

# CORPORATE GOVERNANCE STATEMENT

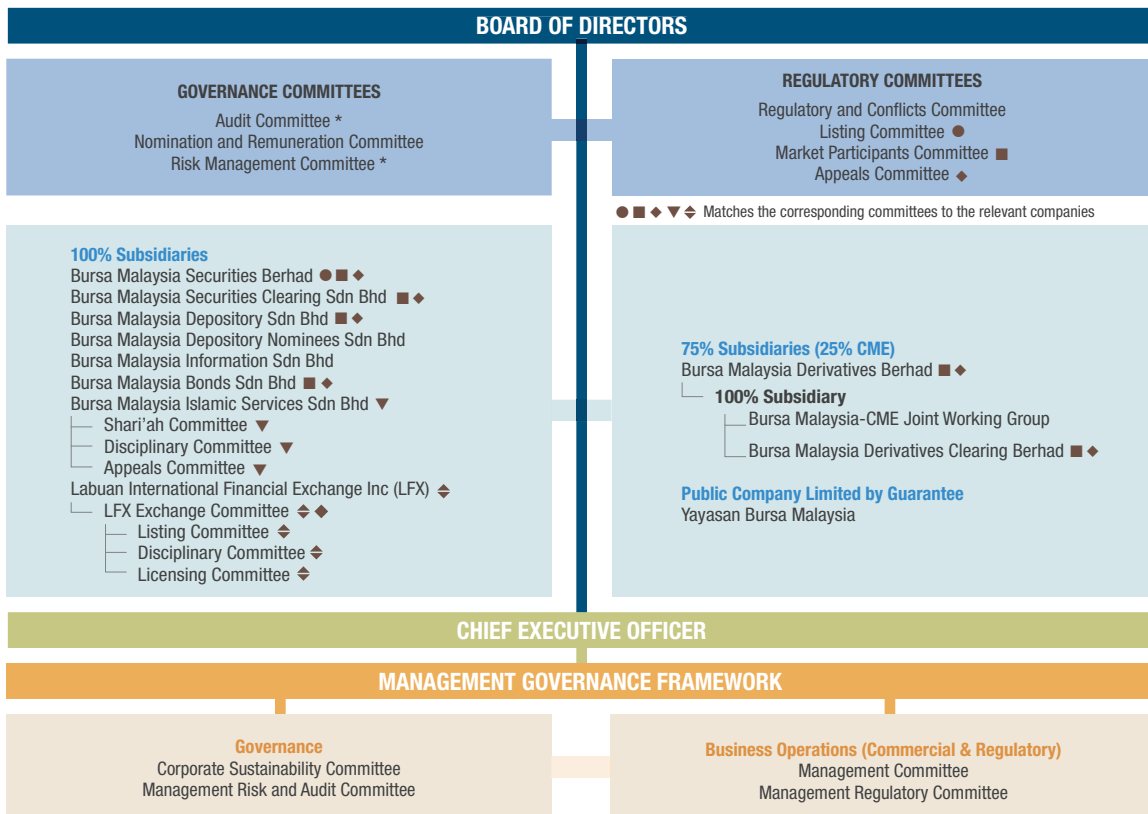
The Board of Directors of Bursa Malaysia (“Board”) presents this statement to provide an insight into the corporate governance (“CG”) practices of the Company under the leadership of the Board.

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 functions 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

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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 pre-determined 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. The Terms of Reference (“TOR”) of the Board Committees in the Governance Model document were amended during the year to reflect the necessary changes in the internal process, to ensure operational efficiency as well as for compliance with international standards. One of the enhancements introduced by the Board during the year was to transfer the oversight responsibilities of the compliance function from the Audit Committee (“AC”) to the Risk Management Committee (“RMC”).

The Board of Bursa Malaysia as a listed entity and an exchange holding company (“EHC”)<sup>2</sup> has entrusted its Board Committees with specific responsibilities to oversee the Group’s affairs in accordance with their respective TOR<sup>3</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.

In 2015, the Board took several steps to enhance its oversight role on the developments in the key functional areas of Bursa Malaysia as an EHC. With the view to provide direct line of sight with regard to the key functional areas of the Group, the Board decided to appoint its Directors to serve on the Boards of the subsidiary companies that operate the securities exchange, the derivatives exchange and the clearing houses of the exchanges. As such, during the year, two Directors were appointed to the Board of Bursa Malaysia Securities Berhad (“BMS”) and Bursa Malaysia Securities Clearing Sdn Bhd (“BMSC”), and another two Directors were appointed to the Board of Bursa Malaysia Derivatives (“BMD”) and Bursa Malaysia Derivatives Clearing (“BMDC”). The Board keeps itself abreast of the developmental issues in the key functional areas of the Group through the

reports of the Chairmen of the above subsidiary companies and the tabling of the minutes of the Board meetings of the subsidiary companies at the EHC Board meetings. In July 2015, the Board further decided to include at least one independent director with relevant industry experience on the Boards of BMS and BMSC as well as BMD and BMDC to strengthen the Board composition with the appropriate mix of skill sets and expertise, for meeting the future needs of both the exchanges and their respective clearing houses.

## 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. The key responsibilities of the Board include:

### 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 furtherance of this, the Board then reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators (“KPIs”) under the Corporate Scorecard.

The strategy planning process for 2015 began at an off-site Board meeting held in June 2014, where the Management presented the proposed 2015 Action Plan for discussion with the Board based on the progress of the 2014 Business Plan. Subsequent to this, the Management prepared and presented its 2015 Business Plan and Budget for the Board’s review at the Board meeting in October 2014. The Director of Regulation also presented the 2015 Regulatory Plan and Budget for the Board’s review. Both the 2015 Business and Regulatory Plans, including the 2015 Key Action Plan, were approved by the Board at this meeting.

At an off-site meeting in June 2015, the Board conducted a mid-year review of the 2015 Business Plan and Budget as well as the financial performance, where the targets set by the Board were compared against the actual performance

<sup>2</sup> Bursa Malaysia is an EHC approved under Section 15 of the Capital Markets and Services Act 2007

<sup>3</sup> The tenure for Board Committee members shall be for two years. However, the Board may revoke the appointment and/or vary the term of appointment of a member at any time as it deems fit. The TOR of each Board Committee is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference>, and the list of its current members is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/membership-of-board-committees>

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for the year to date, including the status of completion of key initiatives by markets and functional units. The milestones and progress of those initiatives which focused on “value extraction” and “building for the future” were monitored in line with the 2014-2016 Business Plan towards achieving the aspirations of Bursa Malaysia by 2016. At the same off-site meeting, the Board gave its feedback and input to Management on the proposed initiatives, development of improvement measures and implementation of the product roadmap, some of which required further engagements with the relevant authorities. The Board also conducted a mid-year review of the 2015 Regulatory Plan based on the regulatory key indicators and operational outcomes.

In October 2015, the Management presented the proposed 2016 Business Plan which comprised the detailed action plans of the Securities, Derivatives and Islamic Capital Markets for the Board’s review. The Board also considered several business and enterprise initiatives, their approaches with potential benefits and challenges in implementation. The Director of Regulation also presented to the Regulatory and Conflicts Committee (“RACC”) an overview of the proposed 2016 Regulatory Plan which provides the regulatory roadmap and requirements to discharge Bursa Malaysia’s regulatory function, in conjunction with its efforts to develop the capital markets. The RACC is a Board Committee responsible for overseeing the regulatory functions of Bursa Malaysia. In its review of the proposed 2016 Regulatory Plan, the RACC also considered the corresponding regulatory issues and challenges expected during this period as well as the proposed regulatory budget and manpower requirements. The RACC then approved the proposed 2016 Regulatory Plan, and recommended the same to the Board for approval.

