

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

The Board of Directors (“Board”) of Zelan Berhad (“Zelan” or “the Company”) acknowledges the importance of good corporate governance in protecting and enhancing the interest of shareholders. As such, the Board is committed towards adherence to the principles, recommendations and best practices set out in the Malaysian Code on Corporate Governance 2017 (“the Code”).

The Board believes that good corporate governance adds value to the business of the Company and its subsidiary companies (“Zelan Group” or “Group”) and will ensure that this practice continues. The Board believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group’s business direction and strategy.

The Board is pleased to present below the Corporate Governance Overview Statement (the “Statement”) on how the Group has applied the principles of the Code and the extent of compliance with the principles and best practices advocated therein.

### **1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

#### **1.1 Board Responsibilities**

The Board assumes responsibilities in determining strategic direction, overseeing proper conduct of the Group’s business, identifying principal risk and ensuring the implementation of systems to manage risks, succession planning, reviewing the adequacy and integrity of the Group’s internal control systems and management information systems, establishing goals for management and monitoring achievement of these goals.

The Board Policy Manual acts as a source of reference and guideline to the Board for matters relating to the Board’s organisation, responsibilities and procedures. The duties and responsibilities of the Board are as follows:

##### **(a) Strategic Planning**

- Ensure that corporate goals and strategies are well articulated by Senior Management of the Group.
- Review and adopt such strategic and business plans of the Group.
- Provide the requisite broad business direction to steer the growth and performance of the Group to enhance shareholders’ value.

##### **(b) Conduct of business**

- Oversee the conduct of the Group’s businesses.
- Evaluate whether the businesses are properly managed.
- Make appropriate decisions to improve as well as safeguard the financial interests and position of the Group.

(c) Risk Management

- Identify principal risks associated with the Group's businesses.
- Establish a risk management framework.
- 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

- Develop and implement an investor relations programme or shareholders' communication policy of the Group.
- 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

- 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.
- Assess, via the Nomination and Remuneration Committee, the performance of the Chief Operating Officer ("COO") for his contribution towards achieving the Group's corporate strategies and objectives.
- Review the adequacy and integrity of the Group's internal control systems and management information systems.
- Ensure that systems are in compliance with applicable laws, regulations, rules, directives and guidelines covering controls in financial, operational, compliance and risk management areas.
- 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 lists 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.

There is a distinct and clear division of responsibility between the Chairman and COO to ensure a strict balance of power and authority. The Chairman, an Independent Non-Executive Director, is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Chairman also serves as the main link between the Board and Management and particularly between the Board and the COO, who is the senior officer of the Group.

## 1.2 Board Composition

Currently the Board has five (5) members of which all are independent directors. YBhg. Dato' Sri Che Khalib bin Mohamad Noh the only non-independent director, has resigned from the Board on 12 January 2018. The current composition of Board members complies with Practice 4.1 of Principal A of the Code, which requires the Board to comprise a majority of independent directors.

### (a) Director's Training

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

During the financial year under review, all Directors attended at least one (1) training session, either organised internally by the Company or externally, as follows:

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	Anti-Money Laundering & Counter Financing of Terrorism Programme	The Iclif Leadership and Governance Centre	23 January 2017
2.	Combatting Procurement Fraud in the Public & Private Sectors Forum 2017	ARAM Global Sdn. Bhd.	24 January 2017
3.	6 <sup>th</sup> Annual National Conference 2017 – Mitigating Risk in Procurement	Malaysian Institute of Corporate Governance	9 March 2017
4.	Highlights of the Companies Act 2016 - Changes & Implications	Bursatra Sdn. Bhd.	28 March 2017
5.	Companies Act 2016	AEON Credit Service (M) Berhad's office, Kuala Lumpur	9 May 2017

