

# FTSE4GOOD INDEX SERIES

Launched in 2001, the FTSE4Good Index Series is a series of benchmark and tradable indices for socially responsible investors. The index series is derived from the globally recognised FTSE Global Equity Index Series, offering FTSE's world-famous hallmark of cutting-edge index design and calculation technology.

The FTSE4Good criteria is applied to the FTSE Developed Index Series, which covers 23 markets and over 2,000 potential constituents. In the UK, the universe of eligible constituents is drawn from the FTSE All-Share Index. The series consists of five benchmark indices covering the Global and European regions, the US, Japan and the UK. An additional four tradable indices have been specially designed to provide asset managers with a cheap and efficient basis for investment products. These cover the UK, US, European and Global regions. A new FTSE4Good Environmental Leaders Europe 40 Index has also recently been launched.

## MEETING THE NEEDS OF SOCIALLY RESPONSIBLE INVESTORS

The FTSE4Good Indices appeal to a broad range of institutional and retail socially responsible investors who are looking to:

- Only invest in companies that demonstrate good standards in corporate responsibility
- Minimize the social, ethical and environmental risks within their portfolios
- Capitalize on the benefits of good corporate responsibility (e.g. eco-efficiencies, improved brand image etc)
- Avoid investing in traditionally excluded SRI sectors such as tobacco, defence and nuclear power
- Actively encourage companies to be more responsible

The indices are used as a basis for regional and global index tracker funds, a range of structured products, and as a stock selection universe for actively managed funds.

## BUILT-IN SCREENING

Helping investors to navigate through the plethora of corporate social responsibility (CSR) codes and standards around the world.

Keeping in step with the continually evolving corporate responsibility landscape and the changing nature of extra-financial risks can be an expensive and time consuming undertaking. The index inclusion criteria have been designed to identify companies that meet globally recognised and accepted socially responsible criteria as they evolve.

By using the FTSE4Good Index Series as an investment universe, investors can be assured that companies in their portfolios are also evolving to meet new challenges as they arise.

## FTSE4GOOD INCLUSION CRITERIA

Globally accepted and continually evolving standards

Criteria are developed using an extensive market consultation process and are approved by an independent committee of experts. A broad range of stakeholders help shape the criteria, including NGOs, governmental bodies, consultants, academics, the investment community and the corporate sector.

To remain consistent with market expectations and developments in CSR practice, the inclusion criteria are revised regularly. Since launch this has included tougher environmental and human rights criteria as well as new supply chain labour standards and countering bribery requirements. FTSE then engages with companies to ensure that they understand the new requirements. Those not meeting the standards are deleted from the index series.

The criteria have been designed to help investors minimise social, environmental and ethical risks. Companies with the largest risks and impacts have to meet more challenging requirements.



## TO BE INCLUDED IN THE INDICES, COMPANIES NEED TO DEMONSTRATE THAT THEY ARE:

In line with mainstream global SRI thinking, a small number of sector exclusions have been applied:

- Tobacco Producers
- Companies manufacturing either whole, strategic parts, or platforms for nuclear weapon systems
- Companies manufacturing whole weapons systems
- Owners or operators of nuclear power stations



Working towards environmental sustainability

Developing positive relationships with stakeholders

Upholding and supporting universal human rights

The inclusion criteria are fully transparent and freely available from our web pages at [www.ftse.com/ftse4good](http://www.ftse.com/ftse4good)

## FTSE ENGAGEMENT PROGRAMME – GOING BEYOND BOX TICKING

The Responsible Investment Unit (RIU) at FTSE undertakes a global engagement programme of continuous communication and dialogue with companies affected by the introduction of new criteria to help them understand the changes they need to make and by when. The team also provides guidance and support to companies as they work towards meeting the index's evolving corporate responsibility standards.

- Over 200 companies globally have responded to more stringent environmental criteria to improve their practices, with 85 being deleted for not doing enough to meet the challenge
- 58 companies have moved to meet the new tougher human rights criteria, with only 20 being deleted
- 20 companies to date have improved their policies, management systems and reporting on supply chain labour standards, with 2 being deleted

## RAISING FUNDS FOR UNICEF

All FTSE4Good fund licensing revenues go to UNICEF to help children around the world.

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