



# FTSE4Good

Adding Values to Your Investments

Roby Muntoni  
SVP, Relationship Management  
May 19, 2005



## FTSE4Good Index Series

# Agenda

---

-  FTSE Group – Company Overview
-  Socially Responsible Investment Trends
-  FTSE4Good Index Series
-  FTSE4Good Criteria Development and Company Selection Process
-  Company Engagement Program
-  Summary



## FTSE4Good Index Series

# FTSE Group – Company Overview

---

-  Global Index Provider
  - Benchmark Indexes
  - Tradeable Indexes
  - Custom Indexes
  
-  One Stop Solution for Global Investing. Cover any currency, market, region, sector or asset class
  
-  Comprehensive, covering 98% of the World's Equity Market capitalization
  
-  Rules driven, governed by transparent publicly available rules



## FTSE4Good Index Series

# Investors Interested in a Diverse Range of Issues

---

Climate Change  
Human Rights  
Forced and Compulsory Labor  
Defense  
Alcohol  
Animal Rights  
Biodiversity  
Environment  
Nuclear  
Pornography  
Labor Rights  
Gambling  
Compliance  
Tobacco  
Corporate Governance  
Health and Safety  
Competition and Pricing  
Training and Education  
Indigenous Rights  
Non-discrimination  
Child Labor  
Bribery and Corruption  
Freedom of Association



## FTSE4Good Index Series

# Responsible Investment Trends

---

- Increasing interest from the “mainstream” investment community on evaluating “extra-financial” risk
- Increasing numbers of investors aligning their investments with their values
- Increasing use of shareholder rights via activism and engagement
- Increasing expectations of multinational businesses to adopt internationally accepted norms
- Increasing consumer awareness of corporate responsibility issues



## FTSE4Good Index Series

# Increasing Growth and Demand for SRI Products

---

- 🌀 \$2.16 trillion are invested in SRI portfolios in the U.S
- 🌀 SRI assets account for 11.3% of all assets under management in the U.S
- 🌀 SRI assets are growing faster than the broader asset universe
  - Since 1995, up 240% vs. 174% for broader assets
  - Since 2001, up 7% vs. – 4% for broader assets
- 🌀 One out of every \$9 under professional management in the U.S. is involved in socially responsible investing



# FTSE4Good

Index Series



## FTSE4Good Index Series

# FTSE4Good Index Series

---

-  Provides globally accepted standards for corporate responsibility as supported by investors and other stakeholders
-  Provides a basis for socially responsible investment products and a benchmark for socially responsible investors and market commentators
-  Measures more than just financial performance
-  Provides a tool for companies to proactively identify and manage opportunities and risks associated with corporate social responsibility
-  Contributes to the development of responsible business practices around the world for the benefit of investors



## FTSE4Good Index Series

# Principles of the FTSE4Good Index

---

-  Continuous increase of Corporate Social Responsibility standards designed as “challenging but achievable”
-  Gradual removal of industry exclusions
-  Focus on company engagement and dialogue as key elements of index management
-  Robust, transparent process of development and management
-  Independent governance via the FTSE4Good Policy Committee



## FTSE4Good Index Series

# Who Uses FTSE4Good?

---

### Retail Investors

- As a value driven view of acceptable companies
- As an option for defined contribution pension plan equity investments
- As an “ethical” investment

### Institutional Investors

- As a universe of “acceptable “ stocks
- As a performance benchmark for index funds
- As a basis for engagement and activism strategies and overlays

### Companies

- As a communication tool for use with investors, employees and other stakeholders
- As a standard/ benchmark of CR good practice
- As part of the corporate risk management processes



## FTSE4Good Index Series

# FTSE4Good Index Series

---

Identifies companies that meet the standards for corporate responsibility criteria focusing on three core areas

