

## ESG

### A Growing Tide of Responsible Investors

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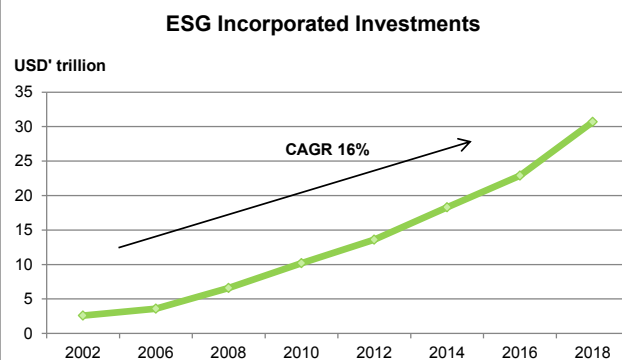
ESG-related investments are seeing a rapid rise globally, jumping to USD30.7tn (+16% CAGR from 2002). The Environmental, Social and Governance (ESG) agenda has also caught the eye of the Malaysian government, regulators and key institutional investors that play a crucial role in incentivising the cause via a top-down approach on listed companies and the banking framework, which would then trickle down to the rest of the economy. There remains room for improvement in the standardisation of ESG disclosed information by companies to ensure meaningful comparisons and understanding amongst investors. Till then, scoring ESG efforts would remain a highly subjective exercise, and investors may fall prey to greenwashing. Given the growing benefits and negative ramifications of bad ESG practices, we believe Malaysian investors may have to prioritise companies with a high level of ESG disclosures for now. Over the longer run once ESG disclosures become standardised, investors can eventually compare the quality and improvement of ESG scores over time. We do qualify that the volume of disclosure is not a measure of quality, but high disclosures are the first step to picking out ESG leaders. Our preferred sectors are the Banking and Telco sectors, and Preferred Picks are AMMB (OP; TP:RM4.75), CIMB (OP; TP:RM6.45), MAYBANK (OP; TP:RM9.70), KPJ (OP; TP:RM1.15), ASTRO (OP; TP:RM2.00), UEMS (OP; TP:RM0.850), AXIATA (OP; TP:RM4.80), and TM (OP; TP:RM4.30).



**The investor revolution.** Global investors are allocating increasing amounts of capital to companies that have higher green revenue or are better suited to fulfil sustainable goals. ESG (Environmental, Social and Governance) incorporated investments has grown at a rapid pace, jumping to USD30.7tn in 2018 from just USD2.6tn in 2002 (+16% CAGR) in the five major markets according to the Global Sustainable Investment Review, and a strong 34% jump from 2016 alone. The drive for ESG is akin to a rise in preference for responsible investing with matured investors now looking beyond the traditional notion of mere strong financial returns, towards responsible investing which involves mitigating risky ESG practices to protect value (i.e. negative screening), sustainable investing by adopting ESG practices that can enhance value, or impact investing which addresses societal changes with some financial return.

**Institutional investors have the power to change the future.** Institutional investors are arguably a major player in capital markets as they have the ability to influence management performance directly via ownership and indirectly through trading of shares. In this context, institutional investors have the influence to entice corporates to prioritise key issues deemed important to them such as climate change or social issues. Alternatively, they may also negatively screen companies that do not align with their internal values. In countries like the United States for example, institutional investors are lobbying the U.S. Securities and Exchange Commission (SEC) to mandate companies to reveal their environmental, social and governance data. Given institutional investors' prominence in the local capital market, would be difficult for companies to take their concerns lightly. Essentially, institutional investors are one of the most influential groups that have clout to shape the future.

#### Global ESG Incorporated Investments



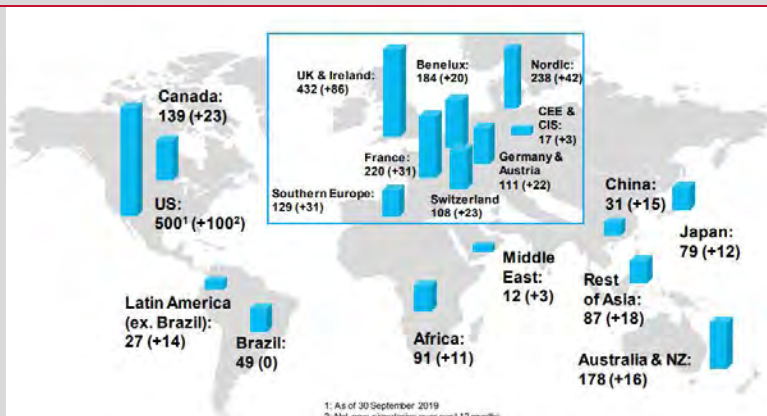
Source: Global Sustainable Investment Review

24 December 2019

**UN PRI has taken a lead role in promoting ESG globally to the investment community.** The UN PRI (Principles for Responsible Investment) is pushing for increased cohesiveness in ESG reporting and supporting its signatories to incorporate ESG issues into investment practice to drive responsible investment. **The UN PRI has attracted the attention of a large high profile list of global signatories** represented by a majority of the world's professionally managed investments. Since its launch in 2006, the number of signatories have grown from 100 to over 2,600 signatories currently (adding 476 new signatories and 80 asset owners over the last 12 months), representing USD89tn worth of Assets Under Management (AUM). (see *history of UN PRI and its six Principles in Appendix*).

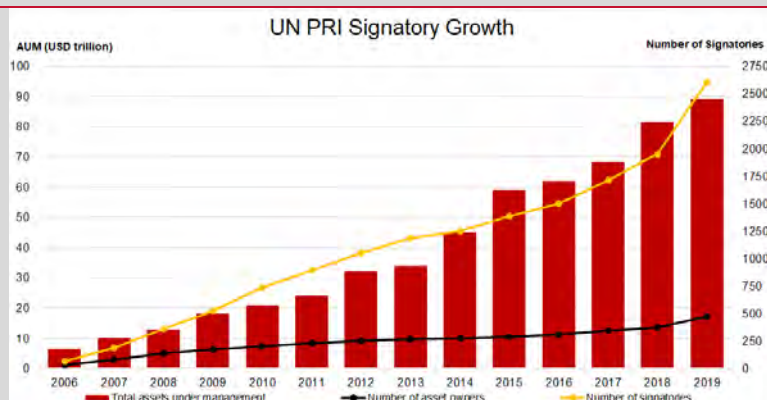
In Malaysia, there are currently 10 UN PRI Signatories (as at Dec 2019), of which 5 have signed up in 2019 alone and they consist of key institutional investment managers and asset owners such as Khazanah, KWAP, and EPF among others (refer to table UN PRI Signatories in Malaysia).

