

# SUSTAINABILITY REPORT



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# SUSTAINABILITY REPORT

## ABOUT THE SUSTAINABILITY REPORT

Since our inception, Unisem (M) Bhd (“Unisem” or the “Company”) has strived to demonstrate our commitment to sustainability related issues - business growth, labour rights, management of workplace safety and monitoring our environment impacts. Our focus on these values is also what drives the Company towards doing business responsibly and they are further incorporated in the Company’s Vision, Mission, and Core Values.

We are pleased to report that during FY2020 Unisem was included in the MSCI Malaysia Small Cap Index which is designed to measure the performance of the small cap segments of the Malaysian market.



## BASIS OF PREPARATION

This Sustainability Report (“Report”) presents sustainability progress and management of Unisem and its group of subsidiaries (“Unisem Group” or the “Group”) for the financial year ended 31 December 2020 (“FY2020”) and forms part of our annual reporting following our previous sustainability report included in Unisem’s Annual Report FY2019 (“SR’19”).

This Report continues to cover the following entities in its reporting scope:

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”)

*Note: \* Unisem (M) Berhad and UAT are collectively referred to as “Unisem Ipoh”*

Unisem Ipoh and Unisem Chengdu represent the Group’s two significant operating sites, jointly contributing to approximately 99% of the Group’s FY2020 revenue and houses 99% of the Group’s workforce after the Group completed its discontinuation of operation in Batam, Indonesia. Apart from the closure of operation in Indonesia, there were no significant changes to the Group’s operations and supply chain during the financial year.

This Report covers the Group’s sustainability management and performance for the financial year under review, i.e., 1 January 2020 to 31 December 2020, unless stated otherwise. The Group’s material sustainability matters for FY2020 remains unchanged from FY2019 and were discussed in the **Our Sustainability Approach: Materiality Assessment** and **Our Sustainability Approach: Material Sustainability Matters** sections.

Unless specific reference is made in this Report, the abovementioned scope is applicable to the disclosures contained in this Report.

We have enhanced and updated our performance data for various performance indicators in this report.

### Reporting Framework and standards

This Report has been prepared in accordance with Bursa Malaysia’s Main Market Listing Requirements and the GRI Standards: Core and has incorporated elements of the Responsible Business Alliance (“RBA”) and the relevant and applicable ESG criteria of FTSE4Good Bursa Malaysia Index.

### Assurance

Unisem currently does not obtain external assurance specific to this Report. Nevertheless, regular audits and/or verifications on our operating sites, various policies, processes, and programmes mentioned in this Report are conducted by external parties such as customer audits, RBA Validated Assessment Program (“VAP”), and Self-Assessment Questionnaire (“SAQ”).

In addition, in the preparation of this Report, the Group’s Sustainability reporting team has undergone a validation process to verify the accuracy and integrity of the data reported. Furthermore, the sustainability reporting process is also reviewed by Unisem’s RBA Auditors.

This Report is reviewed by the Sustainability Committee and approved by the Board. Unisem will consider obtaining external assurance for its sustainability reports in the coming years.

## SUSTAINABILITY REPORT

### CONTACT

Further information regarding Unisem's policies and management processes is available on Unisem's corporate website at [www.unisemgroup.com](http://www.unisemgroup.com) and queries regarding this Report can be addressed to our Corporate Affairs Vice President, Ms Ruth Chin, or the Senior Independent Director, Y. Bhg Dato' Gregory Wong Guang Seng, at the following address:

#### Unisem (M) Berhad

Lot No. 9(H), 9th Floor, UBN Tower  
No. 10, Jalan P. Ramlee  
50250 Kuala Lumpur, Wilayah Persekutuan.  
Malaysia

Tel : +603 2072 3760  
Fax : +603 2072 4018  
Email : [investor@unisemgroup.com](mailto:investor@unisemgroup.com)

### CREATING SUSTAINABLE VALUE

Our Vision is to be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognised as a model corporation.

Apart from aiming to be a leading company in our capabilities and capacity, we also aim to be a responsible company that pursues holistic and sustainable value creation to its stakeholders including the Company's shareholders, the Group's employees and people working for the Group, the environment, the economy and the industry, and other stakeholders.

#### Unisem's Vision, Mission, and Core Values

Vision	Mission	Core Values
To be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognised as a model corporation.	<ul style="list-style-type: none"> <li>• Provide total customer satisfaction</li> <li>• Be a caring company and an employer of choice</li> <li>• Generate profits and accelerate growth</li> <li>• Develop long term win-win partnership with our business associates</li> <li>• Adhere to good corporate governance and support environmental, social, and economic development of the community</li> <li>• Uphold and live our core values</li> </ul>	<ul style="list-style-type: none"> <li>• Teamwork</li> <li>• Commitment</li> <li>• Trust</li> <li>• Proactive</li> <li>• Caring</li> </ul>

#### Unisem's Value Creation Process

During the financial year under review, we have revisited our business model and value creation model to better align our Vision, Mission and Core Values with the internal and external business environment within which we operate in.

We aim to optimise our key capital resources, such as financial stability, our skilled workforce, manufacturing capabilities, relationships with our stakeholders, and natural capital to deliver value across the short, medium, and long term.

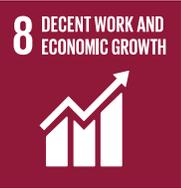
Business Model		Key Focus Areas/ Desired Outcomes (& Indicators)	Outcome (FYE2020)
<p><b>Capitals – Input</b></p> <ul style="list-style-type: none"> <li>RM1,160m* in cost of sales and operating expenses during the FY</li> <li>Bank borrowings amounting to RM174m* at the beginning of FY</li> <li>Net cash in hand and cash equivalent of RM343m* at the beginning of FY</li> </ul>	<p>Unisem provides semiconductor assembly and test services and offers turnkey solutions and an integrated suite of packaging and test services.</p>	<ul style="list-style-type: none"> <li>Self-sustaining cash generation</li> <li>To achieve revenue growth</li> <li>Sustainable profit generation and shareholder's return</li> <li>RM1.31b* in revenue, representing a growth of 4.5%</li> <li>RM1.43m* Group profit for the year</li> <li>Cash and cash equivalent as at end of year RM664m</li> <li>Total tax-exempt dividend paid during FY2020 RM58m to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>RM296m net cash generated from operations</li> <li>RM1.31b* in revenue, representing a growth of 4.5%</li> <li>RM1.43m* Group profit for the year</li> <li>Cash and cash equivalent as at end of year RM664m</li> <li>Total tax-exempt dividend paid during FY2020 RM58m to shareholders</li> </ul>
<p><b>Financial Capital</b> Our financial capital mainly depends on our equity and funds generated from investments and operations</p> <ul style="list-style-type: none"> <li>2 semiconductor packaging and testing facilities</li> <li>2 wafer bumping facilities</li> <li>All facilities certified for quality management system, environmental management system, and other relevant management systems.</li> </ul>	<p><b>Manufacturing Capital</b> Our machinery and technology process serve to improve operational efficiency without compromising quality.</p> <ul style="list-style-type: none"> <li>31 patented technology, system designs, and processes</li> <li>Operational efficiency and quality assurance processes</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing capabilities through strategic investment in new facilities</li> <li>New packaging, testing, and wafer bumping facilities amounting to RM271m in capex</li> </ul>	<ul style="list-style-type: none"> <li>Completion of Indonesian discontinuation of Indonesian facility</li> <li>New packaging, testing, and wafer bumping facilities amounting to RM271m in capex</li> </ul>
<p><b>Intellectual Capital</b> Our intellectual capital includes (i) our proprietary knowledge and technology, protected through patents and other intellectual property rights; and (ii) the experience and skills within our systems, processes, and people. This includes the operational efficiency which we have developed and enhanced over the years.</p>	<p><b>Human Capital</b> Our talent base is highly skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of all our employees.</p> <ul style="list-style-type: none"> <li>5,738 employees across the Group</li> <li>Application of RBA Code of Conduct across the Group's relevant internal and external stakeholder management, covering areas including human rights, prevention against child or forced labour, health and safety matters.</li> </ul>	<ul style="list-style-type: none"> <li>Development and adoption of latest technology in line with market demand</li> <li>Achievement of Technology Road Map</li> <li>Maintaining optimum level of operational efficiency and quality for products and services</li> </ul>	<ul style="list-style-type: none"> <li>Meeting targets and timeline of Unisem's Technology Road Map</li> <li>Approximate 60 new package modules</li> <li>No new patents registered</li> </ul>
<p><b>Natural Capital</b> Our direct materials and water is a natural capital and our company's critical enabler across our manufacturing platforms and key operations.</p> <ul style="list-style-type: none"> <li>3.0 million m3 water withdrawn</li> <li>1.5 million m3 water consumed</li> <li>Application of RBA Code of Conduct across the Group's relevant internal and external stakeholder management, covering areas including energy management, water management, climate change and emissions, and waste management matters.</li> </ul>	<p><b>Social and Relationship Capital</b> An integral resource of our operations is the relationships we foster with our Stakeholders.</p> <ul style="list-style-type: none"> <li>Collaborative business relationship with customers</li> <li>Robust supply chain management maintained based on RBA Code of Conduct and industrial standards</li> </ul>	<ul style="list-style-type: none"> <li>Safe workplace</li> <li>Injury frequency rate for industrial accidents &lt;2.00 across the Group</li> <li>Continuous training for employees</li> <li>75% employees receiving minimum 6 hours of training per year</li> <li>Personal and professional growth in employees</li> </ul>	<ul style="list-style-type: none"> <li>1.51 injury frequency rate</li> <li>52.4% employees received minimum of 6 training hours</li> </ul>
<p><b>Social and Relationship Capital</b> An integral resource of our operations is the relationships we foster with our Stakeholders.</p> <ul style="list-style-type: none"> <li>Collaborative business relationship with customers</li> <li>Robust supply chain management maintained based on RBA Code of Conduct and industrial standards</li> </ul>	<p><b>PROCESS OUTPUT</b></p> <ul style="list-style-type: none"> <li>Customised package design to best suit customers' needs</li> <li>IC Packages</li> <li>Logistic services</li> <li>Hazardous waste (e.g. electronic waste, spent solvents)</li> <li>Non-hazardous waste (e.g. paper, plastic, cardboard boxes)</li> <li>Effluent (e.g. rinse water)</li> <li>Emissions</li> </ul>	<ul style="list-style-type: none"> <li>Comply with regulatory requirements</li> <li>Minimum negative environmental impact</li> <li>50% recycling rate for total scheduled waste</li> <li>126,800 tCO<sub>2</sub>e GHG – 1% decrease in GHG intensity (base year: 2011)</li> </ul>	<ul style="list-style-type: none"> <li>40% of total scheduled waste recycled</li> <li>No non-compliance issues with environmental laws and regulations</li> <li>126,800 tCO<sub>2</sub>e GHG – 1% decrease in GHG intensity (base year: 2011)</li> </ul>
<p><b>Social and Relationship Capital</b> An integral resource of our operations is the relationships we foster with our Stakeholders.</p> <ul style="list-style-type: none"> <li>Collaborative business relationship with customers</li> <li>Robust supply chain management maintained based on RBA Code of Conduct and industrial standards</li> </ul>	<p><b>PROCESS INPUT</b></p> <ul style="list-style-type: none"> <li>Metal and substrates (e.g. gold, copper, tungsten, etc)</li> <li>Other chemicals and gases required for processing</li> <li>Water disks from customers</li> <li>Water</li> <li>Energy</li> <li>Skilled Workers</li> </ul>	<ul style="list-style-type: none"> <li>Upholding of Unisem core values</li> <li>Robust collaborative relationship with customers</li> <li>Strong, sustainable, and responsible supply chain</li> <li>High rate of satisfied key customers</li> </ul>	<ul style="list-style-type: none"> <li>85% satisfied key customers</li> <li>Completed 12 audits on key direct material suppliers</li> </ul>

Note: \* the financial data reported above represents the financial performance/ position of the Group including discontinued operation in Batam, Indonesia.

## SUSTAINABILITY REPORT

### Contributing to the SDGs

Considering Unisem's nature of business and aspiration against its Vision, Mission, and Core Values, we believe we are positioned to contribute and support the United Nations General Assembly ("UN") Sustainable Development Goals ("SDGs") in the following manner. The UN SDGs are a set of 17 goals focusing on achieving the 2030 Agenda for Sustainable Development.

UN SDGs	How Unisem Group is supporting
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<p>Our business supports global technology development which drives Industry 4.0 and global technological ecosystem. We provide thousands of workers with equal employment opportunities and a safe, healthy, and respectful environment which observes international standards and principles. We also ensure we have management systems to minimise our environmental and social impacts. These principles and standards are applied across our value chain.</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	
 <p><b>5</b> GENDER EQUALITY</p>	
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	
 <p><b>6</b> CLEAN WATER AND SANITATION</p>	
 <p><b>13</b> CLIMATE ACTION</p>	

### Our Strategic Priorities

To enable better focus on achieving sustainable and long-term value creation, the Group has established the following strategic priorities that support the Group's Vision and Mission.

#### Strategic Priorities

- Pursuit of operational excellence and quality products and services
- Development of long-term collaborative business partnerships with our customers and business associates
- Development of technological capabilities to stay current with market trend and demand
- Alignment with international standards in relation to sustainability management in the areas of environmental management and social relationships

### A. Pursuit of operational excellence and quality products and services

One of the main factors that determine the success of a semiconductor assembly and test services provider is the ability to achieve operational excellence, executing and delivering quality products and services consistently and reliably. We are relentless in pursuing operational excellence, investing in continuous improvement in our processes, managing operational risks and reducing operational interruptions. At the same time, we regularly review our process and cost management strategies to maintain our competitive edge.

Our supply chain partners play a fundamental role in ensuring consistent delivery of quality material and services to meet and exceed customers' expectation with regards to delivery and quality standards. In managing our supply chain partners, we are also guided by the principals of the RBA Code of Conduct as well as our internally developed performance-based criteria. Further details on how we manage our supply chain are provided in **Sustainability Performance: Managing Our Business – Supply Chain Management**.

Human development programs will continue to be a key focus and a strong differentiator in enabling Unisem to be a world-class company. Employees with the right skills, talents, and competencies are being groomed to execute business operations and processes with precision. This is further discussed in **Sustainability Performance: People**.

Energy remains to be a significant consumption of resources in Unisem's line of business and may typically comprise up to 5%-10% of production operating expenses. We have since 2011 introduced measures to monitor our energy consumption in production. Further details on energy consumption and intensity are discussed in **Sustainability Performance: Environment – Climate Change and Energy Efficiency**.

### B. Development of long-term collaborative business partnerships with our customers and business associates

More than ever, the semiconductor industry is progressing rapidly and it requires industry players to evolve and adapt business relationships which are collaborative in nature, specialising in each of their own fields while servicing others in the development of future technology such as 5G, Internet of Things, advance assembly and test packaging solutions, etc.

At Unisem, customer intimacy is built around the idea of putting the customer at the centre of everything. This helps in serving customers better, which in turn boosts business reputation and brings increasing returns. This will lead to close collaborative long term relationships and sustainable value creation over the short, medium, and long-terms.

This philosophy is further incorporated in our offerings of products and services where we also provide turnkey solutions, working together with our customers to develop packaging solutions that meet their innovation needs. In addition, we regularly engage with our customers to have conversations and understanding of how we are able to support the global advancement of the industry. Likewise, this also builds strong, credible, and trustworthy relationships in our supply chain management, i.e., with our business associates.

How we manage our customers and business associates is discussed across various sections in **Sustainability Performance: Managing Our Business and Sustainability Performance: Our Focus on Customers**.

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### C. Development of technological capabilities to stay current with market trend and demand

Complementing the strategic priorities discussed above, Unisem is equipped with the technological capabilities to offer products and services in line with our customers' business strategies, current market trend, and latest technological development. This is a significant factor to enable us to be at the forefront of the semiconductor assembly and testing industry and to maintain our relevance in the industry.

Strategies on investments in technological capabilities require a balance to be struck among various factors, including, but not limited to, the resources invested, whether the rewards will materialise, and the timeliness of the materialisation of the rewards. Taking into account these considerations, we have established a Technology Road Map which sets out the short and medium-term technological development targets for Unisem. The Technology Road Map is regularly updated and monitored to capture and incorporate current development and market needs. This is further discussed in **Sustainability Performance: Technology and Innovation**.

### D. Alignment with international standards in relation to sustainability management in the areas of environmental management and social relationships

We take into consideration international practices in sustainability management across the aspects of social, environmental, and ethics beyond the minimum requirements of locally applicable laws and regulations.

We adhere to the Responsible Business Alliance Code of Conduct to ensure that working conditions in our supply chain are safe, that workers are treated with respect and dignity, environmentally responsible business operations, and ethically conducted businesses. This commitment is formalised in our Corporate Social Responsibility Policy ("CSR Policy") which is available on our corporate website together with other specific policies including Anti-Corruption and Bribery Policy, Environmental Policy, Safety and Health Policy and Policy on Conflict Minerals.

We understand that more needs to be done to ensure the preservation and creation of sustainable values and the demonstration of corporate responsibility. We aim to inculcate a culture which is constantly aware of the environmental and social issues happening within and around our industry and to consider them in our business and operations. The Group's management of sustainability issues are disclosed across various sections in this Report.

