



FTSE4Good Index Series

Criteria Development and
Company Engagement Programme
2003-2004 Report



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EIRiS

FTSE Group sources independent research about companies for the FTSE4Good Indices from the Ethical Investment Research Service (EIRiS), and its network of international partners. EIRiS is a leading provider of research into the social, environmental and ethical practices of companies. The data services provided by EIRiS and its partners have played an important role in supporting FTSE's engagement programme. EIRiS' international research partners include Investor Responsibility Research Center (IRRC, USA), Centre for Australian Ethical Research (CAER, Australia), The Good Bankers Co. Ltd. (Japan), Ethi Finance (France), Avanzi (Italy), Stock-at-Stake (Belgium), Institut für Markt-Umwelt-Gesellschaft (IMUG, Germany), and Fundacion Ecologia y Desarrollo (FED, Spain).

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Executive Summary

This report provides an overview of the impact of the ongoing challenges posed to existing constituent companies in the FTSE4Good Index Series through the development of more demanding entry criteria. These challenges include strengthening of the environmental and human rights criteria from their announcement in 2002 and 2003 respectively, until the index review in March 2004.

By implementing these changes, FTSE Group and the FTSE4Good Policy Committee have continued the process of challenging companies to improve their corporate social responsibility commitment, disclosure and practices, in order to maintain their presence in the index.

It is clear that investors are increasingly interested in evaluating the social, environmental and ethical performance of companies as a part of their investment decision process. It is also the case that investors are beginning to expect their investment managers and agents to engage with companies on their behalf, and to report on progress regarding corporate transparency and disclosure, management of environmental and social risks, and in some cases the CSR¹ performance of companies they invest in.

The results in this report clearly show that the FTSE4Good index not only provides a meaningful performance benchmark for the socially responsible investor, but also provides a proxy for wide-ranging corporate social responsibility engagement and CSR improvement for corporates globally.

Key Findings

- FTSE4Good criteria have encouraged a marked improvement in the disclosure of human rights and environmental policy/codes of practice and management systems and process.
- There has been a positive response from companies in all areas:
 - 47 companies moved to meet new human rights criteria,
 - 266 companies have responded to improve their environmental practices,
 - Global resource companies have improved considerably on policies for indigenous peoples rights, and on policies for the use of armed security guards,
 - Companies worldwide have increased their commitments to international agreements and standards.
- These improvements in corporate practice have been prompted by a number of new and emerging pressures on companies. The tougher FTSE4Good criteria are an important one of these influencers.
- FTSE4Good Policy Committee application of the new criteria is rigorous:
 - 62 companies have been deleted from the index for failing to meet human rights and environmental challenges.

In 2004, the FTSE4Good criteria will continue to challenge companies to improve their corporate responsibility practices, and encourage companies to be more open and transparent in disclosing their material business impacts and risks to their shareholders and other key stakeholders.

¹Corporate Social Responsibility, also used interchangeably with Corporate Responsibility

The FTSE4Good Index Series

FTSE Group launched the FTSE4Good Index Series in July 2001 in response to the increasing focus on corporate social responsibility by investors seeking to measure the social, environmental and ethical performance of the companies that they invest in.

The growth of socially responsible investment (SRI) and the escalating interest in corporate governance by many global investment institutions has continued to drive the need to understand the relationship between the governance of corporate responsibility and shareholder value. It is this that the FTSE4Good index seeks to identify and reflect.

For inclusion in the FTSE4Good Index Series, companies must be constituents of either the FTSE-All Share Index (UK), or the FTSE All-World Developed Index. Currently the FTSE4Good UK index is the only index which includes small cap companies, the other indices (US, Europe and Global) currently include only large and mid cap companies.

In order to qualify for inclusion in the index series, companies must disclose how they identify, manage and report their businesses' social and environmental material risks to their shareholders and other stakeholders.

Companies need therefore to satisfy a range of corporate social responsibility criteria based on three broad principles:

- Working towards **environmental sustainability**,
- Developing positive relationships with **stakeholders**,
- Up-holding and supporting universal **human rights**.

Detailed criteria can be found at www.ftse.com/ftse4good and in appendix 2 and 3.

Criteria Changes

One of the key underlying principles of the FTSE4Good Index Series is that companies will continually be challenged to advance their corporate social responsibility performance. This will be achieved by both introducing additional criteria covering new and emerging corporate social responsibility issues, and by raising the bar for criteria issues that are already covered. Companies within the index are required to meet new criteria within a phased implementation timetable and companies not in the index need to meet the enhanced criteria in full to gain entry. This report focuses on companies which were existing constituents at the introduction of new criteria.

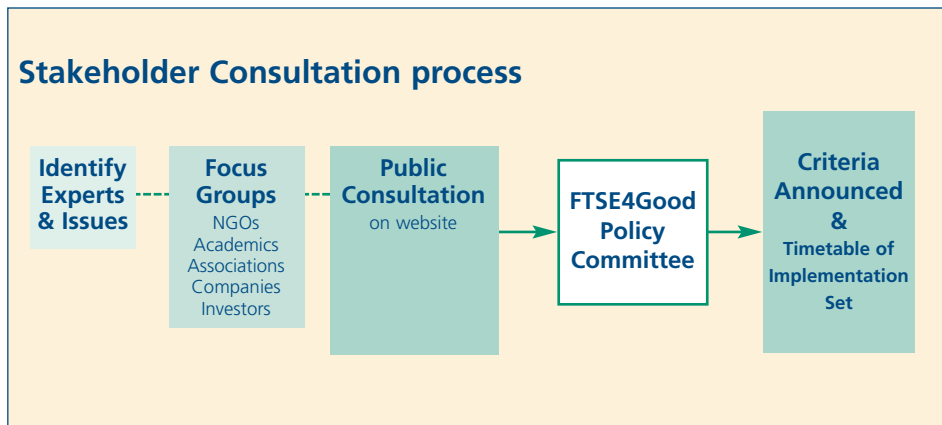
This report provides an analysis of two significant changes that were approved by the FTSE4Good Policy Committee and implemented by FTSE in 2003 and up to March 2004. These new criteria were in respect of environment and human rights.

FTSE4Good Criteria Development Process

New criteria and enhancements to current criteria are developed in a systematic, inclusive, and transparent way.

The FTSE4Good criteria should at all times express the views of global SRI and corporate responsibility communities. To ensure that this is achieved, a key part of the process is an open period of public consultation and feedback.

