

The Board of Directors of Zelan Berhad ("Zelan" or the "Company") confirms that throughout the financial period ended 31 December 2014 it has continued to integrate good and effective corporate governance practices in directing and managing the overall business of the Company and its subsidiary companies ("Zelan Group" or the "Group"), in compliance with the Malaysian Code of Corporate Governance (the "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.

### **A. Board of Directors**

#### **1. Composition of the Board**

The Company is led by a Board of Directors which comprises of members with relevant experiences and expertise drawn from various fields such as engineering, corporate finance, accounting, public services and legal. Together, 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. The Board also recognises the importance of gender diversity. The composition of the Board is as such that no individual or small group of individuals can dominate the Board's decision making.

As at the date of this report, the Board has seven (7) members. There are five (5) Independent Directors on the Board and this composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), which requires that at least one-third (1/3) of the Board should comprise of Independent Directors.

The Independent, Non-Executive Directors on the Board fulfill their roles by exercising independent judgement and objective participation in the Board's deliberation.

The Code requires an Independent Director who has served the Board for a period of nine (9) years cumulatively, to be re-designated as a Non-Independent Director. However, subject to the assessment by the Nomination and Remuneration Committee and shareholders' approval at the Annual General Meeting, the Independent Director may remain as an Independent Director after serving in that capacity for more than nine (9) years.

YBhg. Dato' Abdullah bin Mohd Yusof has served the Board as an Independent Director for more than nine (9) years cumulatively. A justification on the continuation of Dato' Abdullah bin Mohd Yusof as Independent Director is provided in the notice of AGM. YBhg. Dato' Abdullah bin Mohd Yusof is the Senior Independent Non-Executive Director to whom the shareholders may communicate with.

The roles of the Non-Executive Chairman and the Managing Director are distinct and separate with clear division of responsibilities to ensure the balance of power and authority. The Non-Executive Chairman is entrusted with the overall task of running of the Board to ensure its effectiveness whereas the Managing Director is responsible for the efficient and effective management of the business and day-to-day operations of the Company with all powers and delegations properly authorised by the Board, as well as implementation of policies and strategies adopted by the Board.

The profile of each Director is set out on pages 12 to 18 of this Annual Report.

#### **2. Code and Policy**

##### **Whistleblower Policy**

Zelan Berhad is committed to promote and maintain high standards of transparency, accountability, ethics and integrity among its employees. The Company takes a serious view of any misconduct on the part of any of its employees, management, directors and other stakeholders in particular with respect to their obligations to the Company's interest.

The Company has established and implemented the Whistleblower Policy in response to the Whistleblower Protection Act, 2010. The policy is designed to support the Company's integrity values and facilitate employees' disclosure of possible improprieties at the earliest opportunity to ensure such matters can be raised without fear of reprisal or detrimental action.

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## Statement on Corporate Governance

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### 3. Board Policy Manual

The Board Policy Manual sets out the Board's strategic intent and outlines the following:

- (i) Board roles and functions;
- (ii) Board composition, operation and processes;
- (iii) Division of responsibilities between the Board and Management; and
- (iv) Functions of the Board committees.

It also acts as a source of reference and primary induction literature to new Board members and Senior Management. The Board Policy Manual which is made available on the Company's website is reviewed from time to time and updated in accordance with the needs of the Company and any new regulations that may have an impact on the roles and responsibilities of the Board.

### 4. 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:

- (i) reviewing and providing guidance on the Company's and the Group's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long term business plans, reviewing major capital expenditures, acquisition and disposal;
- (ii) monitoring corporate performance and the conduct of the Group's business and ensuring compliances to best practices and principles of corporate governance;
- (iii) identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee;
- (iv) reviewing the adequacy and soundness of the Group's financial system, internal control systems and management information system and ensuring that they are in compliance with the applicable standards, laws and regulations;
- (v) ensuring a transparent Board nomination and remuneration process including succession planning for top management, their remuneration and ensuring the skills and experiences of the Directors are adequate to discharge of their responsibilities whilst the caliber of the Non-Executive Directors brings an independent judgement in the decision making process; and
- (vi) developing and implementing an investors' relation program or shareholders' communications policy of the Company.

### 5. Supply of Information

The Company has adopted a policy of sending Board papers to the Directors ahead of scheduled meetings. This is to ensure that the Directors are given ample time to review any matters/issues to be discussed at the scheduled meeting. Minutes of every Board meeting are circulated in advance so that Directors are given opportunity to make any comments or amendments, prior to confirmation and approval at the subsequent Board meeting.

At every regularly scheduled Board meeting, the Board deliberated and considered on matters including the Company's and the Group's financial performance, business review, operating performance to-date against the annual budget and the business strategies.

In addition to that, the Directors and Senior Management will also be notified on the restrictions imposed by Bursa Malaysia on dealing in the securities of the Company during closed period, at least thirty (30) calendar days prior to the release of the quarterly financial results announcement.

