

# Corporate Sustainability Statement

Integrating sustainability into our business operations is essential as part of our strategy to generate long term benefits and ensures the continuity of our business in a competitive market. As a pioneer Shariah compliant institution, responsible business practitioner and corporate citizen, we truly understand the advantages of operating our business in providing takaful solutions and risk management expertise to our stakeholders in an economically, environmentally and socially sustainable manner.

Our sustainable business model is aimed at creating long term value and high returns to our valued shareholders. Apart from facilitating the Company in enhancing its risk management, we consider sustainability as vital in improvising our overall productivity and securing capital to grow our business in meeting consumer demands. In fostering a culture of sustainability, we are always at the forefront in exploring innovative ways to manage our operations efficiently with a mindset to minimize our environmental and social impacts whilst incorporating sustainability principles and practices in every key process and decision we take.

This Sustainability Statement showcases Takaful Malaysia's sustainability performance, initiatives and achievements for the financial year 2017. Our sustainability disclosure encompassing the Company's business functions, activities and initiatives carried out across its headquarters and 24 service centres nationwide. Recognizing the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts.

## SUSTAINABILITY STRATEGY

With the aim of generating economic, environmental and social value, we have defined our sustainability strategy skewed towards our key priority in exceeding customer expectations through operational excellence, technology driven capabilities, product innovation and performance oriented culture whilst delivering superior shareholders' value.

Ultimately, we want to be the preferred choice for insurance by providing innovative takaful solutions and risk management expertise towards helping people achieve a brighter and financially more secure future.

## GOVERNANCE AND RISK MANAGEMENT

### Governance

At Takaful Malaysia, the Board of Directors (the Board) promote good corporate governance in the application of sustainability practices. The Board comprises a number of independent directors to ensure the interests of stakeholders are protected. The Management of

the Company is spearheaded by the Group Chief Executive Officer, who oversees the implementation of the Company's sustainability approach and to ensure smooth functioning of the Company's operations.

As part of the Shariah governance framework of Takaful Malaysia, the Shariah Advisory Body has been established for the purpose of advising the Board and the Management in ensuring the Company's business, affairs and activities comply with Shariah.

For an effective oversight of company-wide activities, the Board has delegated certain responsibilities to the following Board Committees:

- i) Audit Committee
- ii) Nomination & Remuneration Committee
- iii) Board Risk Committee
- iv) Tender Committee
- v) Investment Committee
- vi) Long Term Incentive Plan Committee

Detailed information on corporate governance is set out in the "Corporate Governance Overview Statement" section of the Company's Annual Report.

## Risk Management

The Company's Enterprise Risk Management ("ERM") Framework was developed to realise the value of institutionalised risk management, which encompasses the process of identification, assessment, management and reporting of risks on a consistent and reliable basis. Risk Management and Internal Control, which serve as beacons in the decision-making process, are essential in facilitating a risk-aligned strategic planning process for the Company.

### i) Managing Risk

Managing risk is central to the sustainability of Takaful Malaysia's business and delivery of value to shareholders. Takaful Malaysia remains steadfast in continuously refining and improving its risk management framework, systems, and processes to ensure risks are being well managed and monitored throughout the organisation.

The risks identified are managed through the ERM Framework, which sets out the key risk management processes of identifying, evaluating, monitoring and managing the significant risk exposures arising from the business and its operations.

To thrive in an increasingly dynamic and changing business environment, the Company has a Risk Appetite Statement intended to guide and support the Company.

### ii) Embedding Risk Culture

Takaful Malaysia's ERM Framework recognizes the importance of building a strong risk awareness culture in order to manage the Company's risks more effectively.

Risk culture starts from the Board and cascades down to Management and finally to employees. The involvement of stakeholders at all stages of the risk management process is important to ensure an effective risk management system. Takaful Malaysia adopts the concept of three levels of defence in risk management.

(a) The first level of defence is the operational level whereby risk is first identified. Risk coordinators and/or Head of Division/Departments are required to assume the responsibility of identifying and managing risks in their respective functions, as well as escalating significant potential risks to Management Risk Committee ("MRC") and Board Risk Committee ("BRC").