The diagram below illustrates this process:



Company Communication and Engagement

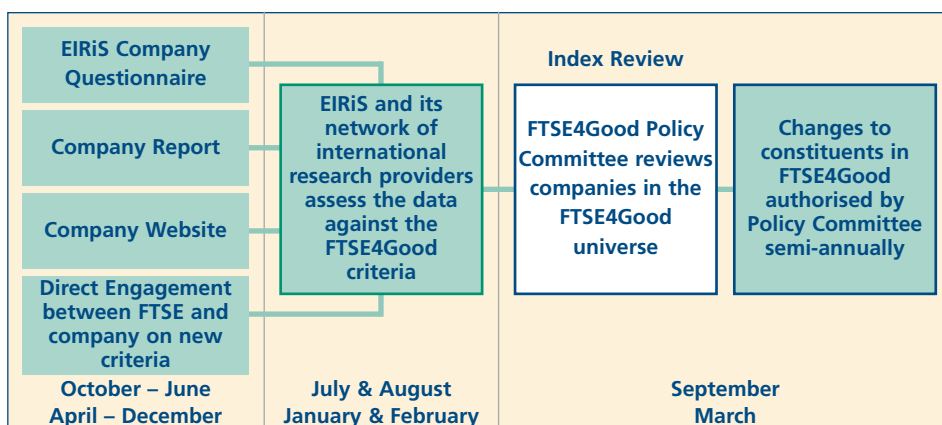
It is FTSE's intention that the FTSE4Good criteria should be challenging but achievable for companies. Some companies may have to do a lot more than others to meet these challenges. To ensure that all companies affected are provided with as much information as possible, FTSE undertakes a wide-ranging global company communication and engagement programme.

This process comprises the following key activities:

- New criteria and implementation timetable announced,
- Affected companies are informed well in advance of changes,
- Dialogue held with affected companies (telephone, e-mail, meetings),
- Deadline dates circulated widely,
- Companies take action and provide evidence that they meet the new criteria,
- FTSE4Good Policy Committee reviews index,
- FTSE advises companies of their inclusion or deletion from the index.

This programme aims to provide guidance to companies on a range of issues, for example, how to interpret the criteria and where to find recognised sources of further information so that they can pursue specific areas of concern. Meetings and dialogue may take place with a variety of people within a company including CEOs and Chairmen, Executive and non-Executive Board members, Investor Relations Managers, Company Secretaries and CSR and HR Managers.

Company's progress against the revised criteria is monitored using the following process:



2.3



New Human Rights Criteria

The new human rights criteria were announced in April 2003 and focused initially on the two highest risk groups:

- The global resource sector (GRS), which comprises upstream oil, gas and mining companies, and;
- Companies with a significant presence in countries of major human rights concern.

In April 2003, when the new criteria were announced, the index contained 23 GRS companies and 93 companies that were identified as having a significant presence in countries of human rights concern.

The new criteria requirements called for a significant increase in the development of human rights policies and for a range of management processes to be disclosed, implemented and reported against. In particular, GRS companies were asked to disclose their position relating to indigenous peoples' rights and on the use of armed guards to protect infrastructure and other assets. The details of the criteria are presented in the appendix section 3.

The new criteria are being implemented using a phased approach outlined in the table below².

Company deadline	Committee Review	Action Required	
		Global Resource Sector	Companies with a significant presence in countries of concern
August 03	September 03	Companies must meet the policy, systems, and reporting criteria in full	No requirements
January 04	March 04		Companies must meet the policy criteria
July 04	September 04		Companies must meet the systems criteria

Developments by companies in the Global Resource Sector (GRS)

In April 2003, at the time of the new criteria announcement, only five of the 23 GRS companies met the new criteria. By the September 2003 index review, significant progress had been made by most companies, and by March 2004 11 had met the new requirements with a further four close to doing so. The FTSE4Good Policy Committee were keen to encourage companies to continue to strive for compliance with the new human rights standard and accepted that a number of companies, although not fully compliant at the deadline, had provided evidence of significant progress and made a clear written commitment from the board, or senior executives, to continue to do so. These companies were therefore given a deadline deferral. Companies that did not meet the criteria and were unable to provide adequate commitments and evidence of progress were removed from the FTSE4Good Index.

²The phased approach only applies to companies in the index at the time of announcement. Companies that were not existing constituents needed to meet the criteria in full to gain entrance.

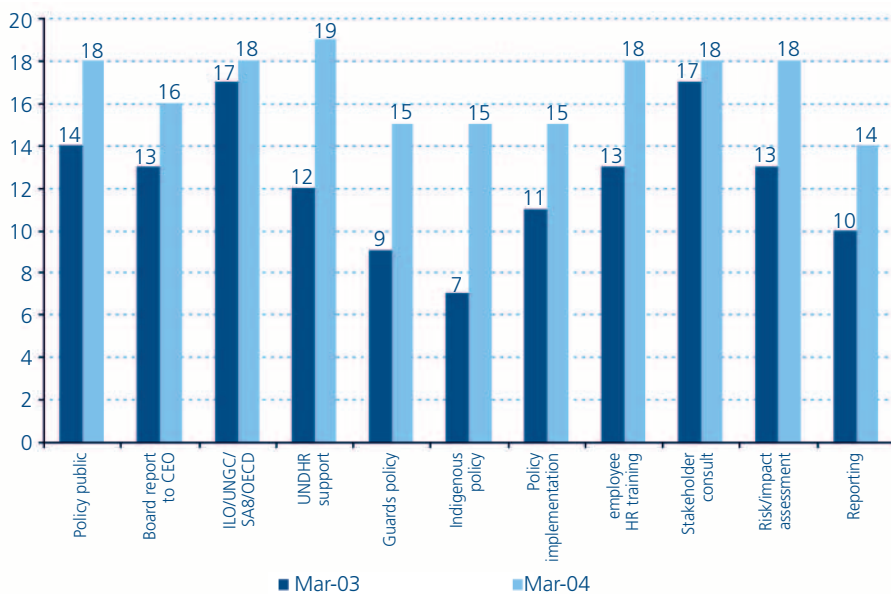
The status of these companies is provided in the table below.

FTSE4Good Status	Company	Country
Met the criteria prior to announcement (i.e. prior to April 2003)	BP BHP Biliton Australia BHP Biliton UK Royal Dutch Shell	UK Australia UK Netherlands UK
Improved to meet full criteria	BG (by Sept 03) Lonmin (by Sept 03) Mitsubishi Corporation (by Mar 04) Norsk Hydro (by Sept 03) Statoil (by Sept 03) Total (by Mar 04)	UK UK Japan Norway Norway France
Board provided firm commitments to meet full criteria	Cosmo Oil Expro Group ³ PetroCanada Repsol	Japan UK Canada Spain
Deleted from FTSE4Good Index for not meeting the GRS human rights criteria	Alumina (Sept 03) Amerada Hess (Sept 03) Cairn Energy ⁴ (Sept 03) Conoco Phillips (Sept 03) Diamond Offshore Drilling (Sept 03) ENI ⁴ (Mar 04) Falconbridge (Sept 03) Noranda (Sept 03)	Australia US UK US US Italy Canada Canada

The figure below outlines how many of the 23 companies in the Global Resource Sector had met each of the eleven human rights criteria indicators in March 2003 and in March 2004. The most significant progress was made in the following areas: support for the Universal Declaration of Human Rights, guidelines on security guards, and the respect of indigenous peoples' rights.

