

# SUSTAINABILITY REPORT



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# SUSTAINABILITY REPORT

## OUR FOCUS ON CUSTOMERS



## MANAGING OUR BUSINESS



## ENVIRONMENT



## PEOPLE



### ABOUT THE SUSTAINABILITY REPORT

Holding steadfast to our Vision of being a leading global multinational company, and a model corporate citizen in the communities in which we operate – we present our second Sustainability Report (“SR” or “report”) to our stakeholders.

Unisem is familiar in the practice of sustainability reporting. In prior years, we have prepared comprehensive narratives, illustrating our measures on numerous sustainability-related issues, including business growth, labour rights, management of workplace safety, and monitoring our environmental impact.

Furthermore, we have been a constituent of FTSE4Good Bursa Malaysia Index since December 2015, and aligned our practices with guidance from the Responsible Business Alliance (“RBA”) Code of Conduct since 2013. Our efforts were recognised as we were awarded the Malaysia 2018 Sustainable Business Award for Business Responsibility & Ethics.

Nonetheless, our sustainability journey is that of continuous improvement, as we seek to strengthen our business and to bring value to our stakeholders.

## BASIS OF PREPARATION

### Reporting Period

This report is prepared for the financial year (“FY”) 2018, which represents the reporting period of 1 January 2018 to 31 December 2018, unless otherwise stated.

### Reporting Boundary

We are pleased to inform that we have successfully expanded the geographical scope of FY 2018’s Report to include our operations in Chengdu, People’s Republic of China. Therefore, the information in this report covers the following entities and locations. For more information on the services provided by our operations, please refer to page 2 - 3 of our Annual Report.

Name of entity	Location of operations
Unisem (M) Berhad*	Ipoh, Malaysia
Unisem Advanced Technologies Sdn Bhd (“UAT”)*	Ipoh, Malaysia
Unisem Chengdu Co., Ltd. (“Unisem Chengdu”)	Chengdu, People’s Republic of China (“PRC”)

\* hereinafter, collectively referred to as “Unisem Ipoh”

Policies, processes, programmes and the governance structure discussed in the Sustainability Report apply group-wide, unless specific reference is made to Unisem Ipoh and/ or Unisem Chengdu. Reported retrospective data has been updated to include information from Unisem Chengdu.

This year, we have not reported on the sustainability performance of external parties out of our organisational boundary and management control. To do so, we would require pervasive effort, such as specified resource planning and structured reporting collaborations with these parties. Thus, we will maintain this scope development as one of our longer-term reporting goals.

### Reporting Enhancement For FY 2019 - FY 2020

In the next two years, we aim to extend our reporting scope to our operations in Batam, Indonesia. By doing so, we’d be able to report on overall sustainability performance and information at Group-level.

### Basis Of Reporting

#### Responsible Business Alliance (“RBA”)

Since 2013, we have voluntarily adopted the RBA Code of Conduct (“RBA Code of Conduct”) in our business practices. The RBA Code of Conduct details industry standards for responsible and ethical business. The standards are categorised into five sections: Labour, Health and Safety, Environmental, Ethics and establishment of Management Systems (to enable implementation of good business practice in relation to the other sections).

These provisions reference international standards and guides, including the Universal Declaration of Human Rights, ILO International Labour Standards from the International Labour Organization, OECD Guidelines for Multinational Enterprises from the Organisation for Economic Co-operation and Development, and ISO and SA standards from the International Organization for Standardization.

Therefore, this Report has been prepared to demonstrate our alignment with the RBA Code of Conduct.

# SUSTAINABILITY REPORT

## GRI Standards

We are proud of our next reporting accomplishment, which is preparation of this report in accordance with the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) of Core Option. The GRI Content Index can be found on pages 70 to 77.

## Bursa’s Listing Requirements

Finally, we have prepared this report in a manner as prescribed by Bursa Malaysia Securities Berhad (“Bursa”), in compliance with the Main Market Listing Requirements issued by Bursa. The preparation of the report, including stakeholder prioritisation and engagement, materiality assessment and selection of reporting indicators, are guided by Bursa’ Sustainability Toolkits.

We aim to align our disclosure with recognised national and international reporting practices, standards and guidelines to facilitate comparability and quality of the information and data we report.

## SUSTAINABILITY GOVERNANCE

Unisem’s Board of Directors (the “Board”), through the Board Sustainability Committee (“SC”), is responsible to oversee the process of integrating sustainability practices into Unisem’s daily operations, including setting strategic sustainability direction, the purpose and values of Unisem.

The Board Sustainability Committee is chaired by the SC Chairman. The SC is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving Unisem’s sustainability milestones and goals, including overseeing the preparation of the Sustainability Report and recommending the approach to manage material matters for approval by the Board.

The Board Sustainability Committee is supported by the Group Chief Operating Officer (“GCOO”), who leads the Sustainability Working Committees (“SWCs”). The SWCs, chaired by the sites’ Chief Operating Officers (“COOs”), consist of the RBA Working Committees (“RBA WCs”) and Business Development Groups (“BDGs”). A SWC is implemented in each of our three operating facilities in Malaysia, PRC and Indonesia. The SWC provides oversight and monitors the daily operations, ranging from conflict-free mineral sourcing to ensuring a safe working environment for employees. The diagram beside illustrates our governance structure for sustainability.

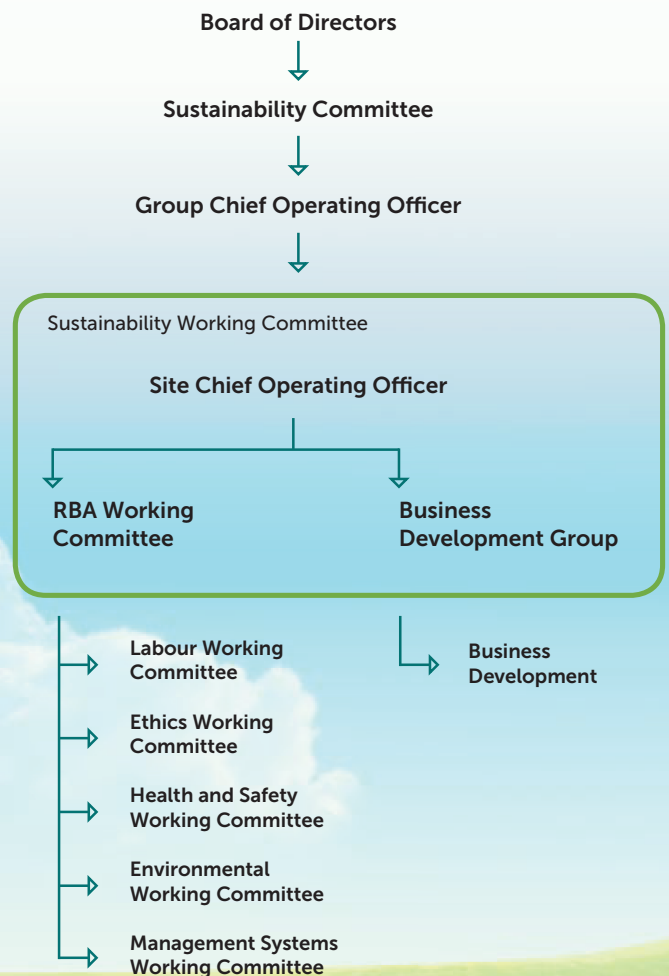


Diagram 1: Sustainability governance structure

As part of our adoption of the RBA Code of Conduct, each working committee under the RBA WC is responsible for managing and monitoring the five sections stipulated in the RBA Code of Conduct: Labour, Ethics, Health and Safety, Environmental and Management Systems Divisions. Each working committee oversees, implements and communicates Unisem’s policies, controls and internal systems on specific aspects of our economic, environmental and social responsibility, as detailed below.

Working Committee/ Group	Responsibilities
Labour Working Committee	Monitoring and ensuring the following aspects of labour rights are upheld: <ul style="list-style-type: none"> <li>• Freely chosen employment</li> <li>• Child labour avoidance</li> <li>• Working hours</li> <li>• Wages and benefits</li> <li>• Humane treatment</li> <li>• Non-discrimination</li> <li>• Freedom of association</li> </ul>
Ethics Working Committee	Overseeing the systems and tools in place to ensure: <ul style="list-style-type: none"> <li>• Privacy is upheld</li> <li>• Protection of identity and non-retaliation</li> <li>• Business integrity/appropriate disclosure of information is in place</li> <li>• Responsible sourcing of minerals</li> <li>• Fair business conduct, including in advertising and competition</li> <li>• Intellectual property is protected and respected</li> </ul>
Health and Safety Working Committee	Overseeing the health and safety of the working environment: <ul style="list-style-type: none"> <li>• Chemical/Protective Personal Equipment (“PPE”) management</li> <li>• Hazard Identification, Risk Assessment and Risk Control</li> <li>• Emergency response testing</li> <li>• Permit/test report</li> <li>• Accident complaint investigation</li> <li>• Workplace inspection/ Audit</li> <li>• Machinery/work instruction</li> <li>• Exposure to radiation/X-ray monitoring</li> </ul>
Environmental Working Committee	Monitoring and ensuring the following aspects of environment management are upheld: <ul style="list-style-type: none"> <li>• Management of chemical substances and chemical control</li> <li>• Waste management</li> <li>• Emergency response drills and procedures</li> <li>• Legal requirements, measurement and monitoring of waste and chemical substances</li> <li>• Environmental Management System, to ensure it is in accordance with ISO14001:2015 standard</li> </ul>
Management Systems Working Committee	Overseeing the systems and controls in place that support the tasks of the other committees: <ul style="list-style-type: none"> <li>• Monitor updates in applicable laws, regulations and customer requirements, including requirements of the RBA Code of Conduct</li> <li>• Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance</li> <li>• Communicate policies and practices at Unisem</li> <li>• Conduct self-assessments, including internal audits</li> </ul>

# SUSTAINABILITY REPORT

Working Committee/ Group	Responsibilities
Business Development Group	Implements the Group’s and site’s business strategy by: <ul style="list-style-type: none"> <li>• Attracting new customers</li> <li>• Expanding business with existing customers</li> <li>• Achieving annual revenue and business growth plans and objectives</li> <li>• Managing Regional Sales, Marketing, Technical Program Management (TPM), as well as site</li> <li>• Customer Service organisations</li> <li>• Research and development programmes</li> </ul>

Table 2: Roles and responsibilities of the Working Committee / Group

## STAKEHOLDER INCLUSIVITY

### Stakeholder Prioritisation

Fostering strong and long-term relationships with our stakeholders have always been the culture at Unisem. We believe that our business and operational success is dependent on the important relationships we cultivate. Dedicated channels for regular engagement are established to understand stakeholders’ expectations and areas of interest which influence their decisions towards us. Stakeholders’ feedback is gathered through these formal and informal channels, reviewed and considered in our business decisions, where applicable.

Using the Bursa Stakeholder Prioritisation Toolkit, the SWC expanded the stakeholder prioritisation exercise to Unisem Chengdu. The key stakeholder groups identified in the exercise closely align with stakeholder groups we interact with regularly. Below, we summarise our engagement platforms with the identified key stakeholder groups.

Stakeholder Group	Engagement Approach	Sustainability Concerns
Shareholders	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Quarterly announcements</li> <li>• Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous business growth, including new market penetration</li> </ul>
Directors*	<ul style="list-style-type: none"> <li>• Quarterly and ad-hoc Board and Board Committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous business and operational improvement</li> <li>• Financial risk and company compliance to laws and regulations</li> <li>• Financial results</li> <li>• Interests of stakeholders and shareholders</li> <li>• Continuous investment in research and development</li> <li>• Environmental matters</li> </ul>

Stakeholder Group	Engagement Approach	Sustainability Concerns
Senior Management*	<ul style="list-style-type: none"> <li>• Management meetings</li> <li>• Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure safe and humane working environment</li> <li>• Ensure customer requirements are met, including security of customer data</li> <li>• Management of the supply chain, including eliminating conflict minerals</li> <li>• Adherence to RoHs, REACH and environmental regulations</li> <li>• Ensure talent retention by providing competitive compensation and benefit packages for employees, and ensuring human rights of all employees are respected</li> <li>• Proper management and disposal of hazardous waste</li> <li>• Management of energy efficiency and investment in research and development</li> </ul>
Employee*	<ul style="list-style-type: none"> <li>• Annual Employee Climate Survey</li> <li>• Quarterly forums held by the site COO with employees on financial and operational updates at Unisem Ipoh</li> <li>• 'Open-door' practices to provide feedback</li> <li>• Annual performance evaluation sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Safe and humane working environment</li> <li>• Nurturing culture, including provision of learning and development opportunities</li> <li>• Ensure competitive compensation and benefit packages for employees, and human rights of all employees are respected</li> <li>• Proper management and disposal of hazardous waste</li> </ul>
Customers*	<ul style="list-style-type: none"> <li>• Quarterly business reviews</li> <li>• Annual customer satisfaction surveys</li> <li>• Ad-hoc meetings and social audits</li> </ul>	<ul style="list-style-type: none"> <li>• Quality assurance and reliable products and services</li> <li>• Competitive pricing and on-time delivery</li> <li>• RBA compliant operations at Unisem, as well as compliance with local and international regulations (i.e. RoHS and REACH)</li> <li>• Safe, humane working environment, respect human rights</li> <li>• New products development projects</li> </ul>
Suppliers/ Contractors*	<ul style="list-style-type: none"> <li>• Annual supplier audits</li> <li>• Supplier briefings</li> <li>• Conduct of Self-Assessment Questionnaires</li> <li>• Ad-hoc tender exercises and meetings</li> <li>• Email communications</li> </ul>	<ul style="list-style-type: none"> <li>• Fair tender practices</li> <li>• Competitive prices</li> <li>• Business continuity</li> <li>• Quality materials/parts/services</li> </ul>



# SUSTAINABILITY REPORT

Stakeholder Group	Engagement Approach	Sustainability Concerns
In-house Union*	<ul style="list-style-type: none"> <li>Monthly formalised union meetings</li> <li>Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>Industrial harmony between Management and employee</li> <li>Employee's rights and Unisem's responsibility in providing welfare to employee</li> <li>Resolving misunderstanding and grievances</li> <li>Maintaining high level of productivity, efficiency and discipline</li> </ul>
Law enforcers/ regulators	<ul style="list-style-type: none"> <li>Annual air quality and waste disposal reports, workplace incident reports</li> <li>Quarterly announcements</li> <li>Ad-hoc report submissions as and when requested by regulators</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to relevant laws and regulations</li> <li>Corporate governance and compliances</li> </ul>
Ministry/ local council	<ul style="list-style-type: none"> <li>Annual council meetings</li> </ul>	<ul style="list-style-type: none"> <li>Support towards local communities, including contributions on community matters</li> <li>Administrative management on foreign workers</li> </ul>
Financial Institutions	<ul style="list-style-type: none"> <li>Ad-hoc focus group discussions</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity opportunities</li> </ul>
Rating agencies/ analysts	<ul style="list-style-type: none"> <li>Quarterly credit reports and analyst briefings</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity, transparency and fair financial reporting</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>On-going grievance channels and volunteering programmes</li> </ul>	<ul style="list-style-type: none"> <li>Noise monitoring and contributions towards local communities, such as volunteering projects and donations, health, safety and environmental management</li> </ul>

\* Direct and indirect engagement in FY 2018 for development of the Materiality Matrix. Additional stakeholder group engaged in FY 2018: In-house Union

Table 3: Modes of engagement with stakeholders

## Stakeholder Engagement

In view of continuously improving our sustainability exercise and reporting, we expanded our stakeholder engagement to include key stakeholder representatives at our operations in Chengdu, and engage additional stakeholder representatives in Ipoh.

Stakeholder representatives were selected from key stakeholder groups and directly engaged via survey forms, where they rated the level of importance of our relevant sustainability matters to them.

This year, we directly engaged representatives from some of our key stakeholder groups: Directors, Senior Management, Employees, Suppliers and Contractors, and In-house Union. Customers were engaged indirectly, by considering feedback provided at formal engagement platforms. Feedback from this exercise will be used as input for our materiality assessment, described below.

Results of the stakeholder engagement exercise is consolidated by the SWC and presented to the Board Sustainability Committee for endorsement. Subsequently, this is presented to the Board for their endorsement and acknowledgement.

## Reporting enhancement for FY 2019 - FY 2020

In the next reporting cycle, we aim to improve our stakeholder engagement exercise by increasing the number of stakeholder representatives and stakeholder groups we directly engage with.

## MATERIALITY ASSESSMENT

### Sustainability Matters

The list of sustainability matters have been reviewed by the SWC this year and deemed still relevant. Review was undertaken due to the reporting scope expansion and changes our operations and geopolitical environment, as discussed in the MD&A section.

Our matters are reflective of our sustainability-related risks and opportunities. They were reviewed against our risks and opportunities for our business, stakeholders' feedback, focus areas of reporters in our industry, our policies and external regulatory guidelines, and sector-specific information from internationally credible sustainability framework and reporting guidelines, such as the RBA and the GRI Standards, and Sustainability Accounting Standards Board ("SASB").

### Sustainability Impact Assessment

Prior to forming the Materiality Matrix, the SWC utilised the Materiality Assessment Toolkit by Bursa to perform the risk assessment exercise, considering the impact and likelihood of sustainability matters on Unisem Ipoh and Unisem Chengdu, based on financial, regulatory, reputational and customer satisfaction considerations.

### Materiality Matrix

The incorporation of stakeholder feedback and results of the sustainability impact assessment from Unisem Chengdu has updated the outcome of our Materiality Matrix, leading us to identify top six most material matters.

Ranking higher than the others, these matters demonstrate the highest importance to our business and greatest influence of stakeholders' decisions, categorised across our four main themes: Managing Our Business, Our Focus on Customers, People and Environment. The other nine matters are still of high importance, and are continuously monitored and reported. Below, we illustrate the outcome of our Materiality Matrix.