<b>No.</b>	<b>Training/Workshop/Seminar Attended</b>	<b>Organiser</b>	<b>Date</b>
6.	Business Challenges & Regulatory Expectations (Module 2B)	Securities Industry Development Corporation (SIDC)	16 May 2017
7.	Risk & Compliance Action Plan for Board of Directors (Module 3)	Securities Industry Development Corporation (SIDC)	16 May 2017
8.	Directors as Gatekeepers of Market Participants (Module 1)	Securities Industry Development Corporation (SIDC)	10 May 2017
9.	Current & Emerging Regulatory Issues in the Capital Market (Module 4)	Securities Industry Development Corporation (SIDC)	12 July 2017
10.	Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4)	Securities Industry Development Corporation (SIDC)	12 July 2017
11.	Cyber Security Board Awareness Session	DRB-Hicom Bhd.	26 July 2017
12.	Seminar on Implementing a Risk Management & Internal Control Framework Based on the Malaysian Code on Corporate Governance 2017	ARAM Global Sdn. Bhd.	26 July 2017
13.	Corporate Directors Advanced Programme (CDAP) – Financial Language in the Board Room	Malaysian Directors Academy (MINDA)	19 September 2017- 20 September 2017
14.	Insight into the Energy Transition - Presentation by Bloomberg	Malakoff Corporation Bhd.	16 October 2017
15.	Effective Internal Audit Function for Audit Committee Workshop – A Programme for Audit Committee Members	Bursa Malaysia & The Institute of Internal Auditors Malaysia	20 October 2017
16.	An Awareness Program on Malaysian Code on Corporate Governance (“MCCG”) and Latest Updates on Main Market Listing Requirement (“MMLR”) of Bursa Malaysia	Malakoff Corporation Bhd.	3 November 2017
17.	The Impact of Companies Act 2016 on The Malaysian Code on Corporate Governance 2017 and Director’s Duties	MMC Corporation Bhd.	13 November 2017

**(b) Tenure of Independent Directors**

Practice 4.2 of Principle A of the Code, recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) 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 (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12<sup>th</sup>) year, the Board should seek annual shareholders' approval through a two-tier voting process.

YBhg. Dato' Anwar bin Aji has served the Board as an Independent, Non-Executive Director for more than nine (9) years cumulatively. Justifications on the continuation of YBhg. Dato' Anwar bin Aji as Independent Director is provided in the notice of Annual General Meeting.

The profile of each Director is set out on pages 016 to 018 of this Annual Report.

**(c) Boardroom Diversity**

The Board comprises 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 business direction of the Group. The composition of the Board is such that no individual or small group of individuals dominates the Board's decision-making. The skills and experience of each Director are stipulated in pages 016 to 018 of this Annual Report.

The Board encourages and supports more women participation in the Company's decision making positions whilst it continues to strive towards 30% women participation in the Board composition. Currently, there is one (1) female Director on the Board.

**(d) Attendance of Meetings**

During the financial year ended 31 December 2017, the Board met seven (7) times, comprising four (4) Board scheduled meetings and three (3) Special Board meetings. The record of attendance of each Director at Board and Board Committee Meetings held during the financial year ended 31 December 2017 are as follows:

Name of Director	Board	Audit Committee	Nomination & Remuneration Committee	Task Force Committee
Dato' Anwar bin Aji	7/7	N/A	1/1	11/11
Dato' Abdullah bin Mohd Yusof (Demised on 25 April 2018)	7/7	5/5	1/1	N/A
Datuk Ooi Teik Huat	7/7	5/5	1/1	N/A
Datuk Puteh Rukiah binti Abd Majid	7/7	5/5	N/A	N/A
Encik Suhaimi bin Halim	6/7	N/A	N/A	11/11
Encik Mohd Shukor bin Abdul Mumin	6/7	N/A	N/A	10/11
Dato' Sri Che Khalib bin Mohamad Noh (Resigned with effect from 12 January 2018)	6/7	N/A	N/A	N/A

**(e) Code of Conduct and Ethics**

The Group has in place a Code of Ethics for its Management and employees which is available at <http://www.zelan.com>. By articulating the principles by which the Group 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 Group achieve the right things in the right manner at all times.

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for the Company's Directors as established by the Companies Commission of Malaysia.

**(f) Whistleblowing Policy**

A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The Group did not receive any allegations or complaints from whistleblowers during the financial year under review.

**(g) Company Secretaries**

The current Company Secretaries are qualified, competent and capable of providing support to the Board in carrying out its roles and responsibilities. The Company Secretaries have attended regular trainings and seminars to keep abreast of relevant statutory and regulatory requirements under the Company's

Constitution, the Companies Act 2016, the Listing Requirements of Bursa Malaysia, the Capital Market and Services Act 2007 and the Code.

**(h) Board Committees**

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 (“TORs”). These Committees, which comprise selected Board members, are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments. The TORs of the two (2) Board Committees are stipulated in Board Policy Manual and made available on <http://www.zelan.com>.

**(i) Nomination and Remuneration Committee**

The Board had merged the Nomination Committee and Remuneration Committee as one committee with effect from 1 December 2012. The Nomination and Remuneration Committee comprises one (1) Non-Executive Chairman and two (2) Independent Non-Executive Directors. The membership of the Nomination and Remuneration Committee is as follows:-

- Dato’ Anwar bin Aji (*Chairman*)
- Dato’ Abdullah bin Mohd Yusof (*Demised on 25 April 2018*)
- Datuk Ooi Teik Huat

The Nomination and Remuneration Committee is empowered by the Board and its terms of reference to recommend suitable candidates for appointment as Directors as well as reviewing the structure and remuneration policy of the Chief Operating Officer. The Nomination and Remuneration Committee is also responsible to consider and recommend measures to assess the effectiveness of the Board, its Committees and contribution of each individual Director.

