



Index overview

FTSE  
Russell

# FTSE4Good Index Series

Pioneering global ESG indexes

## Overview

Investors are increasingly incorporating Environmental, Social and Governance (ESG) considerations into core benchmarks and passive investments. FTSE Russell has been at the forefront of innovation in ESG indexing for nearly two decades, since the creation of the FTSE4Good Index Series in 2001, one of the world's first global ESG index families.

## Commitment to quality

The FTSE4Good Index Series is a market-leading tool for investors seeking to invest in companies that demonstrate good sustainability practices. It also supports investors that wish to encourage positive change in corporate behavior and align their portfolios with their values.

## Benefits

- Deliver impact through engaging with companies on their FTSE4Good assessment; therefore encouraging companies to improve ESG practices
- Aligns ESG values/objectives regarding controversial business activities by excluding or applying strict criteria on companies involved with such activities
- Avoids investing in pure play coal or traditionally excluded sectors such as tobacco and weapons
- Captures a broad universe of companies that are demonstrating strong ESG practices
- Utilizes a globally recognized brand in FTSE4Good®

## Features

### Comprehensive

Includes more than 15 benchmarks, based on the ESG Ratings of over 7,200 securities in 47 Developed and Emerging markets.

### Nearly two decades of data history

There are almost 20 years of index level returns and over that time the ESG assessment process and inclusion criteria has evolved to keep them aligned with industry trends and investor needs.

### Aligned with the UN Sustainable Development Goals

Supports alignment with the UN Sustainable Development Goals (SDGs). All 17 SDGs are reflected in the 14 ESG Themes that companies are assessed on in order to be included in the index series.

### Precise rules and focus on data

Minimizes subjectivity by having clearly defined rules for constructing the indexes and assessing companies.

### Transparent methodology

The index and ratings methodologies are available to users, so they can determine how a company is assessed. The ESG Ratings are based on publicly available data.

