

# CORPORATE GOVERNANCE STATEMENT

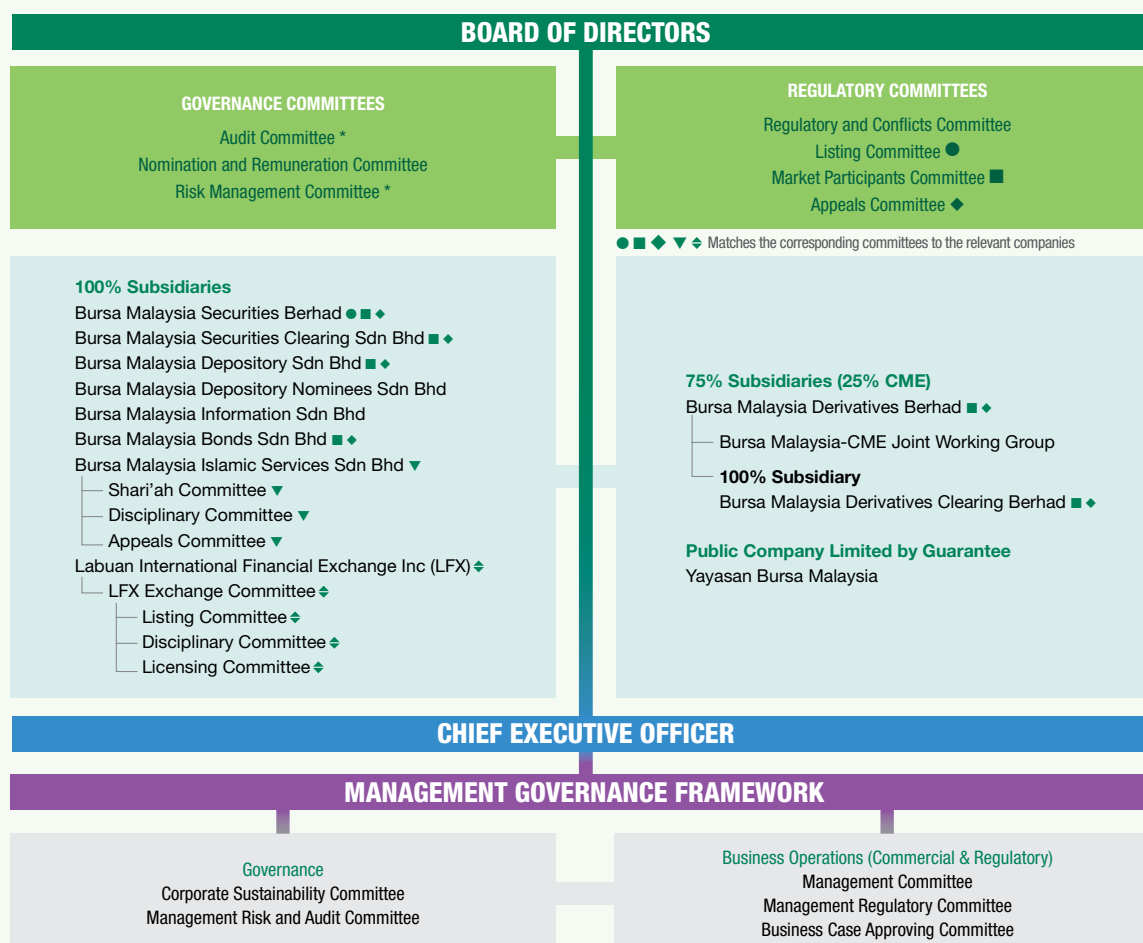
The Board of Directors of Bursa Malaysia (Board) presents this statement to provide an insight into the corporate governance (CG) practices of the Company under the leadership of the Board.

In building a sustainable business, and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of Bursa Malaysia. This statement demonstrates the Board's commitment to cultivating a responsible organisation by ensuring excellence in CG standards at all times.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear Functions of the Board and Management

The Board is responsible for the oversight and overall management of the Company. In order to ensure the effective discharge of its function and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees<sup>1</sup> and the Chief Executive Officer (CEO), as depicted below.



Note:

\* All subsidiaries of Bursa Malaysia have fully adopted the Governance Model of Bursa Malaysia Group except for Bursa Malaysia Derivatives and its wholly-owned subsidiary, Bursa Malaysia Derivatives Clearing which have adopted two Governance Committees, and the applicable Regulatory Committees

<sup>1</sup> Board Committees comprise three Governance Committees and four Regulatory Committees as set out in the Governance Model of Bursa Malaysia Group, after the Compensation Committee was dissolved on 11 May 2014

# CORPORATE GOVERNANCE STATEMENT

The Governance Model is supported by the Corporate Authority Manual (CAM), which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees, the CEO and Management. Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

The Governance Model and the CAM are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation. In April 2014, the Board conducted a holistic review of the Governance Model of Bursa Malaysia Group, including the structure and membership composition of the Board of subsidiaries and the Board Committees. The Governance Model document was reviewed during the year to reflect various changes arising from new requirements or for compliance with standards and best practices that were applicable to Bursa Malaysia as a listed entity, an exchange holding company (EHC) and a frontline regulator.

One of the key changes to the Governance Model in 2014 was the dissolution of the Compensation Committee (CC) following the transfer of the Securities Compensation Fund and the Derivatives Fidelity Fund to the Capital Market Compensation Corporation in 2013. All outstanding claims against the funds under the purview of the CC had been dealt with at its meetings prior to the dissolution in May 2014. In view that the Depository Compensation Fund still remains with Bursa Malaysia Group, the Board delegated to the Market Participants Committee (MPC) the authority to determine the claims made against the Depository Compensation Fund and to make related decisions on such claims. The Appeals Committee will determine any appeals arising from decisions made by the MPC in relation to the said claims.

The CAM was also reviewed in 2014, to provide clarity and the necessary updates based on changes to the Terms of Reference (TOR) of the Board Committees throughout 2014 relating to their respective authorities and responsibilities.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective TOR<sup>2</sup>. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at Board meetings.

## 1.2 Clear roles and responsibilities

The Board has wide responsibilities which are discharged in the best interests of the Company in pursuance of its regulatory and commercial objectives. Amongst the key responsibilities of the Board are as described below:

### a. Reviewing and adopting the Company's strategic plans

The Board plays an active role in the development of the Company's strategy. It has in place an annual strategy planning process, whereby Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following year at a dedicated session. At this session, the Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcomes. In conjunction with this, the Board also reviews and approves the annual budget for the coming year and sets the Key Performance Indicators (KPIs) under the Corporate Balanced Scorecard (CBS).

The strategy planning process for 2014 began at an off-site Board meeting held in June 2013, where Management presented the proposed 2014-2016 strategy and framework for discussion with the Board. Subsequent to this, Management prepared and presented the 2014-2016 Business Plan, the 2014 Detailed Action Plan and Budget for the Board's review at the Board meeting in October 2013. The Director of Regulation also presented the 2014-2016 Regulatory Plan and Budget for the Board's review. Both the 2014 Business and Regulatory Plans (BRP), including the 2014 Key Action Plan, were approved by the Board at this meeting.

In June 2014, the Board conducted a mid-year review of the 2014 BRP and the Budget at an off-site meeting, where the targets set by the Board were compared against the actual performance for the year to date. The Board reviewed the sustainability, effectiveness and implementation status of the 2014 BRP, and provided guidance and input to Management, taking into consideration the need to continuously invest, build and grow the three main markets of Bursa Malaysia as well as to maintain orderly markets in line with the approved plans. In its review, the Board also discussed strategy implementation processes, identifying the internal and external factors which had supported various achievements in the past, or will constitute future challenges for Management. At the same off-site meeting, the Board gave its feedback on focus areas, key initiatives, and the product roadmap in planning the 2015 Key Action Plan.