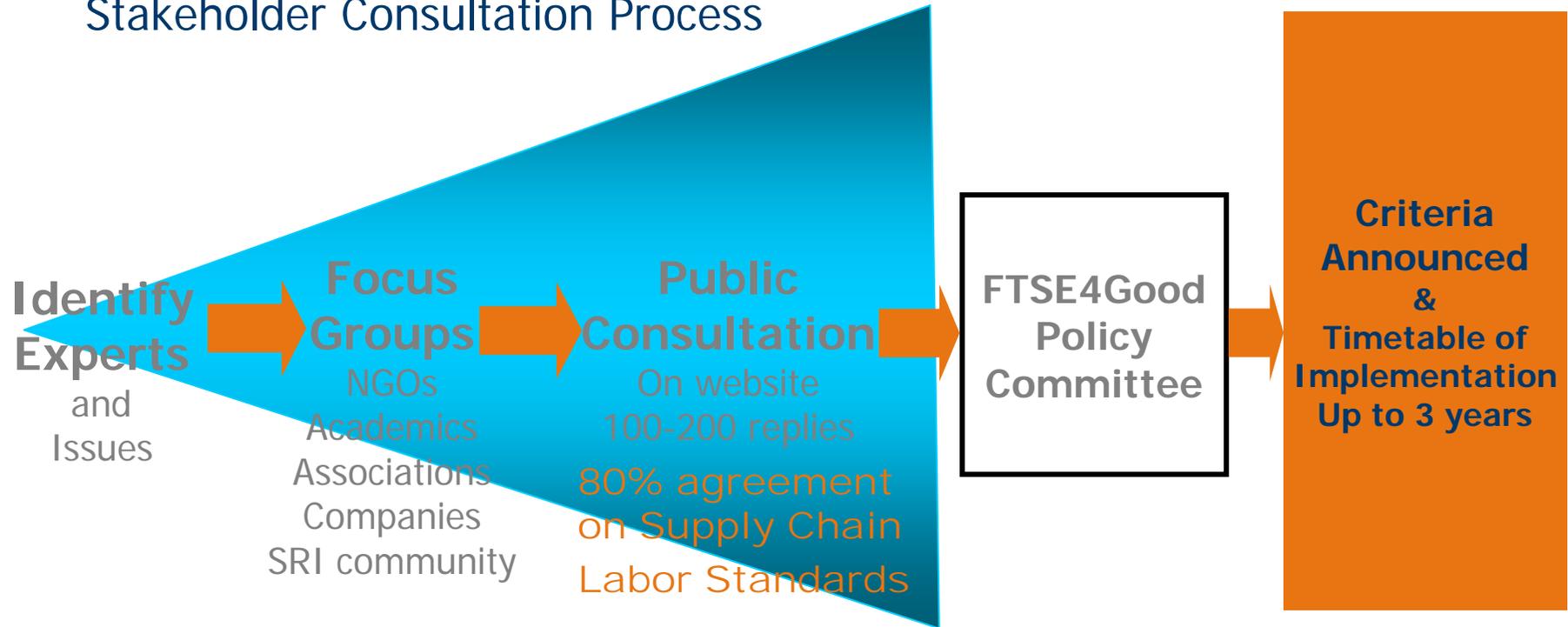




## FTSE4Good Index Series

# Corporate Responsibility Criteria Development Process

## Stakeholder Consultation Process



Need to keep FTSE4Good up to date to meet investor requirements and to reflect best practice developments



## FTSE4Good Index Series

# Company Review and Selection Process





## FTSE4Good Index Series

# Socially Responsible Management – Issues

---

- High impact companies with highly visible global brands face more public scrutiny
- Multinational companies are under pressure to strike a balance between managing costs (efficiency/productivity) and operating responsibly
- Fast moving consumer products are often sourced from countries where socially responsible standards and rights are poor



## Socially Responsible Management – Rationale/Benefits



Socially Responsible management is becoming an essential part of modern risk management practice:

- **Brand reputation** (risks associated to high profile and loss of goodwill)
- **Cost savings** (accidents, lawsuits)
- **Productivity, quality, retention** (suppliers that offer good working conditions achieve better performance in terms of quality and delivery)
- **Crisis management** (costly and time-consuming)
- **Trust** (from customers, employees and regulators)



## FTSE4Good Index Series

# Engagement With Companies

---



To keep abreast of a constantly changing environment, new criteria are continuously evaluated and introduced:

- Tougher environmental criteria (launched 2002)
- Tougher human rights criteria (launched 2003)
- Supply Chain Labor criteria (launched 2004)
- Bribery and Corruption (to be introduced)



To ensure that affected companies understand the new criteria and deadlines, FTSE conducts engagement programs and works with the companies to achieve the desired results



## FTSE4Good Index Series

# A Proxy Engagement Tool for Investors

---

-  Companies have responded positively to the toughening index criteria requirements in all developed markets
  
-  The increase in information is a benefit to investors in assessing a company's social, environmental and ethical business risk and performance
  - Improved transparency, better accountability
  - Better governance of CR issues
  - Reduced social and environmental risks
  - Catalyzing good corporate practice in the mainstream
  
-  FTSE4Good has become one of the most significant driving forces in changing corporate responsibility commitments and behavior globally

