

Sharing  
real stories  
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**Allianz Malaysia Berhad** (12428-W)  
Annual Report 2012

**Allianz** 

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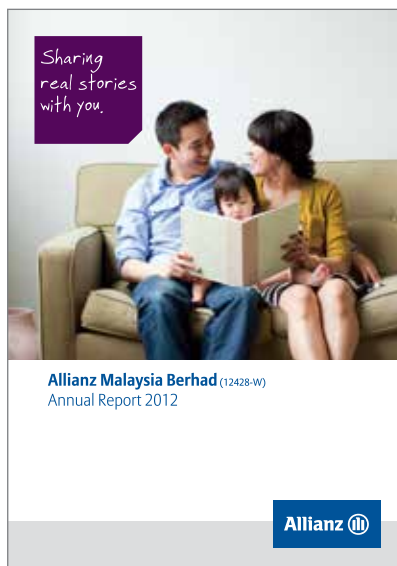
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## Form of Proxy



## COVER RATIONALE

Our new campaign is about being more customer-centric and ensuring greater market orientation. This campaign brings us to ground level, where we communicate with real people, share real stories and provide real advice and knowledge. This year's Annual Report concept takes heed of our new positioning and presents a more human story – a story where all of us can relate to.



For more information visit  
[www.allianz.com.my](http://www.allianz.com.my)



This Annual Report is printed on 100% recycled paper.

# 2012 Key Figures

Operating Revenue

**RM3,147.60**  
million

Gross Written Premium

**RM2,983.52**  
million

Profit Before Tax

**RM297.78**  
million

Total Assets

**RM9,190.49**  
million

Shareholders' Fund

**RM1,840.79**  
million

Market Capitalisation

**RM2,435.12**  
million

Basic Earnings per Ordinary Share

**132.21**  
sen

Dividend per Ordinary Share

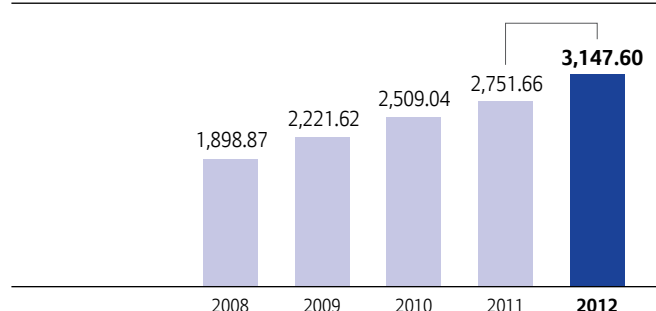
**6.50**  
sen

# Allianz at a Glance

## Operating Revenue

RM million

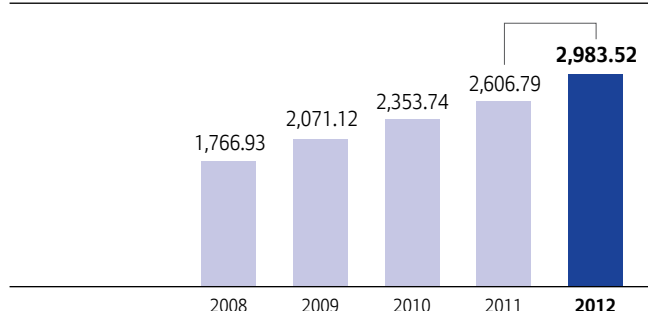
+14.4%



## Gross Written Premium

RM million

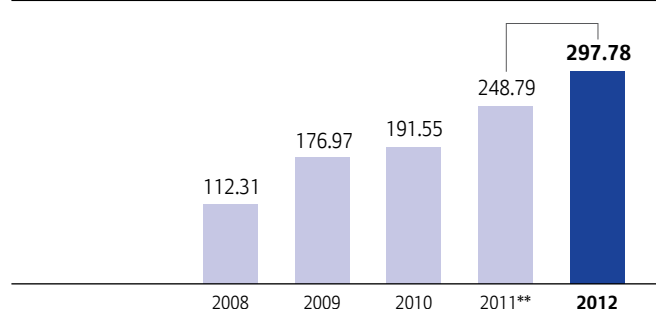
+14.5%



## Profit Before Tax

RM million

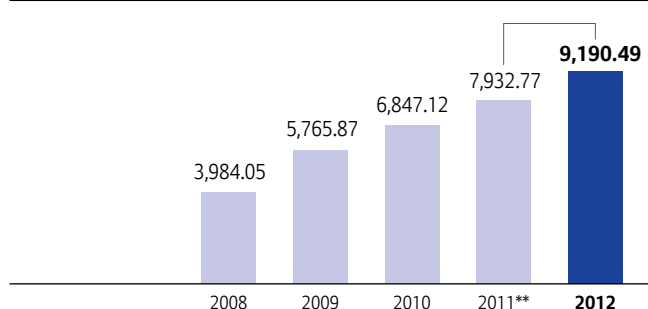
+19.7%



## Total Assets

RM million

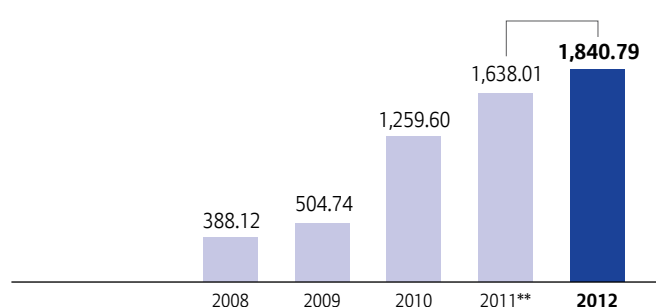
+15.9%



## Shareholders' Fund

RM million

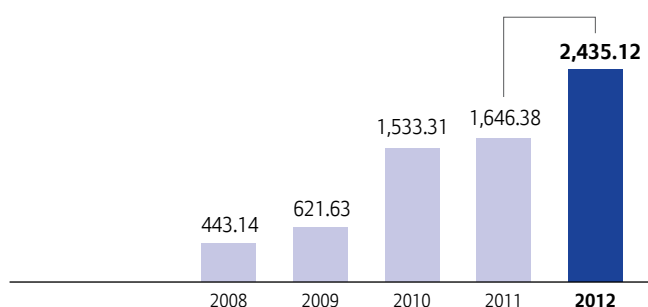
+12.4%



## Market Capitalisation

RM million

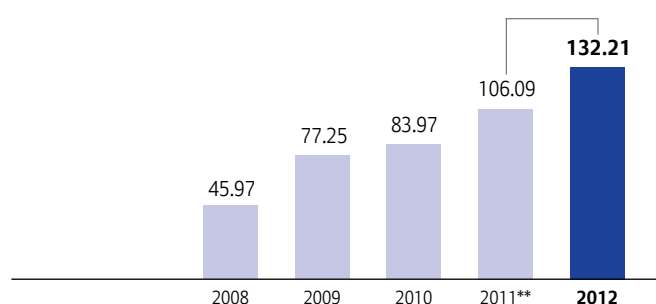
+47.9%



## Basic Earnings per Ordinary Share

sen

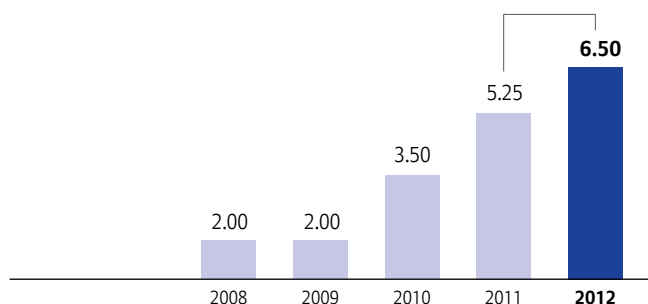
+24.6%



## Dividend per Ordinary Share

sen

+23.8%



		Group				
		2012	2011**	2010	2009	2008
Operating Revenue	(RM million)	3,147.60	2,751.66	2,509.04	2,221.62	1,898.87
Gross Written Premium	(RM million)	2,983.52	2,606.79	2,353.74	2,071.12	1,766.93
Profit Before Tax	(RM million)	297.78	248.79	191.55	176.97	112.31
Total Assets	(RM million)	9,190.49	7,932.77	6,847.12	5,765.87	3,984.05
Shareholders' Fund	(RM million)	1,840.79	1,638.01	1,259.60	504.74	388.12
Market Capitalisation	(RM million)	2,435.12	1,646.38	1,533.31	621.63	443.14
Final gross dividend payable/paid per share						
- Ordinary Share	(sen)	6.50	5.25	3.50	2.00	2.00
- Preference Share*	(sen)	7.80	6.30	4.20	-	-
Total amount dividend payable/paid#						
- Ordinary Share	(RM'000)	7,733.51	6,161.24	4,039.07	2,308.00	2,308.00
- Preference Share*	(RM'000)	14,630.43	11,952.98	8,078.13	-	-
Return on Equity^		11.9%	11.3%	14.6%	26.6%	20.0%
Return on Equity^ (Include subordinated loan of RM 490 million from Allianz SE)		11.9%	11.3%	11.5%	12.7%	8.4%
Operating Revenue Growth		14.4%	9.7%	12.9%	17.0%	31.4%
Gross Written Premium Growth		14.5%	10.8%	13.6%	17.2%	31.5%
Basic Earnings per Ordinary Share		(sen) 132.21	106.09	83.97	77.25	45.97
Diluted Earnings per Ordinary Share		(sen) 54.41	43.74	50.33	N/A	N/A
Net Asset Value per Ordinary Share		(RM) 11.60	10.47	8.19	6.46	5.71
Diluted Net Asset Value per Ordinary Share		(RM) 5.32	4.73	3.64	N/A	N/A

^ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund have been used in the computation of Return of Equity.

\* Irredeemable Convertible Preference Shares ("ICPS") was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2010.

# The actual amount payable for financial year 2012 will be based on the numbers of Ordinary Shares and ICPS at entitlement date for the dividends.

\*\* These numbers are restated upon the transition to Malaysian Financial Reporting Standards Framework on 1 January 2012.

"Our business is serious business; it's about real people and real lives, their property, their dreams and their aspirations and that's the part that really motivates us"

**Jens Reisch**

Chief Executive Officer  
Allianz Malaysia Berhad





It's about  
real people.



Telling real  
stories.



Sharing  
real  
experiences.



# Our Vision

**To be the most reliable partner, always delivering in moments of truth**

We aim to be the most reliable partner for all our customers, agents and business partners.

To achieve this, we will constantly ensure that all targets and tasks are done with speed, accuracy and consistency.

The Vision also ensures that we maintain our integrity and honesty at all times. For only with trust and honesty, we will be able to reach and realise our Vision.

# Our Mission

**Insurance solutions from A – Z**



# Our Five Core Values

Our values are who we are. These are and will be our guiding principles in achieving a sustainable growth for our shareholders, customers, business partners, employees and society.

**1****Customer Focus**

We create superior customer experience through innovative solutions that continuously exceed customers' expectations

**2****Integrity**

We deliver promises whilst maintaining highest ethical standards, integrity and honesty in all aspects of our business

**3****High Performance Culture**

We encourage, recognise and reward exceptional performance

**4****Open Communication**

We practise and promote clear, open and transparent communication

**5****Corporate Responsibility**

We care and are committed to building the community through socially responsible initiatives

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 39th Annual General Meeting of Allianz Malaysia Berhad ("39th AGM") will be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 21 June 2013 at 10.00 a.m. for the following purposes:-

## Agenda

- |                       |  |
|-----------------------|--|
| Ordinary Resolution 1 | 1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Directors' and Auditors' Reports thereon.   |
| Ordinary Resolution 2 | 2. To approve the payment of a first and final dividend of 6.50 sen per ordinary share less 25 percent tax for the financial year ended 31 December 2012.  |
| Ordinary Resolution 3 | 3. To approve the payment of Directors' fees of RM318,026 for the financial year ended 31 December 2012 (2011: RM247,982).   |
|                       | 4. To re-elect the following Directors:-   |
| Ordinary Resolution 4 | (a) Mr. Jens Reisch, who retires by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offers himself for re-election.   |
| Ordinary Resolution 5 | (b) Encik Zakri Bin Mohd Khir, who retires by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offers himself for re-election.   |
| Ordinary Resolution 6 | (c) Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, who retires in accordance with Article 102 of the Articles of Association of the Company and being eligible, offers herself for re-election.                                 |
| Ordinary Resolution 7 | 5. To re-appoint Y. Bhg. Tan Sri Razali Bin Ismail as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965. |
| Ordinary Resolution 8 | 6. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration.   |

7. Special Business

To consider and if thought fit, pass the following resolutions:-

Ordinary Resolution

Ordinary  
Resolution 9

**Proposed Renewal of Shareholders' Mandate**

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with the Related Parties as specified in section 2.2 of the Circular dated 30 May 2013, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

- (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or
- (ii) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

Special Resolution

Special Resolution

**Proposed Amendments to the Articles of Association of the Company**

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Annual Report 2012 ("Proposed Amendments") be and are hereby approved.

AND THAT the Directors and the Company Secretary be and are hereby authorised to carry out all necessary steps to give effects to the Proposed Amendments."

8. To transact any other business for which due notice shall have been given.

## Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN THAT the first and final dividend of 6.50 sen per ordinary share less 25 percent tax in respect of the financial year ended 31 December 2012, if approved at the 39th AGM, will be paid on 6 August 2013 to shareholders whose names appear in the Register of Members and/or the Record of Depositors at the close of business on 15 July 2013.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 July 2013 in respect of transfers;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 11 July 2013 in respect of shares exempted from mandatory deposit; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG SIEW GEK  
Company Secretary

Kuala Lumpur  
30 May 2013

### Notes

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 June 2013 shall be entitled to attend, speak and vote at the 39th AGM.
2. A member entitled to attend, speak and vote at the 39th AGM is entitled to appoint not more than two (2) proxies to attend, speak and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
7. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the 39th AGM.

## **NOTE TO HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE (“ICPS”)**

The holders of the ICPS shall be entitled to attend the 39th AGM but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 113 of the Annual Report 2012.

## **EXPLANATORY NOTES ON SPECIAL BUSINESS**

### **Ordinary Resolution 9 – Proposed Renewal of Shareholders’ Mandate**

This proposed resolution, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties.

Detailed information in relation to the Proposed Renewal of Shareholders’ Mandate are set out in the Circular to Shareholders dated 30 May 2013, despatched together with the Annual Report 2012.

### **Special Resolution – Proposed Amendments to the Articles of Association of the Company**

This proposed resolution, if passed, will bring the Articles of Association of the Company in line with the amendments prescribed under Chapter 7 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as for better clarity.

Detailed information in relation to the Proposed Amendments are set out in Appendix 1 on page 12 and 13 of the Annual Report 2012.

## Appendix 1

# PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The proposed amendments to the Articles of Association of the Company are to bring the Articles of Association of the Company in line with the amendments prescribed under Chapter 7 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as for better clarity.

The existing Articles of Association and the proposed amendments to the Articles of Association of the Company ("Proposed Amendments") are set out below:-

EXISTING ARTICLES OF ASSOCIATION	PROPOSED AMENDMENTS	RATIONALE
<p><b><u>Article 2 – Interpretation</u></b></p> <p>[New provision]</p>	<p><b><u>Article 2 – Interpretation</u></b></p> <p><b><u>"Exempt Authorised Nominee" means an authorised nominee, as defined under the Central Depositories Act, which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.</u></b></p>	<p>This new definition is inserted in line with the amended Paragraph 7.21(2) of MMLR of Bursa Securities which took effect from 3 January 2012.</p>
<p><b><u>Article 6 – Allotment of shares</u></b></p> <p>Subject to the terms of any subsisting agreement and to the provisions of these Articles the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors think fit provided always:-</p> <p>(a) that no shares shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting; and</p> <p>(b) that no Director shall participate in a share scheme for employees unless Members in general meeting have approved of the allotment to be made to such Director.</p>	<p><b><u>Article 6 – Allotment of shares</u></b></p> <p>Subject to the terms of any subsisting agreement and to the provisions of these Articles the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors think fit provided always:-</p> <p>(a) that no shares shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting; and</p> <p>(b) no Director shall participate <b><u>in a scheme that involves a new issuance of shares to employees</u></b> unless <b><u>the</u></b> Members in <b><u>a</u></b> general meeting have approved <b><u>the specific allotment to be made to such Director.</u></b></p>	<p>This amendments are in line with the amended Paragraph 7.03 of MMLR of Bursa Securities which took effect from 3 January 2012.</p>

EXISTING ARTICLES OF ASSOCIATION	PROPOSED AMENDMENTS	RATIONALE
<b>Article 77 – Vote of Members</b>	<b>Article 77 – Vote of Members</b>	
The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if such appointor is a corporation under its common seal or the hand of its attorney.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if such appointor is a corporation under its common seal or the hand of its attorney.	
(a) A member shall not appoint more than two proxies. If two proxies are appointed to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.	(a) A member shall not appoint more than two proxies. If two proxies are appointed to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.	
(b) A member may appoint any person to be his proxy without limitation and the provisions of section 149(1)(b) of the Act shall not apply to the Company.	(b) A member may appoint any person to be his proxy without <b>restriction as to the qualification of the proxy</b> and the provisions of section 149(1)(b) of the Act shall not apply to the Company.	This article is amended in line with the insertion of Paragraph 7.21A (1) of MMLR of Bursa Securities which took effect from 3 January 2012.
(c) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	(c) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy <b>but not more than two proxies</b> in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. <b>The appointment of two proxies in respect of any particular Securities Account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.</b>	To amend for clarity.
	(d) <b><u>Where a Member of the Company is an Exempt Authorised Nominee, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.</u></b>	This new Article 77 (d) is inserted in line with the amended Paragraph 7.21(1) of MMLR of Bursa Securities which took effect from 3 January 2012.



## STATEMENT ACCOMPANYING NOTICE OF 39TH AGM

### (A) Directors who are retiring at the 39th AGM

(I) Directors who are retiring by rotation in accordance with Article 96 of the Articles of Association of the Company:-

- Mr. Jens Reisch
- Encik Zakri Bin Mohd Khir

(II) Director who is retiring in accordance with Article 102 of the Articles of Association of the Company:-

- Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim

All the above Directors who are retiring at the 39th AGM have offer themselves for re-election as Directors of the Company at the 39th AGM.

### (B) Director who is seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965, at the 39th AGM

- Y. Bhg. Tan Sri Razali Bin Ismail

The details of the above Directors who are seeking for re-election/re-appointment are set out in the Board of Directors' Profiles on pages 24 to 37 of the Annual Report 2012.

# Corporate Information

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

### Class of Shares

Ordinary Share

Irredeemable Convertible Preference Share

### Stock Code

1163

1163PA

### Company Secretary

Ng Siew Gek

Email: ng.siewgek@allianz.com.my

### Registered Office

Suite 3A-15, Level 15, Block 3A

Plaza Sentral, Jalan Stesen Sentral 5

Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel : 03-22641188/03-22640688

Fax : 03-22641186

### Head Office

Suite 3A-15, Level 15, Block 3A

Plaza Sentral, Jalan Stesen Sentral 5

Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel : 03-22641188/03-22640688

Fax : 03-22641199

www.allianz.com.my

### Share Registrar

**Tricor Investor Services Sdn Bhd**

Level 17, The Gardens North Tower

Mid Valley City

Lingkaran Syed Putra

59200 Kuala Lumpur

Tel : 03-22643883

Fax : 03-22821886

Email: is.enquiry@my.tricorglobal.com

### Auditor

**KPMG**

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor

Tel : 03-77213388

Fax : 03-77213399

### Principal Bankers

CIMB Bank Berhad

Citibank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

### Principal Solicitors

Wong & Partners

### Senior Management

Jens Reisch

Chief Executive Officer

of Allianz Malaysia Berhad ("AMB") and Allianz Life Insurance Malaysia Berhad ("ALIM")

Zakri Bin Mohd Khir

Chief Executive Officer

of Allianz General Insurance Company (Malaysia) Berhad ("AGIC")

Ong Eng Chow

Chief Financial Officer of AMB and ALIM

Ong Pin Hean

Chief Sales Officer, Agency Distribution of ALIM

Horst Hermann Habbig

Chief Sales Officer of AGIC

Lim Li Meng

Chief Sales Officer, Partnership Distribution of ALIM

Wang Wee Keong

Chief Operations Officer of AMB and AGIC

Stefan Ritz

Chief Operations Officer of ALIM

Chin Tze How

Group Chief Market Management Officer

Lee Chi Kwan

Head of Finance of AGIC

# 1

*One thing I know for sure:  
Help is just a call away*

One rainy night, I was on my way to fetch my kids back home from their tuition class. As I was driving, I suddenly felt my car swerving towards the right during the heavy downpour and I began to feel very troubled. That's when I realised that there was a puncture on one of the tyres of my car. At first, I was afraid and uncertain on what to do. I remembered the Allianz Auto Assist sticker on my windscreen and dialled the number. To my relief, Allianz Auto Assist came very promptly and the technician that rendered his service was very kind and helpful. We only used body language to converse with each other as both of us did not speak the same language. The technician understood what the problem was and changed the punctured tyre which helped me to continue my journey back home safely on that rainy night. I am very pleased and happy with the service offered by Allianz especially during an unpredictable situation such as this.

**Motor  
Insurance**

## 16,236

breakdown cases handled throughout Malaysia in 2012.



