

Corporate Governance Statement

The Board of Directors (“the Board”) of Syarikat Takaful Malaysia Berhad (“Takaful Malaysia”) continues to subscribe and fully support the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and is committed to ensure that the Principles and Recommendations are observed and practised throughout the Group so that the affairs of the Group are conducted with professionalism, accountability and integrity with the objective of safeguarding and enhancing shareholders’ value and financial performance of the Group.

The Board is pleased to report on the application of the Principles of the MCCG 2012 and the extent of compliance with the Recommendations of the MCCG 2012 as required under the MCCG 2012, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Corporate Governance Guide (“CG Guide”) issued by Bursa Malaysia Berhad during the financial year under review.

DIRECTORS

The Board

The Board is responsible for the overall corporate governance of the Group and is also entrusted with the responsibility of exercising reasonable care of the Company as well as Group’s resources in the best interests of its shareholders and in ensuring the proper conduct of business.

Board Charter

The Board is mindful of the need to protect the interests of its shareholders and other stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference (“Charter”) which set out the roles and responsibilities of the Board. The Board will regularly review the Charter to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board’s objectives. The last review was carried out in 2013. The Board Charter is accessible on our website at www.takaful-malaysia.com.my.

Roles and Responsibility

The Board has the overall responsibility of ensuring that Takaful Malaysia operates as intended in the declared objectives of the Company. Consequently, it has the power to decide on all matters pertaining to the Company’s business as empowered by the Company’s Constitution, Companies Act 1965/2016 and all relevant guidelines of Bank Negara Malaysia (“BNM”), Securities Commission and the Listing Requirements, and if required, to delegate these powers accordingly. Some of the specific powers of the Board would include the following:

- To establish and approve policies on the future direction of the Company within the general objective of attaining progress in its overall corporate missions which cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of liquidity risk, return on investment risk and market risk, accounting system and control, service quality, automation plan, prevention of money laundering, risk management, profit planning and budgeting, adequacy of capital and human resource development;
- To approve new investments, divestments and acquisitions, including the setting up of new subsidiaries/associated companies and the participation in new business activities locally or overseas;
- To review and approve the annual business plan and budget, and monitoring the quantitative and qualitative performance of Takaful Malaysia, both at the Company and Group levels, against target and objectives;
- To ensure that the business operations of the Company are conducted in accordance with the Shariah principles;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacement of Management; and
- Reviewing the adequacy and integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To operate effectively in an effective environment, the Board’s responsibilities are delegated to the Management of the Company headed by the Group Managing Director/Chief Executive Officer. The Management through the Management Committee/Managing Director/Chief Executive Officer is responsible for broad aspects of the day-to-day operations of the Company including financial stewardship and compliance to laws, regulations, policies and procedures. In this regard, Management is accountable to the Board for the overall functions and activities of the Company amongst others the implementation of the policies and strategies as approved by the Board, always in line with Shariah principles and guided by regulatory requirement as well as industry best practices.

Board Meetings

Board meetings are scheduled in advance at the beginning of a calendar year with additional meetings convened when necessary. All Directors have complied with the Listing Requirements on attendance for Board meetings held during the financial year under review. Ten (10) Board meetings were held during the financial year under review with details of meetings' attendance of each Director are as follows:

Name	Attendance	Percentage (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak Chairman/Independent Non-Executive Director (Appointed on 1 August 2016)	4/4	100
Dato' Sri Mohamed Hassan Kamil Non-Independent Executive Director	10/10	100
Datuk Rozaida Omar Non-Independent Non-Executive Director	7/10	70
Mahadzir Azizan Non-Independent Non-Executive Director	10/10	100
Dato' Sulaiman Mohd Yusof Independent Non-Executive Director (Ceased office on 1 January 2017)	8/10	80
Datuk Seri Johan Abdullah Non-Independent Non-Executive Director (Ceased office on 17 February 2016)	1/1	100
Zakaria Ismail Independent Non-Executive Director	9/10	90
Dato' Othman Abdullah Senior Independent Non-Executive Director	10/10	100
Mohd Tarmidzi Ahmad Nordin Non-Independent Non-Executive Director (Appointed on 1 April 2016)	7/7	100
Datin Sri Azlin Arshad Independent Non-Executive Director (Appointed on 1 October 2016)	2/2	100

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Takaful Malaysia as evidenced by the attendance record of the Directors at Board meetings, as set out in the above table. All Directors complied with the minimum attendance of at least 75% of Board meetings held during the financial year under BNM's Guidelines on Corporate Governance except for Datuk Rozaida Omar due to unforeseen circumstances.

