

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4588
COMPANY NAME : UMW HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2018

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 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.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire Group. There is a clear division of responsibilities between the Board and management. 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 President & Group Chief Executive Officer (PGCEO).</p> <p>Board Committees such as Audit Committee (AC), Nomination & Remuneration Committee (NRC), Investment Committee (IC), Risk Management Committee (RMC) and Whistle-Blowing Committee (WBC) are established with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board as mandated in their respective terms of reference (TOR).</p> <p>An ad hoc Board Committee, known as the Value Group Execution Committee (VGEC), which was established on 28 September 2017 continues to provide strategic guidance and direction to management and to make recommendations to the Board on the proposed action plans, resolutions and strategies to achieve the intended objective of exiting the investments under the O&G unlisted segment. Thus far, the overall status of restructuring and divestment exercise of companies under the O&G unlisted has been encouraging with positive outcomes.</p> <p>The responsibility of steering the UMW 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>

The Board assumes the following specific duties which are discharged in the best interests of the Company, in pursuance of integrated regulatory and commercial objectives -

- **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 shareholder value and its overall competitive positioning by way of upholding the highest standards of Corporate Governance (CG) practices. The Board plays an active role in advising, administering and reviewing the Group's governance framework and practices for implementation Group-wide.

The Board 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 shareholders' and stakeholders' expectations.

The UMW Group's CG Framework and practices were developed based on the following statutory requirements, best practices and guidelines -

- Companies Act, 2016 (**CA 2016**);
- Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Securities**);
- Malaysian Code on Corporate Governance 2017 (**MCCG 2017**);
- Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance (**Green Book**);
- Corporate Governance Guide: Towards Boardroom Excellence (3rd Edition) by Bursa Malaysia Berhad (**CG Guide**); and
- Minority Shareholder Watchdog Group's (**MSWG**) Malaysia - ASEAN Corporate Governance Scorecard (**ASEAN CG Scorecard**)

With the Group's significant presence in the countries it operates, the Group also monitors and abides by the guidelines of the relevant regulators and authorities.

The Group's CG Framework is a reflection of the way strategic and operational activities are managed. The roles of stakeholders, the Board, the Committees of the Board (**Board Committees**) and management are distinctly different but complementary in attaining the Group's core objectives.

The framework is supported by, among others, 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 the 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.

As a testament of the Board's continuous commitment on CG, the Company was recognised as one of the '2 Most Improved PLCs in ASEAN on CG practices', conferred by ASEAN Capital Market Forum at the 2nd ASEAN CG Awards in November 2018.

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

The Board oversees the formulation of the Group's long-term strategic objectives and direction, reviews and approves the Group's annual budget, the business and strategic plans and monitors the 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 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.

The Group's annual strategic planning process for 2018 began with the 2018 UMW Strategic Brainstorming Discussion held from 7 to 9 September 2017. The session with the participation of Board members, provided a platform for the PGCEO, Badrul Feisal Abdul Rahim, to deliver his expectations and business targets as well as strategies moving forward, to all business divisions in the UMW Group.

The proposed 2018 Budget was prepared by the respective operating units and corporate divisions and presented to the Management Budget Committee (**MBC**). The MBC thoroughly reviewed and deliberated the proposed strategies for the financial year and projections for ensuing years, and challenged the views and assumptions made to ensure the best results.

The finalised 2018 Budget was presented to the Board in December 2017 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 outlook. The Board provided its guidance and feedback on the proposed recommended transformation strategy to further refine the Group's action plan in 2018.

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

The PGCEO is the conduit between the Board and management in ensuring that the financial management practice is performed at the highest level of integrity and transparency. He is tasked to ensure that the businesses and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations, and to develop and maintain strong communication programmes and dialogues with the shareholders and stakeholders of the Company. He 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.

The PGCEO is directly accountable to the Board and is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills attained from senior managerial positions held prior to his appointment to the Group, contribute significantly towards the attainment of the Group's goals and objectives.

The PGCEO and key senior management are also appointed as board members to the key subsidiaries to further ensure that the Group's governance remains linked with strategic and operational focus in line with the Group's objectives.

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

In presenting the annual financial statements and quarterly announcements to 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 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 and of the results and cash flows of the Group and the Company for 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 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.

- **Identifying Principal Risks and Ensuring Implementation of Appropriate Systems for Managing Risks**

The Board oversees the Enterprise Risk Management (**ERM**) Framework of the Group via the Risk Management Committee (**RMC**), which comprises members of the Board. The oversight of this critical area is carried out by the Management Risk Committee (**MRC**). 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.

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 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.

Details of the RMC and the Group's ERM Framework are set out in the Statement on Risk Management and Internal Controls on pages 83 to 92 of the Company' 2018 Annual Report (**Annual Report**).

- **Establishing Succession Planning**

The Board oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management and the Group Secretary through the NRC. 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 succession management updates from the Group Human Resource Division (**GHRD**) in accordance with the succession management framework. The NRC reviews the successors' assessment results, monitors the progress of actions taken, including the development programme for the readiness and potential of identified candidates to assume critical positions within the Group.

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.

- **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 media/public and disclosures made are in accordance with the UMW Investor & Media Relations Policies (**IMRP**) formerly known as Corporate Communications Policy.

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, which includes internal and external corporate communication and Investor Relation (**IR**) activities. The IMRP identifies selected senior management as the authorised spokespersons of UMW and defines each spokesperson's focus area.

	<p>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</p> <ul style="list-style-type: none"> • Reviewing the adequacy of the internal control policy <p>The Board is ultimately responsible for the adequacy, effectiveness and integrity of the Group’s internal control system.</p> <p>Further information on the internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Controls on pages 83 to 92 of the Annual Report.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by a Non-Independent Non-Executive Chairman, Tan Sri Hamad Kama Piah Che Othman whose principal responsibility is to ensure the effective running of the Board as well as undertakes the role of an independent leader for the effective conduct of the Board.</p> <p>The Group Chairman is responsible for leading the Board in setting the values, good CG standards of the Company at the top, 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 which complement 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 on the agenda for Board's deliberation. 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 discussion of complex or contentious issues prior to a decision being reached at meetings, which reflects the consensus of the whole Board. He also encourages active participation by the Board and ensures issues discussed are forward looking and concentrates on strategy.</p> <p>The Group Chairman also plays a pivotal role in accommodating constructive dialogue and ensures effective communication with shareholders. Shareholders are briefed on their rights to speak and vote at the AGM by the Chairman before commencement of the meeting. The Group Chairman's profile can be found on page 23 of the Annual Report.</p> <p>The roles and responsibilities of the Chairman of the Board have been clearly stipulated in the Board Charter which is available in the Company's website at www.umw.com.my</p>
Explanation for departure	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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 commitment, delivering sustainable values and shareholders' expectations.</p> <p>On the other hand, Badrul Feisal as the PGCEO, is the conduit between the Board and management in ensuring that the financial management practice is performed at the highest level of integrity and transparency. He is responsible for ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations. He 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.</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>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group Secretary, Mohd Nor Azam Mohd Salleh has an extensive professional experience in corporate secretarial, governance and compliance matters spanning close to 20 years. The Group Secretary is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Group Secretary plays an advisory roles in supporting the Board to uphold high CG standards and provides support in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Directors' duties and responsibilities.</p> <p>In 2018, the Group Secretary reviewed the Constitution of the Company to ensure its compliance with the Companies Act 2016 (CA 2016) and the amended MMLR which will enhance the Company's administrative efficiency. The new Constitution had been approved by the shareholders at the 36th AGM in accordance with Section 36(1) of the CA 2016.</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 needs.</p> <p>The Group Secretary 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 & Corporate Governance Division (GSD) to ensure effective implementation and monitoring of CG best practices throughout the Group. The Group Secretary together with GSD staff constantly keep themselves abreast of regulatory changes and developments in CG through continuous training, which is</p>

