to make decisions on their investments and financial resources | <p>Community Partners</p> <ul style="list-style-type: none"> Contribute to various social causes, in particular towards enterprises Activate employee volunteerism and philanthropy <p>Public</p> <ul style="list-style-type: none"> Disseminate investing knowledge via roadshows, social media channels and webinars | <ul style="list-style-type: none"> Community empowerment Financial literacy |

Our Materiality

In 2020, we conducted our materiality assessment to identify key sustainability topics that are material to both Kenanga and its stakeholders. The biennial assessment ensures that we have a clear understanding of the material topics which have the most impact on our business and stakeholders. Conducting the assessment also enables us to identify salient issues for reporting disclosures, as well as, prioritise them in our enterprise plans and operations.

In 2021, we expanded our materiality survey to include institutional investors, to ensure that we capture a more representative view of our stakeholders' priorities. In addition, we conducted a materiality confirmation to ensure that our topics remained relevant to the evolving ESG issues that impact our business and stakeholders. We reviewed our material topics against current key industry trends at the local, regional and global levels.

Our Materiality Assessment Process



Based on the updated results of the survey in 2021, the materiality matrix mostly remained consistent with the materiality matrix obtained from the previous year. Diversity, inclusion and wellbeing was the only material topic to have shifted to a slightly higher priority for our stakeholders.



| Material Topic | Description |
|---|---|
| Good Governance | |
|  Good Business Conduct | Operating transparently, with integrity and accountability in compliance with applicable laws and regulations. Adopting the highest standards of professionalism, honesty and ethics. |
|  Regulatory Compliance | Identifying, managing and responding to compliance risk across the Group. Cultivating a transparent ethical culture and educating employees to reflect the compliance behaviours of the organisation. |
| Sustainable Economic Growth | |
|  Responsible Investing | Collaborating with asset owners, regulators and a wide range of market participants on ESG matters and ensuring that it takes place at the heart of the investment process and promote the sustainability agenda. |
|  Digitalisation | Leveraging technological advancements to develop innovative products and services; enhance and reinforce advisory operations and offer seamless service solutions that meet clients' needs. |
|  Cyber Security | Implementing robust cyber security solutions through strategic partnerships to protect corporate and client information and enhance cyber security posture. Equipping employees with the knowledge and skills to recognise and prevent malicious activity from cyber threat actors. |
|  Client Experience | Delivering positive client experience through customer service excellence and delivering innovative products and services. |
| Environmental Stewardship | |
|  Climate Impact | Taking ownership of the climate impacts of our operations through monitoring environmental performance, identifying and practising behaviours promoting climate positive outcomes and raising awareness of climate change and sustainability with internal stakeholders. |
| Empowering People and Communities | |
|  Diversity, Inclusion and Wellbeing | Inculcating a diverse and inclusive workplace culture where employee rights, safety, health and wellness are promoted. |
|  Talent Attraction and Management | Designing the Group's training and development initiatives to respond to business needs, regulatory requirements, industry standards and people development principles. |
|  Community Investment | Enhancing financial literacy and inclusion for clients and the community through education. Reaching out to communities in need through targeted social investments and employee volunteerism. |

Environmental Stewardship

Empowering People and Communities

Our Notable Recognitions in 2021

Our Commitment to UN Global Compact's Ten Principles




GRI Content Index

Managing Our Sustainability Risks

Risk management enables us to consider our full range of risks associated with our business and is vital in ensuring our day-to-day operations run seamlessly through the set-up of necessary safeguards. The Board, through its appointed Board Committees such as the Group Board Risk Committee (“**GBRC**”), oversees the implementation of a sound and comprehensive risk management framework which enables the organisation to systematically identify, measure, monitor and mitigate the various risks undertaken by Kenanga.

