FTSE4Good Index Series
Inclusion Criteria

FTSE
THE INDEX COMPANY

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FTSE4Good Inclusion Criteria

Key Objectives and Features

Key Objectives

1. To provide a tool for responsible investors to identify and invest in companies that meet globally recognised corporate responsibility standards.
2. To provide asset managers with a responsible investment benchmark and a tool for responsible investment products.
3. To contribute to the development of responsible business practice around the world.

Key Features

1. Evolving selection criteria to reflect changes in globally accepted corporate responsibility standards and codes of conduct over time.
2. Challenging yet achievable criteria that encourage companies to strive to meet them.
3. Higher impact companies have to meet higher standards.
4. Transparent criteria and methodology.
5. Criteria based on internationally respected codes and principles with new criteria subjected to a widespread consultation and approved by an independent oversight committee.

Company Assessment Process

To qualify for inclusion in the FTSE4Good Index Series, companies must be in the FTSE All World Developed Index.[1]

For inclusion, eligible companies must meet criteria requirements in five areas:

- Working towards environmental sustainability
- Up-holding and supporting universal human rights
- Ensuring good supply chain labour standards
- Countering bribery
- Mitigating and adapting to Climate change

Excluded Companies

Companies that have been identified as having business interests in the following industries are excluded from the FTSE4Good Index Series:

- Tobacco Producers
- Companies manufacturing either whole, strategic parts, or platforms for nuclear weapon systems
- Companies manufacturing whole weapons systems

The FTSE4Good Policy Committee has replaced previous exclusions with the following sector-specific criteria:

- Marketing of Breast Milk Substitute Criteria
- Uranium Mining Criteria
- Nuclear Power Criteria

These criteria are not outlined in this document, but are available at http://www.ftse.com/Indices/FTSE4Good_Index_Series/F4G_Download_Page.jsp

EIRIS Research

FTSE works in association with the Experts in Responsible Investment Solutions (EIRIS) and its network of international partners[2] to research company corporate responsibility performance. FTSE4Good indices are reviewed semiannually in September and March, by the FTSE4Good Policy Committee. EIRIS manages the research and analysis globally in order to cover the FTSE4Good Index eligible universe, either directly or through a network of partner research organisations.

A variety of mechanisms are employed to access the most up-to-date relevant data:

- Scrutiny of annual reports
- Research of company websites
- Written questionnaires and liaison with companies where appropriate
- Other publicly available material
- In addition, factsheets detailing the information held by EIRIS are distributed to companies on a regular basis for updating and review

1 - In addition to the eligible universe for the FTSE4Good Global Index, UK and Spanish companies are also selected from the FTSE All Share Index, FTSE All Cap (Spanish) Index, and IBEX 35 Index to construct the FTSE4Good UK and FTSE4Good Ibex Indices.

2 - Corporate Analysis. Enhanced Responsibility (CAER, Australia), EthiFinance (France), Avanzi (Italy), Institut fur Markt-Umwelt-Gesellschaft (IMUG, Germany), and Fundacion Ecologia y Desarrollo (FED, Spain).

