

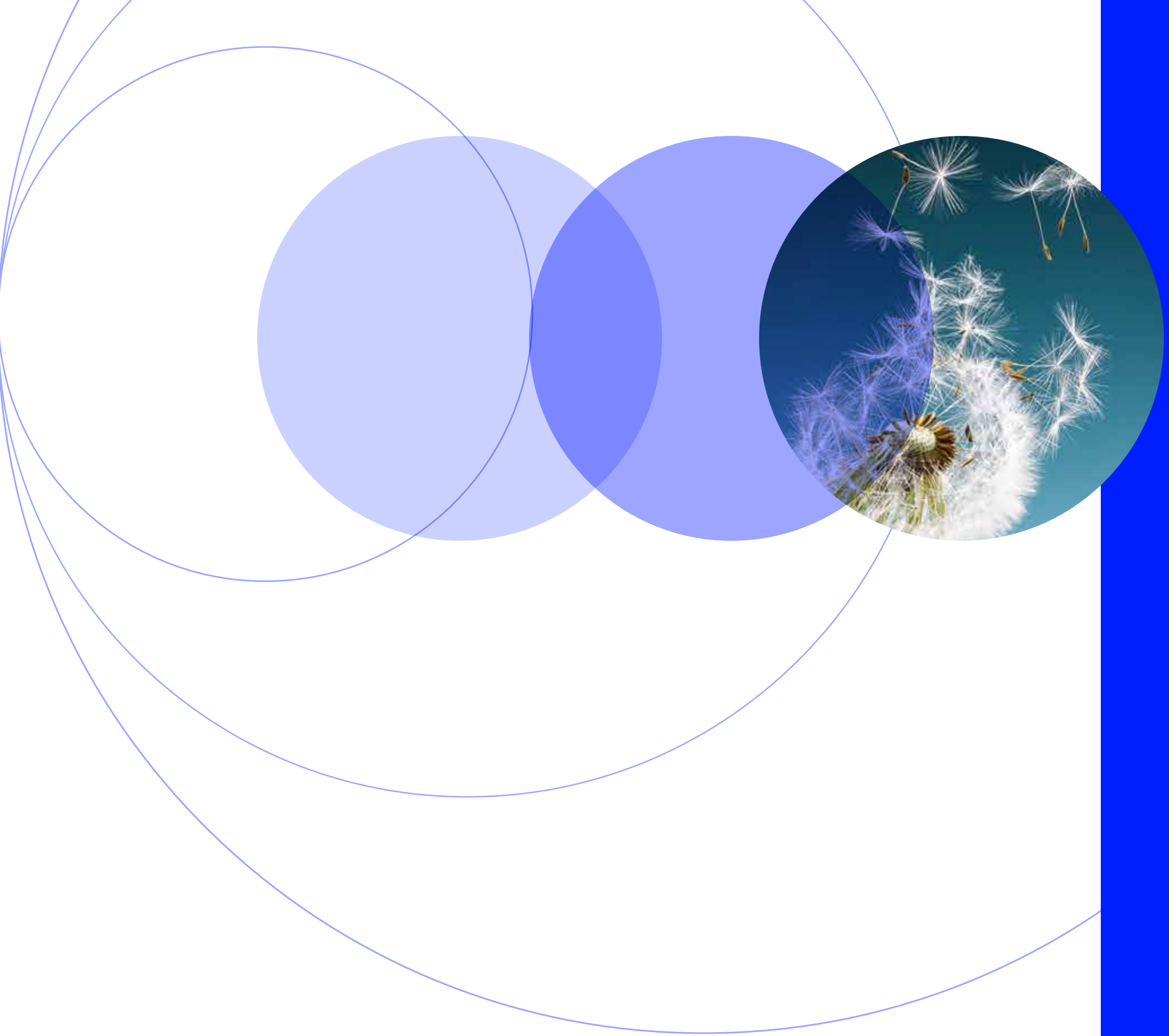
FTSE4Good
25
years

FTSE4Good 25th anniversary report

At the forefront of ESG indexing
since 2001

**FTSE
RUSSELL**

An LSEG Business



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Twenty-five years ago, sustainable investment was barely on the financial sector's radar. Socially responsible investing was a niche interest, almost entirely restricted to a small part of the retail market.

But change was underway. Reforms to the UK's Pensions Act in 2001 placed, for the first time, an obligation on pension funds to disclose whether they were taking social, environmental and ethical issues into consideration. Researchers were joining the dots between sustainability issues and corporate performance. Environmental markets were beginning to impose costs on pollution.

These emerging trends encouraged us to begin tracking environmental, social and governance (ESG) indicators and to develop an index based on companies' performance against them.

The FTSE4Good Index Series was designed to provide transparent, rules-based indices that investors could use to express their views on sustainability. Its thesis was that companies with better sustainability practices would deliver better and more stable risk-adjusted performance over the long term.

The index family was also intended to be a valuable tool to reflect and capture improved corporate sustainability performance over time, via gradually evolving the thresholds that companies need to meet for inclusion. In addition, it enabled a process of engagement between investors and companies around sustainability issues.

Twenty-five years later, the vast majority of institutional investors consider sustainability factors to some extent. According to one study, global ESG assets surpassed US\$30 trillion in 2022 and are expected to exceed US\$40 trillion by 2030. This accounts for over a quarter of projected global assets under management.¹ As at June 2025, US\$15.6 billion assets are invested in products or strategies that track or are benchmarked to the FTSE4Good index family. FTSE4Good has played an important role in the story of how the financial sector has integrated sustainability considerations into decision making.

This 25-year milestone offers an opportunity to reflect on the evolution of the FTSE4Good Index Series to date, and look ahead to its future as we continue to reflect the changing demands of sustainable investors.



Stephanie Maier
Global Head of
Sustainable
FTSE Russell

¹ [Global ESG assets predicted to hit \\$40 trillion by 2040, despite challenging environment, forecasts Bloomberg Intelligence](#), Bloomberg, press release 8 February 2024.

Executive summary

The FTSE4Good Index Series helps investors express their views on corporate sustainability performance and provides a key tool to support engagement with companies to improve that performance.



The FTSE4Good indices and associated index families have attracted a steadily increasing volume of assets since their launch.

Around US\$15 billion of assets are invested in products or strategies that track or are benchmarked to them.



Companies have improved their sustainability performance as the FTSE4Good threshold has risen.

Average sustainability performance across index constituents has improved as companies have worked to enter or remain in the indices as their requirements have evolved.



The indices have delivered consistent performance, broadly in line with the wider market.

The FTSE4Good indices were not designed to deliver outperformance, but performance in line with their benchmarks. Periods of under- or overperformance have been driven by changing sector weightings.



FTSE4Good indices have been adopted around the world. FTSE Russell has partnered with institutional investors and national exchanges to launch index variants in countries such as Japan, Malaysia, and Taiwan.



The index family evolves to meet changing market requirements. The index methodology has been regularly updated to reflect developments in corporate sustainability practice, disclosure and to meet changing investor needs.

FTSE4Good's role in the evolution of sustainable investment

We launched the FTSE4Good Index Series in a marketplace with limited corporate reporting of ESG data and almost no regulation compelling disclosure.

Financial accounting has evolved over hundreds of years of practice, law and regulation to a point where companies report standardised, comparable measures of corporate financial performance. When the FTSE4Good index family appeared in 2001, the Global Reporting Initiative – the first voluntary framework for sustainability reporting – was just four years old.

At the time, the only mandatory ESG or sustainability regulation globally was a requirement in the UK, introduced in 2000, for pension fund trustees to disclose their policy on socially responsible investment, or explain why they did not have one.



