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FTSE4Good Bursa Malaysia Index

v3.2

FTSE RUSSELL
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BURSA MALAYSIA

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Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE4Good Bursa Malaysia Index Series. This methodology should be read in conjunction with the FTSE4Good Index Series Ground Rules which are available at www.lseg.com/en/ftse-russell/.

Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE4Good Bursa Malaysia Index Series are the same as the FTSE4Good Index Series Ground Rules.

1.2 The indices have been designed to measure the performance of Malaysian companies that have an ESG score above a specific threshold.

1.3 The FTSE4Good Bursa Malaysia Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and 5.

1.4 The following indices are calculated:

- FTSE4Good Bursa Malaysia Index;
- FTSE4Good Bursa Malaysia Shariah Index.

1.5 The FTSE4Good Bursa Malaysia Indices are calculated in Malaysian Ringgi (MYR) on a real time basis.

1.6 Capital and total return indices are available on an end of day basis in MYR.

1.7 The base value for the Capital and Total Return indices is 1000 as at 31 December 2013.

1.8 FTSE Russell

1.8.1 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.9 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the Index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series[1].

2.2 FTSE is responsible for the daily calculation, production and operation of the FTSE4Good Bursa Malaysia Index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.3.2 As provided for in the statement of principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the statement of principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

[1] The term administrator is used in this document in the same sense as it is defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Statement of principles for FTSE Russell Equity Indices (the statement of principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the statement of principles which summarises the ethos underlying FTSE Russell's approach to index construction. The statement of principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The statement of principles can be accessed using the following link:

Statement_of_Principles.pdf

3.2 Queries, Complaints and Appeals

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

Benchmark_Determination_Complaints_Handling_Policy.pdf

FTSE Russell's appeal process can be accessed using the following link:

Appeals_Against_Decisions.pdf

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market_or_a_Security.pdf

3.5 Recalculation Policy and Guidelines

3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index recalculation guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE4Good Index Series will be notified through appropriate media.

For further information refer to the FTSE Russell recalculation policy and guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

Recalculation_Policy_and_Guidelines_Equity_Indices.pdf

3.6 Recalculation Policy and Guidelines – ESG Data and Scores

Where an inaccuracy in an ESG data product is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG data product should be recalculated.

ESG_Data_Recalculation_Policy_and_Guidelines.pdf

3.7 Policy for Benchmark Methodology Changes

3.7.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

Policy_for_Benchmark_Methodology_Changes.pdf

3.8 FTSE Russell Governance Framework

3.8.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks[2], the European benchmark regulation[3] and the UK benchmark regulation[4]. The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

3.9 Real Time Status Definitions

3.9.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

Real_Time_Status_Definitions.pdf

[2] IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.
[3] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.
[4] The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible companies

4. Eligible companies

4.1 The eligible universe comprises constituents of the FTSE Bursa Malaysia EMAS Index.

4.1.1 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are classified by the Industry Classification Benchmark[5] as Subsector Closed End Investments (30204000) and non-equity investment instruments which are classified by the Industry Classification Benchmark as Subsector Open End and Miscellaneous Investment Vehicles (30205000)) will be excluded. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE Russell website. Exchange Traded Funds and companies whose share price is a direct derivation of the values of the underlying holdings (e.g. mutual funds) are also excluded.

4.2 Constituents of the FTSE4Good Bursa Malaysia Index are adjusted for free float.

Further details on free float restrictions can be accessed using the following link:

Free_Float_Restrictions.pdf

4.3 Shariah Screening Methodology by the SAC (Shariah Advisory Council)

4.3.1 The general criteria stipulate that the SAC Shariah compliant companies must not be involved in any of the following core activities:

A. Financial services based on riba (interest);

B. Gambling;

C. Manufacture or sale of non-halal products or related products;

D. Conventional insurance;

E. Entertainment activities that are non-permissible according to Shariah;

F. Manufacture or sale of tobacco based products or related products;

G. Stockbroking or share trading in Shariah non-compliant securities;

H. Other activities deemed non-permissible according to Shariah.

Further details on the SAC can be obtained from the Securities Commission website at www.sc.com.my

4.4 For more information regarding eligibility please refer to the FTSE4Good Index Series Ground Rules.

[5] FTSE indices migrated to the new ICB classification system in March 2021.

