

SUSTAINABLE ECONOMIC GROWTH

At Kenanga, we strive to consistently deliver value through products and services that benefit our clients, while ensuring that our business grows sustainably. We aim to achieve this through accelerating our integration of ESG factors into our business decisions and across our value chain, whilst leveraging digital innovation to enhance our client experience and organisational efficiency.



Responsible Investing



Digitalisation



Cyber Security



Client Experience

Goal 1 : Increase support of sustainable economic activities.

Goal 2 : Champion cloud-first strategy to increase scalability and flexibility.

Goal 3 : Increase automation for productivity.

Goal 4 : Increase digital distribution of products and services.

Responsible Investing

A key aspect of our sustainability agenda lies on how we incorporate ESG factors into our core businesses, as well as, our investment and decision-making processes. Our approach to responsible investing is multi-faceted, from product development to taking an active stewardship role in the companies we invest in.

ESG Focus in Asset Management

Kenanga Investors Group (“**Kenanga Investors**” or “**KIG**”), our Group’s asset and wealth management division, is committed to work with asset owners, regulators and a broad spectrum of market participants to embed ESG into the heart of our investment process. KIG has been a signatory to the Malaysian Code for Institutional Investors (“**Code**”) since 2017, which aims to set out the broad principles of effective stewardship by institutional investors such as their disclosure of stewardship policies, monitoring and engagement with investee companies, as well as, managing conflict of interests. KIG also recently secured membership at the Institutional Investors Council (“**IIC**”), in a bid to demonstrate its commitment to the ESG cause.

In 2021, KIG developed an ESG Blueprint and ESG Integration Framework to embed ESG factors into its investment process throughout the investment life cycle. Its ESG integration strategies are underpinned by effective screening mechanisms while practising active stewardship by engaging with stakeholders and exercising our voting rights in investee companies. Moving forward, KIG aims to increase its Sustainable and Responsible Investment (“**SRI**”) products and services, in line with its ESG Blueprint to reflect our commitment towards responsible investing.



ESG Integration Strategy



Positive Screening

- Incorporate ESG factors assessment into investment analysis and decision-making.
- Invest in companies that meet our ESG standard.
- Increase weighting of companies with good ESG quality.



Negative Screening

- Avoid investing in companies with poor ESG performance.
- Exclusion from investing in sectors that are not aligned with our ESG core values, i.e, controversial weapons and adult entertainment.



Voting Rights

- Established a voting policy as part of our ESG framework in 2021.
- Exercise our voting rights in investee companies with substantial holdings.
- Serve as a formal channel to communicate and relate our views to investee companies, especially in ESG-related issues.



Active Engagement

- Actively engage with stakeholders across industry and investee companies to monitor and promote good ESG practices.

ESG Integration Throughout Investment Life Cycle



“As we strive towards the global vision of creating a more sustainable future, the need for ESG integration in businesses has become more relevant and pressing than ever. Kenanga Investors is cognisant of the role we play in realising this shared goal and works continuously to manage ESG risks in our investment activities, as well as, support our clients as they make their respective transitions to greener business models.”

ISMITZ MATTHEW DE ALWIS
Executive Director and Chief Executive Officer
Kenanga Investors Berhad

Increasing Sustainable Investment Products

As we embark upon our responsible investment journey, we are committed to expand our investment product offerings to provide clients with a broader and more diversified selection of ESG-linked investment solutions. In line with our commitment to increase SRI-linked funds, KIG launched two SRI products in 2021.



Kenanga Waqf Al-Ihsan Fund

Launched in April 2021, the Kenanga Waqf Al-Ihsan Fund is a philanthropic-based vehicle that invests in a diversified portfolio of Shariah-compliant investments. Aligned with the *waqf* principles, half of the derived income will be distributed to sectors such as education, healthcare, economic empowerment and environmental preservation or development.



Kenanga Sustainability Series: Frontier Fund

Launched in October 2021, the fund aims to invest primarily in equity securities of global cutting-edge, innovative companies with long-term sustainable growth potential, are on the cusps of initial public offerings and have or will develop products and services that are linked to technologically-driven innovations.