Structured approach to ESG disclosure

The FTSE4Good index methodology marked an important step in transparency and standardisation for ESG investing by moving beyond values-based approaches to a structured, materiality weighted assessment of each company's performance across defined themes and indicators. Its systematic and transparent framework was easily understood by investors and companies alike, while FTSE's trusted brand helped elevate sustainable investment within mainstream markets and enhance its credibility.



An evolving sustainable investment market

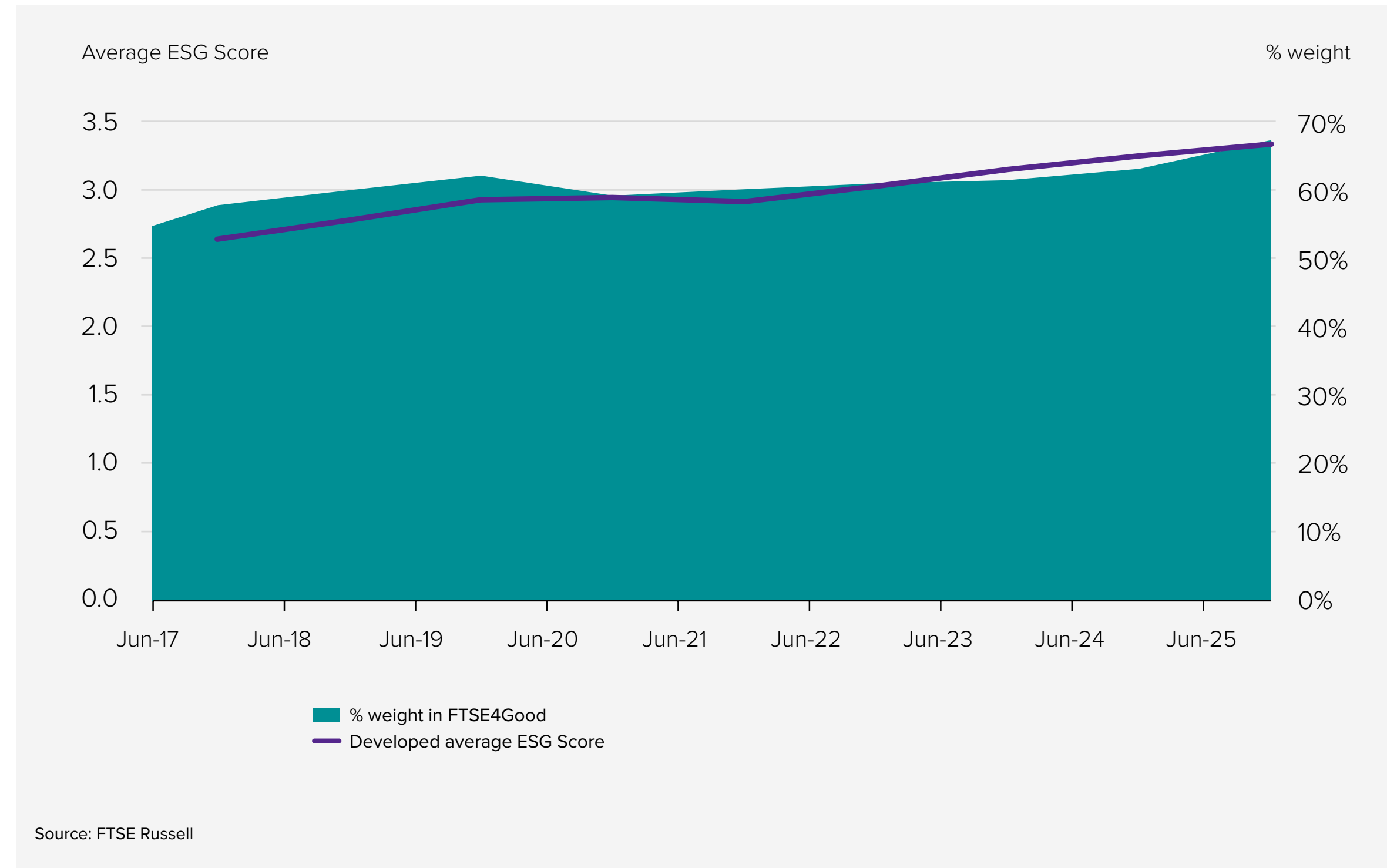
The decade following the launch of FTSE4Good was marked by voluntary initiatives around sustainable investment, including the establishment of the Principles for Responsible Investment in 2006 and FTSE's collaboration with Impax Asset Management to launch the Green Revenues Classification System in 2008. During the 2010s, investor-led initiatives and regulations accelerated. These included the launch of the Sustainability Account Standards Board in 2011 and the Task Force for Climate-related Financial Disclosures in 2015, alongside EU led disclosure requirements, driving growth in ESG ratings, indices and investment strategies.

Throughout this period, the FTSE4Good index family has provided a consistent approach to capturing corporate sustainability performance. It has met growing investor demand for the integration of ESG factors into passive index strategies – the preferred sustainable investment approach of 61% of asset owners, according to our [latest annual survey](#) – based on a clear and transparent scoring methodology.

How FTSE4Good has supported sustainability goals

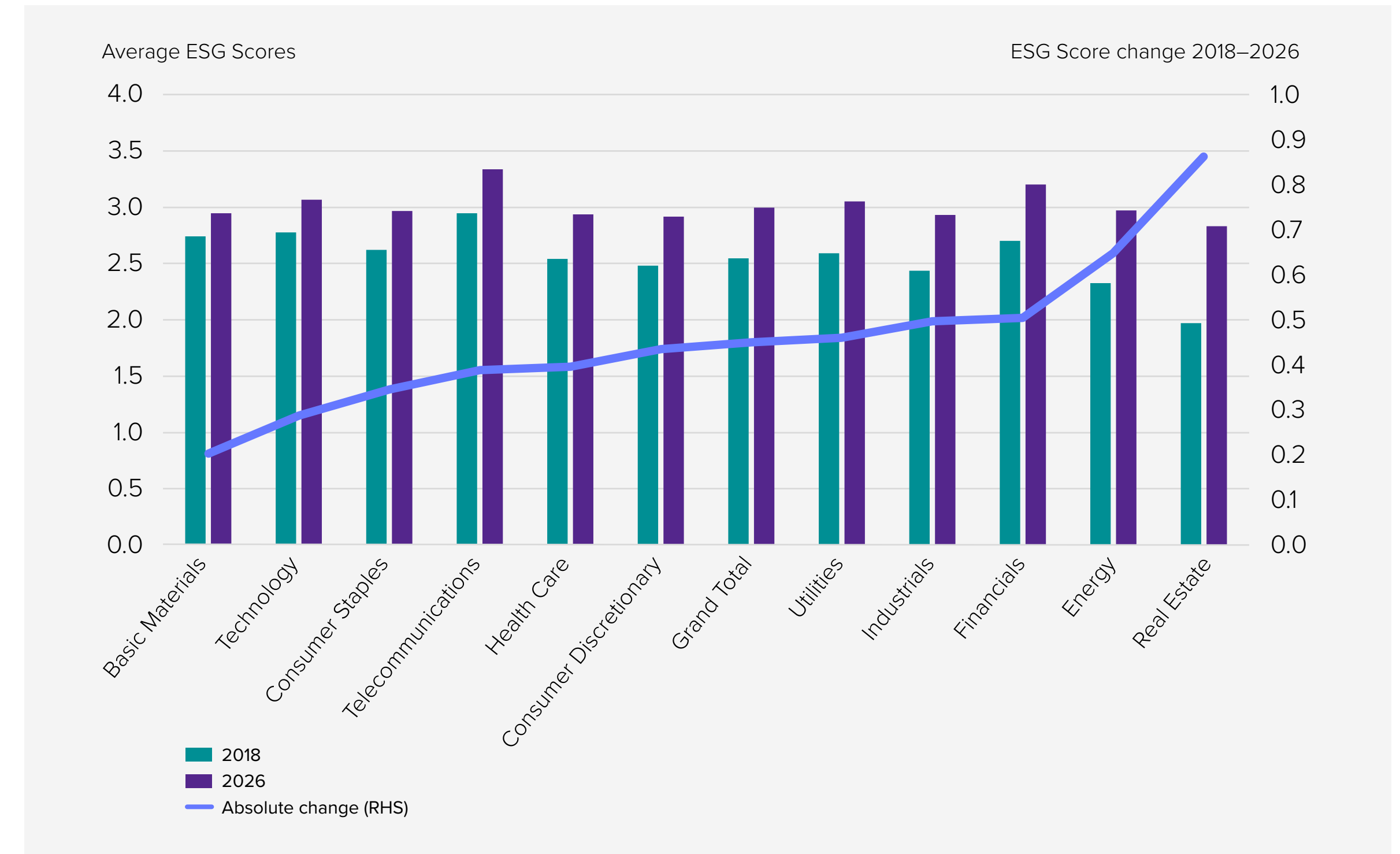
The assessment methodology combines consistency with a mechanism to identify and capture improving sustainability performance. We review the FTSE4Good scoring system to ensure that it continues to reflect investor expectations for good corporate sustainability practice. This has led to a gradual evolution of the thresholds for inclusion while simultaneously rising scores among constituents and rising participation in the FTSE4Good indices.