Ms. Poopak  
Allianz customer since 2010





# Nationwide Network

## ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD NETWORK OF OFFICES

### CUSTOMER CONTACT / SERVICE CENTRE

Ground Floor, Block 2A  
Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll-free : 1300-88-1028  
[www.allianz.com.my](http://www.allianz.com.my)

## CENTRAL REGION

### CENTRAL REGION OFFICE

5th Floor, Wisma Allianz  
No. 33, Jalan Gereja  
50100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-20312211  
Fax : 03-20724628

### KUALA LUMPUR

Wisma Allianz  
No. 33, Jalan Gereja  
50100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-20312211  
Fax : 03-20789918

### PETALING JAYA

No. 15, Jalan 8/1D, Section 8  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-79564629 / 79564621  
Fax : 03-79548210 / 79556727

### KLANG

No. 11, Jalan Tiara 2D/KU1  
Bandar Baru Klang  
41150 Klang  
Selangor Darul Ehsan  
Tel : 03-33429008 / 33420639  
Fax : 03-33421901

### KAJANG

No. 17 & 17A, Jalan M/J1  
Taman Majlis Jaya  
Sungai Chua  
43000 Kajang  
Selangor Darul Ehsan  
Tel : 03-87339078 / 87337395  
Fax : 03-87336985

### MALURI

No. 27, Jalan Jejaka 7  
Taman Maluri  
55100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-92825587  
Fax : 03-92825629

### KEPONG

No. 1, Jalan Prima 9  
Pusat Niaga Metro Prima  
52100 Kepong  
Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-62586888  
Fax : 03-62592554

### SEREMBAN

No. 44, Jalan S2 B18  
Biz Avenue, Seremban 2  
70300 Seremban  
Negeri Sembilan Darul Khusus  
Tel : 06-6013636  
Fax : 06-6013344

## PERAK STATE

### IPOH

Unit No. A-G-1 & A-1-1  
Ground & 1st Floor  
Greentown Square  
Jalan Dato' Seri Ahmad Said  
30450 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2549150 / 2555103  
Fax : 05-2542988

### TELUK INTAN

No. 77-G, Ground Floor  
Jalan Intan 4, Bandar Baru  
36000 Teluk Intan  
Perak Darul Ridzuan  
Tel : 05-6215882 / 6217731  
: 05-6217732  
Fax : 05-6225229

### TAIPING

No. 62, Ground Floor  
Jalan Barrack  
34000 Taiping  
Perak Darul Ridzuan  
Tel : 05-8068688 / 8068976  
Fax : 05-8088975

## NOTHERN REGION

### NOTHERN REGION OFFICE

No. 6770 & 6771  
Ground, 1st Floor & 2nd Floor  
Jalan Kg. Gajah  
12200 Butterworth  
Penang  
Tel : 04-3239778 (Nothern Region)  
Tel : 04-3245175 (Nothern Region Hub)  
Fax : 04-3319778

### PENANG

Level 27, Menara BHL  
No. 51, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-2266055  
Fax : 04-2277055

### BUKIT MERTA JAM

No. 486, Ground, 1st & 3rd Floor  
Jalan Permatang Rawa  
Bandar Perda  
14000 Bukit Mertajam  
Penang  
Tel : 04-5378328 / 5371628  
Fax : 04-5374398 / 5371108

### ALOR SETAR

No. 300 & 301, Jalan Lumpur  
05100 Alor Setar  
Kedah Darul Aman  
Tel : 04-7328575 / 7334655  
Fax : 04-7337868

### SUNGAI PETANI

No. 62B, 1st, 2nd & 3rd Floor  
Jalan Pengkalan, Pekan Baru  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4258282 / 4252894  
: 04-4252895  
Fax : 04-4252893

**SOUTHERN REGION****SOUTHERN REGION OFFICE**

No. 84, 2nd Floor  
Jalan Serampang  
Taman Pelangi  
80400 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3340166  
Fax : 07-3316881

**MELAKA**

No. 374, Jalan Melaka Raya 6  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-2833821  
Fax : 06-2844198

**JOHOR BAHRU**

No. 84, Jalan Serampang  
Taman Pelangi  
80400 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3340166 / 3340160  
Fax : 07-3340167

**KLUANG**

No. 5, Jalan Persiaran Yayasan  
86000 Kluang  
Johor Darul Takzim  
Tel : 07-7723255 / 7732530  
Fax : 07-7738097

**SEGAMAT**

Lot No. 27, Ground Floor  
Jalan Genuang Perdana  
85000 Segamat  
Johor Darul Takzim  
Tel : 07-9434117 / 9434317  
Fax : 07-9434517

**BATU PAHAT**

No. 1-2, 1-2A, Ground & 1st Floor  
Jalan Maju 1, Taman Maju  
83000 Batu Pahat  
Johor Darul Takzim  
Tel : 07-4338166  
Fax : 07-4332166

**EAST COAST REGION****EAST COAST REGION OFFICE**

No. 46, 2nd Floor  
Jalan Gambut  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5177662  
Fax : 09-5177663

**TEMERLOH**

No. 6, Pusat Komersil Temerloh  
Jalan Dato' Bahaman 3  
28000 Temerloh  
Pahang Darul Makmur  
Tel : 09-2969292  
Fax : 09-2960254

**KUANTAN**

No. 46, Jalan Gambut  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5144936 / 5143276  
Fax : 09-5142936

**KUALA TERENGGANU**

PT 3357 P, Jalan Sultan Zainal Abidin  
20000 Kuala Terengganu  
Terengganu Darul Iman  
Tel : 09-6223678 / 6223233  
Fax : 09-6301233 / 6318516

**KOTA BHARU**

Lot 1184, Jalan Kebun Sultan  
15350 Kota Bharu  
Kelantan Darul Naim  
Tel : 09-7481196 / 7444566  
Fax : 09-7446766



## SARAWAK REGION

### SARAWAK REGION OFFICE

Lot 1374, 2nd Floor  
Centrepont Commercial Centre (Phase 2)  
Block 10, Miri Concession Land District  
Kubu Road  
98000 Miri  
Sarawak  
Tel : 085-417828  
Fax : 085-417054

### MIRI

Lot 1374  
Centrepont Commercial Centre (Phase 2)  
Block 10, Miri Concession Land District  
Kubu Road  
98000 Miri  
Sarawak  
Tel : 085-423829 / 416828  
Fax : 085-419153

### SIBU

No. 12-I, Jalan Kampung Datu  
96000 Sibu  
Sarawak  
Tel : 084-332469 / 343205  
Fax : 084-332470

### KUCHING

Sublot 3, 1st, 2nd & 3rd Floor  
Block 10, Jalan Laksamana Cheng Ho  
Kuching Central Land District  
93350 Kuching  
Sarawak  
Tel : 082-417842 / 413849  
Fax : 082-424624

### SARIKEI

No. 72, 1st & 2nd Floor  
Repok Road  
96108 Sarikei  
Sarawak  
Tel : 084-652577 / 651877  
Fax : 084-653908

## SABAH REGION

### SABAH REGION OFFICE

Lot 30, 3rd Floor, Block E  
Sedco Complex  
Jalan Albert Kwok  
Locked Bag 69  
88000 Kota Kinabalu  
Sabah  
Tel : 088-236589  
Fax : 088-238589

### KOTA KINABALU

Lot 30, Block E, Sedco Complex  
Jalan Albert Kwok  
Locked Bag 69  
88000 Kota Kinabalu  
Sabah  
Tel : 088-221397 / 221606  
Fax : 088-224870

### LAHAD DATU

Lot 1, Ground & 2nd Floor  
MDLD 6887, Block P  
Bangunan SUDC  
91100 Lahad Datu  
Sabah  
Tel : 089-880388 / 880488  
Fax : 089-880188

### SANDAKAN

Lot 8, Ground & 1st Floor  
Lot 7, 1st & 2nd Floor  
Block 2, Bandar Indah,  
Mile 4 North Road  
W.D.T. No. 291  
90000 Sandakan  
Sabah  
Tel : 089-211054 / 217197  
Fax : 089-211052

### TAWAU

TB320, Ground, 1st & 2nd Floor  
Block 38, Fajar Complex  
Jalan St. Patrick  
W.D.T. No. 33  
91009 Tawau  
Sabah  
Tel : 089-779055 / 772976  
Fax : 089-763015

**ALLIANZ LIFE INSURANCE  
MALAYSIA BERHAD  
NETWORK OF OFFICES**
**CUSTOMER CONTACT /  
SERVICE CENTRE**

Ground Floor, Block 2A  
Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll-free : 1300-88-1028  
[www.allianz.com.my](http://www.allianz.com.my)

**CENTRAL REGION**
**JALAN PINANG**

Lot G7, Wisma UOA II  
No. 21 Jalan Pinang  
50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-21638005  
Fax : 03-21648005

**PETALING JAYA**

No. 15, Ground Floor  
Jalan 8/1D, Section 8  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-79551605  
Fax : 03-79551607

**DESA JAYA**

Wisma Allianz Life  
No. 11-14, Jalan 53  
Desa Jaya Commercial Centre  
Taman Desa  
52100 Kepong  
Selangor Darul Ehsan  
Tel : 03-62758000  
Fax : 03-62757100

**KLANG**

No. 46, Jalan Tiara 2C  
Bandar Baru Klang  
41150 Klang  
Selangor Darul Ehsan  
Tel : 03-33453253  
Fax : 03-33453288

**SEREMBAN**

No. 44, Ground Floor  
Jalan S2 B18  
Biz Avenue, Seremban 2  
70300 Seremban  
Negeri Sembilan  
Darul Khusus  
Tel : 06-6011007  
Fax : 06-6011099

**MELAKA**

No. 374, Ground Floor  
Jalan Melaka Raya 6  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-2823377  
Fax : 06-2820793

**NORTHERN REGION**
**PENANG**

Level 27, Menara BHL  
No. 51, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-2292868  
Fax : 04-2298858

**BUKIT MERTAJAM**

No. 487, Jalan Permatang Rawa  
Bandar Perdana  
14000 Bukit Mertajam  
Penang  
Tel : 04-5377231  
Fax : 04-5378231

**ALOR SETAR**

No. 301, Ground & 2nd Floor  
Jalan Lumpur  
05100 Alor Setar  
Kedah Darul Aman  
Tel : 04-7345091  
Fax : 04-7317271

**SUNGAI PETANI**

No. 62B, 2nd Floor  
Jalan Pengkalan, Pekan Baru  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4256863  
Fax : 04-4256861

**IPOH**

Unit No. A-G-1 & A-2-1  
Ground & 2nd Floor  
Greentown Square  
Jalan Dato' Seri Ahmad Said  
30450 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2419752  
Fax : 05-2416898

## SOUTHERN REGION

### JOHOR BAHRU

No. 86, Jalan Serampang  
Taman Pelangi  
80400 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3325981  
Fax : 07-3326462

### YONG PENG

No. 16A, 1st Floor  
Jalan Bayan  
Taman Sembrong Barat  
83700 Yong Peng  
Johor Darul Takzim  
Tel : 07-4676720  
Fax : 07-4679400

### KLUANG

No. 5, Ground Floor  
Jalan Persiaran Yayasan  
86000 Kluang  
Johor Darul Takzim  
Tel : 07-7715588  
Fax : 07-7738097

### BATU PAHAT

No. 1-2, Ground Floor  
Jalan Maju 1, Taman Maju  
83000 Batu Pahat  
Johor Darul Takzim  
Tel : 07-4343313  
Fax : 07-4332166

## EAST COAST REGION

### TEMERLOH

No. 6, Pusat Komersil Temerloh  
Jalan Dato' Bahaman 3  
28000 Temerloh  
Pahang Darul Makmur  
Tel : 09-2969292  
Fax : 09-2960254

### KUANTAN

No. 46, Ground Floor  
Jalan Gambut  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5144936  
Fax : 09-5142936

## SABAH REGION

### KOTA KINABALU

Lot 29, 2nd Floor, Block E  
Sedco Complex  
Jalan Albert Kwok  
88000 Kota Kinabalu  
Sabah  
Tel : 088-224551  
Fax : 088-224506

### SANDAKAN

Lot 8, Ground Floor  
Block 2, Bandar Indah,  
Mile 4 North Road  
W.D.T. No. 291  
90000 Sandakan  
Sabah  
Tel : 089-274842  
Fax : 089-274843

### TAWAU

TB320, Ground Floor  
Block 38, Fajar Complex  
Jalan St. Patrick  
W.D.T. No. 33  
91009 Tawau  
Sabah  
Tel : 089-765054  
Fax : 089-775554

## SARAWAK REGION

### KUCHING

Sublot 3, Ground Floor  
Block 10, Jalan Laksamana Cheng Ho  
Kuching Central Land District  
93350 Kuching  
Sarawak  
Tel : 082-246515  
Fax : 082-246713

### MIRI

Lot 1374, Ground Floor  
Centrepont Commercial Centre (Phase 2)  
Block 10, Miri Concession Land District  
Kubu Road  
98000 Miri  
Sarawak  
Tel : 085-410326  
Fax : 085-424318

### SIBU

No. 12-H, 1st & 2nd Floor  
Jalan Kampung Datu  
96000 Sibu  
Sarawak  
Tel : 084-346515  
Fax : 084-326448

# Board of Directors' Profiles

as at 30 April 2013



**Y. Bhg. Tan Sri Razali Bin Ismail**, aged 74, Malaysian, was appointed to the Board of the Company on 25 September 2001. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

**Y. BHG. TAN SRI RAZALI BIN ISMAIL**  
Chairman – Independent Non-Executive Director

He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1962. In 1993, he received an Honorary Doctorate from the National University of Malaysia and in 1998, an Honorary Doctorate in Law from the University Science Malaysia.

Y. Bhg. Tan Sri Razali was in the diplomatic service of the Government of Malaysia for 36 years (1962-1998) serving the last 10 years as Malaysia's Permanent Representative to the United Nations in New York. Y. Bhg. Tan Sri Razali was the President of the 53rd United Nations General Assembly from 1996 to 1997. He was involved in the matrix of issues and activities at the United Nations, articulating positions for Malaysia and influencing development of issues such as security, development, poverty, environment and human rights. He continues to keep abreast on these issues through contacts overseas, meetings and a network of colleagues. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).

In Malaysia, he has built a small position on issues relating to environment and is a self-styled environmental entrepreneur. He is an on the ground environmentalist especially over the protection and replanting of mangrove and dealing with environmental degradation due to urbanisation, pushing for recovery efforts such as sanitary landfills and the promotion of renewable energy. He has been the Pro-Chancellor of University Science Malaysia, Penang for 11 years, Chairman of Yayasan Salam and manages Yayasan Chow Kit, a foundation for marginalised and neglected children in the heart of Kuala Lumpur. He has been the Chairman of the Global Movement of Moderates Foundation since early 2012. He was previously the President of the World Wide Fund for Nature, Malaysia.

Y. Bhg. Tan Sri Razali's other directorships in public companies are as follows:-

1. Chairman of Allianz General Insurance Company (Malaysia) Berhad;
2. Chairman of Allianz Life Insurance Malaysia Berhad;
3. Chairman of IRIS Corporation Berhad; and
4. Chairman of Cypark Resources Berhad.

Y. Bhg. Tan Sri Razali is the uncle of Encik Zakri Bin Mohd Khir, the Non-Independent Non-Executive Director of the Company. Save as disclosed above, Y. Bhg. Tan Sri Razali does not have any family relationship with any other director and/or major shareholder of the Company.

Y. Bhg. Tan Sri Razali does not hold any share in the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended all of the 5 Board Meetings held during the financial year ended 31 December 2012.



**Mr. Foo San Kan**, aged 64, Malaysian, was appointed to the Board of the Company on 25 November 2005. He is the Chairman of the Audit Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company.

**MR. FOO SAN KAN**

Independent Non-Executive Director

He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and the Chartered Tax Institute of Malaysia.

He was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practising accountant. He has 34 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment and almost all aspects of the accounting profession.

Mr. Foo San Kan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Malaysian Trustees Berhad;
4. OSK Holdings Berhad;
5. OSK Trustees Berhad;
6. OSK Property Holdings Berhad; and
7. Symphony House Berhad.

Mr. Foo does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

He attended all of the 5 Board Meetings held during the financial year ended 31 December 2012.





**Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy**, aged 68, Malaysian, was appointed to the Board of the Company on 24 June 2011. He is the Chairman of the Investment Committee and a member of the Risk Management Committee and Nominating Committee of the Company.

**Y. BHG. DATO' DR. THILLAINATHAN A/L RAMASAMY**  
Independent Non-Executive Director

He obtained his Class I Honours in Bachelor of Arts (Economics) Degree from the University of Malaya, Master and PhD in Economics from the London School of Economics. He is a Fellow member of the Institute of Bankers Malaysia.

Y. Bhg. Dato' Dr. Thillainathan has been with the Genting Group since 1989 and held positions as Director of Finance (1989-2002), Chief Operating Officer (2002-2006) and Executive Director (2003-2007) and was subsequently redesignated as an Independent Director in 2009. Prior to his employment with the Genting Group, he was the Chief Executive of Bank Buruh Malaysia Berhad (1984-1989), Joint Managing Director of Bank Pusat Kerjasama (1983-1984), General Manager, Treasury & Investment Services of Arab Malaysian Merchant Bank (1980-1983) and Lecturer & Associate Professor, Faculty of Economics & Administration of University of Malaya (1970-1979). He is currently the Adjunct Professor of University of Malaya.

Y. Bhg. Dato' Dr. Thillainathan has extensive years of experience in finance and banking. He is the past President of Malaysian Economic Association and past Chairman and council member of the Federation of Asean Economic Associations. He has served on the National Economic Panel, the Anti-Recession Task Force, the Task Force on Capital Market Development, the Investment Panel of Employees Provident Fund, the National Economic Consultative Council, the Tax Review Panel of the Ministry of Finance, the Economic Council and Majlis Perundingan Ekonomi Negara Kedua.

Y. Bhg. Dato' Dr. Thillainathan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Petronas Dagangan Berhad;
4. Genting Berhad; and
5. Citibank Berhad.

Y. Bhg. Dato' Dr. Thillainathan does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

He attended all the 5 Board Meetings during the financial year ended 31 December 2012.



**Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim**, aged 66, Malaysian, was appointed to the Board of the Company on 23 November 2012. She is the Chairperson of the Nominating Committee, Remuneration Committee and Risk Management Committee and a member of the Audit Committee of the Company.

**Y. BHG. TAN SRI DATUK (DR.) RAFIAH BINTI SALIM**  
Independent Non-Executive Director

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah graduated with Bachelor and Master in Laws from the Queen's University of Belfast, United Kingdom in 1971 and 1974 respectively. She obtained her Certificate of Legal Practice in 1987 and was duly admitted as an Advocate & Solicitor of the High Court of Malaya in 1988. Subsequently, she received her Honorary Doctorate from the Queen's University of Belfast in 2005.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah started her career as a lecturer at the Faculty of Law, University of Malaya in 1974. In 1988, she ended her service with the University as the Dean of the Faculty. She then moved on to become the Head of the Legal Department of the Malayan Banking Berhad ("Maybank"). In 1991, she was promoted to the post of General Manager of the Human Resource Department at Maybank. She was then invited to serve in Bank Negara Malaysia as the Assistant Governor for the Security Department, Legal Department and Property and Service Department.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah's international experience includes holding the position of Assistant Secretary General for Human Resource Management, United Nations, New York, from 1997 to 2002, and was the first Malaysian to be appointed to such a high ranking post in the United Nations system. From 2003 to 2006, she was the Executive Director of the International Centre for Leadership in Finance, now known as The ICLIF Leadership And Governance Centre.

In 2006, she was appointed as the Vice-Chancellor/President of the University of Malaya.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah is currently the Executive Director of NAM Institute for the Empowerment of Women.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah has been awarded the "Darjah Kebesaran Panglima Jasa Negara (PJN)" and the "Panglima Setia Mahkota (PSM)" from His Majesty The Yang di-Pertuan Agong.

Tan Sri Datuk (Dr.) Rafiah's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Malaysian Genomics Resource Centre Berhad;
4. National Entrepreneurship Board (Perbadanan Usahawan Nasional Berhad); and
5. Nestle (Malaysia) Berhad.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah does not hold any share in the Company and its subsidiaries. She also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has had no convictions for offences within the past 10 years other than traffic offences.

She attended 1 Board Meeting held after her appointment as Director of the Company during the financial year ended 31 December 2012.



**Mr. Jens Reisch**, aged 47, German, was appointed as the Chief Executive Officer and to the Board of the Company on 4 August 2010. He is a member of the Investment Committee of the Company.

**MR. JENS REISCH**

Chief Executive Officer and  
Non-Independent Executive Director

Mr. Reisch entered into insurance apprenticeship training of the German Chamber of Commerce in 1985 and obtained the trainer's license to conduct apprenticeship training from the German Chamber of Commerce in 1988.

In 1989, he obtained insurance specialist certification from the German Chamber of Commerce and in 2004, he attended the finance course for non-finance managers from the London Business School.

Mr. Reisch joined Allianz Group Life Insurance in Stuttgart as an apprentice in 1983. He joined PT Asuransi Allianz Utama Indonesia, a general insurance company in Indonesia as a special trainee in 1992 and was appointed as the first Sales and Marketing Director of PT Asuransi Allianz Life Indonesia ("Allianz Life Indonesia"), a life insurance company in Indonesia, since its establishment in 1996, until 1999. He was subsequently appointed as the Branch Manager in Landshut Germany until 2003.

Prior to his appointment as Chief Executive Officer ("CEO") of Allianz Malaysia Berhad and Allianz Life Insurance Malaysia Berhad in August 2010, Mr. Reisch was the CEO of Allianz Life Indonesia since 2003 and the Country Head of Allianz in Indonesia since 2007.

With more than 20 years with Allianz Group, Mr. Reisch has wide-ranging insurance experience from diverse assignments starting from operations and training to sales and marketing covering for the life insurance and general insurance.

Mr. Reisch's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad; and
2. Allianz Life Insurance Malaysia Berhad.

Mr. Reisch does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no convictions for offences within the past 10 years other than traffic offences.

He attended all of the 5 Board Meetings held during the financial year ended 31 December 2012.



**Encik Zakri Bin Mohd Khir**, aged 49, Malaysian, was appointed to the Board of the Company on 26 April 2010. He is a member of the Investment Committee and Nominating Committee of the Company.

**ENCIK ZAKRI BIN MOHD KHIR**  
Non-Independent Non-Executive Director

Encik Zakri obtained his Certificate of Insurance from the Institut Teknologi Mara in 1986. He has over 24 years of experience in the insurance industry.

He joined the Company in 2000 as the Head of Industrial Business and subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of Allianz General Insurance Company (Malaysia) Berhad before he assumed his current position as the Chief Executive Officer of Allianz General Insurance Company (Malaysia) Berhad in December 2010. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance (M) Berhad.

Encik Zakri is currently a Director of Bright Mission Berhad, a wholly-owned subsidiary of the Company.

Save as disclosed below, Encik Zakri does not have any family relationship with any other director and/or major shareholder of the Company:-

- (i) Encik Zakri is the nephew of Y. Bhg. Tan Sri Razali Bin Ismail, the Chairman of the Company.
- (ii) Encik Zakri is a nominee Director of Allianz SE on the Boards of the Company and its subsidiary.

Save for holding of 100 ordinary shares of RM1.00 each and 200 irredeemable convertible preference shares of RM1.00 each in the Company, Encik Zakri does not have any interest in the shares of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended all of the 5 Board Meetings held during the financial year ended 31 December 2012.





**Mr. Ong Eng Chow**, aged 48, Malaysian, was appointed to the Board of the Company on 26 June 2009. He is a member of the Investment Committee of the Company.

**MR. ONG ENG CHOW**  
Chief Financial Officer and  
Non-Independent Executive Director

Mr. Ong obtained his Bachelor of Commerce degree in 1988 from the University of Canterbury New Zealand. He is also a Chartered Accountant of the Malaysian Institute of Accountants and the New Zealand Institute of Chartered Accountants.

He has more than 23 years of experience in the financial service industry, of which 18 years were in the insurance industry. He joined Allianz Life Insurance Malaysia Berhad on 1 June 1999 as Financial Controller and was redesignated as Chief Financial Officer ("CFO") in 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and Allianz Life Insurance Malaysia Berhad. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad.

Save for holding of 100 ordinary shares of RM1.00 each and 100 irredeemable convertible preference shares of RM1.00 each in the Company, Mr. Ong does not have any other interest in the shares of Company and its subsidiaries. He does not have any family relationship with any Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Board of the Company. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ong attended all of the 5 Board Meetings held during the financial year ended 31 December 2012.

# 1

*One thing I know for sure:  
I am well prepared to help  
him achieve his dreams,  
whatever they are*

Children are so full of life and as a father, I am thrilled to see my son growing up each day. He is still a little boy, but I want to be well prepared to help my son achieve his dreams when he grows up. Giving him the best is my priority and that's why I started early in investing on an education plan for him. I am confident that Allianz's education plan can ensure that when my son grows up, he can live out his dreams.

## Education

### Allianz EduPlus

**Capital Protected**

while reaping the potential higher return of our professionally managed fund.

**Guaranteed Acceptance**

with no questions asked on your child's health status.

**More Choices**

for you to opt for a plan that best suits your child's education needs.



Mr. Benjamin Ong  
Allianz customer since 2009







# Chairman's Statement



The year 2012 was indeed a milestone year for Allianz Malaysia Berhad. It heralded our decade-long existence in Malaysia and marked another year of commendable results on the financial and operational fronts despite a highly challenging and competitive insurance landscape. On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements of Allianz Malaysia Berhad ("the Company") and its subsidiaries (collectively referred to as "the Group") for the financial year ended 31 December 2012.

Dear Shareholders,

## OPERATING ENVIRONMENT

In 2012, global economic growth moderated amid a more challenging environment compared to 2011. Growth was uneven in the advanced economies, with the US experiencing a fragile recovery and the euro area remaining in recession. Domestic economic activity in emerging economies was also affected by a slowdown in international trade. Nonetheless, market sentiments improved towards the later part of the year following stronger commitments and important steps taken by authorities in resolving the European sovereign debt crisis. (Source: Bank Negara Malaysia Annual Report 2012)

Despite the weak external environment, the Malaysian economy performed better than expected, delivering faster and higher quality growth at 5.6% in 2012. The overall growth performance was driven by higher growth in domestic demand, which outweighed the negative impact from the weak external environment. (Source: Bank Negara Malaysia Annual Report 2012)

In this environment, domestic financial stability in Malaysia has continued to be preserved. There have been no disruptions to credit flows and domestic financial markets have remained orderly. Financial institutions in Malaysia are sound with strong capital and liquidity buffers with continued improvements in asset quality. (Source: Financial Stability and Payment Systems Report 2012)

The insurance and takaful industry recorded strong improvements in profitability on account of continued expansion in new business, better claims experience and improved investment returns. (Source: Financial Stability and Payment Systems Report 2012)

Against this backdrop, I am delighted to report that the Group continued to deliver profitable growth for 2012.

## FINANCIAL PERFORMANCE

For the year under review, the Group's operating revenue advanced by a commendable 14.4 percent to RM3.15 billion from RM2.75 billion in 2011, while profit before tax increased by 19.7 percent to RM297.8 million in 2012 from RM248.8 million previously. Our net income in 2012 increased by 26.9 percent to RM207.6 million from RM163.6 million in 2011.