FOSTERING PARTNERSHIP FOR ISLAMIC SOCIAL FINANCING

In November 2021, Kenanga Investors was appointed as the Fund Manager for the Dana Wakaf Bencana (“**Emergency Waqf Fund**”), an emergency relief fund launched to channel resources to those affected by climate change-related disasters. The Emergency Waqf Fund will receive a portion of the RM10 million allocated in Budget 2022 as part of its initial seed funding, as announced in October 2021. A strategic collaboration between government-linked agencies and the private sector, the initiative is aligned with the SC’s Islamic Fund and Wealth Management Blueprint introduced in 2017, and the Waqf-Featured Fund Framework established in 2020, which aim to support the development of the Islamic social finance segment.

We believe that with this partnership, we will be able to drive impact investing through Islamic finance to greater heights in the country.



Supporting The Green Economy

To encourage the mobilisation of capital and financial flows to facilitate a systematic transition to low carbon and climate-resilient activities, we are constantly looking out for avenues to support the green economy.

We actively participate in green financing to support the growing needs of companies whose core business functions are related to the green economy, such as Next Green Global Berhad, a non-wood green pulp and paper producer using zero-waste technology and renewable energy.

Kenanga’s Corporate Banking is integrating ESG considerations into its lending and financing activities. All new lending and financing applications will be subject to ESG assessment via the Climate Change RAC as guided by the CCRMF. As of 31 December 2021, Corporate Banking holds 5% of its total lending/financing portfolio in green lending and financing related to renewable energy, green technologies and climate change mitigation efforts.

Our private equity arm, Kenanga Private Equity Sdn Bhd (“**KPE**”), also actively seeks to invest in climate-friendly investments, especially in companies with a strong ESG agenda. As of 2021, KPE’s green investments make up approximately 28% of its total portfolio. To further extend its support towards green investments, KPE will be incorporating the Climate Change RAC into its investment evaluation in 2022.

