



# **Unisem (M) Berhad**

## **Board Committee Terms of Reference**

27 February 2024

<b>Content</b>	<b>Page</b>
1. Audit and Risk Management Committee	1
2. Nomination Committee	6
3. Remuneration Committee	9
4. Environmental, Social and Governance Committee	11

#### Revision History

<b>Rev. No.</b>	<b>Reviewed and Approved Date</b>
1	23 Feb 2016
2	18 Jan 2017
3	22 Jan 2018
4	30 Jan 2019
5	26 Feb 2020
6	25 Feb 2021
7	25 Feb 2022
8	23 Feb 2023
9	26 Oct 2023
10	27 Feb 2024

## **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 also comes under the purview of 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**

- a. 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.
- b. 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.
- c. 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.
- d. 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:-

- a. 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.

- b. 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.
- c. 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.
- d. 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:
  - i. Industry and business risk and characteristics of the Company.
  - ii. External reporting requirements.
  - iii. Materiality of the various segments of the Company's consolidated and non-consolidated activities.
  - iv. Quality of internal accounting controls.
  - v. Extent of involvement of internal audit in the audit examination.
  - vi. Other areas to be covered during the audit engagement.
- e. Review the extent of non-audit services provided by the external auditors in relation to the objectivity needed in the audit.
- f. 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:-
  - i. 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.
  - ii. Significant transactions not a normal part of the Company's operations.
  - iii. Changes, if any, during the year in the Company's accounting principles or their applications.
  - iv. Significant adjustments proposed by the external auditors.
- g. 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.

- h. 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.
- i. 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.
- j. Discuss with management the scope and quality of internal accounting and financial reporting controls in effect.
- k. Inform the Board, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- l. Recommend to the Board any appropriate extension or changes in the duties of the Committee.
- m. Assess the suitability of external auditor and recommend to the Board the retention or non-retention of the external auditors, and provide a written summary of the basis for the recommendations.
- n. In relation to internal audit function, the ARMC
  - i. 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;
  - ii. 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;
- o. In compliance to the Malaysian Code on Corporate Governance, the ARMC shall also:-
  - i. review any appraisal or assessment of the performance of the Internal Auditors;
  - ii. approve any appointment or termination of the Internal Auditors;
  - iii. approve any non-audit engagement with external auditor or its affiliates
- p. 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

- q. review the Group's overall approach to risk management and control, and its processes, outcomes and disclosure.
  - i. 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;
  - ii. 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;
  - iii. review the Group's various policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls;
  - iv. review the Group's insurance arrangements and related risk management; and
  - v. review the Group's treasury policies, including debt issuance and hedging.

#### **4. Composition**

- a. The ARMC shall be appointed by the Board from amongst the Directors and shall consist of no fewer than three (3) members.
- b. All Committee members shall be Independent Directors.
- c. The members of the Committee shall elect a Chairman from amongst themselves.
- d. 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 1<sup>st</sup> Schedule of the Accountants Act, 1967 or is a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967.
- e. No alternate Directors shall be appointed as a member of the Committee.
- f. 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.
- g. All members of the Committee shall be financially literate.
- h. A former key audit partner shall observe a cooling-off period of at least three years before being appointed as a member of the ARMC.

#### **5. Meeting**

- a. The ARMC shall meet at least four (4) times per year.
- b. The quorum for the Committee shall be two (2) members. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

- c. Meetings may be held via telephone conferencing, video conferencing or other appropriate means as determined by the Committee.
- d. 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.
- e. The Committee shall meet with the external auditors without executive board members present at least twice a year.
- f. The Committee shall meet with the internal auditor without executive board members present at least once a year.
- g. The Company Secretary shall be in attendance at meetings.
- h. Minutes of each meeting shall be prepared and circulated to Committee members in a timely manner. A copy of the minutes shall be filed with the Company.

