

## UN Global Compact and the Principles for Responsible Investment (PRI) Communication of Progress 2012/13

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# 1. Foreword.



The investment and finance sector is at an important juncture. As an industry, we have grown in technological sophistication over recent decades but with these advances, has come an over-focus on factors that are most easily measured. There has also been a loss of trust from the public and serious questions about stewardship in the investment chain.

We are now at a point in time where a significant proportion of market participants; from institutional investors, to managers, to consultants and index providers; have developed an appreciation that a much broader range of issues affect a company's long-term performance than just conventional financial factors. At its core, this is about stewardship and long term investing. We are still early in the development of appropriate metrics and measurement systems but I am proud to say that FTSE Group intends to continue being at the centre of the debate. In 2001 FTSE launched the FTSE4Good Series which aimed to measure the performance of companies that met a range of environmental and social indicators. Over the following years, guided and directed by the independent FTSE4Good Policy Committee, the index has matured and these environmental and social indicators have been systematically enhanced year-on-year. Ten years after the launch of FTSE4Good, in 2011, we unveiled the ESG Ratings which provide quantifiable measurements of ESG (Environmental, Social and Governance) risk and performance. This helps investors to integrate these considerations into their investment and stewardship approaches.

In 2005 FTSE was approached by the UN Environmental Program Finance Initiative and the UN Global Compact to join a small group of leading investment institutions to develop the Principles for Responsible Investment (PRI). We were only too pleased to contribute to this important and exciting initiative and very much welcomed the launch of the Principles in 2006. FTSE Group was an inaugural signatory, and, for a long period, the only index provider signatory. A significant proportion of global assets are linked to FTSE indices, we have clients in around 100 countries representing a large proportion of the financial and investment services sector. We also work with over twenty exchanges around the world. FTSE is therefore in a unique position to support our clients in the integration of "extra-financial" factors. This document sets out how we intend to do this, thereby supporting the implementation of the Principles, not just at FTSE, but across the industry.

In addition, this report covers our commitments to the PRI's sister initiative the United Nations Global Compact which is more focused on how we at FTSE Group, as a company, address these issues in our own operations. Our commitment to the principles underlying both of these initiatives grows year-on-year as we continue to strengthen our own operations and support our clients in integrating these considerations in their investments.

**Mark Makepeace**  
 Chief Executive  
 FTSE Group

## 2. Introduction.

This report sets out progress in relation to our commitments to both the United Nations Global compact and the Principles for Responsible Investment (PRI). In 2006 we pledged our support to the Principles underpinning the Global Compact and have worked in a number of ways to develop this, one of them was to support the creation of the PRI which focuses on how investors can consider and integrate environmental, social and governance (ESG) issues. Over the last 10 years there has been a remarkable evolution in the scale and sophistication of investment approaches that account for ESG.

FTSE plays a central role in the operation of global capital markets, through the indices, classification systems and analytical tools that support investors in making investment decisions. Recently a number of significant changes have taken place at FTSE, including the acquisition by the London Stock Exchange Group, of the remaining 50 per cent that it did not already own. FTSE and the wider LSE Group working closely together provides even greater opportunities to take forward our support of the Principles of the United Nations Global Compact, and those for Responsible Investment.

The political, economic, and social environment in which we operate is undergoing much change and the need for

efficient, transparent and well regulated capital markets has perhaps never been greater. This macro-economic background highlights the importance of the role played by London Stock Exchange Group. This year, new corporate responsibility policies and an associated governance structure were developed for the Group on which FTSE is represented. The LSE Group Corporate Responsibility Report makes a number of commitments to further enhance the Group's approach to corporate responsibility but it is worth highlighting the group's aim to "encourage, promote and support voluntary disclosure of Environmental, Social and Governance (ESG) issues by companies listed on our markets". This leverages the influence of the exchange to encourage the supply of corporate data to the investment community to better enable the integration of this information into the investment decision making and stewardship.

FTSE's work in responsible investment began in 2001 with the launch of FTSE4Good. Since then responsible investment has been a prominent feature of our work. FTSE4Good has evolved and we developed new tools to help clients integrate ESG factors into investment strategies. There is also now a range of other ESG indices working collaboratively with different leading partner organisations including Impax for the FTSE

Environmental Markets Series, and the US Green Building Council/ NAREIT for green real estate indices.