Our Approach

Kenanga’s risk management is governed by the Enterprise Risk Management Framework. Underpinned by the Three Lines of Defence model, the framework defines the roles and responsibilities across the organisation to ensure accountability and ownership, as well as, effective management of our risks. Based on our annual risk analysis, we identified the following as some of the key risks associated with our business in 2021:

| Key Emerging Risks in 2021 | Our Responses |
|--|---|
|  <p>Cyber Security Risks</p> <p>With the rapid adoption of digital innovation and remote work arrangements, cyber threats are becoming more prevalent.</p> | <p>Our Technology Risk Management Framework and Cyber Resilience Framework incorporate industry best practices in managing various technology-related risks, including cyber security risks.</p> |
|  <p>Climate Change Risks</p> <p>Climate change may lead to significant financial consequences to our investment and lending practices.</p> | <p>Guided by Climate Change & Principle-based Taxonomy (“CCPT”) by Bank Negara Malaysia (“BNM”), we developed and approved a Climate Change Risk Management Framework in 2021 to guide our investment and lending/financing activities.</p> |
|  <p>Safety Risks Associated with the COVID-19 Pandemic</p> <p>Efforts to curb the spread of the disease engendered severe disruptions to business operations and posed health and safety risks to our direct stakeholders.</p> | <p>The Business Continuity Management Team implements precautionary measures to reduce the risks of contagion exposure, such as rolling out split-team operations and working-from-home arrangements.</p> |

➤ To learn more about our Risk Management Framework and Governance, please refer to page 27 of our Annual Report 2021.



Addressing Our ESG Risks

As industry trends and business values transform, we recognise that it has become increasingly critical to embed ESG considerations into how we assess our risks and translate these assessments into mitigating actions across our operations. In 2021, ESG risks, including climate-related risks, remain one of the key emerging risks for Kenanga.

ESG risks and considerations are integrated into the company's business operations, operating environment, as well as, risk management practices through an effective governance structure, reinforced ESG risk culture and appetite, robust risk management framework, as well as, policies and procedures.

Guided by BNM, the CCPT guidance paper and industry best practices, we developed the Group's Climate Change Risk Management Framework during the year, which aims to integrate climate change risk management into Kenanga's lending, financing and investment business activities.

We have set up a sustainability governance structure to oversee and manage our ESG risks in a balanced and systematic manner. Our GBRC, supported by our Group Risk Committee ("**GRC**") and GSMC, reviews and addresses ESG risks in our operations. The sustainability governance structure will be covered under the Good Governance chapter within this report.

Responding to Climate Risks

Climate change has a significant impact on society, the economy and the financial system. It also poses a myriad of risks and opportunities for financial institutions. In Malaysia, regulators are working to enhance the role of the financial sector in promoting a smooth transition to a low-carbon and climate-resilient economy, as exemplified by the formation of BNM’s Joint Committee on Climate Change (“**JC3**”) Committee and publication of the BNM’s CCPT guidance document.

Our Climate-Related Disclosures

We are cognisant of our climate responsibility and committed to create a sustainable business environment through climate-positive actions and we are progressively expanding our climate-related disclosures, as guided by the TCFD recommendations. Our key updates are as below:



GOVERNANCE

Integrated climate risk governance into the existing risk management governance structure in 2021. The roles and responsibilities of each governing body are outlined as follows:

CLIMATE CHANGE RISK GOVERNANCE

Board of Directors

Our climate risk management efforts are led by our Board, which provides oversight and is responsible for ensuring that climate risks are well embedded across our governance, strategies and business operations. The Board is supported by GBRC and GRC, which oversee and review Kenanga’s climate change risks.

Group Board Risk Committee

The GSMC supports the Group’s risk management committees and Board in ensuring that sustainability strategies, including climate strategies, are aligned to the Group’s overall commitment. Group Risk Management (“**GRM**”) plays a pivotal role in managing and mitigating identified physical and transition risks and facilitating the implementation of climate risk management strategies across the business units through advisory support. GRM will also be responsible for incorporating scenario analysis from a climate change risk perspective in stress analysis and stress testing exercise, as well as, providing periodic reporting to the GBRC, GRC and Board on implementation updates, as well as, outcomes achieved.

Group Risk Committee

Group Sustainability Management Committee

Group Risk Management

Business Units

Our Business Units are responsible for day-to-day climate risk management through the development and implementation of appropriate actions to manage and mitigate risks in our financing and investment activities.