### Key Figures

Operating revenue grew by

14.4% to

**RM3.15**

billion

Profit before tax increased by

19.7% to

**RM297.78**

million



*Giving  
customers a  
wide variety  
of choice*

Both life and general insurance businesses maintained their good sales momentum in 2012. The Group's consolidated gross written premium ("GWP") of its general and life insurance operations rose by 14.5 percent to RM2.98 billion in 2012 in comparison to RM2.61 billion in 2011. The net written premium in 2012 increased by 12.4 percent to RM2.40 billion from RM2.14 billion in 2011.

The year saw the Group's balance sheet continue to strengthen on the back of a strong operating performance. Total assets increased by 15.9 percent to RM9.19 billion in 2012 as compared to RM7.93 billion in 2011, while shareholders' fund increased by 12.4 percent to RM1.84 billion from RM1.64 billion in 2011. The Group's market capitalisation increased by 47.9 percent to RM2.44 billion in 2012 from RM1.65 billion in the preceding year. The Group's return on equity increased to 11.9 percent from 11.3 percent in 2011, while the Group's basic earnings per share also saw an increase to 132.2 sen from 106.1 sen in 2011.

The Group's insurance subsidiaries remained strongly capitalised as at 31 December 2012 in compliance with regulatory requirements.

The Group's strong results are also attributable to the sound business model and practices which is based on the foundation of sustainability, risk diversification and profitable long-term growth.

## Key Figures

Gross written premium increased by

**14.4% to  
RM2.98  
billion**

## DIVIDENDS

The Company continuously strives to protect investors' capital and provide attractive returns and dividends whilst striking a balance between the dividend payout and capital requirement of its insurance subsidiaries when determining the dividend proposal for shareholders' approval. Following the stronger operating performance in 2012, the Board of Directors is proposing a higher dividend payment. For the financial year ended 31 December 2012, the Board is pleased to recommend a first and final dividend of 6.50 sen per ordinary share less 25 percent tax (2011: 5.25 sen less 25 percent tax) and a preference share dividend of 7.80 sen per Irredeemable Convertible Preference Share under a single tier system (2011: 6.30 sen).



**"Allianz General recorded double-digit growth of 14.4 percent to achieve a total GWP of RM1.67 billion in 2012."**

The payment of the first and final dividend for the ordinary shares is subject to the shareholders' approval at the Annual General Meeting of the Company scheduled for 21 June 2013.

## REVIEW OF OPERATIONS

### Profitable Growth in General Insurance Operations

The Group's insurance business continued its commendable GWP growth in 2012. Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") recorded double-digit growth of 14.4 percent to achieve a GWP of RM1.67 billion in 2012.

In 2012, Allianz General reaffirmed its position as one of the leading general insurers in the industry with a market share of 11.0 percent in GWP (*Source: ISM Statistical Bulletin Market Performance Report January – December 2012*). This sustainable strong GWP growth came on the back of a successful multi-distribution strategy and strong sales distribution capabilities.

The Agency channel continued its strong growth momentum and remained the largest distribution channel contributing 55.3 percent of Allianz General's overall GWP in 2012, a 19.0 percent increase over the previous year's GWP. The Broker, Franchise, Bancassurance and Telemarketing channels contributed the remaining 44.7 percent of GWP, recording an overall growth of 9.2 percent.

The underwriting profit further improved by 29.2 percent to RM133.4 million in 2012 while maintaining a combined ratio of 87.7 percent, a 2.0 percent improvement from 89.7 percent in 2011.

The strong underwriting profit was mainly driven by improvement in containing the claims ratio to 59.3 percent in 2012. This was a 3.5 percent reduction over the claims ratio of 62.8 percent in 2011. The sustainable growth recorded in underwriting profit was attributable mainly to Allianz General's ability to maintain a diverse and balanced portfolio mix as well as its disciplined approach in implementing prudent underwriting guidelines and other measures to increase operational efficiencies.

The Motor business remained the biggest portfolio in the general insurance business, contributing to 54.1 percent of Allianz General's GWP in 2012. It grew by 18.6 percent, while the Non-motor segment grew by 9.8 percent and accounted for 45.9 percent of GWP. The Property insurance portfolio being the biggest portfolio in the Non-motor segment accounted for 18.5 percent of total GWP, followed by Health & Personal Accident insurance (6.5 percent), Liability insurance (5.2 percent), Marine insurance (4.2 percent) and other general insurance (11.5 percent). Allianz General continues to develop its multi-line product offering to reinforce its leadership position in the retail market.

The management expenses ratio saw an increase of 2.7 percent to 19.7 percent in 2012 from 17.0 percent in the previous year. Allianz General invested in strengthening the capabilities of its distribution channels for profitable growth and increased productivity.



**"Allianz Life recorded a strong 14.5 percent growth to achieve a total GWP of RM1.31 billion in 2012."**

### **Fast-Growing Life Insurance Operations**

I am pleased to report that Allianz Life Insurance Malaysia Berhad ("Allianz Life") also recorded a strong double-digit growth to achieve a total GWP of RM1.31 billion in 2012. This represents a 14.5 percent increase over the GWP of the preceding year, making it one of the fastest growing life insurance companies in the market.

In 2012, Allianz Life grew its agency GWP by 17.3 percent to RM1,123.7 million from RM957.8 million in 2011. This accounted for 85.8 percent of Allianz Life's total GWP. The GWP for its Agency business exceeded the RM1 billion mark for the first time ever, the result of an enlarged and productive agency distribution force and a strong persistency ratio. Meanwhile, the GWP of the Employee Benefit channel grew by 15.1 percent to RM119.3 million from RM103.7 million in 2012 contributing 9.1 percent of the total 2012 GWP. The newly formed Partnership Distribution, comprising of Bancassurance and Alternative Distribution channels made up the remaining 5.1 percent of the year's total GWP.

Allianz Life continues to drive a balanced product portfolio and strategy with a focus on selling more investment-linked and protection business. As a result, this business segment saw its GWP grow by 38.4 percent to RM379.5 million in 2012 from RM274.2 million previously. Approximately 64.0 percent of Allianz Life's GWP growth in 2012 was attributed to investment-linked business while traditional life business accounted for 36.0 percent.

Allianz Life's proven record in executing its business strategies has seen its share of the total life market increasing to 6.6 percent in terms of annualised new business premiums ("ANP") (*Source: Life Insurance Association Malaysia*). ANP grew by 11.8 percent to RM295.0 million in 2012 from 263.8 million in the previous year. Its agency sales outperformed the market, increasing ANP by 12.9 percent to RM277.5 million against 2011's total of RM245.7 million.

In line with its disciplined approach in managing new business mix, Allianz Life recorded an increase of 28.5 percent in investment-linked ANP, accounting for 49.9 percent of total ANP.

Allianz Life also enforces discipline in product pricing activities, enabling it to maintain its margins and manage risk exposure as well as provide a strong value proposition to its policyholders.

### **Strengthened Distribution Capabilities**

The strength of their relationships with their distribution partners has been fundamental to the success of Allianz General's and Allianz Life's extensive network distribution efforts. The core distribution channel for both these businesses continues to be their agency channel. Two successful programmes launched by the Group to increase diversity among the agency force will propel the Group forward towards its ambition of becoming the insurance retail leader in Malaysia.

In 2012, Allianz General continued to drive agency recruitment and improve renewals in motor business. As a result, 1,167 new agents were recruited (a 92.6 percent increase over 2011) and motor renewals went up by 5.0 percent.

Despite a slowdown in car sales, the franchise business continued to recruit new dealers and manufacturers to achieve its targets. Furthermore, the telemarketing channel was successfully formed as an independent distribution channel to support existing intermediaries, while in bancassurance, Allianz General's commercial banking relationship with CIMB and HSBC continued to strengthen.

Allianz Life also had a strong year, with the number of agents surpassing the 6,000 mark to hit 6,537 agents. This is in line with the target to increase the agency force to 10,000 agents by 2015. The Allianz Life agency force is recognised as being among the most productive in the industry. The year 2012 proved to be a significant milestone for the newly founded Partnership Distribution channel with the signing of a 10-year exclusive Bancassurance partnership with HSBC that went live in January 2013. Allianz Life also entered into a strategic partnership with OSK Trustees Bhd enabling Allianz Life to offer life insurance to OSK's customers while OSK in return provides estate-planning services to Allianz Life's customers.

Allianz Life's Employee Benefits channel continued its focus on strengthening the channel by increasing the number of agents as well as rallying stronger support from leading brokers.

Moving forward, our insurance businesses will continue to grow its distribution channels and provide quality services to meet consumer needs through various point of sales in Malaysia.

### **Improved Product Offerings**

At Allianz, we are committed to developing and delivering innovative products in line with the changing lifestyle and business needs of our consumers. Allianz General is committed to underwriting sound businesses and quality products, whilst Allianz Life leverages on comprehensive protection and savings products that cater for the various lifestyle demands and trends.

In 2012, Allianz General launched several new products under the "Shield" brand. ATM Shield is a personal protection plan providing 24-hour cover for injury or loss sustained due to snatch thefts, attempted snatch thefts, robbery or attempted robbery. It also includes compensation for cash lost due to snatch thefts or robbery occurring within 24 hours of any ATM withdrawal worldwide. Home Shield in turn provides protection to homeowners against loss or damage to their household contents or personal effects due to fire or theft.

The year also saw two new insurance packages being introduced, namely Hotel Shield (a comprehensive package policy specially designed for budget hotels), and Smart Retail Shield (a 6-in-1 insurance package specially designed for small to medium sized businesses).

As customer needs change in the area of protection, education and retirement, Allianz Life has continuously sought to enhance and improve its best-selling regular premium product, PowerLink. In line with this, 2012 saw the launch of two new income riders that pay a steady income to policyholders with critical illnesses or total and permanent disability.

To help consumers finance their children's education, Allianz Life introduced Allianz EduPlus, a plan that will help to finance children's education while offering protection to parents at the same time.

As a growing number of the Malaysian population begins to age, retirement planning has become increasingly important. Going forward, Allianz Life is set to position itself more prominently as the preferred retirement solutions provider among consumers to cater for the demographic change.

### **Enhanced Service and Operational Efficiencies**

The Group currently serves 2.54 million customers nationwide and we are continuously enhancing our operational efficiencies and service standards to ensure we meet their needs and remain their insurance solutions provider of choice.

The year under review saw the Group placing a high priority on service transformation. In tandem with this exercise, we undertook customer-centric initiatives based on the feedback received to ensure higher customer satisfaction levels. We continue to improve our services by enhancing our business processes and leveraging on new digital technologies. Through increasing the efficiency and speed of interactions and deliverables for our customers and intermediaries, we are ensuring they receive the highest standard of service.

Following the introduction of Allianz Life's electronic application platform for its agency force to submit customer application forms, there was an increase in its usage in 2012. Demand for the platform is expected to rise further as we enhance the application platform in 2013 and make it easier and faster for our agents, business partners and policyholders.

Moving forward, the Group will endeavour to offer superior products and services to our customers and business partners backed by continuous operational improvements and digitization efforts. We will also leverage on the vast knowledge pool, technical expertise and best practices of Allianz companies globally and in the Asia Pacific region to deliver innovative products and quality services.

### **Focused Branding and Sponsorship Initiatives**

The Group continues to build awareness of the Allianz brand through several focused branding platforms that also serve to build enduring relationship with our customers. In 2012, we officially launched our branding and sponsorship platform, One Campaign, a global communication campaign for Allianz. Officially launched in Malaysia, this campaign centres on the concept that everyone knows something that could benefit another. Bringing this notion into play within Allianz, prompts us as an organisation and a united team to share our knowledge, enable dialogue and encourage our customers to advance forward in life and business. One Campaign is about real people, sharing real experiences and relaying the unique bits of knowledge they possess. The campaign focused on communication messages built on our education, protection and motor insurance offerings with messages disseminated to consumers via several media platforms including national television and radio broadcasts as well as the newspapers.

The year also saw us engaging with target audiences via our sponsorship of two very popular sporting platforms i.e. football and running. These platforms enable us to not only promote our brand awareness but also to promote healthy living among Malaysians. The Allianz Junior Football Camp, a global platform was launched in Malaysia last year. Two teenagers from Malaysia were selected to participate in a five-day football adventure in Munich where they met with young footballers from other countries, trained under FC Bayern's young coaches and did some sightseeing. We also continued our sponsorship of the Allianz Penang Bridge International Marathon which has been reinstated in Malaysia's Book of Records as the "Largest Bridge Run Event in Malaysia" given the participation of some 34,500 runners.

Allianz was also the first insurance company in the world to have sponsored KidZania Kuala Lumpur. KidZania Kuala Lumpur is an educational theme park which offers children between the age 4-17 the opportunity to bring role-play to its maximum expression in this mini city. We believe it can educate our next generation about the importance of insurance in a fun and entertaining way.

## **RESPONSIBLE CORPORATE PRACTICES**

### **Our Approach to Sustainable Success**

In 2011, Allianz Malaysia established Allianz4Good, which is a strategic approach within the Allianz Group that aims to create a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company.

Allianz4Good encompasses the Group's efforts in Corporate Volunteering, Corporate Giving and also its initiatives to ensure the long-term viability of the business. In particular, Allianz4Good's projects in road safety and financial literacy have addressed a societal gap while at the same time engaging our employees.

The activities and initiatives for the year are covered in more detail in the Sustainability Report which forms part of this Annual Report.

### **Open and Transparent Communication**

Open communication and transparency are part of the Allianz DNA. We organise town hall meetings twice a year to share the Group's performance, aspirations and key developments with our staff. Over 30 branches nationwide emulate the proceedings with the same messages cascaded down to all staff at branches.

In July 2011, the Group ventured into a new phase of open communication through the launch of the Allianz Malaysia Facebook. This social media tool serves as a communication platform as well as an engagement and branding platform for customers and the public. In 2012, almost 150 enquiries were generated on our Facebook page while it garnered over 50,000 fans in only 18 months.

### **Effective Risk Management**

The Group is confident that its risk management and internal control systems are operating adequately and effectively to meet the requirements of day-to-day business operations and the challenges of a rapidly changing environment. This confidence stems from the strong risk awareness culture in the Group, and the many measures put in place, including improved internal solvency targets as of 31 December 2012 and close monitoring of capital positions. The Group sees itself as well-positioned to deal with potential future adverse events, as its operating entities are well-

**"We believe we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations through an appropriate risk appetite, enabling us to achieve a better CAGR as compared to the industry."**

capitalised, and internal limit frameworks are in place that will limit the impact of adverse developments on our regulatory and economic solvency ratios.

In addition, the Group believes it has achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations through an appropriate risk appetite, enabling it to achieve a better compound annual growth rate as compared to the industry, while ensuring risks are effectively identified and mitigated.

Notwithstanding, the system by its nature can only provide reasonable but not absolute assurance against any risk. Although we will mitigate, but some of the factors affecting our operations are inherent in nature which includes the performance of the financial markets and the economy. The continuation of a low interest environment may create challenges to the life operations especially in delivering sufficient investment income to meet policyholders' future expectations and long term guarantee embedded in the life insurance products; whereas for the general operations, the potential of higher interest rates due to higher inflation may result in lower market prices for existing fixed income investments.

With the climate change, natural catastrophe may become more severe and unpredictable. These may render assumptions used in pricing the insurance products erroneous causing inadequate pricing. Such event will normally result in higher claims liability.

In addition, insurance companies are faced with continued trend towards consumer protection, especially in the areas of transparency, sales practices and suitability of insurance products. This may result in an increase in operational and compliance costs.

In compliance with Bank Negara Malaysia's new requirement to ensure capital adequacy, the Group has launched the Internal Capital Adequacy Assessment Process ("ICAAP") in 2012. Allianz Life and Allianz General had successfully met the expectations of the principles and standards laid out in the ICAAP guidelines in 2012.

### **Adhering to the Regulatory Framework**

During the course of 2012, the Group continued to implement initiatives aimed at making us a more customer-centric organisation. The Allianz Sales Compliance Policy was one such initiative that was rolled out in early 2012. This Policy laid out six sales fundamentals focusing on compliance aspects from product origination to distribution and complaint management. Additionally, the Treating Customers Fairly Framework by the Life Insurance Association of Malaysia was also implemented in 2012 under which several Minimum Standards have been set to ensure fair treatment of policyholders. Allianz Life has been working hard to ensure meeting these standards which are consistent with the fundamentals of the Allianz Sales Compliance Policy.

In terms of new legislation, the Competition Act 2010 ("CA"), The Personal Data Protection Act 2010 ("PDPA"), The Financial Services Act 2013 ("FSA") and The Islamic Financial Services Act 2013 ("IFSA") are expected to bring about significant changes to the manner in which the insurance industry operates.

**"The Group will continue to leverage on the competitive strengths of providing both general and life insurance solutions to maintain our leading position in the market and remain the trusted and preferred insurer to all Malaysians."**

On 1 January 2012, the CA came into effect and applies to any commercial activity transacted within Malaysia and outside Malaysia, which has an effect on competition in any market in Malaysia. Given the potential impact of the CA, we have undertaken reviews of the operations and business practices within the Group to ensure compliance thereof.

The PDPA, FSA and the IFSA are all expected to be effected soon. Under the PDPA, there is a need to obtain customer consent when processing the personal data of individual policyholders or involving them in direct marketing activities. In line with this, all internal processes and practices pertaining to the processing of personal data are under review to ensure that customer data is properly processed and safeguarded.

The FSA and IFSA are intended to replace the statutory requirements under several legislation including the Insurance Act 1996 and the Takaful Act 1984. When enforced, both the FSA and IFSA will introduce more stringent requirements, including subjecting the holding company of a financial institution to capital and prudential requirements.

## OUTLOOK AND PROSPECTS

The global growth outlook is expected to improve in 2013, averaging 3.5 percent on an annual basis (slightly higher than the 3.2 percent growth realised in 2012). Financial and policy risks have receded compared to the recent two years. However, downside risks are expected to remain given the risk of near-term fiscal consolidation in the United States and renewed setbacks in the Eurozone.

The Malaysian economy is expected to remain on a steady growth path with an expansion of 5 to 6 percent in 2013. (*Source: Bank Negara Malaysia Annual Report 2012*)

Economic activity will be anchored by the continued resilience of domestic demand, supported by a gradual improvement in the external sector. Private investment is expected to remain robust, driven by capacity expansion by domestic-oriented firms and the continued implementation of projects with long-term growth prospects. (*Source: Bank Negara Malaysia Annual Report 2012*)

The external environment is expected to remain challenging in 2013. The key risk to the Malaysian financial sector continues to stem from the general weakness in the external economic conditions which is then transmitted through the trade channel. However, the Malaysian financial sector is well placed to cope with such adverse external developments given the strong financial buffers of its financial institutions. (*Source: Financial Stability and Payment Systems Report 2012*)

Growth in the insurance sector is projected to be sustained, reflecting continued robust demand for financing particularly by the commercial sector. (*Source: Bank Negara Malaysia Annual Report 2012*)

## MOVING FORWARD

Moving forward, the Group will continue to build on the strong momentum gained in 2012 to drive business growth. The Group will continue to leverage on the competitive strengths of providing both general and life insurance solutions to maintain our leading position in the market and remain the trusted and preferred insurer to all Malaysians.

We aim for further growth while sustaining our margins through better risk selection and enhanced operational efficiencies. By focusing on risk selection when accepting business, this will enable us to improve our underwriting margins and sustainable profit over the next year.

The strong growth to date of both our general and life insurance operations bode well for the future prospects of the Group and further solidify our commitment to continue expanding our reach as the preferred insurance provider. For 2013, both our insurance operations will continue to embark on growth strategies and expand their distribution reach by securing strategic distribution arrangements. We will also focus our efforts on building an enlarged professional agency force.

Our businesses will also continue to offer comprehensive insurance solutions and improve our operational capabilities to deliver better customer service and penetrate a wider market segment. We will continue to leverage on the on-going digitized trend and opportunities. At the same time, we will invest in brand engagement activities to enhance the value of our global brand. The low penetration rate for insurance products coupled with good GDP growth will provide opportunities for the Group to accelerate our own growth.

Moving forward into 2013, the Board is cautiously optimistic that the Group will continue to grow profitably and create long-term sustainable value for all our shareholders.

## ACKNOWLEDGEMENTS

On behalf of the Board, I wish to convey our heartfelt thanks to our valued shareholders, customers, agents, brokers, re-insurers, business partners, associates and bankers for their steadfast support and confidence in the Group. We would also like to extend our utmost gratitude to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their invaluable advice, guidance and support through the year.

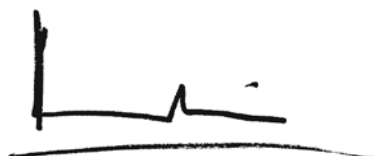
My sincere appreciation goes to the Senior Management team and the Group's employees for their hard work, dedication and commitment to excellence in 2012. We could not have done this without you.

On behalf of the Board, I extend a warm welcome to Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim who joined the Board on 23 November 2012 as an Independent Director. Her appointment is all the more noteworthy as she is the first woman director to be appointed to the Board. We certainly look forward to her wise counsel and insights.

Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar retired as an Independent Director of the Company on 25 November 2012 after having served the Group for more than 12 years. We extend our utmost thanks to Y. Bhg. Dato' Seri Nik Abidin for his significant contributions to the Group and wish him well in his retirement years.

I would also like to record our utmost appreciation to Mr. David Lawrence Fried who resigned as a Director of the Company on 18 January 2013. We thank him for his significant contributions to the Group and wish him every success in his new endeavours.

We trust all our stakeholders will continue to extend us their unwavering support as we set our sights on achieving another year of robust growth and greater heights of success. Thank you.



**TAN SRI RAZALI BIN ISMAIL**

Chairman

3 May 2013



# Sustainability Report

"Sustainable Development for us means combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility."

Economic



Social





## Environment



## Governance





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## About this report

This report covers the operations of Allianz Malaysia Berhad and its subsidiaries ("Allianz"). It gives a broad overview of our sustainability performance in 2012.

All contents and key figures are accurate as at 31 March 2013.

[allianz4good@allianz.com.my](mailto:allianz4good@allianz.com.my)

# Strategy and Management



In recent years, stakeholders' concerns have expanded beyond conventional financial results and considerations to a greater demand for information and transparency. Investors wish to understand not just how much money is made but whether it is done in a sustainable and responsible manner.

Social and environmental conditions in society have often a direct impact on the business operations of a company and its long-term viability. Sustainable Development for us means combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. Our guiding principles in achieving a sustainable growth are Customer Focus, Integrity, High Performance Culture, Open Communication and Corporate Responsibility. We care and are committed to help building the community through our socially responsible initiatives. With more than 1,700 employees, over 11,000 agents and a customer base of 2.5 million nationwide, we can leverage on the power and engagement of our human capital to make a difference in society.

With our social initiatives, we offer our skills, experience, time and resources for the benefit of society and at the same time enable and engage our people. In doing so, we have a strong focus on the topics of Road Safety and Financial Literacy, which are two of our four identified Corporate Responsibility pillars. As an insurer, it is our duty to increase the safety level and thereby reduce risks within society. In addition to that, we leverage our core competency as a financial services provider to build the knowledge base and economic status of Malaysians and empower individuals to be responsible financial citizens. It is our commitment to look after our customers, building trust and providing them with products that meet their needs, maintaining a high level of integrity and treating our employees and business partners well.

With the Allianz4Good brand and strategic orientation, we want to go beyond philanthropy. I am pleased with the progress we have made, since we adopted Allianz4Good in Malaysia in 2011. We have focused on crucial challenges for the country and support initiatives to resolve them. We are engaging a growing number of our employees to advance social and environmental well-being and have further developed a systematic approach to our volunteering and social initiatives. This Sustainability Report shows our non-financial performance in the Economic, Environmental, Social and Governance spheres. With the report, we aim to create transparency and show our commitment to being a reliable partner and good corporate citizen for our customers, agents, business partners, employees and the general public.

We would like to continue with our approach and further activate our Allianz community to do our best in managing social challenges in a responsible manner and see them as opportunities to ensure our sustainable and profitable growth in all lines of business. After 10 years since Allianz was established in Malaysia, we have managed to be one of the leading insurers in Malaysia today. My goal is for Allianz to be recognised not only as a top insurance company, but also as a leading corporate citizen in our society in future years.