The Board also took note of the expectation on time commitment to carry out their responsibilities outlined in one of the recommendations of the MCCG 2012. In this respect, members of the Board will notify the Chairman prior to their acceptance of any new directorship. Each Board member is expected to commit sufficient time to attend all Board and Committee meetings, AGM/EGM, Directors' training, Board networking events, discussions with Management and meetings with various stakeholders. The schedule for Board meetings was shared with the Directors before the beginning of the year to ensure the Directors' time commitment.

As prescribed in Paragraph 15.06 of the Listing Requirements, Directors must not hold directorships at more than five PLCs. None of the Directors have exceeded these limits during the financial year under review. The Directors are required to declare their directorships and/or interests in other public and private companies on a monthly basis. Such information is also used to monitor the number of directorships held by the Directors, particularly those on PLCs and to notify the Companies Commission of Malaysia of any changes in other directorships in public companies.

Corporate Governance Statement

All Directors have the backing of extensive work experience in various fields and therefore able to exercise independent judgement in order to discharge their duties.

Directors' Code of Ethics

The Directors observe the code of ethics in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia which provides guidance for proper standards of conduct and sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.

Takaful Malaysia's Code of Conduct and Ethics consist of three (3) major areas, namely:

- Corporate Governance;
- Relationship with shareholders, employees, creditors and customers; and
- Social responsibilities and the environment.

Board Balance and Independence of Directors

During the financial year under review, the Board comprises the following:

Name	Composition*	Percentage (%)
Non-Independent Executive Director	1/9	11.1
Non-Independent Non-Executive Directors	3/9	33.3
Independent Non-Executive Directors	5/9	55.6

* Excluding Datuk Seri Johan Abdullah whose term of appointment has ended on 17 February 2016 but including Dato' Sulaiman Mohd Yusof whose term of appointment has ended on 1 January 2017. However, excluding Dato' Sulaiman Mohd Yusof, 4 out of 8 Board members or 50% are Independent Directors.

The above composition is in compliance with Paragraph 15.02 of the Listing Requirements which require that one third (1/3) of Directors of Takaful Malaysia to be Independent Directors. One of the recommendations of the MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is now an Independent Director.

The Board has adopted a nine-year policy for Independent Non-Executive Directors in August 2011 i.e. before the issuance of MCCG 2012. The tenure of all the four Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCCG 2012. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, with regard to the two Independent Non-Executive Directors who are seeking re-appointment under Article 66A of the Company's Constitution at the forthcoming 32nd AGM, the Board recommends and supports their proposed re-appointment.

Pursuant to the above nine-year policy for Independent Non-Executive Directors, Mahadzir Azizan has been redesignated as a Non-Independent Director on 1 September 2016 upon completion of cumulative term of nine (9) years as Independent Director on 31 August 2016. In relation to this, the Board has identified and appointed Dato' Othman Abdullah as the new Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders, replacing Mahadzir Azizan effective 1 September 2016. Dato' Othman Abdullah can be reached at datoothman.abdullah@gmail.com.

The Corporate Governance Blueprint 2011 stated that the goal is for women participation on Boards to reach 30% by 2016 and the progress towards this goal will be monitored and assessed from time to time. Pursuant to this, another women director i.e. Datin Sri Azlin Arshad was appointed as a Board member effective 1 October 2016. Therefore, Takaful Malaysia's Board currently has two women members out of eight members (i.e. 25%) while the Shariah Advisory Body also has one women member out of six members (i.e. 16.7%).