**6. The Committee's Ethics and Procedures**

All members of the Committee shall maintain the confidentiality of all internal communications, treating them as strictly private and confidential, and restricted to the use of Committee members only.

**7. Review and Amendment of Terms of Reference**

- a. Any revision or amendment to this Terms of Reference shall be presented to the Board for its approval.
- b. The terms of reference shall be assessed, reviewed, and updated where necessary.

----- End -----

## 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

#### 1. Duties and Responsibilities

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

##### **I. Board structure, size, composition and diversity**

- a. 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 and diversity in board membership
- b. To review and ensure composition of Board is refreshed periodically and to evaluate the need to bring new skills and perspectives to the boardroom

##### **II. Nomination and selection criteria for Directors and Committee members**

- a. To formulate nomination and selection policies and procedures attributes of Director and criteria for selection of candidates for directorship based on objective, fit & proper criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender
- b. To review and consider, in making recommendations, candidates proposed by internal source or candidates shortlisted by external source
- c. To ensure, in making its recommendations, the annual re-election of Directors to be contingent on satisfactory evaluation of Director's performance and contribution to Board, fit & proper assessment of the Director, the current composition of the Board and the tenure of each Director
- d. To consider, in making its recommendations, the candidates' skills, knowledge, expertise, experience, professionalism, integrity, details of interest, position or relationship that might or perceived to influence materially their capacity to bring independent judgement on issues and to act in best interest of Company, willingness to devote required time to serve Board effectively and evaluate the candidates' ability to discharge responsibilities/functions as a director
- e. To review the tenure of each Director and succession plan for Independent Non-Executive Directors
- f. To consider, in making its recommendations, the skills, knowledge, expertise and experience for the appointment of directors to the Board Committees
- g. To review and recommend the appointment of directors to the Board of the subsidiaries of the Company



- h. To engage external professional advisors to assist and/or advise the NC, on selection and succession policy matters, including recruitment, where necessary

**III. Performance evaluation of the Directors and Committee members**

- a. 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
- b. To review the Board performance evaluation approach and criteria used and make recommendation to the Board for adoption
- c. Review the feedback arising from the evaluation of the Board and Board Committees, and recommend to the Board action plan for improvement on areas identified in the Board effectiveness evaluation, where applicable

**IV. Succession planning for Board and Directors' training**

- a. To review periodically the succession plan for the Board and the Managing Director, and make recommendation to the Board taking into account all factors including the challenges and opportunities facing the Group and the skills and expertise required in the future
- b. To ensure Directors stay abreast with & understand sustainability issues relevant to Group's business, including climate related risks & opportunities
- c. To ensure Directors understand financial statements & can form a view on the information presented
- d. To evaluate and determine the training needs of Directors

**V. Succession planning for Senior Management and Leadership Development**

- a. To review with Corporate HR the human resources plan of the Group, including succession management framework and activities, human resource initiatives and manpower planning
- b. To review and recommend for Board's approval the final candidate(s) for appointment, reappointment or termination of Key Senior Management of the Group
- c. To review with Corporate HR the leadership needs and leadership training and development programmes of the Group
- d. To recommend the engagement of external professional advisors to assist and/or advise the NC, on selection and succession policy matters, where necessary

**2. Role of Nomination Committee Chairman**

As chair of Nomination Committee, the Senior Independent Non-Executive Directors shall

- a. lead succession planning & appointment of Directors, and oversee development of a diverse pipeline for Board & Management succession, including future Chairman, Executive Directors and Managing Director; and

- b. lead annual review of Board effectiveness, ensuring performance of each individual Director & Chairman of Board are independently assessed.

