

# FTSE Bursa Malaysia ESG Low Carbon Select Index Series

v1.6



**FTSE  
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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE Bursa Malaysia ESG Low Carbon Select Index Series. Copies of these Ground Rules are available from FTSE Russell (see Appendix C) and [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 These Ground Rules should be read in conjunction with the FTSE Bursa Malaysia Index Series Ground Rules, the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices, and the FTSE Global Factor Indices Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)
- 1.3 The FTSE Bursa Malaysia ESG Low Carbon Select Index Series is designed to reflect the performance of Malaysian companies taking into account a specific set of ESG and climate change characteristics.
- 1.4 The FTSE Bursa Malaysia ESG Low Carbon Select Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and Section 5.
- 1.4.1 If a tilting approach is used for an ESG data input, the objective is for the index methodology to overweight and/or underweight constituents according to specific ESG criteria. This approach will not remove all companies with exposure to a specific ESG activity or sector.
- 1.5 The following indices are calculated:
- FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index
  - FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index
- 1.6 The FTSE Bursa Malaysia ESG Low Carbon Select Index Series is calculated in Malaysian Ringgit (MYR) on a real time basis
- 1.7 Capital and Total Return indices are available on an end of day basis in MYR.
- 1.8 FTSE Russell**
- FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.9 FTSE Russell hereby notifies users of the index series 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 series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

- 1.10 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series' 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 (or any person concerned with the preparation or publication of these Ground Rules) 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 series 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.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series 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 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.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to meet the current and future requirements of investors and other index users. 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.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in the [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 Corporate Actions and Events Guide

3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non-Market Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

### 3.2 Queries and Complaints

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

[Benchmark Determination Complaints Handling Policy.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 SE Bursa Malaysia ESG Low Carbon Select Index Series will be notified through appropriate media.

For further information please refer to the FTSE Russell Recalculation Policy and Guidelines document which is available on the FTSE Russell website using the link below:

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### 3.6 Recalculation Policy and Guidelines – ESG Data and Scores

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

[Recalculation Policy and Guidelines ESG.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<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. 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](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> 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.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# ESG data inputs

## 4. ESG data inputs

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

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>5</sup>
<b>FTSE ESG Scores</b>	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: <a href="https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings">https://www.ftserussell.com/data/sustainability-and-esg-data/esg-ratings</a> and <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>FTSE Carbon Reserves</b>	FTSE Carbon Reserves data model provides granular coverage of fossil fuel reserve ownership among publicly listed companies in developed markets and emerging economies. More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>FTSE Carbon Emissions</b>	The FTSE Carbon Emissions Dataset provides reported and estimated Scope 1, Scope 2 and Scope 3 emissions data for both the assets and activities controlled by global publicly listed companies and their entire value chain (upstream and downstream activities). More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>Product related data – Sustainalytics</b>	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: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria</a>	Exclusion
<b>Conduct related data – Sustainalytics</b>	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can be found: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening</a>	Exclusion

<sup>5</sup> 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.



- 4.1.1 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.

## 4.2 ESG Metrics

- 4.2.1 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 5

# ESG scores and carbon data definitions

## 5. ESG scores and carbon data definitions

### 5.1 FTSE ESG Scores (E)

Please see the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#) for more information on FTSE ESG Scores. The data cut-off date for the availability of ESG scores is the close of business on the last business day of the month prior to the review month.

### 5.2 Operational Carbon Emissions Intensity (OE)

Operational Carbon Emissions Intensity is defined as the latest annual CO2 equivalent greenhouse gas (GHG) emissions in metric tons scaled by annual sales (in USD). CO2 equivalent GHG emissions data is defined as GHG Protocol Scope 1 and 2 emissions. Annual sales data is sourced from third party data providers. The data cut-off date for the availability of Operational Carbon Emissions Intensity is the close of business on the last business day of the month prior to the review month.

### 5.3 Potential Emissions: Fossil Fuel Reserve Intensity (R)

Fossil Fuel Reserve Intensity is defined as the estimated CO2 equivalent GHG emissions in metric tons generated by the combustion of a company's fossil fuel reserves, divided by its full company market capitalisation (in USD). The data cut-off date for the availability of Fossil Fuel Reserve Intensity is the close of business on the last business day of the month prior to the review month.