### Unisem's Sustainability Themes

Considering the Group's Vision, Mission, and Core Values and strategic priorities, we have broadly categorised our management of short, medium, and long-term value creation and performance into four themes for the purpose of communication, as follows:

- Managing Our Business
- Our Focus on Customers
- People
- Environment

Categorised under each theme are the sustainability matters, including material sustainability matters, which may affect or may be affected by the internal and external business environments as well as the business' value creation process. The identification and assessment of sustainability matters are further discussed in various sections in **Our Sustainability Approach** while our approach towards managing the sustainability matters and their performance are discussed in **Sustainability Performance**.

## OUR SUSTAINABILITY APPROACH

### Sustainability Governance

The Board of Directors of Unisem takes overall responsibility of the Group's sustainability and the consideration of sustainability in the Group's business objectives, strategies, and management. This includes setting the Group's strategic sustainability direction and the purpose and values of Unisem.



In carrying out its duties, the Board is assisted by the Sustainability Committee (“SC”), a Board committee whose responsibilities include advising and recommending for the Board’s approval the Group’s business strategies in the area of sustainability, sustainability-related policies for adoption, the Group’s material sustainability matters, performance targets, and sustainability disclosures of the Group. These matters are reviewed/ approved by the Board at least annually. The SC provides stewardship to Unisem’s Management team by monitoring amongst others, the implementation of sustainability strategies, sustainability-related policies, the management of sustainability matters especially those which are material to the Group, and the management and engagement of stakeholders of the Group. The SC is currently chaired by the Senior Independent Director of the Group.

In relation to the Group’s management of sustainability matters, the Group Chief Operating Officer (“GCOO”) plays the role of the conduit between Unisem Group’s Management and the SC. The GCOO provides leadership to the Sustainability Working Committee (“SWC”) of each of the Group’s operating sites, i.e., Unisem Ipoh and Unisem Chengdu, which is primarily responsible for the management of sustainability matters of the respective sites. Through both SWCs, the GCOO oversees the overall management and engagement of stakeholders and the management of sustainability matters, including the achievement of objectives, targets and key performance indicators (“KPIs”), and reports to the SC.

Each SWC is chaired by operating site’s Chief Operating Officer and comprises members of the RBA Working Committee (“RBA WC”) and Business Development Group (“BDG”) of the respective sites. On an annual basis, the SWC for each operating site discusses and reviews the prioritisation and engagement of stakeholders as well as the materiality assessment for the operating site. Stakeholder engagement and materiality assessment are further discussed in subsequent sections of this Report.

## SUSTAINABILITY REPORT

The RBA WC comprises the various segmental Working Committees established to manage and monitor the five elements of the RBA Code of Conduct namely the Labour Working Committee, Ethics Working Committee, Health and Safety Working Committee, Environmental Working Committee, and Management System Working Committee. The responsibilities of each Working Committee under the RBA WC and the BDG are summarised in the following table.

Working Committee/ Group	Responsibilities
<b>Labour Working Committee</b>	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>
<b>Ethics Working Committee</b>	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>
<b>Health and Safety Working Committee</b>	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>
<b>Environmental Working Committee</b>	Monitoring and ensuring the following aspects of environmental 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>
<b>Management Systems Working Committee</b>	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> <li>• The Unisem’s RBA internal auditors (“Unisem’s RBA auditors”) conducts cross audits on the 5 working committees to ensure full compliance to the latest RBA version. These RBA internal auditors are selected from the respective 5 working committees</li> </ul>
<b>Business Development Group</b>	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 Customer Service organisations</li> <li>• Research and development programmes</li> </ul>

## Stakeholder Inclusivity

As a global semiconductor assembly and test services provider, as well as a corporate citizen which aims to function responsibly in and contribute positively to the society, environment, and community it operates in, we believe it is important to consider stakeholders holistically, including those who may be affected by or dependent on our businesses and those who may affect or influence our businesses.

Unisem has established a systematic approach to assess, prioritise, and engage with the Group's stakeholders so we could ensure we have considered the relevant stakeholders along the way working towards achieving our Vision and Mission.

## Stakeholder Prioritisation

The first step towards effective stakeholder engagement is understanding the dynamics stakeholders have with the Group's business or operations. The Group's stakeholders are identified, assessed and prioritised based two dimensions of considerations:

- the stakeholder's dependence on the business or operations; and
- the stakeholder's influence on the business or operations.

The stakeholder assessment and prioritisation process is contributed by relevant Management personnel, including personnel who regularly deal with and have a good understanding of the Group's stakeholders. Prioritisation and assessment of stakeholders are generally conducted by the respective SWCs and reviewed by the SC and the Board.

A review of stakeholder prioritisation is performed for the financial year under review and we noted that there had not been any material changes in the key stakeholder groups of the Group.

## Stakeholder Engagement

The Group's stakeholders are managed and engaged appropriately via engagement strategies which enables bi-directional and effective communication. We adopt a combination of stakeholder engagement approaches of varying degrees of engagement, depending on the stakeholder group and the specific matters being addressed. Furthermore, we always encourage our stakeholders to share with us their views and concerns during engagement sessions, where practicable. There are also ready-available communication channels for stakeholders to provide their views and comments, e.g., "open door" policy for employees, or to submit their grievances or complaints, e.g., the Group's Ethics Hotline and whistle blowing channel.

The following table summarises the Group's engagement channels and updated concerns of the Group's stakeholders as of the end of FY2020. The modes of engagement include online meetings and conferences, emails, and virtual audits in efforts to comply with COVID-19 protocols such as social distancing.

## SUSTAINABILITY REPORT

Stakeholder Group	Engagement Approach	Sustainability Concern
<b>Shareholders</b>	<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>
<b>Directors</b>	<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>
<b>Senior Management</b>	<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, humane working environment and respect human rights</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 benefits 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>
<b>Employee</b>	<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>Ensure safe, humane working environment and respect human rights</li> <li>Nurturing culture, including provision of learning and development opportunities</li> <li>Ensure competitive compensation and benefits packages for employees</li> <li>Proper management and disposal of hazardous waste</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Quarterly business reviews</li> <li>Annual customer satisfaction surveys</li> <li>Ad-hoc meetings and 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>Ensure safe, humane working environment and respect human rights</li> <li>New products development projects</li> </ul>
<b>Suppliers/Contractors</b>	<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>Ethics queries/Whistle Blower</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> <li>Freely chosen labour</li> <li>Fair wages</li> <li>Responsible Mineral Initiative</li> </ul>

Stakeholder Group	Engagement Approach	Sustainability Concern
<b>In-house Union</b>	<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>
<b>Law enforcers/ regulators</b>	<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>
<b>Ministry/ local council</b>	<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 of foreign workers</li> </ul>
<b>Financial Institutions</b>	<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>
<b>Rating agencies/ analysts</b>	<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>
<b>Local communities</b>	<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>

Periodically, the SWCs reviews the overall stakeholder engagement activities of the respective operating sites, considering amongst others, stakeholders' sentiment, whether significant concerns previously raised have been addressed, and the effectiveness of engagement and communication.

### Materiality Assessment and Materiality Matrix of Unisem

During FY2019, the Group performed extensive and specific engagements with its key internal and external stakeholders of the Group through survey forms, meetings, and internal discussions as part of the comprehensive materiality assessment of the Group. The materiality assessment considers sustainability matters which reflect sustainability risks and opportunities relevant to Unisem and the industry we operate in, such as environmental and social concerns raised and/ or addressed by RBA, GRI Standards, and the ESG indicators of FTSE4Good Bursa Malaysia.

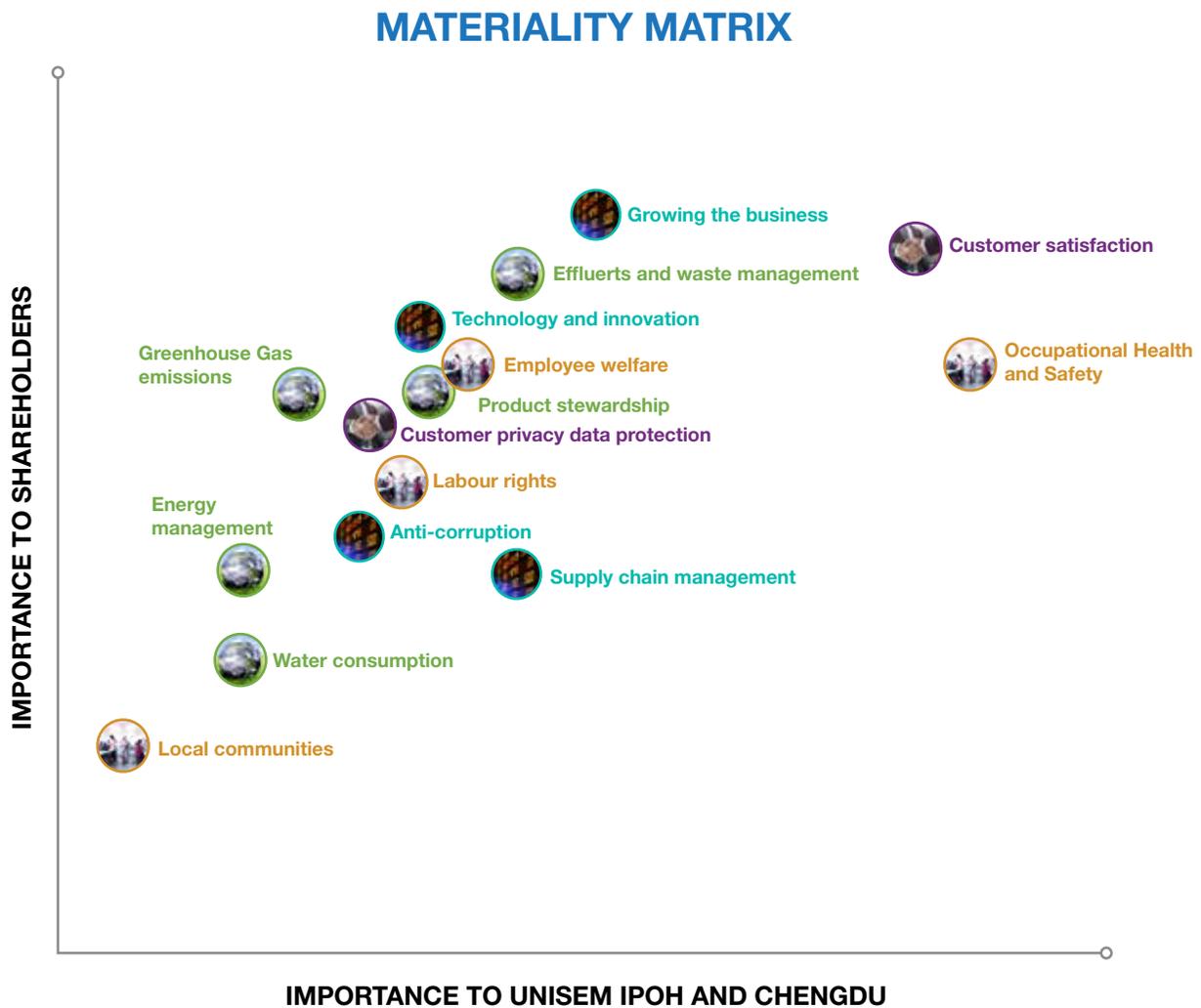
Unisem's materiality assessment process is aligned with the Listing Requirements and is guided by the Bursa Malaysia Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. Similarly, our principle of materiality adopts a definition consistent with the Listing Requirements as well as the GRI Standards, i.e. a material sustainability matter is one that:

- reflects Unisem's significant economic, environmental, and social impact; or
- substantively influence the assessments and decisions of Unisem's stakeholders.

# SUSTAINABILITY REPORT

For FY2020, the SWCs of Unisem Ipoh and Unisem Chengdu reviewed the materiality assessment of their respective operating sites, taking into consideration, amongst others, current development in the industry, economy, and environment in which the business operates. While 2020 has been a year filled with global challenges, such as the COVID-19 global pandemic and geopolitical instability in various countries and territories, during the review, the SWCs were of the view that no significant changes to the Group’s materiality matrix were required for FY2020. The SC further reviewed the SWCs’ assessments and presented the same for the Board’s approval.

Our Materiality Matrix for FY2020 remains to be similar as previous year’s, as follows:



**Legend:**

- Managing Our Business
- Our Focus on Customers
- People
- Environment

Similarly, the most material sustainability matters for the Group and their KPIs remain relevant as follows (in no particular order):

- Customer Satisfaction;
- Occupational Health and Safety;
- Growing the Business;
- Technology and Innovation;
- Employee Welfare;
- Effluents and Waste Management.

The Group's sustainability matters and their KPIs are mapped to our four Sustainability Themes, relevant key capitals of the value creation process, and how they are related to the strategic priorities of Unisem, in the following table.

Management highlights and performance for FY2020 are presented in a thematic order in the **Sustainability Performance** section of this Report.

Sustainability Theme	Sustainability Matters	Relevant Key Capitals*	Related Strategic Priorities of Unisem**	KPIs for Unisem's Sustainability
<b>Managing Our Business</b>	<b>Growing the Business***</b>	Financial		
	<b>Technology and Innovation***</b>	Manufacturing Intellectual	• A • B	<ul style="list-style-type: none"> <li>• Revenue growth</li> <li>• Technology growth and development as per Technology Road Map</li> </ul>
	Supply Chain Management	Social and Relationship	• C • D	
	Anti-Corruption	Social and Relationship		
<b>Our Focus on Customers</b>	<b>Customer Satisfaction***</b>	Social and Relationship	• A • B	
Customer Privacy and Data Protection	Social and Relationship	• C • D		
<b>People</b>	<b>Occupational Health and Safety***</b>	Human		<ul style="list-style-type: none"> <li>• Injury frequency rate for industrial accidents</li> <li>• Average training hours per employee</li> </ul>
	<b>Employee Welfare***</b>	Human	• A • B	
	Labour Rights	Human	• D	
	Local Communities	Social and Relationship		
<b>Environment</b>	Energy Management	Natural		<ul style="list-style-type: none"> <li>• Total scheduled (hazardous) waste recycling rate</li> <li>• Compliance with regulatory standards</li> </ul>
	Greenhouse Gas Emissions	Natural		
	<b>Effluents and Waste Management***</b>	Natural	• A • B	
	Water Consumption	Natural		
	Product Stewardship	Social and Relationship		

Note:

\* while the Sustainability Matter assessed may be relevant to more than one capital, only the capital(s) with the highest relevance is referred to in the table

\*\* refer to **Creating Sustainable Value: Our Strategic Priorities**

\*\*\* top six most material sustainability matters of Unisem Group

## SUSTAINABILITY REPORT

### SUSTAINABILITY PERFORMANCE

The Board of Unisem is pleased to present to the Group's stakeholders the management and performance of the Group's sustainability matters, including the targets and actual performance for the financial year under review.

#### Highlights

Sustainability Theme	Key Performance Indicators for Unisem's Sustainability	Targets for 2020	Actual performance for 2020	
<b>Managing Our Business</b>	• Revenue growth	• To achieve revenue growth	• Achieved	• ✓
	• Technology growth and development as per Technology Road Map	• To achieve target project completion dates	• Achieved	• ✓
<b>Our Focus on Customers</b>	• Satisfied key customers rate	• 90%	• 85%	• ✗
<b>People</b>	• Injury frequency rate for industrial accidents	• < 2.00	• 1.51	• ✓
	• Average training hours per employee	• 75% of employees received a minimum of 6 hours of training per year	• 52.4%	• ✗
<b>Environment</b>	• Total scheduled (hazardous) waste recycling rate	• 50%	• 40%	• ✗
	• Compliance with regulatory standards	• Compliance	• Compliant	• ✓

Note: \* Representing Group's performance including discontinued operation in Batam, Indonesia.

## MANAGING OUR BUSINESS

It is fundamental for us to ensure the business continues to remain relevant and credible in the industry and economic environment.

Operating in a competitive business environment, we have to relentlessly pursue operational excellence, optimising the conversion of inputs into outputs. At the Group and site level, Unisem's management system and structure helps oversee efficient and effective planning, execution, and review of resources across the organisation's key business processes. All the Group's 3 key facilities in Malaysia and China are fully certified with ISO 9001:2015.

We ensure our business activities are compliant with the applicable laws and regulations, including in the areas of environmental and social laws and regulations. During the financial year under review, there were no significant fines and non-monetary sanctions for non-compliance with laws and regulations.

All financial data reported in this section represents the performance and position of Unisem Group including discontinued operation at Batam, Indonesia.

### GROWING THE BUSINESS

The increasingly challenging global market environment, advancement in technology and large-scale adoption of 5G, incorporation of artificial intelligence in consumer devices, and big data processing, continues to drive the demand for integrated circuits. The requirements for integrated circuits are also becoming increasingly demanding as innovators aim to design faster and more powerful technologies or devices within smaller enclosures.