#### PRI Signatories Worldwide as at 2019



Source: UN PRI

#### UN PRI Signatory Growth



Source: UN PRI  
\*as at September 2019

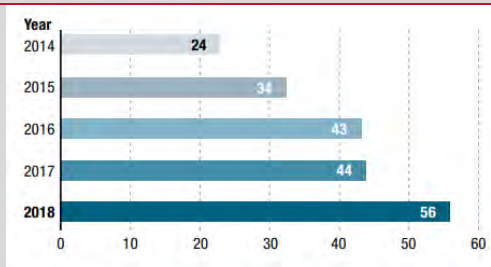
#### UN PRI Signatories in Malaysia

	Malaysian UN PRI Signatories	Signatory Since
1	Principal Asset Management (SEA)	3-Dec-19
2	Nabla Global	24-Oct-19
3	Singular Asset Management	10-Oct-19
4	BIMB Investment Management Berhad	26-Jun-19
5	Employees Provident Fund	1-Apr-19
6	Xeraya Capital	23-Mar-18
7	Navis Capital Partners Limited	21-Feb-18
8	Retirement Fund (Incorporated) (KWAP)	7-Feb-18
9	Khazanah Nasional Berhad	1-Feb-17
10	Corston-Smith Asset Management	6-May-08

Source: UN PRI

**The gold standard in Malaysia, FTSE4Good Index.** The FTSE4Good Index in Malaysia was launched in 2014 in partnership with FTSE Russell and is an index representing companies that demonstrate strong ESG practices. It is governed by the FTSE4Good Committee and companies are chosen based on the ESG model developed by FTSE based on criterion mapped out by the Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP). There are currently 71 companies in the FTSE4Good Index from only 24 in 2014. ***That being said, we note that FTSE4Good Index components are not publically available which may make rewarding ESG-compliant companies tough for investors.***

#### Bursa Malaysia FTSE4Good Constituents as at 2018



Source: Bursa Malaysia Annual Report 2018

\* As at the June 2019 review period, there are now 71 companies in the FTSE4Good Index

#### Other Key Players Driving The ESG Agenda

**Bursa Malaysia.** We believe the top down approach is necessary in enforcing the ESG agenda. Positively, Bursa Malaysia had made it a requirement for all listed companies, regardless of market capitalisation, to include sustainability statements in their annual report by 2018. Prior to this, sustainability disclosures in annual reports were only mandatory for larger public listed companies (PLCs) starting from 31 December 2016 to 31 December 2018.

Based on its 2018 Annual report, Bursa examined four areas in local PLC's Sustainability Statement, namely Governance, Scope, Materiality and Management Approach. Its findings revealed that Malaysian PLC's noted high compliance levels (90%) in line with the Listing Requirements, but highlighted that the quality of disclosures requires considerable improvement with an average score of only 49%. That said, Bursa did not impose any monetary fines or non-monetary sanctions for non-compliance with laws and regulations, including those in relation to environmental, social and governance (ESG) matters in 2018 (*based on Bursa Malaysia 2018 Annual Report*).

**Banking regulators.** Malaysian banking regulators, namely Bank Negara Malaysia (BNM) and the Securities Commission are pushing for more climate risk disclosures for banks. On Sept 2019, Bank Negara Malaysia and the Securities Commission Malaysia formed the Joint Committee on Climate Change (JC3) to push for climate resilience within the Malaysian financial sector to help it transition towards a low-carbon economy.

#### JC3 three key mandates

The JC3 three key mandates are:

- i) building capacity through sharing of knowledge, expertise and best practices in assessing and managing climate-related risks;
- ii) identifying issues, challenges and priorities facing the financial sector in managing the transition towards a low carbon economy; and
- iii) facilitating collaboration between stakeholders in advancing coordinated solutions to address arising challenges and issues.

#### Four Sub-Committees

BNM and SC agreed to form four sub-committees focusing on;

- i) risk management;
- ii) governance and disclosure;
- iii) product and innovation; and
- iv) engagement and capacity building.

Source: Bank Negara Malaysia

**Securities Commission and the SRI Roadmap.** The Securities Commission Malaysia (SC) on 27th November 2019 released the Sustainable and Responsible Investment (SRI) Roadmap for the Malaysian Capital Market (SRI Roadmap), a guideline which charts the strategic direction to position Malaysia as a regional SRI centre. The SC has since created an SRI unit to; (i) formulate policies for the capital market, (ii) oversee the implementation of the SRI Roadmap and (iii) coordinate sustainable finance initiatives undertaken by SC with the implementation to be carried out in a phased approach.

The SRI contains 20 recommendations summarised into 5 strategies. Key initiatives brought forward by the SRI include; (i) widening the range of SRI instruments, (ii) increasing SRI investor base, (iii) building a strong SRI issuer base, (iv) instilling strong internal governance culture, and (v) designing information architecture in the SRI ecosystem.

## SRI Roadmap



Source: Securities Commission, SRI Roadmap

**Government incentivising ESG considerations in Budget 2020.** Budget 2020 proposed tax exemptions for fund management companies managing Sustainable and Responsible Investment (SRI) funds and Shariah-compliant funds. We laud this initiative as it will foster more funds to turn to ESG investments, which would have a ripple effect on companies and individual investors. Other Budget 2020 incentives that align with the ESG agenda were focused on: (i) liberalising the energy sector and increasing renewable energy consumption, (ii) increase lending allocation for Sustainable Development Financing, and (iii) extending tax incentives for green investments (GITA).

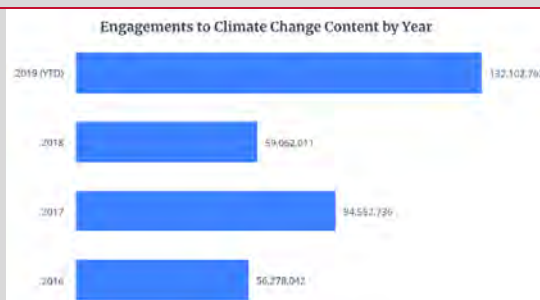
**The general public.** Investors and stakeholders are placing a greater importance on the extent to which companies incorporate ESG into business practices. As such, a pivotal driving force of ESG that cannot be ignored is the public, backed by the power of social media and the influence of content sharing which may directly or indirectly affect topics discussed at the dinner table. Supply chain issues are continuously being brought to light as consumers are being made aware of various social issues caused by companies and sectors such as poor working conditions affecting health and safety, exploitation of the underprivileged, and the effects of bad governance impacting the environment, consumer health, safety and privacy.

i) **Environmental concerns continue to gain mainstream prominence through social media.** Data from NewsWhip, a company that tracks how billions of people engage with stories across all social networks showed a spike in social media engagements on climate change in 2019 to a whopping 132m up till September 2019 (9 months) vs. 59m for the entire 2018. Names like Greta Thunberg, devastating graphics of starved polar bears, burning forest and melting ice caps linked to worldwide corporations has certainly created a worldwide movement which continues to bestow the issue more air-time.

ii) **Ethics in technology** is another hot topic given the rapid rise of Artificial Intelligence (AI), Big Data and the Internet of Things (IoT). The Facebook and Cambridge Analytica scandal dominated headlines when 87m Facebook user profiles were being utilised for political purposes without consent causing its share price to dip by 18% directly following the scandal. Over 4,000 Google employees signed a petition to protest the use of AI in warfare in contract with the US defence department.

As the public continue to draw the parallels between bad corporate governance and the impact to the environment and society at large, it will be tough for companies to ignore the social impact if they wish to succeed financially.

## Climate Change Engagement on Social Media



Source: NewsWhip



## Facebook Share price Post Cambridge Analytica Scandal



Source: Bloomberg, BursaSustain

## Key Challenges and Issues with ESG Rating and Scoring

At current levels, without having paid subscription to ESG analytics such as RobecoSAM, MSCI Inc, Sustainalytics or FTSE Russell, investors may find it challenging to streamline and integrate ESG data into their financial forecast or valuations. Based on a simple weighted average scoring method example we applied for MAYBANK, these are a few challenges we faced in ESG scoring. We are working on fine-tuning our ESG scoring method to ensure its sustainability over the longer run. For now, in order to come up with a meaningful ESG scoring and rating mechanism, we are cognisant of the gaps that may arise from this process.

## ESG Scoring – EXAMPLE

MAYBANK	Company Score	Exposure	Sector Weighted Average	ESG Rating
Environmental	3	2	29%	0.9
Social	4	2	29%	1.1
Governance	5	3	43%	2.1
<b>SUM</b>		<b>7</b>		<b>4.1</b>

Company Score : 1 to 5, 1 = (worst ESG SCORE vs. Peers), 5 = (best ESG SCORE vs. Peers)

SECTOR Exposure & Weightage : measures the materiality of a specific Pillar (E/S/G) to a particular sector, for each Theme, the sector is categorised as High (3) , Medium (2), Low (1) or NA

Source: Kenanga Research

\*Note that this scoring is for example purposes only and does NOT reflect any ESG scoring for Maybank.

