



ZELAN BERHAD  
27676-V

# BOARD POLICY MANUAL

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## **1. INTRODUCTION**

The Board of Directors ("Board") of Zelan Berhad ("Zelan" or "Company") regards corporate governance as one of the essential elements to sustain business growth of Zelan and its subsidiary companies ("Zelan Group" or "Group").

Over the years, Zelan Group has continued to integrate good and effective corporate governance practices in directing and managing the overall business of the Group, in compliance with the Malaysian Code of Corporate Governance ("Code"). The Board is determined and committed towards ensuring maximum shareholders' value and enhancing investors' interest in line with the application of the principles of the Code.

## **2. PURPOSE**

The Board Policy Manual acts as a source of reference and guideline to the Board for matters relating to the Board's organization, responsibilities and procedures, etc. It is not intended to replace or supersede the laws or other regulatory requirements of Malaysia.

## **3. BOARD LEADERSHIP**

There are two (2) primary responsibilities, namely the running of the Board and the executive responsibility for the running of the Company's business. There should be a clear division of responsibilities between the Chairman and the Managing Director/Executive Director to ensure a check and balance of power and authority, so that no one individual has unfettered powers of decision making.

The Board should provide leadership and vision to the Company in a way that will not only enhance shareholders' value but also ensure long-term sustainable development and growth of the Company.

The roles of the Chairman and Managing Director/Executive Director in Zelan are separate, each with responsibilities clearly divided between them as follows:-

### **3.1 Chairman**

Amongst the responsibilities of the Chairman are as follows:-

- (a) ensure that the Board discharges its responsibilities and manages the processes of the Board;



- (b) ensure the balance of membership, subject to the Board's and shareholders' approval;
- (c) provide leadership to the Board by helping the Board fulfil the goals it sets by assigning specific tasks to members of the Board;
- (d) act as liaison between the Board and Management, and carry out other duties as requested by the Board as a whole, depending on the need and circumstances;
- (e) ensure proper flow of information to the Board, in particular, reviewing adequacy and timing of documentation in support of Management's proposals. In addition, the Chairman ought to organise and present the agenda for regular or special Board meetings based on input from Directors and ensure that all relevant issues are on agenda;
- (f) ultimately responsible for providing a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands;
- (g) maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public;
- (h) report which Directors are standing for election or re-election with a brief description to include matters such as age, relevant experience, list of directorships, date of appointment to the Board, details of participation in Board Committees and any particular director who is independent in the case of re-election of Directors in the notice of meeting;
- (i) promote good corporate governance and ensure that Managing Director/Executive Director look beyond his executive function and accept his full share of responsibilities of governance; and
- (j) seek the advice of the Company Secretary from time to time for guidance on what the Board's responsibilities are under the rules and regulations to which they are subject and how those responsibilities should be discharged. The compliance advice should extend to cover all laws and regulations and not merely the routine filing requirements and other administrative requirement of the Companies Act, 1965.



3.2 *Managing Director/Executive Director*

The Managing Director/Executive Director is accountable to the Board for the overall organisation, management and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. The Managing Director/Executive Director's financial authority is explicitly provided for in the Company's Limits of Authority approved by the Board.

Amongst the responsibilities of the Managing Director/Executive Director are as follows:-

- (a) meet regularly with the Board, with due notices of issues to be discussed and should record conclusions in discharging their duties and responsibilities;
- (b) develop and recommend to the Board, the annual business plans and budgets that support the Group's long-term strategy and vision for the Group that leads to the creation of shareholders' value;
- (c) strive to achieve the Group's financial and operational goals and objectives, maintain a satisfactory competitive position within the industries the Group operates in and ensure continuous improvement in the quality and value of the products and services provided by the Group;
- (d) formulate and oversee the implementation of major corporate policies, run the day-to-day business and implement the policies and strategies adopted by the Board;
- (e) ensure that the assets of the Group are adequately maintained and protected, and not necessarily placed at risk;
- (f) act within all specific authorities delegated to them by the Board;
- (g) foster a positive corporate culture that promotes ethical practices, encourages individual integrity and fulfils social responsibility to attract, retain and motivate a diverse group of top-quality employees at all levels;
- (h) constructively challenge and contribute to the development strategy, in particular, providing an independent point of view;
- (i) monitor the performance of management in meeting agreed goals and objectives and ensure that necessary financial and human resources are in place to enable the Group to meet these objectives;



- (j) satisfy themselves as to the adequacy and integrity of financial and non-financial reporting to the Board and that system of internal control and risk management are robust and defensible; and
- (k) promote the highest standards of corporate governance and seek compliance with the provisions of the Code.

