

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT

The Board of Directors (the "Board") of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or the "Company") and its subsidiary companies ("STMKB Group" or the "Group") continues to subscribe and support the Malaysian Code on Corporate Governance 2021 ("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](http://www.takaful-malaysia.com.my).

### DIRECTORS

#### The Board

The Board of STMKB is responsible to promote and protect the interest of STMKB which includes the shareholders and other stakeholders of each member of the Group. The Board shoulders the ultimate responsibility of determining the direction of the Group thereby ensuring long-term success and delivery of sustainable value to its shareholders. The Board provides thought leadership and advice in fine-tuning corporate strategies, championing corporate governance and ethical practices and ensures effective execution of these strategies.

#### 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 regularly 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 20 September 2021. The Board Charter is accessible on our website at [www.takaful-malaysia.com.my](http://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 affirmed objectives of the Company. Consequently, it has the power to decide on all matters pertaining to the Company's business as empowered and guided by the Company's Constitution, Companies Act 2016, Islamic Financial Services Act 2013 ("IFSA 2013") and all relevant guidelines of Bank Negara Malaysia ("BNM"), Securities Commission and the Listing Requirements, and if required, to delegate these powers accordingly. The following are the main roles and responsibilities of the Board in accordance to the Charter:-

- (i) Business Direction/Operations/Finance;
- (ii) Requirement under Authorities/Statutes;
- (iii) Management/Human Resource;
- (iv) Board/Shariah Membership and Board Committees;
- (v) Administrative;
- (vi) Principal Responsibilities under Corporate Governance (including Risk Management and Compliance);
- (vii) Internal Audit Function; and
- (viii) Principal Responsibilities under Shariah Governance.

Details of the above roles and responsibilities are embedded in the Board Charter of the Company which is published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

To operate effectively in a dynamic and challenging environment, the Board's responsibilities are delegated to and executed by Management of the Company headed by the Group Chief Executive Officer ("GCEO"). GCEO is responsible for broad aspects of 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. This includes, amongst others, implementation of policies and strategies as approved by the Board, which are always in line with Shariah principles and guided by regulatory requirements 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. Fourteen (14) Board meetings were held during the financial year under review with details of meetings' attendance of each Director are as follows:

Name	Attendance	Percentage (%)
Dato' Mohammed Hussein <i>Chairman/Independent Non-Executive Director</i>	14/14	100
Mohd Azman Sulaiman <i>Independent Non-Executive Director</i>	14/14	100
Suraya Hassan <i>Independent Non-Executive Director</i>	14/14	100
Dato' Mustaffa Ahmad <i>Independent Non-Executive Director</i>	14/14	100
Mohamad Salihuddin Ahmad <i>Non-Independent Non-Executive Director</i>	14/14	100
Datuk Bazlan Osman <i>Independent Non-Executive Director</i>	14/14	100

The Board is satisfied with the level of time commitment given by each Director towards fulfilling their roles and responsibilities as Directors of STMKB as evidenced by their attendance record 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. 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 Board Committees' meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM"), Directors' training, Board networking events, discussions with Management and meetings with various stakeholders. The schedule for Board meetings was shared with the Directors before the beginning of the year to ensure the Directors' time commitment.

As prescribed in Paragraph 15.06 of the Listing Requirements, Directors must not hold directorships at more than five (5) Public Listed Companies ("PLC"). None of the Directors of STMKB exceeded these limits during the financial year under review. Directors are required to declare their directorships and/or interests in other public and private companies on a monthly basis. Such information is also used to monitor the number of directorships held by Directors, particularly those on PLC and to notify 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 consists 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 comprised the following:-

Name	Composition	Percentage (%)
Non-Independent Executive Director	0	0
Non-Independent Non-Executive Directors	1/6	16.7
Independent Non-Executive Directors	5/6	83.3

The Board of STMKB agreed during their meeting held on 25 August 2021 to have a majority of independent directors at all time.

The tenure of all five (5) Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by MCGG and as set out in the Board Charter. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, the Board recommends and supports the proposed re-election of the Independent Non-Executive Directors and Non-Independent Non-Executive Director who are retiring by rotation in accordance with Rule 74 and Rule 83 of the Company's Constitution at the forthcoming 37th AGM.

