

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 4588  
**COMPANY NAME** : UMW HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2020

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire UMW Group. In order to ensure the effective discharge of its functions and responsibilities, the Board has established a Corporate Governance (<b>CG</b>) Framework and practices, where there is a clear division of responsibilities between the Board and management.</p> <p>The Board is led by a Non-Independent Non-Executive Chairman, whose principal responsibility is to ensure the effective running of the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group. Specific powers of the Board are delegated to the relevant Board Committees and the management, led by the President &amp; Group Chief Executive Officer (<b>PGCEO</b>), Dato' Ahmad Fuaad Mohd Kenali.</p> <p>The responsibility of steering the Group towards a sustainable future rests on the Board. In addition to adopting a sound ethical and governance framework and financial management policies, the Board also ensures that there are adequate resources to meet the Group's objectives.</p> <p>Board Committees such as the Audit Committee (<b>AC</b>), the Nomination &amp; Remuneration Committee (<b>NRC</b>), the Investment Committee (<b>IC</b>), the Risk Management Committee (<b>RMC</b>) and the Integrity and Whistle Blowing Committee (<b>IWBC</b>) have been established to exercise oversight in specific areas. All of these Board Committees have specific responsibilities with authority to act on behalf of the Board, as mandated in their respective terms of reference (<b>TOR</b>).</p> <p>Following the sudden demise of the late PGCEO, Badrul Feisal Abdul Rahim on 31 May 2020, an interim Board Committee, known as the Board Oversight Committee (<b>BOC</b>), comprising three (3) Non-Executive Directors (<b>NED</b>), namely, Razalee Amin as its Chairman, Datin Paduka Kartini Hj Abdul Manaf and Dr Veerinderjeet Singh, was established on 4 June 2020. The Board mandated the BOC to</p> |

provide direct oversight, guidance and advice to Azmin Che Yusoff as the Acting PGCEO, on various areas covering among others, the Group's strategic matters, business plans, financials, operational and governance aspects. The BOC was also entrusted to oversee the implementation and monitoring of the Board's decisions in ensuring that these were efficiently and effectively carried out by the Group's management and exercise other authorities and additional mandates, as may be directed by the Board from time to time. With the appointment of the new PGCEO, Dato' Ahmad Fuaad on 1 November 2020, the BOC was officially dissolved.

The Board assumes the following specific duties which are discharged in the best interests of the Company:

- **Establishing and reviewing the strategic direction of the Group**

The Board plays an active role in the development of the Group's long-term strategic objectives and direction, reviews and approves the Group's business and strategic plans and annual budget, and monitors the implementation and achievement of the Group's corporate objectives. The Board focuses on business strategy to understand the key drivers of the Group's performance in ensuring that the Group is responsive to changes in the business and economic environments.

The Group's annual strategic planning process for 2020 began with the offsite UMW Board Retreat 2019 session, which was held in July 2019. The session, with the participation of Board members and key senior management, provided a platform for the late PGCEO, Badrul Feisal, to update the Board on the progress of Perdana Transformation Pillars strategic initiatives, deliver his expectations and business targets for 2020, as well as in laying out key strategies moving forward to all business divisions in the UMW Group.

Following the strategic retreat session, the proposed 2020 Budget was prepared by the respective operating units and corporate divisions and presented at the Business Plan Review (BPR) session chaired by the late PGCEO. The BPR session is a platform for management to thoroughly review and deliberate the proposed strategies for the financial year and projections for ensuing years, and challenge the views and assumptions made to ensure the best results.

The finalised proposed 2020 Budget was presented to the Board in December 2019 for deliberation and approval. At this meeting, management presented its recommended transformation strategy as well as the primary challenges facing the Group and the proposed action plans to address such issues and the business outlook. The Board provided its guidance and feedback on the proposed recommended transformation strategy to further refine the Group's action plan for 2020.

- **Overseeing and evaluating the conduct of the Company's businesses**

The PGCEO is the conduit between the Board and management and is primarily responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goals established by the Board.

Progress is monitored against the agreed Key Performance Indicator (**KPI**) targets, comprising both qualitative and quantitative measurements, as approved by the Board. Execution of annual strategy and challenges are reported to the Board on a regular basis. This enables the Board to receive first hand updates from management on their performance, key developments and/or other issues and prospects.

- **Ensuring the integrity of the Group's financial and non-financial reporting**

The Board also oversees the Group's business affairs and conducts periodic reviews of the Group's financial performance and implements policies relating to financial matters, which include risk management and internal control and compliance in ensuring alignment to the Group's strategy, operations and the external environment.

In presenting the annual financial statements and quarterly announcements to Bursa Malaysia Securities Berhad (**Bursa Securities**) and all disclosures to shareholders, the Board is fully committed to providing a clear, balanced and comprehensible assessment of the Group's financial performance and its future prospects.

The AC assists the Board in overseeing the financial reporting process and ensuring the quality of financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The AC also assists the Board in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.

The Board is fully accountable for ensuring that the financial statements of each financial year are prepared in accordance with applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 (**CA 2016**). It is also the responsibility of the Board to ensure that the financial statements represent a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;

- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable financial accounting standards have been followed; and
- Prepared financial statements on a going concern basis, having made due enquiries that the Group and the Company have adequate resources to continue operations in the foreseeable future.

The Directors have the overall responsibility 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.

- **Promoting good corporate governance culture within the UMW Group**

The Board, management and employees of the Group affirm and remain resolute in the Group's commitment to enhance shareholders' value and its overall competitive positioning by way of upholding the highest standards of CG practices.

The Group's CG Framework is a reflection of the way strategic and operational activities are managed. The roles of stakeholders, the Board, the Board Committees and management are distinctly different but complementary in attaining the Group's core objectives. The Board plays an active role in advising, administering and reviewing the Group's governance framework and practices for implementation Group-wide, as it believes that an effective CG structure and culture lies at the core of the UMW Group's pursuit to achieve its vision and objectives. This includes among others, ethical conduct, business integrity, commitment to values, delivering sustainable values and managing stakeholders' expectations.

To discharge its duties and responsibilities, the UMW Group's CG Framework and practices were developed and regularly reviewed based on relevant statutory requirements, best practices and guidelines, which were encapsulated into the Board Charter and the TOR of its respective Board Committees. The governance structure is also complemented by the UMW Group's Financial Limit Authority Guidelines (**FLAG**), which sets out the respective authority limits, including those reserved for the Board's approval and those which the Board may delegate to Board Committees, PGCEO, the Flagship Boards (**FB**), Management Committee (**MC**) and management.

The holding company formulates strategies to optimise the Group's performance and oversees activities at the consolidated level, while the core businesses retain the necessary authority and responsibility for conducting their own operations. This allows the Board to take broader perspective on issues affecting the Group, such as overall strategy, risk management and governance level.

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|  | <p>With the Group's significant presence in the countries it operates, the Group also monitors and abides by the guidelines of relevant regulators and authorities.</p> <p>The Board also promotes a healthy corporate governance culture and ethical values through its transparent and objective conduct formalised through the adoption of the Board Code of Conduct and Ethics (<b>BCCE</b>), which was adopted by the Board since 21 August 2009.</p> <p>As a testament of the Board's steadfast commitment in upholding the highest level of corporate governance, the Company was accorded the Industry Excellence Award for CG Disclosure - Consumer Products &amp; Services at the MSWG-ASEAN Corporate Governance Awards in 2019 and was the recipient of ASEAN Asset Class PLCs at the 2019 ASEAN Corporate Governance Scorecard Awards.</p> <ul style="list-style-type: none"> <li>• <b>Identifying principal risks and ensuring implementation of appropriate systems for managing risks</b></li> </ul> <p>The Board oversees the Enterprise Risk Management (<b>ERM</b>) Framework of the Group via RMC, which comprises members of the Board. The oversight of this critical area is carried out by the Management Risk Committee (<b>MRC</b>). The RMC also reviews and endorses the risk parameters, risk appetite, risk profiles as well as risk action plans presented by the MRC. These systems cover not only financial controls but also strategic, organisational, operational, regulatory and compliance controls.</p> <p>In addition to the reporting requirements to the Board, the RMC has specific responsibilities which include, but are not limited to, formulating and implementing ERM mechanism to accomplish the requirements of the ERM policy and to articulate and challenge risk ratings. This is to ensure that the Group has the necessary risk management infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control for continuous improvement of risk management capabilities.</p> <p>Details of the RMC and the Group's ERM Framework are set out in the Statement on Risk Management and Internal Controls (<b>SORMIC</b>) on pages 98 to 104 of the Company's Integrated Annual Report 2020 (<b>IAR 2020</b>).</p> <ul style="list-style-type: none"> <li>• <b>Establishing succession planning</b></li> </ul> <p>The Board through the NRC, oversees a clear and orderly succession plan for the PGCEO and the Group's key senior management. The NRC is responsible for formulating nomination, selection and succession policies for the Group. The Board acknowledges that in a competitive global environment, where securing talents is a challenge, more attention is needed in managing human capital development. In discharging its responsibility on succession planning, the NRC receives</p> |
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succession management updates from the Group Human Capital Division (**GHCD**) in accordance with the succession management framework.

The Group Talent Council (**GTC**) has been established to undertake a comprehensive review and assessment on potential talents and successors and monitoring the appropriate development programmes to ensure the readiness of identified candidates in assuming critical positions within the Group. Through the framework and structured leadership development programme, regular leadership assessments, as well as cross-functional assignments, the Group has been able to identify potential successors to critical positions and their level of readiness.

In ensuring that all candidates appointed to senior management positions are of sufficient calibre, the NRC considers the suitability of shortlisted candidates based on their profiles, professional achievements and personality assessments. For the renewal of service contracts for key management personnel, the NRC considers their performance, contributions, achievements and deliverables for the past years. At the same time, the NRC considers their remuneration packages when finalising the terms and conditions of their service contracts.

- **Ensuring the existence of a good investor relations programme and shareholder communication policy**

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. Communications with the investment community/media/public and disclosures made are in accordance with the UMW Group Investor & Media Relations Policy (**IMRP**).

The IMRP regulates the review and release of information to shareholders, stakeholders and the public at large, facilitating timely and accurate disclosure of the Group's affairs. The IMRP identifies selected senior management as the authorised spokespersons of UMW and defines each spokesperson's focus area.