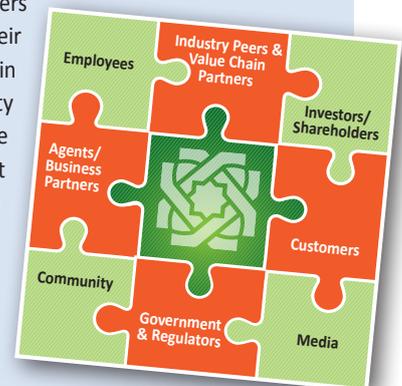
(b) The second level of defence consists of Risk Management Division ("RMD") and MRC (formed by Senior Management). MRC will ensure the alignment of Takaful Malaysia's business practices to the risk management policy, whilst the RMD will assist MRC and BRC in discharging its responsibilities by providing oversight of the effectiveness of risk management.

(c) The third level of defence is currently performed by the internal audit function. It provides the Audit Committee with an independent assurance on the effectiveness of risk management controls and functions.

Takaful Malaysia strongly believes that employees are the key to its growth, success and sustainability. By conducting training and education in risk management activities, it not only creates awareness but also provides employees with a better understanding of their role in managing risk in their day to day activities.

## STAKEHOLDER ENGAGEMENT

Realizing the important role of the diverse range of stakeholders to our business, we continued to engage with our key stakeholders to better understand their needs and expectations in relation to our sustainability performance. In 2017, we interacted with different groups of stakeholders with various levels of interest in the Company to identify our sustainability risks and opportunities.



We engaged with our stakeholders through multiple engagement channels varying the stakeholder group and frequency, including customer service and feedback channels, service centres nationwide, online portals, products and services offered, involvement with charity organizations and CSR activities, fund managers and analyst briefings, annual general meetings as well as engagements with vendors and suppliers. We also interacted with our key stakeholders via investor relations channels, governance and compliance, ongoing industry meetings and interactions, business collaborations, media releases, press conferences and interviews in addition to internal communication channels.

## MATERIAL SUSTAINABILITY MATTERS

We embarked on a methodology and process that enabled us in identifying the sustainability matters relevant to our business and stakeholder groups with the aim of achieving sustainable business growth. We imposed guided process in identifying our stakeholders followed by determining the material matters that can be categorized into four themes, namely Responsible Finance, Inclusive Growth, Talent Development and Ethical Practice.

### RESPONSIBLE FINANCE

We incorporated environmental, social and governance features into our business strategy and across our operations in order to cultivate a long-term sustainable development of the Company as a leader in the industry. We devised our strategy by adopting technological innovations and pioneering takaful solutions to drive greater value for our stakeholders.



### 15% Cash Back

In accordance to our sharing practice for Takaful products, we consistently reward our customers with a 15% Cash Back for making no claims during the coverage period. Takaful Malaysia has paid out a total of RM230 million of Cash Back to its customers from 2009 to 2017.

We paid out a total of **RM230 million** over the last 9 years.



### Click for Cover

In light of the rapid growth of technological advancements in the financial industry, we have transformed our business operations by embarking onto an online sales portal with the branding of Click for Cover and introduced cutting-edge online products offered via this online platform. The Click for Cover is an online distribution platform that provides a convenient yet affordable online application process along with delivering superior customer experience, which suits our fast changing digital society. Our customers can now connect and transact directly with Takaful Malaysia via our Click for Cover platform with just a few clicks.

The Click for Cover is featured with a secured payment gateway facility that allows online transactions to participate in online takaful products, contribution payments and other online servicing for a delightful and complete customer experience. To date, we are offering three online products namely Takaful myClick Motor, Takaful myClick PA and Takaful myClick MediPlus. More other online products such as medical, critical illness, term and travel PA takaful will be made available through this highly secured and convenient online self-service platform in the future.

### Acknowledgement & Recognition

In recognition of the Company's outstanding results through initiatives that demonstrated leadership, excellent financial results and commitment to service excellence, Takaful Malaysia clinched 'The Edge-BRC Highest Returns To Shareholders Over Three Years' Gold Award for the third time, second year in a row at The Edge-Billion Ringgit Club Corporate Awards 2017. Takaful Malaysia also won 'The Edge-BRC Highest Return On Equity Over Three Years' Silver Award under the Finance Sector.