KPI Target	To achieve revenue growth		
	On-going growth of revenue		
	FY2018	FY2019	FY2020
Performance	-7.8%	-7.4%	4.5%

For FY2020, Unisem recorded a 4.5% growth in revenue (FY2019: -7.4%), recorded at RM1.31b (FY2019: 1.25b), mainly attributable to higher sales volume, improved average selling price and appreciation of USD/MYR exchange rates as compared to the prevailing rates a year ago. Revenue contribution by market segment is detailed as follows:

Unisem Group	Revenue generated by customers' region (RM '000)		
	FY2018	FY2019	FY2020
United States of America	635,066	606,887	695,144
Europe	223,247	190,241	145,127
Asia	492,963	454,077	467,310
<b>Total Group Revenue</b>	<b>1,351,276</b>	<b>1,251,205</b>	<b>1,307,581</b>

Unisem recorded RM142.8m profit after tax for the FY2020 (FY2019: loss after tax RM10.3m). Unisem has fulfilled its commitment to continue delivering sustainable shareholder returns every year.

## SUSTAINABILITY REPORT

Our financial performance for FY2020 resulted in RM295.8m net cash generated from operations (FY2019: RM160.9m) and while net cash and cash equivalent was increased to RM664.1m from RM342.8m in FY2019 to fund operations.

	FY2020
<b>Revenue</b>	RM1.31b
<b>Local Procurement</b> (Local: i.e., Malaysia for Unisem Ipoh and China for Unisem Chengdu)	RM113m
<b>Corporate tax paid</b>	RM11.5m
<b>Community Investments, Donations, and Non-Commercial Sponsorships</b>	RM42K
<b>Dividends paid</b>	RM58.2m
<b>Research and Development</b>	RM6.8m
<b>Retained Earnings</b>	RM700.3m

Detailed discussion on the Group's financial performance and strategies on business growth is available in the **Chairman's Letter to Shareholders, Management Discussion & Analysis**, and the **Audited Financial Statements** of Unisem's Annual Report FY2020.

### TECHNOLOGY AND INNOVATION

Unisem continues to engage and collaborate actively with our customers to align our technology development roadmap to ensure that we stay abreast with the latest market trends and innovations in packaging technology. Enhancement in technological capabilities can help to improve cost performance, increase productivity, enhance product quality, as well as offering a wider range of products and services. Technology and development investment strategies are carefully discussed and reviewed at the Management level to ensure alignment to the Group's business model.

#### Technology Road Map

KPI	Technology growth and development as per Unisem Group Technology Road Map
Target	To achieve target completion dates of our projects as per Technology Road Map
Performance	Completed 7 projects targeted for completion in FY2020

We have developed a Technology Road Map to plan, execute, and monitor to prioritise resources for our R&D activities to meet the short and medium-term R&D objectives of the Group. During FY2020, we have completed 7 projects and have included 2 new projects, details as follows.

Projects	Descriptions	Challenges	Target for Production Readiness*	Completion date
<b>12" Wafer Bumping</b>	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>	Quarter 1 of 2020	Completed. Ready for customer qualification and production.
<b>Package Level EMI Shielding</b>	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 2020	Completed. Ready for customer qualification & production
<b>Pre-moulded Lead Frame with Wettable Flank</b>	To get ready MIS package into one of the key automotive requirements – Wettable Flank.	<ul style="list-style-type: none"> <li>• Higher frame cost</li> <li>• Technical challenge is etching depth control, package sawing burr at the etched dimples</li> </ul>	Quarter 4 of 2020	Completed. Ready for customer qualification & production.
<b>008004 passive</b>	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 required</li> <li>• Technical challenges are high risk of SMT defects e.g. tombstone, solder bridge</li> </ul>	Quarter 3 of 2021	Deferred from Quarter 4 of 2020 to Quarter 3 of 2021. Completed paper technical assessment and started planning and execution.
<b>Low Cost Premoulded Frame</b>	As an alternative solution to have low cost pre-moulded frames as compare to standard MIS, which is costlier	<ul style="list-style-type: none"> <li>• Currently single source</li> </ul>	Quarter 4 of 2020	Completed. Ready for customer qualification and production.
<b>High RF Performance Compound</b>	Introduce & assess the key material to enable sub-6GHz & mm Wave product (key for 5G)	<ul style="list-style-type: none"> <li>• High material cost</li> <li>• Unknown material assembly performance</li> </ul>	Quarter 4 of 2020	Completed. Ready for customer qualification and production.
<b>High RF Performance Laminate Substrate</b>	Introduce & assess the key material to enable sub-6GHz & mm Wave product (key for 5G)	<ul style="list-style-type: none"> <li>• High material cost</li> <li>• Unknown material assembly performance</li> </ul>	Quarter 4 of 2020	Completed. Ready for customer qualification and production.

## SUSTAINABILITY REPORT

Projects	Descriptions	Challenges	Target for Production Readiness*	Completion date
<b>Reverse SLP**</b>	To divert heat from traditional toward PCB board to top surface with the help of external heat sink/ air cooling. Special end customer application requirement.	<ul style="list-style-type: none"> <li>Not a traditional assembly LF material and process flow.</li> </ul>	Quarter 4 of 2021	Currently in progress of internal assessment
<b>Open Module LGA**</b>	Customised module LGA package without encapsulation and metal lid attached. High power DC/ DC converter application to cool down the product during high heat operation with the help of external heat sink directly attached onto the module packages.	<ul style="list-style-type: none"> <li>Complicated assembly processes.</li> <li>New material introduction</li> </ul>	Quarter 3 of 2021	Currently in progress of internal assessment.

\* As reported in Unisem's Sustainability Report, Annual Report 2019 and as internally revised during FY2020

\*\* New projects included during the latest review of the Technology Road Map in December 2020

Apart from achieving progress on our Technology Road Map, the Group's other noteworthy key technology achievements are summarised as follows:

### Key Technology Achievements

During FY2020 we continue to collaborate closely with our customers to meet their business objectives and needs. Some of our noteworthy achievements include:

1. Developed a solution for Low Cost MIS with Wettable Flanks. This package solution drives lower MIS frame cost, assembly process flow simplification especially for Wettable Flank for Automotive Devices and No Additional Capex investment as compared to current "Etch-cut Process".
2. Another key customer collaboration achievement is to develop an extreme-thin SLP package, with further package thickness reduction with the invention of SLP lead frame "bathtub design" capability.

### Key Projects and R&D Achievements during the Year:

1. Developed X4SLP 0.25mm max package thickness for mobile application. – Internal & customer qualification has been completed. Technology capability is in place.
2. Thick Air Cavity Package in 200µm Thick MIS frame for high frequency RF application especially for GaN product is completed and currently pending customer design.
3. Developed a high-performance Microphone MEMS together with customer for high end true wireless earbuds.
4. Growing in MCM LGA business for key RF customer and establishing / optimising few key / critical processes to have better yield, quality, and maintaining good PPHK.

5. Co-developed a new package with customer on customised package for Power Management devices. The key performance is for high power efficiency with the lowest energy lost.
6. A total of three new processes/ materials were qualified in 2020. To date, Unisem has obtained 31 patents with another 3 patents in progress.
7. Implementation of AOI (Automatic Optical Inspection) for 2nd and 3rd optical inspection on critical products to replace human dependence visual inspection. This process will reduce the risk of human induced error and reduce operator resources through automation and cycle-time reduction. This is one of the few efforts to embrace Industry 4.0 to achieve quality enhancement and automotive excellence.

### R&D Expenditure

During FY2020, we have invested in R&D programmes with expenditures amounting to RM6.8m\*, which is approximately 1% of revenue.

Unisem Group	Unisem Group research and development expenditure		
	FY2018	FY2019	FY2020
Unisem Group Research and development expenditure (RM '000)	8,847	8,115	6,751*
Research and development expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

Note: \* including discontinued operation in Batam, Indonesia.

## SUPPLY CHAIN MANAGEMENT

### Governing the Integrity of our Supply Chain

Maintaining a strong, sustainable, and responsible supply chain is crucial to the Group's pursuit of operational excellence, safeguarding stable sourcing of raw materials and services, cost management, and delivery of quality products and services. Similarly, we acknowledge that we have a role to play in building and promoting an ecosystem of responsible businesses, which adheres to international standards in the sustainable management of environmental and social relationships, within the value chain of the Group.

Unisem Group's supply chain management practices are guided by the industry standards stipulated in the RBA Code of Conduct, managing and maintaining standards and practices surrounding the issues of labour, health and safety, environment, ethics, and management systems. These commitments are further formalised in our CSR Policy and Code of Ethics ("COE").

## SUSTAINABILITY REPORT

It is also stipulated in our CSR Policy that we engage with suppliers whose CSR policies are in line with the provisions of Unisem's CSR Policy. To this end, we require a Letter of Conformance committing compliance with the provisions of the RBA Code of Conduct from our key direct material suppliers and service providers, upholding standards including, but not limited to:

- prohibition of child labour and forced labour;
- maintaining a workplace free of harassment and discrimination;
- supporting the rights to freedom of association and collective bargaining;
- elimination of excessive working hours;
- supporting the rights to minimum wage;
- providing safe and hygienic workplace;
- compliance with environmental laws and regulations;
- proper handling and disposal of waste, including hazardous waste; and
- business integrity including anti-corruption and anti-bribery.

They are also required to adhere to Unisem's business ethics expected of suppliers stipulated in the Business Ethics Letter sent to them annually. With other suppliers, we practise continuous engagement as guided by our COE and the RBA Code of Conduct to encourage good practice.

In order to ensure effective communication of Unisem's corporate values and business ethics across our supply chain, significant policies, documents and letters (such as the CSR Policy, COE, Letter of Conformance, and Business Ethics letter) are available in multiple languages, e.g., English, Malay, and Chinese.

### Conflict-free Minerals

The Unisem Group acknowledges its responsibility to comply and participate in international efforts to curb armed conflicts related to resource extraction from the Democratic Republic of Congo ("DRC") or any adjoining countries. The Group has established a Group Policy on Conflict Minerals to formalise its commitment to prohibit the sourcing and use of conflict minerals within the Group's supply chain. Unisem suppliers are required to take appropriate measures to identify and ascertain that the materials used in Unisem's products are not derived from conflict minerals countries. The metals governed by the Policy on Conflict Minerals are tin, tantalum, tungsten, and gold. The Policy on Conflict Minerals is communicated to all relevant suppliers and is available on our corporate website.

As part of Unisem's due diligence process to comply with OECD guidelines, we utilise the Responsible Minerals Initiatives ("RMI") Conflict Mineral Reporting Template ("CMRT") as a data tool to report and review the smelter list in our supply chain. We also require written confirmation from the suppliers as well as their completion of the RMI CMRT.

### Fair Procurement Practices

We practise fair procurement in our procurement and tendering process in accordance with our Group Procurement Policy. All suppliers are assessed and treated fairly, without discrimination, and our procurement and tendering practices prohibit collusion and price fixing. Our Group Procurement Policy also seeks to avoid conflict of interest situations which may impair business objectivity in transactions with suppliers.

## Procurement Practices

At Unisem, we endeavour to promote and contribute to the local economy including through our procurement activities. Local procurement accounts for 28.5% of Unisem Ipoh and Unisem Chengdu's direct material spending in FY2020, as illustrated below.

	Proportion of direct material spending on local suppliers (%)		
	Unisem Ipoh	Unisem Chengdu	Group Total
Local* Procurement	28.6%	28.3%	28.5%

Note: \* i.e., Malaysia for Unisem Ipoh and China for Unisem Chengdu

Our ability to expand and increase local direct material spending is restricted by the lack of and suitability of valuable natural resources in the countries we operate in. Nonetheless, we continue to actively seek out business opportunities where appropriate and practicable, such as in terms of procurement of general goods and services.

### Ongoing Engagement in the Supply Chain

In addition to policies and commitment letters, we also endeavour to work closely with our suppliers in overcoming any risk of non-compliance, environmental, or social issues, such as:

- human rights and labour standards, including safety and health standards, working hours, and freedom of association;
- environmental management issues, including climate change and emissions, energy use, water use, biodiversity impacts, pollution management, waste management and reduction, resource use and integrated supply chain management;
- business ethics challenges or violations, such as anti-corruption.

Our efforts include providing our key direct material suppliers and service providers with regular updates of the latest development, keeping them abreast of, amongst others:

- development in the RBA standards and requirements and any updates to the RBA Code of Conduct; and
- refresher and briefing of the RBA Code of Conduct, Anti-Corruption and Bribery Policy, COE, and other business ethics standards.

Furthermore, we have established programs for the ongoing assessment/ auditing of our key direct material suppliers. We see such engagements as great tools for collaborating with our suppliers to facilitate the support and adoption of best practices and standards, including the RBA and other business practice in pursuit of operational excellence, and mutual learning and development to build a robust supply chain. These programs are discussed in the next section.

### Managing and Monitoring our Supply Chain

To safeguard the integrity of our supply chain, regular assessments are performed on our suppliers, considering amongst others, pricing, timeliness of delivery, and quality of products and service. Furthermore, all key direct material suppliers and service providers are required to be assessed on their sustainability performance, particularly in relation to the RBA standards.

Assessment of conformance against the RBA standards is one of the more significant supplier assessment programs in our Group. They are conducted via SAQ and VAP as follows.

SAQ	VAP
<ul style="list-style-type: none"> <li>• self-assessment</li> <li>• part of Unisem's due diligence for key direct material suppliers</li> <li>• conducted on all key direct material supplier</li> <li>• aim to identify high-risk areas and potential gaps against RBA Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• physical audit based on RBA VAP Operations Manual 6.0</li> <li>• conducted on all key direct material suppliers</li> <li>• audit focus and frequency depend on conformance level in past audits and overall performance against RBA standards and Unisem policies and standards</li> </ul>

## SUSTAINABILITY REPORT

These audits are performed in conjunction with our assessment and audit activities required by our ISO 14001 – certified Environmental Management System.

We have a network of 25 shared key direct material suppliers, with whom our direct material spending comprises 85% of the Group's total direct material procurement. We have devised a plan to audit our key direct material suppliers, aiming to cover 80% of the 25 suppliers in every two years.

Our auditing plan and performance for the financial year under review is as follows. We have managed to achieved our target to complete 10 audits for FY2020 with 12 audits completed. We are targeting to perform audits on 10 key direct material suppliers during FY2021.

Year	Target	Performance
FY2018	Perform 8 key direct material suppliers audit	Completed 9 audits
FY2019	Perform 9 key direct material suppliers audit	Completed 10 audits
FY2020	Perform 10 key direct material suppliers audit	Completed 12 audits*
FY2021	Perform 10 key direct material suppliers audit	Target to complete 10 audits

Note: \* Due to the impact of COVID-19 pandemic and control movement measures imposed by the Malaysian government which lasted the most of FY2020, audits were not conducted "on-site" but rather in "virtual" form, where sighting and verifications were conducted via video calls.

Where there are findings arising from the audit activities, the suppliers were provided with the Corrective Action and Preventive Action ("CAPA") process template for completion and indication of their responses to our audit findings within 7 working days. The agreed-upon corrective actions implemented in response to our audit findings were verified by the Unisem's RBA Auditors for closure.

A summary of the key correction actions arising from the audits performed in FY2020 is as follows.

RBA Category	Summary of key corrective actions
<b>Labour</b>	<ul style="list-style-type: none"> <li>• Prepare employment contract according to employee native language</li> <li>• Establish policy and procedure for hiring of apprentice/ intern/ student workers</li> <li>• Removal of unfair employment clauses from Employee Handbook</li> <li>• Removal of personal information and data in recruitment documents</li> <li>• Imposing evidence of monitoring for compliance to 60 working hours per week</li> </ul>
<b>Occupational safety and health</b>	<ul style="list-style-type: none"> <li>• Carry out risk assessment of working conditions for pregnant women and nursing mothers</li> <li>• Conduct periodic work inspections and enhance awareness on emergency exits and evacuation plan</li> <li>• Place emergency exit signage at focal locations</li> <li>• To conduct fire drill twice a year for all employees</li> <li>• To conduct first-aid training once every two years</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• To provide designated scheduled waste and non-scheduled waste area according to standard</li> <li>• To revise the current monitoring system for water effluent discharge to every 2 years. This will be updated in the monitoring &amp; measurement analysis master list</li> </ul>
<b>Ethics</b>	<ul style="list-style-type: none"> <li>• Establish policy and procedure on gifts and entertainment</li> <li>• Establish policy and procedure for whistle-blowing</li> </ul>
<b>Management Systems</b>	<ul style="list-style-type: none"> <li>• Include risk assessment exercise into RBA checklist as a mandatory activity</li> <li>• Prepare internal audit schedule to conduct audit assessments</li> </ul>

As of 31 December 2020, 100% of the agreed-upon corrective actions arising from the audit in FY2019 and 79.5% of the agreed-upon corrective actions arising from the audit in FY2020 have been implemented and verified by Unisem's RBA Auditors. The remaining outstanding balance will be carried forward and closed in 2021.

### Overview of Supply Chain Environmental and Social Assessment

Guided by the outcome of Unisem's assessment and audit program, an overall summary of the Group's key direct material suppliers and in relation to environmental and social impact assessment is presented below.