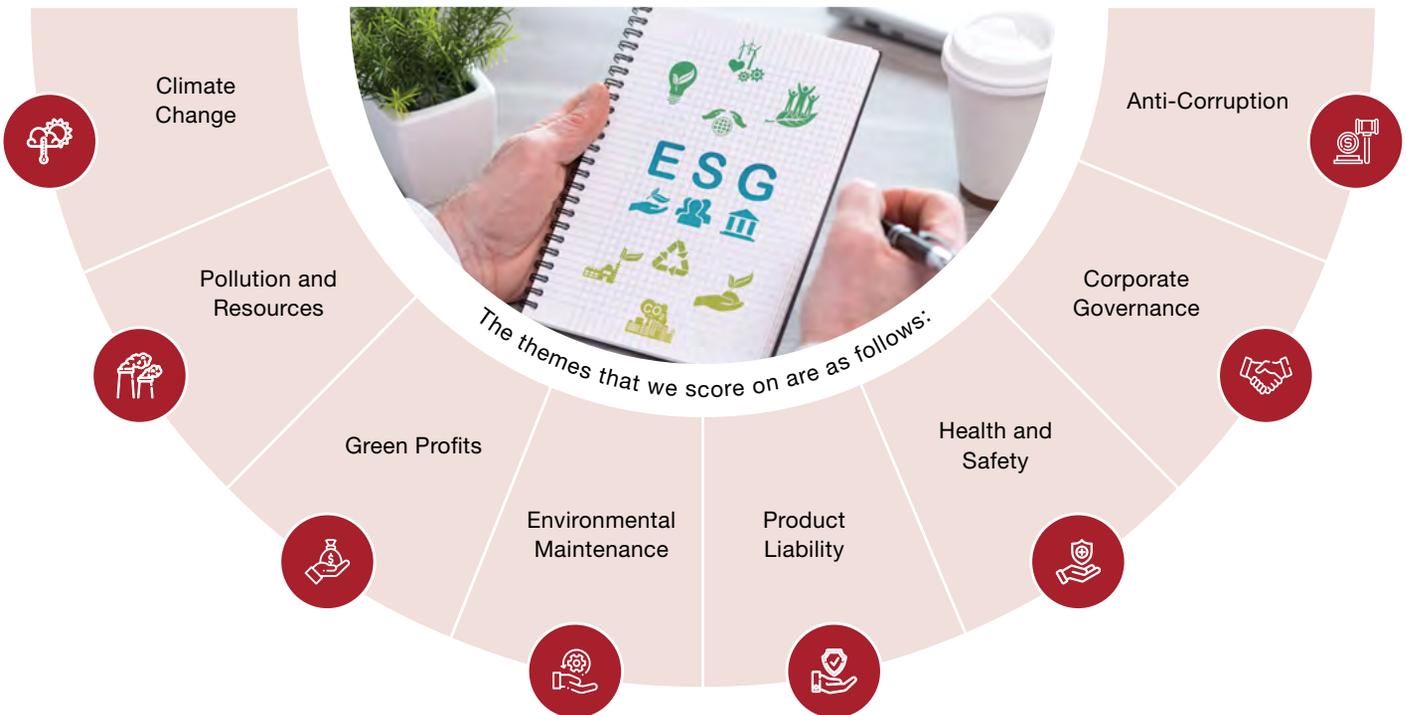


ACCELERATING RENEWABLE ENERGY AND GREEN SOLUTIONS

Established in 2020, reNIKOLA Sdn Bhd (“reNIKOLA”) is a homegrown solar producer delivering clean and sustainable energy. Headquartered in Kuala Lumpur, reNIKOLA owns and manages three (3) solar farms in Malaysia. We have invested in Ciruela Sdn Bhd the holding company of reNIKOLA and have been working with reNIKOLA to explore ways to accelerate the adoption of renewable energy in the country. Moving forward, we will be working to expand our investments into climate-friendly technology and businesses.

Our Internal Stock Scoring Methodology

Our Equity Broking Research Department (“Kenanga Research”) introduced an internal scoring methodology that applies a simplified materiality lens, based on the main ESG themes of the Sustainability Accounting Standards Board (“SASB”) and GRI. This methodology is used on the stocks we cover.



Kenanga Research analyses companies' sustainability performance based on this scoring methodology and produces reports to share insights from the analysis. To further understand companies' sustainability performance, Kenanga Research also reaches out to these companies to understand the companies' sustainability plans and initiatives. Moving forward, we aim to provide more report releases with ESG-focused insights in our stock valuation to equip our stakeholders with an ESG-lensed acuity on sustainable performances of companies to further guide investment and trading decisions.

ESG-Related Industry Engagements

In 2021, Kenanga Research conducted several knowledge-sharing engagement sessions with industry leaders, as well as, clients to raise awareness and promote sustainable business practices in the local landscape.

Renewable Energy Day



Held in March 2021, the Renewable Energy Day was attended by a total of 97 participants. The session hosted C-suite panel speakers from key companies such as NewEnergy, Samaiden, Yinson and Solarvest to present their company, as well as, the general industry outlook.

The session aimed to understand the global industry trajectory for renewable energy in the long run and how technology and innovation would play a pivotal role in impacting the industry's market competitiveness.

The key takeaway of the session was that the industry can expect to see a huge surge in new renewable energy capacity in the coming years, mostly driven by solar power.

Plantation & Sustainability Day



Held in May 2021, the Plantation and Sustainability Day served as a knowledge-sharing session on current ESG issues and how investors can prepare themselves to mitigate these concerns. The event hosted some of the most sustainable companies in the plantation industry, such as Olam International, Sime Darby Plantation and IOI Corporation.

Attended by 53 participants, the event provided valuable insights on sustainable palm oil plantation and discussed some of the key industry best practices adopted by these companies to address the environmental and social concerns that are associated with the industry.



DIGITALISATION

We recognise that strengthening our digital competitiveness is vital to our continued sustainability and growth, especially given the lasting impact of the pandemic, as well as, the rapidly evolving financial landscape. Our overarching ambition is to build a digital ecosystem that offers a spectrum of products and services that address client needs and expectations, as well as, enhances our operational efficiency.

