

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7113  
**COMPANY NAME** : TOP GLOVE CORPORATION BHD  
**FINANCIAL YEAR** : August 31, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board comprised members who possessed wide spectrum of skills and experience and specialised in the glove manufacturing and various business sectors.</p> <p>The Board is responsible to observe the following principles in establishing clear roles and responsibilities:</p> <ul style="list-style-type: none"><li>• Establish clear functions reserved for the Board and those delegated to Board Committees and Management.</li><li>• Establish clear roles and responsibilities in discharging its fiduciary and leadership functions.</li><li>• Formalise ethical standards through a Code of Conduct and ensure its compliance.</li><li>• Ensure that the Company's strategies promote sustainability, which includes Environmental, Social and Governance.</li><li>• Have procedures to allow its members access to information and advice.</li><li>• Ensure the capital and resources of the Company be allocated as to achieve the Company's goals in a manner best serving the interests of the shareholders and stakeholders.</li></ul> <p>The Board operates with a clear and effective governance structure, as demonstrated below :</p>

	<p>The organizational chart is structured as follows:</p> <ul style="list-style-type: none"> <li><b>Board of Directors</b> (top level) is connected to <b>Company Secretary</b> (top right).</li> <li>Under the Board of Directors are five committees:       <ul style="list-style-type: none"> <li><b>Board Audit Committee</b>: Assists the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. It oversees the <b>Internal Audit Department</b>.</li> <li><b>Board Risk Management Committee</b>: Assists the Board to identify, assess, monitor key business risks and oversee the Risk Management activities of the Group. It oversees the <b>Risk Management Department</b> and the <b>Integrity Unit</b>.</li> <li><b>Board Nomination &amp; Remuneration Committee</b>: Assists the Board in nominating new nominees to the Board and Board Committees and assessing their performance and Remuneration packages.</li> <li><b>Board Investment Committee</b>: Assists the Board in reviewing, monitoring, recommending and advising in investment and funding related matters.</li> <li><b>Board Sustainability Committee</b>: Assists the Board to oversee the Group's sustainability strategy and initiatives covering environmental, social and economical aspect. It oversees the <b>Sustainability Department</b>.</li> </ul> </li> <li>Below the committees is the <b>Executive Chairman</b>, who <b>Lead the Board and manage the interface between Board and Management</b>.</li> <li>Reporting to the Executive Chairman are three roles:       <ul style="list-style-type: none"> <li><b>Executive Committee</b>: Assist the Board in ensuring that the Board's decision, strategies set, business plans, budgets, policies, procedures, daily business and operational issues approved by the Board are implemented and/or monitored efficiently and effectively by the Group's management.</li> <li><b>Managing Director</b>: Spearheads the business and day-to-day management of the company in accordance with the business plans and within the budgets approved by the Board.</li> <li><b>Executive Directors</b>: Responsible for the achievement of the strategic intents sets by the Board through observance of the implementation.</li> </ul> </li> </ul>
<p><b>Explanation :</b> <b>for</b> <b>departure</b></p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure :</b></p>	
<p><b>Timeframe :</b></p>	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Tan Sri Dr Lim Wee Chai.</p> <p>The Chairman of the Board, Tan Sri Dr Lim, provides effective leadership role to the Board and steers the Board to be fully committed to maintain high standard of corporate governance whilst pursuing its corporate objectives in enhancing shareholders' values and competitiveness. Under his leadership, the Board is fully aware of the importance of governance and will continue delivering sustainable performance and instilling best corporate governance practices in building a sustainable business.</p> <p>The Chairman ensures that a regular dialogue with his fellow Board members relating to all strategic and operational matters is maintained and will consult with the fellow Board members promptly over any matter that gives him cause for major concern.</p> <p>The Chairman ensures that no Directors, whether Executive or Non-Executive, dominates discussion and he also ensure that appropriate discussion takes place.</p> <p>The role of the Chairman has been specified in the Board Charter, which is available on the Company's website at <a href="https://www.topglove.com/corporate-governance/">https://www.topglove.com/corporate-governance/</a></p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>The position of the Chairman is held by Tan Sri Dr Lim Wee Chai, Executive Chairman, whereas, the position of Chief Executive Officer is held by Dato' Lee Kim Meow, Managing Director.</p> <p>The roles and responsibilities of the Executive Chairman and Managing Directors are distinctive and have been clearly segregated to further enhance and preserve a balance of authority and accountability to avoid unfettered powers of decision making. The Executive Chairman is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board. The Managing Director will assist the Executive Chairman in the effectiveness of implementation of the Board policies, making operational decisions and monitoring the day-to-day running of the businesses, including defining the limits of Management's responsibilities.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>Our Company Secretaries are qualified Chartered Secretaries under Section 235 of the Companies Act 2016. The Company Secretaries constantly keep themselves abreast with the regulatory changes and corporate governance development through attending the relevant conferences and training programmes.</p> <p>The Board has full access to the advice and service of the Company Secretaries for the Board's affairs and the businesses. The Company Secretaries will highlight all compliance and governance issues that required the Board's attention.</p> <p>The Company Secretaries will also act as facilitator in communicating the key decisions and policies between the Board, Board Committees and Senior Management and ensure the required actions from the Board to Management are followed through.</p> <p>The Company Secretaries are also responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The notice was circulated within fourteen (14) days prior to the meeting and the board papers (non-financial meeting materials) were circulated within seven (7) days prior to the meeting whereas the financial meeting materials in average within two (2) days prior to the meeting.</p> <p>The board papers are issued in advance to facilitate informed decision making. The Managing Director and Executive Directors would lead the presentation of board papers and provide comprehensive explanations of business plans, business performance, potential merger and acquisitions and other pertinent issues.</p> <p>Any proposal and recommendation put forth by Management will be deliberated and discussed by the Board before a decision is made. All matters raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meeting with clear actions to be taken by responsible parties are recorded in the minutes.</p> <p>The draft minutes of meeting will be circulated to all Directors for comments within seven (7) working days after the meeting. The Directors will revert with comments, if any, to the draft minutes within seven (7) working days after the minutes is circulated.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Board Charter clearly established the functions reserved for the Board, Directors' roles and responsibilities and those delegated to Management. It is a reference and induction literature in providing the Board members and Management insight into the functions of the Board.</p> <p>The core areas of the Board Charter are as follows:</p> <ul style="list-style-type: none"> <li>(a) Company vision, mission and aspirations</li> <li>(b) Board governance process and procedures</li> <li>(c) Board and Management relationship</li> <li>(d) Board and Shareholders relationship</li> <li>(e) Stakeholders relationship</li> </ul> <p>The Board will link the Company's governance and management functions through the Executive Committee. All Board authority conferred on Management is delegated through the Executive Committee so that the authority and accountability of Management is considered to be the authority and accountability of the Executive Committee so far as the Board is concerned.</p> <p>The Board reserves for its consideration and approval for the following matters/issues:</p> <ul style="list-style-type: none"> <li>(i) Strategy and management</li> <li>(ii) Structure and capital</li> <li>(iii) Financial reporting and controls</li> <li>(iv) Risk management and internal controls</li> <li>(v) Contracts</li> <li>(vi) Communications</li> <li>(vii) Board membership and other appointments</li> <li>(viii) Remuneration</li> <li>(ix) Delegation of authority</li> <li>(x) Corporate governance matters</li> <li>(xi) Policies</li> </ul> <p>The Board Charter also explained the role of the Senior Independent Non-Executive Director.</p>



