

SUSTAINABILITY AT KENANGA

As a financial institution, we acknowledge the significant role we play in contributing to the development of a sustainable future. Our commitment is rooted in integrating sustainability into our operations, generating shared value for all stakeholders. We consistently incorporate sustainability into our business practices and decision-making processes, recognising it as both a driver of risks and a source of opportunities.

CONTRIBUTING TOWARDS UN SDGS AND UN GLOBAL COMPACT'S TEN PRINCIPLES

Below are the 11 SDGs Kenanga contributes towards. Additionally, as a signatory member of the United Nations Global Compact ("UNGC") Network, we have also aligned our sustainability efforts with the UNGC's Ten Principles. Key highlights are illustrated below:

UN SDGs	SDGs Targets We Contribute Towards	Relevant UNGC Principles	Our Contribution to UN SDGs and UNGC Ten Principles	Our Progress in FY2023
	1.4 Equal rights to economic resources, as well as access to basic and financial services	Principle 1: Business should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> Extending support to our local communities through philanthropic contributions and social investments Supporting social enterprises through our community investment efforts 	<ul style="list-style-type: none"> Donated over RM600,000 to community investments, positively impacting over 2,700 lives Provided consistent support to social enterprise partners, Silent Teddies and Dialogue Includes All Academy for 12 consecutive years
	4.4 Increase the number of people with relevant skills for employment, decent jobs and entrepreneurship	Principle 1: Business should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> Promoting financial literacy across the industry through our community programmes and industry financial literacy initiatives 	<ul style="list-style-type: none"> Participated in and organised 119 sessions (webinars, exhibitions, seminars and live series) for approximately 8,000 participants
	5.5 Women's full and effective participation and equal opportunities for leadership	Principle 6: The elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> Supporting the empowerment and representation of women in our workforce 	<ul style="list-style-type: none"> 51% of our workforce and 38% of key/ senior management are women Gender pay ratio averages 1:0.92 (men to women)
	7.2 Increase global percentage of renewable energy 7.3 Double the global rate of improvement in energy efficiency	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> Investing in green energy companies and converting to energy-efficient equipments in efforts to reduce our energy consumption in our building and business operations 	<ul style="list-style-type: none"> Kenanga Tower wins 'Energy-Efficient Retrofitted Building' at National Energy Awards 2023
	8.5 Full and productive employment and decent work for all 8.10 Expand access to banking, insurance and financial services for all	Principle 2: Make sure that they are not complicit in human rights abuses Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Principle 4: The elimination of all forms of forced and compulsory labour Principle 5: The effective abolition of child labour Principle 6: The elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> Ensuring a safe, conducive and thriving workplace for all our employees Expanding our client base, particularly the unserved/underserved retail segment via online platforms for trading and investing 	<ul style="list-style-type: none"> Achieved zero workplace injuries Conducted three (3) mental health talks for employees in collaboration with Naluri, MiCare and Etiqa Reached over 23,000 users through our AI-based investing and savings platform, Kenanga Digital Investing ("KDI")
	10.2 Social, economic and political inclusion of all	Principle 6: The elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> Uplifting our communities through philanthropic contributions and employee volunteerism, while promoting diversity and non-discriminatory practices across our employment practices and product 	<ul style="list-style-type: none"> Became a signatory of Women's Empowerment Principles ("WEPs") Became an Official Partner of LeadWomen, a leading advisory and training organisation focused on nurturing an inclusive workplace culture Conducted a training for people managers on sexual harassment and anti-bullying by an external legal counsel Recorded a total of 2,423 employee volunteering hours, with participation from 319 volunteers
	11.6 Reduce the environmental impact of cities	Principle 8: Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> Improving our waste management initiatives through monitoring on waste generated and collected 	<ul style="list-style-type: none"> Continued to improve monitoring on waste management in line with Bursa Malaysia's reporting requirements

