

# OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

Bursa Malaysia recognises that it plays a pivotal role in the Malaysian economy. We are committed to supporting inclusive economic growth and sustainable development that create lasting value for market participants – both now and for generations to come.

Sustainability has been a strategic focus for Bursa Malaysia, which supports our vision to be ASEAN's leading, responsible and globally connected marketplace.

We have identified five priority areas that are critical to our corporate vision and our role as a stock exchange (Priority Areas). These Priority Areas help us to integrate sustainability, formulate strategies, and in turn, take action.

Within each Priority Area, we manage and report on specific material matters i.e. our Material Matters as listed and defined below.

## Our Priority Areas and Material Matters



### ENHANCING COMPETITIVENESS

#### Material Matters:

- Market Competitiveness
- Economic Performance
- Global Economic Performance and Outlook

#### Why this is Material:

To contribute to the sustainable development in the Malaysian economy, we recognise our fundamental role as a frontline regulator and market operator to grow businesses in the capital market and facilitate capital formation. We also monitor and respond actively to changes in the global economic landscape to maintain our competitiveness.



### ENSURING MARKET INTEGRITY AND STABILITY

#### Material Matters:

- Market Integrity and Stability (including Investor Confidence)
- Education and Advocacy
- Customer Privacy
- Collaboration and Engagement

#### Why this is Material:

Market integrity and stability are key to ensuring the well-functioning and sustainability of our capital market. This includes a focus on issues such as customer privacy, vital to gaining the trust of investors. We also see the importance of leveraging on our unique position to educate, advocate and engage with a wide range of stakeholders on economic, as well as environmental, social and governance issues, in order to work collectively towards a sustainable future.



### FOSTERING A RESPONSIBLE MARKETPLACE

#### Material Matters:

- Responsible Investment, Products and Services
- Environmental, Social and Governance (ESG) Reporting
- Anti-Fraud, Bribery and Corruption\*
- Climate Change (Mitigation and Adaptation)\*

#### Why this is Material:

We recognise the importance of fostering a responsible marketplace, especially in the areas of anti-fraud, bribery and corruption, as well as climate change – which represent some of the priority issues in our national and international context. We also see the promotion of stronger ESG reporting and responsible investment as key levers towards creating this change in the capital market.

\* Indicates that the Material Matter is covered under more than one Priority Area

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY



### LEVERAGING ON TECHNOLOGY AND INNOVATION

#### Material Matters:

- Innovation and Technology Excellence
- Cyber Security

#### Why this is Material:

To achieve our ambitions of becoming a regional exchange with global reach, it is imperative for us to embrace digitalisation and leverage on the opportunities presented by technology and innovation. Meanwhile, in order to mitigate the risks associated with digitalisation, we also focus our efforts on combating cyber threats to protect our stakeholders and ensure the smooth operation of the markets.



### BUILDING A HIGH-PERFORMANCE ORGANISATION

#### Material Matters:

- Employee Diversity, Inclusiveness and Equal Opportunity
- Workforce Learning and Development
- Occupational Health, Safety and Well-being
- Responsible Resource Management
- Anti-Fraud, Bribery and Corruption\*
- Climate Change (Mitigation and Adaptation)\*

#### Why this is Material:

To ensure our long-term success, we believe in the importance of building a high-performance organisation with the ability to navigate today's increasingly dynamic environment. To achieve this goal, it is important for us to embed sustainability as a way of life at Bursa Malaysia, focusing on creating a work environment that is diverse and safe, while providing equal and ample opportunities for growth. In addition, we aim to utilise natural resources efficiently to meet current needs without compromising on future needs.

### Assessment of Material Matters

Materiality is a key principle that helps us to prioritise the matters that are of most importance to Bursa Malaysia, based on our significant economic, environmental and social impact and which substantively influence the assessments and decisions of our key stakeholders (Material Matters). Our Material Matters are also determined based on how they impact or are impacted by our value creation activities. Under the <IR> Framework, value creation is described in the context of the six forms of capital, which are listed on page 8 of this report.