# SUSTAINABILITY REPORT

## Managing Our Business



## Our Focus on Customers



## People



## Environment



### Our Six Most Material Matters

- 1** Customer Satisfaction
- 2** Occupational Health and Safety
- 3** Growing the Business
- 4** Technology and Innovation
- 5** Employee Welfare
- 6** Effluents and Waste Management

## Materiality Matrix

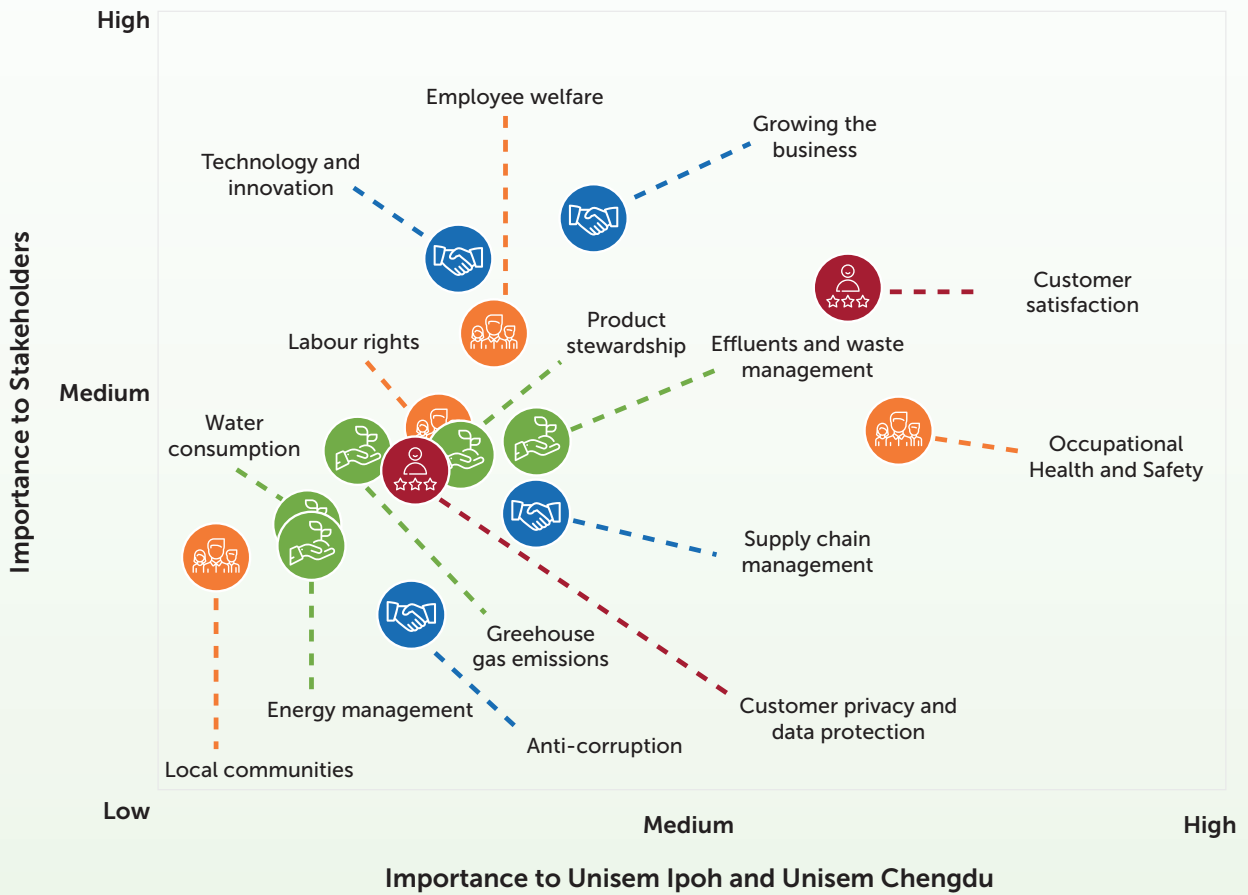


Diagram 2: Materiality Matrix

Our Sustainability Matters					
1	Customer satisfaction	6	Effluents and waste management	11	Greenhouse gas emissions
2	Occupational health and safety	7	Labour rights	12	Water consumption
3	Growing the business	8	Product stewardship	13	Energy management
4	Technology and innovation	9	Supply chain management	14	Anti-corruption
5	Employee welfare	10	Customer privacy and data protection	15	Local communities

Table 4: List of Unisem's sustainability matters

#### Reporting enhancement for FY 2019 – FY 2020

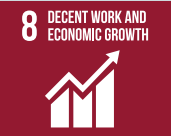

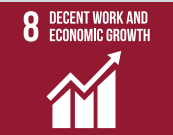
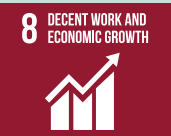








As part of our plan to extend the reporting scope in the near future, the materiality matrix will be updated to include considerations from operations in Batam.

In the future, we aim to move towards concise annual reporting. In doing so, we will upload unchanging information on our corporate website. This will include our Sustainability Governance Structure, the methodology and outcome of the Stakeholder Engagement and Materiality Assessment process, alongside other corporate information.

#### IMPACT ON THE SDGS

Set by the United Nations General Assembly ("UN"), the UN Sustainable Development Goals ("SDGs") are a set of 17 Goals with respective targets to be achieved by 2030, with the broad aim to create a better world. We acknowledge that our business is able to contribute to the SDGs. Below, we illustrate the way Unisem's Mission and our six (6) most material matters relate to the SDGs.

# SUSTAINABILITY REPORT

SUSTAINABILITY MATTERS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	UNISEM'S MISSION
Customer Satisfaction	 	1 6
Occupational Health & Safety	 	2 6
Growing the Business	 	3 4 5 6
Technology & Innovation		1 6
Employee Welfare	 	2 6
Effluents & Waste Management	   	5 6

### Legend - Unisem's Mission

- 1 Provide total customer satisfaction
- 5 Adhere to good corporate governance and support environmental, social and economical development of the Community
- 2 Be a caring company and employer of choice
- 6 Uphold and live our core value
- 3 Generate profits and accelerate growth
- 4 Develop long term win-win partnership with our business associates

Diagram 3: SDG Mapping to Unisem's Sustainability Matters and Mission

## VALUE CREATION MODEL

We understand the outcome our business generates and how it depends on our resources to achieve value. As illustrated in the diagram below, our input draws from various resources, such as our financial stability, our plants, patents and technology, our skilled workforce, and the strength of relationships with our stakeholders. In utilising our resources, our business activities are based on the fundamentals of our Mission and Core Values. The way in which we manage our resources to create value for our business and stakeholders through our business activities and initiatives is communicated across the four themes in the next section: Managing Our Business, Our Focus on Customers, People and Environment.

### INPUT



#### Financial Resources

Our financial capital depends on our **equity** and funds generated from **investment** and **operations**.



#### Our Plants and Technology Innovation

Our machinery and technology process serve to improve operational efficiency without compromising quality. Supporting plant operations are a team of skilled and experienced professionals who pursue projects along our Technology Road Map.



#### Natural Capital

**Our direct materials and water** is a natural capital and our company's critical enabler across our manufacturing platforms and key operations.



#### Human Capital

Our talent base are high skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of our all our employees, including human resource and finance staff, **software engineers, system architects, chip design engineers and developers**.

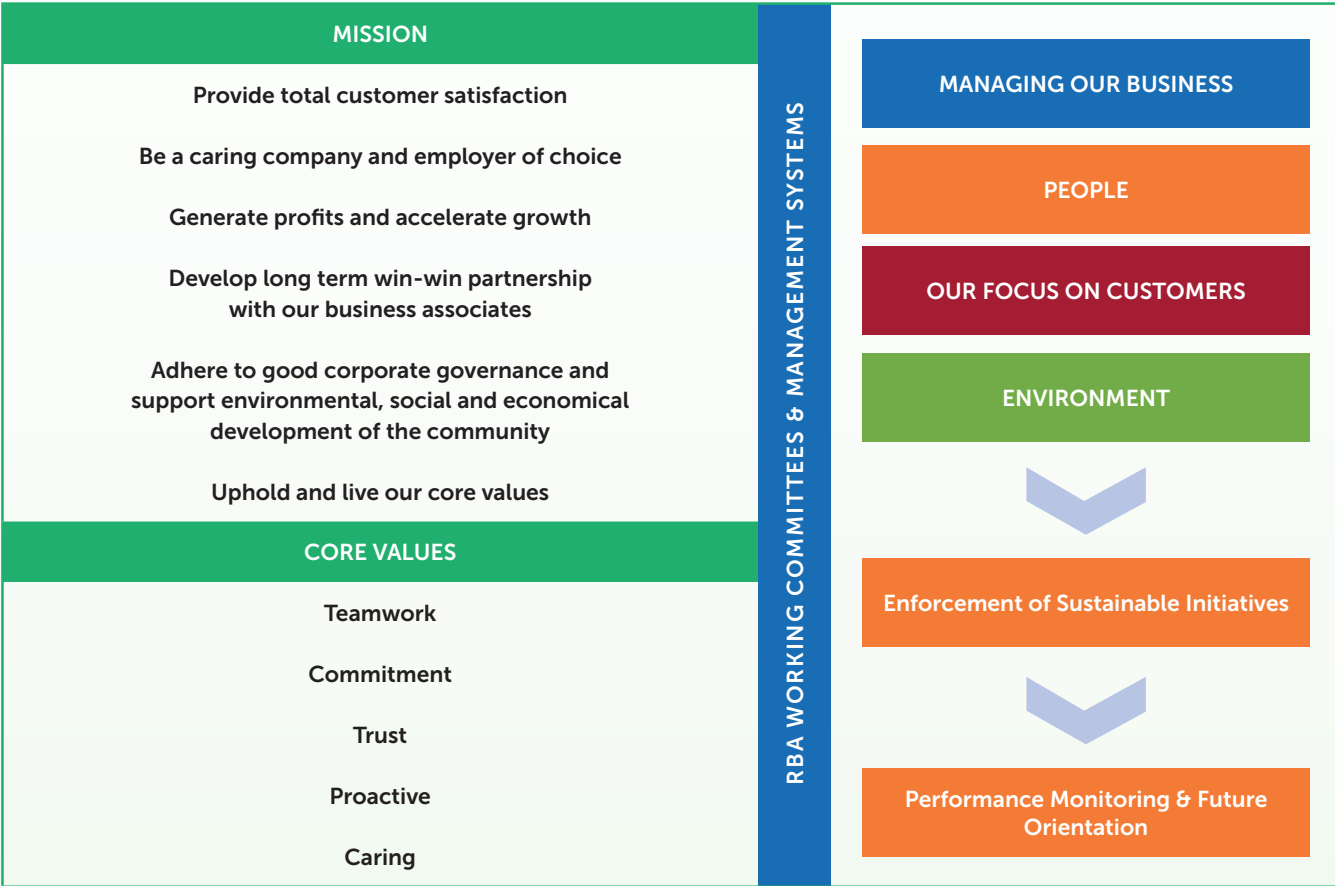


#### Social and Relationship Capital

An integral resource of our operations are the **relationships we foster with our stakeholders**, including our customers, shareholders, employees, suppliers, regulators, industry partners and the community.



# SUSTAINABILITY REPORT





## OUTCOME HIGHLIGHTS



89%

Satisfied key customers



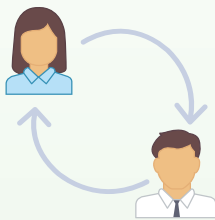
-7.8%

Annual movement in revenue



**Achieved**

project completion targets of the  
Technology Road Map



86.8%

of employees received a minimum  
of 6 hours of training



50%

of total scheduled waste is recycled  
**Compliant** with effluent regulations

Diagram 4: Value creation model



# SUSTAINABILITY REPORT

## SUSTAINABILITY PERFORMANCE HIGHLIGHTS



**89%**  
satisfied key customers



**1.69**  
injury frequency rate for industrial accidents



**-7.8%** MYR  
annual movement of revenue



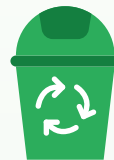
**Achieved**  
project completion targets of the Technology Road Map



**86.8%**  
of employees received a minimum of 6 hours of training



**Compliant**  
with effluents regulations



**50%**  
total scheduled waste recycled

Top 6 Sustainability Matters	KPI	2018 Target	2018 Performance	Status
Customer Satisfaction	Satisfied key customers rate	80%	89%	✓
Occupational Health and Safety	Injury frequency rate for industrial accidents	<2.00	1.69	✓
Growing the Business	Revenue growth	To achieve revenue growth	-7.8%	✗
Technology and Innovation	Technology growth and development as per Technology Road Map	To achieve target project completion dates	Achieved targeted dates	➔
Employee Welfare	Average training hours per employee	60% of employees received a minimum of 6 hours of training per year	86.8%	✓
Effluents and Waste Management	Compliance with regulatory standards	Compliance	Complied	✓
	Total scheduled (hazardous) waste recycling rate	50%	50%	✓

**LEGEND:** ✓ Achieved ➔ On track ✗ Challenging

Diagram 5: Sustainability performance highlights



## MANAGING OUR BUSINESS



At Unisem, we strive to create long-term value for our stakeholders by delivering innovative products and services. We are constantly improving our capabilities in technological development, supply chain practices, and accelerate growth to be recognised as a leading global multinational company. The transparency of our corporate culture is key to combat against ethical or security breaches. These initiatives earn the satisfaction and trust of our customers, giving us a competitive edge in the industry. We constantly engage and align our efforts with our customers' expectations to proactively build, nurture and strengthen our relationship with them. The partnerships we established over the years and potential business collaborations allow for an effective transfer of knowledge and optimum utilisation of resources.

## GROWING THE BUSINESS

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	+5.0% in 2016	+10.8% in 2017	-7.8% in 2018

Table 5: To achieve revenue growth - KPI, Target and Performance for Unisem Group

We currently operate in three locations: Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia, serving international customers from the United States of America, Europe and Asia. Our portfolio offers full turnkey solutions, packaging capability, including all types of leadframe based packages, leadless packages, modules, wafer level CSP, flip chip and MIS based packaging.

The nature of our operating environment possesses an array of risks and opportunities with the potential to affect the ability to grow our business positively each year. Discussed in detail in the Management Discussion and Analysis ("MD&A") section of our Annual Report ("AR") (refer to page 9 - 11), some risks and opportunities that impact our business, amongst others, are the highly competitive environment of the industry, quick turnaround of technology developments, our dependency on a highly experienced and skilled workforce and our major customers, as well as our exposure to geopolitical risks.

# SUSTAINABILITY REPORT

In FY 2018, Unisem Group recorded a total revenue of RM 1.35 billion, a decrease of 7.8%, against the revenue of RM 1.47 billion generated in FY 2017. The decrease in revenue is primarily attributable to the strengthening of the Malaysian Ringgit (“MYR”) against the United States Dollar (“USD”), which began at the start of the financial year. In addition, demands for product mix varied this year, affecting our revenue generated. For a detailed discussion on changes in our operating environment and business growth, please refer to the Management Discussion & Analysis on page 9 - 11.

Below is a breakdown of revenue by customers’ region. Customers in the United States of America and Asia contributed higher than those in Europe due to the larger customer pool.

Unisem Group	Revenue generated by customers’ region (RM ‘000)		
	2016	2017	2018
United States of America	532,635	661,095	635,066
Europe	195,254	208,044	223,247
Asia	594,891	596,588	492,963
Total Group Revenue	1,322,780	1,465,727	1,351,276

Table 6: Revenue generated by customers’ region for Unisem Group

Long-term business growth requires the balance of economic, environment and social risks and opportunities. Therefore, we will continue to focus on driving manufacturing excellence, growing sales and improving resource efficiency, while investing in safety, increasing the skillsets of our people, and giving back to the community.

For more information on the Group’s growth, please refer to the Chairman’s Letter to Shareholders (page 6 - 8), the Management Discussion & Analysis (page 9 - 11) and the Financial Statements (page 111 - 183) in this Annual Report.

## TECHNOLOGY AND INNOVATION

<b>KPI</b>	Technology growth and development as per Unisem Group Technology Road Map
<b>Target</b>	To achieve target completion dates of our projects as per Technology Road Map
<b>Performance</b>	Refer to Table 9 for progress of our projects as per our Technology Road Map

Table 7: Technology growth and development as per Technology Road Map – KPI, Target and Performance for Unisem Group

In keeping up with the dynamic market demands for technology and design solutions, we will continuously invest in resources to support and spur innovation.

### Dedicated Research and Development (“R&D”) team

Part of our technical and skilled workforce is our R&D team, who supports us in our operational advancement. Headed by a Senior Vice-President, assisted by a Senior manager and ten full-time employed engineers, the team has an average of 11.4 years of relevant experience. The R&D team manages and monitors Unisem Group’s Technology Road Map (“Road Map”), which fortifies our strategic directions to remain competitive in the market and provide customer solutions.

### Annual investment in R&D

Annually, the Group budgets for R&D expenditure, a decision by those charged with governance that ensures financial resource allocation promotes innovation. In 2018, we made a total investment of RM8.8 million.

	Unisem Group research and development expenditure		
	2016	2017	2018
Unisem Group Research and development expenditure (RM '000)	8,683	8,401	8,847
Research and development expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

Table 8: Research and development expenditure for Unisem Group

### Our Key technology achievements

Fostering team work with our customers and suppliers, we work closely with them to complete noteworthy achievements in the areas of industrial development.

#### Key projects achieved, in collaboration with customers:

1. We have collaborated with one of our customers to have big Metal Lid Module LGA for high power management product; package size up to 23x18mm. This package solution drives assembly process flow simplification, high assembly ASP and excellent product performance. This is currently running in volume production. A series of products with higher power are in its engineering phase now.
2. Another key achievement is our collaboration with a customer and supplier to develop an ultra-thin SLP package, with an additional package footprint reduction with the invention of routable lead frame capability.

Aside from the collaborative projects, Unisem's R&D team has completed significant projects during the year. These efforts drive our competitive edge, and move us towards embracing 'Industry 4.0' – a promotion of factory automation and smart manufacturing.

#### Key projects and R&D achievements during the year:

1. X4MIS 0.3mm max package thickness for mobile application – internal & customer qualification completed. Current status is technology readiness, pending customer for actual product introduction.
2. Enhanced Air Cavity Package in MIS for high frequency RF application is completed and currently in volume production.
3. Thin WLCSP Capability for mobile application. Technology readiness completed. Pending for customer product introduction.
4. A total of seven new processes/materials were qualified in 2018. To date, Unisem has obtained 18 patents with another three patents in progress.
5. Implementation of AOI (Automatic Optical Inspection) for 2nd & 3rd Optical inspection for critical product to replace human dependence visual inspection. This not only reduces the risk of human induced error, but also reduces operator resources by automated the process as well as cycle time. This automation is also part of the effort as Industry 4.0, and quality enhancement toward automotive excellence.