In 2012 FTSE took a significant further step in our journey to support investor ESG integration, and the transition to a low carbon economy, by announcing the establishment of a dedicated ESG Service Unit. This unit has added capacity and analytical depth to the Responsible Investment team. This investment into growing dedicated ESG resources is both a direct response to the increasing demand FTSE is seeing from the global investment community for integrated ESG services and a testament of FTSE's continued commitment to back the Principles.

Whilst it is paramount to focus on how FTSE can support the investment community on ESG integration, we did not lose sight of our duty to report on our own progress and we once again invited GoodCorporation to carry out an independent verification of FTSE's operations, the results of which are presented here.

# 3. The UN backed Principles for Responsible Investment: How our products help investors embrace the six principles.

## **Principle 1. We will incorporate ESG issues into investment analysis and decision making processes.**

FTSE's ESG Service Unit is responsible for a range of services, briefly outlined below, which help investors incorporate ESG factors into their investment decisions, and support clients in considering how a transition to a low carbon economy may impact their assets. The team has extensive ESG knowledge and capital markets experience so is ideally placed to support investors in using the transparent, systematic and ESG quantifiable tools that FTSE has developed over the last decade.

FTSE works with a range of leading ESG partners and providers in delivering and supporting ESG services, including; EIRIS, Impax Asset Management, CDP, and Trucost.

The services we provide to help our clients incorporate ESG considerations into their investment strategies are as follows;

### **ESG Ratings**

The FTSE4Good ESG Ratings offers a comparable ESG risk and performance profile of companies globally. The Ratings cover around 2400 stocks worldwide including all those FTSE defines as being large or mid cap and listed in developed markets. The six ESG criteria covered are Environmental Management, Climate Change, Supply Chain Labour Standards, Human & Labour Rights, Corporate Governance and Countering Bribery. Using FTSE's ESG analysis tools, investors can assess the ESG characteristics

of portfolios, and will be able to test ESG-defined portfolios and incorporate these results into the investment decision process.

### **FTSE4Good Index Series**

Since 2001, FTSE4Good has been the world's leading index of companies demonstrating strong environmental, social, and governance performance. FTSE4Good has evolved significantly since launch to include an ever increasing range of material ESG issues. Overseen by an independent, expert Policy Committee and supported by an evolving criteria platform and direct company communication programme, FTSE4Good has made a significant and measurable impact on the behaviour of companies worldwide while providing investors with a tool for benchmarking and tracking ESG-driven funds.

The independent FTSE4Good Policy Committee has investor, business, NGO, union and academic representatives, is Chaired by Sir Mark Moody-Stuart (also Chairman of the Foundation of the UN Global Compact and Hermes Equity Ownership Services). The FTSE4Good Index Series currently consists of 12 benchmark and tradable indices covering Global, US, Europe, Japan, UK and Italy, and includes an Environmental Leaders index.

### **FTSE Environmental Markets**

FTSE Environmental Markets encompass a classification system and index family for Environmental Markets. These companies are defined as providing products and services offering solutions to environmental challenges, or that improve the efficiency of natural resource use and includes

environmental technology, also sometimes referred to as cleantech.

The Environmental Markets Classification System (EMCS) and its associated Index family provide a tool for investors to identify, categorise, benchmark and track companies operating in these new emerging sectors of the economy. There are currently 6 Sectors and 26 Subsectors in the EMCS, and 18 Environmental Markets indices. The six current sectors are; Renewable & Alternative Energy, Energy Efficiency, Water Infrastructure and Technology, Waste Management & Technologies, Pollution Control, and Environmental Support Services.

The classification system and indices are overseen by the independent FTSE Environmental Markets Committee is made up of investor, and clean technology specialists and is Chaired by Jack Ehnes (CEO, CalSTRS).