FTSE4Good Criteria Development

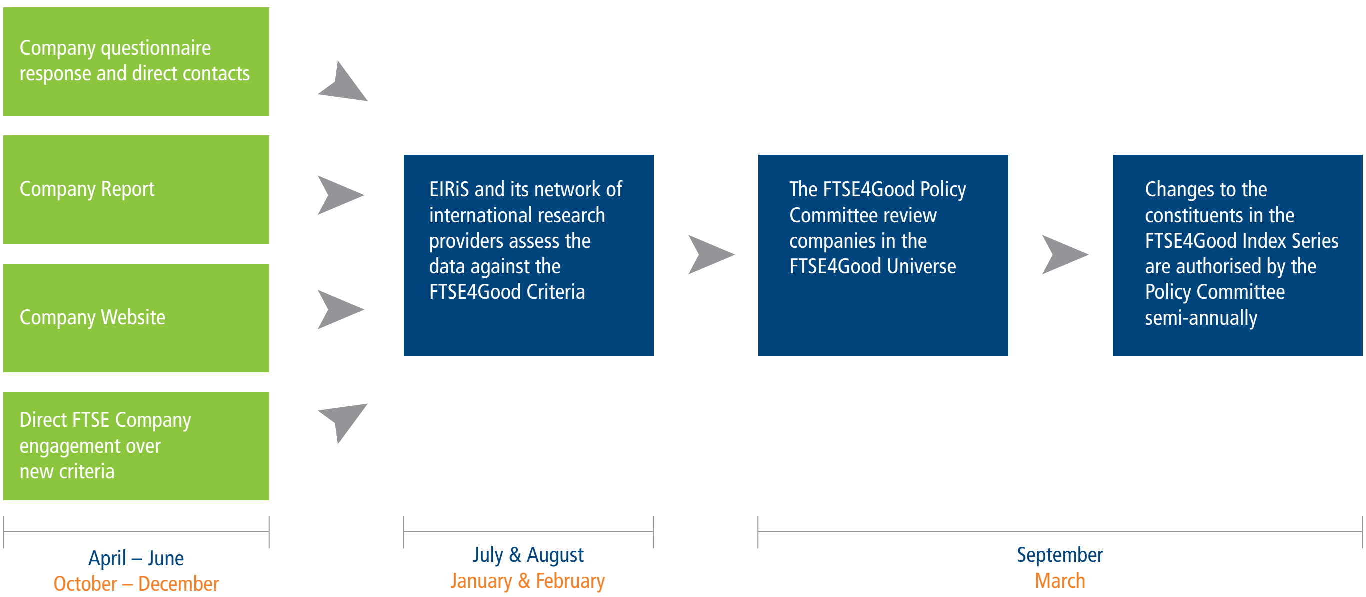
Evolving Criteria

The FTSE4Good criteria are designed to reflect a broad consensus on what constitutes good corporate responsibility practice globally. Using a widespread market consultation process, the criteria are regularly revised and updated to ensure that they reflect developments in corporate responsibility thinking and trends in responsible investment as they evolve.

Since FTSE4Good was launched in July 2001, the inclusion criteria have been enhanced periodically:

- 2002: Environmental Criteria strengthened
- 2003: Human Rights Criteria strengthened
- 2004 – 2005: Supply Chain Labour Standards Criteria introduced
- 2005 – 2006: Countering Bribery Criteria introduced
- 2007 – 2008: Climate Change Criteria introduced
- 2009: Human Rights Criteria for low impact companies introduced

FTSE4Good Company Selection Process



FTSE4Good Index Series

All companies in the eligible universe that meet the FTSE4Good criteria are members of one of the FTSE4Good benchmark indices. These are the FTSE4Good Global, FTSE4Good UK, FTSE4Good Europe, FTSE4Good US, FTSE4Good Japan and FTSE4Good IBEX. Similar to other FTSE indices, companies are ranked in the indices according to their free-float and liquidity adjusted market capitalisation. Companies in the FTSE4Good Tradeable indices are the largest 100 (for FTSE4Good Global 100, or FTSE4Good US 100) or 50 stocks (FTSE4Good UK 50, FTSE4Good Europe 50) or 30 stocks (FTSE4Good Australia 30) in the benchmark indices.

Implementation Timetable

Companies wishing to be added to the FTSE4Good Index Series will need to meet all the new criteria for their impact category. Existing constituents are given a timetable for the implementation of new criteria to allow for engagement, and encourage companies to improve their practices and disclosure.

Environmental Criteria

Companies are classified as high, medium or low impact based on the environmental footprint of their activities. The higher the environmental impact of the company's operations, the more stringent the inclusion criteria.

High Impact Sectors	Medium Impact Sectors	Low Impact Sectors
Agriculture	DIY & Building Supplies	Information Technology
Air Transport	Electronic and Electrical equipment	Media
Airports	Energy and Fuel Distribution	Consumer / Mortgage Finance
Building Materials (includes Quarrying)	Engineering and Machinery	Property Investors
Chemicals and Pharmaceuticals	Financials not elsewhere classified (see right)	Research & Development
Construction	Hotels, Catering and Facilities Management	Leisure not elsewhere classified - (Gyms and Gaming)
Major Systems Engineering	Manufacturers not elsewhere classified	Support Services
Fast Food Chains	Ports	Telecoms
Food, Beverages and Tobacco	Printing & Newspaper Publishing	Wholesale Distribution
Forestry and Paper	Property Developers	
Mining & Metals	Retailers not elsewhere classified	
Oil and Gas	Vehicle Hire	
Power Generation	Public Transport	
Road Distribution and Shipping		
Supermarkets		
Vehicle Manufacture		
Waste		
Water		
Pest Control		

Financial Services companies with significant equity holdings/commercial loan provisional are classified as medium impact. Therefore these companies can meet the Environmental Management Systems (EMS) part of the criteria through their approach to environmental considerations in investments/lending. This could be through the following (not all below will be relevant for different types of financial services companies):

- Significant Responsible Investment products (with environmental criteria)
- Engagement programme with investee companies based wholly or in part on environmental issues
- Incorporation of environmental credit risk assessment into the loans process (this needs to be beyond usual practices e.g. contaminated land)
- Provision of specialist environmental loans
- Integration of financial and environmental factors in fundamental analysis

