

Corporate Governance Overview Statement



PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (“BAC”) of Top Glove is pleased to present the BAC Report for FY2022.

Composition

The BAC comprises three (3) members as follows, all of whom are Independent Non-Executive Directors, which is in line with the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”) and the Malaysian Code on Corporate Governance :

Members	Date of Appointment as BAC Member	Tenure on the BAC as at 31 August 2022
1. Martin Giles Manen (Chairman)	25 January 2022	7 Months
2. Datuk Noripah Kamso	18 March 2015	7 Years 5 Months
3. Sharmila Sekarajasekaran	15 October 2015	6 Years 10 Months

Note : Dato’ Lim Han Boon had stepped down as a BAC Chairman upon his retirement from the Board during the Company’s 23rd AGM held on 6 January 2022. Azrina Arshad had stepped down as BAC member effective 25 January 2022 subsequent to the Board Committee composition restructuring exercise.

Meetings and Attendance

In FY2022, the BAC had met ten (10) times, two (2) of which were meetings with the External Auditors, and one (1) of which was a meeting with the Head of Internal Audit, without the presence of the Executive Directors and Management.

The Company Secretary was in attendance at every meeting while the Managing Director, Head of Internal Audit, Senior Management, External Auditors and other Board members will attend the BAC meetings upon invitation, as and when required. During FY2022, the BAC had constantly engaged with the External Auditors and the Head of Internal Audit to keep abreast with the key audit issues and audit concerns affecting the Company.

The Company Secretary will circulate the minutes of BAC meeting at the Board Meeting for notation. The BAC Chair will also brief the Board on the highlights and key issues deliberated during the BAC meeting.

 Please refer to pages 82 to 83 of this Integrated Annual Report for the attendance record of BAC members.

Roles and Responsibilities

BAC had been entrusted by the Board to execute its governance and oversight responsibilities in ensuring transparent financial reporting within the Group, guided by the TOR of the BAC. BAC is assisted by an in-house Internal Audit Department in the effective discharge of their responsibilities in establishing cost-effective controls, adhering to the Internal Audit Charter adopted by the BAC.

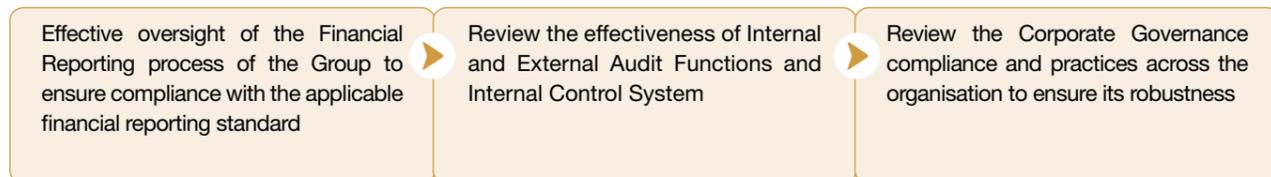
BAC deliberates the Summary of Internal Audit Reports and the External Auditors’ Reports relating to financial, operational, compliance, information technology controls, governance, risk management and control matters every quarter during BAC meeting. The findings and status of preventive and corrective actions for issues discussed are updated to the BAC to ensure that the appropriate actions are taken and being monitored.

The system of internal controls therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal controls does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken.

The Board has not identified, nor been advised of, any failures or weaknesses which it has determined to be significant. Therefore, a confirmation of necessary actions has not been considered appropriate.

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Key responsibilities of BAC are as follows:



The TOR of the BAC and Internal Audit Charter are available for reference on the Company's website at <https://www.topglove.com/governance-manual/>

Key Areas of Focus during FY2022 :