	<p>The Board Charter is periodically reviewed by the Board to ensure that it remains consistent with the Board's objectives, current laws and practices.</p> <p>The Board Charter is made available on the Company's website at <a href="https://www.topglove.com/corporate-governance/">https://www.topglove.com/corporate-governance/</a></p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Company had established the Directors' Code of Conduct and Ethics and the Employees' Code of Conduct reflecting underlying values required to be upheld by personnel.</p> <p>The Directors' Code of Conduct and Ethics was adopted by the Board in 2013 and updated on 18 June 2019. It covers the principles of conflict of interest, insider dealings, integrity, law compliance obligation and others.</p> <p>Directors are expected to conduct themselves with the highest ethical standards, to behave ethically and professionally at all times to promote and protect reputation and performance of the Company. As part of the enforcement, Directors are required to submit their declaration adhering and observing to the provisions in the Directors' Code of Conduct and Ethics annually.</p> <p>The Directors' Code of Conduct and Ethics is made available on the Company's website at <a href="https://www.topglove.com/corporate-governance/">https://www.topglove.com/corporate-governance/</a>.</p> <p>Employees' Code of Conduct is a manual applicable to employees of Top Glove Corporation Bhd and its subsidiaries ("the Group"). It guides the employee's conduct in the workplace, business conduct when dealing with external parties, key issues such as bribery, conflict of interests, insider trading as well as data integrity and retention. The Employees' Code of Conduct is disseminated to the Group's employees through its intranet.</p> <p>The Company has taken a very strong stand against bribery and corruption and has robust anti-corruption and anti-bribery policies and practices integrated into our organisation. In reflecting our commitment to uphold integrity and prevent corruption in the conduct of our businesses, we established the Top Glove Prevention and Anti-Corruption Committee in 2009.</p>

