

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or "the Company") (formerly known as Syarikat Takaful Malaysia Berhad) and its subsidiary companies ("STMKB Group" or "the Group") continue to subscribe and fully support the Malaysian Code on Corporate Governance 2017 ("MCCG"). The Board is committed to ensure that the Principles and Recommended Practices are observed and practised throughout the STMKB Group so that the affairs of the Group are conducted with professionalism, accountability and integrity with the objective of safeguarding and enhancing shareholders' value and financial performance of the Group.

The Board is pleased to report on the application of the Recommended Practices of the MCCG as required under the MCCG and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year under review.

The application of each Practice set out in the MCCG during the financial year under review is disclosed under STMKB's Corporate Governance Report published on STMKB's website at www.takaful-malaysia.com.my.

DIRECTORS

The Board

The Board is responsible for the overall corporate governance of the Group and is also entrusted with the responsibility of exercising reasonable care of the Company as well as the Group's resources in enhancing the shareholders' long-term value while taking into account of other stakeholders. The Board understands that upholding corporate governance values is not merely achieving the desired financial performance, but also promoting ethical, professional and sustainable culture.

Terms of Reference/Board Charter

The Board is mindful of the need to protect the interests of its shareholders and other stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference/Board Charter ("Board Charter") which sets out the roles and responsibilities of the Board. The Board Charter is reviewed annually or as and when necessary to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The last review was carried out on 19 October 2017. The Board Charter is accessible on our website at www.takaful-malaysia.com.my.

Roles and Responsibilities of the Board

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

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

Corporate Governance Overview Statement

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

Board Meetings

Board meetings are scheduled in advance at the beginning of a calendar year with additional meetings convened when necessary. All Directors have complied with the Listing Requirements on attendance for Board meetings held during the financial year under review. Eight (8) Board meetings were held during the financial year under review with details of meetings' attendance of each Director are as follows:

Name	Attendance	Percentage (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak Chairman/Independent Non-Executive Director	8/8	100
Datuk Rozaida Omar Non-Independent Non-Executive Director (Ceased office on 15 May 2018)	2/3*	66.7
Mahadzir Azizan Non-Independent Non-Executive Director	8/8	100
Zakaria Ismail Independent Non-Executive Director	8/8	100
Dato' Othman Abdullah Senior Independent Non-Executive Director	8/8	100
Mohd Tarmidzi Ahmad Nordin Non-Independent Non-Executive Director (Ceased office on 1 April 2019)	8/8	100
Datin Sri Azlin Arshad Independent Non-Executive Director	7/8	87.5

* The number of meetings held up to the cessation of her office.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of STMKB as evidenced by the attendance record of the Directors at Board meetings, as set out in the above table. All Directors complied with the minimum attendance of at least 75% of Board meetings held during the financial year under BNM's Guidelines on Corporate Governance except for Datuk Rozaida Omar who ceased office on 15 May 2018. A Director who is unable to attend any Board or Board Committee's meeting will notify the Chairman and/or the Company Secretary immediately prior to the meeting date.

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

As prescribed in Paragraph 15.06 of the Listing Requirements, Directors must not hold directorships at more than five Public Listed Companies ("PLCs"). None of the Directors of STMKB have exceeded these limits during the financial year under review. The Directors are required to declare their directorships and/or interests in other public and private companies on a monthly basis. Such information is also

Corporate Governance Overview Statement

used to monitor the number of directorships held by the Directors, particularly those on PLCs and to notify the Companies Commission of Malaysia of any changes in other directorships in public companies.

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

The Board believes that the existing appointment process for selecting a new member is adequate and it takes into consideration the required skills-set, experience, competency, industry experience, gender and age and how these adds to the Board's diversity.

Directors' Code of Ethics

The Directors observe the code of ethics in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia which provides guidance for proper standards of conduct, 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.