**Subjectivity of the scoring and application.** Investors and stakeholders have divergent views on the importance of each ESG Pillar (E/S/G) depending on their; (i) specific geopolitical consideration 'G', (ii) awareness to surrounding social issues 'S', and (iii) concerns for the environment 'E'. As a result, different investors may be applying varied weightage of concern to the same sector based on their internal preferences and organisational values. This will also mean that scoring for each Pillar and Theme (ex: Climate change under 'E', Anti-corruption under 'G', or Health and Safety under 'S') could vary significantly.

**Disclosure and data gaps.** At current standards, corporate disclosure for Malaysia and Asia is still at its infancy. Among the three pillars of ESG, G appears to have the highest amount of required disclosure and fixed set of reported information as mandated by the regulators (Bursa Malaysia and BNM) in the Corporate Governance report, while the E and S pillar were far more variable and lacked uniformity in disclosures across data sets. A quick comparison of disclosures by Malaysian companies extracted from The Carbon Disclosure Project (CDP) website indicates that disclosure is still lacking by CDP standards, but channel checks suggest that CDP standards are stringent and are not easily attainable especially for companies that are new to this standard of reporting (refer to chart on CDP for disclosure on Environmental data). To recap, Bursa in its 2018 annual report highlighted that the quality of Sustainability disclosures require considerable improvement (average score of 49%), while we observed that material information may not be widely available and consistent across the board for all companies, making comparability of the data cumbersome at this juncture. All in, we are of the view that the quality and comparability of disclosed data is still lacking.

*Notes: The Carbon Disclosure Project (CDP) runs the global environmental disclosure system. Each year CDP supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation and do so at the request of their investors, purchasers and city stakeholder. An 'F' indicates a failure to provide sufficient information to be evaluated.*

24 December 2019

## CDP Disclosure of Environmental Data

T	Company Name ↓	T	Country	T	Sector: Climate Change	T	Score: Climate Change	T	Sector: Water Security	T	Score: Water Security	T	Sector: Forests	T	Score: Forests Timber	T	Score: Forests Palm
1	AirAsia Berhad	Malaysia	Transport services	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
2	Alliance Financial Group Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
3	AMMB Holdings	Malaysia	General	Not Scored		N/A	Not Requested	N/A	Not Requested	Not Requested							
4	Astro Malaysia Holdings	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
5	Axiata Group Berhad	Malaysia	General	D		N/A	Not Requested	N/A	Not Requested	Not Requested							
6	Berjaya Sports Toto Berhad	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
7	British American Tobacco Malaysia Bhd	Malaysia	Food, beverage & tobacco	See Another		N/A	Not Requested	General	See Another	See Another							
8	Bumi Armada Bhd	Malaysia	Transport services	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
9	CIMB Group Holdings	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
10	Dialog Group Bhd	Malaysia	General	F		General	F	N/A	Not Requested	Not Requested							
11	DiGi.Com Berhad	Malaysia	General	See Another		N/A	Not Requested	N/A	Not Requested	Not Requested							
12	FGV Holdings Berhad	Malaysia	General	F		General	F	General	F	F							
13	Gamuda	Malaysia	General	F		General	F	General	F	F							
14	Genting Berhad	Malaysia	General	F		N/A	Not Requested	General	F	F							
15	Genting Malaysia	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
16	Genting Plantations Bhd	Malaysia	Agricultural commodities	F		N/A	Not Requested	General	F	F							
17	HAP Seng Consolidated Bhd	Malaysia	Metals & mining	F		N/A	Not Requested	General	F	F							
18	Hartalega Holdings Bhd	Malaysia	Agricultural commodities	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
19	Hong Leong Bank Berhad	Malaysia	General	See Another		N/A	Not Requested	N/A	Not Requested	Not Requested							
20	Hong Leong Financial Group Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
21	IHH Healthcare Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
22	IJM Corp Bhd	Malaysia	General	F		General	F	General	F	F							
23	IOI	Malaysia	Food, beverage & tobacco	C		Food, beverage & tobacco	B-	General	Not Scored	B							
24	IOI Properties Group Bhd	Malaysia	General	See Another		N/A	Not Requested	N/A	Not Requested	Not Requested							
25	Klcc Property Holdings Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
26	Kuala Lumpur Kepong	Malaysia	Agricultural commodities	F		General	F	General	F	F							
27	Lafarge Malaysian Cement Bhd	Malaysia	Cement	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
28	Malakoff Bhd	Malaysia	Electric utilities	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
29	Malayan Banking	Malaysia	General	D		N/A	Not Requested	N/A	Not Requested	Not Requested							
30	Malaysia Airports Holdings	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
31	Maxis Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
32	MISC Berhad	Malaysia	Transport services	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
33	Nestle (Malaysia) Berhad	Malaysia	Food, beverage & tobacco	See Another		N/A	Not Requested	General	See Another	See Another							
34	Petronas Chemicals Group Berhad	Malaysia	Chemicals	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
35	Petronas Dagangan Berhad	Malaysia	Oil & gas	F		Oil & gas	F	N/A	Not Requested	Not Requested							
36	Petronas Gas	Malaysia	Oil & gas	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
37	PPB Group	Malaysia	Food, beverage & tobacco	F		Food, beverage & tobacco	F	General	F	F							
38	Public Bank BHD	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
39	Rhb Capital Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
40	Rimbunan Hijau Group	Malaysia	N/A	Not Requested		N/A	Not Requested	General	F	F							
41	Samling Global	Malaysia	N/A	Not Requested		N/A	Not Requested	Paper & forestry	F	F							
42	Sapura Energy Berhad	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
43	Sime Darby Bhd	Malaysia	General	F		N/A	Not Requested	General	F	F							
44	Sime Darby Plantation	Malaysia	General	Not Scored		N/A	Not Requested	General	Not Scored	Not Scored							
45	SP Setia Bhd	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
46	Telekom Malaysia	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
47	Tenaga Nasional	Malaysia	Electric utilities	F		Electric utilities	F	N/A	Not Requested	Not Requested							
48	UEM Sunrise Berhad	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
49	Umw Holdings Bhd	Malaysia	Transport OEMS	F		General	F	General	F	F							
50	Westports Holdings Berhad	Malaysia	General	F		N/A	Not Requested	N/A	Not Requested	Not Requested							
51	WTK Group	Malaysia	N/A	Not Requested		N/A	Not Requested	Paper & forestry	F	F							
52	YTL Corp	Malaysia	Electric utilities	F		Electric utilities	F	N/A	Not Requested	Not Requested							
53	YTL Power International Berhad	Malaysia	Electric utilities	F		N/A	Not Requested	N/A	Not Requested	Not Requested							

Source: Carbon Disclosure Project (CDP) website

**ESG data are lagging indicators.** The data collected by most companies at this juncture are reported on a per annum basis in the annual report which is released in 1Q or 2Q the following year, implying that the latest ESG data reflects historical data points with a 3-6 months delay. Additionally, we acknowledge that this may be too preliminary, but the ESG space lacks forward looking data for now. We are of the view that meaningful data should capture forward looking impact to a company's earnings or valuations. An example of forward looking data would be potential green revenues from a new initiative or cost savings capabilities in energy or water usage.