The Nomination and Remuneration Committee 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, and the contributions of each individual director.

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 Nomination and Remuneration Committee. The Committee, upon discussion of the results, will present the findings to the Board.

For the financial year ended 31 December 2017, the Nomination and Remuneration Committee met once.

### 1.3 Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Company for the financial year ended 31 December 2017 are as follows:

Directors	Fees (RM)	Meeting Allowances for Board and Board Committees (RM)	*Other Allowances (RM)	**Benefit- In-Kind (RM)	Total (RM)
Dato' Anwar bin Aji (Chairman)	99,000	19,000	291,000	6,198	415,198
Dato' Abdullah bin Mohd Yusof (Demised on 25 April 2018)	76,000	13,000	-	-	89,000
Datuk Ooi Teik Huat	86,000	13,000	-	-	99,000
Datuk Puteh Rukiah binti Abd Majid	60,000	12,000	-	-	72,000
#Dato' Sri Che Khalib bin Mohamad Noh (Resigned on 12 January 2018)	40,000	#6,000	-	-	#46,000
Encik Suhaimi bin Halim	40,000	17,000	-	-	57,000
Encik Mohd Shukor bin Abdul Mumin	40,000	16,000	-	-	56,000
<b>Total</b>	<b>441,000</b>	<b>96,000</b>	<b>291,000</b>	<b>6,198</b>	<b>834,198</b>

Notes:

\* Other Allowances comprises director's allowance, car allowance and entertainment allowance.

\*\* Benefit-in-kind comprises company driver, petrol and mobile phone bill (based on average monthly usage for the Relevant Period).

# Directors' Fees and meeting allowances are shared on an equal basis between Dato' Sri Che Khalib bin Mohamad Noh and MMC Corporation Berhad.

#### (a) Remuneration of Top Five (5) Senior Management

Currently the Group is operating with a minimum number of employees headed by the Chief Operating Officer being the only senior officer of the Group and supported by middle management from the commercial and operations department.



## **2 PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **2.1 Audit Committee**

The Audit Committee (“AC”) comprises 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 (*Demised on 25 April 2018*)
- Datuk Puteh Rukiah binti Abd Majid

The terms of reference and summary of activities of the Audit Committee are reported on pages 031 to 033 of the Annual Report. For the financial year ended 31 December 2017, the Audit Committee met five (5) times.

### **2.2 Risk Management and Internal Control**

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 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 undertake reviews which cover the financial, operational and compliance control as well as risk management.

The Group’s Internal Control Statement is set out on page 036 to 038 of this Annual Report.

### **2.3 Board Task Force Committee**

The Board Task Force Committee was established on 20 May 2016 and comprises the Non-Executive Chairman and two (2) Independent, Non-Executive Directors. The membership of the Task Force Committee is as follows:

- Dato’ Anwar bin Aji (*Chairman*)
- Encik Suhaimi bin Halim
- Encik Mohd Shukor bin Abdul Mumin

The Board Task Force Committee is empowered by the Board and its terms of reference is to provide assistance and guidance to the Management in respect of all the ongoing projects undertaken by the Group including but not limited to:

- (a) monitor key issues of the projects and the financial impact on the Group;
- (b) explore, evaluate and recommend options and/or plans to mitigate the associated risks;
- (c) review and revise the action/mitigation plans whenever necessary; and
- (d) review and recommend for approval by the Board on tender submission, acceptance of tender and appointment of subcontractors.

For the financial year ended 31 December 2017, the Board Task Force Committee met eleven (11) times.

### **3 PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **3.1 Dialogue Between Company and Investors**

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

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

#### **3.2 Conduct of General Meetings**

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.

The Company had served twenty one (21) days' prior notice to its shareholders for its forthcoming 42<sup>nd</sup> Annual General Meeting which will be held on 31 May 2018. The service of the notice is within the requirement stipulated by the Companies Act 2016 and the Listing Requirements of Bursa Malaysia. The notice included details and explanations of the resolutions to be tabled. Details of resolutions proposed along with any background information and reports or recommendations that are relevant were also provided in the notice for Annual General Meeting.

This Corporate Governance Overview Statement is made in accordance with the Resolution of the Board dated 30 April 2018.