

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5005  
**COMPANY NAME** : Unisem (M) Berhad  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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 Board of Directors ("the Board") of Unisem (M) Berhad ("Unisem") is committed in advocating a sound corporate governance culture that is fostered on accountability, objectivity and transparency. In fulfilling its role as stewards of Unisem and its subsidiaries (collectively referred to as the "Group"), the Board has discharged its fiduciary duties and leadership functions with due diligence, care, and skill and in the best interest of the Group. As part of its governance architecture, the Board has entrusted the relevant Board Committees, comprising Audit &amp; Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee with specific delegated oversight authority.</p> <p>Unisem reports as a Large Company in 2018 following an increase in its market capitalisation beyond the RM 2 billion mark specified in the Malaysian Code on Corporate Governance ("MCCG"). In light of this, the Board recognises the expectations on Large Companies and is committed in cultivating good corporate governance in Unisem.</p> <p>Against the backdrop of a dynamic economic and political environment as well as regulatory developments that could have a significant impact to the Group, the Board continued to maintain full and effective control over strategic, financial, operational, compliance and governance issues. The Board also considered the key market and regulatory developments in other jurisdictions, given that Unisem operates beyond the domestic shores.</p> <p>During the financial year, the Board deliberated on the short, medium and long term strategy of Unisem. The Management presented the Group's strategic proposals and the Board had provided its input to further refine the strategy. The Board, together with Management, reviewed the Group's strategy and the Board had satisfied itself that all appropriate considerations have been taken into account.</p>

	<p>The Board was also apprised of significant operational highlights, issues and performance of the Group through quarterly reports prepared by Management. In addition, the Group’s performance was reviewed on a monthly basis by the Group Chief Operating Officer who represent the major plants and the Executive Directors.</p> <p>In ensuring that the strategic plans support long-term value creation for stakeholders, succession planning and sustainability factors were duly taken into consideration by the Board in tandem with the long term strategic objectives of the Group. The Board, through the Nomination Committee had undertaken rigorous reviews on succession planning matters. In addition, the Board had reviewed the outcome of the Management’s assessment and validated the material sustainability factors involving pertinent economic, environmental and social considerations.</p> <p>In establishing the ethical standards of the Group, all Directors and employees are expected to adhere to Unisem’s Code of Ethics which is premised on the core values of integrity and honesty, openness and respect for others, execution and accountability, passion for customers, partners and technology and commitment to personal excellence and self-improvement.</p> <p>Recognising that it is imperative for the Board to extend its reach to the various key stakeholder groups and to actively engage with its key stakeholders to keep them apprised of the Group’s strategic direction, the Group has deployed various stakeholder engagement programmes throughout the year which, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• Held four quarterly formal analyst briefings after the release of its quarterly financial results</li> <li>• Engagement with fund managers, local and foreign analysts</li> <li>• Participated in investors conferences organised by buy-side players in the capital market and in CIMB 10<sup>th</sup> Annual Malaysia Corporate Day</li> <li>• Announcements to the Exchange and the timely uploading of these announcements on the Group’s corporate website at <a href="http://www.unisemgroup.com">www.unisemgroup.com</a></li> <li>• Met with the press after the Annual General Meeting</li> </ul>
<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>	