The Board recognizes that diversity is one of the key drivers to enhance Board effectiveness as diversity broadens the debate within the Board and Shariah Advisory Body by harnessing different insights and perspectives. The Board will continuously enhance the Board and Shariah Advisory Body's composition to encourage diversity in terms of among other things, skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors and Shariah Advisory Body members.

The Board with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, insurance, takaful, actuary, accounting, company secretarial, legal, management and banking. The profiles of the Directors are provided on pages 10 to 13 of the Annual Report.

There is a clear division of responsibilities between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles and responsibilities of the Chairman and Group Managing Director are distinct and separate, in accordance with the relevant best practice. The Chairman is responsible for running the Board to achieve its objectives and lead the discussion at the Board level to encourage a healthy level of deliberation whilst the Group Managing Director is responsible for managing the Company and the Group as well as the implementation of the Board's policies and decisions.

Board Committees

To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to six (6) Board Committees, namely:

- Audit Committee;
- Nomination & Remuneration Committee (The Nomination Committee & Remuneration Committee were combined into one committee effective 1 January 2017);
- Board Risk Committee;
- Tender Committee;
- Investment Committee; and
- Long Term Incentive Plan Committee.

All Committees have clear written terms of reference and the Board receives reports of their proceedings and deliberations. The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meeting.

The Committees' membership are based on Directors' skills and experience as well as their ability to add value to the Committees.

Shariah Advisory Body

The Shariah Advisory Body is entrusted by the Board to ensure that the Group's operations and products offered are in accordance with the Shariah. All matters which require the Shariah Advisory Body's opinion and decision are deliberated at the Shariah Advisory Body meetings with the attendance of the Management and representatives from the Shariah Division. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The Shariah Advisory Body currently consists of six (6) members, all of whom have the necessary experiences and expertise in their respective fields. The current Chairman of the Shariah Advisory Body is Professor Dr. Muhamad Rahimi Osman who was appointed as Chairman on 1 January 2017 upon the expiry of Dr. Ahmad Shahbari @ Sobri Salamon's term on 31 December 2016. The Shariah Advisory Body met six (6) times during the financial year under review with details of meetings' attendance of each member are as follows:

Name	Attendance	Percentage (%)
Professor Dr. Muhamad Rahimi Osman	6/6	100
Dr. Ahmad Shahbari @ Sobri Salamon	6/6	100
Dato' Mohd Bakir Hj. Mansor (Ceased office on 31 March 2017)	6/6	100

Corporate Governance Statement

Name	Attendance	Percentage (%)
Dr. Aida Othman (Ceased office on 31 March 2016)	1/1	100
Dato' Wan Mohamad Dato' Sheikh Abdul Aziz	4/6	67
Dr. Ahmad Sufian Che Abdullah	5/6	83
Dr. Marhanum Che Mohd Salleh (Appointed on 1 February 2016)	6/6	100
Megat Hizaini Hassan (Appointed on 1 April 2017)	n/a	n/a

n/a - not applicable as Megat Hizaini Hassan was appointed as a member after the financial year ended 31 December 2016.

Whistle Blowing Policy and Fraud & Integrity Policy

The Company has established the Whistle Blowing Policy in response to the Whistleblower Protection Act, 2010 with the following objectives:-

- To enable the employees to raise any concerns of integrity and misconduct as well as to enable the Board to be informed at an early stage of any misconduct or improprieties;
- To protect the employees from punishment or unfair treatment for disclosing concerns in good faith in accordance with the Whistle Blowing Policy; and
- To develop a culture of openness, accountability and integrity within the Company.

In addition, the Company has also established the Fraud & Integrity Policy to facilitate the development of controls that will aid in the detection and prevention of fraud against the Company internally and externally. The objectives of the Fraud & Integrity Policy are as follows:-

- To ensure prompt and consistent action as well as to ensure the effectiveness and relevance of internal control in mitigating fraud risk;
- To safeguard the Company from financial losses, reputation damage as well as to instill confidence of participants and stakeholders; and
- To enable Management to focus on achieving business strategies and target.

Both of the above policies are available on the Company's portal.

Corporate Disclosure Policy

The Company is guided by the Listing Requirements regarding the Corporate Disclosure Policy.

