

Unisem (M) Berhad
Board Committee – Terms of reference

Audit and Risk Management Committee (“ARMC”)

The Audit Committee was formed in July 1998. In 2017, the audit committee was renamed as Audit and Risk Management Committee since the risk management function has been dealt with by the Audit Committee.

Terms of Reference

1. Authority

- a. The ARMC shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to co-operate as requested by members of the Committee.
- b. The ARMC shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

2. Responsibilities

- The ARMC shall serve as a focal point for communications between non-committee Directors, the external auditors, internal auditors and the management, as their duties relate to financial accounting, reporting and controls.
- The ARMC shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.
- The ARMC shall be the Board’s principal agent in assuring the independence of the Company’s external auditors, internal auditors, the integrity of management, and the adequacy of disclosures to stockholders. The opportunity for the external auditors to meet with the entire Board as needed is not to be restricted, however.
- The Chairman of the ARMC shall engage on a continuous basis with senior management such as the Chairman, the Group Managing Director, the Group Chief Operating Officer, the Finance Director, the Head of Internal Audit and the external auditors in order to keep informed of matters affecting the Company.

3. Specific Duties

The ARMC shall be guided by Chapter 15 Part C of the Main Market Listing Requirements of the Bursa Securities and in particular shall:-

- Inform the external auditors, the internal auditors and management that the external auditors, internal auditors and the Committee may communicate with each other at all times and the external auditors and internal auditors have the

right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee; and the Committee Chairman may call a meeting whenever he deems it necessary or upon the request of the external auditors or internal auditors.

- Review with the management, external auditors and the internal auditors, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- Have familiarity, through the individual efforts of its members, with the accounting and reporting principles and practices applied by the Company in preparing its financial statements. Further, the Committee shall make, or cause to be made, all necessary inquiries to management and the external auditors concerning established standards of corporate conduct and performance, and deviations therefrom.
- Review, prior to the annual audit, the scope and general extent of the external auditors' audit examination, including their engagement letter. The auditors' fees are to be arranged with management, and annually summarised for Committee review. The Committee's review should entail an understanding from the external auditors of the factors considered by the auditors in determining his audit scope, including:
 - Industry and business risk and characteristics of the Company.
 - External reporting requirements.
 - Materiality of the various segments of the Company's consolidated and non-consolidated activities.
 - Quality of internal accounting controls.
 - Extent of involvement of internal audit in the audit examination.
 - Other areas to be covered during the audit engagement.
- Review the extent of non-audit services provided by the external auditors in relation to the objectivity needed in the audit.
- Review with management and the external auditors, the quarterly results and financial results for the year upon completion of their audit, prior to their submission to the Board and release to the public. This review shall encompass:-
 - The Company's annual report to shareholders including the financial statements, and supplemental disclosures required by the provision of the Companies Act, 2016 and in compliance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia.
 - Significant transactions not a normal part of the Company's operations.
 - Changes, if any, during the year in the Company's accounting principles or their applications.
 - Significant adjustments proposed by the external auditors.

- Evaluate the co-operation received by the external auditors during the audit examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Inquire of the external auditors whether there have been any disagreements with management which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
- Discuss with the external and internal auditors the quality of the Company's financial and accounting personnel, and any relevant recommendations which the external and internal auditors may have. Topics to be considered during this discussion include improving internal financial controls, the audit plan, the audit report, the selection of accounting principles, any related party transaction that may arise within the Company and management reporting system. Review written responses of management to "letter of comments and recommendations" from the external auditors.
- Review all related party transactions and the Company's procedures for monitoring and reviewing of related party transactions to satisfy itself that the procedures were sufficient to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public and also not detrimental to the interests of minority shareholders.
- Discuss with management the scope and quality of internal accounting and financial reporting controls in effect.
- Inform the Board, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- Recommend to the Board any appropriate extension or changes in the duties of the Committee.
- Recommend to the Board the retention or non-retention of the external auditors, and provide a written summary of the basis for the recommendations.
- In relation to internal audit function, the ARMC
 - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- In compliance to the Malaysian Code on Corporate Governance, the ARMC shall also:-

- review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- In order to provide an independent assessment on the adequacy and reliability of the risk management processes and internal control as well as compliance with risk policies and regulatory requirements, the ARMC
- review the Group's overall approach to risk management and control, and its processes, outcomes and disclosure.
 - review the Internal Auditors' quarterly reports on the risk-based audit work carried out and management's responses and assurance that significant findings are adequately addressed;
 - review the Internal Auditors' enterprise risk management reviews conducted with the management on the three main plants whereby risks were identified and action plans put in place to mitigate these risks;
 - review the Group's various policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls;
 - review the Group's insurance arrangements and related risk management; and
 - review the Group's treasury policies, including debt issuance and hedging.

