

# CORPORATE GOVERNANCE STATEMENT



**Top Glove Corporation Bhd ("Top Glove" or "the Company") recognises that its existence in the business community relies on the support, trust and confidence of our Shareholders, business associates, customers, suppliers, financiers and various other group of Stakeholders with whom it interacts and/or conducts business with.**

The Board of Directors of Top Glove is committed to formulate policies and direct the Company to achieve its objectives by enhancing Shareholders' value with corporate accountability and openness, taking into account the interests of other Stakeholders.

The Board of Directors acknowledges the importance of the role of good corporate governance in assisting the Company to achieve its corporate mission and in enhancing its Shareholders' value. Thus, the Board of Directors is committed to ensure that the corporate governance adopted by the Company is in line with the principles set out in Malaysian Code on Corporate Governance, revised 2007 ("the Code") to the Company's particular circumstances. The Board further acknowledges the recommended best practices of the Code and continues to evaluate the status of the practices and the adopted alternatives. Except where specifically identified, the Board has generally complied with the best practices set out in the Code.

## BOARD OF DIRECTORS

Top Glove is led by an experienced Board comprising members who are specialised in the glove manufacturing and various business sectors supported by a wide range of other professionals in the legal and accounting sectors. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives and enable the Company to rest in the firm control of an accountable and competent Board of Directors.

The Board currently comprises nine (9) members, made up of five (5) Executive Directors including the Chairman and Managing Director and four (4) Independent Non-Executive Directors. The composition reflects a balance of Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board's decision making. A brief description of the background of each Director is presented on pages 8 to 12 of this Annual Report.

The Board has identified Mr. Sekarajasekaran a/l Arasaratnam as the Senior Independent Non-Executive Director to whom concerns may be conveyed where it could be inappropriate for the concerns to be dealt with by the Chairman and Managing Director in replacement of Mr. Quah Chin Chye, whom had passed away on 9 January 2011.

The Board meets quarterly to review its quarterly performances and discuss new policies and strategies. Additional meetings will be called as and when necessary. During the financial year ended 31 August 2011, four (4) Board Meetings were held and the attendance of the Board members is as follows:

Name of Directors	No. of Meetings Attended during tenure in office
Tan Sri Dato Sri <u>Lim</u> , Wee-Chai	4/4
Tan Sri Dato' Seri Arshad Bin Ayub	4/4
Tan Sri Dato' Dr. Lin See Yan	4/4
Puan Sri Tong Siew Bee	4/4
Lee Kim Meow	4/4
Lim Hooi Sin	4/4
Sekarajasekaran a/l Arasaratnam	4/4
Lim Cheong Guan	4/4
Lim Han Boon ( <i>Appointed on 21 February 2011</i> )	2/2
Quah Chin Chye ( <i>Demised on 9 January 2011</i> )	2/2

All of the above meetings were held in the Company's Conference Room at Lot 4969, Jalan Teratai, Batu 6, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia.



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All the Board members have attended the Mandatory Accreditation Programme and are mindful that they shall receive appropriate training which may be required from time to time to keep abreast with current developments of the industry as well as new statutory and regulatory requirements.

During the financial year ended 31 August 2011, the Directors have continued to participate in training programmes to equip themselves and to effectively discharge their duties as Directors as and when beneficial. The Directors have constantly kept themselves updated on both local and international affairs, and to changes in regulations affecting the Company through advisories from regulatory bodies, the management and through self-reading.

The Directors are also updated by the Company Secretaries on any changes to legal and governance practices of the Group and which affect themselves as Directors at every Audit Committee and Board meetings.

Mr Lim Han Boon, the Director appointed during the financial year, has been given a comprehensive briefing on the Company's history, operations, financial control system and plant visit to enable him to have first hand understanding of the Company's operation. This orientation programme had been implemented since 31 December 2001.

Clear demarcation of duties, responsibilities and authority are being practiced by the Board.

The Chairman is primarily responsible for the orderly conduct of the Board Meetings and ensure effectiveness of the Board and the Managing Director will assist the Chairman in the effectiveness of implementation of Board policies, making operational decisions and monitoring the day-to-day running of the business, including defining the limits of the management's responsibilities. The Executive Directors are responsible for the day-to-day operations of the Group whereby operational issues and problems are discussed, major transactions and matters relating to the Group are reviewed and also to formulate operational strategies.

