

SOLUTION OVERVIEW

FTSE4Good Index Series

Pioneering global ESG indices



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. It also supports investors that wish to encourage positive change in corporate behaviour and align their portfolios with their values.

Benefits

- Engagement 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
- Utilises a globally recognised brand in FTSE4Good®

Features

Comprehensive

Includes more than 15 benchmarks, based on the ESG Scores of 8,000 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

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

Transparent methodology

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

External advisory committees

The FTSE4Good Index benefits from the advice of two external advisory committees. The committees provide guidance on the methodology of the FTSE4Good Index and the evolution of FTSE Russell's ESG indices.

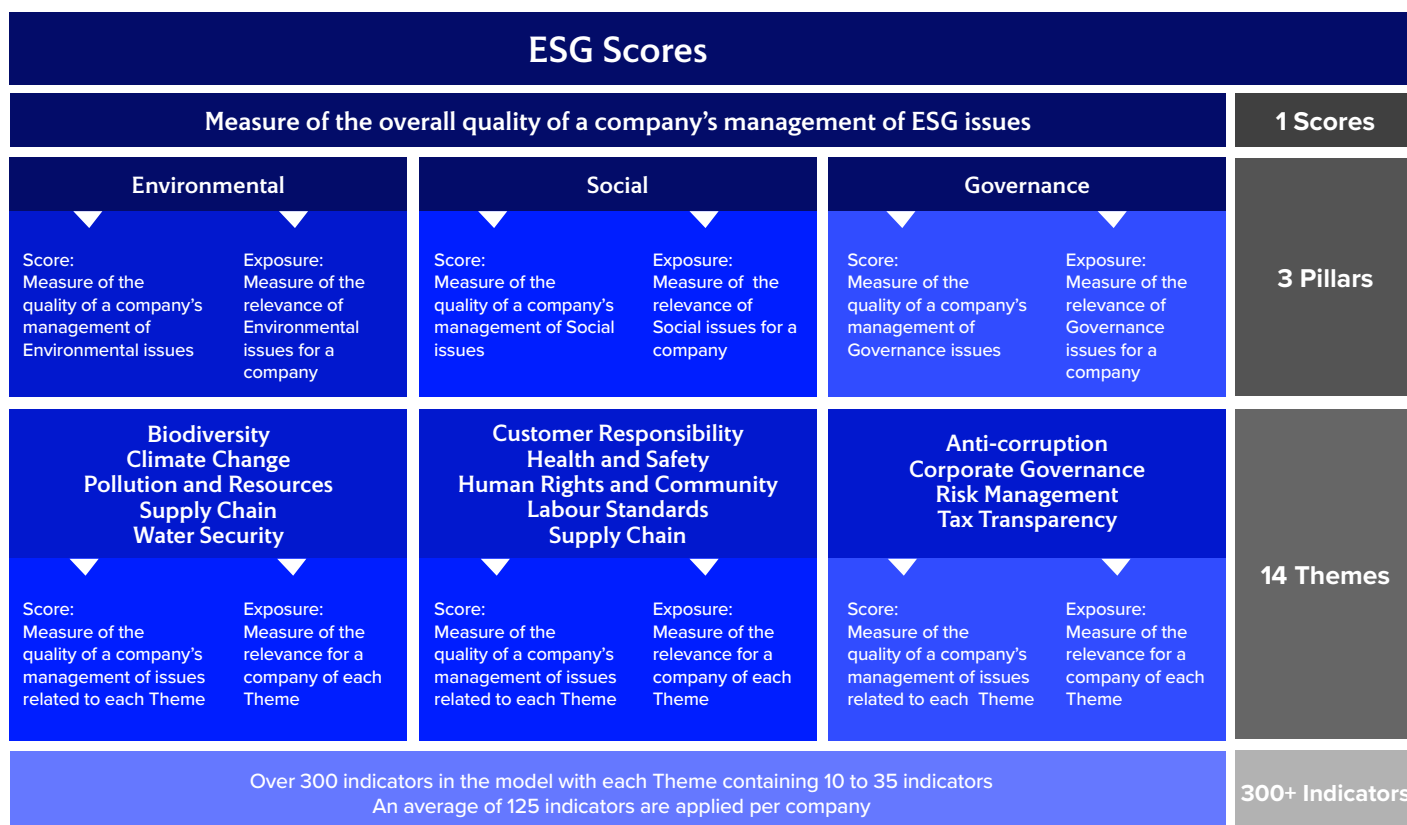


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About FTSE Russell's ESG Scores

The FTSE4Good Index Series uses the overall Score from FTSE Russell's ESG Scores and data model to select companies for inclusion. The ESG Scores include 8,000 securities in 47 Developed and Emerging markets.