	High Impact Companies	Medium Impact Companies	Low Impact Companies
Policy	Policy must cover the whole group and either: • meet all five core indicators plus one desirable indicator • or meet four core plus two desirable indicators	Policy must cover the whole group and meet four indicators, three of which must be core.	Companies must have published a policy statement including one commitment indicator.
	Core Indicators • Policy refers to all key issues • Responsibility for policy at board or department level • Commitment to use of targets • Commitment to monitoring and audit • Commitment to public reporting		**Desirable Indicators** • Globally applicable corporate standards • Commitment to stakeholder involvement • Policy addresses product or service impact • Strategic moves towards sustainability
Management	If environmental management systems (EMS) are applied to between one and two-thirds of company activities, all six indicators must be met, and targets must be quantified. If EMS are applied to more than two-thirds of company activities, the company must meet five of the indicators. One of these indicators must be documented objectives and targets in all key areas. Companies with ISO certification and EMAS registrations are considered to meet all six indicators.	EMS must cover one third of the company and meet four indicators. If the EMS covers less than one third of the companyís operations, the company must meet six indicators, including quantitative objectives and targets. ISO14001 certified or EMAS registered systems are considered to meet all six indicators.	No requirement.
	Indicators • Presence of environmental policy • Identification of significant impacts • Documented objectives and targets in key areas • Outline of processes and responsibilities, manuals, action plans, procedures • Internal audits against the requirements of the system (not limited to legal compliance) • Internal reporting and management review		
Reporting	The Report must have been published within the last three years, cover the whole group, and meet three core indicators. Reports which do not cover the whole group must meet all four indicators. or three core indicators together with two desirable indicators.	No requirement.	No requirement.
	Core Indicators • Text of environmental policy • Description of main impacts • Quantitative data • Performance measured against targets		**Desirable Indicators** • Outline of an EMS • Non-compliance, prosecution, fines, accidents • Financial dimensions • Independent verification • Stakeholder dialogue • Coverage of sustainability issues

Human and Labour Rights Criteria

Companies are classified as high, medium or low impact according to their potential impact. The higher the potential impact of the company's operations, the more stringent the criteria it needs to meet to be included in the index. Companies are currently divided into Global Resource Sector (Oil, gas and mining), companies with a significant involvement in countries of concern (see next page), and all other companies that need to meet low impact requirements.

Global Resource Sector

The group of companies identified as potentially having the highest impact on human rights, are those found in the Global Resource Sector (oil, gas and mining*). This sector is defined as those companies with global upstream operations in oil, gas or mining:

- Global is defined as operations that extend to non-OECD countries
- Upstream operations are exploration and production that includes companies such as rig operators and contract drillers
- Downstream operations include refining, marketing and selling and are not included for these criteria

* Companies defined in the ICB sector 0573 'Oil equipment and services' are considered to face lower human rights risks than other global resource companies and therefore have lower requirements. These criteria requirements will therefore be the same as those for companies that have a 'significant involvement in countries of concern'

Human and Labour Rights Criteria for the Global Resource Sector

	New Criteria	Details
Policy	Public Policy	The company has published policies covering human rights issues that are clearly communicated globally (in local languages where appropriate)
	Board Responsibility	The strategic responsibility for the human rights policy/ies rests with one or more Board members or senior managers who reports directly to the CEO
	ILO Core Labour standards Or UN Global Compact / SA8000 / OECD Guidelines	A statement of commitment to respect all the ILO core labour standards globally. The core conventions relate to: equal opportunities, freedom of association/ collective bargaining, forced labour and child labour. Alternatively signatories to the UN Global Compact or SA8000, or whose policy states support for the OECD Guidelines for Multi-national Enterprises are considered to meet this requirement
	UDHR	A clear statement of support for the Universal Declaration of Human Rights
	Guidelines on armed security guards	Guidelines governing the use of armed security guards based on UN Basic principles on the Use of Force and Firearms by Law Enforcement Officials or the Code of Conduct for Law Enforcement Officials. Alternatively signatories to the Voluntary Principles on Security and Human Rights meet this requirement
	Indigenous people	A stated commitment to respecting indigenous peoples' rights
Management	Implementing policy criteria and monitoring	Monitoring the implementation of its human rights policy including the existence of procedures to remedy any non-compliance.
	Employee Human Rights training	Training for employees globally in its human rights policy
	Stakeholder consultation	Consulting with independent local stakeholders in the countries of concern
	Human Rights Impact Assessment	Evidence of a human rights impact assessment which includes the company identifying the major human rights issues it faces and integrating human rights concerns into its risk assessment procedures
Reporting	Produce a human rights report	Reporting on the human rights policy and performance to the public in a published format
	Cover policies and management systems	Covering policies and management systems as a minimum

Human and Labour Rights Criteria

Significant Involvement in Countries of Concern

Companies with significant involvement in countries with the greatest human rights concern have been identified as potentially having a significant impact. Therefore these companies are also required to meet the human rights criteria, but at an intermediate level.