Figure 01. Scores, weighting from the ESG scoring methodology revision in 2017



By regularly reviewing its standards, FTSE4Good has helped support rising sustainability performance and broader participation across global markets.”

Figure 02. Comparison of average industry ESG Scores, 2018–2026



Investors and companies around the world have embraced the indices

Market adoption (USD)

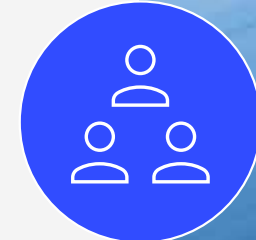
~\$15.6bn at June 2025

across 19 funds, tracking or benchmarked against:

- FTSE JPX Blossom Japan
- FTSE4Good TIP Taiwan ESG
- FTSE4Good US
- FTSE4Good UK 50
- FTSE4Good UK

Source: FTSE Russell passive asset report. June 2025

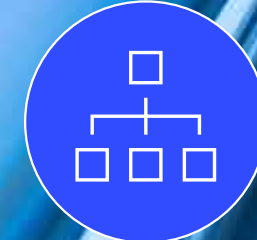
Stakeholder use cases



Investors

Use in stewardship, engagement frameworks, and investment policies

FTSE4Good is used by clients as both an investable benchmark and a practical sustainability framework. Investors apply the indices in portfolio construction, product development and performance measurement, while also drawing on the underlying criteria to support stewardship and engagement.



Corporates

Use of FTSE4Good scores and inclusion as a reputational marker

Inclusion in the FTSE4Good and FTSE Blossom indices is widely recognised as a signal of good sustainability practices, with many companies highlighting their membership in external communications – with more than 1,500 doing so since 2019. Internally, for included companies, index membership helps focus sustainability efforts and supports continuous improvement at senior leadership levels.



Academics

References in research and longitudinal studies

Over the past 25 years, FTSE4Good has featured widely in academic and practitioner literature exploring financial and behavioural implications of responsible investment, examining performance impacts and corporate responses to inclusion, and its role as a benchmark and reference point for sustainable investment strategies. It has been referenced in more than 11,000 academic papers.²

² Google Scholar query, 1 March 2026.

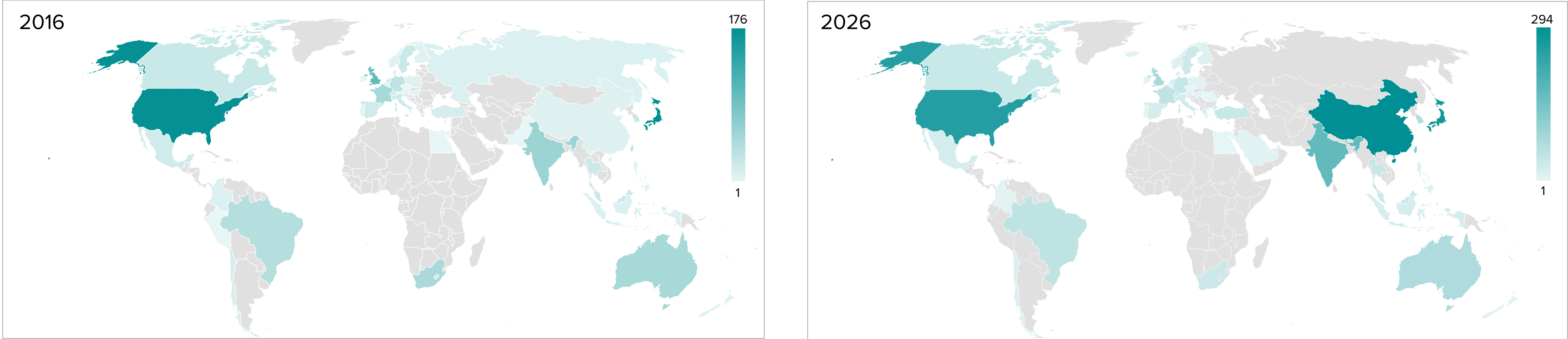
Global reach

FTSE Russell has collaborated closely with stock exchanges and institutional investors to develop regionally tailored FTSE4Good indices, combining its global ESG methodology with local market expertise. In markets such as Malaysia, Taiwan and Japan, this approach underpins indices such as the **FTSE4Good Bursa Malaysia Index Series (Bursa**