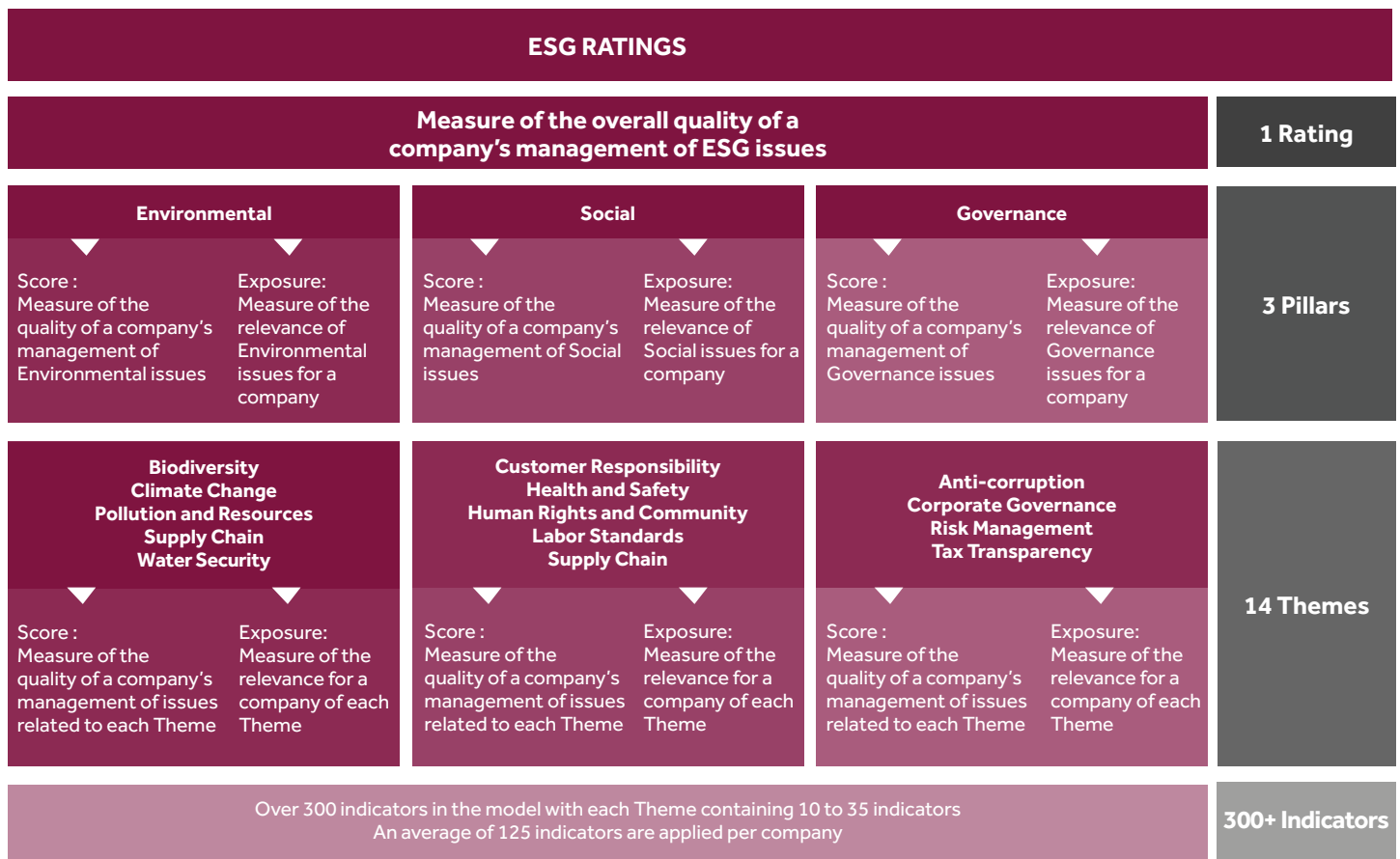
### Strong governance

Overseen by an independent external committee comprising experts within the investment community, business, NGOs, unions and academia.

## About FTSE Russell’s ESG Ratings

The FTSE4Good Index Series uses the overall Rating from FTSE Russell’s ESG Ratings and data model to select companies for inclusion. The ESG Ratings include over 7,200 securities in 47 Developed and Emerging markets.

The ESG Ratings are comprised of an overall Rating, which is used to adjust stock weights in the FTSE4Good Index Series. The overall Rating breaks down into underlying Pillar and Theme Exposures and Scores. The Pillars and Themes are built on over 300 individual indicator assessments that are applied to each company’s unique ESG risk exposures.



## Index construction process

### Starting universe

Start with the market capitalization weighted underlying index e.g. FTSE Developed Index, FTSE All-Share Index.

Step 1

### Constituent selection

The FTSE4Good selection criteria are designed to reflect strong ESG risk management practices. In order to be included in the FTSE4Good Index Series companies must have an overall ESG Rating of 3.3 out of 5<sup>1</sup>. This ensures only companies demonstrating strong management of ESG risks are included.

	Developed markets	Emerging markets
Companies newly included in the Index Series	ESG Rating of 3.3 or higher	ESG Rating of 2.9 or higher
Companies removed from the Index Series	ESG Rating lower than 2.9	ESG Rating of lower than 2.4

Step 1 Step 2

### Exclude companies based on controversies and business activities

Companies with exposure to "significant controversies" are not eligible for addition to the Index Series, and in the most extreme cases current index constituents will be deleted.

Manufacturers/producers of:

- Tobacco
- Weapons systems
- Controversial weapons (cluster munitions, anti-personnel mines, depleted uranium, chemical/biological weapons and nuclear weapons)
- Coal (ICB<sup>®</sup> Subsector)