### 5.4 Z-Scores and missing data treatment

Individual stock quantities are normalised cross-sectionally to create Z-Scores within each eligible universe according to:

$$Z_{F,i} = \frac{F_i - \mu_F}{\sigma_F} \text{ where } F \in \{E, OE, \text{Log}(R)\} \quad (1)$$

where  $F_i$  is the  $F$ -quantity of the  $i^{th}$  stock and  $\mu_F$  and  $\sigma_F$  are its cross-sectional factor mean and standard deviation respectively.

Z-Scores that are greater (less) than three (minus three) are truncated to a value of three (minus three). Post-truncation, individual Z-Scores are renormalised by the re-application of equation (1).

All Z-Scores, including truncated ones are included in this re-application. This process is repeated until all Z-Scores lie in a range between plus and minus three. Missing data is excluded from this process.

- Missing ESG scores and Operational Carbon Emissions Intensities are assigned a Z-Score of 0 at the end of the process described in 5.4.

- Companies identified as having non-zero Fossil Fuel Reserves Intensities but with no available reserves data are treated as having missing data when calculating the Z-Scores in 5.4. However, at the end of the process they are assigned a Z-Score in accordance with the following rules:
  - Companies in the ICB sub-sector Coal Mining (ICB sub-sector Coal 60101040)<sup>6</sup> are assigned the average Z-score of companies in the Coal Mining sub-sector. If there are no companies in the Coal Mining sub-sector with reserve data, a Z-score of 0 is assigned.
  - Companies in the ICB sector Oil & Gas Producers (ICB sector Oil, Gas and Coal 601010) and Oil & Gas Services & Distributions are assigned the average Z-score of companies in the Oil & Gas Producers sector and Oil & Gas Services & Distributions respectively. If there are no companies with reserve data in such a sector, a Z-score of 0 is assigned.
- Companies with zero Fossil Fuel Reserve Intensities are treated as having missing data when calculating the Z-Scores in 5.4. At the end of the process they are assigned a Z-Score of -3.

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<sup>6</sup> FTSE Indices migrated to the new ICB classification in March 2021.

## Section 6

# Eligible securities

## 6. Eligible securities

- 6.1 Only constituents in the FTSE Bursa Malaysia Index Series are eligible for inclusion in the FTSE Bursa Malaysia ESG Low Carbon Select Index Series.
- 6.2 The eligible securities of each FTSE Bursa Malaysia ESG Low Carbon Select Index are the constituents of the specific index within the FTSE Bursa Malaysia Index Series as shown in Table 1.
- 6.3 Securities that are members of the applicable exclusion list (see Appendix A and Appendix B) are not eligible for the relevant index.

### 6.4 FTSE Bursa Malaysia ESG Low Carbon Select Index Series

The FTSE Bursa Malaysia ESG Low Carbon Select Index Series consists of the following indices:

Index Name	Underlying Index	Exclusion List
FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index	FTSE Bursa Malaysia Top 100 Index	See Appendix A and Appendix B
FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index	FTSE Bursa Malaysia Top 100 Shariah Index	

The FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index will consist of all constituents of the FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index that are Shariah compliant according to the Securities Commission's Shariah Advisory Council (SAC) screening methodology as described in Rule 6.5.

### 6.5 Shariah screening methodology by the Shariah Advisory Council (SAC)

The SAC's 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](http://www.sc.com.my).

- 6.6 Please refer to the FTSE Bursa Malaysia Indices Ground Rules available from FTSE Russell for more information and details on eligible securities for the underlying FTSE Bursa Malaysia Indices.