UN SDGs	SDGs Targets We Contribute Towards	Relevant UNGC Principles	Our Contribution to UN SDGs and UNGC Ten Principles	Our Progress in FY2023
	12.5 Significantly reduce waste generation 12.6 Encourage companies to adopt sustainable practices and sustainable reporting	Principle 8: Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> Embracing digitalisation throughout our operations and moving towards minimising paper usage Nurturing a zero-waste culture amongst our employees by organising workshops and purchasing eco-friendly products 	<ul style="list-style-type: none"> Digitalised four (4) workflows under the iLeap project, reducing paper wastage and enhancing workflow efficiency with a total of 69 workflows being digitalised since its inception Collaborated with environmental non-governmental organisations to encourage employees to participate in activities such as repurposing plastics, city clean up and plant adoption drive Recycled a total of 32,876kg, inclusive of general waste and e-waste
	13.2 Integrate climate change measures into policies and planning 13.3 Improve human and institutional capacity on climate change	Principle 7: Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> Embarking on a climate action pathway to address our climate-related risks and opportunities, while reducing our direct operational carbon footprint 	<ul style="list-style-type: none"> Completed climate risk assessments for all of our existing corporate loans and private equity investments Achieved 393 employee enrolments in ESG-related training topics, such as ESG-related risks, climate change, with a total of 2,239.7 training hours recorded
	16.4 Combat organised crime, illicit financial and arms flows 16.5 Reducing all forms of corruption and bribery 16.7 Responsive, inclusive, participatory and representative decision-making at all levels	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> Strengthening our framework and compliance culture to prevent financial crimes 	<ul style="list-style-type: none"> Conducted our 7th annual Fraud Awareness Week ("FAW") campaign, engaging over 2,300 participants Collaborated with the Law Faculty of the University of Malaya on a Fraud Awareness Talk session aimed at enhancing awareness of fraud prevention and detection Hosted the 8th Annual Regulatory Seminar Assessment, with over 1,100 enrolments and a total of 8,932 training hours registered Established a Scam Hotline to channel and manage all scam-related concerns Enhanced Group Whistleblowing Policy by replacing it with the Group Speak Up Policy, allowing employees to report concerns in good faith regarding behaviour, conduct, practices, actions or omissions that may be unlawful or not in line with the Group's policies
	17.16 Enhance partnership to mobilise technology and financial resources 17.17 Encourage and promote effective public, public-private and civil society partnership	Principle 1: Business should support and respect the protection of internationally proclaimed human rights Principle 2: Make sure that they are not complicit in human rights abuses Principle 6: The elimination of discrimination in respect of employment and occupation Principle 7: Businesses should support a precautionary approach to environmental challenges Principle 8: Undertake initiatives to promote greater environmental responsibility Principle 9: Encourage the development and diffusion of environmentally friendly technologies Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> Building partnerships with community-based organisations to create positive social impacts 	<ul style="list-style-type: none"> Strengthened key partnerships with the following entities: <ul style="list-style-type: none"> Silent Teddies and Dialogue Includes All Academy for community outreach programmes UNGC to advance SDGs Association of Certified Fraud Examiners to organise the 7th FAW LeadWomen to promote workplace equality Ant Group for financial inclusion initiatives

SUSTAINABILITY AT KENANGA

OUR ESG FRAMEWORK

Our ESG Framework serves as a focal point for how we articulate our sustainability aspirations for the long-term. Anchored upon four (4) key pillars – **Sustainable Economic Growth, Environmental Stewardship, Empowering People and Communities, and Good Governance**, the Framework guides us in our efforts to address ESG issues that are material to our business.

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 strategies 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.

**Sustainable Economic Growth**

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

▶ **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 investing

**Environmental Stewardship**

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

▶ **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

**Empowering People and Communities**

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

▶ **Diversity, Inclusion and Wellbeing**

Inculcate an equitable workplace culture that recognises the unique needs and contributions of employees and where employee rights, health, safety 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 Governance**

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

▶ **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

OUR SUSTAINABILITY GOALS AND ROADMAP

In line with our ESG Framework, we formulated Sustainability Goals and Targets, as well as a three (3)-year Sustainability Roadmap (“**the Roadmap**”) in FY2023 to operationalise and drive our sustainability vision and ambitions.

To facilitate the implementation of the Roadmap, ESG Key Performance Indicators (“**KPIs**”) were integrated into the Balanced Scorecards (“**BSC**”) of relevant roles including the Group Managing Director, as well as for the Head of Divisions and Departments, and which were cascaded across the Group, reinforcing the integration of ESG considerations throughout business operations.

KENANGA SUSTAINABILITY GOALS

Sustainable Economic Growth

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

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

Environmental Stewardship

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

Goal 1

Accelerate enterprise decarbonisation

Goal 2

Build awareness, knowledge and skills needed to enable employees and stakeholders, to contribute positively to climate actions

Empowering People and Communities

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

Goal 1

Maintain and promote workforce diversity, and maintain anti-discrimination culture

Goal 3

Increase social impact towards marginalised and deserving communities through consistent programmes and initiatives

Goal 2

Integrate mental health as a topic of overall wellbeing of employees

Goal 4

Expand investing literacy reach through online and offline channels

Good Governance

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

Goal 1

All material matters to be supported by adequate policies and procedures in line with best practices and regulatory requirements

Goal 2

Lead industry fraud awareness through an interactive flagship programme

SUSTAINABILITY AT KENANGA

KENANGA'S THREE (3)-YEAR SUSTAINABILITY ROADMAP

**Objective**

This Roadmap complements our Board-approved sustainability goals and targets, and supports the implementation of regulators' and rating agencies' requirements on sustainability disclosures which is translated to relevant KPIs.