<b>Timeframe</b>	:		
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## 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 Unisem is helmed by Mr John Chia Sin Tet. Mr John Chia Sin Tet was appointed to the Board on 13 June 1991 as Chairman and on 11 March 1998, he held the dual role of Chairman and Managing Director of the Company.</p> <p>As the Chairman of the Board, he is responsible for providing overall leadership to the Board and ensuring the effective functioning and conduct of the Board. His responsibilities, amongst others include:</p> <ul style="list-style-type: none"> <li>• Leading Board meetings and discussions which include encouraging all Directors to actively participate and contribute in meeting discussions whilst allowing dissenting views to be freely expressed;</li> <li>• Setting the meeting agenda and ensuring that Directors receive complete, accurate and timely meeting materials;</li> <li>• Facilitating information flow between Board and Management; and</li> <li>• Providing leadership in establishing and maintaining high standards of corporate governance practices and ensuring effective performance of the Board and Management.</li> </ul> <p>The detailed responsibilities of the Chairman are set out in the Board Charter, which is available on Unisem'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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The positions of Chairman and Managing Director of Unisem are currently held by one individual, namely, Mr John Chia Sin Tet. The Board is cognisant that the convergence of the two roles represents a departure of this MCCG practice and has accordingly put in place effective mechanism of checks and balance to prevent undue concentration of power by a single individual.</p> <p>The combined role of the Chairman and Managing Director is necessitated in the case of Unisem given the intricacies of the industry and specific traits possessed by Mr John Chia Sin Tet as the founding member. It is worth noting that the Board is often able to leverage on the tacit knowledge, accumulated experience and intuition of the Chairman and Managing Director in making key business decisions.</p> <p>As the combined Chairman and Managing Director, Mr John Chia Sin Tet can keep the dialogue between the Board and Management open and efficient whilst providing clarity to Management on strategic and tactical issues.</p> <p>The practice of having a combined Chairman and Managing Director is also not unusual in the semiconductor industry and amongst multinational corporations as the attendant nuances necessitate intimate involvement through a clear line of command.</p> <p>As an alternative practice to ensure that no one individual has unfettered powers in decision making, Unisem has put in place a policy stipulation that all decisions of the Board should be unanimous and aligned with the best interest of the Group. In the event of a single dissenting voice, the resolution in question will be deferred or aborted.</p> <p>The greater balance of Non-Executive Directors on the Board of Unisem also seeks to ensure that deliberations are not tilted unfavourably towards the favour of Management. In this regard, the Chairman fosters a democratic environment in which views in the boardroom can be expressed without fear or favour and the advice of</p>

	<p>third party experts can be enlisted in event of ambiguity or a complex situation. Moreover, the presence of a Senior Independent Director in Unisem provides a conduit for the Independent Directors to voice any governance concerns. In fact, Unisem is amongst the approximately 60% of the Large Companies on Bursa Malaysia Securities Berhad to have designated a Senior Independent Director.</p> <p>The establishment of an Executive Committee serves as an additional safeguard at the Management level so as to curtail any potential incidences of unrestricted power execution.</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>The Board recognises that instituting a separation between the Chairman and Managing Director for a mechanistic purpose can be artificial, especially when the Company already has an effective dual Chairman/Managing Director in place. Separation can lead to duplication of leadership, impair decision making, and create internal confusion, particularly in times of contingencies. At present, the situation at Unisem allows the Board and Management to benefit from the shared leadership. In line with the spirit of good governance application, the separation of Chairman and Managing Director will be considered as part of succession planning for the future.</p>
<p><b>Timeframe</b></p>	<p>:</p> <p>Others</p>	<p>5 years and above</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 1.4

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>In carrying out its duties, the Board is supported by two qualified and competent Company Secretaries, namely, Mr Chua Heng Fatt and Ms Chin Hock Yee. Both Company Secretaries fulfil the requirements of Section 235(2) of Companies Act 2016. Mr Chua Heng Fatt is a member of the Malaysian Association of Company Secretaries (MACS) and has over 30 years of experience in company secretarial work. Appointed by the Board since 2005, Ms Chin Hock Yee is a licensed Company Secretary by the Suruhanjaya Syarikat Malaysia (or the Companies Commission of Malaysia) and holds a Masters of Business Administration in accounting.</p> <p>As counsels to the Board, the Company Secretaries possess the knowledge and experience to carry out their duties which have evolved from merely advising on administrative matters to now apprising Directors on the latest regulatory developments relating to corporate governance. Both the Company Secretaries also facilitate the flow of information from Management to the Board and ensure that Directors receive complete meeting materials in a timely manner.</p> <p>The Company Secretaries have attended the relevant training and professional development programmes during the financial year ended 31 December 2018 to keep themselves abreast of the latest developments in the corporate governance landscape.</p> <p>In tandem with their roles as the focal point of contact of the Board, they have been accorded with appropriate authority to enable them to effectively discharge their duties and directly report to the Chairman of the Board. The appointment or removal of Company Secretaries is the prerogative of the Board as a whole.</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