A handwritten signature in black ink, appearing to read 'J. Reisch', written in a cursive style.

**Jens Reisch**

CEO, Allianz Malaysia Berhad

## Stakeholder Engagement

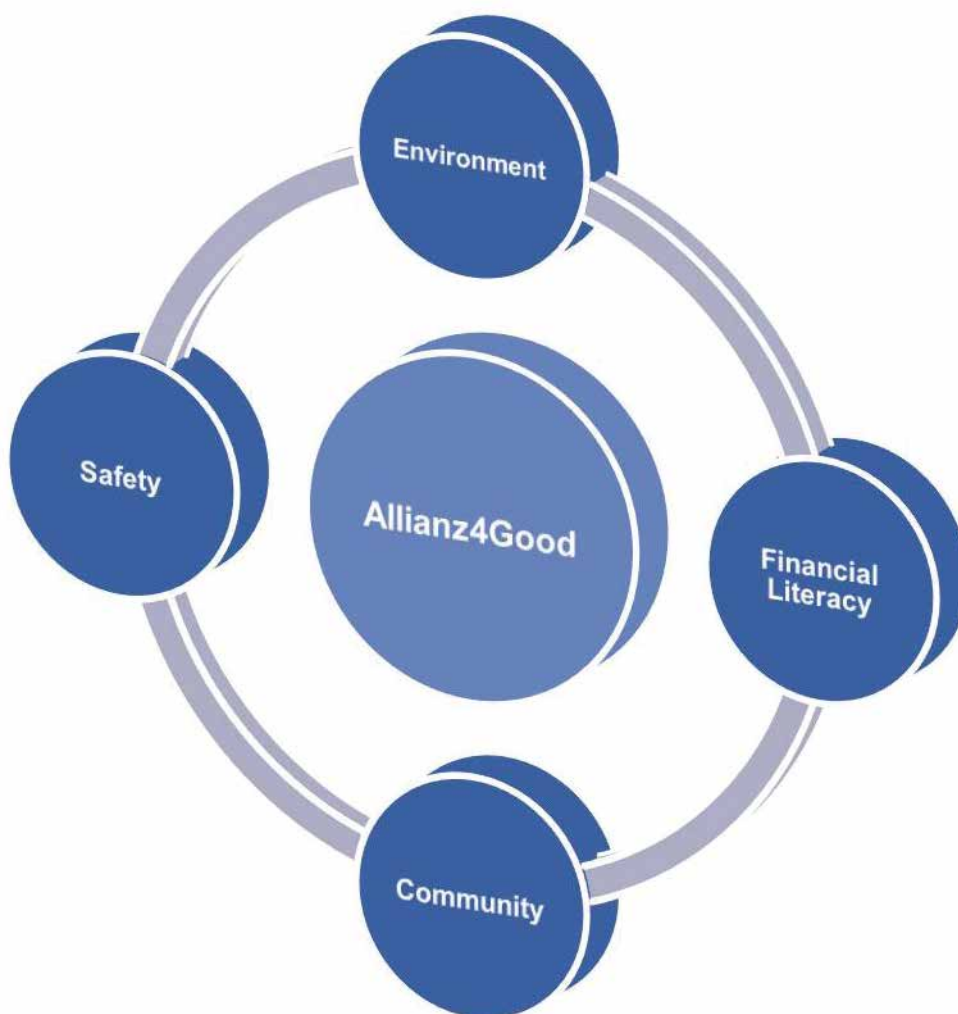
Stakeholders' trust is of particular importance in the financial services industry. To cultivate trusting relationships with our broad spectrum of stakeholders, we are committed to engaging them in a variety of ways.

Stakeholder	Type of Engagement
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Knowledge-sharing initiatives</li> <li>• Customer surveys</li> <li>• Facebook</li> <li>• Website</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee feedback</li> <li>• Regular Townhall Meetings</li> <li>• Corporate volunteering programmes</li> <li>• HR-related dialogues</li> <li>• Monthly newsletters/Quarterly magazines</li> <li>• Staff activities</li> <li>• Training and Leadership programmes</li> <li>• Internal staff portal</li> </ul>
<b>Agents</b>	<ul style="list-style-type: none"> <li>• Agent Point newsletter</li> <li>• Award/Recognition Dinners</li> <li>• National Marketing Conventions</li> <li>• Training sessions for agents</li> <li>• Facebook</li> <li>• Internal agent portal</li> </ul>
<b>Government relations</b>	<ul style="list-style-type: none"> <li>• Dialogues with regulatory bodies</li> <li>• Public Partnerships</li> <li>• Interaction with regulatory bodies</li> </ul>
<b>Investment community</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Analyst briefings on quarterly basis</li> <li>• Meetings with fund managers and investors</li> <li>• Quarterly Reports and Annual Reports</li> <li>• Audited Financial Statements</li> <li>• Shareholders' Circulars</li> <li>• Announcements released to Bursa Malaysia Securities Berhad and Media</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>• Panel discussions and round tables</li> <li>• Partnerships for civic engagement</li> <li>• Corporate volunteering activities</li> <li>• Outreach events</li> <li>• Career fairs by Human Resources Department</li> <li>• Recruitment fairs by Agency Department</li> <li>• Social Sponsorship</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Press conferences and events</li> <li>• Media releases</li> <li>• Media interaction</li> </ul>

## Managing Corporate Responsibility

Allianz strives to build a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company. We aim to achieve this by combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. At Allianz we pursue our Corporate Responsibility ("CR") objectives through an integrated and comprehensive approach, managed by the Allianz4Good Department. This engagement encompasses our corporate volunteering activities, our philanthropic support via corporate giving and our commitment to transparency and accountability through responsible reporting.

We have identified four pillars where we want to advance social, economic and environmental well-being and raise awareness through our experience as an insurance company and risk manager. With the focus on Safety, Financial Literacy, Environment and Community, we expand our commitments beyond cash donations and traditional corporate philanthropy and focus on engaging our employees through various volunteering activities.



# Economic

Our sustainable and profitable growth is based on our commitment to be the most reliable financial services provider. This commitment encompasses the thorough care of our customers as well as continuous engagement for financial inclusion.



## Customer Focus

A strong customer focus is at the heart of the overall Allianz strategy. We seek to be the most reliable partner for our customers, agents and business partners. Satisfied customers are more likely to renew their policies and refer friends and family members to us. Customer feedback is essential for monitoring satisfaction. Thus, we are able to continually improve our products and services to meet customers' expectations.

Our Market Management Department was set up to ensure the ongoing improvement of our customer and market orientation and centrality in a sustainable way. It embarks on Customer Focus initiatives to assess and improve products and services and to come up with innovative solutions to our customers' needs.

## Net Promoter Score

The Net Promoter Score ("NPS") is a measure of customer loyalty which has been established within the Allianz SE Group ("Allianz Group"). It serves as a regular measurement of a customer's willingness to recommend Allianz. NPS is applied on two segments:

Top-Down and Bottom-Up. Top-Down NPS is measured annually and benchmarks Allianz against relevant local peers. Bottom-Up NPS is used to measure customer satisfaction at various touch-points, such as during claims management, policy service and sales. It enables us to gain valuable insight into the experience of our customers and to better understand their expectations. Thus, we can continue improving our customer service and the processing of claims.

## Customer Loyalty

The loyalty of our customers is one of the key factors for our sustainable growth. 22% of the customers of Allianz Life Insurance Malaysia Berhad ("ALIM") hold two or more policies, to cater for their needs of protection and savings. At Allianz General Insurance Company (Malaysia) Berhad ("AGIC"), customers with two or more policies make up 43% of all customers.

Close to 40% of AGIC's customers renewed their policies after expiry. In the case of fire insurance, the renewal rate reached 92%. Customer loyalty is of key importance for us as it is our ultimate goal to be a trusted partner with a superior service culture and a strong customer value proposition.



## Value Added Service

Allianz is also constantly looking for ways to assist our policyholders further and provide value added services to our customers. One such service is the vehicle tracking and recovery system offered to comprehensive private car policyholders through a joint partnership between AGIC and Captor Retail Sdn Bhd since 2004. The effective tracking and recovery system helps recover stolen vehicles and, to-date, about 1,000 Allianz policyholders have installed the system in their cars. The system has brought relief to Allianz policyholders, as 65% of the vehicles which were fitted with Captor and reported stolen over the last three years were successfully recovered. Due to its success, Allianz also tied up with another company, BSmart Technology Sdn Bhd, in 2012 to offer similar tracking services to policyholders.

## Risk Mitigation

Managing risks is the core of our business as an insurer. We strongly believe in the practices of risk reduction and mitigation instead of purely risk transfer. Hence, we prefer prevention rather than cure, simply for the sake of our customers' safety, security and most importantly, the continuity of their operations and businesses. In this regard, we give risk mitigation advice to our customers.

Risk analysis consultation is provided by qualified employees with science and engineering backgrounds. They conduct property, engineering and project risk analysis on site for our customers. The main objective is to understand and appreciate the customer's



operations and most importantly, to assist or provide advice to the customer on any shortfalls identified, as far as the foreseeable risks or hazard exposures are concerned.

We analyse the information gathered and provide a product of our own, termed as Risk Improvement Recommendations ("RIR"). This assists the customer to re-engineer the risks or hazards identified to a level that is tolerable. Although the RIR is not uncommon to the global insurance industry, Allianz combines practicality, best risk management practices and its benefits for the customer, without merely taking commercial aspects into consideration.

## Service Transformation

At Allianz, we integrate Customer Focus behaviour in the DNA of our employees by embarking on service transformation initiatives. A series of Customer Focus trainings for all levels of staff started in 2012. 614 participants were trained on topics such as fair treatment of customers, Customer Service Charter, complaint management, digitization, data enrichment and customer service awareness.

With the Customer Service Charter we are setting the standard of our service delivery and the response timeline, which is published on our website. Furthermore, a well defined and documented complaint management process is in place to ensure all complaints are monitored, managed, escalated and reported within the stipulated turnaround time. Complaints and resolutions are further presented to Senior Management to drive service improvement.





Our Senior Management Team also conducts mystery shopping to experience firsthand the level of customer service provided by our employees at sales and service touch points. Our aim is to improve the quality of information and advice provided to customers. In addition, we conduct service calls to our customers and agents to assess their level of satisfaction with our products and services and to regularly gather feedback to drive organisational change.

In line with the requirements of the “Treat Customers Fairly Framework” of the Life Insurance Association of Malaysia, welcome calls are made to new life insurance policyholders, to secure their full understanding of the policy benefits and satisfaction with the services received.

## Digitization

The evolution of the digital world has changed the way customers are consuming media, searching for information or recommendations and buying products. At the same time, expectations about service levels are increasing. We are continually reviewing our customer service infrastructure to make sure that it reflects consumer trends and behaviours and that we remain connected with our customers and keep improving our service.



In order to provide adequate and fast response, we have embarked on various digitization projects that focus on increasing our service quality and modernising our communication channels. This includes the implementation of more automated processes and regular updates of the personal contact details of our customers.

With the increasing trend of internet-based and mobile-based services, customers expect information and services to be made available at any point in time. In response to these emerging technologies, we have increased our brand presence in digital and social media to attract and engage our customers and stakeholders in an interactive way. At the same time, we see this as an avenue to increase our brand loyalty.





The Allianz Malaysia Facebook page, which was first introduced to the social media sphere in July 2011, now hosts over 50,000 fans. We are one of the most “LIKED” insurance companies in Malaysia currently. Customers and fans are able to receive not only up to date news of the company and products offered, but are also able to engage with daily information bites and interactive contests. Besides, the page acts as another feedback mechanism where both positive and negative feedback is addressed. Our aim is to improve our relationship with customers as well as make our company more approachable to a tech-savvy generation.

In addition, we have developed the Retirement Calculator. This mobile application allows users to select different scenarios and, based on those decisions, allows them to take a glimpse into their future financial situation. The application has been downloaded by more than 1,600 users. Through this application, we hope to raise awareness on the necessity for future financial planning.

## Access to Finance

Allianz Group identified Access to Finance as a key global issue for its sustainable development. From a local context, we have designed the Retail Agent programme which encourages single parents to be insurance agents. The programme provides participants with technical and personal development trainings and equips them with the necessary knowledge and skills to be entrepreneurs in the insurance business. To make this programme more accessible, we are subsidising single parents on their agent entry exam fees.

With the Allianz Motorcyclist Personal Accident insurance, we covered 670,809 motorcyclists, catering especially to the rural areas of Malaysia, where insurance penetration is still low but the accident rate is high. Via our wide-reaching distribution channels, insurance protection is made possible at a lower cost to an underserved and hitherto unprotected target group.

Allianz was able to grow its total customer base to over 2.5 million in 2012.



# Environment

Climate change is a serious risk faced by the insurance industry, with disaster-related claims increasing in recent years. Allianz takes its environmental responsibility seriously and is committed to reducing its carbon footprint.



## Climate Change Strategy

The Climate Change Strategy of Allianz Group deals with the impact of climate change on both customers and its business.

Locally, we support this strategy by avoiding or reducing carbon emissions and substituting resources with lower-carbon footprint alternatives. Guidelines are in place to encourage a more sustainable attitude to the environment; for example, the Global Print Policy aims to reduce paper consumption; the Global Travel Regulation aims to avoid unnecessary business travel and promotes the use of lower-carbon footprint alternatives and the Global IT Sourcing and Procurement Policy advocates the purchase of energy-efficient IT hardware.



We recycled the equivalent of

# 63

20-year old trees  
in just 10 months

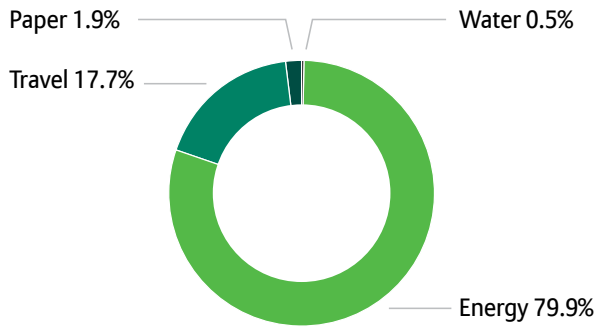
## Local Carbon Reduction Strategy

Allianz is escalating its national efforts to "go green". We have embarked on the following initiatives:

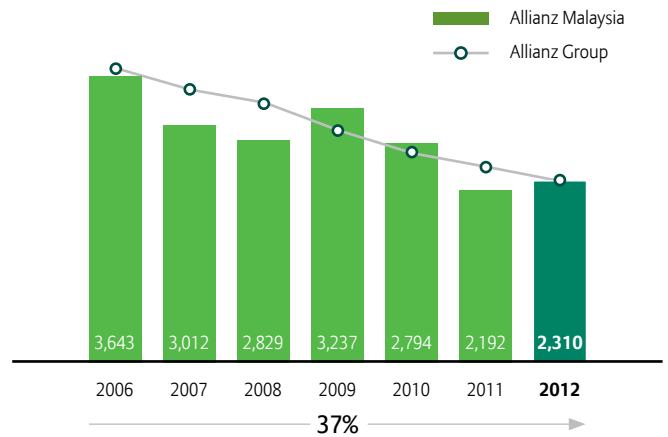
- Reduction of paper consumption through the digitization of processes. For example, only soft copies of meeting papers are disseminated to our Board and Senior Management Team. In addition, we have increased the use of email and web-based correspondence with our customers, agents and other stakeholders.
- Using climate-friendly alternatives for necessary business activities, for example, energy-efficient refittings at our branches which include switching to energy-saving lightbulbs and eco-friendly air-conditioning systems.
- Using energy-efficient IT solutions, for example, our data centre has a Power Usage Effectiveness measure of 1.57 in a tropical country. Based on the Uptime Institute Data Centre survey in 2012, the global average reported was between 1.8 and 1.9, which means that we use less energy than average.
- Implementation of a recycling bin initiative in our Head Office since June 2012. In total, more than 3,700 kg of paper was recycled.

The allocations of our CO<sub>2</sub> emissions in 2012 shows that energy consumption and business travel are the main levers for reducing Allianz' carbon footprint further.

#### Allocation of CO<sub>2</sub> emissions in 2012



#### Relative CO<sub>2</sub> Emissions (kg per employee) 2006 – 2012



#### Allianz Group Target

Allianz Group set a target to reduce the carbon emissions per employee by 35% by 2015 against a 2006 baseline. The scope of the carbon footprint includes energy used to operate our buildings and IT equipment; business travel by air, car and train; paper used and waste generated from our day-to-day operations; and water used in our buildings.

Given that energy usage is the largest contributor to our carbon footprint, the Allianz Group has also set a specific energy target to support the overall carbon reduction target by 2015 - to reduce energy consumption per employee by 10% measured against a 2010 baseline.

In Malaysia, since 2006, we have monitored and reported our energy, paper and water consumption as well as our business travel via the Group-wide Environmental Management System ("EMS"), a system introduced by Allianz Group to ensure transparency in environmental performance and support systematic environmental data collection and control. In 2012, we saw a slight increase in our emissions to 2,310 kg per employee as compared to 2,192 kg per employee in 2011. The increase is due to significant business expansion. However, 2012 also saw the renovation of 7 of our branch offices which involved energy-efficient refittings and we are certain that the investment we make in these refittings now will bear fruit in carbon emission reduction in future. Overall, we are still on track to achieve our Group target, with an overall reduction of 37% against our 2006 baseline.



Climate Change is an important topic for Allianz. In 2012, we added renewable energy into our insurance portfolio. This is just one way that Allianz is preparing for a carbon neutral future.

## Social

Our sustainable success as a company depends on the commitment and skills of our staff. In Malaysia, we employ more than 1,700 people across the whole country. Our business strategy requires the best people in place to deliver success today and over the long term. We also take our responsibility to society seriously. By offering skills, experience, time and money, we strive to advance social well-being in our local communities.



Equally important are the discussions between managers and employees about the annual survey results as well as deciding together on actions to address areas for improvement. All Heads of Department and Branch Managers are required to develop action plans to address the findings of the survey. Overall, 82% of our employees responded favourably to the leadership culture at Allianz.

### Employee Engagement

In a people-oriented business like financial services, engaged employees bring competitive benefits such as an improved performance culture, greater integrity and better customer focus. Through the annual Allianz Engagement Survey, employees are encouraged to provide open and honest feedback on factors that affect their level of engagement with Allianz. These factors include various dimensions such as leadership behaviour, employer attractiveness, performance and compensation and customer focus.

A local participation rate of 97% in the 2012 Allianz Engagement Survey shows that our employees are interested in providing feedback to the management on its managerial quality and areas for improvement. The Employee Engagement Index ("EEI") is a key measure of employee satisfaction, loyalty and pride within the organisation. Allianz achieved a favourable number of 83% positive responses for the EEI. In addition, 92% of our employees stated that they are proud to work for Allianz and 91% are satisfied with the actions our company is taking to be socially responsible.



**92%**  
of employees say they are proud  
to work for Allianz

### Diversity

Allianz does not tolerate discrimination or harassment in the workplace based on criteria such as age, disability, ethnic origin, gender, race, political attitude or workers' representative activities, religion or sexual orientation. We recruit according to the skills, talent, character and abilities of a person. Allianz appointed its first female Independent Director, Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, in November 2012. She has an excellent service record in the public



and private sectors as well as at international level and is currently an Executive Director of the Non-Aligned Movement Institute for the Empowerment of Women Malaysia.

We are proud to say that out of our 1,706 employees, 1,155 are women, which represents 68% of employees in Allianz. Women employees also exceed the number of men in managerial positions at 55%, while 12 of our branch managers are women. At top management level, 28% of positions are held by women.

Given that we have a large female workforce, we conducted a City Survival Training in December 2012 exclusively for our female staff with the objective of equipping our women employees with simple but effective skills to prevent harm and reduce their risk of falling victim to crime. With a total of 89 participants, the training received excellent feedback.



## Managing Talent and Careers

In Allianz we want to offer careers, not just jobs. We believe that regular dialogue on professional development between managers and employees at all levels of the business is essential for career and talent development. A development review is part of our talent development process and involves looking at an individual's competency, skills, experience, performance and potential.

In the effort to establish a more transparent and structured process for managing career development, we have put in place a Career Development Manual ("CDM") which provides our employees with a better understanding of the expectations and requirements for jobs and functions at Allianz. It is designed to show career growth opportunities within the same or across different job families as well as the technical and behavioural competencies required for career development at each stage.

In 2012, our focus in Talent Management was to build a systematic approach of identifying the talent pipeline for key senior management and critical positions in the organisation. Our Senior Management team attended a Talent Development workshop in June 2012 to have a better understanding of the Talent Management approach.

Following on from the workshop, our Human Resources Department and the Senior Management team actively engaged in identifying potential successors and key talents of the Organisation. About 170 key talents have been identified in Head Quarters. Our first local Career Development Conference was held in December 2012 with the theme "Evaluating Our Talent Pipeline". The next steps are to document the development action plan for all the key talents.



To attract new talent, Allianz implemented an Employer Branding initiative through campus talks and career fairs in major public and private universities. The purpose is to introduce Allianz to students. Specifically, we brief students on our Internship Programme, Management Associate Programme and various career opportunities, thus ensuring that we recruit the best for our future.

Moving forward, we will continue to actively look into and manage our talent pipeline and focus on developing and retaining our best people.

## Learning and Development

A high performance culture is one of our core values and we recognise that having a competent and dedicated staff force is a key contributor to making such culture a success. We believe that by providing a learning and motivation platform where learning is made an enjoyable yet edifying and rewarding experience, we will be able to continually increase our employees' level of competence and capabilities.

In 2012, more than 76% of our employees attended at least one training session. Up to March 2013 a total of RM1,373,652 was invested in the development of our employees.

The Allianz Academy was launched on 6 July 2012 as a platform with the aim of catering for the learning needs of our employees through a structured development programme, where learning is made fun and interesting. In addition to providing training to employees, an internal pool of experts and trainers will also be developed, who will then

impart their knowledge and help employees translate learning into business results to support the overall business goals and strategies of Allianz.

To date, Allianz Academy has conducted many training programmes covering the four identified learning pillars to capitalise Technical, Sales, Service and Leadership aspects. They include Business Development Manager trainings, Retail Agents' training, Customer Service Transformation training, training in technical knowledge of General and Life insurance, Allianz Core Competency and Talent Management for employees, the Brown Bag Lunch series, Learning from Movies and leadership programmes for Management Associates.

For the year 2013, besides the ongoing courses from 2012, there will also be several new leadership training programmes for managers of all levels, non-managers and also high potential candidates.

New fun learning modules such as learning through board games, Biz Coffee (for senior managers) and a Knowing Allianz series will be included.

As strong product and technical knowledge of our staff is of utmost importance to enable us to deliver excellent professional customer service, we enhanced the study and exam benefits for the professional insurance courses of The Malaysian Insurance Institute ("MII") to encourage more employees to enrol for the exams. The benefits include full and part sponsorship of course fees and a total of 12 days leave per annum for exam and study. Following these enhancements,



### Launch of Allianz Academy

More than 600 employees from the Head Office and Klang Valley branches gathered at Menara SSM in KL Sentral to be part of the launching by Jens Reisch, CEO of ALIM; and Zakri Khir, CEO of AGIC. After the launch, employees went through experiential learning based around four pillars: Technical, Sales, Service and Leadership aspects. In addition, there were also other fun learning activities i.e. mini Brown Bag Lunch and Learning from Movies sessions. Employees were able to get an insight into the different training programmes on offer by the Allianz Academy and to break the stereotype that learning is boring!

we saw a surge in the number of staff enrolments for the MII exams which now exceeds 100 enrolments. This certainly augurs well for the personal professional development of staff as they would be equipped with the necessary skills and knowledge in order for them to carry out their tasks efficiently and professionally in the workplace.

## A great place to work

At Allianz, we value a working relationship that is long-term and built on trust. Our Loyalty and Silver Jubilee Awards recognise the dedication and commitment of our employees. Employees receive a cash award upon reaching a consecutive period of 10 years service and more. In 2012, a total of 132 employees were rewarded for their long service with the company. A low staff turnover rate of 8.6% as compared to previous years (10.7% in 2011 and 12% in 2010), indicates as well that we are increasingly successful in offering a good workplace environment and in retaining our skilled staff.