### 3.3 Indemnification

Under the Directors' and Officers' Liability Insurance, the Group will provide Directors with, and will pay the requisite amount of premiums for indemnity and insurance cover while acting in their capacities as members of the Board. Directors will be required to pay a portion of the premiums, the sum of which would be recommended by Management.

## 4. BOARD COMPOSITION

Zelan's Board comprises Non-Independent Non-Executive Directors and Independent Non-Executive Directors, thus achieving the desired level of objectivity and independence in the Board's deliberation and decision-making.

The Articles of Association of the Company stipulates that the number of Directors including a Managing Director shall be not less than two (2) and not more than twelve (12) with at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be Independent Directors in line with paragraph 15.02 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The composition of the Board needs to demonstrate the range of experiences necessary for applying informed and independent judgment on issues of strategy, performance, resource utilization and standards of conduct, all of which are vital to the Company.

The present Directors of Zelan provide relevant experiences and expertise drawn from various field such as engineering, corporate finance, accounting, public services, legal and maritime services. The composition of the Board with their wide experiences and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group and facilitates the making of informed and critical decisions in ensuring Zelan achieves the highest level of corporate governance.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.



#### 4.1 *Appointment and re-election of Director*

A formal and transparent procedure exists vis-a-vis the appointment of new Director to the Board, the primary responsibility of which has been delegated to the Nomination and Remuneration Committee ("NRC"). In making recommendation to the Board, the NRC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director brings to the Board.

The Board members have no fixed term of appointment. Nevertheless, Article 78 of the Company's Articles of Association states that at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office. A Director retiring at general meeting shall hold office until the conclusion of that meeting.

A newly appointed Director will only hold office until the next Annual General Meeting at which they will retire and become available for re-election.

All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

All Directors shall notify and discuss with the Chairman prior to acceptance of any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

#### 4.2 *Independent Director*

The Board is structured to ensure that it consists of at least two (2) directors or one-third (1/3) of its Board (whichever is higher) are independent directors with expertise and skills from various fields. The definition of Independent Director follows that of the Listing Requirements, Paragraph 1.01 and Practice Note 13.

The independence of Independent Directors are assessed annually by taking into consideration disclosure of interests as well as having regard to the criteria for assessing the independence of Directors in the annual Board Assessment.

#### 4.3 *Senior Independent Director*

A Senior Independent Director is appointed among the Independent Directors, to whom concerns of fellow members as well as the shareholders and stakeholders may be conveyed.



4.4 Vacation of office by Director

Article 89 of the Company's Articles of Association and Paragraph 15.05 of the Listing Requirements provide the circumstances of which an office of a Director shall become vacant.

5. **DUTIES AND RESPONSIBILITIES OF THE BOARD**

The Board retains full and effective control over the affairs of the Company and the Group. This includes the responsibility for determining the Company's and the Group's development and overall strategic directions which are as follows:-

5.1 Principal duties and responsibilities of the Board

- (a) Strategic Planning
  - (i) Ensure that corporate goals and strategies are well articulated by Senior Management of the Group.
  - (ii) Review and adopt such strategic and business plans of the Group.
  - (iii) Provide the requisite broad business direction to steer the growth and performance of the Group to enhance the shareholders' value.
- (b) Conduct of business
  - (i) Oversee the conduct of the Group's business.
  - (ii) Evaluate whether the business are properly managed.
  - (iii) Make appropriate decisions to improve as well as safeguard the financial interests and position of the Group.
- (c) Risk Management
  - (i) Identify principal risks associated with the Group's businesses.
  - (ii) Establish a risk management framework.
  - (iii) Ensure all relevant and appropriate systems and measures are taken to manage, address and mitigate these risks in a timely manner.
- (d) Investors' Relation/Shareholders' Communication Policy and Corporate Social Responsibility
  - (i) Develop and implement an investor relations programme or shareholders' communication policy of the Group.





- (ii) Develop Corporate Social Responsibility (“CSR”) Framework of the Group on open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. The CSR Framework is designed to deliver sustainable value to society at large.