**The public's limited understanding of ESG issues.** Without a cohesive guideline and limited understanding of particular ESG themes, the varied degree information received and type of information received by different investors, this would cause some investors to place a higher importance on certain ESG Themes and Pillars vs. others. This reverts back to the issue of **subjectivity of the scoring and application.**

**There's NO 'one-size-fits-all' when it comes to an ESG framework.** When it comes to ESG reporting standards, there are many variations globally such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP), International Integrated Reporting Council (IIRC) and many others. As PLCs have varied preferences when it comes to ESG KPI's, this means they would also prioritise different criteria when it comes to ESG disclosures, assuming they are not subjected to a fixed set of disclosure requirements. As a result, PLCs in the same sector within the same country may not be reporting on similar data points, or scoring may not be comparable even with disclosure. We believe there is a need for consistency between frameworks and mandatory data requirements if investors were to be able to act on the data meaningfully.

#### TCFD recommendations and supporting recommended disclosures

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Disclose how the organisation identifies, assesses and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities
<b>Recommended disclosures</b> a. Describe the board's oversight of climate-related risks and opportunities b. Describe the management's role in assessing and managing climate-related risks and opportunities	<b>Recommended disclosures</b> a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning c. Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation's businesses, strategy and financial planning	<b>Recommended disclosures</b> a. Describe the organisation's processes for identifying and assessing climate-related risks b. Describe the organisation's processes for managing climate-related risks c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	<b>Recommended disclosures</b> a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Source: London Stock Exchange Group, ESG Report 2018

**ESG greenwashing.** Given the absenteeism of a single ESG reporting standard, ESG offerings in the market may be driven by companies ability to hype up ESG initiatives through effective marketing and advertising even though it may not reflect the best ESG principals or outcomes. That is why consistent and comparable data is crucial for investors to value the true cost of a company's ESG efforts.

#### Our View on ESG Scoring

**We believe it is crucial to shift the conversation from voluntary to mandatory ESG reporting.** As highlighted, data gaps as well as the standardisation of reported data by companies, and the accessibility of quick comparable data are some of the key factors limiting meaningful ESG comparisons for investors. Currently, Bursa Malaysia has a list of disclosure considerations in the Bursa Malaysia Sustainability Reporting Guide for Environmental & Social data indicators, but not all companies appear to disclose the same set of indicators. However, we expect reporting requirements to become more enforced and uniformed over the next few years as local PLC's get a better grip of meaningful reporting based on material matters. Meanwhile, organisations such as the UN PRI are already making it mandatory for its signatories to report on climate indicators by 2020 vs. voluntary reporting in 2019, and we believe more governing bodies will soon follow suit.

More advanced ESG economies like **the United Kingdom has made it mandatory for all listed companies to report on carbon emissions, human rights and diversity in the Directors Report, while the European Union makes it mandatory for all listed companies with more than 500 employees to disclose environmental, social and anti-corruption issues.** Another example would be **France's Article 173** of France's Energy Transition for Green Growth Law in 2016 requiring investors to outline how they incorporate ESG criteria into investment decisions. This measure fosters engagement and integration from both sides and pushes for consistency, standardisation and recognition in reporting, making it is easier for investors in these regions to incorporate ESG factors into equities valuation and modelling. We believe Malaysia has to work along a similar path by making reporting requirements more stringent going forward to enable more standardised reporting.

## Key ESG reporting regulations: Italy, the UK and the EU

Country	Institution	Year	Title	Type	Status	Commentary
Italy	Market Participants Associations & Borsa Italiana	2015	Italian Corporate Governance Code	Non-Government Suggested Corporate Governance Disclosure, Voluntary	Issued	The Italian Corporate Governance Committee included ESG risks and governance considerations in its review of the Code issued in July 2015.
	Italian Government	2007	Legislative decree No.32/2007 transposing directive 2003/51/CE and Article 2428 of the Italian Civil Code	Government Imposed Corporate Environmental Disclosure, Mandatory	Issued	States that directors' reports should include financial and non-financial key performance indicators relevant to the specific business of the company, including information relating to environmental matters.
UK	FRC	1992, most recently updated in 2016	UK Corporate Governance Code	Industry Body Led Corporate Governance Disclosure, 'comply or explain'	Issued	For Premium companies listed on the Main Market, the code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, on a comply-or-explain basis.
	UK Government	2015	Modern Slavery Act	Government Imposed Corporate Environmental Disclosure, Mandatory	Issued	Section 54 of the Modern Slavery Act 2015 requires certain organisations to develop a slavery and human trafficking statement each year.
	UK Government	2006, revised 2013	Changes to the Companies Act 2006 (Strategic Report and Director's Report) 2013	Government Imposed Corporate Environmental Disclosure, Mandatory	Issued	Carbon emissions, human rights and diversity reporting required by all listed companies in the Director's Report.
All EU member states	National governments	2016	Transposition of the EU Non-Financial Reporting Directive 95/14	Government Imposed Corporate Environmental Disclosure, Mandatory	Issued	Applies from January 2017 to all listed companies with more than 500 employees, and mandates disclosure of environmental, social (including diversity and human rights) and anti-corruption issues. — Transposed in the UK through the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 n. 1245 — Transposed in Italy through Legislative Decree 30 December 2016 n. 245

Source: London Stock Exchange Group, ESG Report 2018

**ESG disclosure is important, but disclosure alone is not enough.** Ideally, as investors continue to place increased importance on ESG principals, reporting and disclosures, we hope that companies will not be merely rewarded for good disclosure but for their efforts to improve on ESG scores for each review period. Similar to financial data comparisons, investors should be able to track a company's progress on a fixed set of material ESG data, and be able to award valuations for marked improvements or deterioration over the years, or even on a quarterly basis.

### DOES ESG PAY?

**Emerging Markets the treasure ground for ESG investments.** Emerging markets are perceived to be where poor or weaker ESG companies are the most abundant, and as a result, opportunities for ESG growth are the greatest. Data from ESG research provider Rifinitiv suggest that Malaysia's average environmental pillar score of 57.8 lags slightly behind the global average of 59.6, implying that there is still room for improvement while emerging markets are also home to a host of social and governance issues that often grace the dailies. As such we have seen ESG importance gaining traction in Asia and Malaysia, evidenced from key decision makers jumping on the bandwagon to make a call for action.

#### Rifinitiv ESG Data

Market	Average Environmental Pillar Score
Global	59.60
Asia, inc Japan	62.34
Top Markets in Asia, inc Japan	
Average Environmental Pillar Score	
Hong Kong	70.06
South Korea	64.57
India	63.12
Japan	63.03
Taiwan	61.64
Malaysia	57.82
Singapore	57.02
China (PRC)	56.10
Top Three Industries in Asia, inc Japan	
Average Environmental Pillar Score	
Industrial Conglomerates	73.55
Insurance	71.22
Energy – Fossil Fuels	67.97

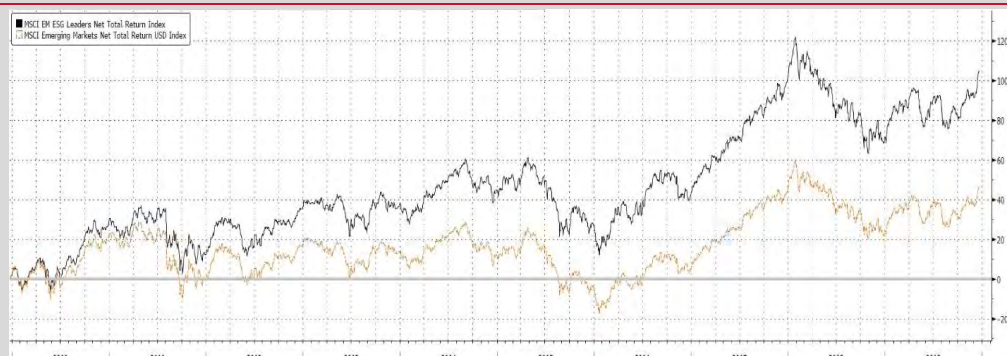
Source: Rifinitiv ESG Data



24 December 2019

**ESG strong companies outperform better over the longer run.** It appears that the MSCI Emerging Markets ESG Leaders Index has continuously outperformed the MSCI Emerging Markets Index over the longer run, especially post the global financial crisis (GFC). Positively short-term comparisons i.e. 1 year, 3 year and 5 year comparisons concluded that investors preferred ESG-centric Indexes.