### Our R&D awards and recognitions

These achievements draw the attention of our customers and awarding bodies. We are pleased to report on recent awards we have received:

1. Business award on Intel Metal Lid Module LGA package, which introduced 3D solder paste printing process on 2nd pass reflow. This process has better assembly yield & faster throughput than other players in our industry.

# SUSTAINABILITY REPORT

2. Recognition from one of our major customers, Skyworks Solutions Inc., on introducing MIS package as one of the alternate EMI Shielded solution for high RF module application.

## Technology Road Map

The R&D team works closely with customers as well as material and equipment suppliers in establishing its package and process roadmap. The roadmap is reviewed annually to ensure its relevance and ability to meet the dynamic demands of the industry.

Projects	Descriptions	Challenges	Target for Production Readiness <sup>1</sup>	Completion Date
Fan-out Wafer Level Packages	As an alternative of Fan-In WLP, Laminate Substrate Based Flip chip and System in Package ("SiP") integration, as well as driving for higher package functionality, better product performance & competitive cost	<ul style="list-style-type: none"> <li>• High Capex investment</li> <li>• Cost competitive</li> <li>• Technical challenges e.g. carrier warpage</li> </ul>	2018	Deferred to Q3'19 due to some unsolved technical challenges.
Power SLP	A high power product requirement	<ul style="list-style-type: none"> <li>• Relative high lead frame cost</li> <li>• Package sawing with thick lead frame material</li> </ul>	End 2017	Completed - Commenced production in small volume
Super Thick Module SLP	SLP integrated with thick inductor for higher power rating	<ul style="list-style-type: none"> <li>• New mold equipment investment</li> <li>• Technical challenges such as mold void, incomplete mold &amp; thick package sawing</li> </ul>	2018	Completed - Commenced production
Super High Thermal Epoxy	Higher thermal dissipation for better product performance	<ul style="list-style-type: none"> <li>• High material cost</li> <li>• Narrow process window e.g. epoxy fast dry off</li> <li>• High modulus, thus it is not appropriate for long term reliability test.</li> </ul>	2018	Completed - Commenced production
Thin WLCSP	Align with handheld market need for thinner profile product	<ul style="list-style-type: none"> <li>• New equipment investment</li> <li>• Technical challenges e.g. warpage, crack die</li> </ul>	2018	Completed internal qualification. Able to support for any customer engineering/qualification. Pending for customer product introduction.
12" Wafer Bumping	Establish the capability for wafer bumping on 12" wafer size. The objective is to align with customers' technology roadmap and demands. With this capability, wider range of business opportunity is available for current as well as new customers.	<ul style="list-style-type: none"> <li>• High Capex investment</li> <li>• Cost competitive</li> <li>• Technical challenges e.g. automation handling</li> </ul>	2019	On progress for completion by 2019

Projects	Descriptions	Challenges	Target for Production Readiness <sup>1</sup>	Completion Date
Package Level EMI Shielding*	Establish capability of package level EMI shielding, a requirement especially for RF devices due to upcoming sub-5G / 5G & IoT.	<ul style="list-style-type: none"> <li>• High Capex investment</li> <li>• High maintenance cost</li> <li>• Single tool</li> </ul>	Quarter 2 of 2019	Equipment on-going delivery. Installation, setup and buyoff to be completed by end of Q1 2019. Shall be ready for customer product design by Q2 2019.
MIS with Wetttable Flank*	To get ready MIS package into one of the key automotive requirement – Wetttable Flank.	<ul style="list-style-type: none"> <li>• Higher MIS frame cost</li> <li>• Technical challenges is etching depth control, package sawing burr at the etched dimples.</li> </ul>	Quarter 3 of 2019	Internal assessment is in progress. The outcome of the test vehicle is positive, but requires fine tuning and repeatability run. To be ready for customer product design by Q3 of 2019.
High Thermal Conductive DAF*	For assembly design rules & reliability enhancement e.g. die / paddle size ratio, consistent BLT, better MSL etc.	<ul style="list-style-type: none"> <li>• High material cost</li> <li>• Temperature cycling test performance due to high material modulus</li> </ul>	Quarter 3 of 2019	Testing results are inconsistent. Currently being assessed by an alternate supplier.
008004 passive*	With the trend of package miniaturisation, smaller passive components are required.	<ul style="list-style-type: none"> <li>• High material cost i.e. passive &amp; solder paste.</li> <li>• New equipment is requires</li> <li>• Technical challenges are high risk of SMT defects e.g. tombstone, solder bridge</li> </ul>	2019	Project is currently under review for further analysis/ research and assessment of internal capabilities.

Table 9: Unisem Group Technology Road Map

<sup>1</sup> As reported in Unisem's 2017's Sustainability Statement, Annual Report 2017.

\* New projects commenced in 2018.

## SUPPLY CHAIN MANAGEMENT

Unisem interacts with a multitude of suppliers across any array of countries, supplying the Group direct materials, tools and machines, logistics and packaging services, and non-production office materials and other services.

Managing the integrity of the supply chain is a challenging task which involves rigorous controls, and close engagement with suppliers and contractors. We believe in fostering long-term and robust relationships with suppliers and contractors to collaborate in overcoming any risks of non-compliance, as well as any labour, health and safety, environmental and ethical violations.

### Applying our policies and the RBA Code of Conduct in our supply chain

Our resolution to practice ethical partnerships is stipulated in Unisem COE and Group CSR Policy. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy.

Our close alignment with the RBA Code of Conduct enables us to engage our suppliers and contractors in a manner which is standardised across members of the industry.

# SUSTAINABILITY REPORT

Key direct material suppliers and service providers are required to comply with the provisions of the RBA Code of Conduct by signing a Letter of Conformance. These suppliers are also updated annually on the latest RBA requirements, and briefed regularly on the RBA Code of Conduct and Unisem COE. Annually, the Business Ethics letter is sent to these suppliers. With other suppliers, we practice continuous engagement as guided by Unisem COE and the RBA Code of Conduct to encourage good practice.

### Supplier Audits

Key direct material suppliers and service providers are assessed for risks across the EES spectrum by utilising assessment tools from RBA. As part of our due diligence process, all key direct material suppliers are required to complete the RBA Self-Assessment Questionnaire (“SAQ”). The results of the questionnaire identify high-risk areas and potential gaps against the RBA Code of Conduct, including both social and environmental issues. This is part of our effort to integrate our suppliers within our Environmental Management System (“EMS”).

In addition, the supply chain team from Unisem Ipoh performs on-site audits on key direct material suppliers for Unisem Ipoh and Unisem Chengdu. Our shared key direct material suppliers comprise 25 suppliers, covering 85% of our total direct material spending. We have implemented plans to audit 80% of our shared key direct material suppliers over a period of two years (2017 and 2018), as shown below:

Year	Target	Performance
2016	Perform 6 key direct material suppliers audit	Completed 6 audits
2017	Perform 8 key direct material suppliers audit	Completed 9 audits
2018	Perform 8 key direct material suppliers audit	Completed 9 audits

Table 10: Supplier audit plan (2016 – 2018) for Unisem Ipoh and Unisem Chengdu

Following the completion of our targeted supplier audits, we will commence a new audit plan in 2019, where we will complete 10 audits of our key direct material suppliers by 2020.

On-site audits are carried out using the RBA Validated Audit Program (“VAP”) Operations Manual 6.0 (“VAP Manual”). The VAP Manual is based on the five sections of the RBA Code of Conduct, shown below. Therefore these audits enable us to assess key direct material suppliers against pertinent environmental and social risks.



Labour



Health and safety



Ethics



Environmental



Management Systems

Diagram 6: Five sections of the RBA Code of Conduct

All key direct material suppliers will be audited periodically based on their levels of conformance and overall performance in line with RBA and Unisem’s requirements. Our aim is to assist our suppliers in closing compliance gaps, which will enable them to better their practices against internationally-recognised environmental and social considerations.

Audit findings are shared with suppliers upon completion of the site visit, and corrective actions are agreed upon and implemented. The suppliers will reply with corrective actions within seven working days upon issuance of the audit report. Implementation of said corrective actions will be verified by the Unisem audit team before the audit is closed. Below, we summarise the key corrective actions raised based on our supplier audit performed in 2018.

RBA Category	Summary of key corrective actions
<b>Labour</b>	<ul style="list-style-type: none"> <li>• Establish adequate policies and procedures to ensure workers are not required to pay fees, excessive fees, and deposits or incur debt as part of the employment.</li> <li>• Passports were held by employer to prevent document loss. However the supplier needs to review this approach to ensure passports are only held by the foreign workers.</li> <li>• Review Human Resource policy to prohibit deduction workers' pay due to disciplinary reasons</li> <li>• Any deductions of pay must receive approval from the relevant authority.</li> <li>• Revise the job application form to omit request for discriminatory information, such as sex, age, gender, religion, marital status, etc.</li> </ul>
<b>Occupational safety and health</b>	<ul style="list-style-type: none"> <li>• Conduct risk assessments to identify workplace hazards, with the aim of minimising health and safety impacts for pregnant and nursing women</li> <li>• Do not block access to emergency exits and fire extinguishers, and regularly inspect first aid and spill kits.</li> <li>• Ensure all employees are trained on emergency drills, including those on rotating and night shifts.</li> <li>• Provide personal protective equipment ("PPE") to site visitors, where needed.</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Establish audit plan to for hazardous waste vendors.</li> <li>• Use clear signage to properly identify waste disposal areas.</li> </ul>
<b>Management Systems</b>	<ul style="list-style-type: none"> <li>• Establish management review of the implementation status of the RBA Code of Conduct, as well as internal audit plans to check compliance status.</li> <li>• Update the legal register to ensure operations are compliance with latest laws and regulations</li> <li>• Regularly identify and implement performance objectives and targets</li> </ul>

Table 11: Summary of key corrective actions from supplier audits performed in 2018 for Unisem Ipoh and Unisem Chengdu

### Compliance Gap Closure

Following the issuance of corrective actions plans for supplier audits performed in 2018, 77% of supplier audits and implementation of respective corrective action plans, have been completed by the end of the year. The remaining corrective actions will be completed in the following year, as the audits were primarily performed in the months of November and December, and the suppliers require a reasonable time frame to implement the corrective action plans and to respond. When issues raised require immediate attention, the implementation of corrective actions are critical and suppliers must implement them within a very short time frame.

Based on the assessments performed on key direct material suppliers (SAQ, VAP and supplier audits), no key direct material supplier at Unisem Ipoh and Unisem Chengdu present risks of infringing employees' rights to freedom of association and collective bargaining, risks of child labour practices, nor risks of forced or compulsory labour.



# SUSTAINABILITY REPORT

## New Supplier Screenings

As part of our quality and process improvement steps, our sourcing team seeks new suppliers to meet the needs of our clients and of our own. New suppliers undergo a stringent due diligence process, conducted by the Quality Assurance/Procurement Department.

Cross functional team members from the Quality Assurance, Procurement, Engineering and Technology departments will conduct on-site audits per the RBA SAQ framework for all new direct material suppliers. This practice is standardized across all Unisem sites. Refer to page 40 for further information on Unisem’s application of RBA and its Code of Conduct.

## Conflict-free Minerals

Unisem’s Group Policy on Conflict Minerals upholds our commitment to prohibit suppliers from sourcing conflict minerals and to work with our suppliers to identify the metals sourced from conflict minerals in the supply chain. These metals are tin, tantalum, tungsten and gold.

Our Conflict Mineral Policy<sup>1</sup> is available on our website.

In support of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High- Risk Areas, Unisem exercises due diligence on suppliers of products containing these metals to determine whether they are sourced from the Democratic Republic of the Congo (“DRC”), or any adjoining country, and if those metals directly or indirectly financed or benefited armed groups that are perpetrators of human rights abuse in the DRC or an adjoining countries. As part of our due diligence process, Unisem utilises the Responsible Minerals Initiative (“RMI”) Conflict Mineral Reporting Template (“CMRT”) as a data tool to report and review the smelter list in our supply chain. In addition, we communicate our Policy on Conflict Minerals to suppliers, obtain a written confirmation as part of the due diligence program, and require suppliers to complete the RMI Conflict Mineral Reporting Template.

None of our supplied materials are sourced from conflict areas, and the smelters in the supply chain are listed in the Conflict Free Smelter Program (“CFSP”) compliant smelter list.

## Fair Procurement Practices

Our Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and in the best interest of Unisem, void of collusion and price fixing. Our Policy seeks to upkeep confidentiality and avoid conflicts of interest in transactions with our suppliers.

Local suppliers based in Malaysia and Chengdu, account for 24% of Unisem Ipoh and Chengdu’s direct material spending in 2018, as illustrated below.

	Proportion of direct material spending on local suppliers (%)		
	Unisem Ipoh	Unisem Chengdu	Total
Local suppliers	29.9%	20.3%	25.8%

Table 12: Proportion of direct material spending on local suppliers, by site of operations

We are restricted in our ability to source a majority of our direct material supplies from local countries. This is in part due to the suitability of natural resources in our countries of operations. Nonetheless, most of our contractors are local and we contribute actively to our local community. Our support towards the local community is further described on page 53.

<sup>1</sup> <https://www.unisemgroup.com/wp-content/uploads/2016/05/Conflict-Free.pdf>

## ANTI-CORRUPTION

All of our business transactions and operational practice are overseen by firm controls and standards that emphasise ethical practices, of which we are committed to. This will strengthen trust and goodwill in relationships with our stakeholders, including our customers, suppliers, shareholders, employees, regulators and other key stakeholders. Our Group Unisem Code of Ethics (“COE”)<sup>2</sup> and Anti-Corruption and Bribery Policy (“Policy”)<sup>3</sup> communicates our zero tolerance policy towards all form of bribery, corruption, fraud, extortion or embezzlement (covering promising, offering, giving or accepting any bribes). The COE and Policy are publically available at our corporate website, and annually communicated to all employees. In 2018, 3,349 employees at Unisem Ipoh, 86% of total employees at Ipoh, have received training on anti-corruption via our annual COE briefings. Employees who could not attend the training as they were on leave, are encouraged to access the Unisem COE.

Further to our internal policies, we uphold all laws relevant to countering bribery and corruption in the countries we operate. We remain bound by the laws of Malaysia, including the Malaysian Anti-Corruption Commission Act 2009, in respect of our conduct both at home and abroad. In addition, Unisem does not make charitable contributions to political parties, while employees are permitted to make personal political contributions. Further details are available in our Policy.

In FY 2018, no staff have been disciplined or dismissed, no contracts with business partners terminated, nor have any public cases been brought against Unisem and its employees due to non-compliance with our Anti-Corruption and Bribery Policy and relevant laws and regulations against acts of corruption. Hence, no fines, penalties or settlements were imposed or made during the year.

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<sup>2</sup> <https://www.unisemgroup.com/wp-content/uploads/2016/05/Code-of-Ethics.pdf>

<sup>3</sup> [https://www.unisemgroup.com/wp-content/uploads/2016/04/Anti-corruption\\_WebsiteVersion.pdf](https://www.unisemgroup.com/wp-content/uploads/2016/04/Anti-corruption_WebsiteVersion.pdf)

# SUSTAINABILITY REPORT



## OUR FOCUS ON CUSTOMERS



The focus on our customers, includes the management of the quality of our products and services, and conducting proactive and regular engagement with suppliers. We also need to manage our social and environmental risks, which we continuously communicate to our customers, as well as provide information on our approach towards the Responsible Business Alliance (“RBA”) management.

## CUSTOMER SATISFACTION

KPI	Satisfaction of key customers		
Target	To achieve 80% of satisfied key customers		
Performance	88% in 2016	89% in 2017	89% in 2018

Table 13: Customer Satisfaction - KPI, Target and Performance for Unisem Ipoh and Unisem Chengdu

Our customer base comprises primarily fabless companies and integrated device manufacturers in the United States of America, Europe and Asia. We are committed to providing quality services to our customers, as promoted by our Quality and Environmental Policies. Operations in Ipoh and Chengdu are ISO 14001:2015 and IATF 16949:2016, underscoring the rigorous process and controls implemented to promote quality and customer satisfaction.

### Maintaining Customer Satisfaction

Customer satisfaction is closely monitored by dedicated members of Quality Assurance and Marketing teams, where feedback from customers are reviewed and shared with Senior Management. This includes our internal target of 80% satisfied key customers. We place emphasis on customer survey data to evaluate past performance, and to identify future focus areas - promoting our sustainable business growth.

Across the years, we have performed well against our targets. We pride ourselves in paying attention and responding to our customers’ needs. An integral part of our efforts is feedback channels that promote two-way engagement and foster loyalty in key relationships.