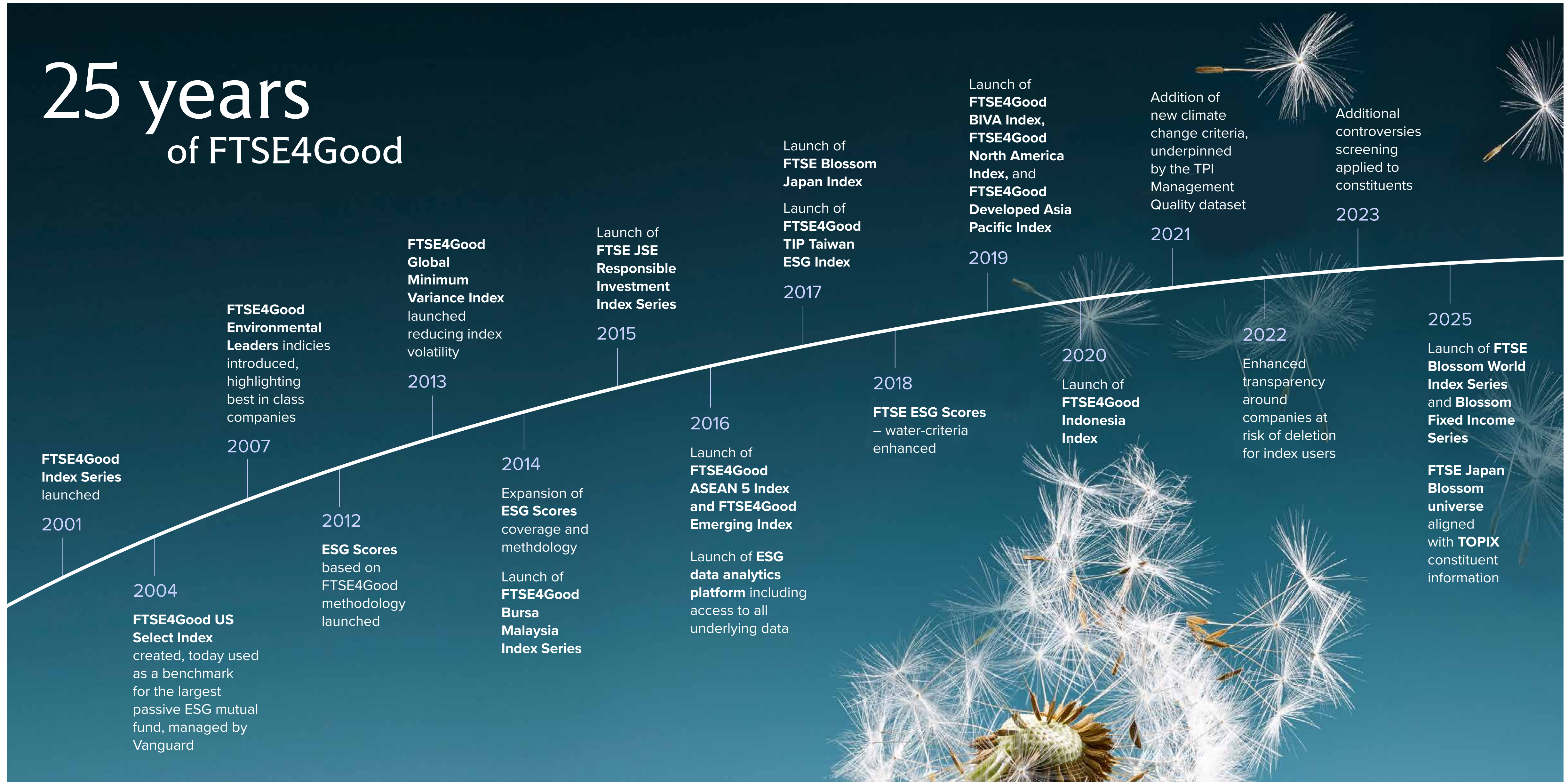
Malaysia), the **FTSE4Good TIP Taiwan ESG Index (Taiwan Stock Exchange)** and the **FTSE Blossom Japan Index Series (Japan Exchange Group)**, helping strengthen ESG awareness, create credible local benchmarks and align global standards with domestic market needs.

Figure 03. FTSE4Good constituents, 2016 to 2026

Shading shows relative constituent counts by country over time. Growth in Chinese constituents follows the inclusion of China A shares in FTSE benchmarks in 2019.



25 years of FTSE4Good



Performance analysis

Historical performance

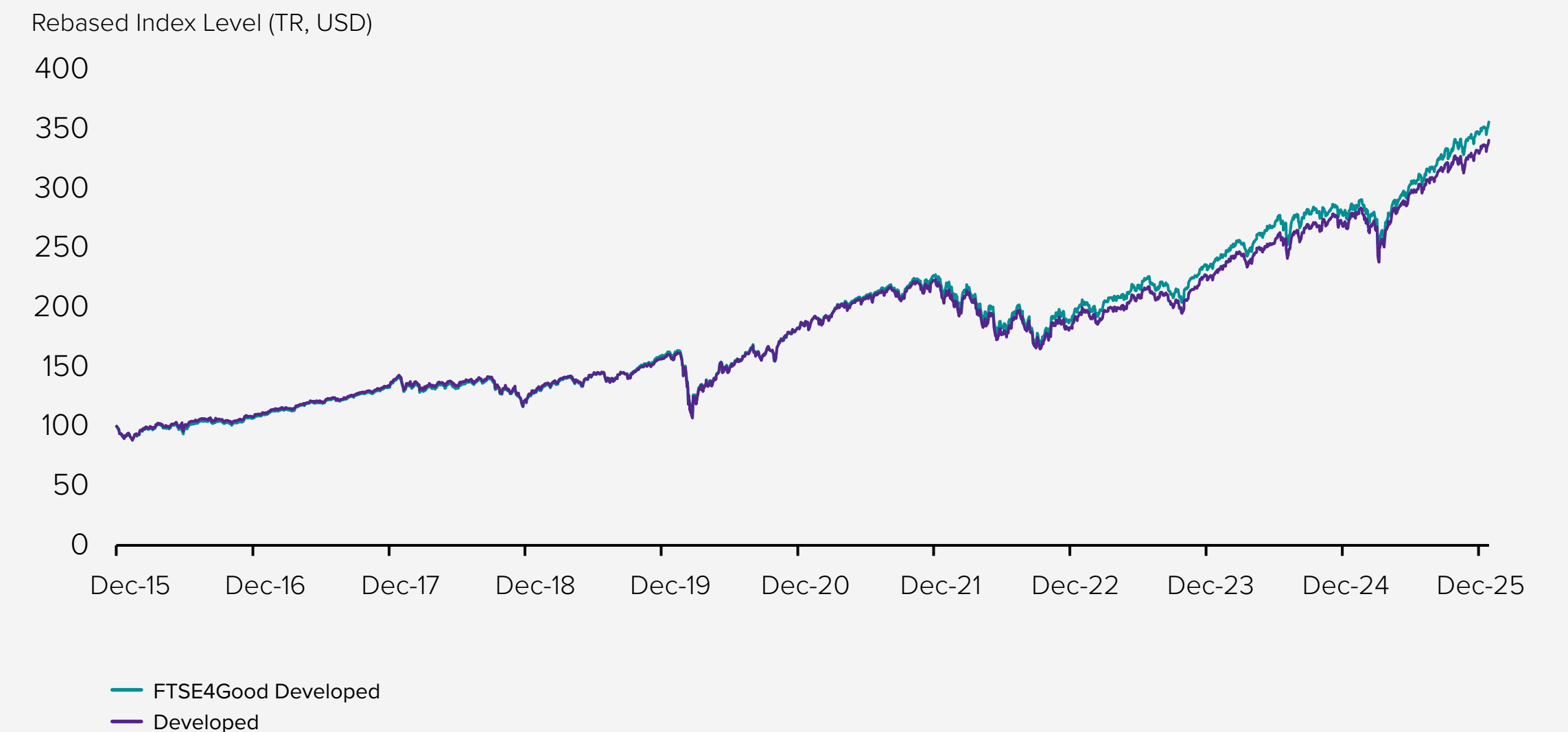
The FTSE4Good index family was created to enable investors to express their views on sustainability through broadly diversified indices that closely track their broader market benchmarks

Although not designed to generate alpha, over the 10 years to the end of 2025, FTSE4Good Developed has outperformed, delivering a compound annual growth rate (CAGR) of 13.2%, compared with 12.7% for its benchmark. Notably, it outperformed during 2022, when many ESG indices and products performed poorly in the wake of the Russia Ukraine conflict.

Similarly, its emerging markets equivalent, FTSE4Good Emerging, has generated a CAGR of 10.9%, outperforming the 9.0% CAGR of the FTSE Emerging Index over the same period.

Over its 25-year lifetime, the FTSE4Good indices have marginally lagged the broader market. From June 2001 to 31 December 2025, the FTSE4Good Developed Index has grown at a CAGR of 8.9%, compared with a CAGR of 9.1% for its benchmark, the FTSE Developed Index. That means that an investment of £1,000 in the FTSE4Good index at inception would have returned £7,828, while the same sum invested in the benchmark would have returned £8,189.