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>The Chairman of the Board takes responsibility for ensuring that the members of the Board are provided with relevant, accurate and clear information on a timely basis. In this respect, the Company Secretaries will assist the Chairman of the Board in facilitating an effective and a reliable information flow mechanism. In order to provide Directors with adequate time to prepare for Board or Board Committee meetings, Board papers are circulated within 5 business days prior to the scheduled meeting.</p> <p>The Board papers includes minutes of previous meetings, reports of Board Committees, annual budget and business plans, updates on statutory regulations and requirements, monthly management accounts as well as manufacturing performance and marketing reports.</p> <p>The Company Secretaries record the minutes of Board or Board Committee meetings and circulate them to Directors for approval at the subsequent meeting. The minutes capture the detailed proceedings of the Board or Board Committee meetings, including the decisions made, key points deliberated and any significant concerns raised.</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 has a formalised Board Charter, which is reviewed periodically and made available on Unisem's website. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction document for newly-appointed Directors.</p> <p>The Board Charter covers the following matters:</p> <ul style="list-style-type: none"><li>• Roles and responsibilities of the Board, the Chairman, Group Managing Director and the Executive Management Committee;</li><li>• Board size and composition;</li><li>• Directors' independence, access to information, external advice and professional continuing development;</li><li>• Matters reserved for the Board; and</li><li>• Annual Board and Board Committee evaluation.</li></ul> <p>On 30<sup>th</sup> January 2019, the Board reviewed and approved certain revisions to the Board Charter. In light of the changes in the domestic corporate governance tapestry and the constantly evolving regulatory environment affecting the Group, the Board periodically reviews the Board Charter as well as the Terms of Reference of the Board and Board Committees to ensure they remain consistent and relevant with the latest regulatory requirements and best practices including that advocated by the ASEAN Corporate Governance Scorecard.</p> <p>The detailed Terms of Reference of the Board and Board Committees and the Board Charter are made available on Unisem's website at <a href="https://www.unisemgroup.com/company-info/corporate-governance/">https://www.unisemgroup.com/company-info/corporate-governance/</a></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

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>The Board is committed to drive the ethical tone and inculcate ethical values. In this context, Unisem has formalised a Code of Ethics ("Unisem Code of Ethics") that outlines sound principles and standards of good practice which are applicable to be observed by its Directors and employees. The Unisem Code of Ethics was established with reference to the Responsible Business Alliance (RBA, formerly known as the Electronic Industry Citizenship Coalition) Code of Conduct. The Unisem Code of Ethics covers a wide area of good practices, which include, amongst others, the following subject matters:</p> <ul style="list-style-type: none"><li>• Labour standards;</li><li>• Regulatory investigations, inspections and inquiries;</li><li>• International Business Activities;</li><li>• Truthful and accurate financial reporting; and</li><li>• Use of Information Technology.</li></ul> <p>In accordance with the Unisem Code of Ethics, the Group's Directors and employees are required to understand and uphold the highest standard of integrity in discharging their duties and in dealing with the stakeholders. The Code of Ethics is made available on Unisem's website and is subjected to periodic reviews by the Board to ensure it is kept current and relevant.</p> <p>The Code of Ethics is available at: <a href="https://www.unisemgroup.com/company-info/corporate-social/responsibility">https://www.unisemgroup.com/company-info/corporate-social/responsibility</a></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

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>Unisem's Whistleblowing Policy provides an avenue for stakeholders to report in a bona fide manner on any suspected misconduct or actual wrongdoing by another employee or any person who has dealings with the Group. The culture of uncompromising integrity is driven and cascaded across the Group.</p> <p>As reinforced in the Whistleblowing Policy, stakeholders (including employees, customers and suppliers) may raise concerns without fear of retaliation, discrimination or disadvantage as concerns can be raised anonymously to the designated recipients.</p> <p>The Whistleblowing Policy and the accompanying procedures provide an outlet for employees to report to their immediate supervisor, Human Resources Department/Corporate Human Resource or the Legal Department for any believed violation or possible violation of a federal or state law applicable to Unisem. Alternatively, employees and other stakeholders can opt to utilise the online platform or hotline to escalate any legitimate concerns they may have without fear of identification and reprisal.</p> <p>Whistleblowing reports are treated with utmost confidentiality and thoroughly investigated for further actions. The Whistleblowing Policy is covered in the Unisem Code of Ethics which is made available on Unisem's website. The Whistleblowing Policy is subjected to periodic review by the Board.</p> <p>The Ethics Hotline Number is (+) 6012-5334890 (International) or alternatively, another avenue provided would be through the email channel at: <a href="mailto:ethicsqueries@unisemgroup.com">ethicsqueries@unisemgroup.com</a>. All reported cases during the year have been duly investigated and acted upon.</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**

