

Ground Rules



FTSE4Good Bursa Malaysia Index

v1.9



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Section 1

Introduction

1.0 Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE4Good Bursa Malaysia Index. This methodology should be read in conjunction with the FTSE4Good Index Series Ground Rules which are available at www.ftserussell.com.
- 1.2 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE4Good Bursa Malaysia Index are the same as the FTSE4Good Index Series Ground Rules.
- 1.3 The index has been designed to identify Malaysian companies with leading corporate responsibility practices.
- 1.4 The FTSE4Good Bursa Malaysia Index Series takes account of ESG factors in its index design. Please see further details in Section 4 and 5.
- 1.5 The FTSE4Good Bursa Malaysia Index is calculated in MYR on a real time basis.
- 1.6 Capital and Total Return Indexes are available on an end of day basis in MYR.
- 1.7 The base value for the Capital and Total Return indexes is 1000 as at 31 December 2013.
- 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 MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.
- 1.9 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.
- 1.10 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 errors or 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 errors or inaccuracies in the compilation of the Index or any constituent data.

Section 2

Management Responsibilities

2.0 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 indexes.

2.3 FTSE Russell ESG Advisory Committee

2.3.1 To assist in the oversight of the FTSE4Good Index Series FTSE has established the FTSE Russell ESG Advisory Committee (the “Committee”). The membership of the Committee includes independent investment professionals experienced in environmental, social and governance factors.

2.3.2 The Committee is responsible for providing guidance on the development of the criteria and the construction of the FTSE ESG ratings and ESG indexes including the FTSE4Good Index Series.

2.3.3 The Terms of Reference of the FTSE Russell ESG Advisory Committee are set out on the FTSE Russell website and can be accessed using the following link:

[FTSE Russell ESG Advisory Committee.pdf](#)

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).

2.4 **Amendments to these Ground Rules**

- 2.4.1 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 Product Governance Board before approval is granted.
- 2.4.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, 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.

Section 3

FTSE Russell Index Policies

3.0 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 Indexes (the Statement of Principles)

Indexes 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 Product 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 Indexes 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](#)

3.1 Index Policy for Trading Halts and Market Closures

3.1.1 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](#)

3.2 **Index Policy in the Event Clients are Unable to Trade a Market**

3.2.1 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.pdf](#)

3.3 **Recalculation Policy and Guidelines**

3.3.1 The FTSE4Good Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE4Good Index Series are 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 Indexes.pdf](#)

3.4 **Recalculation Policy and Guidelines – ESG Data and Ratings**

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.

[Recalculation Policy and Guidelines ESG Products.pdf](#)

3.5 **Policy for Benchmark Methodology Changes**

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

[Policy for Benchmark Methodology Changes.pdf](#)

Section 4

Eligible Companies

4.0 Eligible Companies

- 4.1 The eligible universe comprises constituents of the FTSE Bursa Malaysia EMAS Index.
- 4.2 Companies whose business is only that of holding equity and other investments (e.g. investment trusts) will be excluded. 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.
- 4.3 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](#)
- 4.4 For more information regarding eligibility please refer to the FTSE4Good Index Series Ground Rules.

Section 5

Sustainable Investment Data Inputs

5.0 SI Data Inputs

The following Sustainable Investment datasets are used in the construction of the FTSE4Good Bursa Malaysia Index.

5.1 ESG Ratings

Further information on the FTSE ESG Ratings can be found in the following guide:

[Guide to FTSE Sustainable Investment Data used in FTSE Russell Indexes.pdf](#)

5.1.1 Data from the FTSE ESG ratings model are also used for the nuclear power and breast milk substitutes screens.

5.2 Product activity screening for index exclusions

5.2.1 Product and activity involvement data are collected from publicly available information by FTSE Russell analysts. Where data is not obtained by FTSE Russell analysts, external sources are used to supplement the data including from Sustainalytics.

5.2.2 All data undergo several layers of quality control including consistency checks over time, sector-relative checks, and knowledge checks. Where discrepancies are found analysts refer to primary data sources.

5.2.3 Where possible, the definitions for the products and activities refer to international standards and agreements such as the Convention on Cluster Munitions, Ottawa Treaty, and the Biological Weapons Convention.

5.2.4 Further information as to the definitions can be found in section 6.

5.3 Controversy monitoring data

5.3.1 Data for the Controversy Monitor is sourced from Reprisk AG. The data are subject to regular quality checks to identify discrepancies and ensure accuracy; these checks include trend analysis to assess data quality and detailed review of underlying data for significant Reprisk score changes.

5.3.2 Further details of the use of Reprisk AG and other third party data can be found in the following guide:

[Guide to Third Party Sustainable Investment Data used in FTSE Russell Indexes.pdf](#)



Section 6

Index Qualification Criteria

6.0 Index Qualification Criteria

- 6.1 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.

Section 7

Periodic Review of Constituents

7.0 Periodic Review of Constituents

7.1 Review process

7.1.1 The FTSE4Good Bursa Malaysia Index 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.

7.1.2 Changes arising from the reviews of the FTSE4Good Bursa Malaysia Index 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

8.0 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 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.
- 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.
- 8.2.3 In the case of a constituent taken over by a non-constituent, the resultant entity will not be eligible for inclusion in the FTSE4Good Bursa Malaysia Index. The eligibility of the resultant entity will be assessed in full 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 will remain eligible for inclusion into the index as long as it remains a constituent in the FTSE Bursa Malaysia EMAS Index. The eligibility of the resulting companies will be assessed in full at the next semi-annual review.

8.4 Changes to constituent weights

- 8.4.1 For the purposes of computing the FTSE4Good Bursa Malaysia Index, the number of shares in issue for each constituent security is expressed to the nearest share and, to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis.

- 8.4.2 Adjustments to reflect a change in the amount or structure of a constituent company's issued capital must be made before the start of the Index calculation on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue). Announcements after close of the Index calculation are normally deemed to be made on the following business day.
- 8.4.3 All adjustments are made before the start of the index calculation on the day concerned unless market conditions prevent this occurring. If this is the case, the adjustment will be made at the earliest practical opportunity.



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](#)

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

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

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