The FTSE Environmental Markets comprises 19 indices across two sub-families; FTSE Environmental Technology and FTSE Environmental Opportunities. They measure the performance of global companies that have significant involvement in environmental business activities as defined by the EMCS. The FTSE Environmental Opportunities Index Series requires companies to have at least 20% of their business derived from environmental markets and technologies, as opposed to at least 50% for the FTSE Environmental Technology Index Series. There are global, regional and country specific benchmark and tradable indices.

### FTSE Green REIT Series

With buildings and construction materials production accounting for at least 30% of greenhouse gas emissions globally and using 75% of electricity in the US, global real estate is a critical sector to target in the transition to the low carbon economy. These new indices have been developed based on quantitative measures of REIT environmental performance through the proportion of properties that are certified as green. FTSE's Green Real Estate Indices provide investors with a structured and disciplined system to track this transition, and more importantly, to model and measure risk and return from green properties. Initially FTSE has developed a US index and intend to develop and launch indices for other regions, as well as a global index.

### Custom ESG Indices

The FTSE ESG Service Unit and the FTSE Custom team work with clients to design and create an index or data product to suit specific investment strategies or mandates. Your index can be based on one of our existing indices, or on a tailored universe specific to your market requirements. We can also customise products and information for asset owners and fund managers to aid your individual performance reporting requirements. We have also worked with a range of third party ESG providers in developing these custom solutions.

**Principle 2. We will be active owners and incorporate ESG issues into our ownership policies and practices and;**

**Principle 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

FTSE is an index, data and analytics company, not an asset manager, or owner. However, FTSE has had a significant and measureable impact on corporate ESG disclosure and practices around the world. New ESG criteria are regularly developed through market consultation to capture emerging ESG risks. As these requirements are introduced, FTSE's ESG team works closely with these companies to help them understand criteria and what is being asked of them. Due to its unique position in the market, and its reputation, FTSE's able to achieve effective dialogue with companies globally in relation to the criteria inclusion requirements for the FTSE4Good Index Series. This process has teeth, in that deadlines are set for the implementation of new criteria and companies who do not demonstrate compliance are deleted from the index.

To date, this programme of corporate communication and dialogue has been a remarkable success, with around 60% of over 1000 dialogues FTSE has had with companies in the last 11 years resulting in improvements to ESG disclosure and practices.

Research from Edinburgh and Nottingham Universities have also demonstrated how effective the FTSE4Good index and this related corporate communication and dialogue has been in effecting change in corporate behaviour. From an analysis of the responses of over a 1000 companies the academics found that the rate of improvement on ESG more than doubles when the company is in direct dialogue with FTSE regarding FTSE4Good criteria<sup>1</sup>.

**Principle 4. We will promote acceptance and implementation of the Principles within the investment industry.**

As outlined above, FTSE's products provide the tools and analysis of ESG factors. FTSE also plays a leading role in the most important ESG and sustainable investment initiatives globally. For a number of these organisations and initiatives FTSE is not only a member but is also represented on the board or through advisory councils. These include UKSIF, US SIF, ASRIA, EuroSIF, RIIA, the UN backed PRI, and Luxflag. In order to raise further awareness, FTSE regularly speaks at conferences and in the media making the case for ESG integration. The team has participated in over 200 conferences and seminars in over 20 countries during the course of the last decade.

<sup>1</sup> See Mackenzie et al (Nov 2011) at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1966474](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1966474) and Slager (2012) at [http://www.nottingham.ac.uk/business/ICCSR/assets/The-FTSE4GOOD-index\\_engagement-and-impact.pdf](http://www.nottingham.ac.uk/business/ICCSR/assets/The-FTSE4GOOD-index_engagement-and-impact.pdf)

**Principle 5. We will work together to enhance our effectiveness in implementing the Principles.**

FTSE has developed many long term successful partnerships with a range of different organisations including stock exchanges, specialist research groups, investment institutions, associations and academic institutions. To provide the best choice of tools for investors FTSE works in collaboration with a range of leading ESG partners and providers in delivering ESG services, including; EIRIS, Impax Asset Management, CDP, and Trucost.

This collaborative working, together with our active participation in influential ESG initiatives already discussed means that FTSE works with institutional investors around the world on the challenges of ESG incorporation. An example of a specific PRI inspired initiative was FTSE leading PRI collaborative engagement projects through the clearing house with PRI signatories targeting companies regarding the FTSE4Good index ESG thresholds.

