

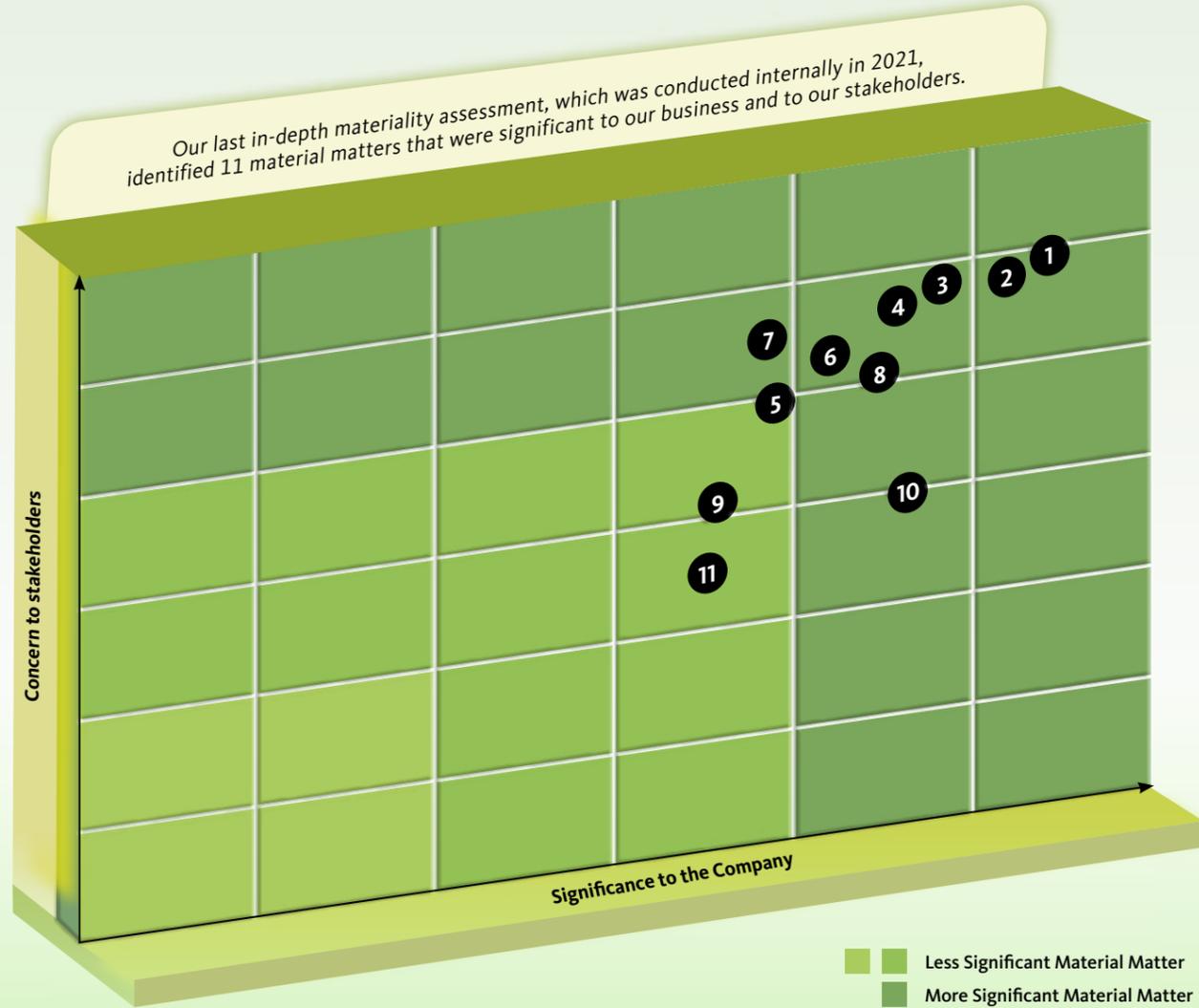
# MANAGING OUR MATERIAL MATTERS

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Our sustainability journey is guided by the importance of our materiality. Materiality is defined as the significant economic, environmental, and social impacts of an organisation as well as issues that substantially affect the decision making of stakeholders. Conducting a materiality assessment will enable us to identify the issues that are most significant to us, in terms of what we do, who we are and how we operate. We will use this assessment process to identify risks and opportunities for all key environmental, social and governance issues that impact our business and our stakeholders.

Our material issues are reviewed annually to ensure they reflect our strategic priorities and needs. In 2022, we conducted an internal review of our material matters and concluded that all the material matters were still relevant to our business strategy, industry peers, regulatory requirements and sustainability reporting frameworks.

Our last in-depth materiality assessment, which was conducted internally in 2021, identified 11 material matters that were significant to our business and to our stakeholders.