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board presently comprises twelve Directors, of whom four are Executive Directors, four Independent Directors and four Non-Independent Non-Executive Directors. Three of the Non-Independent Non-Executive Directors were appointed in January 2019 following the takeover exercise.</p> <p>The Board acknowledges that having a majority of the Board members being independent would further elevate the elements of objectivity and impartiality whilst preventing dominance and complacency in the boardroom. The objectivity that is inherent in Independent Directors can allow for robust challenge and ultimately refine Management’s approach to the Group’s business operations and strategy.</p> <p>In moving towards applying this Practice, the Board does not intend to compromise on the business imperative by forcing changes to its composition. The Board will continue to dedicate effort in scouring the market for independent directors who fulfil the required attributes and at the same time appreciate the complexity of Unisem’s business.</p> <p>The presence of majority Non-Executive Directors on the Board and a Senior Independent Director, namely, Dato’ Gregory Wong Guang Seng provide assurance that deliberations in the boardroom will be framed in an objective manner and the voice of Independent Directors will not be encumbered.</p> <p>As an additional measure, the Board Charter clearly outlines a formal schedule of matters reserved for the Board’s decision. This provides a safeguard to prevent any conflicts between the decision-making power of the Board and the day-to-day management of the Group. This is further reinforced by the non-overlaps of Independent Directors between Unisem and its subsidiaries so as to preserve the objectivity of the Independent Directors.</p>
<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>	: The Board alongside the Nomination Committee, will undertake a review of the Board composition. The Board intends to source for suitable candidates that can reinforce the independence of the Board and contribute to the effective governance of Unisem. In order to create a more conducive environment for insightful deliberations and informed decision-making, the Board will focus on enlisting Independent Directors who possess strong business acumen that is complemented with a sound understanding of the Group's business.	
<b>Timeframe</b>	: Others	5 years and above

**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>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<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 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>As the Independent Directors are responsible to provide an objective review in their active oversight role, the Board has undertaken measures to avert instances of Independent Directors becoming “dependent” Directors. These include the conduct of regular reviews and assessment on the independence of the Directors and by remunerating them fairly with due consideration given to their extent of time commitment and responsibilities within Unisem.</p> <p>During the financial year end 31 December 2018, no Independent Director had served on the Board for more than nine years from the date of his/her appointment. The nine-year tenure limit of Unisem’s Independent Directors is codified in its Board Charter as a formalised policy stipulation.</p>

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed in ensuring that there is diversity in its composition with regards to the dimensions of skills, experience, background and gender. The same proposition applies to Senior Management.</p> <p>Through the Nomination Committee, the Board undertakes periodic reviews of its composition to ensure that its members possess diverse background and skills. The nomination and selection process for directorships and Senior Management process in Unisem is based on the following aspects:</p> <ul style="list-style-type: none"> <li>• Leadership experience</li> <li>• Skill sets, knowledge and diverse background</li> <li>• Integrity and professionalism</li> <li>• Time commitment</li> </ul> <p>Presently, the Board is composed of members with a mix of skill sets, knowledge and experience (i.e. engineering, accounting, finance and legal), mix of gender (i.e. two out of twelve Directors are female) as well as based on cultural background. The Senior Management personnel also hail from diverse backgrounds, particularly on the front of industry expertise.</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

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board presently has two female Directors, namely, Mdm Lim Siew Eng and Puan Mahani binti Amat. This represents 17% women directors out of the twelve-member Board of Unisem, thus, not achieving the stipulated 30% target.</p> <p>It is worth noting that the Group operates within a niche sector and female talent in the technology sector remains limited. This is widely acknowledged and such a scenario poses a challenge for technology based companies to enlist talented and high-calibre individuals who can equally contribute to the gender balance on boards.</p> <p>Nonetheless, the Board acknowledges the importance of boardroom diversity in relation to gender and views the incorporation of gender diversity in the boardroom as a long-term goal. The Board is steadfast in its belief that the addition of women Directors on the Board will bring about varying perspectives.</p> <p>In order to ensure that the Board incorporates diverse perspectives into its discussions, the Board takes additional effort to consider reports and feedback received from subsidiary boards and Management teams. Through these efforts, the Board can harness diverse insights and viewpoints, including that from female individuals.</p>
<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>	:	The Board is supportive of gender diversity in the Board composition as recommended by MCG and will endeavour to continuously identify and assess suitably qualified female candidates for nomination.
<b>Timeframe</b>	:	Others
		5 years and above