Sustainability Policy

As a pioneer Shariah-compliant financial services provider for takaful, Takaful Malaysia and its subsidiaries strive to be responsible corporate citizens. Takaful Malaysia is committed to uphold the Shariah principles in relation to its business and social responsibilities.

The Board promotes good corporate governance in the application of sustainability practices particularly through the corporate social responsibility initiatives/programs undertaken by the Company throughout the year. The Sustainability Statement is set out on page 54 to 58 of the Annual Report.

Supply of Information to the Board

The Board has full and timely access to information with Board papers distributed in advance of meetings, normally five days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. The Board papers include the minutes of previous Board meeting, minutes of meetings of all Committees of the Board and reports relevant to the issues of the meetings covering areas such as financial, investment, information technology, operational, human resource and regulatory compliance matters. The Group Managing Director keeps the Board informed, on timely basis, of all material matters affecting the Group's performance and major developments within the Group.

The Senior Management are invited to attend the Board meetings to present and brief the Board on matters/reports relating to their areas of responsibility as and when required.



Corporate Governance Statement

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meeting's procedures are followed and that all applicable rules and regulations are complied with. He is also responsible for advising the Directors of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Directors may seek independent professional advice in furtherance of their duties, at Takaful Malaysia's expense.

The Board is also regularly updated from time to time by the Company Secretary and/or Management on updates to the regulations and guidelines, as well as any amendments thereto issued by BNM, Bursa Securities, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities.

Appointment to the Board

The appointment of new Board members is considered and evaluated by the Nomination Committee in a formal and transparent process, and the Nomination Committee would recommend the appointment to the Board for approval. In line with the Islamic Financial Services Act 2013 (previously Takaful Act 1984) and the requirement of BNM, the appointment of Directors is subject to the approval from BNM. The Company Secretary will ensure that all the appointments are properly made, all necessary information are obtained, as well as all legal and regulatory requirements are met.

The Board, with the assistance of the Nomination Committee, also considers the following criterion in the selection process:

- Probity, personal integrity and reputation – the person must have key qualities such as integrity, diligence, independence of mind and fairness;
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role; and
- Financial integrity – the person must manage his/her debts or financial affairs prudently.

The Nomination Committee and Board will also consider diversity in terms of among other things, skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors.

The process flow for the appointment of new directors is as follows:

- Identification of candidates
- Evaluation of suitability of candidates
- Meeting with candidates
- Deliberation by the Nomination Committee
- Recommendation to Board

Thereafter, the application for the appointment of such candidate would be submitted to BNM for approval.

In compliance with BNM's guidelines on Fit and Proper Criteria, all Directors and Shariah Advisory Body members are required to make an annual declaration on the fit and proper criteria in addition to declaration prior to initial appointment and reappointment to ensure that each director and Shariah Advisory Body member fulfills the 'fit and proper' criteria.

Nomination Committee

As at the end of the financial year under review, the Nomination Committee consists of five (5) Non-Executive Directors, three (3) of whom are Independent Directors. The Chairman of the Nomination Committee (upon the redesignation of Mahadzir Azizan to Non-Independent Non-Executive Director on 1 September 2016) is Dato' Othman Abdullah, a Senior Independent Non-Executive Director, in line with the recommendation of the MCGG 2012. The Nomination Committee met six (6) times during the financial year under review with details of meetings' attendance of each member as follows:

Corporate Governance Statement

Name	Attendance	Percentage (%)
Dato' Othman Abdullah (Appointed as member on 17 February 2016 and as Chairman on 1 September 2016)	5/5	100
Mahadzir Azizan (Chairman until 31 August 2016)	6/6	100
Datuk Rozaida Omar (Member until 31 December 2016)	4/6	67
Dato' Sulaiman Mohd Yusof (Member until 31 December 2016)	5/6	83
Zakaria Ismail	5/6	83
Datuk Seri Johan Abdullah (Member until 16 February 2016)	1/1	100

The Nomination Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors, Group Managing Director/ Chief Executive Officer, Shariah Advisory Body members, General Managers and Appointed Actuary, and keeps under review the terms of appointment of Directors, Group Managing Director/Chief Executive Officer, Shariah Advisory Body members, General Managers and Appointed Actuary.