Further information on the Group's IR updates, financial reports, stock exchange announcements, analyst reports, etc., are available on the Company's website at [www.umw.com.my/web/quest/financial-report](http://www.umw.com.my/web/quest/financial-report)

- **Reviewing the adequacy of the internal control policy and mitigation measures**

The Board is ultimately responsible for the adequacy, effectiveness and integrity of the Group's internal control system and continues to maintain and review its internal control system

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|  | <p>to ensure, as far as possible, the protection of the Group's assets and the Company's shareholder investments.</p> <p>Details on the Group's internal control system and its effectiveness are set out in the SORMIC on on pages 98 to 104 of the IAR 2020.</p> |  |
| <p><b>Explanation for departure</b> :</p>  |  |  |
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| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |  |  |
| <p><b>Measure</b> :</p>  |  |  |
| <p><b>Timeframe</b> :</p>  |  |  |



**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board is helmed by Tan Sri Dato' Sri Hamad Kama Piah Che Othman, a Non-Independent Non-Executive Chairman, since 2017. His principal responsibility is to ensure the effective running of the Board, as well as undertakes the role of a leader for the effective conduct of the Board. As the Group Chairman, he principally ensures the Board fulfils its obligations under the Board Charter and as required under the relevant legislations.</p> <p>The Group Chairman is also responsible for leading the Board in setting the values and is responsible in ensuring that the essence of good CG practices are being implemented across the Group at all levels. He is supported by a number of Board Committees where specific powers of the Board are delegated in accordance with their respective TOR to ensure effectiveness of the Board in attaining the Group's objectives.</p> <p>The Group Chairman, in consultation with the PGCEO and the Group Secretary, sets the agenda for Board meetings and ensures that all relevant issues are tabled for Board's deliberation. As Group Chairman, he is responsible for ensuring that the provision of accurate, timely and clear information are made available to the Board. He ensures that sufficient time is allowed for deliberation of complex or contentious issues prior to a decision being reached at meetings. He also manages boardroom dynamics by promoting a culture of openness and encourages active participation by the Board, and ensures issues discussed are forward looking and strategic.</p> <p>Outside the Boardroom, the Group Chairman also plays a pivotal role in accommodating constructive dialogue and ensures effective communication with shareholders together with the PGCEO. The Group Chairman's profile can be found on page 64 of the IAR 2020.</p> <p>The roles and responsibilities of the Group Chairman of the Board are clearly stipulated in the Board Charter which is available in the Company's website at <a href="http://www.umw.com.my/web/quest/corporate-governance">www.umw.com.my/web/quest/corporate-governance</a></p> |
| <b>Explanation for departure</b>                  | :   |

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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

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| <b>Application</b> :  | Applied  |  |
| <b>Explanation on application of the practice</b> :   | <p>The Board has put in place a separation of duties and responsibilities between the Group Chairman and the PGCEO to ensure a clear segregation of responsibility and accountability, with proper balance of authority and greater capacity for independent decision-making.</p> <p>The positions of Group Chairman and PGCEO are held by two different individuals. The Group Chairman, Tan Sri Dato' Sri Hamad Kama Piah is a Non-Independent Non-Executive Chairman, whose principal responsibility is to ensure the effective running of the Board and manages the Group's commitment to delivering sustainable values and shareholders' expectations.</p> <p>On the other hand, the PGCEO, Dato' Ahmad Fuaad, is the conduit between the Board and management in ensuring the execution of the Group's strategies and day-to-day business operations are performed at the highest level of integrity and transparency. He is also responsible for ensuring high management competency as well as the implementation of an effective management succession plan to sustain continuity of operations. The PGCEO is primarily responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goal established by the Board. The PGCEO's profile can be found on page 65 of the IAR 2020.</p> <p>The clear division of responsibilities allows the Group Chairman to assume the formal role of an independent leader in setting the policy framework of the Group and effective conduct of the Board.</p> |  |
| <b>Explanation for departure</b> :  |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |
| <b>Measure</b> :  |  |  |
| <b>Timeframe</b> :  |  |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Group Secretary of UMW, Mohd Nor Azam Mohd Salleh, is a Chartered Secretary and a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and a Fellow of the Chartered Governance Institute, UK. He has an extensive professional experience in corporate secretarial, governance and compliance matters spanning more than 20 years.</p> <p>The Group Secretary provides the necessary support and assistance to the Board in upholding high CG standards and in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Directors' duties and responsibilities. The Group Secretary facilitates in organising and enrolment of training programmes, briefings, workshops and seminars for Board members.</p> <p>He is responsible for ensuring that the corporate secretarial function provides adequate support to the Board, Board Committees and for all Board-related functions. The experience and group-wide knowledge of the Group Secretary are instrumental in serving the Group's governance requirements.</p> <p>The Group Secretary also serves as a focal point for stakeholders' communication and engagement on CG issues, as well as communication between regulators and the Board and senior management. He ensures that regulators request and instructions are conveyed to the Board and senior management in a timely manner, with appropriate advice.</p> <p>The Group Secretary is adequately supported by a team of qualified governance staff from the Group Secretarial &amp; Corporate Governance Division (<b>GSD</b>) to ensure effective implementation and monitoring of CG best practices throughout the Group. The Group Secretary and his team constantly keep themselves abreast of the regulatory changes and developments in CG and other relevant statutory requirements through relevant conferences and training programmes. They have also completed the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or other professional bodies for practising company secretaries.</p> |

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| <b>Explanation for departure</b> :  |  |  |
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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |
| <b>Measure</b> :  |  |  |
| <b>Timeframe</b> :  |  |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>Board members are given advance notice of scheduled Board and Board Committees meetings for the year issued by the Group Secretary, including the Annual General Meeting (<b>AGM</b>) to allow Board members to lock in their dates for advance planning and in ensuring that they can allocate time to attend Board meetings. Board members were also given early notice on the targeted closed periods for dealings in securities based on the targeted dates of announcements of the Group's quarterly results for compliance purposes.</p> <p>All Board members are provided with meeting materials within five (5) days before meetings to enable them to review and consider the agenda items to be discussed. In addition, all meeting materials contain clear information flow with standard presentation and level of comprehensiveness in a prescribed format. In order for Board meetings to be more effective and to enable in-depth deliberation of matters, the Board meeting agenda is sequenced in a manner that prioritises approval papers and complexity of the proposals.</p> <p>The UMW Group adopts a common digital platform, where meeting materials are uploaded electronically to allow board papers and other information to be securely uploaded by management and remotely accessed by Board members in a timely and efficient manner. The digital platform, which is accesible via Ipad and laptops, helped improve the timeliness of circulation of meeting materials. Apart from uploading meeting materials onto a digital platform, other electronic meeting platforms are also made available to facilitate Board members to convene virtual meetings.</p> <p>Heads of operations are required to make presentations on proposal papers and brief/update Board members on operational issues from time to time to facilitate Directors in discharging their duties.</p> <p>Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation at the following Board meetings. Directors may request further clarification or raise comments on the minutes prior to confirmation by the Board. The Board keeps abreast of key issues and decisions made by Board Committees through verbal updates by the Chairman of each committee and via the minutes of Board Committee meetings presented to the Board. Discussions on key action items from last Board and Board</p> |

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|  | <p>Committee meetings were discussed in detailed under matters arising.</p> <p>The Board can have access to independent professional advice, where necessary, for proper discharge of its duties and at the Group's expense.</p> |  |
| <b>Explanation for departure</b> :   |  |  |
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| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |  |  |
| <b>Measure</b> :   |  |  |
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### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board Charter serves as a primary reference for all Directors of the Company and of the operating subsidiaries in the Group, of their fiduciary duties and responsibilities as Board members and on various legislations and regulations affecting their conducts, to ensure that the Board members applies the principles and practices of good CG in all their dealings in respect and on behalf of the Company. The Board is also guided by FLAG, which clearly define the relevant matters and applicable authority limits, including those reserved for the Board, the PGCEO and management.</p> <p>The roles and responsibilities of the Board, Group Chairman, Senior Independent Director, and PGCEO are clearly outlined in the Board Charter. It also serves as a source of reference and primary induction literature to provide insights to prospective and/or newly appointed Board members and senior management.</p> <p>The Board Charter and the TOR of the Board Committees are available on UMW's corporate website at <a href="http://www.umw.com.my/web/guest/corporate-governance">www.umw.com.my/web/guest/corporate-governance</a></p> <p>At management level, several committees namely the Management Audit Meeting (<b>MAM</b>), Management Risk Committee (<b>MRC</b>), Tender Committee and Management Integrity &amp; Whistle Blowing Committee (<b>MIWBC</b>) have been established to ensure that CG practices and ethical behaviour are upheld at all times in the Group's business dealings.</p> <p>The Board ensures that there are adequate resources to meet the Group's objectives. The Board assumes the following specific duties which are discharged in the best interests of the Group:</p> <ul style="list-style-type: none"><li>• Establish and review the strategic direction of the Group;</li><li>• Together with senior management, promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;</li><li>• Review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;</li></ul> |



- Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Supervise and assess management performance to determine whether the business is being properly managed;
- Oversee and evaluate the conduct of the Group's businesses;
- Ensure there is a sound framework for internal controls and risk management;
- Identify and understand the businesses' principal risks, recognise that business decisions involve the taking of appropriate risks and ensuring that risks are properly managed;
- Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Establish orderly succession plan for the Board and senior management;
- Ensure that senior management has the necessary skills and experience;
- Ensure the existence of procedures to enable effective communication with stakeholders;
- Review the adequacy of the internal control policy; and
- Ensure the integrity of the Group's financial and non-financial reporting.

The Board also reserves full decision-making powers on the following matters:

- Material acquisitions and disposals of assets;
- Investments in major projects;
- Limits of authority;
- Treasury policies;
- Risk management policies;
- Key human resource issues; and
- Conflict of interest issues relating to substantial shareholder or Director.

The Board is also responsible in ensuring that training and education programmes are made available to the Directors, to enable them to update their knowledge and enhance their skills, hence, enabling them to sustain active participation in Board deliberations.

To facilitate identification of appropriate training and education programmes based on the Board's assessment of the Directors' training needs in accordance with Paragraph 15.08(3) (a) of the Main Market Listing Requirements (**MMLR**), the Directors were invited to attend a series of appropriate training and education programmes to further enhance their skills and knowledge. The Company also allocates a dedicated training budget to support the continuous development of Board members.

The Group Secretary facilitates in organising and enrolment of training programmes, briefings, workshops and seminars for

Directors. Whenever required, Directors may request for training programmes on specific subjects to facilitate them in discharging their duties effectively.