The Directors are also notified of any corporate announcements released to Bursa Malaysia, changes in the structure of the Group, new projects awarded and changes in the relevant laws and regulations such as Bursa Malaysia's Listing Requirements, Securities Industry Act and accounting policies.

Each Director has full and unrestricted access to Senior Management Team within the Group and is entitled to the advice and services of the Company Secretary. The Directors may, if necessary, obtain independent professional advice relating to the affairs of the Group or in discharging their duties and responsibilities, at the Company's expense.

## 6. Committees Established by the Board

The Board has delegated certain functions to the Committees it established to assist in the execution of its responsibilities. The Committees operate within their clearly defined terms of reference. These Committees, which comprise of selected Board members, are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments.

### (a) Audit Committee

The Audit Committee comprises of three (3) Independent, Non-Executive Directors. The membership of the Audit Committee is as follows:

- Datuk Ooi Teik Huat (*Chairman*)
- Dato' Abdullah bin Mohd Yusof
- Datuk Puteh Rukiah binti Abd Majid

The terms of reference and summary of activities of the Audit Committee are reported on pages 34 to 37 of the Annual Report. For the financial period ended 31 December 2014, the Audit Committee met five (5) times.

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

The NRC comprises of one (1) Non-Executive Chairman and two (2) Independent Non-Executive Directors. The membership of the NRC is as follows:-

- Dato' Anwar bin Aji (*Chairman*)
- Dato' Abdullah bin Mohd Yusof
- Datuk Ooi Teik Huat

The NRC is empowered by the Board and its terms of reference include the responsibility for recommending to the Board, suitable candidates for appointment of Directors and also include recommending to the Board the structure and remuneration policy of the Executive Directors. NRC is also responsible to consider and recommend measures to assess the effectiveness of the Board, its Committee and contribution of each individual Director.

For the financial period ended 31 December 2014, the NRC met once.

## 7. Board and Committee Meetings

Board and Committee Meetings are scheduled in advance at the beginning of each new calendar year to enable the Directors to plan ahead. Special Board Meetings will be convened as and when necessary to deliberate and assess any corporate proposal or business issue that requires expeditious decision from the Board.

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During the financial period ended 31 December 2014, the Board met six (6) times, of which four (4) were Board meetings and two (2) were Special Board meetings.

The record of attendance of each Director at Board and Committee Meetings held during the financial period ended 31 December 2014 are as follows:

Name of Director	Board	Audit Committee	Nomination & Remuneration Committee
Dato' Anwar bin Aji	6/6	N/A	1/1
Dato' Abdullah bin Mohd Yusof	6/6	5/5	1/1
Cdr Mohd Farit bin Ibrahim RMN (Retd) (Resigned on 13 February 2015)	4/6	N/A	N/A
Datuk Ooi Teik Huat	6/6	5/5	1/1
Datuk Puteh Rukiah binti Abd Majid	6/6	5/5	N/A
Dato' Sri Che Khalib bin Mohamad Noh	6/6	N/A	N/A
Encik Suhaimi bin Halim (appointed on 11 September 2014)	1/2	N/A	N/A
Encik Adnan bin Mohammad	6/6	N/A	N/A

### 8. Appointment of Director

The Nomination and Remuneration Committee is responsible 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.

### 9. Re-election

In accordance with the Articles of Association and in compliance with the Listing Requirements of Bursa Malaysia, all Directors are required to retire from office at least once in every three (3) years and shall be eligible for re-election.

The Articles of Association also requires that at least one third (1/3) of the Board of Directors shall retire at each Annual General Meeting ("AGM") and may offer themselves for re-election.

Additionally, directors of or over the age of seventy (70) are to be re-appointed annually at the AGM, a requirement to be adhered pursuant to Section 129 of the Companies Act, 1965. This affords shareholders the opportunity to review directors' performance and also promote effective boards.

## 10. Training

All members of the Board have attended the Mandatory Accreditation Program organised by Bursa Malaysia and are aware of the requirements of the Continuing Education Programme set by Bursa Malaysia. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

During the financial period under review, Directors have attended the following training sessions:

Director	Training/Workshop/Seminar Attended	Organiser
Dato' Anwar bin Aji	Board Chairman Series: The Role of Chairman	The Iclif Leadership and Governance Centre & Bursa Malaysia Securities Berhad
Dato' Abdullah bin Mohd Yusof	Enterprise Risk Management - Driving Sustainability and Innovation	Friday Concept (Asia)
Datuk Ooi Teik Huat	Enhancing Internal Audit Practice	Bursa Malaysia Securities Berhad
	Enterprise Risk Management - Driving sustainability and Innovation	Friday Concept (Asia)
Datuk Puteh Rukiah binti Abd Majid	Evaluating Overseas Investment Strategies	Bursatra Sdn. Bhd.
Dato' Sri Che Khalib bin Mohamad Noh	Audit Committee Conference - Stepping Up for Better Governance	Malaysian Institute of Accountants / The Institute of Internal auditors Malaysia
	Enterprise Risk Management - Driving Sustainability and Innovation	Friday Concept (Asia)
Adnan bin Mohammad	CIDB Green Card Training	Construction Industry Development Board Malaysia
	Enterprise Risk Management - Driving Sustainability and Innovation	Friday Concept (Asia)
	Quality, Environment and Safety & Health Management System Awareness	Zelan Berhad

