

GOVERNANCE: STRENGTHENING GOOD CORPORATE GOVERNANCE AND RESPONSIBLE BUSINESS CULTURE

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FY2021 GOVERNANCE HIGHLIGHTS

| | |
|---|--|
| Adoption of Independent Directors' Tenure Policy: Limiting the tenure of Independent Directors to 9 years without any further extension | Quarterly engagements between independent directors and worker representatives |
| Board evaluation conducted by independent external party | Diverse gender and skills across Board of Directors, with 42% of female directors |
| | 40% of KPI linked to ESG metrics |

ETHICS, INTEGRITY & GOVERNANCE



Management approach: Top Glove demonstrates the highest standards of corporate governance, a cornerstone of utmost importance in building a foundation of credibility and integrity for our stakeholders. We strive to implement comprehensive risk management, demonstrate good boardroom practices and instil a culture which promotes good ethics and conduct, as well as principles of anti-bribery and anti-corruption.

CORPORATE GOVERNANCE

Top Glove is guided by robust corporate governance practices in all our formal decisions and policy making exercises. A vigorous governance mechanism enable our Board of Directors to perform a pivotal role in sound strategic planning and risk management towards enhancing the sustainability of the Groups' business operations.

The details of our corporate governance practices may be found in the Corporate Governance Overview Statement from pages 140 to 171 in this Integrated Annual Report.

Our management incentives or remuneration pay are linked to ESG metrics, ensuring management accountability for the achievement of the Company's goals. In FY2021, the Group has set 40% of the FY2022 Key Performance Indicators (KPIs) tied to social and environmental pillars, which are aligned with the Company's material ESG matters.

To reflect the Company's commitment in transitioning into a net zero carbon business, the Group introduced carbon emission reduction as new KPI for FY2022.

40% of KPI linked to ESG metrics:

| | | |
|---|--|---|
| ① Product Quality and Safety Customer complaint rate | ③ Human Rights and Labour Practices Social ethical audit scoring | ⑤ Talent Retention Employee turnover rate |
| ② Occupational Health & Safety Occupational accident rate | ④ Reduce Carbon Emission Scope 1 & 2 emissions intensity reduction | |

GOVERNANCE: ETHICS, INTEGRITY & GOVERNANCE

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ACTIVE ENGAGEMENT BETWEEN BOARD COMMITTEES AND THE MANAGEMENT

The Board is supported by 5 Board Committees, namely the Board Audit Committee (BAC), Board Risk Committee (BRC), Board Nomination and Remuneration Committee (BNRC), Board Sustainability Committee (BSC) and Independent Directors Committee (IDC). ESG issues are discussed at all these Board Committees, particularly the BSC and BRC.

The Board Committees, including the Independent Directors (IDs) actively engage with the management and employees on all ESG issues. Starting March 2021, IDs have also held quarterly engagements with worker representatives to better understand issues faced and provide support to address these concerns raised which include grievance mechanisms, COVID vaccination, accommodation, awareness of workplace bullying and sexual harassment.

In addition, our IDs' hands on involvement which goes beyond governance requirements includes the following areas:

- 1 U.S. CBP related advice and updates
- 2 Share Buy Back (SBB) meeting for a more structured SBB scheme
- 3 COVID status and management
- 4 Worker accommodation compliance with Act 446
- 5 Visiting hostels and engaging directly with workers on-site
- 6 Virtual visit to on-site COVID vaccination programme
- 7 Engaging with external bodies to address ESG concerns, such as Human Rights Commission of Malaysia (SUHAKAM) and various climate change subject matter experts to discuss net zero target setting



▲ Top Glove Independent Directors "zoomed in" on 29 July 2021, to Top Glove's on-site vaccination programme, as part of their 3rd Engagement Session with Workers



▲ The Board of Directors and senior management of Top Glove had a dialogue with the Human Rights Commission of Malaysia (SUHAKAM) to discuss how to level up the Company's human rights practices to be on par with international standards

GOVERNANCE:
ETHICS, INTEGRITY & GOVERNANCE

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RISK MANAGEMENT

Top Glove's risk management system is set up in accordance with ISO 31000:2018: Risk Management Guideline. The Top Glove Enterprise Risk Management Framework provides Top Glove with the capability to align risk management with corporate strategies, business directions & sustainability development.