In accordance with Paragraph 15.08(3)(b) of MMLR, the Directors had attended various external programmes in 2020, which include the following:

**A) Corporate Governance (including audit, risk management, compliance and internal control)**

- SDGS and Corporate Sustainability Awareness by Duopharma Biotech Berhad (**Duopharma**), 14 February 2020
- Corporate Liability - Section 17A of the MACCA 2018 by the Malaysian Institute of Corporate Governance (**MICG**), 3 March 2020
- Module 7 - Core Element of Integrity System - the Shield: Your Anti-Bribery Management System by MICG, 10 and 11 March 2020
- Board Training by Ernst & Young PLT, 22 June 2020
- Assessing Corruption Risk by Speak Up Academy, 2 and 9 July 2020
- Risks: A Fresh Look from the Board's Perspective by FIDE Forum, 8 July 2020
- Building & Reporting A Culture of Integrity by MICG, 14 July 2020
- Banking on Governance, Insuring Sustainability by FIDE Forum, 4 August 2020
- Governance Symposium 2020 - Driving Governance in the New Normal: The Future Begins by the Malaysian Institute of Accountants (**MIA**) and MICG, 9 to 10 November 2020
- Workshop on Fraud Risk Management by Bursa Malaysia Berhad, 1 December 2020
- The Quiet Transformation of Corporate Governance by the Institute of Corporate Directors Malaysia (**ICDM**), 3 December 2020

**B) Information Technology and Innovation**

- Leading Digital Business Transformation Programme by IMD Business School, 24 to 28 February 2020

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|  | <ul style="list-style-type: none"> <li>• DBA Class on Innovation Leadership by Universiti Teknologi Malaysia, 16 April 2020</li> <li>• Cyber Security and Data Protection First Aid Kit by the Singapore Institute of Directors, 23 April 2020</li> <li>• Knowledge Sharing Session on “Digital Therapeutics Market” with Dr. Jeremy Ting Yew Choong, the President of Naluri Hidup Sdn Bhd by Duopharma, 23 July 2020</li> <li>• “Virtual Knowledge Sharing Session on Stem Cells” by Dr. Sun U. Song, the Founder and Chief Scientific Officer of SCM Lifescience Co. Ltd., South Korea, 7 October 2020.</li> <li>• PowerTalk Global Series by ICDM, 7 to 11 December 2020:       <ul style="list-style-type: none"> <li>i) The Regenerative Business of the Future; and</li> <li>ii) Digital Leadership and Communication During Turbulent Times</li> </ul> </li> </ul> <p><b>C) Leadership, Legal and Business Management</b></p> <ul style="list-style-type: none"> <li>• The Board Chair - The First Among Equals by ICDM, 4 March 2020</li> <li>• Familiarisation for Consumer and Healthcare Business by Duopharma, 8 July 2020</li> <li>• Preparing the Board for a Post-Covid World by ICDM, 14 August 2020</li> <li>• Progressive Board Review and Directors Global Masterclass Seminar by Corporate World Intelligence, 22 and 23 September 2020</li> <li>• “Strategic Developments, Swot Analysis and Issues on the Registration of Halal Pharmaceuticals” by Halal Studies, Research and Training (Hasrat), Universiti Sains Malaysia, 14 October 2020</li> <li>• PNB YTI Memorial Lecture 2020: “How safe are the safe haven assets in Malaysia?” by PNB Research Institute Sdn Berhad, 2 December 2020</li> <li>• UMW’s Strategic Retreat by UMW, 9 to 12 December 2020</li> <li>• Management Conference 2020 by Employees Provident Fund (<b>EPF</b>), 15 to 16 December 2020</li> <li>• Managing Performance Seminar by EPF, 28 to 31 December 2020</li> </ul> |
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|  | <p><b>D) Financial Related Matters</b></p> <ul style="list-style-type: none"> <li>• COVID-19 and Current Economic Reality: Implications for Financial Stability by FIDE Forum, 14 April 2020</li> <li>• National Tax Conference 2020 by Chartered Tax institute of Malaysia, 25 and 26 August 2020</li> <li>• The Board’s Leadership in Greening the Financial Sector by FIDE Forum, 2 November 2020</li> <li>• Considerations for Preparation of Financial Statements under COVID-19 Situations by MIA, 21 December 2020</li> <li>• Budget 2021 key proposals by PricewaterhouseCoopers, 30 November 2020</li> <li>• Budget Dialogue with the Minister of Finance, Malaysia by Kuala Lumpur Business Club (<b>KLBC</b>), 7 December 2020</li> </ul> <p><b>E) Sustainability and Others</b></p> <ul style="list-style-type: none"> <li>• The Cooler Earth Sustainability Summit 2020 by CIMB, 22 September 2020</li> <li>• Dialog Industri Air Bersama Menteri: Halatuju Baru dan Strategi Baru by Kementerian Alam Sekitar dan Air, 29 September 2020</li> <li>• Asiawater Conference: “Strategic Policies Initiatives for a Sustainable, Progressive and Equitable Water Sector” by Informa Markets, 1 December 2020</li> <li>• Petronas - Resilience and Sustainability Amidst A Challenging Environment with YM Tengku Muhammad Taufik by KLBC, 30 November 2020</li> <li>• “Solid Waste Management Malaysian Perspective - Current Practice” sharing session by Universiti Putra Malaysia, 29 December 2020</li> </ul> |
| <p><b>Explanation for departure</b> :</p>  |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |
| <p><b>Measure</b> :</p>  |   |

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| <b>Timeframe</b> : |  |  |
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### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>All Directors, including those in the operating subsidiaries within the Group, adhere to the BCCE, Code of Business Conduct and Ethics (<b>CBCE</b>) and Board Charter, which provide guidance to recognise and deal with ethical issues and help foster a culture of honesty and accountability. Mechanisms to report unethical conducts are encapsulated in the Whistle Blowing Policy &amp; Procedure (<b>WBPP</b>).</p> <p>The BCCE is formulated to enhance the standard of CG and corporate behaviour with a view to establishing a standard of ethical conduct for Directors based on acceptable beliefs and values, and to uphold the spirit of social responsibility and accountability in line with legislations, regulations and guidelines. The principles on which the BCCE relies upon are those that concern transparency, integrity, accountability and corporate social responsibility.</p> <p>The BCCE will be reviewed from time to time to incorporate new regulatory requirements/developments in the framework and practices.</p> <p>Directors declare at Board meetings their interests (direct or indirect) in proposals being considered by the Board. Where a Director is deemed interested, the Director will abstain from any deliberation and voting on the subject matter and would excuse himself from the meeting, if required. Declaration of Director's interest in any proposal presented to the Board is reflected in the minutes of meetings.</p> <p>The CBCE incorporates the Group's stance with regard to integrity in conducting business. One of the objectives of the CBCE is to clearly state how UMW employees should conduct themselves in managing business affairs which include, among others, confidentiality of information and dealings in securities. The CBCE also details and warns against undesired conduct such as conflict of interest, offering or receiving bribes, dishonest conduct, anti-competitive practices and sexual harassment. Employees are to be</p> |

driven to continuously display integrity and trust when managing stakeholders, customers, suppliers, vendors and contractors.

Unethical practices are not tolerated and the Group is committed to behaving professionally, fairly and with integrity in all business dealings and relationships including under relevant laws of each jurisdiction where the Group operates, locally and abroad.

The Board recognises that integrity is a manifestation of ethical leadership. The Board commits to instilling the highest ethical standards to every aspect of the Group's business, even in challenging market conditions. The Group takes a more proactive approach towards ensuring that its activities promote responsible behaviour, fairness, sustainability and cultural sensitivity.

The Group Integrity Unit (**GIU**) was established in 2014 to further enhance CG practices, business ethics, integrity awareness and to disseminate the importance of managing high risk areas such as fraud and corruption through the UMW Integrity Framework and UMW Integrity Plan. The objective is to enhance integrity culture within the UMW Group through the implementation of strategies and programmes in tandem with the National Integrity Plan. The integrity plan contains programmes and initiatives to strengthen integrity and good governance, to deter practices of corruption, fraud, abuse of power and other malpractices and misconducts, and to establish a "zero tolerance" culture within the Group for white-collar crimes. On 1 August 2019, GIU was merged into the Group Risk Management Division and now known as Group Risk Management and Integrity Division (**GRMI**) following the implementation of a new organisational structure within the Group.

Taking cognisance of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (**MACCA**), and in particular the implementation of the corporate liability provision that took effect on 1 June 2020, GRMI has taken proactive measures to ensure that the Group has adequate procedures in place by organising workshops to UMW employees from various divisions to develop the Organisational Anti-Corruption Plan (**OACP**). The OACP will address integrity, good governance and anti-corruption concerns while combatting corruption at organisational level within the Group. It also aims to provide and allocate appropriate resources required for the fulfilment of the stated plan, specification of reasonable timeframe and the derivation of the path towards the achievement of strategic activities.

In 2020, GIU developed the Anti-Bribery & Corruption Policy (**ABCP**) and the UMW OACP as part of UMW Group's strategy in strengthening governance, integrity and anti-corruption controls.

The ABCP which was approved in May 2020, is aimed at creating awareness and ensuring that all UMW employees, directors and business associates observe and uphold anti-bribery and corruption principles and good CG practices within the organisation and in all business dealings. In September 2020, ABCP e-learning/e-pledge programme was introduced and made compulsory to all employees.