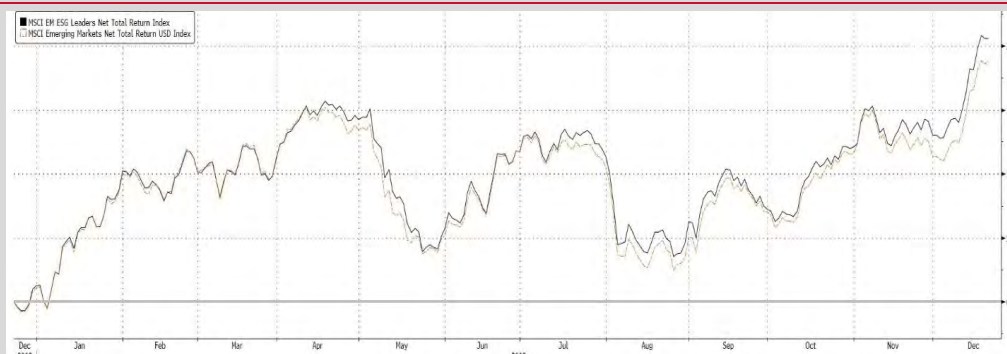
#### MSCI Emerging Markets vs. MSCI Emerging Markets ESG Leaders Index (10-years)



Period	10 years
	2009 - 2019
Total Returns %	
MSCI EM ESG Leaders	105%
MSCI EM	47%

Source: Bloomberg, Kenanga Research

#### MSCI Emerging Markets vs. MSCI Emerging Markets ESG Leaders Index (1-year)



Period	1 year
	2018 - 2019
Total Returns %	
MSCI EM ESG Leaders	21%
MSCI EM	19%

Source: Bloomberg, Kenanga Research

#### MSCI Emerging Markets vs. MSCI Emerging Markets ESG Leaders Index (3-years)



Period	3 years
	2016 - 2019
Total Returns %	
MSCI EM ESG Leaders	45%
MSCI EM	40%

Source: Bloomberg, Kenanga Research

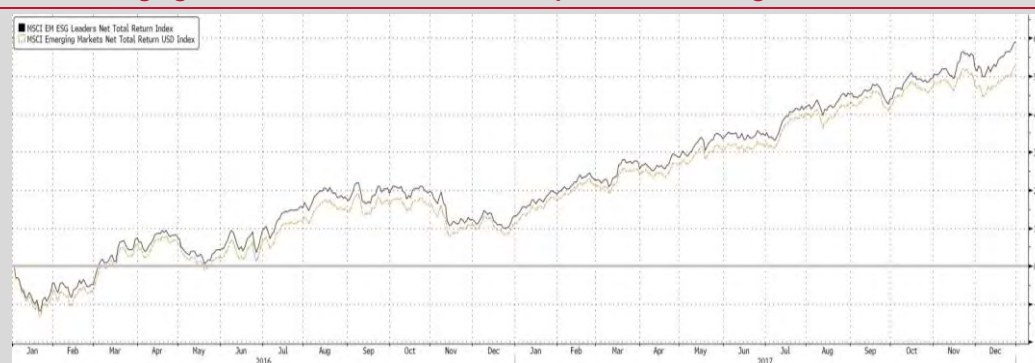
24 December 2019

**MSCI Emerging Markets vs. MSCI Emerging Markets ESG Leaders Index (5-years)**

Source: Bloomberg, Kenanga Research

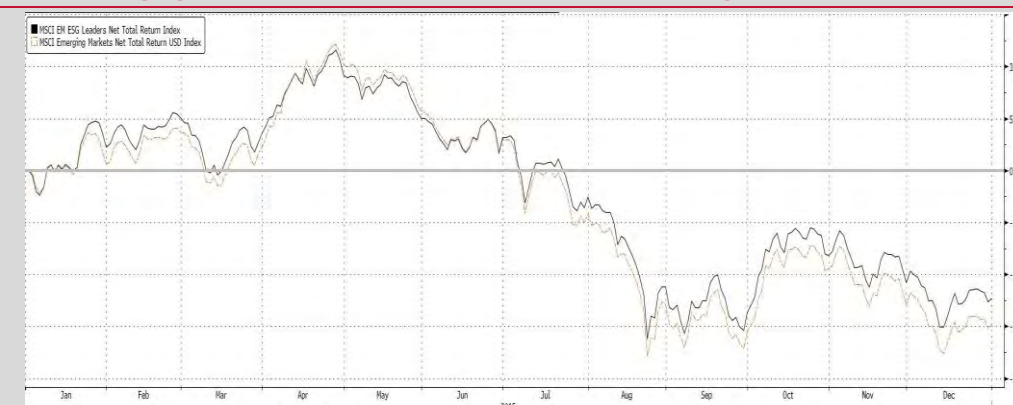
Period	5 years
	2014 - 2019
Total Returns %	
MSCI EM ESG Leaders	43%
MSCI EM	32%

**ESG does well in rising markets and remains fairly resilient in a falling market.** During the bull market from 2015 to 2017, the MSCI Emerging Markets ESG Leaders Index fared 7% better than the MSCI Emerging Markets Index. However during the downturn in 2015, ESG companies were slightly more resilient than non-ESG companies (-12% vs. -15%), while the downturn in 2018 on the other hand saw both ESG and non-ESG indices neck and neck, both down 15%.

**MSCI Emerging Markets ESG Leaders Index outperform in a rising market**

Source: Bloomberg, Kenanga Research

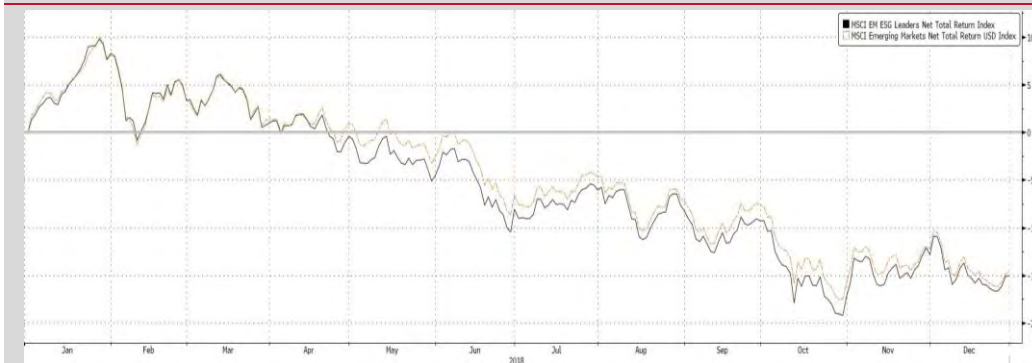
Period	2 years
	2015 - 2017
Total Returns %	
MSCI EM ESG Leaders	59%
MSCI EM	52%