2023

Strengthening ESG Foundation

- Develop KPIs and targets for the identified 'Key Focus Areas' in Kenanga's Sustainability Framework
- Assess and ensure group-wide readiness to embark on climate-related financial disclosures according to key regulators' requirements that are in line with the Bank Negara Malaysia Climate Change and Principle-based Taxonomy, and the Policy Document on Climate Risk Management and Scenario Analysis, as well as the Bursa Malaysia Sustainability Reporting Guide (3rd Edition)
- Upskill sustainability-relevant roles within the organisation and ensure alignment are in line with Bursa Malaysia Corporate Sustainability Practitioner Competency Framework
- Obtain assurance of our sustainability reporting process for data and enhance reporting credibility

Building Sustainable Ecosystem

- Enhance sustainability governance structure with sub-committees/ working group with clear roles and responsibilities
- Promote sustainability culture and increase ESG literacy amongst Kenanga's stakeholders through targeted sustainability literacy programmes
- Identify and integrate ESG risks in group-wide risk management including climate risk throughout the Group's business operations as per updated materiality matrix

2025

Amplifying ESG Impact

- Expand sustainable products and services while focusing on thematic and impact investing in sectors related to Water & Waste, Food Security, and Energy Transition, and others as relevant
- Fully integrate and increase our ESG due diligence practices across our business operations including sustainable value chain practices such as procurement and investment
- Adopt suitable sustainability ratings and standards for continuous improvement on sustainability performance

2024

AN INSIGHT INTO OUR STAKEHOLDERS' PERSPECTIVES

Stakeholder engagement, assessment and feedback are integral to our organisation. We continuously work to improve our engagement approaches through various communication channels to ensure we meaningfully connect with our stakeholders to gather input that are relevant to current trends and changing expectations.

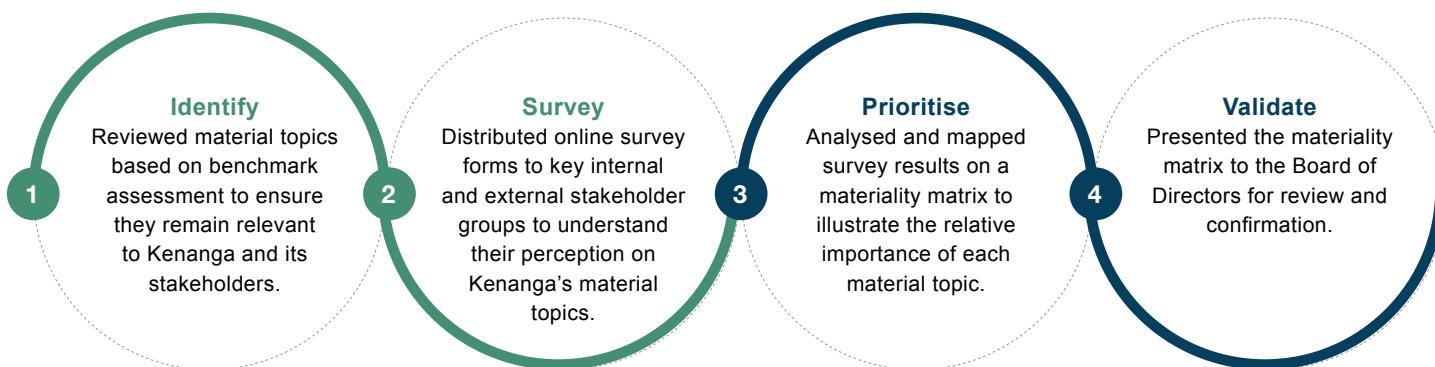
Our Stakeholder Groups	Our Commitment	How We Engage	Areas of Interest
Those Whom We Are Accountable	<ul style="list-style-type: none"> Ensure our investors and shareholders are kept abreast on how we embed ESG in our business strategy and operations Incorporate feedback to create long-term, sustainable 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 email 	<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
Those Who We Collaborate With	<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
Those Whose Lives We Enrich	<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 social 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

SUSTAINABILITY AT KENANGA

WHAT IS MATERIAL TO US

Our biennial materiality assessment, which is driven by a four (4)-step process to identify and prioritise ESG topics that are relevant to Kenanga and its stakeholders was last conducted in 2022.

The assessment ensures that we consider and integrate these ESG topics in identifying opportunities and risks in our business operations, as well as to further guide the Group's ESG strategy and reporting.



In 2023, we conducted a benchmarking exercise against the newly updated standards and guidelines, Bursa Malaysia Sustainability Reporting Guide (3rd Edition) and found that the results continue to align with our current materiality assessment results. Our next comprehensive materiality assessment is scheduled for the upcoming year, 2024.