The Nomination Committee is also empowered to assess the effectiveness of the Board, its Committees including Audit Committee, contribution of each individual Director and the performance of the Shariah Advisory Body. Directors' performance evaluation, assessment of independence of Independent Directors and performance evaluation for the Audit Committee were carried out annually. The areas covered are as follows:

Annual Evaluation	Assessment Criteria
Directors' Performance Evaluation	Section A - Board evaluation criteria which comprises 3 criteria i.e. Board structure; Board operations and interaction; and Board roles and responsibilities. Section B - Director Self/Peer Evaluation which comprises 4 criteria i.e. contribution to interaction, quality of input, understanding of role and Chairman's role.
Assessment of independence of Independent Directors	As prescribed under Paragraph 1.01 and Practice Note 13 of Listing Requirements.
Performance Evaluation for the Audit Committee	Section 1 comprises 3 sections i.e. quality and composition, skills and competencies, and meeting administration and conduct. Section 2 comprises Audit Committee members' peer evaluation.

The Nomination Committee also discussed the succession plan of the Senior Management of Takaful Malaysia including appointing and replacing Senior Management to ensure that any appointment made brings a balance of skills, knowledge, experience and diversity to the Company.

Among the key activities undertaken by the Nomination Committee during the financial year under review were:

- Proposed appointment of Shariah Advisory Body Chairman and member,
- Proposed appointment and re-appointment of Directors,
- Proposed changes to the Board Committees' Chairman and members,
- Directors and Audit Committee's Performance Evaluation,
- Proposed appointment of the Chairman of the Board,
- Proposed appointment and re-appointment of General Managers,
- Proposed appointment and re-appointment of Appointed Actuaries, and
- Proposed appointment of Chief Operating Officer and Chief Compliance Officer.

The Nomination Committee and Remuneration Committee were combined into one committee known as the Nomination & Remuneration Committee (NRC) effective 1 January 2017. The composition of NRC are as follows:

Chairman:

Dato’ Othman Abdullah (Senior Independent Non-Executive Director)

Members:

Mahadzir Azizan (Non-Independent Non-Executive Director)

Zakaria Ismail (Independent Non-Executive Director)

The Terms of Reference of NRC is published on Takaful Malaysia’s website at www.takaful-malaysia.com.my.

Directors’ Training

The Board is mindful of the need for continuous training to keep abreast of new developments and is encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board will continue to evaluate and determine the training needs of its directors to enhance their skills and knowledge.

All Directors have attended the Mandatory Accreditation Programme (“MAP”) as required by Bursa Securities, except for Datin Sri Azlin Arshad who was appointed on 1 October 2016. She will attend the MAP session in 2017. The Directors will continue to attend other relevant training programmes, courses and seminars to enhance their skills and knowledge in discharging their duties as Directors.

A summary of training programmes, conferences and seminars attended by Directors during the financial year under review is set out below:-

Director	Training Programmes
Tan Sri Dato’ Ahmad Fuzi Haji Abdul Razak	<ul style="list-style-type: none"> The inside story of the Annual Report : what Directors must know (23 September 2016) Offsite Planning Meeting (3-5 November 2016) Directors Breakfast Series: Cyber Security and how Board should Mitigate the Risks (18 November 2016)
Dato’ Sri Mohamed Hassan Kamil	<ul style="list-style-type: none"> FIDE Core Programme - Module A (Insurance) (7-10 March 2016) Session on Liberalisation Roadmap - BNM (23 March 2016) FIDE Core Programme - Module B (Insurance) (4-6 April 2016) Inter-Pacific Bar Association Annual Meeting & Conference 2016 (15 April 2016) The Linkage 20 Conversations @ Harvard (25-29 April 2016) The Malaysian Insurance Summit 2016 (18 October 2016) Offsite Planning Meeting (3-5 November 2016)
Datuk Rozaida Omar	<ul style="list-style-type: none"> MFRS9 Briefing by PWC (27 April 2016)
Mahadzir Azizan	<ul style="list-style-type: none"> Offsite Planning Meeting (3-5 November 2016) Companies Act 2016: A New Corporate Landscape for Directors (10 November 2016)
Zakaria Ismail	<ul style="list-style-type: none"> Offsite Planning Meeting (3-5 November 2016)
Dato’ Othman Abdullah	<ul style="list-style-type: none"> Future of Auditor Reporting – The Game Changer for Boardroom (9 March 2016) The Interplay between CG, NFI and Investment Decision - What Boards of Listed Companies need to know (28 September 2016) Offsite Planning Meeting (3-5 November 2016) MIA Conference (15-16 November 2016)