- 1 Climate Change
- 4 Employee Engagement
- 7 Labour/Management Relations
- 10 Sustainable Supply Chain
- 2 Customer, Products and Innovation Excellence
- 5 Waste and Water
- 8 Occupational Health & Safety
- 11 Community Investment
- 3 Training & Education
- 6 Diversity and Inclusivity
- 9 Business Ethics & Governance

This section represents a comprehensive alignment of our material matters with the identified risks and opportunities, as well as our mid-term approach and the value we have created for our stakeholders. This alignment facilitates a robust understanding of the areas in which we need to focus our efforts to enhance sustainability and create value for our stakeholders.

	Risks	Opportunities	Short-to Mid-term Approach	Value Created
Climate Change	<ul style="list-style-type: none"> <li>Destruction of property and assets resulting from severe weather conditions</li> <li>The effects of climate change can disrupt supply chains and lead to financial loss through reduced production</li> <li>Transition risk pertains to the impact of shifting strategies, regulations, or investments as society and industry move towards reducing their carbon dependency and mitigating the resulting environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Bolster climate action and commit to investing in nature-based solutions that facilitate carbon sequestration to achieve 45% and 100% carbon neutrality by 2030 and 2050</li> </ul>	<ul style="list-style-type: none"> <li>Investing in renewable energy by installing solar panels at our KYB-UMW and Aerospace plants</li> <li>Investing in nature-based solutions for CO2 sequestration and collaborating with key stakeholders to undertake a reforestation initiative</li> <li>Our commitment to sustainable operational excellence reflects on our dedication to environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>Broadened reporting scope to disclose GHG emissions according to Scope 1, Scope 2 and Scope 3</li> <li>GHG emissions intensity reduced by 19.2% in 2022</li> <li>Planted 157,000 mangrove trees in various states throughout Malaysia in 2022</li> </ul>
Customer, Product and Innovation Excellence	<ul style="list-style-type: none"> <li>Dissatisfied customers might have a negative influence on revenue and reputation</li> <li>The innovation process necessitates the usage of in-house engineering expertise</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen product/service quality and speed of delivery by understanding evolving customer needs and expectations to gain a competitive business advantage</li> <li>Drives innovative developments and ownership of intellectual property (IP) and proprietary technologies</li> </ul>	<ul style="list-style-type: none"> <li>Utilising customer insights to develop innovative products and solutions enhances competitiveness and future-proof our business</li> <li>Creating in-house capabilities through cultivating an innovative and high-performance culture</li> <li>Leveraging on digitalisation and technology to boost efficiency</li> </ul>	<ul style="list-style-type: none"> <li>UMW Toyota recaptured the top non-national position</li> <li>Refurbished more than 500 forklifts</li> <li>UMW Aerospace was accorded the Supplier Best Practice Award by Rolls-Royce</li> </ul>
Employee Engagement	<ul style="list-style-type: none"> <li>Employee disengagement can result in subpar job performance and productivity</li> </ul>	<ul style="list-style-type: none"> <li>Employees promote our organisation to their colleagues, future employers, and co-workers</li> <li>Employees go above and engage in behaviours that help the company succeed</li> </ul>	<ul style="list-style-type: none"> <li>Improved employee engagement through organised and personalised programmes</li> <li>Providing platforms for enhancing employee engagement (i.e. Teams, Webex, e-Learning platforms)</li> <li>Developing employee wellness programmes to promote physical and emotional health</li> </ul>	<ul style="list-style-type: none"> <li>Employees expressed a strong desire to be a part of and stay with the organisation</li> <li>Launched Energize UMW for WOWriors' mental health and overall wellbeing</li> </ul>

