

# Corporate Sustainability Statement

“Takaful Malaysia, the first Islamic insurance company in the country, provides protection solutions and risk management expertise towards helping people achieve a brighter and financially more secure future. We are committed to fostering a sustainability strategy in the way we conduct our business, encompassing the essential economic, environmental and social key areas.”

We have evolved to meet the demands of our stakeholders over the years by incorporating a sustainability mindset in our operations at all levels. This has enabled us to develop a sustainable business model to create long term value and high returns to our valued shareholders.

Adopting the highest standard of corporate governance is vital to maintain a sustainable growth in a competitive market. We therefore embedded sustainability into our business strategy and set standards and frameworks to enhance our risk management. At the same time we also recognised the advantages of incorporating sustainability into our business operations to amplify our brand value and reputation. Prudent management of our non-financial issues improved our productivity too.

We interact with different groups of stakeholders, including shareholders, customers, business partners, employees, regulators, vendors and the government. We engage with our stakeholders through various platforms such as the Annual General Meetings, Fund Managers and Analyst Briefings, our nationwide network of 24 service centres as well as ongoing client and employee engagement surveys. Additionally, our stakeholders can get in touch with us directly via our corporate website and online portals, our dedicated customer service representatives or through our business managers and sales personnel.

This Sustainability Statement depicts our sustainability performance, initiatives and achievements for the financial year 2016. The scope of our sustainability disclosure covers the Company's operations and activities across its 24 service centres nationwide. Realizing the significance of operating in an economically, environmentally and socially sustainable manner; we are poised in exploring innovative ways to further our sustainability efforts through promoting a culture of sustainability, managing our operations in a manner that minimizes our environmental and social impacts and enabling the integration of sustainability principles and practices into our business operations.

## ADVANCING SUSTAINABILITY IN THREE KEY AREAS





**ECONOMIC**

Takaful Malaysia began in 1981 when the Government of Malaysia set up a task force to study the feasibility of establishing an Islamic insurance company in Malaysia. Consequently, Takaful Malaysia was then incorporated on 29 November 1984 followed by the commencement of its operations on 22 July 1985. After slightly more than a decade of operations, the Company was converted into a public limited company on 19 October 1995, followed by its listing on the Main Board (now known as 'Main Market') of Bursa Malaysia Securities Berhad on 30 July 1996.

The Company has undertaken its materiality assessment process and identified several material sustainability matters arising from the economic impact relating to indirect economic impact and community investment. As an Islamic insurance company that provides a wide range of Takaful solutions in both the Family Takaful and General Takaful sectors, our continued efforts in promoting Islamic insurance solutions are in line with the country's mission of becoming an Islamic financial hub. We are committed to promoting Islamic financial security to minimize the protection gap and also to increase the penetration rate in the Family Takaful market.

Corresponding to the Economic Transformation Programme to propel Malaysia into a high income economy by the year 2020, we contributed towards developing avenues for growth by expanding the Company's asset management and pursuing business overseas through our subsidiaries in Indonesia. Our Group Assets stand at RM7.8 billion in 2016 whilst our market

capitalisation increased by 1,034% to RM3.4 billion in 2016 from RM299.6 million in 2012.

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

**ENVIRONMENTAL**

At Takaful Malaysia, we understand the importance of managing our operating footprint by promoting responsible environmental protection amongst our employees and stakeholders. Based on the materiality assessment process carried out by the Company, we have identified several material sustainability matters arising from the environmental impact relating to water, energy and non-hazardous waste, i.e. paper. In 2016, we took steps to reduce the impact of our operations on the environment.

