

FAQ

FTSE
Russell



FTSE4Good ESG Ratings

August 2023



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Section A

FTSE Russell ESG Ratings

1. What is the FTSE Russell ESG Ratings?

The FTSE Russell ESG Ratings provide investors with flexible and granular data to enable a greater understanding of companies' ESG practices in multiple dimensions. The Ratings model is divided into Environmental, Social and Governance Pillars, subdivided into 14 themes covering a range of sustainability issues of increasing interest to investors.

2. How to measure Exposure to ESG themes?

Definition: Exposure measures the relevance, or materiality, of a specific Theme to a particular company.

Measurement: For each Theme a company is categorised as either High, Medium, Low, or Not Applicable.

Methodology: This Exposure categorisation is carried out for each company in each Theme using a rules-based methodology that uses certain factors tailored to that Theme. These factors include one or more of the following:

- Subsector: FTSE Industry Classification Benchmark (ICB) subsector definitions are used to identify company relevance for a Theme.
- Geography: This assesses whether the company has operations in countries that are identified as being most exposed to the Theme and hence where associated risks of the issue are considered greatest.
- Multinational: This assesses whether a company has over 30% revenues derived from outside their domestic region.

Application: Higher Exposure companies are assessed using tougher standards than lower Exposure companies: more Indicators apply to higher Exposure companies and the Theme scores are derived using threshold bands which are calibrated higher for companies with a higher Exposure. The Pillar Scores and ESG Ratings are calculated using an Exposure weighted average whereby each Theme is weighted by its Exposure level.

3. How to derive ESG rating for ICB Supersector Decile & Percentile?

- Both scores are relative to their peers in the same ICB super sector.
- For the pillar score, the scores are calculated in deciles. For example, for the environmental pillar, the decile score of 7 means they are in the top 3 decile, or top 30 percent of their supersector peers.
- For the overall score, the scores are calculated in percentiles. So, the score of 90 means they are in the top 10 percent of their super sector.

4. How can the ESG Ratings help to benchmark my company's performance?

As part of the Ratings mailing to all companies, FTSE Russell provided details of Supersector relative score. At both the Pillar and Overall level, these figures provide an indication of the relative ranking of your company relative to those in its Supersector.

5. Is the information disclosed by companies audited/verified?

It would be difficult to verify all the companies researched (7000 + companies), but we leverage on the fact that publicly available information is usually reliable. This is because even if the company is greenwashing, they may face scrutiny from international NGOs.

6. Do the companies pay for the ESG ratings assessment?

No, the companies assessed do not pay as it would be a conflict of interest. This is also the case for other countries. For Malaysian PLCs, FTSE Russell initially conducted the ratings assessment for large & mid cap companies. Bursa then covered the expenses for the assessment of the remainder PLCs.

7. Are the individual Indicator scores available?

With over 300 Indicators in the new FTSE Russell ESG model, and over 7000 companies being assessed, FTSE Russell is unable to discuss individual Indicators. In addition, please be aware that as the model is complex by necessity (300 indicators, 3 Exposure levels, 5 Rating Scores, 14 Themes) concentration on individual Indicators is unlikely to make a significant difference to the overall ESG Rating. Companies are therefore encouraged to review all applicable Themes and take the opportunity to publish as much relevant information as they can to improve their Rating accordingly.

8. Where to find list of indicators for specific sectors? For example, full list of indicators for sector property.

Individual indicator is applied to each company's unique circumstances. Therefore, the applicable indicators may differ for each company even in the same sector.

9. How are conglomerates company assessed?

The Exposure identification is carried out for each company in each applicable Theme applying a rules-based methodology that uses certain aspects tailored to that Theme. These aspects include each company's business activities, country presence, etc. Therefore, theme applicability and exposure are unique to each company.

10. Is the ESG ratings globally comparable?

Yes. The ratings use Industry Classification Benchmark (ICB) which classifies companies by Industry, Supersector, etc.

11. Will all listed companies on Bursa Malaysia get a FTSE4Good ESG ratings regardless of its market cap? Does the company still get an ESG ratings even if it has been dropped out from FTSE Bursa Malaysia EMAS Index or FTSE4Good Bursa Malaysia Index?

