

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 2593  
**COMPANY NAME** : United Malacca Berhad  
**FINANCIAL YEAR** : April 30, 2020

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the Board of Directors (the "Board") of United Malacca Berhad ("UMB" or the "Company") is to protect and enhance the interest of the shareholders and stakeholders whilst enabling the Company to achieve its long term profitability and sustainability.</p> <p>In line with its value creation role, the Board assumes an active role in the development and oversight of the overall strategic direction of the Company and its subsidiaries (collectively referred to as the "Group").</p> <p>The Board strives to ensure appropriate governance structure is in place and high standards of corporate governance are practised throughout the Group to facilitate an effective, entrepreneurial and prudent Management that can deliver long-term success.</p> <p>During the financial year ended 30 April 2020 ("FY 2020"), the Group continued to focus on generating growth and creating value. Additionally, the Group is also paying close attention to its plantation operations in PT Lifere Agro Kapuas ("LAK") targeting to plant over 2,000 hectares of palm oil trees.</p> <p>Due to the pandemic caused by COVID-19 and the Movement Control Order ("MCO") imposed by the government, many businesses have been adversely affected. The Group has assessed the short and medium-term impact on the business operations and have recalibrated the business plan/strategy to weather the situation.</p> <p>The Board welcomed Mr Tee Cheng Hua, a Non-Independent Non-Executive Director and his alternate, Dato' Sri Tee Lip Sin, who were both appointed on 1 October 2019. Their appointments will enhance the skills and expertise of UMB Board. For FY2020, all the Directors</p>

	<p>recorded full attendance of the Board meetings by attending all five meetings held.</p> <p>All Directors made aware of the Directors' Code of Ethics which was established to govern ethical behaviour based on trust and joint responsibility and to abide by them. The Directors' Code of Ethics is available on UMB's website. Meanwhile, employees' ethical conduct and business practices are detailed in current policies.</p> <p>In line with UMB's vision towards a sustainable future, the Board and Management have incorporated relevant economic, environmental and social considerations into the Group's strategy and operations. UMB's 14 estates and 2 palm oil mills in Malaysia have been successfully certified by the Malaysian Palm Oil Board as complying with the Code of Good Agriculture and Milling Practices. In addition, all UMB's estates and mills in Malaysia have obtained the Malaysian Sustainable Palm Oil ("MSPO") certification. The estate in Indonesia has obtained the Indonesian Sustainable Palm Oil ("ISPO") certification while the palm oil mill in Indonesia awaits stage 1 audit by the certification body appointed by the Indonesian Government in August 2020.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of UMB is led by Datin Paduka Tan Siok Choo, a Non-Independent Non-Executive Chairperson. She was first appointed to the Board on 8 December 1988 and was unanimously elected by UMB's Directors as the Chairperson on 28 July 2011.</p> <p>As Chairperson, she provides leadership and ensures the effective functioning of the Board. The Chairperson's responsibilities amongst other are to:</p> <ul style="list-style-type: none"> <li>• Act as a conduit between the Board and Management, including providing support and advice where necessary;</li> <li>• Lead the Board in setting the ethics and corporate conduct of the Group; and</li> <li>• Facilitate continuous communication with stakeholders and ensure input received from stakeholders is taken into consideration by the Board.</li> </ul> <p>The Chairperson seeks to drive high standards of corporate governance practices throughout the Group. The responsibilities of the Chairperson are codified in the Board Charter, which is available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the need to have a clear delineation of authority and responsibilities between the Chairperson of the Board and the Chief Executive Officer ("CEO"). The roles of Chairperson and CEO are therefore exercised by two distinct individuals to ensure an optimal check and balance, resulting in increased accountability and enhanced decision making.</p> <p>The Board is led by Datin Paduka Tan Siok Choo, a Non-Independent Non-Executive Director while the position of the CEO is helmed by Mr. Peter Benjamin.</p> <p>As outlined under Practice 1.2, the Chairperson is responsible for providing leadership to the Board to chart the Group's strategic direction. The CEO's responsibilities include:</p> <ul style="list-style-type: none"> <li>• Responsibility for day-to-day operations;</li> <li>• Liaising between the Board and the Management to facilitate corporate governance and management functions; and</li> <li>• Accountability to the Board for management performance and conduct.