The Board acknowledges gender diversity in its composition and strongly supports the Government's target of having 30% women's participation on boards of PLC in Malaysia. For the period under review, the Board comprises five (5) men Directors and one (1) woman Director, resulting into a percentage of 16.7%. Notwithstanding, the Board remained cognisant of the importance of boardroom gender diversity and always mindful that any gender representation should be in the best interest of the Company. The Board will continue to encourage and support more women participation on the Board including whenever a vacancy arises. Applications were made with BNM on appointment of two (2) women Directors in February 2022 and upon approval, will increase the percentage to 37.5%. On 18 March 2022, BNM approved the appointment of Datin Paduka Kartini Haji Abdul Manaf as Non-Independent Non-Executive Director of STMKB for a 3-year term from her date of appointment to the Board. Datin Paduka Kartini Haji Abdul Manaf's appointment as a representative of Lembaga Tabung Haji was formalised with effect from 1 April 2022.

The Board recognises that diversity is one (1) of the key drivers to enhance Board effectiveness as diversity broadens the debate within the Board, Shariah Advisory Body ("SAB") and Senior Management by harnessing different insights and perspectives. The Board will continuously enhance the Board, SAB and Senior Management's composition to encourage diversity in terms of skills, background, knowledge, industry experience, culture, independence of mind and fairness/opinion and perspectives, ethnicity, age and gender when appointing new Directors, SAB members and Senior Management as outlined in MCGG. The profiles of the current Senior Management are set out on pages 58 to 60 of the Annual Report.

With a diversified background and specialisation, the Board collectively brings with them a wide range of experience and expertise in areas such as finance, insurance, takaful, accounting, investment, company secretarial, management and banking. The profiles of Directors are provided on pages 48 to 54 of the Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

There is a clear division of responsibilities between the Chairman and GCEO to ensure that there is a balance of power and authority. The roles and responsibilities of the Chairman and GCEO are distinct and separate, in accordance with the relevant best practices. The Chairman primarily presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. GCEO is responsible for execution of the Group's strategies in line with the Board's direction, oversees the operations of the Company and drives the Group's businesses and performance towards achieving the Group's vision and goals.

### Board Committees

To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to five (5) Board Committees, namely: -

- Audit Committee;
- Nomination and Remuneration Committee;
- Board Risk Committee;
- Investment Committee; and
- Long Term Incentive Plan Committee.

The Chairman of the Board is not Chairman of any of the abovementioned Board Committees in line with the recommendation of MCCG under Practice 1.4.

### Audit Committee ("AC")

AC currently comprises three (3) members, all of whom are Non-Executive Directors, i.e. two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. STMKB will strive to adopt Practice 9.4 of the MCCG in future, i.e. AC should comprise solely of independent directors by reviewing the composition of AC pursuant to the incoming new Board members. The details of AC members and meetings held during the financial year ended 31 December 2021 are as follows:-

Name	Attendance	Percentage (%)
Datuk Bazlan Osman Chairman <i>(Independent Non-Executive Director)</i>	8/8	100
Suraya Hassan <i>(Independent Non-Executive Director)</i>	8/8	100
Mohamad Salihuddin Ahmad <i>(Non-Independent Non-Executive Director)</i>	8/8	100

The current Chairman of AC, Datuk Bazlan Osman, is an Independent Non-Executive Director who is not the Chairman of the Board in line with the Practice 9.1 of the MCCG. The AC Report during the financial year under review is disclosed under pages 78 to 80 in the Annual Report.

On top of AC's primary objective to provide an independent oversight on the financial reporting process and internal control system and ensuring checks and balances within the Group, AC shall, whenever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (i) Have authority to investigate any other matter within its terms of reference;
- (ii) Have the resources as well as full and unrestricted access to all information which is required to perform its duties;
- (iii) Have direct communication channels and be able to convene meetings with the Internal Auditors, External Auditors or both of STMKB Group without the attendance of the GCEO, Management and staff whenever deemed necessary; and
- (iv) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.