OUR MATERIAL TOPICS

Furthermore, we have mapped all 10 material topics to our ESG Framework's four (4) pillars as follows:

Material Topic	GRI Indicators	Description	SDGs
GOOD GOVERNANCE			
Good Business Conduct	205: Anti-corruption 2016	Operating transparently, with integrity and accountability in compliance with applicable laws and regulations, and adopting the highest standards of professionalism, honesty, and ethics.	  
Regulatory Compliance	205: Anti-corruption 2016	Identifying, managing and responding to compliance risk across the Group, as well as cultivating a transparent ethical culture and educating employees to reflect the compliance behaviours of the organisation.	
SUSTAINABLE ECONOMIC GROWTH			
Responsible Investing	3-3: Management of material topics	Collaborating with asset owners, regulators and a wide range of market participants on ESG matters and ensuring that it takes place within the investment process.	   
Digitalisation	3-3: Management of material topics	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	418: Customer Privacy 2016	Implementing cyber security solutions through strategic partnerships to protect corporate and client information and enhance cyber security posture while equipping employees with the knowledge and skills to recognise and prevent malicious activity from cyber threat actors.	
Client Experience	417: Marketing and Labelling 2016	Delivering positive client experience through customer service excellence, as well as delivering innovative products and services.	
ENVIRONMENTAL STEWARDSHIP			
Climate Impact	302: Energy 2016 303: Water and Effluents 2018 305: Emissions 2016 306: Waste 2020	Taking ownership of the climate impacts of our operations by monitoring environmental performance, identifying and practising behaviours that promote climate positive outcomes, and raising awareness on climate change and sustainability with stakeholders.	   
EMPOWERING PEOPLE AND COMMUNITIES			
Diversity and Inclusion	405: Diversity and Equal Opportunity 406: Non-Discrimination 2016	Inculcating a diverse and inclusive workplace culture by adopting non-discriminative practices in human resource processes.	   
Employee Safety, Health and Wellbeing	403: Occupational Health and Safety 2016	Safeguarding employees' safety, health, and wellbeing by promoting a safe and decent working environment.	 
Talent Attraction, Development and Management	401: Employment 2016 404: Training and Education 2016	Designing the Group's training and development initiatives to respond to business needs, regulatory requirements, industry standards and people development principles.	
Community Investment	GRI 413: Local Communities 2016	Enhancing financial literacy and inclusion for clients and the community through education, and reaching out to communities in need through targeted community investments and employee volunteerism.	

MANAGING OUR KEY ESG RISKS

Effective risk management practices play a crucial role in ensuring the long-term viability of a business and maintaining stakeholder confidence. It is our objective to ensure that the business is being managed in a sustainable manner while taking into consideration of the ESG expectations from our stakeholders to further manage our risk exposures.

The Group is governed by the Enterprise Risk Management Framework (“**ERM Framework**”) and the philosophy adopted is based on the ‘Three Lines of Defense’ approach. The ERM Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership, as well as sets out the principles of sound corporate governance to assess and manage risks to ensure risk-taking activities are aligned with the Group’s long-term viability and its capacity to absorb losses. The Group Board Risk Committee (“**GBRC**”) is responsible to ensure the Group’s activities are consistent with its approved risk appetite, strategies and policies.

We are gradually integrating ESG considerations into our risk management practices, and this approach supports our long-term viability by aligning our corporate policies and procedures with relevant sustainability standards.

 For more information on our Risk Management Framework and Governance, please refer to the Statement on Risk Management and Internal Control on pages 111 to 115 of our Annual Report 2023.

MANAGING OUR CLIMATE RISK

WHY IT MATTERS

Climate risk management helps mitigate environmental and economic risks caused by climate change, ensuring business resilience and continuity. Effective management also leads to innovative and sustainable practices, thus enhancing competitiveness and market position.

OUR APPROACH

We have aligned our climate-related disclosures with the Taskforce for Climate-related Financial Disclosures (“**TCFD**”) recommendations, a leading standard in reporting climate issues, as outlined in Bank Negara Malaysia Climate Risk Management and Scenario Analysis Policy Document (“**BNM CRMSA**”) for financial institutions.

BNM CRMSA policy guides us in providing reliable, meaningful, and comparable climate-related disclosures, by assisting stakeholders in making well-informed decisions and managing climate risks and opportunities effectively. To comply with BNM requirements, we conducted a gap analysis, developed implementation plans, and aligned essential internal policies and procedures with climate risk management guidelines. This implementation will occur in phases, following regulatory timelines, and is targeted for completion by the end of 2024. Additionally, we are progressively aligning with TCFD recommendations and further enhancing our capabilities to manage and disclose climate risks and opportunities over time. The following sections will provide more information on Kenanga’s TCFD-aligned climate-related disclosures focusing on the four (4) TCFD pillars:



Governance



Strategy



Risk Management



Metrics and Targets

Our TCFD-aligned Climate-Related Disclosures

 Governance	
	<p>The climate risk managed by the Group is governed by the existing risk governance structure, which involves the Board of Directors ("the Board"), relevant Board and Management Committees, Business Units and Group Risk Management. The roles and responsibilities of the Board, Board Committees, Management Committees and relevant departments are summarised as follows:</p>
	The Board
	<p>Oversees climate risk management initiatives and is responsible for ensuring that climate risks are well incorporated across our governance process, strategy and business operations.</p>
	Group Board Risk Committee ("GBRC")
	<p>Supports the Board in its supervisory role, overseeing all aspects of risk management throughout the Group, including climate risk management.</p>
	Audit Committee ("AC")
	<p>A Committee that supports the Board in overseeing sustainability and climate risk management processes, including the Group's internal control system to ensure compliance with statutory and regulatory requirements.</p>
	Group Governance, Nomination and Compensation ("GNC")
	<p>An independent Board Committee that supports the Board in providing oversight on material sustainability risks including climate-related risks, particularly in ensuring the governance of sustainability within Kenanga, as well as the necessary alignment and compliance with applicable statutory and regulatory requirements.</p>
	Group Sustainability Management Committee ("GSMC")
	<p>Supports the Board in the governance of sustainability matters, providing oversight and input to ensure that the Group's strategies, policies, goals, programmes and initiatives related to sustainability matters are aligned with the Group's commitment towards sustainability.</p>
	Group Risk Committee ("GRC")
	<p>Supports the Board in managing the risks of the Group with key responsibilities including reviewing and recommending frameworks, policies, processes and procedures, as well as climate risk related propositions from Group Risk Management, business or support units of the Group.</p>
	Group Credit Committee ("GCC")
	<p>Oversees the climate risk profiles and asset quality in ensuring that climate risks undertaken are within prescribed levels. Separately, the GCC reviews the policies and procedures related to climate risk activities before submitting to GRC for endorsement.</p>
	Group Risk Management ("GRM")
	<p>Oversees all aspects of credit, market, and operational risk within the Group. GRM develops frameworks to integrate climate-related risks into governance processes, business strategies and operations. Additionally, GRM performs independent assessments of appraisals done by Business Units from a climate risk perspective, conducts climate risk scenario analysis and stress testing exercises, analyses and provides relevant reports to GRC, GBRC, and the Board, as well as offers advisory support to Business Units on climate related matters.</p>

MANAGING OUR KEY ESG RISKS

Driving Industry Progress on Sustainability

Our Senior Management participation in industry committees related to mitigating climate change and driving sustainability progress further solidifies our sustainability leadership and enables us to participate in climate-related policy decision-making, and shape conversations around climate change.

**DATUK CHAY WAI LEONG**

Group Managing Director of Kenanga Investment Bank Berhad
Chairman of the Group Sustainability Management Committee

- A member of Sustainable and Development Committee, a Board Committee of Bursa Malaysia. The Committee oversees the development and implementation of sustainability strategies, as well as to ensure key initiatives are in line with the Malaysian Code on Corporate Governance
- Board of Director of Securities Industry Development Corporations (“**SIDC**”), a company sponsored by the Securities Commission and Bursa Malaysia as a capital market learning and development solutions provider for industry participants in Malaysia

DATUK WIRA ISMITZ MATTHEW DE ALWIS

Chief Executive Officer/ Executive Director of Kenanga Investors Berhad

- A member of Joint Committee on Climate Change (“**JC3**”), which is a collaborative effort initiated by BNM and the SC to unite industry representatives in building climate resilience of the financial sector in Malaysia
- Vice Chairman of the Institutional Investors Council (“**IIC**”) Malaysia
- A member of Bursa Malaysia Securities Market Consultative Panel
- A member of the Sustainable Investment Platform Steering Committee – Malaysia Sustainable Investment Initiative
- Chairperson of the Malaysian Association of Asset Managers

**Strengthening the Board’s and Senior Management’s Oversight on Climate-related Matters**

The Board Charter and the Terms of Reference (“**TOR**”) of our Board Committees (including GNC, AC, GBRC) and Management Committees (including GRC) were updated to further reflect existing oversight practices of roles and responsibilities in managing climate risks. In addition to that, we have also updated the climate risk policy to formalise the frequency of the presentation of climate risk to the Board for deliberation and evaluation. In 2023, the Board convened twice to discuss climate-related issues, which included:

- Review of the Climate Change Risk Management Framework (“**CCRM Framework**”)
- Progress updates on implementation plan for Climate Risk Management and Scenario Analysis
- Updates on the Group’s climate-related targets and initiatives
- Key regulatory updates on climate-related risk management

Enhancing the Board and Senior Management's Competency in Climate Risk Management

In 2023, our Board of Directors continued to enhance their understanding of ESG issues and its implications for the Group and across various ESG training courses, briefings and workshops. Key training topics include climate risk management and scenario analysis, adoption of science-based targets, TCFD climate disclosure, organisational impacts of sustainability, directors' obligations, and various other ESG-related subjects.