Moving Forward:

- Enhance climate risk governance by rolling out climate-related meetings at the governance level and ensure our Board stays abreast of the internal progress of climate-related initiatives.
- Conduct ESG capacity-building sessions for our Board and senior management committees to enhance climate-related knowledge and awareness.



STRATEGY

Following our development of the CCRMF, we are working towards understanding the extent to which climate impact would affect our business and our broad spectrum of stakeholders. To that end, we have identified key climate change risks Kenanga is exposed to, which we believe could have short to long-term consequences on our business.

CLIMATE CHANGE RISKS



Physical Risk



Acute (Extreme weather events)



Chronic (Long-term shifts in climate pattern)



Transition Risk



Technology



Reputation



Market



Liability Risk



Potential legal disputes and claims arise due to physical and transition risk

Moving Forward:

- Identify specific climate-related risks and opportunities relevant to our business for each time horizon (short, medium and long-term) and further integrate them into our investment and financing activities.



RISK MANAGEMENT

In 2021, we introduced the Group Climate Change Risk Management Framework, marking a significant milestone in our journey to better manage climate risks throughout our business activities.

Moving Forward:

- Operationalise CCRMF throughout Kenanga business operations.
- Integrate ESG risks, including climate-related risks into our existing Enterprise Risk Management Framework.



METRICS & TARGETS

We measure and monitor our operational environmental footprint. In 2021, we expanded our scope of GHG emissions tracking from Scope 2 emissions to also account for our Scope 1 emissions.

Moving Forward:

- Expand our GHG emissions monitoring to Scope 3 emissions, as well as, establishing a baseline and set emissions reduction targets.



Our Climate Change Risk Management Framework

In line with Kenanga’s commitment to adopt a more sustainable business strategy, the CCRMF plays an integral role in supporting the Group as it embarks upon a phased approach towards addressing climate change risks and opportunities.



Climate Change Risk Management Strategy and Risk Appetite

The Group's climate change risk management strategy is meant to assist the Group and our clients to steer businesses towards managing climate change risks while supporting the global transition to a low-carbon economy.

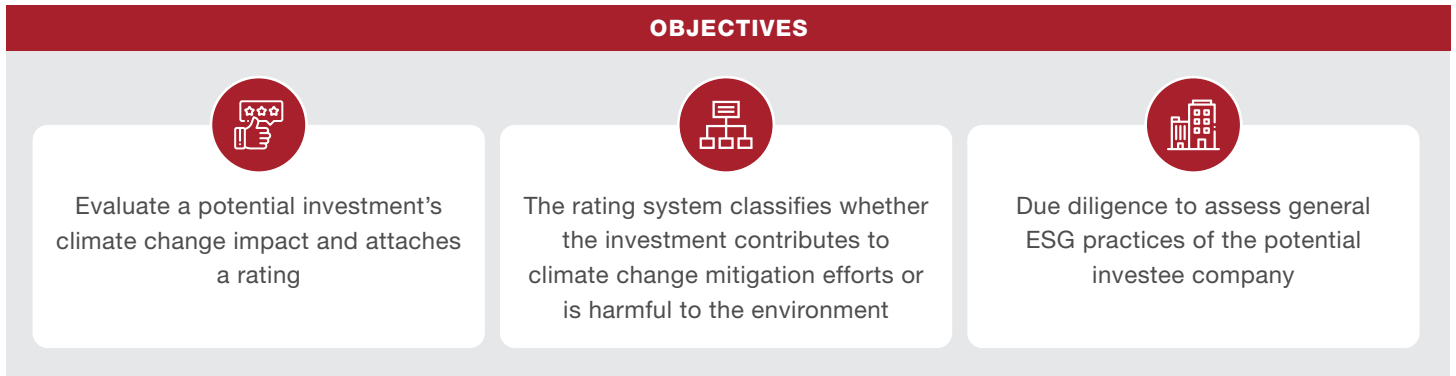
| Strategy and Risk Appetite | Our Future Plans |
|--|---|
|  <p>Fund Allocations for Sustainable and Green Economic Activities</p> | To allocate appropriate funds to support sustainable and green economic activities over the next three (3) years |
|  <p>Product Offering and Incentives</p> | To continuously develop new products, as well as, incentives which promote or support green and transitioning economic activities |
|  <p>Reduction Targets</p> | To ensure that the Group takes initiative in setting appropriate targets to reduce and manage climate change risk from its financing and investment activities |
|  <p>Watchlist - High Climate Change Risk Sectors</p> | To identify and develop a watchlist for sectors that are exposed to high climate change risk to serve as a guide for Business Units as they carry out risk assessments and classification |



