

# CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

I am pleased to share with you the Sustainability Report for 2023, which illustrates our ongoing dedication to environmental, social and governance (“**ESG**”) initiatives and our progress toward fostering a sustainable future.

Celebrating the 50<sup>th</sup> anniversary of Kenanga Investment Bank Berhad this year and half a century of excellence as a homegrown brand, we are pleased to witness the transformative journey of our sustainability efforts in recent years, evolving in tandem with global and local sustainability imperatives. The paradigm shift towards climate-resilient business operations, enhanced ESG reporting, and increased transparency resonates profoundly, compelling the Group to continue aligning its ESG undertakings with both international and domestic benchmarks.

## STRENGTHENING ESG FOUNDATION

In 2023, we rolled out the first year of our three (3)-year Sustainability Roadmap, designed to guide our ESG planning and execution, predicated on our Sustainability Framework that was formulated two (2) years ago.

With a focus on ‘Strengthening ESG Foundation’, the year saw further integration of Sustainability Key Performance Indicators (“**KPIs**”)



throughout the organisation, and preparing for climate-related financial disclosures to align with regulatory mandates.

We also prioritised enhancing the skills of roles crucial to sustainability, recognising the pivotal role of human capital in our sustainability endeavours. Additionally, in meeting regulatory requirements and to promote further transparency and build trust with our stakeholders, we have initiated for the first time, independent assurance of key disclosures within this Sustainability Report.

Further to this, as part of our commitment to further embed and solidify sustainability leadership at the Board level, we updated and expanded the Board Charter and Terms of Reference of Board Committees to formalise Board oversight on matters relating to climate-related risks, underscoring our dedication to not only addressing current challenges but also fostering a climate-resilient business ecosystem.

Central to the Group’s operations is a persistent focus on maintaining the highest standards of good governance. In 2023, our Whistleblowing Policy was refined to include a comprehensive Speak Up Framework and a Speak Up Policy that lays the foundation for the Framework and provides, amongst others, assurance to all relevant stakeholders, both internal and external, of the safeguards accorded when making a report in good faith and that all reports will be handled objectively and impartially.

As part of this stride forward in promoting an ethical culture, an independent whistleblowing solutions provider was appointed to implement Conduct Watch, a secure digital reporting channel.

In tandem with that, our annual flagship campaign, the Fraud Awareness Week (“FAW”), celebrated its seventh year in uniting hundreds of participants from regulatory bodies to professional entities and public listed companies, in a collaborative endeavour against fraud. The consistent increase in participation not only attests to the relevance of the event, but also accentuates its profound impact. This year, for the first time, we also broadened our reach and collaborated with the esteemed Faculty of Law, University of Malaya (“UM”) on a Fraud Awareness Talk session aimed at enhancing awareness of fraud prevention and detection within the local community, particularly amongst the students of UM’s Law Faculty.

At Kenanga, we have always taken great pride in upholding a gender-balanced workforce within the organisation. With 51% female employees and 38% in senior leadership positions, we have not only cultivated a harmonious blend of diverse perspectives and experiences but have also harnessed the advantages of a rich talent pool. This year, as we deepened our commitment, Kenanga proudly joined the ranks of signatories to the UN Women’s Empowerment Principles. This move signifies our efforts to empower women not only within our workplace, but also in the broader marketplace and community.

### A FOCUS ON CLIMATE ACTION

Embarking on a journey towards net-zero aspirations, we have in recent years invested considerable efforts in mitigating our carbon footprint and environmental impact. As such, we were incredibly heartened to receive the coveted accolade at the prestigious National Energy Awards 2023 for the ‘Energy-Efficient Building in the Retrofitted Building’ category, a validation of the substantial strides we have made in reducing our energy consumption at our headquarters, Kenanga Tower.

Through partnership with a Malaysian-based climate-tech solutions provider, we have undergone a transformative process, revamping both the lighting and air handling unit and air conditioning systems of our building to achieve energy efficiencies. This initiative is a crucial step in aligning our operations with sustainable practices and contributing to a greener future.