To promote open and transparent communication, Allianz organises quarterly Townhall meetings for our employees nationwide. During these meetings, employees are given the latest corporate, financial and Company performance updates, plans and strategies. Apart from keeping employees informed, the meetings also aim to motivate and instil better work culture among our employees.

Our new staff members are also inducted into this culture of open and transparent communication. The purpose of the orientation training is to welcome and integrate newcomers to Allianz. During

these sessions, new employees are given an introduction to Allianz, briefed on existing policies, codes of conducts and guidelines and made to understand the performance management system. This is to ensure that they are clear of their roles and responsibilities from the moment they join the Company.

Furthermore, we see it as our responsibility to provide a healthy and safe work environment for our employees. In 2012, we embarked on various initiatives with the aim of promoting employees' health and well being.

The Safety and Health Committee is present in our head office and at branch offices to ensure employee safety at the workplace. Since 2010, the Allianz Medical Card was introduced, offering our employees free health screens at panel clinics as well as Inpatient and Outpatient coverage to our employees and their dependants in need of medical treatment.



In our continuous effort to promote health and wellness to our employees, we organised our "Allianz Health Day" together with Beacon International Specialist Centre on 13 September 2012, where employees were given a health briefing by a specialist followed by various health checks and tests.

In 2012, Allianz sponsored 350 staff and agents to participate in the Standard Chartered KL Marathon on 24 June 2012. Besides that, Allianz continued its partnership with the Penang Bridge International Marathon Committee in 2012 as a title sponsor for the Allianz Penang Bridge International Marathon for the second year running. The Committee is set up and appointed by the Penang State Tourism Development and Culture Office of the State Government of Penang. APBIM took place on 18 November 2012 with over 34,500 people participating from all around the world. Out of this number, over 1,200



participants were from Allianz, with Allianz Group colleagues from Germany, Indonesia and Singapore joining us. Running as a sport is clearly gaining traction as Allianz participation increased by 50% compared to the previous year's figure of 800 Allianz participants.

To further strengthen the work-life balance of our employees, we have a Flexi-Hour work arrangement in place. The initiative aims to provide flexibility to our employees in managing rush hour traffic as well as their personal or family needs.

## Corporate Volunteering

For Allianz, social engagement is a key part of our corporate responsibility. Through our focused activities, we aim to bring benefits to local communities by sharing our know-how, skills and experiences to tackle social challenges as well as create a positive impact for our business.

Corporate Volunteering provides an opportunity for us to give back to society and at the same time help to create awareness for societal issues among our employees. In 2012, we significantly increased our volunteering activities under Allianz4Good. Now we engage over 500 volunteers, above 30% of our current workforce. Collectively, through our road safety advocacy campaigns and My Finance Coach activities, a total of 2,732 business hours were dedicated to giving back to society. To govern this, we have developed a Volunteering Policy to conduct our volunteering activities in a systematic way.



Allianz' involvement in corporate responsibility has not been confined to solely internal projects. As part of our efforts in raising awareness, we also share our knowledge and best practice with others. For example, we presented at the Corporate Responsibility Conference, organised together with the Malaysian-German Chamber of Commerce ("MGCC"), where companies, Non-Governmental Organisations and social organisations were brought together to discuss the topic of sustainability.



We held our first Volunteer Appreciation Dinner in January 2013 to recognise and award volunteers for their consistent and dedicated efforts in 2012. The event in particular recognised Finance Coaches who taught two or more classes and Road Safety Ambassadors who volunteered three or more times in the year. For 2012, 16 Finance Coaches and 8 Road Safety Ambassadors were awarded. Apart from that, it was also a good occasion for employees to mix and mingle in an informal setting and to share their experiences.





## Road Safety

Reducing risks is the core of Allianz' business as an insurance company. Being one of the top motor insurers in the local market, we believe it is important for Allianz to educate the public on road safety and play a pivotal role in creating safety awareness. Allianz signed a three-year Memorandum of Understanding with the Road Safety Department of Malaysia ("JKJR") in 2011 to jointly advocate road safety among Malaysians. This partnership allows for knowledge sharing and dialogues which help us to develop more effective road safety strategies. We support JKJR's Zero Fatality Vision to reduce the national road accident fatality rate, which currently stands at 3.05 per 10,000 registered vehicles.

Year	2007	2008	2009	2010	2011	2012
Fatalities	6,282	6,527	6,745	6,872	6,877	6,917
Fatality Index per 10,000 registered vehicles	3.73	3.63	3.55	3.40	3.21	3.05

Source: Royal Malaysian Police Force

As part of this cooperation, Allianz employees are trained as Road Safety Ambassadors by JKJR, a total of 416 to date. In the training, they are taught about the most common causes of road accidents and are given advice on safe driving behaviour and how they can play a role by reporting bad road conditions as well as how to respond to road accidents. They are expected to lead by example and to be safe on the road as well as contribute actively to our Road Safety Advocacy Campaigns.

These campaigns are held jointly by JKJR and Allianz nationwide, with a focus on motorcyclists, who record the highest road fatality rate in the country. At these campaigns, our volunteers and relevant road safety authorities engage with passing motorists by advising them on proper road safety behaviour.

Specially designed reflective stickers made out of visibility enhancing material are stuck on to motorcycles as research has shown that these

stickers can significantly increase the night visibility of motorcyclists. Additionally, buckle-up reminder stickers are given out to stress the importance of using securely fastened helmets. Unsafe helmets that are too old or do not conform to safety standards are exchanged with new ones for free during the course of the Road Safety Advocacy Campaigns.

In 2012 until the end of March 2013, over 24,600 reflective stickers, and around 1,800 helmets were distributed at 38 Road Safety Advocacy Campaigns across Malaysia. 546 reflective windbreakers were distributed to university students and employees.

To promote child safety while travelling in a vehicle, over 18,000 child safety booster seats were distributed to our employees and to the public. The seat is designed to boost the child's sitting height so that the safety belt does not restrain the neck of the child. The booster seat will thus help to secure a child while travelling in a vehicle seat equipped with a 3-point seat belt.





### Allianz Drive Safely Campaign

To raise awareness and understanding of road safety issues around the world, Allianz works with many partners, including Formula One™ (“F1”), the Road Safety Fund by the Fédération Internationale de l’Automobile (FIA) Foundation, Decade of Action for Road Safety 2011-2020 and JKIR.

Allianz Group has been linked to F1 since 2000. In 2007 Allianz Group focused its communications to highlight and develop an understanding of road safety issues amongst the global F1 audience. In the following year Allianz became the Official Global Partner of F1 and has since increased branding with emphasis on the aspect of safety. In 2010, Allianz sponsored the Official F1 Safety Car and Medical Car. In 2011, Allianz also became the safety partner for MERCEDES AMG PETRONAS F1 Team. As part of the team partnership with the MERCEDES AMG PETRONAS F1 team, Allianz explicitly decided not to position its branding on the car, instead choosing this as an opportunity to highlight safety devices like safety belts, race overalls and the Head and Neck Support Device (HANS). In addition, team members, including drivers, provide exclusive F1 insights as well as their personal safe driving advice through the Allianz Drive Safely website and communications programmes.

In line with the Allianz Group’s effort to promote and deliver the “Drive Safely” message, Allianz activated F1 beginning 1 March 2013 locally and rolled out an internal Drive Safely contest among employees. Road shows were also organised to promote the “Drive Safely” message to the public.



### My Finance Coach

Having a solid grasp of financial knowledge enables people to make sound financial decisions and reduce risks. As a financial institution, money management is our people’s strength. We harness this asset by passing on our knowledge to society.

In 2012, Allianz embarked on the My Finance Coach (“MFC”) programme, a financial education programme for young people (11-18 years). The programme is overseen by the non-profit My Finance Coach Foundation with its head office in Germany. Since the inception of the programme in 2010, it has been recognised by the German United Nations Educational, Scientific, and Cultural Organization (“UNESCO”) Committee as an official project of the United Nations Decade of Education for Sustainable Development.

Under the MFC programme, employee volunteers are trained as Finance Coaches who teach classes on financial topics in schools and Non-Profit Organisations. The materials are developed under the guidance of education and economics experts in Germany, then localised for the Malaysian context.

Before teaching, all Allianz volunteers are required to sign and adhere to a Code of Conduct which strictly prohibits any commercial activity in classes and also emphasises respect for the rights of children. Thus far, 155 Allianz employees have signed up for the programme with 112 trained and over 50 having taught a class.

In just over a year, Allianz has reached over 700 students, including hearing-impaired students, deaf participants of a financial fair, street children in the non-profit Chow Kit Foundation, employees’ and agents’ children and students from various schools in Klang Valley. Allianz



engages a range of organisations as it believes financial inclusion is an issue for a varied and diverse population.

Since 2012, we have signed a Memorandum of Understanding with the My Finance Coach Foundation which oversees the overall implementation of the MFC programme worldwide. Through this partnership, we are able to use the MFC materials and methodology and are also part of a broader international MFC network. The MFC programme is carried out with the permission of the Malaysian Ministry of Education. Allianz also works with Bank Negara Malaysia under its School Adoption Programme to reach out to 3 schools under its purview. In 2013, Allianz is partnering with the Federation of Malaysian Consumer Associations ("FOMCA") in support of FOMCA's National Consumer Day competition, whereby it conducts outreach programmes across schools in Malaysia over a period of 6 months.



**of students said that they learned something new about money and finance from MFC**

Allianz will be joining FOMCA on these outreach sessions through MFC classes, which will also be taught at these schools, most of them in a rural setting.

In December 2013, Allianz took part in Child and Youth Finance International ("CYFI")'s Asian Regional Summit held in Manila, Philippines, as part of a panel speaking on "Drafting, Developing and Implementing Child and Youth Finance: Programmes and National Strategies" and talking specifically on the rollout of MFC in the region. This affiliation with CYFI has led to the active support for and participation in Global Money Week 2013.

Allianz will roll out MFC in branch offices this year, with its first class outside the Klang Valley held for agents' and employees' children in Kota Bharu in December 2012.



### Global Money Week 2013

From 15 to 21 March 2013, organisations from more than 50 countries across continents participated in Global Money Week 2013 to raise awareness on financial education among children and youth. Allianz joined the celebration by conducting MFC classes in CUED Speech Centre, a school for the hearing impaired, as well as in SK La Salle Brickfields 1, where we hosted a video call with children in Brunei and the Philippines. We also organised a visit to Bank Negara Malaysia's Museum and Art Gallery for our employees' children. Moreover, we held a financial literacy outreach programme in Kota Bharu, Kelantan, over 2 days where children had the chance to win prizes if they participated in a financial literacy quiz and crossword competition.

## Social OPEX

Social OPEX is an Allianz Group leadership development and employee volunteering programme which combines Allianz Group's internal quality approach - namely OPEX ("Operational EXcellence") - with employee engagement in the social sector. It aims to share our employees' know-how and business skills with socially-committed organisations.

Allianz carried out its second local Social OPEX project, this time with the social organisation Selangor Cheshire Home ("SCH"). Established in 1963, SCH provides residential care for residents of all races and religious backgrounds, who are permanently disabled and with little means and resources. Under the project, the Allianz Social OPEX team worked together with the SCH team to address their specific organisational and operational challenges, such as the restructuring of their organisation and the donation appeal and donor acknowledgement process. Applying the OPEX methodology, the team then spent a week at SCH brainstorming, analysing and finally providing practical solutions. Both parties benefit from this arrangement as they are able to share experiences and best practices.

## Corporate Giving

Corporate Giving plays an important part in community development and is part of our role in civil society. We are guided by Allianz Group's Global Donation Guideline and Principles of Social Engagement when considering Corporate Giving activities to ensure that such activities are carried out in a transparent manner and are able to generate long-term sustainable value to society and our stakeholders.

## Integrity Check for Non-Profits

In 2011, we streamlined our corporate giving processes to strengthen our profile as a responsible Corporate Citizen.

Similar to the Vendor Integrity Screening (→ Governance), the Allianz4Good Department applies an "Integrity Check for Non-Profit/Non-Governmental Organisations" to all potential partners from the social sector. The overall aim is to ensure that Allianz' social commitments are on par with the high ethical and legal standards of our business dealings.

## Disaster Response

A disaster is an unforeseen and often sudden event that causes great damage, destruction and human suffering. As an insurance company, we are well aware of the economic implications arising from them. When natural disasters occur, many of our employees show a desire to help. Through our international partnership with the International Federation of Red Cross and Red Crescent Society, we have been able to carry out local collection drives to contribute to humanitarian relief on an international scale.

## Charity at Heart

Allianz understands the importance of supporting health in the community. In 2012, we organised 2 blood donations drives, one at our Kuala Lumpur Branch and another as part of an Allianz outreach programme in Kota Bharu.



## Celebrating 10 Years in Malaysia

Our 10th anniversary events included charity runs, charity dinners, and visits to underprivileged homes, treasure hunts and fundraising carnivals with the aim of giving back to the society we live and work in.

Themed "10 years in Malaysia – Allianz4Good", the fundraising activities saw the participation of Allianz employees and their families as well as business partners and the general public.

A total of RM 453,018 was raised and channelled to over 29 charitable organisations.



The year 2012 was special to Allianz as it marked our presence in Malaysia for 10 years - a significant milestone for Allianz since it began operations here in 2002. We celebrated the anniversary by organising a series of charity fundraising events nationwide. At the same time, we formally introduced Allianz4Good, our CR brand, strongly encouraging employee engagement in corporate responsibility activities.

## Persatuan Mobiliti Selangor & Kuala Lumpur

Persatuan Mobiliti Selangor & Kuala Lumpur ("MOBILITI") is a charitable organisation that was set up to provide door-to-door transport for wheelchair users within the Klang Valley and has been sponsored by Allianz since 2006. In 2011, we increased the sponsorship from 3 vans to 4 vans and continue to sponsor MOBILITI. In addition, Allianz also provides free motor insurance for all the sponsored vans and in 2013, Allianz also provided free Driver and Passengers Personal Accident insurance for the 4 sponsored vehicles.

The vans are specially modified with hydraulic lifts and a wheelchair restraint system that enables passengers to travel comfortably around the Klang Valley. Our sponsorship of these vehicles covers operational costs which include fuel, toll and maintenance.

More than 1,000 passengers are registered with MOBILITI. In 2012, MOBILITI helped wheelchair-bound Malaysians make about 8,000 trips.

## KidZania

2012 saw Allianz start the year with a unique partnership with KidZania through the signing of a Memorandum of Understanding with Themed Attractions. Allianz is the first insurance company in the world to have its presence in KidZania. KidZania is an indoor educational

and entertainment theme park that is scaled down to child's size and which has its own economy. Our involvement in KidZania helps us teach a younger generation about the basics of insurance. As a partner of KidZania, we have an Allianz establishment in this little makeshift city for children to work in or buy KidZania insurance policies. With this venture, we hope to play a role in exposing and teaching children the importance of insurance in an interactive way.

## Allianz Junior Football Club

Football is an international language that enables Allianz to engage and connect with our customers. The Allianz Junior Football Camp is a global sponsoring platform capitalising on FC Bayern and Allianz Arena to drive brand awareness. The camp offers aspiring teenagers between 14-16 years old a chance to win a fantastic 6-day football adventure to Munich, Germany where they get the opportunity to practice with FC Bayern youth coaches, are invited to a meet and greet session with football superstars and visit the Allianz Arena as well as do some sightseeing in Munich. The Allianz Junior Football Camp has been a real success since its launch in 2009 with an annual increase in the number of participating countries. In 2012 alone, over 60,000 applications from over 100 countries were received.

2012 saw Allianz Malaysia participating for the first time. We received over 1,200 applications despite the limitation of having the camp just in Selangor. Out of these, about 500 aspiring teenagers turned up for the trial matches and the final two winners were selected for the trip to Munich, Germany to attend the fourth international Allianz Junior Football Camp. The winners were handpicked by a panel of judges led by the former national footballer K. Gopalan. We hope this platform will help to fuel their passion and aspiration to be great football players.



# Governance

We believe that responsible corporate governance sets the foundation for sustainable business performance. With this in mind, various corporate governance practices have been implemented in Allianz to ensure that our business is conducted in a transparent manner with full accountability and integrity.



We recognise the importance of sound internal controls in safeguarding our assets and our shareholders' investments. We have accordingly established various internal controls in the areas of risk management, finance, operations and compliance. Below, we would like to highlight some of the corporate governance practices that have been implemented at Allianz.

## Compliance Management System

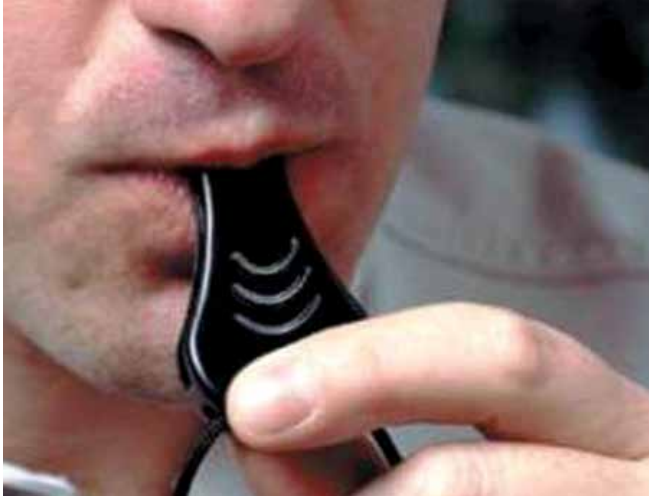
The compliance management system forms part of our internal control system to ensure compliance with local and internationally recognised laws, rules and regulations to promote a culture of integrity and safeguard our reputation.

As part of the compliance management system, we participate in Allianz Group's Anti-Corruption Programme which aims to further enhance internal anti-corruption controls. The following initiatives are implemented locally:

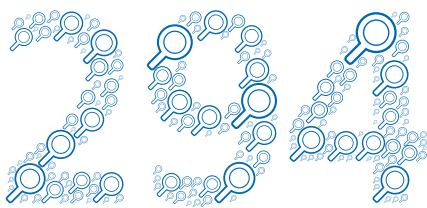
- The Anti-Corruption Policy which outlines the existing controls and behavioural guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments;
- The Anti-Fraud Committees were set up by the insurance subsidiaries to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy, which defines fraud events, the investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees, has been put in place to assist the Anti-Fraud Committees. The Anti-Fraud Committees are also

responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud;

- Anti-Money-Laundering and Counter Financing of Terrorism ("AML/CFT") Policies and Procedures were established to prevent and detect money laundering and terrorism financing activities. These encompass customer due diligence, screenings against sanctions lists and reporting of suspicious transactions to the Compliance Department. In respect of education, staff and agents are continuously trained on AML/CFT requirements to ensure they are aware of their fundamental responsibilities in adhering to the procedures of verifying customers' information and reporting of suspicious transactions. Last year, 87% of our employees participated in the online AML/CFT training;
- The Vendor Integrity Screening process ("VIS") aims to ensure a proper integrity due diligence before any vendor is engaged. The screening contains a self-assessment section for the potential vendor and a risk evaluation to be completed by the Allianz staff in charge. If the screening does not reveal any negative or adverse findings on the vendor, a contract may be concluded with the said vendor which incorporates, amongst others, an anti-corruption clause. 294 suppliers have been screened and this list is compiled into a Central Vendor Directory to facilitate the ongoing monitoring of all vendors with a contractual relationship with Allianz;
- The Related Party Transaction ("RPT(s)") Review Procedure ensures that RPTs are undertaken on arm's length basis, are consistent with our usual business practices and policies, are not more favourable to the related parties and are not to the detriment of minority shareholders. To serve this purpose, a Due Diligence Working Group was formed to review any occurrence of RPT and to submit their recommendations to the Audit Committee and ultimately, to the Board of Directors for consideration;



- The Gifts and Entertainment Policy sets out the minimum standards for gift and entertainment handling to and from clients, business partners, government officials or relevant persons. It aims to avoid any issue of conflicts of interest or threat to our professional independence;
- Our compliance management system provides an avenue for whistle blowing. The whistle blowing system was implemented to enable our employees to confidentially alert the Compliance Department about any irregularities. Such complaints or concerns may be made anonymously. Having this system in place promotes transparency and accountability throughout Allianz.



## suppliers have undergone the Vendor Integrity Screening process

### Business Ethics

Integrity is one of our core values and we are committed to practising the highest ethical standards, in the conduct of our business. While surveyed, 91% of our employees felt that Allianz has a high level of integrity.



Our employees are required to adhere to various guidelines and policies which set the standards for business conduct covering the topics, inter alia, non-discrimination and harassment, dealing with confidential information, insider trading, external communication, conflicts of interest, anti-corruption and bribery, gifts and entertainment and protection of our property and natural resources. In addition, they are also required to make an annual declaration that they fulfil the minimum criteria of "A Fit and Proper Person" as prescribed in Part XII of the Insurance Regulations 1996.

A Code of Ethics for Senior Financing Professionals is also made compulsory for our Senior Management and certain departments, primarily in the financial area. It governs ethical and proper conduct in both the private and professional spheres, particularly relating to the handling of conflicts of interest and corporate disclosure.

Employees of our insurance subsidiaries are also required to adhere to the Codes of Ethics issued by the Life Insurance Association of Malaysia and the General Insurance Association of Malaysia respectively.

Our stance on ethical practices is not just applicable to our employees; we also make it compulsory for our agents to comply with the Sales Policy and Sales Agent Code of Conduct to ensure professional and fair sales conduct while dealing with our customers. Agents who do not abide to the Sales Policy and Sales Agent Code of Conduct are dealt with by the Ethics and Compliance Committee.

In March 2012, we had established a Fit and Proper Policy and Procedures for Key Responsible Persons to assess the fitness and propriety of Directors and Key Responsible Persons.

For more information on our Corporate Governance practices, please refer to the Corporate Governance Statement and the Statement of Risk Management and Internal Control presented on pages 88 to 109 of the Annual Report.



# 1

*One thing I know for sure:  
Always trust someone who  
cares for you*

At one point or another, life will bring us to an unexpected twist. I never thought that I would be diagnosed with cancer, but when I was, I was thankful to my agent. She was the one who advised me to always plan for the unexpected. Before being diagnosed I bought several policies from Allianz. Upon being diagnosed, I was assured that my medical bills were taken care of by Allianz and I could focus completely on recovery. Today, I am completely recovered and living my life to the fullest. Thank you Allianz.

## Protection

### Enhanced MediCover

**No annual limit**

allowing you to claim up to lifetime limit while you focus on your recovery.

**No claim reward**

that gradually increases your room & board limit if you do not make any claims.

### HealthCover & HealthCover Enhancer

**Extra Cover for Cancer**

right from the start - from carcinoma-in-situ to late stage cancer.





Mr. Yap Wing Hoe  
Allianz customer since 2007

# Audit Committee Report

## COMPOSITION OF AUDIT COMMITTEE ("AC")

Composition of AC	Status of Directorship
Foo San Kan (Chairman)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Member)	Independent Non-Executive Director

## TERMS OF REFERENCE

### 1. Composition

- 1.1 The AC should consist of a minimum of 3 members appointed from the Board of Allianz Malaysia Berhad ("Company") and shall act as the AC for the Company and its subsidiaries (collectively referred to as "Group").
- 1.2 The members of the AC should be appointed by the Board, after taking into consideration the recommendations of the Nominating Committee. In determining the appropriate size and composition of the AC, the Board should in particular, take into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and members have carried out their duties in accordance with the terms of reference.
- 1.3 If for any reason the number of AC members at any point in time is reduced to below 3, notification should be provided to Bank Negara Malaysia ("BNM") within 2 weeks. The notification should be addressed to Pengarah, Jabatan Penyeliaan Insurans dan Takaful ("JP3"). The Board should fill the vacancy/vacancies within 3 months.
- 1.4 Notification should also be provided to JP3 where any director ceases to be a member of the AC within 2 weeks of the cessation. Such notifications should include reasons for the cessation.

### 2. Independence of AC Members

- 2.1 No AC member should be employed in an executive position in the Company or its related corporations (as defined under section 6 of the Companies Act, 1965), or otherwise have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC. In addition, members of the AC should not be directly responsible for, or part of any committee involved in, the management functions of the Group.
- 2.2 As best practice, all AC members should be independent. Where this cannot be achieved, the majority of the AC members, including the Chairman, should be independent.
- 2.3 An independent director shall comply with the criteria for independent director as prescribed by BNM and Bursa Malaysia Securities Berhad ("Bursa Securities").