	<p>mandatory for all levels of staff.</p> <p>The Group Secretary facilitates in organising training programmes, briefings, workshops and seminars for Directors to facilitate them in discharging their duties effectively.</p> <p>In March 2019, GSD organised an in-house seminar on Corporate Liability Provision under the Malaysian Anti-Corruption Commission (Amendment) Act 2018, to provide an in-depth understanding of the new legislation and the adequate procedure designed to deal with the new legislation.</p> <p>The Group Secretary and his team constantly keep themselves abreast of the regulatory changes and developments in CG and other relevant statutory bodies through attending relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.</p> <p>The Board is satisfied with the performance and support rendered by the Group Secretary and his team in GSD to the Board in discharging its functions.</p>	
Explanation for departure :		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors are given advance notice of schedule of Board and Board Committees meetings for the year, including the Annual General Meeting (AGM), as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results. This will allow Directors to lock in their dates for advance planning.</p> <p>All Directors are provided with comprehensive Board papers containing management reports and proposal papers within five (5) days before Board meetings to enable them to review and consider the agenda items to be discussed. In addition, there is a schedule of matters reserved specifically for the Board's decision.</p> <p>Meeting materials are uploaded electronically into digital medium, which allows board papers and other information to be securely uploaded by management and remotely accessed by the Directors through dedicated applications in a timely and efficient manner. This paperless approach helped improve Board performance and overall effectiveness of decision-making. Printed copies of board papers are also made available on request. 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 reports by the Chairman of each committee and via the minutes of Board Committee meetings presented to the Board.</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>
Explanation for departure	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter objectives are to ensure that all Directors of UMW and of the operating subsidiaries in the Group, are aware of their fiduciary duties and responsibilities as Board members and various legislations and regulations affecting their conduct. It is also 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>A comprehensive review and enhancement of TOR of all Board Committees were carried out as part of the ongoing process to ensure that all internal governance documents are in line with the latest provisions in the CA 2016, the revised MMLR and the MCCG 2017.</p> <p>The enhancement to TOR is primarily aimed to ensure that the Group is in a better position to regulate its business conduct and governance related matters in conformance with the provisions and recommended practices as set out in CA 2016, MMLR and MCCG 2017. The review exercise was carried out to ensure that the internal governance at UMW Group remains relevant and is aligned with the recognised best practices and standards in corporate governance, as the Group continues with its commitment to enhance shareholders' value and overall competitive positioning. The enhancement to TOR is also made to ensure that existing governance practices, which are already applied pursuant to CA 2016 and MMLR, are streamlined and better reflected in TOR for consistency purposes.</p>

The Board had on 27 February 2019, deliberated and approved the revised TOR of Board Committees with exception of the WBC, where it was agreed that it requires further enhancement to include key principles relating to corporate liability provisions under the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The Board acknowledges that whistle-blowing can greatly enhance corporate governance by helping to foster an environment where integrity and ethical behaviour are maintained, and any illegality, improper conducts and wrongdoings can be exposed. Hence, the Board endorsed WBC to incorporate elements of integrity in its TOR, as the Board strongly believes on the needs to uphold and institutionalise integrity as a key factor in embracing sound governance.

Due to the extensive reform and modernisation of CG methodology and framework introduced under MCCG 2017 and taking into account that the existing Board Charter was last reviewed on 26 February 2015, the existing Board Charter is currently being comprehensively reviewed as well. The exercise is expected to complete in due course.

The Board Charter and the TOR of the Board Committees are available online at www.umw.com.my

At management level, several committees namely the Management Audit Committee (**MAC**), Management Risk Committee (**MRC**), Tender Committee and Management Whistle-Blowing Committee (**MWBC**) have been established to ensure that CG practices and ethical behaviour are upheld at all times in the Group's business dealings.

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 Company, in pursuance of integrated regulatory and commercial objectives -

- Promoting good corporate governance culture within the UMW Group;
- Establishing and reviewing the strategic direction of the Company;
- Overseeing and evaluating the conduct of the Company's Business;
- Ensuring the integrity of the Company's financial and non-financial reporting;
- Identifying principal risks and ensuring implementation of appropriate systems for managing risks;
- Establishing succession planning;
- Ensuring the existence of a good investor relations programme and shareholder communication policy; and
- Reviewing the adequacy of the Internal Control Policy.

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

- Acquisitions and disposals of assets;
- Investments in capital projects;
- Authority levels;
- 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, the NRC performed a general assessment of the composition, skills and experience of the Board, in accordance with Paragraph 15.08(3) (a) of MMLR via a Board Skill Matrix exercise. This evaluation has enabled the NRC to address training needs of each Director more objectively so that appropriate training and education programmes can be identified and arranged for Directors’ participation from time to time to further enhance their skills and knowledge. The Company also allocates a dedicated training budget to support the continuous development of Directors.

The Group Secretary facilitates in organising 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 2018, which include the following -

Period	Topics
<ul style="list-style-type: none"> • Jan – March 2018 	<ol style="list-style-type: none"> 1) Corporate Governance Briefing Sessions: MCGG Reporting & CG Guide. 2) World Capital Market Symposium. 3) MIA Audit Committee Conference 2018. 4) Franklin Templeton 2018 Outlook event. 5) BlackRock 2018 Investment Outlook Luncheon. 6) CITI - Solving the Coins Conundrum - Bitcoin, Blockchain, ICOs and Tokens. 7) World Capital Markets Symposium. 8) Half-day Seminar on How to Develop Business Models for Integrated Reporting. 9) Mandatory Accreditation Programme (MAP).

		<p>10) Annual Audit Committee Seminar for the Public and Private sectors 2018 “Guidance for an Effective Internal Audit Function”.</p> <p>11) MIA Audit Committee Conference 2018.</p> <p>12) Management Retreat 2018.</p> <p>13) Global Trend & Market Strategy (Economic Prospects & Strategic Investment Decision 2018 & Beyond).</p> <p>14) PNB CEO Roundtable.</p> <p>15) Forensic & Fraud Investigation Conference.</p> <p>16) Corporate Governance Guide 3rd Edition: “Moving from Aspiration to Actualisation”- Unstacking the Guide for Application.</p> <p>17) Corporate Governance Briefing Sessions: MCGG Reporting & CG Guide.</p> <p>18) Corporate Governance, Directors’ Duties, and Regulatory Updates Seminar 2018 II.</p> <p>19) Sustainability Global Practice.</p>
	<ul style="list-style-type: none"> • April – June 2018 	<ol style="list-style-type: none"> 1) Persidangan Pengurusan KWSP 2017 2) Dimensional Annual Institutional Symposium. 3) Annual Report & Sustainability Statement Disclosure Standards. 4) Installing a culture of Corporate Governance. 5) AMLAFPUAA 2001: The Law, Compliance & Case Studies-Series 7. 6) Win the innovation race: Unlocking the creative power of Asians. 7) Annual Report & Sustainability Statement Disclosure Standards. 8) Installing a culture of Corporate Governance. 9) Temasek Ecosperity 2018.
	<ul style="list-style-type: none"> • July - September 2018 	<ol style="list-style-type: none"> 1) Environmental Conference 2018: Igniting Action for Better Tomorrow. 2) MCGG Compliance Expectations: Better Reporting Integrity, Transparency & Accountability. 3) Program Leading Digital Business Transformation. 4) EPF International Social Security Conference 2018. 5) Asset Servicing Though Leadership Summit (BNY Mellon). 6) IERP® Global Conference 2018. 7) Financial Reporting by Listed Issuers - “Interpreting Financial Numbers and

		<p>Overcoming Challenges in Facing Timely and Accurate Reporting”.</p> <ol style="list-style-type: none"> 8) National Tax Conference 2018. 9) 13th ICC FIB International Financial Crime Forum. 10) IFRS/MFRS 15 : Revenue from Contracts with Customers 11) Disruptive Technologies for Directors. 12) Time, Talent and Energy Lunch Event with Eric Garton.
	<ul style="list-style-type: none"> • October – December 2018 	<ol style="list-style-type: none"> 1) Sunway Leaders Conference 2) ACIIA Conference 2018 - Staying Relevant in a Digital Landscape. 3) ASEAN Board of Directors: Future-Proof Your Boardroom! 4) Anti-Corruption Summit 2018: Good Governance and Integrity for Sustainable Business Growth. 5) Independent Directors Program : The Essence of Independence 6) MIA International Accountants Conference 2018 7) Jemputan Menghadiri “ Lunch Talk Integrity oleh Tan Sri Abu Kassim Mohamed” 8) EPF Digital Transformation Blueprint: Digital Strategy Workshop with EY Consultant. 9) International Conference on Artificial Intelligence and Robotics for Industrial Applications. 10) Corporate Exercise & Asset Pricing in Malaysia (Renegotiation and Re-Contracting). 11) AMLAFPUAA 2001: The Law, Compliance & Case Studies for Senior Management. 12) YTI Memorial Lecture “Redefining Fin. Integrity” & PNB Book Launch “in Trust: A History of PNB”. 13) Emerging Risks, the Future Board and Return on Compliance. 14) Business Transformation Challenges - Shaping High Performance Organisations. 15) 2018 World Congress of Accountants. 16) 2019 Budget: What You Need to Know, the Economy, Capital Market and You. 17) Would a Business Judgement Rule Help Directors Sleep Better at Night? 18) Exclusive Audit Committee Track. 19) Khazanah Megatrends Forum 2018. 20) Report on Conglomerates Performance.