	<p>Deepening our commitment to uphold the practice of integrity, Top Glove became the first company from private sector to be certified with ISO 37001:2016: Anti-Bribery Management System in November 2017. Corruption and bribery risk assessment has been put in place since then.</p> <p>In September 2018, Top Glove employees in the managerial level performed the Corruption-Free Pledge (better known as Ikrar Bebas Rasuah) led by Dato' Lee Kim Meow, the Managing Director of the Company and witnessed by a Malaysian Anti-Corruption Commission officer. Following the success of this event, the Company has decided to implement the corruption-free pledge for all Top Glove employees starting January 2019.</p> <p>Tan Sri Dr Lim Wee Chai and Top Glove were selected as the sole Private Sector representative to receive the National Anti-Corruption Plan (NACP: 2019 to 2023) from YAB Tun Dr. Mahathir Mohamad, Prime Minister of Malaysia, at the Putrajaya International Convention Centre on 29 January 2019.</p> <p>Playing our part as a responsible corporate citizen and public-listed entity, Top Glove is in the midst of developing our own anti-corruption plan in support of the newly launched NACP as well as to demonstrate our commitment to moving forward together with the Government's vision towards a corruption-free nation.</p> <p>The Top Glove Anti-Corruption Plan is a three-phase execution plan comprising 30 initiatives adopted from the 115 initiatives of the NACP, based on those most relevant to our business and the industry.</p> <p>Our commitment in this area is enshrined in our Business Ethics: Honesty, Integrity and Transparency.</p> <p>The Employees' Code of Conduct is made available on the Company's website at <a href="https://www.topglove.com/corporate-governance/">https://www.topglove.com/corporate-governance/</a>.</p>
<b>Explanation for departure</b> :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	: Applied.
<b>Explanation on application of the practice</b>	<p>The Board believes that having a Whistleblowing Policy in place strengthens, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practice. A Whistleblowing Policy and Procedure were adopted by the Board in 2010 and further updated in 2019. It is available on the Company's website at <a href="https://www.topglove.com/whistle-blowing/">https://www.topglove.com/whistle-blowing/</a>.</p> <p>The Board aims to provide a platform and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rule or procedure by employees or Management of the Company. The Whistleblowing Policy and Procedure outline when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection is accorded to the whistle-blower against any form of reprisal or retribution. Any concern raised will be investigated by the Top Glove Prevention and Anti-Corruption Committee and Whistle Blowing Committee and a report and update is provided to the Board, through the Board Audit Committee ("BAC").</p> <p>In December 2018, training on creating an effective whistleblowing policy at Top Glove was led by Mr. Kanakaraja, Transparency International Malaysia ("TI-M") Treasury, a trained investigator with more than 20 years' experience in forensic accounting. Attended by Managerial level employees, the training explained how whistleblowing is supposed to be practised, and the limitations faced by a company in implementing an effective whistleblowing policy.</p> <p>A closed-door sharing session between Top Glove and various representatives from other organisation was held at Top Glove Tower Level 21 Boardroom and moderated by TI-M personnel. We had the opportunity to share knowledge and experiences with one another on how the whistleblowing system is practiced</p>

	<p>within different organisational settings based on the suitability and practicality of each organisation.</p> <p>Top Glove also organised a field trip to other companies with an aim to learn about anti-corruption and whistleblowing practices in other companies which enabled Top Glove to continue improving its systems and practices.</p> <p>Whistle-Blowers may write to the BAC to communicate on any information about fraudulent actions and breaches of ethics directly and anonymously to <a href="mailto:whistleblower2acm@topglove.com.my">whistleblower2acm@topglove.com.my</a>.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>More than half (58%) of the current Board (FY2019) of the Company comprises Independent Non-Executive Directors ("INED").</p> <p>The current Board (FY2019) consist of 12 Board members: one (1) Executive Chairman, one (1) Managing Director, two (2) Executive Directors, one (1) Senior INED, six (6) INEDs and one (1) Non-Independent Non-Executive Director.</p> <p>The Board Nomination and Remuneration Committee ("BNRC") reviews the independence of the Directors annually according to the criteria on independence set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Main LR") and Practice Notes of Main LR. In addition to the annual review by the BNRC of the Directors' independence, each INED also submits an annual declaration regarding his/her independence.</p> <p>All of the INEDs are also independent from the substantial shareholders of the Company, not being substantial shareholders themselves or directly associated with any substantial shareholder.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders’ approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders’ approval through a two-tier voting process.