### 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 Committee is responsible for recommending suitable directorship candidatures to the Board.</p> <p>In undertaking this responsibility, Directors' network and referrals from Management form the primary means for sourcing of candidates within Unisem. These methods have, in the past, produced tangibly noteworthy results in identifying candidates who are of high-calibre and at the same time have a sound understanding of Unisem's business and the technology industry.</p> <p>Candidates are currently evaluated against an objective set of criteria such as skills and expertise, professional experience and the ability to commit the expected time and effort.</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>	:	As and when the need arises, the Nomination Committee will consider engaging external search firms or consultants to cast a wider net in sourcing for candidates. The Nomination Committee will also consider leveraging on directors' registry and industry or professional associations as channels for identifying candidates.
<b>Timeframe</b>	:	Within 3 years

### 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>The Nomination Committee is chaired by Dato' Gregory Wong Guang Seng, a Senior Independent Director.</p> <p>The Board is cognisant that an effective nomination and evaluation process of Directors is the bedrock of a high-performing Board. The Board therefore believes that the Senior Independent Director is the most suitable and qualified person to lead the conduct of this process in an objective manner.</p> <p>Given that the Senior Independent Director acts as a confidant to other Directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives. As Chairman of the Nomination Committee, Dato' Gregory Wong Guang Seng undertakes the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Leads the succession planning and appointment of Board members;</li> <li>• Assesses the training needs of Directors;</li> <li>• Reviews the assessment on independence of Independent Directors; and</li> <li>• Reviews the Board's composition, mix of skills and performance.</li> </ul>
<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

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 undertakes a formal and comprehensive annual assessment of its own performance, its Committees and individual Directors. During the financial year 2018, the Board evaluation was conducted in-house and facilitated by the Company Secretaries. The exercise was carried out through questionnaires given to Directors using a self and peer rating scale based on a numerical range of 1 – 5, dichotomous indicators such as “Yes” and “No” and open ended responses</p> <p>The scope of the assessment inter alia covered aspects such as composition of Board and Board Committees, Board culture and relationships as well as structure, role of Board and Board Committees as well as contribution and skill sets of individual Directors.</p> <p>The overall result of the evaluation was tabled to the Board and the Nomination Committee. Based on the findings of the said exercise, the Board is satisfied with the overall performance of the Board, Board Committees and individual Directors. Areas which the Board fared well include good working relationship among the Board members, the Directors were able to discharge their roles objectively and there is a good mix of industry experience in the various committees.</p> <p>In terms of improvement considerations, the annual assessment revealed that there should be more interaction among Board members and the Management, the Board should increase the frequency of site visits and keep itself more updated on global developments concerning sustainability issues, current trends in business as well as technological developments.</p> <p>Given that Unisem has shifted from a non-Large Company to a Large Company at the start of the financial year under review, the Board acknowledges the need for added rigour in the conduct of such objective assessments and endeavours to facilitate the assessment by engaging independent experts periodically.</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 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place formalised Remuneration Policy and Procedures to govern the remuneration of Directors and Senior Management. The remuneration policy is reviewed by the Remuneration Committee on an annual basis prior to making its recommendations to the Board for approval. The policy is made available on Unisem's website, as an appendage to the Board Charter.</p> <p>The key stipulations on remuneration policy and procedures for Directors are set out, as below:</p> <ul style="list-style-type: none"><li>• The fees for the Directors are considered annually and are determined with reference to the time commitment and responsibilities associated with the roles.</li><li>• The Board recognized 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.</li><li>• There are no supplemental fees or Board Committee membership fees.</li><li>• Directors' fees are determined within the overall aggregate annual amount authorised by shareholders with reference to the Company's Constitution. The Board 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.</li><li>• Non-Executive Directors receive no other pay or benefits.</li><li>• Executive Directors are also paid as employees of the Company in accordance with their contracts of employment with the Company.</li><li>• There are no supplemental fees being awarded for Directors who serve on the board of the subsidiaries of the Group.</li><li>• There are no severance payments and ex-gratia payments to Directors.</li></ul>

	<p>As for Executive Directors and Senior Management personnel, their remuneration packages are structured to link rewards to corporate and individual performance. The remuneration of Executive Directors and Senior Management contains a balance of fixed and performance-linked elements.</p> <p>The Board undertakes a thorough review of the said policy and procedures and may engage an external consultant to conduct the Board remuneration review as and when necessary.</p>	
<b>Explanation for departure</b>	:	Please provide an explanation for the departure.
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<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 Board has a Remuneration Committee, comprising a majority of Independent Directors to provide oversight on remuneration matters. The Remuneration Committee seeks to administer a remuneration framework that is fair and transparent in order to attract and retain talented individuals.</p> <p>As encapsulated in the Board Charter, the Directors of the Group are given authority to consult external advisors on any matters in the performance of his/her duties. In this regard, the Remuneration Committee members, in performing their fiduciary duties are able to consult external advisors to gain expert advice in reviewing and determining the robustness of the Group's remuneration framework.</p> <p>The Terms of Reference of the Remuneration Committee is periodically reviewed by the Board and is made available on Unisem'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**

