

Sustainability Report

SCOPE

This Sustainability Report illustrates the sustainable development and performance of Syarikat Takaful Malaysia Keluarga Berhad (“STMKB” or “the Company”) and its subsidiary companies (“the Group”), encompassing our business functions and operations, strategies and measures during the financial year under review.

The Group’s yearly Sustainability Report details its key achievements and milestones over the period of twelve months, reporting on the five themes of Responsible Finance, Inclusive Growth, Talent Development, Corporate Sustainability and Ethical Practice. The scope of this Sustainability Report also covers the material sustainability matters which are significant to the Group and its stakeholders, namely Customer Centricity, Sustainable Growth, Digital Transformation, Regulatory Changes, Risk Management, Ethics and Compliance, Operational Efficiency, Talent Management, Integrating Sustainability, Community Empowerment and Technical Excellence.

Our Sustainability Report showcases the Group’s own initiatives and activities to generate long term benefits and ensures the continuity of our business in a competitive market by integrating

sustainability as part of our strategy as well as assessment of areas where we need to step up our efforts. We are committed to providing an appropriate disclosure and reporting apart from enhancing our sustainability practices in order to achieve the sustainable growth that benefits our stakeholders and the communities as a whole.

REPORTING PERIOD

Takaful Malaysia has been reporting on its sustainability development annually since 2016. This Sustainability Report discloses the Takaful Malaysia’s sustainability development for the financial year ended 31 December 2019.

REFERENCES AND GUIDELINES

Our Sustainability Report was developed with reference to the Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Guide, the United Nations and Malaysia Sustainable Development Goals (“SDGs”), the Global Reporting Initiative (“GRI”) Standards and the Group’s own Sustainability Report.

2019 KEY SUSTAINABILITY ACHIEVEMENTS

Market capitalisation RM4.7 billion	Operating Revenue RM3.1 billion	Total Assets RM10.3 billion	Return on Equity 33%
Launch of Tamara , an artificial intelligence (“AI”) chatbot	RM3.4 million investment in IT infrastructure	RM1.1 million investment in employee learning and development	34 community-based initiatives and RM548,189 investment in charity fund
Introduction of Takaful myClick Term and Takaful myCI Cover via Click for Cover Online Sales Portal	Developed Takaful mySME , a needs-based customized solution for SMEs	Clinched the ‘ Highest Growth In Profit After Tax Over Three Years ’ Award under the Financial Services Sector at The Edge Billion Ringgit Club Corporate Awards 2019	Garnered the ‘ Highest Return On Equity Over Three Years ’ Award under the Financial Services Sector at The Edge Billion Ringgit Club Corporate Awards 2019
Awarded the ‘ Innovation Award ’ under the Special Awards Category at the Malaysian Takaful Association’s Takaful StarNite Awards 2019	Received the ‘ Race for Cover ’ Special Award at the Malaysian Takaful Association’s Takaful StarNite Awards 2019	Ranked as the Top 5 for the ‘ Graduate Choice Award – Best Employer Brand 2019 ’	Recipient of the ‘ HR Asia Best Companies To Work For In Asia Award 2019 ’

Sustainability Report

SUSTAINABILITY STRATEGY

Given the greater attention, concentrating on how businesses impact the economy, environment and society, we constantly nurture a sustainability strategy into our business operations by adopting a sustainable business model in tandem with our key objective of delivering long-term value to all our stakeholders and the communities in general. Recognizing the prominence of sustainability in expediting, underpinning and driving corporate and societal value, we are committed to exploring innovative approaches in amplifying our sustainability efforts to operate in an economically, environmentally and socially sustainable manner.

Adopting a sustainability strategy serves as an avenue for Takaful Malaysia to assess the Group's progress thoroughly whilst evaluating and taking into account of the risks and opportunities facing its business from various angles and different perspectives. Our sustainability strategy provides us with the outline to review, refine and emphasis on our unique propositions as a competitive advantage that differentiate the Group from its industry competitors. Our sustainability strategy is revolving the five themes of Responsible Finance, Inclusive Growth, Talent Development, Corporate Sustainability and Ethical Practice.



By incorporating a sustainability mindset in accomplishing our business objectives, we are focused on identifying, evaluating and managing our material sustainability matters and opportunities that are imperative to the Group and our stakeholders as a whole. In providing innovative takaful solutions and risk management expertise to fulfil the ever-rising consumer expectations against the challenging market environment, we continue to enhance our consciousness of the risks and opportunities associated with our sustainability considerations.

Consistent with our continuous efforts to make sustainability impactful and profitable for the Group, we continually align our sustainability strategy corresponding to our business objectives in driving our overall performance and growth apart from engaging with the stakeholders across our business. We are continually improving the quality and depth of our sustainability information and development to better serve the expectations of our stakeholders at large.

SUSTAINABILITY APPROACH

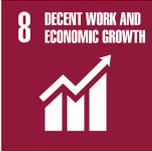
Our approach to sustainability embraces the integration of innovative economic, social and environmental business practices that is consistent with our mission in delivering superior long-term value to our valued shareholders, customers and other stakeholders at large. We are proactive when it comes to sustainability that is essential and integral to Takaful Malaysia's corporate philosophy.

Implementing sustainability instigates accountability and not only benefit us in identifying and managing risks, but also enable the Group to capture new opportunities. The practice of providing our sustainability information helps in enhancing our corporate governance and stakeholder relations whilst improving our business reputation and building trust.

Takaful Malaysia's approach to sustainability involves the following.

- Fostering a sustainability mindset in the way we conduct our business, encompassing the essential economic, environmental and social key areas.
- Providing innovative takaful solutions and risk management expertise towards helping people achieve a brighter and financially more secure future.
- Embedding sustainability into our business strategy and set standards and frameworks to enhance our risk management, amplify our brand value and reputation.
- Creating standards and guidance to provide consistent sustainability disclosures and reporting for improvement and transparency in conducting business.
- Managing our operating footprint in reducing the impact of our operations to preserve the environment for future generations whilst meeting the needs of our stakeholders.

SUSTAINABILITY BLUEPRINT

Related Sustainable Development Goals (“SDGs”)	Description	Sustainability Matters
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Support healthy lives and well-being for all by offering inclusive takaful solutions and services	<ul style="list-style-type: none"> • Sustainable Growth • Customer Centricity • Technical Excellence
 <p>4 QUALITY EDUCATION</p>	Promote lifelong learning opportunities for all	<ul style="list-style-type: none"> • Talent Management • Technical Excellence • Community Empowerment
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Uphold sustainable economic growth as well as employment opportunities	<ul style="list-style-type: none"> • Sustainable Growth • Digital Transformation • Talent Management
 <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>	Foster innovation and build resilient infrastructure to stay relevant in the market	<ul style="list-style-type: none"> • Digital Transformation • Operational Efficiency • Customer Centricity
 <p>10 REDUCED INEQUALITIES</p>	Adopt fair business and employment practices	<ul style="list-style-type: none"> • Sustainable Growth • Talent Management • Community Empowerment
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Provide takaful solutions to ensure inclusive, safe, resilient and sustainable human settlements	<ul style="list-style-type: none"> • Customer Centricity • Operational Efficiency • Integrating Sustainability
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • Digital Transformation • Integrating Sustainability • Operational Efficiency
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Promote inclusive societies for sustainable development	<ul style="list-style-type: none"> • Ethics & Compliance • Risk Management • Regulatory Changes

Sustainability Report

SUSTAINABILITY GOVERNANCE

Our commitment to sustainability derives from the top of our organization and we have been consistently adopting the structure of our sustainability governance as disclosed in the previous reporting year.

The Board of Directors ("The Board") comprises a number of independent directors to safeguard the interests of our stakeholders. The Management of the Group is spearheaded by the Group Chief Executive Officer, who supervises the overall implementation of our sustainability practices in order to achieve operational efficiency.

The Board has delegated responsibilities to the following Board Committees to facilitate the management and operation of business activities throughout the Group.



The Shariah Advisory Body of the Group consists of experts in various fields that play a vital role in providing counsel to the Board and the Management in order to ensure that we are conducting our business in accordance with the Shariah requirements and principles.

Our Group's operations, affairs and activities are carried out in line with our Shariah Governance Framework as part of our ongoing sustainability initiative to comply with the Shariah requirements.

The detailed information of our Corporate Governance is set out under the Corporate Governance Overview Statement of the Company's Annual Report, covering the relevant areas, including Roles and Responsibilities of the Board, Directors' Code of Ethics, Corporate Disclosure Policy, Sustainability Policy, Directors' Remuneration, Remuneration Policy Statement, Shareholders as well as Accountability and Audit. Please refer from page 60 until page 75 of the 2019 Annual Report for further details.

