

MANAGING OUR MATERIAL MATTERS

Material matters are integral to our value creation journey as they enable us to identify the issues that are most significant to our organisation and to our stakeholders. Assessing our material matters will allow us to identify the risks and opportunities of the key environmental, social and governance issues that will impact us and our stakeholders.

Material Matters	Risks	Opportunities
<p>Climate Change</p>	<ul style="list-style-type: none"> Damage to property and assets due to extreme weather events. Financial loss due to disrupted supply chains caused by effects of climate change, which will affect production. Transition risk related to the shifting of strategies, regulations or investments as society and industry attempt to lessen their dependency on carbon and its impact on the environment. 	<ul style="list-style-type: none"> Strengthen climate action and invest in nature-based solutions for carbon sequestration to achieve 45% carbon neutrality by 2030 and 100% carbon neutrality by 2050.
<p>Customer, Product and Innovation Excellence</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.
<p>Employee Engagement</p>	<ul style="list-style-type: none"> Disengaged employees may lead to suboptimal work performance and productivity levels. 	<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.
<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.
<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 help improve operating expenses and reduce direct environmental impacts from the Group's operations and business activities.

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In 2021, we reviewed our material issues internally and added Climate Change as a new material matter to align with our CREST@2021 business strategy and the Group's newly approved Sustainability Roadmap. The internal review also showed that all our existing material issues were still relevant. To further align with our sustainability goals, we enhanced the existing Product Quality, Safety & Innovation material issue by renaming it to Customer, Products and Innovation Excellence.

In this section, we have aligned our material matters with the identified risks and opportunities, as well as our mid-term approach and the value we created for our stakeholders.

Short-to Mid-term Approach	Value Created
<ul style="list-style-type: none"> Investing in renewable energy by installing solar panels at two of our operational sites, namely our KYB-UMW and Aerospace plants. Investing in nature-based solutions for CO2 sequestration and collaborating with key stakeholders in reforestation initiative. Environmental stewardship via sustainable operational excellence. 	<ul style="list-style-type: none"> Widened scope of reporting to disclose GHG emissions according to Scope 1 and Scope 2. GHG emissions intensity decreased by 21% in 2021. Planted about 10,000 mangrove trees in 2021 in various states across Malaysia.
<ul style="list-style-type: none"> Enhancing competitiveness and future-proofing business by using customer insights to develop innovative products and solutions. Developing in-house capabilities by nurturing innovation and high-performance culture. Leveraging digitalisation and technology to improve efficiency. 	<ul style="list-style-type: none"> UMW Toyota reclaimed No. 1 non-national car position in terms of sales. 620 units of forklifts refurbished for extended life usage. Inducted into the 2021 Cohort of Rolls-Royce's High Performing Supplier Group.
<ul style="list-style-type: none"> Enhancing employee engagement initiatives through structured and tailored programmes. Providing platforms to increase employee engagement (i.e. Teams, Webex, e-Learning platforms). Implementing employee wellness programmes to improve overall physical and mental well-being. 	<ul style="list-style-type: none"> Employees demonstrated an intense desire to be part of and stay in the organisation. Maintained high employee engagement scores with 83% achieved in 2021.
<ul style="list-style-type: none"> Developing a dynamic and agile workforce trained in adequate and future-relevant skills to drive the Group's growth. Regularising skills as well as training needs assessment across divisions and business functions. Identifying and designing internal training and education programmes to improve productivity. Developing and enhancing technical and leadership competencies through a targeted development programme. 	<ul style="list-style-type: none"> Employees received 45,767 hours of training. Upskilled employees and expanded capabilities to achieve maximum productivity.
<ul style="list-style-type: none"> Regularly implementing energy and waste management initiatives to mitigate risks. Complying with applicable laws and regulations, as well as conducting community engagement on environmental stewardship. 	<ul style="list-style-type: none"> Commissioned a water reclamation plant at the KYB-UMW factory using our membrane technology that was developed in-house.

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Material Matters

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Diversity and Inclusivity
- 
Labour/Management Relations
- 
Business Ethics and Governance
- 
Sustainable Supply Chain
- 
Occupational Health and Safety (OHS)
- 
Community Investment

Risks

- A lack of diversity may impede the Group's ability to facilitate an exchange of ideas, perspectives, culture, creativity, etc.
- Inconsistent labour engagement creates communication gaps, affects morale and impacts employee performance.
- Weak or ineffective anti-corruption governance can lead to regulatory pressures, increased costs of non-compliance and unfavourable reputation.
- Irresponsible processes and practices along the supply chain can cause reputational damage and incur additional operational costs.
- Poor OHS standards and practices can lead to health threats, workforce inefficiencies and financial losses.
- Negative social and economic impacts from our operations on local communities can potentially give rise to reputational repercussions.

Opportunities

- 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.
- Tap into the power of labour networks to improve the quality of the workforce, work environment and productivity.
- Principles of good governance can future-proof the organisation by strengthening resilience against extraneous factors.
- Strengthen supply chain management by instilling sustainability practices in vendors and suppliers to ensure sustainable business growth.
- Improve health and well-being of employees, which in turn can improve productivity and performance.
- Increase our commitment to the community and as a result enhancing our market reputation.

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Short-to Mid-term Approach

- Designing and launching programmes to improve diversity across all critical dimensions.
- Strengthening labour management guidelines and governance to ensure effective and efficient resolution of all labour concerns and matters.
- Strengthening governance of enterprise risk management framework and various policies and processes for efficient implementation of EES programmes and initiatives.
- Setting standards for sustainable practices in the supply chain to raise the collective capacity of the industry and support local suppliers.
- Increasing ESG awareness among suppliers.
- Creating a culture of "health and safety" across the organisation through education and awareness.
- Implementing community development initiatives that nurture future generations and equip youths with industry-ready skills, such as the PROTÉGÉ programme.
- Creating a positive environmental impact on the country through nature-based initiatives such as reforestation.

Value Created

- Exceeded the minimum requirement of 30% women's representation on the Board.
- 62.47% of employees were unionised.
- All feedback received through the grievance mechanism was resolved or is in the process of resolution.
- Maintained industrial harmony with union during the pandemic.
- Maintained zero corruption convicted case.
- Established the three-year Integrity and Governance Unit (IGU) Blueprint 2021-2023.
- Embarked on ISO 37001 Anti-Bribery Management Systems certification.
- 53.88% of the Group's procurement budget went to local suppliers, who made up 45.10% of the Group's suppliers.
- Established UMW Sustainable Supply Chain Policy.
- Maintained zero cases of fatalities.
- 27 UMW operational sites or 68%, including branches, in Malaysia achieved the ISO 45001:2018 certification while seven operating companies or 16% achieved the ISO 14001:2015 certification.
- UMW Community Champions dedicated 1,840 volunteer hours.
- Contributed about RM10.8 million in cash and in kind to communities.
- Contributed towards WWF Study on Net Zero Pathway for Malaysia by 2050.