

TOP GLOVE TOPS FOR EARNINGS AND SHARE PRICE GROWTH; STRONG FOCUS ON ESG HELPS GENERATE WELL-ROUNDED SCORE

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Even as Top Glove ramps up production of rubber gloves to meet global demand, the Malaysian company is pushing ahead with its sustainability efforts, having declared 2021 as Top Glove's "Year of ESG".

The plan outlines a commitment to environmental, social and governance (ESG) principles. "We are committed to strategically integrate sustainability into our operations and business plans to create long-term positive impacts to our stakeholders and the environment.

This includes the area of environmental stewardship and societal commitments, as well as integrity and accountability," says the company, which is the world's largest glove maker.

To be sure, Top Glove is doing exceptionally well as a business. At last year's 2020 Billion Dollar Club awards, Top Glove was named the company offering the most returns to shareholders within the healthcare services and pharmaceuticals industry category.

This year, Top Glove has achieved a string of new accolades. It has been named winner for offering the most returns to shareholders, the best earnings growth, as well as overall sector winner for companies within the healthcare services and pharmaceuticals industry sector category.

And to top it off, Top Glove has been named the overall winner for this year as well — beating 90 other companies that are in the Billion Dollar Club this year.

For its 3QFY2021 ended May, Top Glove posted earnings of RM2.03 billion (\$651.6 million), 5.9 times higher y-o-y. On a fully-diluted basis, this translated to earnings per share (EPS) of 25.42 sen for the 3QFY2021, compared to 4.16 sen the previous year.

“We wouldn’t have achieved today’s results without the contribution and commitment of our employees. During this challenging period, our loyal employees have stood by us and worked alongside us to overcome many hurdles. We would like to express our sincere and heartfelt appreciation to all our dedicated employees,” the company tells The Edge Singapore.

Scores on ESG

Unlike many other business awards where a judging panel weighs both qualitative and quantitative factors, winners in the Billion Dollar Club are assessed via quantifiable metrics; namely, earnings growth, return to shareholders and return on equity.

Over the last two years, given how sustainability is now top on the agenda, the Billion Dollar Club has incorporated a fourth component to derive the winners: ESG scores provided by the Singapore Exchange (SGX).

For Top Glove, its ESG score was 16.8 points out of a maximum of 25. This score does not put it right at the top for this metric, but that is already 16th place out of the 91 companies eligible for the Billion Dollar Club, and speaks volumes of the company’s well-rounded performance and top placement.

There is a good reason for this too. As part of its ESG efforts, Top Glove is constantly looking for ways to improve its sustainability practices. At the start of the year, Top Glove engaged stakeholders for a materiality assessment to identify the most pressing ESG areas the glove manufacturer should focus on.

During the pandemic, Top Glove contributed personal protective equipment worth RM190 million to those affected in the form of gloves, face masks and bottles of hand sanitisers.

As a way of giving back to society, Top Glove Foundation donated plants to green the surroundings of Tapak Semaian Majlis Perbandaran Klang (Klang Municipal Council Nursery)

In addition, Top Glove has pledged to achieve zero carbon emissions at its water treatment plant by FY2022, which will extend to all office premises and warehouses by FY2025.

In response to worker issues that arose when the pandemic broke out last year, Top Glove has strengthened its social compliance practices according to international standards, says the company. “In April 2021, we resolved all 11 International Labour Organization (ILO) indicators of forced labour as verified by independent international UK consultant Impactt.”

As the employer of 22,000 staff, Top Glove is also working to improve its workers’ accommodations. “We are investing RM200 million in building workers’ hostels, which can house some 14,200 workers. The accommodation is targeted to be completed between end-2021 to mid-2022,” it says.

In the fight against Covid-19, Top Glove worked with Malaysian authorities to speed up vaccination programmes among its employees. “We have accelerated our employees’ vaccination rate through the vaccination programme Pikas (Program Imunisasi Industri Covid-19 Kerjasama Awam Swasta). To date, about 92% of employees, or more over 20,000 workers and staff, have been vaccinated with at least one dose.”

In the spirit of robust corporate governance, Top Glove has conducted an independent evaluation to assess the effectiveness of its board.

In a move towards sustainability, Top Glove has been investing in solar power systems since 2019. The company aims to reduce carbon emission intensity by 23% by FY2024 against the base year of FY2019

Top Glove is also putting its money where its mouth is. The company has introduced a requirement that links 40% of remuneration payments to ESG metrics in five focus areas: product quality and safety, occupational health and safety, talent retention, human rights and labour practices, and carbon emissions.

These are measured by customer complaint rate, occupational accident rate, top-performing employee turnover, social ethical audit scoring and the success of reducing Scope 1 and 2 emissions.

According to the Greenhouse Gas (GHG) Protocol Corporate Standard, Scope 1 emissions are direct emissions from owned or controlled sources, while Scope 2 emissions are indirect emissions from the generation of purchased energy.

Expansion plans

Even as the company pays so much attention to ESG, it is putting in place ambitious plans to further grow the business.

Currently, Top Glove has 812 production lines with a total production capacity of 100 billion pieces of gloves per annum and close to 50 factories.

“We are optimistic that prospects for the glove industry will remain promising [and] demand for gloves as an essential item in healthcare will continue to grow,” says the company.

According to Top Glove, demand for disposable rubber gloves was already growing at a level of about 8% to 10% each year before the outbreak, and it believes demand will not return to pre-pandemic levels. “With the increased levels of hygiene awareness and standards, demand is expected to remain elevated even after the pandemic recedes, with annual growth estimated to be 15% per annum.”

However, like any business, there will be periods where supply exceeds demand. Already, the average selling price (ASP) of gloves is moderating from its peak last year, as more manufacturers emerge to satisfy global demand.

“Expansion by other players may lead to oversupply, but even if oversupply happens, it is temporary,” notes Top Glove.

“For the past 30 years, the industry has gone through several such cycles and we have always prepared for it. We believe that with our comprehensive product range, we are well-positioned to mitigate the impact of an oversupply situation,” it adds.

What is next for the world’s largest glove manufacturer? Top Glove aims to grow production capacity through a combination of organic and inorganic expansion, as well as through strategic investments.

By the end of 2025, Top Glove is projected to have a total of 60 factories comprising 47 glove factories and 13 other factories, 1,506 glove production lines and a glove production capacity of 204 billion gloves per annum, roughly double its output today.

As Top Glove works to meet a global surge in demand, it is also widening its horizons. Last year, Top Glove mentioned a corporate target that will put it on the global map: to become a Fortune Global 500 company by 2035.

This year, Top Glove has revised this goal. It now aims to become both a Forbes and Fortune Global 500 company, and achieve this by 2030.

With last year's explosive growth, Top Glove also made its debut on the Forbes Global 2000 list. "We made our debut at the 1,448th position and will work towards improving our ranking going forward," it says. The new long-term goal of becoming both a Forbes and Fortune Global 500 company is a shared vision, and it is everyone's goal and target, says Top Glove.

"The company, along with every departmental and individual, is set in alignment with this target, which we are confident of attaining with our continuous investment in R&D, technology and innovation, as well as artificial and human intelligence, supported by quality global talents," says the company.

"We are grateful for the support of our business partners, particularly our customers and suppliers, who have enabled business continuity in our organisation," it adds.