

## Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies

### Background

On 30 June 2022, the SC issued a *Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies* (ESG Guidance Note), following thematic reviews conducted in 2020/2021 where selected FMCs were assessed on their policies and practices in managing ESG risks when undertaking investment activities.

The ESG Guidance Note aims to assist and guide FMCs in establishing a responsible investment framework by providing clarity and setting out the SC's expectations on the development and implementation of practices, policies and procedures in managing material ESG risks in FMCs' investment portfolios, as well as facilitate meaningful disclosure while driving positive impact and change.

The ESG Guidance Note includes illustrations of practices observed from the thematic reviews conducted and are supplemented with a list of Frequently Asked Questions (FAQ) to further enhance FMCs' understanding and effective implementation of the ESG Guidance Note.

### Salient features of the ESG Guidance Note



#### Governance and Strategy

- BOD to play an active role and set strategic direction in developing and adopting responsible investment, and for senior management to ensure the implementation; and
- ESG-related training and capacity building should be provided to BOD, senior management and staff.



#### Investment Risk Management

- Material ESG risks in investment portfolios should be monitored, assessed, and managed on a continuous basis; and
- FMCs are encouraged to conduct scenario analysis to assess the resilience of their investment portfolios.



#### Investment Process

- FMCs to incorporate ESG factors in research, analysis, investment selection and decision processes.



#### Stewardship

- FMCs to engage and monitor investee companies as well as exercise their voting rights on material ESG issues.



#### Disclosure

- FMCs to disclose their responsible investment related objectives, strategies, practices and activities.

Read more on Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies.

 <https://www.sc.com.my/api/documentms/download.ashx?id=09879b86-6948-4c0c-8d29-559764a09964>