

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7113  
**COMPANY NAME** : TOP GLOVE CORPORATION BHD  
**FINANCIAL YEAR** : August 31, 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

**SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.1**

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board comprised members who possessed wide spectrum of skills and experience and specialised in the glove manufacturing and various business sectors.</p> <p>The Board is responsible to observe the following principles in establishing clear roles and responsibilities:</p> <ul style="list-style-type: none"> <li>• Establish clear functions reserved for the Board and those delegated to Management.</li> <li>• Establish clear roles and responsibilities in discharging its fiduciary and leadership functions.</li> <li>• Formalise ethical standards through a Code of Conduct and ensure its compliance.</li> <li>• Ensure that the Company’s strategies promote sustainability, which includes Environmental, Social and Governance.</li> <li>• Have procedures to allow its members access to information and advice.</li> <li>• Ensure the capital and resources of the Company be allocated as to achieve the Company’s goals in a manner best serving the interests of the shareholders.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Tan Sri Dr Lim Wee Chai.</p> <p>The Chairman of the Board, Tan Sri Dr Lim, provides effective leadership role to the Board and steers the Board to be fully committed to maintain high standard of corporate governance whilst pursuing its corporate objectives in enhancing shareholders' value and competitiveness. Under his leadership, the Board is fully aware of the importance of governance and will continue delivering sustainable performance and instilling best corporate governance practices in building a sustainable business.</p> <p>The Chairman ensures that regular dialogue with his fellow Board members over all operational matters is maintained and will consult with the fellow Board members promptly over any matter that gives him cause for major concern.</p> <p>The Chairman ensures that no Directors, whether Executive or Non-Executive, dominates discussion and he also ensure that appropriate discussion takes place during the Board meetings.</p> <p>The role of the Chairman has been specified in the Board Charter, which is available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The position of the Chairman is held by Tan Sri Dr Lim Wee Chai, Executive Chairman, whereas, the position of Chief Executive Officer is held by Dato' Lee Kim Meow, Managing Director.</p> <p>The roles and responsibilities of the Executive Chairman and Managing Directors are distinctive and have been clearly segregated to further enhance and preserve a balance of authority and accountability to avoid unfettered powers of decision making. The Executive Chairman is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board. The Managing Director will assist the Executive Chairman in the effectiveness of implementation of the Board policies, making operational decisions and monitoring the day-to-day running of the businesses, including defining the limits of Management's responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>Our Company Secretaries are qualified Chartered Secretaries under Section 235 of the Companies Act 2016. The Company Secretaries constantly keep themselves abreast with the regulatory changes and corporate governance development through attending the relevant conferences and training programmes.</p> <p>The Board has full access to the advice and service of the Company Secretaries for the Board's affairs and the businesses. The Company Secretaries will highlight all compliance and governance issues that required the Board's attention.</p> <p>The Company Secretaries will also act as facilitator in communicating the key decisions and policies between the Board, Board Committees and Senior Management and ensure the required actions from the Board to Management are followed through.</p> <p>The Company Secretaries are also responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.</p>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The notice of Board meeting is circulated within fourteen (14) days prior to the meeting and the board papers (non-financial meeting materials) are circulated within seven (7) days prior to the meeting whereas the financial meeting materials in average within two (2) days prior to the meeting.</p> <p>The board papers are issued in advance to facilitate informed decision making by the Board. The Managing Director and Executive Directors would lead the presentation of board papers and provide comprehensive explanations of business plans, business performance, potential mergers and acquisitions and other pertinent issues.</p> <p>Any proposal and recommendation put forth by Management will be deliberated and discussed by the Board before a decision is made. All matters raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meeting with clear actions to be taken by responsible parties are recorded in the minutes of meeting.</p> <p>The draft minutes of meeting will be circulated to all Directors for comments within seven (7) working days after the meeting. The Directors will revert with comments, if any, to the draft minutes within seven (7) working days after the minutes is circulated.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Board Charter clearly established the functions reserved for the Board, Directors' roles and responsibilities and those delegated to Management. It is a reference and induction literature in providing the Board members and Management insight into the functions of the Board.</p> <p>The core areas of the Board Charter are as follows:</p> <ul style="list-style-type: none"><li>(a) Company goals, mission and vision;</li><li>(b) Board governance process;</li><li>(c) Board and Management relationship;</li><li>(d) Board and shareholders relationship; and</li><li>(e) Stakeholders relationship.</li></ul> <p>The Board will link the Company's governance and management functions through the Executive Directors. All Board authority conferred on Management is delegated through the Executive Directors so that the authority and accountability of Management is considered to be the authority and accountability of the Executive Directors so far as the Board is concerned.</p> <p>The Board reserves for its consideration and approval for the following matters/issues:</p> <ul style="list-style-type: none"><li>(i) Strategy and management</li><li>(ii) Structure and capital</li><li>(iii) Financial reporting and controls</li><li>(iv) Risk management and internal controls</li><li>(v) Contracts</li><li>(vi) Communication</li><li>(vii) Board membership and other appointments</li><li>(viii) Remuneration</li><li>(ix) Delegation of authority</li><li>(x) Corporate governance matters</li><li>(xi) Policies</li></ul> <p>The Board Charter also explained the role of the Senior Independent</p>