Yes. All PLCs will be provided with a FTSE4Good ESG score, regardless of their status in the FTSE Bursa Malaysia Index series, of which the FTSE4Good Bursa Malaysia Index is part of.

12. How often is the FTSE4Good assessment done? Is this a one-off initiative?

The FTSE4Good assessment is conducted once a year for all PLCs.

13. Is the information on ESG rating of companies publicly accessible?

The specific ESG ratings of PLCs are currently not shared publicly, and are instead reflected in quartile or "star" banding on Bursa Malaysia's website (please refer [here](#) for the list of the companies)

- 4 stars ranking for the PLCs in the top 25% quartile
- 3 stars ranking for top 26-50% quartile
- 2 stars ranking for top 51-75% quartile
- 1 star ranking for bottom 25% quartile

14. Bursa Malaysia's Listing Requirements which include the Common Sustainability Matters will start from end 2023. Does this affect our FTSE4Good ESG rating?

There is a large overlap between the common indicators within Bursa's Listing Requirements and FTSE4Good indicators. Compliance to the Listing Requirements could potentially help with your disclosures for FTSE4Good indicators.

15. Is the FTSE4Good ESG Ratings assessment optional? Can PLCs opt out of the assessment?

No, the assessment is conducted for all PLCs.



Section B

ESG Research Process

1. What is the research cycle?

- The research cycle is annual. The research cycle will run from approximately April/May each year until March the following year.
- The research team identifies and considers all relevant public information published by the company.
- When research is completed, companies are then contacted to review and update their information.
- When company feedback has been received, the assessments are reviewed and updated if required.
- Following that, the FTSE Russell ESG Ratings and FTSE4Good Index are reviewed with the FTSE ESG Advisory Committee.
- Companies are then informed of their results.

2. Who carries out the research?

The data collection process is conducted by FTSE Russell analyst. They will collect data from company reports and websites as well as from other public sources. After this is complete, they will be in touch to confirm this information with the company.

3. How are information gathered for the research process?

Only publicly available information will be gathered for the research process by FTSE Russell analyst.

4. Where are FTSE's analysts based in?

FTSE Russell have analysts from all over. Reason is to have the right combination of language skills.

5. How to identify that additional information is accepted and reflected in the final assessment?

Once the assessment data has been published on the online portal after the FTSE4Good Index review, companies can see the analyst's justification on each comment provided by the company.

6. How to get access to the FTSE Russell ESG portal?

The FTSE Russell Sustainable Investment Data Portal can be accessed from [here](#). If you require any assistance with log in, please contact FTSE4GOOD@FTSERussell.com.

7. Will companies still be given the opportunity to review their ESG Rating assessment?

Companies will be given approximately 4 weeks to provide additional information on their assessment directly via FTSE Russell ESG portal. Each company will be sent a user guide with clear instructions on how to complete the assessment review process.

Once invited to do so, please provide web-links in order to direct the analyst to the relevant pages/sections/paragraphs.

There is no limit to the number of sources used per company assessment. There is also no minimum number of references needed to gain a good ESG Rating. Regardless of the number of sources, the analyst is always looking for specific details to meet each individual Indicator. If a company provides additional information relating to certain Indicators but this is not reflected in the finalised assessment, it is likely that the information provided was too general and did not sufficiently meet the intended meaning of the Indicator.

8. Can the deadline to review and update the information in the assessment be extended?

We appreciate that providing information can take time to organise, although all the information we are looking for is based on materials already in the public domain. Likewise, we hope you can understand that FTSE Russell is undertaking a controlled data process with very tight timeframes to obtain and review information from up to 7000 companies and are giving each as much time as possible to review the data sources. We are therefore unable to accommodate extensions.

9. Can company seek further clarification relating to their final assessment and ratings?

Clarification on the final assessment can be provided up to 10 indicators queried by each company.

10. Can companies arrange a call to discuss their assessment?

Due to the high volume of communication, we are unable to respond to requests for calls or meetings. In the first instance, please refer to the supporting material which is available on the [online portal](#) (Resources > Guides & Contacts > Further information). If you still have general questions on our methodology after reviewing these, please contact FTSE4GOOD@FTSERussell.com.

11. Who to contact to understand the research process?

Please contact FTSE4GOOD@FTSERussell.com.