Corporate Governance Statement

Director	Training Programmes
Mohd Tarmidzi Ahmad Nordin	<ul style="list-style-type: none"> Comprehending Financial Statements for Directors and Senior Management (17 February 2016) FIDE Core Programme - Module A (Insurance) (7-10 March 2016) Integrity Risks - Corruption and Fraud (24 March 2016) FIDE Core Programme - Module B (Insurance) (4-6 April 2016) MFRS9 Briefing by PWC (27 April 2016) Offsite Planning Meeting (3-5 November 2016)
Datin Sri Azlin Arshad	<ul style="list-style-type: none"> Offsite Planning Meeting (3-5 November 2016)

Takaful Malaysia also continued to provide BNM's Circulars, updated Listing Requirements and new regulations and guidelines from other relevant regulatory authorities to assist the Directors in keeping abreast with the latest development.

Re-election/Re-appointment

The Constitution of the Company provide for all Directors including the Group Managing Director / Chief Executive Officer to submit themselves for re-election at least once every three (3) years at the Annual General Meeting in compliance with the Listing Requirements.

To assist shareholders in their decision, sufficient information, such as personal profile, meetings attendance and shareholding in the Company of each director standing for re-election are furnished in the Annual Report.

DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The Remuneration Committee is responsible in recommending the remuneration framework for the Directors as well as the remuneration package of Executive Director, Shariah Advisory Body members and General Managers to the Board so as to ensure that Takaful Malaysia attracts, motivates and retains the Directors, Shariah Advisory Body members and Senior Management needed to run it successfully.

The remuneration package for Executive Director is structured on the basis of linking rewards to financial and individual performance. Performance is measured against the Key Performance Indicators as approved by the Board. It is the ultimate responsibility of the Board to approve the remuneration of the Executive Director. The Executive Director does not participate in any way in determining his individual remuneration.

In the case of Non-Executive Directors and Shariah Advisory Body members, the remuneration package is determined by the Board as a whole, based on the experience and level of expertise and responsibilities undertaken by the Non-Executive Directors and Shariah Advisory Body members, in line with the Group's overall practice on compensation and benefits. Directors' fees and Shariah Advisory Body members' fees are approved by the shareholders at the Annual General Meeting.

Remuneration Committee

As at the end of the financial year under review, the Remuneration Committee consists of three (3) Non-Executive Directors, one (1) of whom is Independent Directors. The Chairman of the Committee is Zakaria Ismail, an Independent Non Executive Director. The Remuneration Committee met three (3) times during the financial year under review with details of meetings' attendance of each member are as follows:

Name	Attendance	Percentage (%)
Zakaria Ismail	3/3	100
Mahadzir Azizan	3/3	100
Datuk Rozaida Omar	2/3	67
Datuk Seri Johan Abdullah (Member until 16 February 2016)	1/1	100

Corporate Governance Statement

As mentioned earlier, the Remuneration Committee was combined with the Nomination Committee and known as the Nomination & Remuneration Committee (NRC) effective 1 January 2017.