<sup>2</sup> The TOR of each Board Committee, as well as the names of members of the Board Committees for the term of appointment from 1 July 2014 to 30 June 2015, are available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us - Corporate Governance

## CORPORATE GOVERNANCE STATEMENT

In October 2014, the Director of Regulation presented to the Regulatory and Conflicts Committee (RACC) an overview of the 2015 Regulatory Plan which provides the regulatory roadmap to discharge Bursa Malaysia's regulatory function, in conjunction with its efforts to develop capital markets. The RACC is a Board Committee responsible for overseeing the regulatory functions of Bursa Malaysia. In its review of the proposed 2015 Regulatory Plan and Budget, the RACC also considered the corresponding regulatory issues and challenges expected during this period. The RACC then approved the 2015 Regulatory Plan and Budget, and recommended the same to the Board for approval.

The 2015 BRP and the 2015 Budget and Key Action Plan were subsequently approved by the Board in October 2014.

### b. Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group with respect to both its regulatory and commercial functions. He is supported by the Management Committee<sup>3</sup> and other committees established under the Group's Management Governance Framework<sup>4</sup>.

Management's performance, under the leadership of the CEO, is assessed by the Board through a status report which is tabled to the Board and includes a comprehensive summary of the Group's operating drivers and financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance based on the approved KPIs in the CBS.

To ensure independence of the regulatory function, the Director of Regulation provides the Board with a separate status report on a regular basis, informing the Board of actions taken by the Regulation division and providing updates on regulatory initiatives. In the first quarter of each year, Management reports to the Board on Bursa Malaysia's compliance with its regulatory duties and obligations under the Capital Markets and Services Act 2007 (CMSA) in the previous year. In March 2014, the Board reviewed the Annual Regulatory Report 2013 before it was submitted to the Securities Commission (SC) in compliance with Section 16 of the CMSA.

In May 2014, the Board reviewed the results of the 2013 employee engagement survey (EES) to assess the level of employee satisfaction. An external firm was engaged to conduct the survey to ensure improvement in the operating environment by maintaining areas of strength and improving opportunities for internal stakeholders. In June 2014, the Board considered the analysis on the key drivers of engagement at Bursa Malaysia. Group Human Resources (GHR) further presented the proposed action plans as post EES initiatives to address those areas below benchmark norms at Bursa-wide and divisional levels.

### c. Identifying principal risks and ensuring the implementation of appropriate systems to manage them

Through the Risk Management Committee (RMC), the Board oversees the Enterprise Risk Management (ERM) framework of the Group. The RMC advises the Audit Committee (AC) and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

The RMC reviews and recommends the annual Corporate Risk Profile which specifies the key enterprise risks for approval by the Board. The RMC also reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval, particularly with regard to risk oversight structure, accountability for risk management and the TOR of the RMC. In January 2014, the Board approved amendments to the TOR of the RMC to clarify its roles and responsibilities in formulating guidelines on risk management, monitoring and assessing the effectiveness of risk management and mitigation action plans, and controlling enterprise risk.

Details of the RMC and the Company's ERM framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

### d. Succession planning

The Nomination and Remuneration Committee (NRC) is responsible for reviewing candidates for key management positions and determining the remuneration for these appointments. It is also responsible for formulating nomination, selection and succession policies for members of the Board and Board Committees, the Senior Independent Non-Executive Director (SID), the CEO, the Deputy CEO, the Company Secretaries, and the Group's key management personnel. The Board is satisfied that the NRC efficiently

<sup>3</sup> The Management Committee members are as set out in the Management Committee/Senior Management section of this Annual Report

<sup>4</sup> The Management Governance Framework, which took effect from 25 May 2011, comprises two committees for governance function and three committees for business operations functions as set out under Section 1.1 of this CG Statement. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

## CORPORATE GOVERNANCE STATEMENT

and effectively discharges its functions with respect to its nomination and remuneration functions as listed in its TOR. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

In discharging its responsibility on succession planning, the NRC receives succession management updates from GHR in accordance with the succession management framework which was approved by the Board in November 2012. The NRC reviews the successors' assessment results, monitors the progress of action taken, including the development programme for the readiness and potential of identified candidates to assume mission critical positions. Bursa Malaysia's behavioural competencies are mapped against the competency norm of the critical behaviours identified.

The NRC also initiated the establishment of the Deputy CEO position in the organisation, as part of the CEO succession planning. In May 2014, GHR presented to the NRC the job description, key accountabilities and reporting structure of the Deputy CEO position for the NRC's consideration. These were approved by the NRC in October 2014 when considering the appointment for this position.

In 2014, the NRC considered new appointments and renewal of service contracts of key management positions including the CEO. In ensuring that all candidates appointed to senior management positions are of sufficient calibre, the NRC considered at length the suitability of shortlisted candidates based on their profiles, professional achievements and personality assessments. Interviews were also conducted by the NRC members with shortlisted candidates to validate the assessment of the individuals. For the renewal of service contracts, the NRC considered the key management personnel's performance, contributions, achievements and deliverables for the past three years. In accordance with its TOR, the NRC would also consider their remuneration packages when finalising the terms and conditions of their service contracts.

Pursuant to Clause 12.1 under Part II: Regulatory Oversight of the Guidance on the Regulatory Role of Bursa Malaysia dated 28 March 2012, the appointment of any Management Committee position in Bursa Malaysia is subject to consultation with the SC, taking into account full and proper consideration of the SC's view on this matter. Accordingly, the SC had been consulted on all proposed appointments or renewal of service contracts for key management positions

during the year. Further, the appointment of the CEO of Bursa Malaysia is subject to the SC's approval in accordance with Section 10(5) of the CMSA. Hence, the SC's approval was also obtained in respect of the renewal of service contract of the CEO in March 2014.

The NRC undertakes annual evaluation of the performance of key management personnel based on their scorecards (except for the Head of Group Internal Audit (GIA)), whose remunerations are directly linked to performance. For this purpose, the 2013 CBS and KPI results of the CEO and relevant key management personnel were reviewed by the NRC in January 2014. The Head of GIA reports to the AC, which evaluates and reviews her performance. The CEO's annual reward allocation is reviewed by the NRC, after which it is put to the Board for a decision.

### **e. Overseeing the development and implementation of a communication policy for the Company**

Bursa Malaysia believes in building investor confidence through good CG practices. The Company carried out its Investor Relations (IR) activities in accordance with its IR Policy, which is available on its website. Details of the value created for shareholders through these IR activities are available in the Shareholder Value Creation section of this Annual Report.

### **f. Reviewing the adequacy and integrity of management information and internal control system of the Company**

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement on Internal Control and Risk Management of this Annual Report.

## **1.3 Formalised Ethical Standards through Code of Ethics**

The Company's codes of ethics for Directors and employees govern the standards of conduct and behaviour expected from Directors and employees respectively. The Code of Ethics for Directors includes principles relating to Directors' duties, conflicts of interest (COI) and dealings in securities. The Code of Ethics for employees promotes integrity and ethical conduct in all aspects of the Company's operations, including privacy and confidentiality of information, dealings in securities and COI. It also sets out prohibited activities or misconducts such as gifts, bribes, dishonest behaviour and sexual harassment.

## CORPORATE GOVERNANCE STATEMENT

Moreover, the Company's Whistleblower Policy and Procedures (WPP) fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the company. The Board is responsible for overseeing the implementation of the WPP for Directors, and all whistle-blowing reports are addressed to the Non-Executive Chairman of the Board or SID of Bursa Malaysia<sup>5</sup>. The AC is responsible for overseeing the implementation of the WPP for the Group's employees, whilst duties relating to the day-to-day administration of the WPP are performed by the Head of GIA. The SID is also responsible for receiving whistle-blower reports made by employees or external parties as prescribed under the WPP<sup>6</sup>.