Additionally, we remain vigilant in complying with emerging regulations and standards, particularly in climate risk management, ensuring its seamless integration into our business operations.

### FOSTERING A CULTURE OF SUSTAINABILITY

Throughout the year, we embraced the principle of ‘leaving no one behind’ as we worked towards building a stronger ecosystem to advance our sustainability agenda.

Acknowledging the pivotal role of employees in advancing sustainability, the Group initiated its inaugural Sustainability Roadshow, rolled-out to communicate Kenanga’s sustainability journey, and raise awareness of the Group’s ESG progress and aspirations. This roadshow not only advocated the positive impact of our collective efforts, but more importantly, served to nurture a culture of responsibility and sense of purpose amongst all employees.

Complementing that was the annual #GreenAtWork environmental campaign, and a new #ThinkESG learning series designed to inspire deeper ESG understanding and the adoption of green practices in the daily lives of our employees. Through workshops, quizzes and a plant-adoption drive, employees were invited to become ambassadors of positive change, carrying the values of environmental stewardship and ESG thinking beyond the confines of our organisation. Together, we do not just cultivate a greener workplace; we are sowing the seeds for a more sustainable future.

For our clients, we hosted ESG webinars and organised experiential site visits throughout the year, including trips to rooftop solar installations and Electric Vehicle (EV) charging hubs. These efforts aimed to offer first-hand insights into sustainable practices, empowering our corporate and institutional clients with opportunities to evaluate the ESG performances of companies, and in turn, enables them to actively champion their sustainability ambitions through informed decision-making.

As part of our steadfast commitment to societal impact, our long-standing partnerships with social enterprises such as Silent Teddies Bakery and Dialogue Includes All (“DIA”) Academy of over 12 years, exemplify our dedication to championing sustainable values and reflect a shared ethos of empowerment and resilience.

Beyond being regular patrons of Silent Teddies Bakery, an establishment run by hearing-impaired youths, we have also been actively supporting their ongoing expansion and renovation efforts — where we will see the humble bakery transformed into a well-equipped learning centre for the hearing impaired, and a café catering to a broader audience. It has been remarkable to witness the progress they have made in growing their business, highlighting the distance they have covered since our initial collaboration.

## CHAIRMAN'S MESSAGE

Simultaneously, through the DIA Academy, our asset and wealth management arm, Kenanga Investors Berhad, organised immersive empathy workshops for their teams and network of financial advisers. Led by visually impaired trainers from the Academy, these structured workshops aimed to promote inclusivity, sense of community and mutual support through exercises, discussions and activities. Participants engaged in these events in complete darkness, where they learnt, practiced, and internalised empathy as a valuable skill for fostering meaningful connections and resolving conflicts, which will set the tone for a more compassionate and understanding environment in both personal and professional settings.

These represent just a few noteworthy moments from the year. Our sustainability endeavours are seamlessly woven into our business operations, and are intricately aligned with the United Nations Sustainable Development Goals (“**UN SDGs**”) and United Nations Global Compact Ten Principles. For a deeper understanding of our sustainability performance, I invite you to explore the following pages of this report, where you will find a more comprehensive overview of our efforts.

## CONTINUED INCLUSION ONTO THE FTSE4GOOD INDEX

Witnessing Kenanga's sustainability journey marked by a consistent stream of notable commendations, serves as a testament to our ongoing efforts and encourages us to strive for continuous improvement. In December 2023, Kenanga maintained its inclusion in the esteemed FTSE4Good Bursa Malaysia (“**F4GBM**”) Index, a globally recognised benchmark for companies demonstrating a commitment to ESG practices. This recognition continues to place us amongst the 10% of Malaysian publicly listed companies represented in the Index, further underscoring our steadfast dedication to sustainability and responsible business practices.