Disclosure

The details of the remuneration for the Directors for the financial year ended 31 December 2016 are as follows:

Group

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	-	739	739
Salaries and other emoluments	8,604	478	9,082
Benefits-in-kind	101	116	217
Total	8,705	1,333	10,038

Directors' Remuneration	Number of Directors	
	Executive Director	Non-Executive Directors
RM50,000 and below	-	2
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	-	2
RM250,001 – RM300,000	-	1
More than RM300,000	1	-
Total	1	9

Company

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	-	704	704
Salaries and other emoluments	8,516	469	8,985
Benefits-in-kind	101	116	217
Total	8,617	1,289	9,906

Corporate Governance Statement

Directors' Remuneration	Number of Directors	
	Executive Director	Non-Executive Directors
RM50,000 and below	-	2
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	-	2
RM250,001 – RM300,000	-	1
More than RM300,000	1	-
Total	1	9

In line with the Listing Requirements of Bursa Securities, disclosure of each Director's remuneration, including that of the Group Managing Director comprising the amount received from the Company and the amount received from the Takaful Malaysia Group, are set out in Note 27 of the Annual Audited Financial Statements of this Annual Report.

REMUNERATION POLICY STATEMENT

Takaful Malaysia's remuneration policy serves to reflect the Group's objectives in promoting good corporate governance to sustain a long-term value creation for our shareholders. The Board of Directors has approved the remuneration policy at the recommendation of the Nomination & Remuneration Committee (NRC). Some entities within the Group may have remuneration policies that differ from the Group policy in order to meet the relevant local requirements and practises.

The Remuneration Policy (Policy) is designed to align the personal objectives of staff with the long term interests of Takaful Malaysia and the funds under its management. Strategic measures are implemented in order to ensure they are aligned to the interests of the Group and its stakeholders. The policy and the general incentive structure are designed to meet the following objectives:

- To be in line with the business strategy, objectives, values, long-term goals and interests of Takaful Malaysia;
- To be aligned with the principle of protection of customers and investors as well as prevention of conflict of interests;
- To enable the Group to attract, develop and retain high-performing and motivated staff;
- To offer a competitive remuneration package which is aligned with the industry;
- To encourage the staff to continue to perform and create sustainable results and ensure that there is an alignment of interest among the stakeholders; i.e. Shareholders, Customers and Staff.

The policy and general incentive structure is consistent with the Group's long term strategy. It is also implemented to ensure transparency in respect of the Group's reward strategy where the staff will have clear and predetermined Key Performance Indicators (KPIs) that are set in accordance with the Group's overall strategy and applicable regulations. Correspondingly, transparency is justified through the Group's disclosure of remuneration and information on paid remuneration disclosed in the Group's annual report.

Philosophy or methodology imposed by Takaful Malaysia to determine an employee's remuneration is guided as per the following:

- Pay for performance with the notion that there is a direct link between the employee's remuneration and individual or company's performance;
- Set the remuneration level to Takaful Malaysia's comparative group by performing a market benchmarking exercise on an annual basis;
- Set a market benchmark of the remuneration against the standard approved by the Board.
- Long Term Incentive Plan (LTIP) granted to key employees based on performance matrix that will drive the growth of the business while simultaneously helping to retain the talent. The detailed features of the LTIP are set out in Note 14 of the Annual Audited Financial Statements of this Annual Report.

Corporate Governance Statement

Takaful Malaysia's performance management aligns the employees' actions and behaviours with the Company's strategies and goals which consist of the following:

- Key Result Area (KRA) - key deliverables that create the greatest impact of the job and reflect the core responsibilities;
- Key Performance Indicator (KPI) - a specific measure of performance that is quantifiable/measurable;
- Competencies - Key behaviours expected to be demonstrated towards achievement of targets or goals.

The performance management process covers the following:-

- A business plan and strategy presentation by division heads to the Board of Directors on an annual basis for approval;
- Circulation of the approved business plans and strategies to all employees;
- KRA and KPIs of the employees to tie back to the business plans and strategies;
- Performance of employees to be reviewed during the mid-year and a final assessment will be conducted during the financial year end.