</li> </ul> <p>The respective duties and responsibilities of the Chairperson and CEO are encapsulated in the Board Charter, which is accessible on UMB's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of UMB is supported by two qualified and competent Company Secretaries, namely, Ms Yong Yoke Hiong and Ms Pang Poh Chen, both of whom have fulfilled the requirements enshrined in Section 235(2) of Companies Act 2016. Ms Yong is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") (MAICSA 7021707) whilst Ms Pang is a member of the Malaysian Association of Company Secretaries ("MACS") (MACS 01405).</p> <p>Both Company Secretaries facilitate the flow of information from Management to the Board and ensure that Directors receive the meeting materials in a timely manner. The Company Secretaries work alongside the Chairperson and in consultation with the Chief Executive Officer to formulate the agenda of Board and Board Committees. Beyond that, the Board is regularly apprised and advised by the Company Secretaries on statutory and regulatory requirements as well as pertinent governance matters.</p> <p>In order to upskill themselves and keep abreast with the latest developments in the corporate governance realm, the Company Secretaries have attended relevant training and continuous professional development programmes during the financial year ended 30 April 2020 such as Post Companies Act 2016 and Listing Requirements: Seeking Out Best Practices by Securities Industry Development Corporation (SIDC), Anti-Bribery and Corruption Awareness Programme (in-house training), MAICSA Annual Conference and The Company's Constitution Pre and Post Companies Act 2016 by Malaysian Association of Company Secretaries.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries as corporate governance counsel.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All the Board members are furnished with the notice and meeting agenda together with Board papers at least five (5) working days in advance of the meeting, as stipulated in the Board Charter. This is in line with Guidance to Practice 1.5 of the Malaysian Code on Corporate Governance ("MCCG") which specifies that "meeting materials should be circulated at least five business days in advance of the board meeting".</p> <p>Meeting materials provided to the Directors include the following:</p> <ul style="list-style-type: none"> <li>• A formal meeting agenda;</li> <li>• Minutes of previous meetings;</li> <li>• Reports of Board Committees;</li> <li>• Management proposals on business plans and strategies;</li> <li>• Budget review;</li> <li>• Forecasts of output and financial projections; and</li> <li>• Quarterly and annual financial reports.</li> </ul> <p>Proceedings of Board and Board Committee meetings are documented by the Company Secretaries. The minutes reflect key deliberations and decisions, rationale for each decision as well as any significant concerns, Directors' dissenting views and abstentions from voting. The draft meeting minutes are subsequently circulated to all Directors and confirmed at the next Board or Board Committee meetings.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of UMB is guided by the Board Charter which provides a concise overview of the role and responsibilities of the Board of directors; powers of the Board and Board Committees; separation of roles between the Board and Management; and the practice of the Board in respect of corporate governance matters. It is also a useful induction tool for new directors.</p> <p>The Board Charter of UMB outlines the following:</p> <ul style="list-style-type: none"> <li>• Board size and composition;</li> <li>• Appointment and re-election of Directors;</li> <li>• Independence of Directors;</li> <li>• Appointment of New Directors;</li> <li>• Tenure of Independent Directors;</li> <li>• Matters reserved for the Board;</li> <li>• Roles and responsibilities of the Board, Board Committees, Chairperson, individual Directors and the Chief Executive Officer;</li> <li>• Board evaluation and performance;</li> <li>• Directors' training and continuing education;</li> <li>• Code of Ethics and Conduct; and</li> <li>• Enforcement and review of the Board Charter.</li> </ul> <p>The Board Charter is reviewed periodically to ensure it reflects the current policies and expectations of the Board as well as compliance to the prevailing regulations and corporate governance practices. The Board Charter is available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In tandem with UMB's commitment to uphold high standards of professionalism, the Board has formalised the Director's Code of Ethics as well as a Code of Conduct and Ethics (the "Code") for all employees within the Group.</p> <p>In view of the enforcement of the corporate liability provision vide Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and reinforcement on the need for ethical policies as enshrined in paragraph 15.29 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board has approved an Anti-Bribery Policy. The Anti-Bribery Policy lays out procedures to mitigate risk of bribery, accountability and responsibility, reporting violations. Awareness training on anti-corruption and anti-bribery has been given to employees of UMB during the financial year while directors attended seminars organised by regulatory bodies.