Takaful Malaysia clinched the 'SHARE/GUIDE ICT Award 2017' after our company's entry on our Online Sales Portal & Digital Project was selected by the Share/Guide's ICT panel of judges as the winner of the award. This award recognizes our company's contribution and success in implementing digital strategies and initiatives that are in line with one of the main objectives of Share/Guide, Malaysia's IT Users Group.



**INCLUSIVE GROWTH**

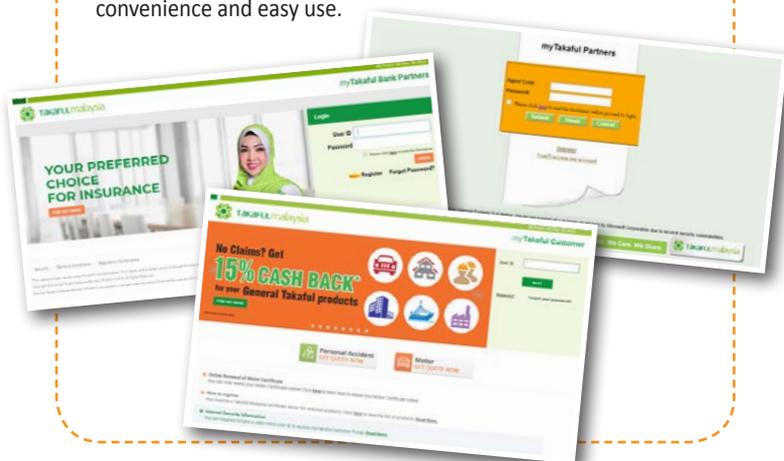
We focused on providing innovative takaful solutions and risk management expertise that advance equitable opportunities across different levels of the community.

**Innovative Takaful Solutions**

Our products and services are catered to suit the diverse needs of the consumers, in line with our continuous efforts in delivering the Company's brand promise through promoting financial security and meaningful relationships with our stakeholders. We offer an extensive range of General and Family Takaful products. We provide Employee Benefits protection solutions to address the employee needs ranging from life, medical to hospitalisation protection. Through our strategic bancatakaful partnerships, we offer credit-related takaful solutions to the customers of our bank partners. We also offer mortgage protection takaful to the government servants via Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA).


**Online Portals**

As part of our digital strategy and ongoing efforts in streamlining our procedures and operational efficiency, we have enhanced the features offered via our dedicated online portals, namely *myTakaful Customer*, *myTakaful Agent* and *myTakaful Partners* catered for our valued customers, agents and bank partners respectively. In order to carry on our commitment to excellent service, we incorporated new functions and simplified the processes to ensure that our online portals are designed for convenience and easy use.


**Takaful myClick C&U**

We have developed a medical cost and utilization (C&U) dashboard called Takaful *myClick C&U* focusing on medical management by identifying unnecessary medical procedures and monitoring the quality of care for the benefit of their employees. This cutting edge dashboard presents a dynamic conceptualization of health services utilization based on health administrative data. It serves as an online financial analysis that examines the cost and utilization of medical benefits and tracks how much is spent on healthcare by our corporate clients under our sponsored health Shariah compliant insurance scheme.

**Acknowledgement & Recognition**

We won the 'Best Takaful Company in Malaysia' award for the fifth consecutive time at the International Takaful Awards 2017. We were recognized for our significant contributions and sterling performance in the industry as a market leader in providing innovative Shariah compliant insurance solutions to the consumers. The International Takaful Awards (ITA) remain the only industry recognition of excellence dedicated to the Takaful Industry. ITA focuses on rewarding Takaful companies that have demonstrated superior quality and have distinguished themselves from their peers.



**TALENT DEVELOPMENT**

Our human resource strategies are always centring on developing employee capabilities to accomplish higher performance. We streamlined our strategic human resource planning in order to maximize performance levels and competency of our employees. In meeting the needs of our employees and valued stakeholders, we further intensified our integrated human resource management with various initiatives and appropriate systems.

**Employer Branding**

Takaful Malaysia ventured into partnering with selected public and private universities under its University Partnership Programme to attract the top talent in building their career with the Company. We also organized the STMB Internship and STMB SL1M Programs for university students and young graduates respectively in providing insights of embarking a career in the Takaful industry.