	<p>Non-Executive Director.</p> <p>The Board Charter is periodically reviewed by the Board to ensure that it remains consistent with the Board's objectives, current laws and practices.</p> <p>The Board Charter is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p>	
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Company had established the Directors' Code of Conduct and the Employees' Code of Conduct reflecting underlying values required to be upheld by personnel.</p> <p>The Directors' Code of Conduct was adopted by the Board in 2013 and it covers the principles of conflict of interests, insider dealings, integrity, law compliance obligation and others.</p> <p>Directors are expected to conduct themselves with the highest ethical standards, to behave ethically and professionally at all times to promote and protect the reputation and performance of the Company. As part of the enforcement, Directors are required to submit their declaration adhering and observing to the provisions in the Directors' Code of Conduct annually.</p> <p>The Directors' Code of Conduct is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p> <p>Employees' Code of Conduct is a manual applicable to employees of Top Glove Corporation Bhd and its subsidiaries ("the Group"). It guides the employee's conduct in the workplace, business conduct when dealing with external parties, key issues such as bribery, conflict of interests, insider trading as well as data integrity and retention. The Employees' Code of Conduct is disseminated to the Group's employees through its intranet.</p> <p>Corruption and bribery risk assessment has been put in place and the Company has obtained the certification for ISO 37001:2016: Anti-Bribery Management System for our main manufacturing plant in end of 2017.</p> <p>The Company has taken a very strong stand against bribery and corruption and has robust anti-corruption and anti-bribery policies and practices integrated into our organisation. In reflecting our</p>