The Terms of Reference of AC is published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Nomination and Remuneration Committee (“NRC”)**

As at the end of the financial year under review, NRC consisted of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairman of NRC is Mohd Azman Sulaiman, an Independent Non-Executive Director is in line with Practice 5.8 of MCGG. NRC met thirteen (13) times during the financial year under review with details of meetings' attendance of each member as follows:-

Name	Attendance	Percentage (%)
Mohd Azman Sulaiman Chairman (Independent Non-Executive Director)	13/13	100
Dato' Mustaffa Ahmad (Independent Non-Executive Director)	13/13	100
Mohamad Salihuddin Ahmad (Non-Independent Non-Executive Director)	13/13	100

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

NRC also discussed the succession plan of 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.

NRC is also empowered to assess effectiveness of the Board, its Committees including AC, contribution of each individual Director and performance of SAB. Directors' Performance Evaluation, Assessment of Independence of Independent Directors and Performance Evaluation for AC are carried out annually by way of questionnaires which were issued/distributed to the Board and AC members for completion as required under BNM Guidelines, Listing Requirements of Bursa Securities and MCGG. The areas covered are as follows:-

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

The results of evaluation for the financial year ended 31 December 2021 were tabled to NRC and the Board meetings held on 19 January 2022 and 25 January 2022 respectively, for the Board's notification and deliberation. The Board has taken note of the identified areas for improvement and would address them in the appropriate manner. Moving forward, NRC and the Board will also be assessing effectiveness of the other Board Committees.

Based on year 2021 assessment, the Board was satisfied that the Board and Board Committee's composition provides an appropriate balance in terms of its current mix of skills, knowledge and experience, and is able to discharge their duties and responsibility diligently and efficiently in accordance with its Board Charter. The assessment in respect of Directors' independence in year 2021 was carried out using the

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

criteria prescribed under the Listing Requirements of Bursa Securities. All Independent Directors assessed declared adherence to all relevant regulatory stipulations in accordance with the Listing Requirements of Bursa Securities.

NRC reviews eligibility and worthiness of directors for re-election either when directors are seeking re-election subject to Rule 74, 76 and 77 of the Company's Constitution or upon expiry of term and seeking re-election under Rule 82. NRC makes the necessary recommendations to the Board for consideration and approval.

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

- GCEO Scorecard year-end review;
- Proposed salary increment and performance bonus budget for executives and above;
- Succession planning for GCEO, Board and Senior Management;
- SAB fee review;
- Performance evaluation of Directors and Audit Committee;
- Proposed re-election of Directors;
- Token of appreciation to Board members of STMKB and STMAB;
- Performance assessment and rewards for staff reporting to the Board, Board Committees and SAB for STMKB;
- Performance Bonus Quantum for GCEO for FY2020;
- Proposed review of Terms of Reference;
- Proposed appointment and reappointment of Directors;
- Proposed reappointment of SAB members;
- Revised articles for new collective agreement between STMKB and National Union of Commercial Workers for the period 2020 to 2022;
- Proposed appointment, reappointment, confirmation and remuneration package of Senior Management; and
- Identification, shortlisting, interviewing and appointment of new GCEO

The Terms of Reference of NRC is published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

### Board Risk Committee ("BRC")

BRC currently consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairperson of BRC is Suraya Hassan, an Independent Non-Executive Director. BRC met four (4) times during the financial year under review with details of meetings' attendance of each member as follows:-

Name	Attendance	Percentage (%)
Suraya Hassan Chairperson (Independent Non-Executive Director)	4/4	100
Dato' Mustaffa Ahmad (Independent Non-Executive Director)	4/4	100
Mohamad Salihuddin Ahmad (Non-Independent Non-Executive Director)	4/4	100

The following are some of the main duties and responsibilities of BRC:-

- (i) To support the Board in meeting the expectations on risk management as set out in BNM's policy document on Risk Governance.
- (ii) To assist the Remuneration Committee on the implementation of a sound remuneration system, to examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.
- (iii) To review and recommend risk management strategies, policies and risk appetite and tolerance levels for the Board's approval.
- (iv) To review and assess the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well the extent to which these are operating effectively.
- (v) To ensure that adequate infrastructure, resources and systems are in place for effective risk management, e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk-taking activities.
- (vi) To support the Board in providing oversight over technology-related matters.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Investment Committee (“IC”)**

