



Index overview

FTSE
Russell

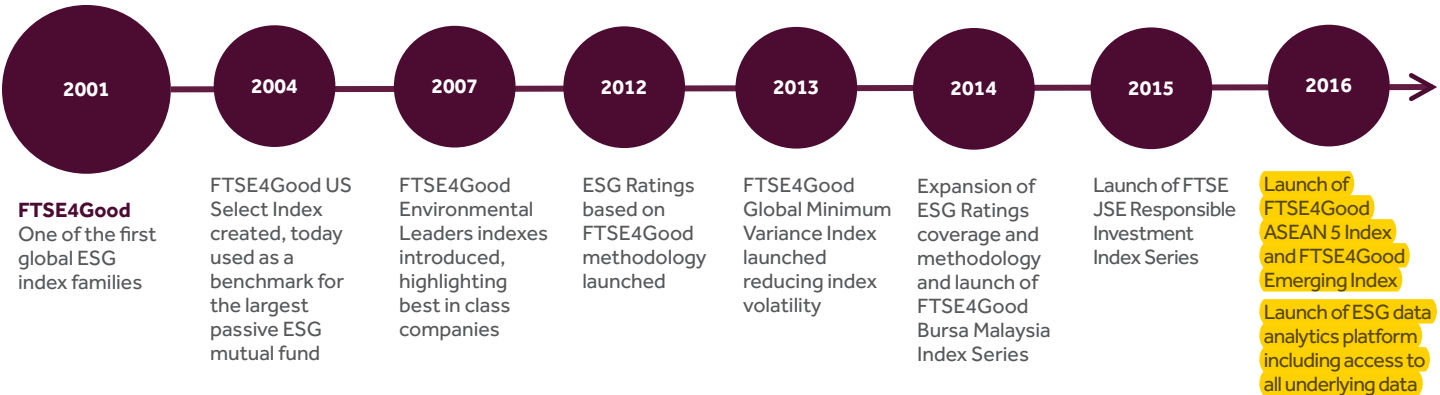
FTSE4Good Index Series

Pioneering global ESG index

The era of 'ESG-aware' investing, whereby Environmental, Social and Governance (ESG) considerations are a part of investment and risk management decisions, is here to stay. But back in 2001, when the FTSE4Good Index Series was launched, it took vision and a dedication to innovation to create one of the world's first global ESG index families.

FTSE Russell brings over 15 years of ESG experience and provides data analytics, ratings and indexes covering thousands of companies worldwide.

The FTSE4Good Index Series remains a market-leading tool for investors that wish to align their portfolios with their values, or seek to invest in companies based on their management of ESG risks and demonstration of leading management practices.



Key features

Comprehensive

The FTSE4Good Index Series includes more than 15 benchmarks, based on research of over 3,000 securities in 46 Developed and Emerging markets.

Investable

The eligible universe for the FTSE4Good Global and Emerging Indexes¹ is the FTSE All-World Index, which applies free float adjustment, liquidity screens and other investability measures to include only those stocks typically considered by institutional investors.

Aligned with the UN Sustainable Development Goals

The FTSE4Good Index Series 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

The FTSE4Good Index Series minimizes subjectivity by having clearly defined rules for constructing the indexes and assessing companies.

15 year data history

There are over 15 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.

Dedicated client support

Clients benefit from access to a dedicated team of experts based in Europe, North America and Asia.

¹ Note that some other country and regional indexes may use other FTSE indexes as the starting universe, which will also have liquidity and other investability requirements

Construction matters

Selection criteria

The FTSE4Good selection criteria are designed to reflect good practice ESG risk management. The FTSE4Good Index Series is not a 'Best-in-Class' index with a narrow and constrained stock universe, but rather is meant to capture a broad universe of companies that are working to manage and improve ESG performance.

The FTSE4Good selection criteria cover the following areas:

- ESG risk management and performance, measured using FTSE Russell's ESG Ratings
- Exclusion of companies involved in weapons, tobacco and companies where coal mining is their main business



ESG Ratings

The Ratings are comprised of an overall Rating that breaks down into underlying ESG exposure measures and performance scores that are built on over 300 individual indicator assessments. Depending on a company's unique industrial and geographic exposures different subsets of these indicators apply.

Applying the Ratings to FTSE4Good Index Series

In order to be included in the FTSE4Good Index Series companies must have an overall ESG Rating of 3.1 out of 5². This ensures only companies demonstrating good practice management of ESG risks are included.

To reduce turnover, and improve practices and disclosure, any company with a falling rating³ is allowed a 12 month grace period before the company is removed from the index.

The full FTSE4Good Index Series construction methodology is available on ftserussell.com

² The threshold is lower for Emerging Markets to reflect market differences.

³ The current level for deletion is a rating of below 2.5. The deletion threshold is also lower for Emerging Markets to reflect market differences.

Governance matters

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. No surveys are conducted, however all of the evaluated companies are given a chance to review their initial assessment and point out additional publicly disclosed information should they exist.**

FTSE Russell ESG Advisory Committee

FTSE4Good Index Series is overseen by an independent external committee comprising experts with experience in the investment community, business, NGOs, unions and academia. The Committee ensures that the key themes, principles and criteria of FTSE4Good Index Series will evolve in line with market expectations and that the high standards of governance are applied to the assessment and construction methodologies.