As an EHC and a frontline regulator, internal guidelines are in place requiring certain standards of practices for the employees of Bursa Malaysia, in carrying out their functions in the organisation having regard to public interest and the need to manage conflict of interest. In November 2014, the Guidelines for Handling Conflict of Interest and Checklist were revised, as were the Contract Management Guidelines. A Capital Market Education and Integrity Fund (CMEIF) Authority and Guidelines Manual was also issued in 2014 to serve as guidance to Management on the overarching principle for the utilisation of CMEIF that is, it cannot be used to defray expenses relating to commercial activities of Bursa Malaysia.

### 1.4 Strategies promoting Sustainability

The Board promotes good CG through sustainability practices which are believed to translate into better corporate performance throughout Bursa Malaysia. A summary of these practices – which demonstrates Bursa Malaysia's commitment to the evolving global environmental, social, governance and sustainability agenda – appears in the Corporate Sustainability Statement of this Annual Report. A more detailed account can be found in the Sustainability Report, which is available on the Bursa Malaysia website.

### 1.5 Access to Information and Advice

The Directors have independent access to the advice and dedicated support services of the Company Secretaries to ensure effective functioning of the Board. The Directors may seek advice from Management on issues pertaining to their respective jurisdictions. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from Management.

Bursa Malaysia's green initiative, created in February 2013 to encourage a paperless environment for all Board and Board Governance Committee meetings, was expanded to include Board Regulatory Committee meetings subsequent to training for the members of the Regulatory Committees in December 2014. This initiative enables digital access to meeting documents instead of requiring distribution of hard copies. The customised solution also provides various functionalities which enable Directors and committee members to access various Company documents, including Board policies, procedures, rules and guidelines, which are uploaded onto personal iPads for convenient reference. As a result, Directors and committee members are able to access meeting documents and Company information in a timely and more efficient manner, thus improving Board performance and overall effectiveness of decision-making.

The Board may seek independent professional advice at the Company's expense in discharging its various duties for Bursa Malaysia. Individual Directors may also obtain independent professional or other advice in fulfilling their duties, subject to approval by the Chairman or the Board, and depending on the quantum of the fees involved.

### 1.6 Qualified and competent Company Secretaries

Both Company Secretaries of Bursa Malaysia have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation. The Company Secretaries also support the Board in managing the Group Governance Model to ensure its relevance and effectiveness.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretaries on the follow-up of its decisions and recommendations by the Management.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

<sup>5</sup> The contact details are set out under Corporate Information in this Annual Report. It is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Other Corporate Information

<sup>6</sup> The whistle-blowing report form is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), Contact Us-Complaints Against Bursa Malaysia

# CORPORATE GOVERNANCE STATEMENT

## 1.7 Board Charter

In addition to the TOR contained in the Company's Governance Model document which is available on the Bursa Malaysia website, the Board Charter<sup>7</sup> clearly delineates the roles and responsibilities of the Board and the Board Committees and explains the processes and procedures for their meetings. The Charter also elaborates the fiduciary and leadership functions of Directors of Bursa Malaysia, and serves as a primary reference for prospective and existing Board members and Management. The Board Charter is reviewed regularly to ensure it complies with legislation and best practices, and remains relevant and effective in the light of the Board's objectives.

## 2. STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

In 2014, the NRC comprised five Non-Executive Directors (NEDs) of whom two are Public Interest Directors (PIDs) and three are Independent NEDs, where the NRC is chaired by a PID.

In January 2015, the Board approved changes to the TOR of the NRC to provide that it shall comprise four NEDs of whom one is a PID and three are Independent NEDs. Further, the NRC is to be chaired by a SID.

The TOR of the NRC provides that the NRC shall have specific responsibilities with respect to the nomination and remuneration matters, the full TOR is available on the Bursa Malaysia website. Regarding nomination, the specific responsibilities of the NRC include, amongst others:

- formulating the nomination, selection and succession policies for the members of the Board and Board Committees, as well as for the SID and CEO;
- making recommendations to the Board on new candidates for election/appointment, and re-election/re-appointment of Directors to the Board;
- making recommendations to the Board on the appointment of Nominee Directors on the functional Board of the subsidiaries of Bursa Malaysia;
- reviewing the skills, experience and other qualities of the Board annually to ensure an appropriate range and mix of capacities among members;
- reviewing and recommending to the Board the appointment of members to Board Committees established by the Board annually for each term;
- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, and reviewing the performance of the members of the Board and the CEO; and

- ensuring that orientation and education programmes are provided for new members of the Board, and reviewing the Directors' continuing education programmes.

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

#### a. Recruitment or appointment of Directors

The policies and procedures for recruitment and appointment (including re-election/re-appointment) of Directors are set out in a document approved by the Board, referred to as the Protocol for Appointment of Directors and Board Committee Members of Bursa Malaysia (the Protocol). In October 2014, the Protocol was amended to include the process for nominating and appointing Directors for the Boards of the subsidiaries of Bursa Malaysia. It also elaborates the process for recruiting independent candidates to serve as new members on the Regulatory Committees in accordance with the relevant criteria and membership classifications of the respective TOR of the Regulatory Committees.

The NRC is guided by the Protocol in carrying out its responsibilities in respect of the nomination, selection and appointment process which also provides the requirements under the relevant laws and regulations on the matter. In this respect, the Board has established a pool of potential Directors/Committee members of Bursa Malaysia for its reference when considering new appointments, in line with the sourcing process and criteria for candidates as set out in the Protocol. The pool is refreshed from time to time, to ensure the list of candidates available for the NRC/Board's consideration remains relevant and offers the talent/skills required.

In its effort to promote boardroom diversity, the NRC has taken various steps to ensure that women candidates are sought from various sources as part of its recruitment exercise. Apart from the nominations which the NRC may receive from Directors, Committee members and the regulator for the pool, candidates were also sourced from NAM Institute of the Empowerment of Women (NIEW) and Malaysian Directors Academy (MINDA). Invitations were sent out to the candidates to participate in the pool by providing their particulars and confirming certain personal information which would be relevant for the NRC's reference in the process.

In January 2014, the pool was further refreshed with new candidates and nominations based on the guidelines and criteria set for the NRC's consideration.

<sup>7</sup> The Board Charter as approved by the Board in November 2013 is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

## CORPORATE GOVERNANCE STATEMENT

The NRC conducted a review of the candidates to identify suitable individuals for the Board who would meet the criteria of having accounting professional qualifications, business and/or finance related experience (to keep abreast of the development in accounting standards and financial reporting standards), and who have human resource management and development related experience. The NRC shortlisted two candidates in April 2014, one in accordance with the Board's gender diversity policy and the other in compliance with Paragraph 15.09 of Bursa Malaysia Securities Main Market Listing Requirements (MMLR). Prior to submitting its recommendation to the Board, two NRC members interviewed informally the shortlisted candidates to ascertain their ability to spend sufficient time on Bursa Malaysia's matters, and to gauge their suitability in creating a good mix of skills and composition in the Board. Having conducted its review, the NRC decided to recommend Mr. Pushpanathan a/l S.A. Kanagarayar to be appointed as an Independent NED of Bursa Malaysia.

The Board approved the NRC's recommendation of Mr. Pushpanathan a/l S.A. Kanagarayar in May 2014, and the SC's concurrence was sought in compliance with Section 10(1)(b) of the CMSA.

### **i. Review of candidates proposed for appointment as Directors**

The NRC's review of the criteria to be used in the appointment process was largely focused on ensuring a good mix of skill, experience and strength in the qualities necessary for the Board to discharge its responsibilities in an effective and competent manner. Other factors considered by the NRC include the candidates' ability to commit sufficient time and energy to Bursa Malaysia's matters, and the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism. Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Diversity criteria reviewed by the NRC include experience, skills, competence, race, gender, culture and nationality.