On the IT front, we made significant improvements by utilizing an advanced system in reducing the time and effort spent on generating consolidated reports from the various business units in the Company. In managing the volume of our growing business, we have also built new dashboards to enhance our internal operations and processes to greater heights. In line with

**ECONOMIC**

**Takaful Malaysia** was incorporated on 29 November 1984 and was converted into a public limited company on 19 October 1995



**Market Cap** increased by **1,034%** to **RM3.4 billion** in 2016 from RM299.6 million in 2012

**Networking**  
**24** service centres nationwide

## Corporate Sustainability Statement



### ENVIRONMENTAL

#### Electricity Consumption

decreased by  
**0.12%** in 2016

2015 - **6,795,082 kWh**  
 2016 - **6,787,016 kWh**

#### Paper Use

decreased by  
**28.5%**

2015 - **10,192 reams**  
 2016 - **7,287 reams**

#### Water Consumption

Headquarters -  
**40,777 m<sup>3</sup>**

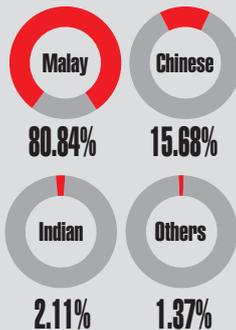
Service Centres -  
**7,008 m<sup>3</sup>**

Number of Employees **950**

Employee Turnover Rate **8.2%**

Average Hours of Training Per Annum Per Employee **21.6 Hours**

#### Ethnicity Diversity (%)



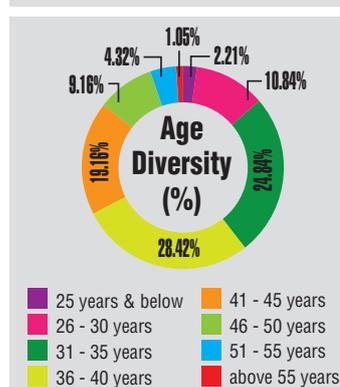
Average Length of Service **9 YEARS 4 MTHS**

#### Employment Demographics:

Local **99.8%** vs Foreign **0.2%**

#### Gender Diversity (%)

Male: **44.3%** Female: **55.7%**



the shift in consumers' preference for digital platforms, we have introduced an online sales portal to optimise our operations and make it convenient for our customers to renew and subscribe to our selected products.

During the year under review, Takaful Malaysia has taken the initiative to minimize its electricity consumption proactively in order to conserve energy. The total annual electricity consumption for the Company in 2016 is 6,787,016 kilowatt hours (kWh), an average of 565,585 kWh per month. We have registered a slight decrease of electricity consumption by 0.12% in 2016. Takaful Malaysia will continue finding new ways to meet its energy needs that are not only environmentally sustainable but also economical.

We have significantly reduced our paper use to provide fast, efficient and easy solutions to our customers and business partners. We also imposed a prudent use of paper practice amongst our employees to minimize paper use. Nevertheless, paper is still considered a relevant consumed material to our operations. Corresponding to our sustainability strategy in managing and reducing the impact of our operations on the environment, we have taken the initiative to purchase and use paper from suppliers that meet the international standard such as ISO 9001 for Quality Management System, ISO 14001 for Environmental Management System and ISO 9706 for Permanency of Paper. Based on total office and internal printing use, our paper use in 2016 witnessed a moderate decrease by 28.5% to 7,287 reams from 10,192 reams consumed in 2015.

2016 also witnessed a decrease in the water consumption across the Company in both per capita and real terms. The total volume of water used in 2016 was 47,785 megalitres that translated to 40,777 megalitres of water consumption on headquarters and 7,008 megalitres across our service centres. We are committed to reducing water use by undertaking leak detection in pipes and continuous monitoring of water use across our business operations.

#### SOCIAL

Our active involvement in creating and implementing solutions to social challenges is in response to the demands and expectations of our stakeholders. After undertaking a materiality assessment process, we have identified several material sustainability matters arising from the social impact relating to diversity, human rights, occupational safety and health, anti-corruption, labour practices and society.

Our Human Resource strategy centers on good labour employment and human rights practices across our 950 employees. We adopted a diversity policy as we strongly believe that building a diverse and inclusive workforce will result in improved service for our customers and return for our shareholders. We are also committed to leveraging the diverse backgrounds, experiences and perspectives of the employees which include differences in ethnicity, gender and age in providing excellent customer service to our valued customers.

In line with the Company's corporate philosophy of improving lives, we encourage engagement and participation from the employees in our activities involving the community.



