

# 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”) 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 practiced 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 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 the 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 19 October 2017. 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 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, Islamic Financial Services Act 2013 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.

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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 (GCEO). The GCEO 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, are always in line with the 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. Six (6) 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 (Retired on 9 May 2019)	3/3*	100
Mahadzir Azizan Non-Independent Non-Executive Director	6/6	100
Zakaria Ismail Independent Non-Executive Director (Ceased office on 15 May 2019)	3/3*	100
Dato' Othman Abdullah Senior Independent Non-Executive Director	6/6	100
Mohd Tarmidzi Ahmad Nordin Non-Independent Non-Executive Director (Ceased office on 1 April 2019)	1/2*	50
Datin Sri Azlin Arshad Independent Non-Executive Director/ Deputy Chairman (Appointed on 25 April 2019)	6/6	100
Mohd Azman Sulaiman Independent Non-Executive Director (Appointed on 9 May 2019)	3/3 <sup>#</sup>	100
Damanhuri Mahmud Non-Independent Non-Executive Director (Appointed on 15 May 2019)	3/3 <sup>#</sup>	100
Suraya Hassan Independent Non-Executive Director (Appointed on 1 August 2019)	2/2 <sup>#</sup>	100

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

<sup>#</sup> The number of meetings attended after the appointment date.

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 Mohd Tarmidzi Ahmad Nordin who ceased office on 1 April 2019. 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.

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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 quarterly basis. Such information is also 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 Mohd Tarmidzi Ahmad Nordin, Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak and Zakaria Ismail whose term of appointment as a Non-Independent Non-Executive Director, Chairman/Independent Non-Executive Director and Independent Non-Executive Director has ended on 1 April 2019, 9 May 2019 and 15 May 2019 respectively.

The above composition is in compliance with Paragraph 15.02 of the Listing Requirements which requires 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 Independent Non-Executive Directors who are retiring by rotation in accordance with Rules 74 and 83 of the Company's Constitution at the forthcoming 35th AGM.

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Upon the re-designation 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](mailto:datoothman.abdullah@gmail.com) to convey their concerns.

The Board acknowledges gender diversity in the composition of the Board and strongly supports the Government's target of having 30% women's participation on boards of public listed companies in Malaysia. Presently, STMKB fulfills this target with two (2) woman representations, namely Datin Sri Azlin Arshad and Suraya Hassan (i.e. 33.3%).

The Board recognises that diversity is one 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, ethnicity, age and gender when appointing new Directors, SAB members and Senior Management as outlined in MCCG. The profiles of the current Senior Management are set out on pages 58 to 59 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 52 to 54 of the Annual Report.

There is a clear division of responsibilities between the Chairman and the 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 practice. The Chairman primarily presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. The GCEO is responsible for the 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 four (4) Committees, namely:

- Audit Committee;
- Nomination and Remuneration Committee;
- Board Risk Committee; and
- Investment Committee.

### Audit Committee (AC)

The AC currently comprises of three (3) members, all of whom are Non-Executive Directors, two (2) being Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. STMKB will strive to adopt Practice 8.4 of the MCCG in future. The details of members and meetings held during the financial year ended 31 December 2019 are as follows:

Name	Attendance	Percentage (%)
Dato' Othman Abdullah (Chairman)	4/4	100
Mahadzir Azizan	4/4	100
Zakaria Ismail (Ceased office on 15 May 2019)	2/2*	100
Mohd Azman Sulaiman (Appointed as member on 9 May 2019 until 31 December 2019)	2/2*	100
Suraya Hassan (Appointed as member on 1 August 2019)	1/1#	100

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

# The number of meetings attended after the appointment date.

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The Chairman of AC, Dato' Othman Abdullah, a Senior Independent Non-Executive Director is not the Chairman of the Board in line with the Practice 8.1 of the MCGG. The AC Report during the financial year under review is disclosed under pages 76 to 80 in the Annual Report.