Modes of Assessing Customer Satisfaction	Frequency	Details
Balanced scorecard	Quarterly	Approximately 80% of key customers evaluated their satisfaction on Unisem's services using balanced scorecard. There is no general satisfaction target set due to the different targets defined by each key customer.
Customer satisfaction survey	Yearly	Unisem provides its own survey form to around 20% of its key customers who do not use balanced scorecard.
Quarterly Business Review (QBR)	Quarterly	Quality Business Review ("QBR") is conducted by the key customers so that key customers can give feedback to Unisem.
Annual visits to customers' premises	Annually	Top management, technology and marketing teams visit key customers located in the United States of America, Europe and Asia to strengthen customer relationships and align technology road maps

Table 14: Unisem Group's modes of assessing customer satisfaction

Responding accordingly to customers' feedback is a process central to enhancing our performance and improving customer satisfaction in our services. A structured process promotes proactive management and response to customers:

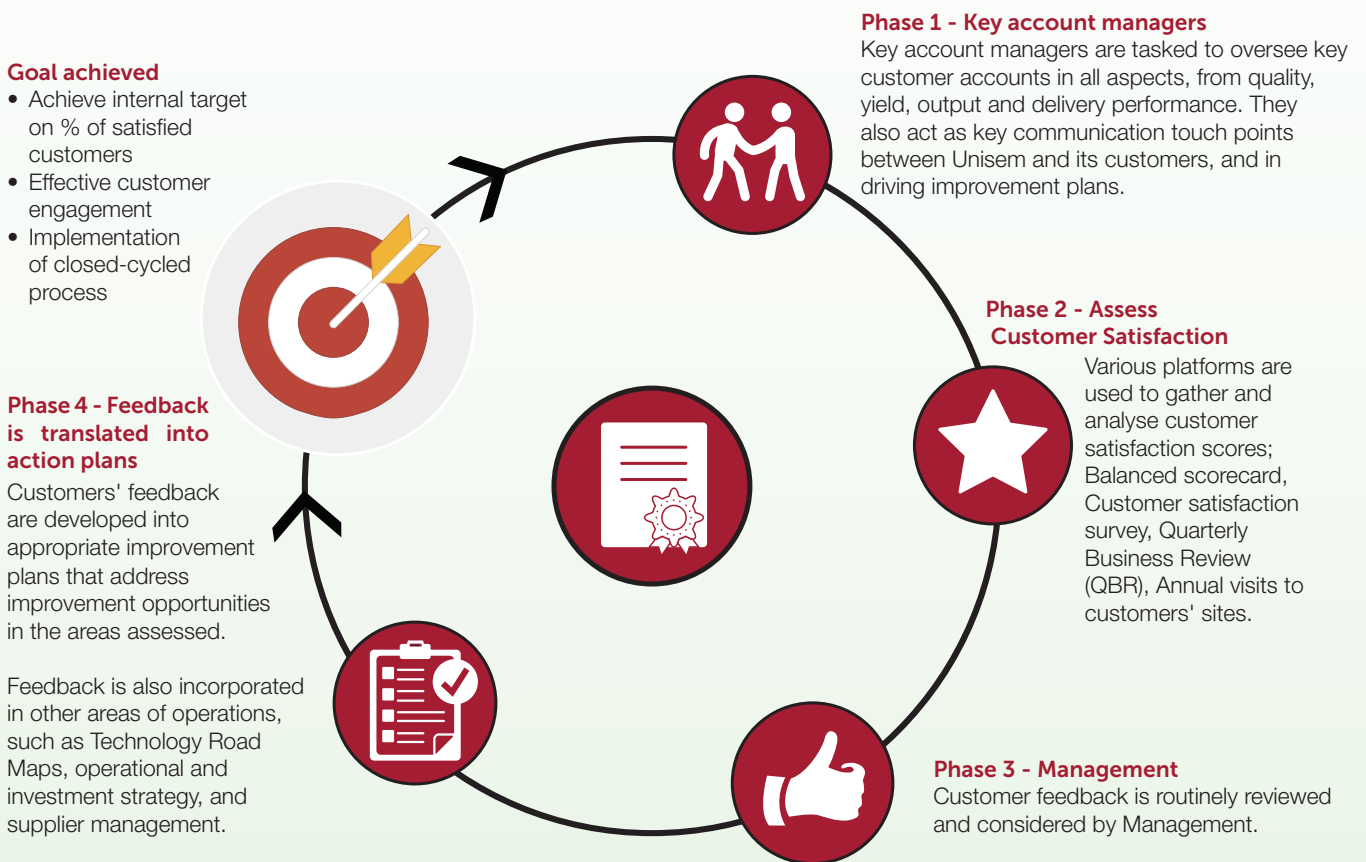


Diagram 7: Process to respond to customers' feedback at Unisem Group

# SUSTAINABILITY REPORT

Since 1995, our customers have acknowledged the quality of our services, as we have been awarded with Supplier of the Year / Outstanding Supplier Award by various international customers. Please refer to the inner cover of the Annual Report for our awards and recognitions from suppliers. Unisem acts on the belief that customer satisfaction leads to stronger long-term relationships. Therefore, we will continue to meet and exceed our customers' needs in the present and future.

## **RBA Management**

Meeting the requirements outlined in the RBA Code of Conduct is integral to our customer relationships. As part of our commitment to adhere to the RBA Code of Conduct, Unisem COE is applied across the Group. Furthermore we perform internal audits and third-party assessments on our operations, as guided by RBA audit plans and the Code of Conduct.

The RBA WCs assess the Group's facilities on risks relating to labour issues, human rights issues and corruption issues. In addition, all facilities at Unisem are required to be assessed for the RBA Self-Assessment Questionnaire ("SAQ") every year to identify social, environmental, safety and ethical risks and implement improvement plans or to update responses. After the assessments are completed, any required corrective action plans are put in place. Every 2 years, Unisem Ipoh undergoes the RBA Validated Audit Process (VAP), performed by a third party auditor appointed by RBA, following the initial VAP in November 2014. The findings were communicated to the respective departments and corrective action plans were put in place.

Unisem Chengdu is scheduled to undergo VAP in 2019. Further information on our VAP and SAQ scores is available under Labour Rights on pages 48 - 50.

Unisem RBA WCs' representatives also participate in public workshops and forums, which includes discussions on topics related to labour, society, environment, and other matters highlighted by the RBA. One of the events attended this year is the RBA Outreach Meeting in Guangzhou, China.

## **Lean operations**

In embracing the pursuit of operational excellence in our business, we have implemented Kaizen initiatives across all our manufacturing sites. Kaizen focuses on increasing productivity by applying various Lean tools and techniques, Plan-Do-Check-Act ("PDCA") techniques, Design Of Experiment, Technical Excellence, Poka Yoke, RCA (Root Cause Analysis) tools to eliminate non value added processes and activities.

To further enhance effectiveness, Unisem practice teamwork to encourage high levels of cross functional employee engagement on the shop-floor in continuous improvement activities. This employee engagement activity has been very successful in developing a positive workplace culture and enhancing employees' competencies to meet the highly competitive demands of a fast pace business environment.

Incentives are given out annually to all employees for participating in Kaizen, Technical Excellence projects and Lean Big Win initiatives. These initiatives provide a platform for employees to demonstrate innovative thinking and problem solving capabilities.

## CUSTOMER PRIVACY AND DATA PROTECTION

Unisem is committed to safeguarding customer proprietary information as we understand that failure to do so will lose customer trust and confidence. In addition to direct financial consequences such as penalties and fines, breach of customer privacy may pose a risk to reputation as well as customer loyalty and satisfaction.

Our information security management ensures the confidentiality and integrity of customer proprietary information. As part of this effort, we have established the "IT Acceptable Use Policy" that places emphasis on the appropriate handling of confidential and proprietary information.

Below are the key internal controls in place to protect customer privacy and data.

### Key internal controls implemented by Unisem to protect customer privacy and data

To protect the confidentiality of proprietary information, all employees are required to comply with the Unisem Code of Business Conduct and sign a Non-Disclosure Agreement

Ensuring secured scrap unit disposal of defective products to be in line with internal scrap procedures

Securing all computers, laptops and workstations with password-protected screensaver, anti-virus software, Security Endpoint Protection Software and firewall

Creating a confidential relationship between Unisem and its contractors, suppliers and service providers with the signing of Non-Disclosure Agreements

Attending trainings to enhance skillset on data protection and security

Our close monitoring of our processes and procedures have allows us to successfully implement and manage secure systems. Therefore, Unisem has not received substantiated complaints from outside parties, and regulatory bodies to date. Nor have there been any identified leaks, thefts, or losses of customer data.

# SUSTAINABILITY REPORT



## PEOPLE

Unisem's sustainable growth is dependent on the diversified skills and experiences of our employees. They are our pride, and their achievements lead to our sustainability accomplishments and business growth. We endeavor to provide our employees with a comfortable and productive working environment while prioritising their wellbeing. For the betterment of their time with us, we ensure health and safety measures are enforced in accordance with labour standards as set by regulators. Diversity and equal opportunity are advocated within the Company, as we believe enhancing inclusiveness will allow us to achieve an equitable society. We also strive to meet the needs of an advancing economy through community development.

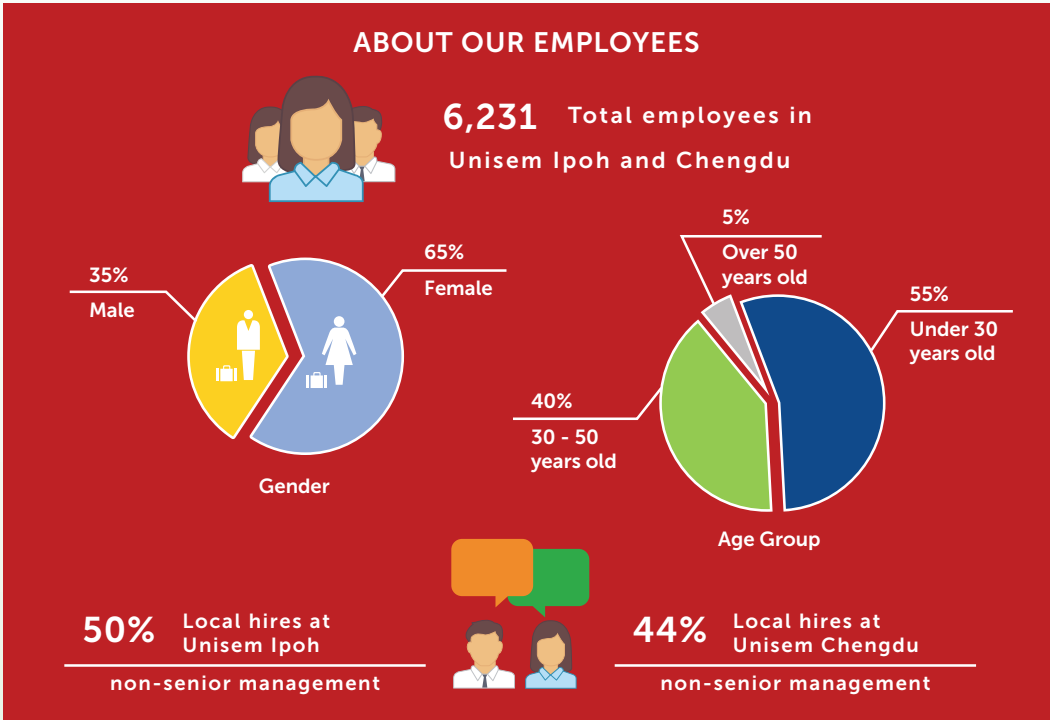


Diagram 8: Employee statistics at Unisem Ipoh and Unisem Chengdu

## EMPLOYEE WELFARE

### Caring for our employees' needs and welfare

We reach out to our employees to ensure their career development grows in tandem with the industry and our business, and that we are able to support their lifestyle needs. We focus on listening to our employees and improving our response year on year. Below, we summarise our provisions:

#### COMPENSATION AND BENEFITS

Unisem's compensation and benefits are based on industry benchmarks and annual reviews. At Unisem Ipoh, collective bargaining agreements are reviewed with our in-house union every three years. As part of the review, salary scales are benchmarked against employees' views, other companies in the area and multinational companies.

##### Benefits Required by Law

- Adherence to minimum wage
- Provision of annual leave, maternity leave, sick leave, compassion leave, etc.
- Contribution to funds, as required (i.e. pension funds, medical insurance fund, housing provident fund)

##### Insurance / Medical Coverage

- Social insurance
- Personal accident insurance coverage
- Child delivery subsidies
- Medical benefits for outpatient, specialist and hospitalisation

#### FACILITIES & PRIVILEGES

At Unisem Ipoh, employees are entitled to a salary advance of up to 35% of their annual/monthly salary during festive periods. Flexible working hours are also made available to support a health work-life balance, especially for parents who need to drop off and pick up their kids from school.

##### Facilities

- A 24-hour canteen
- A mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad at Unisem Ipoh
- Hostels for operators who do not have homes near Ipoh and Chengdu
- An accessible library
- Gated parking spaces for employee's safety
- In-house clinic with full-time industrial nurses at Unisem Ipoh

##### For employees with special needs

- Dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women
- Dedicated rest area for female workers at Unisem Ipoh
- A dedicated lactation room for breastfeeding mothers

#### SPORTS & RECREATION

##### List of Activities / Events Organised in 2018

- |                                  |                                  |                        |                       |
|----------------------------------|----------------------------------|------------------------|-----------------------|
| • Dam Haji competition           | • Star walk                      | • Charity runs         | • Football league     |
| • Chinese New Year charity visit | • Flower arrangement competition | • Merdeka ride         | • Bowling competition |
| • Congkak competition            | • Hari Raya charity visit        | • Fishing competition  | • Futsal competition  |
| • Ping Pong competition          | • Parent-child campaign          | • Badminton tournament | • Annual dinner       |

Diagram 9: Summary of employee welfare provisions at Unisem Ipoh and Unisem Chengdu



# SUSTAINABILITY REPORT

## Employee Learning and Talent Development

KPI	Average training hours per employee <sup>4</sup>	
Target	60% of employees have minimum 6 hours training per year	
Performance	76.9% in 2017	86.8% in 2018

Table 15: Average training hours per employee - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

Our talented workforce provides us with a strong pillar of strength and driver for continuous business growth. Investments in people development initiatives are fundamentally important to maintaining innovative and highly motivated workplace environment.

Unisem runs a comprehensive and continuous training programme, which targets on the different requirements of each job specification and career development needs, we seek to build technical skillset, discipline, compliance to standard operating procedures, and soft skills needed in team work and leadership.

The Training Department closely monitors the annual training hours per employee, including operators, and non-operators. In 2017, we began monitoring the minimum hours of training per employee each year, against the target of minimum 6 hours of training. The performance indicators reported below refer to employee category called non-operators.

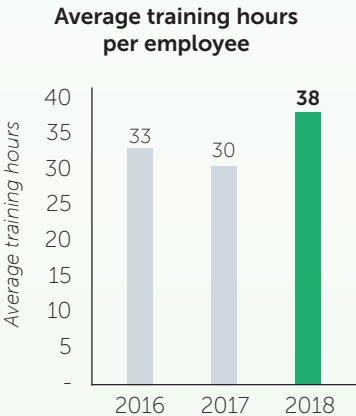


Chart 1: Average training hours per employee - Unisem Ipoh and Unisem Chengdu

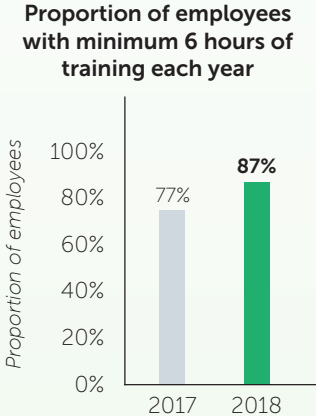


Chart 2: Proportion (%) of employees with minimum 6 hours of training each year - Unisem Ipoh and Unisem Chengdu

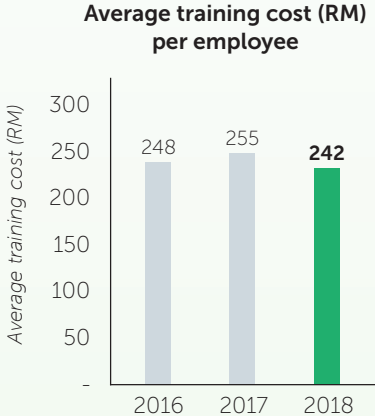


Chart 3: Average training cost (RM) per employee - Unisem Ipoh and Unisem Chengdu

<sup>4</sup> The performance indicator excludes operators.

Detailed description of training conducted are provided below. Training takes the form of on-the-job training and a series of development programmes. Manufacturing operators are formally certified in-house and must be re-certified every 6 months. Other trainings such as firefighting, first aid, evacuation drill and code of ethic are also provided to all employees.

Types of Training Programmes	Description of Training
New Employee Program	To familiarise new employees with all aspects of the business, including operations, strategies and expectations. This programme also includes quality, environmental, health and safety awareness as well as our expectations for ethical conduct.
Quality Courses	Focusing on the need to build quality and reliable products and subsequently on-time delivery to customers
Technical Courses	Keeping abreast with the latest, state-of-the-art equipment and methodologies
Safety and Health	Complying with legal and occupational regulation and workplace safety and health
Environmental	Heightening awareness and caring for the environment to make our surroundings a better place to live-in
Ethics, Anti-Corruption & Disciplinary	Educating employees on our code of ethics, anti-corruption and disciplinary measures
Soft Skills - Motivational/ Leadership/Supervisory	Development of leadership skills and personal effectiveness of our staff to better manage the complex and diverse people management challenges
Statistical - Design of Experiment, Statistical Process Control, Six Sigma, etc.	Performing statistical techniques and analysis to promote engineering excellence in process and product development for engineering staff
Team Building	To reinforce the strong teamwork culture, relationship building, and to build a positive work environment
IT Courses - Network Security, Programming	Continuous enhancement of IT security platforms and systems
Special Requirements (e.g. RBA / TS16949 / ISO14001 / OSHA / GST / X-Ray etc.)	Catering to the needs of customers, regulatory agency/government and international standards

*Table 16: Types of training programmes at Unisem Ipoh and Unisem Chengdu*

As we focus on practical and soft skill training, we acknowledge the importance of peer to peer feedback and performance reviews. During the performance evaluation sessions, managers and their team members meet at least once a year to review and clarify their performance results, determine the training and development gaps and discuss career aspirations and plans.

Managers are also required to engage with their subordinates constantly and have a continuous one-on-one feedback sessions to ensure that all levels of employee in the organisation stay motivated and aligned towards a common goal.

# SUSTAINABILITY REPORT

## Employee Learning and Talent Development



Diagram 10: Methods of employee communication

Unisem’s strict policy on non-retaliation has contributed to creating a safe working environment for all employees to provide feedback with regards to grievances, complaints and whistleblowing. This has further enhance our ability to listen to the “Voice of Employees”. We utilise three primary engagement platforms: Ethics Hotline, Employee Climate Survey, and our policy of ‘Open Door’.

### Unisem Group’s Ethics Hotline

The Ethics Hotline is available to internal and external parties, including employees, customers and suppliers, to report inappropriate or unethical behaviour, and workplace grievance. All feedback is investigated via a structured internal process, and there shall not be any retaliation against all whistleblowers in good faith. In addition, whistleblowers identities shall not be disclosed to maintain confidentiality. Below, we summarise our cases received. All cases reported below have been investigated and closed as per procedure without consequential action on suspected parties.

Types of cases	No. of cases	
	2017	2018
Workplace grievances from employees	20	14
Whistleblowing from employees	1	1
Whistleblowing from external parties	0	0

Table 17: Number of workplace grievance and whistleblowing cases at Unisem Ipoh and Unisem Chengdu

Types of cases	Description of cases	Cases in 2018
		Actions taken by Management
Workplace grievances from employees	Poor handling of employees at workplace	Human Resource Department conducted a thorough investigation of the matter, including interviewing parties involved. The conclusion was shared with parties involved, who accepted the explanations.
Whistleblowing from employees	Poor handling of employees at workplace	Investigation conducted, as per relevant policies, procedures and regulations. Interview employee and superior to seek clarification. Counselling to both parties and case was closed.

