

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5105
COMPANY NAME : Can-One Berhad
FINANCIAL YEAR : December 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 PURSUANT 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The responsibilities of the Board of Directors of Can-One Berhad ("Can-One" or "the Company") ("Board") are set out in the Board Charter. Further details of the roles and responsibilities of the Board are set out in the Corporate Governance Overview Statement ("CG Overview Statement") in the Annual Report 2019.</p> <p>In discharging its duties, the Board is assisted by the Board Committees namely, the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee. Each Committee operates within its respective defined Terms of Reference ("TOR") which have been approved by the Board and are set out in the Board Charter. The TOR of the respective Board Committees are periodically reviewed and assessed to ensure that the TOR remain relevant and adequate in governing the functions and responsibilities of the Committee concerned and reflect the latest developments in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance ("MCCG").</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman is primarily responsible for matters pertaining to the Board and overall conduct of the Board. Details of the responsibilities of the Chairman of the Board are set out in the Board Charter.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board, Dato' Seri Subahan Bin Kamal is an Independent Non-Executive Director, while Marc Francis Yeoh Min Chang is the Group Managing Director. There is a clear and distinct division of responsibilities between the Chairman and the Group Managing Director to ensure that there is an appropriate balance of power and role, responsibility and accountability at Board level. Their respective responsibilities are set out in the Board Charter.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by 2 qualified Company Secretaries, Tan Bee Keng and Kwong Shuk Fong who are both members of The Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”). The Company Secretaries’ responsibilities are set out in the Board Charter.</p> <p>Tan Bee Keng has extensive experience in company secretarial and corporate work. She has been the Company Secretary of the Group since 7 January 2004. She oversees the Group Secretarial department. She also acts as Company Secretary for several other public companies listed on the Main Market of Bursa Securities, which are principally involved in the manufacture and distribution of cartons boxes, fast moving consumer goods and aluminium sheets & foil products, property development and construction. She has extensive experience in company secretarial and corporate work. She was previously the Manager-Group Secretarial of a management company serving a group of listed companies.</p> <p>Kwong Shuk Fong was appointed Joint Company Secretary on 18 April 2013 and is responsible for the company secretarial matters of the Group. She has extensive experience in receivership, liquidation, corporate recovery and reconstruction and company secretarial work having served in both the secretarial services and commercial sectors. Prior to joining the Company, she was an Assistant Company Secretary of a public listed company which is involved in oil and gas, renewable energy, industrial trading and services.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Prior to the Board meetings, every Director is given an agenda and a comprehensive set of Board papers consisting of reports on the Group’s financial performance, status of major projects, future development, the quarterly or annual financial results, the minutes of preceding meetings of the Board and Board Committees, and relevant proposal papers (if any) to allow them sufficient time to review, consider and deliberate knowledgeably on the matters to be tabled. Meetings materials are circulated to the Board and Board Committees’ members, 5 business days prior to their respective Meetings.</p> <p>The minutes of the said Meetings are circulated and confirmed as a correct record of the proceedings by the Board and Board Committees at their following respective meetings.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of the Board, Board Committees, Chairman, Managing Director, Executive Director, Non-Executive Directors, Independent Directors and Company Secretary are set out in the Board Charter. There is also a Schedule of Matters Reserved for Collective Decision of the Board in the Board Charter. The Board Charter serves as a source of reference and primary induction literature, providing insight to prospective Board members and the Senior Management.</p> <p>The Board Charter is subject to periodic review and updates by the Board whenever deemed necessary.</p> <p>The Board Charter is available on the Company's website at www.canone.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>There is in place the 'Code of Best for Practice' applicable to Directors which sets out the standard of conduct expected of Directors with the aim to cultivate a good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility. 'The Corporate Code of Conduct' ("Code") which is applicable to employees of the Group is also in place, and it contains policies and guidelines relating to the standards and ethics that all employees are expected to adhere in the course of their work covering among others, the following:</p> <ul style="list-style-type: none">• compliance with rules and regulations;• conflict of interest;• confidentiality;• safeguarding of the Group's intellectual property and assets;• prevention of abuse of power; and• Anti-Corruption <p>The Code is available on the Company's website at www.canone.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Company’s Human Resources Policies & Manual applicable to employees of the Group also set out the policies and procedures pertaining to grievances which includes whistleblowing.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The composition of the Board is as follows:</p> <ul style="list-style-type: none">➤ 1 Independent Non-Executive Chairman;➤ 2 Independent Non-Executive Directors;➤ 2 Non-Independent Non-Executive Directors;➤ 1 Group Managing Director; and➤ 1 Executive Director <p>The Board comprises 7 members, out of whom 3 are Independent Directors.