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ESG PRACTICES IN FTSE4GOOD BURSA MALAYSIA INDEX

By

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Thesis Submitted to

Tunku Puteri Intan Safinaz School of Accountancy

Universiti Utara Malaysia in Partial Fulfilment of the Requirement for

Master of Science (International Accounting)

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Kolej Perniagaan
(College of Business)
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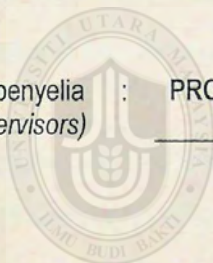
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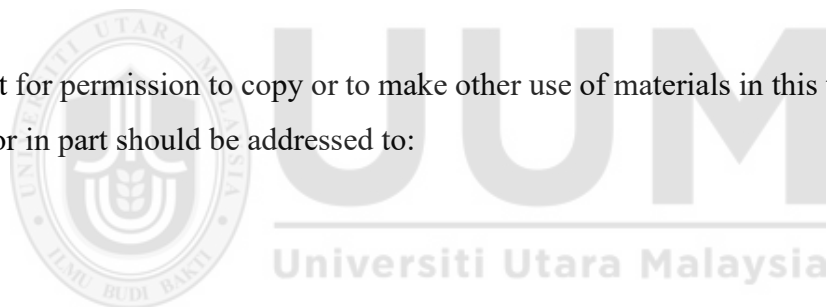
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ABSTRACT

This study aims to investigate the environmental, social, and governance (ESG) rating of publicly listed firms in the FTSE4 Good Bursa Malaysia Index (F4GBM Index). The study is conducted using a sample of 100 public listed companies and final of 26 publicly listed firms in the F4GBM Index as of December 2022. The sampling period spanned in year of 2022. The study utilised the quantitative research design to find that annual report and SPSS for descriptive statistical analysis and data analysis. The study observed that the 26 companies were disclosed ESG rating in their annual report are high level of ESG practices disclosures with Global Reporting Initiative (GRI) reporting methodology, which is approved by Bursa Malaysia for ESG reporting. This study adds to the existing literature by examining Malaysian public listed companies in the F4GBM Index. The study's results can greatly assist securities capital market investors in Malaysia in making ESG investments. For public listed companies, being recognised for their ESG standards may enhance their reputation and visibility, while also promoting a culture of transparent disclosure and best practices.

Keywords: ESG rating, F4GBM Index, GRI, ESG Practices

ABSTRAK

Kajian ini bertujuan untuk menyiasat penarafan alam sekitar, sosial dan tadbir urus (ESG) firma tersenarai awam dalam Indeks FTSE4 Good Bursa Malaysia (Indeks F4GBM). Penyelidikan dijalankan menggunakan sampel 100 syarikat senarai awam dan akhir 26 firma senarai awam dalam Indeks F4GBM setakat Disember 2022. Tempoh persampelan adalah dalam tahun 2022. Kajian ini menggunakan reka bentuk penyelidikan kuantitatif untuk mencari laporan tahunan dan SPSS untuk analisis statistik deskriptif dan analisis data. Kajian mendapati bahawa 26 syarikat telah mendedahkan penarafan ESG dalam laporan tahunan mereka adalah tahap pendedahan amalan ESG yang tinggi dengan metodologi pelaporan Inisiatif Pelaporan Global (GRI), yang diluluskan oleh Bursa Malaysia untuk pelaporan ESG. Kajian ini menambah literatur sedia ada dengan meneliti syarikat tersenarai awam Malaysia dalam Indeks F4GBM. Keputusan kajian itu boleh membantu pelabur pasaran modal sekuriti di Malaysia dalam membuat pelaburan ESG dalam syarikat tersenarai awam. Bagi syarikat tersenarai awam, diiktiraf untuk piawaian ESG mereka boleh meningkatkan reputasi dan keterlihatan mereka, di samping menggalakkan budaya pendedahan yang telus dan amalan terbaik.

Kata Kunci: ESG rating, F4GBM Index, GRI, ESG Practices

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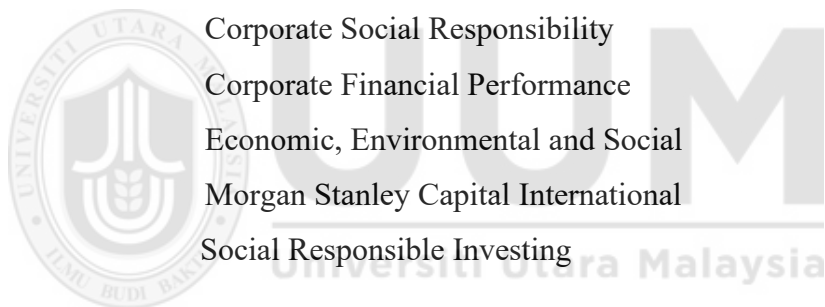
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LIST OF ABBREVIATIONS

ESG	Environmental, Social and Governance
F4GBM Index	FTSE4 Good Bursa Malaysia Index
FTSE Russell	Global Index Leader
ROA	Return on Asset
ROE	Return on Equity
GRI	Global Reporting Initiative
MCCG	Malaysian Code on Corporate Governance
CDP	Carbon Disclosure Project
LSEG	London Stock Exchange Group
PLCs	Public Listed Companies
CSR	Corporate Social Responsibility
CSP	Corporate Financial Performance
EES	Economic, Environmental and Social
MSCI	Morgan Stanley Capital International
SRI	Social Responsible Investing



CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter introduces the key components of this study. Exploring the field of study that examines the assessment of environmental, social, and governance (ESG) ratings. After that, it concluded with the problem statement, research questions, research objectives, and the significance of the study at the end of this chapter.