The 2016 Key Operating Targets of the Business Plan and the 2016 Regulatory Plan were subsequently approved by the Board in October 2015. In November 2015, the Board considered and approved the 2016 Group Budget which was prepared by the Management premised upon the earlier approved 2016 Business and Regulatory Plans.

### 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>4</sup> and other committees established under the Group’s Management Governance Framework<sup>5</sup>.

The 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 Corporate Scorecard. The relevant members of the Management were in attendance at Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the challenges and issues raised by the Board. The Director of Regulation was also in attendance at the Board meetings to present updates and to respond to the enquiries by the Board on the regulatory function of the Group.

To ensure effective oversight and monitoring of the regulatory function, the Director of Regulation provides the RACC with a status report on a regular basis, to report on the progress of actions taken by the Regulation division and to update on regulatory initiatives and activities. In the first quarter of each year, the 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 2015, the Board reviewed the Annual Regulatory Report 2014 before it was submitted to the Securities Commission (“SC”) in compliance with Section 16 of the CMSA.

In September 2015, the Board reviewed the results of the 2014 employee engagement survey which was conducted by an external firm to assess the level of employee satisfaction. The objective of this annual exercise is to ensure continuous improvement in Bursa Malaysia’s operating environment by maintaining areas of strength and improving opportunities for the internal stakeholders. The Group Human Resources (“GHR”) also presented to the Board its commitment to sustain the areas of strength and to continuously improve through the initiatives undertaken group-wide and at divisional levels which had brought about better employee engagement compared to the previous year.

<sup>4</sup> The Management Committee members are as set out in the Management Committee/Senior Management section of this Annual Report

<sup>5</sup> The Management Governance Framework comprises two committees for governance function, and two committees for business operations function, as set out under Section 1.1 of this CG Statement. It is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/governance-model>

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

Through the RMC, the Board oversees the risk management framework of the Group. The RMC advises the 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. In November 2015, the RMC conducted a review of the risk management policy and guidelines to streamline the risk management framework, practices and processes of the Group to an internationally recognised benchmark, and to integrate them into key processes such as business case development and project implementation. The revisions to the Risk Management Principles & Framework and the Risk Management Process & Guidelines were approved by the Board as recommended by the RMC.

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

### d. Succession planning

The Board, through the Nomination and Remuneration Committee ("NRC"), is responsible for ensuring that there is effective and orderly succession planning in Bursa Malaysia Group. The TOR of the NRC provides that it is responsible for formulating nomination, selection and succession policies for the Group's key management positions including the CEO. In discharging its responsibility on succession planning, the NRC receives succession management updates from GHR in accordance with the approved succession management framework. This framework includes the implementation of the Senior Leadership Development ("SLD") Programme for identified candidates within the organisation as preparation for internal pipeline of talents to assume mission and operational critical positions in the Group. In monitoring the progress of the SLD Programme, which is conducted over a period of 24 months for the potential successors of key management positions, the NRC reviews the regular updates from GHR and provides its feedback for continuous improvement.

The NRC is responsible for reviewing candidates for key management positions and determining the remuneration for these appointments. In this respect, the NRC considers new appointments and renewal of service contracts of key management positions to ensure all candidates appointed to these positions are of sufficient calibre. For this purpose, the factors considered by the NRC include the suitability of the shortlisted candidates based on their profiles, professional achievements and personality assessments. The NRC also conducts interviews with shortlisted candidates to validate the assessment of the individuals. However, in 2015, there were no new appointments of key management positions made by the NRC. The NRC had only considered the renewal of the service contracts of two key management personnel in January and September 2015 having regard to their performance, contributions, achievements and deliverables during their tenure in their respective positions. The NRC further considered the remuneration packages for the key management personnel 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, in 2015, the SC had been consulted on the renewal of the service contracts for the relevant Management Committee members.

The NRC undertakes annual evaluation of the performance of the key management personnel (except for the Head of Group Internal Audit ("GIA") and Director of Regulation) based on their scorecards<sup>6</sup> with KPI measurements as the quantitative performance criteria. The Head of GIA reports to the AC who evaluates her performance, while the RACC evaluates the performance of the Director of Regulation. Both the AC and RACC then provide their recommendations to the NRC based on the outcome of their respective performance assessments. Generally, the remuneration of the key management personnel is directly linked to performance and hence, the performance bonus for the year would be determined by the NRC based on their performance ratings. For this purpose, the 2015 Corporate Scorecard and KPI results of the CEO and relevant key management personnel were reviewed by the AC, RACC and the NRC at their respective meetings in January/February 2016.

6 Which are aligned to the KPIs of the 2015 Corporate Scorecard as approved by the Board at its 8<sup>th</sup> meeting held on 6-7 December 2014

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### 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 the 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 misconduct such as accepting gifts (exceeding certain value), bribes, dishonest behaviour and sexual harassment.

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 Senior Independent Director (“SID”) of Bursa Malaysia<sup>7</sup>. The AC is responsible for overseeing the implementation of the WPP for the Group’s employees, while 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>8</sup>.

As an EHC and a frontline regulator, internal guidelines are in place requiring certain standards of practice for the employees of Bursa Malaysia, in carrying out their functions in the organisation having regard to public interest and the need to manage COI. Another internal document which is in place is the Guidance on Managing COI in Regulatory Decision Making (“the Guidance”) for the members of the Regulatory Committees of Bursa Malaysia, i.e. the Listing Committee (“LC”), Market Participants Committee (“MPC”) and Appeals Committee (“APC”), to enable Bursa Malaysia as an EHC to discharge its regulatory duties effectively. Essentially, the Guidance facilitates the Regulatory Committee members to identify situations that may place themselves in a position of conflict or may fairly be perceived to be biased. The Guidance provides that in such situations, a Committee member shall not participate in the hearing, deliberation and determination of the matter at stake at the Regulatory Committee meeting, so as to ensure the attainment of independence of judgement and observance of the principles of natural justice and due process.

### 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 demonstrate 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 the Management.

Bursa Malaysia’s green initiative has encouraged a paperless environment for all Board and Board Committee meetings, which 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

<sup>7</sup> The contact details are set out under Corporate Information of this Annual Report. It is available at <http://www.bursamalaysia.com/corporate/about-us/other-corporate-information>

<sup>8</sup> The whistle-blowing report form is available at [http://www.bursamalaysia.com/misc/contact\\_form\\_whistleblower.pdf](http://www.bursamalaysia.com/misc/contact_form_whistleblower.pdf)

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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, depending on the quantum of the fees involved.

## 1.6 Qualified and competent Company Secretaries

Both Company Secretaries of Bursa Malaysia have legal qualifications, and are qualified to act as company secretary under Section 139A of the Companies Act 1965 ("CA"). One of them is licensed by the Registrar of Companies whilst the other is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and leadership role in shaping the CG of Bursa Malaysia Group. In this respect, they 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 legislations. 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 attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

## 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 serves as a primary reference for prospective and existing Board members of their fiduciary duties as Directors of Bursa Malaysia, being an EHC, and the functions of the Board Committees which correspond to the respective subsidiary companies within the Group. The Board Charter is reviewed regularly to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. In November 2015, the Board reviewed and approved certain revisions to the Board Charter<sup>9</sup>, which included delineating the roles of the Public Interest Directors ("PID"), Non-Executive Directors ("NEDs") and Independent NEDs in addition to the duties and responsibilities of the Board as well as updating various provisions to ensure the document remains relevant and consistent with the Board's approved policy and procedures.

The Board Charter also sets out the procedures to be undertaken upon expiry of the term of appointment of a PID, and in the case of election, re-election, appointment or re-appointment of Directors with reference to the relevant laws, the Malaysian Code on CG 2012 ("MCCG 2012") and the Protocol for Appointment of Directors and Members of Board Committees of Bursa Malaysia.