### 3. Qualification, Experience, Knowledge and Skills

- 3.1 Candidates for the AC should have sound judgement, objectivity, an independent attitude, management experience and adequate knowledge of the industry. They should be committed to the task and demonstrate a keen perception of the internal control environment within the Group and an ability to make probing inquiries.



- 3.2 Collectively, the AC should have a wide range of necessary skills to undertake its duties and responsibilities. Ideally, all AC members should be able to understand the financial reporting process and be financially literate. At least one member of the AC:-
- (a) must be a member of the Malaysian Institute of Accountants; or
  - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) fulfils any of the following requirements or the requirements as prescribed by Bursa Securities including any amendment that may be made from time to time by Bursa Securities:-
    - (i) a degree/master/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
    - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants and at least 3 years' post qualification experience in accounting or finance; or
    - (iii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 3.3 No alternate Director shall be appointed as a member of the AC.
- 3.4 In addition, in view of the important role of the AC in ensuring that there are adequate checks and balances within the operations of the Group, all AC members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance audits, including risk management, underwriting, investment and claims management.

#### **4. Authority**

- 4.1 The AC should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Group.
- 4.2 The AC should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or the internal audit function. Fraud and irregularities discovered by Management should be referred to the Anti-Fraud Committee or internal audit function, where applicable, for investigation.
- 4.3 The AC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.
- 4.4 The AC should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain independent professional advice as considered necessary.

- 4.5 The AC should have direct communication channels with the external auditors and person(s) carrying out the internal audit function and activity.
- 4.6 The AC must be able to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and the employees of the Group, whenever deemed necessary.
- 4.7 The Chairman of the AC should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

## 5. Meetings

- 5.1 The AC should hold regular meetings in order to effectively fulfil its duties.
- 5.2 In addition, the Chairman of the AC should call a meeting of the AC if requested to do so by any AC member, the Management or the internal or external auditors.
- 5.3 The quorum of AC meetings should be at least two thirds of the members with independent directors forming the majority.
- 5.4 While the AC may invite any person to be in attendance to assist it in its deliberations (e.g. relevant officers concerned in the management of the Group, the external auditor and the internal auditor), the AC should ensure that it meets exclusively when necessary.
- 5.5 The company secretary should act as secretary of the AC and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to AC members within a reasonable timeframe prior to each meeting.
- 5.6 The company secretary should also be responsible for keeping the minutes of meetings of the AC, their timely circulation to AC members and other members of the Board, and following up on outstanding matters in relation to the meetings.
- 5.7 The Chairman of the AC should report to the Board on the deliberations of the AC on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the AC at Board meetings.

## 6. Duties and responsibilities

The AC's duties and responsibilities in relation to the internal audit and external audit functions should include the following:-

### 6.1 Internal Audit

#### 6.1.1 Governance

##### 6.1.1.1 The AC should:-

- (a) ensure that the internal audit function is distinct and has the appropriate status and the necessary authority within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) ensure the effectiveness of the internal audit function;

- (c) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
- (d) review and approve the audit plan and budget required under Part B of BNM/RH/GL 013-4: Guidelines on Internal Audit Function of Licensed Institutions ("Guidelines on Internal Audit Function");
- (e) review the audit charter prior to the same being presented to the Board for approval;
- (f) ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of the chief executive officer or any executive director;
- (g) ensure that the internal audit function is independent of the activities it audits and that the internal audit function reports directly to the AC; and
- (h) establish an appropriate mechanism to address and managing situations where there is a threat to the objectivity of the internal audit function.

6.1.1.2 The AC should also review the scope of internal audit procedures, in particular:-

- (a) any restrictions placed on access by the internal auditors to any of the Group's records, assets, personnel or processes which are relevant to the conduct of audits;
- (b) appropriateness of the risk assessment methodology employed pursuant to Part B of the Guidelines on Internal Audit Function to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Group's operations;
- (c) compliance with internal auditing standards; and
- (d) coordination between internal and external auditors.

6.1.1.3 AC members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The AC should pay particular attention to internal audit assessments of:-

- compliance with the Group's policies, relevant laws and regulatory requirements;
- effectiveness of internal controls in critical areas of operations (e.g. accounting, underwriting, claims, investment, derivatives and information technology management); and
- Management's responsiveness to, and corrective actions taken in respect of, internal audit findings and recommendations.

6.1.1.4 The AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

6.1.1.5 The AC should note any significant disagreements between the internal auditor and Management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.



## 6.1.2 Resources and staffing

6.1.2.1 The AC should ensure on an on-going basis that the internal audit function has adequate and competent resources, given the size and complexity of the Group's operations. In this respect, the AC should:-

- (a) Approve the appointment, remuneration, performance evaluation, transfer, dismissal and redeployment of the Chief Internal Auditor and senior officers of the internal audit function;
- (b) Be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations; and
- (c) Ensure that the compensation scheme of the internal audit function is consistent with the objectives and demands of the internal audit function.

6.1.2.2 The AC should ensure that internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

## 6.2 External Auditor

### 6.2.1 Appointment of external auditor

6.2.1.1 The AC is responsible for the appointment of the external auditor, having particular regard to the external auditor's objectivity, performance and independence.

6.2.1.2 The AC should:-

- (a) review and assess various relationships between the external auditor and the Group or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Group. This may include affiliations resulting from the Group's employment of former employees of the external auditor in senior positions within the Group;
- (b) review and assess fees paid to the external auditor, considering:-
  - the economic importance of the Group (in terms of total fees paid) to the external auditor;
  - fees paid for non-audit services as a proportion of total fees;
  - whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fees paid.

The fees paid should not impair or appear to impair the external auditor's judgement or independence in respect to the Group;

- (c) investigate reasons for any request made by Management to dismiss the external auditor, or any resignation by the external auditor. The results of the investigation should be disclosed to the full Board together with the AC's recommendations on proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the AC should be documented in the Board minutes, with a copy of the relevant minutes extended to JP3 within 2 weeks of the Board's decision;
- (d) Review and report to the Board, any letter of resignation from the external auditors of the Group;

- (e) Review and report to the Board, whether there is reason (supported by grounds) to believe that the external auditor of the Group is not suitable for re-appointment; and
- (f) Recommend the nomination of a person or persons as external auditors.

#### 6.2.2 Provision of non-audit services by the external auditor

- 6.2.2.1 Any provision of non-audit services by the Group's external auditor should be approved by the AC before the commencement of the service, or whenever there is a significant change in the level of services provided.
- 6.2.2.2 In considering the provision of non-audit services by the external auditor, the AC should have regard to restrictions on outsourcing to external auditors set out in BNM/RH/GL/003-4: Guidelines on Outsourcing for Insurers.
- 6.2.2.3 The AC's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining auditor independence (together with supporting reasons).

#### 6.2.3 Audit plan, findings and recommendations

##### 6.2.3.1 The AC should review with the external auditors, the:-

- (a) audit plan prior to the commencement of the annual audit;
- (b) financial statements (before the audited financial statements are presented to the Board), including:-
  - whether the auditor's report contained any qualifications which must be properly discussed and acted upon to remove the cause of the auditors' concerns;
  - significant changes and adjustment in the presentation of financial statements;
  - major changes in accounting policies and principles;
  - alternative accounting treatments discussed with Management and the ramifications of the alternatives;
  - compliance with relevant laws and accounting standards;
  - material fluctuations in the statements;
  - significant variations in audit scope;
  - significant commitments or contingent liabilities; and
  - the validity of going concern assumptions.
- (c) audit reports, including obligatory reports to the BNM on matters covered under Section 82 of the Insurance Act 1996 ("Act");
- (d) external auditor's evaluation of the Group's system of internal controls;
- (e) any significant disagreements between the external auditor and Management irrespective of whether they have been resolved; and
- (f) any other findings, issues or reservations faced by the external auditor arising from interim and financial audits.

6.2.3.2 The AC should review and monitor Management's responsiveness to, and actions taken on, external audit findings and recommendations. In this regard, the AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

6.2.3.3 In order to allow external auditors to express concerns, problems and reservations arising from financial audits effectively, the AC should meet at least twice a year with the external auditor without the presence of Management.

### 6.3 Other responsibilities

6.3.1 The AC should also:-

(a) review:-

- the Chairman's statement and preliminary announcements;
- interim financial reports including quarterly results and year-end financial statements, focusing particularly on:-
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- the corporate governance disclosure made pursuant to the requirements of BNM and Bursa Securities and be satisfied that any departure from such requirements and the circumstances justifying such departure are sufficiently explained;
- all representation letters signed by Management, and be satisfied that the information provided is complete and appropriate;

(b) review internal control issues identified by auditors and regulatory authorities on Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") and evaluate the adequacy and effectiveness of the internal controls for the Group's AML/CFT measures. At the minimum, the AC should:-

- ensure the roles and responsibilities of the internal auditor on AML/CFT are clearly defined and documented;
- ensure that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls for AML/CFT measures;
- ensure the effectiveness of the internal audit function in assessing and evaluating the AML/CFT controls;
- ensure the AML/CFT measures are in compliance with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, its regulations and the relevant guidelines on AML/CFT; and
- assess whether current AML/CFT measures which have been put in place are in line with the latest developments and changes of the relevant AML/CFT requirements.

(c) submit a written report on the audit findings on AML/CFT to the Board on a regular basis. The report should be used to highlight inadequacies of any AML/CFT measures and control systems within the Group;

(d) review audit findings from internal and external auditors on risk management related issues, Management responses and ensure actions are taken based on the recommendations;

(e) review findings and reports from the Whistleblowing Committee and Anti-Fraud Committee;

- (f) review any related-party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;
- (g) ensure that the insurance subsidiaries comply with Section 95 of the Act which requires an insurer to publish its accounts within 14 days of the laying of its accounts at its annual general meeting;
- (h) ensure that the accounts of the Company and its subsidiaries are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made;
- (i) ensure that supervisory issues raised by the BNM are resolved in a timely manner; and
- (j) ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established, if external experts are appointed to perform audit of specialised areas.

6.3.2 The AC shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

## 7. Reporting to the BNM/Bursa Securities

- 7.1 The AC shall submit to the BNM, a summary of material concerns/weaknesses in the internal control environment of the respective companies within the Group noted during the year and the corresponding measures taken to address these weaknesses. This should be submitted together with the annual report on the AC and its activities which is submitted to the BNM pursuant to principle 18 of BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers.
- 7.2 Where the AC is of the view that a matter reported by it to the Board had not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the AC must promptly report such matter to the Bursa Securities.

## AC MEETINGS

The AC meets at least 5 times a year to coincide with the review of the quarterly and annual financial statements prior to its presentation to the Board for approval. Special AC Meeting may be convened as and when required.

There were 5 AC Meetings held during the financial year ended 31 December 2012. The detailed attendance of the existing AC members during the financial year ended 31 December 2012 are as follows:-

Name of AC Members	Number of AC Meetings		Percentage of Attendance
	Held	Attended	
Foo San Kan	5	5	100
Tan Sri Razali Bin Ismail	5	3	60
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	Not applicable*	Not applicable*

Note:

- \* Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member of the AC on 23 November 2012. There was no AC Meeting held following her appointment as member of the AC.

## SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2012, the following activities were carried out by the AC:-

1. Reviewed the unaudited consolidated quarterly reports of the Group and the respective unaudited quarterly reports of the subsidiaries for the financial quarters ended 31 December 2011, 31 March 2012, 30 June 2012 and 30 September 2012 and recommended the respective unaudited consolidated quarterly reports of the Group for the Board's approval.
2. Reviewed and recommended for the approval of the respective Boards of the insurance subsidiaries, the unaudited interim financial statements of the insurance subsidiaries for the half-year period ended 31 December 2011 and 30 June 2012 respectively.
3. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the respective audited financial statements and Directors' Reports for the financial year 2011.
4. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the audited financial statements and the performance report to fund holders for its investment-linked funds for the financial year 2011.
5. Deliberated the updates on the Management's action plan of the insurance subsidiaries in response to BNM's Letter on Review of Business Practices in the Appointment of Panel Firms.
6. Reviewed the BNM's observations in respect of the 2011 supervisory review conducted by BNM on the insurance subsidiaries and the responses and action plans of the Management of the general insurance subsidiary in respect thereto and recommended the responses and actions plans to the Board of the general insurance subsidiary for approval.
7. Deliberated the letter dated 3 May 2012 issued by BNM to the AC Chairman on the supervisory expectation on AC pertaining to appointment/re-appointment of External Auditors.
8. Deliberated the updates on the follow up actions in respect of the 2010 and 2011 supervisory review by BNM on the insurance subsidiaries.
9. Reviewed the revised Guidelines on Financial Reporting for Insurers issued by BNM.
10. Reviewed the financial implications of the convergence of the Group's accounting policies to Malaysian Financial Reporting Standards ("MFRS") issued by Malaysian Accounting Standards Board.
11. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the special audit fees to KPMG for the review of the adoption of MFRS.
12. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the audit fees for the financial year 2012.
13. Reviewed and recommended for the approval of the Board of the general insurance subsidiary, the appointment of the engagement partner of KPMG for its financial year 2012 statutory audit.
14. Prepared and submitted to BNM, the annual AC Reports in respect of the internal control environments of the insurance subsidiaries for the financial year 2011.
15. Reviewed the annual audit results of the Group and the Management Letters issued by the External Auditors in respect of the annual audit of the insurance subsidiaries for the financial year 2011 and recommended for the approvals of the respective Boards of the insurance subsidiaries, the respective Management's responses in respect thereto.

16. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the respective Management Representation Letters to the External Auditors in respect of the annual audits for the financial year 2011.
17. Reviewed the audit plan of the External Auditors for the Group for the financial year 2012.
18. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the re-appointment of the External Auditors for the financial year 2012 and the re-appointment of the External Auditors to review the Statement on Internal Control of the Group for the financial year 2012.
19. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the engagement letters for KPMG's re-appointment as External Auditors for the financial year 2012 and the engagement letter for KPMG to review the Statement on Internal Control of the Group for the financial year 2012.
20. Reviewed and recommended for the adoption of the respective Boards of the subsidiaries and the Company, the Policy on Audit and Non-Audit Services provided by External Auditors for the Group.
21. Held two private discussions with the external auditors.
22. Reviewed and recommended for the approvals of the Boards of the insurance subsidiaries, the Audited Reporting Forms and Actuarial Report in relation to Risk-Based Capital Framework for the financial year 2011.
23. Reviewed the Statement on Internal Control for the financial year 2011 and the report from the External Auditors in respect thereto and recommended the Statement on Internal Control for the Board's approval.
24. Reviewed and recommended for the approval of the Board, the Chairman's Statement, AC Report and the Statement on Corporate Governance for inclusion in the Annual Report of the Company for the financial year 2011.
25. Reviewed the various Internal Audit Reports of the insurance subsidiaries and the Company.
26. Discussed the progress reports on various outstanding internal audit findings of the insurance subsidiaries and the Company.
27. Reviewed the progress reports of the Internal Audit Plan 2012 and approved the respective 5-years (2013– 2017) Internal Audit Plans for the insurance subsidiaries and the Company.
28. Evaluated the performance of the Chief Internal Auditor.
29. Reviewed the results of the self assessment review of the Internal Audit Department in 2012.
30. Reviewed the resources, staffing and succession planning of the Internal Audit Department.
31. Held two private discussions with the Chief Internal Auditor.
32. Reviewed and recommended for the respective Board's adoption, the new Allianz Group Minimum Standards on Anti-Fraud Program.
33. Reviewed the results of the Anti Corruption and Fraud Risk Assessment of the insurance subsidiaries.
34. Discussed the findings and recommendations by the Anti-Fraud Committee on the reported fraud cases and new fraud cases discovered by the insurance subsidiaries and reviewed the mitigating measures undertaken by the respective Management of the insurance subsidiaries.



35. Reviewed the activities updates of the Whistleblowing Committees of the insurance subsidiaries and the Company.
36. Reviewed and recommended for the approvals of the respective Boards of the insurance subsidiaries and the Company, the Whistleblowing Escalation Process.
37. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the new and existing (including any revision proposed) related party transactions including those in recurrent nature and announcement to Bursa Securities in relation thereto.
38. Approved the AC Statement for inclusion in the Circular to Shareholders in relation to recurrent related party transactions.
39. Reviewed and recommended for ratification by the respective Boards of the insurance subsidiaries, the submission of the related party transactions entered into by the insurance subsidiaries for the period from 1 January 2012 to 30 June 2012 to BNM.
40. Reviewed and recommended for the Board's approval, the amendment made to the review procedures for recurrent related party transactions.
41. Reviewed and recommended for the adoption of the Board of the life insurance subsidiary, the fair value option for the life insurance subsidiary's financial assets and the designation of some of its fixed income instruments as Fair Value through Profit and Loss.
42. Reviewed the findings from the mis-selling review for life insurance subsidiary conducted by the Corporate Risk Department.
43. Reviewed the compliance status report of the life insurance subsidiary on Guidelines issued by the Life Insurance Association of Malaysia.
44. Deliberated the tax status and key issues arising from the Inland Revenue Board's tax treatment in relation to the utilisation of unabsorbed business losses of Shareholders' Fund of the life insurance subsidiary.
45. Reviewed the tax status of Bright Mission Berhad ("BMB") from the year of assessment ("YA") 1997 to YA 2011.
46. Reviewed the Executive Report and high level implementation plan of the Goods and Services Tax for the insurance subsidiaries and the Company.
47. Reviewed and recommended for the respective Boards' approval, the transfer of Plaza Sentral properties from BMB to Allianz General Insurance Company (Malaysia) Berhad and the settlement of purchase consideration.
48. Reviewed and recommended for the approval of the Board of the general insurance subsidiary, the settlement of a potential litigation.
49. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the dividend policy and procedures for the Group.
50. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the Fit and Proper Policy and Procedures for Key Responsible Persons for the Group.
51. Reviewed and recommended for the approvals of the respective Boards of the insurance subsidiaries, the impairment of bonds under high credit risk.
52. Reviewed and recommended to the respective Boards of the insurance subsidiaries and the Company for adoption, the new Group Sales Compliance Minimum Standards.
53. Reviewed the implementation status of the new Group Sales Compliance Minimum Standards.

## INTERNAL AUDIT FUNCTION

The primary objective of the Internal Audit Department is to assist the Management, AC and the Boards of the Group in the effective discharge of their responsibilities. This is done through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Group to ensure that organisational and management controls are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding of assets of the Group and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2012, the Internal Audit Department carried out its duties in accordance with its Audit Charter. All internal audit reports which had incorporated the Management's responses and action plans were tabled for discussion at the AC Meetings.

The Internal Audit Department also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports on remedial measures taken by the Management of the respective companies on audit observations are tabled at the AC Meetings for the AC's review.

The total cost incurred for the internal audit function of the Group for the financial year 2012 amounted to RM2.7 million.

# Statement on Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") as a fundamental obligation of discharging their duties and responsibilities to protect the interests of the Group's shareholders and all other stakeholders.

The Group complied with all the prescriptive requirements of the Prudential Framework of Corporate Governance for Insurers ("CG Framework") issued by Bank Negara Malaysia ("BNM") and the requirements of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), and adopts practices that are consistent with the principles, recommendations and/or best practices prescribed under the CG Framework, the Listing Requirements and the Malaysian Code on Corporate Governance 2012 ("Code"), where applicable.

The Board is pleased to set out below the manner by which the Group has applied with the principles of good governance and the extent to which it has complied with the recommendations and/or best practices described above:-

## 1. BOARD OF DIRECTORS

### Duties and Responsibilities

The Board observed and assumed the duties and responsibilities as prescribed by BNM and outlined under the Code, among others, include the following:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of business of the Company.
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.
- Overseeing appointment and succession planning of senior management.
- Overseeing the development and implementation of a shareholder communication policy for the Company.
- Reviewing the adequacy and the integrity of the management information and internal controls system of the Company.

### Code of Conduct

The Directors observed the Company Directors' Code of Ethics established by the Companies Commission of Malaysia and Allianz SE Group's Code of Conduct for Business Ethics and Compliance. The Allianz SE Code of Conduct sets the minimum standards for the conduct of all employees and Directors, which cover the areas amongst others, fair and regulatory conduct of business, non-discrimination, protect of client data/information, insider trading, potential conflicts of interest, complaints management, financial reporting, no corruption or bribery, acceptance and granting of gifts and other benefits, prevention of money laundering and financing of terrorism, ethical conduct of business and whistleblowing.

### Conflicts of Interest

In ensuring that the decision making process is transparent and to the best interest of the Company, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

A Director who has a direct or deemed interest in a subject matter presented at the Board/Board Committees Meeting shall abstain from deliberation and voting on the said subject matter.

## Insider trading

The Directors and key management personnel of the Group are prohibited from trading in securities of the Company based on price sensitive information and knowledge, which have not been announced publicly.

Notices in relation to closed period for trading in securities of the Company are issued by the Company Secretary to the Directors, Senior Management and the personnel who are deemed to be privy to any price sensitive information and knowledge in advance of whenever the close period is applicable, specifying the timeframe for prohibition of dealing in securities of the Company.

## Board Composition and Balance

The Board comprises 2 Executive Directors and a strong presence of 5 Non-Executive Directors of whom 4 of them are Independent Directors. The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements.

Size and composition of the Board are appropriate and well balanced to cater for the interest of the majority and minority shareholders as well as the business of the Company. Membership of the Board is drawn from various fields with a balance of skills and experiences appropriate to the business of the Group. All Directors are persons of high caliber and integrity and possessed the skills, knowledge and experience in their respective fields and hence enable the Board to discharge its responsibilities in an effective and competent manner.

The Board views Directors' time commitment and their attendance at Board Meetings seriously. In line with the requirements of the Code, Directors are required to submit their proposed new appointment in other listed company to the Board for prior approval before accepting the new appointment.

All Directors complied with the requirements on restriction of directorships imposed by Bursa Securities and BNM.

All Directors also fulfilled the criteria of "a fit and proper person" for their appointment as Directors as prescribed under the Insurance Act 1996, the Insurance Regulations 1996 and the BNM Guidelines on Fit and Proper for Key Responsible Persons. In addition, the Group has put in place a Fit and Proper Policy and Procedure for Key Responsible Persons to assess the fitness and propriety of the Directors and Key Responsible Persons.

The Group recognises the importance of a diverse workforce and support diversity by recruiting according to skills, knowledge, experience, talents and ability rather than based on gender, race and ethnicity. The Boards of AMB and its insurance subsidiaries had on 23 November 2012 appointed Y.Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim as the Group's first woman Independent Non-Executive Director.

The Board will continue evaluating suitable woman candidate for appointment to the Board at the appropriate time. The appointment of new Board member will not be guided solely by gender but rather the skills set, experience and knowledge of the candidate.

Independent Directors made up of more than half of the Board members. All of them complied with the requirements of Independent Director as prescribed by BNM and Bursa Securities. By virtue of their roles and responsibilities as prescribed by BNM and Bursa Securities, they are in effect, representing the interest of the minority shareholders of the Company. The Independent Directors play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, so that no single party can dominate such decision-making in the Company.

The Board is chaired by an Independent Non-Executive Director who does not represent the interest of the controlling shareholder. The Chairman and the Independent Non-Executive Directors do not engage in the day-to-day management of the Company or participate in any business dealings with the Group, do not have any equity interest in the Company or its related corporation and do not have any relationship with the substantial shareholders or Directors, that could materially interfere their exercise of independent judgement.

The Independent Non-Executive Directors engage proactively with the Management, the Risk Management and Compliance Units and with both the external and internal auditors via their respective roles as the Chairman or members of the Board Committees, to ensure that concerns and issues relevant to the Management and oversight of the business and operations of the Company are properly addressed.

The Executive Directors and the Non-Independent Non-Executive Director are nominees of the Company's Holding Company and representing the Management of the Group. They provide business insights to the Board and formulate business strategies and plan and accountable for business performance of the Group.

There is a clear division of roles and responsibilities between the Chairman and the Executive Director cum Chief Executive Officer of the Company to ensure a balance of responsibilities, authority and accountability for an effective Board.

The Chairman is responsible for ensuring Board effectiveness and conduct. He encourages a healthy debate on matters discussed at the meetings and leading the Board to resolve issues in a harmonious and effective manner without compromising the integrity of the Board to the stakeholders.