An assessment of independence under the nomination and election process of Independent NED was conducted in line with Recommendation 3.1 of the Malaysian Code on Corporate Governance (MCCG) 2012. The NRC was satisfied that the proposed Director met the criteria for an independent director as prescribed in MMLR and its Practice Note 13 prior to recommending for the Board's approval the candidate's appointment as an Independent NED.

### **ii. Review of Directors proposed for re-election/re-appointment**

Pursuant to Article 69 of the Company's Articles of Association (AA), Directors (other than PIDs) are to be elected at every Annual General Meeting (AGM) of the Company when one-third of the Directors who have been the longest in office since their last election should retire. Eligible directors may seek re-election at the AGM. Based on the schedule of retirement by rotation, the NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment. This recommendation is based on formal reviews of the performance of the Directors, taking into account the results of their latest Board Effectiveness Evaluation (BEE), contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Company in decision-making.

In December 2014, the Board approved the recommendation of the NRC that four Directors – Dato' Saiful Bahri Zainuddin, Encik Ghazali Haji Darman, Datuk Karownikaran @ Karunakaran a/l Ramasamy and Mr. Chay Wai Leong, all of whom are due to retire at the 38<sup>th</sup> AGM – be eligible to stand for re-election. All four Directors had expressed their intention to seek re-election at the 38<sup>th</sup> AGM.

Pursuant to Article 76 of the AA, Mr. Pushpanathan a/l S.A. Kanagarayar who was appointed by the Board on 23 June 2014 as Independent NED and AC Chairman of Bursa Malaysia shall hold office until the 38<sup>th</sup> AGM and shall then be eligible for re-election. As the Directors' Self and Peer Assessment (SPA) under the BEE 2013/2014 was not available for Mr. Pushpanathan a/l S.A. Kanagarayar, the NRC considered his contribution at the Board meetings which he had attended and also referred to the BEE 2013/2014 result for Listing Committee (LC) which reflected his satisfactory performance as a LC member during the assessment period.

The Board also approved the NRC's recommendation to support the re-appointment of Tan Sri Ong Leong Huat who is over the age of 70 years and scheduled to retire at the 38<sup>th</sup> AGM, in accordance with Section 129(2) of the Companies Act 1965 (CA). The approval of the re-appointment took into consideration the Directors' SPA results under the BEE 2013/2014 and his actual performance/contribution and attendance in Board meetings. However, Tan Sri Ong Leong Huat does not

## CORPORATE GOVERNANCE STATEMENT

wish to seek re-appointment pursuant to Section 129(6) of the CA. Hence, he will retire at the conclusion of the 38<sup>th</sup> AGM in accordance with Section 129(2) of the CA.

Section 10(1)(b) of the CMSA requires Bursa Malaysia, as an EHC, to obtain the SC's concurrence on any proposed appointment or re-appointment of Directors (other than PIDs) on the Board of the Company. Hence, a formal submission was made to the SC in December 2014 to seek its concurrence on the re-election and re-appointment of those Directors prior to seeking the shareholders' approval at the 38<sup>th</sup> AGM. As part of the approval process, the SC conducts vetting on each Director to determine if he or she is a person of integrity, and is fit and proper to be a Director of an EHC.

The NRC reviews the composition of the Board Committees annually in accordance with the procedures set out in the Protocol. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings. The attendance at Board Committee meetings during the financial year ended 31 December 2014 is provided under Section 4.1 of this CG Statement.

The NRC also refers to the results of the Board Committee Effectiveness Assessment and Board Committee members' SPA under the BEE, to ensure that feedback given is taken into consideration by the relevant Board Committees in determining action plans for enhancements.

### b. Annual assessment

The NRC carries out the BEE exercise annually. For this purpose, an external consultant is engaged every three years to assist the NRC in this assessment, with the last one conducted by an external consultant in 2011. KPMG Management & Risk Consulting Sdn Bhd (KPMG) was appointed on 18 June 2014 to carry out the BEE 2013/2014 for the period from 1 July 2013 to 30 June 2014. In July 2014, the BEE was conducted by the external consultant, KPMG via questionnaires, that included a Board and Board Committee Effectiveness Assessment, Individual Directors'/ Independent Individuals' and/or Board Committee members' SPA. The NRC had in October 2014 reviewed the outcome of the BEE and recommended to the Board on areas which had been identified for improvement.

The effectiveness of the Board is assessed in the areas of Board mix/diversity, composition and governance, quality of information and decision-making and Boardroom activities, as well as in terms of each Director's skill set matrix. The Board, through the Governance and Regulatory Committee Effectiveness Assessment, examines the respective Governance and Regulatory Committees, including their respective Chairmen, to ascertain whether their functions and duties are effectively discharged in accordance with their respective TOR. The effectiveness of the Board Committees is assessed in terms of composition and governance, meeting administration and conduct, skills and competencies, and roles and responsibilities.

The Directors' SPAs are intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board. The SPA process also examines the ability of each Board or Committee member to give input at meetings and to demonstrate a high level of professionalism and integrity in the decision-making process. It also takes into account the ability of each individual Director and Board Committee member to exercise independent judgement and demonstrate objectivity and clarity of thought on issues during deliberations at meetings, provide logical honest opinion, offer practical and realistic advice to the Board and/or Committee discussions. The results of these assessments form the basis of the NRC's recommendations to the Board for the re-election and re-appointment of Directors at the next AGM, and the re-appointment of Board Committee members for the ensuing term of one year from 1 July 2015.

In December 2014, each Board and Board Committee member was provided with individual results together with a peer average rating on each area of assessment for personal information and further development.

### c. Gender diversity policy

The Board's policy on gender diversity is to have two women Directors by 2013 and three women Directors by 2016. In 2014, the NRC reviewed the refreshed pool of candidates, taking into account candidate criteria as determined by the NRC and approved by the Board.

In February 2014, Dato' Zuraidah Atan was appointed as PID to replace Datuk Puteh Rukiah Abd Majid, who retired on 26 May 2013. After the retirement of Datuk Dr. Syed Muhamad Syed Abdul Kadir on 4 August 2014, Puan Eshah Meor Suleiman was appointed PID on 1 November 2014. With the



## CORPORATE GOVERNANCE STATEMENT

appointment of these two women Directors, the target of the Board's gender diversity policy was met in the fourth quarter of 2014.

The NRC would consider the appointment of an Independent NED in pursuit of its target of three women directors by 2016, taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board. Pending this appointment by 2016, the Board shall retain its size at 11.

### d. Appointment of SID

Dato' Saiful Bahri Zainuddin who served as a member of the NRC since 12 May 2009 was appointed the SID for 2014, replacing the SID for 2013, Tan Sri Ong Leong Huat.

Prior to expiry of the term of appointment of the fourth SID in December 2014, the NRC undertook the nomination process to recommend a new SID for 2015, who will carry out the responsibilities in accordance with the TOR of the SID<sup>8</sup>. As Dato' Saiful Bahri Zainuddin is one of the longest serving Independent NEDs of Bursa Malaysia, the Board had in December 2014 extended his term of appointment as SID for a further one-year term commencing 1 January 2015.

## 2.3 Remuneration policies

The specific responsibilities of the NRC in relation to remuneration matters as set out under its TOR include, amongst others:

- formulating and reviewing the remuneration policies and remuneration for the members of the Board, Board Committees, and the CEO, and recommending the same to the Board for approval; and
- recommending the engagement of external professional advisors to assist and/or advise the NRC on remuneration matters, where necessary.

