

GROUP CHAIRMAN'S MESSAGE



GROUP'S REVENUE (RM BILLION)	GROUP'S PROFIT AFTER TAX (RM MILLION)	DIVIDEND (SEN)
9.6	322.9	4.0

DEAR VALUED SHAREHOLDERS,

“The Group delivered a commendable performance in 2020, despite challenges posed by the unprecedented and prolonged COVID-19 pandemic.”

Navigating a Challenging Environment

In 2020, the Group responded capably to sustain returns across our various divisions. For the year under review, the Group recorded a revenue of RM9.6 billion with a profit after tax of RM322.9 million. The Board declared a final dividend of 4.0 sen per share amounting to a net dividend payable of approximately RM46.7 million. Although our results were impacted by the COVID-19 pandemic, the Group and its various business divisions demonstrated resilience by finding ways to adapt and change, while exploring new opportunities to create value for our stakeholders. For instance, our Automotive businesses quickly adjusted their strategies to the new normal, capitalising on digitalisation and deploying more targeted sales strategies to achieve record-beating sales numbers. Across the Group, cost optimisation measures were implemented, while more progress was made in unlocking value from technology and innovation initiatives.

By the second half of 2020, most of our businesses were back on a stronger footing as a result of mitigation measures undertaken during the pandemic. The Automotive Division benefitted significantly from the vehicle sales tax holiday announced by the government, capturing more market share and exceeding its sales targets.



“In our commitment to building a progressive and innovative workforce, we launched the ‘TransWOWmation’ culture change initiative to inspire and create awareness of our full adoption of our new core values. ‘WOW’ advocates collaboration and going the extra mile towards driving excellence and success for the businesses.”

Our Value Creation Philosophy

The Group's ability to establish strategic partnerships is at the core of our long-term value creation process. These partnerships not only connects our customers to the world's most admired automotive and industrial brands; it helps us develop solutions that better serve their evolving needs.

It is in this context that I believe that in order for the Group to grow effectively, it comes down to understanding that the Group is essentially an industrial enterprise with a portfolio of businesses. Our philosophy and discipline in generating the appropriate returns must therefore reflect this clear distinction.

To attain optimal returns, we review our portfolios from time to time with the aim of identifying areas for further improvement. This typically involves implementing operational improvements, cost optimisation efforts and new business growth initiatives. In tandem with this, the Group impartially assesses the risks it may face and puts in place the appropriate mitigating actions and robust governance structures to secure the long-term sustainability of the Group. In addition, the Group maintains an optimal capital structure, appropriate for our status as a leading industrial conglomerate.

Embracing Sustainability

While the pandemic was disruptive to our business operations in 2020, it also presented us with new opportunities to be innovative and engage with our people and the communities in which we operate. The Group continued to manage our impact in the areas of environmental, economic, social and governance by implementing robust initiatives.

In our commitment to building a progressive and innovative workforce, we launched the ‘TransWOWmation’ culture change to integrate the new core values of WOW – We are One, We Drive Change and We Deliver Promises – creating a high-performing and dynamic workforce. We enhanced our learning and development programmes by implementing the Learning Management System, which comprises e-learning modules for all employees across the Group.

At UMW, we remain committed to reducing the environmental impact of our operations. We are pleased to note that our two large-scale solar panels at our automotive assembly plants in Shah Alam and Bukit Raja have reduced the Group's carbon emissions. Both plants also use recycled water from their treatment plants and have adopted the Kaizen principle to reduce waste without compromising on the quality of our products. UMW remains committed to being a part of Toyota Environmental Challenge 2050, which aims to achieve net positive impact by 2050.

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“In engaging with the local communities, our UMW volunteers, better known as UMW Community Champions, dedicated over 2,300 hours to communities in need.”

In engaging with the local communities, our UMW volunteers, better known as UMW Community Champions, dedicated over 2,300 hours to communities in need. This included making over 13,000 face shields for frontliners from various hospitals and donating reusable washable cloth masks to the underprivileged. The Group contributed approximately RM1.5 million in cash and in kind to ease the burdens of the community. This included RM1 million in cash to GLC Disaster Response Network, provision of food and cash to the communities in need and PPE to the frontliners. As a Government-Linked Companies, the Group also subscribed to RM1.5 million of the Sukuk Prihatin that was announced in the PENJANA economic stimulus plan, to help support the government's various recovery initiatives.

The Group will continue to strengthen our sustainability practices in the post-pandemic era as we seek new opportunities to expand our horizons to continue to create value for our stakeholders.

Enhancing Good Governance

Effective corporate governance structures and a culture that embraces good integrity and governance practices are crucial for an organisation like UMW Group. Guided by best practices, together with a competent, diverse and strong Board, we strive to improve our practices further to accelerate our own transformation process.

The Group also acknowledges that the implementation of Section 17A of the Malaysian Anti-Corruption Act has since taken effect in June 2020. This corporate liability provision imposes liability on a commercial organisation

for corruption committed by persons associated with the organisation to obtain a business advantage. We have responded proactively by organising workshops for UMW employees from various divisions to develop the Organisational Anti-Corruption Plan (OACP). It is envisioned that the OACP will address integrity, good governance and anti-corruption concerns while combating corruption at organisational level within the Group. In support of the OACP, the Group's Anti-Bribery and Corruption Policy and related training were rolled out in 2020.

Outlook & Prospects

The year ahead remains challenging as the pandemic continues to linger. There is, however, upside potential for an economic recovery, which is likely to take place after the mass roll-out of the COVID-19 vaccine in the later part of 2021. Our various businesses have spent the year 2020 priming themselves for the eventual recovery and I look forward to the many new developments that are in store. One of the most important steps the Group will be taking is the implementation of a new corporate strategy that will guide the Group's growth and activities and unlock more value over the next decade.

Looking further ahead, it is clear that the Group would do well to be more diversified in our portfolio of businesses. The Group is expanding and enhancing our other businesses and exploring high-value industries to unlock more value for our shareholders. In the meantime, the Automotive Division will continue to be the Group's main contributor of revenue. To ensure the long-term sustainability of our business, the Group is actively exploring methods to diversify our businesses in a more structured and effective manner.



**MAKING OVER
13,000
FACE SHIELDS FOR
FRONTLINERS**

Acknowledgements

My sincere appreciation goes out to all our employees who have continued to dedicate their time and effort during this challenging period. Their contributions have not gone unnoticed. To the management team, thank you for your determination in implementing all the necessary steps to lay the groundwork for a much brighter future.

I am also grateful for the assistance rendered to us by the Malaysian government and the guidance given by various regulatory authorities during this unprecedented year. To my fellow members of the Board, it has been my great honour to serve with you in my capacity as the Group Chairman.

In closing, I would like to take a moment to mark the passing of our former President & Group Chief Executive Officer, the late Badrul Feisal Abdul Rahim. The Group remains overwhelmingly grateful for his dedicated service and passion in demonstrating the highest values in business, governance and integrity. The contributions of Azmin Che Yusoff, who stepped in as the Acting President & Group Chief Executive Officer, must also be acknowledged. We welcome our new President & Group Chief Executive Officer, Dato' Ahmad Fuaad Kenali, who has begun to provide the necessary leadership to steer the Group to greater heights.

Tan Sri Dato' Sri Hamad Kama Piah Che Othman
Group Chairman