

SOLUTION OVERVIEW

Malaysian ESG scores

Integrating ESG into Malaysian investments



Sustainable investment and Environmental, Social and Governance (ESG) considerations for Malaysian funds are accelerating and evolving.

ESG practices and performance continues to improve in Malaysia with a Governance focus. In 2022, the overall ESG score for Malaysian companies was 2.5, which represents a 33.7% increase since 2018. The Governance pillar reached an overall 4.3 score in 2022 from 3.4 in 2018.

(Source: FTSE Russell, average ESG score calculations are based on constituents of FTSE BM EMAS Index as of September 2022)

About FTSE Russell's ESG scores

Local coverage to expand

The ESG Scores are accessed through the data model and currently include approximately 370 large and mid-cap companies in Malaysia, around 47% of the total listed Malaysian companies and comprise the constituents of the FTSE Bursa Malaysia EMAS Index. This will be expanded to include all companies listed on the Main and ACE Market.

Flexibility and customisation

Easily extract ESG data at multiple levels via the data model to assess and apply it in a variety of ways.

Emphasis on materiality

Having a separate measure for 'Exposure'¹ allows users to identify which ESG issues are most relevant for a given company.

Aligned with the UN Sustainable Development Goals

The ESG Scores support alignment with the UN Sustainable Development Goals (SDGs). All 17 SDGs are reflected in the 14 Themes under the ESG framework.

Precise rules and focus on data

The ESG Scores, based on publicly available data, minimise subjectivity by having clearly defined rules for assessing and scoring companies.

FTSE Russell's ESG Scores and data model are tools for investors with a need for flexible, data-driven solutions to:

- Assist in managing exposure to ESG aspects
- Meet mandated stewardship requirements
- Integrate ESG data into securities and portfolio analysis
- Implement ESG-aware investment strategies

