

Corporate Governance Overview Statement

B

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 FY2023.

Composition

The BAC comprises four (4) 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 2023
1. Martin Giles Manen (Chairman)	25 January 2022	1 Year 7 Months
2. Sharmila Sekarajasekaran	15 October 2015	7 Years 10 Months
3. Dr Ngo Get Ping	6 January 2023	7 Months
4. Dr Chong Su-Lin	16 March 2023	5 Months

Note: Datuk Noripah Kamso had stepped down as a BAC Member upon her retirement from the Board during the Company’s 24th AGM held on 6 January 2023.

Meetings and Attendance

In FY2023, the BAC had met eight (8) 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, Managing Director and Head of Internal Audit were in attendance at every meeting while the Senior Management, External Auditors and other Board members would attend the BAC meetings upon invitation, as and when required. During FY2023, 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 the BAC meetings at Board Meetings for notation. The BAC Chair will also brief the Board on the highlights and key issues deliberated during BAC meetings.

 Please refer to pages 57 and 58 of this Integrated Annual Report for the attendance record of BAC members.

Roles and Responsibilities

BAC has 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 to establish 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.

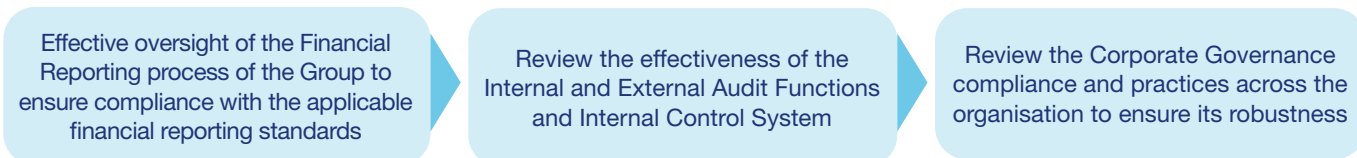
With the amendments to Bursa Securities Main LR in relation to enhanced conflict of interest (“COI”) disclosures, the scope of BAC’s review of COI situation has expanded to include those that arose or persist (in addition to those that may arise) and the measures taken to resolve, eliminate or mitigate the COI. In this regard, upon the recommendation from the BAC, the Board had in October 2023 adopted a comprehensive COI Policy to ensure the Directors and Key Senior Management act in the best interests of the Group and free from any personal, financial, non-financial or other conflicts that may compromise their judgement or impartiality.

The system of internal controls therefore provides only reasonable, not absolute, assurance against material misstatement or losses. The system of internal controls does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action can be 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 the 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 FY2023:

Financial Reporting	<ol style="list-style-type: none"> Reviewed all 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 audits; 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. Reported its findings on the financial and Management's performance and other material matters to the Board. 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"> 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. Reviewed salient audit issues together with recommendations from the Internal Audit. BAC considered the highlighted issues, taking into account the Management's responses, upon which approved the internal auditors' proposal for rectification and implementation of the agreed remedial actions for improvement. Reviewed the adequacy and competency of the Internal Audit resources required to carry out Internal Audit engagement works. 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"). 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"> 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. 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. Organised two (2) private meetings with the External Auditors without the presence of the Executive Directors and Management to discuss the areas of audit concern. 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. Reviewed the performance of the External Auditors and recommended its re-appointment and remuneration to the Board. Reviewed and approved the provision of non-audit services rendered by the External Auditor.
Governance	<ol style="list-style-type: none"> 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. Reviewed the Whistleblowing and Anti-Corruption Policies and Procedures and incidents/cases of the Group. 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. Reviewed the Group's cash flow budget, Business Units performance and capital expenditures. Verified and ensured 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. Reviewed and deliberated the corporate governance development and practices of the Company and areas for improvement. Reviewed Social Audit Compliance of the Group and the implementation of mitigation plans. Reviewed the initiatives by Group IT Department on cybersecurity and IT systems to strengthen control process. Assessed the Enablers for Business and Human Rights under BAC's purview.