Section C

Controversy Monitoring

1. What is controversy?

Risks faced by the companies and how companies are addressing/responding to the issues.

2. What is the controversy monitor?

It is a screening applied on a company level. Companies that have controversial incidents/issues will not be included into the Index. If the company is a constituent of the Index, it will be excluded. The reason for this is it may pose as a reputational risk to the Index.

3. How long will a company stay out of the Index if it falls under the controversy monitor?

The period of time varies between companies. There are certain steps that the company will have to address. At the same time, the company will also have to comply with FTSE Russell's ESG criteria.

4. Are ratings taken into consideration in the controversy monitor?

The rating is independent of the controversy monitor. We observe whether the company has a medium/method to address the controversy as well as how quickly they respond to it.

5. Why are certain companies that obviously have some controversy are still in the index?

The treatment of companies by the controversy's assessment differs depending on whether the company is a current constituent or not. For further information, please refer to Rule 6.4.1 and 6.4.2 of the [FTSE4Good Index Series Ground Rules](#).

6. Who determines company eligibility in the Index if a company has controversy news?

As per 6.4 of the [FTSE4Good Index Series Ground Rules](#), companies identified as having significant controversies are placed on a watchlist. The watchlist is determined through a process which systematically analyses the seriousness of ESG incidents, criticism, and allegations against companies and projects worldwide to determine how controversial a company is. The top five percent of companies in the FTSE All World universe with the most significant allegations are included in the watchlist at a review. The watchlist is currently reviewed at each semi-annual index review.

7. Can the company appeal of their controversies?

FTSE Russell uses a proprietary external service that systematically analyses ESG incidents, criticism, and controversies about companies and projects worldwide. Sources include news, media, governments and regulators, companies and NGOs. The top 5% of companies in the global universe of stocks with the most significant allegations are included in the Watchlist. This provides a systematic measure of the level of the controversy and the potential reputational impact. Please note it does not verify or validate allegations, or fault, for the controversy.



Section D

FTSE4Good Bursa Malaysia Index

1. What criteria does a company/constituent need to meet to be included in FTSE4Good Bursa Malaysia Index?

The FTSE4Good Bursa Malaysia Index is designed to highlight companies that demonstrate a leading approach to addressing environmental, social and governance (ESG) risks. The FTSE Russell ESG Ratings form the engine for the FTSE4Good indices. Companies in the FTSE Bursa Malaysia EMAS index need to achieve a rating of 2.9 or higher for index inclusion in addition to passing certain additional screens i.e. tobacco, weapons and companies on controversy monitor are not added to the index.

2. Benefits of inclusion in the FTSE4Good Index

The FTSE4Good index Series is regularly used by large, mainstream institutional investors looking to meet an ESG mandate. In addition, many companies use their inclusion in the Index as a way to show their commitment to having strong ESG performance.

3. What are the criteria for a company to be included in the FTSE Bursa Malaysia EMAS Index?

Please refer to Rule 4.6.1 of the [FTSE Bursa Malaysia Index Series Ground Rules](#).

4. Will PLCs which fulfil the inclusion criteria make into the FTSE4Good Bursa Malaysia index if they are not within the FTSE Bursa Malaysia EMAS Index?

Companies not in the FTSE Bursa Malaysia EMAS Index are not eligible for the FTSE4Good Bursa Malaysia Index.

5. What are the negative screens that are applied to the Index and why were these particular ones selected?

Tobacco and weapons companies are excluded. These are the negative screens where there is most consensus globally (i.e. are the most common SRI fund exclusions). These screens are applied globally to all FTSE4Good Indices.

6. Why is the inclusion threshold set at an ESG rating of 2.9?

- To give reasonable investible universe for Bursa Malaysia and for Emerging Markets that is setting a threshold at an ESG Rating of 2.9;
- The threshold has to be set at an appropriate level that reflects Emerging Markets but must also be credible;
- To maintain consistent threshold with other FTSE4Good Emerging Markets Indices.

7. What is the emerging vs developed market inclusion threshold for the ESG Index?

Emerging markets – 2.9 and for Developed markets – 3.3

8. Is the ESG Index methodology specific to the Malaysian market?

No, it is a globally consistent methodology.