Guided by the Company's Enterprise Risk Management Framework, which is reviewed on frequent basis, we strive to maintain a sustainable balance between our risk appetite and business potential to achieve competitive advantage. Please refer to the Statement of Risk Management & Internal Control from pages 172 to 175 in this Integrated Annual Report for more disclosure on our risk management practices.

Towards effectively providing insights into plans and strategies for sustainable business growth, we have conducted 2 workshops on Scenario Planning for the Board & Management in FY2021. In the workshop, scenarios were developed based on global trends, impacts to business were identified and strategies developed to ensure alignment to impacts and trends.

CYBER SECURITY & DATA PRIVACY

Due to the current trend towards digitalisation, access to network, IT systems and data is important to maintain competitiveness. Lower than agreed upon system performance or service disruptions can result in higher costs and reputational risk for companies.

Information security and cyber security strategy is oversighted by the Board Risk Committee. Our Independent Director, Tan Sri Rainer Althoff, who is also a member of the Board Risk Committee has vast experience in managing Information Technology (IT) projects, mobile internet, factory automation, sustainability and digitalisation.

Identified cyber security issues are assessed based on the methodology provided by the Risk Management team, and escalated for onward action towards solving or improving these issues.

Our progress in cyber security:

Invested **RM1.5 million** in FY2021 to enhance cyber security

100% of our **IT infrastructure** and **information security management system** are certified with Information Security Management System ISO 27001:2013

Testing on at least a yearly basis to ensure **proper incident response procedures** are in place

Over the past 4 financial years, we achieved **zero case** in the following areas:

GOVERNANCE:
ETHICS, INTEGRITY & GOVERNANCE

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CORPORATE INTEGRITY

Central Integrity Function is a group responding to ISO 37001:2016 Anti Bribery Management System (ABMS) requirement which consists of President of Top Glove Prevention and Anti-Corruption Committee (TGPAC) / Managing Director, Harmonized Integrated Management Representative (HIMR), Anti-Bribery Management Representative (ABMR) and Corporate Integrity. The Group which encompass of anti-corruption and anti-bribery practices are oversighted by Top Management and Board Audit Committee.

In FY2020, we extended and expanded the Anti Bribery Management System (ABMS) scope and implementation to all our subsidiaries, following the ABMS ISO 37001:2016 certification at Factory 9 in Meru, the first manufacturing facility in Malaysia to be certified with the ABMS. External and independent audits on the ISO 37001 ethical standards are performed annually to ensure validity and continued compliance.

In FY2021, 100% of Top Glove Corporation Bhd, covering 28 departments located in Malaysia are assessed for risks related to corruption. Risk control, due diligence and anti-bribery & anti-corruption control (ABAC) are carried out on these 28 departments to reduce, mitigate and prevent potential risks.

We require our stakeholders to abide by and affirm their commitment to integrity towards sound and sustainable business practices, in order to demonstrate the highest standards of corporate integrity.

When making charitable donation or sponsorship, we ensure either 1 or more of the documents below are checked to prevent the donation or sponsorship are used as a disguised form of bribery:

1. Registration under Ministry of Women, Family and Community Development (JKM)
2. Inland Revenue Board of Malaysia Section 44(6) Registration
3. Company Registration Form
4. Company Profile
5. Relevant previous supporting records by Top Glove

Our stakeholders are required to fulfil the following commitments. Anti-corruption is one of the audit criteria we cover on supplier assessment.

| Stakeholders | Anti-bribery & anti-corruption & ethics commitment |
|--|---|
| Employees, suppliers & business associates who have financial dealings with Top Glove | <ul style="list-style-type: none"> To sign the Letter of Enforcement of Corporate Culture (LECC) on a half yearly basis |
| Customers | <ul style="list-style-type: none"> To sign the Letter of Enforcement of Corporate Culture and Business Ethics on The Issue of Bribery and Corruption (LECCBC) To adhere to the Top Glove Customer Code of Conduct |
| All external parties | <ul style="list-style-type: none"> To sign the Letter of Enforcement of No Gifts Policy |
| Employees | <ul style="list-style-type: none"> To sign the Employee Code of Conduct |
| Board of Directors | <ul style="list-style-type: none"> The Board of Directors has adopted the Directors' Code of Conduct & Ethics of which the latest revision of the Conduct was made on 9 June 2021 |