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|  | <p>To date, a total of 4,556 employees have completed the ABCP e-learning/e-pledge programme.</p> <p>The UMW OACP which was approved in October 2020, comprises a set of initiatives/action plans for execution by the respective departments/units. Regular monitoring will be carried out by the respective Human Resource Business Partners and Head of Operating Company/Division/ Department. OACP progress updates are reported to IWBC once a year or as and when necessary. The OACP is a live document and will be periodically reviewed and updated.</p> <p>The DCE, CBCE, ABCP and WBPP are available on the Company's website at <a href="http://www.umw.com.my/web/guest/corporate-governance">www.umw.com.my/web/guest/corporate-governance</a></p> |  |
| <b>Explanation for departure</b> :   |   |  |
|  |   |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <b>Measure</b> :   |   |  |
| <b>Timeframe</b> :   |   |  |



### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>In line with the Board's commitment to maintain the highest possible standard of professionalism, ethics and legal conduct in the Group's business activities, the Whistle Blowing Policy and General Guidelines was first adopted on 20 May 2009. It was subsequently revamped and renamed to WBPP on 1 December 2016. This policy welcomes disclosures of suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud and abuse of power or breach of any laws and regulations by any member of the Board, management or employees.</p> <p>This policy provides employees with an accessible avenue to report wrongdoings in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal. It is also the duty of the Board to ensure that employees are not penalised for whistle-blowing.</p> <p>The IWBC is responsible for overseeing the implementation of the Whistle Blowing Policy for Directors and senior management in Job Grades 21 and above, whilst the MIWBC which comprises the Company's appointed representatives, is responsible for overseeing the implementation of the policy for all other employees in the Group.</p> <p>The IWBC consists of majority Independent Non-Executive Directors (<b>INED</b>) as follows:</p> <ol style="list-style-type: none"><li>1. Tan Sri Hasmah Abdullah, Senior INED - Chairperson;</li><li>2. Dato' Eshah Meor Suleiman, INED;</li><li>3. Salwah Abdul Shukor, Non-Independent Non-Executive Directors (<b>Non-INED</b>); and</li><li>4. Razalee Amin, INED.</li></ol> <p>Whistle-blowing complaints are addressed to either the Group Chairman or to any members of the IWBC or MWBC. The Head of Group Internal Audit Division (<b>GIAD</b>), Zainal Akbar SK MD Abdul Kader, is the Secretary of IWBC and responsible for the preparation of agenda and the distribution to all members, the papers to be deliberated at the meeting.</p> |

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|  | <p>Complaints received will be escalated to the IWBC and MWBC for review, and where appropriate, for action to be taken by the Board, the PGCEO and/or the respective business units/divisions.</p> <p>From time to time, IWBC shall report to the Board of its recommendations on the outcome of any investigations conducted, and the Board upon receiving the recommendations shall have the final decision on the matter raised.</p> <p>The policy will be reviewed from time to time to incorporate new regulatory developments accordingly.</p> |  |
| <p><b>Explanation for departure</b> :</p>  |   |  |
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| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <p><b>Measure</b> :</p>  |   |  |
| <p><b>Timeframe</b> :</p>  |   |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

|   |  |  |
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| <b>Application</b> :  | Departure  |  |
| <b>Explanation on application of the practice</b> :   |  |  |
| <b>Explanation for departure</b> :  | <p>The Board currently consists of ten (10) members, comprising four (4) Non-INEDs, five (5) INEDs and one (1) Executive Director, who serves as the PGCEO. The Board is led by a Non-INED as its Chairman.</p> <p>All five (5) INEDs satisfy the criteria of an Independent Director as defined under MMLR.</p> <p>Notwithstanding that the Independent Directors only constitute 50% of the Board composition, collectively, all Directors continue to contribute effectively by providing valuable inputs, observations and advice to support objective and independent deliberation, review and decision making. In addition, the Non-INEDs are also nominees of Permodalan Nasional Berhad and Employee Provident Fund, the entities whose interests are aligned to public interest.</p> <p>Given the above, the Board is of the view that the current composition of the Board is effective relative to the Group’s size and complexity and has the required diversity and dynamics that are able to meet the challenges of the Group and to continue fulfilling its oversight responsibilities.</p> |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |
| <b>Measure</b> :  |  |  |
| <b>Timeframe</b> :  |  |  |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

|   |   |
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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>Under the Board Charter, the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the director's re-designation as a non-Independent Director.</p> <p>In the event the director is to remain designated as an Independent Director beyond nine (9) years, the Board shall first justify and obtain annual shareholders' approval.</p> <p>In the event the Board continues to retain the Independent Director after the twelfth (12<sup>th</sup>) year, the Board should seek annual shareholders' approval through a two-tier voting process.</p> <p>Under the two-tier voting process, shareholders' votes will be casted in the following manner at the same shareholders meeting:</p> <p>(a) <u>Tier 1</u>: Only the Large Shareholder(s) of the Company votes; and</p> <p>(b) <u>Tier 2</u>: Shareholders other than Large Shareholders votes. Large Shareholder means a person who:</p> <ul style="list-style-type: none"><li>• is entitled to exercise, or control the exercise of, not less than 33% of the Company's voting shares;</li><li>• is the largest shareholder of the Company's voting shares;</li><li>• has the power to appoint or cause to be appointed a majority of the Company's directors; or</li><li>• has the power to make or cause to be made, decisions in respect of the Company's business or administration, and to give effect to such decisions or cause them to be given effect to.</li></ul> <p>The decision for the above resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than</p> |

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|  | <p>one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.</p> <p>The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution. However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.</p> |  |
| <b>Explanation for departure</b> :   |   |  |
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| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <b>Measure</b> :   |   |  |
| <b>Timeframe</b> :   |   |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

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|--|-------------|
| <b>Application</b> :                             | Not Adopted |
| <b>Explanation on adoption of the practice</b> : |             |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>Through the NRC, the Board oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management, including the Group Secretary. The NRC is responsible for formulating nomination, selection and succession policies for the Group. The establishment of KPIs of senior executives is also under the purview of the NRC.</p> <p>The Board acknowledges that in a competitive global environment where securing talents is a challenge, more attention is needed in managing human capital development. Sudden loss of key personnel without an immediate suitable replacement may disrupt the operations of the Group and hinder its future growth.</p> <p>In discharging its responsibility on succession planning, the NRC receives succession management updates from GHCD in accordance with the succession management framework and after undergoing a comprehensive review and assessment by GTC. The NRC reviews the successors' assessment results, monitors the progress of actions taken, including the development programme for readiness of identified candidates to assume critical positions within the Group.</p> <p>The UMW Group also has in place a formal and transparent procedure for the appointment of Directors to the Board. The policies and procedures for recruitment or appointment, including re-election/re-appointment of Directors, are set out in detail in the Board Charter. The NRC is guided by the Board Charter and its TOR in the nomination, selection and appointment process.</p> <p>The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NRC. For this, both merit and diversity are factors given due consideration when selecting board members.</p> <p>In considering candidates as potential Directors, the NRC takes into account the following key criteria:</p> <ul style="list-style-type: none"><li>• Skills, knowledge, expertise and experience;</li><li>• Time commitment, character, professionalism and integrity;</li><li>• Perceived ability to work cohesively with other members of the Board;</li></ul> |

- Specialist knowledge or technical skills in line with the Group's strategy;
- Diversity in age, gender and ethnicity and experience background; and
- Number of Directorships in companies outside the Group.

The Group does not practice gender, ethnicity or age discrimination, neither at the Board level nor at the management level.

The selection process for Directors to be appointed to the Board applies as follows:

- Potential candidates are referred to the NRC for consideration by the NRC and subsequently for recommendation to the Board;
- The NRC will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the NRC in identifying candidates;
- Shareholders who wish to suggest candidates are to submit their suggestions in writing to the Chairman of the Board, NRC, PGCEO or Group Secretary providing relevant information about the candidates;
- The NRC will decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of the NRC will initiate efforts to identify appropriate candidates; and
- In formulating its recommendation, the NRC will consider not only the findings and conclusion of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented at the Board and the recommendations of the principles and practices of MCGG.

All newly-appointed Directors will undergo a comprehensive induction programme with the objective of providing an overview of the Company's vision and mission, its philosophy, corporate culture and nature of business, corporate strategy, current issues and the long-term targets of the Group. Specific briefings on operations and plant visits are also conducted. A familiarisation programme on the Group's businesses and CG practices is arranged for new Directors upon their appointment to facilitate effective discharge of their duties.

The responsibility of ensuring that procedures relating to the appointment of new Directors are properly executed, rests with the Group Secretary. The Group Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors, both for the Company's own records and for purposes of meeting statutory and regulatory requirements.

The diversity in race/ethnicity, age and gender of the existing Board as at 31 December 2020 is as follows:



|   | <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race/Ethnicity</th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Sikh</th> <th>46-50</th> <th>51-55</th> <th>56-60</th> <th>&gt;60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td><b>No. of Directors</b></td> <td>8</td> <td>1</td> <td>1</td> <td>1</td> <td>2</td> <td>2</td> <td>5</td> <td>6</td> <td>4</td> </tr> </tbody> </table> |                |           |       |           |        |        |     |        |                | Race/Ethnicity |  |           | Age Group |  |        |  | Gender |         | Malay  | Chinese | Sikh  | 46-50 | 51-55 | 56-60  | >60 | Male | Female | <b>No. of Directors</b> | 8 | 1 | 1 | 1 | 2 | 2 | 5 | 6 | 4 |
|---|--|----------------|-----------|-------|-----------|--------|--------|-----|--------|----------------|----------------|--|-----------|-----------|--|--------|--|--------|---------|--------|---------|-------|-------|-------|--------|-----|------|--------|-------------------------|---|---|---|---|---|---|---|---|---|
|   |  | Race/Ethnicity |           |       | Age Group |        |        |     | Gender |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
|   |  | Malay          | Chinese   | Sikh  | 46-50     | 51-55  | 56-60  | >60 | Male   | Female         |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <b>No. of Directors</b>   | 8  | 1              | 1         | 1     | 2         | 2      | 5      | 6   | 4      |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <p>Profiles of Board members are provided on pages 64 to 73 of the IAR 2020.</p> <p>In ensuring that all candidates appointed to other senior management positions are of sufficient calibre, the NRC considers at length the suitability of shortlisted candidates based on their profiles, professional achievements and personality assessments. For the renewal of service contracts for key management personnel, the NRC considers their performance, contributions, achievements and deliverables for the past years. At the same time, the NRC considers their remuneration packages when finalising the terms and conditions of their service contracts.</p> <p>The diversity in race/ethnicity, nationality, age and gender of the MC members as at 31 December 2020 is as follows:</p> |  |                |           |       |           |        |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <table border="1"> <thead> <tr> <th colspan="3">Race/Ethnicity</th> <th colspan="3">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>41-50</th> <th>51-55</th> <th>56-60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>6</td> <td>0</td> <td>1</td> <td>3</td> <td>3</td> <td>1</td> <td>5</td> <td>1</td> </tr> </tbody> </table> <p>Profiles of MC members are provided on pages 74 to 77 of the IAR 2020.</p>  |  |                |           |       |           |        |        |     |        | Race/Ethnicity |                |  | Age Group |           |  | Gender |  | Malay  | Chinese | Indian | 41-50   | 51-55 | 56-60 | Male  | Female | 6   | 0    | 1      | 3                       | 3 | 1 | 5 | 1 |   |   |   |   |   |
| Race/Ethnicity  |  |                | Age Group |       |           | Gender |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| Malay   | Chinese  | Indian         | 41-50     | 51-55 | 56-60     | Male   | Female |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| 6   | 0  | 1              | 3         | 3     | 1         | 5      | 1      |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <b>Explanation for departure</b> :  |  |                |           |       |           |        |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>  |  |                |           |       |           |        |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <b>Measure</b> :  |  |                |           |       |           |        |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |
| <b>Timeframe</b> :  |  |                |           |       |           |        |        |     |        |                |                |  |           |           |  |        |  |        |         |        |         |       |       |       |        |     |      |        |                         |   |   |   |   |   |   |   |   |   |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board recognises gender diversity as one of the way to drive and enhance board effectiveness and this is reflected in the TOR of NRC as part of the criteria in identifying and recommending suitable candidates for appointment to the Board. However, appointments to the Board are ultimately made based on merit as the overriding principle in order to achieve a high-performance board. Other competencies such as individual skills, background, industry knowledge and experience, amongst other factors, will be taken into consideration.</p> <p>In line with the Government’s aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies, the Company currently has four (4) women Directors on the Board, which signifies a 40% women representation.</p> |
| <b>Explanation for departure</b>  | : |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  |   |  |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has in place a formal and transparent procedure for the appointment of Directors to the Board via the NRC. The policies and procedures for recruitment or appointment, including re-election/re-appointment of Directors are set out in detail in the Board Charter.</p> <p>The NRC, which comprises exclusively of NEDs, the majority being independent, is empowered to identify and recommend to the Board, nominees qualified to serve on the Board (including the PGCEO) and Board Committees, and the Group's key management personnel, including the Group Secretary. Nominations may come from a wide variety of sources, including Directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others. The NRC may obtain independent professional or other advice and may request the attendance of persons at meetings, if necessary.</p> <p>The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NRC.</p> <p>In compliance with Paragraph 15.06 of the MMLR of Bursa Securities, the shortlisted candidates for UMW must not hold directorships of more than 5 public listed companies.</p> |
| <b>Explanation for departure</b>   | : |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The NRC comprises four (4) members all of whom are NEDs and majority of whom are INED as follows:</p> <ol style="list-style-type: none"> <li>1. Tan Sri Hasmah Abdullah, Senior INED - Chairperson;</li> <li>2. Dato' Eshah Meor Suleiman, INED;</li> <li>3. Datin Paduka Kartini Hj Abdul Manaf, Non-INED; and</li> <li>4. Dato' Seri Prof. Dr. Ir. Zaini Ujang, INED.</li> </ol> <p>The membership composition and the responsibilities of the NRC are set out in its TOR contained in the Board Charter, which is available on the Company's website at <a href="http://www.umw.com.my">www.umw.com.my</a></p> |
| <b>Explanation for departure</b>   | : |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |

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| <b>Measure</b>   | : |  |
| <b>Timeframe</b> | : |  |

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The annual Board effectiveness evaluation is an essential process to determine the effectiveness of the Board, its Committees and each individual Director as it allows the Board as a whole to address issues on leadership, core competencies, skills, attributes, delegation of duties and responsibilities, and reviews of existing processes within the Board.</p> <p>The Board has implemented a process to be carried out by the NRC for assessing the effectiveness of the Board as a whole as well as of each Director, including the Chairman. For 2020, KPMG Management &amp; Risk Consulting Sdn Bhd (<b>KPMG</b>) was appointed as the independent consultant to facilitate the Board Effectiveness Evaluation (<b>BEE</b>) exercise.</p> <p>The evaluation process covered a variety of aspects associated with Board effectiveness, including among others, the composition of the Board and Board Committees, the content and running of Board and Committee meetings, Board working relationship, boardroom procedures as well as dissemination of information. The assessment criteria were anchored on governance framework, best practices as well as industry norms.</p> <p>The BEE was carried out through questionnaires and 1-on-1 interview sessions with Board members. The interview sessions allowed the facilitators from KPMG to explore selected issues in an in-depth manner to garner first-hand insights. This was augmented with the review of selected board papers to ascertain the robustness of information architecture.</p> <p>The evaluation also entailed an assessment of each individual Director with a focus on their persona traits. All Independent Directors were also assessed to fulfil the independence markers in ensuring a balanced and unbiased decision-making process at the Board. Completed questionnaires were routed directly to KPMG without any intermediation by the management.</p> <p>As a culmination to this exercise, KPMG prepared a report on the performance of the Board, the Board Committees and individual Directors, assessed against other large companies in the benchmark</p> |

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|  | <p>repository of KPMG covering a wide cross-section of industries. The BEE overall score of 89% is equivalent of the market average score of 89%. Comparatively, the BEE score also approximates the average industrial products and services board, which stands at 90%.</p> <p>From the BEE results, four (4) areas of strengths were identified. These “positive highlights” can be clustered into the following 4 categories:</p> <ul style="list-style-type: none"> <li>• Captaincy of the Chairman – exemplary leader in leading the Board and highly invested in UMW’s affairs;</li> <li>• Boardroom collegiality – highly dedicated to UMW’s cause and the anchor that binds all Directors;</li> <li>• Boardroom commitment and proactivity – steadfast in devoting time and crucial support to management; and</li> <li>• Working relationship between the Board and management – demonstrated dynamic working culture</li> </ul> <p>The findings of BEE also highlighted the following recommended areas of improvement that the Board may consider:</p> <ul style="list-style-type: none"> <li>• Heightening high-level engagement with key stakeholders/ partners to forge closer linkage that can yield strategic outcomes;</li> <li>• Fashioning a catalytic and future-oriented process of boardroom succession planning and recruitment; and</li> <li>• Enriching selected information materials to the Board and boardroom administration.</li> </ul> <p>The findings and results of the overall evaluation of the BEE were summarised and presented by KPMG to the Group Chairman and Chairperson of the NRC to provide key insights on the overall performance of the Board, the Board Committees and individual Directors, and to recommend areas of continuous improvement for discussion.</p> <p>The NRC and the Board have taken note of the findings and results and would address them in an appropriate manner.</p> |
| <p><b>Explanation for departure</b> :</p>  |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |
| <p><b>Measure</b> :</p>  |   |
| <p><b>Timeframe</b> :</p>  |   |

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>Presently, the Group employs formal procedures to determine the remuneration of Directors and senior management and aims to set the remuneration at levels which are sufficient to attract and retain persons of calibre to guide the Group successfully, taking into consideration factors such as their fiduciary obligations and responsibilities, time commitment, and the Group's performance and market conditions.</p> <p>The NRC assists the Board in developing and determining the remuneration package for the Board, the Board Committees, PGCEO and members of the senior management of the Group. The remuneration of ED is structured so as to link rewards to corporate and individual performance. The remuneration includes salary and emoluments, bonus and benefits-in-kind. The level of remuneration for ED is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry. The NRC may appoint external advisers or consultants to advise on specific areas, where necessary. The Board as a whole determines the remuneration of Directors for shareholders' approval.</p> <p>The Group is also cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance, which suggests that GLC boards should regularly review the compensation of their Chairman and Directors and align them to the market and appropriate peer group.</p> <p>The fees of the NEDs and any benefits payable to Directors shall from time to time be determined by an ordinary resolution at a general meeting of the Company in accordance with Section 230 of CA 2016.</p> <p>A formal review of Directors' remuneration is undertaken once every two (2) years in accordance with the Board Charter. The last review on NEDs' remuneration was approved by shareholders at the 37<sup>th</sup> AGM of the Company held on 23 May 2019, together with the</p> |

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|  | <p>revision on Directors fees paid to NEDs serving as Chairman and Directors on the Board of subsidiaries in the Group.</p> <p>In determining the estimated amount of benefits payable (excluding Directors' fees) to the NEDs, including the Non-Executive Chairman, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees as well as the number of NEDs involved in these meetings.</p> <p>In addition, the NRC also reviews and recommends to the Board the remuneration of senior management employees of the Group based on individual contribution, performance and responsibilities.</p> |  |
| <p><b>Explanation for departure</b></p>  |   |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <p><b>Measure</b></p>  |   |  |
| <p><b>Timeframe</b></p>  |   |  |



### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board has in place the NRC which comprises a majority of INEDs.</p> <p>The NRC is responsible for reviewing and recommending to the Board, Directors' remuneration and in the case of NEDs, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. In determining the estimated amount of benefits payable (excluding Directors' fees) to the NEDs, including the Non-Independent Non-Executive Chairman, the Board considered various factors, including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees as well as the number of NEDs involved in these meetings.</p> <p>The remuneration of EDs is structured so as to link rewards to corporate and individual performance. The remuneration includes salary and emoluments, bonus and benefits-in-kind. The level of remuneration for ED is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry.</p> <p>The NRC's TOR is included in the Board Charter and is available at the Company's website at <a href="http://www.umw.com.my/web/quest/corporate-governance">www.umw.com.my/web/quest/corporate-governance</a></p> <p>As guided by the MCCG, a fair remuneration is critical to attract, retain and motivate Directors. The remuneration package should take into account the complexity of the Company's business and the individual's level of expertise, commitment and responsibilities. In addition, the remuneration should also be aligned with the business strategy and long-term objectives of the Company.</p> |

UMW is also cognisant of the compensation philosophy advocated in Bursa Malaysia Berhad's CG Guide issued on 14 December 2017, which suggests that a review of the fees for NEDs should take into account fee levels and trends for similar positions in the market and the time commitment required from the Director (estimated number of days per year). Such packages should take into consideration any additional responsibilities undertaken, such as a Director acting as Chairman of the Board, Chairman of a Board Committee or as Senior INED. A formal review of Directors' remuneration is undertaken once every two (2) years in accordance with the Board Charter.