**Principle 6. We will each report on our activities and progress towards implementing the Principles.**

This report is a reflection of our commitment to this principle and follows on from a history of regular reporting about our journey in Responsible Investment, see our FTSE4Good 5 and 10 year reports<sup>2</sup>, and our previous UN Global compact Progress Reports<sup>2</sup>.

<sup>2</sup> See [http://www.ftse.com/About\\_Us/FTSE\\_Corporate\\_Responsibility/UN\\_Global\\_Compact.jsp](http://www.ftse.com/About_Us/FTSE_Corporate_Responsibility/UN_Global_Compact.jsp)

# 4. Promoting the UN Global Compact Principles worldwide.

## 4.1 The UNGC principles mapped against the FTSE4Good Index criteria

The following is a selection of the FTSE4Good criteria. There is a close correlation of principles. The full criteria can be found at: [www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/F4G\\_Download\\_Page.jsp](http://www.ftse.com/Indices/FTSE4Good_Index_Series/F4G_Download_Page.jsp)

UN Global Compact Principles	
<b>HUMAN RIGHTS</b>	
<p><b>Principle 1</b> Protection of Human Rights - Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2</b> Complicity in Human Rights abuse - Businesses should make sure that they are not complicit in human rights abuses.</p>	<p><b>FTSE4Good Human and Labour Rights Criteria</b> <i>Example:</i> "A clear statement of support for the Universal Declaration of Human Rights." In addition "A statement to respect all the ILO core labour standards... alternatively signatories to the UN Global Compact are considered to meet this requirement."</p> <p><b>FTSE4Good Human and Labour Rights Criteria</b> <i>Example:</i> "Guidelines governing the use of armed security guards based on UM basic principle..."</p>
<b>LABOUR</b>	
<p><b>Principle 3</b> Freedom of association and Collective Bargaining - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p><b>Principle 4</b> Forced and Compulsory Labour - Businesses should uphold the elimination of all forms of forced and compulsory labour.</p> <p><b>Principle 5</b> Child Labour - Business should uphold the effective abolition of child labour.</p> <p><b>Principle 6</b> Discrimination - Business should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p><b>FTSE4Good Supply Chain Labour Standards</b> <i>Example:</i> "Policy/Code to commit to, or be based on, the four ILO core convention areas: ...Freedom of Association and Collective Bargaining..."</p> <p><b>FTSE4Good Supply Chain Labour Standards</b> <i>Example:</i> "Policy/Code to commit to, or be based on, the four ILO core convention areas: Forced Labour..."</p> <p><b>FTSE4Good Supply Chain Labour Standards</b> <i>Example:</i> "Policy/Code to commit to, or be based on, the four ILO core convention areas: Child Labour..."</p> <p><b>FTSE4Good Human and Labour Rights Criteria</b> <i>Example:</i> "Adopting an equal opportunities policy and/or a commitment to diversity... Providing evidence of equal opportunities systems..."</p>
<b>ENVIRONMENT</b>	
<p><b>Principle 7</b> Precautionary Approach - Business should support a precautionary approach to environmental challenges.</p> <p><b>Principle 8</b> Environmental Responsibility - Business should undertake initiatives to promote greater environmental responsibility.</p> <p><b>Principle 9</b> Environmental Friendly Technologies - Business should encourage the development and diffusion of environmentally friendly technologies.</p>	<p><b>FTSE4Good Environmental Criteria</b> <i>Example:</i> "Policy refers to all key issues... Commitment to targets... monitoring and audit."</p> <p><b>FTSE4Good Environmental Criteria</b> <i>Example:</i> Environmental Management System indicators include "Identification of significant impacts... objective and targets in key areas... audits." Reporting indicators include "Data... and...performance against targets."</p> <p><b>FTSE4Good Environmental Criteria</b> <i>Example:</i> Policy indicators include "...product or service impact... and... strategic moves towards sustainability."</p>
<b>ANTI-CORRUPTION</b>	
<p><b>Principle 10</b> Corruption - Business should work against corruption in all its forms, including extortion and bribery.</p>	<p><b>FTSE4Good Countering Bribery Criteria</b> <i>Example:</i> Policy indicators include "Prohibits giving and receiving bribes." Management Systems indicators include "Procedures to remedy non-compliance." Reporting requires "Policy to be publicly disclosed."</p>



## 4.2 Environmentally friendly technology (Reinforcing FTSE's support to principle 9)

FTSE has developed a range of market leading environmental markets indices, reinforcing its support to this principle.