</p> <p>The Codes and the Anti-Bribery Policy are available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is committed to transparency and upholding integrity in day to day management. In line with this, the Board has formalised a set of Whistleblowing Policy and Procedures (the "Policy") enabling all employees to raise legitimate concerns without fear of retribution or retaliation, relating to any misconduct, non-compliance with legal enabling and regulatory requirements as well as other malpractices. Such misconduct may be reported in writing directly to the Chief Executive Officer and where the misdemeanor concerns Management, can be escalated to the Chairperson.</p> <p>All whistleblowing reports are treated with utmost confidence and are investigated thoroughly by Internal Auditor before tabling at the Audit Committee meeting for deliberation. The outcome of such investigation is then updated to the Board.</p> <p>The Whistleblowing Policy is available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied																											
<b>Explanation on application of the practice</b>	:	<p>At present, the Board comprises seven Directors, of which four are Independent Directors. The Board composition complies with the requirements that at least 1/3 of the Board comprises Independent Directors as stipulated under Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The presence of a majority Independent Directors allows checks and balances to facilitate objective and independent deliberation, review and decision making. Currently, the Board comprises:</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Directorship</th></tr></thead><tbody><tr><td>1.</td><td>Datin Paduka Tan Siok Choo (Chairperson)</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>2.</td><td>Tan Sri Dato' Ahmad Bin Mohd Don</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Mr. Tan Jiew Hoe</td><td>Independent Non-Executive Director</td></tr><tr><td>4.</td><td>Mr. Teo Leng</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>5.</td><td>Dato Dr. Nik Ramlah Binti Nik Mahmood</td><td>Independent Non-Executive Director</td></tr><tr><td>6.</td><td>Mr. Ong Keng Siew</td><td>Independent Non-Executive Director</td></tr><tr><td>7.</td><td>Mr. Tee Cheng Hua</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>8.</td><td>Dato' Sri Tee Lip Sin</td><td>Alternate Director</td></tr></tbody></table> <p>Additionally, the Board has appointed Tan Sri Dato' Ahmad bin Mohd Don as the Senior Independent Director. He acts as a confidant to Independent Directors and as a conduit between the Chairperson and the Independent Directors. He is also tasked to address any enquiries or governance concerns raised by employees or stakeholders whenever such enquiries or concerns are unsuitable to be raised through normal reporting channels.</p> <p>The Senior Independent Non-Executive Director and Independent Non-Executive Directors are independent from Management and have no relationship that could materially interfere with the exercise of</p>	No.	Name	Directorship	1.	Datin Paduka Tan Siok Choo (Chairperson)	Non-Independent Non-Executive Director	2.	Tan Sri Dato' Ahmad Bin Mohd Don	Senior Independent Non-Executive Director	3.	Mr. Tan Jiew Hoe	Independent Non-Executive Director	4.	Mr. Teo Leng	Non-Independent Non-Executive Director	5.	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Non-Executive Director	6.	Mr. Ong Keng Siew	Independent Non-Executive Director	7.	Mr. Tee Cheng Hua	Non-Independent Non-Executive Director	8.	Dato' Sri Tee Lip Sin	Alternate Director
No.	Name	Directorship																											
1.	Datin Paduka Tan Siok Choo (Chairperson)	Non-Independent Non-Executive Director																											
2.	Tan Sri Dato' Ahmad Bin Mohd Don	Senior Independent Non-Executive Director																											
3.	Mr. Tan Jiew Hoe	Independent Non-Executive Director																											
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5.	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Non-Executive Director																											
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8.	Dato' Sri Tee Lip Sin	Alternate Director																											

	<p>their independent judgement. Independent Directors are free to meet without the presence of Management on a regular basis, to candidly share concerns about the Group and exchange views on potential improvements in governance practices.</p> <p>In accordance with the Board Charter, the Board assesses the independence of Independent Directors annually. The assessment is intended to identify any indicators of entrenchment and to suggest possible measures to improve the Board's independence.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>At present, the tenure of two Independent Directors, namely Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe has exceeded the twelve-year mark since their initial appointment as Independent Directors on 1 October 2006 and 30 March 2007 respectively.</p> <p>Tan Sri Dato' Ahmad Bin Mohd Don has expressed his wish to retire at the Company's forthcoming 106<sup>th</sup> Annual General Meeting on 29 September 2020. UMB Board respect his decision to retire and expresses gratitude and appreciation to Tan Sri Dato' Ahmad Bin Mohd Don for his service and his invaluable contributions to the Board and the Company,</p> <p>The Board will seek shareholders' approval via a single-tier voting process to retain Mr. Tan Jiew Hoe as an Independent Director beyond the twelve-year mark at the 106<sup>th</sup> Annual General Meeting ("AGM") this year.