Fig. 1 Specific areas of progress by GRS constituents on the human rights criteria

Number of GRS Companies meeting the criteria out of the 23 in the index at announcement



³The FTSE4Good Policy Committee is considering the applicability of the criteria for GRS contractors such as Expro

⁴Both Cairn Energy and ENI made progress in meeting the criteria but did not give firm commitments to meeting the remainder so were deleted



3.2

Developments by companies with a significant presence in countries of human rights concern

In April 2003 there were 93 companies in the FTSE4Good Index that were identified by EIRIS as having a significant presence in countries of human rights concern (see Appendix section 5.2 for the list of countries). Of these 93 companies, 65 did not meet the revised criteria requirement. These companies were required to meet the human rights policy criteria by March 2004 and have made excellent progress in doing so. If companies did not meet this deadline they were deleted, except where the committee approved deadline extensions in response to formal company commitments. The graphs below show the progress among these 93 companies in meeting the new human rights policy and systems criteria.

Across all regions the commitment to and/or disclosure of human rights policies has been strong. Amongst this group of companies, 84% globally now meet the criteria, up from 44% in March 2003. Among the remaining 16% of companies that did not meet the criteria after the March 2003 review, 12% were deleted from the index, and 4% received deadline extensions. There has also been significant progress in moving towards the implementation of human rights management systems required by September 2004.

Fig. 2 FTSE4Good constituent company progress on meeting the new human rights policy criteria (93 companies affected)

Percentage of companies classified as having a significant presence in countries of human rights concern





Fig. 3 FTSE4Good constituent company progress on meeting the new human rights systems criteria (93 companies affected)

Percentage of companies classified as having a significant presence in countries of human rights concern



3.3

Companies failing to meet the human rights policy requirement

Company	Country	Deletion
Anheuser-Busch Company	USA	March 2004
Avon Products*	USA	March 2004
Delphi Corporation	USA	March 2004
Denso Corporation	Japan	March 2004
Hutchison Whampoa*	Hong Kong	March 2004
Manulife Financial*	Canada	March 2004
Nortel Networks	Canada	March 2004
Omron Corporation	Japan	March 2004
Skandia Forsakring	Sweden	March 2004
Terumo Corporation	Japan	March 2004

* Denotes deletion on both environmental and human rights grounds.

3.4

Summary

FTSE4Good criteria have encouraged a marked improvement in human rights policy and management system transparency and disclosure:

- 10 global resource sector (upstream oil, gas and mining) companies moved to meet new criteria.
- The global resource sector companies improved most on policies for indigenous peoples' rights and on policies for the use of armed security guards, and have also increased in their commitments to international human rights standards.
- 37 companies with a significant presence in countries of human rights concern moved to meet tougher new criteria. The policy criteria are based on international standards including support for the International Labour Organisation core labour standards and the Universal Declaration of Human Rights (an additional 6 companies in the index at the time of announcement made progress on meeting the criteria. 4 of them have met in full ahead of schedule, however 2 failed to meet the criteria by the deadline set and have been deleted since).



New Criteria

In May 2002, the FTSE4Good Policy Committee approved the revision of the environmental criteria which were to be implemented in phases over a period of three years (2002-2005). The key changes were:

- Companies were categorised as either high, medium or low environmental impact;
- Highest impact companies were required to have more rigorous environmental management systems and to provide the most disclosure;
- All companies were required to provide an environmental policy.

At the time of the announcement (May 2002), there were 469 FTSE4Good constituents that were affected by this change. For the first time many were required to implement both environmental policy and management processes.

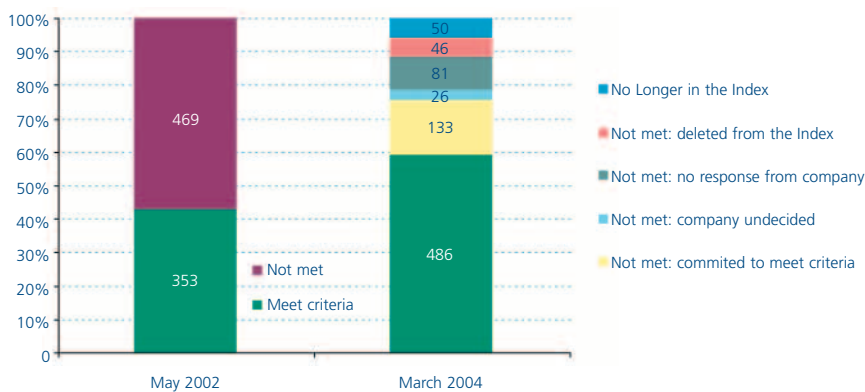
March 2004 Position

The change to the environmental criteria provided data that showed the differences in adoption of broad environmental sustainability policies and management systems across a range of countries. The results to date (the implementation process is not yet fully complete) indicate wide global variations for the adoption of environmental management systems, policy disclosure and environmental reporting.

The table below shows a view of the progress of the 822 constituent companies in FTSE4Good against the revised environmental criteria introduced in May 2002:

Fig. 4 Progress on the FTSE4Good environmental criteria

In May 2002, after the new environmental criteria were announced, only 43% (353) of the existing constituents in FTSE4Good met the new standards. By March 2004, this number had risen to 59% (486).



The majority of global companies are again rising to meet the challenge set by FTSE, of higher, more demanding environmental criteria.

As at March 2004, 133 companies globally have significantly improved their environmental impact disclosure to meet the revised criteria. A further 133 companies are both working towards, and have provided commitments to meet the revised criteria. 6% of those companies affected failed to meet the revised criteria and have been deleted.