The NRC has also been appointed by the Board to implement and administer the Share Grant Plan (SGP) in accordance with the SGP By-Laws which was approved by the shareholders, since 26 May 2011.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Regulatory Committees. The Board has thus established formal and transparent remuneration policies and procedures for the Board and Board

Committees. The NRC reviews the Board remuneration policy annually, and in the course of deliberating on the remuneration policy, considers various factors including the NEDs' fiduciary duties, time commitments expected of NEDs and Board Committee members and the Company's performance and market condition. The NRC also takes into consideration remuneration of directors of other public listed companies (PLCs), particularly those in the financial sector, government-linked companies and other stock exchanges to ensure that the Board's remuneration policies are competitive in reflecting the prevalent market rate.

In January 2014, the Board approved the NRC's recommendation to maintain the same remuneration policy and fees of the NEDs as in 2013, which in turn were approved by the shareholders at the 37<sup>th</sup> AGM. The Board decided to maintain the remuneration level for the fifth consecutive year in view of having a comprehensive Board remuneration review by an external consultant.

The remuneration policy for the NEDs comprises the following:

### a. Directors' Fees

The Directors' Fees are at RM90,000 per annum for the Chairman and RM60,000 per annum for each NED of Bursa Malaysia (as approved by the shareholders at the 33<sup>rd</sup>, 34<sup>th</sup>, 35<sup>th</sup>, 36<sup>th</sup> and 37<sup>th</sup> AGMs for 2009, 2010, 2011, 2012 and 2013 respectively).

In June 2014, the Board via NRC engaged KPMG to conduct a Board remuneration review to ascertain the competitiveness of the Board's remuneration policy in comparison with other PLCs and exchanges (Comparator Companies and Comparator Exchanges). This is to ensure that current remuneration levels are sufficient to attract, retain and motivate qualified directors to serve on the Board. Between July and September 2014, the NRC had reviewed Bursa's positioning on the Directors' remuneration over the past 10 years from 2004 to 2013.

In benchmarking against an average remuneration of the market of Comparator Exchanges and Comparator Companies, the Board in September 2014 approved the NRC's recommendation for revision based on a comparative analysis of the remuneration of the NEDs, taking into account the increasing responsibilities and time commitment expected of them. The NEDs' fees in respect of 2014 is proposed to increase to RM150,000 per annum for the Chairman and RM100,000 per annum for each NED of Bursa Malaysia. This is subject to shareholders' approval at the forthcoming 38<sup>th</sup> AGM.

<sup>8</sup> The TOR of the SID is available at [www.bursamalaysia.com](http://www.bursamalaysia.com), About Us-Corporate Governance

# CORPORATE GOVERNANCE STATEMENT

## b. Meeting allowance for each Board or Board Committee<sup>9</sup> meeting attended by a NED

Meeting allowances for Board and Board Committee meetings as approved by the Board in 2012 remain the same as follows:

Meeting Allowance for	Board of Directors	Board Committees
Chairman	RM4,000	RM2,500
Member	RM2,000	RM1,500

The meeting allowances also apply to ad-hoc Board Committees, the Tender Evaluation Committee or any management committee to which the NEDs are invited pursuant to the Company's policy and procedures.

In addition, members of the Regulatory Committee who are not Directors of Bursa Malaysia have been paid a monthly fixed allowance of RM1,000 since 2010, so as to retain and motivate qualified individuals to serve in view of the duties, responsibilities and time commitments expected of them.

## c. Benefits-in-kind and Emoluments

NEDs are not entitled to participate in the Share Grant Plan (SGP) of Bursa Malaysia or any incentive plan for employees of the Group. They are given other allowances, such as travelling and mobile phone allowances. The Chairman is also provided with a monthly fixed allowance, which was revised from RM50,000 to RM52,000 effective 1 January 2014 in view of his wide-ranging scope of responsibilities and the fact that he does not serve on the boards of any other PLC or market participant regulated by Bursa Malaysia so as to avoid conflict of interest.

The Executive Director/CEO is not entitled to the above Director's fee nor is he entitled to receive any meeting allowance for Board or Board Committee meetings he attends. The CEO, who also serves as Chairman of Yayasan Bursa Malaysia, Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing Berhad, and as Director of all other subsidiary companies within the Group, is also not entitled to Director's fees for attending Board meetings.

The CEO's remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments, such as gratuity, a company car, driver and leave passage; and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives in the form of shares under the Restricted Share Plan and Performance Share Plan of the SGP (Plan Shares), where applicable. The award of Plan Shares to the CEO in 2014 had been announced via Bursa LINK on 31 March 2014 and 1 July 2014.

In addition to the above, the Directors have the benefit of Directors & Officers (D&O) Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of Bursa Malaysia. However, the said insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty or trust. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Disclosure of each Director's remuneration, including that of the CEO, is set out in the Annual Audited Financial Statements of this Annual Report.

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

The Protocol sets out policies and procedures to ensure the effectiveness of the Independent NEDs on the Board, including new appointments. The Board, through the NRC, annually assesses the independence of NEDs using the Directors' SPA under the BEE. This is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining the NEDs' eligibility to stand for re-election/re-appointment.

Based on the above assessment in 2014, the Board is satisfied with the level of independence demonstrated by all the NEDs and their ability to act in the best interests of the Company during deliberations at Board meetings.

With regard to the five Independent NEDs who are eligible to stand for re-election at the forthcoming 38<sup>th</sup> AGM (as mentioned under Section 2.2.a.ii of this CG Statement), the NRC is satisfied that they are independent of management and free from any business or other relationships which could interfere with their exercise of independent judgement, objectivity or ability to act in the best interests of the Company. The Board, therefore, recommends and supports their proposed re-election in accordance with Article 69 and Article 76 of the AA.

### 3.2 Tenure of Independent Director

The Board has implemented a nine-year policy for Independent NEDs, in line with Recommendation 3.2 of the MCCG 2012. The Directors among the first batch of Independent NEDs of the demutualised Bursa Malaysia had already retired on a gradual basis at the 35<sup>th</sup> and 36<sup>th</sup> AGMs to enable the progressive refreshing of the Board in line with best CG practice.

<sup>9</sup> Information on the composition, number of meetings held and attendance of meetings of the Board and all Board Committees is set out under Section 4.1 of this CG Statement

## CORPORATE GOVERNANCE STATEMENT

All NEDs have served the Board for less than nine years, except for the outgoing Chairman of the Board of Bursa Malaysia, Tun Mohamed Dzaiddin Haji Abdullah who has served on the Board of Bursa Malaysia for 11 years from 1 March 2004 to 28 February 2015. Tan Sri Amirsham A Aziz, who is appointed by the Minister of Finance (MOF) in consultation with the SC pursuant to Section 10(1)(a) and (3) of the CMSA, will succeed as a PID and Chairman of the Board of Bursa Malaysia effective 1 March 2015. The tenures of service of the Directors are set out in the Board of Directors' Profiles of this Annual Report.

### 3.3 Shareholders' approval for re-appointment as Independent Non-Executive Director after a tenure of nine years

Currently, none of the Independent NEDs of Bursa Malaysia has served the Board for nine years.

### 3.4 Separation of positions of the Chairman and CEO

As a PID, the Chairman leads the Board with a keen focus on governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective TOR to ensure its own effectiveness. The positions of Chairman and CEO are held by two different individuals. The CEO is a Non-Independent Executive Director, who manages the business and operations of the Company and implements the Board's decisions. The distinct and separate roles of the Chairman and CEO, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

### 3.5 Composition of the Board

The Board of Bursa Malaysia, chaired by a PID, comprises 11 Directors of whom four are PIDs, six are Independent NEDs and one is an Executive Director who also serves as the CEO. Section 10(1)(a) of the CMSA provides that one-third of the Board shall be PIDs, including the Chairman. Their appointment by the MOF in consultation with the SC, is in line with the requirements of the CMSA for the Company to act in the public interest, having particular regard for investors in performing its duties as an EHC.

The Independent NEDs account for more than 50% of the Board, where the Chairman of the Board is not an independent director pursuant to Recommendation 3.5 of the MCGG 2012. The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of Bursa Malaysia, and thereby safeguarding the public interests.