The Board is satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions as listed in the TOR of the NRC<sup>10</sup>. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

In compliance with Paragraph 15.08A of Bursa Malaysia Securities Main Market Listing Requirements ("MMLR"), the Board is pleased to report on the NRC's activities in the discharge of its duties, which are mainly described in Sections 2 and 3 below, as it embraces Principles 2 and 3 of the MCCG 2012 in strengthening the Board composition and reinforcing independence.

<sup>9</sup> The revised Board Charter as approved by the Board in November 2015 is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/board-charter>

<sup>10</sup> The distinct roles and responsibilities of the NRC in relation to the nomination and remuneration matters are provided in the TOR of the NRC which are available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference/governance-committees>

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## 2. STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

#### a. Composition and responsibilities of the NRC

The NRC comprises four NEDs of whom one is a PID and three are Independent NEDs. The NRC is chaired by an SID. Dato' Saiful Bahri Zainuddin was appointed as the Chairman of NRC with effect from 1 March 2015<sup>11</sup> until 31 December 2015, after the retirement of Tun Mohamed Dzaiddin Haji Abdullah as PID and Chairman of the Board of Bursa Malaysia on 28 February 2015.

Regarding nomination, selection and assessment of Directors, the specific responsibilities of the NRC include, among others:

- i. formulating the nomination, selection and succession policies for the members of the Board, Board Committees, SID and CEO;
- ii. making recommendations to the Board on new candidates for election/appointment, and re-election/re-appointment of Directors to the Board or for appointments to fill casual vacancies;
- iii. making recommendations to the Board on the appointment of Directors on the functional Boards of the subsidiaries of Bursa Malaysia;
- iv. reviewing the skills, experience and other qualities of the Board annually to ensure an appropriate range and mix of capabilities among members;
- v. establishing a set of quantitative and qualitative performance criteria to evaluate the performance of the members of the Board and Board Committees, and the CEO; and
- vi. reviewing and recommending to the Board the appointment of members to Board Committees established by the Board for each term.

#### b. Appointment of SID

Dato' Saiful Bahri Zainuddin was appointed the SID for a term of two years for 2014 and 2015. Prior to the expiry of his term of appointment in December 2015, the NRC undertook the nomination process to recommend a new SID, who would carry out the responsibilities in accordance with the TOR of the SID<sup>12</sup> for the next term of two years commencing from 1 January 2016 to 31 December 2017.

In determining the Director to be appointed as SID of Bursa Malaysia, the NRC took into consideration several factors, including the fact that he was one of the longest serving Independent Directors on the Board and that he must possess strong leadership qualities to lead the Independent Directors of Bursa Malaysia.

In November 2015, the Board approved the appointment of Datuk Karownikaran @ Karunakaran a/l Ramasamy as the SID for 2016 and 2017. The appointed SID shall be the Chairman of the NRC with effect from 1 January 2016 in accordance with the TOR of the NRC.

#### 2.2 Develop, maintain and review criteria for recruitment and annual assessment 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"). The NRC is guided by the Protocol<sup>13</sup> in carrying out its responsibilities in respect of the nomination, selection and appointment process for Directors of Bursa Malaysia and its subsidiaries, 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 (Governance and Regulatory) members of Bursa Malaysia, for its reference when considering new appointments, in line with the sourcing process and criteria for potential candidates as set out in the Protocol. The pool is refreshed from time to time, to ensure the list of potential candidates available for the NRC/Board's consideration remains relevant and offers the talents/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 and Committee members for the pool, potential candidates were also sourced from the relevant bodies and/or the regulator(s). Invitations were sent out to the potential 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.

<sup>11</sup> Based on the revised membership classification in the TOR of the NRC as approved by the Board in January 2015

<sup>12</sup> The TOR of the SID is available at <http://www.bursamalaysia.com/corporate/about-us/corporate-governance/terms-of-reference/senior-independent-non-executive-director>

<sup>13</sup> Updated to reflect the processes in developing the selection criteria having regard to the mix of skills, and in assessing the Directors' performance and contribution as well as their independence and objectivity

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In March 2015, Tan Sri Ong Leong Huat who did not seek for re-election as an Independent NED, retired at the close of the 38<sup>th</sup> Annual General Meeting (“AGM”) in accordance with Section 129(2) of the CA. Since then, the Board size was reduced to 10. The search for potential candidate(s) with relevant experience/skill sets had been ongoing to complement the remaining Directors on the Board in meeting the current and future needs of the Company.

### a. Determination of selection criteria for recruitment of Directors<sup>14</sup>

The NRC had in April 2015 considered a benchmarking study on the Board compositions at comparable exchanges in relation to the Directors’ expertise/skills, experience and qualifications. Having regard to this internal study and the preliminary review by the NRC, the Board agreed on the need to develop a comprehensive Directors’ skills matrix with the view to identify possible gaps in the skill sets of the existing Board with reference to the benchmarking study as well as the strategic direction of Bursa Malaysia as an EHC and business entity. Hence, the selection criteria for the new recruitment of Directors of Bursa Malaysia would be determined based on the outcome of the Board composition review including the gap analysis. The NRC would then refresh the pool of potential candidates based on the identified selection criteria.

For the above purpose, in June 2015, the Board engaged an independent Consultant specialising in Board performance and recruitment, to conduct a review on the Board composition. In July 2015, the Consultant presented to the NRC its detailed report comprising amongst others, its benchmarking study on the Board compositions at comparable exchanges, the ideal Board matrix, the outcome of the gap analysis review, the selection criteria for new appointments of Directors based on the gap analysis as well as the Board training needs analysis. The Consultant’s report and the NRC’s recommendations on the same were presented to the Board in July 2015. In this respect, the Board approved the “must have” and “nice to have” criteria for the selection of new Directors for the Board of Bursa Malaysia as well as for the Boards of subsidiaries within the Group.

In August 2015, the NRC commenced the skill sets review of the refreshed pool of potential candidates based on the established selection criteria, taking into consideration the mix of skills, experience and strength in the qualities which would be relevant or necessary for the Board to discharge its responsibilities in an effective and competent manner. The potential candidates were shortlisted by the NRC based on the “must have” and “nice to have” criteria. The NRC was mindful of the need to achieve diversity in the aspects of ethnicity, age and gender in shortlisting the potential candidates.

The NRC also conducted a competency assessment of the shortlisted potential candidates by evaluating their experience based on their respective profiles, and also other areas such as interpersonal style, independence and integrity, collaboration and influencing skills based on feedback obtained from the Directors who had direct dealings with the shortlisted potential candidates.

The recruitment exercise by the NRC had been ongoing in view of expanding the pool of potential candidates based on the identified selection criteria.

In this respect, the NRC has also engaged a Consultant specialising in Board recruitment, to conduct independent competency assessment of shortlisted potential candidates which include online assessment and interview, to assess the candidates’ leadership competencies, traits and drivers. The NRC would then consider the assessment results from the Consultant in order to determine the final candidate(s) for recommendation to the Board. The NRC would also meet with the final shortlisted candidate(s) as part of the selection process to consider other factors, which include the candidate’s ability to commit sufficient time and energy to Bursa Malaysia’s matters, and ability to satisfy the test of independence taking into account the candidate’s character, integrity and professionalism. The proposed candidate will be required to confirm that he/she meets the criteria for an independent director as prescribed in the MMLR and its Practice Note 13 prior to recommending to the Board for approval of his/her proposed appointment as an Independent NED.

<sup>14</sup> Paragraph 15.08A(3)(b) of the MMLR



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### b. Annual assessment and its criteria in respect of the Board and Board Committees, Directors and Board Committee members<sup>15</sup>

The NRC carries out the Board Effectiveness Evaluation (“BEE”) exercise annually. 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 2014. In September 2015, the NRC approved the approach for the conduct of BEE 2014/2015 to be facilitated by the Company Secretaries and reviewed the questionnaires for the BEE 2014/2015, which comprised a Board and Board Committee Effectiveness Assessment, Directors and Board Committee members’ Self and Peer Assessment (“SPA”), as well as a 360 Degree Assessment by members of senior management.