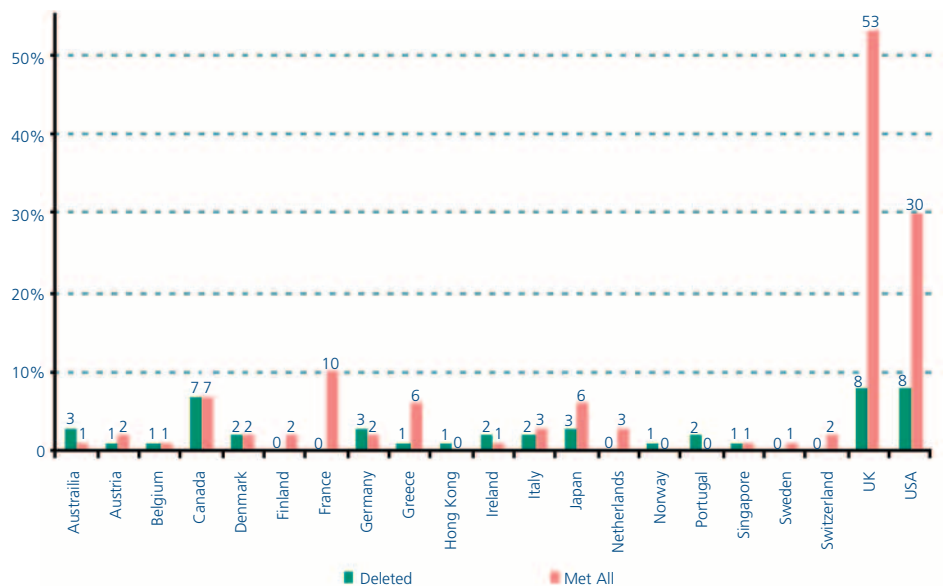
Consequently there are still a number of companies who have yet to progress to meet the new criteria, or have been unresponsive in providing a clear intention. These companies will be closely monitored as the requirements are due to be met throughout the remainder of 2004 and 2005.

The list of companies⁵ that have met the full environmental criteria between announcement in 2002 and March 2004 is in Appendix 1.

Country specific response to FTSE4Good environmental criteria

469 constituent companies did not initially meet the full environmental criteria. The table below shows an analysis of progress by country. The UK and US have the largest number of companies in the index, followed closely by Canada, Greece and France. All of these countries show a very high positive response.

Fig. 5 Company Response by Country to FTSE4Good Environmental Criteria



⁵Based on data supplied by EIRIS and partners

4.2

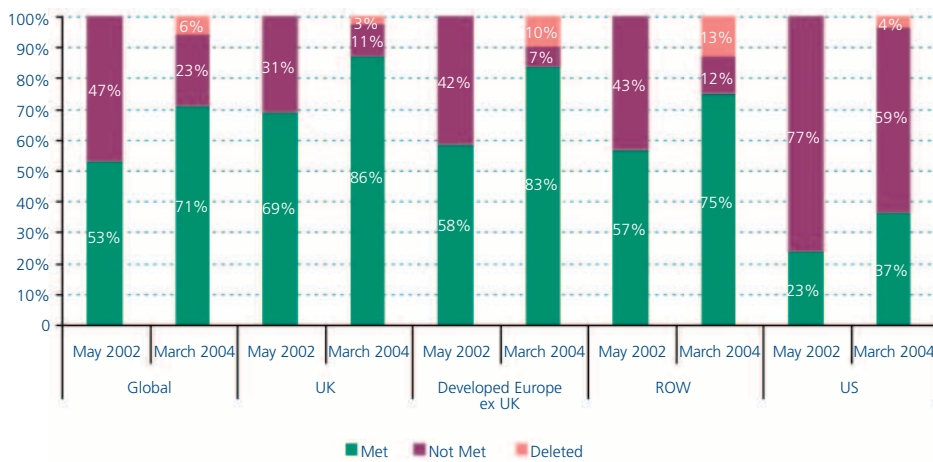


Environmental Policy

A regional breakdown of environmental policies definition and disclosure shows:

- 87% of FTSE4Good UK companies now have a public environmental policy, up from 69% in 2002;
- 83% of FTSE4Good European companies now have a publicly disclosed environmental policies, up from 53% in 2002;
- In March 2004 37% of US companies are disclosing public environmental policy statements.

Fig. 6 Regional breakdown of FTSE4Good constituent companies' progress on meeting the revised environmental policy criteria

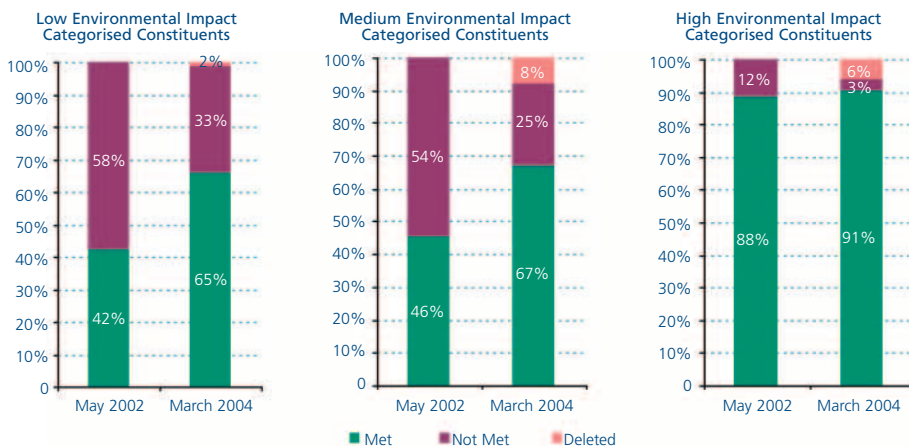


Following the classification in 2002 of companies as low, medium and high environmental impact (see criteria in Appendix section 2), the figure below shows the considerable increase in companies from low and medium environmental impact sectors meeting the FTSE4Good environmental policy criteria by March 2004:

- The number of low impact companies meeting the environmental policy criteria increased from 42% in May 2002, to 65% in March 2004.
- The number of medium impact companies meeting the environmental policy criteria increased from 46% in May 2002, to 67% in March 2004.

Fig. 7 FTSE4Good constituent companies' progress on meeting the revised environmental policy criteria

% of Constituents meeting the revised criteria



4.3



Environmental Management Systems and Processes

In addition to those companies that have the highest environmental impact, a number of companies operating in industries classified as “medium” impact had for the first time a requirement to implement and provide details of an environmental management system to retain their index membership.

The figures on progress in meeting the management system and process part of criteria were high in both Europe and the UK. As at March 2002, 57% of European and 60% UK companies met the criteria, and this rose to 73% for both regions by March 2004.