### FTSE Environmental Markets Index Series

The FTSE Environmental Markets Index Series measures the performance of companies globally that have significant involvement in environmental markets, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. The FTSE Environmental Technology index series and the FTSE Environmental Opportunities index series require companies to have a significant proportion (50% and 20% respectively) of their business in the development and deployment of environmental technologies, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. This is also underpinned by the FTSE Environmental Market Classification System.

FTSE has set up an independent committee of clean technology and investment professionals to govern the research and management. The series is in collaboration with the environmental technology specialist, Impax Asset Management who carry out the research for the indices.

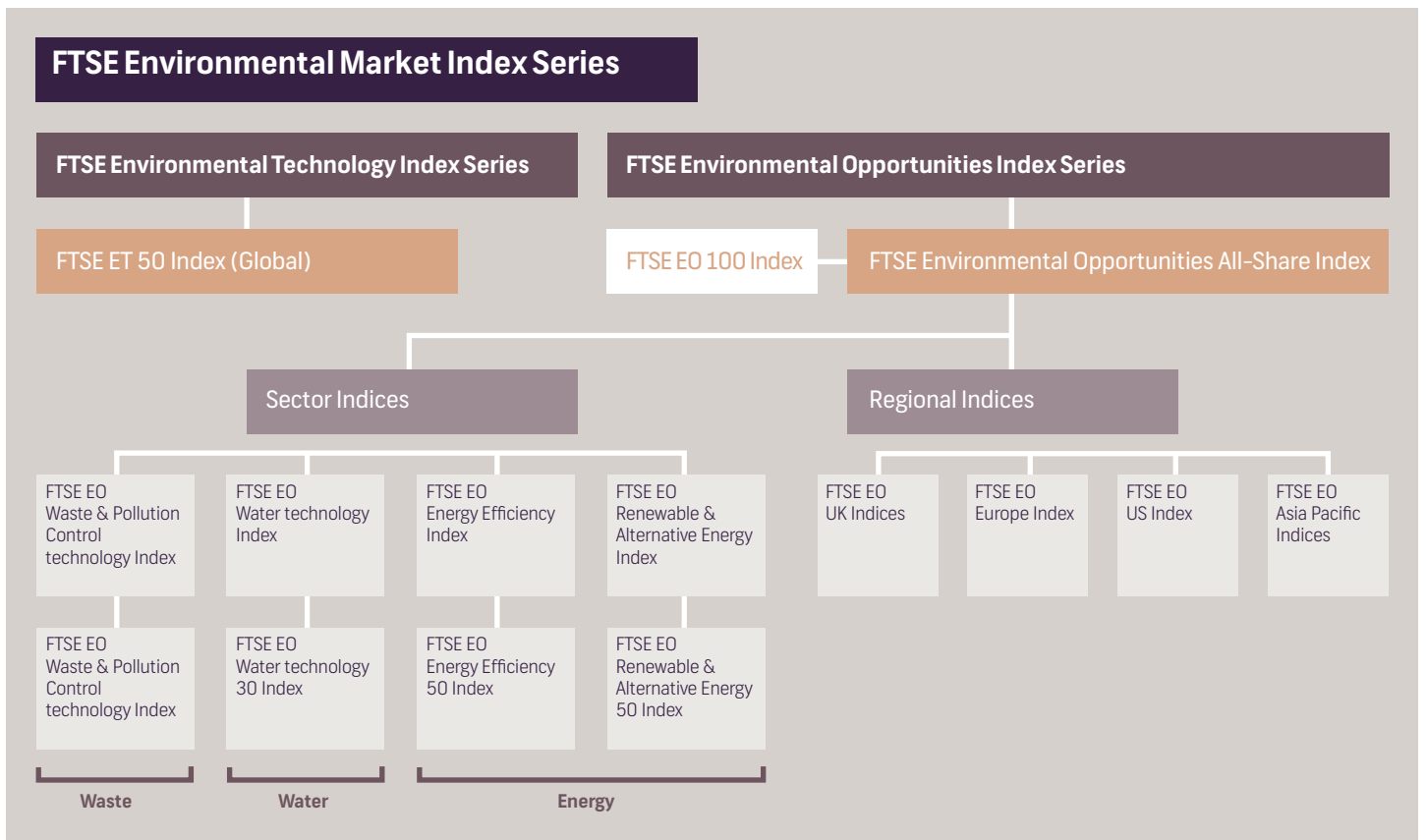
### FTSE Environmental Markets Classification System