Details on the criteria are given below.

- Significant involvement is defined as having 1000+ employees or GBP100m in turnover or assets in these countries through a 20%+ equity stake in subsidiaries or associates incorporated there
- Countries of concern - The list is drawn up and reviewed periodically by EIRIS in the light of human rights developments using a variety of sources. EIRIS uses the latest Freedom House list of 'not free' countries to identify those with significant levels of corporate investment and then amends that list in the light of further information including the annual reports from Human Rights Watch and Amnesty International.

List of countries of concern

Afghanistan	Chad	Ethiopia	Nigeria	Syria
Algeria	China	Equatorial Guinea	North Korea	Tajikistan
Angola	Colombia	Guinea	Pakistan (with Kashmir)	Turkmenistan
Azerbaijan (with Nagorno-Karabakh)	Congo (Brazzaville)	Haiti	Russia	Uganda
Belarus	Congo (Democratic Republic of)	Iran	Saudi Arabia	Uzbekistan
Burma	Cote d'Ivoire	Iraq	Somalia	Vietnam
Burundi	Cuba	Laos	Sri Lanka	Yemen
Cameroon	Egypt	Libya	Sudan	Zimbabwe
	Eritrea	Nepal	Swaziland	

Human and Labour Rights Criteria for Companies with Significant Involvement in Countries of Concern

	Criteria	Details
Policy	ILO Core Labour standards Or UN Global Compact / SA8000 / OECD Guidelines	A public statement of commitment to respect all the ILO core labour standards globally. The core conventions relate to: equal opportunities, freedom of association/ collective bargaining, forced labour and child labour. Alternatively signatories to the UN Global Compact or SA8000, or whose policy states support for the OECD Guidelines for Multi-national Enterprises are considered to meet this requirement
	Board Responsibility	The strategic responsibility for the human rights policy/ies rests with one or more Board members or senior managers who reports directly to the CEO
	or UDHR	Alternatively a clear statement of support for the Universal Declaration of Human Rights
	or Global H. Rights Communication	Or communication of the human rights policy to employees globally
Management	The company must meet at least two of the following four criteria	
	Implementing policy criteria and monitoring	Monitoring the implementation of its human rights policy including the existence of procedures to remedy any non-compliance.
	Employee Human Rights training	Training for employees globally in its human rights policy
	Stakeholder consultation	Consulting with independent local stakeholders in the countries of concern
	Human Rights Impact Assessment	Evidence of a human rights impact assessment which includes the company identifying the major human rights issues it faces and integrating human rights concerns into its risk assessment procedures

All companies not classified as Global Resource Sector or Companies with Significant Involvement in Countries of Concern will be required to meet 1 of 3 indicators listed for Low Impact Companies.

Human and Labour Rights Criteria for Low Impact Companies

Policy	• Adopting an equal opportunities policy and/or including a commitment to equal opportunities or diversity in their annual report or web-site
Management	• Providing evidence of equal opportunities systems including one or more of: - Monitoring of the policy and workforce composition - Flexible working arrangements and family benefits (meaning at least three of the following – flexible working time, child care support, job sharing, career breaks, or maternity or paternity pay beyond the legal requirements) - More than 10% of managers being women or the proportion of managers who are women or from ethnic minorities exceeding two fifths of their representation in the workforce concerned • Providing evidence of systems to maintain good employee relations including union recognition agreements or other consultative arrangements (covering more than 25% of staff where figures are available).

Supply Chain Labour Standards Criteria

The FTSE4Good Policy Committee has recognised that supply chain labour standards are of increasing concern and has therefore overseen the development, by FTSE Group, of a new set of FTSE4Good criteria covering this issue. These criteria were developed on the basis of broad consultation over an 18-month period involving input from many stakeholders, including corporations, fund managers, non-government organisations and private investors. This led to the announcement of the following criteria in 2004.

Principles and Initiatives in Supply Chain Management

There is general consensus that workers' rights are universal. This is demonstrated by internationally agreed core labour rights that have been established through the International Labour Organisation (ILO) as summarised in its Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy[1]. The FTSE4Good criteria uses the ILO standards as a starting point.

In addition there are many groups currently working on Supply Chain Labour Standards. The following multi stakeholder initiatives[2] support businesses in engaging with these issues, and explicitly draw from the ILO Core Conventions. The approaches of these groups have been used to further develop the proposed criteria in this document:

- The Ethical Trading Initiative
- The Fair Labour Association
- Social Accountability International

Definition of the Supply Chain

For the purposes of the FTSE4Good Index Criteria, Supply Chain is defined as: The distribution channel of a product, from its sourcing, to its delivery to the end consumer (also known as the value chain). It includes the growing of crops and acquisition of raw materials, manufacturing products, distributing finished goods to retailers and sale to the final consumer. The supply chain is typically comprised of a chain of companies, each contributing to the final product such as supplying component parts, or further adding value.