The Chairman is also responsible for ensuring that good working relationships are maintained between Directors as well as with the Management of the Company and provides the necessary support and advice. He also takes lead on succession planning of Directors. The Chairman also encourages feedbacks from the stakeholders, he can be reached via his email address [razaliismail@allianz.com.my](mailto:razaliismail@allianz.com.my).

The Chief Executive Officer assumed the duties and responsibilities as prescribed by BNM, which include managing the day-to-day operations of the Company, organisational effectiveness and the implementation of Board policies, decisions and strategy.

### **Tenure of Independent Directors**

The Board had on 24 November 2010, capped the maximum tenure of services for Independent Directors in the Group at 12 years. The Board is mindful on the recommendation of the Code which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years. The Board has accordingly revised the tenure of services for Independent Directors in the Group to a maximum of 9 years in order to align with the Code.

An Independent Director who has served the Board for a cumulative term of more than 9 years can only be retained as an Independent Director of the Company subject to the shareholders' approval.

Independent Directors are subject to an independence assessment by the Nominating Committee and the Board. An evaluation process and evaluation criteria to assess the independence of the Independent Directors on an annual basis, upon admission and when any new interest or relationship develops was approved by the Board in March 2013. Under the evaluation process, each Independent Director will perform a self review on his/her independence by completing a declaration form with questions drawn from the requirements imposed by the various authorities. The Company Secretary will collate the responses from the Independent Directors and submit to the Nominating Committee for evaluation. The Nominating Committee will evaluate the independence of the Independent Directors based on the criteria approved by the Board and submit its findings to the Board for deliberation.

The annual independence assessment on Independent Director for year 2013 will be performed by the Nominating Committee in May 2013 and the findings thereof will be presented to the Board for deliberation at the Board Meeting scheduled to be held in May 2013.

As at the date of this Statement, none of the Independent Directors of the Company has exceeded a cumulative term of 9 years.

### **Senior Independent Director**

The Board had deliberated on the need of appointing a Senior Independent Director to serve as a point of contact for the stakeholders and concluded that such appointment is not required at this juncture on the reason that the Board is predominant by Independent Directors including the Chairman and the fact that all Independent Directors are having good working relationships and are able to be reached by the stakeholders via the Company Secretary.

The Nominating Committee has conducted an annual review of the composition of the Board for year 2012 and opined that the Board is made up of Directors from diverse backgrounds and qualifications with experiences from different fields and skills appropriate for the business of the Company.

The profiles of the Board of Directors are set out on pages 24 to 37 of this Annual Report.

### **Appointment to the Board**

The appointments of all Directors were approved by BNM. All appointments of Board members are subject to the evaluation by the Nominating Committee and approved by the Board before the applications are submitted to BNM for approval.

The Group has put in place an evaluation process and procedures for assessing the nominee for directorship. The Nominating Committee reviews the evaluation results of the nominee and submits its recommendation to the Board for consideration.

### **Re-Election and Re-Appointment of Directors**

In accordance with the Articles of Association of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall be retired at the next following Annual General Meeting. The Articles of Association further provide that all Directors shall retire from office at least once in every 3 years in compliance with the Listing Requirements.

In addition, any Director who attains the age of 70 is required to submit himself for re-appointment annually pursuant to Section 129(2) of the Companies Act, 1965.

The Nominating Committee reviews and assesses the performance of the Directors who are subject to re-election/re-appointment at the Annual General Meeting and submit its recommendation to the Board for consideration prior to the proposed re-election/re-appointment being presented for the shareholders' approval.

### **Directors' Performance Review**

The Group has put in place an annual peers performance evaluation process and procedure to assess the performance of the individual Directors and the effectiveness of the Board. The peer assessment on individual Director covers the areas amongst others, the Director's compliance with prescriptive requirements imposed by regulators, participation in Board and Board Committees, contribution to interaction, quality of input and understanding of role while the assessment on the Board covers the areas, amongst others, conformance and compliance, stakeholder relationships and performance management. The results of the annual assessment will be first reviewed by the Nominating Committee and the observations of the Nominating Committee together with the annual assessment results will be submitted to the Board for deliberation.

### **Directors' Remuneration**

The Board has established a remuneration policy for Directors of the Company based on the following criteria:-

- overall performance of the Group;
- level of responsibility; and
- attendance at meetings.



Individual Directors shall abstain from discussion of their own remuneration.

### Procedure

The Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. It is, nevertheless the ultimate responsibility of the entire Board to decide the quantum for each Director.

### Disclosure

The Non-Executive Directors who are not representing the interest of the major shareholder are paid an annual fee and meeting allowance of RM1,200 per meeting for the financial year ended 31 December 2012. The Executive Directors received only the remuneration paid to them for their respective designated position held in the Company.

The existing Directors' remuneration (including benefits-in-kind) for the financial year ended 31 December 2012 are detailed below:-

The aggregate remuneration of Directors, distinguishing between Executive and Non-Executive Directors, according to their respective categories.

<b>Categories of Remuneration</b>	<b>Executive Director RM'000</b>	<b>Non-Executive Director RM'000</b>
Salary and other emoluments	295.2	-
Fees and allowance	-	309.4
Benefits (including estimated monetary value of benefits-in-kind)	30.9	-
Contribution to Employees Provident Fund	28.8	-
<b>Total</b>	<b>354.9</b>	<b>309.4</b>

The number of Directors whose total remuneration falls into each successive band of RM50,000.

<b>Band</b>	<b>No. of Executive Director</b>	<b>No. of Non-Executive Director</b>
RM0 - RM50,000	-	2
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	-	-
RM200,001 - RM300,000	1	-

### **Directors' Training**

In order to ensure that the Directors are well equipped to discharge their responsibilities, all new Non-Executive Directors are required to attend an orientation programme to familiarise them with the insurance industry and the Group.

Director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") as prescribed under the Listing Requirements within 4 months from the date of appointment. All Directors have attended and completed the MAP.

The Directors of AMB who are also sitting on the Board of the insurance subsidiaries have also attended the high level Financial Institutions Directors' Education Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance.

In order to keep the Directors abreast with the current developments as well as new statutory and regulatory requirements, the Board has approved the following areas of training for the Directors:-

- Laws and regulations imposed by the relevant authorities and any updates in respect thereto
- Risk Management and compliance controls
- Finance, accounting and insurance related requirements
- Corporate Governance
- Business related subjects of the Group

The Company Secretary facilitates the organisation of internal training programme and Directors' attendance of external training programmes. A complete record of trainings, conferences and seminars attended by the Directors as participants or speakers is maintained by the Company Secretary.

The training programmes, seminars and conferences attended by the Directors during the financial year ended 31 December 2012 are as follows:-

Directors	Programmes/Seminars/Conferences Attended
Tan Sri Razali Bin Ismail	<ul style="list-style-type: none"> <li>• The National Conference on Corporate Social Responsibility and Social Business - "CSR and Climate Change - Addressing The Key Issues and Challenges of Sustainability" (as speaker)</li> <li>• Corporate Responsibility Conference 2012 - "Cause Related Marketing and Social Environment Engagement"</li> </ul>
Foo San Kan	<ul style="list-style-type: none"> <li>• Data Protection in Malaysia</li> <li>• Goods and Services Tax</li> <li>• Competition Act 2010</li> <li>• The Malaysian Code on Corporate Governance Seminar</li> <li>• ICAA-MICPA Audit Forum : Corporate Governance in Insurance Companies – The Role of the Audit Committee</li> <li>• Malaysian Institute of Accountants – Compliance : Are you Meeting the Requirements? Directors and Officers' Guide on Liability, Duties and Obligations</li> <li>• Sustainability Training for Directors and Practitioners</li> </ul>
Dato' Dr. Thillainathan A/L Ramasamy	<ul style="list-style-type: none"> <li>• Petronas Board Audit Committee Forum</li> <li>• 23rd Palm and Lauric Oils Conference</li> <li>• Goods and Services Tax</li> <li>• Invest Malaysia Conference</li> <li>• Rating Agency of Malaysia Annual Bond Market Conference "Making the Asian Bond Market a Reality"</li> <li>• Board Development Programmes, Update on Directors Duties and Obligations and Competition Law, How It May Impact the Way We Do Business</li> <li>• The Key Components of Establishing and Maintaining World-Class Audit Committee Reporting Capabilities</li> <li>• "What Keeps the Audit Committee up at Night"</li> </ul>

Directors	Programmes/Seminars/Conferences Attended
Jens Reisch	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers</li> <li>• Competition Act 2010</li> <li>• Corporate Responsibility Conference 2012 - "German Corporate Social Responsibility ("CSR") Successes revisited. CSR in Germany and Malaysia. A Simple One-Way Road from North to South" (as speaker)</li> <li>• Corporate Responsibility Best Practice Case: Allianz Malaysia (as speaker)</li> <li>• Asia Distribution Conference 2012 – General Agency and Brokerage Focus (as speaker)</li> </ul>
Zakri Bin Mohd Khir	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• Corporate Responsibility Conference 2012 - "Cause Related Marketing and Social Environment Engagement" (as speaker)</li> </ul>
Ong Eng Chow	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• BNM Engagement Session of Financial Services Bill 2012 and Islamic Financial Services Bill 2012</li> <li>• Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers</li> </ul>
Tan Sri Datuk (Dr.) Rafiah Binti Salim	<ul style="list-style-type: none"> <li>• The 3rd Non Aligned Movement Ministerial Meeting on The Advancement of Women</li> <li>• 2nd Annual Women in Leadership Forum Asia (as moderator)</li> <li>• Women on Board-Executive Forum (as panelist)</li> <li>• The Corporate Social Responsibility (as panelist)</li> <li>• The Inaugural Forum of Global Peace Women Malaysia (as moderator)</li> <li>• Roadshow 30% Pembangunan Wanita (as panelist)</li> <li>• Global Summit of Women 2012</li> <li>• Global Islamic Finance Forum</li> <li>• Managing Change in the Global Landscape (as speaker)</li> <li>• Linkage's Women in Leadership Institute (as speaker)</li> <li>• Breakfast Talk on "30% Women Participation on Corporate Board of Public Listed Companies by 2016" (as speaker)</li> <li>• The Fourth Organisation of Islamic Cooperation Ministerial Conference on the Role of Women in Development</li> <li>• Executive Talk Pegawai Tadbir Diplomati (as speaker)</li> </ul>

### Board Meetings and Supply of Information

Board Meetings for each year are scheduled in advance prior to the end of the year and circulated to Directors and Senior Management before the beginning of each year. The Board meets regularly at least 5 times in a year. Additional Board Meetings are held as and when required.

A total of 5 Board Meetings were held during the financial year ended 31 December 2012 and the attendance of the existing Directors are as follows:-

Directors	Designation	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Bin Ismail	Chairman	5	5
	Independent Non-Executive Director		
Foo San Kan	Independent Non-Executive Director	5	5
Dato' Dr. Thillainathan A/L Ramasamy	Independent Non-Executive Director	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	Independent Non-Executive Director	5	1 out of 1 meeting held after her appointment as a Director on 23 November 2012
Jens Reisch	Chief Executive Officer/ Non-Independent Executive Director	5	5
Zakri Bin Mohd Khir	Non-Independent Non-Executive Director	5	5
Ong Eng Chow	Chief Financial Officer/ Non-Independent Executive Director	5	5

All Directors achieved full attendance at Board Meetings held in year 2012.

The Board Meetings are conducted in accordance with a structure agenda approved by the Chairman. All Directors are given sufficient time to review the meeting papers prior to Board Meetings. Board Meeting papers are prepared in accordance with a prescribed format aims to provide clear, comprehensive and concise information to the Board to facilitate their deliberation and decision making.

The agenda together with the minutes of Board Meeting and meeting papers are circulated to the Board in advance of each Board Meeting to accord sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda.

Regular matters tabled for the Board's information and deliberation include, financial and business reviews and development, business plan and budget, group strategy, information on business proposition including market share, investment and industry development, corporate proposals or projects, risk management review, stress testing, regulation updates, compliance related matters, Human Resource related matters and other operational efficiency projects. Key matters reserved for Board's approval include, among others, the quarterly financial results, audited financial statements, annual business plan and budget, declaration of dividend, significant transactions or expenditures, related party transaction, restructuring, corporate proposals, appointment of Director and member of Board Committee and Directors' remuneration. The Board is also being informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees and the minutes of the Board Committees tabled at the Board Meetings.

In between Board Meetings, the Board is also being informed or updated, on important issues and/or major development of matters discussed in the Board Meetings, by the Management and/or the Company Secretary.

All Directors have direct access to the Senior Management and have unrestricted access to all information and documents relevant to the business and affairs of the Group. The Board may invite any employees to be in attendance of Board Meetings to assist it in its deliberations.

The Directors, in furtherance of their duties, may seek independent professional advice at the Company's expense, should the need arises. Professional advisers, consultants, auditors and solicitors appointed by the Company to advise on corporate proposals are invited to the Board Meeting to brief the Board on their advice and opinion as well as to address issues that of concern to the Directors.

## Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, policies and procedures and compliance with the relevant regulatory requirements, guidance and legislations as well as the principle of best corporate governance practices. The Directors are regularly updated by the Company Secretary on the new or changes made to the relevant regulatory requirements, more particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors.

The Company Secretary also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, prohibition on dealing of securities in securities, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant legislations, attends all Board and Board Committee meetings and ensures that all meetings are properly convened and proceedings of the Board and Board Committee meetings and decisions thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee meetings, execution of assessment for Directors and the Board, ensuring appointment and resignation of Directors are in accordance with the relevant legislations, handling company share transactions and other duties as prescribed under the relevant legislations.

The Directors have direct access to the advice and services of the Company Secretary. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and the Management.

## 2. DELEGATION OF AUTHORITY

The Board is responsible for overseeing the overall affairs of the Company. To ensure effective discharge of its functions and responsibilities, the Board delegates specific powers to the Chief Executive Officer, the Management and the Board Committees.

### Management Authority Limit

The Board's approving authority is delegated to the Management through formal and clearly defined operational authority limits that governs business procedures and decision process in the Company. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor the performance of the Company and ensure that activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

### Board Committees

The Board in the course of carrying out its duties, may set up Board Committees delegated with specific authority and operating on the terms of reference as approved by the Board, to assist the Board in the execution of its responsibilities. These Board Committees shall have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The minutes of the Board Committees are tabled at the Board Meeting for information. The Chairmen of the respective Board Committees also report to the Board on key deliberated issues of the Board Committees at each Board Meeting.

The Nominating Committee has reviewed the composition of the Board Committees and opined that the composition of the respective Board Committees are in order and complied with the requirements as imposed by the relevant authorities.



The Board Committees of the Company set up to assist the Board on specific areas of responsibilities are set out below. The insurance subsidiaries have formally used the services of the Board Committees of the Company since 1 January 2008.

### Audit Committee

The memberships and terms of reference of the Audit Committee are determined in accordance with the BNM's guidelines, Listing Requirements and the Code. The composition and the terms of reference of the Audit Committee are detailed in the Audit Committee Report set out on pages 76 to 87 of this Annual Report.

### Risk Management Committee

The members of the Risk Management Committee are as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson )	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director

There were 4 Risk Management Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Risk Management Committee are as follows:-

Members	No. of Risk Management Committee Meetings Held	No. of Risk Management Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	Not applicable*
Foo San Kan	4	4
Dato' Dr. Thillainathan A/L Ramasamy	4	4

Note:-

- \* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Risk Management Committee on 23 November 2012 and 25 November 2012 respectively. There was no Risk Management Committee Meeting held following her appointment as member and Chairperson of the Risk Management Committee.

The Risk Management Committee is responsible for driving the risk management framework of the Group and to report to the Boards of the respective companies within the Group on its recommendations and/or decisions. The responsibilities of the Risk Management Committee are stated below:-

- to address strategic and corporate level risks and recommend to the respective Boards of the Group the strategies to manage these risks and ensure its implementation;
- to review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- to review and recommend risk management strategies, policies and risk parameters/tolerance levels, Internal Capital Adequacy Assessment Process result for the approval of the respective Boards of the Group and to ensure any changes and concerns are communicated to senior management effectively;
- to ensure the risk control functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management;
- to review the Key Risks Profile and risks raised by business units and monitor the progress of action plans implemented;

- (f) to review and recommend for the approval of the respective Boards of the Group, the contingency planning, including its effectiveness testing covering policies, processes and resources in place to address potential crisis, unusual circumstances and stress situations;
- (g) to review periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (h) to report to the respective Boards of the Group, the risk management status on a regular basis; and
- (i) to approve the risk methodology to facilitate risk assessment.

### Nominating Committee

The members of the Nominating Committee are as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Non-Executive Director

There were 2 Nominating Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Nominating Committee are as follows:-

Members	No. of Nominating Committee Meetings Held	No. of Nominating Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	2	* Not applicable
Tan Sri Razali Bin Ismail	2	1
Foo San Kan	2	2
Dato' Dr. Thillainathan A/L Ramasamy	2	2
Zakri Bin Mohd Khir	2	** Not applicable

Notes:-

\* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Nominating Committee on 23 November 2012 and 25 November 2012 respectively. There was no Nominating Committee Meeting held following her appointment as member and Chairperson of the Nominating Committee.

\*\* Encik Zakri Bin Mohd Khir was appointed as a member of the Nominating Committee on 18 January 2013.

The responsibilities of the Nominating Committee are stated below:-

- (a) establishing minimum requirements for the Board and the Chief Executive Officers to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors as well as diversity (including gender diversity), and other core competencies required, through annual reviews;
- (b) recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officers position. This includes assessing Directors and the Chief Executive Officers proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship or re-appointment, should consider the candidates:-

- (i) skill, knowledge, competencies, expertise and experience;
  - (ii) professionalism;
  - (iii) integrity;
  - (iv) commitment, contribution and performance; and
  - (v) in the case of candidate for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- (c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director including the Independent Directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officers. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;
- (d) developing the criteria to assess the independence of its Independent Directors;
- (e) overseeing the appointment, management succession planning and performance evaluation of Directors/Chief Executive Officer and Key Responsible Persons, and recommending to the Board on removal of a Director/Chief Executive Officer and Key Responsible Persons if they are ineffective, errant or negligent in discharging their responsibilities; and
- (f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

#### Remuneration Committee

The members of the Remuneration Committee are as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director

There were 2 Remuneration Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Remuneration Committee are as follows:-

Members	No. of Remuneration Committee Meetings Held	No. of Remuneration Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	2	* Not Applicable
Foo San Kan	2	2
Tan Sri Razali Bin Ismail	2	** Not Applicable

Notes:-

\* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Remuneration Committee on 23 November 2012 and 25 November 2012 respectively. There was no Remuneration Committee Meeting held following her appointment as member and Chairperson of the Remuneration Committee.

\*\* Y. Bhg. Tan Sri Razali Bin Ismail was appointed as a member of the Remuneration Committee on 18 January 2013.

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officers and Key Responsible Persons of the Group and ensuring that their compensation is competitive and consistent with the culture, objective and strategy of the Group.

The responsibilities of the Remuneration Committee are stated below:-

- (a) recommending a framework of remuneration for Directors, Chief Executive Officer and Key Responsible Persons. The remuneration policy should:-
  - (i) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  - (ii) reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and Key Responsible Persons;
  - (iii) be sufficient to attract and retain Directors, Chief Executive Officer and Key Responsible Persons of calibre needed to manage the company successfully; and
  - (iv) be balanced against the need to ensure that the funds of the insurer are not used to subsidise excessive remuneration packages;
- (b) recommending specific remuneration packages for Directors, Chief Executive Officer and Key Responsible Persons. The remuneration packages should:-
  - (i) be based on an objective consideration and approved by the full Board;
  - (ii) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, Chief Executive Officer or Key Responsible Persons concerned;
  - (iii) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  - (iv) be competitive and is consistent with the culture, objective and strategy of the Group.

### Investment Committee

The members of the Investment Committee are as follows:-

Members	Designation
Dato' Dr. Thillainathan A/L Ramasamy (Chairman)	Independent Non-Executive Director
Jens Reisch (Member)	Non-Independent Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Non-Executive Director
Ong Eng Chow (Member)	Non-Independent Executive Director

There were 4 Investment Committee Meetings held during the financial year ended 31 December 2012. The attendance of each member of the Investment Committee members are as follows:-

Members	No. of Investment Committee Meetings Held	No. of Investment Committee Meetings Attended
Dato' Dr. Thillainathan A/L Ramasamy	4	4
Jens Reisch	4	4
Zakri Bin Mohd Khir	4	4
Ong Eng Chow	4	4

The Investment Committee is responsible for setting of investment policies, objectives, guidelines and controls for the Investment Department which in turn is responsible for managing the investment function of the Group.

### Board Manual

The Company is in the midst of compiling a Board Manual which encompasses, amongst others, the Board's role, duties, responsibilities, powers, code of conduct, division of responsibilities and powers between the Board and Management and between the Chairman and the Chief Executive Officer, the terms of reference of the Board Committees, the performance evaluation process for the Directors and Board Committees, the processes and procedures for convening Board Meetings, to serve as a guide or key reference points for the Directors and the stakeholders.

### 3. ACCOUNTABILITY AND AUDIT

#### Strategies Promoting Sustainability

The Board strongly believed that sustainable development shall mean combining long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance. With this in mind, Allianz4Good Department was set-up in 2011 with aim to create a corporate culture in which social and environmental challenges are managed as opportunities for ensuring sustainable success as a company.

Allianz4Good focusing strongly on employee engagement via corporate volunteering activities and also its initiatives to ensure the long-term viability of the business. In particular, Allianz4Good's projects in road safety and financial literacy have addressed a societal gap while at the same time engaging employees of the Group.

The 2012 corporate responsibility related activities and initiatives are described in the 2012 Sustainability Report presented on pages 50 to 73 of this Annual Report.

#### Financial Reporting

In presenting the annual financial statements, quarterly reports and the annual report to the shareholders, the Board takes appropriate steps to present a clear and balanced assessment of the Group's financial position, performance and prospects. This also applies to other public announcements released by the Company in accordance with the Listing Requirements as well as reports submitted to regulators.

Prior to presenting the financial statements of the Group to the Board for approval, the financial statements will be reviewed by the Audit Committee. The Audit Committee assists the Board in reviewing the information to be disclosed in the financial statements to ensure that the information disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities as well as applicable financial reporting standards. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

The Statement of Responsibility by Directors in respect of the preparation of annual audited financial statements of the Company is presented on page 104 of this Annual Report.

#### Related Party Transactions

The Group complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/003-3) and the Listing Requirements in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, prior approval of the Board and/or shareholders for the transactions had also been obtained.

In line with Part E, Paragraph 10.09 of the Listing Requirements on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company had obtained the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

The Group has also established a review procedure for related party transactions including Recurrent Transactions ("RPT Review Procedure") to ensure that they are:-

- (i) undertaken on arm's length basis;
- (ii) consistent with the Group's usual business practices and policies;
- (iii) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
- (iv) are not to the detriment of the minority shareholders.

Under the RPT Review Procedure, a due diligence working group was formed to review the related party transactions/Recurrent Transactions prior to the same are submitted to the Audit Committee for consideration. The Audit Committee will subsequently review the related party transactions/Recurrent Transactions and submit its recommendation to the Board for consideration.

The Audit Committee also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions/Recurrent Transactions in a timely and orderly manner.

### External Auditors

The Board and the Audit Committee place great emphasis on the objectivity and independence of the Group's External Auditors.

The appointment and re-appointment of the External Auditors will be reviewed by the Audit Committee and the recommendation from the Audit Committee will be presented to the Board for consideration prior to the said proposal being presented to the shareholders for approval.

In reviewing the proposed appointment or re-appointment of External Auditors, the Audit Committee carries out a performance evaluation on the External Auditors. Areas of assessment include amongst others, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence.

The Audit Committee reviews the non-audit services rendered by the External Auditors. A policy setting out the criteria and approval procedures in dealing with audit and non-audit services, is put in place to ensure that the objectivity and independence of the External Auditors are not comprised by providing the non-audit services to the Group.

The terms of engagement of the External Auditors for their audit and non-audit services rendered are reviewed by the Audit Committee and approved by the Board.