<b>Application</b>	:	Not Applicable – Practice 4.3 Step up adopted.	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board had in June 2019 formalised a practice and set up a Tenure Policy which limit the tenure of independent directors to 9 years upon recommendation from BNRC. This is to ensure the Board is at all times operating in an effective manner so as to best promote the interests of the Company and its shareholders.</p> <p>This Policy will address the concern raised on extended service risks eroding director's independence by producing overly close relationship between long service independent directors and Management. However, the Board also recognised that longer service can help bridge the Management transitions by providing historical context and perspective and longer-serving directors may be better positioned to oppose and/or challenge Management in a constructive manner.</p> <p>In line with MCGG, the tenure of an Independent Director does not exceed a cumulative term of 9 years. Upon completion of 9 years, an independent director may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director. However, if the Board intends to retain an Independent Director beyond 9 years, it should provide justification and seek shareholders' approval annually.</p> <p>Dato' Lim Han Boon, our Senior Independent Non-Executive Director, will be completing his 9-year tenure coming 21 February 2020. The BNRC will review and assess his independency and then recommend to the Board for retention. The Board will then seek our shareholders' approval at the 21<sup>st</sup> Annual General Meeting to be held in January 2020 for the retention of Dato' Lim Han Boon as the Independent Non-Executive Director.</p>



## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Company takes diversity in Board composition as it is an essential measure of good governance and a driver of Board effectiveness. It is a critical attribute of a well-functioning board and contributing to the sustainable development of the Company. Diversity encapsulates not only gender but includes age, ethnicity, professional experiences, business experiences, skills, knowledge and cultural background.</p> <p>Despite the importance of Boardroom diversity, the Board is of the view that the selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority, not compromising on qualification, experience and capabilities.</p> <p>During FY2019, the Board has adopted the revised set of Board skill and experience matrix upon recommendation from BNRC to reflect the current needs of the Company.</p> <p>Based on the review of the Board composition in 2019, the Board agreed to maintain the optimum Board size at 12. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions amongst Board members.</p> <p>A Board Diversity Policy was updated by the Board in June 2019 and is made available on the Company's website at <a href="https://www.topglove.com/corporate-governance/">https://www.topglove.com/corporate-governance/</a></p> <p>Aside from achieving gender diversity aspect, the Board also aspires to achieve significant benefits by focusing on individual talents, abilities and experiences to meet the Group's objectives of being the world's leading gloves manufacturer; hence, requiring a Board with broader range of competence, skills and experience.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>For current FY2019, with the appointment of Puan Azrina Arshad in January 2019, the female Directors of the Company has increased from four (4) to five (5) female Directors which represent 42% of the total Board members.</p> <p>It provides the Board with gender diversity that will add value to the Board’s deliberations from the different perspectives and insights of the female Directors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In the process of recruiting of new Board Members, the BNRC is guided by a clear set of board skill matrix criteria will conduct a review and assess the suitable board candidates for the Board and Board Committees.</p> <p>Apart from its own networks in sourcing suitable candidates for the Board, the Board also takes into consideration the potential candidates from independent sources such as 30% Club Malaysia and Institute of Corporate Directors Malaysia.</p> <p>For the recruitment of new Board member, BNRC will give its feedbacks on the profile. In the process, for existing Board members, BNRC will also conduct annual assessment and review, identify gaps/vacancy. BNRC will identify and evaluate the potential candidates before engaging and interviewing the shortlisted candidates. The engagement and interview sessions enable the BNRC to make an appropriate assessment of their background, experience, personality and time commitment. Thereafter, BNRC will put forth its recommendation to the Board for the Board's approval.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	The Board is open to utilising independent sources, whenever it is necessary.
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	For the purpose of efficiency and effectiveness, the Board had combined both Nomination Committee and Remuneration Committee into BNRC in October 2017.  The BNRC is chaired by Datuk Dr Norma Mansor, our INED, in accordance with the MCCG recommendation.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Board undertook annual evaluation for the financial year ended 31 August 2019 ("FY2019") via an Online Assessment System to review their own performance, the effectiveness of the Board as a whole, the contribution of each individual Director and peers and independency of INEDs.</p> <p>The assessment of the Board covers areas such as the Board's structure, operation, roles and responsibilities, Chairman's roles and responsibilities and the performance of the Board Committees. For Self and Peer Assessments, the assessment criteria have included Board's interaction and contribution, quality of input to the Board and Directors' calibre and personality.</p> <p>As for BAC, an effective evaluation as a whole, member self's and peers' evaluations, effective evaluation of Internal Audit function and the External Auditors performance and independence were assessed. The assessment criteria included the quality and composition, skills and competencies, meeting administration and conduct, effectiveness of Internal Audit function and quality, performance, independency and adequacy of audit scope of External Auditors.</p> <p>The BNRC conducts review annually on its required mix of skills and experience and other qualities, including core competencies in which the directors should bring to the Board.</p> <p>The BNRC is entrusted with the responsibility of carrying out annual Board effectiveness evaluation, the annual BAC's term of office and performance evaluation and to authorise the evaluation process to ensure it meets the objectivity, including to review and approve all the evaluation forms/questionnaires, review the results of the evaluation and finally to convey the results to the respective parties for improvement and enhancement.</p> <p>The evaluations were facilitated by the Company Secretaries making references to the guides available and the good</p>