The Directors' Code of Ethics consist of three (3) major areas, namely:

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

Board Balance and Independence of Directors

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

Name	Composition*	Percentage (%)
Non-Independent Executive Director	-	0
Non-Independent Non-Executive Directors	2/6	33.3
Independent Non-Executive Directors	4/6	66.7

* Excluding Datuk Rozaida Omar whose term of appointment as a Non-Independent Non-Executive Director has ended on 15 May 2018.

The above composition is in compliance with Paragraph 15.02 of the Listing Requirements which require that one third (1/3) of Directors of STMKB to be Independent Directors. The above is also in compliance with MCCG for large companies whereby majority of Board members are Independent Directors.

The Board has adopted a nine-year policy for Independent Non-Executive Directors in August 2011 i.e. before the issuance of MCCG 2012. The tenure of all the four (4) Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCCG. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, the Board recommends and supports the proposed re-appointment of the two Independent Non-Executive Directors who are retiring by rotation in accordance with Rule 74 of the Company's Constitution at the forthcoming 34th AGM. However, one of the Independent Non-Executive Director has informed the Board that he will not be seeking re-election. Hence, he will retain office until the close of the 34th AGM.

Upon the redesignation of Mahadzir Azizan as a Non-Independent Non-Executive Director on 1 September 2016, the Board had identified and appointed Dato' Othman Abdullah as the Senior Independent Non-Executive Director effective 1 September 2016. The shareholders and other stakeholders may reach Dato' Othman Abdullah at datoothman.abdullah@gmail.com to convey their concerns.

The Corporate Governance Blueprint 2011 stated that the goal is for women participation on Boards to reach 30% by 2016 and the progress towards this goal will be monitored and assessed from time to time. Currently, Datin Sri Azlin Arshad is the sole woman Director out of six (6) members of the Board representing 16.7% after the cessation of office of Datuk Rozaida Omar on 15 May 2018. Similarly, the Shariah

Corporate Governance Overview Statement

Advisory Body also has one (1) woman member out of six (6) members (i.e. 16.7%) represented by Dr. Marhanum Che Mohd Salleh. Syarikat Takaful Malaysia Am Berhad ("STMAB"), a wholly owned subsidiary of STMKB also has one (1) women Director out of five (5) members (i.e. 20%). The Company is taking necessary action to have at least 30% women directors required for large companies.

The Board recognizes that diversity is one of the key drivers to enhance Board effectiveness as diversity broadens the debate within the Board, Shariah Advisory Body and Senior Management by harnessing different insights and perspectives. The Board will continuously enhance the Board, Shariah Advisory Body and Senior Management's composition to encourage diversity in terms of skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors, Shariah Advisory Body members and Senior Management as outlined in MCCG. The profiles of the current Senior Management are set out on pages 50 to 52 of the Annual Report.

The Board with a diversified background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as finance, insurance, takaful, actuary, accounting, company secretarial, legal, management and banking. The profiles of the Directors are provided on pages 44 to 46 of the Annual Report.

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

Board Committees

To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to four (4) Committees, namely:

- Audit Committee;
- Nomination & Remuneration Committee ("NRC");
- Board Risk Committee; and
- Investment Committee.

The duties and function of the Long Term Incentive Plan Committee and Tender Committee are now assumed by the Board.

Although currently two (2) out of three (3) members of the Audit Committee are Independent Non-Executive Directors, STMKB will strive to adopt Practice 8.4 of the MCCG in future.

All Committees have clear written terms of reference and the Board receives reports of their proceedings and deliberations. The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meeting. The Committees' memberships are based on Directors' skills and experience as well as their ability to add value to the Committees.