</p> <p>The Board's composition complies with Paragraph 15.02 of the MMLR of Bursa Securities that requires at least 2 Directors or 1/3 of the Board, whichever is higher, to be Independent Directors.</p> <p>The Directors with their differing background and specialisations collectively bring with them a wide range of experience and expertise in areas such as finance, accounting and audit, engineering, manufacturing, trading, property development and investment, building and construction, agro-based products, logistics and investment holding. The profiles of all Board members are disclosed in the Profile of Directors section of the Annual Report 2019 on pages 5 to 7.</p> <p>The current composition of the Board reflects a good measure of objectivity and impartiality in order to ensure that the interest of the minority shareholders is not compromised. Nevertheless, the Board is considering appointment of an additional Independent Non-Executive Director to have at least 50% of Independent Directors to comply with Practice 4.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	<p>The Company has implemented a cumulative 9-year term limit for Independent Directors. After 9 years, such independent director may continue to serve on the Board subject to his re-designation to a non-independent director.</p> <p>The Board Charter has adopted Practice 4.2 of the MCCG to seek shareholders' approval annually in the event the Board desires to retain, as an independent director, a person who has served in that capacity for cumulatively more than 9 years but no more than 12 years.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The candidate for appointment to the Board as Directors is selected after taking into consideration, the structure, size, balance and composition of the Board including the required mix of skills, experience, core competencies and strength that would be relevant for the effective discharge of the Board's responsibilities with due regard for diversity in age, cultural background knowledge and gender.</p> <p>The Nomination Committee ("NC") is delegated with the responsibility of assessing and considering and recommending to the Board, suitable nominees for appointment as Directors and Senior Management, after taking into consideration, the candidates' age, race, gender, background capabilities, expertise, experience, character, integrity, professionalism, time commitment and other factors that will best qualify the candidates to serve on the Board of the Company. In the case of candidates for the position of Independent Non-Executive Directors, they must meet the independence criteria defined in the MMLR of Bursa Securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges the importance of Board diversity, including gender diversity, for the effective functioning of the Board.</p> <p>In November 2019, the NC agreed to come up with a proposed Board Diversity Policy for the Board's consideration and approval. The Board in February 2020 adopted the proposed Board Diversity Policy. The said policy stipulates, among other things, that the NC will consider the benefit of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</p> <p>The Company therefore aims to appoint and/or maintain at least 1 woman participation on the Board.</p>	
Explanation for departure	:	<p>Please provide an explanation for the departure.</p>	
		<p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC, in its November meeting in 2019, took cognizance of the non-existence of a formal Policy on Nomination and Assessment Process of Board members. In February 2020, the Board based on the recommendation of the NC, adopted a formal Policy on Nomination and Assessment Process of Board members which sets out the process and criteria for selection and assessment of potential candidates for election to the Board of the Company. It is specified in the said policy that in identifying candidates for appointment as Director, the following approaches will be deployed in sourcing for Board candidates:</p> <ul style="list-style-type: none">➤ Referrals from Board members, management and major shareholders➤ Directors' registry (e.g. Institute of Corporate Directors Malaysia)➤ Industry and professional associations➤ Independent search firms <p>The aforesaid policy is to be practiced in conjunction with the Board Diversity Policy of the Company.</p>
Explanation for departure	:	<p>Please provide an explanation for the departure.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Dato’ Seri Subahan Bin Kamal, the Senior Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In 2019, the NC undertook the evaluation to assess the Board, Board Committees and each individual Directors. The evaluation was conducted using the Board and Board Committee Evaluation Form, Directors' Evaluation Form and Independent Director Self-Assessment Checklist.</p> <p>The NC, after having conducted the above evaluation and assessment, concluded that:</p> <ul style="list-style-type: none">(i) all the 3 Independent Directors of the Company continued to demonstrate conduct and behaviour that were essential indicators of their independence, and that each of them continued to fulfil the definition and criteria of independence as set out in the MMLR.(ii) each Director has the requisite competence and calibre to serve on the Board and Board Committee(s) and had demonstrated his commitment to the Company in terms of time, participation and dialogue during the current year under review.(iii) the Board and Board Committees' composition were adequate in number and there is a right mix of skills and knowledge on the Board as well as the Board Committees. Their respective responsibilities were well defined and set out in the Board Charter. The criteria in the MMLR that at least 1 of the members of the Audit and Risk Management Committee ("ARMC") must be a member of the Malaysian Institute of Accountants or a person approved under the MMLR is met. The practices set out in the MCGG pertaining to the composition of the ARMC have also been adopted. <p>The Board members unanimously concurred with the above conclusions of the NC.</p>
Explanation for departure	:	