**MSCI Emerging Markets ESG Leaders Index resilient in a falling market (2015)**

Source: Bloomberg, Kenanga Research

Period	1 year
	2015
Total Returns %	
MSCI EM ESG Leaders	-12%
MSCI EM	-15%

24 December 2019

**MSCI Emerging Markets ESG Leaders Index resilient in a falling market (2018)**

Period	1 year
	2018
Total Returns %	
MSCI EM ESG Leaders	-15%
MSCI EM	-15%

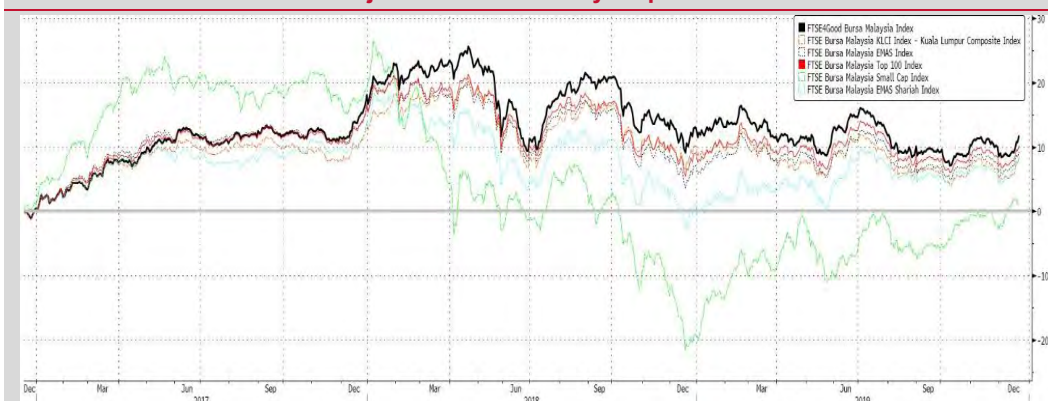
Source: Bloomberg, Kenanga Research

In Malaysia, the FTSE4Good performed better than most local indices in a rising market, save for the high beta FBMSC. Notably the FTSE4Good Index outperforms most major indices in a market upcycle as seen in 2017. Looking back further, the FTSE4Good still outperformed over a 3-year historical period (from 2016-2019), but was only a moderate performer over a longer duration (5-year period from 2014 – 2019). That said, in 2019 when market experienced a down-cycle, the FTSE4Good index declined slightly more than other indices, down 2% (vs. -2% to +11%) a likely victim of foreign selling.

**FTSE4Good Index in a Bull Market vs. local major indices (2017)**

Period	1 year
	2017
Total Returns %	
FTSE4Good	18%
FBM KLCI	13%
FBM Emas	16%
FBM 100	16%
FBM Small Cap	18%
FBM Shariah	13%

Source: Bloomberg, Kenanga Research

**FTSE4Good Index vs. local major indices over a 3 year period**

Period	3 years
	2016-2019
Total Returns %	
FTSE4Good	12%
FBM KLCI	8%
FBM Emas	9%
FBM 100	10%
FBM Small Cap	1%
FBM Shariah	9%

Source: Bloomberg, Kenanga Research



24 December 2019

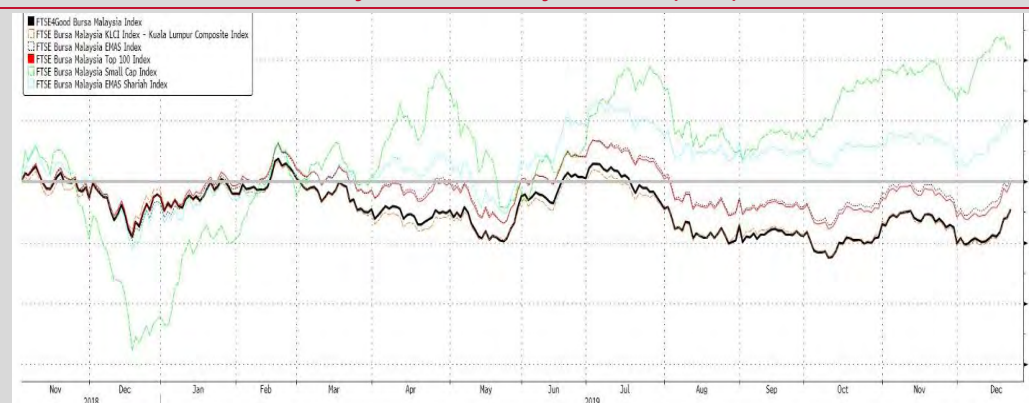
## FTSE4Good Index vs. local major indices over a 5 year period



Period	5 years
	2014-2019
Total Returns %	
FTSE4Good	8%
FBM KLCI	8%
FBM Emas	11%
FBM 100	12%
FBM Small Cap	2%
FBM Shariah	10%

Source: Bloomberg, Kenanga Research

## FTSE4Good Index in a down cycle vs. local major indices (2019)



Period	1 year
	2019
Total Returns %	
FTSE4Good	-2%
FBM KLCI	-2%
FBM Emas	0.3%
FBM 100	-0.1%
FBM Small Cap	11%
FBM Shariah	5%

Source: Bloomberg, Kenanga Research

## WHAT SHOULD INVESTORS DO

**The near term.** Given the greater importance placed on ESG concerns by stakeholders (i.e. government, regulators and key institutional investors), we believe investors can expect better valuations for ESG-friendly companies going forward. However in the near term, valuing ESG friendly companies would be a **highly subjective exercise** for investors due to: (i) the lack of a standardised reporting framework for companies, (ii) scoring ESG metrics would be based on diverse investor preferences, and (iii) local ESG index (FTSE4Good) component companies are not publically available. **For now, we believe investors should prioritise companies with high ESG disclosures** as it is an indication that these companies are placing ESG concerns at the forefront. Based on Bloomberg's latest ESG disclosure scores for stocks under our universe, we note that the highest score is 50.6 in 2018, out of a potential maximum score of 100\*\*.

**The longer run.** Quantity of disclosure is no indication of quality. Over the long run (i.e.2-3 years), we believe that companies would adhere to a mandatory set of basic disclosure standards, but will have to show marked improvements to warrant better valuations.

Once standardised disclosure becomes a prerequisite, investors can then focus on comparing a company's YoY improvements. This would also promote 'clean' competition amongst companies to improve on ESG scores that are material (ex: lower YoY GHG emissions, lower fatalities for the construction sector). On the flipside, companies that do not adhere to basic ESG reporting standards may risk losing key investors that place a high priority on ESG issues.

**Our ESG preferred picks are AMMB, CIMB, MAYBANK, KPJ, ASTRO, UEMS, AXIATA, and TM.** Our picks are based on stocks within our universe that; (i) have the latest Bloomberg disclosure scores above the 60<sup>th</sup> percentile of scores (i.e. scores above 33, vs. a maximum score of 50.6 for stocks under our universe) and, (ii) are still commanding undemanding valuations at this juncture (i.e. a fundamentally attractive or an OUTPERFORM call). We do qualify that the quantity of information disclosed is not a measure of quality and value accretion, but for now, we believe good disclosures are the first step to picking out ESG leaders because companies that are willing to be guided towards higher ESG performance are where the greatest rewards can be found.



## Preferred ESG Picks

Name	Last Price	Market	PER	PER	PBV (x)	Target	Rating	Total	Bloomberg Disclosure Score			
	(RM)	Cap (RM'm)	-Yr. Fwd	-Yr. Fwd	-Yr. Fwd	Price (RM)		Returns	FY2015	FY2016	FY2017	FY2018
AMMB	3.95	11,901	9.88	8.73	0.64	4.75	OP	25%	19.3	18.4	32.5	35.5
CIMB	5.27	52,294	10.05	10.38	0.94	6.45	OP	27%	38.6	39.9	37.7	n.a.
MAYBANK	8.62	96,901	12.39	11.39	1.23	9.70	OP	19%	39.9	38.6	39.0	39.9
KPJ	0.935	3,999	21.42	21.20	2.07	1.15	OP	25%	24.4	25.6	28.1	35.5
ASTRO	1.33	6,935	9.74	9.89	10.22	2.00	OP	59%	25.6	26.0	27.3	33.5
UEMS	0.730	3,312	9.59	11.70	0.47	0.850	OP	30%	28.1	39.7	40.9	39.7
AXIATA	4.22	38,670	35.33	29.53	1.65	4.80	OP	16%	38.4	38.4	39.3	37.6
TM	3.86	14,536	14.89	14.03	2.08	4.30	OP	14%	48.1	48.1	49.4	49.4

Source: Bloomberg, Kenanga Research

Our last price is based on our cut-off date of 19<sup>th</sup> Dec 2019

**\*\*Notes:** Bloomberg ESG Disclosure Score is a proprietary Bloomberg score based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. Companies that are not covered by ESG group will have no score and will show N.A. Companies that do not disclose anything will also show N.A. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. Each data point is weighted in terms of importance, with data such as Greenhouse Gas Emissions carrying greater weight than other disclosures. The score is also tailored to different industry sectors. In this way, each company is only evaluated in terms of the data that is relevant to its industry sector. This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point.