</p> <p>The Board is of the view that the extended tenure of the Independent Directors should be viewed in tandem with the life cycle of the Company's business operations. It should be noted that oil palms mature after four years and reach prime output after seven years. For this reason, the long-term perspective adopted by Directors would be value-adding. Additionally, the Independent Directors' corporate memory, knowledge, technical expertise and accumulated experience will contribute substantially in formulating the Company's strategic direction and policies.</p> <p>Nonetheless, the Board will continue to assess and review the performance of Independent Directors to determine their suitability to continue in office as independent directors.</p>

	<p>The Board will assess the term limit for Independent Directors and watch for indicators of entrenchment through the annual Board Performance Evaluation exercise, taking into consideration the niche skill sets and experience of incumbent Directors and the needs of the Group whilst considering the application of the prescribed nine-year limit.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to uphold diversity and inclusiveness in its composition as having a diverse Board would have a positive impact on the Group in terms of exchange of views as well as offering checks and balances.</p> <p>Appointment of new Board members is considered and assessed by the Nomination and Remuneration Committee (“NRC”). In support of the recommendations, the NRC assesses the suitability of candidates by taking into account the required mix of skills, character, age, background, knowledge, expertise and experience, as well as professionalism and integrity before recommending them to the Board for appointment. The NRC’s Terms of Reference outlines the appointment of each Director, Chief Executive Officer (“CEO”) and Senior Management and is available on UMB’s website.</p> <p>At present, the Board comprises Directors with skills, experience and expertise in law, corporate finance, accounting, banking, public service, engineering, agricultural and plantation and is fairly diverse in gender and background.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Currently two women Directors on the Board out of seven Directors in aggregate. The two women Directors consist of, the Chairperson herself, Datin Paduka Tan Siok Choo and Independent Non-Executive Director, Dato Dr Nik Ramlah Binti Nik Mahmood. Women Directors now make up to 29% of the Board and this figure is close to the aspirational benchmark set by the government (i.e. 30%). UMB also has notable women representation at Senior Management level including the Company Secretaries and the Head of Human Resources respectively.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Nomination and Remuneration Committee (“NRC”) is responsible for identifying and recommending suitable candidates as directors. To identify potential candidates, the NRC relies on referrals from incumbent Directors. This is an effective method to source for talented independent candidates in plantations and finance related sectors.</p> <p>Candidates are currently evaluated against a set of criteria which include skills, expertise and professional experience. In addition, due consideration is also given to the candidate’s ability to attend regular and urgent meetings held either in Melaka or Kuala Lumpur.</p> <p>As and when the need arises, the NRC will consider engaging external search firms to cast a wider net in sourcing for candidates. The NRC will also consider leveraging on directors’ registry and industry or professional associations as channels for identifying candidates that would otherwise be beyond its radar.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied															
<b>Explanation on application of the practice</b>	:	<p>During the year under review, Dato Dr. Nik Ramlah Binti Nik Mahmood, an Independent Non-Executive Director has been designated as the Chairperson of the Nomination and Remuneration Committee (“NRC”). The NRC comprises solely of Independent Non-Executive Directors, as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Dato Dr. Nik Ramlah Binti Nik Mahmood</td> <td>Independent Non-Executive Director (Chairperson)</td> </tr> <tr> <td>2.</td> <td>Tan Sri Dato’ Ahmad Bin Mohd Don</td> <td>Senior Independent Non-Executive Director</td> </tr> <tr> <td>3.</td> <td>Mr. Tan Jiew Hoe</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>4.</td> <td>Mr. Ong Keng Siew</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The Board is aware that an effective nomination and evaluation process of Directors is the bedrock of good governance. The Board believes that Dato Dr. Nik Ramlah is the most suitable and qualified person to lead this important process given her highly valued past regulatory and governance experience.</p> <p>As the Chairperson of the NRC, Dato Dr. Nik Ramlah leads the recruitment process and annual assessment of the Board, Board Committee and individual Directors as well as their training requirements. She also initiates the discussion regarding succession planning, particularly for key positions including Chairperson of the Board, Chief Executive Officer and other Senior Management personnel.</p>	No.	Name	Directorship	1.	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Non-Executive Director (Chairperson)	2.	Tan Sri Dato’ Ahmad Bin Mohd Don	Senior Independent Non-Executive Director	3.	Mr. Tan Jiew Hoe	Independent Non-Executive Director	4.	Mr. Ong Keng Siew	Independent Non-Executive Director