Number of Malaysia staff who have received anti-corruption training in FY2021 (by job grade):

| Management category | Number of staff |
|---------------------|-----------------|
| Executive | 6 |
| Senior | 14 |
| Upper | 152 |
| Middle | 693 |
| Junior | 356 |

GOVERNANCE:
ETHICS, INTEGRITY & GOVERNANCE

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Anti-corruption and anti-bribery data:

| Financial Year | FY2018 | FY2019 | FY2020 | FY2021 |
|--|--------|--------|--------|--------|
| No. of corruption and bribery cases | 0 | 1 | 0 | 0 |
| Political contributions made | 0 | 0 | 0 | 0 |
| Facilitation payments made | 0 | 0 | 0 | 0 |
| Fines imposed in relation to corruption, bribery & anti-competitive business practices | 0 | 0 | 0 | 0 |

W.H.I.T.E INTEGRITY CULTURE

In FY2021, we continued our efforts to instill the W.H.I.T.E (5 Healthy Wells, Honesty, Integrity, Transparency and Educate) Integrity Culture among our workforce and value chain, as part of our commitment to ensure compliance with the Corporate Liability Provision S17A enforced on 1 June 2020. Our initiatives organised towards this include:

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| a W.H.I.T.E Integrity Roadshow | f Integrity briefing slide |
| b W.H.I.T.E Integrity Day | g Training & awareness |
| c Special training for BOD | h Town hall sessions with external stakeholders to the W.H.I.T.E Integrity Enhancement Program |
| d Corruption Free Pledge/ Ikrar Bebas Rasuah (IBR) | i Wearing a white shirt on every first Wednesday of the month in support of the W.H.I.T.E Integrity culture |
| e Integrity survey | |



▲ The Board of Directors and top management demonstrate support of the W.H.I.T.E Integrity Culture by wearing white shirt on every first Wednesday of the month

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ETHICS, INTEGRITY & GOVERNANCE

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WHISTLEBLOWING

The Company's whistleblowing procedures and system is oversighted by the Board Audit Committee.

Guided by the Top Glove Whistleblowing Policy and Procedure, we have formal anonymous whistleblowing system with legal protection in place, in which our whistleblowing channels are managed by an external service provider who serves as case receiver and available in different platforms (email, online whistleblowing form and mail box). For our whistleblowing data disclosure, please refer to Whistleblowing section in page 112 in this report.



Whistleblowing Policy and Procedure

Click here or scan the QR code to view Top Glove Whistleblowing Policy and Procedure



Top Glove's anti-corruption and anti-bribery commitment

Click here or scan the QR code to view Top Glove's anti-corruption and anti-bribery commitment

ETHICS & CONDUCTS

Upon joining the Company, all employees are required to acknowledge the Employee Code of Conduct and adhere to the do's & don'ts in the Conduct.

10 cases of breaching against Code of Conduct were reported in FY2021. These involved cheating on attendance, overtime claim, alteration of medical certification and abuse of power. These employees were required to explain their actions for the Company's further investigation. Appropriate disciplinary action was taken against the perpetrators if proven guilty.

To further instill the awareness, we have put more focus on training, such as release of 8 Podcasts, multiple times of test on our corporate values, R.I.V.E.R. (Respect, Integrity, Value, Empowerment and Relationship) and held 15 sessions of R.I.V.E.R. trainings.



Respect
We earn respect by treating everyone with respect.



Integrity
We do the right thing every time.



Value
We create and add value every day.



Empowerment
We entrust our people with appropriate responsibility.



Relationship
We foster collaboration for mutual good.



COMMITTED TO ACCELERATING SUSTAINABILITY IN OUR BUSINESS

We are mindful that a sustainable business is a strategic advantage and strive to improve our business activities, influence our value chain and foster relationships as well as collaborations towards creating long term positive impacts to our stakeholders and the environment. By continuing to do well by doing good, we are able to move the needle on shaping a better planet and a more sustainable society.

FEEDBACK

Enquiries, suggestions and feedback on our sustainability report or performance are always welcome at sustainability@topglove.com.my



Top Glove Sustainability Video

Click here or scan the QR code to view Top Glove Sustainability Video