

## 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 FY2021.

#### Composition & Structure

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 2021
1. Dato’ Lim Han Boon (Chairman)	21 February 2011	10 Years 6 Months
2. Datuk Noripah Kamso	18 March 2015	6 Years 5 Months
3. Sharmila Sekarajasekaran	15 October 2015	5 Years 10 Months
4. Azrina Arshad	8 January 2019	2 Years 7 Months

#### Meetings and Attendance

In FY2021, the BAC had met nine (9) times, two (2) of which were meetings with the External Auditors, without the Executive Directors’ and Management’s presence and one (1) of which was a meeting with the Head of Internal Audit, without the Executive Directors’ and Management’s presence.

The Company Secretary is in attendance in every meeting while the Executive Director, Head of Internal Audit, Senior Management, External Auditors and other Board members will attend the BAC meetings upon invitation, as and when necessary. During FY2021, 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 minutes of each BAC meeting was duly noted by the Board via distribution to each Board member and the Chairman of the BAC highlights on key issues discussed during the BAC meeting.

 Refer to pages 144 and 145 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 BAC’s TOR. BAC are assisted by 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.

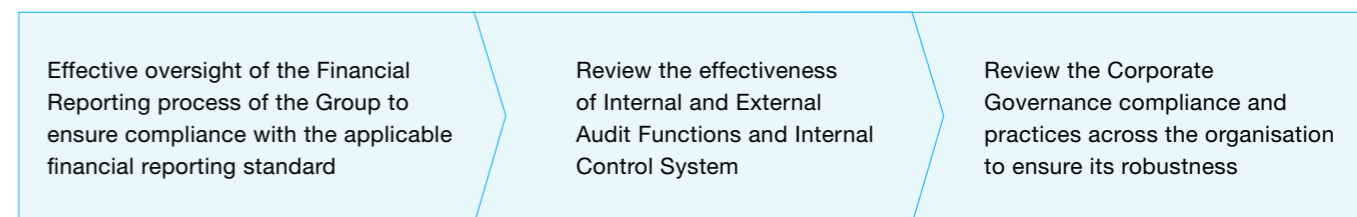
BAC deliberates the Summary of Internal Audit Reports and the external auditors’ reports relating to financial, operational, governance, risk management and control matters every quarter during BAC meeting. The status of preventive and corrective actions for issues discussed are updated to the BAC to ensure that the actions are being monitored.

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

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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.

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 FY2021:

<b>Financial Reporting</b>	<ol style="list-style-type: none"> <li>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 change 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.</li> <li>2. Reported its findings on the financial and Management’s performance and other material matters to the Board.</li> <li>3. Deliberated the emerging financial reporting issues pursuant to the introduction of new accounting standards and additional statutory/regulatory disclosure requirements.</li> </ol>
<b>Internal Audit</b>	<ol style="list-style-type: none"> <li>4. 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.</li> <li>5. 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.</li> <li>6. Reviewed the adequacy and competency of the Internal Audit resources required to carry out Internal Audit engagement works.</li> <li>7. 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”).</li> <li>8. 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.</li> </ol>
<b>External Audit</b>	<ol style="list-style-type: none"> <li>9. Discussed with the External Auditors, before the audit commences, the audit plan, nature and scope of the audit, emphasised areas of audit and ensured co-ordination 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.</li> <li>10. 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.</li> <li>11. 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.</li> <li>12. 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.</li> <li>13. Reviewed the performance of the External Auditors and recommended its re-appointment and remuneration to the Board.</li> </ol>