The FTSE Environmental Markets Classification System (EMCS) is the world's first comprehensive global classification system for environmental markets. This unique classification system of environmental technology that has six sectors, and 25 sub-sectors.

A potential barrier to investment in this area in the past has been the difficulty in defining this market and understanding its investment characteristics. This classification system aims to enable investors globally to clearly identify and measure investment opportunities in environmental markets.

The global investment community now has a company classification system with sufficient levels of granularity and precision to define this growing area and assist in the design of investment products.

Further information can be found on: [www.ftse.com/environment](http://www.ftse.com/environment)



# 5. FTSE Group and Corporate Responsibility.

## 5.1 Demonstrating Corporate Responsibility

With our involvement in high profile responsible investment initiatives it is crucial that, as a company, we practice corporate responsibility ourselves. So again, this year, FTSE invited GoodCorporation to carry out an independent annual verification audit and assessment. They assessed FTSE on its responsibility to employees, clients, suppliers, shareholders, the community and the environment. There are 65 areas of management practice that are assessed, highlighting not only where the company is strong but also highlighting areas for action and improvement.

GoodCorporation is an assessment organisation founded in 2000 that carries out independent assessments for clients of how well they implement in reality their principles of responsible business management. The GoodCorporation Standard was developed in co-operation with the Institute of Business Ethics through a broad consultation process and was released in 2001 and undergoes a triennial review. Assessments have been carried out in over 40 countries, and the process is overseen by an Advisory Panel.

## 5.2 UN Global Compact Principles: Assessment of FTSE Group

The following is extracted from the GoodCorporation Assessment Report:

KEY: Assessment grades as awarded by the assessor.

- **Fail:** There is no policy or system, or it has largely broken down.
- **Minor non-compliance:** There is a policy and system but it is not always working.
- **Observation:** There is a policy and system that works but potential improvements have been identified.
- **Merit:** The policy and system work well.
- **Commendation:** The policy and system are examples of best practice.

