

TOP GLOVE CORPORATION BHD

(Company No.: 474423-X)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) members, all of whom must be non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2. Term of Office

The term of office and performance of the audit committee and each of its members shall be reviewed at least once every three years by the board of directors; to assess whether the audit committee and its members have carried out their duties in accordance with their terms of reference.

A formal evaluation of the performance of all committee members should be undertaken by the Nomination and Remuneration Committee.

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3. Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

In the event of any vacancy in an audit committee resulting in the non-compliance with requirements on composition of Audit Committee and the election of an independent chairman of the Audit Committee, a listed issuer must fill the vacancy within 3 months.

4. Secretary

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

5. Meetings

The Audit Committee shall meet at least four times a year, on a quarterly basis, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Executive Chairman, the Managing Director, the Executive Director (Finance), the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company. The Audit Committee shall meet with the internal auditors without executive Board members or employees present, whenever deemed necessary.

The Executive Director (Finance), the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members or employees present at least twice in a financial year and whenever necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

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6. Written Resolution

A resolution in writing signed or approved by letter, telex, telefax or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be described as "Members' Written Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one or more directors.

7. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

8. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present.

9. Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

10. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.

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- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

11. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment and re-appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review the annual performance assessment, including the suitability and independence of the External Auditors.
- (d) To review with the external auditor his evaluation of the system of internal controls, audit plan (including the audit and non-audit services), audit report, audit approach and assistance given by the employees of the Company to the external auditor;
- (e) To review the quarterly results and year-end financial statements of the Board, prior to the approval by the Board of Directors, focusing particularly on:
 - any changes in or implementation of accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements;

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- Significant matters highlighted in the financial statements including the “Key Audit Matters”; and
 - Significant judgements made by management.
- (f) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (g) To review the external auditor’s management letter and management’s response;
- (h) To require a former key audit partner to observe a cooling-off period of at least two years before being appointed a member of the Audit Committee.
- (i) To review the system of internal controls including financial, operational, compliance, information technology controls and risk management processes;
- (j) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme, processes and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (k) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (l) To report its findings on the financial and management performance, and other material matters to the Board;
- (m) To consider the major findings of internal investigations and management’s response;

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- (n) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (o) To verify the allocation of employees' share grant plan ("ESGP") in compliance with the criteria as stipulated in the by-laws of the ESGP of the Company, if any;
- (p) To determine the remit of the internal audit function;
- (q) To review and provide its views on all hedging policies and instruments to be implemented by the Company;
- (r) To review and approve the procedures for the entry into of any hedging transactions (which include foreign exchange and interest rate hedging transactions) and to monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into hedging transactions;
- (s) To oversee the implementation of the whistleblowing policy and procedures of the Group;
- (t) To consider other topics as defined by the Board;
- (u) To consider and examine such other matters as the Audit Committee considers appropriate; and
- (v) To review the Annual Statement on Risk Management and Internal Control to be published in the Annual Report.