	FY2020
<b>Total number of shared key direct material suppliers</b>	25
<b>Environmental impact</b>	
Number of suppliers assessed for environmental impacts*	25
Note: *assessed at least once in the past 3 years	
Number of suppliers identified as having significant actual and potential negative environmental impacts	0
Description of the significant and actual environmental impact identified	Not applicable
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment*	0%
Note: *does not include closed cases where agreed upon improvements have been implemented and verified by Unisem's RBA Auditors	
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	0%
<b>Social impact</b>	
Number of suppliers assessed for social impacts	25
Number of suppliers identified as having significant actual and potential negative social impacts	0
Description of the significant and actual environmental impact identified	Not applicable
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment*	0 %
Note: *does not consider closed cases where agreed upon improvements have been implemented and verified by Unisem's audit team	
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	0%

### New Supplier Screenings

As part of Unisem's quality system management and our Business Continuity Plan ("BCP"), all new suppliers are to undergo a stringent due diligence process conducted by the Quality Assurance and/ or Procurement Department. The due diligence process criteria include but not limited to environmental, social, and ethics aspects, such as corruption and bribery.

Furthermore, all new direct material suppliers of the Group are required to be assessed via the SAQ while cross-functional team members from the Quality Assurance, Procurement, Engineering and Technology departments conduct on-site audits on these new suppliers based on VAP.

## SUSTAINABILITY REPORT

### ANTI-CORRUPTION

#### Code of Ethics

At Unisem, we value integrity and honesty and this is our commitment embedded in our COE, which promotes and shapes the culture of honesty, integrity, and responsibility in the Group and its employees' professional and business conduct. The COE emphasises on upholding integrity and honesty when dealing with third parties, truthful and accurate financial reporting, responsible use and protection of Unisem's assets, and the promotion of a diverse, cooperative, and productive work environment. It also specifically sets out Unisem's **zero tolerance** towards any form of bribery, corruption, fraud, extortion, or embezzlement.

The COE is applicable to all employees including the Group's Directors who are required to sign and commit compliance with the COE before joining the Group. The COE is communicated annually to employees across the Group and is publicly available on Unisem's corporate website.

#### Anti-Corruption and Bribery Policy

Unisem has established a Group-wide Anti-Corruption and Bribery Policy ("ABAC Policy") to address and set out the Group's stance in relation to bribery and corruption and to provide information and guidance to those working for Unisem in recognising and addressing bribery and corruption issues. Unisem takes a zero-tolerance approach towards bribery and corruption, which includes misuse of power, facilitation payments, kickbacks, as well as gifts, entertainment, or anything of value given in an attempt to affect a person's actions or decisions to order to gain or retain a business advantage.

The ABAC further specifies that the Group does not make any charitable donations or contributions to political parties and, while employees are not prohibited to make personal political contributions, it will not make any reimbursement with regard to employee's personal political contributions.

In managing corruption and bribery risks, the ABAC Policy provides a risk-based approach towards managing corruption and bribery risks in the Group. Regular performance of corruption risks assessment and review on operations are performed to determine the corruption risk levels where more intensive efforts will be put into addressing areas with higher risks, such as implementing anti-corruption training programs for employees working in high-risk areas.

On top of the Group's Directors and Employees, the ABAC Policy is also applicable to persons associated with the Group including agents, suppliers, contractors, and business partners. Personnel of Unisem is also required to communicate the Group's zero-tolerance towards corruption and bribery to agents, suppliers, contractors, and business partners at the outset of the Group's relationships with them, and as appropriate thereafter. Furthermore, it is also a requirement of the ABAC Policy to consider corruption and bribery risks during the due diligence process for the selection of new suppliers.

The GCOO, the site COOs, and General Managers are responsible for the overall compliance with the ABAC Policy. The ABAC Policy is also publicly available on the corporate website.

The COE and the ABAC Policy are subject to annual review. During the financial year under review, both the COE and the ABAC Policy had been reviewed and approved by the Board, considering the latest amendments on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020.

## Corruption Risk Assessment and Training

Corruption Risk Assessment was last conducted by the Ethics Working Committees of both the Group's operating sites in Malaysia and China. The Corruption Risk Assessment scope covers various areas ranging from business process analysis, active and passive bribery, abuse of power, and the controls in place to manage these risks. In addition, corruption risk has also been incorporated in our enterprise risk management.

During the financial year under review, the Group provided awareness and training in the form of leaflet materials where employees are required to sign acknowledgement of their understanding and commitment to comply with the COE. The following table summarises the number and percentage of Unisem's employees and directors who have received communication and training during the financial year under review.

	Unisem Ipoh		Unisem Chengdu	
	Number	Percentage	Number	Percentage
Board of Directors	11	100%	Not applicable	Not applicable
Senior Management and Management	89	100%	42	100%
Executive, Non-Executives, and Operators	3,385	100%	2,212	100%
Total	3,485	100%	2,254	100%

These are communicated via email, website, etc. are provided and accessible in 3 languages – English, Bahasa Malaysia and Chinese to all key agents, suppliers, contractors, and business partners during the financial year under review.

## Unisem's Ethics Hotline

At Unisem, an Ethics Hotline is available to internal and external parties to report inappropriate or unethical behaviour, including concerns relating to ethical business practices, corruption, and bribery.

There were no cases reported during FY2020.

## Whistle Blowing

Through its Whistle Blowing, Ethics & Compliance Policy ("WBEC Policy"), Unisem provides a confidential channel for all internal and external stakeholders to the Group to report cases of or whistle blow unethical or unlawful behaviour in confidence.

The concerns which can be raised through the WBEC Policy covers actual or suspected misconduct or unethical business practices within Unisem or by persons associated with Unisem. The WBEC Policy also covers violation of the COE, i.e., standards relating to labour standards and human rights, safety and health, non-discrimination and equal opportunity, environmental management, and business ethics and anti-corruption. The WBEC Policy further provides the process and procedures for employees to report any improper conduct and malpractice in a safe and confidential manner.

The WBEC Policy is developed based on the following key principles:

- confidentiality – confidentiality of the reported matter and the person making the report will be protected;
- anonymous reporting – anonymous reporting is not prohibited; and
- non-retaliation – no retaliation or unfair treatment will be tolerated against whistle blowing made in good faith.

## SUSTAINABILITY REPORT

To ensure the independence and objectivity of the processes formalised via the WBEC Policy, the ARMC Chairman receives monthly reports on cases submitted through the established whistle blowing channels and any grievances or serious cases will be looked at and escalated immediately.

The WBEC Policy is publicly available on the corporate website.

A summary of the incidents and cases reported via the Ethics Hotline and the WBEC Policy is as follows:

Types of cases	No. of cases		
	FY2018	FY2019	FY2020
Workplace grievances from employees	14	8	3
Whistleblowing from employees	1	4	2
Whistleblowing from external parties	0	0	0

During the financial year under review, there were no reported incidents of corruption nor non-compliance with the Group's anti-corruption policies. Hence, there were no fines, penalties, or settlements related to corruption.



## OUR FOCUS ON CUSTOMERS

Unisem understands that in addition to operational excellence, we take pride in improving our quality of service and making sure our customers receive the proper attention it deserves. Unisem has always placed customers intimacy as a core differentiation strategy to build successful long-term business partnership to achieve a win-win customer supplier relationship.

### Our RBA Obligations

RBA was first introduced to Unisem back in 2014 and has since went on to become an integral guiding principle in the way the organisation manages the respective RBA pillars – people, ethics, safety, environment, and management systems.

In the Unisem Group, we have established governance structures and programmes to provide leadership with the setting up of RBA WCs headed by certified competent professionals. These Working Committees meet on a regular basis to review initiatives and KPIs for their respective pillars.

On an annual and biennial basis, SAQ and third-party RBA VAP audit, respectively, are conducted on all our sites focusing on the areas of labour, health and safety, environment, ethics, and management systems. All Unisem sites post their SAQ scores and VAP audit results on the Unisem Group website for the general public's viewing. We have also provided trading relationship access to our current and potential customers to view the findings and results of our VAP audits. Our customers hold our commitment to and compliance with the RBA Code of Conduct as a mission critical requirement to enter into a business relationship.

In response to the adoption of Version 7.0 of the RBA Code of Conduct which is effective starting January 2021, the Management Systems Working Committees of the respective operating sites conducted preparedness assessment to take appropriate measures to fill in the gaps.

The SAQ and VAP scores of Unisem Ipoh and Unisem Chengdu for the last 3 years are as follows.

	SAQ	SAQ Score*	VAP	VAP Score*	Level of Risk
Unisem Ipoh	Completed in Mar 2020	93.3	Completed in Sept 2018	151.6	Low
	-	-	Completed in Dec 2020	183.7 (Silver status)	Low
Unisem Chengdu	Completed in Mar 2020	93.7	Completed in Nov 2019	177.1 (Silver status)	Low

\* full score for SAQ is 100, while the full score for VAP is 200

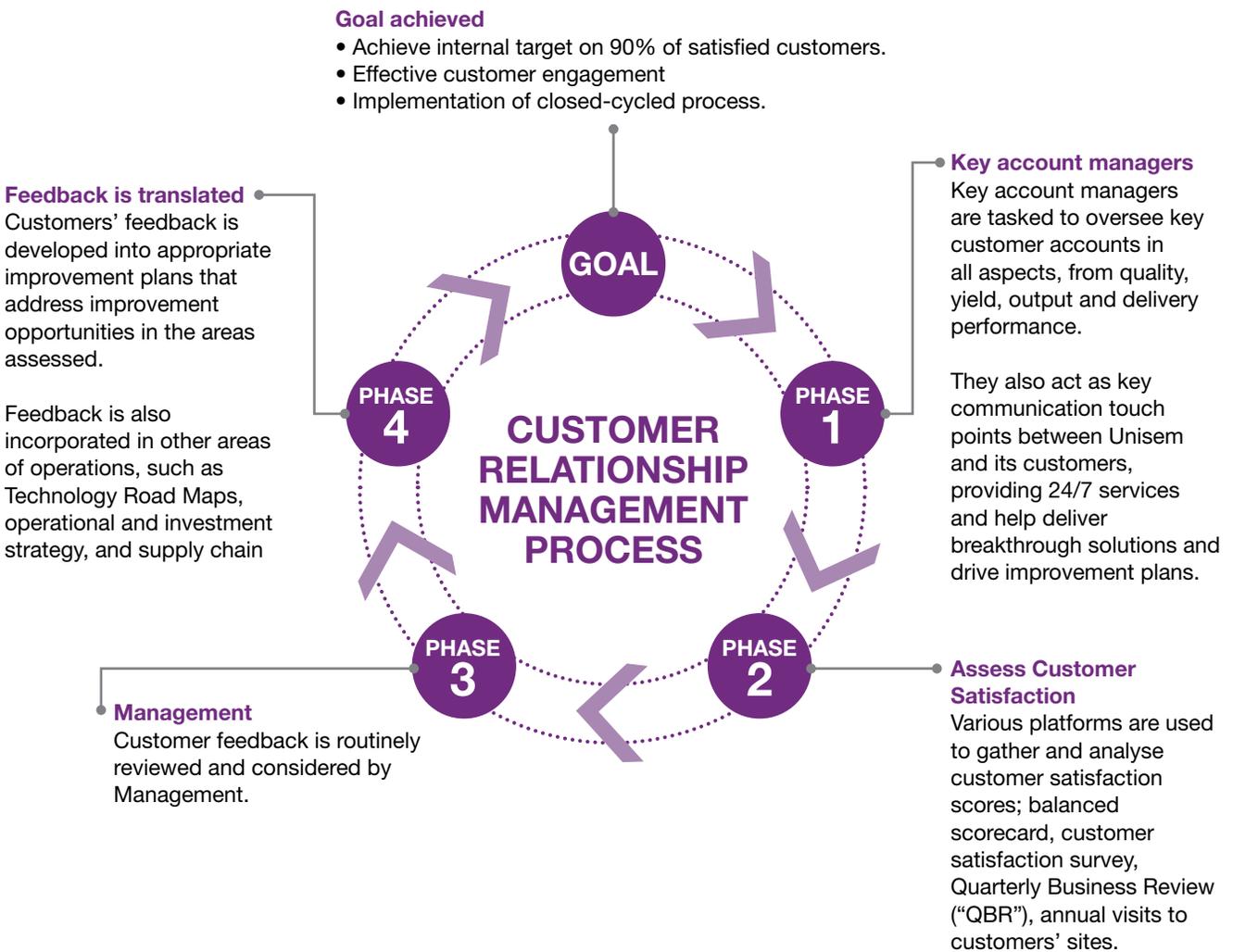
# SUSTAINABILITY REPORT

## CUSTOMER SATISFACTION

### Customer Relationship Management

Dedicating customer account champions and teams at the factory level for key accounts helps to ensure we maintain and enhance our reputation as a quality supplier providing one-stop solutions and ease of doing business. Our key account champions provide 24/7 services and help deliver breakthrough thinking on how to improve a customer’s situation.

At Unisem, customer management is guided by an established customer relationship management process, as follows.



## Engagement and Collaboration with Customers

Other formal avenues of engagement complementing Customer Relationship Management are listed below:

Customer Engagement Platforms	Frequency	Details
Balanced scorecard	Quarterly	Approximately 80% of Unisem's key customers evaluate their satisfaction on our products and services via a balanced scorecard approach.  There is no general satisfaction target set due to the different assessment and criteria used by each key customer.
Customer satisfaction survey	Yearly	Unisem uses its internally developed survey form to assess the satisfaction of the 20% of its key customers who do not use a balanced scorecard approach.
Quarterly Business Review ("QBR")	Quarterly	QBR is conducted by key customers to convey their report card on their suppliers' performance, business opportunities, and roadmaps.
Annual visits to customers' premises	Annually	Top management and the 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 Map.

Over the years, our customers have acknowledged our value proposition, below are the recognition awards conferred by our customers:

- Huawei Quality Award 2020;
- pSemi 2019 Best Supplier Award;
- Menlo Microsystems 2020 Supplier of the Year;
- Espressif 2020 Best Supplier Award;
- SGS 2019 Best Strategic Partner Award;
- Halo Microelectronic 2020 Best Supplier Award;
- Vesper 2020 Supplier of the Year Best Assembly Provider;
- SGMicro 2020 Best Service Award; and
- Convenient Power Semiconductor 2020 Supplier Excellence Award.

## Delivering Customer Value

During FY2020, the Board reviewed and revised the Customer Satisfaction target from 85% to **90%** for the Unisem Group. The objective of the revision exercise is to push our limit to achieve enhanced delivery of quality products and services.

For the financial year under review, the Unisem Group achieved a score of 85% which falls short of the 90% target. We have identified the shortfalls, analysed the inputs and have set up taskforce to address the causes.

KPI	Satisfaction of key customers		
	Group Target (FY2019)	To achieve 85% of satisfied key customers	
Group Target (FY2020)	To achieve 90% of satisfied key customers		
Performance	FY2018 89%	FY2019 89%	FY2020 85%

## SUSTAINABILITY REPORT

### Quality and Lean Operations

Quality is the fundamental element of our products and services. We have invested extensively in producing consistent, high-quality products and services.

Operations in Ipoh and Chengdu are certified with international quality and environmental standards. Refer to our **Company Profile** in the Annual Report for the list of certifications.

We have been implementing Kaizen initiatives across all our manufacturing sites since 2004. Employees are given training to enhance their problem-solving capabilities such as Plan-Do-Check-Act (“PDCA”) techniques, Design of Experiment, Technical Excellence, Poka Yoke, and Root Cause Analysis (“RCA”). Improvement or Kaizen initiatives extend across functions from the production floor to the support functions with involvement from production operators to executive and engineering staff.

This employee engagement activity has been notably successful in developing a positive workplace culture and enhancing employees’ competencies to meet the highly competitive demands of a fast-paced business environment. We intend to continue promoting such employee engagement which we believe will continue to contribute to operational effectiveness and efficiency.

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

To safeguard our customer’s proprietary information, we have in place a robust security management system and the “IT Acceptable Use Policy” to strengthen internal security controls. The policy defines the standard operating procedures of accessing, transferring, and managing information and data in a responsible manner.

The table below summarises our key internal controls relating to customer privacy and data protection.

#### 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 COE and sign a Non-Disclosure Agreement

Adhering to strict protocols in ensuring all proprietary information in e-wastes are scrapped prior to disposal. Ensuring the secured scrap disposal process for the disposal of defective products and e-waste complies with the Group’s internal scrap procedures.

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

Protecting the confidentiality of information of all parties through the signing of Non-Disclosure Agreements between Unisem and its contractors, suppliers, and service providers

Provision of training to employees to enhance skillsets on data protection and security

For the financial year under review, there were no complaints received from outside parties and regulatory bodies. We have not identified or noted any cases of leaks, theft, and loss of consumer data.



## PEOPLE

At Unisem, we respect every person and their basic rights, and we believe in the value of diversity. We do not discriminate against any person and we endeavour to embrace diversity in our employee base.

Our workplace diversity across Unisem Ipoh and Unisem Chengdu is presented in the table below, followed by a breakdown of employment by gender and employment types, i.e., permanent contract and fixed-term contract. Employees comprise most of the workforce of Unisem Group's operations and we do not employ part-time employees.