Fig. 8 FTSE4Good constituent companies' progress on meeting the revised Environmental Management Systems (EMS) criteria

% of Constituents meeting the revised criteria

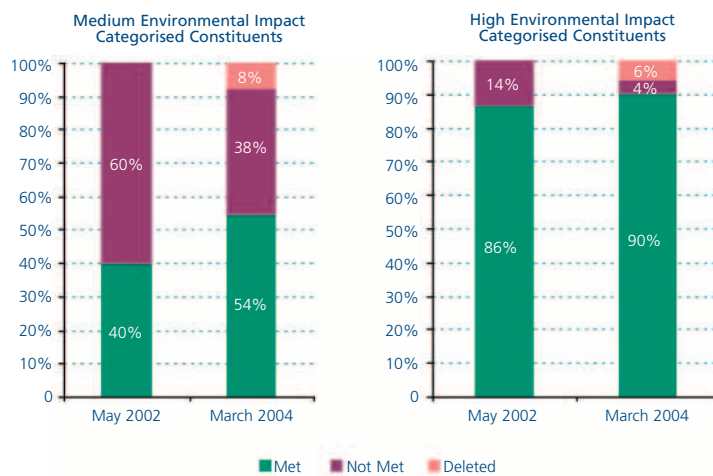
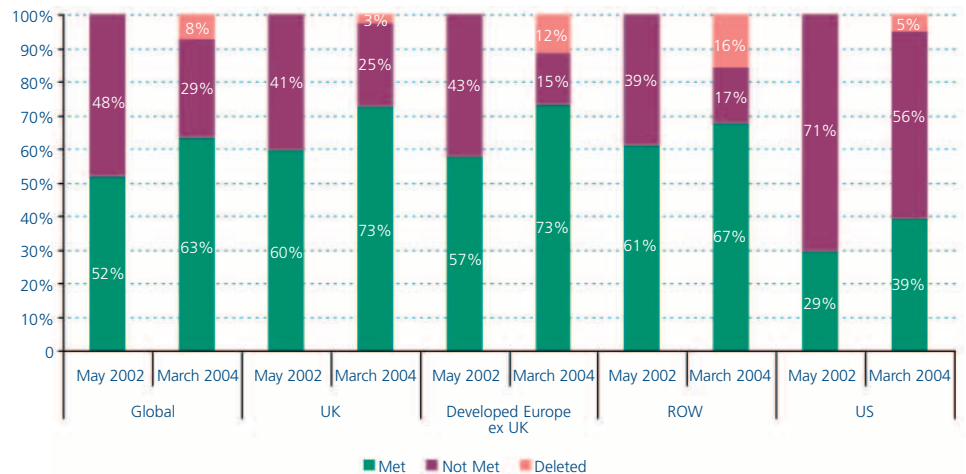


Fig. 9 Regional breakdown of FTSE4Good constituent companies' progress on meeting the revised Environmental Management Systems (EMS) criteria



Analysis of these results have shown that US companies are less familiar with the concept of employing an environmental management system as described. Very few US corporations as compared to their international peers currently have certified premises with ISO* (or EMAS*) accreditation. The percentage of US companies meeting the criteria has risen from 29% in May 2002 to 39% in March 2004. However, this is comparatively still behind the rest of the world - 67% of companies in the rest of the world now meet the environmental management system criteria.

* See Glossary section 6

4.4

Companies failing to meet the environmental criteria

During the communication and engagement process, a small number of companies were either unresponsive or made it clear that they would be unwilling or unable to meet the criteria set to maintain their position within the index in the near future.

These companies were subsequently removed from the FTSE4Good Index in March 2003, September 2003 and March 2004. They are:

Company	Country	Deletion
Fosters Group	Australia	March 2004
Macquarie Bank	Australia	September 2003
Suncorp-Metway	Australia	September 2003
Erste Bank der Oesterreichischen Sparkassen	Austria	September 2003
Interbrew	Belgium	March 2004
Fairfax Financial Holdings	Canada	September 2003
Finning International	Canada	March 2004
Four Seasons Hotels	Canada	September 2003
Manulife Financial*	Canada	March 2004
Molson	Canada	March 2004
National Bank of Canada	Canada	March 2004
Power Corporation Canada	Canada	March 2004
Carlsberg	Denmark	March 2004
Danske Bank	Denmark	March 2004
AMB Generali Holding	Germany	March 2004
Commerzbank	Germany	March 2004
Marschollek, Lautenschlaeger und Partner (MLP AG)	Germany	September 2003
Gr. Sarantis	Greece	September 2003
Hutchison Whampoa*	Hong Kong	March 2004
Allied Irish Banks	Ireland	September 2003
Elan Corporation	Ireland	March 2003
Fineco	Italy	September 2003
Mediobanca	Italy	September 2003
Central Japan Railway	Japan	September 2003
Chiba Bank	Japan	September 2003
Gunma Bank	Japan	September 2003
Hafslund	Norway	March 2003
Banco BPI	Portugal	March 2004
Banco Comercial Portugues	Portugal	March 2004
Wing Tai Holdings	Singapore	September 2003
Goldshield Group	UK	March 2003
Royal Blue Group ⁶	UK	March 2003

* Denotes deletion on both environmental and human rights grounds.

⁶Subsequent to removal Royal Blue disclosed an environmental policy meeting FTSE4Good requirements and re-entered the index at later review





Companies failing to meet the environmental criteria (continued)

Company	Country	Deletion
Spirent	UK	September 2003
St. Ives	UK	March 2003
Sygen International	UK	September 2003
The Carphone Warehouse Group	UK	September 2003
The Malcolm Group	UK	September 2003
The Rank Group	UK	March 2004
American International Group	USA	March 2004
Applera Applied Biosystems Corporation	USA	March 2004
Avon Products*	USA	March 2004
Goldman Sachs Group	USA	March 2004
Goodrich Corporation	USA	March 2004
Lehman Bros	USA	March 2004
Suntrust Banks	USA	March 2003
Tenet Healthcare	USA	March 2003

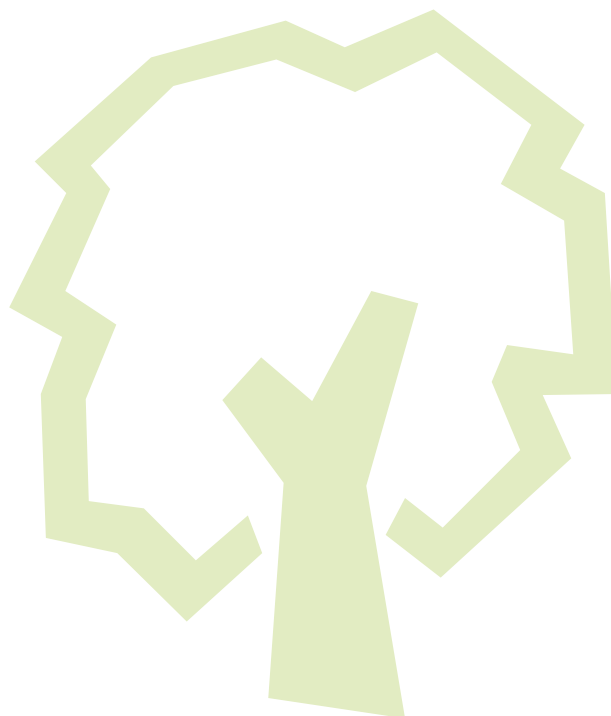
* Denotes deletion on both environmental and human rights grounds.