IC currently consists of three (3) members, two (2) of whom are Non-Executive Directors and one (1) Management member. The current Chairman of IC is Dato’ Mustaffa Ahmad, an Independent Non-Executive Director. IC met four (4) times during the financial year under review with details of meetings’ attendance of each member is as follows:

Name	Attendance	Percentage (%)
Dato’ Mustaffa Ahmad Chairman (Independent Non-Executive Director)	4/4	100
Datuk Bazlan Osman (Independent Non-Executive Director)	4/4	100
Dato’ Sri Mohamed Hassan Kamil (Group Chief Executive Officer) [Resigned as IC member on 23 November 2021]	3/3	100
Nor Azman Zainal (Group Chief Executive Officer) [Appointed as IC member on 1 January 2022]	N/A	N/A

The main duties and responsibilities of IC are as follows:-

- (i) To approve the investment strategies, investment risk appetite and assets allocation of all asset classes after having considered proposal and recommendation by Management and all aspects of regulatory requirements as stipulated in various policy documents and guidelines in respect of investment management, governance frameworks as well as risk management.
- (ii) To approve investment risk management framework (e.g. investment authority/transaction limits) is in place in identifying, monitoring, controlling and mitigating the various risks arising from investment activities.
- (iii) To monitor and review the investment activities and investment performance of all asset classes under management.
- (iv) To evaluate, approve and negotiate terms and conditions, on the selection and appointment of external fund managers, custodians, banks and other financial intermediaries.

**Long Term Incentive Plan Committee (“LTIP”)**

LTIP Committee currently consists of four (4) Non-Executive Directors, i.e. three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The current Chairman of LTIP is Datuk Bazlan Osman, an Independent Non-Executive Director. LTIP met four (4) times during the financial year under review with details of meetings’ attendance of each member as follows:-

Name	Attendance	Percentage (%)
Datuk Bazlan Osman Chairman (Independent Non-Executive Director)	4/4	100
Mohd Azman Sulaiman (Independent Non-Executive Director)	4/4	100
Dato’ Mustaffa Ahmad (Independent Non-Executive Director)	4/4	100
Mohamad Salihuddin Ahmad (Non-Independent Non-Executive Director)	4/4	100

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

LTIP Committee was reconstituted in July 2020 to facilitate implementation and administration of the Share Grant Plan under LTIP of STMKB and its subsidiary companies.

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

### Shariah Advisory Body ("SAB")

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

SAB currently consists of five (5) members, all of whom possess the necessary experiences and expertise in their respective fields. The profiles of SAB are provided on pages 55 to 57 of the Annual Report. The current Chairman of SAB is Professor Dr. Muhamad Rahimi Osman. All SAB members complied with the minimum attendance of at least 75% of the meetings held during the financial year under BNM's Policy Document on Shariah Governance. SAB met six (6) 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	6/6	100
Dr. Ahmad Sufian Che Abdullah	6/6	100
Associate Professor Dr. Marhanum Che Mohd Salleh	6/6	100
Megat Hizaini Hassan	6/6	100
Dr. Nik Abdul Rahim Nik Abdul Ghani	6/6	100

### Whistle-Blowing Policy

The Company has established its Whistle-Blowing Policy ("Policy") in response to the Whistle blower Protection Act 2010 and is committed to the highest standard of compliance with regards to disclosure, transparency, accountability and integrity, as well as those set by relevant legislations.

The objectives of this Policy are:

- To provide an avenue for whistle-blowers to raise concerns and define a way to handle any concerns of integrity and misconduct.
- To ensure the Board is kept informed at an early stage about acts of misconduct or improprieties.
- To reassure whistle-blowers that they will be protected from punishment or unfair treatment for reporting concerns in good faith, if such reporting is in accordance with the procedures in the Policy.
- To help develop a culture of openness, accountability and integrity within STMKB Group.