Throughout 2023, Kenanga was also decorated with prestigious awards acknowledging our dedication to sustainability and ESG practices. In addition to the above-mentioned National Energy Awards, we also garnered accolades, such as ‘Bank of the Year - Outstanding Sustainability Champion’ from the Sustainability & CSR Malaysia Awards and recognition as ‘Best Impact Investing Manager’ by Asia Asset Management. Meanwhile, the United Nations Global Compact Network Malaysia and Brunei awarded us with ‘Partnership for the Goals’ and ‘Sustainability Awareness and Employee Engagement’ recognitions.

These acknowledgments stand as a tribute to the tireless commitment and dedication of everyone within the organisation. While maintaining our inclusion in the F4GBM Index and the receipt of these awards are significant milestones, we acknowledge that there is still much ground to cover, and we are merely at the onset of our journey.

## LOOKING FORWARD

## EXPANDING THE VISION

2023 has been an enlightening year, marked by significant advancements in ESG reporting standards and regulations. The establishment of the Advisory Committee on Sustainability Reporting and the launch of the National Energy Transition Roadmap, New Industrial Master Plan and i-ESG Framework underscore the Malaysian government's commitment to sustainability. These national developments have been instrumental in further guiding our efforts to strengthen our sustainability foundations as we move forward.

As we reflect on our journey, I extend my deepest appreciation to our Founder Emeritus and Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail, and convey my heartfelt thanks to our devoted employees and loyal clients. Their unwavering trust and support have been crucial to our success and will continue to inspire our sustainability path forward.

Additionally, my deepest thanks go to the dedicated Group Sustainability Management Committee led by Datuk Chay Wai Leong and employees of Kenanga Group. Their exceptional service and tireless commitment in these challenging times have further solidified and enriched the values that define the essence of Kenanga Group.

Finally, I extend my appreciation to our esteemed clients, business partners, suppliers, and shareholders for entrusting the Group. A special acknowledgment goes to Bank Negara Malaysia, Bursa Malaysia Securities Berhad, and the Securities Commission Malaysia for their invaluable advice and steadfast support.

## TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman

# Q&A WITH OUR GROUP MANAGING DIRECTOR AND CHAIRMAN, GROUP SUSTAINABILITY MANAGEMENT COMMITTEE

## **Q1 How would you describe the sustainability progress that the Group has made this year?**

With the development of a Sustainability Framework, Three (3)-Year Roadmap and Sustainability Goals in previous years, we were laser-focused on execution this year, bringing to life the plans and targets we have set in place. Within the organisation, we cascaded ESG-specific KPIs throughout the organisation, rolled out Sustainability Roadshows for employees, refined our whistleblowing policy, augmented our procurement policy and worked on a sustainability policy to ensure we have a strong foundation that paves way for our journey ahead.

It was also a year of ensuring we internalised the heightened regulatory requirements from Bank Negara Malaysia, Bursa Malaysia, as well as the Securities Commission in relations to integrating sustainability practices in our business.

On the commercial front, we stepped up engagement with clients and investee companies to further push the sustainability agenda. Our asset and wealth management arm, Kenanga Investors Berhad, has successfully secured two (2) exclusive landmark ESG mandates from notable institutional investors in the country, which is a testament to the strength of our expertise and bolsters our position as a trusted asset manager in the sustainability space.

Another tangible mark of progress is our continued inclusion onto the FTSE4Good Bursa Malaysia Index. In the latest December 2023 review, our FTSE4Good ESG score has increased from 3.7 to 4.0, a direct result of our enhanced ESG practices and disclosures.

## **Q2 Has climate change impacted Kenanga's management of ESG risks?**

Climate change has emerged as a significant factor influencing the management of ESG risks at Kenanga. The implications of climate change are far-reaching, affecting not only the environment but also posing potential risks and opportunities for businesses.

Our regulators, especially Bank Negara Malaysia is at the forefront of setting regulatory standards, including mandating the assessment and disclosures of climate-related risks by financial institutions such as ourselves. In response to this heightened regulatory scrutiny and increased investor awareness of climate risks, we have intensified our risk management approach which includes strengthening our climate risk governance and enhancing due diligence to include climate risk considerations in decisions related to the investments and corporate lending. Since 2023, our portfolios undergo ESG risk screening and climate-related exposure assessment as guided by the updated Climate Change Risk Management ("CCRM") Framework.