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by the management with the view of the long-term interests of all Stakeholders. They contributed to the formulation of policies, and decision-making using their expertise and experience. They also provide guidance and promote professionalism to the management.

The presences of the Independent Non-Executive Directors are essential as they provide the unbiased and independent view, advice and judgement as well as to safeguard the interest of other parties such as minority Shareholders and the community.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to retirement at the first Annual General Meeting ("AGM") of the Company subsequent to their appointment. One third (1/3) of all the other Directors shall retire by rotation at each AGM provided always that all Directors shall retire from office at least once in every three (3) years. The Directors retiring from office shall be eligible for re-election by the Shareholders.

Directors standing for re-election/re-appointment at the AGM of the Company to be held are Puan Sri Tong Siew Bee, Mr. Lee Kim Meow, Mr. Lim Cheong Guan, Mr. Lim Han Boon, Tan Sri Dato' Dr. Lin See Yan, Tan Sri Dato' Seri Arshad Bin Ayub and Mr. Sekarajasekaran a/l Arasaratnam.

The Board has delegated certain responsibilities to several Board Committees, which operates within clearly defined terms of reference. The Chairman of the various Committees will report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the Board meetings. The various Committees are as below:

## AUDIT COMMITTEE

This Committee was established on 5 September 2000. Its role and function is to assist the Board in overseeing the Group's activities within its clearly defined terms of reference. Best Practices BB Part 2 and Part 4 of the Code and Paragraph 15.12 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("LR of Bursa Securities") spell out the duties of an Audit Committee. The scope of duties of Top Glove's Audit Committee includes primarily the duties detailed therein. Pursuant to Paragraph 15.15 of the LR of Bursa Securities, the Audit Committee Report for the current financial year can be found on pages 41 to 44 of this Annual Report which also contain other information as required under the Code.

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The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

The Board has full access to both internal and external auditors and receives reports on all audits performed via this Committee.

## NOMINATION COMMITTEE

This Committee was established on 7 November 2001. The term of office of the Committee members is two (2) years and may be re-nominated and re-appointed by the Board. Its role is to assist the Board of Directors in their responsibilities in nominating new nominees to the Board of Directors. The Nomination Committee shall also assess the performance of the Directors of the Company on an on-going basis. The members of the Nomination Committee are as follows:

(a) <b>Tan Sri Dato' Seri Arshad Bin Ayub</b>	(Independent Non-Executive Director) – Chairman
(b) <b>Sekarajasekaran a/l Arasaratnam</b>	(Independent Non-Executive Director)
(c) <b>Lim Han Boon</b> ( <i>Appointed on 21 February 2011</i> )	(Independent Non-Executive Director)
(d) <b>Quah Chin Chye</b> ( <i>Demised on 9 January 2011</i> )	(Independent Non-Executive Director)

The duties and responsibilities of the Nomination Committee are as follows:

- To recommend to the Board of Directors, candidates for all directorships to be filled by the Shareholders or the Board of Directors;
- To consider, in making its recommendations, candidates for directorships proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any Director or Shareholder;
- To recommend to the Board of Directors the nominees to fill the seats on Board Committees;
- To assess the effectiveness of the Board of Directors as a whole and each individual Director/Committee of the Board;
- To act in line with the directions of the Board of Directors; and
- To consider and examine such other matters as the Nomination Committee considers appropriate.

## REMUNERATION COMMITTEE

This Committee was established on 7 November 2001. The term of office of the Committee members is two (2) years and may be re-nominated and re-appointed by the Board. Its role is to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the Executive Directors. The members of the Remuneration Committee are as follows:

(a) <b>Tan Sri Dato Sri Lim, Wee-Chai</b>	(Chairman) – Chairman
(b) <b>Sekarajasekaran a/l Arasaratnam</b>	(Independent Non-Executive Director)
(c) <b>Lim Han Boon</b> ( <i>Appointed on 21 February 2011</i> )	(Independent Non-Executive Director)
(d) <b>Quah Chin Chye</b> ( <i>Demised on 9 January 2011</i> )	(Independent Non-Executive Director)

The duties and responsibilities of the Remuneration Committee are as follows:

- 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 ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully;
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level at a particular time;
- To recommend to the Board of Directors the remuneration packages of the Executive Directors;
- To act in line with the directions of the Board of Directors; and
- To consider and examine such other matters as the Remuneration Committee considers appropriate.