**Our preferred sectors are the Banking and Telco sectors** as it has a high level of disclosure due to the; (i) high number of companies scored within that sector >50% (50% for Banking, 60% for Telco) vs. other sectors of 0% to 33% of companies scored (with the exception of the SIN sectors which we have excluded), and (ii) a decent average Bloomberg disclosure score for companies scored (35 for Banking, and 46 for Telco) vs. other sectors average score of 0 to 36. Furthermore, we favour the banking sector as it is the single most important sector that can influence other sectors to abide by ESG best practices through lending requirements (refer to Bloomberg ESG Disclosure Score table in overleaf).

## APPENDIX

**History of UN PRI.** The Principles for Responsible Investment (UN PRI) was initiated in 2005, by then United Nations Secretary-General Kofi Annan who invited a group of the world's largest institutional investors to develop the Principles for Responsible Investment. A 20-person investor group from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations and civil society. The Principles were later launched in April 2006 at the New York Stock Exchange with the number of signatories growing from 100 then to over 2,600 now. The UN PRI aims to guide, support and represent signatories on its six Principles to incorporate ESG issues into investment practice to drive responsible investment. The UN PRI is supported by, but is not part of the United Nations.

## UN PRI Six Principles for Responsible Investment

<b>Principle 1:</b>	We will incorporate ESG issues into investment analysis and decision-making processes.
<b>Principle 2:</b>	We will be active owners and incorporate ESG issues into our ownership policies and practices.
<b>Principle 3:</b>	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
<b>Principle 4:</b>	We will promote acceptance and implementation of the Principles within the investment industry.
<b>Principle 5:</b>	We will work together to enhance our effectiveness in implementing the Principles.
<b>Principle 6:</b>	We will each report on our activities and progress towards implementing the Principles.

Source: UN PRI website

**United Nations Sustainable Development Goals (SDGs)** is a globally agreed framework that defines broader objectives of society for considering real-world impacts. The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development came into force on 1 January 2016. The SDGs can support investors in understanding the sustainability trends relevant to investment activity and their fiduciary duties.

## United Nations 17 Sustainable Development Goals (SDG)



Source: United Nations Sustainable Development Goals

## Bloomberg ESG Disclosure Score

Name	Bloomberg Disclosure Score				
	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Max Score</b>	<b>57.0</b>	<b>58.7</b>	<b>58.7</b>	<b>50.6</b>	<b>38.8</b>
<b>AUTOMOTIVE</b>					
BERMAZ AUTO BHD	n.a.	n.a.	n.a.	n.a.	n.a.
DRB-HICOM BHD	18.2	18.2	24.4	31.4	n.a.
MBM RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SIME DARBY BHD	29.3	26.9	34.3	31.8	31.8
TAN CHONG MOTOR HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
UMW HOLDINGS BHD	32.2	38.4	38.8	n.a.	n.a.
<b>BANKS</b>					
AFFIN BANK BHD	n.a.	n.a.	n.a.	n.a.	n.a.
ALLIANCE BANK MALAYSIA BHD	n.a.	11.0	11.0	20.6	21.5
AMMB HOLDINGS BHD	19.3	18.4	32.5	35.5	n.a.
BIMB HOLDINGS BHD	19.7	28.9	23.2	n.a.	n.a.
CIMB GROUP HOLDINGS BHD	38.6	39.9	37.7	n.a.	n.a.
HONG LEONG BANK BHD	22.4	21.1	29.8	37.7	n.a.
MALAYAN BANKING BHD	39.9	38.6	39.0	39.9	n.a.
MALAYSIA BUILDING SOCIETY	n.a.	n.a.	n.a.	n.a.	n.a.
PUBLIC BANK BHD	27.2	28.5	32.5	n.a.	n.a.
RHB BANK BHD	23.2	22.4	29.4	38.6	n.a.
<b>BUILDING MATERIALS</b>					
ANN JOO RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
PRESS METAL ALUMINUM HOLDINGS BHD	19.0	22.7	22.3	25.6	n.a.
UNITED U-LI CORPORATION BHD	n.a.	n.a.	n.a.	n.a.	n.a.
WHITE HORSE BHD	n.a.	n.a.	n.a.	n.a.	n.a.
<b>CONGLOMERATE</b>					
BOUSTEAD HOLDINGS BHD	14.9	18.6	21.1	n.a.	n.a.

24 December 2019

**CONSTRUCTION**

GAMUDA BHD	27.7	34.7	36.4	33.1	n.a.
GEORGE KENT (MALAYSIA) BHD	n.a.	n.a.	n.a.	n.a.	n.a.
HOCK SENG LEE BHD	n.a.	n.a.	n.a.	n.a.	n.a.
IJM CORP BHD	25.2	29.8	34.7	33.5	n.a.
KERJAYA PROSPEK GROUP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
KIMLUN CORP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MITRAJAYA HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MUHIBBAH ENGINEERING (M) BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SUNWAY CONSTRUCTION GROUP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
WCT HOLDINGS BHD	12.4	12.4	24.8	31.0	n.a.

**CONSUMER**

7-ELEVEN MALAYSIA HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
AEON CO. (M) BHD	n.a.	n.a.	n.a.	n.a.	n.a.
AMWAY (MALAYSIA) HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
DUTCH LADY MILK INDUSTRIES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
FRASER & NEAVE HOLDINGS BHD	12.8	23.6	38.0	44.6	n.a.
HAI-O ENTERPRISE BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MYNEWS HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
NESTLE (MALAYSIA) BHD	57.0	58.7	58.7	n.a.	n.a.
PADINI HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
PARKSON HOLDINGS BHD	12.9	12.9	22.5	22.5	23.4
POWER ROOT BHD	n.a.	n.a.	n.a.	n.a.	n.a.
QL RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SPRITZER BHD	n.a.	n.a.	n.a.	n.a.	n.a.

**GAMING**

BERJAYA SPORTS TOTO BHD	12.0	12.0	20.7	21.9	n.a.
GENTING BHD	23.6	25.6	26.9	26.9	n.a.
GENTING MALAYSIA BHD	36.8	44.6	44.2	n.a.	n.a.
MAGNUM BHD	9.9	9.9	20.7	20.2	n.a.

**HEALTHCARE**

IHH HEALTHCARE BHD	24.0	23.1	27.7	n.a.	n.a.
KPJ HEALTHCARE BHD	24.4	25.6	28.1	35.5	n.a.
PHARMANIAGA BHD	n.a.	n.a.	n.a.	n.a.	n.a.

**MEDIA**

ASTRO MALAYSIA HOLDINGS BHD	25.6	26.0	27.3	33.5	38.8
MEDIA CHINESE INTERNATIONAL	n.a.	n.a.	n.a.	n.a.	n.a.
MEDIA PRIMA BHD	42.4	42.4	41.6	n.a.	n.a.
STAR MEDIA GROUP BHD	12.8	15.3	21.9	n.a.	n.a.

