



وطنية للتكافل
watania

National Takaful Company Watania P.J.S.C.

SUSTAINABILITY REPORT
2020

Section 1: Overview

About Us

This is the first sustainability report issued by National Takaful Company (Watania) and this report gives a description of our key sustainability initiatives and main areas of focus.

The report gives an overview of the timeline from 1 January 2020 to 31 December 2020. Watania and its branches come within its scope. Moreover, the report has been prepared in accordance with the disclosure guidelines determined by the Abu Dhabi Securities Exchange (ADX) on Environmental Social & Governance (ESG) Disclosure for Listed Companies set in July 2019.

The chief objectives are to integrate with ADX strategy and listed companies alike to bolster economic growth, while simultaneously providing a sustainable trading atmosphere and motivating the business community to adopt socially sustainable practices and to raise performance quality.



Section 2: Our Company

Watania

National Takaful Company (Watania) is a young and dynamic organization that came into being in 2011. Watania was issued a license by the UAE Insurance Authority on the 12th of July, 2011 and was listed on the ADX on the 14th of November, 2011.

Watania has a paid-up capital of AED150 m and its head office is in Abu Dhabi, United Arab Emirates.

Watania is an initiative taken by Abu Dhabi National Insurance Company (ADNIC) (16%), Abu Dhabi National Islamic Finance (ADNIF) (16%), Abu Dhabi National Energy Company (TAQA) (7%), and Aldar Properties (7%). Their objective was to establish a leading takaful operator in the UAE which could meet the demand of the UAE market for Sharia compliant insurance products.

Watania floated its stocks for an IPO on the 18th of April 2011 with issue oversubscribed nearly 7 times. After the allotment process, Ajman Bank (16%) and Qatar First Development Bank (10%) joined the ranks of the founding shareholders. Watania started underwriting risks on 14th of November, 2011.

In August 2014 there was a major change in the shareholding structure of Watania whereby MB Investment UAE and Madina Takaful Oman acquired a majority 60% stake in the company from existing shareholders.

Current major shareholders are MB Investment, UAE (51%), Magna Investments (15.90%), Dr. Ali Bin Harmal Aldhaheeri (12.17%) and Al Madina Takaful, Oman (9.54%).

Vision

Vision behind Watania formation is

To become the leading General Takaful operator of choice by delivering world-class takaful solutions for the protection of all stakeholders

Mission

The mission of Watania is to

Promote General Takaful awareness in the community and ensure policyholders' satisfaction by offering quality products and services. Deliver optimum returns to the shareholders by adhering to best practices in all aspects of our operations, and abiding by the Sharia principles. Empower our employees by inspiring, guiding, enabling and supporting them.

Core Values

Following values are upheld in the entire operations of Watania and in the day to day activities of its employees.

Integrity

Honesty and ethical behavior guides the way Watania employees conduct business whether with external or internal parties.

Reliability

Watania conveys the image of being a reliable business partner through all business dealings with all stakeholders.

Loyalty

Watania is loyal to its shareholders, policyholders and employees and keep exceeding their expectations.

Excellence

Watania recognizes and rewards excellence in the workplace. Performing at the highest level requires Watania employees to think in the best interest of shareholders.

Transparency

Watania is transparent in dealings with policyholders, retakaful operators and vis-à-vis the Insurance Authority.

Fairness

Watania values its employees, partners and the community it is part of. Watania is dedicated to fair treatment with all stakeholders.

Teamwork

Watania encourages teamwork among employees to achieve synergies and make efficient and goal-oriented decisions.

Innovation

Watania strives to be the leader in providing innovative takaful solutions to its clients and commit to developing new products that anticipate customers' needs.

Customer centricity

Watania is committed to its clients and strives to understand their needs, and ensures that delivered products and services exceed their expectations.

Watania Takaful Model

In Watania's Takaful Model premiums are paid as voluntary contributions into a risk pool called as "Takaful Fund" to collectively cover the losses of the participants. Policyholders and/or participants collectively own the Takaful Fund, whereas, Watania manages the fund according to Wakala model and receives fees.

Investments are made in sharia compliant instruments and returns are Riba free. Watania is committed to channeling funds to industries, businesses and activities that are good for society and environment. Policyholders, as owners of the Takaful Fund, are entitled to its profits.