Shariah Advisory Body

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

The Shariah Advisory Body currently consists of five (5) members, all of whom have the necessary experiences and expertise in their respective fields further to the cessation of office of Dr. Ahmad Shahbari @ Sobri Salamon and Dato' Wan Mohamad Dato' Sheikh Abdul Aziz on 1 April 2019. The current Chairman of the Shariah Advisory Body is Professor Dr. Muhamad Rahimi Osman. All Shariah Advisory Body members complied with the minimum attendance of at least 75% of the meetings held during the financial year under BNM's Guidelines on

Corporate Governance Overview Statement

Shariah Governance Framework for Islamic Financial Institutions. The Shariah Advisory Body met five (5) times during financial year under review and the details of meetings' attendance of each member are as follows:

Name	Attendance	Percentage (%)
Professor Dr. Muhamad Rahimi Osman	5/5	100
Dr. Ahmad Shahbari @ Sobri Salamon <i>(Ceased office on 1 April 2019)</i>	4/5	80
Dato' Wan Mohamad Dato' Sheikh Abdul Aziz <i>(Ceased office on 1 April 2019)</i>	4/5	80
Dr. Ahmad Sufian Che Abdullah	5/5	100
Dr. Marhanum Che Mohd Salleh	5/5	100
Megat Hizaini Hassan	5/5	100
Dr. Nik Abdul Rahim Nik Abdul Ghani <i>(Appointed on 1 April 2019)</i>	n/a	n/a

n/a – not applicable as Dr. Nik Abdul Rahim Nik Abdul Ghani was appointed as a member after the financial year ended 31 December 2018.

Whistle Blowing Policy and Fraud & Integrity Policy

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

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

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

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

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

Corporate Disclosure Policy

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

Sustainability Policy

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

The Board promotes good corporate governance in the application of sustainability practices particularly through the corporate social responsibility initiatives/programs undertaken by the Company throughout the year. The Sustainability Report is set out on page 18 to 43 of the Annual Report.

Corporate Governance Overview Statement

Supply of Information to the Board

The Board has full and timely access to information with Board papers distributed in advance of meetings, normally five (5) days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. The Board papers include the minutes of previous Board meeting, minutes of meetings of all Committees of the Board, minutes of the Shariah Advisory Body and reports relevant to the issues of the meetings covering areas such as financial, investment, information technology, operational, human resource and regulatory compliance matters. The Group Chief Executive Officer keeps the Board informed, on timely basis, of all material matters affecting the Group's performance and major developments within the Group.

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

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meetings' procedures are followed and that all applicable rules and regulations are complied with. He is also responsible for advising the Directors of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. In accordance with Paragraph 14.04 of the Listing Requirements, the Directors of the Company are reminded that they must not engage in dealings of the Company's shares or of other listed issuers as long as the Directors are in possession of price-sensitive information relating to such listed issuers. During the financial year under review, there were no transactions by any of the Directors in the shares of the Company. The Directors may seek independent professional advice in furtherance of their duties, at STMKB's expense.

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

Appointment to the Board

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

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

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

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

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

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

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

Corporate Governance Overview Statement

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

Nomination & Remuneration Committee ("NRC")

As at the end of the financial year under review, the NRC consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The Chairman of the NRC is Dato' Othman Abdullah, a Senior Independent Non-Executive Director. The NRC met six (6) times during the financial year under review with details of meetings' attendance of each member as follows:

Name	Attendance	Percentage (%)
Dato' Othman Abdullah	6/6	100
Mahadzir Azizan	6/6	100
Zakaria Ismail	5/6	83.3

The NRC is empowered by the Board and its terms of reference to bring to the Board recommendations as to the appointment of Directors, Shariah Advisory Body members, Senior Management (General Manager position and above including Group Chief Executive Officer, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Appointed Actuary and such other designation as determined by the Board from time to time) and Company Secretary. The NRC also reviews the terms of appointment of Directors, Shariah Advisory Body members, Senior Management and Company Secretary.

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

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

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

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

- Directors and Audit Committee's Performance Evaluation;
- Proposed appointment of Chief Executive Officer for STMAB;
- Proposed re-appointment of Group Chief Executive Officer;
- Proposed Sharing of Shariah Advisory Body of STMKB with STMAB;
- Proposed appointment and re-appointment of Directors;
- Proposed appointment of Directors of STMAB;
- Proposed re-appointment of General Managers and above, including Deputy Chief Executive Officer;
- Proposed appointment and re-appointment of Shariah Advisory Body members; and
- Proposed re-appointment of Appointed Actuary.