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Professional Development programmes

During FY2023, 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 2023 on pages 15 to 20 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") consists of ten (10) members and is led by Mr. Lim Lung Fui @ Jack. Mr. Lim is a member of the Malaysian Institute of Accountants and has over twenty (20) years of experience in operational and financial audits. He also has experience in fraud prevention and detection, as well as risk management.

The principal objective of the IAD is to regularly review the systems of controls, procedures and operations to provide reasonable assurance that the internal control system is sound, adequate and satisfactory. The IAD provides 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 FY2023, the IAD conducted audits of various departments within the head office functions as well as the Group's factories and subsidiaries. Summaries of the Internal Audit reports were issued to the BAC on a quarterly basis and discussed in the BAC meetings. Additionally, key issues were presented to top management monthly to ensure that critical issues were addressed promptly, enabling respective business units to mitigate the associated risks immediately. Detailed audit reports were provided to the respective operations management, which included audit recommendations and management's responses to any identified weaknesses in the systems and controls. The IAD conducted follow-up audits to ensure that the agreed-upon audit recommendations were implemented appropriately.

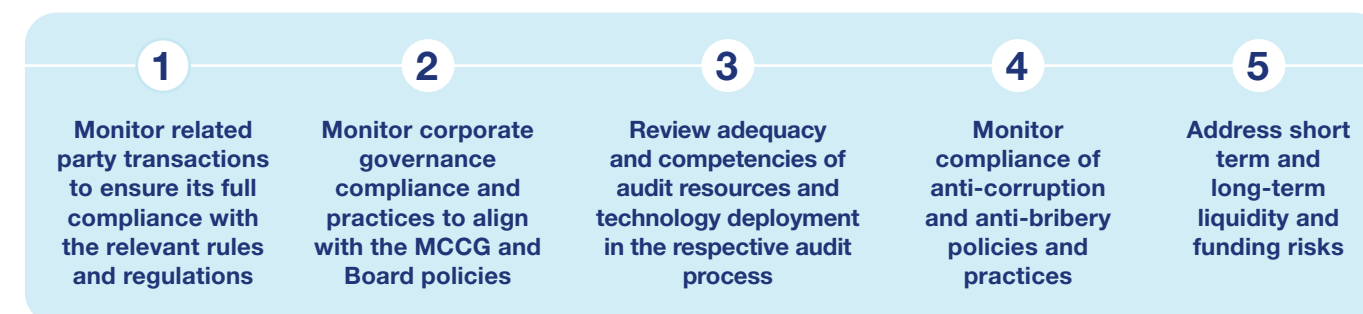
All members of the IAD actively participate in attending training programmes conducted by professional certification bodies or in-house, sharing knowledge via transfer of learning to keep abreast with the latest developments in the profession, relevant industry and regulations to effectively perform their roles. Each IAD member is required to achieve at least 45 training hours during FY2023.

The total cost incurred for the in-house Internal Audit function for FY2023 was RM1,140,565 (FY2022: RM1,018,593).

Looking Ahead

The 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 FY2024 in addition to its regular activities are as follows:



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.

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BOARD RISK, INVESTMENT AND COMPLIANCE COMMITTEE REPORT

The Board Risk and Investment Committee ("BRIC") of Top Glove is pleased to present the BRIC Report for FY2023. The Board had in October 2023, resolved to rename the existing BRIC to Board Risk, Investment and Compliance Committee ("BRICC"), to reinforce the Company's commitment to compliance culture within the Group.

Acknowledging the dynamic global economy and rapid changing business environment, the Board recognises the significance of anticipating, adapting and evolving for business sustainability, particularly in risk management. The Board entrusts the responsibility of risk oversight to the BRICC and through the BRICC, the Board monitors and regularly reviews the effectiveness of the Group's risk management and internal control systems, including controls related to financials and investments, operational, reputational, cyber security, sustainability and regulatory compliance from strategic perspective.

Composition

The BRICC comprises four (4) members as follows, all of whom are Non-Executive Directors with majority being Independent Directors, which met the best practices under the Malaysian Code on Corporate Governance ("MCCG"):

Members	Date of Appointment as BRICC Member	Tenure on the BRICC as at 31 August 2023
1. Dr Ngo Get Ping (Chairman)	6 January 2023	7 Months
2. Datuk Dr. Norma Mansor	12 May 2017	6 Years 3 Months
3. Martin Giles Manen	25 January 2022	1 Year 7 Months
4. Dato' Lee Kim Meow	20 September 2022	11 Months

Note: Datuk Noripah Kamso had stepped down as a BRICC member upon her retirement from the Board during the Company's 24th AGM held on 6 January 2023.