## Section 7

# Index construction

## 7. Index construction

### 7.1 General overview

- 7.1.1 At each December review the product involvement exclusion list (see Appendix A) and the UNGC controversies exclusion list (see Appendix B) are applied to an underlying universe of free-float adjusted market capitalization weights,  $W_{M_i}$ . The weights of the remaining stocks are rescaled in proportion to their size so that they sum to one, yielding stock weights which will be referred to as  $\widehat{W}_{M_i}$ .
- 7.1.2 The weights  $\widehat{W}_{M_i}$  are used as the starting point of a portfolio construction technique (see 7.2) that targets an Operational Carbon Emissions Intensity reduction of 30%, a Fossil Fuel Reserves Intensity reduction of 30% and an ESG uplift of 20% relative to the underlying. All of this is subject to industry, maximum stock capacity, maximum company weight and minimum diversification constraints. These “target exposure” weights will be referred to as  $W_{F_i}$ .
- 7.1.3 Finally, at each quarterly March, June, September and December review the UNGC controversies exclusion list (see Appendix B) is applied to the time-evolved December target exposure weights described in 7.1.2. The remaining weights are rescaled in proportion to their size so that they sum to one to yield the index weights for each respective index of the FTSE Bursa Malaysia ESG Low Carbon Select Index Series.

### 7.2 Index construction

- 7.2.1 The FTSE Bursa Malaysia ESG Low Carbon Select Indices are constructed using Target Exposure framework. The details of the methodology are set out in the FTSE Global Factor Indices Ground Rules.
- 7.2.2 The weights of the target exposure index satisfy:

$$W_{F_i} = \frac{S_{E,i}^n \times S_{OE,i}^p \times S_{R,i}^q \times I_i \times \Phi_i \times \widehat{W}_{M_i}}{\sum_j S_{E,j}^n \times S_{OE,j}^p \times S_{R,j}^q \times I_j \times \Phi_j \times \widehat{W}_{M_j}} \quad (2)$$

where  $S_{E,i}^n$ ,  $S_{OE,i}^p$  and  $S_{R,i}^q$  are ESG, Operational Carbon Emissions Intensity and Fossil Fuel Reserve Intensity tilts of strengths  $n$ ,  $p$  and  $q$  respectively, and  $I_i$  is industry tilt,  $\Phi_i$  is a max capacity/max company weight tilt and  $\widehat{W}_{M_i}$  are the weights defined in 7.1.

The tilts in equation (2) are chosen so that the resultant target exposure weights  $W_{F_i}$  satisfy each of the following targets and constraints. The solution method is described in FTSE Global Factor Indices Ground Rules.

7.2.3 The Operational Carbon Emissions Intensity and Fossil Fuel Reserve Intensity targets are given by:

$$\sum_i W_{F_i} OE_i = 0.3 * \sum_i W_{M_i} OE_i \text{ and } \sum_i W_{F_i} R_i = 0.3 * \sum_i W_{M_i} R_i \quad (3)$$

where  $OE_i$  and  $R_i$  are the Operational Carbon Emissions Intensity and the Fossil Fuel Reserve Intensity of stock  $i$ .

This is equivalent to the requirement that the target exposure index has 30% of the weighted Operational Carbon Emissions Intensity and weighted Fossil Fuel Reserve Intensity of the underlying index.

7.2.4 The ESG rating target is given by:

$$\sum_i W_{F_i} E_i = 1.2 * \sum_i W_{M_i} E_i \quad (4)$$

where  $E_i$  is the ESG rating of stock  $i$ .

This is equivalent to the requirement that the target exposure index has a 20% uplift in the weighted ESG rating compared to the underlying index. Where a 20% uplift represents an increase of more than one market capitalization weighted standard deviation, a percentage increase corresponding to one market capitalization weighted standard deviation is targeted.

7.2.5 The aggregate stock weight of the target exposure index in the  $H^{th}$  ICB country  $C_H$  is identical to that in the underlying capitalization weights:

$$\sum_{i \in C_H} W_{F_i} = \sum_{i \in C_H} W_{M_i} \text{ where } H = 1, \dots, K \quad (5)$$

This is equivalent to the requirement that the target exposure weights satisfy country neutrality.

7.2.6 The aggregate stock weight of the target exposure index in the  $H^{th}$  ICB industry  $J_H$  satisfies:

$$\sum_{i \in J_H} W_{F_i} = T_{J_H} \text{ where } H = 1, \dots, J \quad (6)$$

where  $T_{J_H}$  is a target industry weight that sits between lower and upper bounds satisfying:

$$J_{H_L} = \text{Max} \left[ \sum_{i \in J_H} W_{M_i} + P_j, 0 \right] \text{ and } J_{H_U} = \text{Max} \left[ \text{Min} \left[ \sum_{i \in J_H} W_{M_i} + Q_j, 1 \right], 0 \right] \quad (7)$$

with  $P_j = -0.05$  and  $Q_j = 0.05$  for all ICB industries apart for Energy for which  $P_j = -0.05$  and  $Q_j = 0.0$ .