Number (percentage)*	< 30 years old		30 - 50 years old		> 50 years old		Total	
	M	F	M	F	M	F	M	F
<b>Board members</b>	0	0	3	0	6	2	9 (82%)	2 (18%)
	0 (0%)		3 (27%)		8 (73%)		11	
<b>Senior Management</b>	0	0	16	3	32	0	48 (94%)	3 (6%)
	0 (0%)		19 (37%)		32 (63%)		51	
<b>Management</b>	0	0	41	10	24	5	65 (81%)	15 (19%)
	0 (0%)		51 (64%)		29 (36%)		80	
<b>Executives</b>	92	8	325	256	25	15	442 (61%)	279 (39%)
	100 (14%)		581 (81%)		40 (5%)		721	
<b>Non-Executives</b>	439	142	761	268	52	5	1,252 (75%)	415 (25%)
	581 (35%)		1,029 (62%)		57 (3%)		1,667	
<b>Operators</b>	280	1,711	192	914	2	110	474 (14%)	2,735 (86%)
	1,991 (62%)		1,106 (34%)		112 (4%)		3,209	
<b>Total</b>	811	1,861	1,338	1,451	141	137	2,290 (40%)	3,449 (60%)
	2,672		2,789		278		5,739**	

Note:

\* the percentage of employees in certain age group/ gender in relation to the total number of employees in the employee category

\*\* including 11 Board members and 5,728 employees across the Group

## SUSTAINABILITY REPORT

		Permanent	Fixed-term contract
Unisem Ipoh	Male	1,104	6
	Female	1,241	1,123
	<b>Total</b>		3,474
Unisem Chengdu	Male	331	840
	Female	416	667
	<b>Total</b>		2,254

The diversity spread for female is more concentrated at the Operators category while the male concentration is higher at Non-Executives category and above. This is attributed to the job nature for semiconductor manufacturing environment where female production operators are more suited to the dexterity requirement. For Non-Executives and above, the diversity spread leans towards more male employees mainly due to limited proportion of women engineers in the field, especially mechanical, electronic, and electrical and computer engineering.

Ratio of basic salary	Female	Male
<b>Unisem Ipoh</b>		
Senior Management and Management	0.50	1
Executives and Non-Executives	0.87	1
Operators	0.95	1
<b>Unisem Chengdu</b>		
Senior Management and Management	0.46	1
Executives and Non-Executives	0.96	1
Operators	1.12	1

In Unisem, we ensure our compensations and benefits commensurate with employees' competency and capability and there shall be no discrimination based on gender. The larger gap between the male and female employees at Management level and above are skewed by the higher number of male Management personnel due to the reason discussed above.

Providing fair and equal opportunities in the areas of career development, remunerations, benefits, and welfare has always been a feature in our Vision, Mission, and Core Values. In Unisem, we stand by our tag line "We Care We Can". Equally important is our commitment to creating a safe and healthy workplace environment that is conducive and productive. We have always been observant and compliant with the labour laws and regulations and international labour standards where appropriate. We expect our key material suppliers to adhere to the same standards.

Unisem also acknowledges that it can make a difference or impact on the local communities in which it operates, and we are committed to delivering our social responsibility in this area.

## OCCUPATIONAL HEALTH AND SAFETY

The Group's CSR Policy and Safety and Health Policy define group-wide standards in relation to employees at the workplace. It is the responsibility of every employee to ensure compliance in providing and maintaining a safe and healthy working environment.

The management of occupational safety and health in Unisem's operations is embedded in the Group's sustainability governance structure. A Health and Safety Working Committee is set up at each operating site of the Group. Each Health and Safety Working Committee is headed by the senior manager of the Facility Department of each operating site. The Health and Safety Working Committees are responsible for overseeing and the daily monitoring of the health and safety management of the respective operating sites, including risk assessment and risk management, compliance, audits and investigations, receiving complaints, addressing grievances, as well as the implementation of action plans and initiatives.

At the Unisem Group, all our site's safety and health standards are adopted in compliance with accredited international standards.

As of 31 December 2020, the occupational safety and health management systems of both our operating sites are as follows:

Operating Sites	Entities	Occupational Health and Safety Management Systems
Unisem Ipoh	Unisem (M) Berhad	ISO 45001:2018 (fully certified)
	UAT	ISO 45001:2018 (fully certified)
Chengdu, China	Unisem Chengdu	OHSAS 18001:2007 (fully certified)

As of 31 December 2020, in line with the global transition of OHSAS 18001 to ISO 45001:2018, Unisem Chengdu is the process of undergoing audit in pursuit of full certification of ISO 45001:2018.

### Occupational Safety and Health Risk Management

Unisem takes a risk-based approach towards managing its occupational safety and health risk. Led by the Safety and Health Working Committees, the Management and worker representatives from operations perform a Hazard Identification, Risk Assessment and Risk Control ("HIRARC") review, at least once in a year and as and when required, to identify the hazards and risks involved in operational processes, considering amongst others, any past incidents, the competency of persons carrying out the processes and of the persons monitoring the processes, the existing controls in place, and if further improvement to these processes may be necessary or possible, such as further automation to reduce human contact. Issues arising from HIRARC review are reported to the site COO and Management at meetings where action plans are devised.

Any action plans arising from the HIRARC review, such as the implementation of additional control procedures, will be documented, implemented, and reviewed by the Safety and Health Working Committee during the upcoming meetings, which are generally conducted on a monthly basis.

## SUSTAINABILITY REPORT

### Incident Response and Reporting

Policies and procedures have been established to guide employees what to do in the event of incidents, including accidents, and to provide a structured and accessible platform for reporting of unsafe or potentially unsafe act or workplace conditions, including conditions arising from unsafe or unhealthy work conditions and processes.

In the event of incidents, employees are required to prioritise their own safety, removing themselves from situations where they believe could cause injury or ill health, followed by that of others. They are then required to immediately report to their designated safety officer or persons-in-charge for further emergency responses to be undertaken. All incidents shall be properly reported and documented, followed by investigations and determination of action plans. The implementation of action plans will be monitored and shall be updated to the Safety and Health Working Committee and the site COO before the case can be closed.

Governed by the principles of the COE and WBEC Policy, the Group does not retaliate against genuine responses and reporting of incidents in accordance with the established policies and procedures, including the employee's removal of himself/ herself from work position to protect his/ her own safety or health.

1

Occurrence of incident or near-miss

2

Reporter shall complete the required form for the designated safety officer to collect. Should an injury be a result of the incident, the designated medical officer shall complete the report.

3

Designated safety officer and investigation team shall undergo an investigation

4

Corrective action plan shall be identified and implemented

5

Case should be closed within 7 days and findings shared at upcoming safety briefings and Safety Committee meetings, as well as with site COO.

Serious violations or breaches of the Group's safety and health policies and procedures can also be reported via the Group's Ethics Hotline or via the WBEC Policy, which provides protection to the reported with respect to confidentiality and against retaliation within the Group.

### Employee Safety and Health Monitoring and Support

In order to promote and to provide support to the management and awareness of occupational and non-occupational safety and health amongst employees, we provide healthcare benefits and access to healthcare services to all our employees, such as regular health screenings, health and safety talks, and access to medical treatment from panel clinics. While Unisem Chengdu is located in close proximity to medical facilities, in Unisem Ipoh we maintain an in-house 24-hour clinic staffed with experienced industrial nurses and visiting doctors to provide medical consultation and treatment to our employees. Where necessary, Unisem also seeks advice from these healthcare professionals in relation to the identification and management of occupational safety and health risk arising from operations.

## Safety and Health Trainings

To enhance employee safety and health awareness and to prevent workplace accidents, Unisem provides ongoing training programmes which include both tailored and general training, such as:

- training tailored to different employee groups – addressing specific types of work activities and associated health and safety risks; and
- general safety and health training – providing awareness and education to employees regarding occupational and non-occupational health and safety issues, such as prevention measures for COVID-19.

The Facility Departments of the respective operating sites are responsible for reviewing and developing annual training programme schedules to ensure they reflect the operational, industry, regulatory changes, and health and safety performance within the Group. A summary of the types of training programmes conducted during the financial year under review is as follows:

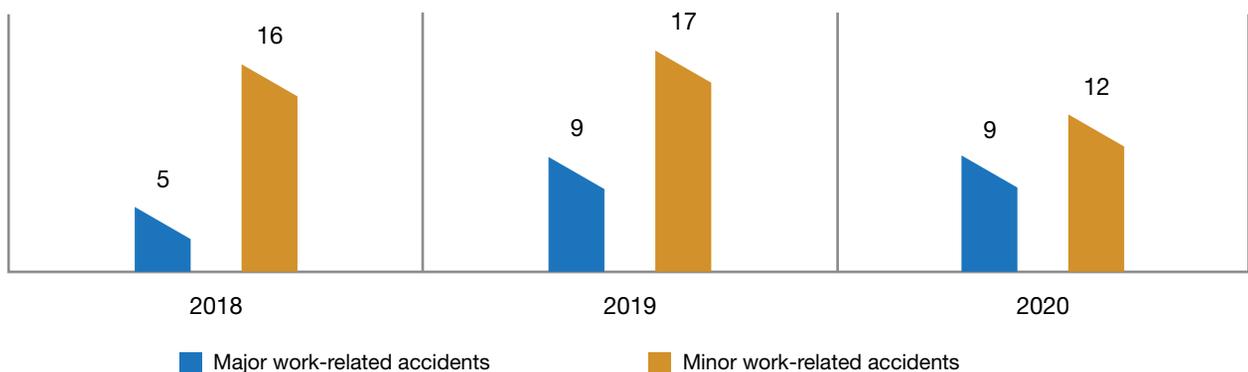
- Fire and Gas ERT;
- Fire Warden;
- Forklift;
- First Aid;
- Chemical Spillage; and
- Safety Hazard.

## Performance on Workplace Safety

The Safety and Health Working Committees monitor safety performance at operating sites through performance indicators. Safety performance at each of Unisem's operating sites is reviewed by the respective SWCs at least quarterly. Amongst the key indicators monitored, two of the prevalent ones are as follows:

- Major work-related accidents – accidents causing employees to be on medical leave for more than four days; and
- Minor work-related accidents – accidents causing employees to be on medical leave for at least one day to up to four days.

**NUMBER OF MAJOR AND MINOR WORK-RELATED ACCIDENTS**



## SUSTAINABILITY REPORT

During FY2020, the number of work-related accidents has reduced from the FY2019. Minor work-related accidents were mainly trip and falls arising from safety negligence.

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. Major accidents generally arise from working with heavy objects and heights and we continue to invest in facilities to increase automation and reduce safety risks. We are also pleased to report no recorded incidents of work-related ill health or cases with high consequence work-related injury\* during the reporting period.

Note: \*work-related injury that results in a fatality or an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months. (GRI 403 – Occupational Health and Safety 2018).

The Management continues to emphasise safety awareness via safety training, briefings and placing safety signs. Among other initiatives conducted to strengthen our safety environment include on-site chemical and personal protective equipment management and storage, workplace inspection, machinery and work instruction and inspection, and radiation monitoring.

### Injury Frequency Rate

KPI	Injury frequency rate for industrial accidents		
	Injury frequency rate for industrial accidents below 2 accidents per million hours worked*		
Group Target			
Performance	FY2018 1.69	FY2019 1.80	FY2020 1.51

Note: \* 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”)

	FY2018	FY2019	FY2020
Fatality rate	0	0	0
Major Occupational Accidents	5	9	9
Minor Occupational Accidents	18	18	12
<b>Total Recordable Work-Related Injuries</b>	<b>23</b>	<b>27</b>	<b>21</b>

We have set a target to keep our injury frequency rate below 2.0 across all employees at both our Unisem Ipoh and Unisem Chengdu operating sites. For the financial year under review, we have achieved 1.51 injury frequency rate. We are also pleased to report we have continued to maintain 0 fatality rate since the commencement of the plants’ operation.

### COVID-19 response

In response to COVID-19, the Safety and Health Working Committees conducted risk assessments and emergency response plans to safeguard the people and operations of the Group. The Group has undertaken preventive measures to take care of our employees and visitors, per the COVID-19 guidelines issued by the federal and state governments. Additional COVID-19 protocols and procedures were established and regularly monitored for compliance.

Physical distancing, face mask, temperature monitoring, health declarations, COVID-19 testing, sanitization of workplace, frequent hand washing, minimised gatherings, Work-from-Home arrangements, contact tracing, etc. became the order of the day at all Unisem sites.

## EMPLOYEE WELFARE

Human capital will continue to be one of the key enablers of Unisem in achieving its strategic priorities. The welfare and wellbeing of our employees, as well as their talents, skills, and experience, is a valuable commodity which Unisem aims to maintain and preserve.

The Group is responsible for ensuring employees are being cared for and taken care of. To achieve this, we provide competitive compensation, employee benefits, and a conducive working environment that promotes employee morale and productivity.

In Unisem, our compensation and benefits are reviewed annually considering, amongst others, industry benchmarks. Furthermore, all non-executives and operators at Unisem Ipoh are represented by an in-house union and collective bargaining agreements are reviewed by the union every three years.

The Group aims to support our employees in their professional and personal development, including enabling them to develop better livelihood and quality families. In addition, sports and recreation programs and facilities are also provided to ensure employees achieve a quality work life balance environment.

The Group's compensation and benefits for employees are summarised as follows.

COMPENSATION AND BENEFITS			
Benefits Required by Law		Insurance / Medical Coverage	
Unisem Chengdu	Unisem Ipoh	Unisem Chengdu	Unisem Ipoh
<ul style="list-style-type: none"> <li>• social insurance</li> <li>• housing funds</li> <li>• annual, sick, marriage, funeral, maternity and paternity leave</li> </ul>	<ul style="list-style-type: none"> <li>• minimum wages order</li> <li>• contribution to the employees' provident fund, in line with local regulations</li> <li>• contribution to employees' social security</li> <li>• provision of annual leave and other leaves</li> </ul>	<ul style="list-style-type: none"> <li>• social insurance</li> <li>• commercial insurance</li> </ul>	<ul style="list-style-type: none"> <li>• personal accident insurance coverage</li> <li>• child delivery subsidies</li> <li>• medical benefits for outpatient, specialist and hospitalisation</li> </ul>
FACILITIES AND PRIVILEGES			
Unisem Ipoh			
<ul style="list-style-type: none"> <li>• surau</li> <li>• 24-hour canteen</li> <li>• mini mart operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad</li> <li>• gated parking space</li> <li>• library</li> <li>• in-house clinic with full-time industrial nurses</li> <li>• dedicated lactation room for breastfeeding mothers</li> <li>• hostel for operators who do not have homes in Ipoh</li> </ul>		<ul style="list-style-type: none"> <li>• dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women</li> <li>• dedicated rest area for female workers</li> <li>• At Unisem Ipoh, employees are entitled to a salary advance of up to 35% of their monthly salary during festive periods. Flexible working hours are also made available to support a healthy work-life balance</li> </ul>	
Unisem Chengdu			
<ul style="list-style-type: none"> <li>• gated parking space</li> <li>• dedicated lactation room for breastfeeding mothers</li> <li>• hostel for operators who do not have homes in Chengdu</li> </ul>		<ul style="list-style-type: none"> <li>• dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women</li> <li>• dedicated rest area for female workers</li> </ul>	

## SUSTAINABILITY REPORT

SPORTS & RECREATION List of Activities / Events Organised in 2020	
<b>Unisem Ipoh</b>	
<ul style="list-style-type: none"> <li>• Congkak Competition</li> <li>• Fun Ride</li> <li>• Bowling Tournament</li> <li>• Self Defence Workshop</li> <li>• Henna Art Competition</li> <li>• Wall Climbing Challenge</li> <li>• Archery Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Mystery Box Guessing</li> <li>• Football League Final Match</li> <li>• Fishing Competition</li> <li>• Knee Pain Management Workshop</li> <li>• Ipoh Car Free Day Fun Run</li> <li>• Futsal Tournament</li> <li>• Badminton Tournament</li> </ul>
<b>Unisem Chengdu</b>	
<ul style="list-style-type: none"> <li>• Tug of war</li> <li>• Annual dinner</li> <li>• Football league</li> </ul>	<ul style="list-style-type: none"> <li>• Badminton Competition</li> <li>• Parent-child campaign</li> </ul>

### Communications and Engagements with Employees

In Unisem, we have always appreciated and valued the importance of employee engagement and open communication. Our tagline “We Care We Can” underlines the spirit of mutual support and respect and the need to reach out to engage each other. A healthy engagement is indicative of a highly motivated workforce. Human Capital is at its best when fully engaged.

Below are some of the many engagement channels within the organisation:



We also have channels for employees to voice grievances through the grievance reporting mechanism established by the Group.

In the event of actual or suspected misconduct or violation of laws, regulations, or the Group's COE, an employee can make reports through the WBEC Policy or the Ethics Hotline, while being protected by the WBEC Policy.

Furthermore, prior to the implementation of any significant operational changes that could substantially affect our employees, we ensure that all employees are informed within an appropriate time frame.

#### Employee Climate Survey ("Survey")

The Survey is another safe and confidential engagement tool deployed to solicit feedback on the individual factors and overall satisfaction rate of employees. This Survey is conducted annually in Unisem Ipoh and once every 2 years in Unisem Chengdu. Topics covered in the Survey are leadership by Management, job satisfaction, career development, and top-down communication.

During FY2020, the overall participation rate of the Surveys conducted is recorded at 99.0%.