		21) 2019 Budget Seminar
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors, including Directors of operating subsidiaries within the Group, adhere to the UMW Directors' Code of Ethics (DCE), Business Conduct and Ethics Code (BCE Code) and Board Charter, which provide guidance to recognise and deal with ethical issues, provide mechanisms to report unethical conducts, and help foster a culture of honesty and accountability.</p> <p>The DCE 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 governing companies. The principles on which the DCE relies are those that concern transparency, integrity, accountability and corporate social responsibility.</p> <p>The DCE 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 does not participate in any discussion on the subject matter and would excuse himself from the meeting. Declaration of Director's interest in any proposal presented to the Board is reflected in the minutes of meetings.</p> <p>The BCE Code incorporates the Group's stance with regard to integrity in conducting business. One of the objectives of the BCE Code 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 BCE Code also details and warns against undesired conduct such as conflict of interest, offering or receiving bribes, dishonest conduct, anti-competitive practices and</p>

sexual harassment. Employees are to be driven by the UMW value, i.e., “Honour” where they are 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. This initiative is to enhance integrity culture within the UMW Group through the implementation of strategies and programmes in tandem with the National Integrity Plan. The framework contain programmes and procedures 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 for white-collar crimes.

The UMW Group Policies & Guidelines (**GPG**), implemented in 2011, is aimed at promoting management best practices and good governance practices for the Group. The GPG serves to describe UMW’s way of doing business. The policies and guidelines were prepared to ensure that expected standards of performance are properly communicated and disseminated throughout the UMW Group of Companies, and are adopted in a clear, systematic and comprehensive manner by all companies, to ensure full compliance with all rules, regulations, and legislative requirements globally. All subsidiaries within the Group adopt the policies and guidelines that are outlined in the manual.

The GPG is intended to be a living document with new policies, guidelines, and initiatives to be added over time. The GPG is reviewed and updated from time to time, with the endorsement of the Board, to reflect changing external demands and internal conditions necessary to support the Group’s overall business objectives.

On 22 February 2018, the PGCEO led the employees of the Group in taking the oath and pledge to stay free of corruption at the ‘Corruption Free Pledge-taking & Signing’ ceremony. Also present at the ceremony were members of the Board, the Deputy Chief Commissioner (Prevention) of the Malaysian Anti-Corruption Commission (**MACC**),

	<p>and representatives of MACC. The main objective of the ceremony was to have the voluntary pledge taken by the Directors, senior leadership and employees to be accountable and responsible in carrying out their duties and to hinder corruption misconduct throughout their tenure of service.</p> <p>The DCE and BCE are available on the Company's website at www.umw.com.my</p>	
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 adopted on 20 May 2009. 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 WBC is responsible for overseeing the implementation of the Whistle-Blowing Policy for Directors and senior management in Job Grades 23 and above, whilst the MWBC, which comprises company appointed representatives, is responsible for overseeing the implementation of the policy for all other employees in the Group.</p> <p>The WBC consists of majority Independent Non-Executive Directors (INED) as follows -</p> <ol style="list-style-type: none">1. Tan Sri Hasmah Abdullah INED (Chairperson);2. Khalid Sufat INED;3. Dato' Eshah Meor Suleiman INED; and4. Salwah Abdul Shukor NED. <p>Whistle-blowing complaints are addressed to either the Group Chairman or to any members of the WBC or MWBC. The Head of Group Internal Audit Division (GIAD), Norchahya Ahmad, is the Secretary of WBC. She is responsible for the preparation of the agenda and the distribution to all members, the papers to be deliberated at the meeting.</p>

	<p>Complaints received will be escalated to the WBC 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, WBC shall report to the Board of its recommendations on the outcome any investigations conducted, and the Board upon receiving the recommendations 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>The Whistle-Blowing Policy is available at the Company website www.umw.com.my</p>	
Explanation for departure :		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board consists of eleven (11) members, comprising four (4) Non-Independent Non-Executive Directors (NED), six (6) INEDs and one (1) Executive Director, who serves as the PGCEO. The Board is led by a Non-Independent NED as its Chairman.</p> <p>All six (6) INEDs satisfy the criteria of an independent Director as defined under MMLR which constitute 55% of the Board composition.</p> <p>All the Directors had given confirmations bi-annually, as to whether he/she has any family relationship with any Director and/or major shareholder of the Company and any conflict of interest with UMW. This is one of the criteria to enable the Board and the NRC to access the Directors' independence as and when any new interest or relationship develops.</p> <p>The Board recognises the importance of the role of the INEDs, particularly in ensuring that strategies proposed by management are fully deliberated and examined objectively, taking into perspective, among others, the long-term interests of shareholders as well as other stakeholders and the community at large.</p> <p>The INEDs fulfil a pivotal role in corporate accountability by providing independent view, advice and judgement to ensure a balanced and unbiased decision making process and objectivity without being subordinated to operational considerations. The views of the Independent Directors should carry significant weight in the Board's decision-making process.</p> <p>The INED help to ensure that the interests of all stakeholders, and not only the interests of a particular fraction or group are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.</p> <p>In addition, the NRC also performed an assessment on the independence and effectiveness of INEDs as recommended under Guidance 5.1 of MCCG 2017. The assessment took into account Independent Directors' skills and competencies as well as the independent criteria stipulated in Paragraph 1.01 of the MMLR, which require Independent Directors to be independent of management and free from any business or other relationships that could impair</p>

	<p>independent judgement, objectivity and ability to act in the best interests of the Company. Due consideration was also given as to whether the INEDs can continue to bring independent and objective judgement to Board deliberations.</p> <p>The outcome of the assessment on independence and effectiveness of INEDs have demonstrated that they have met all criteria of an Independent Director. The NRC is satisfied with the level of independence of the INEDs and their ability to act in the best interests of the Company. The INEDs are expected to continue to give independent views, advice and judgment to ensure a balanced and unbiased decision-making process at the Board.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

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.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Charter of the Company specifies that the tenure of an INED shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the INED may continue to serve the Board subject to the Director's re-designation as a NED.</p> <p>In the event the Director is to remain designated as an INED, the Board shall first justify and obtain shareholders' approval.</p> <p>At the 36th AGM of the Company held on 24 May 2018, Dato' Siow Kim Lun, the Senior Independent Director of the Company who exceeded the 9-year term on 11 July 2018 had obtained shareholders' approval to continue to be in office until the conclusion of the 37th AGM scheduled to be held on 23 May 2019. Thus, Dato' Siow Kim Lun will be retiring at the conclusion of the 37th AGM. Khalid Sufat, another INED who was appointed on 1 September 2010, will be retiring upon reaching his 9-year term on 1 September 2019.</p>

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.

Application	: Applied
Explanation on application of the practice	<p>Through the NRC, the Board oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management and 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 the GHRD in accordance with the succession management framework. The NRC reviews the successors' assessment results, monitors the progress of actions taken, including the development programme for the readiness and potential 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 detailed 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.</p> <p>In considering candidates as potential Directors, the NRC takes into account the following key criteria -</p> <ul style="list-style-type: none">• Skills, knowledge, expertise and experience;• Time commitment, character, professionalism and integrity;• Perceived ability to work cohesively with other members of the Board;• 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 MCCG 2017.

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 current diversity in race/ethnicity, age and gender of the existing Board is as follows -

	Race/Ethnicity			Age Group				Gender	
	Malay	Chinese	Sikh	46-50	51-55	56-60	>60	Male	Female
No. of Directors	8	2	1	3	1	1	6	7	4

	<p>Profiles of Board members are provided on pages 23 to 33 of the Annual Report.</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 current diversity in race/ethnicity, nationality, age and gender of the MC members is as follows -</p> <table border="1" data-bbox="517 725 1375 875"> <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>46-50</th> <th>51-55</th> <th>56-60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>8</td> <td>0</td> <td>1</td> <td>2</td> <td>6</td> <td>1</td> <td>8</td> <td>1</td> </tr> </tbody> </table> <p>Profiles of MC members are provided on pages 36 to 40 of the Annual Report.</p>	Race/Ethnicity			Age Group			Gender		Malay	Chinese	Indian	46-50	51-55	56-60	Male	Female	8	0	1	2	6	1	8	1
Race/Ethnicity			Age Group			Gender																			
Malay	Chinese	Indian	46-50	51-55	56-60	Male	Female																		
8	0	1	2	6	1	8	1																		
<p>Explanation for departure :</p>																									
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>																									
<p>Measure :</p>																									
<p>Timeframe :</p>																									

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises gender diversity as one of the way to drive and enhance board effectiveness, 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 of eleven (11) members, which represents 36%.</p>
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	
Timeframe		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has in place a formal and transparent procedure for the appointment of Directors to the Board via NRC. The policies and procedures for recruitment or appointment (including re-election/re-appointment) of Directors are detailed in the Board Charter. 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.</p> <p>Nominations may come from a wide variety of sources, including Directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others. It 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>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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.

Application	: Applied
Explanation on application of the practice	<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">1. Dato' Siow Kim Lun Senior SINED (Chairman);2. Khalid Sufat INED;3. Dato' Eshah Meor Suleiman INED; and4. Datin Paduka Kartini Hj Abdul Manaf NED. <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.</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. The NRC also oversees the evaluation of the Board and Board Committees and of individual Directors. The establishment of KPIs of senior executives is also under the purview of the NRC. The Group Secretary is also Secretary of the NRC.</p> <p>Nominations may come from a wide variety of sources, including Directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others.</p> <p>The primary objectives of NRC are to -</p> <p><u>Nomination</u></p> <ol style="list-style-type: none">1. Identify and recommend to the Board, nominees qualified to serve on the Board, including the President & Group Chief Executive Officer ("PGCEO") and Board Committees;2. Oversee the evaluation of the Board and Board Committees and of individual Directors;3. Establish qualitative and quantitative performance criteria (Key Performance Indicators or KPI) of senior executives; and

4. Review and approve the appointment of UMW Group's key management personnel, including the Group Secretary as may be determined by NRC from time to time.