The Criteria

All companies have suppliers with whom they have a direct commercial relationship ("first-tier suppliers"), this is where they have the most influence. Although research shows that labour standards are of greatest concern beyond the first-tier suppliers, engaging with these first tier suppliers remains a key challenge for many companies. Therefore the FTSE4Good Supply Chain Labour Standards Criteria are currently only applicable to the management of first-tier suppliers[3].

Companies affected by the new criteria

Some industry sectors are exposed to higher levels of supply chain risk owing to the nature of their business. To reflect this, the FTSE4Good criteria for Supply Chain Labour Standards are applicable initially only to companies identified as exposed to these highest risks.

The process below sets out to identify high-risk companies by applying a three stage screening system. These screens cover three areas based on an evaluation of:

- The products the company sells
- The countries that it sources from, and
- The exposure in these markets in terms of revenue

Companies identified will be required to meet the criteria to enter the index or to maintain their inclusion.

Supply Chain Labour Standards Criteria Impact Categories

All three filters must apply to each company before they are designated 'High Risk'

Products	Companies are considered to be exposed to the highest supply chain labour risks if their activities depend significantly on the sourcing or selling/retailing of one of the following products from farms or factories*: • Agricultural Crops, namely: cane sugar, coffee, tea, cocoa, tropical fruit, fresh vegetables, flowers. • Consumer Products: Apparel (clothing, accessories, footwear) and toys.
Countries	Companies sourcing from, or operating in, countries that are deemed to have the weakest labour standards, are considered to be high risk. These are companies sourcing from countries other than those classified by the World Bank as High Income OECD countries. (Details of non-high risk countries are listed below)
Exposure	The criteria apply to companies which have a significant level of revenue from high-risk products sourced from high-risk countries defined as: More than one-third of total company revenue from high risk products sourced from high risk countries; or more than £100m revenue from sale of the high risk products sourced from high risk countries.

* Companies in the following sectors will automatically be subject to the above products screen: Clothing & Footwear, Leisure Equipment, Other Textiles & Leather, Food Processors, Discount & Superstores & Warehouses, Retailers-Hardliners, Retailers-Multi Department, Retailers-Soft Goods, and Food & Drug Retailers.

1 - http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm ; and ILO 1988, ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up, ISBN 92-2-110829-5

2 - www.ethicaltrade.org; www.fairlabor.org; www.cepaa.org

3 - FTSE recognises that for some industries first tier suppliers (commonly importers, agents and wholesalers) may be removed from potential problems at source. Therefore in the future, FTSE will consider criteria that will require companies to work with first tier suppliers to communicate and promote the requirements back down their supply chain. Companies have greater influence over own brand suppliers than those of proprietary branded products. Therefore the criteria are currently only applicable to own brand suppliers. FTSE also recognises that while best practice may mean that companies also apply supply chain labour standards to proprietary brands, focus on own brand is acceptable for the current FTSE4Good criteria.

Supply Chain Labour Standards Criteria

	Supply Chain Labour Standard Criteria for High Risk Companies
Policy	**The policy/code must be publicly available, specifically relevant to suppliers and meet all the following indicators:**
	Policy/Code (or other relevant documentation) to commit to, or be clearly based on (and contain the principles of), the four ILO Core Convention areas: - Equal Opportunities - Forced Labour - Child Labour - Freedom of Association & Collective Bargaining Note: Companies that are members of the Ethical Trading Initiative, The Fair Labour Association, or audited to Social Accountability International's SA8000 will be considered to meet this indicator
	Health & Safety
	One of the following areas must be covered: -Working hours -Wages -Disciplinary procedures
Management	**The company must meet all the following indicators:**
	Visiting/auditing of some suppliers (e.g. some risk assessment to identify the highest priority suppliers/products/countries and some substantial supplier visits or audits)
	Policy is communicated to suppliers globally (e.g. first tier – those with whom the company has a direct trading relationship)
	Strategic responsibility for the policy/code implementation shall rest with one or more board members or senior executives/managers
	Training of relevant employees (e.g. compliance/audit teams or equivalent, buying teams, managers and workers in suppliers) on the policy/code
	Policy/code has procedures to remedy any non-compliance*
Reporting	The company must produce a report (or other form of communication) that is publicly available and covers both policy and management systems

* Where a company's suppliers in its supply chain have been alleged to be in breach of the ILO Core Convention areas, it must have taken visible, demonstrable or quantifiable measures or steps to prove it has investigated these allegations effectively.