4.5

Summary – Main Findings

FTSE4Good criteria have encouraged a marked improvement in the disclosure of environmental policy and management systems:

- 266 companies worldwide have either met the new criteria or are planning on doing so;
- Improvements have been seen in policy disclosures and implementation of environmental management systems across all countries.



Appendix 1: Companies that have responded directly to meet FTSE4Good Environmental Criteria between announcement in 2002 and March 2004

Company	Country	Sector	Environmental Impact Rating
Tabcorp Holdings	Australia	Leisure, Entertainment & Hotels	Low
Osterreichische Elektrizitätswirtschafts (Verbund)	Austria	Electricity	High
Telekom Austria	Austria	Telecommunication Services	Low
Mobistar	Belgium	Telecommunication Services	Low
Aliant	Canada	Telecommunication Services	Low
Brascan	Canada	Real Estate	Medium
Brookfield Properties	Canada	Real Estate	Low
Canadian Imperial Bank (CIBC)	Canada	Banks	Medium
Canadian National Railway	Canada	Transport	Medium
Celestica	Canada	Electronic & Electrical Equipment	Medium
MDS	Canada	Health	Low
ISS	Denmark	Support Services	Medium
Vestas Wind Systems	Denmark	Engineering & Machinery	Medium
Elisa Communications	Finland	Telecommunication Services	Low
Sampo-Leonia Insurance Company	Finland	Insurance	Medium
Accor	France	Leisure, Entertainment & Hotels	Medium
AGF (Allianz Group)	France	Insurance	Medium
BNP Paribas	France	Banks	Medium
France Telecom	France	Telecommunication Services	Low
LVMH Moët Hennessey Louis Vuitton	France	Household Goods & Textiles	High
Pinault-Printemps-Redoute (PPR)	France	General Retailers	Medium
Rexel	France	Support Services	Low
Société Générale	France	Banks	Medium
Sodexo	France	Support Services	Low
Thomson Multimedia	France	Electronic & Electrical Equipment	Medium
Bayerische Hypo- und Vereinsbank	Germany	Banks	Medium
Gehe	Germany	Pharmaceuticals & Biotechnology	Low
Coca-Cola HBC	Greece	Beverages	High
Cosmote Mobile Communications	Greece	Telecommunication Services	Low
Hellenic Exchanges Holdings	Greece	Speciality & Other Finance	Low
Inform P Lykos	Greece	Support Services	Medium
Intracom	Greece	Software & Computer Services	Medium
Piraeus Bank	Greece	Banks	Medium
Irish Life & Permanent	Ireland	Life Assurance	Medium
RAS - Riunione Adriatica di Sicurtà	Italy	Insurance	Medium
San Paolo-IMI	Italy	Banks	Medium
Uni Credito Italiano	Italy	Banks	Medium
Aisin Seiki Company	Japan	Automobiles & Parts	High
Fuji Photo Film Company	Japan	Media & Photography	Medium
NTT	Japan	Telecommunication Services	Low
Takara Shuzo	Japan	Beverages	High
West Japan Railway Company	Japan	Transport	Medium
Yamaha	Japan	Household Goods & Textiles	Medium
Aegon	Netherlands	Life Assurance	Medium
ASML Holdings	Netherlands	Information Technology Hardware	Medium
Reed Elsevier NV	Netherlands	Media & Photography	Medium

Appendix 1: Companies that have responded directly to meet FTSE4Good Environmental Criteria between announcement in 2002 and March 2004 (continued)

Company	Country	Sector	Environmental Impact Rating
City Developments	Singapore	Real Estate	Medium
Nobel Biocare	Sweden	Health	Medium
Baloise Holding	Switzerland	Insurance	Medium
Zurich Financial Services	Switzerland	Insurance	Medium
Abacus Group	UK	Electronic & Electrical Equipment	Low
Alliance UniChem	UK	Health	Low
Axis-Shield	UK	Pharmaceuticals & Biotechnology	Medium
Biocompatibles International	UK	Health	Low
BPP Holdings	UK	Support Services	Low
Bradford & Bingley	UK	Banks	Medium
Britannic Group	UK	Life Assurance	Medium
Bunzl	UK	Support Services	Medium
Cambridge Antibody Technology	UK	Pharmaceuticals & Biotechnology	Low
Canary Wharf Group	UK	Real Estate	Medium
Capita Group	UK	Support Services	Low
Capital Radio	UK	Media & Photography	Low
COLT Telecom Group	UK	Telecommunication Services	Low
Cordiant Communications Group	UK	Media & Photography	Low
De Vere Group	UK	Leisure, Entertainment & Hotels	Medium
Egg	UK	Banks	Medium
EMAP	UK	Media & Photography	Low
Eurotunnel	UK/France	Transport	Medium
First Technology	UK	Electronic & Electrical Equipment	Medium
FirstGroup	UK	Transport	Medium
Forth Ports	UK	Transport	Medium
Friends Ivory & Sime (ISIS)	UK	Speciality & Other Finance	Medium
Great Portland Estates	UK	Real Estate	Medium
Hilton Group	UK	Leisure, Entertainment & Hotels	Medium
HSBC Holdings	UK	Banks	Medium
JJB Sports	UK	General Retailers	Medium
Johnston Press	UK	Media & Photography	Medium
Kingston Communications (HULL)	UK	Telecommunication Services	Low
Laura Ashley Holdings	UK	General Retailers	Medium
Management Consulting	UK	Support Services	Low
Manchester United	UK	Leisure, Entertainment & Hotels	Medium
Marylebone Warwick Balfour Group	UK	Real Estate	Low
MITIE Group	UK	Support Services	Medium
Morse	UK	Software & Computer Services	Low
New Look Group	UK	General Retailers	Medium
Pace Micro Technology	UK	Electronic & Electrical Equipment	Medium
Premier Farnell	UK	Support Services	Medium
Reed Elsevier	UK	Media & Photography	Medium
Reliance Security Group	UK	Support Services	Low
Rexam	UK	Support Services	Medium
Spectris	UK	Electronic & Electrical Equipment	Medium
Speedy Hire	UK	Support Services	Low
St. James's Place Capital	UK	Life Assurance	Medium