Through the Audit Committee, the Board has established a formal and appropriate relationship with the external auditors. The Audit Committee meets with the External Auditors 3 times a year to review the audit plan, the fourth quarterly report, the audited financial statements and the audit observations. The Audit Committee also held 2 private discussions with the External Auditor at least twice a year without the presence of the Management, to exchange views and opinions. The External Auditors are also invited to attend the Annual General Meeting of the Company to address the concerns of the shareholders in relation to the audited financial statements of the Group.

Details of the role of the Audit Committee in relation to the external auditors are described in the Audit Committee Report presented on pages 76 to 87 of this Annual Report.

The audit fees for the financial year ended 31 December 2012 are detailed below:-

	<b>Group RM'000</b>	<b>AMB RM'000</b>
Auditors' fees:		
- statutory audits	666	125
- other services – review of Statement on Risk Management and Internal Control	10	10

### Risk Management and Internal Control

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is presented on pages 105 to 109 of this Annual Report.



## Internal Audit Function

The Board has established an internal audit function within the Group, which is led by the Chief Internal Auditor who reports directly to the Audit Committee.

Details of the Internal Audit Function of the Group is presented on page 87 of this Annual Report.

## 4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

### Communication with Shareholders/Investors

The Board acknowledges the need for shareholders to be informed of all material information affecting the Group and is committed to maintain transparency and accountability to all of its shareholders and stakeholders.

In maintaining the commitment to effective communication with shareholders and stakeholders, the Company adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public in accordance with the requirements of the Listing Requirements. The Company believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

Information in respect of the Group's performance, corporate exercises and matters affecting shareholders' interests are disseminated to shareholders and investing public through annual reports, quarterly reports, shareholders' circulars and specific announcements released to the Bursa Securities, on a timely manner.

In addition to the above, the Group also issues press releases and conducts media/analysts/investors briefings to provide the stakeholders of the Group with the up-to-date information in respect of the Group's financial results, business and/or corporate initiatives.

The Group's website provides the avenue for the stakeholders to access to all information in relation to the Group, covering the areas of business products, services, corporate responsibility initiatives, announcements released to Bursa Securities, press releases, financial statements of the Company and its insurance subsidiaries and presentation made during the analyst briefing and Annual General Meeting are made available via the Group's website at [www.allianz.com.my](http://www.allianz.com.my). The Group's activities are also disseminated via the Group's Facebook page, [www.facebook.com/AllianzMalaysia](http://www.facebook.com/AllianzMalaysia).

The Corporate Communications Department of the Company addresses inquiries from shareholders, investors and the public on all corporate matters relating to the Group.

The personnel to be contacted in relation to investor relations matters is as follows:-

#### Ms. Joannica Dass

Group Head of Corporate Communications

Tel : 03-22640780

E-mail : [joannica.dass@allianz.com.my](mailto:joannica.dass@allianz.com.my)

### General Meetings

The Annual General Meeting is the forum to communicate with the shareholders. At the 38th Annual General Meeting, save for the Director who was retired at the said Annual General Meeting, all Directors were present at the 38th Annual General Meeting to engage directly with the shareholders and to address concerns that may be raised by the shareholders.

At the General Meeting of the Company, the Group Chief Financial Officer presents a comprehensive review of the Group's financial performance, business development and other significant matters that required the attention of the shareholders. Shareholders are encouraged to raise questions or seek clarification pertaining to the operations and the financial status of the Group. Members of the Board, the Management and the External Auditors are present at the Annual General Meeting to respond to questions raised by the shareholders.

The Management also shared with the shareholders the questions submitted in advance of the Annual General Meeting by the Minority Shareholders Watchdog Group and the Company's responses in relation thereto.

The Board supports the recommendation of the Code to encourage poll voting. The Company has in the past made the necessary preparation for poll voting for all resolutions tabled for the Annual General Meeting. In addition, the Chairman also highlighted to the shareholders of their right to demand for a poll vote at the commencement of the Annual General Meeting.

In line with the requirements of the Listing Requirements, the Board will ensure that moving forward all resolutions in relation to related party transactions tabled for shareholders' approval shall be decided by poll voting.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS**

The Board, in preparing the financial statements, has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company maintains accounting records that disclose reasonable accuracy of the financial position of the Company and the Group.

The Board has overall responsibilities for taking such steps, as are reasonably available to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2012 is set out on page 246 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 3 May 2013.

# Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR") that requires the Board to include in its Company Annual Report a statement about the state of its internal control.

This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") issued by an industry-led task force in December 2012.

## BOARD RESPONSIBILITY

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board is fully committed to ensure that effective risk management and internal control systems are in place within Allianz Malaysia Berhad and its subsidiaries ("the Group") and continuously review the adequacy and integrity of these systems. Such systems, designed to safeguard shareholders' investments and the Group's assets, however, can only mitigate rather than eliminate the risk of failure to achieve the business objectives of the Group. These systems, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks encountered by the Group in achieving its business objectives. The process, which is reviewed and updated from time to time to cater for changes in business environment, has been in place throughout the financial year ended 31 December 2012 and has continued up to the date on which this Statement was approved.

## CONTROL STRUCTURE

The key processes that the Board has established for reviewing the adequacy and integrity of risk management and internal controls of the Group are as follows:

### Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Group's operations. The Group has in place a Risk Management Framework Manual ("RMFM") for all companies within the Group ("OEs"). The RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Group. It is designed to formalise the risk management functions and practices across the Group and to increase awareness of the Group's employees to risk identification, measurement, control, ongoing monitoring and reporting.

A system of risk governance is achieved through standards related to organisational structure, risk strategy, written policies, limit systems, documentation and reporting. These standards ensure the timely flow of risk-related information, as well as a disciplined approach towards decision making and execution.

The Group adopts the three line of defence model where the “first line of defence” rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions. The “second line of defence” is made up of the independent oversight functions such as Risk, Compliance and Legal.

- A risk management function that is independent from business line management has been established to assist the management to achieve its strategic goals and objectives by implementing risk management activities across the organisation. In addition, the Risk Management Committee (“RMC”) has been tasked to assist the Board to discharge their oversight function effectively while the Risk Management Working Committee will drive the risk management framework of the Group and report to the RMC on its recommendations and/or decisions.
- Compliance function will be responsible for integrity management which aims to protect the Group and its employees from regulatory risk while the Legal function seeks to mitigate legal risks which include legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual clauses.

### **Internal Audit**

Internal Audit forms the “third line of defence”. The Internal Audit function of the Group, which reports to the Audit Committee, undertakes reviews or assessments of the Group’s operations and its system of internal controls and provides continuous monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Group.

The audit scope covers auditable areas encompassing financial operations, product development, investments, pricing operations, back office functions, agency operations, regulatory compliance and information technology and systems. An annual audit plan is developed based on annual risk assessment and approved by the Audit Committee.

Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with internal audit recommendations. Regular follow-up audits are also performed to monitor continued compliance.

All internal audit reports are submitted to the Audit Committee. The Audit Committee will deliberate on the key audit findings and management actions to address these findings during the Audit Committee meetings. The internal auditors will provide regular updates to the Audit Committee on the progress of the management action plan as well as progress of the audit plan.

### **Other Key Internal Control Process**

The other key processes that the Board has established to provide effective internal control include:

#### **Clear and Defined Organisational Structure**

- The Group has established an organisation structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Group’s activities. The Board Committees have the authority to examine matters under their terms of reference as approved by the Board and report to the Board with their recommendations.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor the performance of the Group and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

### **Management Authority Limit**

- The Board's approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision process in the Group. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority.

The management authority limits covers underwriting of risks, claims settlement, reinsurance and capital expenditures and are continuously reviewed and updated to ensure relevance to the Group's operations.

### **Policies and Procedures**

- Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.

These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required.

The Group consistently informed and reminded its employees on the various policies approved by the Board. Policies are also made available via the Group's portal for easy access by the employees.

### **Annual Business Plan and Performance Review**

- Annual business plans and budgets are reviewed by the Senior Management Committees of the OEs before submitting to the respective OE Boards for approval. Financial condition and business performance reports are also submitted to the respective OE Boards for review during the meetings. These reports cover all key operational areas and provide a sound basis for the respective OE Boards to assess the financial performance of the OEs and to identify potential problems or risks faced by the OEs, thus enabling the respective OE Boards to effectively monitor on an ongoing basis, the affairs of the respective OEs.

### **Code of Conduct for Business Ethics and Compliance ("COC")**

- Every employee is required to attest on an annual basis that they understand and comply with the Group's COC. The COC among others, is essential in promoting ethical conduct within the Group and encompasses non-disclosure of the Group's information, accountability and areas on potential conflict of interest.

### **Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)**

- Proper AML/CFT policies and procedures are in place at the Group to prevent and detect money laundering and terrorism financing activities. These include customer due diligence, screening against sanction list and suspicious transaction reporting to Compliance Department. In respect of education, staff and agents are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' information and reporting of suspicious transactions.

### **Anti-fraud and anti-corruption**

- The Anti-Fraud Committee was set up to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees, has been in place to assist the Anti-Fraud Committee. The Anti-Fraud Committee is also responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud.

In line with the Allianz Group's Anti-Corruption Program ("Program") the Group has adopted the Allianz Group's Anti-Corruption Policy ("Anti-Corruption Policy"). The Anti-Corruption Policy serves to outline Allianz Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.

### **Sales Policy and Sales Agent Code and Conduct**

- The Group's insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct, in order to promote professional sales conduct of intermediaries representing the Group. The Group has established the Ethics and Compliance Committees to deal with intermediary behaviours that are contrary to the said Sales Policy and Sales Code of Conduct.

### **Whistle Blowing**

- The Group has established a whistle blowing mechanism to enable anonymous and non-anonymous reporting of any breaches of the COC, any laws, regulations, orders of regulators or any internal rules. These whistle blowing cases are assessed confidentially by an internal Whistle Blowing Committee to determine the validity and appropriate actions to be taken.

### **Business Continuity Management**

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group will recover and restore any interrupted critical function within a predetermined time upon the occurrence of any disastrous events. The testing for Business Continuity Plan for all business functions and Disaster Recovery Plan test for all main application systems had been conducted during the financial year ended 31 December 2012 and endorsed by the respective OE Boards.

### **Human Resources Policies and Procedures**

- The Group has established proper policies and procedures on human resource management, including recruitment, training, appraisal, promotion, resignation, termination and remuneration. These policies and procedures are reviewed periodically and changes effected are communicated to relevant employees via-email or through memorandum in a timely manner. The policies and procedures are also made available via the Group's intranet for easy access by the employees.

The Group equips employees with the relevant knowledge, skills and competencies required for carrying out their roles and responsibilities through structured training and development programmes. These include a combination of classroom training, on-the-job attachment, professional examinations and project assignments. Employees are encouraged to embrace the culture of continuous learning for personal competency and career development.

### **Review of Statement on Risk Management and Internal Control**

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5, issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2012 and have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of risk management and internal control of the Group.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control 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 by the Directors and management thereon.



The Management has given assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system. For the financial year ended 31 December 2012 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group's ability in meeting its business objectives.

Additionally, the Internal Auditors of the Group has also reviewed this Statement and reported to the Audit Committee that, save for its presentation to the Audit Committee of the individual lapses in internal controls during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the system of internal control in the Group.

### **Conclusion**

Based on the above, the Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This Statement is made in accordance with the resolution of the Board dated 27 March 2013.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2012, there were no proceeds raised from corporate proposals.

## 2. SHARE BUY-BACKS

During the financial year ended 31 December 2012, there were no share buy-backs by the Company.

## 3. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2012, the Company has not issued any option or convertible securities.

During the financial year ended 31 December 2012, the Company increased its issued and fully paid-up share capital to RM158,636,138 by way of the issuance of 2,207,875 ordinary shares of RM1.00 each pursuant to the conversion of 2,207,875 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each to ordinary shares of RM1.00 each of the Company. Accordingly, the amount of ICPS in the share capital of the Company was reduced to RM187,569,647 as at 31 December 2012.

## 4. DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2012, the Company did not sponsor any depository receipt programme.

## 5. SANCTIONS AND/OR PENALTIES

Save for the tax penalty of RM970 imposed by the Inland Revenue Board on the Company's subsidiaries for additional tax assessment for year 2006 and penalties for late payment on withholding taxes, there were no other sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2012.

## 6. NON-AUDIT FEES

Save for the non-audit fee of RM10,000 for the review of the Company's Statement on Risk Management and Internal Control by the external auditor, Messrs. KPMG, there were no other non-audit fees paid by the Group to Messrs. KPMG during the financial year ended 31 December 2012.

## 7. VARIATION IN RESULTS

There was no deviation between the audited results for the financial year ended 31 December 2012 and the unaudited results of the financial year ended 31 December 2012 of the Group.

## 8. PROFIT GUARANTEE

During the financial year ended 31 December 2012, there was no profit guarantee given by the Company.

## 9. MATERIAL CONTRACTS

- i. The Company has on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to the Company ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured and subject to interest of 4.3 percent per annum and repayable in 2018.

The Advance will be utilised by the Company for general working capital purposes and to finance the business expansion of its life operating subsidiary.

- ii. Allianz Life Insurance Malaysia Berhad ("ALIM") had on 31 December 2012 entered into a 10-year conventional Exclusive Distribution Agreement ("Distribution Agreement") with HSBC Bank Malaysia Berhad ("HSBC Malaysia").

The Distribution Agreement provides ALIM with an exclusive right to use HSBC Malaysia's distribution network to sell, market and promote conventional life insurance products developed by ALIM, more particularly described in the Distribution Agreement.

Under the Distribution Agreement, an upfront fee of approximately RM 50.5 million was paid by ALIM to HSBC Malaysia for the exclusivity upon the commencement date of the partnership in January 2013.

- iii. The Company has on 7 January 2013, entered into a facility agreement ("Facility Agreement") with ALIM to make available to ALIM, a subordinated loan of up to the aggregate principal amount of RM73.0 million only ("Facility") upon the terms and conditions as stipulated in the Facility Agreement. The subordinated loan is subject to interest of 4.5 percent per annum and repayable in 2023.

The proceeds from the Facility shall be utilised by ALIM for general working capital purposes including business expansion.

Save as disclosed above, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2012 or, had been entered into since the end of the previous financial year.

## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013

### 10.1 ORDINARY SHARES OF RM1.00 EACH

Authorised Share Capital	:	RM600,000,000
Issued and Paid-up Share Capital	:	RM159,079,938
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	28	1.28	266	0.00
100 to 1,000	1,247	56.89	425,373	0.27
1,001 to 10,000	670	30.57	2,686,416	1.69
10,001 to 100,000	199	9.08	5,907,291	3.71
100,001 to less than 5% of issued shares	47	2.14	34,698,297	21.81
5% and above of issued shares	1	0.04	115,362,295	72.52
<b>Total</b>	<b>2,192</b>	<b>100.00</b>	<b>159,079,938</b>	<b>100.00</b>

**10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)****10.1 ORDINARY SHARES OF RM1.00 EACH (CONTINUED)****SUBSTANTIAL SHAREHOLDER**

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	72.52	-	-

**DIRECTORS' SHAREHOLDINGS**

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Zakri Bin Mohd Khir	100	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

**THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS**

Name of Shareholders		No. of Shares Held	% of Shares
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	72.52
2	Pertubuhan Keselamatan Sosial	4,308,922	2.71
3	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,052,000	2.55
4	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	3,312,000	2.08
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	2,431,000	1.53
6	Amanahraya Trustees Berhad Public Smallcap Fund	2,220,200	1.40
7	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	2,103,700	1.32
8	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	1,276,300	0.80
9	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	1,204,100	0.76
10	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,050,000	0.66
11	Citigroup Nominees (Asing) Sdn Bhd CB Spore GW for Firth Asian Smaller Companies Fund	839,325	0.58
12	Lim Su Tong @ Lim Chee Tong	802,000	0.50
13	Universal Trustee (Malaysia) Berhad CIMB-Principal Equity Fund	771,200	0.48
14	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	664,200	0.42

## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)

### 10.1 ORDINARY SHARES OF RM1.00 EACH (CONTINUED)

Name of Shareholders	No. of Shares Held	% of Shares
15 Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	636,600	0.40
16 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	600,000	0.38
17 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	572,900	0.36
18 HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Hereford Funds Firth Asian Value Fund	515,600	0.32
19 AMSEC Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.31
20 INSAS Plaza Sdn Bhd	476,700	0.30
21 HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	449,000	0.28
22 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Asia Quantum Fund (4579)	400,050	0.25
23 Cartaban Nominees (Asing) Sdn Bhd RBC ISB for Equities Asia/Pacific Ex Japan FH (USD) (LGT CAP INV SC3)	369,800	0.23
24 Jaya Kumar A/L Ganason @ Kanajan	340,000	0.21
25 HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	336,500	0.21
26 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Noble Sound Sdn Bhd (PB)	325,000	0.20
27 Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia Medical Fund Account (Hwang)	324,000	0.20
28 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council	317,400	0.20
29 Thong Kok Khee	297,600	0.19
30 Goh Beng Choo	270,500	0.17

### 10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS")

Authorised Share Capital	:	RM400,000,000
Issued and Paid-up Share Capital	:	RM187,125,847
Class of Shares	:	Preference shares of RM1.00 each
Voting Rights	:	The ICPS holders shall carry no right to vote at any general meeting of the Company except for the following circumstances:- (a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months; (b) on a proposal to wind-up the Company; (c) during the winding-up of the Company; (d) on a proposal that affect the rights attached to the ICPS; (e) on a proposal to reduce the Company's share capital; or (f) on a proposal for the disposal of the whole of the Company's property, business and undertaking

In any such cases, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

**10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)****10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS") (CONTINUED)****DISTRIBUTION OF ICPS HOLDINGS**

<b>Size of Holdings</b>	<b>No. of ICPS Holders</b>	<b>% of ICPS Holders</b>	<b>No. of ICPS Held</b>	<b>% of ICPS</b>
Less than 100	18	2.21	564	0.00
100 to 1,000	397	48.65	99,763	0.05
1,001 to 10,000	225	27.57	873,854	0.47
10,001 to 100,000	126	15.44	4,179,939	2.23
100,001 to less than 5% of issued ICPS	49	6.01	37,768,859	20.19
5% and above of issued ICPS	1	0.12	144,202,868	77.06
<b>Total</b>	<b>816</b>	<b>100.00</b>	<b>187,125,847</b>	<b>100.00</b>

**DIRECTORS' HOLDINGS IN ICPS**

<b>Name of Directors</b>	<b>Direct Interest</b>		<b>Indirect Interest</b>	
	<b>No. of ICPS Held</b>	<b>% of ICPS</b>	<b>No. of ICPS Held</b>	<b>% of ICPS</b>
Zakri Bin Mohd Khir	200	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

**THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS**

<b>Name of ICPS Holders</b>	<b>No. of ICPS Held</b>	<b>% of ICPS</b>
1 Citigroup Nominees (Asing) Sdn Bhd Allianz SE	144,202,868	77.06
2 Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,624,400	3.01
3 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	5,186,325	2.77
4 Pertubuhan Keselamatan Sosial	4,489,100	2.40
5 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,123,875	1.67
6 Amanahraya Trustees Berhad Public Smallcap Fund	2,771,000	1.48
7 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Opportunity Fund (3969)	1,533,600	0.82
8 HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	1,487,900	0.80
9 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Income Fund (4850)	1,331,575	0.71



## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)

### 10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS") (CONTINUED)

Name of ICPS Holders		No. of ICPS Held	% of ICPS
10	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Hwang Investment Management Berhad (TSTAC/CLNT-T)	906,509	0.48
11	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	816,125	0.44
12	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Hwang Select Dividend Fund	698,600	0.37
13	Sai Yee @ Sia Say Yee	630,000	0.34
14	Neoh Choo Ee & Company, Sdn. Berhad	627,500	0.34
15	Nahoorammah A/P Sithamparam Pillay	560,000	0.30
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council	546,750	0.29
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Asia (Ex Japan) Opportunity Fund (5410)	538,200	0.29
18	Au Yong Mun Yue	511,000	0.27
19	Olive Lim Swee Lian	505,000	0.27
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Balanced Fund (4405)	460,800	0.25
21	Maybank Nominees (Tempatan) Sdn Bhd Hwang Investment Management Berhad for Benta Wawasan Sdn Bhd (230129)	376,300	0.20
22	Employees Provident Fund Board	334,625	0.18
23	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	309,700	0.17
24	Lim Tean Kau	305,000	0.16
25	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	285,700	0.15
26	Dynaquest Sdn. Berhad	232,000	0.12
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council (Operating Fund)	220,000	0.12
28	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Keat	220,000	0.12
29	Loh Chai Kiam	218,200	0.12
30	Malaysian Trustees Berhad Hwang Investment Management Berhad for G B Lim Family Fund	206,475	0.11

**11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2012 OWNED BY THE GROUP**

No	Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur	Head office	Freehold	3,745	Corporate office	11 years	1/6/2012	39,594
2	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur	Branch office	Lot PT1- Leasehold Expiring 9/6/2072	525	Office building	29 years	27/4/2011	4,633
			Lot 263-Freehold			31 years	27/4/2011	6,243
3	Wisma Allianz Life No. 11, 12, 13 and 14, Jalan 53, Desa Jaya Commercial Centre Taman Desa Kepong, 52100 Kuala Lumpur	Branch office	Leasehold Expiring 8/3/2081	637	Terrace shop/ office	27 years	21/10/2011	4,753
4	No. 46, Jalan Tiara 2C Bandar Baru Klang Klang, 41150 Selangor	Branch office	Leasehold Expiring 8/5/2093	551	Terrace shop/ office	10 years	20/10/2011	3,930
5	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9 Kepong, 52100 Kuala Lumpur	Branch office	Leasehold Expiring 2/4/2096	239	Terrace shop/ office	15 years	27/12/2011	2,256
6	Unit Nos. A-G-1, A-1-1, A-2-1 Block A, Greentown Square Jalan Dato' Seri Ahmad Said Ipoh, 30450 Perak	Branch office	Leasehold Expiring 8/5/2093	595	Commercial building	7 years	20/10/2011	1,940
7	No.15, Jalan 8/1D Section 8, Petaling Jaya 46050 Selangor	Branch office	Leasehold Expiring 7/8/2066	174	Terrace shop/ office	46 years	25/4/2011	1,873
8	Lot 30, Block E Sedco Complex, Jalan Albert Kwok Locked Bag 69 Kota Kinabalu, 88000 Sabah	Branch office	Leasehold Expiring 3/12/2073	114	4-storey office building	30 years	21/4/2011	1,789
9	No.300 & 301, Jalan Lumpur Alor Setar 05100 Kedah	Branch office	Freehold	386	Terrace shop / office	9 years	3/5/2011	1,550
10	No. 487, Jalan Permatang Rawa Bandar Perdana Bukit Mertajam, 14000 Penang	Branch office	Freehold	212	4-storey shop office	14 years	6/10/2011	1,435

## 12. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2012 were as follows:-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/(Expenses) RM'000
Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	**Allianz SE Group	(247,666)
Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz SE Group for software system provided by Allianz SE Group	**Allianz SE Group	(215)
Payment of fees by the Company's life insurance subsidiary to IDS GmbH for conducting performance attribution analysis	**IDS GmbH	(7)
Payment of fees by the Group to Allianz Managed Operations And Services SE ("AMOS") for sharing of Allianz Worldwide Intranet Network	**AMOS	(284)
Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited by the Company's life insurance subsidiary	**Allianz Global Investors Singapore Limited	(34,515)
Payment of fees by the Group to Allianz Investment Management Singapore Pte Ltd ("AIM") for investment advisory services provided by AIM	**AIM	(1,685)
Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(984)
Payment of service fees by the Company's general insurance subsidiary to Mondial Assistance (Asia) Pte Ltd ("Mondial") for road assistance services provided by Mondial to its policyholders	**Mondial	(5,454)
Payment of fees by the Group to Allianz SE for sharing of Human Resource database platform of Allianz SE	**Allianz SE	(45)
Payment of yearly maintenance fee by the Group to Allianz SE for e-Recruitment solution provided by Allianz SE	**Allianz SE	(79)
Payment by the Company's insurance subsidiaries to AMOS for purchasing of various software licenses	**AMOS	(429)
Payment of training cost by the Group to AMOS, Singapore branch for the Social Operational Excellence training programme	**AMOS	(7)

Note:-

\* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.

\*\* Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.