#### **Professional and Personal Development of Employees**

As Unisem continues to grow, investing in the qualities and competence of our employees is necessary to enable us to maintain our innovative momentum and competitive edge. We believe in the sustainable value brought by internally developed skills, talents, and experience which will also help to demonstrate and sustain a working culture aligned with the Group's Vision, Mission, and Core Values. Therefore, we are committed to provide opportunities for employee development, both professionally and personally, within the Group as they take on higher positions and continue to cultivate the next generation of human capital. During the financial year under review, we have revised our Group target from achieving 60% of our employees to have minimum 6 hours of training per year to 75% to further strengthen our workforce capability and professionalism.

The respective sites' Training Department is responsible for facilitating the training needs analysis with the respective departmental heads in identifying development programs for their employees.

For the financial year under review, Unisem was not able to achieve its KPI target of 75% due to restrictions arising from COVID-19 pandemic protocols.

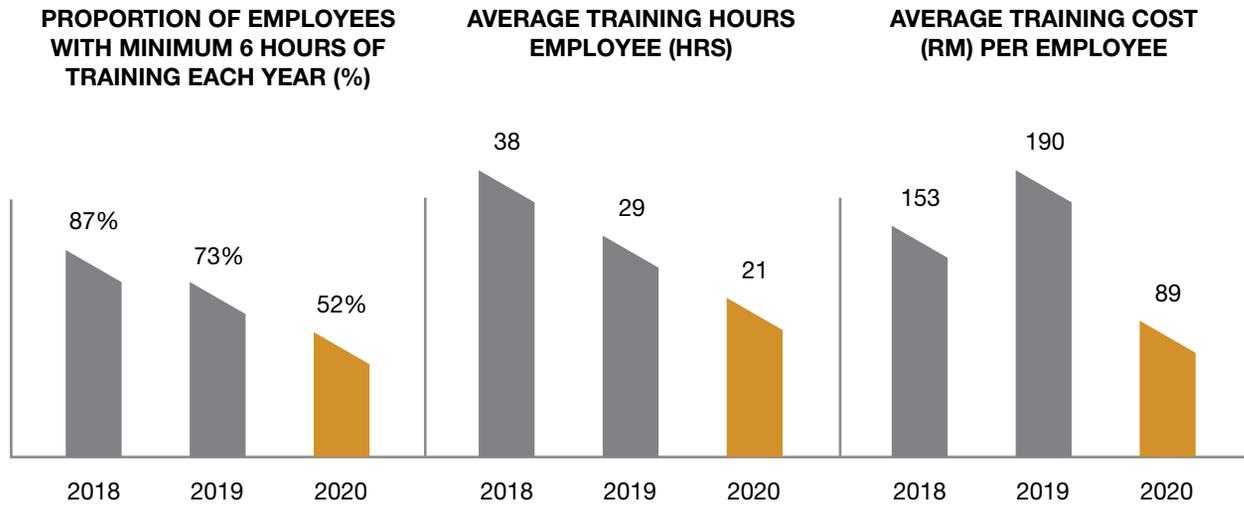
KPI	Average training hours per employee*		
	Group Target	75% of employees have minimum 6 hours training per year	
Performance	FY2018 86.8%	FY2019 73.2%	FY2020 52.4%

Note:

\* Operators are not included in the target for training hours because operators are employed on a short-term basis (contract duration of 2 years on average)

## SUSTAINABILITY REPORT

We achieved the target of providing at least 6 hours of training to 52.4% of employees (excluding operators) for the financial year. We have resorted to on-line training solutions where appropriate to overcome the restrictions brought about by the COVID-19 pandemic protocols. The charts below illustrate our learning and talent development performance indicators for employees (excluding operators).



Our training programmes are developed to include a combination of skills, including technical and non-technical skills, interpersonal skills, team skills, and leadership skills, and are aimed to equip our employees with the relevant functional competencies aligned with the professional needs, operational job requirements and industry demands. These training programmes may be conducted in the form of on-the-job training or development programme series.

Furthermore, programmes focusing on management, leadership and supervisory development competencies are also offered to leadership positions at the Management and Supervisory levels. These competencies will equip them to better address complex and diverse people management at the workplace. As part of employee development, we also conduct team building activities to boost morale reinforce the teamwork culture, and to build a positive work environment.

The various types of training provided to employees during the financial year under review are summarised as follows.

Types of Training Programmes	Description of Training
<b>New Employee Program</b>	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.
<b>Quality Courses</b>	Focusing on the need to build quality and reliable products and subsequently on-time delivery to customers.
<b>Technical Courses</b>	Keeping abreast with the latest, state-of-the-art equipment and methodologies.
<b>Safety and Health</b>	Complying with legal and occupational regulation and workplace safety and health.
<b>Environmental</b>	Heightening awareness and caring for the environment to make our surroundings a better place to live-in.
<b>Ethics, Anti-Corruption &amp; Disciplinary</b>	Educating employees on our COE, anti-corruption and disciplinary measures.
<b>Soft Skills - Motivational/ Leadership/ Supervisory</b>	Development of leadership skills and personal effectiveness of our staff to better manage the complex and diverse people management challenges.
<b>Statistical – Design of Experiment, Statistical Process Control, Statistical Method etc</b>	Performing statistical techniques and analysis to promote engineering excellence in process and product development for engineering staff.
<b>Team Building</b>	To reinforce the strong teamwork culture, relationship building, and to build a positive work environment.
<b>IT Courses - Network Security, Programming</b>	Continuous enhancement of IT security platforms and systems.
<b>Specific Requirements (e.g., RBA / TS16949 / ISO14001 / ISO45001 / SST / X-Ray etc.)</b>	Catering to the needs of customers, regulatory agency/government and international standards.

## SUSTAINABILITY REPORT

Overall, we managed to clock a total of 117,624 training hours, breakdown as follows.

Training Hours (FY2020) Unisem Ipoh and Unisem Chengdu	
<b>Average training hour per employee – by employee category</b>	
Senior Management and Management	3.77
Executives	15.81
Non-Executives	16.82
Operators	24.56
<b>Average training hour per employee – by gender</b>	
Male	23.62
Female	18.79
<b>Total training hours</b>	117,624
<b>Total man-hours worked</b>	13,949,589

### New Hire and Retention

Apart from developing our human capital, it is also important to attract and retain talents to enable a sustainable and long-term contribution to the Group. The new hire rates and turnover rates of the Unisem Ipoh and Unisem Chengdu, respectively, are presented as follows.

	< 30 years old	30 - 50 years old	> 50 years old	Male	Female	Total
<b>New Hire Headcount (New Hire Rate)*</b>						
<b>Unisem Ipoh</b>	244 (7.0%)	38 (1.1%)	0 (0.0%)	54 (1.6%)	228 (6.6%)	282 (8.1%)
<b>Unisem Chengdu</b>	994 (45.1%)	217 (9.8%)	1 (0.0%)	820 (37.2%)	392 (17.8%)	1,212 (55.0%)
<b>Turnover Headcount (Turnover Rate)*</b>						
<b>Unisem Ipoh</b>	545 (15.7%)	237 (6.8%)	37 (1.1%)	96 (2.8%)	723 (20.8%)	819 (23.6%)
<b>Unisem Chengdu</b>	898 (40.7%)	229 (10.4%)	2 (0.1%)	754 (34.2%)	375 (17.0%)	1,129 (51.2%)

Note: \* New Hire Rate and Turnover Rate are calculated using total number of employees at the respective sites as at the end of the financial year as denominators.

The high number of hiring are mainly to backfill vacated positions arising from the high turnover of operators at production level, which is a common phenomenon in the industry. At Unisem Chengdu, we observe a higher turnover rate – a common trend across all China industrial sites and in the semiconductor industry in China.

Due to the cultural and country differences our target turnover rate is set differently for Unisem Ipoh and Unisem Chengdu. For FY2020, we maintained Unisem Ipoh's turnover within target while achieving improvement in our Unisem Chengdu turnover rate despite missing our target. In order to address Unisem Chengdu's high turnover rate, the site has undertaken actions to review and align its compensation and benefit to ensure they are competitive with respect to local offerings.

KPI		Annual turnover rates		
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance		FY2018	FY2019	FY2020
	Unisem Ipoh	21.9%	20.6%	23.6%
	Unisem Chengdu	58.9%	57.9%	51.2%

## LABOUR RIGHTS

Our commitments to upholding and respecting human rights are incorporated into the COE and Group CSR Policy. Labour rights are amongst the key focus areas safeguarded across all Unisem's operating sites. The following diagram stipulates the labour standards adopted by Unisem Group.

### 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.

### 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.

### 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).

### HUMANE TREATMENT AND NON-DISCRIMINATION

Unisem does not engage in discrimination based on race, colour, 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. Unisem treats all people equally.

### 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.

**WE CARE  
WE CAN**

### 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.

### 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.

## SUSTAINABILITY REPORT

The Labour Working Committee at each operating site conducts risk assessment and review at least once a year to identify actual and potential risks related to labour and human rights issues including their supply chain and all significant investment agreements and contracts (including significant business arrangements for the sourcing of key materials or human resources).

Training on humane treatment and labour standards are provided to employees under operations and HR recruitment staff.

	FY2018	FY2019	FY2020
Total hours trained on labour standards and human rights issues	3,115	3,055	2,599
Percentage of employees trained on labour standards and human rights issues	100%	100%	100%

In line with RBA SAQ and VAP, compliance checks or audits are also conducted regularly by our Unisem's RBA Auditors to ensure compliance with labour and human rights standards. Likewise, we have also established due diligence process to screen new suppliers for issues relating to labour standards and human rights using RBA SAQ tools.

Based on the results of our most recent audits, operations at Unisem Group 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.

Stakeholders internal and external to the Group can report violations and breaches of labour standards or human rights standards via the Group's Ethics Hotline or via the WBEC Policy. Whistle blowers are protected under our policy and are assured of non-retaliation by Unisem Group for reporting in good faith.

We are pleased to report that there have been no incidences of human rights violations or violations of labour standards noted within the Group for the financial year under review.

### LOCAL COMMUNITIES

As a responsible corporation, we acknowledge the difference and impact we can have on the local communities in creating shared values and our obligations to reduce any negative impacts.

Our local community engagement framework is represented by three objectives:

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 wellbeing of the community in general and the wellbeing of our employees living in the community.

The Group's operations in Unisem Ipoh and Unisem Chengdu are located in local industrial parks with residential areas surrounding our operating facilities. At both sites, we practise open communication and regular engagements with local communities through established grievance channels, designated personnel as contact point, and volunteering programmes.

## Supporting Local and National Economic Development

### Local Hiring

The provision of career and employment opportunities to locals is one of the more direct approaches where businesses can support the development of the local community and local economy. Local employment mutually benefits us and the local community. In Perak, Malaysia, Unisem is one of the largest private sector employers.

Proportion (%) of local* hires amongst employees		
	Senior Management	Non-Senior Management
Unisem Ipoh	63%	57%
Unisem Chengdu	54%	81%

Note: \* in relation to local employment, local means the Perak State for Unisem Ipoh and the Chengdu province for Unisem Chengdu

### Youth development

One of the key concepts of sustainability involves building the next generation and enabling them to meet their own needs. In relation to community development, this includes providing youths with learning opportunities and equipping them with skills and experience.

In addition to permanent hires, we invest in the development of the youths through training programmes at Unisem. Unisem Ipoh offers regular trainee programmes for industrial trainees from various local universities and polytechnic institutions we partner with. We enrol trainees for a period of between 3 months to 12 months and provide them with the opportunity to work in various departments in our Unisem Ipoh operations, such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources. These trainee programmes enable trainees to gain hands-on experience in relation to their tertiary education and to have a better idea of their potential career prospects. On the other hand, we are also able to identify potential candidates to assimilate into our Group.

In 2020, Unisem Ipoh provided opportunities to a total of 46 students from various local polytechnics and universities in Malaysia as trainees, of which 35 are pursuing Engineering Studies and 9 are from Non-Engineering backgrounds. 7 students have received permanent placements with Unisem.

### **Noise Monitoring**

Boundary noise levels of our operating facilities in Unisem Ipoh and Unisem Chengdu are regulated by local laws and regulations. In addition, as residentials were established in the vicinity of our operations in Unisem Ipoh\*, the noise coming from our plants may cause discomfort to the local community and needs to be managed and controlled within the permissible limits.

Note: \* According to the Guidelines for Siting and Zoning of Industry and Residential Areas (2012) issued by the Department of Environment, semiconductor industries are permitted to operate within a primary and overall buffer of 80 meters and 100 meters respectively. In the case of Unisem Ipoh, the existing primary buffer is 40 meters as residential areas were developed approximately 17 years after the commencement of our business activities in 1992.

## SUSTAINABILITY REPORT

We have established Boundary Noise monitoring and mitigating measures to ensure the noise impact from our operations does not exceed the applicable and permitted noise levels set by the relevant authorities.

The boundary noise levels of our operating sites are maintained below the thresholds permitted by the regulations and guidelines set by the local authorities. Our performance against the regulated limits is illustrated below.

Boundary Noise Level	Regulated limit	Day			Regulated limit	Night		
		2018 Average	2019 Average	2020 Average		2018 Average	2019 Average	2020 Average
Unisem Ipoh	<b>70</b>	60	60	60	<b>60</b>	58	58	56
Unisem Chengdu	<b>65</b>	52	51	60	<b>55</b>	49	49	52

### Community and Social Contribution

Unisem Group's community and social contribution programmes are reviewed annually to ensure that the distribution of our corporate contributions effectively address the changing needs of the community and society. Generally, we encourage the support of the communities underserved such as orphans, the elderly who are uncared for, and those with special needs, as well as programmes promoting the causes of education, and safety and health, civic activities, and sports and recreation. Decisions for community and social contributions also consider the outcome arising from our engagements with municipal bodies and local communities.

Our CSR culture encourages our employees to volunteer and contribute in the form of service as we trust that volunteerism brings community and society closer. That said, due to the COVID-19 outbreak in FY2020, programmes involving volunteering and employee participation were limited to safeguard the safety and health of both our employees and the community. We made contributions in money donations, daily necessities, food, masks, and hand sanitisers to the COVID-19 front-liners and the under privileged communities.

Unisem Ipoh donated RM42,056 this year to the local schools, children and special needs homes, the local fire and rescue association, local unions and supported uplifting events that are aligned with our "We Care, We Can" spirit.



## ENVIRONMENT

In Unisem, our commitment to minimise impact on the environment is integrated into our culture, business decisions, and business processes as well as our CSR Policy.

The management of the Group's environmental issues is guided by our Environmental Policy. Our management of environmental matters considers risk assessment which takes into account both actual and potential risks.

Our environmental management systems are in line with ISO14001 and the RBA Code of Conduct. All our operating sites are fully certified with ISO 14001:2015 and are regularly assessed or audited via independent audits.

The Environmental Working Committees at Unisem Ipoh and Unisem Chengdu are responsible for overseeing the environmental management and performance of their respective sites. They are responsible for the maintenance and compliance with applicable environmental laws, regulations, and commitments made by Unisem. The performance outcomes are reviewed annually by the SWCs and reported to the Board through the SC.

### **Environmental Management**

The Group's 5-year roadmap below outlines five key broad-brush initiatives for the respective sites. Our management policy is to show exemplary environmental responsibilities by conducting our business in a manner consistent with sound environmental practices. Going forward these initiatives will continue to expand and new projects/programs will be identified. The main objectives of the roadmap are:

1. Enhancement of awareness and education of stakeholders on environmental compliance;
2. Identification of continuous improvement projects in the reduction of industrial waste and water management;
3. Climate change - reduce greenhouse gas emission (scope 2 emission); and
4. Compliance with environmental regulatory and international standards.