	corporate governance compliance companies.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Policy was updated by the Board in June 2019. The Remuneration Policy was adopted to ensure the remuneration of Non-Executive Directors are commensurate according to their level of responsibilities and experience and to also structure the component parts of remuneration so as to link rewards to corporate and individual performance of Executive Directors and ensure it was aligned with the business strategy and long-term objectives of the Company. The performance of the Executive Director is measured based on the achievements of his annual Key Performance Indicators as well as the performance of the Group.</p> <p>The Company rewards its employees and the Executive Directors with options under Employees' Share Option Scheme ("ESOS") and shares under the Employees' Share Grant Plan ("ESGP"). The Executive Directors are not entitled to receive meeting allowances for the Board and Board Committees meetings they have attended. Whereas, the Non-Executive Directors are entitled to receive meeting allowances for the Board and Board Committees meetings they have attended but are not entitled to participate in the ESOS and ESGP. Only Non-Independent Non-Executive Director is entitled to participate in the ESOS and ESGP.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>For effectiveness and efficiency reasons, the Board has combined both Nomination Committee and Remuneration Committee into BNRC.</p> <p>The duties and responsibilities of the BNRC are clearly stated in its Terms of Reference, which amongst others, includes:</p> <ul style="list-style-type: none"> <li>• To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities.</li> <li>• To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors and Senior Management needed to run the Company successfully.</li> <li>• To structure the component parts of remuneration so as to align with the business strategy and long-term objectives of the Company and to link rewards to individual performance and to assess the needs of the Company for talent at Board level at a particular time.</li> <li>• To review and recommend the fees and benefits payable to the Non-Executive Directors to the Board.</li> <li>• To review and approve remuneration packages of Senior Management and related employees (who are not Directors) to ensure that they are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	: Applied.																																												
<b>Explanation on application of the practice</b>	<p>In line with best corporate governance practice, the detailed disclosure on named basis for the Directors' remuneration of individual directors comprising remuneration received / receivable from the Company and subsidiaries respectively in FY2019 is shown in the Corporate Governance Overview Statement.</p> <p>The remuneration received from the Company by each of the current Non-Executive Directors and Executive Directors in FY2019 is set out in the tables below :</p> <p>(1) Independent Non-Executive Directors</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Fees (RM)</th> <th>Other Emoluments (RM)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Dato' Lim Han Boon</td> <td>103,900</td> <td>38,250</td> </tr> <tr> <td>2.</td> <td>Tan Sri Rainer Althoff</td> <td>83,800</td> <td>28,250</td> </tr> <tr> <td>3.</td> <td>Datuk Noripah Kamso</td> <td>93,100</td> <td>36,750</td> </tr> <tr> <td>4.</td> <td>Datuk Norma Mansor</td> <td>87,300</td> <td>31,750</td> </tr> <tr> <td>5.</td> <td>Tay Seong Chee Simon</td> <td>237,903</td> <td>4,250</td> </tr> <tr> <td>6.</td> <td>Sharmila Sekarajasekaran</td> <td>88,100</td> <td>30,750</td> </tr> <tr> <td>7.</td> <td>Azrina Arshad</td> <td>56,400</td> <td>8,000</td> </tr> </tbody> </table> <p>(2) Non-Independent Non-Executive Director</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Fees (RM)</th> <th>ESGP (RM)</th> <th>ESOS (RM)</th> <th>Other Emoluments (RM)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Puan Sri Tong Siew Bee</td> <td>77,800</td> <td>-</td> <td>-</td> <td>1,250</td> </tr> </tbody> </table>	No.	Name	Fees (RM)	Other Emoluments (RM)	1.	Dato' Lim Han Boon	103,900	38,250	2.	Tan Sri Rainer Althoff	83,800	28,250	3.	Datuk Noripah Kamso	93,100	36,750	4.	Datuk Norma Mansor	87,300	31,750	5.	Tay Seong Chee Simon	237,903	4,250	6.	Sharmila Sekarajasekaran	88,100	30,750	7.	Azrina Arshad	56,400	8,000	No.	Name	Fees (RM)	ESGP (RM)	ESOS (RM)	Other Emoluments (RM)	1.	Puan Sri Tong Siew Bee	77,800	-	-	1,250
No.	Name	Fees (RM)	Other Emoluments (RM)																																										
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(3) Executive Directors								
No.	Name	Salary (RM)	Fees	Bonus	ESGP	ESOS	Other Emoluments	Benefit -in-kind
1.	Tan Sri Dr Lim Wee Chai	2,416,442	125,000	176,010	97,650	294,896	373,529	40,487
2.	Dato' Lee Kim Meow	-	87,000	-	-	-	-	-
3.	Lim Hooi Sin	-	77,000	-	-	173,368	-	-
4.	Lim Cheong Guan	565,271	77,000	-	-	120,328	91,899	19,380
<b>Explanation for departure</b> :								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>								
<b>Measure</b> :								
<b>Timeframe</b> :								