**Acknowledgement & Recognition**

Takaful Malaysia has been chosen as a winner of the HR Asia Best Companies to Work for in Asia 2017 Award along with 46 selected world class corporations out of 320 participating companies under the Malaysia Edition. We were recognised for our outstanding achievements in people management with high levels of employee engagement and commendable workplace cultures.

**Succession Planning**

We developed programs for succession planning and talent management that served as a platform for the employees to get the direction and feedback needed to continually develop, improve and succeed.

- STMB Leadership Development Program** – The main objective of this program is to equip the participants with emphasis on structured leadership style and customize competencies focus that relates to the organization needs.


- STMB Talent Awareness Retention Program (S.T.A.R.)** – This program is focusing on building the next managers with a structured technical and competency development for future leaders.


- STMB Leadership Intensive Talent Enrichment (L.I.T.E.)** – As part of our Management Trainee program, this program focuses on enrichment of knowledge and exposure for the potential young leaders to excel in their career path.


- Clerical Development Program (C.D.P.)** – This program is focusing on transforming clerical into potential future officers. The program will expose our clerical staff into a bigger career opportunity and grow with the organization.



**Takaful Malaysia's Workforce Composition**

Number of Employees	955
Average Length of Service	9 years 4 months
Employee Turnover Rate	8%
Gender Diversity	Male = 44% Female = 56%
Age Diversity	Below 35 years = 33% 35 years to 45 years = 50% 45 years to 55 years = 14% 55 years to 60 years = 2% Above 60 years = 1%
Ethnicity Diversity	Malay = 81% Chinese = 15% Indian = 3% Others = 1%
Employment Demographics	Local = 99.8% Foreign = 0.2%
Average hours of training per annum per employee	33 Hours

**ETHICAL PRACTICE**

At Takaful Malaysia, adopting Shariah values and good ethical practices in conducting our business across all our organizational levels is vital in order to promote sustainability within the business and the society as a whole. By conforming to the ethical practices of the Company, we not only reduce our organizational risks but most importantly create business opportunities.

**Good Business Practices**

We strive to be known as a dynamic, customer oriented company that offers the best service levels and innovative products with a strong brand and image. In line with our goal to outpace the market and firmly establish as the preferred choice for insurance, we constantly ensure that Shariah values and best practices serve as the core foundation of our business operations and adhered by our employees at all times.

**Regulatory Compliance**

**Board Charter**

Our Board of Directors is mindful of the need to protect the interests of the Company's shareholders as well as other stakeholders. The Board is provided with the Board's Terms of Reference, a reference tool for Directors in relation to the Board's role, powers, duties and functions.


**Directors' Code of Ethics**

Our Directors adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, which provides guidance for proper standards of conduct and sound and prudent business practices.


**Shariah Principles**

Takaful Malaysia is a company licensed under the Islamic Financial Services Act 2013 and regulated by Bank Negara Malaysia. As an Islamic insurance company, we are guided by the Shariah Governance Framework.


**Personal Data Protection**

We comply with the Code of Practice on Personal Data Protection in processing personal data involved in our business transactions to manage personal data wisely and with integrity.


**Whistle Blowing**

Takaful Malaysia expects the highest standards of integrity from all its employees at all times. The Whistle Blowing Policy provides an avenue for immediate reporting of any misconduct which needs to be brought to the attention of the Management.


**Anti-Corruption**

100% of our operations were assessed for risks related to corruption during the year under review.


**Anti-Money Laundering**

Our products and services adhered to Anti-Money Laundering regulatory rules and legislation, procedures and practices. In 2017, 100% of our employees attended the AMLA training.

## Caring For The Environment

Managing our operating footprint by fostering responsible environmental protection is integral in reducing the impact of our business operations on our environment. We are committed in taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

### Managing Our Environmental Impact



#### Electricity

Takaful Malaysia has taken proactive steps in minimizing its electricity consumption to conserve energy. All employees are constantly advised to switch off the office lights and other appliances when not in use as part of the measures taken by the Company to reduce the use of energy at work for the long-term benefits. The total annual electricity consumption for the Company in 2017 was 6,415,638 kilowatt hours (kWh), an average of 534,636.5 kWh per month. We have registered a slight decrease of electricity consumption by 5.5% in 2017. We will continue finding new solutions to meet our energy needs that are economical and environmentally sustainable.