## SUSTAINABILITY REPORT

Unisem Environmental Roadmap (5-year Plan)						
Initiatives	Programs	2018	2019	2020	2021	2022
Climate Change		LED Lighting Conversion Target: cumulative 50% conversion (area)	LED Lighting Conversion Target: cumulative 70% conversion (area)	LED Lighting Conversion. Target: cumulative 80% conversion (area)	LED Lighting Conversion Target: cumulative 90% conversion (area)	LED Lighting Conversion Target: cumulative 100% conversion (area)
		Retro-commission of HVAC (Heating, Ventilation and Air Conditioning) system	Installation of Heat Recovery System - Boiler	Installation of Heat Recovery System – Air Compressor	N/A	N/A
	Energy saving program (Scope 2 emission)	N/A	Dryer transformation project	Dryer transformation project	N/A	N/A
		Vacuum System Improvement in Leadless Dept	Vacuum System Improvement in Leaded Dept	N/A	N/A	N/A
		N/A	Installation of UPPC System controller	Installation of UPPC System controller	Installation of UPPC System controller	Installation of UPPC System controller
		Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline
	Air Emission	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard
Water Management	3 R Programs - Reuse, Reduce & Recycle	N/A	N/A	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System

Unisem Environmental Roadmap (5-year Plan)						
Initiatives	Programs	2018	2019	2020	2021	2022
Industrial Waste Reduction	3 R Programs - Reuse, Reduce & Recycle	Hazardous Waste recycling 50%	Hazardous Waste reduction 50%	Hazardous Waste reduction 50%	Hazardous Waste reduction 51%	Hazardous Waste reduction 52%
		Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 52%	Non-Hazardous Waste recycling 55%
	Effluent Waste Management	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard
Education / Development Awareness	Certification in environmental related competencies	Competent Personnel - Scrubber, Schedule Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant
	Heighten Awareness of employees & stakeholders on Environmental Matters & Management	ISO14001 awareness and legal compliance register	ISO14001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register	ISO14001 & ISO45001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register
		Internal RBA auditors training	N/A	Internal RBA auditors training	N/A	Internal RBA auditors training
		EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement

## SUSTAINABILITY REPORT

Unisem Environmental Roadmap (5 year Plan)						
Initiatives	Programs	2018	2019	2020	2021	2022
Compliance with Standards / Product Stewardship	Compliance and Declaration on Green requirements (e.g.: RoHS, REACH and other customer requirements) and continuous improvement in order to promote environmentally friendly products	ISO14001 Certification	ISO14001 Certification	ISO14001 & ISO45001 Certification	ISO14001 & ISO45001 Certification	ISO14001 & ISO45001 Certification
		Sony Green Partner	Sony Green Partner	Sony Green Partner	Sony Green Partner	Sony Green Partner
		RBA Compliance	RBA Compliance	RBA Compliance	RBA Compliance	RBA Compliance
		Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR

Compliance to the standards of the RBA Code of Conduct and the Unisem Group's Environmental Policy is required for all Unisem employees, its operations, activities, and supply chain. Any violations or breaches to the Group's environmental standards can be reported via the Group's Ethics Hotline or via the WBEC Policy.

During the financial year under review, the Group has not identified any non-compliance with environmental laws or regulations.

### ENERGY MANAGEMENT AND GHG EMISSION

Efficient use of energy, particularly electricity, is one of the key areas the Unisem Group is constantly monitoring as the Group's energy sources are derived mainly from purchased electricity. Annual electricity cost generally contributes to 5% – 10% of the Group's overall operating costs. The Group's Scope 1 and Scope 2 greenhouse gas ("GHG") emissions are also mainly derived from our energy consumption.

Inefficient energy use means higher and unnecessary emission of GHG which in turn will impact negatively on climate change. The Group is committed to promoting energy savings and will continuously explore cost-effective methods to improve energy efficiency and to optimise energy consumption and minimise GHG emissions.

Currently, our energy and GHG emissions reporting scope covers energy consumption within the organisation and our Direct (Scope 1 and Scope 2) GHG emissions. While we will continue to work on obtaining reliable information on energy consumption outside the organisation and our Indirect (Scope 3) GHG emissions, our currently reported performance on energy and GHG emission performance represents Unisem Group's overall energy consumption and Direct (Scope 1 and Scope 2) GHG emissions.

## Energy Consumption

In Unisem Group, energy consumption generally comprises the following:

- **Fuel** – fleet fuel (e.g., diesel and petrol used in forklifts and company cars) and natural gas used in boilers and generator sets;
- **Purchased electricity** – the main source of energy in Unisem Group. Purchased electricity comprises more than 96% of the Group's energy consumption and GHG emissions.

The Group does not sell any electricity, heating, cooling or steam.

Electricity supply in Malaysia and Chengdu are mainly fuelled by fossil fuels such as natural gas and coal.

Annual energy consumption*	FY 2018 (GJ)	FY 2019 (GJ)	FY 2020 (GJ)
<b>Energy source</b>			
<b>Diesel</b>	455	160	78
<b>Petrol</b>	2,506	2,424	1,623
<b>Natural Gas</b>	22,449	27,382	23,684
<b>Purchased Electricity</b>	595,365	626,636	645,149
<b>Total Energy Consumed</b>	620,775	656,602	670,534
<b>Breakdown by operating site:</b>			
<b>Unisem Ipoh</b>	381,173	395,944	393,539
<b>Unisem Chengdu</b>	239,602	260,658	276,995

Note: \* Energy consumption is calculated according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Compared to the previous financial year, due to our expansion programme in both Unisem Ipoh and Unisem Chengdu, our overall energy consumption has increased by 2% during the financial year. Nevertheless, we are able to achieve better energy efficiency as higher energy consumption is converted to higher production levels. See following discussion on **Energy Intensity** in relation to energy efficiency.

## Energy Intensity

In order to assess the energy efficiency of our processes, we monitor the energy intensity, i.e., energy consumption per unit produced (MJ/ unit produced)\*. For the financial year under review, our energy intensity is recorded at 87 MJ/ unit produced. Compared to the previous financial year, the decrease is due to higher sales volume which allows us to achieve efficiency due to economies of scale. For detailed discussion on the Group's business performance, refer to the section on **Sustainability Performance: Managing Our Business – Growing Our Business** of this Report and the **Management Discussion and Analysis** of Unisem's Annual Report.

Energy Intensity (MJ/unit produced*)		
FY 2018	FY 2019	FY 2020
80	92	87

Note:

\*Number of units produced is adjusted based on a standardised adjustment method depending on the types of product – i.e. based on 10,000 units per wafer. Includes all types of energy disclosed in **Energy Consumption**.

## SUSTAINABILITY REPORT

### GHG Emissions

While there is no specific GHG-specific legislation at our areas of operations, the Unisem Group has long incorporated the practice of managing, recording, monitoring, and reporting our GHG emissions, alongside our effort to pursue energy efficiency and reduction.

Since 2017, the Group performed comprehensive reviews and enhancement to its GHG emission data collection to enable more structured emissions management. Our measurement of GHG Emissions is measured based on the GHG Protocol and its tools, including the Global Warming Potential (“GWP”) values from 2014 IPCC Fifth Assessment Report.

Direct (Scope 1) GHG emission comprises emissions arising from our fuel consumption while Indirect (Scope 2) GHG emission is derived primarily from our purchased electricity. See previous sections on **Energy Consumption and Energy Intensity** on how we use and manage energy. Our Scope 1 and Scope 2 GHG emissions, including CO<sub>2</sub> and N<sub>2</sub>O amongst others, by Unisem Ipoh and Unisem Chengdu for the financial year under review are reported as follows. The 3% increase in total Direct and Indirect (Scope 1 and Scope 2) GHG emissions recorded in FY2020 is due to the expansion and higher production activities. This increase correlates with the increase in energy consumption.

	('000 tCO <sub>2</sub> e)	FY 2018	FY 2019	FY 2020
<b>Direct (Scope 1) GHG emissions</b>				
Unisem Ipoh		0.1	0.1	0.1
Unisem Chengdu		1.3	1.6	2.0
<b>Total Direct (Scope 1) GHG emissions</b>		<b>1.4</b>	<b>1.7</b>	<b>2.1</b>
<b>Indirect (Scope 2) GHG emissions</b>				
Unisem Ipoh		70.7	73.5	73.2
Unisem Chengdu		44.1	47.4	51.5
<b>Total Indirect (Scope 2) GHG emissions</b>		<b>114.8</b>	<b>120.9</b>	<b>124.7</b>
<b>Direct and Indirect (Scope 1 and Scope 2) GHG emissions</b>				
Unisem Ipoh		70.8	73.6	73.3
Unisem Chengdu		45.4	49.0	53.5
<b>Total Direct and Indirect (Scope 1 and Scope 2) GHG emissions</b>		<b>116.2</b>	<b>122.6</b>	<b>126.8</b>

## GHG Intensity

We measure our emission management performance through monitoring our GHG emission intensity, i.e., tCO<sub>2</sub>e/ unit produced\*. Using FY 2011\*\* as a baseline, we have set a target to achieve 10% reduction in GHG emission intensity to measure our plan to enhance the efficiency of operations in terms of GHG produced for each unit produced. GHG intensity is monitored at least on an annual basis.

Note:

\*Number of units produced is adjusted based on a standardised adjustment method depending on the types of product – i.e. based on 10,000 units per wafer. Includes Direct and Indirect (Scope 1 and Scope 2) GHG emissions and gases.

\*\* Unisem started collecting and monitoring GHG data in 2011.

GHG Emission Intensity (tCO <sub>2</sub> e/ unit produced*)			
FY2011 (Baseline)	FY 2018	FY 2019	FY 2020
0.016	0.015	0.017	0.016

KPI	Reduction of GHG emission intensity		
	To achieve 10% reduction in GHG emissions intensity (Baseline: FY 2011)		
Target			
Performance	FY2018 Reduced 10%	FY2019 Increased 4%	FY2020 Reduced 1%

For the financial year under review, our GHG emission intensity was recorded at 0.016 tCO<sub>2</sub>e/ unit produced and we achieved a reduction of 1% using FY 2011 as a baseline. For the reporting year, we were unsuccessful in achieving our GHG emissions intensity target. This was due to the increase in energy consumption with the expansion of Phase 2 manufacturing facility and optimisation of office into production floor space to expand capacity for additional businesses in Chengdu and Ipoh respectively.

## Energy and GHG Emission Management Initiatives

Since we started reporting on energy consumption in 2011, we have taken several measures to reduce energy consumption. Amongst our noteworthy projects include the installation of heat recovery system for Unisem Chengdu to reduce natural gas consumption which was completed in 2015 and our initiative to convert all diesel forklifts to electric forklifts in Unisem Ipoh which was completed in 2019.

Our most recent initiative is our project to study the installation of energy optimisation control system for our plant chillers and compressors across Unisem Ipoh and Unisem Chengdu which aims to calibrate their power use with load. The project is estimated to reduce 40% of energy consumption in the chillers and compressors when implemented.

Our energy initiatives and investments throughout the past years continue to pay off in reducing cost, energy use and emissions. The performance of these initiatives and investments for FY2020 is mapped against the Group's 5-year Environmental Roadmap is reported as follows.

## SUSTAINABILITY REPORT

Initiative	Description	2020 Target	Progress as of 31 December 2020	Reduction Achieved in FY2020
<b>LED Lighting Conversion</b>	Conventional lighting is progressively converted to a more energy-efficient alternative i.e. LED lighting.	80% conversion (area)	Completed 80% conversion	Electricity: 797,020 kwh GHG Emission: 535.09CO <sub>2</sub>
<b>Retro-commission of HVAC (Heating, Ventilation and Air Conditioning) system</b>	The heat recovery system allows for heating demand to be reduced.	Installation of Heat Recovery System – Air Compressor	Completed	Electricity: 460,080 kwh Natural Gas: 96,960 m <sup>3</sup> GHG Emission: 308.88CO <sub>2</sub> Water: 9,331 ton
<b>Dryer transformation project</b>	Cooler will be installed/ upgraded in compressed air dryer to reduce the temperature of the CDA in order to reduce the consumption of air for the dryer.	Completion in 2021	In progress and projected to complete in 2021	Electricity: 1,250,000 kwh GHG Emission: 839.204CO <sub>2</sub>
<b>Installation of Ultra Performance Plant Controller (“UPPC”) system i.e. P1 UPPC and P2 UPPC</b>	The control system allows the optimisation of energy use in plant chillers.	Completion in 2022	In progress and projected to complete in 2022	Electricity: 1,073,466 kwh GHG Emission: 720.686CO <sub>2</sub>
<b>Conversion to Electrical Forklifts*</b>	Conversion of all diesel-powered forklifts to electricity-powered.	Not applicable	Completed in 2019	Diesel: 900 Litre GHG Emission: 2.417CO <sub>2</sub>
<b>Hot Water Pipe Exchanger Transformation Project*</b>	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.	Completion 2021	In progress and projected to complete in 2021	Electricity: 228,600 kwh GHG Emission: 153.474CO <sub>2</sub>

Note: \* Initiatives undertaken on top of the 5-year Environmental Roadmap

### Energy Consumption Outside the Group and Other Indirect (Scope 3) Emissions

Energy consumption outside of the organisation and Other Indirect (Scope 3) GHG emissions include those which are not consumed/ produced as part of the Group's operations and may occur in the upstream and downstream of the operations, such as in relation to the travelling and commuting of employees and outsourced logistics.

We are currently focusing our resources on managing our energy consumption and Direct and Indirect (Scope 1 and Scope 2) GHG Emissions within the Group while taking into consideration and obtaining a better understanding of the extent of energy consumption outside the Group and Other Indirect (Scope 3) GHG Emissions in our activities. We will consider reporting on energy consumption external to the Group and Other Indirect (Scope 3) GHG Emissions when we are able to perform reliable and accurate data collection.

At Unisem, we consciously practise reduction of energy and carbon footprint in the way we do business, as practicable as possible. For example, we try to avoid all non-essential air or ground travel. On the other hand, our supply chain management is guided by the RBA Code of Conduct which continues to raise awareness on sustainable business management within our supply chain.

### Other Air Emissions

We strictly monitor, control, and treat emissions produced in our operations prior to discharge in our effort to minimise our impact on the environment, on top of ensuring compliance with the applicable country laws and regulations. Our emission management practices are also aligned with the environmental standards of the RBA Code of Conduct which specifically addresses emissions including volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations.

KPI & Target	Compliance with air emission laws and regulations		
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

We have scrubbers and carbon absorption treatment systems installed in our operations to treat and monitor emission-quality before they are being released into the atmosphere. We also have a regular maintenance schedule of our facilities and treatment systems to ensure they remain effective. The Environmental Working Committees of the operating sites are responsible for overseeing the performance of these facilities and systems. In addition, air quality is also subject to annual independent review and verification by a third-party contractor.

## SUSTAINABILITY REPORT

The air quality of both of our operating sites, based on data required by applicable local environmental regulation and measured at the points of discharge, are presented in the following table.

Types of air pollutant	Unit	Local Regulations and/or Standards	FY 2018	FY 2019	FY 2020
<b>Unisem Ipoh (based on Malaysian laws, regulations, and guidelines)</b>					
Nitric acid	mg/m <sup>3</sup>	30	1.53	1.25	1.49
Sulphuric acid	mg/m <sup>3</sup>	5	1.48	1.19	0
Lead	mg/m <sup>3</sup>	1	Insignificant	Insignificant	Insignificant
Hydrochloric acid	mg/m <sup>3</sup>	5	0.83	0.60	0
Hydrofluoric acid	mg/m <sup>3</sup>	5	0.71	1.01	0
Hydrogen sulphide	mg/m <sup>3</sup>	1	Insignificant	Insignificant	Insignificant
Chlorine	mg/m <sup>3</sup>	5	Insignificant	Insignificant	Insignificant
Oxides of nitrogen	mg/m <sup>3</sup>	30	-	-	0
Sulphur dioxide	mg/m <sup>3</sup>	30	Insignificant	Insignificant	Insignificant
Solid particles	mg/m <sup>3</sup>	5	0.18	0.05	2.75
Particulate Matter	mg/m <sup>3</sup>	150	-	-	16.2
<b>Unisem Chengdu (based on Chinese laws, regulations, and guidelines)</b>					
Volatile Organic Compounds (VOCs)	mg/m <sup>3</sup>	60	3.4	4.5	2.6
Sulphur oxides (SO <sub>x</sub> )	mg/m <sup>3</sup>	45	12.6	1.7	3.7
Sulphur dioxide (SO <sub>2</sub> )	mg/m <sup>3</sup>	50	0.7	11.2	11.2
Nitrous oxides (NO <sub>x</sub> )	mg/m <sup>3</sup>	150	83.0	59.8	45.3
Hydrogen fluoride (HF)	mg/m <sup>3</sup>	9	3.3	0.2	0.4

Note: Unisem Ipoh does not emit NO<sub>x</sub> or Volatile Organic Compounds in its operations while Unisem Chengdu does not emit particulate matters.

## EFFLUENTS AND WASTE MANAGEMENT

Waste and effluents generated from our operations are broadly categorised as follows:

<b>Hazardous waste</b>	<p>Hazardous waste generated from our operations are primarily electrical and electronic waste (“E-waste”), spent solvents, spent cleaning solutions, sludges from wastewater treatment plant, and spent cyanide solutions.</p> <p>A significant portion of the Group’s hazardous waste is e-waste – also known as waste electrical and electronic equipment (“WEEE”), is one of the fastest-growing waste streams in modern society. E-waste of the Group primarily comprises defective wafers, ICs, frames, and waste gold wires.</p>
<b>Non-hazardous waste</b>	<p>Non-hazardous waste generated from our operations includes domestic trash, such as paper, plastic, cardboard boxes, etc.</p>
<b>Effluents</b>	<p>Water is used for various purposes including cleaning and cooling during in operating processes, e.g., cutting, sawing, and plating.</p>

### Hazardous and Non-Hazardous Waste

The handling and management of hazardous waste is a key focus in waste management due to its negative impact on the environment and safety and health of our workplace and our communities. Furthermore, stringent requirements are imposed by local laws and regulations to regulate the management of hazardous waste.

We have established strict policies and processes for proper and safe handling, management, and disposal of hazardous waste including e-waste. These policies and processes, at minimum, comply with local environmental laws and regulations. They include measures to ensure appropriate and secured storage and handling and disposal to be performed by stringently assessed and selected licenced waste contractors.

A few types of non-hazardous waste generated from our operations are recoverable or recyclable. Our non-hazardous waste is also handled and disposed by licenced waste contractors.

When selecting waste contractors, we consider their ability to perform high rates of recovery or recycling, particularly in relation to e-waste. At Unisem, where appropriate, we practise active sorting and separation of these waste types to facilitate a higher level of recoverability and recyclability.