Risk Management

The Group has an Enterprise Risk Management ("ERM") Framework in view of the value of institutionalised risk management, which encompasses the process of identification, assessment, management and reporting of risks on a consistent and reliable basis. In facilitating a risk-aligned strategic planning process for the Group, we have in place Risk Management and Internal Control that is essential in our decision-making process.

i. Managing Risk

Managing risk is essential to the sustainability of the Group's business and delivery of value to shareholders.

We remain dedicated to continuously improving our 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 significant risk exposures arising from the business operations.

The Group has a Risk Appetite Statement intended to guide and support the Group in order to thrive in an increasingly dynamic and changing business environment.

ii. Embedding Risk Culture

Our ERM Framework distinguishes the significance of building a strong risk awareness culture to better manage the Group's risks efficiently.

At Takaful Malaysia, our risk culture starts from the Board and cascades down to the Management and finally to all employees. We strongly believe that it is crucial to adopt an effective risk management system involving our stakeholders at all stages.

In managing risks, we strive to adopt the following concept of three levels of defence.

- (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 the Group'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.

the aim of achieving a sustainable business growth. Takaful Malaysia is also part of the Sustainability Steering Committee of its holding company, BIMB Holdings Berhad ("BHB") whereby the Sustainability Working Group involved in a periodic discussion related to the Group's sustainability development.

Corresponding to the Group's initiative to enable its stakeholders in making better informed decisions whilst facilitating effective stakeholder engagements, our materiality process is structured by classifying the priority of the sustainability issues across our value chain. This is to ensure that our strategy is concentrated on the targeted areas, thus allowing us in prioritizing the issues applicable to our business and stakeholders.

MATERIALITY

In refining and assessing a wide range of sustainability matters to identify what are imperative to our organisation and the stakeholders, we adopted a methodology and procedure with

Applying materiality helps us in identifying essential matters to act on and to disclose. Our key considerations in embedding sustainability into our business strategy and leveraging sustainability to reduce risks and take advantage of business opportunities consists of the following stages.



MATERIAL SUSTAINABILITY MATTERS

At Takaful Malaysia, we acknowledge material sustainability matters by taking into account the potential risks and opportunities in our business activities with regard to our social and environmental needs as well as the economic factors impacting the Islamic insurance industry. Identifying and prioritizing material sustainability matters enable us in determining the sustainability issues that not only matter most to us but also our stakeholders.

We consider a material sustainability matter as significant if it impacts our business and operations in terms of growth, costs, risks and reputation. Correspondingly, an issue is also deliberated as material to the Group if it is equally vital to its stakeholders, such as the customers, business partners, investors, employees as well as the Government and regulators.

Materiality helps us to update the development of our sustainability on a yearly basis that is aligned with the Group's sustainability themes of Responsible Finance, Inclusive Growth, Talent Development, Corporate Sustainability and Ethical Practice.

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Material Sustainability Matters	Importance to the Group	Importance to our Stakeholder Groups
 <p>Customer Centricity</p>	<ul style="list-style-type: none"> • Serve as an underlying groundwork in conducting business with our customers • Provide a positive customer experience at the point of sale and post-sale • Sustain customer loyalty, trust and repeat business • Drive profit and gain competitive advantage 	<ul style="list-style-type: none"> • Increase customer lifetime value via excellent customer service • Deliver sustainable growth and expand the Group's market share in the competitive market • Build trust and loyalty of the customers • Fulfill the diverse needs of the stakeholders
 <p>Sustainable Growth</p>	<ul style="list-style-type: none"> • Deliver profitable growth and superior shareholder value • Meet the expectations of customers, business partners and other stakeholders • Expand market share via multiple distribution channels • Uphold strong financial fundamentals and capital position. 	<ul style="list-style-type: none"> • Meet the diverse protection needs of the stakeholders • Provide financial security for any claims related matters • Manage the environmental impact by fostering responsible environmental protection and strategies
 <p>Digital Transformation</p>	<ul style="list-style-type: none"> • Stay relevant in the ongoing digital revolution to meet the customer expectations • Create value through digital transformation and disruptive innovation • Focused on providing an innovative range of products to complement the different life stages of customers • Leverage the technology to offer a differentiated experience, customized products and services as well as simplified end-to-end engagements 	<ul style="list-style-type: none"> • Constantly developing protection solutions with a high degree of personalization • Incorporate digital capabilities directly into the Group's business model to offer a differentiated experience • Cater to the needs of mobile-empowered stakeholders • Adopt digital transformation to keep up with the fast paced of insurance technology development
 <p>Regulatory Changes</p>	<ul style="list-style-type: none"> • Comply with regulatory, guideline, policy or procedure changes that are applicable to the Group's business and the takaful industry • Implement regulatory compliance and adhere to laws, regulations, guidelines and specifications relevant to the Group's business operations • Offer products and services that meet the regulatory guidelines 	<ul style="list-style-type: none"> • Maximize the long-term value to stakeholders by adopting the regulatory changes with the Group's products, business and corporate strategies • Ensure product transparency and disclosure to promote confidence in the financial services industry amongst the stakeholders

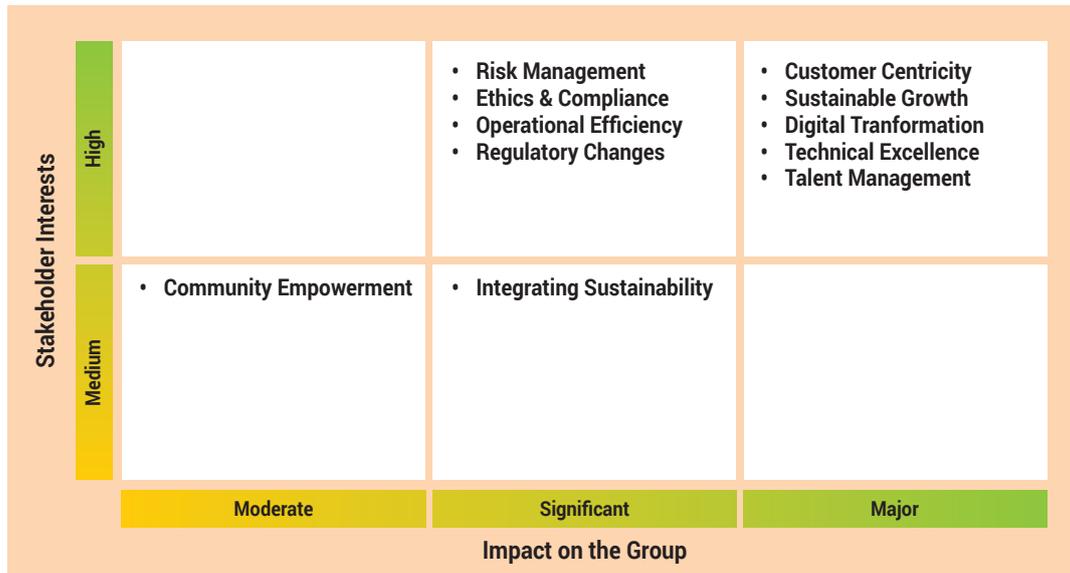
Material Sustainability Matters	Importance to the Group	Importance to our Stakeholder Groups
 <p>Risk Management</p>	<ul style="list-style-type: none"> • Improve our risk management framework, systems and processes that are essential to the sustainability of the Group's business and delivery of value to stakeholders • Ensure risks are being well managed and monitored throughout the organisation and optimize risk and return, protect against downside risks and manage volatility around the Group's business and financial results 	<ul style="list-style-type: none"> • Maximize value to stakeholders through risk and business continuity management
 <p>Ethics & Compliance</p>	<ul style="list-style-type: none"> • Promote sustainability within the business and the society as a whole • Adopt Shariah values and good ethical practices in conducting business across all organizational levels • Conform to the ethical practices to reduce organizational risks 	<ul style="list-style-type: none"> • Gain trust and confidence from customers with ethics and integrity in business practices in a fair and transparent environment
 <p>Operational Efficiency</p>	<ul style="list-style-type: none"> • Enable the Group to achieve the agility and flexibility needed to remain competitive in the market • Streamline business operations through an integrated digital transformation and implement an enhanced and innovative IT infrastructure • Align overall strategy to correspond with industry changes and the evolving demands of the customers 	<ul style="list-style-type: none"> • Increase the efficiency of the Group's business operations to meet the requirements needed to offer excellent customer experience • Correspond to the demands for greater transparency, faster access to information and effective communication with stakeholders
 <p>Talent Management</p>	<ul style="list-style-type: none"> • Maintain a skilled and efficient workforce for the organization to achieve the Group's priority on the four core areas of financial, customer, business process as well as learning and growth • Increase employee performance, attract top talent and continuous coverage of critical roles 	<ul style="list-style-type: none"> • Empower to render good service to the stakeholders that serve as a competitive advantage of the Group to be the preferred choice for insurance • Provide an equal employment opportunity to potential talent • Achieve higher customer satisfaction