The Policy should be read together with Company's Fraud Management Policy and Anti-Corruption Framework. This Policy and the Fraud Management Policy collectively govern the reporting and investigation procedures of improper activities or misconducts.

The whistle-blower can address concerns via any of the following Whistleblower reporting channel:

- Email to Chairman of the Board of Directors or Chairman of the Audit Committee if its relating to any of the Directors or members of Shariah Advisory Body;
- Email to Chairman of the Audit Committee and Chief Internal Auditor via a designated email address namely WB-STM@takaful-malaysia.com.my for misconduct of its Chief Officers;



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (c) Via e-form: <https://www.takaful-malaysia.com.my/contactus/Pages/wbeform.aspx> to Chairman of the Audit Committee and Chief Internal Auditor for misconduct of its Senior Management or Employees up to General Manager level or in writing to Chief Internal Auditor to the mailing address below:

Chief Internal Auditor, 15th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.  
P.O. Box 11483, 50746 Kuala Lumpur.

### Fraud Management Policy

The Fraud Management Policy serves as guidance in managing fraud incidences in STMKB. It is designed to meet the following objectives:

- Provide guidance and approach to managing fraud risks and handling fraud incidences;
- Define the roles and responsibilities of all stakeholders in managing fraud risks;
- Provide the process for managing fraud risks; and
- Provide the process for investigating and reporting fraud incidences.

### 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 strives to be a responsible corporate citizen. STMKB is committed to upholding Shariah principles in relation to its business and social responsibilities.

The Board underwent briefings on Climate Change/Climate Quantified/ESG by Willis Re as well as Introduction to Recommendation by Task Force on Climate Related Financial Disclosure in collaboration with KPMG and IBFM during the Financial Year 2021.

The Board promotes good corporate governance in the adoption of sustainability practices, particularly through the corporate social responsibility initiatives/programmes conducted by the Company throughout the year. The Sustainability Statement is set out on pages 19 to 46 of the Annual Report.

### Supply of Information to the Board

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

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

A notification email on meeting dates including dateline for meeting materials to be submitted is sent out to Management a few weeks prior to the meeting date.

The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The Company Secretary will communicate to relevant members of Management the Board's decisions for appropriate actions to be taken. The Company Secretary will also follow up with Management on status of actions taken with reference to previous minutes of meetings for updating the Board. Action items would stay as matters arising in minutes of meetings until they are resolved.

Key decisions are always made in a Board meeting while Directors' Circular Resolutions are usually confined to administrative matters and are normally accompanied by Board papers in the same prescribed format. All Directors' Circular Resolutions are tabled for confirmation/ratification at the subsequent Board meeting after issuance thereof.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. The Company Secretary of STMKB is qualified to act pursuant to Section 235(2) of Companies Act 2016.

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. She is also responsible for advising 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, 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 Directors are in possession of price-sensitive information relating to such listed issuers. During the financial year under review, there was no transaction by any Director in the shares of the Company. 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 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 NRC in a formal and transparent process and NRC would recommend appointments to the Board for approval. In line with IFSA2013 and BNM's requirements, appointment of Directors is subject to BNM's approval. The Company Secretary will ensure that all appointments are properly made, with all necessary information obtained, as well as all legal and regulatory requirements duly met.

The Board, with assistance of NRC, also considers the following criteria 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, knowledge, experience, ability and commitment to carry out the role; and
- Financial integrity: the person must manage his/her debts or financial affairs prudently.

NRC and the Board will also consider diversity in terms of, among others, skills, background, knowledge, industry experience, culture, independence of opinion and perspectives, ethnicity, age and gender when appointing new Directors.

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

- Identification of candidate;
- Evaluation of suitability of candidate;
- Meeting with candidate;
- Deliberation by NRC; and
- Recommendation to the Board.

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

In identifying candidates for appointment of Directors, NRC does not solely rely on recommendations from the existing Board members, Management or major shareholders. The Board also utilises independent sources such as FIDE FORUM, Institute of Corporate Directors Malaysia ("ICDM") and Lead Women to identify suitably qualified candidates.