## Assessment of FTSE against the principles of the UN Global Compact

UNGC principle	GoodCorporation reference	FTSE's performance	Grade
<p><b>1. Businesses should support and respect the protection of internationally proclaimed human rights</b></p>	<p>EMP1 – EMP9 EMP12 – EMP13 EMP17 – EMP19</p>	<p>FTSE scores mainly merits (and only one observation) on the key GoodCorporation points which relate to human rights.</p> <p>FTSE's main support of human rights comes through the FTSE4Good index, which puts it in an unusual position to set standards for listed companies to strive to attain. Human Rights criteria are also included in the inclusion criteria for the index. The FTSE4Good index has been made more challenging through the creation of Environmental, Social and Governance (ESG) ratings which gives further incentives for companies to improve their performance.</p>	<p>Merit</p>
<p><b>2. Businesses should make sure that they are not complicit in human rights abuses</b></p>	<p>EMP1 – EMP9 EMP12 – EMP13 EMP17 – EMP19</p>	<p>FTSE's adherence to good human rights practices are embodied in its ethical and human resource policies and procedures. They were assessed by GoodCorporation in June 2011 and there were no findings which indicate violations of human rights. A surveillance visit was completed in September 2012 to verify that there were no adverse developments in any area.</p>	<p>Merit</p>
<p><b>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</b></p>	<p>EMP5</p>	<p>Freedom of association is expressed in the Ethical Conduct Policy and FTSE's support of the UN Global Compact. Employees have little interest in joining a union but feel properly consulted by the management.</p>	<p>Merit</p>
<p><b>4. Businesses should uphold the elimination of all forms of forced and compulsory labour</b></p>	<p>EMP18</p>	<p>All FTSE employees have a clear and fair contract. The staff handbook also contains clear policies on resignations and retirements.</p> <p>FTSE's adherence to good human rights practices are embodied in its ethical and human resource policies and procedures. They were assessed by GoodCorporation in June 2011, confirmed by a surveillance visit in September 2012, and there were no findings which indicate violations of human rights.</p>	<p>Merit</p>
<p><b>5. Businesses should uphold the effective abolition of child labour</b></p>	<p>EMP19</p>	<p>The Ethical Conduct Policy includes a commitment to not using child labour.</p>	<p>Merit</p>
<p><b>6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</b></p>	<p>EMP14 EMP17</p>	<p>The Ethical Conduct Policy and Staff Handbook detail the policy on equal opportunities clearly and thoroughly, and explain each step of procedures applicable in case of non-compliance. Reports are made to senior management regarding the policy. Employees confirm that the policy works in practice.</p>	<p>Merit</p>

UNGC principle	GoodCorporation reference	FTSE's performance	Grade
<p><b>7. Businesses should support a precautionary approach to environmental challenges</b></p>	<p>ENV1 – ENV2</p>	<p>The FTSE Group Environmental Policy statement commits FTSE to good environmental performance as 'a fundamental element' of their corporate social responsibility programme.</p> <p>The annual report on environmental impact and progress covers areas of direct and indirect impact. Progress of targets are compared and targets clearly stated for the next year.</p> <p>FTSE continues to set targets for reducing its environmental impacts and monitors progress with great care. The attitude and action is in stark contrast to many office-based companies who perceive they have 'no significant impacts'.</p>	<p>Merit</p>
<p><b>8. Businesses should undertake initiatives to promote greater environmental responsibility</b></p>	<p>ENV3 – ENV5</p>	<p>The main influence which FTSE can have in promoting environmental responsibility is through the FTSE4Good index. Environmental criteria have always existed but have been strengthened since the beginning. Many companies found the criteria challenging and deadlines were set for compliance and FTSE engaged with many companies. FTSE has a process of engaging with the companies and timetables are set for improvement.</p>	<p>Merit</p>
<p><b>9. Businesses should encourage the development and diffusion of environmentally friendly technologies</b></p>	<p>ENV4 ENV5 COM1</p>	<p>Environmental technologies are not relevant to FTSE's products directly. Its London office has a BREEAM rating of Excellent. It also has influence through the environmental criteria of FTSE4Good (see 8).</p>	<p>Merit</p>
<p><b>10. Businesses should work against all forms of corruption, including extortion and bribery</b></p>	<p>CUS11 SUP8 COM7 COM8</p>	<p>This policy regarding bribery is set out in the staff handbooks and the new FTSE Anti-Corruption and Anti-Bribery Policy. Employees must declare any unsolicited payments or substantial favours to their manager or the HR manager. After consideration these are either refused, returned or donated for charity auction. External stakeholders interviewed were not explicitly aware of this policy but were confident that FTSE's professional approach to business would include a commitment to this point.</p> <p>FTSE has also promoted anti-corruption practices through the Countering Bribery Criteria of FTSE4Good, in which it has collaborated with Transparency International.</p>	<p>Merit</p>

# 6. Appendix.

## 6.1 GoodCorporation Assessment Methodology

GoodCorporation’s methodology is designed to carry out independent assessments of business practices. There are several key components to achieving this independence:

- The work is carried out entirely by GoodCorporation staff and associates, who have no connection with FTSE.
- GoodCorporation supplies no services to clients other than independent assessment.
- The report is reviewed by GoodCorporation’s independent Accreditation Council, which assesses the content for robustness, consistency and appropriateness of the grading.
- The assessment is based on a four-step process which seeks to establish how processes work in practice as well as in principle, involving feedback from internal and external stakeholders.
- Access can be demanded to any documentation and GoodCorporation selects the stakeholder samples.