### Nomination and 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 current Chairman of the NRC is Suraya Hassan, an Independent Non-Executive Director is in line with Practice 4.7 of the MCGG. The NRC met six (6) times during the financial year under review with details of meetings' attendance of each member is as follows:

Name	Attendance	Percentage (%)
Dato' Othman Abdullah (Ceased as Chairman on 14 May 2019)	6/6	100
Mahadzir Azizan	6/6	100
Zakaria Ismail (Ceased office on 15 May 2019)	3/3*	100
Mohd Azman Sulaiman (Appointed as Chairman on 15 May 2019/Ceased as Chairman/member on 1 January 2020)	3/3#	100
Suraya Hassan (Appointed as Chairman/member on 1 January 2020)	n/a	n/a

n/a – not applicable as Suraya Hasan was appointed as the Chairman/member after the financial year ended 31 December 2019.

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

# The number of meetings attended after the appointment date.

The 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 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, SAB 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 AC, contribution of each individual Director and the performance of the SAB. Directors' performance evaluation, assessment of independence of Independent Directors and performance evaluation for the AC were carried out annually by way of questionnaires which were issued/distributed to the Board and AC members for completion as required under the 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 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 of Bursa Securities.
Performance Evaluation for the AC	Section 1 comprises 3 sections i.e. quality and composition, skills and competencies, and meeting administration and conduct.  Section 2 comprises AC members' peer evaluation.

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The results of the evaluation for the financial year ended 31 December 2019 were tabled to the NRC and the Board meetings held on 16 January 2020 and 23 January 2020 respectively, for Board's notification and deliberation. The Board has taken note of the identified areas for improvement and would address them in the appropriate manner.

Based on the 2019 assessment, the Board was satisfied that the Board and 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 2019 was carried out using the criteria prescribed under the Listing Requirements of Bursa Securities. All Independent Directors assessed have declared adherence to all the relevant regulatory stipulations in accordance with the Listing Requirements of Bursa Securities.

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

- Proposed review of the Terms of Reference;
- Proposed appointment and re-appointment of Directors;
- Proposed re-election of Directors;
- Performance Evaluation of Directors and Audit Committee;
- Proposed appointment of Chief Financial Officer;
- Proposed salary increment & performance bonus budget for executives and above;
- Proposed Employee Remuneration Policy for STMKB and its Subsidiary;
- Proposed changes to the Board Committee members/composition;
- Proposed re-appointment of SAB members;
- Proposed re-appointment of Appointed Actuary; and
- Company's succession plan for key positions.

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)

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

Name	Attendance	Percentage (%)
Datin Sri Azlin Arshad (Appointed as Chairman/member on 15 May 2019)	4/4	100
Zakaria Ismail (Ceased office on 15 May 2019)	1/1*	100
Mohd Tarmidzi Ahmad Nordin (Ceased office on 1 April 2019)	1/1*	100
Mohd Azman Sulaiman (Appointed as member on 15 May 2019 until 31 December 2019)	2/2*	100
Damanhuri Mahmod (Appointed as member on 15 May 2019)	3/3#	100
Suraya Hassan (Appointed as member on 1 January 2020)	1/1#	100

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

# The number of meetings attended after the appointment date.

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### Investment Committee (IC)

The IC currently consists of four (4) members, three (3) of whom are Non-Executive Directors and one (1) Management member. The Chairman of the IC is Damanhuri Mahmod, a Non-Independent Non-Executive Director. The 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 (%)
Damanhuri Mahmod (Appointed as Chairman on 1 January 2020)	n/a	n/a
Datin Sri Azlin Arshad (Ceased as Chairman on 1 January 2020)	4/4	100
Mahadzir Azizan	4/4	100
Azian Kassim (Ceased as member on 1 January 2020)	4/4	100
Dato' Sri Mohamed Hassan Kamil (Appointed as member on 1 January 2020)	n/a	n/a

n/a – not applicable as both of them appointed after the financial year ended 31 December 2019.