(e) Succession Planning

- (i) Ensure succession planning is in place for key management positions for business continuity purposes, including hiring, identifying development needs, determining remuneration packages and where appropriate, replacing the key management personnel.
- (ii) Assess, via the NRC, the performance of the Managing Director/Executive Director for his/her contribution towards achieving the Group’s corporate strategies and objectives.
- (iii) Internal Control Systems, MIS & Systems for Compliance with Regulations.
- (iv) Review the adequacy and the integrity of the Group’s internal control systems and management information systems.
- (v) Ensure that systems are in compliance with applicable laws, regulations, rules, directives and guidelines covering controls in financial, operational, compliance and risk management areas.
- (vi) Ensure that there is a satisfactory framework for reporting on internal controls and regulatory compliance to safeguard shareholders’ investments and the Group’s assets.

(f) Authority of Board Committees

Where the Board appoints committees, it should list down the authority of the committee and in particular, whether the committee has the authority to act on behalf of the Board or only to the extent of examining a particular issue and presenting the Board with recommendations.

(g) Other Board Approvals

Attend to and approve on-going business and corporate matters requiring Board approvals including recommendation from Board Committees.



5.2 *Other duties and responsibilities of the Board*

(a) Planning

- (i) Establish matters specifically reserved to the Board for decision making to ensure the direction and control of the Group is firmly in its hands.
- (ii) Establish major policies for strengthening the performance of the Group including financial, human capital management, operational excellence and risk management.

(b) Controls & Compliance

- (i) Identify the Board's information needs, seek both qualitative and quantitative information on performance factors and ensure its timely supply.
- (ii) Approve annual operating and capital budgets including the conduct of reviews and performance against plans.
- (iii) Ensure establishment of written policies and procedures on major areas including amongst others, the Group's Limits of Authority.
- (iv) Ensure appropriate measures are in place for the Group to meet its debts and other obligations when they fall due and respond to any disputes or litigation brought upon it by any party.
- (v) Ensure that the Group's financial statements are true and fair and otherwise comply with all applicable laws, bye-laws and government regulations applicable to the Group's businesses or its conduct.
- (vi) Ensure that the Internal Audit function is performed as per the rules stipulated by the regulatory body(ies) and within its Terms of Reference.

(c) Board Continuity

- (i) Seek continuity and strengthening of the Board through identifying and attracting additional and/or replacement of Directors. The NRC will be tasked with proposing new nominees to the Board. The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations from the NRC.



- (ii) Ensure that at every annual general meeting, one-third (1/3) of the Directors shall retire from office. A retiring Director shall be eligible for re-election. Also, ensure that every Director shall be subject to retirement at least once in every three (3) years. A retiring Director shall retain office until the conclusion of the meeting or adjourned meeting at which he is due to retire.
  
- (d) Financial Structure
  - (i) Ensure that there is a specific financial programme designed to properly support the Group's long term plan for growth by periodically reviewing the long term financial plan.
  - (ii) Approve financial transactions in relation to Investment & Divestitures, Capital & Fund Management and Operating & Capital Expenditure within the limits set by the Board.
  
- (e) Management
  - (i) Advise the Senior Management of the Group.
  - (ii) Monitor Management's success in implementing the Group's strategies.
  - (iii) Delegate management responsibility by appointing and authorizing the necessary signatories to transact for and on behalf of the Group in the normal course of carrying out the Group's business operations.
  
- (f) Others
  - (i) Establish formal and transparent arrangements for maintaining an appropriate relationship with the Group's Auditors.
  - (ii) Ensure that the Group adheres to high standards of ethics and corporate behaviour.
  - (iii) Identify if thought appropriate, a senior Independent Non-Executive Directors of the Board to whom concerns may be conveyed.

The conduct of the Board members shall be consistent with their duties and responsibilities to the Company and the shareholders.

The Directors shall always act within the limitations imposed by the Board on its activities. The Directors' responsibilities and limitations are primarily set out in the Company's Articles of Association, the Companies Act, 1965, the Listing Requirements, Capital Markets and Services Act 2007, the Board's and/or shareholders' resolutions or any other relevant Acts/Legislations.



## 6. **BOARD COMMITTEES**

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. Delegating authority to the Board committees does not in any way absolve the Board from discharging their duties and responsibilities.

Zelan Board has established two (2) standing committees i.e., The Audit Committee and the Nomination and Remuneration Committee, each operating within defined terms of reference, to assist the Board in discharging its responsibilities. The minutes of each committee's meetings are circulated to all Board members so that each Director is aware of the deliberations and resolutions made. The committees are as follows:-

### 6.1 Audit Committee ("AC")

#### Composition

The AC shall be appointed by the Board amongst the Directors and shall consist of not less than three (3) members, a majority of whom are Independent Non-Executive Directors. The members of the AC shall elect a Chairman from among their members who shall be an Independent Director. An Alternate Director must not be appointed as a member of the AC.