Remuneration

1. Assist the Board in developing UMW Group's remuneration policy framework; and
2. Review and recommend to the Board the remuneration packages for NEDs, Board Committees members, Chairman, PGCEO, Executive Directors ("ED") and members of the senior management of UMW Group including the Group Secretary.

Specific responsibilities in relation to nomination matters include, to-

1. Identify and make recommendations to the Board on new candidates for appointment to the Boards of UMW, its subsidiaries and associated companies, where various sources may be utilised by NRC to identify new directors by taking into account, among others, the following key factors -
 - Skills, knowledge, expertise and experience;
 - Time commitment, character, professionalism and integrity;
 - Perceived ability to work cohesively with other members of the Board;
 - Specialised knowledge or technical skills in line with the Group's strategy;
 - Diversity in age, gender and ethnicity and experience and industry background; and
 - Number of directorships in companies outside UMW Group.
2. Review and make recommendations to the Board the appointment of directors to fill seats on board committees;
3. Annually review the required mix of skills, experience and other qualities of the Board including gender diversity, ethnicity and age, where appropriate, and core competencies each director should bring to the Board;
4. Annually carry out the processes for evaluating the effectiveness of the Board, the Board Committees and the performance and contribution of each individual directors, including Independent NEDs, identify areas for improvement and develop and recommend to the Board action plans for improvement, where applicable;
5. Make recommendations to the Board for the re-election/re-appointment of directors retiring by rotation, at the Annual General Meeting of the Company;
6. Consider and recommend any policy regarding period of service of directors, particularly Independent NEDs;

	<p>7. Annually review the independence of Independent Directors, where the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) 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 (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12th) 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 cast in the following manner at the same shareholders' meeting -</p> <ul style="list-style-type: none"> i. Tier 1: Only the Large Shareholder(s)ⁱ votes; and ii. Tier 2: Shareholders other than Large Shareholder(s) votes. <p>In order to justify retaining of the independent Directors beyond the cumulative terms of nine (9) years, the Board via NRC must undertake rigorous review of the independence of such Director to determine if the same has been impaired;</p> <p>8. Establish qualitative and quantitative performance criteria (KPIs) for PGCEO and senior-most executives in UMW Group (Job Grades 22 and above), for recommendation to the Board;</p> <p>9. Review the performance of PGCEO and senior-most executives in UMW Group (Job Grades 22 and above) for determining the annual performance-based reward and for approving the renewal of their service contracts, when applicable;</p> <p>10. Review management's proposals for the nomination/appointment, non-renewal/renewal/extension, dismissal/appeal, transfer/promotion and resignation/reassignment of senior-most executives in UMW Group (Job Grades 22 and above), for recommendation to the Board;</p> <p>11. Review management's proposals for the appointment of Advisors for incumbents in Job Grades 22 and above.</p> <p>12. Review and approve the performance of the Group Secretary based on recommendations by PGCEO;</p> <p>13. Make recommendations to the Board on plans for succession for members of the Board, PGCEO, UMW Group's senior-most executives (Job Grades 22 and above) and the Group Secretary;</p> <p>14. Review and approve the human resource strategy and plan, including succession management framework and human resource</p>
--	--

	<p>activities and initiatives, and the annual manpower budget, for recommendation to the Board;</p> <p>15. Recommend the engagement of external professional advisors to assist/advise NRC on leadership needs of UMW Group, where necessary;</p> <p>16. Ensure that UMW discloses in its annual report a statement on the activities of NRC in the discharge of its nomination functions for the financial year; and</p> <p>17. Carry out any function defined by the Board.</p> <p>Specific responsibilities in relation to remuneration matters include, to -</p> <ol style="list-style-type: none"> 1. Formulate the framework/policy for remuneration and compensation of Directors covering fees, allowances and benefits-in-kind for the Board, Board Committees and the PGCEO; 2. Review the remuneration/compensation framework/policies for the members of the Board, Board Committees and the PGCEO; 3. Review and recommend to the Board the remuneration of EDs and all executives in Job Grades 22 and above, based on individual performance; <p>The NRC has the authority to make decisions on matters which fall within its responsibilities or to submit to the Board its recommendations on matters which are within its purview, for the Board's consideration and approval. It may obtain independent professional or other advice and may request the attendance of persons at meetings, if necessary. The NRC also has full and unrestricted access to information or record relevant to its function.</p> <p>The NRC meets six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the NRC. The NRC met nine (9) times in the year under review.</p> <p>The quorum for the NRC is three (3) members and each member of the NRC is entitled to one (1) vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the NRC is entitled to a second or casting vote.</p> <p>Other than the NRC members, the PGCEO, ED of GHRD and other Board members independent advisors and/or executives of UMW Group or other party, if deemed necessary, attend NRC meetings.</p> <p>The approved minutes of all NRC meetings are tabled to the Board for notation and kept by the Secretary as evidence that the NRC has</p>
--	--

discharged its functions. The Chairman of the NRC reports to the Board on significant issues or decision made within its purview after each NRC meeting.

The following key activities were carried out by the NRC for the financial year ended 31 December 2018 -

<p>Board and Board Committees Composition and TOR</p>	<ul style="list-style-type: none"> • Reviewed the composition of the Board and the Board of subsidiaries. • Reviewed the composition of Board Committees. • Reviewed the TOR of the NRC.
<p>Recruitment and Appointment of Directors</p>	<ul style="list-style-type: none"> • Reviewed the background, skills and experience of potential candidates for appointments on the Board and the Board Committees.
<p>Retirement/Re-election</p>	<ul style="list-style-type: none"> • Reviewed and recommended the retiring Directors who were eligible for re-election at the Company's 36th AGM. • Assessed and recommended the retention of Independent NED who will reach the nine (9) terms on 10 July 2018, for shareholders' approval at the 36th AGM.
<p>Renewal and Remuneration Package</p>	<ul style="list-style-type: none"> • Assessed and recommended the renewal of contracts for senior management and reviewed their remuneration package.
<p>Recruitment and Appointment of senior management</p>	<ul style="list-style-type: none"> • Reviewed the suitability for the appointment of senior management of the Group. • Reviewed the employment contract of senior management of the Group.
<p>Performance Review</p>	<ul style="list-style-type: none"> • Reviewed the performance of PGCEO and senior management for year 2017.
<p>Remuneration/Reward/Benefits for UMW Group</p>	<ul style="list-style-type: none"> • Reviewed the remuneration package for the PGCEO. • Reviewed and recommended the total remuneration package and reward (bonus and salary increment) for the Group.

		<ul style="list-style-type: none"> • Reviewed the Total Reward Strategy and Compensation Mix. • Reviewed the Post 2019 Budget Benefits Enhancement. • Reviewed the rationalisation plan at subsidiary. • Reviewed the fees and benefits of NEDs.
	Board Performance Evaluation and Improvement Programme	<ul style="list-style-type: none"> • Reviewed the evaluation exercise on the Board and Board Committees in respect of their performance in 2017. • Reviewed the results of the evaluation exercise and recommended improvement plans, where applicable.
	Key Performance Indicators and Talent Review	<ul style="list-style-type: none"> • Reviewed the Balanced Scorecard Framework and 2018 Corporate Dashboard for PGCEO and senior management.
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The annual Board 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 entrusted the NRC with the responsibility of annually reviewing the required mix of skills, attributes and core competencies of its Directors to ensure continuous effectiveness of the Board. The Board has implemented a process to be carried out by the NRC for assessing the effectiveness of the Board as a whole and the effectiveness of each Director, including the Chairman.</p> <p>The NRC performed the Board and Board Committees evaluation as well as individual Directors' self and peer evaluation for the financial year ended 31 December 2018. At the moment, the exercise was carried out internally by GSD based on a detailed questionnaire adopting the latest CG framework and best practices. As part of our continuous improvement initiatives, the questionnaires for Board Performance Evaluation 2018 (BPE) have been carefully reviewed and enhanced by benchmarking against the latest CG principles and best practices, both locally and aboard, to enable Board members to objectively measure the level of performance, competencies and effectiveness of the Board, its committees and each individual Director.</p> <p>In 2018, the BPE was carried out electronically (e-BPE) via web-based application to provide Board members with the ease of accessibility and convenient. With the e-BPE, it provides GSD with significant improvement in turnaround time for the administration of data collection and process. The e-BPE has also enabled GSD to gather all responses/comments to questionnaires in a real-time environment using one integrated web system.</p> <p>In reviewing the performance of the Board and the contribution of the Chairman and individual Directors, performance was assessed and</p>

measured against, among others, the Group’s strategic plan, principle duties expected of the Board, the Chairman and Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution. The questionnaires for the BPE comprised the Board, Board Committee members’ Self and Peer Assessment. The evaluation exercise took into account whether -

1. NEDs have adequate time to spend on matters pertaining to the Company’s operations;
2. Full consideration has been given to succession planning, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed in the Board in the future;
3. Review of the structure, size and composition (including the skills, knowledge and experience) and gender diversity, ethnicity and age of the Board has been undertaken and changes recommended to the Board;
4. Appropriate recommendations have been made to the Board on the re-election/re-appointment of NEDs; and
5. Leadership needs of the organisation, both executive and non-executive, have been reviewed.