The Group Board Digital Innovation & Technology Committee (“**GBDITC**”) supports the Board of Kenanga and its subsidiaries in providing direction and oversight over technology-related matters, including risks, in line with both internal, as well as, relevant external regulatory requirement. The GBDITC reviews, evaluates and recommends technological innovations for the formulation of the Group's medium and long-term business strategy and assists the Board in ensuring that the Group's technological resources and initiatives are aligned with its overall digitisation strategy and objectives.

Our Approach



Strengthen cyber security defence



Expand digital business ventures



Transform to digitalised operations and workflow automation



Build strategic partnerships with technology enablers

Our Priorities



To streamline resources



To accelerate digital implementation



To optimise cost structures



“Our digitalisation efforts are centred on enhancing our digital infrastructure, as well as, offering a suite of innovative, value-added digital solutions catering to the needs of our client base. To this end, we make continuous efforts to explore new solutions and opportunities to strengthen our role as a leader in investment banking.”

IAN W LLOYD
Chief Digital Officer
Kenanga Investment Bank Berhad

Increase Investing Accessibility Through Technology

RAKUTEN TRADE



Entering its fifth successful year since its inception in 2017, Rakuten Trade Sdn Bhd (“**Rakuten Trade**”) is Malaysia’s first fully-digital stockbroking platform. Predicated on making stock trading accessible to all, Rakuten Trade also offers contra trading and margin facilities to its fast-growing client base and launched foreign market trading at the same competitive rates as trading on the local bourse in early 2022.

It also offers clients access to its rewards ecosystem that partners with three of the country’s top loyalty programmes - AirAsia BIG, BonusLink and Boost via this multi-award-winning loyalty programme. Clients earn Rakuten Trade (“**RT**”) points whenever they interact on the platform.

2021 HIGHLIGHTS



236,387

Number of Rakuten Trade accounts



RM9.6 bil

worth of stocks transacted since its launch

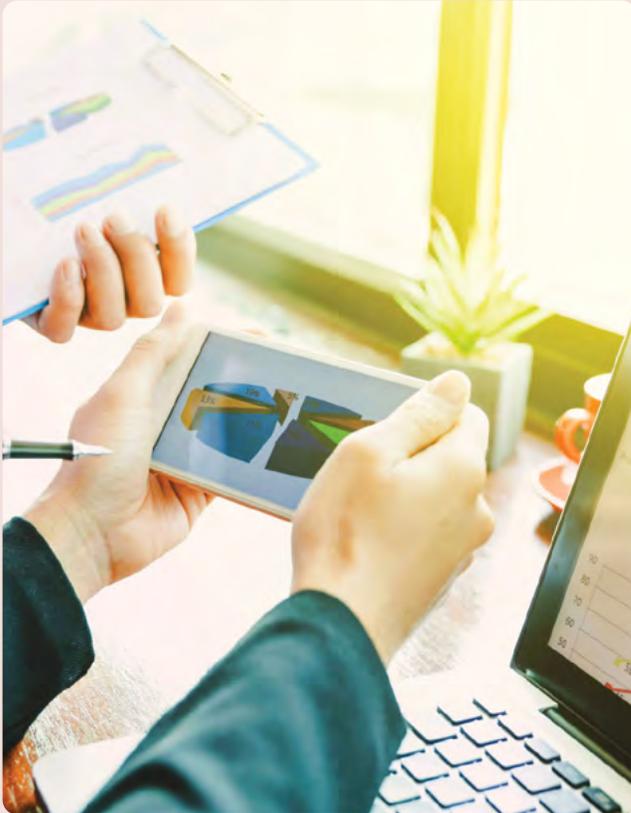


4,907

Number of RakuMargin accounts

DIGITAL FINANCING SOLUTIONS FOR SMEs

Kenanga Capital Islamic Sdn Bhd (“**KCI**”) formed a synergistic collaboration with Bay Group Holdings Sdn Bhd (“**CapBay**”), an award-winning digital supply chain financing company, to develop a unified digital factoring solution platform for local small and medium-sized enterprises (“**SMEs**”). The platform, which enables entrepreneurs to receive seamless end-to-end financing, aims to transform the way working capital is accessed by SMEs in the country.