Management of Takaful Fund

When participant pays contribution, a fee is deducted upfront from the contribution and that fee is paid to the Shareholders Fund under the Wakala contract. The balance of the contribution is paid into the Takaful Fund. Claims, retakaful contributions and acquisition cost are paid out of the Takaful Fund, whereas investment profits and recoveries are added to the Takaful Fund.

Shareholders' Fund is responsible for meeting operating expenses of Takaful Fund. Some portion of the investment profits of Takaful Fund goes to the Shareholders' Fund as fee under the Mudaraba contract. If there is a deficiency in the Takaful Fund, a Qurd-al-Hasan (interest free loan) is paid from the Shareholders' Fund into the Takaful Fund to cover the deficit.

After setting aside reserve for stabilizing future surplus and paying the performance fee to the Shareholders' Fund, any surplus in the Takaful Fund is paid back to the participants. Watania may put aside part of this surplus as reserve to strengthen the claim paying ability of the Takaful Fund.

Watania Fees / Charges

Watania, acting as manager of Takaful Fund, is entitled to receive fees. This is expressed as:

- Percentage of Gross Contribution charged at the end of every month/quarter – Wakala Fee
- percentage of policyholders investment income – Mudaraba Fee
- Watania's charge is expense plus cost of capital that includes element of profit for the Shareholders.

Watania Fees do not exceed maximum limits as agreed with its Sharia Committee at the beginning of each year.

Achievements

AM Best Rating

In May 2021 A.M. Best has revised the outlook to stable from positive and affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of "bb+" (Fair) of National Takaful Company (Watania) PJSC (Watania) (United Arab Emirates).

The Ratings reflect Watania's balance sheet strength, which AM Best assesses as strong, as well as its marginal operating performance, limited business profile and marginal enterprise risk management (ERM).

Quality Management System

Watania's Quality Management System (QMS) which was implemented in 2013 was further enhanced through various quality review and audits throughout 2014 to 2020.

ISO 9001:2015 Certification

In July 2013 Watania went through a quality surveillance audit by Lloyd's Register Quality Assurance Limited in which no major non-conformance was reported and hence the ISO 9001:2008 certification was maintained till 2022.

In July 2019 Watania has been approved by Lloyd's Register Quality Assurance Limited to the Standards ISO 9001:2015.

Among the perceived benefits of using the standards are:

- Satisfies the demands of current and prospective customers
- Improves customer focus and process orientation within the organization
- Facilitates continual improvement in the efficiency and effectiveness of an organization
- Creates consistency throughout the organization
- Strengthens relationships amongst organization , suppliers and customers
- Provides confidence to customers with regard to capability of organization to meet quality commitments
- Improves management decision-making
- Institutionalizes training
- Reduces dependence upon individuals
- Provides access to markets

Risk Management Framework

In 2018 various risks review meetings were held to discuss and rate various open risks recorded in Risk Register and to analyze the steps taken to mitigate the risk. Each risk control measure then vetted by business managers, thereby ensuring operational control. In Watania risks are periodically reviewed to ensure continuous effectiveness of the existing control measures and early identification of new risks faced by the Company.

Desktop analysis carried out periodically to monitor the risk appetite of the Company.

Award / Recognition

Best Islamic Insurance Provider UAE 2013

In October 2014, Watania was awarded once again as “Best Islamic Insurance Provider UAE 2014” by Global Banking & Finance Review.

The Global Banking and Finance Review Awards were created to recognize companies of all sizes that are prominent in particular areas of expertise and excellence within the global financial community. The awards are known throughout the global banking and financial community. They reflect the innovation, achievement, strategy, progressive and inspirational changes taking place within the financial sector.

The entire awards process includes nomination, selection and announcement under the Award Winners section. Award nominations in the various awards categories are received from the readership and from individual companies themselves through written submissions or by way of on-line nomination form throughout the calendar year.

Initially, a research team scrutinizes a nomination to ensure that it meets the specific criteria for an Award in the selected category. If it does, then the judging panel, comprising the research team, the editor and the publisher evaluates it along with the other nominations received for that award category and on their reasonable judgment select a winner.

