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.

Features

Comprehensive
Includes more than 15 benchmarks, based on the ESG Ratings of over 4,000 securities in 47 Developed and Emerging markets.

Nearly two decades of data history
There are over 17 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 4,000 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.

<table>
<thead>
<tr>
<th>ESG RATINGS</th>
<th>Measure of the overall quality of a company’s management of ESG issues</th>
<th>1 Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>Score: Measure of the quality of a company’s management of Environmental issues</td>
<td>3 Pillars</td>
</tr>
<tr>
<td>Social</td>
<td>Score: Measure of the quality of a company’s management of Social issues</td>
<td>14 Themes</td>
</tr>
<tr>
<td>Governance</td>
<td>Score: Measure of the quality of a company’s management of Governance issues</td>
<td>300+ Indicators</td>
</tr>
<tr>
<td></td>
<td>Exposure: Measure of the relevance of Environmental issues for a company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exposure: Measure of the relevance of Social issues for a company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exposure: Measure of the relevance of Governance issues for a company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure of the quality of a company’s management of issues related to each Theme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure of the quality of a company’s management of issues related to each Theme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure of the relevance for a company of each Theme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure of the relevance for a company of each Theme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measure of the relevance for a company of each Theme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over 300 indicators in the model with each Theme containing 10 to 35 indicators</td>
<td></td>
</tr>
<tr>
<td></td>
<td>An average of 125 indicators are applied per company</td>
<td></td>
</tr>
</tbody>
</table>
Index construction process

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

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 3.1 out of 5\(^1\). This ensures only companies demonstrating strong management of ESG risks are included.

<table>
<thead>
<tr>
<th>Developed markets</th>
<th>Emerging markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies newly included in the Index Series</td>
<td>ESG Rating of 3.1 or higher</td>
</tr>
<tr>
<td>Companies removed from the Index Series</td>
<td>ESG Rating lower than 2.7</td>
</tr>
</tbody>
</table>

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® Subsector)

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.

\(^{1}\) 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](http://ftserussell.com).
For more information about our indexes, please visit ftserussell.com.


FTSE Russell® is a trading name of FTSE, Russell, FTSE GDCM, MTS Next Limited, Mergent, FTSE FI and YB. “FTSE®”, “Russell®”, “FTSE Russell®”, “MTS®”, “FTSE4Good®”, “ICB®”, “Mergent®, “WorldBIG®”, “USBIG®”, “EuroBIG®”, “AusBIG®”, “The Yield Book®”, and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, FTSE GDCM, Mergent, FTSE FI or YB. “TMX®” is a registered trademark of TSX Inc. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided “as is” without warranty of any kind. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of the FTSE Russell Products or the fitness or suitability of the FTSE Russell Products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell Products is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing contained in this document or accessible through FTSE Russell Products, including statistical data and industry reports, should be taken as constituting financial or investment advice or a financial promotion.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group data requires a licence from FTSE, Russell, FTSE TMX, MTSNext, Mergent, FTSE FI, YB and/or their respective licensors.