2021 HIGHLIGHTS



47

SMEs have benefitted from the platform



RM66.98 mil

worth of financing have been disbursed through the platform

MALAYSIA'S FIRST STOCKBROKER E-WALLET



We introduced Kenanga Money, a stockbroking e-wallet and the first of its kind in Malaysia in December 2021. Established through a collaboration with Merchantrade Asia Sdn. Bhd. (“**Merchantrade**”), Kenanga Money enables clients to conveniently transfer their funds from their stock-trading account into an e-wallet and prepaid card for retail payments, remittances and withdrawals globally. The e-wallet also has a multi-currency function that allows users to buy, sell and store up to 20 foreign currencies at any given time, at Merchantrade’s competitive exchange rates.

Kenanga Digital Investing

In early 2022, Kenanga launched Kenanga Digital Investing (“**KDI**”), a fully A.I.-driven digital investment platform designed to simplify how Malaysians save and invest. It is another step towards making investing accessible to everyone.



INVESTING IN THE FUTURE

In March 2021, Kenanga, in collaboration with Malaysia Debt Ventures Berhad, set up a Fintech fund with a target fund size of RM300 million to support the growth of Fintech companies and further develop the Venture Capital (“**VC**”) industry in Malaysia.

The initiative aims to catalyse the growth of technology-driven enterprises and to increase access to capital for the Fintech start-up sector in Malaysia. As a home-grown financial brand, Kenanga is committed to empowering entrepreneurial talent and through this Fund. Kenanga aims to support Fintech companies with scalable and sustainable business models that provide innovative technology-based product offerings, whose product offerings will benefit communities as a whole.

Operational Efficiency Through Technology

As we intensify our digital efforts across our organisation, we are shoring up our internal capabilities, which includes digitalising our core operations to enhance our operational efficiency. Some of the key progress made on this front in 2021 are highlighted below:

Key Initiatives	Description	Impact to Kenanga
<p>Remisiers' Service Portal</p>	<ul style="list-style-type: none"> The portal serves as a user-friendly platform that provides greater flexibility to remisers and enhances the customer experience. Key functions include enabling remisers to quickly access stock information and submit requests on behalf of clients via the e-request functions. 100% of our remisers have been onboarded on our Remisiers' Portal. 	<p>Enabled paperless transactions and enhanced traceability for audit trails. Provides an annual cost savings of RM5 million.</p> <p>Total eDeposits transactions made via the Portal in FY2021 was 213,292, with an increase of 130.62% from FY2020.</p> <p>Total eSettlement transactions made via the Portal was 643,545 in FY2021, with an increase of 115.96% from FY2020.</p>
<p>Cessation of Cheque Issuance</p>	<ul style="list-style-type: none"> In February 2021, we ceased all issuances of cheques in our pursuit of fully digitised banking transactions. All withdrawals have since been processed using electronic direct credit to our client's bank accounts. 	<p>Reduced turnaround time (“TAT”) and achieved RM107,050 in cost savings as it eliminated the printing and processing of cheques, whilst cutting down our paper consumption.</p>

Key Initiatives	Description	Impact to Kenanga
 <p>Treasury Relationship Manager Platform</p>	<ul style="list-style-type: none"> Treasury rolled out an online platform for its Relationship Managers to digitally and seamlessly execute order fulfilment of its popular structured investment solution, Dual Currency Investment. Moving forward, the platform will be expanded to include other products, such as Equity-Linked Investments. 	<p>Enabled immediate order placement and automated confirmation letters, in addition to providing real-time price feeds. These features, coupled with its ability to customise price points, allow Relationship Managers to take client servicing to the next level.</p>
 <p>Futures Account Opening</p>	<ul style="list-style-type: none"> Kenanga Futures digitalised its account opening process to increase process speed and enhance security, whilst reducing the cost of client onboarding. Moving forward, Kenanga Futures also aims to completely digitise its back-office administrative forms and existing physical documents by the end of 2023. 	<p>Increased participation from the Retail Segment with an average of 120 new retail accounts opened per month.</p>
 <p>Kenanga Digital Workflows (iLeap)</p>	<ul style="list-style-type: none"> Digitalised 54 workflows under the iLeap project, which aims to streamline and digitalise manual forms to enhance operational efficiency. 	<p>Reduced printing of approximately 22,080 forms per year.</p>
 <p>Robotic Process Automation (“RPA”)</p>	<ul style="list-style-type: none"> Launched three (3) RPA bots across Group Treasury, Equity Broking and Research, as well as, Group Operations. Some of the RPA scopes include facilitating placement and withdrawal and publishing daily research reports. 	<p>In addition to augmenting efficiency, enabled an annual full-time equivalent (“FTE”) cost savings.</p>