Listed below are some of the training sessions related to sustainability and climate risk attended by our the Board of Directors and Senior Management team:

The Board's ESG Training Topics

Demystifying ESG - Understanding Bursa Malaysia's Requirements and International Sustainability Standards Board (ISSB) Global Baseline on Sustainability Reporting

Transformational Governance: Driving Responsible Business Conduct by the UNGC Academy

The Net-Zero Standard by the UNGC Academy

Navigating the ESG Risk in the Supply Chain by the Institute of Corporate Directors Malaysia

Suite Talk: Inside Stories of Sustainability Champions by SIDC

ESG: Principles of Responsible Investment and Carbon Market

Learning From Middle Eastern Stock Exchange Business: Saudi Tadawul Group's 2022 ESG Report and Strategy

Consumer Products ESG Learning Session from Nestle

Board Oversight of Climate Risks and Opportunities by Prof. Mak Yuen Teen and Dr. Khoo Guan Seng

JC3 Journey to Zero Conference 2023

Senior Management's ESG Training Topics

Leaders Discourse: Reinventing a Sustainable Workforce of the Future

ESG Risk Management

Malaysian Banking Conference 2023: Banking and the ESG Revolution - Going Beyond Aspirations

Principles and Practice of Climate Risk

Navigating Sustainability Reporting in the Banking Industry - An Exclusive Webinar by PricewaterhouseCoopers ("PwC") Malaysia

Integrating Climate Change and Principles-Based Taxonomy in Financial Institutions' Business

PCC Special Interest Forum 2023 - Collaboration with KPMG: Knowledge Sharing on e-Invoicing & ESG

Sustainability Statement of Assurance: Best Practices for ESG Internal Audit and Assurance Review

SPARK Digital Leaders Summit 2023 - Theme: Leading the Global Race Toward a Sustainable, A.I.-Driven Future

BNM's Climate Change Principle-based Taxonomy Workshop

MANAGING OUR KEY ESG RISKS

Strengthening Proficiency in Climate Risk Management of Business Units

In 2023, Head of Departments from relevant Business Units participated in the Risk Assessment Checklist (“**RAC**”) workshop, conducted with PwC consultants, aimed at enriching the understanding of the BNM Climate Change and Principle-based Taxonomy (“**CCPT**”). The three (3)-hour workshop encompassed a comprehensive overview of CCPT and augmented with practical case studies designed to illustrate effective climate risk assessment and classification, as part of the implementation of BNM CRMSA.

**Moving Forward**

To further strengthen our climate risk governance structure and management, we will continue to conduct ESG capacity-building sessions with an emphasis on climate risk-related topics to ensure group-wide understanding on this critical subject matter and its impact on businesses.

**Strategy**

The Group’s Sustainability Framework and Sustainability Roadmap 2023-2025 includes climate risk management as a strategic focus area which is embedded within the Environmental Stewardship pillar.

Highlights of our climate-related initiatives in 2023 include:



Incorporated climate risk management into ERM Framework



Updated existing Risk Appetite Statement with the integration of climate risk



Improved the structure of our climate change risk and opportunity reporting for the Board, encompassing sector-specific BNM CCPT ratings, high climate risk exposure by counterparty, and updates on key climate-related developments in Malaysia and globally

**Moving Forward**

Aligned with our Sustainability Roadmap 2023-2025 and regulatory requirements for the implementation of BNM CCPT and CRMSA, we will further implement our climate risk management strategies, including conducting a scenario analysis exercise to better understand the climate risk impact on businesses, starting with our private equity investment and corporate lending portfolios.



Risk Management

We acknowledge that the impacts of climate change are a non-diversifiable risk to Kenanga's business activities and financial operations.

In 2023, the CCRM Framework was revised to include BNM Climate Risk Management and Scenario Analysis requirements, enhancing climate risk assessment and classification within the Framework. We are gradually working towards better understanding of climate impact on our business operations and have further expanded our risk exposure analysis.

Climate Change Risks								
Physical Risk	Arises from acute (event-driven) and chronic (long term shift) climate-related events that:	<table><tr><td>Damage property</td><td>Reduce productivity</td></tr><tr><td>Disrupt trade</td><td>Increase financial risk to the Group</td></tr><tr><td colspan="2">Impacts collateral values</td></tr></table>	Damage property	Reduce productivity	Disrupt trade	Increase financial risk to the Group	Impacts collateral values	
Damage property	Reduce productivity							
Disrupt trade	Increase financial risk to the Group							
Impacts collateral values								
Transition Risk	Occurs as a result of adjustment to a low-carbon economy. The adjustment may translate into:	<table><tr><td>Financial risk</td><td>Reputational risk</td></tr><tr><td>Changes in public policy and strategy</td><td>Increase in operational cost</td></tr><tr><td colspan="2">Refinancing risk</td></tr></table>	Financial risk	Reputational risk	Changes in public policy and strategy	Increase in operational cost	Refinancing risk	
Financial risk	Reputational risk							
Changes in public policy and strategy	Increase in operational cost							
Refinancing risk								
Liability Risk	Stems from legal risk and claims on damages and losses incurred from inaction or lack of action that results in the effects of physical and transition risks:	<table><tr><td>Legal</td><td>Claims</td></tr></table>	Legal	Claims				
Legal	Claims							

