



FTSE4Good

Adding Values to Your Investments

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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



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Investors Interested in a Diverse Range of Issues

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







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



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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






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Index Series



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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



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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



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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



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FTSE4Good Index Series

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

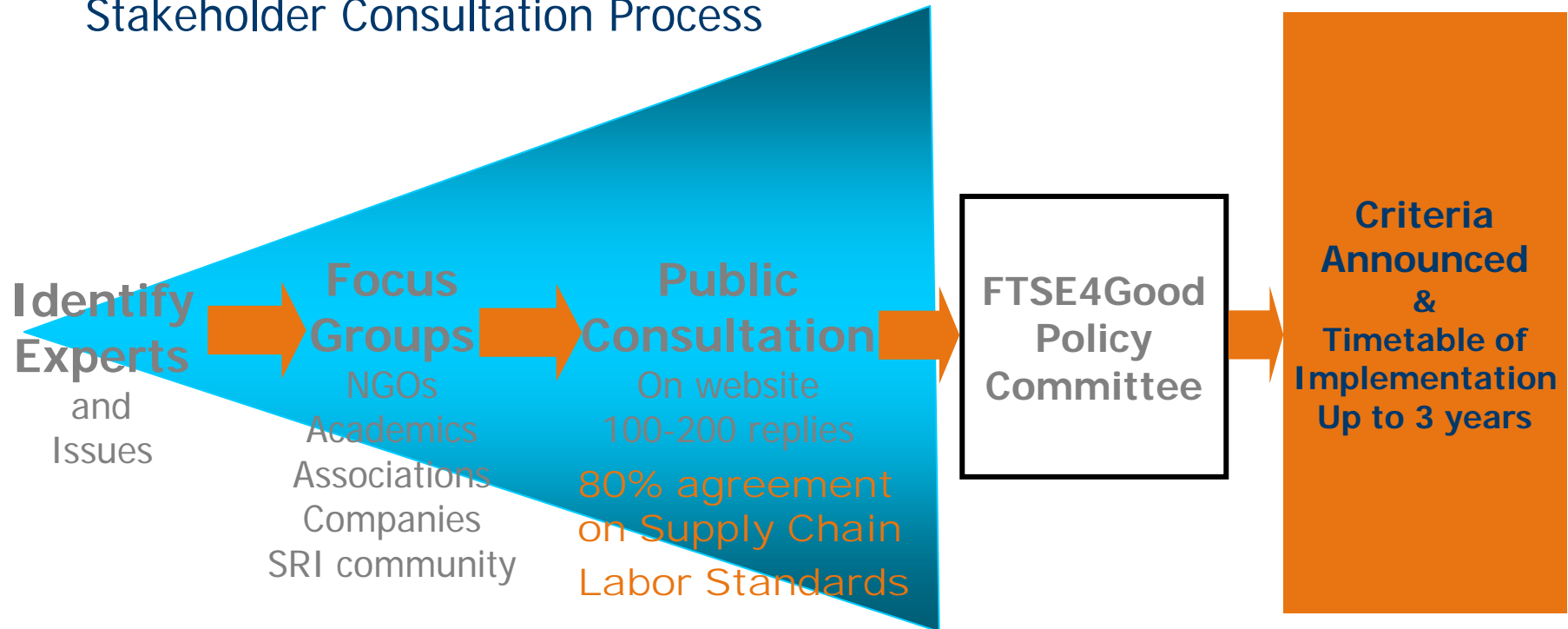




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Corporate Responsibility Criteria Development Process

Stakeholder Consultation Process



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






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Company Review and Selection Process





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)



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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



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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

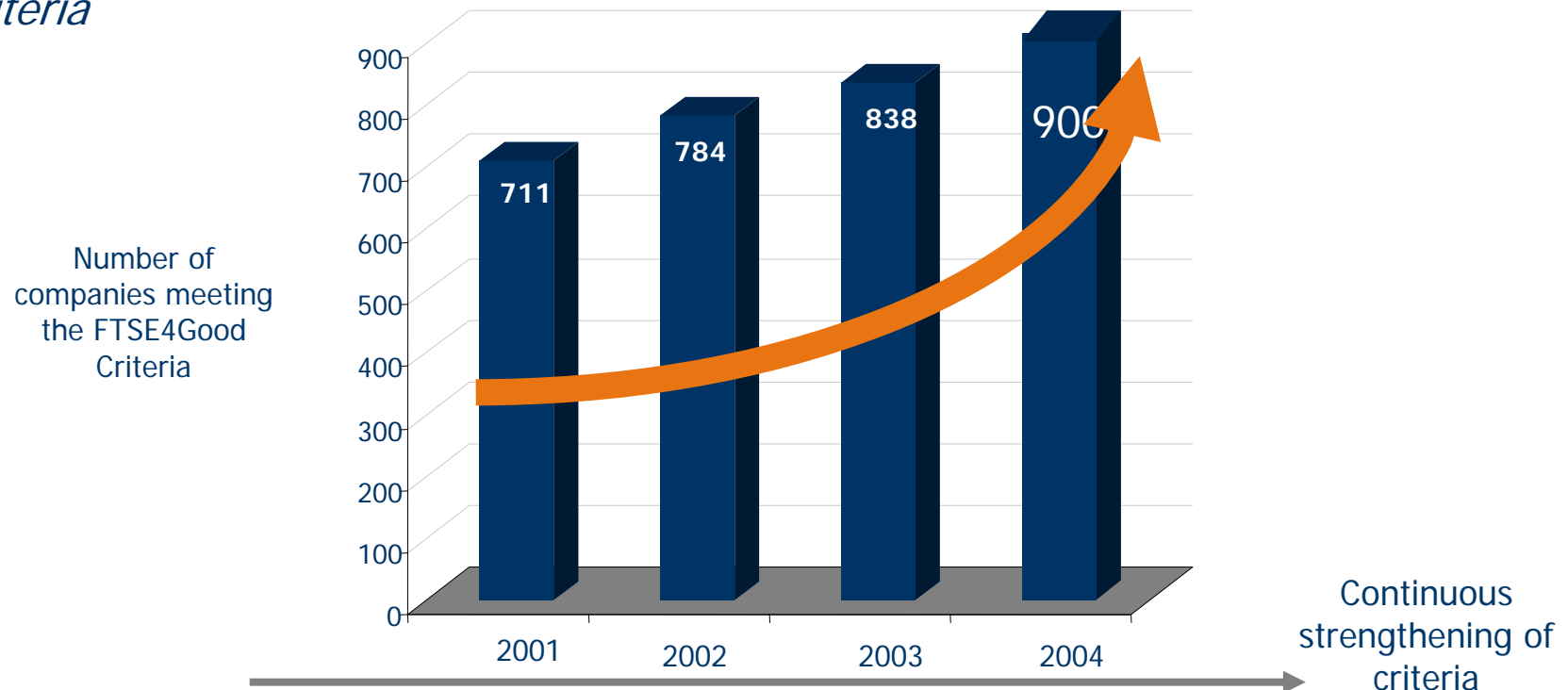


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FTSE4Good Making a Difference

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



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FTSE's Support of



All FTSE4Good licensing
revenue donated to UNICEF



FTSE4Good

\$2 million raised so far



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



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Thank you for your attention



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