Table 18: Description of workplace grievance and whistleblowing cases at Unisem Ipoh and Unisem Chengdu, and Management’s response

## Employee Climate Survey ("Survey")

This Survey is performed with the aim of increasing our awareness of employees' needs and concerns at the workplace. Employees from each employee category are engaged through a structured channel on a range of topics, including management, job satisfaction and development, and communication.

Feedback is then analysed and discussed with the management team to derive appropriate action plans that address employees' concerns. The action plans are executed immediately or over a period of time, as deemed appropriate. Following that, a summary of the Employee Climate Survey outcome and action plans is communicated to employees via the appropriate communication channels.

Employee Climate Survey		
	Unisem Ipoh	Unisem Chengdu
Frequency of survey	Annually	Bi-annually
Population surveyed	5% of each employee category (Operator, Non-Executives and Executives) are surveyed	
Topics surveyed on	Leadership by management; overall job satisfaction, including compensation, benefits and facilities; and career development, and effective top-down communication	

Table 19: Description of Employee Climate Survey at Unisem Ipoh and Unisem Chengdu

Results of our Employee Climate Survey in 2018 are summarised below. Since last year, employees' suggestion to improve facilities in the plant (i.e. rest area, toilet, company bus) has been addressed by Management. Hence it did not appear as an area for improvement in the 2018 Employee Climate Survey.

Areas employees are satisfied with	Employees' identified areas for improvement
<ul style="list-style-type: none"> <li>• Increment of salary and timely payment</li> <li>• Knowledge learned in the working place</li> <li>• Benefits and good facilities</li> <li>• Caring management</li> <li>• Workplace culture (friendliness of people, recognition in the workplace)</li> </ul>	<ul style="list-style-type: none"> <li>• Controlled maximum overtime</li> <li>• Strict discipline control</li> <li>• To improve canteen food variety</li> <li>• To provide more softskill training (e.g. teambuilding and leadership)</li> <li>• To review transportation facility for workers</li> </ul>

Table 20: Summary of feedback from 2018 Employee Climate Survey at Unisem Ipoh and Unisem Chengdu

## Employee Retention

Closely monitoring employee retention rates allows us to better understand our demographics of our external environment, industry challenges and gauge the level of outreach of our efforts.

Challenges faced at Unisem Ipoh and Unisem Chengdu vary greatly. As our operations consists of both highly skilled (i.e. engineers) and operational labour (i.e. operators). Therein lies the challenge of varying needs and backgrounds, as well as career interests.

Turnover rates at Unisem Ipoh is primarily attributable to the completion of contracts with our foreign workforce, who do not intend to renew the contract as they have decided to return home. At Unisem Chengdu, we observe a higher turnover rate – a common trend across all Chinese industrial sites and in the semiconductor industry in China, primarily due to stiff competition for workers between industries.

# SUSTAINABILITY REPORT

KPI	Annual turnover rate			
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance	Unisem Ipoh	18.9% in 2016	21.0% in 2017	21.7% in 2018
	Unisem Chengdu	41.3% in 2016	44.2% in 2017	58.9% in 2018

Table 21: Turnover rate – KPI, target and performance at Unisem Ipoh and Unisem Chengdu

Unisem continues to proactively manage turnover rates at both sites. At Unisem Chengdu, Unisem Group’s Management has deployed action plans to reduce the turnover rate. In seeking to compete with surrounding companies, Management will continue to aggressively review employees’ compensation and benefits against local offerings; and enhance work environment and culture. Training modules will be rolled out in 2019 for employees in managerial and supervisory roles. These trainings will focus on building culture, analysing and overcoming situational issues at work.

Our focus on employee satisfaction and business continuity, coupled with aggressive recruitment strategies to attract skilled and talented human capital will continue to be core to supporting our business human resource needs. In engaging employees we will always strive to provide for and meet their career interests and ambitions.

## LABOUR RIGHTS

“**We Care We Can**” is our corporate tag line. It underlines one of our fundamental beliefs and Core Values - that respect for all employees and their human rights is integral for workplace harmony and boosting sustainable business growth.

### Upholding Human Rights

We acknowledge the basic human rights, and are committed to upholding and respecting the human rights of all employees, as understood by the international community. These commitments are embedded in Unisem COE<sup>5</sup> and Group CSR Policy<sup>6</sup>, which have been closely aligned to the RBA Code of Conduct. Furthermore, we comply with relevant laws and regulations in all our regions of operations. Below, we summarise our key commitments to human rights at Unisem.

<sup>5</sup> <https://www.unisemgroup.com/wp-content/uploads/2016/05/Code-of-Ethics.pdf>

<sup>6</sup> <https://www.unisemgroup.com/wp-content/uploads/2016/01/CSR-Policy-Jun-2014.pdf>



## We Care We Can

Unisem respects all labour rights

### Occupational safety and health

The safety and health of all employees is at the core priority of our operations at Unisem. Our Safety and Health Policy communicates our commitments to upholding this right.

### Freely chosen labour

Use of forced, bonded or indentured labour, involuntary prison labour, slavery or trafficking of persons are **prohibited at all times**.

**There is no unreasonable restriction of employees' freedom of movement.** Unisem does not withhold employees' original government-issued identification, travel documents or education certificates. All workers are given employment letters which clearly convey the conditions of employment in a language they understand.

### Child labour avoidance

**All forms of child labour is prohibited.** The term "child" refers to any person under the age of 15 (or the age where the law of the country permits).

### Freedom of association

Unisem respects the rights of employees to associate freely, to decide whether they wish to join labour unions or not, and to seek representation in accordance with relevant laws and regulations in the regions we operate.

**Unions are accessible to workers at each site of operations at Unisem.**

### Humane treatment and non-discrimination

Unisem **does not engage in discrimination** based on race, color, age, gender sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training. **There shall be no harsh and inhumane treatment.**

### Foreign workforce

As and when necessary, Unisem hires foreign workers to meet its operation requirements. **No foreign workers are required to pay any fees and levy related to their employment** other than expenses for lodging and transportation costs.

All foreign workers are made aware and provided with information on the minimum mandatory fees allowable as per RBA requirement in their own language.

### Working hours, wages and benefits

Compensations paid to employees shall **comply with all applicable wage laws**, including those relating to minimum wages, overtime hours and legally mandated benefits, and paid in a timely manner.

The overtime hours are within the guidelines and labour laws of the home country.

Diagram 11: Key commitments to upholding labour rights at Unisem Group

# SUSTAINABILITY REPORT

## Protecting Our Operations

RBA guided risk assessments are performed on our operations in all regions we operate. The assessments are available in two methods: responding to the SAQ assessment, and conducting VAP on all our operations. Developed by the RBA, these assess companies for potential social, environmental and ethical risks. Below, we disclose our current complement and scheduled SAQ and VAP performance.

Location	SAQ Performed in 2018	SAQ Score*	VAP Performed in 2018	VAP Score*	Level of Risk?
Malaysia	Completed	91.3	Completed in Sept 2018	151.6	Low
China	Completed	94.2	Scheduled in 2019	Scheduled in 2019	Low

\* SAQ full score is 100, and VAP full score is 200

Table 22: SAQ and VAP results for Unisem Ipoh and Unisem Chengdu

Based on the assessments performed, operations at Unisem Ipoh and Unisem Chengdu do not present risks of infringing employees' rights to freedom of association and collective bargaining, risks of child labour practices, nor risks of forced or compulsory labour.

As at 2018, there have been no incidences of human rights violations nor violations of labour standards at Unisem Group.

## OCCUPATIONAL HEALTH AND SAFETY

Ensuring workplace environment that prioritises the safety and health of our employees and site visitors is of utmost importance to the Group. Safety culture is incorporated seamlessly into daily operations, supporting employee and third party confidence and morale when working at Unisem.

### Health And Safety Management Systems

Our codes and policies communicate our commitment towards the importance of managing a safe workplace. Our Safety and Health Policy, Unisem COE and Group CSR Policy is available to all employees and stakeholders on our website<sup>7</sup>.

Our management systems are implemented based on local requirements and recognised international standards, and apply to all our employees and stakeholders who visit our sites. Unisem Chengdu's operations are currently OHSAS18001:2007 certified. Whereas, Unisem Ipoh's operations aim to be ISO 45001:2018 certified by 2019. Furthermore, Unisem Ipoh achieved the highest level (5 - excellent) of implementation of the Systematic Occupational Health Enhancement Level Programme ("SOHELP") in 2016. SOHELP is designed by the Department of Occupational Safety and Health Malaysia ("DOSH") to help industries comply with relevant regulations pertaining to occupational health particularly in the field of chemical management, ergonomic issues and hearing protection.

Tasked with daily monitoring and implementation of action plans and initiatives are the site Safety and Health Committees ("Committees"). The committees are headed by the senior manager of the respective Facility Departments, who reports to the Management on key information and indicators. Members of the Facility department are dedicated to their tasks and focus on its improvement opportunities year on year.

<sup>7</sup> <https://www.unisemgroup.com/company-info/corporate-social-responsibility/>

**Ensuring Workplace Safety**

KPI	Injury frequency rate for industrial accidents		
Target	Injury frequency rate for industrial accidents below 2 accidents per million hours worked <sup>8</sup>		
Performance	1.78 in 2016	1.75 in 2017	1.69 in 2018

Table 23: Injury frequency rate for industrial accidents - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

	2016	2017	2018
Fatality rate	0	0	0

Table 24: Fatality rate for Unisem Ipoh and Unisem Chengdu

Management closely monitors a set of key performance indicators related to occupational health and safety, as a measure of our workplace safety standards. Work-related accidents are categorised as ‘major’ and ‘minor’ work-related accidents. Major work-related accidents are defined as accidents which cause employees to be on medical leave for more than four days. Classifying accidents as such enables the team to more accurately identify potential areas of concern. The number of major and minor work-related accidents in the last three years is shown below:

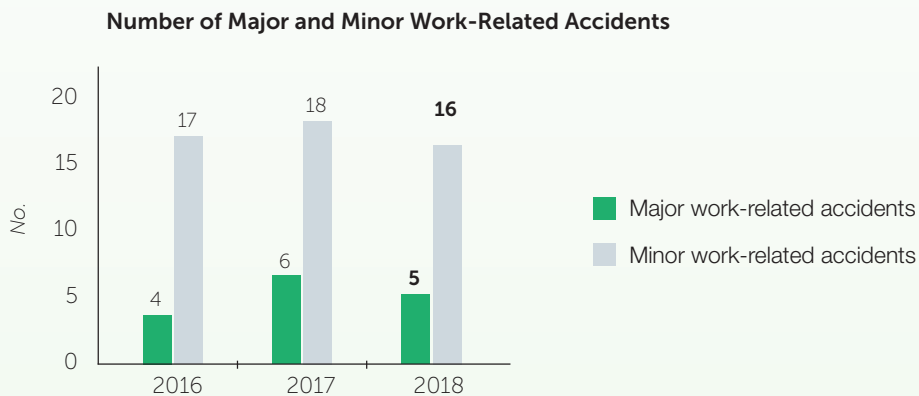


Chart 4: Number of major and minor work-related accidents at Unisem Ipoh and Unisem Chengdu

The reported number of work-related accidents has decreased against previous years as Management continues to emphasise safety awareness via safety trainings, briefings and placing safety signs. Reported incidents primarily result in physical injuries, a majority of which are minor accidents. These accidents usually occur as a result of trip and fall cases, causing employees to be away from work for a short period of time. There were no recorded incidents of work-related ill health or cases with high-consequence injury in the reporting period.

<sup>8</sup> Injury frequency rate is calculated as [total no. of work related accidents/ total no. of man-hours worked) \* 1,000,000], as in line with definition by the Malaysian Department of Occupational Safety and Health (DOSH)



# SUSTAINABILITY REPORT

Continuous incident management is practiced throughout the sites, as led by the Committees and Facility departments, with the aim to minimise safety risk and reduce workplace hazards. The team is led by an experienced senior manager with collective experience in understanding Unisem's operations and relevant safety requirements. Other trained personnel who partake in the regular safety processes include the Radiation Protection Officer, and certified medical officers.

In managing work-related safety risks, the following areas are assessed: on-site chemical and personal protective equipment management and storage, risk assessment of sites, investigating reported incidents and complaints, machinery and work instruction and inspection, annual internal and third-party safety audits (i.e. visits by local safety regulators, and RBA VAP and SAQ), and radiation protection emphasis. Findings are reported to the site COO and Management at upcoming meetings, and action plans are prepared to address areas for improvement.

Incident reporting is a key element of the safety process. Employees are informed of incident reporting platforms, and encouraged to report any potentially unsafe act or workplace condition, including near-miss cases. Incident reporting systems are detailed below:

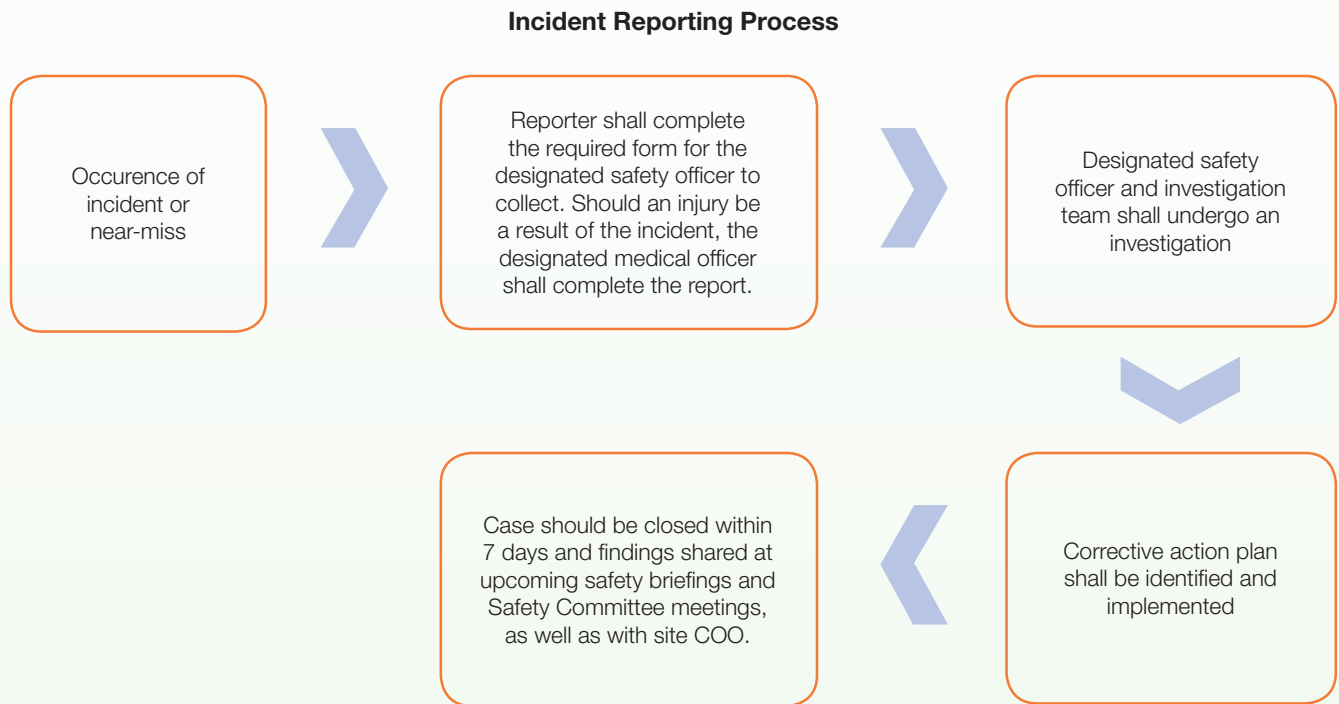


Diagram 12: Incident reporting process at Unisem Ipoh and Unisem Chengdu

## Health And Safety Training

Training is used as engagement platforms to communicate our health and safety culture to all employees. Annual training schedules are prepared and reviewed year on year by the sites' Facility Departments. These are tailored to meet the requirements of specific types of work, and its associated health and safety risks. The team considers any operational, industry and regulatory changes, and updates employees on the health and safety performance of the organisation. In addition, emergency response exercises and evacuation drills are conducted annually with all shift workers in order to increase awareness on safety and health measures to take should an incident occur.

Most training programmes are conducted annually. Employees who have attended trainings are then responsible to disseminate and apply the knowledge and skills learned with other employees in the areas and departments where they operate. Types of trainings conducted include the following:

#### Types of training

Fire ERT

Gas ERT

First Aid

Chemical Spillage

Fire Warden

Forklift

Safety hazard training (electrical / boiler/ Pressure Vessel/ noise/ machine/ ergonomic/ HIRARC, etc.)

#### Promoting workplace health

Part of safety prevention is the promotion of occupational health, and considerations towards a healthy lifestyle. It also serves to raise morale and encourage balancing priorities from home and from work.

Work-related health is managed by providing employees with access to healthcare. Regular health screenings are provided for employees each year. Furthermore, employees are provided access to medical treatments from panel clinics, and various health and safety talks are held each month. Operations at Unisem Chengdu are located in close proximity to medical facilities. Whereas Unisem Ipoh provides an in-house 24-hour clinic with fulltime industrial nurses and a panel of visiting doctors to provide medical consultation and treatment for its employees.

Some health talks held during the year include:

#### Types of health talks

Mammogram/Pap Smear Campaign

Blood Screening Test

Free eye fungus screening

Ipoh Specialist Hospital of Healthy Life Style Campaign

Health Week Promotion Health Products

#### LOCAL COMMUNITIES

Giving back to our local communities and national development is part of our Vision and Core Values. Unisem strives to support local organisations and institutions areas of health and welfare, education, culture, recreation and civic activities.