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 (SAB)

The SAB 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 SAB's opinion and decision are deliberated at the SAB 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 SAB 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 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 Guidelines on Shariah Governance Framework for Islamic Financial Institutions. The SAB met seven (7) 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	6/7	86
Dr. Ahmad Shahbari @ Sobri Salamon (Ceased office on 1 April 2019)	2/2*	100
Dato' Wan Mohamad Dato' Sheikh Abdul Aziz (Ceased office on 1 April 2019)	2/2*	100
Dr. Ahmad Sufian Che Abdullah	7/7	100
Dr. Marhanum Che Mohd Salleh	7/7	100
Megat Hizaini Hassan	7/7	100
Dr. Nik Abdul Rahim Nik Abdul Ghani (Appointed on 1 April 2019)	5/5#	100

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

# The number of meetings attended after the appointment date.

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### Whistle-Blowing Policy

The Company has established this Whistle Blowing Policy ("Policy") in response to the Whistle-blower Protection Act 2010 and is committed to the highest standard of compliance to due standards of disclosure, transparency, accountability and integrity requirements and any legislation relating thereto.

The intended objectives of this Policy are:

- to provide an avenue for employees to raise concerns and define a way to handle any concerns of integrity and misconduct;
- to enable the Board to be informed at an early stage about acts of misconduct or improprieties;
- to reassure employees that they will be protected from punishment or unfair treatment for disclosing concerns in good faith in accordance with this Policy; and
- to help develop a culture of openness, accountability and integrity within the Company.

The whistle-blower can address the concerns to STMB-WB@takaful-malaysia.com.my.

### Fraud Management Policy

The Fraud Management Policy serves as a 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 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 21 to 51 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 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 SAB 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 GCEO 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.

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

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In order for the Board meetings to be more effective, the Board meeting agenda are sequenced in a manner that prioritise approval papers. Time allocation is also determined for each agenda item in order for Board meetings to be conducted efficiently.

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 the relevant Management the Board's decisions for appropriate actions to be taken. The Company Secretary will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.

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

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 the Company is qualified to act pursuant to Section 235(2) of the 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 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

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

In identifying candidates for appointment of Directors, the NRC does not solely rely on recommendations from existing board members, management or major shareholders. The board also utilises independent sources such as FIDE FORUM to identify suitably qualified candidates.

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

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 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
Mahadzir Azizan	<ul style="list-style-type: none"> <li>Business Continuity Management for Amanahraya Board of Directors (17 June 2019)</li> <li>Corporate Liability Provision in the MACC Act 2009: 2016 Anti-Bribery Management System (5 September 2019)</li> <li>Cyber Proofing the Next Wave (Latest Trends in Cybersecurity) (1 October 2019)</li> <li>Compliance Insights: Past Lessons and Future Directions (2 October 2019)</li> <li>Offsite Planning Meeting (19 and 20 October 2019)</li> <li>General Understanding of Section 17A, Malaysian Anti-Corruption Commission Act 2009 (26 November 2019)</li> </ul>
Dato' Othman Abdullah	<ul style="list-style-type: none"> <li>Offsite Planning Meeting (19 and 20 October 2019)</li> <li>Audit Oversight Board Conversation with Audit Committees (8 November 2019)</li> <li>General Understanding of Section 17A, Malaysian Anti-Corruption Commission Act 2009 (26 November 2019)</li> </ul>
Datin Sri Azlin Arshad	<ul style="list-style-type: none"> <li>Seminar &amp; Business Trip: Korea Cloud &amp; Datacentre Summit 2019 by WMedia (23 January 2019)</li> <li>Offsite Planning Meeting (19 and 20 October 2019)</li> </ul>
Mohd Azman Sulaiman	<ul style="list-style-type: none"> <li>Independent Directors Programme: The Essence of Independence (27 June 2019)</li> <li>FIDE Core Programme : Module A (2 to 5 July 2019)</li> <li>MAP (19 and 20 August 2019)</li> <li>International Directors Summit 2019 (14 and 15 October 2019)</li> <li>Offsite Planning Meeting (19 and 20 October 2019)</li> <li>Module B: The Role of The Board in Talent Management &amp; Succession Planning (7 November 2019)</li> </ul>