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>	:	The remuneration of Unisem’s Directors is disclosed on a named basis in the Directors’ Report under Directors’ Benefits 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

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 remuneration of the top four Senior Management personnel of the Group is already disclosed pursuant to Practice 7.1 by virtue of their designation as Executive Directors. At this juncture, the Board is of the opinion that the disclosure of an additional Senior Management personnel's identity and his remuneration package would not be in the best interest of the Group due to competitive reasons.
		<p>The Board makes rigorous efforts to ensure that the remuneration of Senior Management is commensurate with the performance of the Group, with due consideration given to attracting, retaining and motivating Senior Management to lead and administer the Group successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.</p> <p>The disclosure of the top four Senior Management personnel's remuneration packages is already made pursuant to Practice 7.1 and this allows stakeholders to make an appreciable link between remuneration of Senior Management and the performance of the Group.</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>	:	<p>The current disclosure on Executive Directors' remuneration packages already allows stakeholders to establish the nexus between remuneration and value creation of the Group.</p> <p>Unisem will provide detailed disclosure of Senior Management personnel's remuneration upon completion of an advocacy period. This will help to negate any concerns on information asymmetry and competitive loss on the part of Unisem.</p>
<b>Timeframe</b>	:	Others
		5 years and above

**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 &amp; Risk Management Committee comprises three members whom are Independent Directors. The Audit &amp; Risk Management Committee is chaired by Dato' Gregory Wong Guang Seng whilst the Chairman of the Board is Mr John Chia Sin Tet.</p> <p>Dato' Gregory Wong Guang Seng is a Fellow of the Institute of Chartered Accountants (England &amp; Wales) and a Chartered Management Accountant (UK). He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants (MICPA) and an Associate Member of Tax Institute Malaysia.</p> <p>Given his sound financial understanding and experience, he is equipped with relevant technical knowledge to assume the role of Chairman of the Audit &amp; Risk Management Committee.</p> <p>The Terms of Reference of the Audit &amp; Risk Management Committee is reviewed annually and made available on Unisem'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>	:	<p>The Audit &amp; Risk Management Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner.</p> <p>The policy stipulation, which is codified in the Board Charter and Audit &amp; Risk Management Committee Terms of Reference, requires a former key audit partner to observe cooling-off period of at least two years before being appointed as a member of the Audit &amp; Risk Management Committee.</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