No.	Name	Directorship															
1.	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Non-Executive Director (Chairperson)															
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<b>Explanation for departure</b>	:																
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<b>Measure</b>	:																
<b>Timeframe</b>	:																

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place an annual performance assessment to assess the effectiveness of the Board, Board Committees and individual Directors. The Board regards the evaluation exercise as a platform to surface any areas of concern and bring about constructive changes.</p> <p>During the year under review, the performance assessment was conducted in-house under the purview of the Nomination and Remuneration Committee (“NRC”) and facilitated by the Company Secretaries.</p> <p>This was effected through questionnaires given to the Directors using a self and peer rating model. The questionnaires were divided into three distinct segments:</p> <ul style="list-style-type: none"> <li>• Board Performance Assessment;</li> <li>• Board Committee Assessment; and</li> <li>• Board of Directors’ Self-Assessment.</li> </ul> <p>Additionally, the evaluation covered the following key areas of assessment:</p> <ul style="list-style-type: none"> <li>• Structure and characteristics of the Board;</li> <li>• Roles and responsibilities of the Board;</li> <li>• Chairperson’s roles and responsibilities;</li> <li>• Board administration tools;</li> <li>• Efficacy of Board Committees;</li> <li>• Interaction and participation of individual director;</li> <li>• Integrity and independence of individual director; and</li> <li>• Self-development and competencies of individual director.</li> </ul> <p>The NRC also carries out an annual Competency Evaluation exercise. For the financial year under review, the Competency Evaluation exercise assessed the appropriateness of the Board’s composition as well as individual Directors against four broad criteria: experience and membership in professional associations, key competencies, knowledge and professional background.</p>

	<p>Based on the findings of the evaluation exercise, the NRC is satisfied with the overall performance of the Board, Board Committees and individual Directors. Individual Directors are noted to have actively participated during boardroom discussions and contributed value-added analysis and perspectives of UMB's businesses and prospects.</p> <p>Nonetheless, the NRC recognises certain areas which the Board could improve, primarily relating to the oversight of succession plan for Senior Management personnel.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges remuneration is a key element to attract, retain and motivate talented individuals.</p> <p>The Nomination and Remuneration Committee ("NRC") has formalised a remuneration policy and procedures for the Chief Executive Officer ("CEO") and the Group's Senior Management. Although, there are no formalised policy and procedures for Directors, the Board together with the NRC, ensures that the remuneration structure and quantum are in line with market trends.</p> <p>Remuneration for Senior Management personnel links rewards to performance results. Under its terms of reference, the NRC ensures the fees and benefits of the Non-Executive Directors do not conflict or impede their obligations, responsibilities, objectivity and independent judgement.</p> <p>The Board undertakes a thorough review of the quantum of payment based on broad-based guidance stated in the NRC's terms of reference. The NRC may also engage an external consultant to review the Board's remuneration as and when necessary.</p> <p>The guidelines for the remuneration of Directors and Senior Management are incorporated in the Terms of Reference of NRC and this document is accessible on UMB's website.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee was integrated with the Remuneration Committee on 1 July 2017 to establish the Nomination and Remuneration Committee ("NRC"). The NRC comprises exclusively of four Independent Non-Executive Directors.</p> <p>The NRC is tasked with implementing policies and procedures relating to the remuneration of the Directors, Chief Executive Officer ("CEO") and Senior Management, as outlined in the NRC Terms of Reference.</p> <p>The Terms of Reference, which details the roles and responsibilities of the NRC, is available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Detailed disclosure of Directors' remuneration is made available in the notes to the Financial Statements of the Annual Report as per paragraph 11, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Board believes disclosing the top five Senior Management's remuneration is not in the Group's best interest. Due to the scarcity of talent in the plantation industry, disclosure of such information may place UMB at a disadvantage and make it vulnerable to talent poaching.