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

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has in place a Directors’ Remuneration Policy aimed to create a strong performance-oriented environment, and to attract, develop and retain talent.</p> <p>The Directors’ Remuneration Policy is available on the Company’s website at www.canone.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 6.2

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.

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration Committee’s Terms of Reference is available on the Company’s website at <u>www.canone.com.my</u> .	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application :	Applied										
Explanation on application of the practice	Each Directors’ detailed remuneration for the financial year ended 31 December 2019 (“ FYE 2019 ”) is disclosed in Page 43 of the Annual Report 2019 under the CG Overview Statement.										
		Salaries and Bonuses ¹ (RM’000)		Fees (RM’000)		Emoluments ² (RM’000)		Benefits-in-kind ³ (RM’000)		Total (RM’000)	
	Name of Director	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
	Non-Executive Directors										
	Dato’ Seri Subahan Bin Kamal	–	–	108	108	10	10	–	–	118	118
	Yeoh Jin Hoe	4,634	–	226	60	86	12	21	–	4,967	72
	Yeoh Jin Beng	–	–	122	72	12	12	–	–	134	84
	Razmi Bin Alias	–	–	96	96	12	12	–	–	108	108
	Foo Kee Fatt	–	–	84	84	12	12	–	–	96	96
	Executive Directors										
	Marc Francis Yeoh Min Chang	1,915	606	110	60	12	12	53	7	2,090	685
	Chee Khay Leong	3,699	405	193	60	109	12	26	–	4,027	477
	Tan Beng Wah*	584	158	87	47	11	11	11	–	693	216
	Total	10,832	1,169	1,026	587	264	93	111	7	12,233	1,856
	<i>Notes:</i> 1. Salary and bonus comprised basic salary, bonus, EIS, EPF and SOCSO. 2. Emoluments comprised meeting allowance and other allowances. 3. Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance and phone bill. * Resigned as Director of the Company and the Group in October 2019.										
Explanation for departure											
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.											
Measure :											

Timeframe :		
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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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board considered the information of the remuneration of the top 5 Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts to attract and retain executive talent.</p> <p>The transparency and accountability aspects of corporate governance applicable to the remuneration of these staff are deemed appropriately served by the disclosures of their remuneration in categories and bands of RM50,000 as disclosed in Page 45 of the Annual Report 2019.</p> <p>The Board ensures that the remuneration of the Senior Management commensurate with the overall performance of the Group and the general economic situation, with due consideration to attract, retain and motivate Senior Management to lead and run the Group successfully.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the ARMC is Foo Kee Fatt while the Chairman of the Board is Dato' Seri Subahan Bin Kamal.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee is stipulated in the existing Terms of Reference of the ARMC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has in place the External Auditors' Assessment Policy and had carried out an annual assessment on the performance, suitability and independence of the external auditors based on the following 6 keys areas:</p> <ul style="list-style-type: none"> (a) competence and quality of service; (b) sufficiency of resources; (c) ability to meet deadlines and responding to issues in a timely manner; (d) communication and interaction with the Management; (e) independence, objectivity and professionalism; and (f) whether there are any reprimand or sanction imposed by Audit Oversight Board. <p>The External Auditors' Assessment Policy is available on the Company's website at www.canone.com.my.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The composition of the ARMC of the Company is made up wholly of Independent Directors. They are:</p> <ol style="list-style-type: none">1. Foo Kee Fatt (Chairman)2. Dato' Seri Subahan Bin Kamal (member)3. Razmi Bin Alias (member)