	<p>commitment to uphold integrity and prevent corruption in the conduct of our businesses, we established the Top Glove Prevention and Anti-Corruption Committee in 2009. Our commitment in this area is enshrined in our Business Ethics: Honestly, Integrity and Transparency.</p> <p>The Employees' Code of Conduct is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p>	
<p><b>Explanation for departure</b></p>	:	
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<p><b>Measure</b></p>	:	
<p><b>Timeframe</b></p>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Board believes that having a Whistle-Blowing Policy in place strengthens, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practice. A Whistle-Blowing Policy was adopted by the Board in 2010 and is made available on the Company's website at <a href="http://www.topglove.com/whistle-blowing/">http://www.topglove.com/whistle-blowing/</a>.</p> <p>The Board aims to provide a platform and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rule or procedure by employees or Management of the Company. The Whistle-Blowing Policy outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection is accorded to the whistle-blower against any form of reprisal or retribution. Any concern raised will be investigated by the Top Glove Prevention and Anti-Corruption Committee and Whistle Blowing Committee and a report and update are provided to the Board, through the Audit Committee ("AC").</p> <p>Whistle-Blowers may write to the AC to communicate on any information about fraudulent actions and breaches of ethics directly and anonymously to <a href="mailto:whistleblower2acm@topglove.com.my">whistleblower2acm@topglove.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>More than half (54%) of the Board during the financial year ended 31 August 2018 ("FY2018") comprises Independent Non-Executive Directors ("INED").</p> <p>The Board during the FY2018 consist of 13 Board members: one (1) Executive Chairman, one (1) Managing Director, four (4) Executive Directors, one (1) Senior INED and six (6) INEDs.</p> <p>The Nomination and Remuneration Committee ("NRC") reviews the independence of the Directors annually according to the criteria on independence set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Main LR") and Practice Notes of Main LR. In addition to the annual review by the NRC of the Directors' independence, each INED also submits an annual declaration regarding his/her independence.</p> <p>All of the INEDs are also independent from the substantial shareholders of the Company, not being substantial shareholders themselves or directly associated with any substantial shareholder.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Based on Malaysian Code on Corporate Governance ("MCCG"), the tenure of an INED shall not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an INED may continue to serve on the Board subject to the Director's re-designation as Non-Independent Non-Executive Director. In the event such Director is to be retained as an INED, the Board must justify and seek shareholders' approval annually for a person who has served in that capacity for more than nine (9) years.</p> <p>If the Board continues to retain the INED after year twelfth, the Board should provide justification and seek shareholders' approval annually through a two-tier voting process.</p> <p>In 2017, the NRC has reviewed and assessed the independence of the INEDs and recommended that the Board sought shareholders' approval at the Nineteenth Annual General Meeting ("AGM") held in January 2018 for the retention of Tan Sri Dato' Seri Utama Arshad Bin Ayub ("Tan Sri Arshad") who has served on the Board for more than nine (9) years as an INED, to which the shareholders had approved.</p> <p>Tan Sri Arshad who has served on the Board as Senior INED for more than twelve (12) years and who shall retire by rotation in accordance with Article 94 of the Company's Constitution has notified the Board that he does not wish to seek for re-election as Director at the forthcoming Twentieth AGM. Hence, he shall retire from the Board upon the conclusion of the Twentieth AGM scheduled to be held in January 2019.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted.
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Company takes diversity not only at the Board level but also at the workplace as it is an essential measure of good governance, critically attributing to a well-functioning organisation and sustainable development of the Company. Diversity encapsulates not only gender but also age and ethnicity, if well-managed, can drive performance and strengthen governance.</p> <p>Despite the importance of Boardroom diversity, the Board is of the view that the selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority, not compromising on qualification, experience and capabilities.</p> <p>A Board Diversity Policy was adopted by the Board in 2014 and is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p> <p>Aside from achieving gender diversity aspect, the Board also aspires to achieve significant benefits by focusing on individual talents, abilities and experiences to meet the Group's objectives of being the world's leading gloves manufacturer; hence, requiring a Board with broader range of competence, skills and experience.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	For the FY2018, the Board has four (4) female Directors, representing 31% of the total Board members. It provides the Board with gender diversity that will add value to the Board's deliberations from the different perspectives and insights of the female Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In the process of recruiting of new Board members, the NRC is guided by a clear set of board skill matrix criteria to conduct a review and assessment on the potential Board candidates before appointment to the Board and Board Committees.</p> <p>Apart from its own networks in sourcing suitable candidates for the Board, the Board also takes into consideration the potential candidates from independent sources such as 30% Club Malaysia.</p> <p>For recruitment of new Board member, the NRC will review the profile of potential candidates. As for the existing Board composition, the NRC will conduct annual assessment and review to identify gaps/vacancy. The NRC will identify and evaluate the potential candidates before engaging and interviewing the shortlisted candidates. The engagement and interview sessions will enable the NRC to make an appropriate assessment of their background, experience, personality and time commitment. Thereafter, NRC will put forth its recommendation to the Board for the Board's approval.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	For the purpose of efficiency and effectiveness, the Board had combined both Nomination Committee and Remuneration Committee into NRC in October 2017.  The NRC is chaired by the Senior INED, as recommended by MCCG.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