Figure 04. 10-year performance of FTSE4Good Developed



Evolution of weighting

Differences in performance between FTSE4Good indices and their conventional market benchmarks reflect different sector weightings between indices and, within sectors, differences in sustainability performance of sector constituents.

Evolving corporate ESG practice over the last quarter century has resulted in some sectors achieving higher (or lower) average ESG scores at certain times than other sectors, meaning that they have been over- (or under-) represented in FTSE4Good.

This has meant that, for example, the FTSE4Good Developed Index in the early 2000s was overweighting financials, reflecting the relatively strong average ESG performance of finance sector stocks at that time. As a result, the index underperformed during the Global Financial Crisis, when banking stocks were particularly hard hit.

More recently, its overweight position in Technology stocks has benefited the index. But it is worth noting that its recent outperformance is not due to an across-the-board overweighting of the 'FAANG' stocks³ that have propelled the US stock market to record highs. Several of these leading Technology stocks do not score highly enough for inclusion in the index.

This selection effect supported the index in 2022. Although the index performance was impacted by its overweighting of the Technology sector and underweighting of Energy, the selection effects within industries – particularly in Technology, Consumer Discretionary and Healthcare – more than compensated.

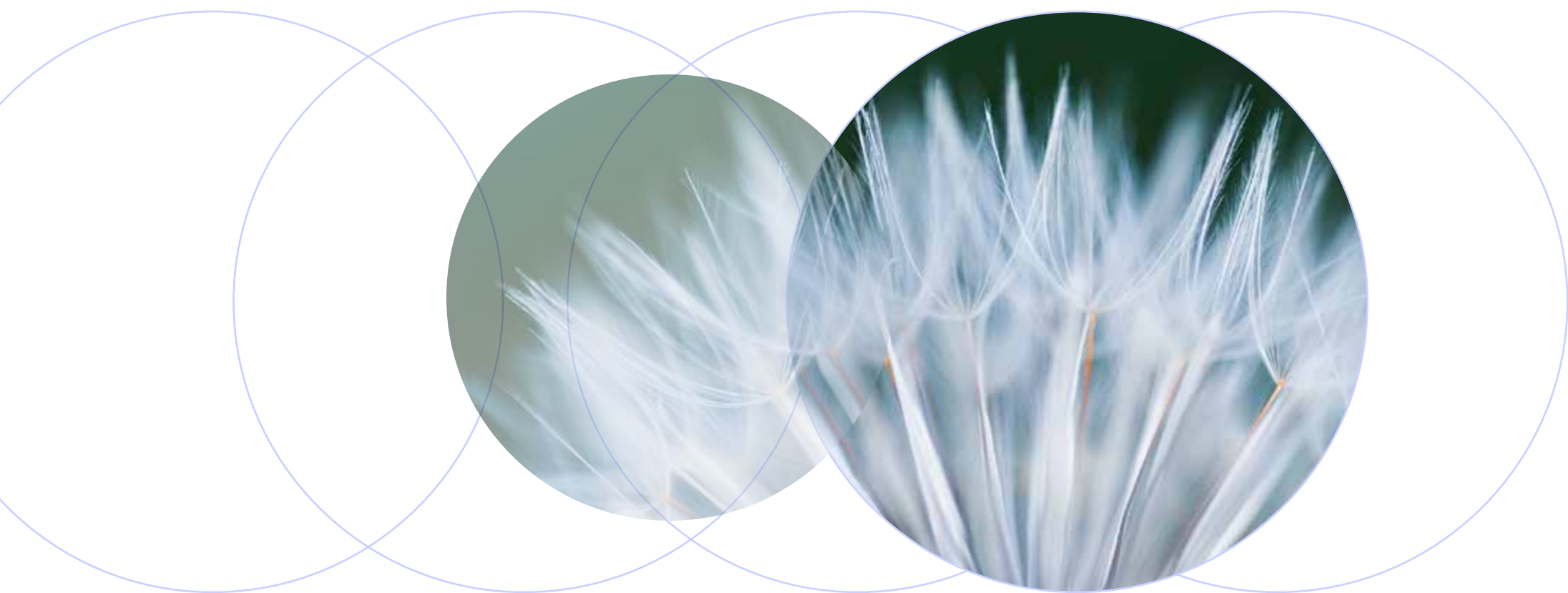
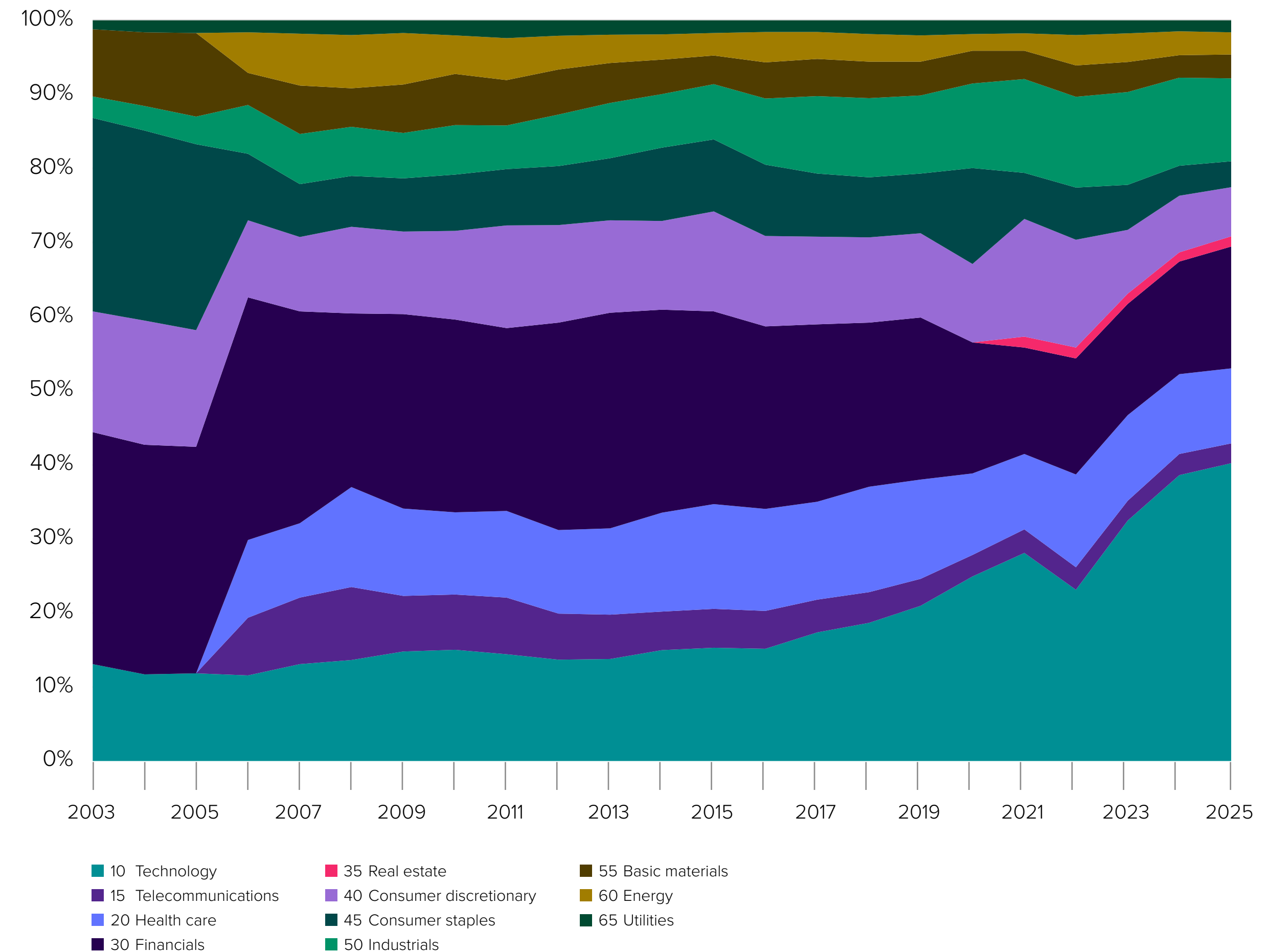


Figure 05. FTSE4Good Developed weight by ICB industry



³ Facebook (now Meta), Amazon, Apple, Netflix and Google (now Alphabet).