The ESG Scores are comprised of an overall Score, which is used to adjust stock weights in the FTSE4Good Index Series. The overall Score 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.



Aligned with global climate standards

The climate change theme scores and underlying indicators were revised in June 2021 in line with FTSE Russell's work as the data partner of the Transition Pathway Initiative (TPI), a global asset owner led and backed initiative, which assesses companies on their strategy and governance of climate risk.

Index construction process

Starting universe

Start with the market capitalisation 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 Score of 3.3 out of 5¹. This ensures only companies demonstrating strong management of ESG risks are included.

	Developed markets	Emerging markets
Companies newly included in the Index Series	ESG Score of 3.3 or higher	ESG Score of 2.5 or higher
Companies removed from the Index Series	ESG Score lower than 2.7	ESG Score of lower than 2.1

The specific thresholds are outlined in the [index ground rules](#).

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® Subsector)

Step 1 > Step 2 > Step 3

Publish and Review Index

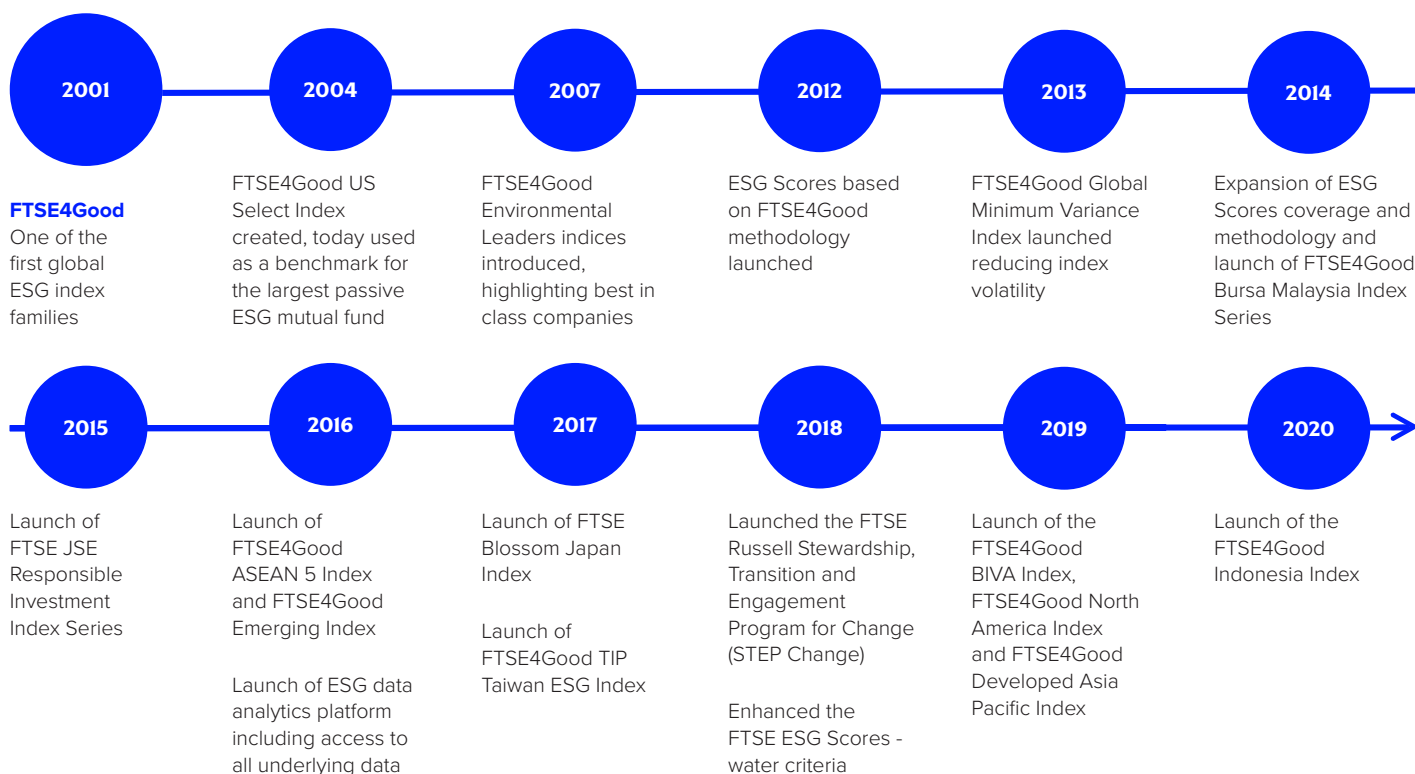
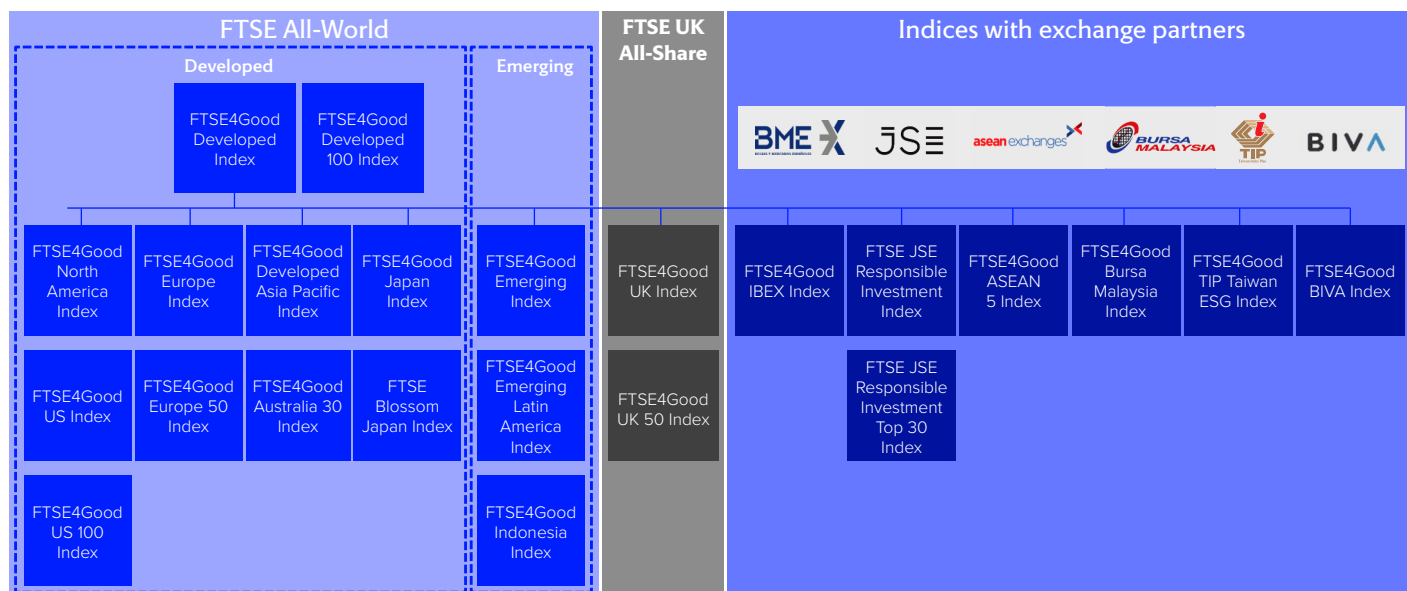
The FTSE4Good Index Series is reviewed semi-annually in June and December.

Any company with a Score that has fallen below the minimum threshold is allowed a 12 month grace period to improve its Score before the company is removed from the index. This incentivises 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 indices

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.



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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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