At least one (1) member of the AC:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience, and
  - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (ii) he must be a member of one (1) of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967.

#### Meetings and minutes

Meetings shall be held not less than four (4) times a year, and will normally be attended by the Group Chief Financial Officer and Group Chief Operating Officer. The presence of External Auditors will be requested, if required. Other Board members may attend meetings upon the invitation of the AC. At least twice (2) a year, the AC shall meet with the External Auditors without any



executive of the Group being present. The Auditors, both Internal and External, may request a meeting if they consider necessary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the AC shall report on each meeting to the Board.

*Quorum*

A quorum shall be two (2) and shall comprise of Independent Directors.

*Secretary*

The Secretary to the AC shall be one (1) of the Company Secretaries as decided by the Chairman of the AC.

*Authority*

The AC is empowered by the Zelan Board and has the following authorities:-

- (a) to investigate any matters within its terms of reference;
- (b) to have access to the resources which are required to perform its duties;
- (c) to have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group;
- (d) to have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity (if any);
- (e) to be able to obtain independent professional or any other advice; and
- (f) to be able to convene meetings with the External Auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

*Duties and responsibilities*

The duties of the AC includes amongst others:-

- (a) consider the appointment of the External and Internal Auditors, the audit fee and any questions of resignation or dismissal, and inquire into staffing and competence of the External and Internal Auditors in performing their work;



- (b) discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen with the External and Internal Auditors before the audit commences and ensure that adequate tests to verify the financial statements and procedures of the Group are performed;
- (c) discuss the impact of any proposed changes in accounting principles on future financial statements;
- (d) review the results and findings of the audit and monitor the implementation of any recommendations made therein;
- (e) review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions;
  - (v) compliance with accounting standards; and
  - (vi) compliance with stock exchange and legal requirements;
- (f) discuss problems and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss (in the absence of Management where necessary);
- (g) review the assistance given by the employees to the External Auditors;
- (h) ensure the adequacy of the scope, functions, competency and resources of the internal audit functions and it has the necessary authority to carry out its works;
- (i) review the Internal Audit programme, consider the major findings of Internal Audit investigations and Management's response and ensure co-ordination between the Internal and External Auditors;
- (j) keep under review the effectiveness of internal control systems and, in particular, review the External Auditor's management letter and Management's response;
- (k) consider any related party transactions that may arise within the Company or Group;



- (l) review all prospective information provided to the regulators and/or the public;
- (m) report promptly to Bursa Malaysia on any matter reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia's Listing Requirements; and
- (n) carry out such other assignments as defined by the Board.

## 6.2 Nomination and Remuneration Committee ("NRC")

### Objective

- (a) Establish, review and report to the Board on a formal and transparent procedure for developing a policy on Executive Directors' remuneration.
- (b) Review and recommend to the Board, the remuneration of the Executive Director in all its forms with the aim of attracting, retaining and motivating individuals of the highest quality needed to run the Company successfully.
- (c) To ensure an effective process for selection of new directors and assessment of the Board, Committees of the Board and individual Directors which will result in the required mix of skills, experiences and responsibilities being present on the Board.

### Composition

- (a) The members of NRC shall comprise at least three (3) members who are all non-executive, a majority of whom are independent.
- (b) Members of NRC shall elect a Chairman from among themselves who is not an Executive Director of the Company or any other Company within the Group. In the absence of the Chairman of NRC at a meeting, other members shall elect, from among themselves, a Chairman for the said NRC meeting.
- (c) All members of NRC, including the Chairman, shall hold office only so long as they serve as Directors of the Company.
- (d) Members of NRC may relinquish their membership in NRC with prior written notice to the Company Secretary.

The quorum for meetings of the NRC shall be at least two (2) members.



*Authority*

- (a) NRC shall have full, free and unrestricted access to relevant Company's records, properties and personnel in carrying out its duties and responsibilities.
- (b) NRC is authorized, subject to approval of the Board, to seek independent professional advice, at the expense of the Company, in carrying out its duties.
- (c) NRC is not authorized to implement its recommendations on behalf of the Board but report its recommendations back to the Board for its consideration and implementation.
- (d) The Chairman, Managing Director and/or Executive Directors shall abstain from the deliberations and voting on decisions in respect of their own remuneration packages.