In addition, the NRC performed an assessment on the independence and effectiveness of Independent Directors as recommended under MCCG 2017. The assessment took into account Independent Directors’ skills and competencies as well as the independent criteria stipulated in MMLR, which require Independent Directors to be independent of management and free from any business or other relationships that could impair independent judgement, objectivity and ability to act in the best interests of the Company. Due consideration was also given as to whether the Independent Director can continue to bring independent and objective judgement to Board deliberations.

The findings of the evaluation were summarised and presented to the NRC. The Chairman of the NRC subsequently met with the Group Chairman to discuss the findings and results of the overall evaluation of the Board, the Board Committees and individual Directors and to recommend areas of continuous improvement, where applicable. The overall results of the evaluation conducted, and improvements recommended were discussed at the NRC meeting on 15 February 2019 and presented at the Board meeting on 27 February 2019.

The BPE is assessed using the following criteria -

Evaluation	Key Assessment Criteria
Individual Directors’ Self and Peer Evaluation	<ul style="list-style-type: none"> • Fit and proper • Contribution and performance • Calibre and personality • Independence, objectivity and professionalism

	<p>Board Skills Matrix</p> <ul style="list-style-type: none"> • Strategy and entrepreneurship • Legal and regulatory requirements • Corporate Governance, Risk management and internal controls • Audit, accounting, financial reporting and taxation • Human capital • Marketing and sales • Information Technology • Production and Quality Assurance
	<p>Board and Board Committee Evaluation</p> <ul style="list-style-type: none"> • Structure and characteristics • Quality of information and decision making • Boardroom activities • Board Committees' performance • Board's relationship with management
	<p>President & Group CEO Evaluation</p> <ul style="list-style-type: none"> • Leadership and • Strategy formulation and execution • Financial planning and performance • Relationship with the board • External relations • Human resources management and relations • Succession • Product and service knowledge • Personal qualities
	<p>Independent Director's Self-Assessment</p> <ul style="list-style-type: none"> • General assessment to evaluate the Independent Director's level of independence and effectiveness as recommended under Principle A of the MCCG 2017.
	<p>Audit Committee Evaluation</p> <ul style="list-style-type: none"> • Quality and composition • Skills and competencies • Meeting administration and conduct
	<p>Audit Committee Members' Self and Peer Evaluation</p> <ul style="list-style-type: none"> • Aptitude and ability • Experience/Financial literacy • Ongoing education to improve understanding • Ability to analyse/evaluate information • Ability to understand the group's significant financial and non-financial risks

- Ability to understand Company's compliance processes
- Ability to understand financial and statutory reporting requirements
- Accounting policies and reporting practices and statutory reporting requirements

Under the Individual Directors' Self and Peer Evaluation, the results have shown that the Board has continued to be effective and engaged with robust discussion and has discharged its function well, based on the complexity of the Group's business activities and the current challenging economic climate.

With regard to Board Skills Matrix, the Board is made up of individual with relevant skills, knowledge, expertise and experience in line with the Group's strategy. Specific areas for the Board members to enhance their knowledge and competencies were also noted by the Board.

Based on the results of Board and Board Committee Evaluation, the Board and Board Committees have continued to be effective and engaged with robust discussion and have discharged their functions, duties and responsibilities well, in accordance with the TOR of respective Board Committees.

On the result of assessment of independence and effectiveness of Independent Directors, it was noted that all INEDs met all criteria of an Independent Directors as required under the MMLR and as recommended by the MCCG 2017. The Board is satisfied with the level of independence of the INEDs and their ability to act in the best interests of the Company. The INEDs are expected to continue to give independent views, advice and judgment to ensure a balanced and unbiased decision-making process at the Board.

With regard to the Audit Committee Evaluation, the AC has continued to show commendable performance in 2018 with all four (4) members having demonstrated a high degree of independency, professionalism and integrity, with balanced diversity, skills and experience. From the results, it can be concluded that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with its TOR.

Based on the Audit Committee Members' Self and Peer Evaluation, the AC members have exhibited a high level of dynamism, integrity, professionalism and has the required expertise in handling issues relating to corporate accounting practices, financial reporting, the effectiveness of the Group's internal controls and risk management processes as well as maintaining oversight of both external and internal audit functions of the Group.

	<p>Based on the analysis carried out, it was noted that the AC members have provided valuable recommendations and views to assist the Board in making informed decisions and discussions on high level review of financial reporting process and financial statements.</p> <p>In relation to the President & Group CEO Evaluation, the Board found Badrul Feisal to be a dynamic individual that display good leadership with the competency to formulate and execute strategy. Badrul Feisal also possesses good understanding on business trends, opportunities and priorities affecting the Group. He also maintains strong working relationship with the Board and various stakeholders.</p> <p>Overall, the evaluation results have shown that the Board has continued to be effective and engaged and has discharged its function, duties and responsibilities well based on the complexity of the Group’s business activities and the current challenging economic climate. The evaluation demonstrate that the Board is made up of individual with relevant skills, knowledge, expertise and experience in line with the Group’s strategy.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure</p>	<p>: The Board is considering engaging independent consultant to carry out the annual Board evaluation exercise in 2020.</p>	
<p>Timeframe</p>	<p>: One year</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.

Application	:	Applied
Explanation on application of the practice	:	<p>Presently the Company employs formal procedures to determine the remuneration of Directors and senior management. However, it aims to set remuneration for Directors 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 Company's performance and market conditions.</p> <p>The NRC assists the Board in developing and determining the remuneration package for the Board, Board Committees, PGCEO and members of the senior management of the Group. The remuneration of Executive Director (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 Company 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</p>

	<p>NEDs' remuneration was approved by shareholders at the 33rd AGM of the Company held on 28 May 2015.</p> <p>The Board is proposing a review of the existing Directors' fees and meeting allowance for NEDs in 2019 in view that fair remuneration is critical to attract, retain and motivate Directors with strong credentials and high calibre to drive the Company's long-term objectives. The review in NEDs' remuneration package takes into account the complexity of the Company's businesses and the individual's level of expertise, commitment and responsibilities. In addition, the remuneration of NEDs is also set at a competitive level for similar roles within comparable market to commensurate with the NEDs' responsibilities, commitments and contributions.</p> <p>In reviewing the Directors' fee and meeting allowance for NEDs, a comprehensive benchmarking exercise was carried out with several comparable public listed companies. The review exercise also took into account the findings from the Report on NEDs Remuneration 2017 by a prominent audit firm.</p> <p>In addition, there is also a need to review the existing Directors' fees paid to NEDs serving as Chairman and Directors at the Board of subsidiaries in the Group, as the review exercise has not been carried out for more than 10 years.</p> <p>The proposed review was comprehensively deliberated by the NRC and was duly approved by the Board for tabling at this AGM for shareholders' approval. The proposed increase in Directors' fee and meeting allowance for NEDs, if approved, is to be effective for the period from 24 May 2019 until the next AGM of the Company.</p> <p>The Board was of the view that the proposed increase of Directors' fees is reasonable, fair and within the market range.</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>Explanation for departure :</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>	

Measure	:		
Timeframe	:		

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.

Application :	Applied
Explanation on application of the practice :	<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 available at the Company's website at www.umw.com.my, our Board-Board Charter.</p> <p>Under MCCG 2017, 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> <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 Independent Director.</p>

A formal review of Directors' remuneration is undertaken once every two (2) years in accordance with the Board Charter. All Directors, Executive and Non-Executive, abstain from deliberations and voting on decisions in respect of their individual remuneration. The last review on NEDs' remuneration was approved by shareholders at the 33rd AGM of the company held on 28 May 2015.

Pursuant to Section 230(1) of the 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 this AGM for the payment of Directors' fees to the NEDs of the Company and to NEDs who sit on the Board of Director of subsidiaries as proposed above.

Directors' Fees

The Board is proposing a review of the existing Directors' fees for NEDs in 2019 in view that fair remuneration is critical to attract, retain and motivate Directors with strong credentials and high caliber to drive the Company's long-term objectives. The review in NEDs' remuneration package takes into account the complexity of the Company's businesses and the individual Director's level of expertise, commitment and responsibilities. In addition, the remuneration of NEDs is also set at a competitive level for similar roles within comparable market to commensurate with the NEDs' responsibilities, commitments and contributions.