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>The Audit &amp; Risk Management Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor. The Terms of Reference of the Audit &amp; Risk Management Committee was established with reference to Chapter 15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Part C – Audit Committee.</p> <p>The annual assessment of external auditors covering their independence, objectivity and professionalism is formalised in the Audit &amp; Risk Management Committee's Terms of Reference whereby a recommendation to the Board will be made on the retention or non-retention of the external auditor.</p> <p>During the financial year, in line with relevant professional standards, the Audit &amp; Risk Management Committee has monitored and reviewed the performance and independence of the external auditor, namely, Deloitte PLT, and satisfied itself that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the said Committee.</p> <p>In addition, the Audit &amp; Risk Management Committee has obtained a formal written assurance from the external auditor that its personnel were, and have been independent throughout the audit engagement.</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>	:		
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### 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 &amp; Risk Management Committee comprises exclusively of Independent Directors, comprising of the following members:</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Designation</th></tr></thead><tbody><tr><td>1</td><td>Dato' Gregory Wong Guang Seng</td><td>Senior Independent Director</td></tr><tr><td>2</td><td>Mr Ang Chye Hock</td><td>Independent Director</td></tr><tr><td>3</td><td>Mdm Lim Siew Eng</td><td>Independent Director</td></tr></tbody></table> <p>The Board is cognisant that independence is the substance of the Audit &amp; Risk Management Committee's effectiveness. The Audit &amp; Risk Management Committee's Terms of Reference has instituted that all Committee members shall be Independent Directors.</p>	No.	Name	Designation	1	Dato' Gregory Wong Guang Seng	Senior Independent Director	2	Mr Ang Chye Hock	Independent Director	3	Mdm Lim Siew Eng	Independent Director
No.	Name	Designation												
1	Dato' Gregory Wong Guang Seng	Senior Independent Director												
2	Mr Ang Chye Hock	Independent Director												
3	Mdm Lim Siew Eng	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>The Board reviews the term of office of the Audit &amp; Risk Management Committee members through an annual Board Committee effectiveness evaluation.</p> <p>The Chairman of the Audit &amp; Risk Management Committee, Dato' Gregory Wong Guang Seng is a member of the Malaysian Institute of Accountants. This simultaneously allows Unisem to fulfil the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which calls for at least one member of the Audit Committee to be a professional member of a recognised accounting body.</p> <p>All members of the Audit &amp; Risk Management Committee are also financially literate and possess the necessary qualifications as well as industry experience (i.e. Dato' Gregory Wong Guang Seng being a Fellow of the Institute of Chartered Accountants, Mr Ang Chye Hock holding a Bachelor of Science in Electronics (Honours) with more than 29 years of experience in the semiconductor industry and Mdm Lim Siew Eng holding a Bachelor of Economics (Honours) degree with more than 29 years of working experience in the corporate advisory sector of the financial services industry).</p> <p>During the year, the Audit &amp; Risk Management Committee members had attended various training programmes to keep themselves abreast of accounting standards, rules as well as relevant industry developments. In fact, the Audit &amp; Risk Management Committee had scored the highest overall rating as surfaced from the outcome of the annual assessment performed, specifically in relation to the Committee being able to provide useful recommendations to the Board as part of its oversight role and the Committee Chairman being able to properly discharge his duties and deploying resources and expertise accordingly.</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 9.1

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>The review of the adequacy and effectiveness of the risk management and internal control framework is under the purview of the Audit &amp; Risk Management Committee.</p> <p>The Board, through the Audit &amp; Risk Management Committee determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard Unisem's businesses.</p> <p>The Group has instituted an Enterprise Risk Management framework advocated by the Committee of Sponsoring Organisations of Treadway Commission (COSO) to support the timely identification, reporting and management of key risks facing the Group as well as the implementation, tracking and review of the effectiveness of mitigation strategies and actions.</p> <p>Detailed disclosure on the Group's risk management and internal control framework is in the Statement on Risk Management and Internal Control of the Annual Report.</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 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 Annual Report contains the Statement on Risk Management and Internal Control which discloses the key features of Unisem's risk management and internal control framework. The framework is used to continuously identify, mitigate and address risks affecting the Group.</p> <p>In addition, the said statement outlines the significant risks factors identified during the year under review and the measures implemented by Management to assess, monitor and mitigate the identified risks.</p> <p>The details pertaining to the internal control framework are also included in the Statement on Risk Management and Internal Control.</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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Risk Management function is dealt with by the Audit and Risk Management Committee. The Board renamed the Audit Committee as the Audit & Risk Management Committee in 2017.

### 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 an in-house internal audit function, which is led by Mr Lee Chiou Horng who reports directly and functionally to the Audit &amp; Risk Management Committee. In this regard, the assessment outcomes of the Group’s control processes and effectiveness review are reported to the Audit &amp; Risk Management Committee.</p> <p>The Audit &amp; Risk Management Committee reviews and subsequently approves the internal audit plan and ensures that the Internal Audit function is accorded with appropriate authority to discharge its duties. In addition, the Audit &amp; Risk Management Committee ensures that the Internal Audit function has adequate resources to perform its role with objectivity and without undue influence by Management or any other interested parties.</p> <p>The Audit &amp; Risk Management Committee has also undertaken to perform the following in relation to the internal audit function:</p> <ul style="list-style-type: none"> <li>• reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and</li> <li>• reviewed the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.</li> </ul>
<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>	:	<p>Unisem’s Internal Audit function is led by Mr Lee Chiou Horng who reports directly to the Audit &amp; Risk Management Committee. He is an Associate Member of the Institute of Internal Auditors Malaysia (“IIA Malaysia”) and has over thirteen years of experience in the field of internal auditing and is equipped with the knowledge and expertise in risk management and internal controls. He also holds a Bachelor of Commerce degree from Curtin University, Australia.</p> <p>Mr Lee Chiou Horng is free from any family relationship with any Directors and/or major shareholder and does not have any conflict of interest with Unisem throughout the financial year. Mr Lee Chiou Horng is supported by two internal audit personnel in the Internal Audit function.</p> <p>The Internal Audit function is established to ensure the adequacy, integrity and effectiveness of the system of internal controls and compliance with established policies and procedures, guidelines, laws and regulations and reliability and integrity of information exist. The Internal Audit function adopts internal audit standards and best practices based on the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors.</p> <p>Under the purview of the Audit &amp; Risk Management Committee, the Internal Audit function seeks to ascertain compliance with policies/procedures and assess whether systems of internal controls exist and operate effectively. In this context, the internal audit plan is reviewed and approved by the Audit &amp; Risk Committee on an annual basis and the findings from the conduct of the internal audit review is reported to the Committee on a quarterly basis to ensure any attendant issues are acted upon timeously.</p> <p>The total cost incurred for the internal audit work of the Group during the financial year end 31 December 2018 was RM520,156.</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