MANAGING OUR KEY ESG RISKS

To further strengthen our climate risk management approach, the following was completed in 2023:

- Updated the ERM Framework by incorporating climate change risk requirements, ensuring that the roles and responsibilities of the 'Three Lines of Defense' includes the management of climate related risk, describing the climate risk transmission pathway via economic activities to financial risks, and developing the mapping and integration of the climate-related risks into existing types of risks.
- Incorporated enhanced due diligence and climate risk assessment into the existing process on high climate risk exposure by sector.
- Incorporated the climate-related risk assessment into liquidity risk management and reflected it in relevant policies and procedures (i.e. assessed the impact of climate risk on depositors' profile).
- Updated and enhanced the Group Outsourcing Risk Management Framework (GORMF) to incorporate climate risk as one of the risk categories.
- Accomplished the Central Credit Reference Information System (CCRIS) Enhancement 2023, aligning with the CCPT Framework and enabling the system to cover several key products.



Our Climate Change Risk Management Framework

The CCRM Framework plays an integral role in supporting the Group as it embarks upon a phased approach towards recognising and addressing climate risks and opportunities. The Framework aims to:

Provide an overview of how climate change impacts our business, clients and the broader economy	Facilitate the integration of climate change considerations into our existing risk management practices and business activities
Identify and formulate appropriate climate-related strategies, feasible risk appetites and targets to improve our readiness towards climate risk management	Introduce a structured classification methodology to assess and classify our lending and investment activities to ensure they are aligned with the transition to a low-carbon economy
Establish the necessary guiding principles to support our lending and investment activities, ensuring they consider climate risks	Develop appropriate reporting standards for our climate risk management disclosure for internal and external stakeholders
Inculcate awareness amongst our stakeholders on the pertinence of understanding climate risks, as well as ensuring they stay abreast of Kenanga's climate ambitions	

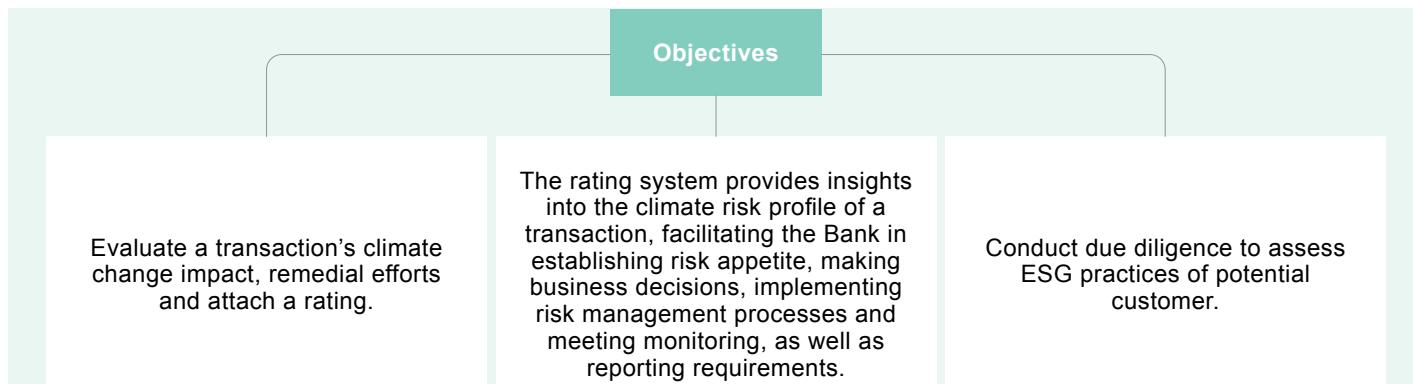
Climate Change Risk Management Strategy and Risk Appetite

The Group's climate risk management strategy aims to support both the Group and its clients in transitioning towards managing climate risks and embracing a low-carbon economy.