 For more information on each Material Matter, refer to our SR2019

### Materiality Review in 2019

In 2019, we built on our existing understanding of our Material Matters by undertaking a materiality review that consisted of an online survey with our internal and external stakeholders.

Taking on board the inputs from the survey, a total of 17 Material Matters were approved by the Board of Directors (Board). These matters are presented above, having been categorised into five Priority Areas.

\* Indicates that the Material Matter is covered under more than one Priority Area

As we update our Material Matters, we will also continue to improve our management approach to ensure that we are addressing them in a holistic and integrated manner. To ensure that our understanding of what is material remains relevant to our stakeholders, we place a significant emphasis on consistent and transparent stakeholder engagements. Such engagements are also crucial to develop our business plans, improve our performance, and guide our approach to reporting.

### Sustainability Governance

Our Board is ultimately accountable for ensuring that sustainability is taken into account when setting the strategic direction of Bursa Malaysia, and it is also embedded into our day-to-day operations.

The Corporate Sustainability Committee (CSC) is set up to oversee the formulation, implementation and effective management of Bursa Malaysia's sustainability strategies. The CSC is chaired by the CEO and made up of members from key senior management positions across the business.

The CSC delegates the development and implementation of sustainability strategies across our business to the Sustainability Department and also other divisions/departments as may be relevant. The Sustainability Department is headed by the Director of Sustainability, who reports directly to the CEO.

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

### Our Approach to Managing our Material Matters

Our approach is guided by our Business Plans and Sustainability Roadmap 2019-2020 which details specific sustainability-related initiatives and incorporates the establishment of task forces to drive progress and performance.

The main performance indicators and actions taken during the year to manage our Material Matters are highlighted below.

### ENHANCING COMPETITIVENESS

#### Our Management Approach

In a challenging and changing economic landscape, building our market competitiveness is crucial to achieving this aspiration. As a key player in the Malaysian economy, we facilitate capital formation and wealth creation in the marketplace. Our revenue is also distributed to the wider economy in the form of wages, taxes, shareholder dividends, interests and community investment. Thus, strong economic performance allows us to maintain our social licence to operate and contribute to Malaysia's sustainable development.

We enhance our competitiveness by investing our efforts in the following areas:

INCREASING SECURITIES AND OTHER PRODUCT OFFERINGS	DEVELOPING AND GROWING A DIVERSE INVESTOR BASE	IMPROVING AND PROVIDING AN ENABLING ECOSYSTEM	REGIONAL EXPANSION
Creation of a marketplace with a diversity of products for investors to choose from, regardless of their risk appetite, time horizon and investment strategies	Development of diverse investor base, namely a good mix between institutional, retail, domestic and foreign investors that effectively contribute towards greater market participation and vibrancy	Development of an ecosystem that facilitates the offering of new products and entry of new investor segments that are able to execute various investment strategies in an efficient and orderly manner	Establishment of easy access into our marketplace as well as positioning it as a preferred investment destination for the region

#### KEY MILESTONES IN 2019

- Migrated to **T+2 settlement cycle** for the Securities Market
- Facilitated the **listing of new types of ETFs** on the Securities Market, namely the first dual-currency ETF and the first leveraged and inverse ETFs

#### KEY ACTIONS TAKEN IN 2019

- Promoted **growth of investment in mid and small-cap PLCs** through engagements and expanding the Mid and Small Cap Research Scheme (Bursa MidS) to cover more research reports
- Conducted marketing and engagement activities with potential issuers to promote **listing on Bursa Malaysia**
- Engaged with **diverse groups of investors**, including institutional, retail, local and foreign investors
- Conducted **investor education** programmes for a wide audience, including youth (future investors), new investors and market savvy investors

OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

KEY ACTIONS TAKEN IN 2019

- Enhanced **BursaMKTPLC**, our digital portal for investors
- Promoted **Islamic Capital Market** and Shariah-compliant products and services
- Promoted **Bursa Malaysia-i**, the world’s first end-to-end Shariah-compliant trading and investing platform, as well as **Bursa Suq Al-Sila’ (BSAS)**, our commodity Murabahah trading platform
- **Enhanced the Rules** of Bursa Malaysia Derivatives Berhad (BMD) and Bursa Malaysia Derivatives Clearing Berhad (BMDC) for Trading Participants and Clearing Participants
- **Embarked on the enhancement of two derivative products**, namely RBD Palm Olein Option (OPOL) and Single Stock Futures (SSF)

OUR PERFORMANCE IN 2019

- **36.4%** increase in number of new listings<sup>1</sup>, highest since 2006
- Total retail participation stood at **24.5%**<sup>2</sup>, a record high in 5 years
- **71.0%** of FTSE4Good Bursa Malaysia Index constituents are Shariah-compliant
- **88,465** members of the public were engaged and educated
- **563,758** new registered users on BursaMKTPLC
- **RM1.9 billion** total average daily value (ADV) On-Market Transactions (OMT)
- **25.5%** increase in BSAS ADV, from 2018
- **76.9%** of our PLCs are Shariah-compliant

<sup>1</sup> Number of new listings covers IPOs on the Main, ACE and LEAP Markets, as well as listing via introduction only  
<sup>2</sup> Based on total market value traded

ENSURING MARKET INTEGRITY AND STABILITY

Our Management Approach

Integrity and stability are fundamental to instil trust in the capital market. Trust fosters investor confidence, encourages capital raising and promotes innovation, which are important for the growth and development of the Malaysian economy. As a regulator, we maintain a regulatory framework that strikes the right balance between promoting growth in the marketplace, while ensuring market integrity, transparency and high standards of conduct and governance. As a market operator, we ensure that the marketplace is secure and facilitative of trading and meets the fundraising needs of our PLCs.

Our integrated approach covered the following focus areas:

A BALANCED REGULATORY FRAMEWORK	STANDARDS OF BUSINESS CONDUCT AMONG INTERMEDIARIES	TRANSPARENCY AND QUALITY OF PLCs
Improving the regulatory framework based on “no more rules than necessary”. Being open and transparent, proactive and outcome-based to be on par with the developed markets, while ensuring that the rule framework remains relevant and effective	Elevating the standards of business conduct and self-regulation among intermediaries, and facilitating the ease of doing business	Improving the quality of PLCs’ corporate governance, sustainability and disclosures, as well as enhancing the efficiency and effectiveness of capital raising and restructuring by PLCs

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

ORDERLY TRADING AS WELL AS RESILIENT AND RELIABLE MARKET INFRASTRUCTURE	EFFECTIVE ENFORCEMENT	MARKET EDUCATION	TECHNOLOGY AND INNOVATION
<p>Providing a continuous and reliable service, addressing market orderliness and facilitating front office supervision by Participating Organisations (POs) and Trading Participants (TPs)</p>	<p>Enhancing effectiveness of regulatory actions against breaches (including enforcement actions) to improve conduct and investor confidence</p>	<p>Providing education to promote greater market awareness and understanding, as well as improving practices and building a culture of self-regulation</p>	<p>Embracing digitalisation to increase the efficiency and effectiveness of regulation as well as our operations</p>

### KEY ACTIONS TAKEN IN 2019

- Introduced key **changes to our regulatory framework** to safeguard investor interest and ensure regulatory environment remains conducive and competitive for fundraising and listing
- Organised **training sessions**, and conducted **supervision and monitoring of compliance with the rules**, to maintain high standards of business conduct and self-regulation among intermediaries
- Implemented various strategic measures to **elevate disclosure standards in the market**
- Conducted **corporate surveillance** to ensure compliance with the LR and **market surveillance** to detect undesirable trading activities, which included a thematic review of POs' front office monitoring and surveillance of electronic trading

### OUR PERFORMANCE IN 2019

- **99.16%** of financial reports submitted on time by PLCs
- **Zero** supervisory breaches among intermediaries

## FOSTERING A RESPONSIBLE MARKETPLACE

### Our Management Approach

Riding on our unique position as an Exchange, we strive to build a strong culture of good corporate governance and sustainability in the Malaysian capital market. In order to do this, we regularly strengthen our regulatory framework, monitor performance of PLCs, and invest in advocacy efforts to elevate the quality of disclosures and practices by PLCs. At the same time, we encourage institutional investors to incorporate ESG considerations in their investment decisions.

