

## **Unisem (M) Berhad**

### **Board Charter**

1. The Board Charter sets out the role, composition and responsibilities of the Board of Directors (“the Board”) of Unisem (M) Berhad (“Unisem” or “the Company”)
2. The Board of Directors (the “Board”) has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues.

#### **THE CONSTITUTION OF THE COMPANY**

3. The Constitution is Unisem’s key governance document. The Board ensures that it and the Company complies with the provisions of the Regulations.

#### **COMPLIANCE WITH LAWS**

4. As a public company listed on the Bursa Securities, Unisem must comply with the Companies Act, the Listing Requirements as well as all other applicable laws.
5. As the Group operates in numerous jurisdictions, Unisem must ensure that it is aware of and complies with all applicable laws in those jurisdictions.

#### **COMPOSITION OF THE BOARD**

6. The Board comprises:
  - a. Chairman of the Board/Group Managing Director;
  - b. 3 Executive Directors;
  - c. 4 Independent Directors; and
  - d. 4 Non-Executive Directors;
7. At least one-half of the Board, or the number nearest one-half, shall be independent Directors.
8. At least 30% of the Board shall comprise of women directors.

#### **RESPONSIBILITIES AND DUTIES**

9. The Unisem Board is responsible for setting the strategic direction of Unisem and monitoring the implementation of that strategy by Unisem Management, including:
  - a. oversight of the Unisem Group, including its control and accountability systems;
  - b. appointing and removing the Managing Director;
  - c. appointing and removing the Company Secretary;
  - d. Board and Executive Management development and succession planning;
  - e. Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for Directors to attend courses, seminars and participate in development programs as the Board judges appropriate
  - f. input into and final approval of corporate strategy;

- g. input into and final approval of the annual operating budget (including the capital expenditure and management budget);
- h. approving and monitoring the progress of major capital expenditure, capital management and acquisitions/divestitures;
- i. monitoring compliance with all relevant legal, tax and regulatory obligations;
- j. reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- k. at least annually, reviewing the effectiveness of Unisem's implementation of its risk management system and internal control framework;
- l. monitoring Executive Management's performance and implementation of strategy and policies, including assessing whether appropriate resources are available;
- m. approving and monitoring financial and other reporting to the market, shareholders, employees and other Stakeholders; and
- n. appointment, reappointment or replacement of the external auditor.

The Schedule of Board reserved matters is in Appendix 1 of the Board Charter.

10. In discharging his duties, each Director must:

- a. exercise care and diligence;
- b. act in good faith in the best interests of Unisem;
- c. not improperly use his/her position or misuse information of Unisem; and
- d. commit the time necessary to discharge effectively his/her role as a Director.

11. All Directors (including Executive Directors) are entitled to be heard at all Meetings and should bring an independent judgement to bear in decision-making.

12. At least once each year, the Directors will:

- a. review this Charter and approve any required amendments including those required to comply with the Listing Requirements; and
- b. review the Board's performance during the previous 12 months.

#### **BOARD COMMITTEES**

13. To assist the Board in fulfilling its duties and responsibilities, it has established four Board Committees:

- a. Audit Committee;
- b. Nomination Committee;
- c. Remuneration Committee; and
- d. Sustainability Committee.

14. Each Committee has its Terms of Reference and has been granted certain delegations.

#### **MANAGEMENT COMMITTEE**

14. The Board delegates the day-to-day management of the Unisem Group business to the Executive Management Committee. The Executive Management Committee is

empowered and responsible for implementing the strategies approved by the Board and for managing the affairs of the Group.