Step 1 Step 2 Step 3

### Publish and Review Index

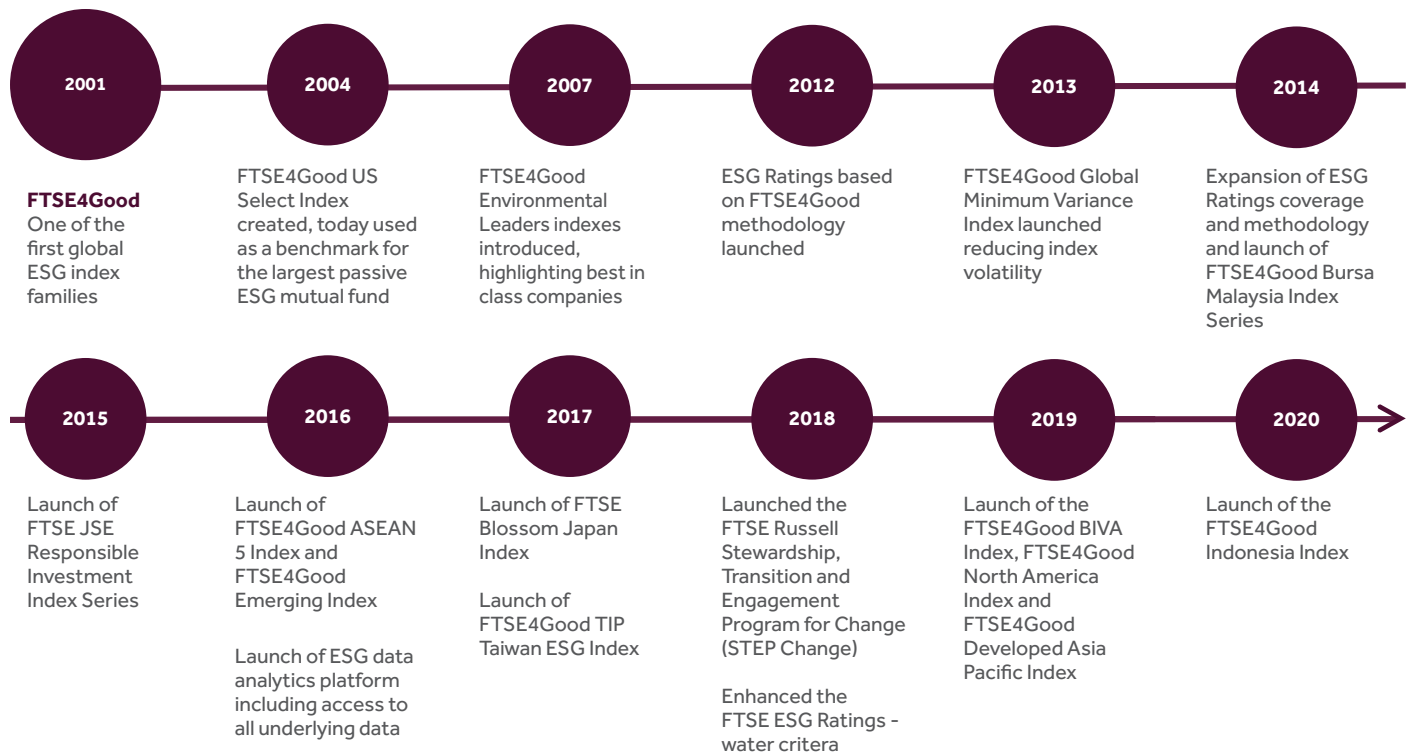
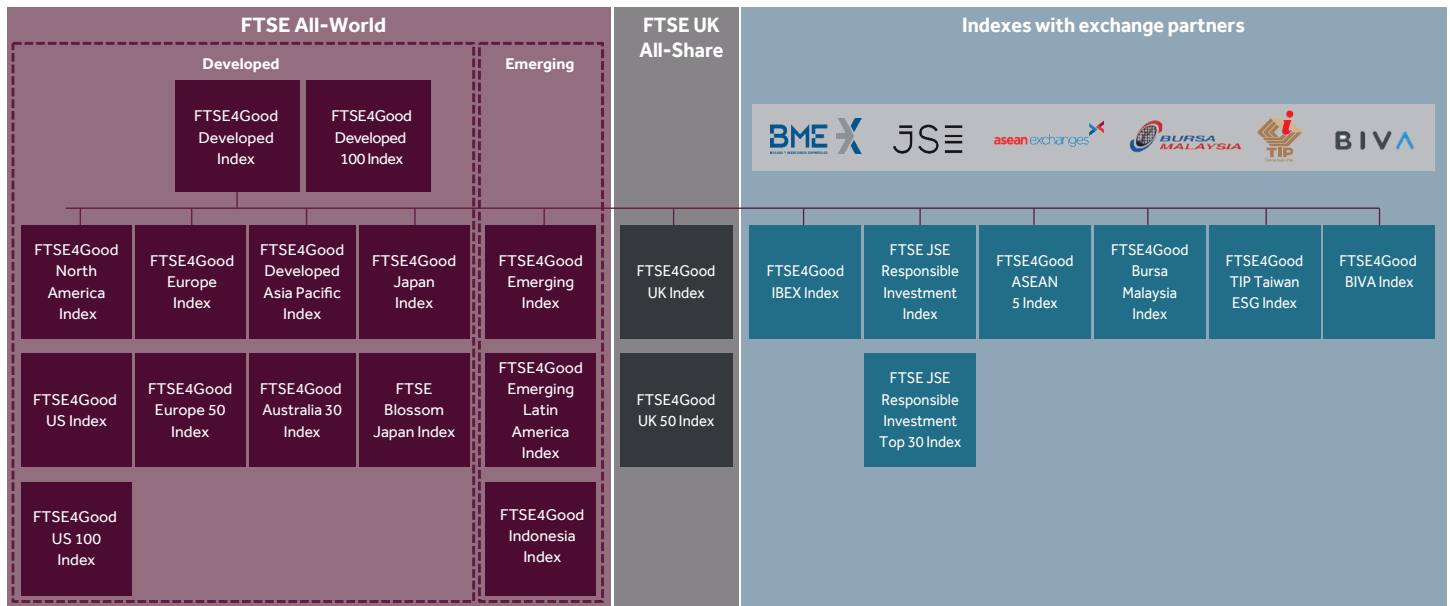
The FTSE4Good Index Series is reviewed semi-annually in June and December.

Any company with a Rating that has fallen below the minimum threshold is allowed a 12 month grace period to improve its Rating before the company is removed from the index. This incentivizes improvements in corporate practices and reduces the index turnover should the company improve, therefore meeting the standards needed.

<sup>1</sup> The threshold is lower for Emerging markets to reflect market differences.

## A global family of indexes

The FTSE4Good Index Series is calculated in real-time and is suitable for creating OTC and on-exchange derivative products as well as ETFs. Values are available on all the major vendor screens.



## About FTSE Russell

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit [ftserussell.com](https://ftserussell.com).

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