# SUSTAINABILITY REPORT



## Vision

To be leading global multinational company providing comprehensive turnkey assembly and test services for the evolving needs of our customers, **and a model corporate citizen in the communities in which we operate**



## Core Value - Caring

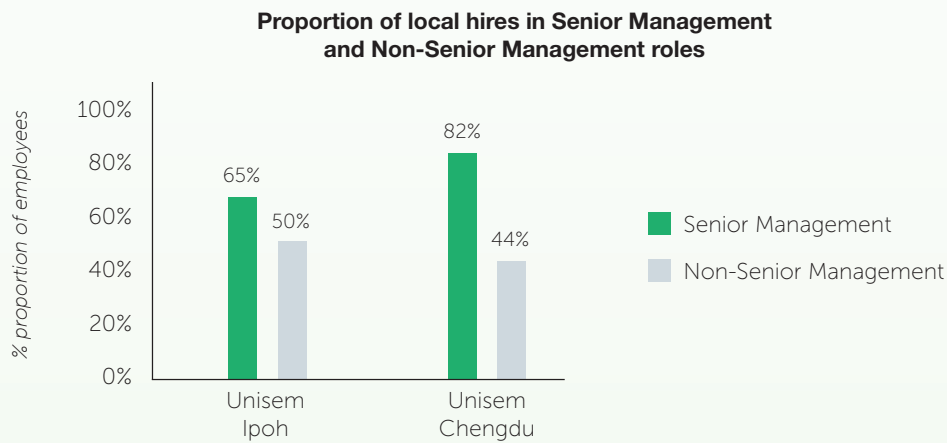
We recognise our **social obligations to our stakeholders and the society and we contribute positively to our communities and environment**

Our objectives are three-fold:

1. Be recognised as a responsible corporate citizen that reinvests in the society and communities it operates in;
2. Promote recognition and awareness of the less fortunate in the community; and
3. Support programmes that promote the well-being of the community in general and for our employees living in the community.

### Supporting Local and National Economic Development

We provide employment and career development opportunities to the local communities where we operate. In Ipoh, Malaysia, we are one of the largest private sector employers. This is a testament to our employee focus, which encourages local employment and retention through our supportive work lifestyle.



*Chart 5: Proportion (%) of local hires at Unisem Ipoh and Unisem Chengdu for Senior Management and Non-Senior Management roles*

Annually, Unisem Ipoh trains industrial trainees from various universities and polytechnic institutions and provides them career opportunities in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources.

In 2018, Unisem Ipoh provided opportunities to a total of 127 students from various local polytechnics and universities in Malaysia as trainees, of which 100 are pursuing Engineering Studies and 27 are from Non-Engineering backgrounds. 13 students have received permanent placements with Unisem.

### Noise Monitoring

We practice open channels of communication with our local communities and one of the greater concerns is the level of noise caused by our manufacturing plant.

Even though levels of noise pollution are maintained below thresholds as permitted by the guidelines on noise limits, published by the Department of Environment Malaysia and China, Unisem Ipoh and Unisem Chengdu conducts a structured programme to monitor and reduce noise levels as much as possible.

Our Facility team monitors and reviews noise levels on a yearly basis, including conducting Boundary Noise Monitoring exercise annually.

As a result, noise levels have been maintained below legal limits over the years.

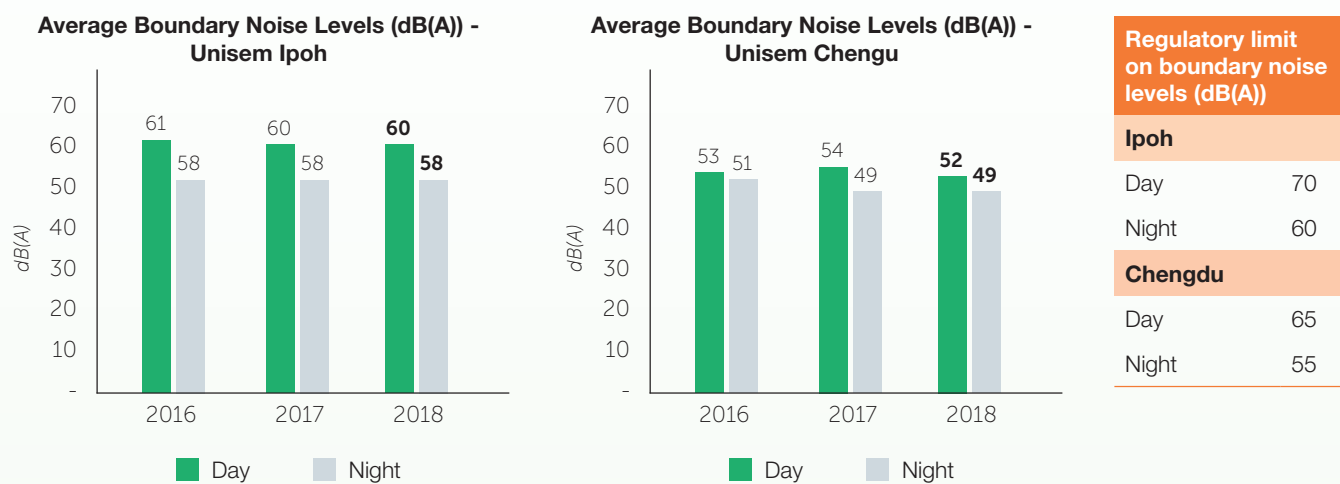


Chart 6: Average Boundary Noise Levels (dB(A)) for day and night at Unisem Ipoh

Chart 7: Average Boundary Noise Levels (dB(A)) for day and night at Unisem Chengdu

### Donations and Employee Involvement

Every year, we actively engage our local community through our volunteer programmes and donations. Our donation programmes are reviewed annually to ensure that distribution of corporate contributions continues to effectively address the community's changing needs.

Our long-term volunteer programmes include annual blood donation drives, visits to local orphanages, old folks' homes and physically challenged centres during festive periods. Every year we conduct these programmes to support the local organisations. In addition, our employees participated in volunteer clean-up events at the local mosque and an annual in-house festive celebration. In 2018, Unisem Chengdu invited 50 students from local high school to visit the plant. Students were taught Unisem's products and services.

Furthermore, Unisem Ipoh made a donation of RM 513,000 this year, which includes cash, daily necessities and sponsorship to the local schools, children's and special needs' homes, the local fire and rescue association, festive events, local unions and special events. Included in the donations is Unisem Ipoh's contribution to Tabung Harapan Malaysia, a local fund initiative to collect donations in aid of national development. In addition, we held a blood donation drive at Unisem Ipoh with 302 employees volunteering.

We will continue to support local communities as we hold steadfast to our Vision and Core Values.

# SUSTAINABILITY REPORT



## ENVIRONMENT

As an organisation, we have a clear responsibility to care for the environment. We believe that preserving the environment and shared natural resources are crucial to ensure that our operations are able to sustainably create value without affecting the quality of life of our stakeholders, including the communities surrounding our operations.

## ENVIRONMENTAL MANAGEMENT

### Management of Environmental Matters

Our approach in managing our environmental matters is set at Group level, with the implementation overseen by our Environmental Working Committees. Its progress is reviewed annually by our site COO and GM who are responsible for sustainability initiative and report to the Board.

Environmental programmes and environmental management systems are in place to support the strategy set. These programmes and management system enable us to increase our operational efficiency and consequently reduce our environmental impacts due to our waste and effluents generation, GHG and other air emissions, energy consumption, as well as water consumption, among others.

Unisem COE, Environmental Policy<sup>9</sup>, and Health and Safety Policy<sup>10</sup> formalise our commitment to be a caring and responsible member of the global community. Furthermore, all Unisem sites are ISO 14001:2015 certified.

## EFFLUENTS AND WASTE MANAGEMENT

Our hazardous and non-hazardous waste, as well as the effluents resulting from our operations, are primarily generated by various processes within our semiconductor assembly and test facilities. We believe that in the face of increasing resource scarcity, we should play an active part in driving Sustainable Consumption and Production (“SCP”), in support of the SDGs.

In managing waste, our utmost priority is to reduce and eliminate waste at the source, or by process modification, materials substitution as well as conservation, before pursuing material recycle or reuse based on the waste management principles.

<sup>9</sup> <https://www.unisemgroup.com/wp-content/uploads/2017/05/Environmental-Policy.pdf>

<sup>10</sup> <https://www.unisemgroup.com/wp-content/uploads/2016/05/Safety-and-Health-Policy.pdf>

In dealing with the effluents from our operations, our approach is to ensure that effluents are characterised, monitored, controlled and treated prior to discharge. We routinely monitor the performance of on-site wastewater treatment systems, and, wherever possible, implement measures to reduce wastewater generation.

### Hazardous Waste Management

KPI	Recycling rate of hazardous waste generated		
Target	To achieve 50% recycling rate of total scheduled (hazardous) waste generated <sup>11</sup>		
Performance	46% in 2016	49% in 2017	50% in 2018

Table 25: Recycling rate of hazardous waste generated - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

Guided by Unisem COE and relevant SOPs, managing hazardous substances used and generated by our operations involves ensuring safe handling, movement, storage, use, recycling or reuse, and disposal, while complying to the applicable local legal requirements. Unisem only engages contractors who are authorised and licensed by local environmental agencies to ensure legal and proper treatment of waste. As we aim to increase the recycling rate of the hazardous waste generated, we engage contractors who are able to offer the highest rate of recovery or recycling. We regularly audit our waste contractors to ensure their compliance to local laws and regulations concerning environmental, health and safety aspects.

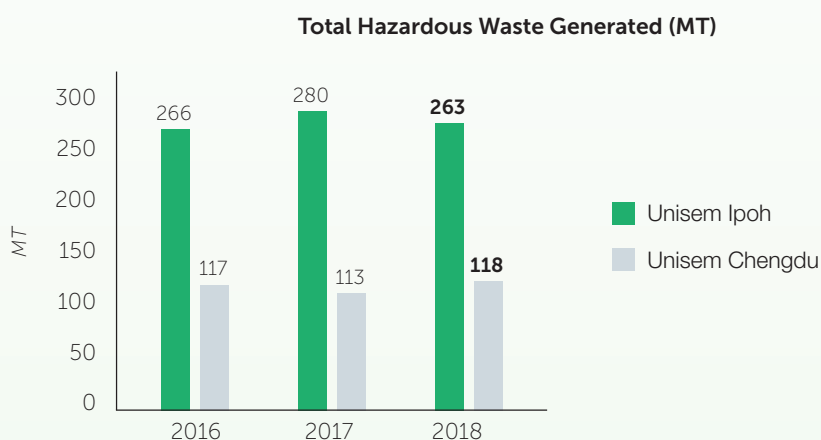


Chart 8: Total hazardous waste generated (MT) at Unisem Ipoh and Unisem Chengdu

In 2018, we generated a total of 381 MT of hazardous waste, a reduction of 3% from the amount generated last year. We have seen a consistent improvement in Unisem Ipoh’s recycling rate over the years, which we believe is a result of our strong commitment to reduce our environmental impact. For Unisem Chengdu, we are still in the process of collecting our recycle rate data, and will be reporting it in the future.

We will continue to drive efforts towards eliminating and reducing hazardous waste generated by our processes in addition to continuously increasing the amount of hazardous waste recycled in the coming years.

<sup>11</sup> Unisem Group defines hazardous waste as any waste falling within the categories of waste listed in the First Schedule of Malaysia’s Environment Quality (Scheduled Wastes) Regulations 2005.

# SUSTAINABILITY REPORT

## Non-hazardous Waste Management

Non-hazardous or general waste generated by our operations in both Unisem Ipoh and Unisem Chengdu amount to 878 MT in the year 2018, an increase from 782 MT generated last year. Half of the non-hazardous waste generated was recycled.

**Total non-hazardous Waste Generated (MT)**

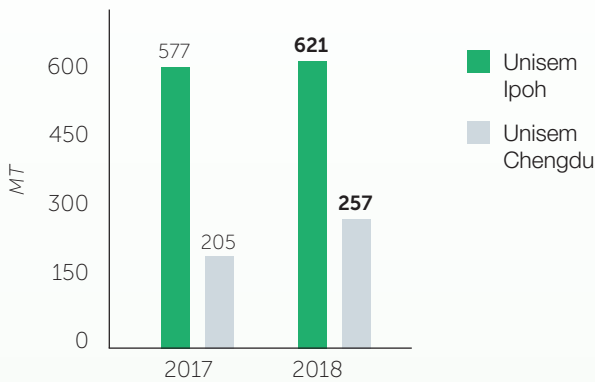


Chart 9: Total non-hazardous waste generated by operating site, at Unisem Ipoh and Unisem Chengdu

**Total Recycling Rate for Non-hazardous Waste**

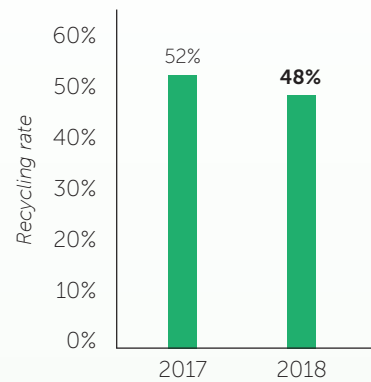


Chart 10: Total recycling rate for non-hazardous waste at Unisem Ipoh and Unisem Chengdu

We ensure that the non-hazardous waste collected is sent to licensed waste collectors and treated in a legal manner. As part of our continuous effort towards to reduce waste, we encourage our employees to reduce, reuse and recycle domestic waste generated - paper, plastic, and metal- by providing the necessary facilities. To further understand our waste generation and more effectively manage it, we have begun collecting data on non-hazardous waste produced by our operations in 2017.

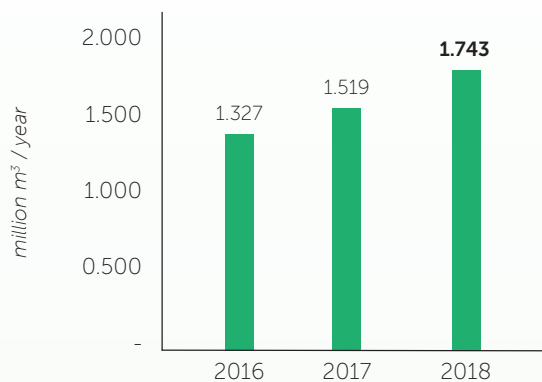
Our recycling efforts are also driven by our goal to reduce consumption of new materials. This includes new materials used for shipping tubes, canister cans and wafer carriers or containers, which has been significantly reduced over the years since we embarked on a programme where tubes, cans, carriers/containers are reused. The programme, which was established more than five years ago has contributed significantly to cost savings, and evidently allows more effective use of materials.

## Effluents Management

Operating Site	Unisem Ipoh	Unisem Chengdu
<b>Compliance</b>	 <b>Full compliance</b> with Standard B of the Environmental Quality Act ("EQA") (Industrial Effluents) Regulation 2009	 <b>Full compliance</b> with Integrated Wastewater Discharge Standard (GB8978-1996)

In addition to domestic wastewater coming from our office buildings, a significant volume of our effluents originate from our processes. Wastewater in Unisem is largely generated by the assembly and wafer-bumping process. Our approach in managing effluents and wastewater is guided by the local laws and regulations including Environmental Quality Act (“EQA”) (Industrial Effluents) Regulation 2009 for Unisem Ipoh and Integrated Wastewater Discharge Standard (GB8978-1996) for Unisem Chengdu.

**Total Wastewater Discharged (million m<sup>3</sup>/year)**



*Chart 11: Total wastewater discharged (million m<sup>3</sup>/year) at Unisem Ipoh and Unisem Chengdu*

Wastewater generated by our facilities at Unisem Ipoh is treated at our on-site wastewater treatment plants before being released through the municipal drainage system. At Unisem Chengdu wastewater is discharged to wastewater treatment plants located at the Industrial Park where we operate.

Other effluents, such as waste oil, spent solvent and metal hydroxide sludge, are sent to licensed waste disposal units or waste contractors.

We place utmost importance in ensuring that wastewater discharged are of the required quality, as wastewater run-offs can negatively impact the quality of water bodies and subsequently, the local communities surrounding it.

Our trained employees regularly conduct preventive maintenance of our wastewater treatment facilities. We also conduct daily monitoring of wastewater quality to ensure full compliance to the standards set in applicable regulations, in addition to the periodic monitoring by external accredited laboratories or government-appointed third party. In both operations, we closely monitor more than 20 wastewater quality indicators, including pH, COD and BOD concentration, total suspended solids, Cu<sup>2+</sup> concentration, Ni<sup>2+</sup> concentration and ammonia concentrations.

We are pleased to report that both our operations are in full compliance with the set standards in terms of the wastewater discharge quality, and that there was no significant spill or incident of non-compliance occurred in FYE 2018.

**WATER MANAGEMENT**

At Unisem, we believe water is a shared resource that should be used and released responsibly to the environment, to protect the local communities sharing the resource with us, whose livelihood is dependent on it.

As a player in the semiconductor industry, water is vital in our processes. In all our wet-processing steps we utilise Ultra-Pure Water (“UPW”), which is sourced from the municipal water and further purified in-house. Water is also consumed in our operations for domestic purposes.



# SUSTAINABILITY REPORT

In line with our commitment to enhance our operational efficiency and reduce our resource consumption, we consistently monitor our water withdrawal through municipal water bills received in addition to monitoring our water consumption, defined as water used by our operations and not released back, such that it is no longer available for use by the ecosystem or local community.

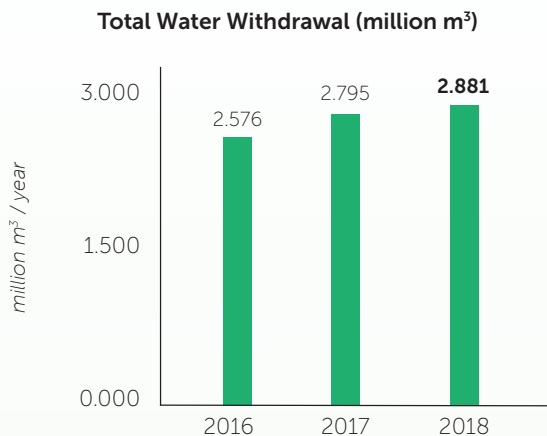


Chart 12: Total water withdrawal (million m<sup>3</sup>) at Unisem Ipoh and Unisem Chengdu

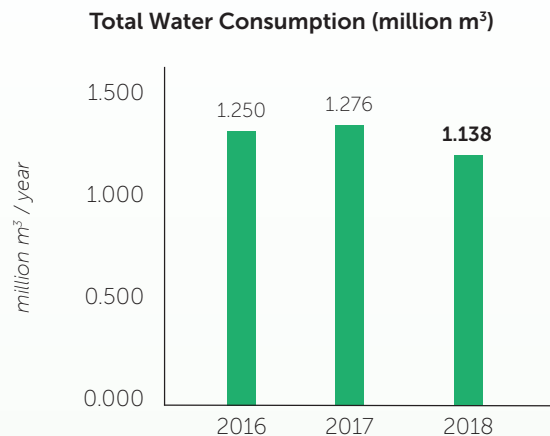


Chart 13: Total water consumption (million m<sup>3</sup>) at Unisem Ipoh and Unisem Chengdu

In comparison to year 2017, Unisem recorded an increase in water withdrawal, due to the expansion of production floor in both UAT and Unisem Chengdu, with additional wafer bumping equipments.