¹ Measure of the relevance of an issues for a company

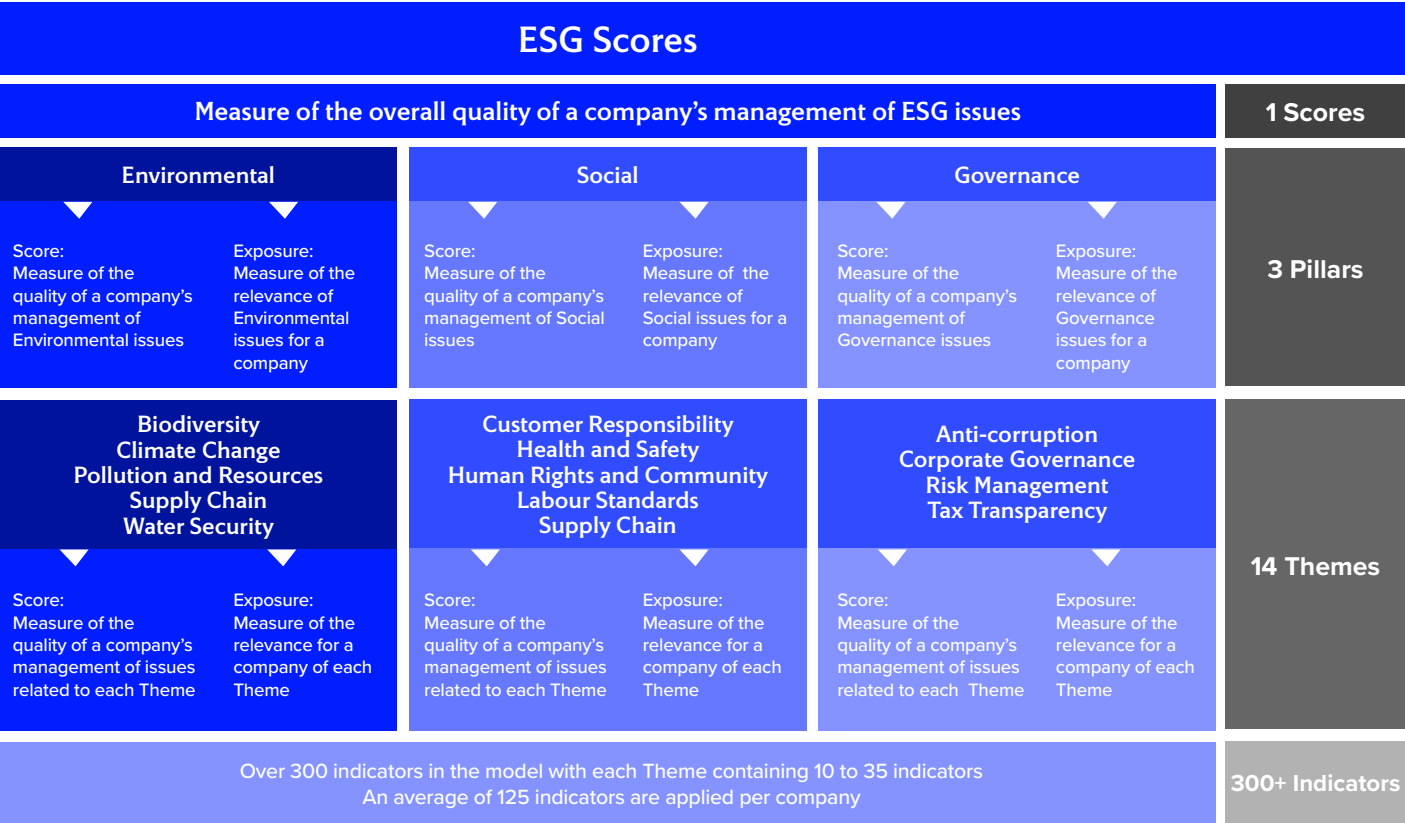


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Transparent and objective ESG Scores

The FTSE4Good Index Series uses the overall Score from FTSE Russell's ESG Scores and data model to select companies for inclusion. The ESG Scores include over 300 large and mid-capitalisation Malaysian companies.

The ESG Scores are comprised of an overall Score, which is used to adjust stock weights in the FTSE4Good Index Series. The overall Score breaks down into underlying Pillar and Theme Exposures and Scores. The Pillars and Themes are built on over 300 individual indicator assessments that are applied to each company's unique circumstances.



Using ESG Scores in practice

The ESG Scores can be used as the building blocks for integrating ESG into investments in a variety of ways, including active portfolio management, benchmark construction, and company engagement.

Portfolio evaluation and manager due diligence

When selecting and evaluating asset managers, institutional investors are increasingly assessing how they integrate ESG aspects into their processes. The ESG Scores can help assess the range, average and variance of asset manager portfolios with respect to ESG integration.

Engagement and stewardship

As part of their stewardship responsibilities, an increasing number of fund managers and pension funds are engaging investee companies regarding their ESG practices. ESG Scores provide an independent and objective measure to identify companies for engagement and to track progress.

Risk management

The ESG Scores enable investors to identify companies with the greatest ESG exposures and can be used alongside conventional risk measures to provide a complementary perspective.

Research and analysis

The risk and return relationships of different ESG aspects will vary. The ESG Scores provide a granular and comprehensive data set for research and analysis that allow users to develop their own views on how, or how not, to integrate ESG data.

Custom benchmarks

Many investors want a tailored benchmark to reflect their ESG preferences. The ESG Scores provide a comprehensive and flexible tool for creating bespoke indices and can also be used alongside fundamental or smart beta methodologies.

Active portfolio management

The ESG Scores can be used to help define ESG eligibility criteria for an investment universe can be applied into a propriety quant or fundamental model.

Discover how to access our data and solutions

Clients are accessing the ESG scores through FTSE Russell's Sustainable Investment Data (SID) platform. For a demo of SID, email: info@ftserussell.com

About FTSE Russell

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

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