**NON-BANK FINANCIALS**

AEON CREDIT SERVICE M BHD	n.a.	n.a.	n.a.	n.a.	n.a.
BURSA MALAYSIA BHD	24.4	21.1	38.8	n.a.	n.a.

24 December 2019

LPI CAPITAL BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
<b>OIL &amp; GAS</b>					
BUMI ARMADA BHD	29.3	29.3	29.3	29.3	n.a.
DAYANG ENTERPRISE HLDGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
DIALOG GROUP BHD	24.4	26.9	30.6	31.8	n.a.
MALAYSIA MARINE AND HEAVY EN	11.2	n.a.	36.0	43.0	n.a.
MISC BHD	47.5	48.8	24.0	n.a.	n.a.
PANTECH GROUP HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
PETRONAS CHEMICALS GROUP BHD	37.2	38.4	37.2	31.8	n.a.
PETRONAS DAGANGAN BHD	39.4	44.0	45.2	50.6	n.a.
SAPURA ENERGY BHD	23.6	21.5	21.5	26.9	29.8
SERBA DINAMIK HOLDINGS	n.a.	n.a.	n.a.	n.a.	n.a.
UZMA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
VELESTO ENERGY BHD	n.a.	n.a.	n.a.	n.a.	n.a.
WAH SEONG CORP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
YINSON HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
<b>PACKAGING MANUFACTURERS</b>					
SCGM BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SCIENTEX BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SLP RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
THONG GUAN INDUSTRIES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
TOMYPAK HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
<b>PLANTATION</b>					
CB INDUSTRIAL PRODUCT HLDG	n.a.	n.a.	n.a.	n.a.	n.a.
FGV HOLDINGS BHD	28.1	29.3	28.1	29.3	n.a.
GENTING PLANTATIONS BHD	33.9	44.2	46.3	n.a.	n.a.
HAP SENG PLANTATIONS HOLDINGS	23.6	20.2	29.3	n.a.	n.a.
IJM PLANTATIONS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
IOI CORP BHD	20.2	20.2	46.3	47.5	n.a.
KUALA LUMPUR KEPONG BHD	17.4	29.8	39.7	39.7	n.a.
PPB GROUP BHD	19.8	23.6	22.3	24.8	n.a.
SIME DARBY PLANTATION BHD	43.4	n.a.	n.a.	26.9	n.a.
SOUTHERN ACIDS MALAYSIA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
TA ANN HOLDINGS BHD	n.a.	n.a.	n.a.	n.a.	n.a.
TSH RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
UNITED MALACCA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
<b>PROPERTY</b>					
AMVERTON BHD	n.a.	n.a.	n.a.	n.a.	n.a.
ECO WORLD DEVELOPMENT GROUP	n.a.	n.a.	n.a.	n.a.	n.a.
HUA YANG BHD	n.a.	n.a.	n.a.	n.a.	n.a.
IOI PROPERTIES GROUP BHD	24.8	28.1	30.2	31.0	n.a.
LBS BINA GROUP BHD	n.a.	n.a.	n.a.	n.a.	n.a.



24 December 2019

MAGNA PRIMA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MAH SING GROUP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MALAYSIAN RESOURCES CORP BHD	29.3	36.4	33.1	36.4	n.a.
SIME DARBY PROPERTY BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SP SETIA BHD	25.2	26.0	28.9	28.1	n.a.
SUNSURIA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SUNWAY BHD	43.4	n.a.	43.4	n.a.	n.a.
UEM SUNRISE BHD	28.1	39.7	40.9	39.7	n.a.
UOA DEVELOPMENT BHD	n.a.	n.a.	n.a.	n.a.	n.a.

**REITS**

AXIS REIT	n.a.	n.a.	n.a.	n.a.	n.a.
CAPITALAND MALAYSIA MALL TRUST	n.a.	n.a.	n.a.	n.a.	n.a.
IGB REIT	n.a.	n.a.	n.a.	n.a.	n.a.
KLCCP STAPLED GROUP	40.5	39.7	39.7	41.7	n.a.
MRCB-QUILL REIT	n.a.	n.a.	n.a.	n.a.	n.a.
PAVILION REIT	n.a.	n.a.	n.a.	n.a.	n.a.
SUNWAY REIT	n.a.	n.a.	n.a.	n.a.	n.a.

**RUBBER GLOVES**

HARTALEGA HOLDINGS BHD	13.6	16.5	24.4	26.4	n.a.
KOSSAN RUBBER INDUSTRIES	n.a.	n.a.	n.a.	n.a.	n.a.
SUPERMAX CORP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
TOP GLOVE CORP BHD	21.1	23.6	23.6	24.0	n.a.

**SIN**

BRITISH AMERICAN TOBACCO (M) BHD	11.2	11.2	19.8	23.1	n.a.
CARLSBERG BREWERY MALAYSIA BHD	11.2	11.2	19.8	23.1	n.a.
HEINEKEN MALAYSIA BHD	30.2	n.a.	31.0	31.0	n.a.

**TELECOMMUNICATION**

AXIATA GROUP BHD	38.4	38.4	39.3	37.6	n.a.
DIGI.COM BHD	46.1	48.6	50.2	50.2	n.a.
MAXIS BHD	28.4	30.9	30.9	n.a.	n.a.
OCK GROUP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
TELEKOM MALAYSIA BHD	48.1	48.1	49.4	49.4	n.a.

**TECHNOLOGY**

D&O GREEN TECHNOLOGIES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
KESM INDUSTRIES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MALAYSIAN PACIFIC INDUSTRIES	n.a.	n.a.	n.a.	n.a.	n.a.
PIE INDUSTRIAL BHD	n.a.	n.a.	n.a.	n.a.	n.a.
SKP RESOURCES BHD	n.a.	n.a.	n.a.	n.a.	n.a.
UNISEM (M) BHD	n.a.	n.a.	n.a.	n.a.	n.a.

24 December 2019

**TRANSPORT & LOGISTICS**

AIRASIA GROUP BHD	15.3	21.5	22.7	26.0	n.a.
MALAYSIA AIRPORTS HLDGS BHD	42.1	45.5	44.6	n.a.	n.a.
MMC CORP BHD	19.4	24.4	26.4	27.7	n.a.
POS MALAYSIA BHD	11.2	11.2	13.6	21.9	n.a.
WESTPORTS HOLDINGS BHD	37.6	44.2	43.4	n.a.	n.a.

**UTILITIES**

GAS MALAYSIA BHD	n.a.	n.a.	n.a.	n.a.	n.a.
MALAKOFF CORP BHD	n.a.	n.a.	n.a.	n.a.	n.a.
PESTECH INTERNATIONAL BHD	n.a.	n.a.	n.a.	n.a.	n.a.
PETRONAS GAS BHD	38.0	40.5	39.7	38.0	n.a.
TENAGA NASIONAL BHD	28.5	31.0	30.2	31.4	n.a.
YTL POWER INTERNATIONAL BHD	14.9	14.9	22.7	23.6	22.3

Source: Bloomberg, Kenanga Research

Notes: Bloomberg ESG Disclosure Score is a proprietary Bloomberg score based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. Companies that are not covered by ESG group will have no score and will show N.A. Companies that do not disclose anything will also show N.A. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. Each data point is weighted in terms of importance, with data such as Greenhouse Gas Emissions carrying greater weight than other disclosures. The score is also tailored to different industry sectors. In this way, each company is only evaluated in terms of the data that is relevant to its industry sector. This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point.

24 December 2019

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

***\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

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The Kenanga logo consists of the word "kenanga" in a lowercase, sans-serif font, followed by a stylized red circular icon that resembles a flower or a stylized letter 'K'.