## 4. FOSTER COMMITMENT

### 4.1 Time commitment

The TOR of the Board of Directors was amended in 2014 to set higher quorum and attendance requirements in Board meetings. The quorum for Board meetings was revised from at least 50% to two-thirds of the number of Directors on the Board, while Board meeting attendance requirement for Directors was revised from at least 50% to 75% attendance.

All the Directors had attended at least 75% of all Board of Directors and Board Committee meetings held in 2014. The quorum of Board meetings had been met with attendance of not less than seven out of 10 Directors who participated in decision-making at each Board meeting. This is evidenced by the attendance record set out in the table below. The NEDs met twice in 2014 without the presence of the CEO and Executive Director. The attendance of individual Regulatory Committee members who are not Directors of Bursa Malaysia is also provided in the same table.

<span style="color: green;">■</span>	Chairman
<span style="color: blue;">■</span>	Member
□	Non-member

#### Notes:

- + from 1 July 2014
- ~ up to 30 June 2014
- # resigned on 10 February 2014 and no MPC meeting held between 1 January 2014 and 9 February 2014
- \* no RACC held between 1 July 2014 and 4 August 2014
- ∞ Two NED meetings were held in 2014 i.e. on 19 June 2014 and 6 December 2014 respectively
- \*\* Two meetings were held between the AC and the external auditors, Ernst & Young i.e. on 16 October 2014 and 20 November 2014 respectively
- ^ dissolved on 11 May 2014
- 10 appointed as Public Interest Director on 19 February 2014
- 11 appointed as Public Interest Director on 1 November 2014
- 12 retired as Public Interest Director with effect from 5 August 2014
- 13 appointed as Independent Non-Executive Director on 23 June 2014
- 14 retired as Independent Non-Executive Director at the 37<sup>th</sup> AGM held on 27 March 2014

## CORPORATE GOVERNANCE STATEMENT

Name	Board of Directors	∞ NED Meeting	Board Committees							
			Governance Committees			Regulatory Committees				
			AC**	RMC	NRC	RACC	LC	MPC	CC^	APC
<b>Non-Executive and Public Interest Directors</b>										
Tun Mohamed Dzaiddin Haji Abdullah (Chairman)	9/11	2/2			11/11	7/7				7/8
Datuk Dr. Md Tap Salleh	10/11	2/2			11/11	7/7	13/13			
Dato' Zuraidah Atan <sup>10</sup>	7/9	2/2		1/1 ~		3/4				
Eshah Meor Suleiman <sup>11</sup>	1/1	1/1	1/1			2/2		1/1		
Datuk Dr. Syed Muhamad Syed Abdul Kadir <sup>12</sup>	8/8	1/1	2/3			—+*		5/5		
<b>Independent Non-Executive Directors</b>										
Dato' Saiful Bahri Zainuddin	10/11	2/2		5/5	10/11			4/4 ~		
Tan Sri Ong Leong Huat @ Wong Joo Hwa	9/11	1/2		2/2 ~	10/11				1/1	
Datuk Karownikaran @ Karunikaran a/l Ramasamy	11/11	2/2	2/2 ~	3/3 +	11/11	7/7				6/8
Chay Wai Leong	11/11	2/2	4/5	3/3 +			5/6 ~			
Ghazali Haji Darman	11/11	2/2	5/5	5/5				7/7		
Pushpanathan a/l S.A. Kanagarayar <sup>13</sup>	3/4	0/1	3/3				13/13			
Tan Sri Datuk Dr. Abdul Samad Haji Alias <sup>14</sup>	3/3	—	1/1			1/2	1/2			
<b>Non-Independent Executive Director</b>										
Dato' Tajuddin Atan (CEO)	11/11									
<b>Independent individuals with significant and relevant industry experience</b>										
Dato' Thomas Lee Mun Lung										5/8
Dato' Mohammed Adnan Datuk Shuaib										8/8
Datuk Syed Zaid Syed Jaffar Albar										6/8
Cheah Tek Kuang								3/4 ~		3/5 +
Kuok Wee Kiat										5/5 +
Ooi Giap Ch'ng										5/5 +
Wong Chong Wah							10/13			
Yon See Ting							12/13			
Salwah Abdul Shukor							11/13		1/1	
Dato' Sri Abdul Hamidy Abdul Hafiz							11/13			
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							6/7 +			
Datuk Mohd Nasir Ahmad							6/7 +			
Dato' Feizal Mustapha							7/7 +			
Lee Kha Loon							7/7 +			
Gan Kim Khoon							6/6 ~			
Assoc. Prof. Dr. Shanthi a/p Rachagan							6/6 ~			
Khoo Guan Huat								5/7		
Dato' Abdul Shukor Ahmad								5/7		
Azura Azman								6/7		
Dato' Dr. Zaha Rina Zahari								3/3 +		
Azila Abdul Aziz								2/3 +		
Datuk Noripah Kamsu								3/3 +		
Dato' Wan Asmadi Wan Ahmad								3/3 +		
Dr. Chung Tin Fah								3/3 +		
Prof. Dr. Muhammad Rizal Salim								4/4 ~		
Natarajan a/l Narayanasamy								#		
John Mathew a/l Mathai									1/1	
<b>Total number of meetings for 2014</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>7</b>	<b>13</b>	<b>7</b>	<b>1</b>	<b>8</b>

# CORPORATE GOVERNANCE STATEMENT

## a. Protocol for Appointment of Director

To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, one criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships at more than five PLCs (as prescribed in Paragraph 15.06 of MMLR).

Under Recommendation 4.1 of the MCCG 2012, the Board should stipulate the expectations of time commitments for members who accept new directorships. The Protocol requires the Directors to notify the Chairman before accepting any new directorship. The notification should include an indication of the time that will be spent on the new appointment. This information will be shared with the Board, together with a quarterly update by individual Directors on their directorships and shareholdings in Bursa Malaysia, to confirm the Board members' commitment in devoting sufficient time to carry out their responsibilities.

Such information is also used to monitor the number of directorships held by the Directors of Bursa Malaysia, particularly those on PLCs, and to notify the Companies Commission of Malaysia of any changes in other directorships on public companies.

The Protocol has been further updated to formalise the processes undertaken by the NRC and the Board in assessing the performance, contribution and independence of the NEDs for determining the eligibility of Directors to stand for re-election or re-appointment at the AGM, in line with Recommendation 3.1 of the MCCG 2012. The nomination and selection process for the pool of independent candidates was also formalised, as the NRC determines the eligibility of the candidates in terms of their qualifications and professional membership, relevant background and industry experience, as well as knowledge and expertise in line with the membership classifications of the respective Regulatory Committees for which they are being considered.

With the proposed establishment of the functional Board of the subsidiaries within the Group, the NRC's role has expanded to be responsible for reviewing the suitability of Directors of the EHC and the suitability of external independent individuals with relevant industry experience to sit on the Board of subsidiary companies as Nominee Directors of Bursa Malaysia. This was also incorporated in the Protocol which was approved by the Board in October 2014.

## b. Annual Meeting Calendar

To facilitate the Directors' planning, an annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with the scheduled dates for meetings of the Board and Board Committees, the AGM, major conferences hosted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results. This calendar is available on the electronic devices provided to all Directors.

## 4.2 Training

The Board takes a strong view on the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. A budget for Directors' continuing education is therefore provided each year by the Company. The Board also has a policy that requires each Director to attend at least three training sessions on capital market developments each year, to keep abreast of industry developments and trends. In addition, each Director shall further determine the areas of training that he or she may require for personal development as a Director or Board Committee member. The Company Secretaries arrange for the Directors' attendance at these training programmes, which are conducted either in-house or by external service providers.