Meetings and Attendance

In FY2023, the BRICC had met four (4) times. The Company Secretary, Managing Director and Head of Risk Management were in attendance at every meeting while the Executive Director, Head of Internal Audit, Senior Management and other Board members would attend the BRICC meetings upon invitation, as and when required.

The Company Secretary will circulate the minutes of the BRICC meetings at Board Meetings for notation. The BRICC Chair will also brief the Board on the highlights and key issues deliberated during BRICC meetings.

 Please refer to pages 57 and 58 of this Integrated Annual Report for the attendance record of BRICC members.

Roles and Responsibilities

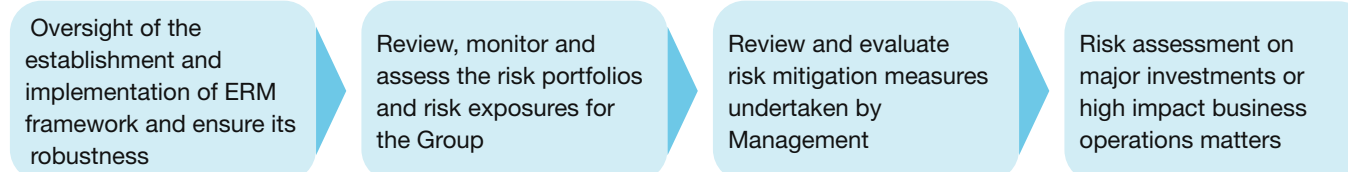
The Risk Management Department is responsible for developing the Group's Enterprise Risk Management ("ERM") Framework for all business processes which will be reviewed by the BRICC and approved by the Board. The ERM Framework ensures that a structured risk management process which incorporates key process relating to the identification, assessment, mitigation, monitoring and reporting of the Group's risks and controls is adopted across the Group.

The BRICC is assisted by an in-house Risk Management Department and the Risk Management Committee to effectively discharge its responsibilities in assessing risks, recommending measures to mitigate those identified risks and ensuring effective control and governance process are in place.

The Risk Management Department presents the key risk exposures, mitigation measures as well as Risk Management updates and report to the BRICC for an overview of the Group's significant risks and action plans to mitigate the risks at BRICC meetings held quarterly. The BRICC provides its views which are then communicated to the respective business risk owners across the Group's operating entities. The significant risks, proceedings, findings and recommendations are then escalated to the Board for its attention upon deliberation by the BRICC.

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Key responsibilities of the BRICC are as follows:



 The TOR of the BRICC is available for reference on the Company's website at <https://www.topglove.com/governance-manual/>

Key Areas of Focus during FY2023:

Framework, Policy & Guidelines	1. Reviewed the ERM Framework and BRICC Terms of Reference to strengthen ERM processes. 2. Reviewed the Risk Management Annual Plan to further enhance the Group's resilience and governance level. 3. Reviewed the Group Compliance Framework to elevate the Group's compliance culture. 4. Reviewed the Company's Investment Policy and Guidelines.
Risk Monitoring	1. Reviewed the Group's key risk exposures and mitigation measures. 2. Ongoing Risk Management and Compliance updates and report. 3. Ongoing external social audit findings and results. 4. Assessed the Enablers for Business and Human Rights under BRICC's purview. 5. Assessed emerging risk and mitigation plans for ESG risk and reputational risk. 6. Assessed risks associated with the Group's IT cybersecurity.
Appraise New Business Ventures & Corporate Proposal	Risk assessment of new business ventures and major projects undertaken.

Looking Ahead

The BRICC will continue its supporting role to the Board in its risk oversight responsibilities to ensure the robustness of the ERM framework.

Some of the priorities for FY2024 in addition to its regular activities are as follows:



BRICC Effectiveness Review and Performance

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