Material Sustainability Matters	Importance to the Group	Importance to our Stakeholder Groups
 <p>Integrating Sustainability</p>	<ul style="list-style-type: none"> • Generate positive and sustainable impact to the economy, community and environment • Create long-term stakeholder value • Implement a business strategy that focuses on the ethical, social, environmental, cultural and economic dimensions of the way we conduct our business • Commitment to sustainable business practices as a competitive differentiator 	<ul style="list-style-type: none"> • Incorporate a sustainability mindset in the Groups operations at all levels • Correspond to the demand of the stakeholders to create long term value and high returns • Provide quality products and services to meet the consumer expectations • Operate in an economically, environmentally and socially sustainable manner that will benefit the community as a whole
 <p>Community Empowerment</p>	<ul style="list-style-type: none"> • Foster goodwill and learning as well as to build relationships that transcend race, gender and age • Create and implement solutions to social challenges in response to stakeholder demands and expectations • Engage the stakeholders by building relationships with the community through corporate social responsibility activities • Fulfil our Corporate Social Responsibility ("CSR") aspirations by contributing generously to various charitable causes and organizations 	<ul style="list-style-type: none"> • Create a positive impact on the branding and recognition of the Group as a good corporate citizen among the stakeholders that can lead to increased sales and rising profits • Provide an opportunity for the Group in reaching out to the underprivileged and less fortunate • Improve the involvement, participation and commitment of the Group to the public at large through community-based activities and programs that will benefit the communities
 <p>Technical Excellence</p>	<ul style="list-style-type: none"> • Serve as a key differentiator against the industry peers • Better manage the Group's risks and opportunities • Ensure the state-of-the-art insurance technical practices are in place across all business units • Develop profitable and compelling product offering pricing and underwriting • Enhance claims handling and related medical cost management activities to provide the data needed to increase underwriting accuracy 	<ul style="list-style-type: none"> • Enable to offer a competitive and comprehensive range of takaful solutions and services • Provide an advantage in pricing to suit the diverse needs of the consumers • Offer enhanced products with better benefits and coverage • Make product offerings attractive to low or no claims customer base • Instil trust and confidence in the stakeholders • Bring value to the customers and business partners

MATERIALITY MATRIX

A materiality matrix illustrates the priority sustainability issues across our value chain to indicate the significance of the identified issues, according to the impact on our business and importance to the stakeholders. Materiality assists us in updating the Group's sustainability development and ensure that we report on the issues of most interest to both Takaful Malaysia and its stakeholders.

Our materiality matrix that consists of the relevant material matters is aligned to the five sustainability themes of the Group that is essential to our sustainability strategy. The details of the materiality matrix indicated in the following diagram represented the sustainability matters that are substantial to us and our stakeholder interests.



STAKEHOLDER ENGAGEMENT

An effective engagement with our stakeholders helps to translate the needs of the identified stakeholders into our organisational goals and acts as an essential element that form part of the Group's strategy development. We constantly interact with different stakeholder groups via multiple platforms and communication channels as part of our sustainability strategy to accomplish a sustainable growth.

Prioritizing stakeholder engagement is beyond a process that serves as a revenue for the Group in achieving and maintaining positive and meaningful outcomes through effective management of relationships with our diverse key stakeholders. We take note of the importance and influence of each stakeholder group in relation to our sustainability performance as part of the ongoing effort to identify our sustainability risks and opportunities.



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Understanding the full range of needs and interests of our stakeholders supports us in achieving an effective decision-making for business opportunities. It is also critical in establishing lasting credibility and trust amongst the stakeholders in our organisation and the products and services offered. Our stakeholder engagement with the key stakeholder groups as illustrated in the above diagram is accomplished via manifold engagement channels covering a spectrum of key areas of concern and mitigating measures as specified in the following table of summary.

Stakeholder Groups	Engagement Channels	Key Areas of Concern	Mitigating Measures
Customers	<ul style="list-style-type: none"> Customer satisfaction survey Online and walk-in customer feedback platforms Social media platforms Online portals Corporate website Business managers and customer service representatives 	<ul style="list-style-type: none"> Customer Centricity Operational Efficiency Sustainable Growth Digital Transformation Ethics & Compliance Integrating Sustainability 	<ul style="list-style-type: none"> Adopt Customer Service Charter Deliver timely, transparent and efficient service Systematic operating procedures Provide online platforms such as the customer portal, corporate website and online sales portal, chatbot and mobile app Implement fair business practices
Employees	<ul style="list-style-type: none"> Employee trainings Engagement programs Team building sessions Staff appreciation and festive gatherings Brown bag sessions Internal newsletters Communication and updates via the email platform 	<ul style="list-style-type: none"> Talent Management Ethics & Compliance Technical Excellence Digital Transformation Sustainable Growth Customer Centricity Risk Management 	<ul style="list-style-type: none"> Adopt internal employee handbook and industry relations Conduct trainings, employee engagement and knowledge sharing programs Implement succession planning programs Adopt performance management (refer to the Remuneration Policy Statement on page 71 for further details.)
Agents/ Business Partners	<ul style="list-style-type: none"> Agency training sessions Meetings Roadshows Events Corporate agency portal Online helpdesk and hotline 	<ul style="list-style-type: none"> Customer Centricity Ethics & Compliance Operational Efficiency Sustainable Growth Technical Excellence Regulatory Changes Digital Transformation 	<ul style="list-style-type: none"> System enhancement and systematic turnaround time and operating procedures Provide trainings Offer business development support and value-added services Introduce online/digital platforms such as portals, mobile app, online helpdesk & e-Submission capabilities Implement fair business practices

Stakeholder Groups	Engagement Channels	Key Areas of Concern	Mitigating Measures
Investors/ Shareholders	<ul style="list-style-type: none"> Annual General Meetings Analyst and fund manager briefings Annual reports Quarterly financial results Shareholders' circulars Meetings with fund managers and investors Media releases 	<ul style="list-style-type: none"> Sustainable Growth Digital Transformation Integrating Sustainability Ethics & Compliance Talent Management Regulatory Changes Customer Centricity Technical Excellence 	<ul style="list-style-type: none"> Deliver superior shareholder value Register double digit growth with record profit Sterling performance and financial results Increase market share and penetration rate Implement fair business practices
Industry Peers & Value Chain Partners	<ul style="list-style-type: none"> Conferences and meetings Industry workshops Networking events Business partnerships 	<ul style="list-style-type: none"> Regulatory Changes Ethics & Compliance Risk Management Sustainable Growth Technical Excellence 	<ul style="list-style-type: none"> Participate in industry-related workshops, seminars and exhibitions Collaborate through strategic partnerships Active participation in the Malaysian Takaful Association
Government & Regulators	<ul style="list-style-type: none"> Periodic submission of reports Periodic industry meetings Briefings, seminars and conferences 	<ul style="list-style-type: none"> Regulatory Changes Ethics & Compliance Risk Management Sustainable Growth Technical Excellence 	<ul style="list-style-type: none"> Provide regulatory reports Conduct compliance review and assessment Attend periodic briefings, trainings, seminars and conferences Develop policies and framework in accordance to regulatory guidelines Business best practices according to industry standards
Community	<ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") activities Employee volunteerism programs Community-based programs 	<ul style="list-style-type: none"> Community Empowerment Integrating Sustainability 	<ul style="list-style-type: none"> Organize community-based activities and programs Make monetary and in-kind contributions to the relevant beneficiaries
Media	<ul style="list-style-type: none"> Press releases Media interviews Corporate events Press conferences 	<ul style="list-style-type: none"> Sustainable Growth Regulatory Changes Community Empowerment Digital Transformation 	<ul style="list-style-type: none"> Distribution of press releases Provide responses to media interviews Conduct press conferences Organize corporate events Organize media visits

SUSTAINABILITY PERFORMANCE

Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 Responsible Finance	To achieve the agility and flexibility to stay relevant in the ongoing digital revolution	 Digital Transformation	Incorporate digital capabilities into the business model, provide comprehensive product offerings and services & introduce innovative takaful solutions	Click for Cover Online Sales Portal business growth	Double digit growth of 40% in online motor takaful business
				Innovative takaful solutions	Introduction of Takaful <i>myClick</i> Term & Takaful <i>myCI</i> Cover
				Technological innovation	<ul style="list-style-type: none"> • Introduction of a tablet friendly web application for bank partners and intermediaries • Launch of an artificial intelligence ("AI") chatbot, Tamara • Implementation of multiple e-Payment gateways for online transactions • Facelift and design updates of online portals
	To reduce cost, increase efficiency and support the digitization of our business operations	 Operational Efficiency	Enhancement and migration of systems, streamlining of business operations, improvement of workflows and turnaround times	Integrated digital transformation	<ul style="list-style-type: none"> • Migration of former Takaful Integrated System ("TIS") core application and infrastructure to a new sustainable platform • Launch of a comprehensive suite of an e-Submission capabilities tailored for bank partners to make an online submission for mortgage and credit-related products
				System enhancement	Automation of the payment voucher issuance involving the family takaful operations and finance divisions via the integration of internal database for effective payment administration and processing workflow
	To meet customer expectations and deliver superior shareholder value	 Sustainable Growth	Deliver profitable growth with record profit results, expand market share via business portfolios and sound financial fundamentals with a strong capital position	Operating Revenue	RM3.1 billion
				Profit After Tax and Zakat	↑ 25%
				Total Assets	↑ 16%
				Business Growth	↑ 19%
Return on Equity				33.1%	
Family Takaful market share				30%	
General Takaful market share	22%				

Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 <p>Responsible Finance (continued)</p>	To mitigate and manage risks	 <p>Risk Management</p>	Underwriting risk, operational risk, investment risk, compliance risk and business & market risk	Risk of underwriting losses	<ul style="list-style-type: none"> Established retakaful arrangements in addition to practicing prudent underwriting Monitored the claims experience of takaful funds to take timely actions on pricing, product design and underwriting adjustments
				Risk of a duration mismatch between our investment assets and financial obligations	Invested in high quality Sukuk with longer terms to maturity and regular monitoring of the mismatch level apart from observing liquidity position to ensure adequate liquidity to timely honour financial obligations
				Sustaining the Group's market leading position in the Family Takaful business	Diversified product distribution by expanding distribution channels and implemented robust and efficient business processes
				Stiff competition faced by the General Takaful industry under liberalised market conditions	Providing innovative products and leveraging on digital strategy to grow the business whilst enhancing customer experience. Significant investments in tools, applications and new technologies were made to improve operational efficiencies
				Risk of investment losses	Performed periodic reviews on the asset allocation strategy, cut-loss investment policy and ensured minimum credit rating requirements in place
				Compliance with Shariah principles	Adhered to all the requirements set by the regulatory body consistently

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Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 Inclusive Growth	To increase customer lifetime value and sustain customer loyalty and profits	 Customer Centricity	Provide excellent customer service and respond within the turnaround time set	Nationwide footprint	24 service centres
				Number of customer enquiries attended via the call centre	129,022 enquiries
				Number of customer enquiries attended via email	37,622 email enquiries
				Number of customer complaints resolved	86 cases
				Number of customer responses received and responded via Facebook	5,514 responses
				Acknowledgement of enquiry processing time	1 working day

Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 Talent Development	To maximize performance levels and competency of employees	 Talent Management	Learning and development, rewards and remuneration as well as succession planning	Total number of workforce	943 employees
				Total investment in employee learning and development	RM1.1 million
				Succession planning	Conducted 4 Succession Planning Programs and introduced 1 new Succession Planning Program
				Workforce composition	Refer to the workforce composition table on page 43
				Employee retention rate	94%
				Average employee tenure	11 years
				Total training hours for employees	25,051 hours
				Total number of employees promoted	27 employees
				Total number of employees obtained professional certificates	17 employees
Total number of new employment opportunity created	12 new employees				

Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 Ethical Practice	To cultivate good business practices in line with regulatory compliance	 Ethics & Compliance	Regulatory compliance, good corporate governance and responsible business practices	Employee trainings and awareness programs	<ul style="list-style-type: none"> • Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") e-Learning • Personal Information Record Management Framework Awareness e-Learning • Awareness of the amendments to the Malaysian Anti-Corruption Commission Act 2009 ("MACCA 2009") • Awareness of the International Anti-Corruption Day • Operational Incident Management Policy e-Learning
				Regulatory compliance	Implementation of policies and procedures related to the following: <ul style="list-style-type: none"> • Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policy • Personal Information Record and Management Framework • Fraud Management Policy • Whistle Blowing Policy • Anti-Corruption Policy
				Compliance related initiatives	<ul style="list-style-type: none"> • Periodic engagement sessions with the Department/Divisional Compliance Coordinators • Dissemination of updates and information on global terrorism financing news • Assessment of policies and procedures to be aligned with the new and revised regulatory requirements to govern business initiatives and opportunities • Enforcement of internal controls to identify, monitor, remediate and report non-compliance incidents

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Theme	Objectives	Sustainability Matters	Scope of Sustainability Matters	Progress in 2019	
				Indicators	Status Updates
 <p>Corporate Sustainability</p>	To foster a sustainability strategy, encompassing the Environmental, Social and Governance (“ESG”) matters	 <p>Integrating Sustainability</p>	Integrate sustainability into business operations, operate business in an economically, environmentally and socially sustainable manner	Total amount of electricity consumption	6,576,329 kWh
				Total water consumption	30,223 m ³
				Total amount of paper consumption	5,114 reams
				Environmental sustainability initiatives	<ul style="list-style-type: none"> • Electricity-saving awareness and switching to energy efficient light bulbs and appliances • Water conservation drive • “Go Green” and paperless initiatives
	To cultivate goodwill, learning and building relationships with the underserved communities as well as to create and implement solutions to social challenges	 <p>Community Empowerment</p>	Organize community-based activities, voluntary employee participation as well as monetary and in-kind contributions	Types of CSR Programme organized	<ul style="list-style-type: none"> • Takaful <i>myJalanan Kasih</i> to provide monetary and in-kind contributions to the underprivileged • Takaful <i>myJalanan Ilmu</i> to provide monetary and in-kind contributions to deserving students
				Total amount of contributions made via charity fund	RM548,189
				Total number of charity fund beneficiaries	34 beneficiaries
				Total number of CSR activities conducted	34 activities
				Total hours allocated for CSR activities	1,481 hours

RESPONSIBLE FINANCE

DIGITAL TRANSFORMATION

Power-driven by FinTech investments and InsurTech startups to optimize performance, drive efficiency and enhance the quality, the insurance and Islamic insurance industry have become a hotbed of digital innovation.

We strategically revolutionized our business model by integrating transformative technologies into our operations as part of our ongoing digital initiatives to further penetrate the market, increase our market share and meet the empowered digital demand of the consumers. Corresponding to our business objective in providing a conducive IT operating environment to bolster the Group’s growing business, we have streamlined and enhanced our digital capabilities to stay relevant in the ongoing digital revolution.

INTRODUCTION OF AN ARTIFICIAL INTELLIGENCE (“AI”) CHATBOT, TAMARA

Expanding our digital footprint as the driver of innovation and competitive advantage, Takaful Malaysia has once again breaking new grounds with the launch of our chatbot, “Tamara”. Aimed at enhancing our customer experience, Tamara is our latest innovative solution to deliver a differentiated and seamless experience of customized services to the consumers.

Introducing our artificial intelligence powered enquiry channel that provides real time answers to enquiries anytime, anywhere enables our customers to have a quick chat with Tamara via our corporate website, Click for Cover Online Sales Portal and *myTakaful* Customer portal.

Tamara is developed to provide quick answers to a number of topics related to our OSP product enquiries, No

Claim Discount details, certificate maturity, windscreen confirmation, benefit payouts and many more to come.

By introducing Tamara, we have achieved another significant milestone in our journey of innovation and made significant investments in bringing the best of technology to be more effective in servicing our customers.

NEW INFRASTRUCTURE CAPABILITIES

In our continued efforts to reduce operating expenses and intensify productivity as well as to increase sales and turn-around-time ("TAT"), the Group embraced new infrastructure capabilities on top of the ongoing upgrading of its data centre infrastructure. During the year under review, we migrated to a new sustainable platform from our former Takaful Integrated System ("TIS") core application and infrastructure to achieve greater business value.

MULTIPLE PAYMENT GATEWAYS

Catering to various payment scenarios in rendering a convenience and superior customer experience, we introduced multiple payment gateways for a seamless payment processing. This execution helps in encrypting customer data and transmitting it securely, creating a sense of perceived security amongst the customers during an online transaction and making it easier for the enrolment of our online protection plans via the Click for Cover OSP.

TABLET FRIENDLY WEB APPLICATION

Realizing the inevitable advancement of an access to on-demand information amongst the consumers, we introduced a tablet friendly web application for our intermediaries and Islamic financial institution partners. The tablet friendly web application serves as part of the Group's face-to-face marketing initiative to establish relationships with prospective and current clientele and communicate more effectively by providing the customers with detailed explanations of our Click for Cover OSP and the extensive range of products offered online.

FACELIFT AND DESIGN UPDATES OF ONLINE PORTALS

Providing an online portal is an essential part of creating a satisfying support experience for our customers and corporate agency force. Both our dedicated online portals, *myTakaful* Customer and *myTakaful* Corporate Agent witnessed a facelift and updated with self-service features in a convenient and accessible capacity to

display information in an approach that is easy for our customers and corporate agents to manoeuvre with just a few clicks. In keeping with our digital agenda to increase operational efficiency while maximizing customer satisfaction, the facelift and design updates of our online portals also improved the visibility and access to real-time information 24/7 aside from establishing an enhanced support to access our online portals in the tablet format via any mobile device.