The effectiveness of the Board is assessed in the areas of the Board’s responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and Board engagement, as well as the effectiveness of the Chairman and the CEO. 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 structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.

The NRC also approved the performance criteria for the assessment of individual Directors through the Directors’ SPA questionnaire under four main areas, i.e. Board dynamics and participation, competency and capability, exercise of independent judgement and objectivity with integrity, as well as contribution and performance.

The SPA for the Board Committee members is similar to the Directors’ SPA, which is intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board/Board Committees. 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, and offer practical and realistic advice to the Board and/or Committees’ discussions.

The NRC also sought feedback from the members of senior management via the issuance of 360 Degree Assessment questionnaires in conjunction with the BEE 2014/2015 exercise. The Management’s feedback/observations on the Board’s role, and the extent/effectiveness of partnership/collaboration between the Board and Management in certain focus areas or support functions are useful for the Board’s consideration in enhancing its overall effectiveness.

The NRC had in October 2015 reviewed the outcome of the BEE 2014/2015, and considered each of the feedback/comments given by the Board/Board Committee members for the Board’s improvement. The NRC also considered the proposed action plans for areas which had been identified for improvement. In November 2015, the Board resolved to adopt the BEE 2014/2015 results and the action plans for enhancements by the Board and the respective Board Committees, as recommended by the NRC. The average rating of at least 3.50 and above on a 5-point scale in respect of the performance criteria indicated the Board’s consensus that each of the Directors’ level of performance was either satisfactory or good, and that they had also met the performance criteria in the prescribed areas of assessment.

Each Board member was provided with his/her own individual results of the Directors’ SPA together with a peer average rating on each area of assessment for personal information and further development. In December 2015, the Regulatory Committee members who are non-Directors of Bursa Malaysia were also provided with the results of the respective Committee Effectiveness Assessments including the Committee members’ feedback, the individual results of the Committees’ SPA together with a peer average rating on each area of assessment for personal information and further development.

The results of these assessments form one of the basis of the NRC’s recommendations to the Board for the re-election of Directors at the next AGM, and the re-appointment of Board Committee members for the ensuing term of two years from 1 July 2016.

<sup>15</sup> Paragraph 15.08A(3)(c) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

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

Pursuant to Article 69 of the Articles of Association (“AA”) of the Company, Directors (other than PIDs) are to be elected at every AGM of the Company, where 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 their BEE 2014/2015 results, 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 November 2015, the Board approved the recommendation of the NRC that the three Directors who are due to retire by rotation at the 39<sup>th</sup> AGM – Datuk Karownikaran @ Karunikaran a/l Ramasamy, Mr. Pushpanathan a/l S.A. Kanagarayar and Datuk Seri Tajuddin Atan – be eligible to stand for re-election. All three Directors had expressed their intention to seek re-election at the 39<sup>th</sup> AGM.

Section 10(1)(b) of the CMSA requires Bursa Malaysia, as an EHC, to obtain the SC’s concurrence on any proposed election or re-election of Directors (other than PIDs) on the Board of the Company. Hence, a formal submission was made to the SC in November 2015, to seek its concurrence on the re-election of those Directors prior to seeking the shareholders’ approval at the 39<sup>th</sup> AGM. As part of the approval process, the SC conducts vetting on each Director to determine if he is a person of integrity and is fit and proper to be a Director of an EHC. The SC had on 3 February 2016 provided its concurrence on the proposed re-election of the said three Directors.

Section 10(1)(a) of the CMSA provides that the appointment of a PID shall be made by the Minister of Finance in consultation with the SC. With reference to the Protocol, the relevant divisions of the Ministry of Finance and the SC which are involved in the process for appointment of the PID of Bursa Malaysia in accordance with Section 10(1)(a) of the CMSA would be notified on the expiry of the term of appointment of a PID, at least three months prior to the expiry date.

The TOR of the NRC were amended with effect from 6 December 2014, to reflect the NRC’s responsibility to make recommendations to the Board on any proposed extension of the term of appointment of a PID. Hence, the NRC had in October 2015 reviewed and assessed the PID, Datuk Dr. Md Tap Salleh’s performance, contribution and independence in view of the impending expiry of his term of appointment on 31 March 2016. In its assessment, the NRC considered various factors including the Director’s SPA results of the BEE 2014/2015 for decision-making. The Board had in November 2015 approved the NRC’s recommendation and subsequently, submitted its decision for the Minister of Finance’s consideration in relation to the extension of the term of appointment of Datuk Dr. Md Tap Salleh as PID pursuant to Section 10(1)(a) of the CMSA.

### d. Review of the composition of Board Committees

The NRC reviews the composition of the Board Committees once in every two years in accordance with the TOR of the Board Committees. 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, their performance and contribution to the achievement of the Board Committees’ goals and objectives, possession of the attributes, capabilities and qualifications considered necessary or desirable for committee service and demonstration of independence, integrity and impartiality in decision-making. The attendance at Board Committee meetings during the financial year ended 31 December 2015 is provided under Section 4.1 of this CG Statement.

In this respect, the appointment and removal processes for the independent individuals appointed to the LC, MPC and APC are embedded in the Guidelines for Appointment and Removal of Regulatory Committee Members, as approved by the Board in November 2015. The objective of these Guidelines is to ensure consistent and integrated nomination, selection and removal processes to facilitate appointment of eligible and suitable independent individuals to form a balanced and robust committee, with an aim to safeguard investor protection and market integrity.

## CORPORATE GOVERNANCE STATEMENT

### e. Boardroom diversity<sup>16</sup>

Based on the review of the Board composition in 2015, the Board concurred with the NRC's recommendation to maintain the optimum Board size at 12. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions among members of the Board, considering Bursa Malaysia's unique composition comprising PIDs as required under Section 10(1)(a) of the CMSA, taking into account the governance and regulatory functions of an EHC, in pursuance of its integrated regulatory and commercial objective.

The Board strongly views that diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. In 2015, the NRC had been considering the appointment of an additional woman 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 in 2016, the Board shall retain its size at 10.

The diversity criteria reviewed by the NRC in 2015 include gender, ethnicity and age. The current diversity in the race/ethnicity and nationality of the existing Board is as follows:

	RACE/ETHNICITY				NATIONALITY	
	MALAY	CHINESE	INDIAN	OTHERS	MALAYSIAN	FOREIGN
Number of Directors	7	1	1	1	9	1

The NRC also had regard to the existing Directors' age distribution which appeared to be balanced at an average of 59, falling within the respective age groups as follows:

Age Group	51-55	56-60	61-65	66-70
Number of Directors	3	2	4	1

In November 2015, the Board considered the overall Board Diversity Policy for Bursa Malaysia as recommended by the NRC, and subsequently approved the following:

### BOARD DIVERSITY POLICY

Bursa Malaysia's diversity policy is to ensure that the mix and profiles of our Board members, in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. We believe that a truly diverse and inclusive Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity and gender, which will ensure that Bursa Malaysia retains its competitive advantage.

In this regard, the NRC is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions. In reviewing the composition of the Board, the NRC will consider the benefits of diversity in order to maintain an optimum mix of skills, knowledge and experience on the Board. Diversity and its benefits underpinned by meritocracy will continue to be the focus of the NRC when identifying and recommending new candidates for Board memberships, as well as evaluating the performance of the Board and its individual members.

In connection with its efforts to create and maintain a diverse Board, the NRC will:

- Assess the appropriate mix of diversity (including gender, ethnicity and age), skills, experience and expertise required on the Board and address gaps if any;
- Adhere to the recruitment protocol that seeks to include diverse candidates in any director search;
- Make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board, etc;
- Periodically review and report to the Board on requirements in relation to diversity on the Board, if any.