9. When is the Index reviewed?

The FTSE4Good Bursa Malaysia Index is reviewed semi-annually in June and December. Company ESG ratings assessment is conducted once a year.

10. What is the difference between review cycle and assessment cycle? Why is the Index reviewed semi-annually but the company ESG assessment is only conducted once a year?

All companies are assessed once within each assessment cycle and the ESG rating will be updated either at the June or December index reviews depending on when the company's assessment (company review) is completed.

11. What if a company's score falls below the threshold for inclusion?

If a current FTSE4Good constituent's ESG Rating falls below the threshold of 2.4, this company will be notified and provided with a period of one year to improve. If after this time has expired the company has not made sufficient progress the stock will be deleted from the Index.

12. Will the company be notified on their potential deletion?

Yes, companies are notified on their potential deletion and provided a 12-month grace period during which companies can aim to improve their sustainability practices and assessment.

13. What are the criteria to be re-included back into the Index?

Companies in an Emerging Market require an ESG Rating of 2.9 or above to be added to the FTSE4Good Index Series, subject to the additional requirements stated in Rule 6 of the [FTSE4Good Index Series Ground Rules](#).

14. Is there any intention to increase the inclusion threshold in the near future?

The inclusion threshold for Emerging Markets has been raised to an overall score of 2.9 as at December 2019 review. This is an initiative by FTSE Russell to narrow the inclusion threshold differences between the Emerging and Developed Markets. Developed Markets is at 3.3 points. Observations that Emerging Market companies were improving their scores at faster rate than companies in Developed Market was the push factor for this revision.

15. Are FTSE4Good certificates available?

Companies that have met the inclusion criteria for FTSE4Good are provided with a certificate once per year.

16. Use of logo

If you are a constituent of the FTSE4Good Index Series, you are welcome to use the FTSE4Good Logo to promote your inclusion in the Index. Please contact info@ftserussell.com for a copy of this. Please be aware that companies must adhere to the guidelines for use of the logo which will be provided alongside the logo.



Section E

FTSE4Good Bursa Malaysia Shariah Index

1. What is FTSE4Good Bursa Malaysia Shariah Index?

The FTSE4Good Bursa Malaysia Shariah Index constituents are selected from the constituents of the FTSE Bursa Malaysia EMAS Index which are also eligible for the FTSE Bursa Malaysia EMAS Shariah Index. Constituents are screened in accordance with transparent and defined Environmental, Social and Governance (ESG) criteria and the Malaysian Securities Commission's Shariah Advisory Council (SAC) screening methodology.

2. What criteria does a company/constituent need to meet to be included in FTSE4Good Bursa Malaysia Shariah Index?

Please refer to Rule 4.3 of the [FTSE4Good Bursa Malaysia Index Ground Rules](#).



Section F

Index Calculation and Dissemination

1. What is the live date, base date, base values and base currency of the Index?

- A. FTSE4Good Bursa Malaysia Index
 - a. Live Date: 22 December 2014
 - b. Base Date: 31 December 2013
 - c. Base Value: 1000
 - d. Currency: Ringgit Malaysia

- B. FTSE4Good Bursa Malaysia Shariah Index
 - a. Live Date: 22 June 2021
 - b. Base Date: 31 December 2013
 - c. Base Value: 1000
 - d. Currency: Ringgit Malaysia

2. Is the Index calculated in real time?

All the indices in the FTSE Bursa Malaysia Index Series are calculated in real time during Bursa Malaysia trading days. The FTSE4Good Bursa Malaysia Index & FTSE4Good Bursa Malaysia Shariah Index are disseminated every 15 seconds.

3. Is there a back history for the Index?

A one year backcast history is provided. This demonstrates hypothetical performance for the index.

4. What index data is disseminated and where can this data be found?

Real time price index values are distributed by FTSE Russell through its Global Distribution System to all key vendors. End of day index values, constituent data and changes data are available within FTSE Russell's end of day product suite and available to clients directly from FTSE Group and key vendors.

Bursa Malaysia also disseminates the FTSE Bursa Malaysia Index Series' real time index values to all its Participating Organisations. 15 minutes delayed index values and selected index constituents are displayed on Bursa Malaysia's website at www.bursamalaysia.com.

[For more information about our indexes, please visit bursamalaysia.com.](http://bursamalaysia.com)

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