The newly appointed PIDs, Dato' Zuraidah Atan and Puan Eshah Meor Suleiman had completed the Mandatory Accreditation Programme (MAP) in August 2005 and August 2001 respectively when they were first appointed as directors of listed issuers. Mr. Pushpanathan a/l S.A. Kanagarayar, an Independent NED had also completed the MAP in March 2013 when he was first appointed as a director of a listed issuer. All three individuals attended the induction programme organised by the Company Secretaries to be familiarised with the Group's business and governance process. They were also familiarised with operations through briefings by the relevant Management teams.

The Directors observe Principle 4 of the MCCG 2012 by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors of Bursa Malaysia attended at least five training programmes in 2014, of which at least three programmes focused on capital market development. The three newly appointed Directors have also met the requirements on a pro-rated basis since the dates of their respective appointments.

Overall, the development programmes focused on CG (including audit, risk management and internal audit), leadership, legal and business management and financial and capital markets. The Directors were also invited to attend series of talks organised by Bursa Malaysia and various professional associations and regulatory bodies. Some Directors attended conferences and seminars as guest speakers, panellists or moderators. The Directors also attended the two main conferences on

## CORPORATE GOVERNANCE STATEMENT

capital markets organised by the Company, namely Invest Malaysia 2014 held on 9-10 June 2014 and the Palm & Lauric Oils Conference held on 4-5 March 2014.

In 2014, several in-house development programmes were organised for Directors as below:

- Derivatives Trading, Global Trends and Moving Forward, 20 June 2014
- Environmental, Social & Governance (ESG) Index, 19 August 2014
- Peeking into the Future, 7 December 2014
- Boardpac application training on iPads for Directors and Regulatory Committee members.

The Directors also attended various external programmes, including the following:

### Corporate Governance

#### (including audit, risk management and internal control)

- Financial Institutions Directors' Education (FIDE) Programme: Human Capital Management in the Boardroom and "C" Suite Programme Tools and Techniques for Nominating and Remuneration Committee, 18 February 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Directors' Forum on The Innovation Zone: Unleashing The Mindset, 23-25 February 2014 (Attended by En. Ghazali Haji Darman)
- Corporate Governance Guide: Towards Boardroom Excellence, 26 March 2014 (Attended by Dato' Saiful Bahri Zainuddin)
- Corporate Integrity, 2 April 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Director Duties, Governance and Regulatory Updates Seminar, 22 April 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Roundtable on the Malaysian Code for Institutional Investors, 27 June 2014 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- International Financial Reporting Standards: Train the Trainer Session, 30 June 2014 & 1 July 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Annual Risk Workshop, 22 July 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Enhancing Internal Audit Practice, 13 August 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- FIDE Forum: Risks – From Whereof?, 21 August 2014 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- Appreciation and Application of ASEAN Corporate Governance Scorecard by Minority Shareholder Watchdog Group, 21 August 2014 (Attended by Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat and Mr. Pushpanathan S.A. Kanagarayar)
- FIDE: Board Strategic Leadership in Managing Cyber Security Risk and Financial Institutions, 27 August 2014 (Attended by Mr. Chay Wai Leong)

- Board Risk Intelligence: Risk Governance into Practice, 3-4 September 2014 (Attended by En. Ghazali Haji Darman)
- ASEAN Corporate Governance Summit 2014: Governance and Regulatory Updates 1-2 October 2014 (Attended by Dato' Saiful Bahri Zainuddin, Tan Sri Ong Leong Huat, En. Ghazali Haji Darman and Mr. Pushpanathan S.A. Kanagarayar)
- Great Companies Deserve Great Boards and Great Boards Leading the Way for Highly Innovative Companies, 8 October 2014 (Attended by Dato' Zuraidah Atan)
- Great Companies Deserve Great Boards, 10 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Emerging Risk Surrounding the Financial Risk Industry, 6 November 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Nominating Committee 2 Programme: Board Effectiveness and Succession Planning, 28 August 2014 / 9 October 2014 / 18 November 2014 (Attended by Dato' Saiful Bahri Zainuddin / Tan Sri Ong Leong Huat / Datuk Dr. Md Tap Salleh respectively)

### Leadership, Legal and Business Management

- 3<sup>rd</sup> Annual National Procurement & Integrity Forum for the Public and Private Sectors 2014, 16 January 2014 (Attended by Datuk Dr. Md Tap Salleh)
- Post Auditor General's Report 2012: Learning from Project Management Mistakes, 21 January 2014 (Attended by Datuk Dr. Md Tap Salleh)
- ICLIF Leadership & Governance Centre: Asian Leadership Index, 1 April 2014 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- Advanced Leadership and Management Programme, 4 April 2014 (Attended by Datuk Dr. Md Tap Salleh)
- Corruption in Malaysia: The Making of an Unequal Society, 7 April 2014 (Attended by Datuk Dr. Md Tap Salleh)
- International Corporate Sustainability Conference: Showcasing Bursa Malaysia's Leading Example, 16-17 April 2014 (Attended by Tun Mohamed Dzaidin Haji Abdullah)
- Common Offences Committed by Directors under the Companies Act 1965: Pitfalls and Remedies, 16 May 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Technology for the Future Conference, 19-20 May 2014 (Attended by Dato' Tajuddin Atan)
- Business Leaders Dialogue, 26 August 2014 (Attended by Dato' Tajuddin Atan)
- Innovating Malaysia Conference 2014: Return on Innovation - Dialogue Session (Attended by Dato' Tajuddin Atan)
- International Seminar on Goods and Services Tax, 15 September 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Leadership Energy Summit Asia 2014: 1-2 October 2014 (Attended by Mr. Chay Wai Leong)
- International Conference on Financial Crime & Terrorism Financing 2014: Evolution of Compliance, Are We Ready, 8-9 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)

# CORPORATE GOVERNANCE STATEMENT

- Building a Stronger Organisation through Talent & Culture, 15 October 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- Anti-Money Laundering/Counter Financing of Terrorism, 28 October 2014 (Attended by Datuk Karownikaran @ Karunakaran Ramasamy)
- Global Financial Leadership Conference, 17-18 November 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah, and Dato' Tajuddin Atan)
- Goods and Services Tax: Implication on Director's Fee, 4 December 2014 (Attended by Mr. Chay Wai Leong)
- The Companies Bill: The Significant Changes for Directors, 22 December 2014 (Attended by Dato' Zuraidah Atan)

## Financial and Capital Markets

- 5<sup>th</sup> Securities Commission-Oxford Centre for Islamic Studies Roundtable: "Harnessing Waqf into a Bankable Social Financing and Investment", 21-22 March 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- FIDE Forum: Economic & Financial Services Sector - Trends and Challenges Moving Forward, 24 March 2014 (Attended by Tun Mohamed Dzaiddin Haji Abdullah)
- 1<sup>st</sup> Annual Gold & Precious Metals – Price Outlook Symposium: "Will Gold Still Glitter in 2014?", 28 June 2014 (Attended by Dato' Zuraidah Atan)
- Crude and Petroleum Commodity Hedging Program, 7 July 2014 (Attended by Dato' Zuraidah Atan)
- Towards a Sustainable Financial System, 21 August 2014 (Attended by Mr. Pushpanathan S.A. Kanagarayar)
- 54<sup>th</sup> General Assembly of the World Federation of Exchanges, 27 October 2014-1 November 2014 (Attended by Dato' Tajuddin Atan)

An off-site development session was held on 30 October 2014 for the Listing Committee to deliberate its enforcement policies and the impact with regard to key breaches, and related issues and challenges. The Market Participants Committee held its off-site development session on 18 November 2014 to inform members of updates regarding Bursa Malaysia's supervision approach and observations, common areas of breach, proposed enforcement actions and policies, and related issues and challenges. The Appeals Committee had its first off-site development session on 3 December 2014 to deliberate on enforcement updates, false trading and market manipulation, having regard to the overview of the regulatory function and direction.