<sup>16</sup> Paragraph 15.08A(3)(a) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

The NRC will discuss and agree annually on all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Board maintains the pursuit of its target of three women Directors by 2016, in line with the country's aspirational target of 30% representation of women on boards.

### 2.3 Remuneration policies

#### a. Employees of Bursa Malaysia Group

The NRC is responsible for reviewing the Group's compensation policy and ensuring alignment of compensation to corporate performance, and that compensation offered is in line with the market practice. The NRC is also responsible for approving the utilisation of the provision for annual salary increment and performance bonus in respect of each financial year ("FY"). The NRC has been appointed by the Board to implement and administer the Share Grant Plan ("SGP") in accordance with the SGP By-Laws which were approved by the shareholders since 26 May 2011 and as such, it is responsible for approving employees share grants for each FY.

In February 2015, the NRC reviewed the proposed 2014 performance bonus provision and utilisation of the 2015 provision for annual salary increment, to be in alignment with the financial services sector market forecasts respectively. The indicators for consideration in determining the distribution of the performance bonus and annual increment were corporate performance, financial metrics and relevant economic indicators, i.e. profit after tax, inflation rate and consumer price index. At the same meeting, the NRC also assessed the performance of the key management personnel based on performance of the Corporate Scorecard, Divisional Scorecard and competencies. To ensure consistency in performance assessment, the final performance ratings as decided by the NRC would be used for the purpose of determining the performance bonus.

The CEO's performance bonus and share grant in respect of FY 2014 performance were reviewed by the NRC, after which they were put to the Board for decision in March and June 2015 respectively.

#### b. Remuneration policy for the members of the Board and Board Committees, and Nominee Directors on the functional Boards of the subsidiaries of Bursa

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 conditions. 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.

The remuneration policy for the NEDs comprises the following:

##### i. Directors' fees

The Directors' fees are at RM150,000 per annum for the Non-Executive Chairman and RM100,000 per annum for each NED of Bursa Malaysia in respect of FY 2014 (as approved by the shareholders at the 38<sup>th</sup> AGM on 31 March 2015).

Given that the Directors' fees were recently increased for FY 2014 upon the shareholders' approval at the 38<sup>th</sup> AGM, the Board at its meeting held in November 2015 approved the NRC's recommendation to maintain the same Directors' fees at RM150,000 per annum for Non-Executive Chairman and RM100,000 per annum for each of the NEDs in respect of FY 2015, and that the shareholders' approval will be sought accordingly at the forthcoming 39<sup>th</sup> AGM.

## CORPORATE GOVERNANCE STATEMENT

ii. Meeting allowance for each Board or Board Committee<sup>17</sup> meeting attended by a NED of Bursa Malaysia or individual Regulatory Committee member:

- 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, Tender Evaluation Committee or any management committee to which the NEDs are invited to attend pursuant to the Company's policy and procedures.

- In October 2014, the Board approved the meeting allowance for the NEDs of Bursa Malaysia who sit on the functional Boards of subsidiaries of Bursa Malaysia, as part of Bursa Malaysia's Group Remuneration Policy.
- In addition, members of the Regulatory Committees 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 commitment expected of them.

iii. Benefits-in-kind and emoluments

NEDs are not entitled to participate in the 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 Board at its meeting held in October 2015 approved the NRC's recommendation to extend medical benefits to the NEDs up to a combined limit of RM75,000 per annum for both inpatient and outpatient expenses.

The Chairman is also entitled to medical benefits and is provided with a monthly fixed allowance of RM52,000, 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 any COI.

- iv. 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, BMD and BMDC, and as Director of all other subsidiary companies within the Group, is also not entitled to Director's fees for attending the respective Board meetings.

The CEO's remuneration package is structured so as to link to corporate and individual performance which comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments, such as gratuity, 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, which is determined based on the individual KPIs in the Corporate Scorecard aligned with the corporate objectives, and approved by the Board. The award of Plan Shares to the CEO in 2015 had been announced via Bursa LINK on 31 March 2015 and 1 July 2015.

- v. 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/she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his/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.

<sup>17</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

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual assessment of independence

#### a. Non-Executive Directors' ("NEDs") independence, including new appointments

A proposed Director must satisfy the test of independence of an "independent director" as defined under Paragraph 1.01 and Practice Note 13 of the MMLR that he/she is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Bursa Malaysia, taking into account the candidate's character, integrity and professionalism.

All the Directors had given confirmation on a quarterly basis as to whether he/she had any family relationship with any Director and/or major shareholder of Bursa Malaysia, any COI with Bursa Malaysia or any convictions for offences within the past 10 years other than traffic offences. This is one of the criteria to enable the Board/NRC to assess the Directors' independence as and when any new interest or relationship develops.

In view of the fact that independent and objective judgement could be compromised by, among others, familiarity or close relationship with other Board members, the Board recognised the importance to focus beyond the NEDs' (including PIDs) background, economic and family relationships, and consider whether the Independent NEDs/PIDs could continue to bring independent and objective judgement to Board deliberations.

In November 2015, the Board approved the NRC's recommendation to formalise the process of determining the NEDs' independence by having each of them complete the Form of Declaration/Confirmation of Independence on an annual basis in the fourth quarter of each year.

The NRC assessed the independence of the NEDs on an annual basis in conjunction with the BEE exercise during its review of the BEE results in October 2015. For this purpose, the assessment on "Independence and Objectivity" was included as one of the performance criteria for the Directors, where the Directors were assessed through several questions under the Directors' SPA. For example, "One is not afraid to pursue an unpopular stand on issues, or expressing disagreement on matters during the meeting, if any", or "One consistently demonstrates independence of judgement, clarity of thought and objectivity in problem solving during deliberations at Board meetings".

To mitigate the risks arising from COI or undue influence from interested parties, the Directors were also assessed through several questions on "Probity and Personal Integrity" under the Directors' SPA. For example, "This Director demonstrates that he/she assumes his/her fiduciary role responsibly and in utmost good faith, proactively discloses real and apparent COI situations and abstains from voting when necessary, or demonstrates respect of confidentiality and high level of professionalism and impeccable integrity in his/her conduct at all times".

The average ratings for the Directors on the above questions indicate the level of independence demonstrated by each of them in their exercise of judgement and ability to act in the best interest of the Company in decision-making, as well as the Directors' ability to resolve problems based on clarity and understanding of the subject matter.

#### b. NEDs' eligibility to stand for re-election/re-appointment

In line with Recommendation 3.1 of the MCGG 2012, the NRC refers to the ratings of the three Independent NEDs in "Independence and Objectivity" and "Probity and Personal Integrity" as one of the factors in determining the NEDs' eligibility to stand for re-election/re-appointment at the forthcoming 39<sup>th</sup> AGM (as mentioned under Section 2.2.c of this CG Statement).

Based on the above assessment in 2015, the NRC is satisfied with the level of independence demonstrated by all the NEDs and their ability to act in the best interest of the Company during deliberations at Board meetings. The Board therefore approved the NRC's recommendations and supported their proposed re-election in accordance with Article 69 of the AA, and the proposed extension of the PID's term of appointment.

### 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 MCGG 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.

The Chairman and all NEDs have served the Board for less than nine years where their tenures of service are set out in the Board of Directors' Profiles of this Annual Report.

## CORPORATE GOVERNANCE STATEMENT

### 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. Hence, no shareholders' approval will be sought for this purpose at the forthcoming 39<sup>th</sup> AGM.

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

As a PID, the Chairman leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, 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 10 Directors of whom four are PIDs, five 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 Minister of Finance 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 investor protection in performing its duties as an EHC.