Company	Country	Sector	Environmental Impact Rating
Stagecoach Group	UK	Transport	Medium
Standard Chartered	UK	Banks	Medium
Stanley Leisure	UK	Leisure, Entertainment & Hotels	Low
SVB Holdings	UK	Insurance	Low
The Go-Ahead Group	UK	Transport	Medium
Thistle Hotels	UK	Leisure, Entertainment & Hotels	Medium
THUS Group	UK	Telecommunication Services	Low
Vardy (Reg)	UK	Automobiles & Parts	Medium
Wagon	UK	Automobiles & Parts	Medium
Wellington Underwriting	UK	Insurance	Low
Agilent Technologies	USA	Information Technology Hardware	Medium
Applied Materials	USA	Information Technology Hardware	Medium
Burlington Northern	USA	Transport	Medium
Cisco Systems	USA	Information Technology Hardware	Low
Computer Associates International	USA	Software & Computer Services	Low
Dow Jones & Company	USA	Media & Photography	Medium
Dun & Bradstreet	USA	Media & Photography	Low
Ebay	USA	General Retailers	Low
Estee Lauder Co.	USA	Personal Care & Household Products	High
Fannie Mae	USA	Speciality & Other Finance	Low
Fleet Boston Financial	USA	Banks	Medium
Gap	USA	General Retailers	Medium
Hasbro	USA	Household Goods & Textiles	Medium
IMS Health	USA	Software & Computer Services	Low
Lexmark International	USA	Information Technology Hardware	Medium
Marriott International	USA	Leisure, Entertainment & Hotels	Medium
Mattel	USA	Household Goods & Textiles	Medium
McGraw-Hill Companies	USA	Media & Photography	Low
Merrill Lynch	USA	Speciality & Other Finance	Medium
Microsoft	USA	Software & Computer Services	Low
Norfolk Southern	USA	Transport	Medium
Pall Corporation	USA	Health	Medium
Qualcomm	USA	Information Technology Hardware	Medium
Qwest Communications	USA	Telecommunication Services	Low
SBC Communications	USA	Telecommunication Services	Low
Servicemaster Company	USA	Support Services	Low
Verizon Communications	USA	Telecommunication Services	Low
Walt Disney Productions	USA	Leisure, Entertainment & Hotels	Medium
Whirlpool	USA	Household Goods & Textiles	Medium
Xilinx	USA	Information Technology Hardware	Low

Appendix 2: FTSE4Good Environmental Criteria

Companies are assigned a high, medium or low impact weighting according to their industry sector. The higher the environmental impact of the company's operations, the more stringent the criteria it needs to meet to be included in the index.

High impact sectors	Medium impact sectors	Low impact sectors
Agriculture	DIY & Building Supplies	Consumer / mortgage finance
Agricultural Pest Control	Electronic and Electrical equipment	Information Technology
Air transport	Energy and Fuel Distribution	Leisure not elsewhere classified (gyms and gaming)
Airports	Engineering and machinery	Media
Building materials (includes quarrying)	Financials not elsewhere classified	Property Investors
Chemicals and Pharmaceuticals	Hotels, catering and facilities management	Research & Development
Construction	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	
Major systems engineering	Public transport	
Mining & metals	Retailers not elsewhere classified	
Non-Agricultural Pest Control	Vehicle Hire	
Oil and gas		
Power generation		
Road distribution and shipping		
Supermarkets		
Vehicle Manufacture		
Waste		
Water		

Note: the business sectors indicated above are determined and classified by EIRIS. For more information on these classifications go to www.eiris.org.

	High impact companies	Medium impact companies	Low impact companies
Policy	Policy must cover the whole group and either meets all five core indicators plus at least one desirable indicator, or four core plus two desirable indicators.	Policy must cover the whole Group and meet at least four indicators, at least three of which must be core.	Companies must have published a policy statement including at least one commitment indicator.
	Core Indicators <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Globally applicable corporate standards • Commitment to stakeholder involvement • Policy addresses product or service impact • Strategic moves towards sustainability
Management	<p>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.</p> <p>If EMS are applied to more than two-thirds of company activities, the company must meet at least five of the indicators, one of which must be documented objectives and targets in all key areas.</p> <p>ISO certification and EMAS registrations are considered to meet all six indicators and are assessed on that basis.</p>	<p>EMS must cover at least one third of the company and meet at least four indicators.</p> <p>If less than one third coverage, must have six indicators, including quantitative objectives and targets. ISO14001 certified or EMAS registered systems are considered to meet all six indicators.</p>	No requirement
	Indicators <ul style="list-style-type: none"> • 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	<p>Report must have been published within the last three years, cover the whole group, and meet at least three of the four indicators.</p> <p>Corporate reports which do not cover the entire global operations of the listed company must meet all four core indicators,</p> <p>or</p> <p>three core indicators together with two desirable indicators.</p>	No requirement	No requirement
	Core Indicators <ul style="list-style-type: none"> • Text of environmental policy • Description of main impacts • Quantitative data • Performance measured against targets 		Desirable Indicators <ul style="list-style-type: none"> • Outline of an EMS • Non-compliance, prosecution, fines, accidents • Financial dimensions • Independent verification • Stakeholder dialogue • Coverage of sustainability issues

Environmental Criteria Requirement Timetable

Company deadline	Low Impact Company Requirements	Medium Impact Company Requirements	High Impact Company Requirements
1st Aug 03	No requirement	Basic policy (to low impact) requirement	Meet medium impact policy/ EMS requirements
26th January 04	No requirement	Policy proper	Meet all requirements
1st July 04	No requirement	EMS	
1st January 05	Policy requirement		

Appendix 3: FTSE4Good Human Rights Criteria

On April 10 2003, FTSE announced changes to the FTSE4Good Index Series selection criteria relating to up-holding and supporting universal human rights. The new criteria outlined below were formed on the basis of a broad public human rights consultation during 2002. This involved taking into account almost 200 responses from corporations, fund managers, non-government organisations and private investors.

In the same way as for the new environmental criteria, companies have been divided into groups according to their potential impact. The higher the potential human rights impact of the company's operations, the more stringent the criteria it needs to meet to be included in the index. Companies currently have been divided into three groups:

i. Global Resource Sector

The group of companies identified as potentially having the highest human rights impact are companies in the global resource sector (oil, gas and mining). This sector is defined more specifically in the relevant section below. The FTSE4Good Advisory Committee proposes to extend the higher requirements over time to other sectors; such as Agriculture, Banking, Chemicals, Finance, Pharmaceuticals and Textiles and Apparels. Detail on the criteria and implementation timetable are given below.

ii. 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 although in general having a lower human rights impact than the global resource sector. Therefore these companies are required to meet an intermediate level of criteria. Detail on the criteria and implementation timetable are given below.

iii. All other companies

In recognition that human rights issues are relevant to all companies every constituent must demonstrate at least a basic policy in relation to either equal opportunities or freedom of association. No deadlines have been set for these criteria but the advisory committee will decide on the date when they meet in March 2004.