### The GoodCorporation assessment covers key stakeholders and the UN Global Compact principles.

#### *The assessor:*

- Interviews key managers in the organisation from HR, HSE, sales, procurement, finance, community relations, etc to understand how practices are supposed to work, reviewing records, documents and system outputs as necessary.
- Selects and interviews samples of employees, customers, suppliers, partners, shareholders, regulators and industry bodies, community organisations and NGOs, as relevant to the organisation.
- Uses all the evidence gathered to evaluate how effectively the practices are working in reality, grading each practice to help monitor and benchmark performance.
- Maps the GoodCorporation assessment of practices against the UN Global Compact principles

### The verifier checks

1. A policy exists
2. A system is in place to implement the policy
3. A record exists to show that the system works
4. Stakeholders, when asked, agree the system works and is fair
5. Verifier then grades: fail, minor non-compliance, observation, merit, or commendation

## 6.2 Mapping UN Global Compact Principles against GoodCorporation References

The following was done by GoodCorporation:

### ***PRINCIPLE 1 – Businesses should support and respect the protection of internationally proclaimed human rights.***

- EMP1: There are clear employment terms and conditions for all employees.
- EMP2: There is a process to ensure that the privacy of employees is respected.
- EMP3: There is a clear disciplinary procedure that is fairly applied.
- EMP4: There is an effective process to deal with employee complaints and grievances.
- EMP5: Freedom of association and organisation of employee is respected.
- EMP6: There are effective employee communication and consultation process.
- EMP7: There is a process to monitor compliance with relevant employment laws and regulations.
- EMP10: There is a process to ensure that employees know how and when their pay and benefits are determined.
- EMP11: Local cost of living and market rates are taken into account when setting pay and benefits.
- EMP16: There is a policy not to employ forced, bonded or otherwise exploited labour.
- EMP17: There are processes to ensure that employment practices for young people follow internationally accepted standards.

### ***PRINCIPLE 2 – Businesses should make sure that they are not complicit in human rights abuses.***

- EMP1-EMP7, EMP10, EMP11, EMP16, EMP17

### ***PRINCIPLE 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.***

- EMP5: Freedom of association and organisation of employee is respected.

### ***PRINCIPLE 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour.***

- EMP1-EMP7, EMP10, EMP11, EMP16, EMP17

### ***PRINCIPLE 5 – Business should uphold the effective abolition of child labour.***

- EMP17: There are processes to ensure that employment practices for young people follow internationally accepted standards.

### ***PRINCIPLE 6 – Business should uphold the elimination of discrimination in respect of employment and occupation.***

- EMP12: The organisation encourages diversity and recruits, promotes and rewards employees on the basis of merit alone.

### ***PRINCIPLE 7 – Business should support a precautionary approach to environmental challenges.***

- ENV1: The organisation identifies and measures the impacts of its operations and products on the local and global environment, including climate change.
- ENV2: The organisation monitors and continuously reduces its environmental impacts.

### ***PRINCIPLE 8 – Business should undertake initiatives to promote greater environmental responsibility.***

- ENV4: There is a process to encourage employees and contractors working on the organisation's behalf to participate actively in environmental protection.
- COM1: The organisation's plans and activities take account of its impacts on communities.

### ***PRINCIPLE 9 – Business should encourage the development and diffusion of environmentally friendly technologies.***

- ENV1: The organisation identifies and measures the impacts of its operations and products on the local and global environment, including climate change.
- ENV2: The organisation monitors and continuously reduces its environmental impacts.
- COM1: The organisation's plans and activities take account of its impacts on communities.

### ***PRINCIPLE 10 – Business should work against corruption in all its forms, including extortion and bribery.***

- COM5: There is a process to ensure that there are no forms of bribery or corruption in relation to public officials and public bodies.
- CUS12: There is a process to ensure that there are no forms of bribery or corruption in relation to customers.
- SUP9: There is a process to ensure that there are no forms of bribery or corruption in relation to suppliers and contractors.