15. The Executive Management Committee is chartered with the following:-

- corporate strategy development
- approving major plans of action and policies and procedures
- the monitoring of operational performance
- identifying risks which impact on the Group's sustainability and
- monitoring risk management and internal controls
- corporate governance
- monitors major capital expenditures, acquisitions and disposals

#### **THE CHAIRMAN**

16. The Chairman is responsible for:

- a. leadership of the Board;
- b. overseeing the Board in the effective discharge of its supervisory role;
- c. the efficient organisation and conduct of the Board's function and Meetings;
- d. facilitating the effective contribution of all Directors;
- e. briefing of all Directors in relation to issues arising at Meetings;
- f. the promotion of constructive and respectful relations between Board Members and between the Board and Management;
- g. committing the time necessary to discharge effectively his role as Chairman; and
- h. scheduling regular and effective evaluations of the Board's performance.

#### **THE MANAGING DIRECTOR**

17. The Managing Director is responsible for the day-to-day management of the Unisem Group with all powers, discretions and delegations authorised, from time to time, by the Board.

18. The Managing Director is to have a formal Employment Agreement describing his term of office, duties, rights and responsibilities and entitlements on termination.

#### **INDEPENDENCE OF DIRECTORS**

19. Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions at the board table free of concern about their position or the position of any third party. The Unisem Board does not believe it is possible to draft a list of criteria which are appropriate to characterise, in all circumstances, whether a Non-Executive Director is independent. It is the approach and attitude of each Non-Executive Director which is critical and this must be considered in relation to each Director while taking into account all other relevant factors, which may include whether the Non-Executive Director:

- a. is a substantial shareholder of Unisem, or an officer of, or otherwise associated directly with, a substantial shareholder of Unisem;
- b. has, within the last two years, been employed in an executive capacity by the Unisem Group;

- c. has, within the last two years, been a principal of a material professional adviser or a material consultant to the Unisem Group or an employee materially associated with the service provided;
  - d. is a material supplier or customer of the Unisem Group, or an officer of or otherwise associated directly or indirectly with, a material supplier or customer;
  - e. has any material contractual relationship with the Unisem Group other than as a Director; or
  - f. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Unisem.
20. The Materiality thresholds taken into account when considering the independence of Non-Executive Directors are:
- a. for Directors:
    - i. a relationship that accounts for more than 10% of the Director's gross income (other than Director's Fees paid by Unisem); and
    - ii. when the relationship is with a firm, company or entity, in respect of which the Director (or any associate) has more than a 20% shareholding if a private company or 2% shareholding if a listed company; and
  - b. for Unisem:
    - i. in respect of advisers or consultants – where fees paid exceed US\$2 million per annum;
    - ii. in respect of suppliers – where goods or services purchased by the Unisem Group exceeds 2% of Unisem's annual consolidated gross revenue (other than banks, where materiality must be determined on a case by case basis); and
    - iii. in respect of customers – where goods or services supplied by the Unisem Group exceeds 2% of Unisem's annual consolidated gross revenue.
21. Family ties and cross-directorships may also be relevant in considering interests and relationships which may compromise independence and should be disclosed by Directors to the Board.
22. Any Director on the board of another entity is expected to excuse themselves from any meeting where that entity's commercial relationship with Unisem is directly or indirectly discussed.
23. The above guidelines must be applied with common sense. Directors are best able to determine if they have an interest or relationship which is likely to impact on their independence. As such, each Director is expected to advise the Chairman immediately if he believes they may no longer be independent. Should the Chairman or any other Director have any concern about the independence of a Director, they must immediately raise the issue with that Director and, if the issue is not resolved, with the Board.
24. Where the independent status of a Director is lost, the Director is to be re-designated and this is to be disclosed to the Exchange.

25. Each Director must immediately disclose to the Chairman (with a copy to the Company Secretary) all information relevant for determining whether the Director is independent, including details of entities in which the Director has a material direct or indirect shareholding (or other interest), is an executive officer or is a Director.
26. Directors are to inform the Chairman prior to accepting any new appointment to any public listed company's board and adhere to the 'Protocol for Accepting New Directorship'.
27. The tenure of Independent Directors shall not exceed a cumulative term limit of nine years.