The Terms of Reference of NRC is published on STMKB's website at www.takaful-malaysia.com.my.

Corporate Governance Overview Statement

Directors' Training

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

All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities.

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

Director	Training Programmes
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	<ul style="list-style-type: none"> • INPUMA Malaysia - Indonesia Conference (5 March 2018) • Audit Committee Institute Breakfast Roundtable on "KPMG Report on Non-Executive Directors Remuneration" (19 March 2018) • MIRA Workshop: Corporate Liability Provision : "Exposure of Directors, Partners and Management on Offences Committed by Employees or Others" (25 July 2018) • Offsite Planning Meeting (17 and 18 November 2018)
Mahadzir Azizan	<ul style="list-style-type: none"> • Tax Workshop - Capital Statement (2 August 2018) • AMLA 2018 (29 August 2018) • Cyber Risk Awareness (22 November 2018) • 2019 Budget Tax Proposals (30 November 2018) • Compliance Management Strategy During Conflict of Interest (3 December 2018) • Combating Money Laundering and Fraud in a Digital Economy (4 December 2018) • Cryptocurrency & its Implications on Money Laundering Activities (4 December 2018) • Offsite Planning Meeting (17 and 18 November 2018)
Dato' Othman Abdullah	<ul style="list-style-type: none"> • AMLA 2018 (29 August 2018) • MIA International Accountants Conference 2018 Kuala Lumpur, Malaysia (9 and 10 October 2018) • Offsite Planning Meeting (17 and 18 November 2018) • Cyber Risk Awareness (22 November 2018)
Mohd Tarmidzi Ahmad Nordin	<ul style="list-style-type: none"> • Focus Group (Insurance & Takaful) - Discussion in Preparation for the 5th Annual Dialogue with the Governor (1 March 2018) • Takaful & Retakaful (14 May 2018) • Offsite Planning Meeting (17 and 18 November 2018)
Datin Sri Azlin Arshad	<ul style="list-style-type: none"> • JCorp Intellectual Property Management Awareness Programme by JCorp (3 October 2018) • Offsite Planning Meeting (17 and 18 November 2018) • Seminar & Business Trip: Korea Cloud & Datacentre Summit 2019 by WMedia (23 January 2019)

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

Re-election/Re-appointment

The Constitution of the Company provides for all Directors to submit themselves for re-election at least once every three (3) years at the AGM in compliance with the Listing Requirements.

Corporate Governance Overview Statement

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

DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The NRC is responsible in recommending the remuneration framework for the Directors as well as the remuneration package of Shariah Advisory Body members, Group Chief Executive Officer and Senior Management to the Board to ensure that STMKB attracts, motivates and retains the right Directors, Shariah Advisory Body members, Group Chief Executive Officer and Senior Management.

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

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

Disclosure

The details of the remuneration for the Directors (Non-Executive Directors) for the financial year ended 31 December 2018 are as follows:

Group

	Non-Executive Directors (RM'000)
Fees	673
Other emoluments	591
Benefits-in-kind	131
Total	1,395

Directors' Remuneration	Number of Directors Non-Executive Directors
RM50,000 and below	-
RM50,001 – RM100,000	1
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
RM200,001 – RM250,000	3
RM250,001 – RM300,000	-
More than RM300,000	1
Total	7

Corporate Governance Overview Statement

Company

	Non-Executive Directors (RM'000)
Fees	598
Other emoluments	557
Benefits-in-kind	123
Total	1,278

Directors' Remuneration	Number of Directors Non-Executive Directors
RM50,000 and below	-
RM50,001 – RM100,000	1
RM100,001 – RM150,000	1
RM150,001 – RM200,000	2
RM200,001 – RM250,000	2
RM250,001 – RM300,000	1
More than RM300,000	-
Total	7

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

STMKB departs from Practices 7.2 and 7.3 of the MCCG in view that there would be adverse implication including dissatisfaction and animosity among the staff in the event that STMKB disclose salary, bonus, benefits in-kind and other emoluments of Senior Management on a named basis.

