

**TOP GLOVE**

**TOP QUALITY, TOP EFFICIENCY**

**TOP GLOVE CORPORATION BHD  
(474423-X)**

# External Auditors Assessment Policy

Updated on 17 June 2019

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## 1. INTRODUCTION

The Board of Directors (“Board”) of Top Glove Corporation Bhd (“Top Glove”) has assigned the Board Audit Committee (“BAC” or “Committee”) to assess, review and supervise the performance, suitability and independence of External Auditors. The objective of this External Auditors Assessment Policy (“the Policy”) is to outline the guidelines and procedures for the Committee to assess and review the External Auditors.

## 2. SECTION 271 OF COMPANIES ACT 2016

In accordance with Section 271 of the Companies Act 2016, an Auditor of a public company shall be appointed for each financial year and should only be appointed by the Board or Members of the Company.

The Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

## 3. SELECTION AND APPOINTMENT PROCEDURE

The Committee will follow the following procedures for selection and appointment of new External Auditors, when they determine a need to change the External Auditors:

- (a) To identify the audit firms which meet the criteria for appointment upon considering the engagement proposals and to consider, among others, (1) the adequacy of the experience and resources of the accounting firm, (2) the persons assigned to the audit, (3) the accounting firm’s audit engagements, (4) the size and complexity of the listed issuer’s group being audited, (5) the number and experience of supervisory and professional staff assigned to the particular audit;
- (b) To assess the proposals and shortlist the suitable audit firms based on assessment of the independence and capabilities of the external auditors and effectiveness of the audit process;
- (c) To meet and/or interview the shortlisted audit firms;

The Committee may delegate or seek the assistance of the Executive Director in charge of finance function to carry out items (a) to (c) above;

- (d) To recommend the suitable audit firm to the Board for appointment as External Auditors; and
- (e) Upon endorsement from the Board, the proposal will be recommended to seek shareholders' approval for the appointment of the new External Auditors and/or resignation/removal of the existing External Auditors at the general meeting.

#### **4. ASSESSMENT OF INDEPENDENCE**

The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.

In avoidance of doubt, the BAC shall obtain a written assurance from the External Auditors 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.

#### **5. NON-AUDIT SERVICES**

The External Auditors can be engaged to perform non-audit services that are not, perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.

The three (3) basic principles on the prohibition of non-audit services are as follows:

- (a) Not to function as Management;
- (b) Not to audit their own work; and
- (c) Not to serve in an advocacy role of Top Glove and its subsidiaries.

The External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include but not limit to the following:

- (a) Accounting and Book Keeping Services;
- (b) Valuation Services;
- (c) Taxation Services;
- (d) Internal Audit Services;
- (e) Information Systems Services;
- (f) Litigation Support Services;

- (g) Recruitment Services; and
- (h) Corporate Finance Services.

Engagements of the External Auditors to provide non-audit services must be approved as follows:

<b>Approval thresholds for non-audit services to be carried out for the Company or its subsidiaries</b>	<b>Approver</b>
Below RM50,000 per engagement	Executive Director
Above RM50,000 per engagement	Board Audit Committee

The Management shall obtain confirmation from the External Auditors on their independence which shall not be impaired by the provision of non-audit services.

If the non-audit service results in concerns on independence to an extent that they cannot be reduced to an acceptable level by the application of safeguards, the non-audit service shall not be accepted.

Disclosure should also be made on the nature and extent of non-audit services if the fees on such non-audit services are significant.

## 6. TERM OF AUDIT PARTNER

The audit partner responsible for the External Audit of Top Glove and its subsidiaries is subject to rotation at least every five (5) financial years.

A former key audit partner needs to observe a cooling-off period of at least two (2) years before being appointed as a director or member of the Board Audit Committee or employee of the Company who is in a position that can exert significant influence over the preparation of the accounting records or the financial statements of the Company.

## 7. ANNUAL AUDIT PLAN

The External Auditors will issue an annual audit planning memorandum for review and discussion with the Committee and provide a management letter to the Committee upon completion of the annual audit.

## 8. ANNUAL PERFORMANCE ASSESSMENT

BAC shall carry out annual assessment on the performance and may request the Executive Director in charge of finance function to join the assessment, on the suitability and independence of the External Auditors on the following areas:

- (a) Adequacy of audit scope;
- (b) Ability of the external audit firm to meet audit deadlines;
- (c) Timeliness in escalating audit issues to the Board Audit Committee;
- (d) Allocation of resources to significant audit risk areas; and
- (e) Effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

## 9. REVIEW

BAC will review the Policy periodically to ensure that it continues to remain relevant and appropriate.

<p><b>Adopted by the Audit Committee: 20 September 2013</b> <b>1<sup>st</sup> revision approved by the Audit Committee: 17 June 2019</b></p>
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