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The members of the ARMC possess the necessary skills to discharge their duties and are financially literate. The profile of the ARMC Chairman, Foo Kee Fatt is set out in Page 7 of the Annual Report 2019, while the profile of members, Dato’ Seri Subahan Bin Kamal and Razmi Bin Alias are provided in Page 5 and Page 7 respectively.</p> <p>They attended seminars and training programmes to keep themselves abreast of the recent developments during the year 2019. The details of the programmes attended are disclosed in Page 50 of the Annual Report 2019.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group and thereafter, to implement and monitor appropriate internal controls to manage and mitigate those risks. The details of the framework are disclosed in the Statement on Risk Management and Internal Control in Pages 58 to 62 of the Annual Report 2019.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The key features of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control on Pages 59 to 61 of the Annual Report 2019.</p> <p>(A) <u>Identifying risks</u></p> <p>Risk is defined as an event which will cause the Group to suffer financial or non-financial losses in the short-term or long-term. From another perspective, a risk may also be in the form of a missed opportunity to earn more profit.</p> <p>In the risk identification process, all potential events that could adversely impact the achievement of business objectives are identified by the Risk Management and Sustainability Working Group ("RMSWG").</p> <p>The risks can typically be categorised into the following Group's objectives:</p> <ul style="list-style-type: none">• Strategic – high level goals, aligned with and supporting the Group's mission• Operation – effective and efficient use of resources• Reporting – reliability of financial reporting• Compliance – compliance with applicable laws and regulations <p>(B) <u>Quantify risks</u></p> <p>The risks which are identified are quantified for their impact on the Group.</p> <p>The potential impact of a risk event is the combination of the likelihood (probability) which the risk will happen and the impact (gravity) which it will cause if the risk does happen.</p> <p>A score of (1) to (5) will be assigned for likelihood and impact.</p>

Consequently, a risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores. A risk with a high rating poses more serious threat to the organization than a low rating risk. The risk will be mapped into the following risk heat-chart:

LIKELIHOOD	5	M	H	H	H	H
	4	M	M	M	H	H
	3	L	M	M	M	H
	2	L	L	M	M	M
	1	L	L	L	M	M
		1	2	3	4	5
		IMPACT				

(C) Responses to risks

For each risk identified, the Management will have 1 or more of the following response options:

- Avoid the risk by not proceeding with an activity which generates the risk.
- Treat the risk by applying controls to minimize the likelihood or impact of the risk.
- Transfer the risk by sharing the impact of the risk with outside parties such as insurance or joint-venture.
- Tolerate the residue (balance) risk if it is within the Group's risk appetite.

(D) Risk control strategies

For each of the type of risk response chosen, the relevant control strategies are identified.

If an existing control falls short of its effectiveness or if there is no existing control in managing a significant risk, then new control strategies must be developed to manage the risk so that the residue risk is reduced to an acceptable level.