EMBRACING NEW TECHNOLOGY

Our Online Sales Portal, Click for Cover has been recognized as the best digital initiative of the year to clinch the **'Innovation Award'** under the Special Awards Category at Takaful StarNite Awards 2019 organized by Malaysian Takaful Association (MTA) by defeating other industry peers through an evaluation process. We have not only led the market in embracing new technology, but successfully raised the bar and served as an exemplar in the insurance industry.

PROMOTING TAKAFUL AWARENESS

Takaful Malaysia received the **'Race for Cover Award'** under the Special Awards Category at Takaful StarNite Awards 2019 organized by Malaysian Takaful Association (MTA). This special award recognizes the concerted efforts of the takaful industry players in creating publicity and initiatives to promote awareness about takaful to Malaysians.



TECHNICAL EXCELLENCE

In keeping with our commitment to delivering superior value to our stakeholders, we positioned technical excellence at the forefront of our business strategy braced by a holistic, end-to-end approach across all operations to generate better-quality results. Technical excellence is considered a key differentiator that sets us apart from the industry counterparts. The Group's continued efforts in driving the development of technical excellence through product development, pricing, underwriting and claims handling to achieve sustainable profits have enriched the performance of its core operations and value chain as a whole.

We reinforced our ability to develop a profitable and compelling portfolio of product mix by offering a wide range of package plans to meet the requirements of our customers whilst at the same time helping in managing their contributions cost-effectively. Our technical excellence in claims handling and related medical cost management initiatives provided the data needed to

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increase underwriting accuracy that enabled us to underwrite individuals, groups and corporate clients tailored to our outstanding capabilities.

INNOVATIVE TRANCHE OF TAKAFUL SOLUTIONS

Focusing on providing an extensive range of competitive protection plans, we have introduced a new tranche of takaful solutions as part of the Group's product innovation strategy. During the year under review, we introduced a total of six new takaful solutions catering to the manifold needs of our different stakeholders via multiple distribution platforms as indicated below.

- **Takaful myClick Term**
A comprehensive term plan that gives protection against unfortunate events and also covers 39 critical illnesses at an affordable cost. This online takaful plan is available via our Click for Cover OSP
- **Takaful myCI Cover**
Available at any of our Takaful myCare Centres nationwide, this protection plan pays a sum covered upon diagnosis of any of the 39 covered critical illnesses with coverage term options of 10 and 20 years for customers to choose from.
- **Takaful myPlus PA**
An exclusive protection plan offered to our Bank Islam customers that provides personal accident coverage with additional Hajj and Umrah benefits in addition to Aviation Personal Accident cover, Badal Hajj and Hospital Income benefits.
- **Takaful myAngkasa PA**
Catering for members of Biro Angkasa, this is a personal accident takaful plan that covers death due to accidents, regardless road accident, snatch theft or dengue.
- **Takaful myTravel Umrah**
Offered via our corporate agency distribution channel, this is a protection plan to cover the pilgrims performing Umrah solely distributed by travel agencies who have signed up as our corporate agents.
- **Takaful mySME**
This takaful plan provides a needs-based customized solution for business protection and our SME customers can opt for the coverage needed and tailor the limits as well as extensions of cover to meet their business requirements.



Achieving the agility and flexibility required via the ongoing transformation of our business operations enabled us to achieve the operational efficiency desired to stay relevant in the ongoing digital revolution and remain competitive in the insurance industry. Aimed at exceeding customer expectations through operational excellence, we fortified our business operations and capitalised on technology capabilities to continue in aligning our resources to support the Group's business growth.

REVOLUTIONIZING OUR BUSINESS OPERATIONS

In proportion to our continued initiative to deliver our products and services to the customers in the most cost-effective manner possible while ensuring the high quality of our products, service and support, the Group during the year under review has embarked on the following key initiatives.

- Automation of the payment voucher issuance between our Family Operations and Finance Divisions via the integration of our system and database for effective payment administration. This implementation enabled a full adoption of a paperless environment to reduce our operational costs and established an efficient workflow processing.
- Development of an e-Medical card for the participants of our Employee Benefits ("EB") scheme and other medical takaful products. This unique cardless feature will be made available via our Click for Cover application to create a better customer experience and for the convenience of our clientele.
- Introduction of a full suite of e-Submission capabilities for our bank partners to make an online submission via an underwriting module for mortgage and credit-related products. The e-Submission provided an auto issuance of the acceptance letter for each successful application and also enabled the users to have a quick access to e-Quotation, e-Product Disclosure Sheet and e-Proposal Form for a hassle-free application processing. This is part of the Group's "Go Green" initiative that effectively resulted in cost savings and processing turnaround time.


SUSTAINABLE GROWTH

Takaful Malaysia continued to register another year of record earnings and resilient returns to its shareholders during the year under review amidst the challenging economic scenario and resilient Islamic finance industry. We maintained our track record for consecutive business growth since the start of our Transformation Program in 2009 and kept the momentum ever since. Our excellent performance demonstrated our ability to develop into a strong takaful operator with sustainable top and bottom line growth whilst adapting to the evolving needs of the consumers.

STERLING PERFORMANCE WITH RECORD NET PROFIT
Market Capitalisation

2017	2018	2019
RM3.1 billion	RM3.1 billion	RM4.7 billion

Profit After Tax & Zakat

2017	2018	2019
RM205.1 million	RM292.6 million	RM366.3 million

Return On Equity

2017	2018	2019
26.7%	32.7%	33.1%

Earnings Per Share

2017	2018	2019
25.13 sen	35.79 sen	44.16 sen

SUSTAINING MARKET LEVELS
Family Takaful Business

2017	2018	2019
23%	28%	30%

General Takaful Business

2017	2018	2019
23%	25%	22%

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MANAGING MATERIAL ISSUES

We set out the detailed information related to managing our material issues under the Management Discussion and Analysis section of this Annual Report. Please refer to page 8 for further details.

DEFINING MOMENTS

Takaful Malaysia garnered two awards at The Edge Billion Ringgit Club ("BRC") & Corporate Awards 2019. We clinched the **'Highest Growth In Profit After Tax Over Three Years'** and **'Highest Return On Equity Over Three Years'** Awards under the financial services sector below RM10 billion market capitalisation.

The Edge BRC Awards celebrate corporate Malaysia's crème de la crème for being the best performers in various sectors. The award winners are selected based on their outstanding financial results through initiatives that demonstrate leadership and commitment to service excellence.

We are proud to be recognized amongst the most outstanding corporate performers in Malaysia. We have not only outperformed our industry counterparts, but also the top listed companies under the financial services sector as a whole.



INCLUSIVE GROWTH



CUSTOMER CENTRICITY

As a customer-centric organization, concentrating on providing a positive customer experience at the point of sale and after the sale with the purpose of driving greater profits and gaining competitive advantage helps to build trust and loyalty of our customers. By focusing on understanding in great detail the needs of our customers, we embarked on strategic initiatives through our customer-centric business strategy. We continued in upholding our service standards to increase customer satisfaction and build brand loyalty and affinity that will help to retain our business revenue and earn new customers.

Our key inclusive business strategy is to become the market leader in transforming distribution model in the insurance and takaful industry to offer more affordable products. Our online platform enables us to make our products easily available and accessible to a wider segment of consumers. We offer a comprehensive range of pure protection products which allow us to address specific protection needs at affordable prices to address the protection gap of Malaysia population.



PROVIDING SUPERIOR CUSTOMER SERVICE

As the preferred choice for insurance, we are committed to providing an excellent customer service and uphold our service standard which consists of the following core pillars.

- Making takaful solutions easily accessible via multiple channels by adopting an active engagement model
- Understanding customer needs to build trust in providing suitable takaful solutions
- Delivering a timely, transparent and efficient service to achieve customer satisfaction
- Providing customers with peace of mind via a seamless and transparent claim settlement process

BUILDING A LONGSTANDING RELATIONSHIP WITH CUSTOMERS

Delivering value to customers is an essential part of our business strategy to sustain our existing clientele and acquire new and potential customers in further penetrating the market. Understanding our value to the customers in providing the takaful solutions and services that meets their needs helps the Group in increasing its market share and customer loyalty whilst maintaining and improving profitability.

In line with our continued efforts to enhance the customer satisfaction level, the Group carried out the following initiatives during the year under review.