#### **COMPANY SECRETARY**

28. The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole.
29. The Secretary shall be a qualified individual as stipulated under Section 235(2) of the Companies Act 2016.
30. The Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.
31. The Secretary is also responsible and accountable to the Board, for ensuring that the secretarial functions provide adequate support to the Board and Board Committees for all Board-related administrative functions.
32. The Secretary is to apprise the Board on the latest regulatory developments relating to corporate governance.
33. The Secretary is to facilitate the flow of information from Management to the Board and ensure that Directors receive complete meeting materials in a timely manner.

#### **DIRECTORS' REMUNERATION**

34. The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, the structure of the Group and the complexities of the competitive electronics industry.
35. The remuneration packages for the Executive Directors and Senior Management are structured to link rewards to corporate and individual performance.
36. Whilst for the Non-Executive Directors, the remuneration packages are based on their position in the Board, participation in boardroom activities and specific skills or expertise that they bring.

A policy on the remuneration of the Board is included as Appendix 2.

**ACCESS TO INFORMATION, INDEPENDENT ADVICE AND CONTINUING DEVELOPMENT**

37. Management must provide the Board and Committees with information in a form, timeframe and quality that enables them to effectively discharge their responsibilities and duties. All Directors are to receive copies of Board/Committee Papers.
38. Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any Director has the authority to seek any information he requires from any employee of the Unisem Group and all employees must comply with such requests. Any significant issues raised by a Director are to be communicated to the Chairman, Managing Director or Company Secretary.
39. Any Director may take such independent legal, financial or other advice as they consider necessary. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice and, where appropriate, disseminate the advice to all Directors.
40. The Board should understand the Unisem Group structure and operations and key developments affecting the Unisem Group and may receive periodic presentations to assist in achieving such an understanding.

**CODE OF CONDUCT AND ETHICS**

41. The Unisem Code of Conduct and Ethics is to be observed by all Directors, employees, consultants and any other person when they represent the Unisem Group.

**REVIEW OF CHARTER**

42. The Board will review this charter regularly to ensure it remains consistent with the Board's objectives and responsibilities.

**PUBLICATION OF THE CHARTER**

43. A copy of the charter is to be made available on the Company's website.

## Appendix I - Schedule of Matters reserved for the Board

### 1. Strategy and Management

- 1.1 Responsibility for the overall direction of the Unisem Group of Companies (“the Group”).
- 1.2 Approval of the Group’s long term objectives and strategy, policies and annual budgets.
- 1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them
- 1.4 Review of performance in the light of the Group’s strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.5 Extension of the Group’s activities into new business areas.
- 1.6 Any decision to cease to operate all or any material part of the Group’s business.

### 2. Structure and capital

- 2.1 Changes relating to the Group’s capital structure, including reduction of capital, share issues, share buy-backs including the use of treasury shares.
- 2.2 Major changes to the Group’s corporate structure, senior management and control structure.
- 2.3 Any changes to the Company’s listings or its status as a listed company.

### 3. Financial reporting and controls

- 3.1 Approval of preliminary announcements of quarterly and final results.
- 3.2 Approval of the Annual Report and financial statements, including the Directors report, Corporate Governance statement and Corporate Social Responsibility Report.
- 3.3 Approval of the dividend policy, declaration of the interim dividend and recommendation of the final dividend.
- 3.4 Approval of any significant changes in accounting policies or practices.
- 3.5 Approval of treasury policies, including foreign currency exposure and the use of financial derivatives.

### 4. Internal controls

- 4.1 Responsible for a sound system of internal control and risk management including:-
  - Receiving reports on, and reviewing the effectiveness of , the Company’s risk and control processes to support its strategy and objectives;
  - Undertaking an annual assessment of these processes; and
  - Approving an appropriate statement for inclusion in the annual report.

### 5. Contracts

- 5.1 Proposed major capital projects.
- 5.2 Proposed contracts above the limits of authority delegated by the Board, which are material strategically or by reason of size, and acquisitions or disposals of fixed assets.
- 5.3 Proposed contracts of the Company or any subsidiary not in the ordinary course of business, including major acquisitions or disposals.
- 5.4 Proposed major investments including the acquisition or disposal of interests of more than 5 percent in the voting shares of any company or the making of any takeover offer.