**DATUK CHAY WAI LEONG**

Group Managing Director

Chairman, Group Sustainability Management Committee

## Q&amp;A WITH OUR GROUP MANAGING DIRECTOR AND CHAIRMAN, GROUP SUSTAINABILITY MANAGEMENT COMMITTEE

**Q3 In light of current environmental concerns, would you be able to provide an overview of climate actions that the company is pursuing?**

In 2023, global temperatures reached unprecedented levels, marking it as the hottest year on record, and highlighting evidence of global warming and changing weather patterns.

Mounting scientific consensus of climate change, compounded with the escalating frequency of climate emergencies has reinforced the imperative for businesses such as ours to address the associated risks, as well as taking the opportunity to contribute meaningfully to a sustainable future.

At Kenanga, while we have aligned our long-term environmental commitment with our national goal of achieving net zero by 2050, our immediate focus has been to prioritise the reduction of our enterprise GHG emission. Over the last two (2) years, we have been collaborating with a Malaysian-based climate tech company to mitigate our environmental footprint, starting with the most energy intensive area – our heating, ventilation and air conditioning system.

We have overhauled our systems with an AI-powered predictive cooling control solutions, as well as switched out conventional lightings to energy-saving lighting options. Our gradual and practical steps led to reduction in overall energy consumption in 2022 at Kenanga Tower. This achievement, attributable to the system upgrades initiated in 2021, which earned us the prestigious title of 'Energy-Efficient Retrofitted Building' at the National Energy Awards 2023, presented by the Ministry of Natural Resources, Environment, and Climate Change.

**Q4 What would you say are the highlights of Kenanga's progress on the "Social" and "Governance" dimensions?**

By virtue of the fact we operate in a highly regulated environment, governed by all three (3) regulatory bodies – Bank Negara Malaysia, Bursa Malaysia and the Securities Commission – we naturally uphold a high corporate governance standard. We take great pride in going above and beyond regulatory compliance, especially through our industry leadership role in rallying fraud awareness.

We cover the many facets of 'Social' in our Sustainability Report, but it is worth noting that our priorities include maintaining a gender-balanced workforce. This year, we became a signatory to the United Nations Women Empowerment Principles, further committing to gender empowerment agenda not just at the workplace, but also the marketplace and community.

