


MANAGING OUR MATERIAL MATTERS

UMW considers the holistic understanding of our material matters as an integral process in the value creation journey. By identifying what matters most to our stakeholders in the economic, environmental and social spheres, we prioritise and respond appropriately in ensuring long-term value creation and growth.

In 2020, the Group had intended to carry out a materiality assessment to identify the material matters most relevant to us. Due to the unprecedented COVID-19 pandemic, we were only able to conduct a desktop validation review of the 10 material matters. We compared our existing material

matters against the material issues in local, regional and global companies in similar industries. The material matters were also benchmarked against the material issues recommended by the Sustainability Accounting Standards Board.

Following the review, we are pleased to report that there were no major gaps in our material matters. However, we have renamed some material matters to enhance and ensure their relevance.

Material Matters	Risks	Opportunities	Mid-term Approach	Value Created
 <p>Product Quality, Safety and Innovation</p>	<ul style="list-style-type: none"> Dissatisfied customers can negatively impact revenue and reputation. In-house engineering capabilities are required for the innovation process. 	<ul style="list-style-type: none"> Gain business advantage by understanding evolving customer needs and expectations and strengthen product/service quality and speed of delivery. Innovative developments and ownership of intellectual property (IP) and proprietary technologies. 	<ul style="list-style-type: none"> Enhance competitiveness and future-proof business by using customer insights to develop innovative products and solutions. Develop in-house capabilities by nurturing innovation and high performance culture. 	<ul style="list-style-type: none"> Launched Yaris, Vios and RAV4 with new and innovative safety features.
 <p>Employee Engagement</p>	<ul style="list-style-type: none"> Disengaged employees may lead to suboptimal work performance and productivity level. 	<ul style="list-style-type: none"> Employees speak positively about the organisation to their colleagues, potential employers and co-workers. Employees demonstrate extra effort and engage in behaviours that contribute to business success. 	<ul style="list-style-type: none"> Enhance employee engagement initiatives through structured and tailored programmes. Provided platform to drive higher engagement with employees (i.e., Teams, Webex, e-Learning platforms). 	<ul style="list-style-type: none"> Employees have intense desire to be part of and stay in the organisation. 500 employees were recognised for their long service with only 4% of turnover rate for employees with high talent in 2020. Improved employee engagement score for 2019 and 2020 (84% and 78%, respectively) compared to previous years (below 60%).
 <p>Training and Education</p>	<ul style="list-style-type: none"> Lack of relevant training reduces the capability of employees to meet evolving business and market needs. Inadequate professional development programmes decrease employee performance and productivity. 	<ul style="list-style-type: none"> Good development and upskilling opportunities increase talent attraction and retention. Well-trained employees build the Group's resilience against future challenges and market changes. 	<ul style="list-style-type: none"> Develop a dynamic and agile workforce trained with adequate and future-relevant skills to drive the Group's growth. Regularise skills as well as training needs assessment across divisions and business functions. Identify and design internal training and education programmes to improve productivity. Identify training to meet current and future skills. 	<ul style="list-style-type: none"> Employees received 50,122 hours of training. Upskilling of employees and growing capabilities to achieve maximum productivity.
 <p>Energy, Waste and Water Management</p>	<ul style="list-style-type: none"> Without responsible management of natural resources, the business may face resource availability issues and regulatory penalties. 	<ul style="list-style-type: none"> Systematic management of energy and resources can help improve operating expenses and reduce direct environmental impact from the Group's operations and business activities. 	<ul style="list-style-type: none"> Regularly implement energy and waste management initiatives to mitigate risks. Comply with applicable laws and regulations, as well as conduct community engagement on environmental stewardship. 	<ul style="list-style-type: none"> Produced 22% more solar energy compared with previous year. GHG emissions decreased by 28.61% compared with 2019.
 <p>Diversity and Inclusivity</p>	<ul style="list-style-type: none"> A lack of diversity may impede the Group's ability to facilitate an exchange of ideas, perspectives, culture, creativity, etc. 	<ul style="list-style-type: none"> Improve workplace dynamics with the help of various skill sets, different ethnic and cultural viewpoints, gender diversity, etc. Create a culture of learning and growth, tolerance, patience and perseverance across all levels of the organisation. 	<ul style="list-style-type: none"> Design and launch programmes to improve diversity across all critical dimensions. 	<ul style="list-style-type: none"> Achieved 40% women's representation on the Board.

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 <p>Labour Management Relations</p>	<ul style="list-style-type: none"> Inconsistent labour engagement creates communication gaps, affects morale and impact employee performance. 	<ul style="list-style-type: none"> Tap into the power of labour networks to improve the quality of the workforce, work environment and productivity. 	<ul style="list-style-type: none"> Strengthen labour management guidelines and governance to ensure effective and efficient resolution of all labour concerns and matters. 	<ul style="list-style-type: none"> 62.63% of employees are unionised. All feedback received through the grievance mechanism has been resolved or is in the process of resolution. Maintained Industrial harmony with union during the pandemic.
 <p>Business Ethics and Governance</p>	<ul style="list-style-type: none"> Weak or ineffective anti-corruption governance can lead to regulatory pressures, increased costs of non-compliance and unfavourable reputation. 	<ul style="list-style-type: none"> Principles of good governance can future-proof the organisation by strengthening resilience against extraneous factors. 	<ul style="list-style-type: none"> Strengthen the governance of the enterprise risk management framework and various policies and processes for efficient implementation of EES programmes and initiatives. 	<ul style="list-style-type: none"> Maintained zero number of cases of corruption/policy breaches reported through our whistle blowing channel.
 <p>Sustainable Supply Chain</p>	<ul style="list-style-type: none"> Irresponsible processes and practices along the supply chain can cause reputational damage and incur additional operational costs. 	<ul style="list-style-type: none"> Strengthen supply chain management by instilling sustainability practices among vendors and suppliers to ensure sustainable business growth. 	<ul style="list-style-type: none"> Set standards for sustainable practices in the supply chain to raise the collective capacity of the industry and support local suppliers. 	<ul style="list-style-type: none"> 43.19% suppliers were local, representing 33.56% of the Group's procurement budget. Implemented 86 cost optimisation initiatives and achieved RM134 million cost savings.
 <p>Occupational Health and Safety (OHS)</p>	<ul style="list-style-type: none"> Poor OHS standards and practices lead to health threats, workforce inefficiencies and financial losses. 	<ul style="list-style-type: none"> Improve health and well being of employees, which in turn can improve productivity and performance. 	<ul style="list-style-type: none"> Create a culture of 'health and safety' across the organisation through education and awareness. 	<ul style="list-style-type: none"> Maintained zero cases of fatalities. 27 UMW operational sites, including branches, in Malaysia achieved the ISO 45001:2018 certification.
 <p>Community Investment</p>	<ul style="list-style-type: none"> Negative social and economic impact from our operations on local communities can potentially give rise to reputational repercussions. 	<ul style="list-style-type: none"> Enhancing stakeholder value for communities strengthens UMW's market reputation as an engineer of sustainable business. 	<ul style="list-style-type: none"> Implement community development initiatives that nurture future generations and equip youths with industry-ready skills, such as the PROTÉGÉ programme. 	<ul style="list-style-type: none"> UMW Community Champions dedicated 2,372.5 volunteer hours. Contributed approximately RM1.5 million in cash and in kind to communities in need to mitigate the impact of COVID-19.