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>The Board acknowledges that effective, transparent and regular communication with stakeholders is vital for informed decision making. Emanating from this, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner. Investor relations activities and general corporate affairs of the Group are spearheaded by the Vice President - Corporate Affairs.</p> <p>One of the primary modes of communication with stakeholders is through Unisem's corporate website. The website includes a corporate section which provides all relevant information regarding the Group. The Board ensures that Unisem's website is updated regularly and contains significant matters such as the following:</p> <ul style="list-style-type: none"><li>• Matters relating to the Group's current and future activities;</li><li>• Minutes of meeting / key matters discussed at Annual General Meetings; and</li><li>• Company announcements and quarterly financial results,</li><li>• Annual Report;</li><li>• Corporate Governance Report; and</li><li>• Sustainability Report.</li></ul> <p>Other forms of engagement fora include:</p> <ul style="list-style-type: none"><li>• quarterly analyst briefing after release of the quarterly financial results;</li><li>• plant visits, discussions or telephone conference with fund managers and analysts at their request;</li><li>• participate in investors conferences organised by local and international stockbroking houses;</li><li>• distribution of annual reports and circulars to shareholders;</li><li>• meeting with shareholders at general meetings; and</li><li>• meeting with members of the press after general meetings.</li></ul>
<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 11.2

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>Unisem has yet to adopt integrated reporting based on the widely recognised International Integrated Reporting Framework issued by the International Integrated Reporting Council ("IIRC") in December 2013.</p> <p>Although the Annual Report is not on the whole an integrated report based on the parameters set out by the IIRC Integrated Reporting Framework, it provides stakeholders with a fairly detailed view of the Group's financial and non-financial information that would allow them to make informed decisions.</p> <p>The Annual Report contains information pertaining to financial and non-financial including components such as Management Discussion &amp; Analysis, Sustainability Statement and Statement on Risk Management and Internal Control that are pivotal to the understanding of stakeholders on Unisem.</p> <p>As with the preceding year, Unisem has incorporated a Sustainability Statement in the Annual Report, in accordance to Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This is part of the Group's effort to progress towards integrated reporting through the establishment of the necessary systems and controls as well as the presence of quality non-financial data to support the development of an integrated report. As a FTSE4Good Bursa Malaysia Index (F4GBM) constituent, Unisem also weaves an account of its performance that relate to the admission criteria in this regard.</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>	:	The Board will seek to undertake a readiness assessment to identify the structural changes that would be necessitated from the proposed

	<p>transition to integrated reporting. As an incremental measure, the Group will seek to embed the process of integrated thinking into its activities to better streamline its connectivity of reporting from management, its business analysis and decision-making process.</p>	
<b>Timeframe</b>	: Within 3 years	

**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 recognises the Annual General Meeting (“AGM”) as a platform for shareholders to engage with both the Board and Management in a productive dialogue, as well as a mode of communication to provide constructive feedback on the overall performance of the Group.</p> <p>The Board endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM. In this context, the Board provided notice of its forthcoming AGM to shareholders within a reasonable time frame, at least 28 days before the AGM. The notice of the AGM outlines the resolutions to be tabled during the said meeting.</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>	:	<p>The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to the questions raised during the Annual General Meetings. In demonstrating this commitment to shareholders, all Directors were present in the previous AGM which was held on 25 April 2018. The Chairmen of respective Board Committees were also present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees.</p> <p>The minutes of meeting / summary of key matters discussed during the previous AGM was made available on Unisem's website in accordance with paragraph 9.21(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</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>	:		



**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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