3. Composition and Meeting

- a. The Nomination Committee shall consist wholly of Non-Executive Directors, the majority of whom shall be independent Non-Executive Directors.
- b. The members of the Committee shall elect a Chairman from amongst themselves. The Chairman of the Committee shall be an Independent Non-Executive Director or the Senior Independent Non-Executive Director.
- c. The Committee shall operate with a quorum of two, the majority of whom shall be independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- d. Meetings may be held via telephone conferencing, video conferencing or other appropriate means as determined by the Committee.
- e. The Company Secretary shall be in attendance at meetings.
- f. 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.
- g. Minutes of each meeting shall be prepared and circulated to Committee members in a timely manner. A copy of the minutes shall be filed with the Company

4. The Committee's Ethics and Procedures

All members of the Committee shall maintain the confidentiality of all internal communications, treating them as strictly private and confidential, and restricted to the use of Committee members only.

5. Review and Amendment of Terms of Reference

- a. Any revision or amendment to this Terms of Reference shall be presented to the Board for its approval.
- b. The terms of reference shall be assessed, reviewed, and updated where necessary.

----- End -----

## Remuneration Committee

The Remuneration Committee was formed in December 2001.

### Terms of reference

The Remuneration Committee is responsible for setting the policies and framework on the remuneration of the Directors.

#### 1. Duties and Responsibilities

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

- a. support the board in actively overseeing the design and operation of the company's remuneration system in a fair and transparent manner;
- b. review and recommend to the Board on the remuneration for Executive Directors including, where appropriate, salary review, bonuses, and other incentive payments within the terms of the remuneration policy and based on individual performance and the performance of the Company;
- c. review and recommend to the Board on the remuneration of Non-Executive Directors, particularly on whether the remuneration remains appropriate to each Director's contribution, by taking into account the level of expertise, commitment and responsibilities undertaken;
- d. establish frequent communication with other Board committees, namely Nominating Committee, to align remuneration policies and procedures to succession plans and talent management of executives, and risk management committee to ensure risk outcomes are adequately considered in the design of remuneration policies and procedures;
- e. oversee the qualitative and quantitative disclosures of remuneration made in the annual report and notice to general meetings;
- f. provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management as well as the overall remuneration framework of the company; and
- g. review periodically the remuneration policy with the Board.

#### 2. Composition and Meeting

- a. The Remuneration Committee shall comprise of Non-Executive Directors, the majority of whom shall be Independent Non-Executive Director. Members of the Committee shall be appointed by the Board.
- b. The members of the Committee shall elect a Chairman from amongst themselves.
- c. The Committee shall operate with a quorum of two, the majority of whom shall be independent Non-Executive Directors. . In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

- d. Meetings may be held via telephone conferencing, video conferencing or other appropriate means as determined by the Committee.
- e. The Company Secretary shall be in attendance at meetings.
- f. Directors will abstain from the deliberations and voting decisions in respect of his remuneration.
- g. Minutes of each meeting shall be prepared and circulated to Committee members in a timely manner. A copy of the minutes shall be filed with the Company

3. The Committee's Ethics and Procedures

All members of the Committee shall maintain the confidentiality of all internal communications, treating them as strictly private and confidential, and restricted to the use of Committee members only.

4. Review and Amendment of Terms of Reference

- a. Any revision or amendment to this Terms of Reference shall be presented to the Board for its approval.
- b. The terms of reference shall be assessed, reviewed, and updated where necessary.

----- End -----

## Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee formally known as Sustainability Committee was formed in January 2017.

### Terms of Reference

#### 1. Purpose

The primary purpose of the Environmental, Social and Governance Committee (“ESGC”) is to assist the Board of Directors of Unisem (M) Berhad (“Unisem”) in fulfilling its responsibilities in overseeing the Sustainability or Environmental, Social and Governance (“ESG”) related framework, strategy, priorities, targets, policies and practices of the Company so as to ensure that the initiatives undertaken by Unisem pertaining to sustainability are aligned with, promote and encourage the Group’s commitment towards sustainability.