## B. DIRECTORS' REMUNERATION

### 1. The Level and Make-up of Remuneration

The remuneration of all Directors is determined at levels which ensure that the Company attracts and retains Directors having the right caliber needed to run the Company successfully.

The Non-Executive Directors are paid annual fee approved by the shareholders at the Annual General Meeting. An attendance or meeting allowance is also paid to the Non-Executive Directors for each Board or Committee meeting that they attend.

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### 2. Policy and Procedure

The Board has set the framework and benchmark values on compensation and benefits in line with the market norms and competitive pressures in the industry. The Board strives to ensure fair compensation through comparable roles in similar organisations of similar size, market sector and business complexity.

The Nomination and Remuneration Committee in consultation with the Board will set and recommend the basic salary of the Executive Director or Chairman. This is done by taking into consideration the performance of the Executive Director or Chairman and the compensation practice of other companies within the same industry. The remuneration package is reviewed annually to reflect the current market condition, scale of responsibilities and personal performance.

### 3. Disclosure

The details of the Directors' remuneration for the financial period ended 31 December 2014 are as follows:

Category	Executive Director (RM'000)	Non-Executive Directors (RM'000)
Fee	-	314
Salaries & bonuses	510	-
EPF contribution	71	-
Other emoluments	21	292

The number of Directors of the Company, whose total remuneration fall within the following bands for the financial period ended 31 December 2014, are as follows:

Range of Remuneration	Executive Director	Non-Executive Directors
RM0 to RM50,000	-	4
RM50,001 to RM100,000	-	3
RM300,001 to RM350,000	-	1
RM500,001 to RM600,000	1	-

**C. SHAREHOLDERS AND INVESTORS****1. Dialogue between the Company and Investors**

The Board values its dialogue with both institutional shareholders and private investors through timely dissemination of information on the Company and the Group's performance and its operation via distribution of Annual Report, relevant circulars and press releases.

In addition, the Company also posts its material announcement and quarterly financial results via Bursa LINK to enable public community to be updated on any latest development pertaining to the Company's business affairs and achievements. Shareholders can also view and access information on the Group's operations and latest projects via its website: [www.zelan.com](http://www.zelan.com)

**2. Annual General Meeting**

The Annual General Meeting is the main forum which provides opportunity to the shareholders to have dialogue with the Board. Besides the normal agenda, the Board will also present reports and provide opportunity for shareholders to raise questions pertaining to the Group's business activities. The Board members are in attendance to provide responses to questions from the shareholders during these meetings.

**D. ACCOUNTABILITY AND AUDIT****1. Financial Reporting**

The Board aims to present a true and fair assessment of the Company's and the Group's financial performance, position and prospects to the Company's shareholders. The Board is also responsible to provide appropriate level of disclosure to ensure integrity and consistency of financial reports.

The Company publishes its annual financial statements annually and quarterly condensed financial statements as required by the Listing Requirements of Bursa Malaysia.

**2. Directors' Responsibility Statement**

The Directors are required by the Companies Act, 1965 (the "Act"), to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group on the Company for the financial year. The Directors' Statement in compliance with the requirements under the Act is set out on page 45 of this Annual Report.

The Board is responsible in ensuring the Group and the Company keeps sufficient accounting records for accurate disclosure of the financial position of the Group and the Company, and to enable them to ensure that the financial statements are prepared in accordance with the provisions of the Act and applicable accounting standards in Malaysia.

The Board is also responsible for taking such reasonable steps available to them, to safeguard the assets of the Group and to prevent and detect frauds and other irregularities.

**3. Internal Control**

The Board recognises its overall responsibility for continuous maintenance of a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The Board reviews and discusses the effectiveness of the Group's Internal Control system. The Audit Committee together with the Internal Auditors undertakes reviews which cover the financial, operational and compliance control as well as Risk Management.

The Group's Statement on Risk Management and Internal Control Statement is set out on page 38 to 39 of this Annual Report.

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### **4. Relationship with the Auditors**

The relationship of the Audit Committee with the Auditors is disclosed in the Audit Committee Report which can be found on pages 34 to 37 of this Annual Report.

### **E. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE**

Zelan Group has complied with the principles of corporate governance and best practices in corporate governance throughout the financial period ended 31 December 2014.