Pursuant to Section 230(1) of CA 2016, any fees and benefits payable to Directors of a listed company and its subsidiaries shall be approved at a general meeting. Accordingly, shareholders' approval is sought at the AGM for the payment of Directors' fees to the NEDs as follows:

Board of the Company:

|          | Monthly (RM) |
|----------|--------------|
| Chairman | 27,500       |
| Member   | 13,750       |

Board of subsidiaries:

|          | Annual (RM) |
|----------|-------------|
| Chairman | 10,000      |
| Member   | 8,000       |

The benefits payable to NEDs, comprising meeting allowance, benefits and other emoluments, are as follows:

#### Meeting Allowance

Meeting allowance (per meeting) as follows:

| Description   | Chairman | Member  |
|---|----------|---------|
| Board of the Company                                | RM2,250  | RM1,500 |
| Board Committee of the Company                      | RM2,000  | RM1,500 |
| Board of Subsidiary/Board Committee of subsidiaries | RM2,000  | RM1,500 |

#### Other benefits and emoluments

Customary benefits and other emoluments payable to the NEDs comprising the following:

| Non-Executive Chairman  | Non-Executive Directors   |
|---|---|
| <ul style="list-style-type: none"> <li>• Leave passage;</li> <li>• Medical and insurance coverage;</li> <li>• Car, petrol/toll charges and driver;</li> <li>• Club memberships;</li> <li>• Telecommunication/electronic devices;</li> <li>• Per diem allowance;</li> <li>• Security services;</li> <li>• Claimable benefits; and</li> <li>• Others</li> </ul> | <ul style="list-style-type: none"> <li>• Medical and insurance coverage;</li> <li>• Car and petrol;</li> <li>• Electronic devices;</li> <li>• Per diem allowance;</li> <li>• Claimable benefits; and</li> <li>• Others</li> </ul> |

|  |  |  |
|--|--|--|
|  | <p>Payment of fees and benefits will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred.</p> <p>The estimated amount of benefits payable to NEDs for the period from 21 May 2021 until the next AGM of the Company is up to RM1,980,000. In determining the estimated amount of benefits payable, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees and Board of subsidiaries, as well as the number of NEDs involved in these meetings.</p> <p>The Board is of the view that it is equitable and fair for the NEDs to be paid such payment upon them discharging their responsibilities and rendering their services to the Company and its subsidiaries.</p> |  |
| <b>Explanation for departure</b> :   |  |  |
|  |  |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| <b>Application</b>  | : Applied  |                                    |                           |                           |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
|---|--|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----|--|-----|----|----|----|-------------------------|-----|----|----|----|---------------------------|-----|----|----|----|-------------------------------------|-----|----|----|----|------------------------|-----|----|----|----|---------------------|-----|----|----|----|----------------|-----|----|----|----|--------------|-----|----|----|----|--------------------------------------|-----|----|----|--|--------------------------------------|------------------------------------|---------------------------|---|-----|----|----|---|-------|-----|----|
| <b>Explanation on application of the practice</b>                           | <p>In line with best practices, the disclosure of the Directors' remuneration on a named basis has been made in the Audited Financial Statements since the financial year ended 31 December 2016.</p> <p>The remuneration received by each of the NEDs and the PGCEO in 2020 are set out below:</p> <ul style="list-style-type: none"> <li><b><u>NEDs</u></b></li> </ul> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of NEDs</th> <th>Directors' Fees (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> <th>Other emoluments (RM'000)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Tan Sri Dato' Sri Hamad Kama Piah Che Othman</td> <td>350</td> <td>67</td> <td>68</td> </tr> <tr> <td>2.</td> <td>Tan Sri Hasmah Abdullah</td> <td>165</td> <td>25</td> <td>65</td> </tr> <tr> <td>3.</td> <td>Dato' Eshah Meor Suleiman</td> <td>165</td> <td>32</td> <td>49</td> </tr> <tr> <td>4.</td> <td>Datin Paduka Kartini Hj Abdul Manaf</td> <td>165</td> <td>16</td> <td>57</td> </tr> <tr> <td>5.</td> <td>Dr Veerinderjeet Singh</td> <td>165</td> <td>23</td> <td>45</td> </tr> <tr> <td>6.</td> <td>Salwah Abdul Shukor</td> <td>165</td> <td>19</td> <td>36</td> </tr> <tr> <td>7.</td> <td>Lim Tze Seong*</td> <td>165</td> <td>17</td> <td>32</td> </tr> <tr> <td>8.</td> <td>Razalee Amin</td> <td>165</td> <td>46</td> <td>42</td> </tr> <tr> <td>9.</td> <td>Dato' Seri Prof. Dr. Ir. Zaini Ujang</td> <td>165</td> <td>24</td> <td>45</td> </tr> </tbody> </table> <p>Note:<br/>* 50% of Directors' fee is paid to Employees Provident Fund.</p> <ul style="list-style-type: none"> <li><b><u>ED/PGCEO</u></b></li> </ul> <table border="1"> <thead> <tr> <th></th> <th>Salary and other emoluments (RM'000)</th> <th>Defined contribution plan (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Dato' Ahmad Fuaad Mohd Kenali<br/>(From 1 November 2020 to 31 December 2020)</td> <td>260</td> <td>42</td> <td>19</td> </tr> <tr> <td>Badrul Feisal Abdul Rahim<br/>(From 1 January 2020 to 31 May 2020)</td> <td>1,924</td> <td>261</td> <td>99</td> </tr> </tbody> </table> | No.                                | Name of NEDs              | Directors' Fees (RM'000)  | Benefits-in-kind (RM'000) | Other emoluments (RM'000) | 1. | Tan Sri Dato' Sri Hamad Kama Piah Che Othman | 350 | 67 | 68 | 2. | Tan Sri Hasmah Abdullah | 165 | 25 | 65 | 3. | Dato' Eshah Meor Suleiman | 165 | 32 | 49 | 4. | Datin Paduka Kartini Hj Abdul Manaf | 165 | 16 | 57 | 5. | Dr Veerinderjeet Singh | 165 | 23 | 45 | 6. | Salwah Abdul Shukor | 165 | 19 | 36 | 7. | Lim Tze Seong* | 165 | 17 | 32 | 8. | Razalee Amin | 165 | 46 | 42 | 9. | Dato' Seri Prof. Dr. Ir. Zaini Ujang | 165 | 24 | 45 |  | Salary and other emoluments (RM'000) | Defined contribution plan (RM'000) | Benefits-in-kind (RM'000) | Dato' Ahmad Fuaad Mohd Kenali<br>(From 1 November 2020 to 31 December 2020) | 260 | 42 | 19 | Badrul Feisal Abdul Rahim<br>(From 1 January 2020 to 31 May 2020) | 1,924 | 261 | 99 |
| No.   | Name of NEDs   | Directors' Fees (RM'000)           | Benefits-in-kind (RM'000) | Other emoluments (RM'000) |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 1.  | Tan Sri Dato' Sri Hamad Kama Piah Che Othman   | 350                                | 67                        | 68                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 2.  | Tan Sri Hasmah Abdullah  | 165                                | 25                        | 65                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 3.  | Dato' Eshah Meor Suleiman  | 165                                | 32                        | 49                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 4.  | Datin Paduka Kartini Hj Abdul Manaf  | 165                                | 16                        | 57                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 5.  | Dr Veerinderjeet Singh   | 165                                | 23                        | 45                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 6.  | Salwah Abdul Shukor  | 165                                | 19                        | 36                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 7.  | Lim Tze Seong*   | 165                                | 17                        | 32                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 8.  | Razalee Amin   | 165                                | 46                        | 42                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| 9.  | Dato' Seri Prof. Dr. Ir. Zaini Ujang   | 165                                | 24                        | 45                        |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
|   | Salary and other emoluments (RM'000)   | Defined contribution plan (RM'000) | Benefits-in-kind (RM'000) |                           |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| Dato' Ahmad Fuaad Mohd Kenali<br>(From 1 November 2020 to 31 December 2020) | 260  | 42                                 | 19                        |                           |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |
| Badrul Feisal Abdul Rahim<br>(From 1 January 2020 to 31 May 2020)           | 1,924  | 261                                | 99                        |                           |                           |                           |    |  |     |    |    |    |                         |     |    |    |    |                           |     |    |    |    |                                     |     |    |    |    |                        |     |    |    |    |                     |     |    |    |    |                |     |    |    |    |              |     |    |    |    |                                      |     |    |    |  |                                      |                                    |                           |   |     |    |    |   |       |     |    |

|   |  |
|---|--|
|   | Notes: <ul style="list-style-type: none"> <li>• <i>Directors' fees include amounts received from the Company and its subsidiaries.</i></li> <li>• <i>Other emoluments include meeting allowance and per diem allowance received from the Company and its subsidiaries.</i></li> <li>• <i>Benefits-in-kind for all NEDs include customary benefits and other emoluments payable to NEDs.</i></li> </ul> |
| <b>Explanation for departure</b> :  |  |
|   |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |
| <b>Measure</b> :  |  |
| <b>Timeframe</b> :  |  |