The combination of sector weighting and the selection effect have contributed to the index gradually improving its relative performance against the benchmark (see Figure 07). This selection effect suggests that, in line with the thinking behind the creation of the FTSE4Good index family in 2001, companies that perform better against sustainability metrics are, over time, also likely to perform well financially.

Figure 06. FTSE4Good Developed attribution, 2022 (%)

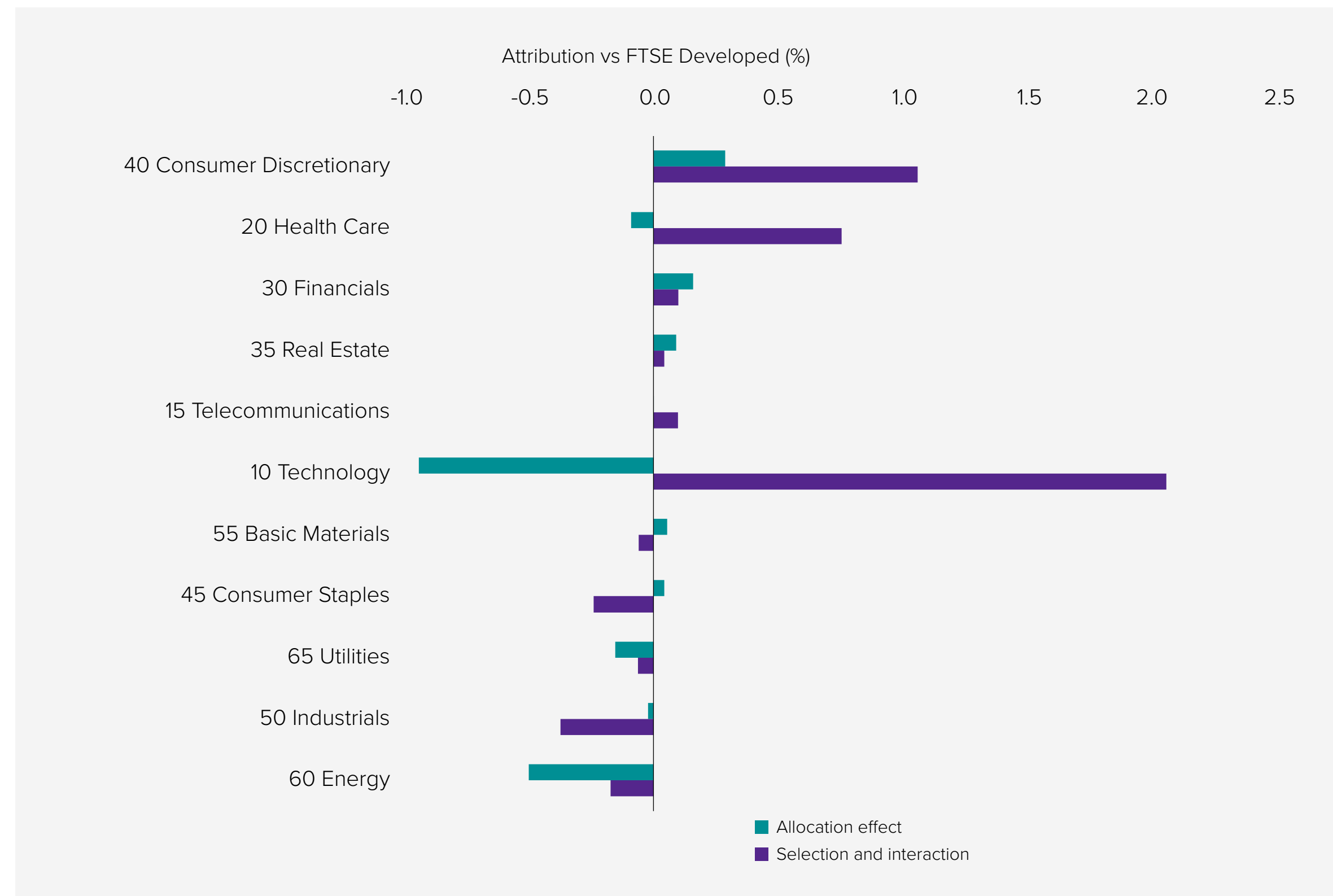
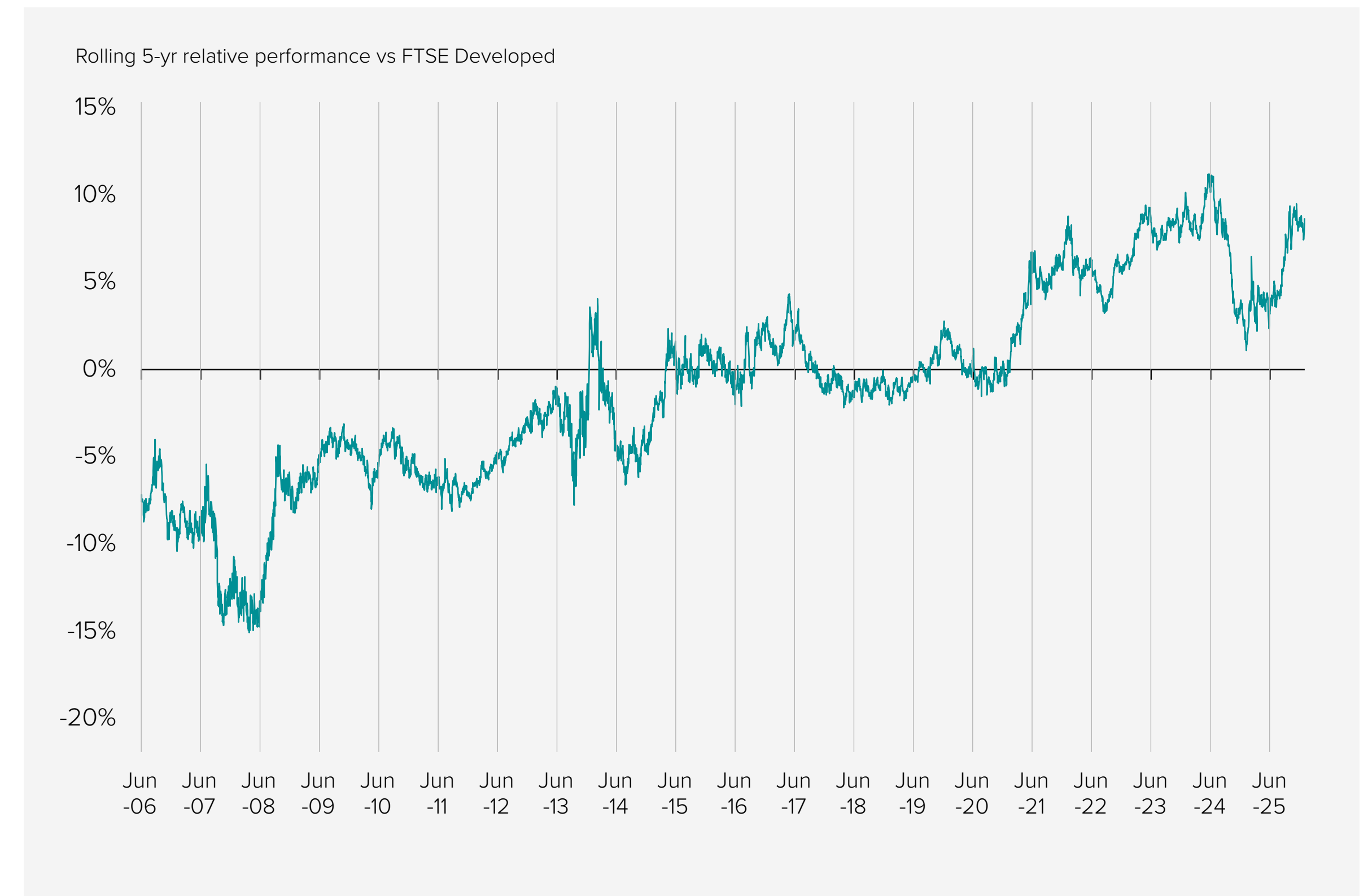
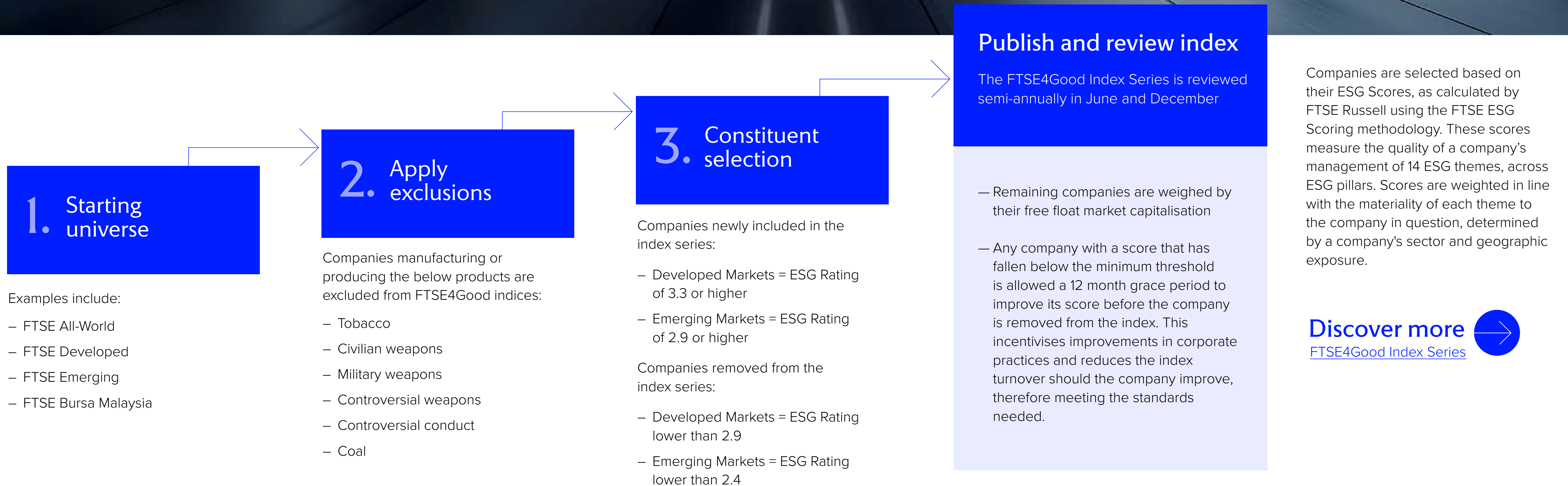