KENANGA DIGITAL WORKFLOWS (“iLeap”)



Kenanga Digital Workflows (“iLeap”) is a project that was initiated in 2019 with the objective of establishing a platform that allows for digital applications to be rapidly developed for digitalisation of internal manual forms and workflows. One of its key benefits include cost-saving on paper usage such as printing, storage, archiving and destruction.



Cloud Migration Programme

In line with our overall group-wide digital transformation ambitions to drive innovation and growth, we have developed a three-year cloud migration strategy. Migrating to cloud infrastructure services would provide the Group with enhanced scalability, performance, security and long-term cost-effectiveness. The implementation of the programme is currently being conducted via a phased approach consisting of several initiatives. One of our first few cloud-based systems to be deployed in 2022 for the Group, includes a digital client on-boarding facility that offers Electronic Know Your Customer (“**e-KYC**”) capabilities.

As part of our efforts to facilitate a seamless cloud migration process, we are progressively upskilling our Information Technology (“**IT**”) workforce through Azure Enterprise Skilling Initiative offered by Microsoft to further build technical skills which also includes training and certification offerings. Additionally, our IT personnel have been engaged in 2021 through design workshops and on-the-job shadowing organised by Microsoft to ensure they effectively manage implementation of the cloud migration programme. The capacity-building initiative is expected to run until 2023.



#ThinkDigital Series

As part of our digital transformation efforts, we are looking to future-proof our employees to ensure that they stay abreast of the fast-changing business and technological landscapes. In 2021, we initiated #ThinkDigital, an hour-long virtual sharing session every month with our employees centred around the theme of technology and digital innovation. Some of the topics covered include an introduction to cryptocurrencies, how A.I. is shaping the future of financial services, as well as, the future of non-fungible tokens (“**NFT**”). Over the year, we conducted over nine (9) virtual sessions, which gained over 2,365 views.



BOOSTING CYBER RESILIENCE

As we transition towards a future defined by digital innovation and remote work arrangements, cyber security issues have increasingly become more relevant and urgent to our organisation. At Kenanga, we take a proactive approach to address cyber risks by actively monitoring developments and threats in the cyber landscape by strengthening our cyber security measures across our operations.

Our Cyber Risk and Governance

Policy and Framework



Cyber security is a formal risk component of Kenanga's Enterprise Risk Management Framework.



Cyber Security Policy has been developed based on industry best standards such as the United States National Institute of Standards and Technology ("**NIST**") cyber security framework.

Data Loss Prevention Framework

Throughout 2021, our ITGS team rolled out several measures to further bolster our cyber security defence. One of the key highlights includes the implementation of our Data Loss Prevention ("**DLP**") framework.



DEVELOPING A ROADMAP TOWARDS DATA PRIVACY

Kenanga's DLP project was launched in 2019 to provide us with greater visibility over data processes within Kenanga. Through this project, we can monitor the location of confidential data, determine how it is being used and undertake measures to prevent data loss. The framework also outlines data protection measures for sensitive data across all endpoint devices and data egress channels, aligned with our DLP Framework & Group Confidential Information Policy.

Supporting our DLP framework is Kenanga's IT Security Policy aligned to the Personal Data Protection Act 2010 ("**PDPA**"), as outlined by Bursa Malaysia, Bank Negara Malaysia and the Securities Commission Malaysia Guidelines on IT and Cyber Security. To enhance transparency and improve customer awareness, we also published a Privacy Notice on our corporate website which specifies the scopes in which we utilise customer data.

In 2021, we have enhanced our DLP alert report and engagement efforts with Data Officers from 29 Business Units, who will each receive DLP alert reports every week. Moving forward, our roadmap to improved data privacy will focus on developing the maturity of our policy and procedures, enhancing data integrity and system security, as well as, promoting our employees' education and awareness on DLP.