		The Board, together with the Nomination and Remuneration Committee ("NRC"), periodically reviews the remuneration of Senior Management to ensure remuneration is proportionate to UMB's performance. Due consideration is given to ensuring Senior Management's remuneration is competitive and able to attract, retain and motivate talented individuals.  To provide stakeholders with a broad overview of the quantum of compensation, the remuneration of Directors and key management including the Chief Executive Officer, Chief Operating Officer/Chief Financial Officer, General Manager (Plantation), Plantation Controllers and Mill Controller, Head of Group Administration & Corporate Affairs and Head of Group Audit is disclosed in aggregate in the notes to the Financial Statements of UMB's Annual Report 2020.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee ("AC") is chaired by Mr. Ong Keng Siew (Independent Non-Executive Director) and the Committee comprises solely of Independent Non-Executive Directors. Datin Paduka Tan Siok Choo meanwhile serves as the Chairperson of the Board. This distinction allows the Board to review the AC's findings and recommendations objectively.</p> <p>Mr. Ong Keng Siew was re-designated as the Chairman of the AC on 1 October 2019. He is an accountant by profession, a Fellow of the Association of Chartered Certified Accountants and also a member of the Malaysian Institute of Accountants ("MIA"). His vast experience in accounting, finance and investment equips him with a solid understanding and knowledge which makes him well-placed to drive deliberations at the AC. UMB has an implicit policy of rotating the Chairmen of Board Committees including the Chairman of the AC so as to promote a fresh approach in framing and mediating the relevant discussions.</p> <p>As Chairman of the AC, Mr. Ong Keng Siew is guided by the Terms of Reference of the AC which is available on UMB's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	As part of its mandate to safeguard the integrity and independence of the audit process, the Audit Committee ("AC") internalises the Malaysian Institute of Accountants' By-Laws (on Professional Ethics, Conduct and Practice) which requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a Director (including a member of the AC) or as an employee of the Group.  To date, UMB has not appointed or employed any former key audit partner as a Director of the Board or as an employee of the Group.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>In line with its Terms of Reference, the Audit Committee ("AC") assesses the capabilities and suitability of the external auditor and recommends to the Board the appointment, re-appointment or termination of the external auditor.</p> <p>The AC has formalised an External Auditor and External Auditor Independence Policy in which covers the following matters:</p> <ul style="list-style-type: none"><li>• Selection and appointment;</li><li>• Annual assessment;</li><li>• Independence;</li><li>• Non-audit services; and</li><li>• Annual reporting.</li></ul> <p>During the financial year under review, the AC evaluated the independence and performance of the external auditor, namely Ernst &amp; Young PLT ("EY"). This evaluation assesses the expertise and performance of the external auditor, the quality and candour of the external auditor's communication with the AC as well as its independence, objectivity and professional vigilance. The evaluation was carried out through several questionnaires completed by the AC members with input derived from Management. Based on the evaluation conducted, the AC is satisfied the external auditor has been independent throughout the audit process and the audit services rendered meet the standards expected by the AC.</p> <p>In addition, the AC has received written assurance from EY confirming its personnel have been independent throughout the audit engagement in accordance with relevant professional and regulatory requirements.</p> <p>The stipulations regarding the provision of non-audit services specified in the External Auditor and External Auditor Independence Policy are in line with the By Laws of the Malaysian Institute of Accountants. Disclosure on the nature and extent of non-audit services rendered by EY can be found in the Notes to the Financial Statements in the Annual Report.</p>

	The External Auditor Independence Policy is available on UMB's website.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee ("AC") currently comprises four members, all of whom are Independent Directors. The Members of the AC includes:</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Directorship</th></tr></thead><tbody><tr><td>1</td><td>Mr. Ong Keng Siew</td><td>Independent Director (Chairman)</td></tr><tr><td>2</td><td>Tan Sri Dato' Ahmad Bin Mohd Don</td><td>Senior Independent Director</td></tr><tr><td>3</td><td>Mr. Tan Jiew Hoe</td><td>Independent Director</td></tr><tr><td>4</td><td>Dato Dr. Nik Ramlah Binti Nik Mahmood</td><td>Independent Director</td></tr></tbody></table> <p>As independence is the cornerstone of a well-functioning audit committee, the Board reiterates the AC's existing composition allows its members to apply professional scepticism and vigilance in undertaking their responsibilities.</p>	No.	Name	Directorship	1	Mr. Ong Keng Siew	Independent Director (Chairman)	2	Tan Sri Dato' Ahmad Bin Mohd Don	Senior Independent Director	3	Mr. Tan Jiew Hoe	Independent Director	4	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Director
No.	Name	Directorship															
1	Mr. Ong Keng Siew	Independent Director (Chairman)															
2	Tan Sri Dato' Ahmad Bin Mohd Don	Senior Independent Director															
3	Mr. Tan Jiew Hoe	Independent Director															
4	Dato Dr. Nik Ramlah Binti Nik Mahmood	Independent Director															