- Launching of new online takaful solutions via the Click for Cover OSP to meet the customer expectations
- Introducing chatbot Tamara, an artificial intelligence that provides real time answers to enquiries via corporate website
- Revamping the customer portal, myTakaful Customer to provide an enhanced and integrated multi-channel experience
- Implementing standard procedures and observing the turnaround time in responding to customers
- Corresponding with customers through multiple platforms via portals, hotline, walk-in as well as digital and social media platforms
- Conducting customer feedback surveys to better understand the customer needs and improve service deliverables.
- Rewarding customers of selected products for making no claims during the coverage period

RECOGNIZING CUSTOMER FEEDBACK

Gathering customer feedback is instrumental in providing a valuable way of improving our existing product offerings and services rendered as well as identifying opportunities for business growth. Valuing customer feedback serves as an avenue for the Group to identify, resolve and mitigate any customer-related matters apart from enhancing customer satisfaction and experience journey to achieve customer loyalty and advocacy growth.

The volume of customer feedback that we received in 2019 is depicted in the following tables.

• **2019 Detailed Customer Feedback**

Responses	Enquiries	Complaints
47	166,644	86

• **3-Year Customer Feedback**

2017	2018	2019
125,248	155,386	166,777

FACEBOOK PAGE

During the year under review, our corporate Facebook page registered a significant increase in the total number of customer enquiries received. The substantial upsurge in the volume of enquiries collated via our Facebook page was particularly due to the ongoing marketing initiatives carried out via the social media platforms in promoting our online takaful solutions. The enquiries received were mainly on procedures for online subscription, customer portal, no claim payments as well as certificate related matters.

• **3-Year Facebook Trend**

2017	2018	2019
414	1,198	5,514

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TALENT DEVELOPMENT



TALENT MANAGEMENT

Investing in talent management provided a long-term benefit to the Group. Apart from increasing the productivity of our organization, implementing a systematic approach to talent management resulted in a positive effect on our employee engagement and client satisfaction.

Reinventing talent across our workforce to achieve the desired goals of our organization as the preferred choice for employer, we embarked on a strategic management process involving multiple methods not only to manage but also to upgrade the skillset of our workforce. We introduced a high-performance culture in addition to creating learning opportunities and developing leadership qualities as part of our talent management process. Furthermore, we identified the skill gaps amongst our employees across all divisions and executed growth and development strategies for career growth and development.

In building a sustainable high-performance organization, we also focused on adopting a cost efficient human resource strategy to create the right corporate culture in achieving a sustainable and long-term business growth. We aligned our people management strategy with the Group's business objectives to accomplish the organizational goals and help in maintaining a skilled and efficient workforce for the Group. Our human resources related initiatives and activities during the year under review are segmented into the following categories.

HUMAN RESOURCE MANAGEMENT

- **MANAGING TALENT AND SUCCESSION PLANNING**

- Updated the guidelines and policy in the Employee Handbook related to the employee benefits and protection solutions provided to the employees
- Organized employee development programs and trainings covering leadership, team engagement, soft skills and technical knowledge.
- Training hours achieved for employees

Description	Years		
	2017	2018	2019
Total training hours	38,417 hours	29,428 hours	25,051 hours
Average training hours per employee	40 hours	35 hours	32 hours

The Group continued reviewing the effectiveness of training programs and implemented more focused and improved training programs to ensure employees can demonstrate a positive impact of training through improved productivity and overall skill development.

- Conducted five different levels of Succession Planning Programs ranging from the top management to junior level officers, including clerical staff under the Group's Talent Management Framework.
 - Leadership Development Program
 - Leadership Development Program for High Potential
 - Staff Talent Awareness & Retention Program
 - Leadership Intensive Talent Enrichment Program
 - Clerical Development Program
- Hired independent professional trainers and coaches for employee development programs

• **WORKFORCE COMPOSITION**

DESCRIPTION	STMKB	STMAB	OVERALL
Total Employees	722	221	943
Average Length of Service	11 years	11 years	11 years
Employee Turnover Rate	6%	5%	6%
Employee Retention Rate	94%	95%	94%
Gender Diversity (%)	Male : 42% Female : 58%	Male : 53% Female : 47%	Male : 44% Female : 56%
Age Diversity (%)	Below 35 years: 22.6% 35 to 45 years: 54.2% 46 to 55 years: 21.7% 56 to 60 years: 1.4% Above 60 years: 0.1%	Below 35 years: 14.9% 35 to 45 years: 46.6% 46 to 55 years: 33.9% 56 to 60 years: 4.1% Above 60 years: 0.5%	Below 35 years: 20.8% 35 to 45 years: 52.4% 46 to 55 years: 24.6% 56 to 60 years: 2.0% Above 60 years: 0.2%
Ethnicity Diversity (%)	Malay : 81% Chinese : 16% Indian : 2% Others : 1%	Malay : 86% Chinese : 9% Indian : 4% Others : 1%	Malay : 82% Chinese : 14% Indian : 3% Others : 1%
Employment Arrangement (Local vs Foreign)	Local : 99.9% Foreign : 0.1%	Local : 99.55% Foreign : 0.45%	Local : 99.8% Foreign : 0.2%
Average Training Hours Per Annum Per Employee	24 Hours	39 Hours	32 Hours

PEOPLE-RELATED PRIORITIES

• **EMPLOYEE ENGAGEMENT ACTIVITIES**

- Conducted a team engagement program for bancatakaful division to improve employee productivity and efficiency as well as to ensure that the employees are committed to the Group’s goals and values and motivated to contribute to the organizational success.
- Carried out a bowling tournament for the employees involving a total of 180 staff in keeping with the Group’s team building initiative to promote a healthy lifestyle and enhance team bonding across the organization.
- Provided four units of ping pong tables and two dart sets for employees to use after working hours as part of the Group’s employee wellness program to encourage workplace health.

- Organized a festal gathering for the employees to strengthen team bonding whilst enhancing the overall workplace atmosphere.
- Promoted healthy living and knowledge on proper dietary amongst the employees by conducting a fully sponsored fitness program, “Cabaran Jom Kurus Takaful Malaysia”.
- Instilled a culture of teamwork through fun and challenging activities and tasks by organizing a treasure hunt involving a total of 200 employees nationwide.

• **SUSTAINABLE HIGH PERFORMANCE CULTURE**

- Aligned the organisational Key Responsibility Areas (“KRA”) of all divisions within the Group based on a set of performance indicators distributed among four core perspectives of financial, customer, business process as well as learning and growth.

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- Improved workforce critical competencies and adopted a high degree of staffing costs
- Provided competitive employee benefits and rewarded exceptional performing workforce in line with the Group's performance.
- The detailed information pertaining to the Directors' Remuneration and Remuneration Policy Statement of the Group is set out under the Corporate Governance Overview Statement section of this Annual Report. Please refer to page 60 for further details.

EMPLOYER BRANDING

- **STRATEGIC PARTNERSHIPS**
 - Carried out a total of 18 engagement activities, including career talks, visitations and student engagement sessions with leading private higher education institutions nationwide.
- **THE PREFERRED CHOICE OF EMPLOYER**
 - Takaful Malaysia for the second time has been selected as a recipient of the **'HR Asia Best Companies To Work For In Asia Award 2019'** amongst the 50 corporations from various industries under the Malaysia edition.
 - The Group once again has been voted as the Top 5 for the **'Graduate Choice Award – Best Employer Brand 2019'** under the insurance industry category.



ETHICAL PRACTICE



REGULATORY CHANGES

Staying on top of the policies, guidelines and frameworks set by the regulatory body are essential to maintaining a competitive edge. Keeping track of the regulatory changes and developments whilst abiding by the evolving laws and regulations to ensure that we are steered clear of any adverse impact in conducting our business.

Aimed at providing better value to the consumers and enhance transparency, BNM continued with the implementation of initiatives under the Life Insurance and Family Takaful ("LIFE") Framework. The investment-linked product ("ILP") policy document has been updated with wide-ranging changes which significantly impacted the ILP industry covering the design of the product to the implementation of the sustainability requirements and product disclosures.

During the year under review also witnessed the issuance of policy documents covering the Fair Treatment of Financial Consumers, Outsourcing, Credit Risk, Shariah Governance, Risk Management in Technology and Takaful Operational Framework. The imposed guidelines further strengthened the corporate governance on business models and processes that will eventually mitigate the risks that have been threatening the financial soundness and safety of takaful operators and insurance players.



ETHICS & COMPLIANCE

Embracing regulatory compliance by conforming to the laws, regulations, guidelines and specifications relevant to our business processes and industry's best practices are part of the Group's ongoing enterprise in establishing an appropriate compliance culture within the organization. We adopted high standards of ethics and compliance across our operational activities as well as functions and implemented internal controls to minimize the downside risks on breaches and penalties within reasonable tolerance.

We constantly reassessed our policies and procedures to govern both our business initiatives and opportunities. In addition, we also established an internal framework to identify, monitor, remediate and report non-compliance incidents in keeping with our commitment to upholding regulatory compliance in sustaining our business.