Further details on the Risk Relativity Assessment

Non-High Risk Countries for Supply Chain Labour Standards

As defined by the World Bank Country Classification as High Income and Other High Income / Middle Income Countries (http://www.worldbank.org/data/countryclass/classgroups.htm). The countries listed below are those considered not to be at risk:

High Income OECD:

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korean Rep, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, US.

Other High Income:

Andorra, Aruba, Bahamas, Bahrain, Barbados, Bermuda, Brunei, Cayman Islands, Channel Islands, Cyprus, Faeroe Islands, French Polynesia, Greenland, Guam, Hong Kong, Isle of Man, Israel, Kuwait, Liechtenstein, Macao, Malta, Monaco, Netherlands Antilles, New Caledonia, Puerto Rico, Qatar, San Marino, Singapore, Slovenia, Taiwan, United Arab Emirates, Virgin Islands.

Countering Bribery Criteria

The FTSE4Good Policy Committee has recognised that countering bribery is a topic of increasing concern and has therefore overseen the development, by FTSE Group of a new set of FTSE4Good Index criteria covering this issue. These criteria have been developed on the basis of broad consultation over an 18-month period involving input from many stakeholders, including corporations, fund managers, government representatives, non-governmental organisations, business associations and private investors.

There are many organisations and associations currently working processes for countering bribery[1] however the FTSE4Good Criteria for Countering Bribery take the Transparency International Business Principles for Countering Bribery[2] as a starting point. Bribery is defined as *"an offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust in the conduct of the enterprise's business.[3]"*

Which Companies Need to Meet these Criteria?

All companies face the potential risk of being drawn into bribery to some degree, irrespective of the sector, country, or business activity, and evidence of significant bribery could constitute a sufficient reason for removing any company from the FTSE4Good index unless there is mitigating evidence of anti-bribery systems and effective remedial action. It is FTSE's declared intention to require all companies to address bribery in the future.

High Risk Companies

To begin with, these criteria first apply only to companies that have been identified as having the highest levels of exposure to risk of engaging in bribery. The relative need to adopt special measures to prevent bribery is a function of the unique level of risk of engaging in bribery that each company faces. That level of risk varies widely in certain locations and contexts. These criteria will initially apply only to companies that have been identified as having the highest levels of exposure to risk of engaging in bribery. The process used to identify companies as high risk has three filters:

- Sector
- Country
- Public contracts

A company found to be high risk in all three filters is identified as a company that is high risk overall in the area of bribery.

High Risk Companies – ALL three filters must apply to each company before they are designated 'High Risk'

Sectors

Companies from the following ICB (Industry Classification Benchmark) sectors and sub-sectors[4] are considered more likely to have the highest levels of exposure to risk of engaging in bribery:

- Oil & Gas Producers; Oil Equipment, Services, & Distribution; Chemicals; Industrial Metals; Mining; Construction & Materials; Aerospace & Defense; General Industrials; Electronic & Electrical Equipment; Industrial Engineering; Support Services; Electricity; Gas, Water, & Multi-Utilities.
- Pharmaceuticals; Hotels; Fixed Line Telecommunications; Mobile Telecommunications; Software & Computer Services; Technology Hardware & Equipment.

Countries

Companies operating in countries that are deemed to have the highest risk, or perceived risk of, levels of bribery:

- Countries scoring 4 or less on the Transparency International Corruption Perceptions Index.
- Countries scoring 0 or less (negative) on the World Bank Governance Indicators list.

For a list of the countries please see next page.

Public Contracts

Companies that are involved in any way with government/public contracts, or where a government licence is critical to the operation of their business, are considered as having the highest levels of exposure to risk of engaging in bribery.

1 - Global Compact 10th Principle against Corruption; UN Convention Against Corruption; OECD Convention on Combating Bribery of Foreign Public Officials; ICC Rules to Combat Extortion and Bribery.

2 - The Transparency International Business Principles for Countering Bribery is an international multi-stakeholder business initiative designed to complement the UN and OECD conventions, which provide a tool to enterprises to develop effective approaches to bribery.

3 - Source: Transparency International Business Principles for Countering Bribery and Guidance.

4 - Related business activities, as defined by EIRIS, will also be used to identify high-risk companies. Therefore, some companies may still need to meet the criteria even if they are not classified in the above sectors/subsectors. Other companies that do fall within the above sectors/subsectors will not be classified as high-risk if they are not involved in high-risk business activities.