Strategy and Risk Appetite	Our Future Plans
Product Offering/ Incentive	To continuously develop new products, as well as incentives that promote or support green and transitioning economic activities.
Portfolio Target/ Reduction Plan Target	To ensure that the Group takes initiatives to establish appropriate targets for reducing and managing climate risk with its lending and investment.
Watchlist - High Climate Change Risk Sectors	<p>To deploy a negative screening approach based on environmental risk profiling and classification to identify 'negative' industries/ sectors/ companies exposed to high climate risk. These high-risk sectors will be included in a watchlist as a guidance to facilitate credit approving process and decision-making on investment or lending activities.</p> <p>Watchlist sectors that were identified includes power producers, oil and gas, metals, logging, chemical, palm oil, and cement.</p>

Climate Change Risk Assessment Checklist ("Climate Change RAC")

The Climate Change RAC, which was incorporated as part of the CCRM Framework has been enhanced and updated with reference to the guiding principles stated in BNM CCPT, as well as industry best practices to support the classification assessment during the inception of new investments and upon performing annual review. It aims to facilitate Business Units to determine the materiality of "significant harm to the environment" and effectiveness of "remedial measures" by providing guidance or relevant references, wherever appropriate/ available, for their assessment.



As of 31 December 2023, our private equity investments, corporate loans and bonds in the climate supporting category (Category 1) totalled RM71.3 million, while those in the climate transitioning Categories 2 and 3, totalled RM44.1 million and RM704.7 million, respectively. There were no financing/ investments in the watchlist Categories 4 and 5.



Moving Forward

We aim to further identify specific climate-related risks and opportunities relevant to our business operations for each time horizon (short, medium and long-term) through scenario analysis, which will include a climate risk exposure analysis. The outcome of the analysis will be incorporated into relevant business practices.

MANAGING OUR KEY ESG RISKS



Metrics & Targets

As part of our baselining exercise, the Group has detailed relevant Scope 1 and 2 GHG emissions in tonnes of carbon dioxide equivalent ("tCO₂e") resulting from business operations at our headquarters, Kenanga Tower and all branches throughout Malaysia. We are guided by the GHG Protocol Corporate Standards in the calculations of emissions factor.

Additionally, we have started to disclose Scope 3 GHG emissions of our business operations. In this 2023 report, we have expanded our Scope 3 tracking and monitoring dashboard to include employee commuting, in addition to business travel.

Furthermore, we have developed a climate-risk data catalogue to track various climate-related risk metrics, including GHG footprint, transition and physical metrics, and climate change targets in our private equity investments and corporate lending activities.

For more information on our environmental performance on Scope 1, 2 and 3, please refer to pages from 61 to 63 of this Report.



Moving Forward

We aim to develop a Net Zero Roadmap with a focus on enterprise-wide and portfolio decarbonisation strategy in line with our 2050 Net Zero aspirations. In addition, we will further review and extend our Scope 3 disclosures to include financed emissions, which will form the basis for the development of climate-related interim targets and metrics.

MANAGING OUR SUPPLY CHAIN RISK

WHY IT MATTERS

ESG risks are important considerations in procurement practices to mitigate supply chain disruptions. Managing these risks ensures sustainable and responsible sourcing, reduces operational disruptions, and enhances stakeholder trust and reputation. Further aligning sourcing with environmental and social standards helps mitigate negative impacts on communities and ecosystems, while addressing climate change and human rights issues in the supply chain.

OUR APPROACH

Our Group Procurement Policy provides employees with a guiding framework based on professionalism, transparency, and accountability in our procurement decisions.

The Group Code of Conduct for Vendors outlines the obligations, as well as standards our vendors are required to adhere to. Our vendors are required to comply with the Code of Conduct for Vendors, which outlines the adherence to all requirements of applicable anti-corruption laws including the MACC Act 2009.

Our 'Know Your Vendor Assessment' allows us to ensure we maintain good standards of ethics and integrity in our business partnerships with contractors, and intermediaries such as consultants, suppliers, agents and individuals, who undertake work for the Group. The assessment requires vendors to go through a due diligence process that reviews risk indicators, culminating in a score that serves as a

guide for Kenanga to manage its front-end risk. As part of our corruption risk assessment exercise, it covers our intermediaries including vendors, suppliers and service providers, which undergo an Anti-Money Laundering ("AML") screening for any recorded cases on bribery and corruption. As part of our efforts to optimise efficiency and transparency, we have also fully digitalised our procurement process.

In 2023, we have reviewed the Group Procurement Policy to ensure its compliance to BNM CRMSA requirements in integrating climate risk assessment for vendors. The policy will be updated to include ESG screening criteria that incorporates climate risk indicators.

Any changes to any aspect within the Code of Conduct for Vendors or Group Procurement Policy will be communicated to our vendors accordingly.

Supporting Our Local Suppliers

We strive to purchasing locally while supporting local communities and social enterprises, where feasible.

FY2023	82%	Total procurement spent on local businesses (RM)	FY2023	81.5 million
FY2022	76%		FY2022	65.9 million
FY2021	80%		FY2021	67.4 million



Moving Forward

The updated Group Procurement Policy is expected to be implemented in 2024 through supplier engagement sessions to promote adoption of sustainable procurement practices.