In addition to complying with regulatory requirements, our Facility Department measures and monitors the types of waste and the amount generated at each operating site on daily basis or as and when required. Records are kept on waste type, amount, and how the collected waste is managed, i.e., how much is recycled, sold for reuse, or disposed.

To further make use of the data collected, we also analyse information collected to manage or reduce our waste generated in view of minimising waste generation as well as cost management. During the past 2 years, we have invested in enhancing our data collection and reporting process by standardising our waste classification across Unisem Ipoh and Unisem Chengdu. As a result, we are able to gather more accurate information for reporting and to facilitate better waste management strategies.

Our sites undergo regular audits by regulators in ensuring our waste management measures are in compliance with the laws and regulations. On the other hand, we also perform regular audits on our waste contractors to ensure they comply with local laws and regulations especially those concerning environmental and health and safety.

## SUSTAINABILITY REPORT

### Hazardous Waste Recycling

Our target to recycle 50% of our hazardous waste generated hinges largely on the recycling of e-waste which is handled offsite through our licenced waste contractor.

KPI	Recycling rate of hazardous waste generated*		
	To achieve 50% recycling rate of total hazardous waste generated		
Target			
Performance	FY2018 50%	FY2019 49%	FY2020 40%

Note: \* For the purpose of this KPI, waste reused is also considered as recycled.

In 2020, we achieved a 40% recycling rate for hazardous waste generated by the Group and this is mainly contributed by the recycling of our e-waste. The shortfall against the target of 50% was attributable to the increased chemical consumption arising from qualification activities carried out in the new wafer bumping line.

### E-waste Recovery

E-waste poses both a challenge and an opportunity to us – the handling of e-waste is costly and hazardous, but appropriately recovering valuable materials such as aluminium, gold, silver, and copper helps to enhance market supply as well as facilitating ethical and sustainable disposal, contributing towards the global goals such as **SDG 12 for Responsible Consumption and Production**.

E-waste comprises approximately 51% and 28% of the hazardous waste generated at Unisem Ipoh and Unisem Chengdu, respectively. The movement in e-waste generated is primarily in tandem with the overall production activity in each site.

For each batch of e-waste collected and processed, our licenced contractor will submit a formal report on their actual recovery rate. The reported average recovery rate for e-waste for FY2020 is 79% and 93% for Unisem Ipoh and Unisem Chengdu respectively. The drop in the recovery rate for both sites is mainly due to the package mix.

	Percentage of e-waste recovered		
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	81.3	81.3	78.7
Unisem Chengdu	98.8	98.9	92.5

### Non-Hazardous Waste Recovery

The recovery of non-hazardous waste generated by the Group is mainly handled and managed offsite by our waste contractors who reports on the actual recovery rate for every batch of waste handled. The main materials recovered are paper, cardboard, and plastic which are recycled as new form of raw materials.

For FY2020, we recovered 60% of our non-hazardous waste generated through our waste contractors compared with 51% recovery rate in FY2019.

The breakdown of our waste generated from operations for the financial year under review, including the amount diverted from disposal and directed to disposal, is reported as follows.

	Waste Generated (MT*)			Waste Diverted from Disposal	Waste Directed to Disposal
	FY 2018	FY 2019	FY 2020	FY 2020	FY 2020
<b>Unisem Ipoh</b>					
<b>Hazardous waste</b>					
E-waste	151	139	119	94	25
Other hazardous waste	112	94	116	2	114
<b>Total hazardous waste</b>	<b>263</b>	<b>233</b>	<b>235</b>	<b>95</b>	<b>140</b>
<b>Non-hazardous waste</b>					
<b>Total non-hazardous waste</b>	<b>621</b>	<b>695</b>	<b>632</b>	<b>284</b>	<b>348</b>
<b>Total waste generated</b>	<b>884</b>	<b>928</b>	<b>867</b>	<b>379</b>	<b>488</b>
<b>Unisem Chengdu</b>					
<b>Hazardous waste</b>					
E-waste	42	40	45	42	3
Other hazardous waste	76	75	113	21	92
<b>Total hazardous waste</b>	<b>118</b>	<b>115</b>	<b>158</b>	<b>63</b>	<b>95</b>
<b>Non-hazardous waste</b>					
<b>Total non-hazardous waste</b>	<b>257</b>	<b>364</b>	<b>575</b>	<b>434</b>	<b>141</b>
<b>Total waste generated</b>	<b>375</b>	<b>479</b>	<b>733</b>	<b>497</b>	<b>236</b>
<b>Unisem Ipoh and Unisem Chengdu</b>					
<b>Total hazardous waste</b>	<b>381</b>	<b>348</b>	<b>393</b>	<b>158</b>	<b>235</b>
<b>Total non-hazardous waste</b>	<b>878</b>	<b>1,059</b>	<b>1,207</b>	<b>718</b>	<b>489</b>
<b>Total waste generated</b>	<b>1,259</b>	<b>1,407</b>	<b>1,600</b>	<b>876</b>	<b>724</b>

Note: \* 1 MT = 1,000 kg

## SUSTAINABILITY REPORT

FY2020				
Unisem Ipoh and Unisem Chengdu	Diverted from Disposal (MT)*		Directed to Disposal (MT)**	
<b>Hazardous waste</b>	Preparation for reuse	18	Incineration	30
	Recycling	140	Landfilling	202
	Other recovery options	0	Other disposal operations (chemical treatment)	3
	<b>Total</b>	<b>158</b>	<b>Total</b>	<b>235</b>
<b>Non-hazardous waste</b>	Preparation for reuse	91	Incineration	57
	Recycling	627	Landfilling	432
	Other recovery options	0	Other disposal operations	0
	<b>Total</b>	<b>718</b>	<b>Total</b>	<b>489</b>
<b>Total</b>	<b>876</b>		<b>724</b>	

Note:

\* All waste diverted from disposal are handled and managed by vendors offsite

\*\* All waste is disposed by vendors offsite

### Other Waste Reduction and Management Initiatives

Apart from managing our waste properly, we have also embarked on a programme to use lesser resources and materials in our operations. We reviewed our operations and had come up with revised packaging and storage practices to reduce the use of shipping tubes, canister cans, and wafer carriers or containers. Since the implementation of this initiative more than five years ago, we have noted significant reduction in the use of these materials, benefiting us in the form of significant cost savings and less waste generated.

In FY2019, we launched a programme in collaboration with our vendors to encourage the use of reusable plastic reels instead of paper reels. This initiative further helped us avoid the disposal of approximately 20,802 units of paper reels in FY2020.

In addition, we often promote awareness amongst our employees for responsible waste management in our daily lives as well as in our day-to-day business management and our workplace – such as minimizing wastages by raising consciousness on avoiding unnecessary waste, and encouraging the use of recycle bins and how to use them.

## Effluents management

Generally, wastewater generated from the Group's operations contains chemicals, metals, and organic and inorganic compounds which are harmful to the environment and has a potential to disrupt the ecosystem of the water bodies into which it is discharged without treatment. Components in the wastewater may include heavy metals and toxic solvents such as lead and copper, hydrogen peroxide, hydrofluoric acid, ammonia concentrations, and other water pollutants.

Both of the Group's operating sites, i.e., Unisem Ipoh and Unisem Chengdu, are governed by local environmental laws and regulations, i.e., Standard B under Environmental Quality Act (Industrial Effluents) Regulations 2009 of Malaysia and the Integrated Wastewater Discharge Standard (GB8978-1996) of China. We have on-site treatment plants at all our operating sites to ensure wastewater is treated before it is being discharged. In Unisem Ipoh, treated effluent is discharged into the municipal drainage which is directed to the municipal water treatment plant. In Unisem Chengdu, treated effluent is discharged into the water treatment plant of the Industrial Park in which we operate.

Our wastewater treatment facilities are managed and regularly maintained by trained and qualified employees/engineers. Effluent quality is monitored at least daily by our Facility Department as well as periodic independent monitoring and checks by external accredited laboratories or government-appointed third parties. In both operations, we monitor more than 20 indicators in assessing effluent quality, in alignment with relevant laws and regulations. These indicators include, but are not limited to, acidity level, biological oxygen demand ("BOD") and chemical oxygen demand ("COD"), total suspended solids,  $\text{Cu}^{2+}$  concentration,  $\text{Ni}^{2+}$  concentration, and ammonia concentration.

In FY 2020, we continue to remain compliant with the locally applicable laws and requirements relating to effluent management and discharge.

KPI & Target	Compliance with effluents and wastewater discharge regulations:		
	<ul style="list-style-type: none"> <li>Standard B under EQA (Industrial Effluents) Regulation 2009</li> <li>Integrated Wastewater Discharge Standard (GB8978-1996)</li> </ul>		
Unisem Ipoh	FY 2018	FY 2019	FY 2020
	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

The amount of effluent discharged is further disclosed together with water withdrawal and water consumption in the **Sustainability Performance: Environment – Water Consumption**.

## WATER CONSUMPTION

Semiconductor assembly and test is a water-intensive process. It is crucial for our operations to have consistent and stable water supply. Water is mainly used for cleaning and cooling in our operations. All our wet-processing processes require the use of purified water, also known as Ultra-Pure Water ("UPW"), which we produce ourselves using water withdrawn. Water is also required in other processes of our operations such as cooling and cleaning and for domestic use.

We do not operate in water stress areas. In both operating sites, municipal water is the primary source of water, accounting for almost all water withdrawal of our operations during the financial year under review, as well as in the past. To ensure that our water withdrawal does not put the municipal water supply at stress, we maintain close engagement with the relevant municipal governments to make sure our withdrawal limits are within the permissible range and to hear from them if there are any concerns regarding water-related impacts in the areas we have operations in.

## SUSTAINABILITY REPORT

We also process a large portion of water withdrawn before utilising them in our processes, e.g., to produce process chilled water (“PCW”) and deionised water (“DI Water”). A huge volume of water, sometimes with a mixture of chemicals, is used for cleaning and rinsing during the production process, producing wastewater that is contaminated with heavy metals and toxic solvent. This wastewater is directed to our wastewater treatment plants for treatment before discharging. Further details on wastewater treatment are disclosed in the previous section of this Report – **Sustainability Performance: Environmental – Effluents and Waste Management**. On the other hand, water is also used in our cooling systems.

The Group’s water withdrawal, water discharge, and water consumption for the financial year under review are summarised as follows.

		FY 2018	FY 2019	FY 2020
Unisem Ipoh	<b>Water Withdrawal by source (million m<sup>3</sup>)</b>			
	*^Third-party water: Municipal water	1,803	1,840	1,819
	<b>Water Discharge by destination (million m<sup>3</sup>)</b>			
	^Third-party water: Municipal drainage	837	699	726
	<b>Water Consumption (million m<sup>3</sup>)</b>	966	1,141	1,093
Unisem Chengdu	<b>Water Withdrawal by source (million m<sup>3</sup>)</b>			
	^^Third-party water: Municipal water	1,078	1,176	1,243
	<b>Water Discharge by destination (million m<sup>3</sup>)</b>			
	^^Third-party water: Industrial treatment plant	906	990	821
	<b>Water Consumption (million m<sup>3</sup>)</b>	172	187	422
Unisem Ipoh and Unisem Chengdu	<b>Water Withdrawal by source (million m<sup>3</sup>)</b>			
	Third-party	2,881	3,016	3,062
	<b>Water Discharge by destination (million m<sup>3</sup>)</b>			
	Third-party	1,743	1,689	1,547
	<b>Water Consumption (million m<sup>3</sup>)</b>	1,138	1,328	1,515

Note:

\* classification based on GRI 303: Water and Effluents 2018

^ freshwater ( $\leq 1,000$  mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018

^^ other water ( $> 1,000$  mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018

The Group has also assessed its water impact in the areas of its operating sites and has not noted any significant water-related impacts. Nevertheless, the Group continues to undertake initiatives to enhance water efficiency through investments to reuse or recycle water.

## Water Reuse and Recycling Initiatives

As we explore various opportunities to recycle and reuse water across our operating sites, most initiatives require significant investments and therefore, thorough considerations in terms of resource and strategic planning are required before investment plans can be made.

One of our more noteworthy initiatives to reduce water withdrawal is the reuse of lightly contaminated UPW for other industrial purposes and irrigation. Our facilities are equipped with complex rinse water collection systems as well as a dedicated, separate drainage to ensure that the lightly contaminated water is properly collected and reused. In addition, Unisem Chengdu has a reverse osmosis system which processes water for reuse. For the financial year under review, the amount of water recycled over water withdrawn is reported as follows.

Proportion of water recycled over water withdrawn (%)			
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	7%	9%	9%

In addition, our water management as well as other resource management initiatives throughout the past years have helped us achieve the following water reduction during the financial year under review, summarised below.

Initiative	Description	2020 Target	Progress as of 31 December 2020	Reduction Achieved in FY2020
<b>Installation of Heat Recovery System</b>	The heat recovery system allows for heating demand to be reduced.	Not applicable	Completed in 2019	Water: 9,331 ton Electricity: 460,080 kwh Natural Gas: 96,960 m <sup>3</sup>

## PRODUCT STEWARDSHIP

We acknowledge our obligation to our customers, end consumers, and other stakeholders across our value chain on the quality, safety, and ethical production processes of the products we deliver. As demonstrated by our measures and actions disclosed in this Report, we are cognisant of the environmental and social impacts of our operations in product delivery. We also continue to deliver our commitment to ethical practices as an adopted of the RBA Code of Conduct.

## SUSTAINABILITY REPORT

In ensuring our products are safe and ethical, we have to ensure our products are free from hazardous substances listed under the Restriction of Hazardous Substances (RoHS) directive. We also performed assessment on the various life cycle stages of our products to look into the safety and ethical considerations. Furthermore, all of our operations are in compliance with specific regulations and customers' requirements relating to product stewardship. Please refer to the table below:-

Regulations and customer requirements & descriptions	Measures taken by Unisem
<b>Unisem complies to European Union Restriction of Hazardous Substances ("RoHS") Directive, which sets limitations on the use of ten substances, including lead.</b>	<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>
<b>Restriction on the use of hazardous substances, including lead and lead compound.</b>	<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>
<b>ISO14001 and ISO45001</b>	<ul style="list-style-type: none"> <li>• We continue to ensure we are compliant with and maintain the management standards required of ISO14001 and ISO45001</li> </ul>

### CONCLUSION

The global business environment surrounding the industry and the Group has become increasingly challenging in the midst of geopolitical uncertainties, trade conflicts and restrictions, COVID-19 pandemic, etc. That said, the Unisem Group is committed to continue creating sustainable value through ongoing engagement with stakeholders and continuous improvement to its management systems, operations, and people.

## DATA FOR SUSTAINABILITY REPORT

Parental Leave	FY 2018	FY 2019	FY 2020
<b>Total number of employees that were entitled to parental leave - by gender</b>			
Male	1,912	2,002	2,245
Female	2,164	2,264	2,303
<b>Total number of employees that took parental leave - by gender</b>			
Male	146	153	114
Female	174	191	129
<b>Total number of employees that returned to work in the reporting period after parental leave ended - by gender</b>			
Male	146	153	112
Female	148	150	107
<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	154	129	133
Female	147	120	107
<b>Return to work rates of employees that took parental leave - by gender</b>			
Male	100%	100%	98%
Female	85%	79%	83%
<b>Retention rates of employees that took parental leave and were still employed 12 months after their return to work - by gender</b>			
Male	100%	88%	87%
Female	95%	81%	71%

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

GRI STANDARD AND DISCLOSURE		REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
<b>GRI 102: GENERAL DISCLOSURES 2016</b>			
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organisation	<ul style="list-style-type: none"> <li>Company Profile</li> <li>Sustainability Report ("SR") – About the Sustainability Report</li> </ul>	2
102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> <li>Company Profile – Unisem Group</li> </ul>	2
102-3	Location of headquarters	<ul style="list-style-type: none"> <li>Company Profile – Unisem Group</li> <li>SR – Basis of Preparation</li> </ul>	2
102-4	Location of operations	<ul style="list-style-type: none"> <li>Company Profile – Unisem Group</li> <li>SR – Basis of Preparation</li> </ul>	2
102-5	Ownership and legal form	<ul style="list-style-type: none"> <li>Company Profile</li> <li>Shareholders' Statistics</li> </ul>	2
102-6	Markets served	<ul style="list-style-type: none"> <li>Company Profile</li> </ul>	2
102-7	Scale of the organisation	<ul style="list-style-type: none"> <li>Company Profile</li> </ul>	2
102-8	Information on employees and other workers	<ul style="list-style-type: none"> <li>SR – People</li> </ul>	47
102-9	Supply chain	<ul style="list-style-type: none"> <li>SR – Managing Our Business: Supply Chain Management</li> </ul>	35
102-10	Significant changes to the organisation and its supply chain	<ul style="list-style-type: none"> <li>SR – Basis of Preparation</li> </ul>	17
102-11	Precautionary Principle or approach	<ul style="list-style-type: none"> <li>SR – Environment</li> </ul>	63
102-12	External initiatives	<ul style="list-style-type: none"> <li>SR – Basis of Preparation: Reporting Framework and standards</li> </ul>	17
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