Section 5

ESG data inputs

5. ESG data inputs

5.1.1 The following ESG datasets are used in the construction of the indices.

ESG data inputs	Details	Used for selection, weighting or exclusion[6]
FTSE ESG Scores	FTSE Russell's ESG Scores and data model allows investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions. More information can be found here: https://www.lseg.com/en/ftse-russell/esg-scores and Guide_to_FTSE_and_Third_Party_ESG_Data_used_in_FTSE_Russell_Indices	Selection
Product related data- FTSE Russell	FTSE exclusion lists on the activities of companies with exposure to specific products or services. More information can be found Section 7 of the Guide_to_the_Construction_and_Maintenance_of_FTSE_Exclusion_Lists.pdf.	Exclusion
Conduct related data- FTSE Russell	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct.	Exclusion
Conduct related data- RepRisk	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: https://www.reprisk.com/news-research/resources/methodology	Exclusion
Product related data- Sustainalytics	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: https://connect.sustainalytics.com/controversial-weapon-radar	Exclusion

5.1.2 Further information on ESG data provided by FTSE Russell and third parties used in this index (index series) can be found in the following guide:

Guide_to_FTSE_and_Third_Party_ESG_Data_used_in_FTSE_Russell_Indices

This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

[6] Definitions
Selection – ESG data is used to select or rank constituents, or calculate minimum scores or thresholds.
Weighting – ESG data is used to calculate the weight of a constituent in an index.
Exclusion – ESG data is used to exclude companies from the index.

5.2 ESG metrics

5.2.1 Please see the FTSE Russell ESG Metrics website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816.

Further details on the metrics methodology and calculation are available using the following links:

Sustainability and ESG data

ESG Disclosures Methodology and Calculation Guide

Section 6

Index qualification criteria

6. Index qualification criteria

6.1 FTSE4Good Bursa Malaysia Index

6.1.1 Constituents of the FTSE Bursa Malaysia EMAS Index that pass the eligibility criteria detailed in the FTSE4Good Index Series Ground Rules qualify as constituent members of the index.

6.1.2 The inclusion criteria for the constituents of the FTSE4Good Index Series aims to align with evolving corporate sustainability practices and expectations of investors and the wider stakeholder community while maintaining broad representation of their underlying indices (e.g. around half of the companies in the underlying index measured by free-float market capitalisation). Over time, FTSE Russell intends to gradually raise the addition and deletion thresholds for both developed and emerging markets and reduce the difference between the two groups to ensure consistency with market expectations and developments in corporate sustainability practices[7].

6.1.3 Excluded Companies

Companies which manufacture or produce the products below as at the close of business of the third Friday of March (for the June review) and September (for the December review) are not included in the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah indices. Constituents of the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah indices which subsequent to their inclusion become involved in the manufacture or production of the products set out below will be removed from these indices at the next index review.

Category	Definitions
Tobacco	Companies that produce tobacco products. This includes: - all companies that are classified in the Industry Classification Benchmark (ICB) Subsectors Tobacco (3785) (New ICB Subsector Tobacco 45103010 and Cannabis Producers (20103020) - companies that are not classified in ICB Subsector Tobacco (3785) (New ICB Subsector Tobacco 45103010 and Cannabis Producers 20103020), but that are identified as having activity in this Subsector.
Firearms	Companies that produce firearms or ammunition for non-military use. This includes: - handguns; - shotguns; - rifles;

[7] Since 2001, the FTSE4Good Developed Index has seen approximately half of the companies in the underlying index qualify for index inclusion. This has been achieved through improvements in corporate sustainability practices and gradual changes to the index inclusion methodology that have raised the bar for inclusion over time. See FTSE Russell Sustainable Investment Consultation - 2019 and FTSE4Good Index Series - Inclusion Criteria - Ground Rule Update 2019