This is equivalent to requiring that the industrial weightings of the target exposure index deviate by no more than +/-5% from the underlying industrial weightings, apart from those of Energy which is allowed to be as much as 5% underweight but no greater than 0% overweight compared to the underlying.

7.2.7 A maximum capacity constraint is imposed so that:

$$\frac{W_{F_i}}{W_{M_i}} \leq 10 \text{ for all } i \quad (8)$$

along with the constraint that the maximum weight of a company is less than or equal to 10%.

7.2.8 The tilts in equation (2) are chosen so that all targets and constraints are satisfied simultaneously. The iterative method of solution, outlined in FTSE Global Factor Indices Ground Rules, is allowed to loop 100 times before relaxation without the factor exposure stopping criteria being applied since no factor exposures are considered here.

- 7.2.9 Should relaxation be required the carbon reduction and ESG uplift targets set out in Rules 7.2.3 and 7.2.4 are reduced simultaneously and repeatedly by 2.5% of their original values until a solution satisfying the relaxed targets becomes feasible. This occurs up to a maximum of 40 times.
- 7.2.10 Once a solution is found, a minimum security level weight threshold is applied to the target exposure index. Any security level index weight that is less than the minimum weight threshold is treated as having a zero weight in the relevant target exposure index. The remaining weights are rescaled in proportion to their size so that they sum to one. This may cause small changes in the aggregate ESG rating, Operational Carbon Emissions Intensity, Fossil Fuel Reserve Intensity and breaches of constraints for Rules 7.2.5, 7.2.6 and 7.2.7 of the target exposure index.
- 7.2.11 Table 1 summarises the weighted ESG rating, Operational Carbon Emissions Intensity and Fossil Fuel Reserve Intensity targets and constraints applied to the index.

**Table 1: Targets and Constraints for the Index**

Index	Targets			Constraints				Review
	ESG Scores Increase	Op. Carbon Emissions Reduction	Fossil Fuel Reserves Reduction	Country	Industry	Max Company Weight (%)	Min Stock Weight (b.p.)	
FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index	20%	30%	30%*	-	Banded	10	0.5	D
FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index	20%	30%	30%*	-	Banded	10	0.5	D

**Notes:**

Neutral: As per Rule 7.2.5.

Banded: As per Rule 7.2.6.

Review: D=December

\*If no constituents from the underlying eligible universe have fossil fuel reserves ownership, the Fossil Fuel Reserve Intensity target will not be applied in index reviews.

## Section 8

# Periodic review of constituents

## 8. Periodic review of constituents

- 8.1 The FTSE Bursa Malaysia ESG Low Carbon Select Index Series will be reviewed annually in December. The index review will be conducted using data as at the close of business on the Wednesday before the first Friday of the review month (cut-off date). The review will be implemented after the close of business on the third Friday in December (i.e. effective from the open on the following Monday).
- 8.1.1 FTSE Russell will apply the UNGC controversies exclusion list outlined in Appendix B to the FTSE Bursa Malaysia ESG Low Carbon Select Index Series on a quarterly basis after the close of business on the third Friday of March, June, September and December.
- 8.1.2 Existing constituents which appear on the list of UNGC controversies exclusions will be removed from the index and the weight of excluded constituents will be distributed pro-rata among the remaining constituents so that the total weight sums to one. The resulting index is the FTSE Bursa Malaysia ESG Low Carbon Select Index. This procedure may cause changes in the achieved levels of aggregate ESG Scores, Operational Carbon Emissions Intensity and Fossil Fuel Reserve Intensity and breaches of the constraints set out in Table 1.
- 8.1.3 The treatment of companies which have yet to be researched is set out in the Guide to the Construction and Maintenance of FTSE Exclusion Lists which can be accessed using the following link:  
[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#)
- The review schedule of the underlying FTSE Bursa Malaysia Indices are detailed in the FTSE Bursa Malaysia Indices Ground Rules:  
[FTSE Bursa Malaysia Index Series Ground Rules](#)



## Section 9

# Changes to constituent companies

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## 9. Changes to constituent companies

### 9.1 Intra-review deletions

9.1.1 If a constituent ceases to be a constituent of the underlying index, it will be removed from the respective FTSE Bursa Malaysia ESG Low Carbon Select Index. The removal will be concurrent with its removal from the underlying index.