- **Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policy**
The main objective of this policy is to prevent our business from being misused as a medium for suspicious activities. We set process improvements in implementing the enhanced control measures to mitigate money laundering and terrorism financing risks.
- **Personal Information Record and Management Framework**
This framework is established in accordance with the requirements of BNM's policy document on Management of Customer Information and Permitted Disclosure and Code of Practice on Personal Data Protection for the Insurance and Takaful Industry. The Framework sets the standard for handling and safeguarding personal information during the course of business operations in order to comply with the seven (7) Principles of Personal Data Protection Act (PDPA) 2010.
- **Fraud Management Policy**
The focal objective of this policy is to provide governance structure in the management of fraud risk and incidents.

- Whistle Blowing Policy**
 Takaful Malaysia expects the highest standards of integrity from all its stakeholders at all times. The Whistle Blowing Policy provides an avenue for immediate reporting of any misconduct and escalation to the attention of the Management.
- Anti-Corruption Policy**
 The Group has in place an Anti-Corruption Policy and embrace a clear zero-tolerance policy in the event of corruption or unethical behaviour practice in our operations and services.
- Board Charter**
 The Board of Directors of Takaful Malaysia is mindful of the need to protect the interests of the Group's shareholders as well as its other stakeholders. In discharging its duties effectively, the Board is provided with the Board's Terms of Reference ("TOR"), a reference tool for Directors in relation to the Board's role, powers, duties and functions. The TOR reflects applicable rules and regulations and outlines processes and procedures to ensure the effectiveness and efficiency of the Group's Board and its committees.
- 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 as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.
- Sustainability Policy**
 As the pioneer Shariah-compliant financial services provider for takaful, the Group strives to be a responsible corporate citizen and committed in our endeavour to uphold the Shariah principles in our business and social activities.
- Shariah Principles**
 The Group is 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.

measures will achieve the right results in practice apart from preparing our employees in facing a variety of possible scenarios in the modern business environment. The crisis simulation exercise assessed the efficacy of our plans and employee performance in a live scenario to enable the participating employees receive maximum value both during the active rehearsal and in the post-scenario follow-up.

Based on the observations made during the exercise, we identified potential vulnerabilities and prioritized the action plans and measures needed as part of our ongoing mitigating measures in risk management. The activation of our Crisis Simulation Exercise and Business Continuity activity provided our employees with a better understanding of the activation procedure and process continuity. We also carried out a Call Tree Exercise that formed part of the Crisis Simulation whereby contact details were updated in the departmental business continuity plan.

In accordance with the Group's Operational Incident Management Policy which has been established and approved by the Board Risk Committee, we conducted an e-Learning in our continued efforts to increase the awareness on the operational incident management amongst the employees and in compliance with the BNM requirements.



CORPORATE SUSTAINABILITY



INTEGRATING SUSTAINABILITY

RESPONSIBLE INVESTMENT

As an Islamic insurance company that provides a wide range of takaful solutions in both the Family Takaful and General Takaful sectors, our continued efforts in promoting Islamic insurance solutions are in line with the country's mission of becoming an Islamic financial hub. We are committed to promoting Islamic financial security to minimize the protection gap and also to increase the penetration rate in the takaful market.

Being a Shariah compliant entity, responsible investing is fully embedded in the Takaful Malaysia's investment policy. It is a guiding principle in every investment decision we make, in line with the Shariah requirements. This reflects our firm stand in conducting sustainable and responsible investment activities. Our investment selection and screening process focuses on ensuring that the investments fulfill the Shariah requirements that are always being equated with responsible investing.



RISK MANAGEMENT

Takaful Malaysia conducted a Crisis Simulation Exercise corresponding to the Group's risk management strategy to ensure that our precautionary steps and control

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MANAGING OUR ENVIRONMENTAL IMPACT

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

- **ELECTRICITY**

In 2019, the total electricity consumption was 6,576,329 kilowatt hours ("kWh") with an average of 548,027 kWh per month. Takaful Malaysia has taken proactive measures to reduce the use of energy at work as part of our ongoing effort to better manage our electricity consumption in order to conserve energy. We constantly remind our employees to switch off the office lights and other appliances when not in use and will continue finding new solutions to meet our energy needs that are economically and environmentally sustainable.

3-Year Electricity Consumption Trend

2017	2018	2019
6,415,638 kWh	6,551,363 kWh	6,576,329 kWh

- **WATER**

The total volume of water consumption across the Group during the year under review was 30,223 megalitres that translated to 26,051 megalitres of water consumption on headquarters and 4,172 megalitres across our service centres nationwide. We are committed to reducing water use by undertaking continuous leak detection in pipes and monitoring of water use across our business operations and premises in line with our continued efforts to conserve water resources by using water efficiently. Takaful Malaysia will continue to take preventive measures by engaging our employees to use water wisely and ensure pipelines of our water distribution system are consistently checked and maintained as part of our corporate responsibility in water conservation.

3-Year Water Consumption Trend

2017	2018	2019
30,688 m³	30,185 m³	30,223 m³

- **PAPER**

Our total paper use in 2019 was 5,114 reams. We are constantly working towards reducing paper use by going paperless to increase our productivity. We are also embracing technology by implementing the e-Document ("Go Green") module and engaging our employees to reduce paper usage at work as part of our ongoing paper saving initiative. Takaful Malaysia will constantly promote prudent use of paper practice amongst our employees through various platforms such as adopting an electronic document management system and use of electronic mail to receive and send documents in addition to double-sided copying and printing. We will continue to purchase multipurpose paper made of responsible sources from suppliers that meet the international standards such as ISO 9706 for Permanency of Paper, ISO 9001 for Quality Management System and ISO 14001 for Environmental Management System.

3-Year Paper Use Trend

2017	2018	2019
5,907 reams	6,144 reams	5,114 reams

 **COMMUNITY EMPOWERMENT**

Fostering goodwill and learning in addition to building relationships that transcend race, gender and age are what Takaful Malaysia continues to practice via our community-based activities and programs. Our active involvement in creating and implementing solutions to social challenges is in response to our stakeholder demands and expectations.

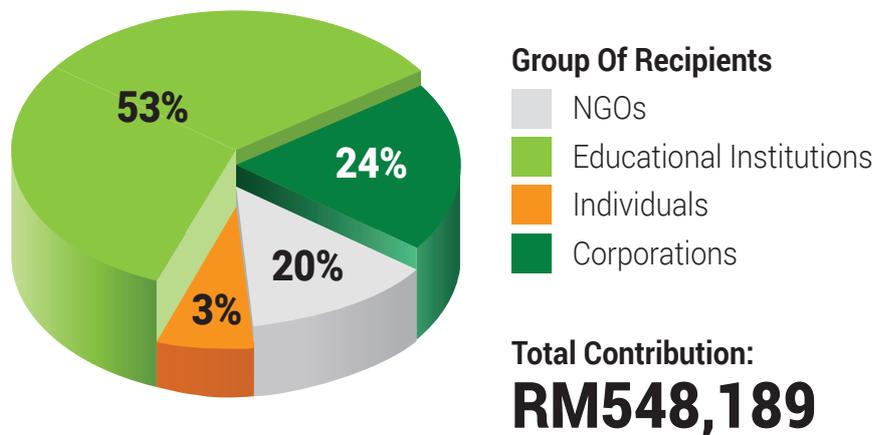
Takaful Malaysia has carried out various community-based activities and programs via our Corporate Social Responsibility ("CSR") umbrella of Takaful *myJalanan*.

CORPORATE SOCIAL RESPONSIBILITY ("CSR") UMBRELLA

We have introduced two sub-brands under the Group's CSR umbrella to further categorize our CSR activities, namely Takaful *myJalanan Kasih* and Takaful *myJalanan Ilmu*.



DISTRIBUTION OF CHARITY FUND




RESPONSIBLE CORPORATE CITIZEN

- Monetary Assistance to Children in Need**

77 indigenous children of Sekolah Kebangsaan Sungai Lui, Hulu Langat were the recipients of this initiative. We took the opportunity to briefly explain on the takaful concept and the importance of having a takaful coverage and presented a mock cheque amounting to RM15,000 to the headmaster. We also promoted our extensive range of products and services available to the local community and teachers who attended the event.

- Nurturing Good Values**

Sekolah Kebangsaan Pulau Indah, located approximately 36 km from Shah Alam was selected to be part of this program. The event witnessed 50 indigenous children received RM300 each from Takaful Malaysia. During the event, we explained on the concept of takaful and the importance of having takaful coverage to the local community who attended the event and presented a mock cheque amounting to RM15,000 to the headmaster. In conjunction with the event, we also took the opportunity by having a booth to promote our products and services offered to the local community.

- Lending a Helping Hand**

A total of 30 students from Sekolah Kebangsaan Sungai Megat Aris and 20 students from Sekolah Kebangsaan Tanjung Piandang, Perak were selected for this CSR program, which witnessed each of the selected students received a monetary contribution of RM300. We also presented a mock cheque amounting to RM15,000 to the headmaster. During the event, we also provided insights on the concept of takaful and our local representatives conducted a product presentation to those who attended the event.