Figure 07. FTSE4Good Developed 5-year relative performance



FTSE4Good methodology today

The FTSE4Good index family now comprises 15 benchmarks, with companies chosen from the FTSE All World, FTSE Developed, FTSE Emerging and FTSE Bursa Malaysia indices – making up a universe of some 8,000 securities across 47 developed and emerging markets.



Index eligibility

FTSE4Good indices include companies that meet minimum ESG performance thresholds and additional requirements for key ESG issues such as climate change. They exclude businesses involved in certain controversial activities or that face serious ESG controversies.

Engaging and enhancing

We periodically review the ESG Score thresholds, guided by our external Sustainable Advisory Committee and following market consultation, to gradually raise the bar for FTSE4Good Index inclusion.

Where constituents of the index fail to meet the continued inclusion rules, they are given a 12-month grace period to meet the requirements, and we transparently communicate with index constituents what is required to improve their ESG Scores and secure their index status. We also publish the list of 'at risk' constituents for transparency.

How companies use the methodology

The FTSE4Good methodology offers companies a guide to corporate good practice across the 14 themes. It enables them to benchmark their practice and performance. This transparent methodology supports improved corporate performance as companies respond to evolving requirements or address existing shortcomings.

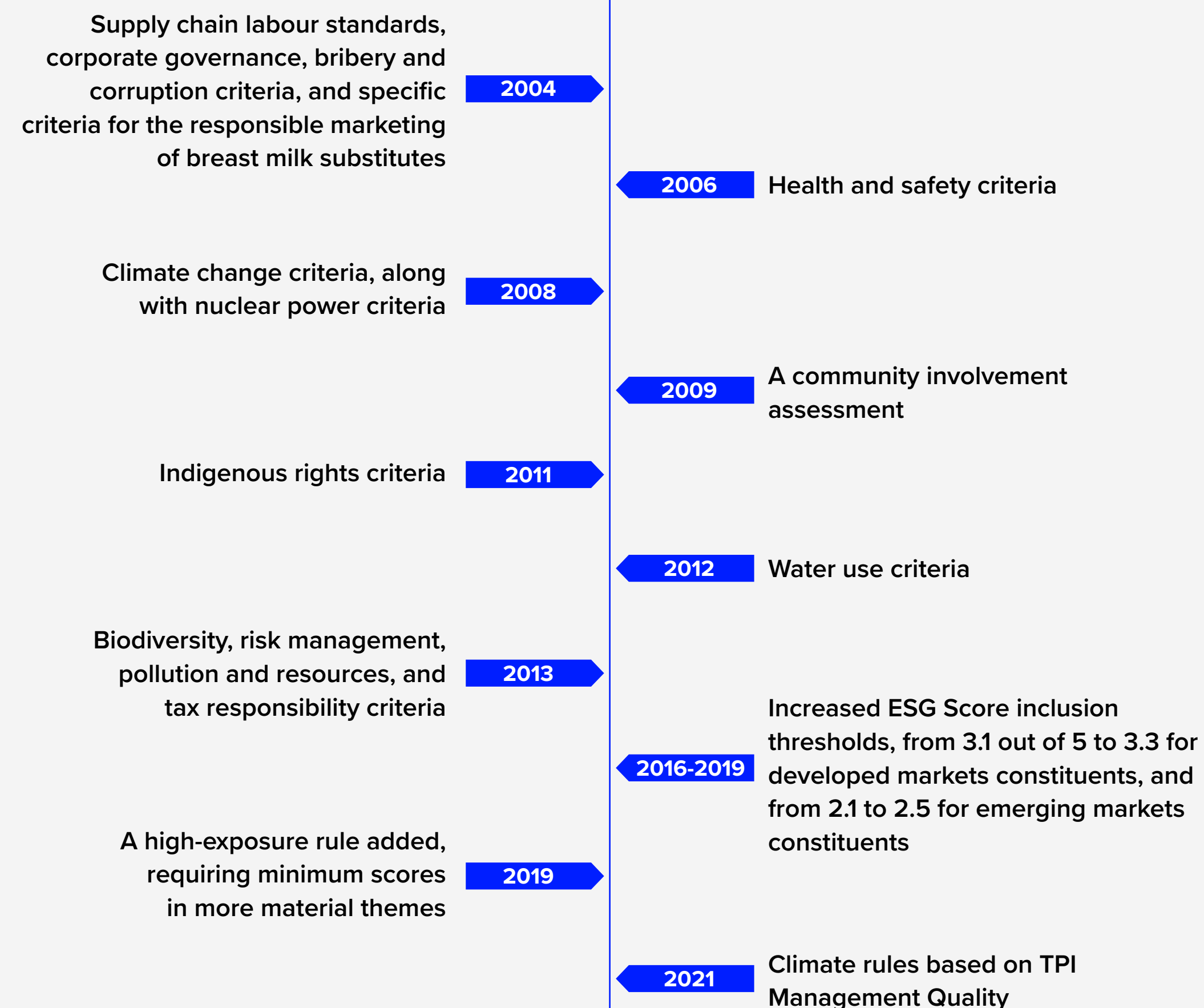
Companies that engage with FTSE Russell on the methodology achieve higher average ESG scores than those that do not (3.4 vs 2.6 in 2025) and slightly stronger year on year score improvements (+0.15 vs +0.14 between 2024 and 2025). Since the launch of the FTSE Blossom Japan Index in 2017, Japanese companies have been the most engaged by number, both on ESG scores and index membership.