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Not applicable – Practice 7.3 Step Up adopted.	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Adopted.																																				
<b>Explanation on adoption of the practice</b>	:	<p>In FY2019, the Board had approved the formation of Executive Committee ("EXCO") which consists of 7 member of senior management and led by the Executive Chairman.</p> <p>Detailed remuneration of each of EXCO member on a named basis is disclosed as below :</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Salary (RM)</th><th>Bonus (RM)</th><th>Benefit in-kind (RM)</th><th>Other emoluments (RM)</th></tr></thead><tbody><tr><td>1.</td><td>Tan Sri Lim Wee Chai</td><td colspan="4" rowspan="4">As disclosed under the Directors' Remuneration.</td></tr><tr><td>2.</td><td>Dato' Lee Kim Meow</td></tr><tr><td>3.</td><td>Lim Hooi Sin</td></tr><tr><td>4.</td><td>Lim Cheong Guan</td></tr><tr><td>5.</td><td>Wong Chong Ban</td><td>353,784</td><td>-</td><td>3,558</td><td>133,888</td></tr><tr><td>6.</td><td>Ng Yong Lin</td><td>341,185</td><td>-</td><td>1,080</td><td>151,966</td></tr><tr><td>7.</td><td>Lew Sin Chiang</td><td>331,964</td><td>-</td><td>6,600</td><td>110,775</td></tr></tbody></table>	No.	Name	Salary (RM)	Bonus (RM)	Benefit in-kind (RM)	Other emoluments (RM)	1.	Tan Sri Lim Wee Chai	As disclosed under the Directors' Remuneration.				2.	Dato' Lee Kim Meow	3.	Lim Hooi Sin	4.	Lim Cheong Guan	5.	Wong Chong Ban	353,784	-	3,558	133,888	6.	Ng Yong Lin	341,185	-	1,080	151,966	7.	Lew Sin Chiang	331,964	-	6,600	110,775
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**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The Chairman of the BAC is Dato' Lim Han Boon, our Senior INED, whilst the Chairman of the Board is Tan Sri Dr Lim Wee Chai, an Executive Chairman. This has ensured the overall effectiveness and independence of the BAC.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In line with the recommendation of MCCG, the Terms of Reference of BAC has been revised to include the cooling off period of at least 2 years before any former key audit partner could be appointed as BAC member to safeguard the independence of the audit of the Company's financial statement. The Terms of Reference of the BAC is available on the Company's website for reference.</p> <p>To-date, the Company has not appointed a former audit partner to be a member of the BAC.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The BAC is assigned to assess, review and supervise the performance, suitability and independent of External Auditors. The BAC has updated the External Auditors Assessment Policy in June 2019 to keep abreast with the current practices pertaining to assessment and review of the External Auditors.</p> <p>Under the updated External Auditors Assessment Policy, the External Auditors are precluded from providing any service that may impair their independent or conflict with their role as External Auditors.</p> <p>The BAC shall obtain a written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>In September 2019, Ernst &amp; Young presented the External Auditors' report to the BAC and provided a written assurance that they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for the financial year 2019.</p> <p>The BAC was satisfied with the suitability of EY based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group.</p> <p>Having regard to the outcome of the annual assessment of external auditors, the Board had in January 2019 approved the BAC's recommendation for the shareholders' approval to be sought at the 21<sup>st</sup> AGM on the appointment of EY as external auditors of the Company for the financial year ending 31 August 2020.</p>
<b>Explanation for departure</b>	:	