**Practice 5.1**

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Board undertook annual evaluation for FY2018 via an Online Assessment system to review their own performance, the effectiveness of the Board as a whole, the contribution of each individual Director and peers and independency of INEDs.</p> <p>The assessment of the Board covers areas such as the Board structure, operation, roles and responsibilities, Chairman's roles and responsibilities and the performance of the Board Committees. For self and peer assessments, the assessment criteria have included Board's interaction and contribution, quality of input to the Board and Directors' calibre and personality.</p> <p>As for AC, an effective evaluation as a whole, member self's and peers' evaluations, effective evaluation of Internal Audit function and the External Auditors performance and independence were assessed. The assessment criteria included the quality and composition, skills and competencies, meeting administration and conduct, the effectiveness of Internal Audit function and the quality, performance, independency and the adequacy of audit scope of External Auditors.</p> <p>The NRC conducts review annually on its required mix of skills and experience and other qualities, including core competencies in which the Directors should bring to the Board.</p> <p>The NRC is entrusted with the responsibility of carrying out annual Board effectiveness evaluation, the annual AC's term of office and performance evaluation and to authorise the evaluation process to ensure it meets the objectivity, including to review and approve all the evaluation forms/questionnaires, review the results of the evaluation and finally to convey the results to the respective parties for improvement and enhancement.</p> <p>The evaluations were facilitated by the Company Secretaries making references to the guides available and the good corporate governance compliance companies.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Remuneration Policy was adopted by the Board in 2015. The Remuneration Policy was adopted (i) to ensure the remuneration of Non-Executive Directors are commensurate according to their level of responsibilities and experience ; (ii) to structure the component parts of remuneration so as to link rewards to corporate and individual performance of Executive Directors and (iii) to also ensure it was aligned with the business strategy and long-term objectives of the Company. The performance of the Executive Director is measured based on the achievements of his annual key performance indicators as well as the performance of the Group.</p> <p>The Remuneration Policy is periodically reviewed by the Board to ensure that it remains relevant.</p> <p>The Company rewards its employees and the Executive Directors with options under Employees' Share Option Scheme III ("ESOS III") and shares under the Employees' Share Grant Plan ("ESGP"). The Executive Directors are not entitled to receive meeting allowances for the Board and Board Committees meetings they have attended. Whereas, the Non-Executive Directors are entitled to receive meeting allowances for the Board and Board Committees meetings they have attended but are not entitled to participate in the ESOS III and ESGP.</p> <p>The Remuneration Policy is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p>
<b>Explanation for departure</b>	:
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<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>For effectiveness and efficiency reasons, the Board has combined both Nomination Committee and Remuneration Committee into NRC.</p> <p>The duties and responsibilities of the NRC are clearly stated in its Terms of Reference, which amongst others, includes:</p> <ul style="list-style-type: none"><li>• To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities.</li><li>• To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors and Senior Management needed to run the Company successfully.</li><li>• To structure the component parts of remuneration so as to align with the business strategy and long-term objectives of the Company and to link rewards to individual performance and to assess the needs of the Company for talent at Board level at a particular time.</li><li>• To review and recommend the fees and benefits payable to the Non-Executive Directors to the Board.</li><li>• To review and approve remuneration packages of Senior Management and related employees (who are not Directors) to ensure that they are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.</li></ul> <p>The Terms of Reference of the NRC is made available on the Company's website at <a href="http://www.topglove.com/corporate-governance/">http://www.topglove.com/corporate-governance/</a>.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the Directors' remuneration of individual Director comprising remuneration received/ receivable from the Company and its subsidiaries for the FY2018 is shown in the Corporate Governance Overview Statement under the Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>For the FY2018, the Board has disclosed the remuneration of top nine (9) instead of top five (5) senior management in bands of RM50,000, as shown in the Corporate Governance Overview Statement under the Annual Report 2018.</p> <p>The Board is of the view that it is not to the Company's advantage or business interest for such disclosure considering the highly competitive market for talents.</p> <p>The Board through NRC will ensure that the remuneration of the senior management is commensurate with their key performance achievements and the performance of the Company.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	The Board will monitor the market practice in respect of such disclosure for future consideration.
<b>Timeframe</b>	:	Within 5 years subject to NRC and Board's review.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted.
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The Chairman of the AC is Tan Sri Arshad, a Senior INED, whilst the Chairman of the Board is Tan Sri Dr Lim Wee Chai, an Executive Chairman. This has ensured the overall effectiveness and independence of the AC.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In line with recommendation of the MCCG, the Terms of Reference of the AC has been revised in October 2018 to include the cooling off period of at least two (2) years before any former key audit partner could be appointed as AC member to safeguard the independence of the audit of the Company's financial statements. The Terms of Reference of the AC is available on the Company's website for reference.</p> <p>To-date, the Company has not appointed a former audit partner to be a member of the AC.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	The aforesaid departure has been addressed in October 2018 whereby the Terms of Reference of the AC has been revised to reflect the cooling off period of at least two (2) years before any former key audit partner could be appointed as AC member.
<b>Timeframe</b>	:	Not applicable since the Company has complied in October 2018.