	- semi-automatic weapons
Coal	Companies that are categorised within the Industry Classification Benchmark as Coal (Subsector 1771) (New ICB Subsector 60101040)
Weapons – Chemical & Biological Weapons, Cluster Munitions, Anti-Personnel Landmines, Nuclear Weapons	Companies directly involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon. Companies directly involved in providing components/services for the core weapon system, which are either considered not tailor-made or not essential for the lethal use of the weapon.
Weapons – Conventional Military Weapons	Companies that produce other weapons for military use. This includes: - handguns; - shotguns; - rifles - semi-automatic weapons
Investment Trusts	Companies in the ICB Subsectors 8985 (New ICB Subsector Closed End Investments 30204000) and 8995 (New ICB Subsector Open End and Miscellaneous Investment Vehicles 30205000) are ineligible for the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah indices.

6.2 FTSE4Good Bursa Malaysia Shariah Index

6.2.1 The FTSE Bursa Malaysia EMAS Shariah Index will consist of all constituents of the FTSE4Good Bursa Malaysia Index that are Shariah compliant according to the SAC screening methodology as detailed in Rule 4.4.

Section 7

Periodic review of constituents

7. Periodic review of constituents

7.1 Review process

7.1.1 The FTSE4Good Bursa Malaysia Index Series is reviewed semi-annually in June and December, using market data as at the close of the Monday 4 weeks prior to the review effective date. The data cut-off dates for ESG data inputs are in the Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices.

7.1.2 Changes arising from the reviews of the FTSE4Good Bursa Malaysia Index Series will be implemented after the close of business on the third Friday (i.e. effective Monday) of June and December.

7.2 Steps for conducting a review

7.2.1 Screen the list of securities for eligibility as part of the FTSE4Good Bursa Malaysia Index Series review.

7.2.2 The ESG screening will be applied using data as at the close of the last trading day in May and November respectively.

7.2.3 Constituents are weighted by their investable market capitalisation (after the application of any investability weighting).

Section 8

Changes to constituent companies

8. Changes to constituent companies

8.1 Intra-review additions and deletions

8.1.1 When a constituent is added to the underlying universe (Section 3), it will only be considered for inclusion at the next semi-annual review. For more information regarding new issues intra-review please refer to the FTSE4Good Index Series Ground Rules.

8.1.2 If a constituent of the FTSE4Good Bursa Malaysia Index Series ceases to be a constituent of the FTSE Bursa Malaysia EMAS Index it will be removed from the FTSE4Good Bursa Malaysia Index.

8.2 Mergers and takeovers

8.2.1 If a constituent is acquired by a non-constituent, the company will be removed from the FTSE4Good Bursa Malaysia Index Series. The eligibility of the resultant entity will be assessed in full at the next semi-annual review.

8.2.2 Where two index constituents merge, or one index constituent is acquired by another constituent, the resulting new company will be eligible for inclusion in the FTSE4Good Bursa Malaysia Index Series.

8.2.3 If a constituent acquires a non-constituent, the resultant entity will remain a constituent of the FTSE4Good Bursa Malaysia Index Series and will be assessed as normal at the next semi-annual review.

8.3 Spin-off

8.3.1 If an index constituent has a complex reorganisation or demerger, the newly spun-off company(ies) will remain eligible for inclusion into the index as long as it remains a constituent in the FTSE Bursa Malaysia EMAS Index. The resulting company(ies) will be aligned to the parent, and assessed separately in full once relevant data is available for the respective company(ies).

8.4 Shares in issue

8.4.1 Changes to the number of shares in issue for constituent securities are covered in the corporate actions and events guide.

8.5 Investability weightings

8.5.1 Changes to free float for constituent securities are covered in the corporate actions and events guide.

Appendix A

Further information

A glossary of terms used in FTSE Russell's Ground Rule documents can be found using the following link:

Glossary.pdf

Glossary_-_ESG.pdf

Further information on the FTSE4Good Bursa Malaysia Index is available from FTSE Russell.

The FTSE Russell ESG Metrics website can be found using the following link:

ESG Metrics

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

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