In reviewing the Directors' fee, a comprehensive benchmarking exercise was carried out with several comparable public listed companies. The review exercise also took into account the findings from the Report on NEDs Remuneration 2017 by a prominent audit firm.

In addition, there is also a need to review the existing Directors' fees paid to NEDs serving as Chairman and Directors at the board of subsidiaries in the Group, as the review exercise has not been carried out for more than 10 years.

The proposed review was comprehensively deliberated by the NRC and was duly approved by the Board for tabling at this AGM for shareholders' approval. The proposed increase in Directors' fee for NEDs, which is to be effective for the period from 24 May 2019 until the next AGM of the Company, is as follows -

- a) Increase of Directors' fee to Non-Executive Chairman from RM25,000 per month to RM27,500 per month;
- b) Increase of Directors' fee to Non-Executive Director from RM12,500 per month to RM13,750 per month;
- c) Increase of Directors' fee to each Non-Executive Director who is the Chairman at the board of subsidiaries from RM2,000 per annum to RM10,000 per annum; and
- d) Increase of Directors' fee to each Non-Executive Director who is a Director at the board of subsidiaries from RM2,000 per annum to RM8,000 per annum.

The Board is of the view that the proposed increase of Directors' fees is reasonable, fair and within the market range.

The benefits payable comprise meeting allowance, benefits and other emoluments payable to the Non-Executive Chairman and Non-Executive Directors of the Board, Board Committees and the Board of subsidiaries.

Meeting allowance

As part of the review exercise on NEDs' remuneration, the Board is also proposing for an increase in meeting allowance as follows -

Meeting Allowance (per meeting)	Existing (From 1 January 2010)	Proposed
Chairman of the Board of the Company	RM1,500	RM2,250
Chairman of Board Committees of the Company	RM1,500	RM2,000
Members of the Board/Board Committees of the Company	RM1,000	RM1,500
Chairman of the Board of Subsidiaries	RM1,500	RM2,000
Members of the Board/Board Committees of Subsidiaries	RM1,000	RM1,500

In determining the proposed increase in meeting allowances, the Board took into consideration among others, the number of meetings of the Board and Board Committees as well as the need for NEDs to dedicate more time, focus and commitment with reference to their statutory duties, the complexity of the Group's businesses and the increased expectations from various stakeholders. A benchmarking exercise was also carried out with several comparable public listed companies.

The Board is also recommending a differentiation in meeting allowance to be paid to the Non-Executive Chairman of the Company in view of the bigger role and responsibility, and leadership as Chairman of the Board.

The Board is of the view that the proposed increase in meeting allowance for NEDs is fair and equitable.

Other benefits and emoluments

The customary benefits and other emoluments payable to the Non-Executive Chairman and Non-Executive Directors comprising, among others, the following -

Non-Executive Chairman	Non-Executive Directors
<ul style="list-style-type: none"> • Leave passage; • Medical and insurance coverage; • Car, petrol/toll charges and driver; • Club memberships; • Telecommunication devices (including bills); • Per diem allowance; • Security services; and • Other claimable benefits. 	<ul style="list-style-type: none"> • Medical and insurance coverage; • Car and petrol/toll charges; • Telecommunication devices (including bills); • Per diem allowance; and • Other claimable benefits.

	<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 amount of benefits payable to NEDs for the period from 24 May 2019 until the next AGM of the Company is up to the amount of RM1,850,000. 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 opined that it is equitable and fair for the Non-Executive Chairman and Non-Executive Directors to be paid such payment on such basis upon them discharging their responsibilities and rendering their services to the Company and its subsidiaries.</p>	
<p>Explanation : for departure</p>		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

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.

Application :	Applied																																																										
Explanation on application of the practice :	<p>In line with best corporate governance 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 PGCEO in 2018 is set out in the tables below -</p> <ul style="list-style-type: none"> <u>NEDs</u> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of NEDs</th> <th>Directors' Fees (RM'000)</th> <th>Other emoluments (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Tan Sri Dato' Sri Hamad Kama Piah Che Othman</td> <td>304</td> <td>63</td> <td>168</td> </tr> <tr> <td>2.</td> <td>Dato' Siow Kim Lun</td> <td>150</td> <td>65</td> <td>22</td> </tr> <tr> <td>3.</td> <td>Khalid Sufat</td> <td>150</td> <td>58</td> <td>29</td> </tr> <tr> <td>4.</td> <td>Tan Sri Hasmah Abdullah</td> <td>150</td> <td>30</td> <td>20</td> </tr> <tr> <td>5.</td> <td>Dato' Eshah Meor Suleiman</td> <td>150</td> <td>32</td> <td>22</td> </tr> <tr> <td>6.</td> <td>Datin Paduka Kartini Hj Abdul Manaf*</td> <td>150</td> <td>45</td> <td>1</td> </tr> <tr> <td>7.</td> <td>Dr Veerinderjeet Singh a/l Tejwant Singh</td> <td>150</td> <td>32</td> <td>28</td> </tr> <tr> <td>8.</td> <td>Salwah Abdul Shukor</td> <td>150</td> <td>28</td> <td>21</td> </tr> <tr> <td>9.</td> <td>Mohd Shahazwan Mohd Harris</td> <td>150</td> <td>38</td> <td>27</td> </tr> <tr> <td>10.</td> <td>Lim Tze Seong^ (appointed 1 January 2018)</td> <td>150</td> <td>13</td> <td>11</td> </tr> </tbody> </table> <p>Notes-</p> <p>* Directors' fee paid to Permodalan Nasional Berhad</p> <p>^ 50% of Directors' fee paid to Employees Provident Fund Board</p>				No.	Name of NEDs	Directors' Fees (RM'000)	Other emoluments (RM'000)	Benefits-in-kind (RM'000)	1.	Tan Sri Dato' Sri Hamad Kama Piah Che Othman	304	63	168	2.	Dato' Siow Kim Lun	150	65	22	3.	Khalid Sufat	150	58	29	4.	Tan Sri Hasmah Abdullah	150	30	20	5.	Dato' Eshah Meor Suleiman	150	32	22	6.	Datin Paduka Kartini Hj Abdul Manaf*	150	45	1	7.	Dr Veerinderjeet Singh a/l Tejwant Singh	150	32	28	8.	Salwah Abdul Shukor	150	28	21	9.	Mohd Shahazwan Mohd Harris	150	38	27	10.	Lim Tze Seong^ (appointed 1 January 2018)	150	13	11
No.	Name of NEDs	Directors' Fees (RM'000)	Other emoluments (RM'000)	Benefits-in-kind (RM'000)																																																							
1.	Tan Sri Dato' Sri Hamad Kama Piah Che Othman	304	63	168																																																							
2.	Dato' Siow Kim Lun	150	65	22																																																							
3.	Khalid Sufat	150	58	29																																																							
4.	Tan Sri Hasmah Abdullah	150	30	20																																																							
5.	Dato' Eshah Meor Suleiman	150	32	22																																																							
6.	Datin Paduka Kartini Hj Abdul Manaf*	150	45	1																																																							
7.	Dr Veerinderjeet Singh a/l Tejwant Singh	150	32	28																																																							
8.	Salwah Abdul Shukor	150	28	21																																																							
9.	Mohd Shahazwan Mohd Harris	150	38	27																																																							
10.	Lim Tze Seong^ (appointed 1 January 2018)	150	13	11																																																							

	<ul style="list-style-type: none"> • <u>ED/PGCEO</u> <table border="1" data-bbox="466 264 1273 555"> <thead> <tr> <th data-bbox="466 264 759 479"></th> <th data-bbox="759 264 940 479">Salary and other emoluments (RM'000)</th> <th data-bbox="940 264 1118 479">Pension cost-defined contribution plan (RM'000)</th> <th data-bbox="1118 264 1273 479">Benefits-in-kind (RM'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="466 479 759 555">Badrul Feisal Abdul Rahim</td> <td data-bbox="759 479 940 555">1,823</td> <td data-bbox="940 479 1118 555">292</td> <td data-bbox="1118 479 1273 555">154</td> </tr> </tbody> </table> <p data-bbox="432 562 501 584">Note:</p> <ul style="list-style-type: none"> • Directors' fees include amounts received from the Company and its subsidiaries. • Other emoluments include meeting allowance and per diem allowance received from the Company and its subsidiaries. • Benefits-in-kind ("BIKs") for all NEDs include car and petrol/toll charges, telecommunication devices (including bills), insurance and medical coverage worldwide and other claimable benefits. Additionally, BIKs for Chairman include among others, leave passage, club memberships and security services. 		Salary and other emoluments (RM'000)	Pension cost-defined contribution plan (RM'000)	Benefits-in-kind (RM'000)	Badrul Feisal Abdul Rahim	1,823	292	154
	Salary and other emoluments (RM'000)	Pension cost-defined contribution plan (RM'000)	Benefits-in-kind (RM'000)						
Badrul Feisal Abdul Rahim	1,823	292	154						
Explanation : for departure									
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.									
Measure :									
Timeframe :									

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.