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>UMB's Audit Committee ("AC") comprises four experienced and qualified members, namely Mr. Ong Keng Siew as the Chairman and Tan Sri Dato' Ahmad bin Mohd Don, Mr. Tan Jiew Hoe and Dato Dr. Nik Ramlah Binti Nik Mahmood as members of the AC.</p> <p>Mr. Ong Keng Siew is a member of the Malaysian Institute of Accountants ("MIA") and Tan Sri Dato' Ahmad bin Mohd Don is a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). This fulfils the requirement in paragraph 15.09(1)(C) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which states one member of the audit committee must be a member of a professional accountancy body.</p> <p>Mr. Ong Keng Siew has years of experience in leadership roles in accounting, finance and investment as the Managing Director and Chief Executive Officer ("CEO") of Paramount Corporation Berhad. Similarly, Tan Sri Dato' Ahmad bin Mohd Don is also an accountant by profession. He was previously the General Manager, Treasury of Malayan Banking Berhad and subsequently the Group Managing Director and CEO. Thereafter, he became the Governor of Bank Negara Malaysia.</p> <p>Having formerly served as the Deputy Chief Executive of Securities Commission Malaysia, Dato Dr. Nik Ramlah has extensive experience in policy making and the capital market. This enables her to provide unique insights on compliance matters within the purview of the AC.</p> <p>An acclaimed botanist with vast experience in rubber planting, oil palm growing, botany and horticulture, Mr Tan Jiew Hoe also had a stint in an accounting firm. He has extensive knowledge of plants in general and formidable contacts in the world of botany.</p>

	<p>Members of the Audit Committee are required to attend training and continuous professional development programmes to keep in touch with the latest developments in accounting and auditing standards, regulations and practices. During the financial year under review, Mr. Ong Keng Siew and Tan Sri Dato' Ahmad Bin Mohd Don attended the mandatory continuous professional development programmes.</p> <p>AC members also attended seminars such as "Briefing on Section 17A of Malaysian Anticorruption-Commission Act 2009", "2019 Good Governance &amp; Integrity Conference: Corruption &amp; Corporate Liability Offences by Commercial Organisations by Malaysian Integrity Academy" and "Shifting Tides, The Future of Finance, Malaysian Tech Week by Bank Negara Malaysia" as well as the Audit Oversight Board Conversation with Audit Committees by Securities Commission Malaysia.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Facilitated by the Management-level Risk Management Committee ("RMC"), the Board has instituted an Enterprise Risk Management ("ERM") framework to facilitate a continual identification of risks and manage these risks with appropriate policies and control systems.</p> <p>The ERM framework is a triple defence plan in addressing risks:</p> <p>1st line of defence: Monitor day to day risks at individual business units</p> <ul style="list-style-type: none"> <li>• The heads of each individual business unit work closely with the Risk Officer to produce a quarterly risk register. The Risk Officer serves as a liaison between business units and Senior Management.</li> </ul> <p>2nd line of defence: Anticipate risks by the Risk Management Committee</p> <ul style="list-style-type: none"> <li>• The RMC comprises the Chief Executive Officer, Chief Operating Officer/Chief Financial Officer, Plantation Controllers as well as Head of Administration &amp; Corporate Affairs, Head of Internal Audit, Senior Manager of Human Resource, Senior Manager of Procurement and Marketing, Senior Manager of Sustainability and Mechanisation and Risk Officer. RMC on meets quarterly basis to review and anticipate changes to the Group's risk profile as well as to establish controls to mitigate risks.</li> </ul> <p>3rd line of defence: Ensure adequacy and integrity of the Risk Management and Internal Control Systems by the Audit Committee ("AC")</p> <ul style="list-style-type: none"> <li>• The AC works with both the internal and external auditors to review the adequacy and effectiveness of the Group's governance, risk management and internal control processes (information technology general controls). The Internal Audit Department is expected to provide relevant recommendations to the AC based on its review of the Group's risk management and internal control system.</li> </ul>

	Detailed disclosure on the Group's risk management and internal control framework is stated in the Statement on Risk Management and Internal Controls in the Annual Report.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board details UMB's risk management and internal controls framework, the adequacy and effectiveness of the framework as outline in the Statement on Risk Management and Internal Controls of UMB's Annual Report.</p> <p>The Statement also outlines the different roles and functions of those entrusted with maintaining risk management and internal control systems. Measures being put in place to manage and mitigate risks are also articulated in the said Statement.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established an in-house internal audit department spearheaded by Encik Abdul Razak Md Aris who reports directly to the Audit Committee (“AC”). An assessment of the Group’s internal control processes and effectiveness are reported to the AC.</p> <p>The AC reviews and subsequently approves the annual risk-based internal audit plan and ensures that the Internal Audit Department is accorded the appropriate authority, sufficient staff and financial resources independent of Management. The Internal Audit Department is governed by the Internal Audit Charter which sets out for the Internal Audit process for its operations to enable it to provide value – added contributions to the Group.