“The success to sustainable and inclusive growth lies in the building of operational resilience. Climate risk management, among others, is one of the critical prerequisites to the bank’s performance in resilience management. In this respect, our CCRMF is made to serve as guiding principles and a framework that will lead the climate risk-related agenda of the bank, based on a forward-looking resilience approach that enables portfolio alignment to chart robust, realistic and scientifically-driven climate goals and strategies.”

TAI YAN FEE
Group Chief Risk Officer
Kenanga Investment Bank Berhad

Climate Change Risk Assessment Checklist



The Climate Change Risk Assessment Checklist (“**RAC**”) was developed as part of the CCRMF during the year, with reference to the guiding principles stated in BNM’s CCPT and by referencing industry best practices to support the classification assessment. The Climate Change RAC shall assist Business Units to determine the materiality of “significant harm to the environment” and effectiveness of “remedial measures” by assigning a definitive value or benchmark wherever appropriate for their assessment.

In addition to the framework which primarily focuses on the environmental components under ESG considerations, the businesses are also encouraged to put equitable emphasis on the other two components of ESG, i.e., Social and Governance in lending or financing and investment activities. Lending, financing and investment that are implicated with serious social and governance issues such as exploitation of labour, corruption and criminal activities involvement shall be avoided.

Following the approval of the framework in 2021, we will not only be looking at implementing the climate risk initiatives aligned to the framework, but will also be integrating ESG risks more holistically into our enterprise risk management framework in 2022.

We are working towards advocating for climate and ESG awareness while embedding a deep ESG risk culture amongst our employees. In 2021, a total of 182 employees attended courses covering topics on ESG and climate-related risks, clocking a total of 627.8 training hours. We look forward to increase these numbers in the coming years as we expedite our ESG journey.

Managing Our Supply Chain Risks

We have established a Group Procurement Policy that provides employees with a guiding framework to achieve and maintain high standards of professionalism, transparency and accountability in our procurement decisions. Our robust Know Your Vendor Assessment requires vendors to undergo an extensive due diligence process which reviews risk indicators that culminates in a score that serves as a guide for Kenanga to manage its front-end risk.

The Group Code of Conduct for Vendors outlines the obligations and standards our vendors are expected to adhere to. For example, the policy requires each vendor to have secure whistleblowing channels in place for individuals to lodge reports on malpractice, potential breaches of the Code, as well as, other forms of inappropriate behaviour.



➤ For more information on our Group Code of Conduct for Vendors, please scan here.

Our Vendor Assessment Framework allows us to ensure that we maintain high standards of ethics and integrity in our business partnerships with all contractors, consultants, suppliers, agents and individuals who undertake work for the Group. In line with our efforts to extend our sustainability commitment across our supply chain, we have fully digitalised our procurement process. Moving forward, we are enhancing our Vendor Assessment Framework to integrate environmental and social risks for potential and existing suppliers.



SUPPORTING OUR LOCAL SUPPLIERS

We prioritise the procurement of goods and services from local suppliers who meet our requirements and we typically adopt a local-first approach when sourcing for products and services. In doing so, we hope to contribute to the economic growth of our local communities, as well as, strengthen the resilience of the domestic supply chain.

In 2021, we purchased products and services worth RM67.18 million from local suppliers, accounting for 79% of our total procurement expenditure. As part of our community investment initiatives, we also undertook procurement from local social enterprises.

95% of our suppliers were local providers

79% of our total procurement spend was channelled to local businesses

RM76,430 worth of goods were sourced from local social enterprises



➤ To learn more about our support for social enterprises, kindly refer to page 69 of this Sustainability Report.