Decreased by

**5.5%**

2016 - 6,787,016 kWh

**2017 - 6,415,638 kWh**



#### Water

We make efforts to conserve water resources by using water efficiently as part of our corporate responsibility in water conservation. In 2017, the total volume of water consumption across the Company witnessed a slight decrease by 0.7% from 30,901 megalitres in 2016 to 30,688 megalitres that translated to 26,415 megalitres of water consumption on headquarters and 4,273 megalitres across our service centres. We are committed to reducing water use by undertaking continuous leak detection in pipes and monitoring of water use across our business operations. We will continue to take preventive measures by ensuring pipelines of our water distribution system are consistently checked and maintained.

Decreased by

**0.7%**

2016 - 30,901 m<sup>3</sup>

**2017 - 30,688 m<sup>3</sup>**



#### Paper

Our paper use in 2017 witnessed a decrease by 3.8% to 5,907 reams from 6,142 reams consumed in 2016 even though our business volume augmented during the year under review coming from both Family and General Takaful portfolios. At Takaful Malaysia, we are always working towards reducing the total amount of paper required in our daily business by embarking onto a digital strategy, although paper is still considered a relevant consumed material to our business operations. As part of our paper saving initiatives, Takaful Malaysia will also continue to impose a prudent use of paper practice amongst our employees to reduce our paper use through various means, including by sending and receiving documents electronically, double-sided printing and copying as well as implementing the e-Document (Go Green) module. We will continue to purchase paper from suppliers that meet the international standard such as ISO 9001 for Quality Management System, ISO 14001 for Environmental Management System and ISO 9706 for Permanency of Paper.

Decreased by

**3.8%**

2016 - 6,142 reams

**2017 - 5,907 reams**

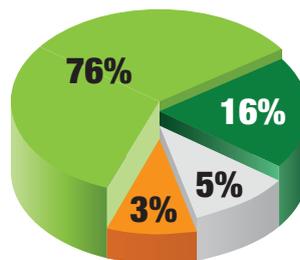
### Giving Back To The Community

Fostering goodwill and learning, and building relationships that transcend race, gender and age are what we as a company continue to practice via our corporate citizenship programs. Our active involvement in creating and implementing solutions to social challenges is in response to our stakeholder demands and expectations.

- **Contributing to theSun Cares Fund in Aid of the Flood Victims in Penang** – Takaful Malaysia stepped forward in helping the flood victims in Penang by contributing a sum of RM100,000 through theSunCares fund to help affected families in coping with the tragedy.
- **Lending a Helping Hand to Pusat Tahfiz Darul Quran Ittifaqiyah** – Takaful Malaysia extended a donation amounting RM20,900 from its charity fund to Darul Quran Ittifaqiyah Tahfiz School due to the tragic fire which claimed the lives of twenty-three (23) people.
- **Organizing a Majlis Berbuka Puasa for Children of Teratak Che Dah** – Takaful Malaysia continued to carry out its initiatives by hosting a Majlis Berbuka Puasa with the children of Teratak Che Dah and donated a sum of RM5,000 for the well-being of the home.
- **Spreading Festive Cheer with a Raya Shopping Treat for the Children of Rumah Siraman Kasih** – Takaful Malaysia fulfilled wishes of forty-six (46) children of Rumah Siraman Kasih by treating the less fortunate children to a Raya shopping spree and donated a sum of RM5,000 for the well-being of the home.
- **Ramadan Get-Together with the Children of Home of Hope Al-Khaadem** – Takaful Malaysia organized a Majlis Berbuka Puasa with the children of Home of Hope Al-Khaadem and conducted ibadah programs such as the Al-Quran recital, tazkirah and terawih prayers at the residence.
- **Donating a New Hearse to Surau At-Taqwa, PPR Jalan Jelatek** – Takaful Malaysia donated a new hearse to Surau At-Taqwa, PPR Jalan Jelatek to benefit the Muslim residents within the neighborhood in facilitating funeral services during the loss of their loved ones.
- **Serving the Community** – Takaful Malaysia donated a total of RM317,081 via its charity fund in the form of contributions to various recipients including education centres, charitable organizations and communities.



### Distribution of Takaful Malaysia's Charity Fund



- Group of Recipients**
- NGOs
  - Educational Institutions
  - Individuals
  - Corporations

**Total Contribution: RM317,081**