All the PIDs and Independent NEDs, are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. They constitute 90% of the Board. The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, in acting in the best interests of Bursa Malaysia, and thereby safeguarding the public interest.

In October 2015, the Board also decided as a matter of policy that the Board of Bursa Malaysia as an EHC shall not comprise Nominee Directors, i.e. a NED who is nominated by a substantial shareholder to represent its interest on the Board of Bursa

Malaysia. This is in line with the responsibility of Bursa Malaysia as an EHC under the CMSA to uphold public interest above its commercial or other interests, and also to avoid any perceived or potential COI with the unique role of the Board of Bursa Malaysia in ensuring fair and orderly markets.

## 4. FOSTER COMMITMENT

### 4.1 Time commitment

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Bursa Malaysia. All the current 10 Directors had attended at least 89% of the total number of Board of Directors meetings. The quorum of Board meetings had been met with full attendance for seven Board meetings, and attendance of 10 out of 11 Directors at the Board meetings held on 29 January 2015 and 25 February 2015 respectively. Their meeting attendance at Board and Board Committee meetings is evidenced by the attendance record set out in the table.


  
 ■ Chairman
   
 ■ Member
   
 □ Non-member

#### Notes:

- ^ served as NRC member until 28 February 2015 and NRC Chairman from 1 March 2015 to 31 December 2015
- \* appointed as NRC member on 22 April 2015
- ~ her term of appointment as MPC member expired on 30 June 2015
- + appointed as MPC member on 15 July 2015
- ∞ Six NED meetings were held in 2015, i.e. on 22 April 2015, 11 June 2015, 15 July 2015, 10 September 2015, 23 October 2015 and 19 November 2015
- \*\* Two meetings were held between the AC and the external auditors, Ernst & Young, i.e. on 26 January 2015 and 20 October 2015 respectively

# CORPORATE GOVERNANCE STATEMENT

Name	BOARD OF DIRECTORS	NED ∞	GOVERNANCE COMMITTEES			REGULATORY COMMITTEES			
			AC**	RMC	NRC	RACC	LC	MPC	APC
<b>Non-Executive and Public Interest Directors</b>									
Tan Sri Amirsham A Aziz <sup>18</sup> (Chairman)	7/7	6/6				8/8			6/6
Tun Mohamed Dzaidin Haji Abdullah <sup>19</sup> (former Chairman)	2/2	-			2/2	2/2			1/1
Datuk Dr. Md Tap Salleh	9/9	6/6			16/16	10/10	11/11		
Dato' Zuraidah Atan	9/9	5/6				10/10			
Dato' Eshah Meor Suleiman	9/9	6/6	5/5			10/10		9/10	
<b>Independent Non-Executive Directors</b>									
Dato' Saiful Bahri Zainuddin	8/9	6/6		4/5	16/16 <sup>^</sup>				
Datuk Karownikaran @ Karunikaran a/l Ramasamy	9/9	6/6		5/5	16/16	9/10			5/7
Datuk Chay Wai Leong	9/9	6/6	5/5	5/5					
Ghazali Haji Darman	9/9	6/6	5/5	5/5				10/10	
Pushpanathan a/l S.A. Kanagarayar	9/9	6/6	5/5		11/12*		10/11		
Tan Sri Ong Leong Huat @ Wong Joo Hwa <sup>20</sup>	2/3	-			3/3				
<b>Non-Independent Executive Director</b>									
Datuk Seri Tajuddin Atan (CEO)	9/9	-							
<b>Independent individuals with significant and relevant industry experience</b>									
Dato' Thomas Lee Mun Lung									6/7
Dato' Mohammed Adnan Datuk Shuaib									7/7
Datuk Syed Zaid Syed Jaffar Albar									5/7
Cheah Tek Kuang									6/7
Kuok Wee Kiat									7/7
Ooi Giap Ch'ng									6/7
Wong Chong Wah							10/11		
Yon See Ting							10/11		
Salwah Abdul Shukor							11/11		
Dato' Sri Abdul Hamidy Abdul Hafiz							10/11		
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							9/11		
Datuk Mohd Nasir Ahmad							6/11		
Dato' Feizal Mustapha							9/11		
Lee Kha Loon							10/11		
Khoo Guan Huat								8/10	
Dato' Abdul Shukor Ahmad								8/10	
Azura Azman								9/10	
Dato' Dr. Zaha Rina Zahari								9/10	
Azila Abdul Aziz								5/10	
Datuk Noripah Kamso								5/5 ~	
Dato' Wan Asmadi Wan Ahmad								10/10	
Dr. Chung Tin Fah								10/10	
Rashid Ismail								4/4+	
<b>Total number of meetings for 2015</b>	<b>9</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>16</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>7</b>

18 Appointed as Public Interest Director ("PID") and Chairman of the Board of Bursa Malaysia with effect from 1 March 2015, and took Chairmanship of the RACC and Appeals Committee ("APC") with effect from 1 March 2015

19 His term of appointment as PID and Chairman of the Board of Bursa Malaysia expired on 28 February 2015, and accordingly, he also ceased to be Chairman of the NRC, RACC and APC with effect from 1 March 2015

20 Retired as Independent Non-Executive Director at the close of the 38<sup>th</sup> AGM held on 31 March 2015



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Since April 2015, the NEDs met six times before commencement of each Board meeting without the presence of the CEO and Executive Director. The 30-minute NED session allows discussion on any issues raised by the NEDs and/or issues from the Management of Bursa Malaysia Group, as may be shared by the Chairman with the other NEDs.

### a. Protocol for the appointment of Directors

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

Under Recommendation 4.1 of the MCCG 2012, the Board should stipulate the expectations of time commitment for members who accept a new directorship. The Protocol requires the Directors to notify the Chairman before accepting any new directorship. 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. Currently all the Directors of Bursa Malaysia hold not more than four directorships on PLCs<sup>21</sup>, including Bursa Malaysia.

### b. Annual meeting calendar

To facilitate the Directors' time 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 electronic devices provided to all Directors.

## 4.2 Training

As the Board of Directors must, on a continuous basis, evaluate and determine the training needs of its Directors<sup>22</sup>, the Board had delegated this responsibility to the NRC to ensure that orientation and education programmes are provided for new members of the Board, and also to review the Directors' continuing education programmes, as set out in the TOR of the NRC. The Board takes a strong view of the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to keep up with industry developments and trends in meeting the challenges of the Board.

### a. Training needs analysis and approval process

In line with the Board's policy that requires each Director of Bursa Malaysia to attend at least three training sessions relating to capital market developments in each year, the NRC had invited the Board members to provide feedback on their training requirements to assist the NRC in the Board training needs analysis. In July 2015, an external consultant was also engaged to facilitate the training needs analysis of the Board, as part of the Board review exercise.

In April 2015, the Board formalised the approval process for the individual Directors' training programmes in accordance with the prescribed approving authority, as recommended by the NRC, taking into consideration the area of training needs and training budget amount for individual Directors for the year. With reference to the current Board's training policy, and based on the outcome of the training needs analysis<sup>23</sup> of Directors, the NRC formalised the Directors' Training Programme which included among others, the following, so as to meet the varying needs of the Directors of Bursa Malaysia:

- i. In-house briefings for the Directors on specific topics relating to capital market development by guest speakers from other exchanges or market experts; and industry updates including global exchanges trends to be provided by Management on a quarterly basis;
- ii. Briefings by Management on a particular technical subject relating to the market/business operations, or on any new regulation/governance update affecting Bursa Malaysia Group; relevant updates to be provided by Management via email or uploaded on Boardpac;

<sup>21</sup> In compliance with Paragraph 15.06 of the MMLR

<sup>22</sup> Paragraph 15.08(2) of the MMLR

<sup>23</sup> Paragraph 15.08(3)(a) of the MMLR

## CORPORATE GOVERNANCE STATEMENT

- iii. Induction programme organised by the Company Secretaries for new Board/Committee member; and
- iv. Requests by Directors to attend conferences subject to the Board's training policy and availability of budget.