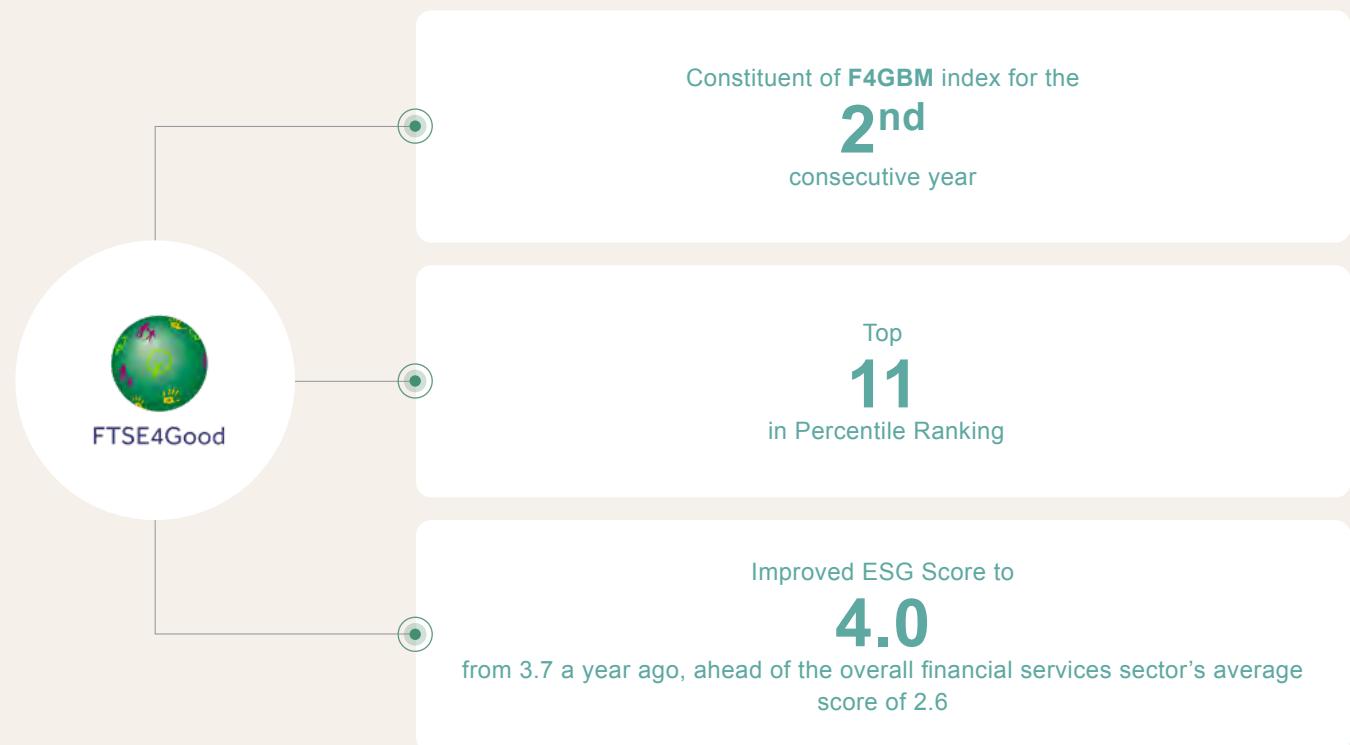
Our long-standing support towards social enterprises, Silent Teddies Bakery and Dialogue Includes All Academy, continues to be front and centre for us. It has been a privilege to be part of their growth story, and to know we have played a part in empowering the differently abled and marginalised in a meaningful manner that promotes a sense of pride and unlocks self-reliance and enterprising spirit.

**Q5 Having charted good progress in the last few years, what are some of the focus areas in the coming year?**

In this coming year, amongst the various priorities include strengthening and harmonising of our responsible investing approach across the Group by aligning it to regulatory expectations, and industry best practices. In the same breath, we will also delve into the technical aspects of computing our Scope 3 emissions, particularly focusing on emissions resulting from our investment activities – the area where, as a financial institution, we have the most impact.

One thing to be mindful of as we progress forward, is the rise of greenwashing allegations, which is why ensuring transparency, clarity and integrity of our commitments, disclosures and communications remains paramount.

## Q&amp;A WITH OUR GROUP MANAGING DIRECTOR AND CHAIRMAN, GROUP SUSTAINABILITY MANAGEMENT COMMITTEE

**FTSE4Good Bursa Malaysia (“F4GBM”) Index December 2023 Review Results**

In the latest December 2023's review of the FTSE4Good Index series, Kenanga Group has maintained its position and demonstrated improvement in its overall ESG ratings. In the review, the Group achieved an overall ESG score of 4.0 out of 5.0, showing an increase from our previous rating of 3.7.

The progress is primarily attributed to the enhanced performance in climate change-related topics within the Environmental pillar, while maintaining our perfect scores for the Governance pillar and high score for our Social pillar. Furthermore, Kenanga has surpassed the sector average scores, reflecting our ongoing commitment to align our business operations with sustainable and responsible practices.



“2024 will be the year where we focus on building and bolstering a sustainable ecosystem with a more pronounced emphasis on efforts relating to climate change and social supply chain. By aligning our sustainability efforts with these critical themes, we not only fortify our resilience against emerging risks but also positioning ourselves in accordance with prevailing regulatory mandates.”

**CHUAH SZE PHING**

Group Chief Sustainability Officer and Head of Group Marketing and Communications, Kenanga Investment Bank Berhad