<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### **Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted.
<b>Explanation on adoption of the practice</b>	:	The BAC comprises four (4) members, all of whom are INEDs, which meets the requirements of Paragraphs 15.09(1)(a) and (b) of Bursa Securities Main LR.  The current BAC is led by the Senior INED, Dato' Lim Han Boon.

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>All the members of the BAC are financially literate and BAC Chairman, Dato' Lim Han Boon, is a member of the Malaysian Institute of Accountants, the Chartered Management Institute, United Kingdom ("UK") and fellow of the Association of Chartered Certified Accountants, UK, which fulfilled the financial expertise required by Main LR.</p> <p>During the FY2019, all members of the BAC have continued to participate in training programmes to equip themselves and to effectively discharge their duties as BAC members. The BAC members have constantly kept themselves updated of both local and international affairs and to changes in regulations affecting the Company through advisories from regulatory bodies, the Management and through self-reading.</p> <p>The BAC members are also updated by the Company Secretaries on any change to new accounting and auditing standards that may have impact on the Company businesses via email and at every BAC meeting.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to establishing and maintaining a sound, effective and efficient system of risk management and internal control to safeguard shareholders' investment and the Group's assets. There is an on-going review process undertaken by the Board to ensure adequacy and integrity of the system mentioned.</p> <p>The system of risk management and internal control is designed to identify and manage the Group's risk within the acceptable risk tolerance, rather than to eliminate the risk of failure in achieving the Group's corporate objective in accordance with the Group's strategy.</p> <p>The Board regards risk management as an integral part of all business operations. Hence, the Board explicitly assumes the responsibility of identifying principal risks and ensures the implementation of a dynamic system to manage risk exposure within the acceptable level of tolerance.</p> <p>To fulfil its oversight responsibility, the BAC is committed to review the adequacy and effectiveness of the Group's internal control system. The Group's Internal Audit Department undertakes the obligation to provide control assurance services to the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The Board has disclosed the features of its risk management and internal control framework and the adequacy and effectiveness of this framework in the Statement on Risk Management and Internal Control. The Board Risk Management Committee is reviewing and monitoring the Group’s risk management framework and activities.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted.
<b>Explanation on adoption of the practice</b>	:	<p>The Board Risk Management Committee has been established and comprised a majority of INEDs, i.e. five (5) INEDs and two (2) Executive Directors.</p> <p>To fulfil its oversight responsibility, the Board, as a whole or through delegation to the Board Risk Management Committee, reviews the adequacy and integrity of the Group's risk management framework and policies which encapsulates the key processes or risk identification, assessment, mitigation, monitoring and reporting.</p>

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	<p>The Group has in place an in-house Internal Audit Division (“IAD”) which provides the Board, through BAC, with independent assessment and assurance on the adequacy and effectiveness of the Group’s system and internal controls. The IAD reports functionally to the BAC in order to preserve its independence and objectivity.</p> <p>A rolling three (3) years internal audit plan, with specific audit scopes identified from the audit universe, is tabled annually to the BAC for approval. Guided by the approved plan, internal audit assignment is carried out to evaluate the adequacy, effectiveness and efficiency of the internal control system of the areas under review.</p> <p>Details of the internal audit function are set out in the Statement on Risk Management and Internal Control.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The IAD carries out the Internal Audit function, of which the Head of Internal Audit reports directly to the BAC. The IAD is independent of the activities audited and also independent from everyday internal control process.</p> <p>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.</p> <p>Currently, the IAD is led by Lim Lung Fui @ Jack, a member of Malaysian Institute of Accountants. For FY2019, the number of internal audit personnel was ten (10) comprising degree holders and professionals from related disciplines.</p> <p>The Board via the BAC will review the Internal Audit function such as:</p> <ul style="list-style-type: none"> <li>• review the adequacy of the scope, functions, competency and resources of the Internal Audit function, and that it has the necessary authority to carry out its work;</li> <li>• review the Internal Audit programmes, processes and results of the Internal Audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit function;</li> <li>• review any appraisal or assessment of the performance of the members of the Internal Audit function;</li> <li>• approve any appointment or termination of senior staff members of the Internal Audit function; and</li> <li>• take cognisance of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.</li> </ul>
<b>Explanation for departure</b>	:	