Application	:	Departure						
Explanation on application of the practice	:							
Explanation for departure	:	<p>The Board is of the opinion that the detailed disclosure of senior management's remuneration components on a named basis would not be in the best interest of the Group due to confidentiality, competitiveness and security concerns.</p> <p>As an alternative, the Board discloses the remuneration of the MC members for the financial year 2018 on an aggregated basis as follows -</p> <table border="1"><thead><tr><th>Name of MC members (excluding the PGCEO)</th><th>Range of total remuneration</th></tr></thead><tbody><tr><td><ul style="list-style-type: none">• Zailani Ali• Roza Shahnaz Omar• Muzafar Munzir</td><td>RM500,001 to RM1,000,000</td></tr><tr><td><ul style="list-style-type: none">• Azmin Che Yusoff• Ravindran Kurusamy• Lee Chin Min• Megat Shahrul Azmir Nordin• Dr Wafi Nazrin Abdul Hamid</td><td>RM1,000,001 and above</td></tr></tbody></table> <p>The Board, however, ensures that the remuneration of MC members commensurate with the performance of the Company, with due consideration to attract, retain and motivate them. Excessive remuneration payouts are not made to any MC members in any instance.</p> <p>The current disclosure on an aggregate basis will allow stakeholders to make an appreciable link between the remuneration of MC members and the performance of the Group.</p>	Name of MC members (excluding the PGCEO)	Range of total remuneration	<ul style="list-style-type: none">• Zailani Ali• Roza Shahnaz Omar• Muzafar Munzir	RM500,001 to RM1,000,000	<ul style="list-style-type: none">• Azmin Che Yusoff• Ravindran Kurusamy• Lee Chin Min• Megat Shahrul Azmir Nordin• Dr Wafi Nazrin Abdul Hamid	RM1,000,001 and above
Name of MC members (excluding the PGCEO)	Range of total remuneration							
<ul style="list-style-type: none">• Zailani Ali• Roza Shahnaz Omar• Muzafar Munzir	RM500,001 to RM1,000,000							
<ul style="list-style-type: none">• Azmin Che Yusoff• Ravindran Kurusamy• Lee Chin Min• Megat Shahrul Azmir Nordin• Dr Wafi Nazrin Abdul Hamid	RM1,000,001 and above							

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

Measure	:	The Board will closely monitor developments in the market in respect of such disclosure for future consideration.	
Timeframe	:	Others	Within 2 years or any prescribed period when the disclosure is made mandatory.

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The AC comprises of four (4) NEDs, all of whom are INEDs. Details of the AC composition are set out on page 93 of the Annual Report.</p> <p>The Chairman of the AC, Khalid Sufat, is an INED. He is not the Chairman of the Board. Tan Sri Dato’ Sri Hamad Kama Piah is the Chairman of the Board and he does not sit on any Board Committees of UMW.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The AC has always uphold the need to maintain high level of independence and objectivity in audit process and hence, the 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.</p> <p>None of the members of the Board were former key audit partners within the cooling-off period of two (2) years.</p> <p>The Terms of Reference of the AC has been recently amended to include a requirement for a former key audit partner to observe a cooling off period of two (2) years before being appointed as an AC member. This is to ensure that the objectivity, independence and effectiveness of the External Auditors are maintained.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<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, reappointment 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 2018 reviewed the results of the External Auditors' Performance and Independence Evaluation which was carried out for the financial year ended 31 December 2017 to evaluate the suitability, effectiveness and independence of the Company's external auditors as recommended under Principle B of the MCCG 2017.</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>Generally, 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 to reinforce the independence of the external auditors from the management of the Company by providing platform to AC members to make inquiries 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 2018, AC held two private sessions with the external auditor, Messrs Ernst & Young (EY) on 6 April 2018 and 23 November 2018.</p> <p>In addition, the external auditors had also provided written assurance to the AC that they were and had been independent throughout the audit engagement for 2018, in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of</p>

	<p>Accountants (MIA).</p> <p>The UMW Group conforms to the requirements of MIA in ensuring that the Lead Audit Partner of the external auditors is subjected to a five-year rotation with a five-year cooling-off period.</p> <p>Based on the evaluation conducted, the AC is satisfied with EY's performance, technical competencies and audit independence. The AC is also satisfied with the level of caliber 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 the assessment of the external auditors, the Board had in 21 February 2019 approved the AC's recommendation for the shareholders' approval to be sought at the forthcoming AGM on the reappointment of EY as external auditors of the Company for the financial year 2019.</p>	
<p>Explanation for departure</p>		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure</p>		
<p>Timeframe</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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The AC members comprises entirely of INED as follows -</p> <ul style="list-style-type: none">• Khalid Sufat (Chairman);• Dato' Siow Kim Lun;• Tan Sri Hasmah Abdullah; and• Dr Veerinderjeet Singh. <p>The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of MMLR and are reflected in the TOR of AC which is available on the Company's official website at www.umw.com.my</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC has an Independent Chairman, Khalid Sufat who is not the Chairman of the Board. He is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants (MICPA). As an accountant by profession, Khalid Sufat has broad experience in the banking industry having held several senior positions in various banks from 1994 to 2000. These experiences had led him to become involved in the managing and restructuring of a number of public-listed companies.</p> <p>Dato' Siow Kim Lun has considerable experience in investment banking and securities market regulation. He was with the Securities Commission from 1993 to 2006 where he had served as its Director of Issues & Investment Division and Director of Market Supervision Division.</p> <p>Tan Sri Hasmah Abdullah is a Fellow Member of the Chartered Tax Institute of Malaysia (CTIM) and had a distinguished career with the Inland Revenue Board (IRB) spanning over 37 years. She was the former Chief Executive Officer and Director-General of IRB from 19 October 2006 to 7 January 2011. Due to her vast experience, she was recently appointed as chairperson of the Tax Reform Committee of Malaysia set up by the Ministry of Finance (MOF).</p> <p>Dr Veerinderjeet Singh is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Chartered Tax Institute of Malaysia. He has extensive tax experience, having been a tax partner in international accounting firms and having worked with the Malaysian Inland Revenue Department. He has broad experience of a wide range of tax matters and was also recently appointed as member of the Tax Reform Committee of Malaysia set up by MOF.</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>The Board via its NRC had conducted a comprehensive review on the performance of the AC for the financial year ended 31 December 2018 in February 2019. The evaluation is specifically designed to evaluate the AC in relation to membership composition, skills and competencies, dynamism, and effectiveness as well as members' accountability in discharging their duties and responsibilities in accordance with the AC's TOR, as required under the MMLR and recommended under Principle B of the MCCG 2017.</p> <p>Based on the results of the evaluation, the Board is of the view that the AC has continued to show commendable performance in 2018 with all members having demonstrated a high degree of independence, professionalism and integrity, with balanced diversity, skills and experience.</p> <p>The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR. The AC has contributed significantly in the Board's deliberation of financial reporting process and financial statements. During the period under review the AC was involved and dealt with various issues relating to financial reporting, external and internal audit findings, related party transactions and internal controls.</p> <p>Details of the summary of work performed by the AC are provided in the AC Report on pages 95 to 100 of the Annual Report.</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 AC members.</p> <p>The summary of relevant programmes attended by the AC members in 2018 is provided in the AC report on page 94 of the Annual Report.</p>
<p>Explanation for departure :</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>	
<p>Measure :</p>	

Timeframe	:		
------------------	---	--	--

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Risk Management and Internal Controls Systems for managing risks and internal controls affecting its business operations. The realisation of Risk Management and Internal Controls Systems 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, which comprise Board members.</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">1. First Line of Defence is provided by senior management;2. Second Line of Defence is provided by the Group Risk Management Division, Group Compliance Department and Group Integrity Unit; and3. Third Line of Defence is provided by the GIAD. <p>Further details on the risk management and internal control systems are provided in the Statement on Risk Management & Internal Controls on pages 83 to 92 of the Annual Report.</p>
Explanation for departure	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Enterprise Risk Management (ERM) policy, review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and risk indicators. The Committee 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 Group has an 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 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.</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>Further details on the risk management and internal control systems are provided in the Statement on Risk Management & Internal Controls</p>

	on pages 83 to 92 of the Annual Report.	
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee (RMC) comprises of three (3) INEDs and one (1) NED.</p> <p>Members of the RMC, which comprise a majority of INEDs, consist of the following -</p> <ul style="list-style-type: none">• Tan Sri Hasmah Abdullah INED (Chairperson);• Dato' Eshah Meor Suleiman INED;• Salwah Abdul Shukor NED; and• Dr Veerinderjeet Singh INED (appointed with effect from 1 March 2019 in place of Mohd Shahazwan Mohd Harris)

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.