## **6. Communication**

- 6.1 Approval of resolutions and related documentation to be put forward to shareholders at a general meeting.
- 6.2 Approval of all circulars and listing particulars.

## **7. Board membership and other appointments**

- 7.1 Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee.
- 7.2 Ensuring adequate succession planning for the Board and senior management.
- 7.3 Appointments to the Board, following recommendations by the Nomination Committee.
- 7.4 Selection of the Chairman of the Board and the Chief Executive.
- 7.5 Appointment of the Senior Independent Director.
- 7.6 Membership and chairmanship of Board Committees.
- 7.7 Continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 7.8 Continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the law and their service contract.
- 7.9 Appointment or removal of the Company Secretary.
- 7.10 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

## **8. Remuneration**

- 8.1 Determining the remuneration policy for the Chairman, the Chief Executive and the Executive Directors.
- 8.2 Determining the remuneration of the Non-Executive Directors, subject to the Company's Constitution and shareholders' approval as appropriate.
- 8.3 The introduction of new share schemes or new long-term incentive schemes or major changes to existing schemes.

## **9. Delegation of Authority**

- 9.1 The division of responsibilities between the Chairman and the Chief Executive.
- 9.2 Approval of terms of reference of Board Committees.

## **10. Corporate governance matters**

- 10.1 Conduct an adequate annual evaluation of its own performance, that of its Committees, the Chairman, the Chief Executive and, in consultation with the Chief Executive, other Executive Directors.
- 10.2 Determining the independence of Directors.
- 10.3 Considering the balance of interests between shareholders, employees, customers and the community.
- 10.4 Review of the Company's overall corporate governance arrangements.
- 10.5 Receiving reports on the views of the Company's shareholders.



10.6 Reviewing recommendations made by the nomination committee in respect of existing and prospective director's conflicts of interest authorisation required by the Companies Act 2016.

**11. Policy**

11.1 Approval of core policies including:

- Health and Safety Policy
- Environmental Policy
- Code of conduct
- Corporate Social Responsibility Policy
- Diversity Statement
- Accounting Policy and Procedure
- Dealing with price sensitive information

**12 Other**

12.1 Approval of any proposed political donations.

12.2 Approval of the appointment of the Company's principal professional advisers.

12.3 Prosecution, defence or settlement of material litigation outside the scope of authority delegated by the Board.

12.4 Approval of the overall levels of insurance for the Company.

12.5 This schedule of matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees.

In addition, the Board will receive reports and recommendations from time to time on any matter, which it considers significant to the Company.

## **Appendix 2 - Remuneration Policy for the Board of Directors**

1. The fees for the Directors are considered annually and are determined in light of market best practice and with reference to the time commitment and responsibilities associated with the roles.
2. The Board recognizes the increasing focus on risk management and corporate governance matters and the corresponding increase in the workload of the Audit and Risk Management Committee, had approved a supplement fee for the members of the Audit and Risk Management Committee.
3. There are no supplemental fee or Committee membership fees for other Board Committees.
4. Directors' fees are determined within the overall aggregate annual amount authorised by shareholders with reference to the Constitution of the Company. The Board as a whole considers the policy and structure for the Directors' fees on the recommendation of the Chairman. The Directors do not participate in discussions on their specific levels of remuneration.
5. Non-Executive Directors receive no other pay or benefits.
6. Executive Directors are also paid as employees of the Company in accordance with their contracts of employment with the Company.
7. There are no supplemental fees for Directors who sit on the Board of the subsidiaries of the Group.
8. There are no severance payments and ex-gratia payments to Directors.

**Reviewed and Approved on 8 Nov 2012, 23 Feb 2016, 18 Jan 2017, 25 April 2017, 22 Jan 2018, 30 Jan 2019**