<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Company recognised the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Investor Relations ("IR") team has been scheduling regular engagement sessions with investors and is usually attended by the Executive Directors and the IR team.</p> <p>The IR team also attends conferences, non-deal roadshows, and one-on-one meeting with equity analysts, fund managers and institutional shareholders to provide updates on the Company's quarterly financial performance, corporate and regulatory developments as well as to discuss on strategic matters and address issues that the investing community may have with respect to the businesses or operations of the Company.</p> <p>Analyst and media briefing via conference call will usually be held immediately after release of quarterly results to Bursa Securities or an actual briefing will be held within a week after the release of the quarter results chaired by the Executive Chairman, Managing Director and Executive Director.</p> <p>The Company has established a comprehensive corporate website at <a href="https://www.topglove.com">https://www.topglove.com</a> which includes a dedicated section on IR to further enhance shareholders' communication.</p> <p>To better serve stakeholders of the Company, a feedback page on the website provides an avenue for stakeholders to suggest improvements to the Company via email: <a href="mailto:invest@topglove.com.my">invest@topglove.com.my</a>. In addition, stakeholders wish to reach the respective divisions of the Group can do so through the 'Contact us'.</p> <p>Besides the above, the Annual Report remains as a vital and convenient source of essential information for investors, shareholders and other stakeholders. The Management constantly improves the contents of the Annual Report to incorporate developments amongst others, in corporate governance and reports of Board Committees.</p>

	Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which serves as the principal forum for dialogue with shareholders where they may raise questions or seek clarifications on the Company's businesses and reports from the Directors.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

## Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure.
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In FY2019, the Board has deliberated the extent of readiness of the Company to adopt the integrated reporting based on globally recognised framework and concluded that the Company was not ready to embark into integrated reporting journey at this juncture.</p> <p>The Board recognised the importance of developing a strategic corporate reporting approach in meeting the needs of various stakeholders and achieve business benefits, the Board will revisit the readiness of the Company in this coming financial year and will move towards adopting an integrated reporting approach gradually.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board would need to firstly conduct a review and ascertain its corporate strategy in the near, medium and long term. The Board, if need be, will engage external consultant to assist in preparing a comprehensive integrated reporting based on globally recognised framework in due course.
<b>Timeframe</b>	:	Within 5 years subject to the Board and relevant Board Committees' review and approval.

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Notice of 2020 AGM and other relevant AGM documents are issued to the shareholders on 13 November 2019, which is more than 28 days' notice prior to the 2020 AGM. In addition to sending the notice, the Company also published the Notice of AGM on its website and released via Bursa LINK.</p> <p>The Notice of AGM provides detailed explanation for resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions regarding the AGM business agenda of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The dates of AGM, Board and Board Committees' Meetings for each financial year were fixed in advance for the whole year to ensure all Directors/Committees members' dates are booked and also enable Management's planning for the whole financial year.</p> <p>At the 20<sup>th</sup> AGM held on 8 January 2019, all Directors except Puan Sri Tong Siew Bee ("Puan Sri Tong") attended the AGM. Puan Sri Tong was overseas then to undergo her medical treatment. In addition to the Directors, our Senior Management and External Auditors were also in attendance to answer to our shareholders' questions.</p> <p>The Board ensures that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure.		
<b>Explanation on application of the practice</b>	:			
<b>Explanation for departure</b>	:	<p>During FY2019, the Company has explored various options of having a shareholders meeting in remote locations by leveraging on technology to facilitate voting absentia and remote shareholders' participation at general meeting.</p> <p>The Company had met up with few vendors from the market to assess the readiness and robustness of technology platform and due to certain constraints, the Company has decided to put on hold this venture till a later date.</p> <p>In the meantime, the Company continues with the electronic voting via polling stations.</p>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:	The Company will continue sourcing for the suitable vendors who is able to meet the technological requirements of the Company at reasonable cost.		
<b>Timeframe</b>	:	<table border="1" style="width: 100%;"> <tr> <td style="width: 60%;">Within 5 years subject to the Board's review and readiness of the technology platform and reasonable cost to be incurred to carry on the above.</td> <td style="width: 40%;"></td> </tr> </table>	Within 5 years subject to the Board's review and readiness of the technology platform and reasonable cost to be incurred to carry on the above.	
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**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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