- Good Corporate Citizen**

Takaful Malaysia donated RM30,000 to Pusat Wakaf dan Zakat Universiti Sains Islam Malaysia ("USIM") during a mock cheque presentation which was held at the USIM's campus located in Negeri Sembilan. There were 30 students who benefitted from this donation. The donation will assist the asnaf recipients in settling their study fees and fulfilling their daily needs.

- Chinese New Year Cheer to Paediatric Patients**

50 paediatric patients in Hospital Canselor Tuanku Muhriz UKM ("HCTM") were overjoyed when the Takaful Malaysia team brought Chinese New Year cheer with a gift pack of toys and Ang Pows. We also donated RM5,000 towards the hospital's patient welfare fund that provides financial support and immediate medical assistance to underprivileged patients who are receiving treatment and rehabilitation at HCTM.

- Raya Joy for Underprivileged Children**

30 children from Pusat Jagaan Telaga Kasih Nur Muhammad had an enjoyable and memorable time during a Raya Shopping Program which was held on 23 May 2019. A total of 30 volunteers from our headquarters joined the shopping activity and Takaful Malaysia presented a mock cheque amounting to RM5,000 to the home. The monetary contribution was made to aid the charity home in providing basic needs for the children.

- Aidilfitri Shopping Treat for Underprivileged Children**

13 children from the Home of Hope Al-Khaadem enjoyed their Raya shopping experience which was held on 11 May 2019. The shopping activity was for the children to shop for new apparel in conjunction with the Hari Raya Aidilfitri celebration. Takaful Malaysia was pleased to sponsor the shopping activity for the children in need as part of our CSR activities.

- **Financial Aid to Children with Special Needs**

Takaful Malaysia donated RM20,000 to Pusat Harian Kanak-Kanak Spastik Bandar Ipoh in Perak which has been in operation since 1988 to provide care and shelter for the disabled, orphans, abandoned children and homeless for free. The event was part of our community-based activities with the main objective of providing basic needs for the disabled and disadvantaged children.

- **Nationwide Zakat Contributions**

Takaful Malaysia distributed zakat contributions amounting to RM500,000 to the respective zakat offices in the central, southern, northern, east coast and east Malaysia regions. The zakat contributions were made to fulfil our responsibility as an Islamic financial institution and to ease those who are in need of financial assistance. The events were attended by our respective local representatives nationwide with the main objective of enhancing our brand awareness, in line with our brand promise of We Protect, We Care, We Share.

- **Back-to-School Charity Programs**

In preparation for the new school year, a total of 230 underprivileged primary school children benefited from the financial assistance and back-to-school supplies via a series of our Back-to-School Program. Three primary schools received the financial assistance to pay for the children's school administration fees and activity book, pocket money as well as to purchase their back-to-school supplies. In total we contributed over RM43,100 towards this CSR initiative.

- **White Cane Awareness Day**

In collaboration with the Malaysian Association for the Blind ("MAB") and Al-Tasneem Sdn Bhd, we joined forces to launch the first of its kind, an electronic device called the e-Cane which is used to assist the visually-impaired and blind in mobility and navigation. The launching ceremony, which was in conjunction with the White Cane Awareness Day also witnessed Takaful Malaysia distributed one hundred units of the e-Cane worth RM400,000 to the visually-impaired and blind as part of the Group's community-based program under its Takaful *myJalinan Kasih* CSR initiative.

- **Sahabat Korporat Program**

Takaful Malaysia continued to support Tabung Haji's 'Sahabat Korporat' programme by contributing foldable multi-purpose bags worth RM200,000. The bags were distributed to all registered pilgrims. We have been a staunch supporter of this program since 2011 and truly honoured to be part of this key calendar event for the Muslim community.

- **Inculcating Reading Habits**

We organized a CSR program at Surau Nurul Falah, Putri Laksamana, Batu Caves to inculcate reading habits among children as well as promoting the Takaful Malaysia brand. We also donated a total of 120 books published by Institut Terjemahan Buku Malaysia ("ITBM") to Surau Nurul Falah in conjunction with the 'Kempen Membaca Kebangsaan'.

- **Sharing is Caring**

The Group donated a total of RM18,000 to three recipients namely Maahad Tahfiz Al Quran Wal Imamah, Persatuan Cina Muslim Malaysia ("MACMA") and Sekolah Menengah Agama Al-Ittifaqiyah as part of its community-based activities in providing financial assistance to the people in need.

- **Giving Back to the Community**

We organized an eventful trip to Hospital Canselor Tuanku Muhriz, UKM ("HCTM") and presented a mock cheque amounting RM8,892 as well as handed over four wheelchairs to the HCTM representatives.



Sustainability Report

- **Serving the Community**

Takaful Malaysia donated a total of RM548,189 in 2019 via our charity fund in the form of contributions to various recipients nationwide, including education centres, charitable organizations and communities.

2017	2018	2019
RM317,081	RM315,266	RM548,189

KNOWLEDGE SHARING

- **Karnival Kewangan Miri**

Our local representatives from Miri branch joined hands and participated in the Karnival Kewangan Miri ("KKM") organized by Bank Negara Malaysia ("BNM") which was held from 21 to 24 February 2019. At the event, we shared the benefits that participants can enjoy when they are covered by our Takaful *mySME* BizPartner and SMI Employee Benefits. We also participated in an exhibition held at Permaisuri Imperial City Mall in Miri which was attended by the financial and insurance players in Miri and also from the government agencies.

- **Info Sharing Session**

Takaful Malaysia was invited to conduct a knowledge sharing session with students and lecturers of Kolej Vokasional Datuk Seri Mohd Zin located in Melaka. Our local representatives from Melaka branch briefed the students and lecturers on the fundamentals of insurance and takaful, claims processing and also the online products available via our Online Sales Portal, Click for Cover.

- **Product Briefing**

Our local representatives in Kota Kinabalu conducted a product briefing to promote our Online Sales Portal, Click for Cover to the Pusat Zakat Sabah employees during their yearly meeting on 20 March 2019. Approximately 30 employees attended the meeting. We were also given time to present and answer all their queries related to takaful products and services.

- **Analyst and Fund Managers Briefing**

Concurrent with the release of our 2018 financial results, we organized an analyst briefing for the fund managers and research analysts in order to gain further insights into Takaful Malaysia's results and business operations for the year under review. The briefing facilitated the fund managers and research analysts to produce their reports which were made available to investors and the media.

- **MyFintech Week 2019**

Takaful Malaysia participated in the Malaysia Fintech Week 2019, the first flagship event by Bank Negara Malaysia, focusing on fintech and tech transformation of financial services in Malaysia. The event was organized to promote growth and diversity in the fintech ecosystem, spur the digital transformation of financial institutions, drive responsible innovation in fintech, and elevate the public acceptance of fintech. Our representatives took the opportunity to promote and market our Online Sales Portal ("OSP"), Click for Cover and the takaful solutions offered via the online distribution channel. Visitors to our booth had hands on experience in navigating our OSP. It was a good platform to promote our OSP to the fintech players.



- **HalFest 2019**

Takaful Malaysia participated in the HalFest 2019 which served as a strategic platform to showcase the micro, small and medium-sized Halal enterprises to tap into the opportunities in the Halal industry while promoting quality Halal products and services to Malaysian consumers. We joined the exhibition to promote our products and services to the SME exhibitors apart from the individuals visiting the Fest.



- **Educational Visit**

A group of students from University of Wollongong visited Takaful Malaysia to have a better understanding of takaful and its businesses. The educational session was conducted to promote the uniqueness of our takaful not only for the local but also international students. Our actuarial team presented on our current market outlook and the fundamentals of takaful followed by our channel management unit who presented on the customer experience matters. Our human resource team also took the opportunity to present on our talent management program during the educational visit.

- **Islamic Financial Forum 2019**

Takaful Malaysia participated in the Islamic Financial Forum 2019 organized by BIMB Investment. The event was organized to give exposure of the current situation in the stock market, promote the new model of Shariah compliant investment while embracing the AI technology and enhance the understanding of inheritance's management as well as the importance of takaful. The event provided a good platform for all the participants to promote the variety of Islamic personal finance solutions to the attendees.



- **PHB Road Safety Day 2019**

In conjunction with the Pelaburan Hartanah Berhad ("PHB") Road Safety Day 2019, Takaful Malaysia was invited to deliver a talk on takaful during the event. The Road Safety Day organized by PHB also served as a good platform to promote our Takaful *myMotor* plan to all the attendees.

- **Fundamentals of Shariah and Takaful Briefings**

Our Shariah Division conducted a series of briefing on the Fundamentals of Shariah and Takaful for our corporate agency force and employees of our corporate business partners as well as to the public who attended our charity events as part of the Group's knowledge sharing initiative and value added service.