Raising the bar

Every year, some companies are removed from the FTSE4Good indices because their performance has slipped or because they have not kept pace with evolving requirements for inclusion. However, each year more companies meet our standards and are added to the index family, showing how corporate sustainability performance continues to improve.

Enhancing the methodology

The index was launched solely with environmental and human rights criteria. Over time, methodology enhancements have included the development and addition of:



Voices from the journey

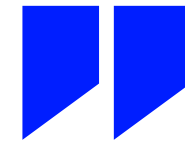


FTSE4Good has helped translate high-level principles into detailed criteria that are measurable and practical.

Over the years, we demonstrated a clear effect on the quality of corporate ESG performance and reporting, with requirements becoming progressively more specific as companies, the Advisory Committee and FTSE Russell learned from experience. Over the decade whilst I chaired the Committee, we lifted the requirements for the index inclusion a number of times and, in most cases, companies met the elevated requirements."

Sir Mark Moody Stuart

Previous chairman of the FTSE Russell ESG Advisory Committee

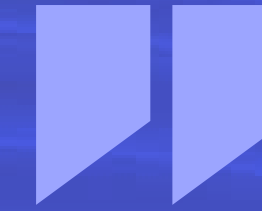


When the FTSE4Good Index Series was launched in 2001, creating an ESG-driven benchmark was still a new and ambitious idea.

As we learned more about how ESG factors shape risk and return, we saw the index quickly build momentum and encourage leading companies to step up their sustainability reporting and performance. It was a privilege to contribute to what has become a globally respected benchmark and it's inspiring to see FTSE4Good reach its 25-year anniversary."

Will Oulton

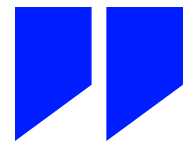
Chair, Columbia Threadneedle RI Advisory Council; previously Deputy Chief Executive, FTSE



FTSE4Good was a ground breaking index that helped shift corporate behaviour. Its launch made headlines – most notably Tesco's exclusion – which signalled to companies that sustainability issues were becoming material for investors. Tesco responded quickly, improving its practices and disclosures and recognising the wider impact of its operations. FTSE4Good can rightly be seen as a catalyst at the forefront of the sustainability movement."

Amanda Young

Former Chair of the FTSE Russell ESG Advisory Committee and former Chief Sustainability Officer, abrdn

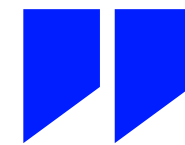


Those of us involved at the launch of FTSE4Good 25 years ago knew it was something original and worthwhile.

Within just a few months, as questions around index membership began influencing practices at major companies, it became clear that FTSE4Good was having a real impact. The combination of a rules based approach, active company engagement and a readiness to address the most challenging sustainability issues has ensured that the index – and its scores – continue to push companies and support investors worldwide.”

David Bull CBE

Former CEO of UNICEF UK, previously a member of the FTSE Russell ESG Advisory Committee



From the outset, we recognised FTSE4Good was breaking new ground. It wasn't long before company behaviour began to shift in response to the index's criteria, proving its impact. By combining clear rules, active engagement and a readiness to tackle tough sustainability questions, FTSE4Good has continued to push companies forward and equip investors globally.”

Chris Sutton

Founding member of the FTSE4Good Policy Committee/FTSE Russell ESG Advisory Committee



Our research found that FTSE4Good played an important role in helping accelerate adoption of environmental, social and governance standards. At a time when most companies didn't have sustainability policies and few sustainability benchmarks existed, there is robust evidence that FTSE Russell's recognition of sustainability leaders and its dialogue with and deletion of laggards, had a significant and measurable effect in driving adoption of improvements to sustainability policy and practice across hundreds of companies around the world.

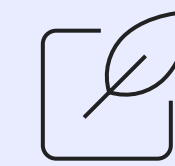
Dr. Craig Mackenzie

Senior Lecturer, Sustainable Enterprise, University of Edinburgh Business School; previously Deputy Chair of the FTSE Russell ESG Advisory Committee at launch

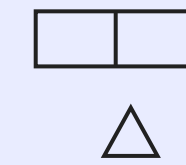
Looking forward: The future of FTSE4Good

This anniversary provides an opportunity to reflect on progress made and to look forward to the next 25 years of the FTSE4Good index family.

This year we will again be consulting with investors and index constituents to gather their views on the continuing evolution of FTSE4Good. We will be exploring the following themes:



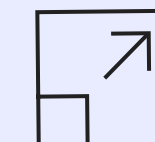
New and emerging sustainability themes across sectors and geographies



Inclusion threshold continuing to target 60–65% of the underlying universe by market cap or amending these thresholds



Relative requirements for emerging markets, given the centrality of emerging markets to improving sustainability standards but recognising weaker disclosure requirements



Expansion of the principles of FTSE4Good across assets classes, including corporate bonds and a more tailored approach to real estate

By undertaking the consultation, we want to ensure that the FTSE4Good index family remains as relevant to the investment community over the next quarter century as it has become over its first 25 years. Our goal is for it to continue to support investors and corporates in driving higher sustainability performance and exposure, and as a tool to drive capital allocation.

Conclusion

The FTSE4Good indices will continue to enable sustainable investment and drive corporate sustainability performance for the next 25 years

The indices have helped propel sustainability into the mainstream of the investment world. By putting one of the financial sector's best-known brands behind a then-novel approach to investing, FTSE Russell helped support and enable sustainable investment.

Over the last quarter of a century, the FTSE4Good Index Series has measured and captured improved corporate sustainability performance. The methodology has continuously evolved to incorporate emerging ESG risks, impacts and opportunities, allowing investors exposure to better sustainability performers.

Its success has depended upon a growing ecosystem addressing corporate sustainability. Ultimately, the index family has succeeded because it has been used by investors and embraced by companies, who recognise its rigour, objectivity, credibility and transparency.

We look forward to the next 25 years of partnership to ensure FTSE4Good remains at the heart of corporate sustainability, leveraging the full capabilities of FTSE Russell and LSEG.



Discover
more online

[FTSE4Good Index Series | LSEG](#)

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For over 40 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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