1.2 The Background of Study

The FTSE4Good Bursa Malaysia Index is a financial metric that aims to assess the economic performance of companies that are publicly traded on Bursa Malaysia, the predominant stock exchange in Malaysia. The index utilizes an extensive range of ESG parameters to evaluate the sustainability and ethical business practices of the abovementioned companies. The development of the index has been focused on determining firms that demonstrate strong ESG standards. It serves as a crucial element within the globally acknowledged FTSE4Good Index Series.

The management of the FTSE4Good Index Series is overseen by FTSE Russell, a prominent international producer of indices. The assessment encompasses a wide range of ESG indicators, which include corporate governance, climate change, environmental management, labor standards, human rights, and social concerns. The index comprises companies that satisfy certain inclusion requirements. The FTSE4Good Bursa Malaysia (F4GBM) Index serves as a benchmark for investors to evaluate the sustainability performance of firms listed on Bursa Malaysia. Investors are afforded the opportunity to connect their investment portfolios with ESG factors via the selection of companies that

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APPENDIX

GRI Context Index

GRI STANDARD	DISCLOSURE
GRI 2: General Disclosures 2021	2-1 Organizational details
	2-2 Entities included in the organization's sustainability reporting
	2-3 Reporting period, frequency and contact point
	2-4 Restatements of information
	2-5 External assurance
	2-6 Activities, value chain and other business relationships
	2-7 Employees
	2-8 Workers who are not employees
	2-9 Governance structure and composition
	2-10 Nomination and selection of the highest governance body
	2-11 Chair of the highest governance body
	2-12 Role of the highest governance body in overseeing the management of impacts
	2-13 Delegation of responsibility for managing impacts
	2-14 Role of the highest governance body in sustainability reporting
	2-15 Conflicts of interest
	2-16 Communication of critical concerns
	2-17 Collective knowledge of the highest governance body
	2-18 Evaluation of the performance of the highest governance body
	2-19 Remuneration policies
	2-20 Process to determine remuneration
	2-21 Annual total compensation ratio
	2-22 Statement on sustainable development strategy
	2-23 Policy commitments
	2-24 Embedding policy commitments
	2-25 Processes to remediate negative impacts
	2-26 Mechanisms for seeking advice and raising concerns
	2-27 Compliance with laws and regulations
	2-28 Membership associations
	2-29 Approach to stakeholder engagement
	2-30 Collective bargaining agreements

GRI 3: Material Topics 2021	3-1 Process to determine material topics
	3-2 List of material topics
	3-3 Management of material topics
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed
	201-2 Financial implications and other risks and opportunities due to climate change
	201-3 Defined benefit plan obligations and other retirement plans
	201-4 Financial assistance received from government
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage
	202-2 Proportion of senior management hired from the local community
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported
	203-2 Significant indirect economic impacts
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption
	205-2 Communication and training about anti-corruption policies and procedures
	205-3 Confirmed incidents of corruption and actions taken
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 207: Tax 2019	207-1 Approach to tax
	207-2 Tax governance, control, and risk management
	207-3 Stakeholder engagement and management of concerns related to tax
	207-4 Country-by-country reporting
GRI 301: Materials 2016	301-1 Materials used by weight or volume
	301-2 Recycled input materials used
	301-3 Reclaimed products and their packaging materials
GRI 302: Energy 2016	302-1 Energy consumption within the organization
	302-2 Energy consumption outside of the organization
	302-3 Energy intensity
	302-4 Reduction of energy consumption
	302-5 Reductions in energy requirements of products and services
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource
	303-2 Management of water discharge-related impacts
	303-3 Water withdrawal
	303-4 Water discharge

	303-5 Water consumption
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	304-2 Significant impacts of activities, products and services on biodiversity
	304-3 Habitats protected or restored
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions
	305-2 Energy indirect (Scope 2) GHG emissions
	305-3 Other indirect (Scope 3) GHG emissions
	305-4 GHG emissions intensity
	305-5 Reduction of GHG emissions
	305-6 Emissions of ozone-depleting substances (ODS)
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts
	306-2 Management of significant waste-related impacts
	306-3 Waste generated
	306-4 Waste diverted from disposal
	306-5 Waste directed to disposal
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria
	308-2 Negative environmental impacts in the supply chain and actions taken
GRI 401: Employment 2016	401-1 New employee hires and employee turnover
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees
	401-3 Parental leave
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system
	403-2 Hazard identification, risk assessment, and incident investigation
	403-3 Occupational health services
	403-4 Worker participation, consultation, and communication on occupational health and safety
	403-5 Worker training on occupational health and safety
	403-6 Promotion of worker health

	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
	403-8 Workers covered by an occupational health and safety management system
	403-9 Work-related injuries
	403-10 Work-related ill health
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee
	404-2 Programs for upgrading employee skills and transition assistance programs
	404-3 Percentage of employees receiving regular performance and career development reviews
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees
	405-2 Ratio of basic salary and remuneration of women to men
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs
	413-2 Operations with significant actual and potential negative impacts on local communities
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria
	414-2 Negative social impacts in the supply chain and actions taken
GRI 415: Public Policy 2016	415-1 Political contributions
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling

	417-2 Incidents of non-compliance concerning product and service information and labeling 417-3 Incidents of non-compliance concerning marketing communications
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Source: GRI Standards: Content Index Template

GRI. <https://www.globalreporting.org/reporting-support/reporting-tools/content-index-template/>