One of our major initiatives in reducing water withdrawal is the reuse of lightly-contaminated UPW previously used in our processes for other industrial purposes and irrigation. To support this initiative, we have equipped our facilities with complex rinse water collection system as well as a dedicated separate drainage to ensure that lightly-contaminated water is properly collected and reused.

Our operation in Chengdu has also adopted a reverse osmosis system which allows water coming out of our process to be reused, resulting in a yearly reduction of 64,800 m<sup>3</sup> of water withdrawal, in addition to the heat recovery system which contributes to the reduction in water withdrawal by 9,331 m<sup>3</sup> per year.

	Proportion of water recycled over water withdrawn (%)		
	2016	2017	2018
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	8%	7%	6%

Table 26: Proportion of water recycled over water withdrawn (%) at Unisem Ipoh and Unisem Chengdu

Committed to reducing the water impacts related to our water consumption, we will continue to find ways to improve efficiency of our water usage, as we are aware that water is a precious resource that must be responsibly preserved.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

### Greenhouse Gas ("GHG") Emissions

<b>KPI</b>	Reduction of GHG emissions (Scope 1 and 2) per unit produced <sup>12</sup> i.e. GHG Intensity		
<b>Target</b>	To achieve 10% reduction in GHG emissions intensity (baseline 2011)		
<b>Performance</b>	17% in 2016	22% in 2017	10% in 2018

Table 27: Reduction of GHG emissions (Scope 1 and 2) per unit produced - KPI, target, and performance at Unisem Ipoh and Unisem Chengdu

Climate change is a global challenge which needs to be addressed by all parties - governments, civil societies and business organisations alike. Staying true to our commitment to address the issue and to continuously improve our understanding on the impact we have on the environment, we have taken another step to enhance our GHG emissions reporting, guided by the GHG Protocol, in addition to strengthening our mitigation efforts.

This year we began collecting and reporting on our fuel consumption in the report. Emissions related to our fuel consumption makes up our Direct (Scope 1) emissions, while our electricity consumption contributes to our Energy Indirect (Scope 2) emissions.

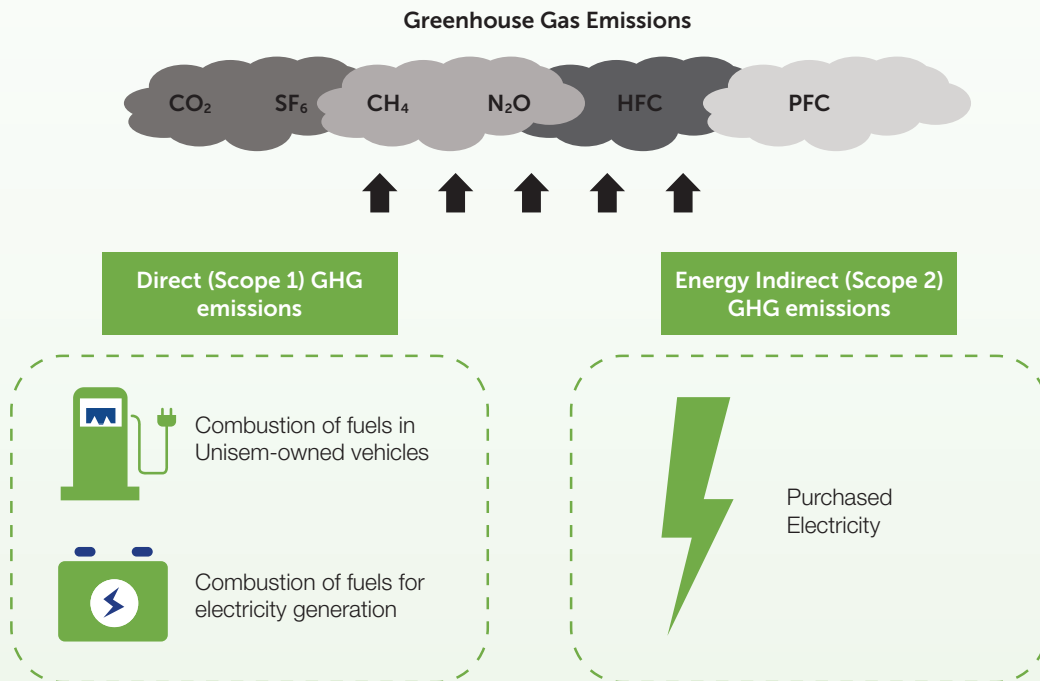


Diagram 13: Description of types of GHG emissions

<sup>12</sup> No. of wafers produced by UAT was converted to units produced based on an estimation of 10,000 units per wafer

# SUSTAINABILITY REPORT

We have also revised our emission data from the previous years to reflect the expansion of reporting boundary which now includes Unisem Chengdu, on top of the additional emissions from Scope 1.

Scope	2016	2017	2018
Direct (Scope 1) GHG emissions ('000 tCO <sub>2</sub> e)	1.05	1.19	1.45
Indirect (Scope 2) GHG emissions ('000 tCO <sub>2</sub> e)	100.24	108.73	114.81
<b>Total (Scope 1 and Scope 2) ('000 tCO<sub>2</sub>e)</b>	<b>101.29</b>	<b>109.92</b>	<b>116.26</b>

Table 28: Total Scope 1 and Scope 2 emissions ('000 tCO<sub>2</sub>e) for Unisem Ipoh and Unisem Chengdu

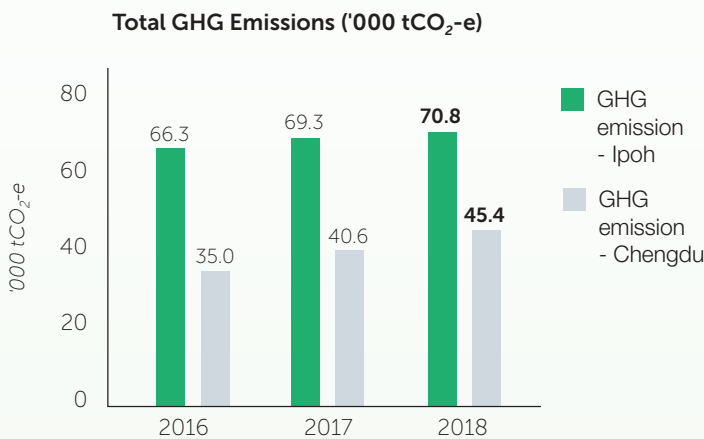


Chart 14: Total GHG emissions ('000 tCO<sub>2</sub>-e) at Unisem Ipoh and Unisem Chengdu

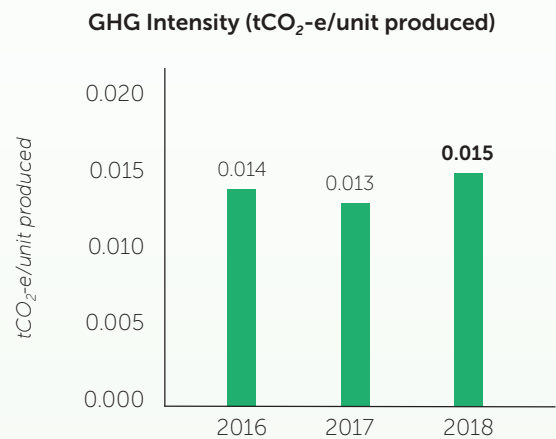


Chart 15: GHG Intensity (tCO<sub>2</sub>-e/unit produced) at Unisem Ipoh and Unisem Chengdu

In FY 2018, both Unisem Ipoh and Unisem Chengdu generated a total of 116,261 tCO<sub>2</sub>-e, with 61% of emissions contributed by Unisem Ipoh. In comparison to last year, Unisem recorded an increase of emission, due to the expansion of production floor in both UAT and Unisem Chengdu, which allows for additional machineries to be installed, leading to an increase in electricity consumption.

## Direct (Scope 1) GHG Emissions

Emissions related to fuel consumption make up only 1% of our GHG emissions. Fuel consumed in our operations includes diesel, petrol and natural gas, which are used for our forklifts and other company-owned vehicles, as well as our generator sets and boilers.

## Direct Energy (Scope 1) emissions ('000 tCO<sub>2</sub>-e)

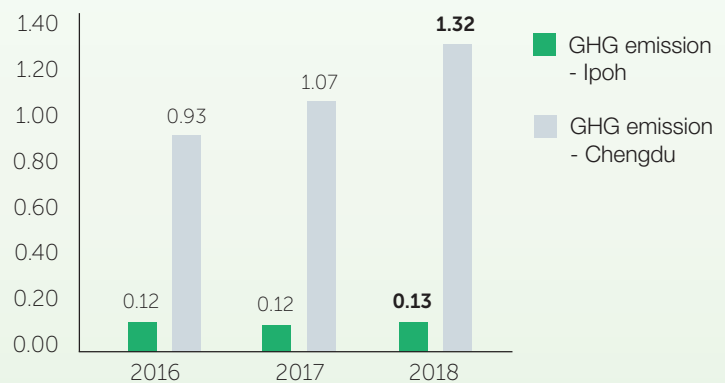


Chart 16: Total Direct Energy (Scope 1) emissions ('000 tCO<sub>2</sub>-e)

A primary contributor to total Scope 1 emissions is natural gas used to fuel heating systems at our operating sites in Chengdu. We have taken several measures to reduce our natural gas consumption, including the installation of a heat recovery system in 2015, further allowing a reduction of 96,900 m3 of natural gas consumption every year.

At Unisem Ipoh, we are currently in the process of converting our forklifts to electric forklifts to reduce our dependency on diesel. Therefore, we expect further reduction in our diesel consumption in the near future.

### Energy Indirect (Scope 2) GHG Emissions

99% of total GHG emissions are Scope 2 emissions, originating from our electricity consumption, as shown below.

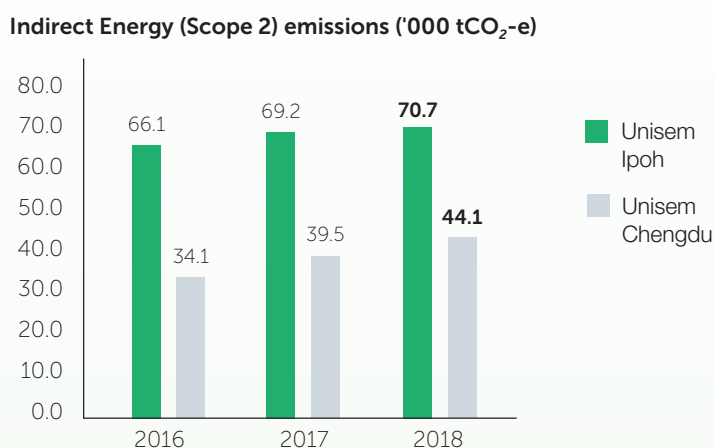


Chart 17: Total Indirect Energy (Scope 2) emissions ('000 tCO<sub>2</sub>-e)

To mitigate our emissions, we have embarked on a number of emission reduction initiatives. Several of the initiatives are as follows:

Initiative	Description	Reduction Achieved in 2018
Installation of Ultra Performance Plant Controller ("UPPC") system i.e. P1 UPPC and P2 UPPC	The control system allows the optimisation of energy use in plant chillers.	919 tCO <sub>2</sub> -e/year, equivalent to 4,506 GJ/year
Installation of Heat Recovery System	The heat recovery system allows for heating demand to be reduced.	338 tCO <sub>2</sub> -e/year, equivalent to 1,656 GJ/year
Conversion of conventional lighting to LED lighting	Conventional lighting is progressively converted to a more energy-efficient alternative i.e. LED lighting	425 tCO <sub>2</sub> -e/year in 2018 in Unisem Chengdu, equivalent to 2,081 GJ/year
Hot Water Pipe Exchanger Transformation Project	The transformation project allows for a more efficient use of medium temperature hot water coming from boiler, where it is used to supply heat for the heating system.	168 tCO <sub>2</sub> -e/year, equivalent to 823 GJ/year

Table 29: Summary of initiatives to reduce emissions at Unisem Ipoh and Unisem Chengdu

# SUSTAINABILITY REPORT

Additionally, we will continue our ongoing efforts to implement control upgrades where necessary, seek opportunities to re-engineer our production equipment facility support system to improve our efficiency, as well as complete the conversion of our conventional T8 fluorescent tubes to LED lighting across all our operations in the near future.

Our commitment towards reducing our GHG emissions related to our energy consumption also extends to supporting energy conservation. Simple day-to-day acts includes switching off lights and air-conditioning units during lunch hour, and setting a maximum temperature for our air-conditioning units in Unisem Chengdu to 25 degree Celcius during summer.

## Other Indirect (Scope 3) GHG Emissions

Although we have yet to collect our Other Indirect (Scope 3) emissions data related to our business travel, we have begun several reduction efforts by promoting the utilisation of video conferencing facilities to our employees to avoid non-essential air or ground trips.

## Energy Consumption

The fuel consumed and electricity purchased by our operations in 2018 amount to a total of 620,775 GJ of energy. This translates to an energy intensity of 80 MJ per unit produced. Compared to last year, we saw an increase in the energy consumption, hence an increase in the intensity. This is largely attributed to the increased consumption of natural gas in our Chengdu operations, due to the expansion of production floor necessitating an increase in heating requirement.

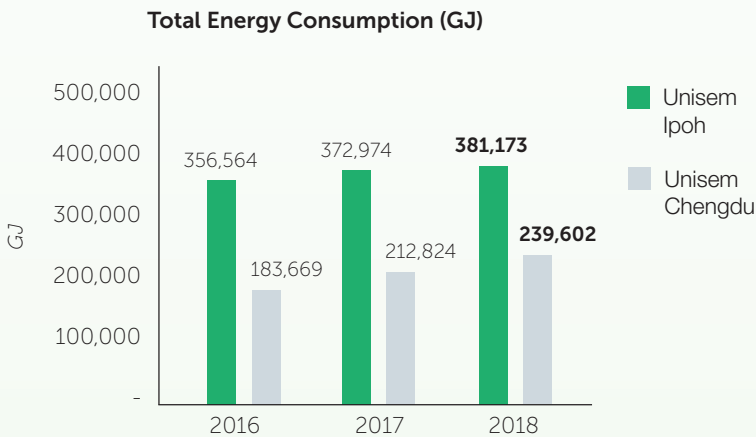


Chart 18: Total energy consumption (GJ) by area of operations, at Unisem Ipoh and Unisem Chengdu

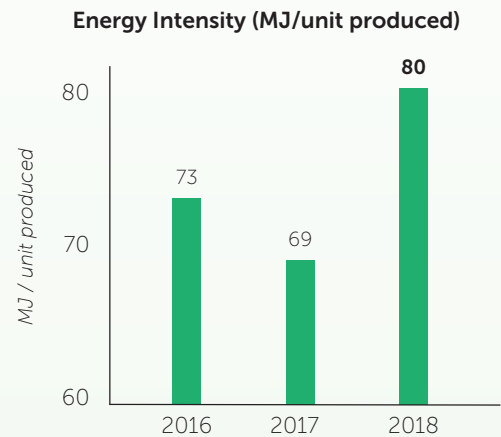


Chart 19: Energy Intensity (MJ/unit produced) at Unisem Ipoh and Unisem Chengdu

In 2018, the fuel consumed in our operations are primarily from non-renewable sources, namely diesel, petrol and natural gas.

Type of Energy Source	2016	2017	2018
Purchased Electricity (GJ)	521,836	564,890	595,365
Diesel (GJ)	245	273	455
Petrol (GJ)	2,593	2,478	2,506
Natural Gas (GJ)	15,559	18,157	22,449
<b>Total Energy Consumed (GJ)</b>	<b>540,233</b>	<b>585,798</b>	<b>620,775</b>

Table 30: Total energy consumption by energy source at Unisem Ipoh and Unisem Chengdu

## Other Air Emissions

In addition to GHG, there are also other air emissions generated by our sites including nitrous oxides (“NO”), sulphur oxides (“SOx”), volatile organic compounds (“VOCs”) and particulate matters.

Unisem Chengdu	2017	2018
NOx (MT)	0.57	0.34
SOx (MT)	1.05	9.52
VOCs (MT)	0.056	3.45

Table 31: Total emission to air at Unisem Ipoh and Unisem Chengdu

Operations in Unisem Ipoh do not emit VOCs or NOx, and are still in the process of collecting data related to SOx and particulate matter.

We undertake several measures to limit our emissions, including the installation of scrubbers and carbon adsorption treatment system in our facilities. We conduct regular maintenance of our facilities to ensure their effectiveness in limiting harmful emissions, and will continue to strengthen our controls.

## PRODUCT STEWARDSHIP

In addition to our commitment of delivering products that meet customer’s demands, we have also taken on the responsibility of minimising our environmental impacts throughout all stages in the product lifecycle. In doing so, we have gone one step further to limit the use of restricted materials in our products in view of international regulations and customers’ requirements.