ISO 40004:2018 Certification

National Takaful Company "Watania" announces the successful certification of ISO 10004:2018 for “Monitoring and Measuring Customer Satisfaction”, which is an international standard for best practices concerned with customer satisfaction and happiness.

Watania is one of the leading companies to obtain this certificate in UAE, which highlights Watania's commitment to Customers and Business Partners. The Company conducts transparent service feedback surveys, and ensures that the integrity of the processes are not compromised. Watania believes that feedback from its customers and business partners is critical to ongoing improvement in its service levels and addressing emerging needs.

Watania has done this by identifying various touch points in customers' journey, which provided a comprehensive customer satisfaction feedback and initiated improvement plans. In addition to the internal teamwork this exercise could not have been completed successfully without the support of our customers and business partners.

The vision and directives of the Chairman of "Watania" has been to focus on growth through enhanced levels of service and ensuring that in time Watania would become the insurer of choice in its chosen segment. It is this vision and focus that has led to Watania achieving this prestigious certification.

Watania strives to deliver customer satisfaction through digitalizing of processes and adopting innovative solutions to make the customers journey hassle free. Watania's launching of "MYCONNECT" portal earlier in June 2020 allowed customers to issue their Takaful Policies through the internet within 4 minutes, without any physical interaction.

Section 3: Our CSR Policy

The purpose and intention behind the publication of this report is to demonstrate Al-Watania's concern towards environmental and social welfare of the community we operate in and towards ADX's drive to promote sustainability in line with United Arab Emirates' Sustainable Development Goals (SDGs). We have a Board approved Corporate Social Responsibility (CSR) in place.

This report has been compiled while keeping ADX's ESG Disclosure Guidance, the United Nation's Principles for Sustainable Insurance Initiative (PSI) and Global Reporting Initiative (GRI) as reference points.

As we are an influential insurance company, we are all well aware of our corporate responsibilities. We are in favour of promoting environmentally and socially responsible business practices. Our corporate approach is driven by the Principles for Sustainable Insurance (PSI) initiative launched by UNEP FI. We attempt to integrate ESG factors in our risk management framework and strive to constantly develop Al-Watania's business activities. By incorporating ESG factors and adopting principles for sustainable insurance in our core activities, we are on our way to achieve the long-term strategic objectives of being a sustainable insurance firm with profitable growth that exhibits a sense of social and ecological responsibility.

CSR Initiatives at Watania:

At Watania, we have engaged in a number of CSR initiatives such as:

- Arrangement of Iftaar meals since 2017
- Sponsoring insurance of Fazaa vehicles since 2019
- Other community outreach initiatives

Section 4: Corporate Governance

At Watania, we continuously strive to boost our corporate governance output in a way that ensures operational transparency, accountability and long-term profits. We took up the evaluation and integration of EG factors into our corporate approach as a key agenda during 2020. We repeatedly monitor our corporate ESG metrics to make our sustainability performance even more transparent.

Compliance & Ethical Business Practices

Our strategic direction and corporate model is structured in such a way that ensures check and balance of every aspect of our business practice. Our corporate governance is based on national statutory and regulatory requirements. While complying with regulatory requirements, we also remain focused on best governance practices. We are committed to maintaining transparency in all of our operations and we encourage open engagement with our stakeholders. Risk awareness and responsibility is an integral part of our corporate structure and is underpinned by robust policies and procedures including stringent code of ethics and conduct.

Supply Chain Management

Our zero tolerance approach towards unethical business practices and emphasis on maintaining mutually benefitting long-term business relations with our business partners and suppliers has resulted in an environment of trust and fair conduct vendors based on honest and fair practices. We constantly try to maximize our asset utilization in a way that has minimum negative impact on environment. In the near future, we intend to update our supply chain questionnaire with topics related to environment.

Risk Management

To mitigate risks in a challenging environment, it is crucial to foresee the risks and take action beforehand to tackle them. For example, climate change is a high-focus area for Watania as a cautious Takaful company. We engage with customers to provide them with information regarding climate risk improvement recommendations. We aspire to enhance our present risk management framework through integration of ESG factors, leverage technology expertise and close tracking of ESG KPI's dashboard.