#### 2. Composition

- a. The size of the ESGC shall consist of no fewer than three (3) Board members.
- b. Majority of the ESGC members must be Independent Directors of the Company.
- c. No Alternate Director shall be appointed as a member of the Committee.
- d. The members of the Committee shall elect a Chairman from amongst themselves, who is an independent director.
- e. The Secretaries of the Committee shall be the Company Secretaries.
- f. If for any reason the membership falls below 3 members, the Board shall within 1 month of the event, appoint such number of new member(s) as may be required to fulfill the minimum requirement.

#### 3. Reporting Responsibilities

- a. The ESGC will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on the Group’s ESG policies and matters as it may think fit.
- b. The ESGC shall be responsible for ensuring that the Company discloses the Sustainability Statement for the financial year in its Annual Integrated Report, in accordance with the Listing Requirements, the Sustainability Reporting Guide, and the Sustainability Toolkit issued by Bursa Malaysia Berhad.

#### 4. Duties and Responsibilities of ESGC

- a. Review and recommend to the Board for approval on Company’s ESG framework and strategy including related policies, targets, priorities and KPIs to measure

Company's performance taking into account the environment in which the Company operates and the requirement of all stakeholders.

- b. Ensure that the Group's strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability, human rights as well as climate-related risks and opportunities.
- c. Provide oversight and monitor the execution and effectiveness of the Company's ESG framework and strategy, and the Company's progress on its long-term sustainability and climate goals and targets, including progress in relation to sustainability material matter.
- d. Oversee the effective management of stakeholder engagement with regards to the pursuit of strategic sustainability goals to better understand and manage the Company's sustainability risks and opportunities.
- e. Review issues relating to sustainability arising from independent audit reports as well as any matters pertaining to sustainability highlighted by regulators or relevant consultants.
- f. Consider and recommend to the Board positioning on relevant emerging sustainability and climate-related issues, risks, and opportunities.
- g. Ensure that the Company's overall sustainability framework, strategies, priorities and targets as well as performance against these targets are effectively communicated to both internal and external stakeholders through appropriate means, such as engagements and disclosures.

## 5. Meeting

- a. The ESGC shall meet at least 2 times a year and convene additional meetings as and when necessary.
- b. The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee.
- c. Unless otherwise agreed by the members and whenever necessary, the notice of each meeting confirming the venue, date, and time together with the brief agenda of the meeting shall be circulated to all members and any other persons who may be required to attend the meeting within a reasonable period prior to the meeting, i.e., at least five business days in advance of the meeting.
- d. The Chairman together with the Company Secretaries shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated within a reasonable period prior to the Committee meeting to the Committee members and all those who are invited to attend the meeting.
- e. The Committee may request members of management to participate in its meetings, as it may deem fit.

- f. The Company Secretary shall be the Secretary of the Committee.
- g. Meetings may be held via telephone conferencing, video conferencing or other appropriate means as determined by the Committee.
- h. The meetings minutes will be circulated in a timely manner. The minutes of meetings shall accurately reflect the deliberations and decisions of the Committee meeting.

6. Quorum

The quorum for any meeting shall be two (2) members which shall be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

7. Authority

- a. The ESGC shall have the authority to deliberate and approve on matters within its primary duties and responsibilities set out in this Terms of Reference.
- b. Unless otherwise provided by or subject to any applicable laws or legislative requirements, the ESGC shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference based on an agreed-upon procedure and at the expense of the Group, such as:
  - i. Full and unrestricted access to information, records, properties, and employees of the Company;
  - ii. Full and unrestricted access to advice and services of the Company Secretaries and Senior Management; and
  - iii. To obtain professional and independent advice from external advisors with relevant knowledge and experience, as and when necessary for the performance of its duties.

8. The Committee's Ethics and Procedures

All members of the Committee shall maintain the confidentiality of all internal communications, treating them as strictly private and confidential, and restricted to the use of Committee members only.

9. Review and Amendment of Terms of Reference

- a. Any revision or amendment to this Terms of Reference shall be presented to the Board for its approval.
- b. The terms of reference shall be assessed, reviewed, and updated where necessary.

----- End -----