During the financial year, the Board reviewed a talent pool, a database of potential candidates collated from talent resourcing, the existing Board members, Management and major shareholders as a tool to facilitate new appointments and recruitments. NRC/Board will screen through the talent pool during selection process in identifying best suited candidate for a particular position.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the financial year, the Board entrusted NRC to compile a list of prospective candidates as potential board members, recognising the need to succeed and add to the members of the Board. NRC compiled a list of names and profiles of potential candidates recommended by members of the board as well as engaged FIDE Forum and ICDM to help expand the search. NRC then assessed and interviewed potential candidates before recommending a suitable candidate for a particular position to be considered by the Board. The Chairman and other Board members then interviewed the candidate before arriving at a final decision.

NRC was also entrusted by the Board to conduct an Executive Search Process engaging a professional executive search firm to identify and hire a new GCEO.

In compliance with BNM's guidelines on Fit and Proper Criteria, all Directors and SAB 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 SAB member fulfills the 'fit and proper' criteria.

### Directors' Training

The Board is mindful of the need for continuous training to keep abreast of new developments and is encouraged to attend internal training programmes/forums/seminars and external programmes facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors pertaining to the laws and regulations which may affect the Company. The Board will continue to evaluate and determine training needs of Directors to enhance their skills and knowledge. The Company Secretary keeps a complete record of the trainings received or attended by the Directors.

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

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

The training programmes, conferences and seminars attended by Directors during the financial year under review are within the categories of Takaful/Insurance, Digital & Cybersecurity, Risk Management, Finance including Malaysian Financial Reporting Standards (MFRS) 17, Sustainability and Governance & Compliance (including Shariah related).

### Re-election During AGM

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

To assist shareholders in their decision on the relevant AGM resolutions, 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

NRC is responsible in recommending the remuneration framework for Directors as well as remuneration package of SAB members, GCEO and Senior Management to the Board to ensure that STMKB attracts, motivates and retains the right Directors, SAB members, GCEO and Senior Management.

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Disclosure

The disclosure of each Director's remuneration, comprising the amount received from the Company and its subsidiaries during the financial year, are as follows:

### Company

Name	Fees (RM'000)	Allowance (RM'000)	Salary (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Other emoluments (RM'000)	Total (RM'000)
Dato' Mohammed Hussein Independent Non-Executive Director	144	120	-	-	10	101	375
Mohd Azman Sulaiman Independent Non-Executive Director	120	-	-	-	23	152	295
Suraya Hassan Independent Non-Executive Director	156	-	-	-	31	119	306
Dato' Mustaffa Ahmad Independent Non-Executive Director	144	-	-	-	22	141	307
Mohamad Salihuddin Ahmad Non-Independent Non-Executive Director	180	-	-	-	7	132	319
Datuk Bazlan Osman Independent Non-Executive Director	120	-	-	-	22	130	272

### Group

Name	Fees (RM'000)	Allowance (RM'000)	Salary (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Other emoluments (RM'000)	Total (RM'000)
Dato' Mohammed Hussein Independent Non-Executive Director	144	120	-	-	10	101	375
Mohd Azman Sulaiman Independent Non-Executive Director	120	-	-	-	23	152	295
Suraya Hassan Independent Non-Executive Director	156	-	-	-	31	119	306
Dato' Mustaffa Ahmad Independent Non-Executive Director	144	-	-	-	22	141	307
Mohamad Salihuddin Ahmad Non-Independent Non-Executive Director	258	-	-	-	23	174	455
Datuk Bazlan Osman Independent Non-Executive Director	120	-	-	-	22	130	272

Similar detail is also provided in Note 29 of the Annual Audited Financial Statements of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The total remuneration made on a named basis for the key senior management during the financial year is set out as follows:

## Group

Name	Salary (RM'000)	Allowance (RM'000)	Bonus (RM'000)	Benefits (RM'000)	Other emoluments (RM'000)	Total (RM'000)
Dato' Sri Mohamed Hassan Kamil (former Group Chief Executive Officer)	5,667	225	350	425	6,350*	13,017
Mohamed Sabri Ramli (Chief Executive Officer, STMAB)	714	24	312	4	164	1,218
Leem Why Chong (Deputy Chief Executive Officer, STMKB)	901	45	150	25	1,745	2,866
Juliana Lo Beng Liew (General Manager Corporate Finance & Strategy)	504	45	126	-	1,028	1,703
Firozdin Abdul Wahab (Chief Bancatakafu Officer)	494	45	70	10	940	1,559

Note:

\* Emoluments paid due to early release of Dato' Sri Mohamed Hassan Kamil as GCEO of STMKB by 31 December 2021.