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>The AC is assigned to assess, review and supervise the performance, suitability and independent of External Auditors. The AC has adopted External Auditors Assessment Policy in 2013 outlining the guidelines and procedures for the AC to assess and review the External Auditors.</p> <p>Under the said External Auditors Assessment Policy, the External Auditors are precluded from providing any service that may impair their independent or conflict with their role as External Auditors.</p> <p>The AC shall obtain a written assurance from the External Auditors annually confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted.
<b>Explanation on adoption of the practice</b>	:	The AC comprises four (4) members and all of whom are INEDs, which meets the requirements of Paragraphs 15.09(1)(a) and (b) of Main LR.

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>All members of the AC are financially literate and one (1) of its members, Dato' Lim Han Boon, is a member of the Malaysian Institute of Accountants, the Chartered Management Institute, United Kingdom ("UK") and fellow of the Association of Chartered Certified Accountants, UK, which fulfilled financial expertise required by Main LR.</p> <p>During the FY2018, all members of the AC have continued to participate in training programmes to equip themselves and to effectively discharge their duties as AC members. The AC members have constantly kept themselves updated of both local and international affairs and to changes in regulations affecting the Company through advisories from regulatory bodies, Management and through self-reading.</p> <p>The AC members are also updated by the Company Secretaries on any change to the accounting and auditing standards that may have impact on the Company's businesses via email and at every AC meeting.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to establish and maintain a sound, effective and efficient system of risk management and internal control to safeguard shareholders' investment and the Group's assets. There is an on-going review process undertaken by the Board to ensure adequacy and integrity of the system mentioned.</p> <p>The system of risk management and internal control is designed to identify and manage the Group's risk within the acceptable risk tolerance, rather than to eliminate the risk of failure in achieving the Group's corporate objective in accordance with the Group's strategy.</p> <p>The Board regards risk management as an integral part of all business operations. Hence, the Board explicitly assumes the responsibility of identifying principal risks and ensures the implementation of a dynamic system to manage risk exposure within the acceptable level of tolerance.</p> <p>To fill its oversight responsibility, the AC is committed to review the adequacy and effectiveness of the Group's internal control system. The Group's Internal Audit Department ("IAD") has been set-up in 2003 to undertake the obligation to provide control assurance services to the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	The Board has disclosed the features of its risk management and internal control framework and the adequacy and effectiveness of this framework in the Statement on Risk Management and Internal Control under the Annual Report 2018. The Risk Management Committee is reviewing and monitoring the Group's risk management framework and activities.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted.
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee has been established and comprises a majority of INEDs, i.e. three (3) INEDs and two (2) Executive Directors.</p> <p>To fulfil its oversight responsibility, the Board, as a whole or through delegation to the Risk Management Committee, reviews the adequacy and integrity of the Group's risk management framework and policies which encapsulates the key processes or risk identification, assessment, mitigation, monitoring and reporting.</p>