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| <b>Application</b>  | :  | Applied  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
|---|--|--|----------------------------------|--|-----------------------|-----------------------|-------------------------------|-----------------------|----------------|-----------------------|------------------------------|-----------------------|----------------------------|-----------------------|-------------------|-------------------|------------------|-------------------|
| <b>Explanation on application of the practice</b>   | :  | <p>The remuneration of MC members (including salary, bonus, benefit-in-kind and other emoluments) for the financial year ended 31 December 2020 in the band of RM50,000 is as follows:</p> <table border="1"> <thead> <tr> <th>MC members (excluding the PGCEO)</th> <th>Range of total remuneration per annum (RM)</th> </tr> </thead> <tbody> <tr> <td>1) Ravindran Kurusamy</td> <td>1,600,001 - 1,650,000</td> </tr> <tr> <td>2) Megat Shahrul Azmir Nordin</td> <td>1,550,001 - 1,600,000</td> </tr> <tr> <td>3) Zailani Ali</td> <td>1,550,001 - 1,600,000</td> </tr> <tr> <td>4) Nik Azlan Nik Abdul Aziz*</td> <td>1,350,001 - 1,400,000</td> </tr> <tr> <td>5) Dato' Abdul Rashid Musa</td> <td>1,000,001 - 1,050,000</td> </tr> <tr> <td>6) Muzafar Munzir</td> <td>650,001 - 700,000</td> </tr> <tr> <td>7) Farnida Ngah^</td> <td>100,001 - 150,000</td> </tr> </tbody> </table> <p>* Resigned on 1 October 2020<br/>           ^ Appointed on 9 November 2020</p> <p>The Board ensures that the remuneration of the MC members commensurate with the performance of the Company, with due consideration to attract, retain and motivate them.</p> | MC members (excluding the PGCEO) | Range of total remuneration per annum (RM) | 1) Ravindran Kurusamy | 1,600,001 - 1,650,000 | 2) Megat Shahrul Azmir Nordin | 1,550,001 - 1,600,000 | 3) Zailani Ali | 1,550,001 - 1,600,000 | 4) Nik Azlan Nik Abdul Aziz* | 1,350,001 - 1,400,000 | 5) Dato' Abdul Rashid Musa | 1,000,001 - 1,050,000 | 6) Muzafar Munzir | 650,001 - 700,000 | 7) Farnida Ngah^ | 100,001 - 150,000 |
| MC members (excluding the PGCEO)  | Range of total remuneration per annum (RM) |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 1) Ravindran Kurusamy   | 1,600,001 - 1,650,000                      |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 2) Megat Shahrul Azmir Nordin   | 1,550,001 - 1,600,000                      |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 3) Zailani Ali  | 1,550,001 - 1,600,000                      |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 4) Nik Azlan Nik Abdul Aziz*  | 1,350,001 - 1,400,000                      |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 5) Dato' Abdul Rashid Musa  | 1,000,001 - 1,050,000                      |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 6) Muzafar Munzir   | 650,001 - 700,000                          |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| 7) Farnida Ngah^  | 100,001 - 150,000                          |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| <b>Explanation for departure</b>  | :  |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| <b>Measure</b>  | :  |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |
| <b>Timeframe</b>  | :  |  |                                  |  |                       |                       |                               |                       |                |                       |                              |                       |                            |                       |                   |                   |                  |                   |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company’s performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|  |             |
|--|-------------|
| <b>Application</b> :                             | Not Adopted |
| <b>Explanation on adoption of the practice</b> : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The AC comprises three (3) NEDs, all of whom are INEDs.</p> <p>The AC is chaired by Dr Veerinderjeet Singh, who has extensive tax experience from having been a tax partner in international accounting firms and having worked with the Inland Revenue Department of Malaysia. He has been involved in a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects. He is the President of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a Member of the Chartered Tax Institute of Malaysia. He is also a Member of Financial Reporting Foundation, Malaysia.</p> <p>Dr Veerinderjeet Singh was appointed as the member of AC on 15 June 2017 and was subsequently redesignated as the Chairman of AC on 1 September 2019. He is not the Chairman of the Board.</p> |
| <b>Explanation for departure</b>   | : |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The AC has always recognised the need to uphold high level of independence and objectivity in audit process. For this, a cooling-off period of at least two (2) years before any former key audit partner can be appointed as a member of the AC has always been observed and none of the AC members were former key audit partners. This is to ensure that the objectivity, independence and effectiveness of the external auditors are maintained.</p> <p>Concurrently, the TOR of the AC has been amended to include a requirement for a former key audit partner to observe a cooling off period of two (2) years before can be appointed as an AC member.</p> |
| <b>Explanation for departure</b>   | : |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The AC is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, reappointment or termination of the external auditor. The AC’s TOR specifies that its responsibilities includes review on the nomination and appointment, re-appointment of external auditors, audit fee, resignation or dismissal of external auditors, and the scope and nature of the audit plan.</p> <p>The AC had on 23 February 2021, reviewed the results of the External Auditors’ Performance and Independence Evaluation, which was carried out for the financial year ended 31 December 2020, to evaluate the suitability, effectiveness and independence of the Company’s external auditors as recommended under Principle B of the MCCG.</p> <p>The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors’ performance, covering amongst others, the adequacy of the audit team, degree of independence, performance level and audit scope.</p> <p>Based on the evaluation conducted, the AC is satisfied with the performance, technical competencies and audit independence of Ernst &amp; Young PLT (<b>EY</b>). The AC is also satisfied with the level of calibre and professionalism demonstrated by EY, quality of processes, selection of audit team (including the lead engagement partner), adequacy of audit scope and planning, and audit communications and engagements with the AC.</p> <p>Having evaluated the results of assessment of the external auditors, the Board had on 30 March 2021, concurred with the AC’s recommendation for the reappointment of EY as the external auditors of the Company for the financial year ending 31 December 2021, to be sought at the forthcoming AGM.</p> <p>The AC will have 2 private sessions with the external auditors without the presence of management to give opportunity to raise any matter or findings they considered were important to their areas of responsibility for the AC’s attention. These private session helped</p> |

|                                    |   |  |
|------------------------------------|---|--|
|                                    | <p>to reinforce the independence of the external auditors from the management of the Company by providing a platform to the AC members to make enquiries on specific issues affecting the Group and for external auditors to highlight any areas of concern for the attention of the AC in a timely manner. In 2020, the AC held two private sessions with EY on 2 April 2020 and 20 November 2020, respectively.</p> <p>As part of the AC's efforts to ensure the accuracy of the quarterly financial statements and their compliance with the applicable Financial Reporting Standards, EY was engaged to conduct a limited review on the Company's quarterly financial statements for the financial year under review, in accordance with the International Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.</p> <p>In addition, EY had also provided written assurance to the AC that they were and had been independent throughout the audit engagement for 2020, in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the MIA.</p> <p>The Group conforms to the latest requirements of the MIA in ensuring that the Engagement Partner of the external auditor is subject to a seven-year rotation with a five-year cooling-off period.</p> |  |
| <b>Explanation for departure</b> : |   |  |
|                                    | <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>  |  |
| <b>Measure</b> :                   |   |  |
| <b>Timeframe</b> :                 |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |  |
|--|---|--|
| <b>Application</b>                             | : | Adopted  |
| <b>Explanation on adoption of the practice</b> | : | <p>The AC members comprise entirely of INEDs as follows -</p> <ul style="list-style-type: none"><li>• Dr Veerinderjeet Singh - Chairman;</li><li>• Tan Sri Hasmah Abdullah; and</li><li>• Razalee Amin.</li></ul> <p>The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of MMLR and are reflected in the AC’s TOR contained in the Board Charter, which is available on the Company’s website at <a href="http://www.umw.com.my/web/guest/corporate-governance">www.umw.com.my/web/guest/corporate-governance</a></p> |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The AC is chaired by Dr Veerinderjeet Singh, who has extensive tax experience from having been a tax partner in international accounting firms and having worked with the Inland Revenue Department of Malaysia. He has been involved in a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects. He is the President of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and Member of the Chartered Tax Institute of Malaysia. He is also a Member of Financial Reporting Foundation, Malaysia.</p> <p>Tan Sri Hasmah Abdullah is a Fellow Member of the Chartered Tax Institute of Malaysia. She had a distinguished career with the Inland Revenue Board (<b>IRB</b>) spanning over 37 years. She was the former Chief Executive Officer and Director-General of IRB from 19 October 2006 to 7 January 2011.</p> <p>Razalee Amin is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Financial Planning Association of Malaysia. He is a licensed auditor and approved liquidator, who has more than 43 years experience in various management positions and directorship in public listed companies with areas of expertise in audit, accounting recovery, finance, banking and investment acquisition.</p> <p>Collectively, the AC members are qualified individuals having the required skills and expertise to discharge the AC's functions and duties. The AC financial literacy and understanding of the financial reporting process have provided thorough deliberation in upholding the integrity of the Group's financial reporting and financial statements.</p> |

|  |   |  |
|--|---|--|
|  | <p>Details of the summary of work performed by the AC are provided in the AC Report on pages 93 to 97 of the IAR 2020.</p> <p>During the financial year under review, AC members attended various conferences, seminars and training programmes to keep themselves abreast of new developments pertaining to new financial reporting standards, legislation, regulations, current commercial issues and risks in order to effectively discharge their duties as the AC members.</p> <p>The summary of relevant programmes attended by the AC members in 2020 is provided in Practice 2.1 of this CG Report.</p> |  |
| <p><b>Explanation for departure</b> :</p>  |   |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <p><b>Measure</b> :</p>  |   |  |
| <p><b>Timeframe</b> :</p>  |   |  |

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

|   |  |
|---|--|
| <b>Application</b> :                                | Applied  |
| <b>Explanation on application of the practice</b> : | <p>The Board affirms its commitment and responsibility for the Group’s risk management and internal control systems as well as reviewing the adequacy, effectiveness and integrity of the systems. These systems cover not only financial controls but also strategic, organisational, operational, regulatory and compliance controls.</p> <p>The Group has in place a robust risk management and internal controls systems in managing risks and internal controls affecting its business operations. The realisation of risk management and internal controls is undertaken by management which regularly reports on risks identified and actions taken to mitigate and/or minimise such risks and gaps in the internal control systems. The oversight of these critical areas is carried out by the RMC and the AC, respectively.</p> <p>The Group’s risk management and internal control systems are designed to meet the Group’s particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group’s business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements.</p> <p>The key features of these systems are the three (3) lines of defence with established and clear functional responsibilities and accountabilities for the management of risks and internal controls as follows:</p> <ol style="list-style-type: none"> <li>1. First Line of Defence is provided by senior management;</li> <li>2. Second Line of Defence is provided by the Risk Management, Compliance and Integrity functions; and</li> <li>3. Third Line of Defence is provided by GIAD.</li> </ol> <p>Details on the risk management and internal control systems are provided in the SORMIC on pages 98 to 104 of the IAR 2020.</p> |
| <b>Explanation for departure</b> :                  |  |

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

|                    |  |  |
|--------------------|--|--|
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> : |  |  |



**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

|   |  |
|---|--|
| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Group has established systems which are designed to meet the Group’s particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group’s business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements.</p> <p>The Board via the RMC oversees the Group’s risk management and internal control systems of the Group which include monitoring the enforcement of the ERM policy, review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and risk indicators. The RMC also provide guidance and advice on appropriateness of risk treatment and risk action plans development and provide half-yearly report to the Board.</p> <p>The process for the identification, evaluation, monitoring and managing significant risks that may materially affect the Group’s business objectives has been in place and regularly appraised by the Board via the RMC.</p> <p>These systems are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group’s business and corporate objectives within the risk appetite established by the Board and management. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud. The Group’s concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.</p> <p>The Group has adopted an ERM Framework in line with the Principles and Guidelines of ISO 31000 : Risk Management. The framework incorporates a well-structured systematic process to identify, evaluate and manage key risks to an optimal level and provide an integrated and organised approach Group-wide.</p> <p>Details on the risk management and internal control systems are provided in the SORMIC on pages 98 to 104 of the IAR 2020.</p> |

|   |  |  |
|---|--|--|
| <b>Explanation for departure</b> :  |  |  |
|   |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |
| <b>Measure</b> :  |  |  |
| <b>Timeframe</b> :  |  |  |

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company’s risk management framework and policies.