Remuneration and rewards are granted to an employee based on the achievement of the KPIs and subject to the Company's overall annual financial performance and guided by the following factors:

- The Company's overall performance and affordability (Profit after Tax & Zakat);
- The performance of the sales divisions;
- The employee's individual performance;
- Moderated performance rating distribution to align with the Company's performance;
- Benchmarking with the current market practice;
- The approved remuneration and reward matrix (governed by a specific business rule and requirement);
- The approval matrix for remuneration is determined as per below table:

No	Item	Approving Authorities			Periodic Review
		Shareholder	BOD	GMD	
1	Remuneration for Board of Directors and Shariah Advisory Board	✓			Annually
2	Remuneration for Group Managing Director (GMD)		✓		Annually
3	Remuneration for members of Senior Management & other Material Risk Takers		✓		Annually
4	Staff Annual Salary Increment / Salary Adjustment / Promotion Budget		✓		Annually
5	Staff Annual Performance Bonus Budget		✓		Annually
6	Remuneration for clerical and non clerical employees under the Collective Agreement (CA)		✓		Annually
7	Remuneration for new hires (excluding General Managers and GMD)			✓	NA

Takaful Malaysia is applying the transitional arrangements in Part G of Corporate Governance policy document (BNM/RH/PD 029/9) issued by BNM (Corporate Governance Policy Document) relating to remuneration requirements and is currently reviewing the design and structure of the remuneration policy to be fully compliant with the requirements in Part D of the Corporate Governance Policy Document.

Corporate Governance Statement

SHAREHOLDERS

Dialogue between the Company and Investors

Takaful Malaysia recognizes the importance to keep the shareholders well-informed of all major developments of Takaful Malaysia on a timely basis. The Chairman and Group Managing Director hold discussions with shareholders at least once (1) a year during the Annual General Meeting. Additionally, various disclosures and announcements made to Bursa Securities including quarterly and annual results facilitate the dissemination of information to the shareholders. In addition, all these announcements and other information about the Company is available on Takaful Malaysia's website, www.takaful-malaysia.com.my.

The Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogues with shareholders. Besides the normal agenda for the AGM, the Group Managing Director presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Board members, Shariah Advisory Body members, Senior Management and the Company's external auditors are available to respond to shareholders' enquiries during the AGM.

The Group Managing Director also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group ("MSWG"). The Notice of AGM was dispatched to shareholders within the 21 days requirement under the Companies Act 2016 and Listing Requirements. For re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

At the 31st AGM of the Company held on 31 March 2016, no substantive resolutions were put forth for shareholders' approval, other than resolutions pertaining to the adoption of audited financial statements for the year ended 31 December 2015, re-appointment/re-election of retiring Directors, payment of Directors' and Shariah Advisory Body members' fees, re-appointment of external auditors and Shareholders' Mandate for Recurrent Related Party Transactions. As such, the resolutions put forth for shareholders' approval at the 31st AGM were voted on by a show of hands.

In line with the recent amendments to the Listing Requirements of Bursa Securities under Paragraph 8.29A(1), the Company will implement poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of "one share one vote". Polling processes will be explained during the general meetings and will be conducted either manually using voting slips or through electronic voting. Poll Administrator and Independent Scrutineers are appointed to conduct the polling process and verify the results of the poll respectively. The poll results will also be announced to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders. Summary of the key matters discussed at the AGM will also be published on the Takaful Malaysia's website at www.takaful-malaysia.com.my, as soon as practicable after the conclusion of the AGM.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that the annual financial statements and quarterly announcements to shareholders are prepared in accordance with approved accounting standards and present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by reviewing and recommending for adoption information for disclosure.

Statement of Directors' Responsibilities in Relation to Financial Statements

The Directors are required under the Companies Act 2016 and the Listing Requirements of Bursa Securities, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows for the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements for the year ended 31 December 2016, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016.

The Directors generally have the duty to take such steps as are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Internal Control and Risk Management

The Board acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors furnished on pages 42 to 45 in the Annual Report provides an overview of the state of risk management and internal control within the Group.

Relationships with the Auditors

The role of the Audit Committee is as stated on pages 36 to 41. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationship with the Company's auditors, both internal and external. If required, the external auditors are invited to attend meetings of the Audit Committee and Company's AGM. Based on advice from the Audit Committee and upon considering the assessment made by Management and Audit Committee, the Board has agreed on the suitability of the external auditor and its independence.

This statement is made in accordance with the resolutions of the Board of Directors dated 23 January 2017 and 1 March 2017.