Application	:	Applied
Explanation on application of the practice	:	<p>It is the policy of the Group to maintain an internal audit function as a primary resource of AC in the effective discharge of its duties and responsibilities by reviewing and evaluating the Group's operations.</p> <p>The Group has an in-house internal audit function which is carried out by GIAD. GIAD 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 of the adequacy and effectiveness of the risk management and internal control system, and governance processes within the Group.</p> <p>In developing its annual audit plan, GIAD adopts a risk-based approach based on the Group's risk profile. It 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, is adequately monitored and enhanced when the need arises. The audit also covers the Group's major information systems and applications.</p> <p>The AC on 12 February 2018, 8 August 2018 and 15 November 2018, reviewed and monitored the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. GIAD is a corporate member of the Institute of Internal Auditors Malaysia (IIAM) and subscribes to the standards issued by IIAM.</p> <p>GIAD performed its audit activities in accordance with 2018 Audit Plan which was approved by the AC on 24 November 2017. GIAD's 2018 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. The AC noted the key objectives and action plans under the 2018 Audit Plan and approved GIAD's budget for 2018, covering among others, the financial budget and manpower planning, to ensure that all high risk areas are audited annually with adequate resources and budget to meet the planned audit activities across the Group.</p> <p>Audit findings which require follow-up action, as well as outstanding audit issues which require corrective action by management, are highlighted to the MAC. MAC reviews the reports of GIAD for the purpose of assessing the adequacy and integrity of the system of</p>

	<p>internal controls of the Group. MAC reports are prepared and compiled by the Group Compliance Department based on responses given at meetings and follow-up discussions. MAC reports are presented to the AC by the Chairman of MAC on a quarterly basis. A summary of activities carried out by GIAD are provided in the AC Report on page 100 of the Annual Report.</p>	
<p>Explanation for departure</p>		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure</p>		
<p>Timeframe</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 10.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>GIAD is independent of the Group's business operations and has a group-wide mandate set out in its Audit Charter approved by the AC of the Board. GIAD performed its audit functions as per the standards imposed 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 Internal Audit Charter emphasize on its independency and objectivity and shall remain free from interference by any elements in the Group. GIAD have no direct operational responsibility or authority over any of the activities audited. The Head of GIAD, Norchahya Ahmad is an accountant by profession with more than 20 years of experience in internal audit and risk management. She currently sits on the Board of Governors of the IIAM. In line with the Internal Audit Charter, she will make confirmation to the AC, at least annually, the organisational independence of the internal audit function.</p> <p>The Head of GIAD reports functionally to the AC and administratively to the PGCEO. She is currently supported by 33 internal auditors, the majority of whom have relevant qualifications and work experience with diverse background. GIAD staff are encouraged to continuously enhance their knowledge, skills and competencies through relevant professional audit certifications, seminars, courses and on-the-job trainings as well as attachment to operating companies to ensure that they are competent to meet the needs of the changing business environment.</p> <p>GIAD is a corporate member of the IIAM and subscribed to the standards issued by IIAM. In addition, GIAD also adhere to the Group's relevant policies and procedures and the GIAD's Internal Auditing Procedures and Guidelines Manual as well as Quality Assurance Guidelines.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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 media/public and disclosures made to Bursa Securities are in accordance with the Corporate Communications Policy and the disclosure requirements of MMLR. The Group Chairman, PGCEO and Group Chief Operating 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 appropriate platforms as follows –</p> <ol style="list-style-type: none">1. Engagement with shareholders, investors and analysts <p>The Group via its corporate website at <i>www.umw.com.my</i> provides easy access to corporate information of the Group and its activities. The corporate information includes details on Board and MC, Board Charter and TOR are available on its CG 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 who are unable to attend these meetings.</p> <p>Quarterly IR updates 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 IR updates provide detailed analysis of the Group's quarterly operations, variances and general prospects.</p> <p>Dialogues and briefings with/for 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 and operations. The annual report contents are continuously enhanced to better reflect transparency and accountability.</p> <p>The Company disseminates its annual report to its shareholders in CD ROM media but shareholders may also request for a printed copy of the annual report if they wish to.</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 which were held every quarter.</p> <p>3. Engagements with local communities</p> <p>UMW engages with its local communities through Corporate Social Responsibility (CSR) initiatives which focus on education, environment and community development. In 2018, more than 17 CSR activities i.e. tree planting, outreach programmes, beach cleaning, festive celebrations with underprivileged communities, etc, were carried out by the Group that benefited approximately 5,000 beneficiaries.</p> <p>Further details on the Group's stakeholder engagement activities are available on the Company's website at www.umw.com.my</p>
<p>Explanation for departure :</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>	
<p>Measure :</p>	
<p>Timeframe :</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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	While certain elements of integrated reporting may be embodied in the Annual Report and the Sustainability Report of the Company, it is on the whole not an integrated report based on the parameters set out in the International Integrated Reporting Framework developed by the International Integrated Reporting Council.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Moving forward, the Company will endeavour to adopt integrated reporting based on a globally recognised framework.	
Timeframe	:	Others	Within a year.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company dispatched the notice of its 36th Annual General Meeting (AGM) giving a 28-day notice before the AGM, well in advance of the 21-day requirement under the CA 2016 and MMLR. This allows shareholders to make necessary arrangements to attend and participate in person or by appointing representatives or proxies in his stead.</p> <p>For the 2019 AGM scheduled to be held on 23 May 2019, the Company dispatched the notice on 25 April 2019 giving a 28-day notice before the AGM.</p> <p>UMW also dispatches an Administrative Guide along with the notice of the AGM which provides additional information to shareholders regarding details of the AGM, eligibility to attend the AGM, registration procedures and polling administration, appointment of a proxy and information as to who may count as a proxy.</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 AGM.</p>
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe		

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.

Application	:	Applied
Explanation on application of the practice	:	<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>At the 36th AGM held on 24 May 2018, all Directors who are also Chairmen of AC, NRC and RMC were present in person to engage directly with the shareholders. The Group's senior management was also present and available to answer queries or issues raised by the shareholders relating to the operations of the Company.</p> <p>The proceedings of the 36th AGM commenced with a presentation by the PGCEO on the Company's operations and financial performance for the preceding financial year, followed by the Company's responses to questions raised by shareholders and the Minority Shareholder Watchdog Group. These answers were posted to the Company's website for the benefit of other shareholders who were not present at the AGM.</p> <p>A press conference is held after each general meeting where the Group Chairman and PGCEO, as well as MC members advise the media on resolutions passed by shareholders, and brief the media on the operations, performance and financial results of the Group for the year under review. They also clarify issues and answer questions posed by the media to keep shareholders and the public updated on the progress of the Group's core businesses.</p> <p>In addition, shareholders can also submit any additional questions they might have via an enquiry box placed at the venue of the AGM so that these can be responded to in writing after the meeting.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is supportive of any technology that can facilitate voting in absentia and remote shareholders' participation at general meetings. However, the technology/facility to support voting in absentia was not available at previous AGMs of the Company.</p> <p>The Company, at its 36th AGM, adopted electronic poll voting (e-voting) for all resolutions proposed. This was conducted in accordance with Paragraph 8.29A of MMLR. UMW appointed Securities Services (Holdings) Sdn Bhd as Poll Administrator to conduct the polling process and Commercial Quest Sdn Bhd as Scrutineers to verify the poll results at the 36th AGM.</p> <p>Polls result were announced at the end of the AGM and these were submitted to Bursa Securities on the same day for benefit of all shareholders.</p> <p>The Share Registrar issued personalised passcode slips to shareholders upon registration to attend the AGM. The polling process for the resolutions was conducted only upon completion of the deliberation of all items transacted at the AGM. The e-voting tutorial video on the e-voting process was played at the AGM prior to the commencement of the e-voting. The shareholders or proxies were directed to the e-voting counters to cast their votes with his or her personalised passcodes issued earlier.</p> <p>The Company held its 36th AGM on 24 May 2018 at UMW Auditorium, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan. The venue was easily accessible and it was already familiar to the shareholders of the Company since the AGMs have been held at the same venue over many years.</p> <p>At the 36th AGM the shareholders approved on the proposed new Constitution which also allows general meetings to be convened at more than one (1) venue in future using technology or method that</p>

	<p>enables shareholders to participate and to exercise their rights to speak and vote at the meeting at different venues in accordance with Section 327(1) and (2) of CA 2016.</p> <p>The Company will consider all factors, including cost, appropriate framework and processes, as well as communication to shareholders, for implementation of voting in absentia and remote shareholders' participation at general meetings in future.</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	The Company is supportive of any technology that can facilitate voting in absentia or remote participation at general meetings and will endeavour to explore a suitable and reliable system to facilitate this.
Timeframe	:	Others

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.

Click here to enter text.

ⁱ Large Shareholder means a person who:

- is entitled to exercise, or control the exercise of, not less than thirty-three (33) per cent of the voting shares in the company;
- is the largest shareholder of voting shares in the company;
- has the power to appoint or cause to be appointed a majority of the directors of the company;
- has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

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 one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

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.