Enhancing Data Security

In 2021, we recorded zero major cyber security incidents including customer data breach. Additionally, we also enhanced the cyber resilience of our operations through the following measures:



Safeguarding Customer Data

- ✓ Rolled out DLP solution to safeguard data leaks from internal sources.
- ✓ Rolled out Database Activity Monitoring (“**DAM**”) to safeguard data leaks from unauthorised sources.
- ✓ Rolled out virtual patch solution to shield our servers from vulnerabilities before we apply physical security patches.



Managing Employees' Confidential Data

- ✓ Enhanced our mobile device management tool, Microsoft Intune, to efficiently manage access to confidential information on our employees' mobile phones.

Capacity Building and Cyber-Aware Employees



Empowering Employees to be Cyber-Aware

- ✓ Equipped our Group Digital, Technology and Transformation Division with a team of experienced cyber security experts, responsible for steering the Information Technology Governance & Security (“**ITGS**”) workstream.
- ✓ Delivered mandatory monthly cyber security awareness training to all employees virtually through our collaboration with Sophos and also via our in-house Kenanga Learning Management System (“**LMS**”) platform.
- ✓ Rolled out regular email phishing simulations to promote vigilance and employee awareness of phishing threats.

3,732.9

hours logged for mandatory in-house cyber security training.

83%

success rate achieved in identifying phishing emails via our employee phishing simulator.

4

mock-phishing exercises were conducted throughout the year.



CLIENT EXPERIENCE

We place our clients at the heart of our business and we continuously strive to provide a seamless, safe and consistent experience across multiple touchpoints.

Responsible Marketing and Communication

We ensure that all information such as those contained in prospectus and memorandums are publicly disclosed to our prospective and existing clients, and that these disclosures comply with regulatory requirements set out by:

- Bursa Malaysia
- Bank Negara Malaysia
- Financial Services Act (2013)
- Consumer Protection Act (1999)
- Malaysian Code of Advertising Practice
- Securities Commission Malaysia

We have a set of internal policies that serve to further uphold our standards in the preparation and dissemination of all promotional and marketing materials. These policies are available to all employees on the intranet portal:



Advertising Policy

Outlines guiding principles, regulatory requirements and guiding frameworks for Kenanga Group's communications through the use of traditional and digital advertisements.



Social Media Policy

Contains guiding principles and an employee participation framework that sets expectations for appropriate behavior. It also outlines procedures and guidelines for the Group's communication on its social media platforms.



Media Relations Policy

Establishes guiding principles and a framework within Kenanga, as well as, its subsidiaries for its engagements with print, electronic and broadcast media.



Group Complaint Handling Policy

Establishes guiding principles and a framework within Kenanga, as well as, its subsidiaries for its complaint handling processes and procedures for all stakeholders.

Our brokers and salespeople are provided with relevant information and training that emphasise the importance of upholding and demonstrating high standards of ethics and honesty in client interactions. All our remisers are to comply with the Group Code of Conduct to ensure our services are delivered with highest integrity.

As guided by our Group Complaint Handling Policy, any complaint received shall be channelled to the relevant Complaint Officer for further action.

We recorded zero incidents of non-compliance concerning products and services information and labelling, as well as, marketing communications in 2021.

Building A Client-Centric Approach

Our focus is centred on listening and catering to the diverse needs of our clients. To facilitate two-way communication with all our existing and prospective clients, we have several channels in place that enable us to gather feedback that serves to help us improve their experience.



Digital Communications Platforms

- Promotional updates, product information, corporate news and information are constantly being updated on all our digital communications touchpoints, which includes Facebook, Instagram, LinkedIn and Telegram.
- Corporate updates and information are available via our corporate website.
- All digital touchpoints enable direct client interaction. We monitor and respond to queries, feedback and complaints that come through.



Telephone Support

- Our customer helpline services offer access to information, advice and handle customer queries and complaints via toll-free numbers.



Physical Branches

- In tandem with our suite of digital solutions and services, we also serve our clients via 32 physical branches nationwide.