REMUNERATION POLICY STATEMENT

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

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

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

Corporate Governance Overview Statement

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

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

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

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

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

The performance management process covers the following:

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

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

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

Corporate Governance Overview Statement

- The approval matrix for remuneration is determined as per below table:

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

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

SHAREHOLDERS

Dialogue between the Company and Investors

STMKB recognises the importance to keep the shareholders well-informed of all major developments of STMKB on a timely basis. The Chairman and Group Chief Executive Officer hold discussions with shareholders at least once a year during the AGM. Additionally, various disclosures and announcements made to Bursa Securities including quarterly and annual results facilitate the dissemination of information to the shareholders. All these announcements and other information about the Company is available on STMKB's website, www.takaful-malaysia.com.my which shareholders, investors and public may access.

The AGM

The AGM is the principal forum for dialogues with shareholders. General meetings are important platforms for Directors and Senior Management to engage with shareholders to facilitate greater understanding of the Company's business, governance and performance. Shareholders are able to participate and engage with the Board and Senior Management and make informed voting decisions at general meetings. Besides the normal agenda for the AGM, the Group Chief Executive Officer presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Board members, Shariah Advisory Body members, Senior Management and the Company's external auditors are available to respond to shareholders' enquiries during the AGM.

The Group Chief Executive Officer also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group ("MSWG"). The Notice of 33rd AGM was dispatched to shareholders within 28 days prior to the meeting pursuant to Practice 12.1 of the MCGG. STMKB will continue to adopt Practice 12.1 of the MCGG and the Notice of the 34th AGM will also be dispatched at least 28 days prior to the meeting. As for re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Corporate Governance Overview Statement

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

In line with the amendments to the Listing Requirements of Bursa Securities under Paragraph 8.29A, the Company has adopted poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 33rd AGM of the Company held on 3 April 2018. Poll voting reflects more accurately and fairly shareholders' views by ensuring that every vote is recognised, in accordance with the principle of "one share one vote". Polling processes was explained during the general meetings and was conducted through electronic voting. Poll Administrator and Independent Scrutineers were appointed to conduct the polling process and verify the results of the poll respectively. The poll results was also announced to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders. Summary of the key matters discussed at the AGM was also published on the STMKB's website at www.takaful-malaysia.com.my, as soon as practicable after the conclusion of the AGM.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

STMKB aims to adopt integrated reporting in the future and will take the necessary measures as recommended under Practice 11.2 of MCGG.

Statement of Directors' Responsibilities in Relation to Financial Statements

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

The Directors consider that, in preparing the financial statements for the year ended 31 December 2018, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

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

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

Internal Control and Risk Management

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

The Audit Committee regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by Group Audit. The Audit Committee also reviews Group Audit's recommendation and Management responses to these recommendations to ensure that they are working adequately and promptly.

Corporate Governance Overview Statement

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors furnished on pages 72 to 76 in the Annual Report provides an overview of the state of risk management and internal control within the Group.

Relationships with the Auditors

The role of the Audit Committee is as stated on pages 67 to 71. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationship with the Company's auditors, both internal and external.

Internal Auditors

Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference especially when there are pertinent points should any of the Board members wish to highlight or seek clarification.

External Auditors

The Audit Committee and the Board place great emphasis on the objectivity and independence of the Company's auditors, Messrs KPMG Desa Megat PLT, in providing relevant and transparent reports to the shareholders. The Audit Committee undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend the Audit Committee meetings as and when necessary as well as during the AGMs. During the financial year under review, the Audit Committee had held two private sessions with the auditors without the presence of Management to discuss among other things the scope and adequacy of the audit process and audit findings.

This statement is made in accordance with the resolution of the Board of Directors dated 24 January 2019.