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

To achieve our goals, we have adopted a holistic and multi-pronged approach based on the following:

STRENGTHENING OUR REGULATORY FRAMEWORK	MONITORING AND SUPERVISION	EDUCATION, ADVOCACY AND ENGAGEMENT	RESPONSIBLE INVESTMENT, PRODUCTS AND SERVICES
Revising our regulatory framework (particularly the Main Market and ACE Market Listing Requirements), to support the adoption of good corporate governance and sustainability practices	Conducting annual reviews of corporate governance and sustainability practices and disclosures by PLCs to assess compliance and quality of the disclosures made, as well as identifying areas for improvement	Conducting capacity-building programmes and engagements to strengthen culture of corporate governance and sustainability of PLCs	Facilitating investors to make responsible investments by offering sustainable products and services

### KEY MILESTONE IN 2019

- Enhanced our Main Market and ACE Market Listing Requirements to introduce **anti-corruption and whistle-blowing measures** for PLCs

### KEY ACTIONS TAKEN IN 2019

- Maintained membership in the **Corporate Integrity System Malaysia (CISM)** Roundtable, to instil ethical values and anti-corruption within the business community
- Conducted **advocacy programmes** on corporate governance and sustainability, covering pertinent topics such as the new Corporate Liability Provision (section 17A, MACC Act 2009), recommendations of the Task Force on Climate-related Financial Disclosures, cyber security and sustainability reporting
- Continued to feature fresh content on **BURSASUSTAIN** which resulted in increased page views and visitors
- Member of the **Joint Committee on Climate Change (JC3)**, co-chaired by the Securities Commission Malaysia and Bank Negara Malaysia to promote the transition to a low-carbon economy. In addition, Bursa Malaysia also chairs the sub-committee on Governance and Disclosure
- Continued our participation in the 5<sup>th</sup> annual **“Ring the Bell for Gender Equality”**, a global collaboration involving more than 80 exchanges around the world
- Facilitated Amanah Ikhtiar Malaysia (AIM) to enable them to provide **microfinancing to underbanked communities**, including the rural poor, through BSAS

### OUR PERFORMANCE IN 2019

- 69** constituents in FTSE4Good Bursa Malaysia Index (up from 56 in 2018), with an average of 2.15 in overall ESG rating (up from 1.94 in 2018)
- 26.4%** female representation on Boards of top 100 PLCs (up from 24.4% in 2018)
- 36.4%** increase in number of new listings on the LEAP Market, ASEAN’s first SME-focused financing platform
- 87.9%** increase in number of new cooperatives trading on BSAS
- 3,239** participants attended advocacy programmes for PLCs
- 36,516** members of the public engaged and educated on Shariah investing via Bursa Malaysia-i