Uses of the index

The FTSE4Good Index Series appeals to a broad range of market participants who are looking to:

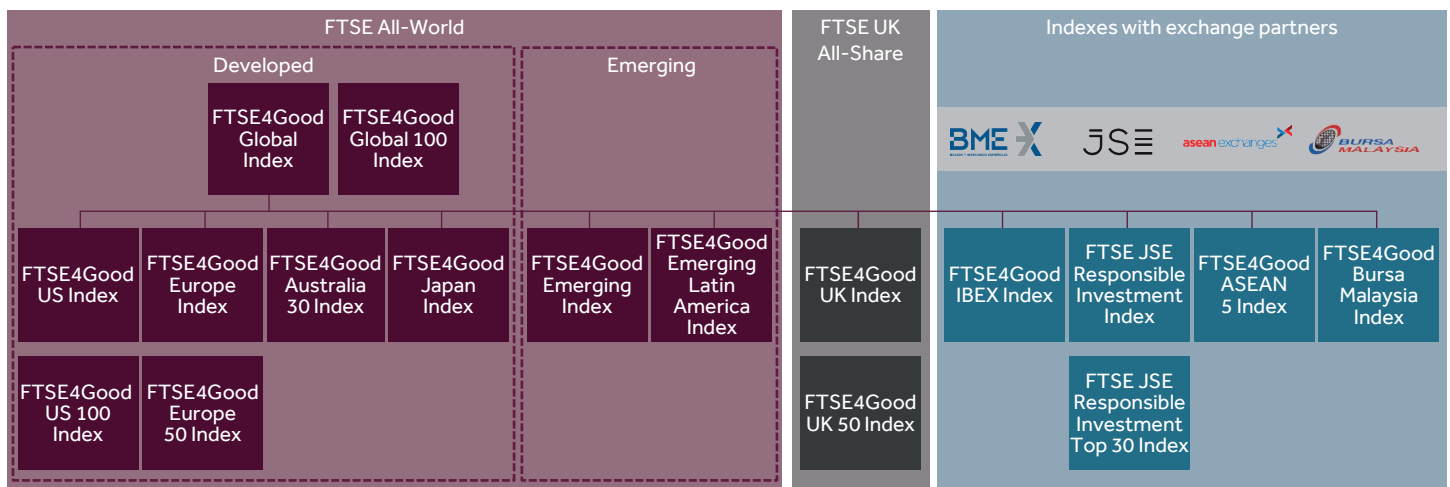
- Utilize a globally recognized brand in FTSE4Good
- Benchmark the performance of ESG-themed portfolios
- Create financial instruments such as mutual or tracker funds, structured products, exchange traded funds (ETFs) and other listed or Over-the-Counter (OTC) products to appeal to growing market demand
- Inform their investment decisions when selecting companies that demonstrate good practice management of ESG risks
- Avoid investing in pure play coal or traditionally excluded sectors such as tobacco and weapons
- Actively encourage companies to address ESG issues

A global family of indexes

The FTSE4Good criteria are applied to a range of starting indexes whereby all companies will be assessed against the methodology. This combined starting universe includes all companies in the FTSE All-World Index and is supplemented with a range of additional domestic indexes which cover smaller capitalization companies in a range of markets, overall FTSE Russell conducts ESG research on over 4,000 securities globally across 46 Developed and Emerging Markets. In the UK, the universe of eligible constituents is drawn from the FTSE All-Share Index and there are a series of country-specific ESG benchmarks calculated for local exchange partners.

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

The FTSE4Good Index Series family



About FTSE Russell

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

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 ETFs, structured products and index-based derivatives.

FTSE Russell is a pioneer of sustainable investment tools and services with 15 years of direct client engagement delivering a range of transparent data models and associated indexes, including:

- The Environmental, Social and Governance (ESG) Ratings and data model of more than 4,100 companies from which the FTSE4Good Index Series is derived
- The carbon focused capabilities including the Coal Assets data model, FTSE All-World ex Fossil Fuels Indexes, FTSE All-World ex Coal Indexes and FTSE Divest-Invest Developed 200 Index
- The recently launched Green Revenues (LCE) data model of over 13,400 companies which tracks detailed exposures to green revenues across one or more of 60 green sub-sectors. This data significantly enhances FTSE Russell's position as a leading provider of green economy indexes which includes the FTSE Green Revenues Index Series and FTSE Environmental Markets Index Series

The Green Revenues (LCE) data model provides a critical component missing from current sustainability models as it facilitates institutional investors to engage from both a risk and return basis in the world's transition to a green economy.

This comprehensive range of capabilities provides data certainty for institutions looking to create tracker funds, ETFs and structured products, and as data to inform active management, investment research and performance benchmarking services.

FTSE Russell also plays an active role in all the major regional sustainable investment industry associations. As a founding signatory, FTSE Russell also helped develop the United Nations-backed Principles for Responsible Investment (PRI).

FTSE Russell is part of London Stock Exchange Group, which has been a part of the Sustainable Stock Exchanges initiative as a Partner Exchange since 2014.

For more information, visit ftserussell.com.

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