|  |   |  |
|--|---|--|
| <b>Application</b>                             | : | Adopted  |
| <b>Explanation on adoption of the practice</b> | : | <p>The RMC comprises four (4) members, three (3) of whom are INEDs as follows:</p> <ul style="list-style-type: none"><li>• Dato’ Eshah Meor Suleiman, INED - Chairperson;</li><li>• Tan Sri Hasmah Abdullah, Senior INED;</li><li>• Salwah Abdul Shukor, Non-INED; and</li><li>• Razalee Amin, INED.</li></ul> <p>The RMC’s TOR which is included in the Board Charter is available at the Company’s website at <a href="http://www.umw.com.my/web/quest/corporate-governance">www.umw.com.my/web/quest/corporate-governance</a></p> |

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has an in-house internal audit function which is carried out by GIAD, as an in-house internal audit function of UMW Group, which is independent of the business operations and has a Group-wide mandate set out in its Audit Charter approved by the AC. It provides the Board, through the AC, with reasonable assurance on the adequacy and effectiveness of the risk management and internal control system, and governance processes within the UMW Group. UMW Group is a corporate member of the Institute of Internal Auditors Malaysia (<b>IIAM</b>). The internal audit activities performed by GIAD conforms with the International Standards for the Professional Practice of Internal Auditing.</p> <p>For the financial year under review, GIAD carried out audit activities in accordance with the 2020 Audit Plan approved by the AC on 25 November 2019. The audit plan was developed on a risk-based audit approach covering areas on governance, risk management, controls of high-risk business activities and information systems. GIAD also carried out investigative and/or special review audits, as and when required, and reported directly to the AC on major findings and any significant control issues and concerns.</p> <p>GIAD conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group’s system of internal controls remains effective and efficient and are adequately monitored and enhanced when the need arises. The audit also covers UMW Group’s major information systems and applications.</p> <p>A summary of activities carried out by GIAD are provided in the AC Report on page 97 of the IAR 2020.</p> |
| <b>Explanation for departure</b>   | : |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |  |
| <b>Measure</b>   | : |  |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>GIAD is independent of the Group's business operations and has a Group-wide mandate set out in its Internal Audit Charter approved by the AC. GIAD performed its audit functions as per the standards prescribed by the IIAM and in accordance with the annual audit plan approved by the AC each year. The audit plan covers the scope of the audit work and resources needed to perform such work.</p> <p>The GIAD's Internal Audit Charter emphasises on its independency and objectivity and shall remain free from interference by any elements in the Group. GIAD has no direct operational responsibility or authority over any of the activities audited. The Head of GIAD, Zainal Akbar is an accountant by profession with 20 years of professional experience in external and internal auditing, group accounting, strategic financial management and enterprise risk management. He is currently the President of IIAM. In line with the Internal Audit Charter, he will make confirmation to the AC, at least annually, on the organisational independence of the internal audit function.</p> <p>As the Head of GIAD, Zainal Akbar reports functionally to the AC and administratively to the PGCEO. He is currently supported by 25 internal auditors, the majority of whom have relevant qualifications and work experience with diverse background. GIAD internal auditors are encouraged to continuously enhance their knowledge, skills and competencies through relevant professional audit certifications, seminars, courses and on-the-job training.</p> <p>UMW is a corporate member of IIAM and subscribes to the standards issued by The Institute of Internal Auditors Inc. In addition, GIAD also adheres to the Group's relevant policies and procedures and the GIAD's Internal Manual.</p> |
| <b>Explanation for departure</b>                  | : |   |

|   |   |  |
|---|---|--|
|   |   |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

|   |  |
|---|--|
| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community.</p> <p>All communications with the investment community/media/public and disclosures made to Bursa Securities are in accordance with the IMRP and the disclosure requirements of MMLR. The Group Chairman, PGCEO and Group Chief Financial Officer and selected members of top management are responsible for making disclosures and responding to market rumours and queries. The Group communicates with its stakeholders through various platforms as follows:</p> <p>1) Engagement with shareholders, investors and analysts</p> <p>The Group via its corporate website at <a href="http://www.umw.com.my">www.umw.com.my</a> provides easy access to corporate information of the Group and its activities. The corporate information, which includes details on the Board, the Board Charter and TOR are available on its corporate governance section. All announcements made by the Company, annual reports, CG structure, sustainability report, notices of general meetings, minutes of general meetings are available on its website for the benefit of shareholders.</p> <p>Quarterly IR briefing deck and information on financial results and material events are uploaded on the UMW website immediately after announcements on the same are made to Bursa Securities. The Quarterly IR briefing deck provides detailed analysis of the Group's quarterly operations, variances and general prospects.</p> <p>Dialogues and briefings with analysts, fund managers, potential investors, locally and abroad, and shareholders were conducted from time to time.</p> <p>The Company's annual report contains comprehensive information of the Group's corporate structure and operations.</p> |



|  |  |
|--|--|
|  | <p>The annual report contents are continuously enhanced to better reflect transparency and accountability.</p> <p>2) Engagements with UMW's employees</p> <p>UMW has always maintain an open and two-way communication with its employees to discuss among others, the Company's performance and growth strategies through dialogues and townhall sessions.</p> <p>3) Engagements with local communities</p> <p>UMW engages with its local communities through Corporate Social Responsibility initiatives, which focus on education, environment and community development. The focus shifted in 2020 due to the unprecedented outbreak of COVID-19 pandemic. Even while most of its planned activities with the local communities were either being cancelled or deferred, UMW turned its attention to more pressing matters facing the nation.</p> <p>In 2020, UMW concentrated on helping the frontliners fight against COVID-19 by producing personal protective equipment, namely, face shields and isolation gowns internally. It also made contributions through GLC Disaster Response Network and extended various forms of assistance to underprivileged communities that have been severely affected by the pandemic and to the frontliners.</p> <p>Details on the Group's stakeholder engagement activities are available on the Company's website at <a href="http://www.umw.com.my">www.umw.com.my</a></p> |
| <p><b>Explanation for departure</b> :</p>  |  |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |  |
| <p><b>Measure</b> :</p>  |  |
| <p><b>Timeframe</b> :</p>  |  |

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

|   |   |  |  |
|---|---|--|--|
| <b>Application</b>  | : | Applied  |  |
| <b>Explanation on application of the practice</b>   | : | Since 2020, the Group’s annual report generally adopts the guiding principles prescribed in the International Integrated Reporting Council (IIRC) framework. The Company has set a 5-year roadmap for continuously improving and maturing the integrated reporting in line with global best practices. |  |
| <b>Explanation for departure</b>  | : |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |  |
| <b>Measure</b>  | : |  |  |
| <b>Timeframe</b>  | : |  |  |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Notice of the 38<sup>th</sup> AGM in 2020 was issued to shareholders on 28 May 2020, giving a 28-day's notice.</p> <p>The Notice of the forthcoming 39<sup>th</sup> AGM, which is scheduled on 20 May 2021, will be issued on 21 April 2021, effectively serving 28 days of notice.</p> <p>UMW will publish on its website an Administrative Guide along with the Notice of the 39<sup>th</sup> AGM to provide additional information to shareholders regarding details of the AGM, eligibility to attend the AGM, registration procedures for the Remote Participation and Voting (<b>RPV</b>) facilities and appointment of a proxy/proxies.</p> <p>In addition, the AGM notice also provided shareholders with detailed explanations for each resolution proposed to enable the shareholders to make informed decisions in exercising their voting rights at the AGM.</p> |
| <b>Explanation for departure</b>   | : |   |
| <p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   |   |   |

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Company regards its general meetings, particularly its AGMs, as the principal forum for direct interaction and dialogue among shareholders, the Board and management. AGMs provide an important avenue for effective communication with shareholders and for receiving constructive feedback particularly on matters concerning shareholders' interests.</p> <p>The 38<sup>th</sup> AGM held on 25 June 2020 was conducted fully virtual via live streaming and online remote voting using the RPV facilities from the broadcast venue at the Hallmark, Level 12, Menara UMW, Jalan Puncak, Off Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.</p> <p>The following three (3) Directors were among the senior management and essential individuals physically present at the broadcast venue in accordance with the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers dated 18 April 2020:</p> <ol style="list-style-type: none"><li>1) Tan Sri Dato' Sri Hamad Kama Piah Che Othman - Chairman</li><li>2) Datin Paduka Kartini Hj Abdul Manaf</li><li>3) Dato' Seri Prof. Dr. Ir. Zaini Ujang</li></ol> <p>The remaining six (6) Directors below attended the AGM via video conferencing:</p> <ol style="list-style-type: none"><li>1) Tan Sri Hasmah Abdullah - Chairperson of the NRC and the IWBC</li><li>2) Dato' Eshah Meor Suleiman - Chairperson of the RMC</li><li>3) Salwah Abdul Shukor</li><li>4) Dr Veerinderjeet Singh - Chairman of the AC</li><li>5) Lim Tze Seong</li><li>6) Razalee Amin</li></ol> <p>The proceedings of the 38<sup>th</sup> AGM commenced with a presentation by the Acting PGCEO, Azmin Che Yusoff, on the Company's operations and financial performance for the preceding financial year, followed by the agenda items stated in the Notice of AGM.</p> <p>During the 38<sup>th</sup> AGM, the Group Chairman invited shareholders to participate and to raise any question and seek clarifications on the proposals tabled using real time submissions of typed texts and vote remotely during the live streaming via the RPV facilities. The Group Chairman read and answered most of the questions raised by the shareholders during the 38<sup>th</sup> AGM.</p> |

|   |  |  |
|---|--|--|
|   | <p>The questions and their respective answers were posted to the Company's website for the benefit of other shareholders who were not present at the 38<sup>th</sup> AGM.</p> <p>The proceedings of the 38<sup>th</sup> AGM are recorded in minutes and published on the Company's website within a reasonable time.</p> |  |
| <b>Explanation for departure</b> :  |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |  |  |
| <b>Measure</b> :  |  |  |
| <b>Timeframe</b> :  |  |  |

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

|   |   |   |
|---|---|---|
| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Company had at its 38<sup>th</sup> AGM held on 25 June 2020, leveraged on technology to facilitate remote shareholders' participation and electronic voting for the conduct of poll from any locations on all resolutions in accordance with Paragraph 8.29A of the MMLR of Bursa Securities.</p> <p>Tricor Investor &amp; Issuing House Services Sdn Bhd (<b>Tricor</b>) was appointed as the Special Registrar for the 38<sup>th</sup> AGM and the RPV facilities was made available via TIIH Online. Tricor was also appointed as the Poll Administrator to conduct the e-polling process and Asia Securities Sdn Bhd was appointed the scrutineers to verify the poll results.</p> |
| <b>Explanation for departure</b>  | : |   |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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