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Director	Training Programmes
Damanhuri Mahmod	<ul style="list-style-type: none"> <li>• MFRS 17 - Understanding its Impact &amp; Consequences (29 July 2019)</li> <li>• MAP (19 and 20 August 2019)</li> <li>• Offsite Planning Meeting (19 and 20 October 2019)</li> <li>• MIA International Accountants Conference (22 and 23 October 2019)</li> </ul>
Suraya Hassan	<ul style="list-style-type: none"> <li>• New Programme: Raising Defences: Section 17A, MACC Act (27 August 2019)</li> <li>• Offsite Planning Meeting (19 and 20 October 2019)</li> <li>• Directors' Conference for the Board &amp; Senior Management of BIMB Holdings Berhad Group of Companies (29 October 2019)</li> <li>• MAP (30 and 31 October 2019)</li> </ul>

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.

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 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 the Key Performance Indicators (KPIs) as approved by the Board. It is the ultimate responsibility of the Board to approve the remuneration of the GCEO. The GCEO does not participate in any way in determining his 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 the experience and level of expertise and responsibilities undertaken by the 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 the shareholders at the AGM.

### Disclosure

The details of the remuneration for the Directors (Non-Executive Directors) for the financial year ended 31 December 2019 are as follows:

#### Group

	Non-Executive Directors (RM'000)
Fees	632
Other emoluments	410
Benefits-in-kind	132
Total	1,174

## Corporate Governance Overview Statement

Directors' Remuneration	Number of Non-Executive Directors
RM50,000 and below	1
RM50,001 – RM100,000	4
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1
More than RM300,000	-
Total	9

### Company

	Non-Executive Directors (RM'000)
Fees	556
Other emoluments	370
Benefits-in-kind	125
Total	1,051

Directors' Remuneration	Number of Non-Executive Directors
RM50,000 and below	1
RM50,001 – RM100,000	4
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1
More than RM300,000	-
Total	9

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 29 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.

## Corporate Governance Overview Statement

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.

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.

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 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

## Corporate Governance Overview Statement

- 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 and SAB	✓			Annually
2	Remuneration for 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

### 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 GCEO 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](http://www.takaful-malaysia.com) 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 GCEO 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, SAB members, Senior Management and the Company's external auditors are available to respond to shareholders' enquiries during the AGM.

The GCEO also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group (MSWG). The Notice of 34th AGM was dispatched to shareholders within 28 days prior to the meeting pursuant to Practice 12.1 of the MCGG to enable shareholders to make the necessary arrangement to attend and participate in person or through corporate representatives or proxies. It also enables the shareholders to read the Annual Report, consider the resolutions and make an informed decision in exercising their voting rights at the General Meeting. STMKB will continue to adopt Practice 12.1 of the MCGG and the Notice of the 35th 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.

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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 the resolutions set out in the notices of general meetings instead of by a show of hands at the 34th AGM of the Company held on 9 May 2019. 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](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. The AC 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 2019, 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 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. The 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 2019, pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised 2015), Guidance for Auditors on Engagements to Report

## Corporate Governance Overview Statement

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.

### Relationships with the Auditors

The role of the AC is as stated on pages 76 to 80. Through the 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 the AC and has unrestricted access to the AC. 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 AC meetings to facilitate the deliberation of audit reports. The minutes of the 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

The 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. The AC undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend the AC meetings as and when necessary as well as during the AGMs. During the financial year under review, the AC had 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 Board of Directors resolution dated 25 February 2020.