During the financial year under review:

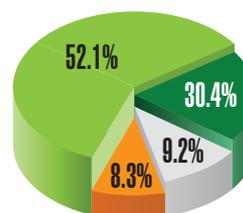
- Takaful Malaysia donated a total of approximately RM344,000 via its charity fund in the form of contributions to various recipients including education centres, charitable organizations and communities.
- We conducted a charity program under the Company's Corporate Social Responsibility umbrella namely, Takaful *myJalanan* Kasih and Takaful *myJalanan* Ilmu and hosted a Berbuka Puasa event with the children from the Home of Hope Al-Khaadem and also sponsored the children with Raya apparel.
- We treated the children from the Rumah Kasih Harmoni Paya Jaras to a Raya shopping spree where the children were given the chance to pick their own Raya apparel, accompanied by the staff of Takaful Malaysia who were at hand to provide the necessary attention and assistance.
- We organized a book donation campaign for children amongst our employees, aimed at improving the English language proficiency of underprivileged children and donated more than 300 books each to selected charity homes namely Yayasan Sunbeams, The Shelter Home and Rumah Titian Kasih.

- We collaborated with third parties like health service providers, panel hospitals and government agencies in organizing awareness programs for our employees like health awareness program, optical care, traditional medication and physiotherapy as well as private retirement scheme day and financial management talk from various financial institutions.
- We organized STMB Internship and University Partnership Programs and collaborated with local universities to provide the students with adequate exposure about the takaful industry as well as career opportunities. A total of 317 students from local and international universities visited Takaful Malaysia.
- We continued to conduct the training and internship programme for young graduates via our STMB Skim Latihan Satu Malaysia (SL1M) programme and hired eleven (11) trainees to permanent positions in various divisions.

### Distribution of Takaful Malaysia's Charity Fund

#### Group of Recipients

- NGOs
- Educational Institutions
- Individuals
- Corporations



Total Contribution: **RM343,524.16**



We donated more than  
**1,000**  
children books  
to selected charity homes

**317**  
university students  
visited Takaful Malaysia

**11** trainees  
hired to permanent  
positions under the STMB  
SL1M programme

## Corporate Sustainability Statement

### Anti-Money Laundering

**100%** of employees attended Anti-Money Laundering Act (AMLA) training

**100%** of operations assessed for risks related to corruption

**Our products and services adhered to AMLA procedures and practices**

### Safety & Health

**18%**

of workers attended the Safety & Health Training

**0 cases**

of work related injuries

**0 cases**

accident frequency rate

**0 cases**

of work related fatalities

**0 cases**

severity rate

### GOVERNANCE AND RISK MANAGEMENT

#### Governance

At Takaful Malaysia, the Board of Directors (the Board) promotes good corporate governance in the application of sustainability practices. The Board comprises a number of independent directors to ensure the interests of stakeholders are protected. The Management of the Company is spearheaded by the Group Managing Director, who oversees the implementation of the Company's sustainability approach and to ensure smooth functioning of the Company's operations.

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

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

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

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

#### Risk Management

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

##### i) Managing risk

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

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

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

##### ii) Embedding risk culture

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

Risk culture begins from the Board through Management and followed by the employees. The involvement of stakeholders at all stages of the risk management process is important to ensure the risk management system works. Takaful Malaysia adopts the concept of three levels of defence in risk management.

- (a) The first level of defence is the operational level whereby risk is first identified. Risk coordinators and/or Head of Division/ Departments are required to assume the responsibility of identifying and managing risks in their respective functions, as well as escalating significant potential risks to Management Risk Committee ("MRC") and Board Risk Committee ("BRC").
- (b) The second level of defence consists of Risk Management Division ("RMD") and MRC (formed by Senior Management). MRC will ensure the alignment of Takaful Malaysia's business practices to the risk management policy, whilst the RMD will assist MRC and BRC in discharging its responsibilities by providing oversight of the effectiveness of risk management.
- (c) The third level of defence is currently performed by the internal audit function. It provides the Audit Committee with an independent assurance on the effectiveness of risk management controls and functions.

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