	<p>(E) <u>Monitoring of risks and controls</u></p> <p>Ongoing risk monitoring is conducted to review the effectiveness of the control strategies in respect of the risks identified and corrective actions are taken, where necessary. In this respect, Key Risk Indicators are set for each risk to help the RMSWG in the risk monitoring process.</p> <p>(F) <u>Periodic review</u></p> <p>Risk profile of the Group changes with the internal and external organizational developments. An event regarded as low risk today may become high risk in the future. Therefore, an effective risk management project is not a one-time exercise but an ongoing process which forms part of the operation of the Group. In this regard, the risk profile and control processes will be continually updated on a regular basis, at least quarterly.</p> <p>The RMSWG of each business unit reports to the Risk Management and Sustainability Executive Committee (“RMSEC”) and the RMSEC will then meet to discuss and evaluate the RMSWGs’ reports for adoption. Thereafter, the RMSEC will report to the ARMC twice a year about key risks and risk management activities carried out during that period.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Please provide an explanation on the adoption.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group utilises the in-house Internal Audit Department as well as the services of an external independent consulting firm (collectively, “Internal Auditors”) to undertake independent regular and systematic review of the system of internal controls within the Group based on the approved Internal Audit Plan so as to provide reasonable assurance on the adequacy and effectiveness of governance, risk management and the internal control processes. The Internal Auditors provide the Committee with independent and objective reports on the state of internal control of the Group’s operations, the extent of the branches’ compliance with the Group’s policies, procedures and relevant statutory requirements and made recommendations, where necessary. The Committee then deliberates on the internal audit reports to ensure recommendations made are duly acted upon by the Management.</p> <p>Details of the Internal Audit function are set out in Pages 57, 61 and 62 of the Annual Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function for the Group [excluding Kian Joo Can Factory Berhad group of companies ("KJCFB Group") and Box-Pak (Malaysia) Bhd group of companies] is outsourced to an external independent consulting firm, Tan Yen Yeow & Company ("TYY & Co.") The Internal Audit ("IA") team of TYY & Co. is headed by the Director, Tan Yen Yeow. He is a Chartered Accountant registered with the Malaysian Institute of Accountants. He is also a member of The Institute of Internal Auditors Malaysia and a Certified Internal Auditor. The IA team of TYY & Co. is free from any relationships or conflicts of interest, which could impair the objectivity and independence of the team. The IA adopts a risk-based approach in developing its audit plan and addresses core auditable areas of the Group based on their risk profile.</p> <p>The IA department of KJCFB Group governs itself by adhering to the Institute of Internal Auditors' International Professional Practices Framework ("IPPF"). In addition, the IA department maintains a quality assurance and improvement program that covers all of the IA activity (including ongoing internal assessments and external assessments) in order to meet the IPPF standard requirements. The total number of auditors in the IA department during the FYE 2019 was 6. None of the IA department staff has family relationship with any Director and/or major shareholder of the Company. The IA Manager, Chandran A/L Kottamuthu holds a Degree in Business Admin (Hons) from Universiti Utara Malaysia, Diploma in Planning and Strategic Management and is a Certified System Investigator ("CSI"). He has many years of IA experience working in the manufacturing and retail industries. The IA function adopts a risk-based approach in developing its audit plan and addresses key audit areas of KJCFB Group based on their risk profile. Ad-hoc investigations and special reviews are also carried out when requested.</p>
Explanation for departure	:	

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

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group’s latest financial performance and material business/ corporate matters affecting the Company are made available to shareholders and investors through the Company’s Annual Reports, the various disclosures and announcements made by the Company to Bursa Securities and the Company’s website at www.canone.com.my.</p> <p>The AGM provides the principal platform for dialogue and interactions with the shareholders on an annual basis.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a large Company as defined by the MCCG.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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.

Application	:	Applied	
Explanation on application of the practice	:	At least 28 days’ notice period is given in respect of the Company’s forthcoming Annual General Meeting (“ AGM ”) to be held on 29 June 2020. The notice convening the said AGM is dated 29 May 2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>All the Directors of the Company attended the previous AGM that was held on 27 June 2019. Barring unforeseen circumstances, all the Directors have confirmed their attendance for the forthcoming AGM which will be conducted fully virtual and live-streamed from the broadcast venue on 29 June 2020.</p> <p>The Board members who are also Chairman of the Board Committees have always present at the AGM to respond to questions raised by the shareholders if addressed to them.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company does not have a large number of shareholders and each year less than 100 shareholders attended its AGM. The AGM of the Company has always been held in accessible locations. The Company also leverages on technology and adopts electronic voting to facilitate general meeting proceedings and voting.</p> <p>The Company's AGM in 2019 was held in Petaling Jaya, Selangor Darul Ehsan, a location which was easily accessible by the shareholders. Shareholders who were unable to attend and vote at the AGM were encouraged to submit the proxy forms to appoint their representatives to attend the AGM, which allowed them to vote in their absence.</p> <p>In view of the Covid-19 outbreak and having regard for the well-being and safety of our shareholders, the Company will be conducting its AGM in June 2020 fully virtual and through live-streaming from the broadcast venue. This allows shareholders to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely via the Remote Participation and Voting facilities provided by our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor" or "TIIH") through its TIIH Online website at https://tiih.online. The virtual AGM is in compliance with the Company's Constitution, Companies Act 2016 and other legal requirements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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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