Countering Bribery Criteria

	Countering Bribery Criteria for High Risk Companies
Policy	• Prohibits giving and receiving bribes (companies that are signatories to the UN Global Compact may be considered committed to this criteria indicator) • Commits to obeying all relevant laws • Commits to restricting and controls facilitation payments • Commits to restricting giving and receiving gifts • Policy is publicly available
Management	• Communicates policy to employees • Trains relevant employees • Compliance mechanisms (e.g. assurance, audits, monitoring, board reports) • Provides secure communication channels for employees to seek advice or voice concerns (e.g., hotlines, advice lines, whistle-blowing procedures for protection, internal reporting mechanism) • Procedures to remedy non-compliance*
Reporting	• Policy is publicly disclosed • Compliance mechanisms are publicly disclosed[6]

* Where there is a significant and credible controversy/allegation that a company, its business partners, including suppliers, contractors or agents are committing bribery, the company must have taken visible, demonstrable or quantifiable steps to prove it has investigated these allegations effectively and in a timely manner.

High Risk Country List

Countries scoring 0 or less (negative) scores on the World Bank Governance Indicators List* or countries scoring 4 or less on the Transparency International Corruption Perceptions Index** are considered high risk. Using this methodology, all the following countries are classified as high risk, and this list will be reviewed annually:

Afghanistan	Congo (Brazzaville)	Iran	Montenegro	Solomon Islands
Albania	Congo (Democratic Republic of)	Iraq	Morocco	Somalia
Algeria	Cote D'Ivoire	Jamaica	Mozambique	Sri Lanka
Angola	Cuba	Kazakhstan	Nauru	Sudan
Argentina	Djibouti	Kenya	Nepal	Suriname
Armenia	Dominican Republic	Kiribati	New Caledonia	Swaziland
Azerbaijan	Ecuador	Kosovo	Nicaragua	Syria
Bangladesh	Egypt	Kyrgystan	Niger	Tajikistan
Belarus	El Salvador	Laos	Nigeria	Tanzania
Belize	Equatorial Guinea	Lebanon	North Korea	Thailand
Benin	Eritrea	Lesotho	Pakistan	Timor-Leste
Bolivia	Ethiopia	Liberia	Palestinian Authority*	Togo
Bosnia-Herzegovina	Fiji	Libya	Panama	Tonga
Brazil	Gabon	Macao	Papua New Guinea	Trinidad And Tobago
Bulgaria	Gambia	Macedonia	Paraguay	Turkmenistan
Burkina Faso	Georgia	Madagascar	Peru	Tuvalu
Burma	Ghana	Malawi	Philippines	Uganda
Burundi	Guatemala	Maldives	Romania	Ukraine
Cambodia	Guinea	Mali	Russia	Uzbekistan
Cameroon	Guinea-Bissau	Marshall Islands	Rwanda	Vanuatu
Central African Republic	Guyana	Mauritania	Sao Tome And Principe	Venezuela
Chad	Haiti	Mexico	Saudi Arabia	Vietnam
China	Honduras	Micronesia	Senegal	Yemen
Colombia	India	Moldova	Serbia	Zambia
Comoros	Indonesia	Mongolia	Sierra Leone	Zimbabwe

* World Bank Governance Indicators List source: http://www.worldbank.org/wbi/governance/pubs/govmatters4.html revised regularly, currently every 2 years.
** TI CPI source: http://www.transparency.org/policy_and_research/surveys_indices/cpi researched and issued annually

Climate Change Criteria

1. Introduction

The impact of climate change is likely to have a highly significant and increasing influence on the global environment, society and on the economic value of companies. As a result, investors, governments and wider society expect companies to take responsibility for identifying and reducing their climate change impacts. Consequently there will also be opportunities for companies to capitalise on related business opportunities.

To reflect this growing importance, eligibility for inclusion in the FTSE4Good Series will include climate change requirements.

Criteria for the FTSE4Good Series are normally based on established international standards. However, no single comprehensive standard has yet been established for the management of greenhouse gas (GHG) reduction. Therefore as well as considering existing standards, FTSE Group has received the kind assistance of and guidance from: The Climate Group; The Institutional Investors Group on Climate Change (IIGCC); The Carbon Trust; Forum for the Future and the World Wildlife Fund (WWF). In addition, broad consultation over an 18 month period involved input from many stakeholders, including corporations, fund managers, government representatives, non-governmental organisations, business associations and private investors.

These criteria are not yet set at a level compatible with the substantial emissions reductions expected to be necessary to stabilise atmospheric GHG concentrations at a sustainable level. Instead, this reflects what is currently possible for leading companies within the current regulatory and business environment. In future, as governments' policies, international frameworks, and corporate responses mature, the criteria will become more congruent with the demands of long-term sustainability.

Which Companies Need to Meet these Criteria?

All companies have some level of associated GHG emissions. However, these FTSE4Good criteria will initially prioritise companies in those industry subsectors (using the ICB classification[1]) with the highest levels of associated emissions, and thus the greatest need to address this issue. Therefore subsectors have been classified into high or medium operational impact according to the approximate magnitude of their operational GHG emissions.