Financial Reporting	<ol style="list-style-type: none"> 1. Reviewed all the four (4) Quarter's Financial Statements and the annual Audited Financial Statements of the Company and recommended the Financial Statements for the Board's approval. Discussions focused particularly on any changes in the accounting policies and its implementation; significant and unusual events arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements; significant matters highlighted in the financial statements; and significant judgements made by Management. 2. Reported its findings on the financial and Management's performance and other material matters to the Board. 3. Deliberated the emerging financial reporting issues pursuant to the introduction of new accounting standards and additional statutory/regulatory disclosure requirements.
Internal Audit	<ol style="list-style-type: none"> 1. Reviewed the Internal Audit Plan proposed by the Head of Internal Audit to ensure the adequacy of the scope, and that it has the necessary authority to carry out its works. 2. Reviewed salient audit issues together with recommendations from the Internal Audit. BAC considered the highlighted issues, taking into account Management's responses, upon which approved the internal auditors' proposal for rectification and implementation of the agreed remedial actions for improvement. 3. Reviewed the adequacy and competency of the Internal Audit resources required to carry out Internal Audit engagement works. 4. Undertook the performance assessment of the Internal Audit Function, reviewed the effectiveness of its audit processes and assessed the performance of the overall Internal Audit Department ("IAD"). 5. Held separate meeting with the Head of Internal Audit to discuss the results of the assessment and other areas of concern, without the presence of the Executive Directors and Management.
External Audit	<ol style="list-style-type: none"> 1. Discussed with the External Auditors, before the audit commences, the audit plan, nature and scope of the audit, emphasised areas of audit and ensured coordination where more than one (1) audit firms are involved as well as the External Auditors' evaluation of the system of internal controls and audit reports. 2. Discussed and deliberated the External Auditors' reports and recommendations regarding opportunities for improvement of the significant risk areas, internal controls and financial matters areas based on observations made in the course of interim and final audits. 3. Held two (2) private meetings with the External Auditors without the presence of the Executive Directors and Management to discuss the areas of audit concern. 4. Discussed the results of the annual assessment on the suitability and the independence of the External Auditors pursuant to the Company's External Auditors' Assessment Policy. 5. Reviewed the performance of the External Auditors and recommended its re-appointment and remuneration to the Board. 6. Reviewed and approved the provision of non-audit services rendered by the External Auditors.
Governance	<ol style="list-style-type: none"> 1. Reviewed the related party transactions ("RPTs") presented by the Management, to ensure that these RPTs are undertaken in the Company's best interest and not detriment to the minority shareholders interest and are done under fair and reasonable grounds and normal commercial terms. 2. Reviewed and adopted the Shareholders Communication Policy and Procedure. 3. Reviewed the Whistleblowing and Anti-Corruption Policies and Procedures and incidents/cases of the Group. 4. Reviewed the External Auditors Assessment Policy. 5. Reviewed the Integrated Annual Report, covering the Value Creation Report, BAC Report, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement and Report to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement, followed by recommendation for the Board's approval. 6. Reviewed the Group's cash flow budget, Business Units Performance and capital expenditures. 7. Verified and ensure the allocation of Employees Share Option Scheme ("ESOS") and Employees Share Grant Plan ("ESGP") complied with the criteria as stipulated in the By-Laws of ESOS and ESGP of the Company respectively. 8. Reviewed and deliberated the corporate governance compliance of the Company and areas for improvement. 9. Reviewed Social Audit Compliance of the Group and the implementation of mitigation plans. 10. Reviewed the guidelines on Conduct of Directors of Listed Corporations and its Subsidiaries issued by Securities Commission Malaysia and its implication to the Group. 11. Reviewed the updated Malaysian Code on Corporate Governance 2021 issued by Securities Commission Malaysia and the gap analysis. 12. Reviewed the Tax Corporate Governance Framework initiative launched by Inland Revenue Board Malaysia.

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Professional Development programmes

During FY2022, all the BAC members have attended various seminars, professional development programmes and conferences. The list of programmes attended is disclosed in the Corporate Governance Report on pages 15 to 18 which is available for reference on the Company's website at <https://www.topglove.com/governance-manual/>

Internal Audit Function

The Internal Audit Department ("IAD") comprises eleven (11) members, led by Mr Lim Lung Fui @ Jack, a member of the Malaysian Institute of Accountants who has over twenty (20) years of experience in operational and financial audit. IAD reports directly to the BAC and is guided by its Internal Audit Charter and Terms of Reference.

The principal objective of the IAD is to undertake regular review of the systems of controls, procedures and operations to provide reasonable assurance that the internal control system is sound, adequate and satisfactory. The function of the IAD is to provide the BAC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies, plans and procedures and the regulatory requirements of the relevant authorities. The BAC reviews and approves the Internal Audit plan of the Group submitted by the Head of Internal Audit.

During FY2022, the areas audited included audits of the various departments covering factories and subsidiaries within the Group. Summary of Internal Audit reports were issued to the BAC quarterly and tabled in the BAC meetings. The reports were also issued to the respective operations management, incorporating audit recommendations and Management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations after completion of audit. The IAD conducts follow-up audits to ensure the agreed audit recommendations were implemented appropriately.

All members of the IAD continue to develop their competencies by attending training programmes conducted by professional certification bodies or in-house, sharing of knowledge via transfer of learning (TOL) to keep abreast with the latest development in the profession, relevant industry and regulations to effectively perform their roles. Each IAD member is required to achieve at least 45 training hours during FY2022.

The total cost incurred for the in-house Internal Audit function for FY2022 was RM1,018,593 (FY2021: RM1,823,469).

Looking Ahead

BAC will continue its role in supporting the Board in its governance and oversight responsibilities in ensuring the effectiveness of the Group's financial reporting, Internal and External Audit Functions.

Some of the priorities for FY2023 in addition to its regular activities are as follows :

1. Monitor related party transactions to ensure its full compliance with the relevant rules and regulations
2. Monitor the corporate governance compliance and practices to align with MCCG 2021 and policies and procedures adopted by the Board
3. Review adequacy and competencies of audit resources coupled with deploying technology in audit process in ensuring effectiveness of Internal Audit function
4. Review initiatives by the Group's IT department on cybersecurity and IT systems to strengthen control process
5. Monitor the compliance of Section 17A of Malaysian Anti-Corruption Commission Amendment Act 2018 and Adequate Procedures implementation
6. Address short term and long term liquidity and funding risks

BAC Effectiveness Review and Performance

During the year under review, the Board assessed the performance of the BAC through the annual Board Effectiveness Evaluation. The Board is satisfied that the BAC has effectively discharge its functions, duties and responsibilities in accordance with the TOR of the BAC.

The BAC assessed the Committee as a whole as well as the Head of Internal Audit. The BNRC will then review the evaluation results. The BAC also evaluated the effectiveness of the Internal Audit function and the External Auditors' performance and their independence which will then be recommended to the Board. Based on the assessment, the Board is satisfied with the overall performance of the Internal Audit function and the External Auditors' performance and their independence.