## 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 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 staff to continue to perform and create sustainable results and ensure that there is an alignment of interest among the stakeholders i.e. shareholders, customers and staff.

The Policy and general incentive structure is consistent with the Group's long term strategy. It is also implemented to ensure transparency in respect of the Group's reward strategy where the staff will have clear and predetermined 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 eligible 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 15 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;
- KPIs - 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); and
- The approval matrix for remuneration is determined as per below table:

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### SHAREHOLDERS

#### Dialogue between the Company and Investors

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

#### AGM

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.

All Directors attended the Company's 36th AGM which was held fully virtual on 1 June 2021. This was due to the Recovery Movement Control Order ("RMCO") and based on the 'Guidance Note on the Conduct of General Meetings for Listed Issuers' by Securities Commission Malaysia, where listed issuers are encouraged to conduct fully virtual general meetings during the RMCO period. Apart from Directors, Senior Management and the external auditors of the Company also attended the said AGM.

Besides the normal agenda for AGM, GCEO presented the progress and performance of the business as contained in the Annual Report and provided opportunities for shareholders to raise questions pertaining to business activities of the Group. Board members, Senior Management and the Company's external auditors were available to respond to shareholders' enquiries during AGM.

GCEO also shared with shareholders, the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group ("MSWG"). Notice of the 36th AGM was dispatched to shareholders at least of 28 days prior to the meeting pursuant to Practice 13.1 of the MCCG to enable shareholders to make the necessary arrangement to attend and participate in person or through corporate representatives or proxies. It also enabled shareholders to read the Annual Report, consider the resolutions and make an informed decision in exercising their voting rights at the AGM. STMKB will continue to adopt Practice 13.1 of the MCCG and the Notice of the 37th AGM will also be dispatched at least 28 days prior to the meeting. The notice is also published in a nationally circulated newspaper as required under the Listing Requirements of Bursa Securities and is made available on the Company's website. 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.

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(1), the Company has adopted poll voting for all resolutions set out in the notice of general meeting instead of by a show of hands at the 36th AGM of the Company held on 1 June 2021. 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 were explained during general meetings and were 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 were also announced to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders. A summary of the key matters discussed at the AGM was also published on the STMKB's website at [www.takaful-malaysia.com.my](http://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. AC assists

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 12.2 of MCGG.

### Statement of Directors' Responsibilities in Relation to Financial Statements

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.

Directors consider that, in preparing the financial statements for the year ended 31 December 2021, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on going concern basis.

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.

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.

AC 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. AC also reviews Group Audit's recommendation and Management responses to these recommendations to ensure that they are working adequately and promptly.

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed the Statement on Risk Management and Internal Control furnished on pages 81 to 86 in the Annual Report of the Group for the year ended 31 December 2021, pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants. In their limited assurance review, they have reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers; or
- b. is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion made by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Relationships with the Auditors

The Role of AC is as stated on pages 78 to 80. Through AC 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 AC and has unrestricted access to AC. Its function is independent of activities or operations of other operating units. Internal Auditors periodically evaluates effectiveness of risk management process, reviews operating effectiveness of internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend AC meetings to facilitate deliberation of audit reports. The minutes of AC 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

AC and the Board place great emphasis on the objectivity and independence of the Company's auditors, Messrs PricewaterhouseCoopers PLT, in providing relevant and transparent reports to the shareholders. AC undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend AC meetings as and when necessary as well as during AGM. During the financial year under review, AC held two (2) 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 11 March 2022.