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<b>Related Party Transactions</b>	<p>14. Reviewed and recommended on a quarterly basis, the related party transactions presented by Management to the Board for approval, to ensure that these transactions are undertaken in the Company's best interests and not detrimental to the minority shareholders' interests and are done under fair and reasonable grounds and normal commercial terms.</p> <p>15. Monitored the thresholds of the related party transactions and recurrent related party transactions to ensure compliance with Bursa Securities Main LR.</p>
<b>Annual Reporting</b>	<p>16. 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.</p>
<b>Others</b>	<p>17. Reviewed the Group's cash flow budget.</p> <p>18. Reviewed Business Units Performance and capital expenditures.</p> <p>19. Reviewed the Share Buy Back policy and procedures and recommended for Board's adoption.</p> <p>20. Verified the share buy-back activities of the Company.</p> <p>21. 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.</p> <p>22. Verified the share issuance arising from conversion of Convertible Bond.</p> <p>23. Reviewed the Whistleblowing Policy and Procedures and cases of the Group.</p> <p>24. Deliberated on Transfer Pricing policy and procedures.</p> <p>25. Reviewed and deliberated the corporate governance compliance of the Company and areas for improvement.</p> <p>26. Reviewed Social Audit Compliance of the Group and the implementation of mitigation plans.</p> <p>27. Reviewed revision made to the BAC's Terms of Reference, Related Party Transaction Policy, Donation policy and External Auditors Assessment Policy and recommended the revised version for the Board's approval.</p> <p>28. Reviewed Securities Dealing Policy and Policy on Prevention of Insider Dealing and Market Misconduct and recommended for Board's adoption.</p> <p>29. Reviewed Management updates on Withhold Release Order imposed by the U.S. Customs and Border Protection.</p> <p>30. Reviewed proposal on proposed dual primary listing in the Stock Exchange of Hong Kong Limited.</p> <p>31. Reviewed the guidelines on Conduct of Directors of Listed Corporations and its Subsidiaries issued by Securities Commission Malaysia and its implication to the Group.</p> <p>32. Reviewed the updated Malaysian Code on Corporate Governance 2021 issued by Securities Commission Malaysia and the gap analysis.</p> <p>33. Reviewed the Group's compliance with 11 International Labour Organization's Forced Labour Indicators for Direct Operations.</p> <p>34. Reviewed the Group's compliance with ACT 446 of Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990.</p>

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**Professional Development programmes**

During FY2021, 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 page 13 to 17 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 ten (10) 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 reviews of the systems of controls, procedures and operations so as 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 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 FY2021, 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 finding on the weaknesses in the systems and controls of the operations after completion of audit. The IAD conducted a follow-up audit to ensure the agreed audit recommendations were implemented appropriately.

All members of the IAD continues to develop their competencies through attending training programmes conducted by professional certification body or from In house, sharing of knowledge via transfer of learning (TOL) programme to keep abreast with developments in the profession, relevant industry and regulations to effectively perform their roles. Each of IAD members is required to achieve at least 45 training hours during FY2021.

The total cost incurred for the in-house Internal Audit Function for FY2021 was RM1,823,469 (FY2020: RM1,325,794).

**Looking Ahead**

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

Some of the priorities for FY2022 in addition to its regular activities are as follows:

- 1 Strengthen BAC's skills and knowledge to effectively discharge their responsibility
- 2 Enhance forecasting and disclosure on potential COVID impacts to the organisation
- 3 Monitor the compliance of Section 17A of Malaysian Anti-Corruption Commission Amendment Act 2018 and Adequate Procedures implementation
- 4 Monitor the corporate governance compliance and practices to align with MCGG 2021 and policies and procedures adopted by the Board
- 5 Review adequacy and competencies of audit resources coupled with deploying technology in audit process in ensuring effectiveness of Internal Audit function
- 6 Review initiatives by IT on cybersecurity and IT system to strengthen control process
- 7 Address short term and long term liquidity and funding risk

**BAC Effectiveness Review and Performance**

The performance and effectiveness of the BAC is assessed annually with the BAC assessing the Committee as a whole. The BNRC will then review the evaluation results. During FY2021, the Board is satisfied that the BAC and its members have been able to discharge their functions, duties and responsibilities in accordance with the TOR of the BAC.

Besides, BAC also evaluated the effectiveness of Internal Audit function and the External Auditors performance and their independence. Based on the assessment, the Board is satisfied with the overall performance of the Internal Audit function and External Auditors and their independence.