New entrants to the index

Companies wishing to be added to the FTSE4Good index series will need to meet the new criteria according to the same deadlines as the current constituents.

Definitions

Global Resource Sector is defined as companies with global involvement in oil & gas and mining including upstream operations.

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.

Human Rights Criteria for the Global Resource Sector (GRS)

Human Rights Criteria for the Global Resource Sector		
Policy	New Criteria	Details
	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 System	New Criteria	Details
	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	New Criteria	Details
	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	As a minimum covering policies and management systems.

Human Rights Criteria for Companies with a Significant Presence in Countries of Human Rights Concern

Definitions

Significant presence 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 each year 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 adopted by the FTSE4Good Advisory Committee in March 2003

Afghanistan	Egypt	Saudi Arabia
Algeria	Iran	Somalia
Angola	Iraq	Sudan
Brunei	Kazakhstan	Syria
Burma	Libya	Tunisia
Cameroon	North Korea	United Arab Emirates
China	Oman	Vietnam
Colombia	Pakistan	Yemen
Democratic Republic of Congo	Rwanda	Zimbabwe

Human Rights Policy Criteria for Companies in Countries of Concern

	New 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 or	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.
	UDHR or	Alternatively a clear statement of support for the Universal Declaration of Human Rights,
	Global Human Rights Communication	or communication of the human rights policy to employees globally.

The Company must meet at least two of the following four criteria

	New Criteria	Details
Management System	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.

Human Rights Criteria Requirements Timetable

Timetable for Human Rights Criteria Requirements	
April 2003	Announcement and adoption of new country list.
September 2003	Criteria for Global Resource Sector apply.
March 2004	Policy Criteria for companies in high-risk countries apply.
September 2004	Global Resource Sector Impact assessment applies. Management System criteria for companies in high-risk countries apply.

Appendix 4: Country Composition of Relevant FTSE Indices

FTSE index universe	FTSE4Good Index	Country composition
FTSE All Share	FTSE4Good UK	UK
FTSE Developed Europe	FTSE4Good Europe	Austria Belgium/Luxembourg Denmark Finland France Germany Greece Ireland Italy Netherlands Norway Portugal Spain Sweden Switzerland UK
FTSE US	FTSE4Good US	USA
FTSE Developed	FTSE4Good Global	Australia Austria Belgium/Luxembourg Canada Denmark Finland France Germany Greece Hong Kong Ireland Italy Japan Netherlands New Zealand Norway Portugal Singapore Spain Sweden Switzerland UK USA

Glossary

EMS

An Environmental Management System is the overall management system for developing, implementing, achieving, reviewing and maintaining the environmental policy. It is a systematic approach to managing an organisation's environmental effects, to reduce negative effects and increase beneficial action, with the aim of continuous improvement.

Source: Based on ISO 14001 definitions

EMAS

The Eco-Management and Audit Scheme, is a voluntary initiative designed to improve companies' environmental performance. A formal specification for Environmental Management Systems, for companies that go beyond minimum legal compliance and continuously improve their environmental performance. Available to companies in the EU, it enables an organisation to achieve certification.

Source: www.emas.org.uk/aboutemas/mainframe.htm

ILO

The International Labour Organization is the UN specialised agency which seeks the promotion of social justice and internationally recognized human and labour rights. The ILO formulates international labour standards in the form of Conventions setting minimum standards of basic labour rights in: freedom of association/collective bargaining, forced labour, child labour, equality and discrimination, and other standards regulating conditions across the entire spectrum of work related issues.

Source: www.ilo.org/public/english/about/index.htm

ISO 14001

The ISO (ISO International Organisation for Standardisation) has developed a series of international standards on environmental management (14000). It provides a framework for the development of an environmental management system and the supporting audit programme. ISO 14001 specifies a framework of control for an Environmental Management System against which an organization can be certified by a third party.

Source: www.iso14000-iso14001-environmental-management.com/iso14000.htm

OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises are non-binding recommendations to enterprises, made by the thirty-eight governments that adhere to them. Their aim is to help multinational enterprises (MNEs) operate in harmony with government policies and with societal expectations.

Source: www.oecd.org/about/0,2337,en_2649_34889_1_1_1_1_37461,00.html

Social Accountability 8000

Social Accountability International is a U.S.-based, nonprofit organisation dedicated to the development, implementation and oversight of voluntary verifiable social accountability standards that are reputable and publicly accessible. The social accountability system, SA8000, is a standard and verification system for organisations to maintain just and decent working conditions throughout the supply chain, for assuring humane workplaces.

Source: www.cepa.org/SA8000/SA8000.htm

United Nations Universal Declaration of Human Rights

The General Assembly of the United Nations adopted and proclaimed the Universal Declaration of Human Rights. It covers human rights and freedoms based on all human beings being born free and equal in dignity and rights without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Source: www.un.org/Overview/rights.html

United Nations Global Compact

The Global Compact is a network of governments, companies, labour, civil society organisations and The United Nations. The Global Compact is a voluntary initiative with nine principles in the areas of human rights, labour and the environment.

Source: www.unglobalcompact.org/Portal/Default.asp

Global Resource Sector (GRS)

GRS is the term used in the FTSE4Good criteria which identifies the group of companies defined as having the highest human rights impact, and are companies with global involvement in oil, gas and mining including upstream operations (see *FTSE4Good criteria on Human Rights for more information*).

“Rest of World” (RoW)

For the purposes of this FTSE4Good Report only, these are the following countries: Australia, Canada, Hong Kong, Japan, New Zealand and Singapore.

“Developed Europe ex UK”

For the purposes of this FTSE4Good Report only, these are the countries covered in the FTSE4Good Europe Indices excluding the UK (see Appendix on country composition of FTSE Indices for more information).

Further Information

For further information please visit www.ftse.com, email info@ftse.com or contact your local FTSE sales representatives:

Frankfurt:	+49 (0)69 156 85 143	New York:	+1 888 747 FTSE
Hong Kong:	+852 2230 5800	Paris:	+33 (0)1 53 76 82 88
London:	+44 (0)20 7448 1810	San Francisco:	+1 415 445 5660
Madrid:	+34 91 411 3787	Tokyo:	+81 3 3581 2811

FTSE Group Corporate Social Responsibility Team

Jayn Harding

Head of Corporate Social Responsibility

David Harris

CSR Executive

William Oulton

Strategic Advisor, SRI, FTSE Group

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