Within the medium impact subsectors, some may be considered to have higher operational climate impacts than the others and will therefore be reviewed at a later date to be considered for re-categorisation as high impact. In addition, a number of high and medium operational impact subsectors have been identified as having a particularly high product-related impact, and these subsectors will be required to meet specific additional criteria to address their product impacts.

2. The High and Medium Impact Subsectors

The table below outlines the high and medium impact subsectors for operational emissions. Subsectors that have a high product impact will be required to meet additional product impact criteria (flagged below †).

	Impact Categories	
	High Operational Impact	Medium Operational Impact
Additional High Product Impact	• Exploration & Production † • Integrated Oil & Gas † • Coal †	• Aerospace † • Automobiles †
Subsectors (from ICB)	• Diamonds & Gemstones • General Mining • Gold Mining • Platinum & Precious Metals • Commodity Chemicals • Aluminium • Nonferrous Metals • Steel • Building Materials & Fixtures • Airlines • Electricity • Delivery Services	• Speciality Chemicals* • Paper* • Heavy Construction* • Defence • Commercial Vehicles & Trucks • Trucking • Waste & Disposal Services • Tires • Brewers* • Distillers & Vintners* • Soft Drinks* • Farming & Fishing* • Food Products* • Home Construction • Pharmaceuticals • Travel & Tourism • Multiutilities • Water ** Subsectors to be reviewed at a later date for consideration or re-categorisation to high impact.*

Business Related Activities: In certain cases a company may be classified in a subsector that is not on the above lists, but will be involved in a diverse range of business activities, some of which are associated with high or medium climate change impacts. Therefore companies will be assessed by EIRIS for business activities that are related to the subsectors identified above, to identify additional companies that should be categorised as high or medium operational impact, and those with additional high product impacts.

Climate Change Criteria

3. The Criteria Requirements for Companies

	High Operational Impact	Medium Operational Impact	Additional High Product Impact †
Policy & Governance	• Board level or senior executive responsibility for climate change related issues (individual or committee). • Public statement/policy identifying climate change as relevant to business activities and the need to address climate change as a key concern*.	• Board level or senior executive responsibility for climate change related issues (individual or committee). • Public statement/ policy identifying climate change or energy consumption as relevant to business activities and the need to address climate change as a key concern*.	• Responsibility: No additional requirement. • Public statement/ policy should also include a commitment to reduce product related emissions or climate change impact.
Management & Strategy	At least *one* of the following must be met (unless the company meets the performance requirements): • Long-term strategic goal of significant quantified reductions of operational GHG emissions or carbon intensity improvement over more than five years, which should be publicly available. • Short/medium-term management targets for quantified GHG operational emissions reduction over less than five years.	No requirements yet: Criteria for medium impact companies are initially focused on disclosure rather than management.	No requirements yet: For companies with product-related emissions reduction targets are currently regarded as impractical so commitment is established separately in policy.
Disclosure	Public disclosure of *both* the following: • Total operational CO_2 or GHG emissions as tonnes of CO_2 equivalent. • Sector metric where established as an industry norm. For example, for cement companies, kg CO_2 per tonne of cement; or efficiency ratio.	Public disclosure of *one* of the following: • Total operational CO_2 or GHG emissions as tonnes of CO_2 equivalent or operational energy consumption. • Sector metric where established as an industry norm. e.g. kgCO_2/t cement; or efficiency ratio.	Public disclosure of product related emissions/ efficiency. This will vary for different sectors: • Oil & Gas: end user emissions. • Coal mining: end user emissions. • Automobiles: fuel efficiency. • Aerospace: fuel efficiency.
Performance	At least *one* of the following must be met: • At least a 5% reduction in carbon intensity over the last two years. • The company is able to demonstrate that for the previous two years it is in the top quartile of companies in its subsector when assessed on accepted carbon efficiency metrics. • A Transformational Initiative[2] or a combination, providing they are quantified and significant.	No requirements yet: As the understanding of how to measure performance increases, performance requirements to be introduced for medium impact companies.	Automobile and Aerospace companies must meet *one* of the following: • Emissions Reductions: Fuel efficiency improvements above average for subsector. • Eco-efficiency Metrics: Above average fuel efficiency relative to subsector peers. • A Transformational Initiative[2] to reduce product emissions. *NB: Oil & Gas and Mining: no further "product" requirement at this time, but still need to meet performance criteria for their operational impact.*

* These criteria recognise that companies have a valid and important role to play in the development of effective and appropriate regulation, and companies are encouraged to play a constructive part in the public policy process. However, the assessment of a company against these FTSE4Good criteria may take into account any credible evidence that a company has deliberately and consistently misrepresented the scientific consensus on climate change (as represented by the IPCC reports), or attempted to undermine public policy frameworks that aim to reduce greenhouse gas emissions (including, but not limited to, those regarding mandatory emission reductions).

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