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

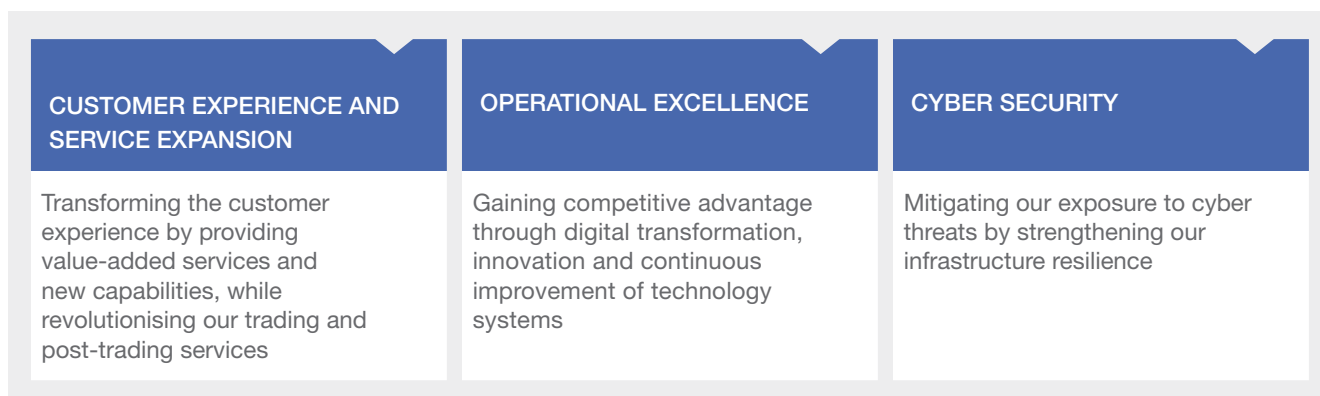
### LEVERAGING ON TECHNOLOGY AND INNOVATION

#### Our Management Approach

To achieve our aspirations of becoming a regional exchange with global reach, it is imperative for us to embrace digitalisation and leverage on the opportunities presented by technology and innovation.

We recognise the need to modernise our services in order to enhance our competitiveness, as customer demands for digital solutions continue to rise. It also helps to ensure the smooth operation of markets while building our internal capacity as a high-performance organisation. Finally, as our dependency on IT systems continue to grow, we are also investing in resources to mitigate risks such as cyber threats.

Our approach to leveraging on technology and innovation is anchored on the following three areas:



#### KEY MILESTONES IN 2019

- Launched **Bursa Anywhere**, a new mobile app for retail investors to access a wide range of central depository services on-demand
- **Revamped our digital touchpoints**, including our website and BursaMKTPCLC (our virtual platform for investors)

#### KEY ACTIONS TAKEN IN 2019

- Completed our **first Blockchain Proof-of-Concept** for Securities Borrowing and Lending market
- Included **additional alerts and reports** into the New Market Surveillance System (NMSS) to improve the turnaround time

### BUILDING A HIGH-PERFORMANCE ORGANISATION

#### Our Management Approach

In order to secure our long-term success, we believe in the importance of building a high-performance organisation with the ability to efficiently navigate today's increasingly dynamic operating environment. To achieve this goal, we take steps to make sustainability a way of life at Bursa Malaysia. In particular, we embed ethical practices in our DNA, embrace diversity at the workplace, nurture and develop our talent, and integrate environmental practices into our organisation.

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

Our overall approach to building a high-performance organisation is outlined under five main priorities:




### KEY ACTIONS TAKEN IN 2019

- Announced support for **Women's Empowerment Principles** (WEPs)
- Established **Corporate Integrity Task Force** to spearhead our efforts towards compliance with the new Corporate Liability Provision
- Included reporting of **Scope 1 and Scope 3 GHG Emissions**
- Set up **Climate Action Task Force** to coordinate efforts towards adoption of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- **Enhanced Reporting on Gender Metrics**, including gender pay ratio, percentage of employees returning to work after parental leave etc.
- Launch of **GO1**, an e-learning platform for employees

### OUR PERFORMANCE IN 2019

- **16,656** total training hours
- **RM1,044,647** invested in employee learning and development
- Bursa Bull Charge, our flagship fundraising programme, remained **carbon-neutral**
- **89.5%** of our suppliers were local vendors
- **50%** of our Board are women<sup>1</sup>

<sup>1</sup> As at 31 January 2020

 For more information on our approach to sustainability, we invite you to view our standalone Sustainability Report 2019, which has been prepared in accordance with the GRI Standards: Core option and is available on our website at [https://www.bursamalaysia.com/about\\_bursa/sustainability/sustainability\\_reports](https://www.bursamalaysia.com/about_bursa/sustainability/sustainability_reports)