*Duties and responsibilities*

The duties of the NRC includes amongst others:-

- (a) recommend to the Board potential candidates:-
  - (i) for directorships to be filled by the shareholder (or Board) or that proposed by the Managing Director or within the bounds of practicality, candidates proposed by any other senior executive or any director or shareholder; and
  - (ii) for the Board Committee seats;
- (b) conduct an annual review of the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board;
- (c) review the annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual director that is undertaken by the Chairman;
- (d) from time to time, examine the size of the Board with a view to present recommendations to the Board on the optimum number of Directors on the Board to ensure its effectiveness;
- (e) ensure that new appointees to the Board undergo an orientation and education programmes;





- (f) review the Board's composition periodically, to maintain an appropriate balance of skills, experience and expertise on the Board and provide advice to the Board accordingly;
- (g) make recommendations to the Board concerning the re-election by shareholders of any directors under the retirement by rotation provisions in the Company's Articles of Association;
- (h) annually, review and assess the training needs of individual directors and propose suitable training programmes to be attended;
- (i) in conjunction with the Managing Director and the NRC, develop the Group's missions and objectives, succession for the Managing Director and annual evaluation of the performance of the Managing Director.
- (j) review and, where necessary, update these terms of reference annually or when it deems appropriate;
- (k) to establish and recommend to the Board, a fair and transparent Remuneration Policy framework designed to attract, retain and motivate individuals of the highest quality. The key elements of this framework, which would form the basis of deliberations on the remuneration to be awarded are:-
  - (i) the Company's financial performance which may include financial indicators such as turnover, profitability, market capitalization and achievement of these indicators vis-à-vis pre-determined goals;
  - (ii) the performance and relative experience of individual Directors;
  - (iii) the nature of the Company's business e.g. international/ regional business presence;
  - (iv) the contributing hours and attendance at meetings of the individual Board members; and
  - (v) a benchmark of the Board's performance with other comparable organisations/competitors;
- (l) to conduct, on an annual basis (or when the need arises as in the case of proposing remuneration and/or compensation for a new Director), a review and thereon, provide advice and recommendations to the Board on all aspects of reward structure accorded to Managing Director/Executive Director in terms of the following components:-
  - (i) basic salaries and basis of increment applied (as a percentage of basic salary, fixed quantum or merit increment);



- (ii) annual bonuses (in the mode of contractual, discretionary or lump sum payment form);
  - (iii) directorship fees (fixed and/or supplementary);
  - (iv) long term incentive scheme including Employees' Share Option Scheme ("ESOS") with conditional terms for exercising options;
  - (v) fringe benefits in kind which include among others, club memberships, company car, medical and insurance benefits, outstation/overseas allowance etc.; and
  - (vi) other terms of employment/directorship.
- (m) to determine and agree on the Company's policy on the duration of contracts with Managing Director/Executive Directors, and notice periods and termination payments under such contracts, with a view to ensuring that any termination payments are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised.
- (n) to consider any published guidelines or recommendations regarding the remuneration of directors of listed companies which it consider relevant or appropriate.
- (o) to review and, where necessary, updating these terms of reference annually or when it deems appropriate.
- (p) to consider other topics as defined by the Board of Directors.

## **7. BOARD MEETINGS**

The Board meets every quarter and scheduled in advance at the beginning of each new calendar year. Special Board meetings will be convened as and when urgent issues and/or important decision are required to be addressed between the scheduled meetings.

### **7.1 Quorum**

The Articles of Association of the Company provides that the quorum for Board meetings shall be two (2) members.



7.2 *Agenda and meetings papers*

The agenda for each meeting shall be circulated to the Board members not less than five (5) days before each meeting, unless otherwise waived, in respect of Board meeting called at short notice for urgent matter(s) requiring the Board's immediate attention.

7.3 *Voting*

Questions arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one (1) vote and in case of equality of votes, the Chairman shall have a second or casting vote. Directors can voice their disagreement with the decision agreed by the majority of the Board together with their reasons to be noted in the minutes of meetings.

7.4 *Minutes of meeting*

The Company Secretary shall minute the proceedings and resolution of all Board and committees meetings. All resolutions are recorded and thereafter circulated to the Directors for comments before the minutes are finalized and confirmed. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all members of the Board.

7.5 *Participation of Members*

Board members are expected to make all efforts to attend Board meetings and prepare thoroughly for deliberations of the Board. Board members are expected to participate in Board discussions and activities and to bring the benefit of their particular knowledge, skills and abilities to the Board deliberations.