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>The Group has in place an in-house IAD which provides to the Board, through AC, with independent assessment and assurance on the adequacy and effectiveness of the Group's system and internal controls. The IAD reports functionally to the AC in order to preserve its independence and objectivity.</p> <p>A rolling three-year Internal Audit plan, with specific audit scopes identified from the audit universe, is tabled annually to the AC for consideration and approval. Guided by the approved plan, the Internal Audit assignment is carried out to evaluate the adequacy, effectiveness and efficiency of the internal control system of the areas under review.</p> <p>Details of the Internal Audit function are set out in the Statement on Risk Management and Internal Control under the Annual Report 2018.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The IAD carries out the Internal Audit function, of which the Head of Internal Audit reports directly to the AC. The IAD is independent of the activities audited and also independent from the day-to-day internal control processes.</p> <p>The principal objective of the IAD is to undertake regular reviews of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and satisfactory.</p> <p>Currently, the IAD is led by Mr Lim Lung Fui @ Jack, a member of Malaysian Institute of Accountants. For the FY2018, the total number of Internal Audit personnel was eight (8), comprising degree holders and professionals from related disciplines.</p> <p>The Board via the AC will review the Internal Audit function such as:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• review the Internal Audit programmes, processes and results of the Internal Audit processes and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit function;</li><li>• review any appraisal or assessment of the performance of the members of the Internal Audit function;</li><li>• approve any appointment or termination of senior staff members of the Internal Audit function; and</li><li>• take cognisance of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.</li></ul>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Company recognised the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Investor Relations ("IR") team has been scheduling regular engagement sessions with investors and is usually attended by the Executive Director and the IR team.</p> <p>The IR team also attends conferences, non-deal roadshows, and one-on-one meeting with equity analysts, fund managers and institutional shareholders to provide updates on the Company's quarterly financial performance, corporate and regulatory developments as well as to discuss on strategic matters and address issues that the investing community may have with respect to the businesses or operations of the Company.</p> <p>Analyst and media briefing via conference call will usually be held immediately after release of quarterly results to Bursa Securities or an actual briefing will be held within a week after the release of the quarterly results and chaired by the Executive Chairman, Managing Director and Executive Director.</p> <p>The Company has established a comprehensive corporate website at <a href="http://www.topglove.com">www.topglove.com</a> which includes a dedicated section on IR to further enhance shareholders' communication.</p> <p>To better serve stakeholders of the Company, a feedback page on the website provides an avenue for stakeholders to suggest improvements to the Company via email: <a href="mailto:invest@topglove.com.my">invest@topglove.com.my</a>. In addition, stakeholders wish to reach the respective divisions of the Group can do so through the 'Contact Us'.</p> <p>Besides the above, the Annual Report remains as a vital and convenient source of essential information for investors, shareholders and other stakeholders. Management constantly improve the contents of the Annual Report to incorporate developments amongst others, in corporate governance and reports of Board Committees.</p>

	Another key avenue of communication with its shareholders is the Company's AGM, which serves as the principal forum for dialogue with shareholders where they may raise questions or seek clarifications on the Company's businesses and reports from the Directors.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure.
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company would review the need to adopt the integrated reporting based on a globally recognised framework at the appropriate time.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will need to firstly conduct a review on its internal systems (i.e. various business functions) as well as the Company’s policies on governance, the environment and social responsibility and then may consider engaging external consultants to assist in drawing out a comprehensive integrated reporting based on a globally recognised framework.
<b>Timeframe</b>	:	Within 5 years subject to the Board and relevant Board Committees’ review and approval.

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Notice of 2019 AGM together with the Company's Annual Report 2018 are despatched to the shareholders on 14 November 2018, which is more than 28 days' notice prior to the 2019 AGM. In addition to sending the notice, the Company also published the Notice of AGM on its website, released via Bursa LINK and advertised in the newspaper.</p> <p>The Notice of AGM also provides detailed explanation for resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions regarding the business agenda of the AGM of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>The dates of AGM, Board meetings and Board Committees' meetings for each financial year were fixed in advance for the whole year to ensure all Directors/Committees members' dates are booked and also enable Management's planning for the whole financial year. All Directors and Chairman of the Committees attended the AGM held on 9 January 2018.</p> <p>The Board ensures that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders’ participation at General Meetings.

<b>Application</b>	:	Departure.
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company would review the need to leverage technology to facilitate the conduct of general meetings at the appropriate time. The Company currently practice the electronic voting platform via polling stations.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	As the Company is also listed in other Stock Exchange, the Company will need to further seek guidance from the regulators and to conduct in-depth study in term of technology platform and best practice solutions before adopting this practice.
<b>Timeframe</b>	:	Within 5 years subject to the Board's review and readiness of the technology platform to cater for the aforesaid matter.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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