Operational Excellence

When it comes to digital transformation, we have not lagged behind our peers. With modern operational facilities not only is our work simplified and made easier but we have also reduced our environmental footprint significantly. That is why we keep ourselves updated with the latest technology and digital trends.

Data Privacy & Security

The move from manual processes to digital operations comes with enhanced risk of data leaks and security breach. Watania takes the security of its customers' and relevant personnel's data very seriously and we continuously take steps to alleviate the risks linked with data management and security.

Our digital infrastructure runs on the latest technology backbone with Nutanix hyperconverged infrastructure scalable to any level, Rubrik backup appliance, Paloalto & Fortinet firewalls, Netscaler web access firewall. All critical servers are in Linux environment for better cybersecurity.

We adopt cloud-based DR (Disaster Recover) to ensure business continuity for our clients in any unexpected downtime.

Section 5: Human Resources and Employee Well-Being

5.1 Human Resources

We constantly engage with our stakeholders and carry out critical discussions in order to gauge and meet their expectations and concerns. Almost 200 nationalities call UAE home and Watania promotes diversity, tolerance and inclusiveness in its code of conduct and ethical values. A diverse workforce augments our intellectual capital and talent in the workforce.

Our management strives to provide the employees with a healthy, productive work environment where they can utilize their skills to the best of their abilities. Our employees have also wholeheartedly embraced our drive for achieving SDGs and they actively pitch in new and fresh ideas.

We believe that technology in and of itself is not innovation, but it needs to be symbiotic with people, culture, and process. Our digital vision is a vital component that has aided innovation our transformation in all aspects of the business.

We have meticulously devised our digital evolution, leveraging technology where relevant and in areas that can improve product, process, service, culture, and profitability – the core of our 'back to basics' strategy.

Our seamless WFH solutions and digital remote access to employees have seen high service levels being maintained adding to customer delight.

5.2 Employee Well-Being

At Watania we strive to make the best of our employees' potential by trying to provide them with mental well-being and financial security. Further, regular health & safety trainings are conducted for all employees including first aid, workplace orientation, safety drills and others.

Our management engages with employees through meetings, surveys, team building workshops, corporate retreats, training events, etc.

While COVID19 accelerated digital adoption in the industry, our maturity with a robust infrastructure, established platforms, streamlined processes and a well-trained workforce helped us stay ahead of the curve and support our customers in the new normal of a world without boundaries.

Section 6: Environmental Performance and Sustainability

6.1 Environmental Strategy

Environmental responsibility is an important step towards adopting an SDG-oriented corporate approach.

At Watania, we have adopted a number of Go-Green initiatives in order to reduce our environmental footprint. These initiatives facilitate us in incorporating environmental-friendly business approaches and habits. These plans include:

- Employee training to make them more aware of environment-friendly lifestyle choices
- Utilize resources efficiently
- Reduce electricity and water consumption
- Install waste management and recycling setup
- Disposal of IT non-usable assets in environment friendly manner
- Digital signatures have gone a long way in reducing requirement for print-outs
- Discourage use of plastic packaging and utensils
- Reduce waste by digital transformation
- Paper printing reduced by more than 90% by bringing online work flow process and implementing document management system
- Implementation of "MyConnect" customer portal which helps customers in buying policies online thus reducing manual procedures
- Setup Nutanix hyperconverged solution which drastically reduces electricity consumption
- All major IT infrastructure solutions are green-rated which emit less energy
- Use of automatic change over panel to cut off data centric cooling system which significantly reduces energy consumption
- Robotic process automation saves several man hours and therefore decreases computing time and electricity usage
- Effective implementation of work from home concept at the beginning of Covid-19 pandemic

6.2 Community Relations

Watania recognizes its role as a part of UAE community and being a responsible corporate entity, we focus on empowering various segments of society and helping out with community outreach programs such as charity drives, philanthropic causes, Red Crescent projects, etc. During 2020, we took part in a number of philanthropic initiatives and charity drives.

At Watania, we constantly engage with the community to play our part for social welfare.

Section 7: Conclusion

Our sustainability framework is still in its nascent stages but we are continuously striving to improve our sustainability and CSR drive. The compilation of this report has given us the opportunity to review our approach and highlight the strong points. We will continue to bolster our strategy through self-assessment and improvement in accordance with the Principles of Sustainable Insurance Standards.