### b. Directors' training attendance

Directors are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation in Board deliberations<sup>24</sup>. The Directors observe Recommendation 4.2 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 six training programmes in 2015, of which at least three programmes focused on capital market developments.

- i. In 2015, the following in-house development programmes were organised by the Company Secretaries for Directors/Committee members:

- Induction programme (for newly appointed Chairman) on 4 March 2015, 11 March 2015 and 23 March 2015; and Induction programme (for newly appointed MPC members) on 18 August 2015

The Company Secretary and the relevant Management teams gave briefings at the induction programmes, to familiarise the new Chairman and another Committee member with the Group's governance process, business and operations, as well as the regulatory role of the Group. The induction programme also allowed them to get acquainted with senior management, so as to facilitate board interaction and independent access to Management.

- Palm Oil Products: Expanding the Current Bursa Malaysia Derivatives Portfolio on 31 July 2015

The Managing Director, Agricultural Products, of Chicago Mercantile Exchange Group Inc, Mr. Tim Andriesen, was invited by Bursa Malaysia Derivatives Berhad to share his knowledge on palm swaps market development.

- Internal Audit – one of the 4 Cornerstones of CG: Is it an effective gatekeeper to Audit Committee and Board Oversight? (for LC members) on 6 October 2015

The LC held its off-site development session on 6 October 2015 to deliberate on its enforcement policies and the impact with regard to key breaches, and related issues and challenges.

- The Cybersecurity Threat and Challenges (for MPC members) on 3 November 2015

The MPC held its off-site development session on 3 November 2015, to keep its members updated on Bursa Malaysia's supervision approach and observations, common areas of breach, proposed enforcement actions and policies, and related issues and challenges.

- ii. The Directors also attended the following conferences on capital markets organised by the Company:

- CAP10 ASEAN CEO Summit 2015 on 12 February 2015
- 26<sup>th</sup> Annual Palm & Lauric Oils Conference on 3 & 4 March 2015
- Invest Malaysia Kuala Lumpur on 23 & 24 April 2015
- Sustainability Symposium: "Responsible Business. Responsible Investing" on 8 October 2015

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

In addition, the Directors attended various external programmes including the following:

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

- Audit Committee Conference 2015: Rising to New Challenges, 24 March 2015 (attended by Datuk Karownikaran @ Karunakaran Ramasamy)

<sup>24</sup> Commentary under Recommendation 4.2 of the MCCG 2012

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- Remuneration Reward Practices Seminar: Time to Raise the Bar, 8 April 2015 (attended by Datuk Dr. Md Tap Salleh, Dato' Saiful Bahri Zainuddin and Encik Ghazali Hj Darman)
- Knowing How to Detect, Prevent and Report, 15 April 2015 (attended by Dato' Zuraidah Atan)
- Financial Institution Directors' Education ("FIDE") Forum: Directors Remuneration Study Findings for Financial Institutions, 6 May 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Board Chairman Series Part 2: Leadership Excellence from the Chair, 28 July 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Audit, Internal Control and Fraud Detection Seminar for the Public and Private Sectors: Redefining and Optimising the New Roles of Internal Auditors, 29-30 July 2015 (attended by Dato' Eshah Meor Suleiman and Encik Ghazali Hj Darman)
- Malaysian Accounting Standards Board: Forum on Malaysian Financial Reporting Standard 9, 7 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Building an Effective Finance Function and Data Analytics, 10 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Enterprise Risk Management: The Next Generation, 17-18 August 2015 (attended by Dato' Eshah Meor Suleiman)
- The Interplay between CG, Non-Financial Information and Investment Decision, 19 August 2015 (attended by Dato' Zuraidah Atan)
- 16<sup>th</sup> International Anti-Corruption Conference 2015: Ending Impunity – People Integrity Action, 2-3 September 2015 (attended by Dato' Zuraidah Atan)
- Singapore Institute of Directors Conference 2015: Boards and Innovation, 16 September 2015 (attended by Tan Sri Amirsham A Aziz)
- Directors as Gatekeepers of Market Participants, 28 September 2015 and 19 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- Nominating Committee Programme Part 2: Effective Board Evaluations, 5 October 2015 (attended by Tan Sri Amirsham A Aziz)
- Risk Oversight and Compliance – Action Plan for Board of Directors, 8 October 2015 and 20 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- CG and Integrity in the Corporate Sector, 17 October 2015 (attended by Datuk Dr. Md Tap Salleh)
- Board Chairman Series: Tone from the Chair and Establishing Boundaries, 22 October 2015 (attended by Dato' Zuraidah Atan and Mr. Pushpanathan S.A. Kanagarayar)
- CG Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom, 2 November 2015 (attended by Dato' Zuraidah Atan and Mr. Pushpanathan S.A. Kanagarayar)
- Asian CG Association 15<sup>th</sup> Annual Conference: CG Rising in Southeast Asia - Building Bridges between Stakeholders, 4 November 2015 (attended by Tan Sri Amirsham A Aziz)
- ASEAN CG Conference and Awards, 14 November 2015 (attended by Datuk Seri Tajuddin Atan)
- Briefing on the Environmental, Social & Governance Index and Governance Advocacy Session, 25 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

### Information Technology

- Big Data Conference, 21 April 2015 (attended by Encik Ghazali Hj Darman)
- SAS Forum: Big Data Analytics, 18 August 2015 (attended by Encik Ghazali Hj Darman)
- Boston Consulting Group Asia Conference: Digital Disruption Growing in the Digital Age, 21 August 2015 (attended by Datuk Chay Wai Leong)
- The SMARTS Surveillance Conference 2015 (NASDAQ), 1-3 September 2015 (attended by Encik Ghazali Hj Darman)
- Digital News Asia: What's Next – The Business Impact of Disruptive Technology, 29 September 2015 (attended by Encik Ghazali Hj Darman)

### Leadership, Legal and Business Management

- Anti-Money Laundering and Anti-Terrorism Financing Act 2001 – A Client Centric (Know Your Customer) Focus, 7 February 2015 (attended by Dato' Saiful Bahri Zainuddin)
- The Analysis, Use and Abuse of Financial Statements – Analysing Corporate Performance, 8 February 2015 (attended by Dato' Saiful Bahri Zainuddin)
- Briefing on Anti-Money Laundering and Anti-Terrorism Financing Act 2001, Personal Data Protection Act 2010, Competition Act 2010 and Global Development of CG, 9 March 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