### 9.2 Intra-review additions

9.3 Additions to the FTSE Bursa Malaysia ESG Low Carbon Select Index Series will be considered for inclusion at the next annual review only if they exist in the underlying index.

### 9.4 Intra-review exclusion changes

9.4.1 If the exclusion status of an existing constituent of an underlying index changes due to a corporate action or event, the consequent change to the membership of the FTSE Bursa Malaysia ESG Low Carbon Select Index Series will be considered at the next index review. Further details on the treatment of events leading to intra-review exclusion status changes is set out in Guide to the Construction and Maintenance of FTSE Exclusion Lists which can be accessed using the following link:

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#)

## Section 10

# Corporate actions and events

## 10. Corporate actions and events

10.1 The FTSE Bursa Malaysia ESG Low Carbon Select Index Series will follow the same corporate actions and events treatment as the FTSE Global Factor Indices Ground Rules.

10.2 If a constituent in the underlying index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float (with the exception of tender offers), the constituent's weighting in the respective FTSE Bursa Malaysia ESG Low Carbon Select Index will remain unchanged pre and post such an event.

10.3 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. The index will be adjusted in line with the ex-date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE will provide notice advising of the timing of the change.

### 10.4 **Suspension of dealing**

Suspension of Dealing rules can be found within the Corporate Actions and Events Guide for Non-Market Capitalisation Weighted Indices.

### 10.5 **Takeovers, mergers and demergers**

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non-Market Capitalisation Weighted Indices

## Appendix A

# Product-related exclusions

At each annual review, FTSE Russell will exclude companies from the underlying eligible universes of the FTSE Bursa Malaysia ESG Low Carbon Select Index Series that meet the criteria in Table 3.

**Table 3: Product-Related Exclusions**

Exclusions	Involvement Threshold for Exclusion
<b>Weapons</b>	
<b>Anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions</b> Companies providing core weapon systems, or components/services of the core weapon system that are considered tailor-made and essential for these weapons.	Greater than 0% of revenues
<b>Conventional weapons</b> Companies providing tailor-made products and/or services that support military weapons or companies manufacturing military weapon systems and/or integral, tailor-made components for these weapons	Equal to or greater than 10% of revenues
<b>Tobacco</b>	
Companies manufacturing tobacco products	Greater than 0% of revenues
Companies involved in distribution or retail sales of tobacco products	Equal to or greater than 10% of revenues
<b>Adult Entertainment</b>	
Companies producing adult entertainment and/or owns/operates adult entertainment establishments.	Equal to or greater than 5% of revenues
Companies distributing adult entertainment materials.	Equal to or greater than 10% of revenues
<b>Gambling</b>	
Companies that own and/or operate a gambling establishment.	Equal to or greater than 5% of revenues
Companies manufacturing specialized equipment used exclusively for gambling.	Equal to or greater than 10% of revenues
Companies providing supporting products/services to gambling operations.	Equal to or greater than 10% revenues
<b>Coal</b>	
Thermal coal extraction	Equal to or greater than 10% revenues for thermal coal
Companies generating electricity from thermal coal	Equal to or greater than 10% revenues for thermal coal
<b>Nuclear power</b>	
Companies generating electricity from nuclear power	25% of generating capacity

## Appendix B

# Conduct-related exclusions

FTSE Russell will apply the UN Global Compact (UNGC) controversies exclusion list outlined in Table 4 on a quarterly basis after the close of business on the third Friday of March, June, September and December to create the FTSE Bursa Malaysia ESG Low Carbon Select Index.

**Table 4: UNGC Controversies Exclusions**

Exclusions	Threshold
<b>UN Global Compact (UNGC) Controversies</b>	
Companies involved in controversies related to the UNGC principles. The principles are classified into four categories: Human Rights, Labor, Environment and Anti-corruption.	All companies deemed to be non-compliant

## Appendix C

# Further information

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The FTSE Russell ESG Metrics website can be found using the following link: [ESG Metrics](#)

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