## DIRECTORS' REMUNERATION

1) Aggregate remuneration of Directors categorised into appropriate components are as follows:

	Salaries RM'000	Fees RM'000	Bonus RM'000	ESOS RM'000	Benefit-in -kind RM'000	Total RM'000
<b>Executive</b>						
Directors	4,448	317	373	-	99	5,237
<b>Non-Executive</b>						
Directors	-	358	-	-	-	358

2) Directors' remuneration are broadly categorised into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 to RM100,000	-	1
RM200,001 to RM350,000	1	-
RM400,001 to RM450,000	1	-
RM500,001 to RM550,000	2	-
RM1,650,000 to RM1,700,000	1	-

Details of individual Director's remuneration are not disclosed in this report as the Board had considered that the above Directors' remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfied the accountability and transparency aspects of the Code.

## ESOS OPTION COMMITTEE

The Company, with approval of the Shareholders in its Extraordinary General Meeting ("EGM") held on 9 January 2008, had established the Employees' Share Option Scheme ("ESOS") and the Scheme was officially implemented on 1 August 2008.

ESOS Option Committee appointed by the Board on 11 April 2003 continued to oversee the administration as well as to ensure proper implementation of the ESOS according to the Bye-laws of the Scheme. Currently the ESOS Option Committee comprises the following members:

- Tan Sri Dato Sri Lim, Wee-Chai – Chairman
- Lee Kim Meow – member
- Lim Cheong Guan – member
- Wu Kin Yeap – member
- Hue Kon Fah – member
- Ngian Yoke Fung – member

## SUPPLY OF INFORMATION TO THE BOARD

All Directors are provided with an agenda of the meeting and board papers which contain Company's financial performance, business outlook, various Committees' reports and disclosures by Directors of their interest in the shares and their interest in contracts, properties and offices pursuant to Section 135 and Section 131 of the Companies Act, 1965 respectively prior to the Board meeting. The board papers are issued in advance to facilitate informed decision making. The Managing Director

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will lead the presentation of board papers and provide comprehensive explanations of pertinent issues. Any proposals and recommendations by the management will be deliberated and discussed by the Board before a decision is made. Minutes are prepared on all Board proceedings and will be signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965. The Board is kept updated on the Company's financial activities and operations on a regular basis.

The Directors are also notified of any corporate announcement released to Bursa Malaysia Securities Berhad ("Bursa Securities") and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

All Directors have access to the advice and services of the Company Secretaries and they have been issued with the Code of Ethics for Directors and Secretaries. The Company Secretaries also act as the Secretaries for all the Board Committees.

## RELATIONSHIP WITH THE SHAREHOLDERS

The Company views the timely and equal dissemination of information to Shareholders and Stakeholders as important. It strictly adheres to the disclosure requirements of Bursa Securities. The Company is cautious not to provide undisclosed material information about the Company to any Shareholder or Stakeholder group prior to the announcement made to Bursa Securities.

In addition to the various announcements made during the year, the timely release of financial results on a quarterly basis in line with the LR of Bursa Securities, the Company provides Shareholders with an overview of the Company's performance and progress. During the year, the Executive Directors and senior management had regular dialogues and meetings with both local and overseas institutional investors, fund managers, analysts, research houses and members of the press media to brief them and to keep them updated on the various announcements relating to the Company's financial performance, major corporate proposals and pertinent issues within the disclosure requirements of Bursa Securities.

The AGM is an important forum where communications with Shareholders can be effectively conducted. Shareholders are notified of the meeting together with a copy of the Company's Annual Report at least twenty-one (21) days before the meeting. At each AGM, Shareholders are given ample time and opportunity to ask for more information, without limiting the type of questions asked, on the Audited Financial Statements. During the meeting, the Chairman and the Board members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the Shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the Shareholders.

Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day. The Board has ensured that each item of special business included in the notice of the annual or extraordinary general meeting are accompanied by a full explanation of the effects of a proposed resolution.

Institutional investors and analysts are welcomed and have equal opportunity to meet our management about performance, corporate governance and other matters related to Shareholders' interest.

The Company also maintains a website at <http://www.topglove.com.my>, from which Shareholders and Stakeholders can access for information.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

Statement of Directors' Responsibilities in respect of Audited Financial Statements pursuant to Paragraph 15.26(a) of the LR of Bursa Securities.

The Directors are responsible to ensure that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and prepared on a going concern basis. The Directors also strive to ensure that financial reporting present a balanced and understandable assessment of the Company's position and prospects.





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Quarterly financial statements are reviewed by the Audit Committee and approved by the Board of Directors prior to release to Bursa Securities within the stipulated time frame.

## Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls, and compliance with laws and regulations as well as with internal procedures and guidelines. The internal control system also aims at identifying and managing any risks that the Company may encounter in pursuit of its business objectives. A Statement on Internal Control of the Company is set out on page 40 of this Annual Report.

## Whistle-Blowing Policy

The Board believed that having a whistle-blowing system in place will strengthen, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practices.

In view thereof, the Audit Committee recommend to the Board for adoption of a Whistle-Blowing Policy in 2010. The Board aimed to provide a platform and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or noncompliance to any rules or procedures by the employee or management of the Company. The policy outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistleblower 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 concerns raised will be investigated by TGPAC and Whistle Blowing Committee and a report and update is provided to the Board of Directors, through the Audit Committee.

## Relationship with the Auditors

The external auditors, Messrs. Ernst & Young and Messrs. William C.H. Tan & Associates have continued to report to members of the Company on their findings which are included as part of the Company's statutory financial statements. The Company has thus established a transparent arrangement with the auditors to meet auditors' professional requirements. From time to time, the auditors highlight to the Audit Committee and the Board of Directors on matters that require Audit Committee's and Board's attention through the issuance of management letters.

## OTHER COMPLIANCE INFORMATION

### 1. Utilisation Of Proceeds

The Company did not raise funds through any corporate proposal during the financial year.

### 2. Recurrent Related Party Transactions

During the financial year, there were no recurrent related party transactions of a revenue or trading nature involving the Directors and/or substantial shareholders of the Company.

### 3. Share Buy-Back

During the financial year, the Company had not purchased any of its own shares.

### 4. Depository Receipt Programme

A Sponsored Level-1 ADR Programme (Depository Receipt Programme) for shares of the Company was registered with the Securities and Exchange Commission of the United States of America since 27 December 2005.

Under the Depository Receipt Programme, a maximum of 5% of the total issued and paid-up capital of the Company will be traded in the Depository Receipts in the United States of America, in the ratio of four (4) shares to one (1) Depository Receipt.



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The Depository Bank for the Depository Receipt Programme is The Bank of New York and the sole custodian of the Company's shares for the Depository Receipt Programme is Malayan Banking Berhad, Kuala Lumpur.

As at 25 October 2011, the total number of Depository Receipts sold under the Depository Receipt Programme amounted to 9,200 shares.

## 5. Imposition Of Sanctions And/Or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

## 6. Non-Audit Fees

During the financial year, the amount of non-audit fees paid to the external auditors amounted to RM83,927.00.

## 7. Variation In Results

There was no material variance between the results of the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

## 8. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

## 9. Material Contracts

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and / or substantial Shareholders' interests.

## 10. Contracts Relating To Loans

There were no material contracts relating to loans entered into by the Company involving Directors and/or substantial Shareholders.

## 11. Options or Convertible Securities

During the current financial year ended 31 August 2011, a total of 350,600 new ordinary shares were issued and allotted pursuant to the exercise of the ESOS. The details of the issued and paid-up share capital of the Company as at 31 August 2011 are as follows:-

	No. of Shares	RM
As at 1 September 2010	618,162,362	309,081,181.00
Ordinary shares of RM0.50 each issued pursuant to the ESOS	350,600	175,300.00
As at 31 August 2011	618,512,962	309,256,481.00

Other than the above, there was no issuance of convertible securities during the financial year.

## 12. Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.