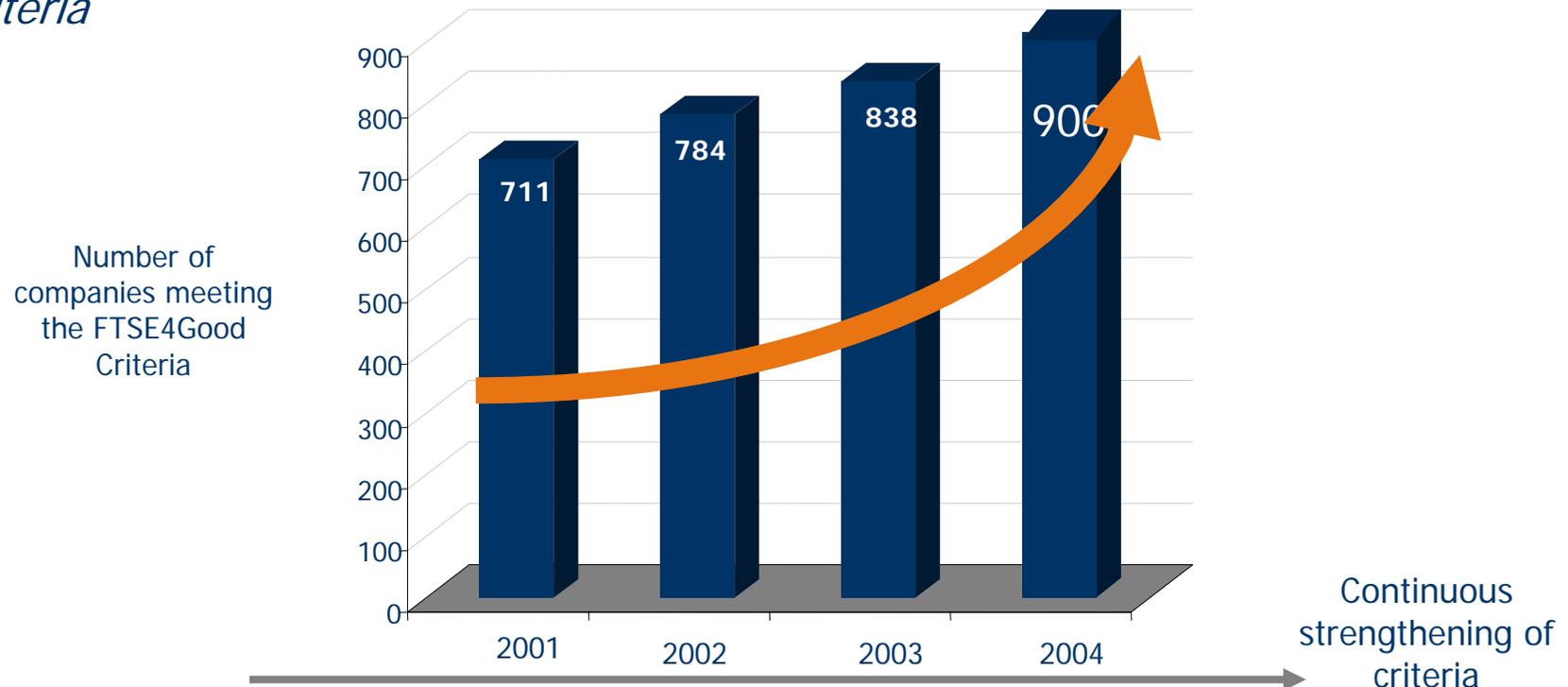


## FTSE4Good Index Series

# FTSE4Good Making a Difference

### A successful engagement program = an expanding universe

*Although the criteria standards are getting tougher, more companies are improving their corporate social responsibility disclosure and practices to meet the criteria*





FTSE4Good Index Series

FTSE's Support of



All FTSE4Good licensing  
revenue donated to UNICEF



FTSE4Good

\$2 million raised so far



## FTSE4Good Index Series

# The UNICEF Connection – the “Good” in FTSE4Good

### Examples of funding:

- ✓ Rural water supply and environmental sanitation program for poor communes in Vietnam
- ✓ Water borehole program in Zambia
- ✓ Community school development in the Dominican Republic





**FTSE4Good Index Series**

Thank you for your attention

---

Roby Muntoni  
SVP, Relationship Management  
FTSE

[Roby.Muntoni@ftse.com](mailto:Roby.Muntoni@ftse.com)

Phone (212) 641 6171