Board discussions should be open and constructive, recognizing that genuinely held differences of opinion could, in circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where necessary, call for a vote. All discussions and their records will remain confidential unless there is a specific direction from the Board to the contrary or disclosure is required by law.



7.6 *Conflicts of interest*

Board members are required to inform the Board of conflicts or potential conflicts of interests they may have in relation to particular items of business transacted by the Group.

Board members shall abstain themselves from discussion or decisions on matters in which they have a conflicting interest.

**8. BOARD EVALUATION AND PERFORMANCE**

The NRC on an annual basis undertakes a formal and transparent process in evaluating the effectiveness of individual Directors, the Board as a whole and its committees, as well as the performance of the Executive Director in respect of their respective skills and experience, pursuant to the Annual Assessment exercise.

A questionnaire will be circulated to all Board members of which the responses will be collected and collated by the Company Secretary, on behalf of the NRC. The NRC, upon discussion of the results, will present the findings to the Board.

**9. DIRECTORS' REMUNERATION**

The Board will determine the level of remuneration paid to Directors, taking into consideration the recommendations of the NRC.

The level and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose.

The component parts of remuneration should be structured so as to link reward to corporate and individual performance. As for Independent Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the said Independent Non-Executive Directors.

Non-Executive Directors will be paid directors' fee. Additional allowance shall be paid based on their responsibilities in the Board and on the Committees and/or for any other special skills and expertise that they bring to the Board. Any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter. Managing Director/Executive Director shall receive no fees but shall be paid as a full-time employee of the Company.



A formal and transparent procedure has been established by Zelan for developing the policy on executive remuneration and for fixing the remuneration packages of individual Board members.

The Board should report to the shareholders on the Directors' remuneration and this should be included in the annual report of the Company.

**10. DIRECTORS' TRAINING**

In addition to the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge his/her duties and promote active participation in the Board's deliberation. The Board through the NRC shall assess the training needs of the Directors from time to time.

**11. BOARD'S RELATIONSHIP WITH SHAREHOLDERS**

The Board must endeavour to familiarise itself with issues of concern to the shareholders.

The Company encourages its shareholders to attend its Annual General Meeting, which provides opportunities for the shareholders to put forth questions on the Company's business and affairs to the Board.

The Board shall evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business of the Company or the interests of the shareholders and, if necessary, take outside expert advice.

**12. MANAGEMENT OF RISK**

The Board is responsible for the total process of risk management and has endorsed an ongoing risk management and internal control framework which applies throughout the Group to determine, evaluate and manage significant risks.

The Board must appreciate the business risk issues and key performance indicators affecting the ability of the Company to achieve its strategic purpose and objectives.



The Board must ensure that appropriate systems are in place to manage the identified risks, measure the impact and to proactively manage it, so that the Company's assets and reputation are adequately protected.

The process is regularly reviewed by the Board, taking into consideration changes in the business environment, strategies and functional activities of the Group from time to time.

### **13. COMPANY SECRETARY**

The Company Secretary has a key role to play in ensuring that Board policies and procedures are both followed and reviewed regularly. It is also the responsibility of the Company Secretary in law to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers and support the Board in carrying the roles and responsibilities.

The Company Secretary is responsible for ensuring that Board procedures are followed and that the application of the rules and regulations for the conduct of the affairs of the Board are complied with to ensure the Board's efficient operation. The Company Secretary is also responsible for ensuring compliance by the Company on secretarial related matters, including but not limited to the provisions of the Companies Act, 1965, the Listing Requirements and the Capital Market and Services Act, 2007, where applicable.

The Company Secretary must keep abreast of, and inform, the Board of current developments in the regulatory framework and governance practices.

The Board members have unlimited access to the services of the Company Secretary.

### **14. ACCESS TO INFORMATION AND INDEPENDENT ADVICE**

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure that the Directors are able to make independent and informed decision.

### **15. CODE OF ETHICS**

The Company has adopted a code of ethics to be implemented throughout the Group, which demonstrates its commitment in doing business responsibly and ethically. By articulating the principles by which the Company conducts its



business, the code of ethics allows the employees to work and make decisions confidently and in a manner that supports its vision and values. The code of ethics helps the Company achieves the right things in the right manner at all times. The code of ethics shall apply to the Board, Management and employees irrespective of their seniority or designations.

**16. REVIEW OF THE BOARD POLICY MANUAL**

The Board Policy Manual will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board responsibilities.