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- National University of Singapore: Building A World Class Stock Exchange, 30 March 2015 (attended by Datuk Chay Wai Leong)
- IMD Executive Development Business Forum: Digital Transformation – Roadmap for Business, 21 April, 2015 (attended by Datuk Chay Wai Leong)
- Chartered Bankers Master-Class: Induction, 3 April 2015 and Professionalism, Ethics and Regulations, 26 May 2015 (attended by Datuk Seri Tajuddin Atan)
- Lead the Change: Getting Women on Boards, 8 May 2015 (Attended by Dato' Zuraidah Atan, Dato' Eshah Meor Suleiman and Mr. Pushpanathan S.A. Kanagarayar)
- FIDE Forum: Board's Strategic Leadership – Innovation and Growth in Uncertain Times, 21 May 2015 (attended by Datuk Karownikaran @ Karunikaran a/l Ramasamy)
- Port Investments and Public Private Partnership, 24-26 June 2015 (attended by Dato' Zuraidah Atan)
- Asian Institute of Finance (“AIF”) International Symposium: Building Talent Gap, 5 August 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Integration of Scenario Planning into Risk Appetite, Capital Management and Business Planning, Risk Posturing and Proposed Risk Appetite for Financial Year 2016, 11 August 2015 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Anti-Money Laundering and Anti-Terrorism Financing Act 2001: The Law and Compliance, 1 September 2015 (attended by Datuk Karownikaran @ Karunikaran Ramasamy)
- Financial Freedom: Growing Dreams, 6 October 2015 (attended by Dato' Zuraidah Atan)
- Business Challenges and Regulatory Expectations, 7 October 2015 and 19 October 2015 (attended by Dato' Zuraidah Atan and Datuk Chay Wai Leong respectively)
- National Preparedness Month: Disaster Recovery Planning, 15-18 October 2015 (attended by Dato' Zuraidah Atan)
- The Network Management Conference (“NeMa Asia”) 2015, 10 November 2015 (attended by Datuk Seri Tajuddin Atan)
- INSEAD SIDC – Lifelong Learning for Leaders, 12 November 2015 (attended by Datuk Chay Wai Leong)
- The International Association of Traffic and Safety Sciences (“IATSS”) Forum: A World of Human Chemistry, 14 November 2015 (attended by Dato' Zuraidah Atan)
- Temasek Management Services Academy's Directors-in-Dialogue: Culture Eats Strategy for Breakfast – Are Boards paying enough attention to it? 16 November 2015 (attended by Tan Sri Amirsham A Aziz)
- Inclusive and Consultative Leadership Programme, 16 November 2015 (attended by Datuk Dr. Md Tap Salleh)
- AIF's Distinguished Speaker Series: Can ASEAN Reinvent Itself? 17 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Briefing on the Trans Pacific Partnership: Should Malaysia sign? 3 December 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)

### Financial and Capital Markets

- 33<sup>rd</sup> Asian and Oceanic Stock Exchanges Federation (“AOSEF”) General Assembly, 26-28 March 2015 (attended by Datuk Seri Tajuddin Atan)
- International Options Market Association (“IOMA”) Derivatives & Clearing Conference, 3-6 May 2015 (attended by Datuk Seri Tajuddin Atan)
- Global Sustainability & Impact Investing Forum, 23 July 2015 (attended by Datuk Dr. Md Tap Salleh, Dato' Eshah Meor Suleiman, Datuk Karownikaran @ Karunikaran Ramasamy, Datuk Chay Wai Leong and Datuk Seri Tajuddin Atan)
- World Capital Markets Symposium 2015: Markets and Technology - Driving Future Growth through Innovation, 3-4 September 2015 (attended by Dato' Zuraidah Atan, Dato' Eshah Meor Suleiman, Datuk Chay Wai Leong, Mr. Pushpanathan S.A. Kanagarayar and Datuk Seri Tajuddin Atan)
- Invest Malaysia New York, 30 September 2015 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
- International Conference on Financial Crime & Terrorism Financing: The Changing Regulatory Landscape, 7 October 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Current and Emerging Regulatory Issues in the Capital Market, 9 October 2015 (attended by Dato' Zuraidah Atan)
- 55<sup>th</sup> General Assembly of the World Federation of Exchanges, 19-20 October 2015 (attended by Tan Sri Amirsham A Aziz and Datuk Seri Tajuddin Atan)
- Invest Malaysia Hong Kong, 27 October 2015 (attended by Datuk Seri Tajuddin Atan)
- National Tax Budget Briefing, 5 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- Sense and Sensibility, Accounting & Accountability: A Practitioner's Perspective, 12 November 2015 (attended by Mr. Pushpanathan S.A. Kanagarayar)
- 10<sup>th</sup> China International Oils and Oilseeds Conference: Introduction to Financial Statement, 12 November 2015 (attended by Datuk Seri Tajuddin Atan)

## CORPORATE GOVERNANCE STATEMENT

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1 Compliance with applicable financial reporting standards

The Board recognises the importance of providing shareholders with a balanced and clear assessment of the Group's financial performance, including its position and future prospects. Hence, the Board provides shareholders with quarterly and Annual Audited Financial Statements as well as corporate announcements on significant developments affecting the Company in accordance with the MMLR.

The AC Chairman Mr. Pushpanathan a/l S.A. Kanagarayar<sup>25</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 AC met on a quarterly basis and carried out their duties in accordance with the TOR.

The Director of Corporate Services/Chief Financial Officer ("CFO") formally presented to the AC and the Board details of revenue and expenditure 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") and the International Financial Reporting Standards ("IFRSs"); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IFRSs 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 2015.

In addition, Bursa Malaysia has an in-house internal audit function within the Group, where the Head of GIA, who reports

directly to the AC, undertook an independent assessment on 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.

#### 5.2 Assessment of suitability and independence of external auditors

The AC had in January 2016 deliberated the outcome of the Request for Proposal evaluations, which included an assessment of the engagement teams' qualifications, credentials and experience, particularly in the financial services sector, the firms' competitive advantage with global network resources, their audit work approach, and their ability to provide value added advice and services, as well as to perform the work within Bursa Malaysia's timeline. The AC then decided to recommend for the Board's approval the appointment of Messrs. Ernst & Young ("EY") as external auditors of Bursa Malaysia for the FY ending 31 December 2016.

At the same time, the AC further undertook an annual assessment of the quality of audit which encompassed the performance of the external auditors EY, and the quality of their communications with the AC and Bursa Malaysia Group, based on feedback obtained via assessment questionnaires from Bursa Malaysia personnel who had substantial contact with the external audit team and EY throughout the year. The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings, which demonstrated their independence, objectivity and professionalism. The activities relating to the external auditors and the lead audit engagement partner are provided in the AC Report of this Annual Report.

The AC was satisfied with the suitability of EY based on the quality of services and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The AC was also satisfied in its review that the provision of non-audit services by EY to the Company for the FY 2015 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

Having regard to the outcome of the evaluations and the annual assessment of external auditors which supported the AC's recommendation, the Board had in February 2016 approved the AC's recommendation for the shareholders' approval to be sought at the 39<sup>th</sup> AGM on the appointment of EY as external auditors of the Company for the FY 2016.

<sup>25</sup> Mr. Pushpanathan a/l S.A. Kanagarayar's profile is set out in the Board of Directors' Profiles of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

The RMC assists the Board to oversee the risk management matters relating to the activities of the Group. The RMC reviews the risk management framework and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk treatment/mitigation action plans for the management and control of the key risks.

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 Policies and Procedures for Compliance with the Listing Requirements, which set 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>26</sup>, spokespersons and committees in the handling and disclosure of material information. The persons responsible for preparing the disclosures 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 who were 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 is provided to the investing public.

## 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 the necessary arrangements to attend and participate in person or by corporate representatives, proxies or attorneys.

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/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

<sup>26</sup> The name(s) and contact information are available at <http://www.bursamalaysia.com/contact>

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At the 38<sup>th</sup> AGM held on 31 March 2015, 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 38<sup>th</sup> AGM dated 3 March 2015. This is in line with Paragraph 7.21(A)(2) of the 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 38<sup>th</sup> AGM held on 31 March 2015 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 the 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 38<sup>th</sup> AGM as set out in the Notice of 38<sup>th</sup> AGM.

Voting slips for the 38<sup>th</sup> AGM were issued by the Share Registrar upon registration, and were pre-printed with details of 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 38<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 38<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, EY. 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. Minutes of the 38<sup>th</sup> AGM were also made available on Bursa Malaysia's website.

### 8.3 Effective communication and proactive engagements

At the 38<sup>th</sup> AGM, the 10 Directors, with the exception of Tan Sri Ong Leong Huat @ Wong Joo Hwa who retired at the 38<sup>th</sup> AGM, were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The proceedings of the 38<sup>th</sup> AGM included the CEO's presentation of the Company's operating and financial performance for 2014, 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 financial statements 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 38<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 the MMLR.

The Board is satisfied that in 2015, the Company fully complied with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 2 February 2016.