Composition

- The ARMC shall be appointed by the Board from amongst the Directors and shall consist of no fewer than three (3) members.
- All Committee members shall be Independent Directors.
- The members of the Committee shall elect a Chairman from amongst their number.
- The ARMC shall include at least one person who is a member of the Malaysian Institute of Accountants or who must have at least 3 years' working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 or is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
- No alternate Directors shall be appointed as a member of the Committee.
- If a member of the ARMC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall,

within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

- All members of the Committee shall be financially literate.
- A former key audit partner shall observe a cooling-off period of at least two years before being appointed as a member of the ARMC.

Meeting

- The ARMC shall meet at least four (4) times per year.
- The quorum for the Committee shall be two (2) members.
- As necessary or desirable, the Chairman may request that members of management, the internal auditors and representatives of the external auditors be present at meetings of the Committee.
- The Committee shall meet with the external auditors without executive board members present at least twice a year.
- The Committee shall meet with the internal auditor without executive board members present at least once a year.
- The Company Secretary shall be in attendance at meetings.
- Minutes of each meeting shall be prepared and sent to Committee members, and the Company's Directors who are not members of the Committee. A copy of the minutes shall be filed with the Company.

Nomination Committee

The Nomination Committee was established in December 2001. The terms of reference and the composition of the Nomination Committee are as follow:-

Terms of reference

The Nomination Committee is empowered with the following specific tasks:-

- To consider and recommend candidates for appointment as Directors of the Company and its subsidiary companies;
- To consider and recommend to the Board, Directors to fill the seats on board committees of the Company;
- To consider, in making its recommendations, the candidates' skills, knowledge, expertise, experience, professionalism and integrity and evaluate the candidates' ability to discharge responsibilities/functions for the position of Independent Directors;
- To consider, in making recommendations, candidates proposed by the Group Managing Director for directorships, nomination by any senior executive, Director or shareholder;
- To assess the effectiveness of the Board as a whole and the board committees, considering the contribution of each individual Director, and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- To consider and recommend to the Board the appropriate size of the Board, considering the possible representation of interest groups, the desirable number of Independent Directors, the desirable balance in board membership and to ensure that any term limits within the Constitution are adhered to;
- To consider and recommend a policy regarding the period of service of Executive and Non-Executive Directors;
- To report periodically to the Board on succession planning for the Board chairman and Managing Director. The Board should work with the Nomination Committee to evaluate potential successors.
- To consider and recommend solutions on issues of conflict of interest affecting Directors;
- To evaluate and determine the training needs of Directors; and
- such other functions as may be delegated by the Board from time to time.

Composition

The Nomination Committee shall consist wholly of Non-Executive Directors, the majority of whom shall be independent Non-Executive Directors.

The Chairman of the Committee shall be an Independent Director or the Senior Independent Director.

The Committee shall operate with a quorum of two, the majority of whom shall be independent Non-Executive Directors.

The Company Secretary shall be in attendance at meetings.

No person other than the members of the Nomination Committee is entitled to be present at meetings but non-members may be invited by the Committee to attend.

Remuneration Committee

The Remuneration Committee was formed in December 2001.

Terms of reference

- The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of Executive Directors.
- The Committee Chairman shall report formally to the Board on its proceedings after each Committee meeting on matters discussed at the meeting.
- The Committee shall review annually its terms of reference and its effectiveness and shall recommend to the Board any changes required as a result of such a review.

Composition

The Remuneration Committee shall comprise mainly Non-Executive Directors. Members of the Committee shall be appointed by the Board.

The Chairman of the Committee shall be appointed by the Board. The Committee shall operate with a quorum of two, the majority of whom shall be Non-Executive Director. The Company Secretary shall be in attendance at meetings.

Executive Directors will abstain from the deliberations and voting decisions in respect of his remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. An Executive Director plays no part in decisions on his own remuneration. The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole.

Sustainability Committee

The Sustainability Committee was formed in January 2017.

The Sustainability Committee is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving the organisation's sustainability milestones and goals.

Terms of reference

The Sustainability Committee is empowered with the following tasks:

- advising the Board and recommending to it, the business strategies in the area of sustainability;
- monitoring the implementation of sustainability strategies as approved by the Board;
- recommending to the Board sustainability-related policies for adoption, and monitoring the implementation of the policies;
- recommending to the Board for its approval sustainability matters identified as material;
- overseeing the overall management of stakeholder engagement;
- overseeing the management of sustainability matters, with particular focus on matters material to the organisation; and
- overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

Composition

The Sustainability Committee shall consist of board members, the majority of whom shall be independent directors.

The Committee shall operate with a quorum of two, the majority of whom shall be independent directors. The Company Secretary shall be in attendance at meetings.

No person other than the members of the Sustainability Committee is entitled to be present at meetings but non-members may be invited by the Committee to attend.