</p> <p>Comprehensive audit on the Group’s operations are undertaken regularly in the Head Office, plantation estates and palm oil mills in Peninsular Malaysia, Sabah and Indonesia. Internal audit reports prepared by the Internal Audit Department will be tabled to the AC to provide assurance and recommend measure to enhance governance, to ensure effective risk management and fortify internal control systems.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Pursuant to Practice 10.2 of the Malaysian Code on Corporate Governance (“MCCG”), disclosure on the Group’s Internal Audit can be found in the Audit Committee Report within UMB’s Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Acknowledging effective, transparent and regular communication with stakeholders is vital to enable them to make informed decisions. UMB Board ensures that communication with stakeholders is timely and adequate.</p> <p>To foster a close association with stakeholders, the Board ensures that UMB's website is continuously updated and contains timely and significant information including the following:</p> <ul style="list-style-type: none"> <li>• Updates regarding the Group's business activities;</li> <li>• Summary of Annual General Meeting ("AGM") minutes;</li> <li>• Analysts' Report;</li> <li>• Annual Report;</li> <li>• Announcements to Bursa; and</li> <li>• Quarterly financial reports.</li> </ul> <p>As part of its investor relations programme, UMB conducts analysts' briefing sessions to investors regarding the Group's operations.</p> <p>Additionally, the Board has also designated Tan Sri Dato' Ahmad bin Mohd Don as the Senior Independent Director to serve as the contact point for the Group's stakeholders, including minority shareholders to forward their concerns on governance matters in the event the normal reporting channel is deemed unsuitable.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Malaysian Code on Corporate Governance ("MCCG") defines Large Companies as companies on the FTSE Bursa Malaysia Top 100 Index or those with a market capitalisation of RM2 billion and above. Although UMB is not a Large Company and is therefore not subjected to Practice 11.2, the Company aims to benchmark itself against the best practices.</p> <p>The Annual Report contains financial and non-financial information including components such as the Chairperson's Statement, Management Discussion &amp; Analysis, Sustainability Statement, Corporate Governance Overview Statement and Statement on Risk Management and Internal Controls in which are pivotal to stakeholders' in understanding the Group's operations.</p> <p>UMB's Annual Report provides a comprehensive picture of the Group's value creation process.</p> <p>As with the preceding year, UMB has incorporated a Sustainability Statement in the Annual Report, in accordance with Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This is part of the Group's continuing effort towards integrated reporting by establishing the necessary systems and controls as well as the presence of non-financial data.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges that it is imperative to provide shareholders with sufficient time and information to consider the proposed resolutions to allow shareholders to make informed decisions when voting at AGM.</p> <p>The notice of AGM dated 28 August 2020 was disseminated more than 28 days prior to the meeting, which will be held on 29 September 2020. By applying Practice 12.1 of MCCG, UMB went beyond the minimum notice period stipulated in Section 316(2) of Companies Act 2016 as well as paragraph 7.15 of Main Market Listing Requirements of Bursa Malaysia Berhad.</p> <p>The notice for UMB's AGM outlines the resolutions to be tabled during the said meeting and is accompanied with detailed explanatory notes and background information. Shareholders are also encouraged to submit in advance questions which will be answered by Management. To enhance shareholder outreach, the AGM notice is also published in UMB's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Mindful of their individual collective responsibility as a Board towards shareholders, all Directors were present at the 105 <sup>th</sup> Annual General Meeting (“AGM”) held on 23 August 2019. The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) were also in attendance to respond to specific questions pertinent to their respective roles and responsibilities.  A summary of the key matters discussed during the 105 <sup>th</sup> AGM is available on UMB’s website, in line with paragraph 9.21(2) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Presently, UMB has approximately 6,700 individual shareholders. UMB has yet to establish the necessary infrastructure that will enable voting in absentia and remote shareholder participation during general meetings. The Board believes deployment of technological means during general meetings requires balancing costs vis-à-vis benefits as other modalities can be employed to encourage shareholders' participation. For example, shareholders who are unable to attend the General Meetings are allowed to vote via proxy.</p> <p>UMB has appointed Boardroom Share Registrars Sdn Bhd and Boardroom Corporate Services Sdn Bhd to act as the Poll Administrator and Independent Scrutineer respectively to verify and validate the poll results at the upcoming AGM.</p> <p>During General Meetings, handheld voting devices were used to conduct poll-voting to ensure an efficient and seamless voting process.</p> <p>Shareholders who are unable to attend General Meetings can appoint a proxy who is not a member of UMB to participate, vote and speak on their behalf during general meetings.</p> <p>The Board will continue to explore potential measures to encourage shareholder attendance and participation at general meetings. This includes leveraging on technology, if deemed necessary.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*

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