In 2014, induction programmes for the newly appointed Board Regulatory Committee members were arranged and attended by relevant Management teams to brief them on the regulatory role of the Group.

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with applicable financial reporting standards

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, including its position and future prospects through the issuance of Annual Audited Financial Statements and quarterly financial reports, and through corporate announcements on significant developments affecting the Company in accordance with MMLR.

The AC Chairman Mr. Pushpanathan a/l S.A. Kanagarayar<sup>15</sup>, a member of three professional accounting organisations, together with AC members, all of whom are financially literate, reviewed the Company's financial statements in the presence of both external and internal auditors prior to recommending them for approval by the Board and issuance to stakeholders.

The Chief Financial Officer (CFO) formally presented to the AC and the Board details of revenues and expenditures in the form of charts for review of quarter-to-quarter and year-to-date financial performance against budget. The Chairman's Message, the CEO's Message, and the Management Discussion and Analysis of this Annual Report all provide additional analysis and commentary on the Group's financial performance.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC on a quarterly basis that appropriate accounting policies had been adopted and applied consistently; that the going concern basis applied in the Condensed Consolidated Financial Statements (CCFS) and Annual Financial Statements was appropriate; that prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, International Financial Reporting Standards and MMLR; and that the CCFS and Annual Financial Statements did not contain material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2014.

In addition to the above, the Head of GIA also undertook an independent assessment of the internal control system on a quarterly basis and assured the AC that no material issue or major deficiency had been noted which would pose a high risk to the overall system of internal control under review.

<sup>15</sup> Mr. Pushpanathan a/l S.A. Kanagarayar's profile is set out in the Board of Directors' Profile of this Annual Report

# CORPORATE GOVERNANCE STATEMENT

## 5.2 Assessment of suitability and independence of external auditors

The AC at its meeting held on 26 January 2015 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Auditor Independence Policy which was adopted in 2006. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs. Ernst & Young (EY) and the level of non-audit services to be rendered by EY to the Company for the financial year 2015.

Being satisfied with EY's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independence Policy, the AC recommended the appointment of EY as external auditors for the financial year ending 31 December 2015, with the rotation of audit engagement partner. The Board at its meeting held on 29 January 2015 approved the AC's recommendation for the shareholders' approval to be sought at the 38<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the financial year 2015.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

The RMC oversees the ERM framework of the Group and reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

### 6.2 Internal audit function

The Board has established an internal audit function within the Company, which is led by the Head of GIA who reports directly to the AC.

Details of the Company's internal control system and framework are set out in the Statement on Internal Control and Risk Management and AC Report of this Annual Report.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Company has in place a Policies and Procedures for Compliance with the Listing Requirements, which sets the policies and standard operating procedures for employees (including the CEO) to facilitate and ensure compliance by Bursa Malaysia as a PLC. It also serves to enhance awareness of corporate disclosure requirements among employees. Clear roles and responsibilities of Directors, Management and employees are provided together with the levels of authority to be accorded to 'designated person(s)'<sup>16</sup>, spokespersons and committees in the handling and disclosure of material information. The persons responsible for preparing the disclosure will conduct due diligence and proper verification, and coordinate the timely disclosure of material information to the investing public.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and other relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

### 7.2 Leverage on information technology for effective dissemination of information

Bursa Malaysia's website includes a Corporate section which provides all relevant information on the Company, and it is accessible to the public. This Corporate section enhances the Investor Relations function by including all announcements made by Bursa Malaysia, share price information, annual reports and the corporate and governance structure of Bursa Malaysia. Notices of general meetings, minutes of general meetings, slide presentations made at such meetings and webcasts are also made available on the Bursa Malaysia website for the benefit of shareholders unable to attend meetings.

The Company has utilised information technology to more broadly and effectively disseminate information with regard to the dates scheduled for release of its quarterly results. After the end of every quarter, the Company Secretary will announce these dates in advance via Bursa LINK.

The quarterly financial results are announced via Bursa LINK immediately after the Board's approval between 12.30 p.m. and 1.30 p.m. on the same day and analyst/media briefings are conducted for second and fourth quarterly financial results. This is important in ensuring equal and fair access to information by the investing public.

<sup>16</sup> Name and contact information are available at [www.bursamalaysia.com](http://www.bursamalaysia.com), Contact Us-Contact Details



# CORPORATE GOVERNANCE STATEMENT

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage shareholder participation at general meetings

Bursa Malaysia dispatches notice of its AGM to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the CA and MMLR. The additional time given to shareholders allows them to make necessary arrangements to attend and participate in person or by corporate representative, proxy or attorney.

Bursa Malaysia distributes an Administrative Guide when giving notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their right to appoint a proxy and information as to who may count as a proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company. If the proxy is not a member of the Company, he or she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

At the 37<sup>th</sup> AGM held on 27 March 2014, the Chairman briefed members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of 37<sup>th</sup> AGM dated 27 February 2014. This is in line with Paragraph 7.21A(2) of MMLR for promoting participation of members through proxies.

Commencing with the 35<sup>th</sup> AGM held on 29 March 2012, Bursa Malaysia removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further entitles a member to vote in person or by corporate representative, proxy or attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

In line with Section 145A of the CA, the AA of the Company has been amended to allow for the use of technology to facilitate shareholders' participation at general meetings.

### 8.2 Encourage poll voting

In line with international best practice in CG, voting at the 37<sup>th</sup> AGM, held on 27 March 2014, was conducted by poll, instead of by a show of hands. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of 'one share one vote'. The practice thus enforces greater shareholder rights, and allows shareholders who appoint the Chairman of the Meeting as their proxy to have their votes properly counted in fulfilment of their voting rights.

In accordance with Article 54 of the AA, the Chairman of the Meeting exercised his right to demand a poll with respect to all resolutions which were put to vote at the 37<sup>th</sup> AGM except for two resolutions on which he was required to abstain from voting. Two other shareholders demanded poll voting for Resolutions 6 and 8 as set out in the Notice of 37<sup>th</sup> AGM.

Voting slips for the 37<sup>th</sup> AGM were issued by the Share Registrar upon registration, and were pre-printed with details of the shareholder's name, identity card number/company number and number of shares held. The polling process for the resolutions was conducted upon completion of deliberation of all items to be transacted at the 37<sup>th</sup> AGM.

Article 55 of the AA allows poll voting to be conducted manually using voting slips, or electronically using various electronic voting devices, for the purpose of more efficiently determining the outcome of resolutions.

The 37<sup>th</sup> AGM was adjourned for the Poll Administrator, Tricor Investor Services Sdn Bhd to commence the poll vote count, where the votes as cast on the voting slips were input for computation using an electronic system. The results of the poll were verified by the Scrutineers, Ernst & Young. The meeting resumed and the results of the poll for each resolution, including votes in favour and against, were announced by the Scrutineers, upon which the Chairman declared whether the resolutions were carried. The poll results were also announced by Bursa Malaysia via Bursa LINK on the same day for the benefit of all shareholders.

### 8.3 Effective communication and proactive engagements

At the 37<sup>th</sup> AGM, all 11 Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The proceedings of the 37<sup>th</sup> AGM included the CEO's presentation of the Company's operating and financial performance for 2013, the presentation of the external auditors' unqualified report to the shareholders, and a Questions & Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO, Management and external auditors were in attendance to respond to the shareholders' queries. The CEO also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

Shareholders were also invited to submit any additional questions they might have had via an enquiry box placed at the venue of the 37<sup>th</sup> AGM so that these could be responded to in writing after the meeting. Officers of the Company were present to handle other face-to-face enquiries from shareholders.

## COMPLIANCE STATEMENT

This Statement on the Company's CG practices is made in compliance with Paragraphs 15.25 and 15.08A of MMLR.

The Board is satisfied that in 2014, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 29 January 2015.