Regulations and customer requirements & description	Measures taken by Unisem
Unisem complies to European Union Restriction of Hazardous Substances (“RoHS”) Directive, which sets limitations on the use of ten substances, including lead	<ul style="list-style-type: none"> <li>• Through analysis report conducted on a yearly basis, the compliance to RoHS is measured. Supporting documents such as declaration letter, Certificate of Compliance (“CoC”) and Safety Data Sheet (“SDS”) are also used to verify the compliance.</li> <li>• We also ensure our suppliers comply with RoHS by communicating with them and facilitating their own compliance. Every two years, suppliers are required to complete the self-assessment forms and submit the acknowledgement of compliance with specification.</li> <li>• Test reports and certificates of conformance are also obtained from suppliers for each product supplied.</li> </ul>
Restriction on the use of hazardous substances, including lead and lead compound.	<ul style="list-style-type: none"> <li>• Each Unisem site has achieved third party certification on the Sony Green Partner and Samsung Eco Partner certification schemes.</li> </ul>

Table 32: Measures taken by Unisem Group based on customers and regulatory requirements

# SUSTAINABILITY REPORT

## DATA FOR THE SUSTAINABILITY REPORT

	2016	2017	2018
<b>Turnover Rate</b>			
<b>Unisem Ipoh</b>			
<b>Turnover no. - by gender</b>			
Male	86	105	<b>122</b>
Female	671	780	<b>788</b>
<b>Turnover rate - by gender</b>			
Male	11.4%	11.9%	<b>13.4%</b>
Female	88.6%	88.1%	<b>86.6%</b>
<b>Turnover no. - by age group</b>			
Under 30	584	693	<b>705</b>
30 - 50	162	184	<b>189</b>
50 and above	11	8	<b>16</b>
<b>Turnover rate - by age group</b>			
Under 30	77.1%	78.3%	<b>77.5%</b>
30 - 50	21.4%	20.8%	<b>20.8%</b>
50 and above	1.5%	0.9%	<b>1.8%</b>
<b>Unisem Chengdu</b>			
<b>Turnover no. - by gender</b>			
Male	276	467	<b>648</b>
Female	512	450	<b>499</b>
<b>Turnover rate -by gender</b>			
Male	35.0%	50.9%	<b>56.5%</b>
Female	65.0%	49.1%	<b>43.5%</b>
<b>Turnover no. - by age group</b>			
Under 30	649	782	<b>1,041</b>
30 - 50	138	134	<b>105</b>
50 and above	1	1	<b>1</b>
<b>Turnover rate - by age group</b>			
Under 30	82.4%	85.3%	<b>90.8%</b>
30 - 50	17.5%	14.6%	<b>9.5%</b>
50 and above	0.1%	0.1%	<b>0.1%</b>

	2016	2017	2018
<b>New Employees Hire</b>			
<b>Unisem Ipoh</b>			
<b>New employees hire no. - by gender</b>			
Male	77	119	<b>98</b>
Female	646	581	<b>646</b>
<b>New employees hire rate - by gender</b>			
Male	10.7%	17.0%	<b>13.2%</b>
Female	89.3%	83.0%	<b>86.8%</b>
<b>New employees hire no. - by age group</b>			
Under 30	661	633	<b>695</b>
30 - 50	61	67	<b>49</b>
50 and above	1	0	<b>0</b>
<b>New employees hire rate - by age group</b>			
Under 30	91.4%	90.4%	<b>93.4%</b>
30 - 50	8.4%	9.6%	<b>6.6%</b>
50 and above	0.1%	0.0%	<b>0.0%</b>
<b>Unisem Chengdu</b>			
<b>New employees hire no. - by gender</b>			
Male	276	467	<b>648</b>
Female	512	450	<b>499</b>
<b>New employees hire rate - by gender</b>			
Male	35.0%	50.9%	<b>56.5%</b>
Female	65.0%	49.1%	<b>43.5%</b>
<b>New employees hire no. - by age group</b>			
Under 30	649	782	<b>1,069</b>
30 - 50	138	134	<b>125</b>
50 and above	1	1	<b>2</b>
<b>New employees hire rate- by age group</b>			
Under 30	82.4%	85.3%	<b>89.4%</b>
30 - 50	17.5%	14.6%	<b>10.5%</b>
50 and above	0.1%	0.1%	<b>0.2%</b>



# SUSTAINABILITY REPORT

	2016	2017	2018
<b>Parental Leave</b>			
<b>Total number of employees that were entitled to parental leave – by gender</b>			
Male	1,134	1,231	<b>1,324</b>
Female	1,369	1,427	<b>1,475</b>
<b>Total number of employees that took parental leave – by gender</b>			
Male	146	145	<b>146</b>
Female	137	154	<b>174</b>
<b>Total number of employees that returned to work in the reporting period after parental leave ended – by gender</b>			
Male	131	138	<b>146</b>
Female	125	154	<b>148</b>
<b>Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work - by gender</b>			
Male	49	31	<b>54</b>
Female	46	76	<b>81</b>
<b>Return to work rates of employees that took parental leave - by gender</b>			
Male	90%	95%	<b>100%</b>
Female	91%	100%	<b>85%</b>
<b>Retention rates of employees that took parental leave - by gender</b>			
Male	35%	24%	<b>39%</b>
Female	37%	61%	<b>53%</b>
<b>Training hours</b>			
<b>Total training hours</b>	196,455	190,549	<b>234,580</b>
<b>Average hours of training that the organization's employees have undertaken during the reporting period – by employee category</b>			
Management	22	26	<b>25</b>
Executives	19	23	<b>25</b>
Non-Operators	26	28	<b>32</b>
Operators	43	40	<b>47</b>
<b>Man-hours worked</b>			
<b>Total no. of man-hours worked</b>	12,904,185	13,696,601	<b>13,629,284</b>

	2016	2017	2018
<b>Employment Contract</b>			
<b>Employees by employment contract</b>			
% of employees that are on fixed-term contract	52%	51%	<b>50%</b>
<b>Employees by employment contract - by gender</b>			
<b>Permanent</b>			
Male	1,292	1,386	<b>1,440</b>
Female	1,572	1,645	<b>1,692</b>
<b>Fixed-term contract</b>			
Male	673	742	<b>678</b>
Female	2,396	2,420	<b>2,421</b>
<b>Employees by employment contract - by region</b>			
<b>Permanent</b>			
Ipoh	2,464	2,524	<b>2,520</b>
Chengdu	400	507	<b>612</b>
<b>Fixed-term contract</b>			
Ipoh	1,559	1,594	<b>1,681</b>
Chengdu	1,510	1,568	<b>1,418</b>

### Employee diversity for year 2018

#### Employee category - by gender

		Male	Female
Senior Management		93%	7%
Management		84%	16%
Executives		62%	38%
Operators		9%	91%
Non-Operators		75%	25%

#### Employee category - by age group

	under 30 years old	30-50 years old	over 50 years old
Senior Management	0%	39%	61%
Management	0%	75%	25%
Executives	19%	79%	2%
Operators	71%	27%	3%
Non-Operators	49%	49%	2%

# SUSTAINABILITY REPORT

## GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARDS (“GRI” INDEX)

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 102 General Disclosures</b>				
1	102-1	Name of the organization	Company Profile	2
2	102-2	Activities, brands, products, and services	Company Profile - Unisem Group	3
3	102-3	Location of headquarters	Company Profile - Unisem Group	3
4	102-4	Location of operations	Company Profile - Unisem Group	3
5	102-5	Ownership and legal form	Company Profile & Shareholders' Statistics	3 / 188
6	102-6	Markets served	Company Profile	3
7	102-7	Scale of the organization	Company Profile & Audited Financial Statements	3/ 111
8	102-8	Information on employees and other workers	Refer to Data table in the Sustainability Report for more information. We do not hire any part-time employees.	66
9	102-9	Supply chain	Supply Chain Management - Sustainability Report	33
10	102-10	Significant changes to the organization and its supply chain	Refer to Management Discussion & Analysis for changes in our shareholding structure, as part of our business partnership.	9
11	102-11	Precautionary Principle or approach	Statement on Risk Management and Internal Controls	106
12	102-12	External initiatives	Basis of preparation - Sustainability Report	15
13	102-13	Membership of associations	Basis of preparation - Sustainability Report	15
14	102-14	Statement from senior decision-maker	Chairman's Letter to the Shareholders	6
16	102-16	Values, principles, standards, and norms of behavior	Value Creation Model Anti-Corruption Supply Chain Management	25 36 33
18	102-18	Governance structure	Profile of Directors, Profile of Senior Management, and Corporate Governance Overview Statement Sustainability Governance	78 - 101 16
40	102-40	List of stakeholder groups	Stakeholder Engagement	18
41	102-41	Collective bargaining agreements	28% of Unisem Ipoh's employees are covered by collective bargaining agreements. Unisem Chengdu does not have collective bargaining agreements.	
42	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	18
43	102-43	Approach to stakeholder engagement	Stakeholder Engagement	18
44	102-44	Key topics and concerns raised	Stakeholder Engagement	18
45	102-45	Entities included in the consolidated financial statements	Audited Financial Statements	111 - 183
46	102-46	Defining report content and topic Boundaries	Basis of preparation - Sustainability Report	15
47	102-47	List of material topics	Materiality Assessment	21
48	102-48	Restatements of information	Certain reported key performance indicators have been restated in this year's Sustainability Statement to better reflect the expansion of the reporting scope	
49	102-49	Changes in reporting	Basis of preparation - Sustainability Report	15
50	102-50	Reporting period	Basis of preparation - Sustainability Report	15
51	102-51	Date of most recent report	About the Sustainability Report	14

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 102 General Disclosures</b>				
52	102-52	Reporting cycle	Basis of preparation - Sustainability Report	15
53	102-53	Contact point for questions regarding the report	Y.Bhg. Dato' Gregory Wong Guang Seng, as Senior Independent Director to answer any queries or clarify any matters concerning the Company. Y.Bhg. Dato' Gregory Wong Guang Seng can be contacted at the following correspondence address:  Letter Box #95, 9th Floor UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur  Tel : (603) 2072 3760 Fax: (603) 2072 4018	
54	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	
55	102-55	GRI content index	Sustainability Report	70
56	102-56	External assurance	Financial statements have been externally audited by our auditors, Deloitte PLT. Although we are yet to seek external assurance on our non-financial information, our reporting process is supported by our internal controls and reporting team. Processes relevant to the reporting structure is reviewed by our internal audit function. Our sites are also subject to external verification, such as visits from customers and RBA VAP and SAQ.	
<b>GRI 103 Management Approach</b>				
57	103-1	Explanation of the material topic and its Boundary	Basis of preparation - Sustainability Report Materiality Assessment	21
58	103-2	The management approach and its components	Managing Our Business Our Focus On Customers People Environment	
59	103-3	Evaluation of the management approach	Managing Our Business Our Focus On Customers People Environment	
<b>GRI 201 Economic Performance</b>				
60	201-1	Direct economic value generated and distributed	Audited Financial Statements	111 - 183
61	201-2	Financial implications and other risks and opportunities due to climate change	-	
62	201-3	Defined benefit plan obligations and other retirement plans	Audited Financial Statements	111 - 183
63	201-4	Financial assistance received from government	Audited Financial Statements	111 - 183
<b>GRI 202 Market Presence</b>				
64	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	

# SUSTAINABILITY REPORT

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 201 Economic Performance</b>				
65	202-2	Proportion of senior management hired from the local community	<p>Senior management are full-time employees at the highest-level of managers at Unisem, immediately below the members of the Board of Directors.</p> <p>Local communities are the communities in the surrounding vicinity of our operations. For Unisem Ipoh, this refers to the state of Perak. For Unisem Chengdu, this refers to the city of Chengdu. Unisem Ipoh and Chengdu are the significant areas of operations within our reporting scope for FY 2018.</p> <p>For information on our proportion, please refer to the Local Communities section.</p>	53
<b>GRI 203 Indirect Economic Impacts</b>				
66	203-1	Infrastructure investments and services supported	-	
67	203-2	Significant indirect economic impacts	Local Communities	53
<b>GRI 204 Procurement Practices</b>				
68	204-1	Proportion of spending on local suppliers	<p>Local communities are the communities in the surrounding vicinity of our operations. For Unisem Ipoh, this refers to the state of Perak. For Unisem Chengdu, this refers to the city of Chengdu. Unisem Ipoh and Chengdu are the significant areas of operations within our reporting scope for FY 2018.</p> <p>For information on our proportion, please refer to the Supply Chain Management section.</p>	33
<b>GRI 205 Anti-Corruption</b>				
69	205-1	Operations assessed for risks related to corruption	-	
70	205-2	Communication and training about anti-corruption policies and procedures	-	
71	205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption	36
<b>GRI 206 Anti-Competitive Behaviour</b>				
72	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	
<b>GRI 301 Materials</b>				
73	301-1	Materials used by weight or volume	N/A	
74	301-2	Recycled input materials used	N/A	
75	301-3	Reclaimed products and their packaging materials	N/A	

### GRI Standards Content Index

#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 302 Energy</b>				
76	302-1	Energy consumption within the organization	Energy consumption is calculated according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories.  For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
77	302-2	Energy consumption outside of the organization	-	
78	302-3	Energy intensity	Greenhouse Gas Emissions and Energy Consumption	61
79	302-4	Reduction of energy consumption	Greenhouse Gas Emissions and Energy Consumption	61
80	302-5	Reductions in energy requirements of products and services	-	
<b>GRI 303 Water</b>				
81	303-1	Interactions with water as a shared resource	-	
82	303-2	Management of water discharge-related impacts	Effluents and Waste Management	56
83	303-3	Water withdrawal	Unisem does not operate in water-stressed areas, and only withdraws from municipal water line.  For more information on water withdrawal, please refer to Water Management section.	59
84	303-4	Water discharge	Unisem does not operate in water-stressed areas. The information on the destination of treated wastewater released to the municipal drainage by Unisem Ipoh is not available in the current report. We will work towards monitoring data for future reporting.  For more information on our water discharge, please refer to Effluents and Waste Management section.	56
85	303-5	Water consumption	Unisem does not operate in water-stressed areas.  For more information on our water consumption, please refer to Water Management section.	59
<b>GRI 305 Emissions</b>				
86	305-1	Direct (Scope 1) GHG emissions	GHG emissions are calculated using GHG Protocol tools, using Global Warming Potential ("GWP") values from 2014 IPCC Fifth Assessment Report.  For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
87	305-2	Energy indirect (Scope 2) GHG emissions	GHG emissions are calculated using GHG Protocol tools, using Global Warming Potential ("GWP") values from 2014 IPCC Fifth Assessment Report.  For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61

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#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 305 Emissions</b>				
88	305-3	Other indirect (Scope 3) GHG emissions	-	
89	305-4	GHG emissions intensity	Greenhouse Gas Emissions and Energy Consumption	61
90	305-5	Reduction of GHG emissions	Greenhouse Gas Emissions and Energy Consumption	61
91	305-6	Emissions of ozone-depleting substances (ODS)	-	
92	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	The data on SOx and particulate matter for Unisem Ipoh is currently not available. Data collection will begin this year for future reporting. Unisem Ipoh does not emit NOx or VOCs in its operations, while Unisem Chengdu does not emit particulate matter.  For more information on other significant air emissions, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
<b>GRI 306 Effluents and Waste</b>				
95	306-1	Water discharge by quality and destination	Effluents and Waste Management	56
96	306-2	Waste by type and disposal method	Information on other disposal methods of hazardous waste, apart from recycling for Unisem Ipoh, is not available in the current report. For Unisem Chengdu, the we will begin reporting the information on recycle rate in the following years, and work with our waste contracts to collect information on other disposal methods employed.  For non-hazardous waste, information on disposal methods, other than those reported, is not available. For more information on our waste management, please refer to Effluents and Waste Management section.	56
97	306-3	Significant spills	No significant spill occurred in FYE 2018.	
98	306-4	Transport of hazardous waste	-	
99	306-5	Water bodies affected by water discharges and/or runoff	-	
<b>GRI 307 Environmental Compliance</b>				
100	307-1	Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and/or regulations	
<b>GRI 308 Supplier Environmental Assessment</b>				
101	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	33
102	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	33
<b>GRI 401 Employment</b>				
103	401-1	New employee hires and employee turnover	Data table - Sustainability Report	66
104	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	The country Labour Laws shall be complied for temporary or part-time employees. Unisem does not hire temporary or part-time employees in 2018.	
105	401-3	Parental leave	Data table - Sustainability Report	66

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#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 402 Labour Management/ Relations</b>				
106	402-1	Minimum notice periods regarding operational changes	Prior to the implementation of significant operational changes that could substantially affect employees, Unisem ensures that all employees are informed within an appropriate time frame. Embedded in Unisem COE, we uphold the labour rights of all our employees.	
<b>GRI 403 Occupational Health and Safety</b>				
107	403-1	Occupational health and safety management system	Occupational Safety and Health	50
108	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health	50
109	403-3	Occupational health services	Occupational Safety and Health	50
110	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	50
111	403-5	Worker training on occupational health and safety	Occupational Safety and Health	50
112	403-6	Promotion of worker health	Occupational Safety and Health	50
113	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Product Stewardship, Supply Chain Management	33/65
114	403-8	Workers covered by an occupational health and safety management system	Occupational Safety and Health	50
115	403-9	Work-related injuries	Occupational Safety and Health	50
116	403-10	Work-related ill health	Occupational Safety and Health	50
<b>GRI 404 Training and Education</b>				
111	404-1	Average hours of training per year per employee	Data table - Sustainability Report  We have not collected data for average training hours by gender and for senior management. Data collection will begin this year for future reporting.	66
112	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Welfare - Employee Learning and Development	42
113	404-3	Percentage of employees receiving regular performance and career development reviews	Annual Performance Appraisals conducted for all employees	
<b>GRI 405 Diversity and Equal Opportunity</b>				
114	405-1	Diversity of governance bodies and employees	Profile of Directors and Profile of Senior Management Employee Welfare Data table - Sustainability Report	85  66
115	405-2	Ratio of basic salary and remuneration of women to men	Ratio of women to men: 1 : 1.24	



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#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 406 Non-discrimination</b>				
116	406-1	Incidents of discrimination and corrective actions taken	Labour rights	48
<b>GRI 407 Freedom of Association and Collective Bargaining</b>				
117	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<p>We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal.</p> <p>Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section"</p>	33 /48
<b>GRI 408 Child Labour</b>				
118	408-1	Operations and suppliers at significant risk for incidents of child labor	<p>We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal.</p> <p>Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section</p>	33 /48
<b>GRI 409 Forced or Compulsory Labour</b>				
119	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<p>We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal.</p> <p>Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section</p>	33 /48

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#	Disclosure Number	Disclosure Title	Response	Page Number
<b>GRI 412 Human Rights Assessment</b>				
122	412-1	Operations that have been subject to human rights reviews or impact assessments	<p>We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal.</p> <p>Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section</p>	33 /48
123	412-2	Employee training on human rights policies or procedures	-	
124	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
<b>GRI 413 Local Communities</b>				
125	413-1	Operations with local community engagement, impact assessments, and development programs	-	
126	413-2	Operations with significant actual and potential negative impacts on local communities	Local Communities	53
<b>GRI 414 Supplier Social Assessment</b>				
127	414-1	New suppliers that were screened using social criteria	Supply Chain Management	33
128	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	33
<b>GRI 415 Public Policy</b>				
129	415-1	Political contributions	Anti-Corruption	36
<b>GRI 418 Customer Privacy</b>				
136	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy and Data Protection	41
<b>GRI 419 Socioeconomic Compliance</b>				
137	419-1	Non-compliance with laws and regulations in the social and economic area	Unisem has not identified any non-compliance with laws and/or regulations in the social and economic area	