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	Risks	Opportunities	Short-to Mid-term Approach	Value Created
<b>Training and Education</b>	<ul style="list-style-type: none"> <li>Employees' capability to meet evolving business and market demands is restricted by a lack of relevant training</li> <li>Employee performance and productivity decline as a result of insufficient professional development programmes</li> </ul>	<ul style="list-style-type: none"> <li>Excellent chances for growth and upskilling boost talent recruitment and retention</li> <li>Employees who are well-trained strengthen the Group's resilience in the face of future difficulties and market shifts</li> </ul>	<ul style="list-style-type: none"> <li>Creating a dynamic and adaptable workforce that is well-versed in necessary and future-relevant skills to fuel the Group's growth</li> <li>Regularising skills and training requires assessment across divisions and business areas</li> <li>Developing and creating internal training and education programmes to boost productivity</li> <li>Developing and improving technical and leadership skills via a focused development course</li> </ul>	<ul style="list-style-type: none"> <li>Employees received overall training of 63,716 hours</li> </ul>
<b>Energy, Waste and Water Management</b>	<ul style="list-style-type: none"> <li>Failure to responsibly manage natural resources could result in resource scarcity for the business and regulatory sanctions</li> </ul>	<ul style="list-style-type: none"> <li>The Group's operating expenses can be improved and direct environmental impacts from its operations and business activities can be reduced through the systematic management of energy and resources</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating risks achieved by regularly implementing energy and waste management initiatives</li> <li>Environmental stewardship is demonstrated by complying with relevant laws and regulations, as well as engaging with the community</li> </ul>	<ul style="list-style-type: none"> <li>The KYB-UMW factory has commissioned a water reclamation plant that utilises membrane technology developed in-house</li> <li>Improved UMW Environment Action Plan (UEAP) score from 0.5 in 2016 to 3.75 in 2022, higher than industry average score of 3.1</li> </ul>
<b>Diversity and Inclusivity</b>	<ul style="list-style-type: none"> <li>The Group's capacity to foster an exchange of ideas, perspectives, culture, creativity, etc., could be hindered by a lack of diversity</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing workplace dynamics can be achieved by leveraging a variety of skill sets, diverse ethnic and cultural perspectives, gender diversity, and other factors</li> <li>Fostering a culture of learning and growth, as well as promoting tolerance, patience, and perseverance throughout all levels of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>The design and implementation of programmes to enhance diversity across all significant dimensions</li> </ul>	<ul style="list-style-type: none"> <li>Retained more than 30% of women's representation on the Board</li> <li>14% of women in senior management roles</li> </ul>
<b>Labour/ Management Relations</b>	<ul style="list-style-type: none"> <li>Employee morale and performance can be impacted by communication gaps resulting from inconsistent labour engagement</li> </ul>	<ul style="list-style-type: none"> <li>Leveraging the influence of labour networks can lead to improved workforce quality, work environment, and productivity</li> </ul>	<ul style="list-style-type: none"> <li>The reinforcement of labour management guidelines and governance to ensure the efficient and effective resolution of all labour issues and concerns</li> </ul>	<ul style="list-style-type: none"> <li>62.47% of employees were unionised</li> <li>Signed five Collective Agreements between UMW Group and Kesatuan Pekerja-Pekerja Perusahaan Kumpulan UMW (KPPPKUMW)</li> </ul>

	Risks	Opportunities	Short-to Mid-term Approach	Value Created
<b>Business Ethics and Governance</b>	<ul style="list-style-type: none"> <li>Inadequate or ineffective anti-corruption governance may result in regulatory pressures, increased non-compliance costs, and a negative reputation</li> </ul>	<ul style="list-style-type: none"> <li>Incorporating principles of good governance can enhance an organisation's resilience against external factors, thereby future proofing it</li> </ul>	<ul style="list-style-type: none"> <li>The reinforcement of the governance of the enterprise risk management framework and relevant policies and processes can facilitate the efficient implementation of EES programmes and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Obtained zero corruption charges</li> <li>Reviewed and revised the Anti-Bribery and Corruption Policy and the Whistleblowing Policy</li> <li>Attained the ISO 37001 Anti-Bribery Management System certificate</li> <li>97% employees completed the Anti-Bribery and Corruption e-learning</li> </ul>
<b>Sustainable Supply Chain</b>	<ul style="list-style-type: none"> <li>Irresponsible practices and procedures throughout the supply chain can result in additional operational costs and reputational harm</li> </ul>	<ul style="list-style-type: none"> <li>By promoting sustainability practices in vendors and suppliers, we can strengthen our supply chain management and ensure sustainable business growth</li> </ul>	<ul style="list-style-type: none"> <li>Establishing guidelines for sustainable supply chain practices in order to increase industry collective capability and promote local suppliers</li> <li>Raising suppliers' awareness on ESG</li> </ul>	<ul style="list-style-type: none"> <li>Local suppliers comprised 88% of the Group's suppliers</li> <li>59% of the Group's procurement budget went to local suppliers</li> <li>Held a supplier performance review exercise for 308 suppliers</li> </ul>
<b>Occupational Health &amp; Safety</b>	<ul style="list-style-type: none"> <li>Inadequate OHS standards and practices may result in health hazards, workforce inefficiencies, and financial losses</li> </ul>	<ul style="list-style-type: none"> <li>Boosting employee health and well-being can enhance productivity and performance</li> </ul>	<ul style="list-style-type: none"> <li>Cultivating a "health and safety" culture across the organisation through education and awareness</li> </ul>	<ul style="list-style-type: none"> <li>Maintained zero cases of fatalities</li> <li>26 operational sites were assessed against the ISO 45001:2018 standard</li> <li>31 operational sites underwent statutory compliance audit</li> </ul>
<b>Community Investment</b>	<ul style="list-style-type: none"> <li>Negative social and economic impacts from our operations on local communities can potentially give rise to reputational repercussions</li> </ul>	<ul style="list-style-type: none"> <li>Increase our commitment to the community and as a result enhancing our market reputation</li> </ul>	<ul style="list-style-type: none"> <li>Implementing community development initiatives that nurture future generations and equip youths with industry-ready skills, such as our Apprenticeship Programme for entry-level technical mechanics</li> <li>Creating a positive environmental impact on the country through nature-based initiatives such as reforestation</li> </ul>	<ul style="list-style-type: none"> <li>Enrolled 55 interns through internship programme</li> <li>UMW Community Volunteers dedicated 11,344 volunteer hours</li> <li>Contributed about RM9.1 million in cash and in kind, to communities</li> </ul>