

UN Global Compact

Communication of Progress 2007





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INTRODUCTION

FTSE Group

FTSE Group (FTSE) is a world-leader in index creation and management and an independent company owned by The Financial Times and the London Stock Exchange. Since inception in 1995 FTSE has grown from a UK start-up to a global operation with eleven offices worldwide. The group encompasses offices in the Americas, Europe, Africa and Asia-Pacific. FTSE is now calculating indices and servicing clients in over 77 countries. It is estimated that three trillion USD of assets are under management using FTSE indices.

Responsible Investment

There has been significant growth of investor interest and incorporation of extra-financial (environmental, social and governance) factors into investment management and active ownership. FTSE has been developing Responsible Investment (RI) tools since 2001 when the FTSE4Good Index Series, the innovative responsible investment index series was launched. Since then, as well as developing further RI products, FTSE has supported the development of the UN Principles for Responsible Investment, and was the first index company to become a signatory of the principles.

Corporate Responsibility: Practicing what we preach

With our involvement in high profile responsible investment initiatives it is crucial that, as a company, we practice what we preach in 2002. This led FTSE to select GoodCorporation, to carry out an independent annual verification audit and assessment of FTSE Group. Each year they assess FTSE on its responsibility to employees, clients, suppliers, shareholders, the community and the environment. There are 62 individual indicators and we are scored against each one, highlighting where the company is strong but also highlighting areas for action and improvement. Last year FTSE's Chief Executive, Mark Makepeace, wrote to Kofi Annan committing to support the ten principles of the Global Compact, and therefore FTSE became a participant of this initiative. It seemed a natural fit with the annual GoodCorporation verification, and therefore we asked them to also assess, and score, FTSE against each of the ten principles.

This report aims to communicate progress against the UN Global Compact Principles.



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

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





UN GLOBAL COMPACT PRINCIPLES

ASSESSMENT OF FTSE GROUP

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.

Principle	FTSE performance	GC reference	Grade
Businesses should support and respect the protection of internationally proclaimed human rights	FTSE scores mainly merits (and only one observation) on the key GoodCorporation points which relate to human rights. 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.	EMP1-EMP7, EMP10, EMP11, EMP16-EMP18	Merit
Businesses should make sure that they are not complicit in human rights abuses	FTSE's adherence to good human rights practices are embodied in its ethical and human resource policies and procedures. They are assessed annually by GoodCorporation and there have never been any findings or grades which indicate violations of human rights. Its internal communication processes such as the Staff Representative Group are a further check on this.	EMP1-EMP7, EMP10, EMP11, EMP16-EMP18	Merit
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Freedom of association is expressed in the Ethical Conduct Policy, FTSE's support of the UN Global Compact and in employee contracts. Employees have little interest in joining a union but there is support for the staff consultation group, which is widely consulted by the management.	EMP5	Merit
Businesses should uphold the elimination of all forms of forced and compulsory labour	All FTSE employees have a clear and fair contract. The staff handbook also contains clear policies on resignations and retirements. FTSE's adherence to good human rights practices are embodied in its ethical and human resource policies and procedures. They are assessed annually by GoodCorporation and there have never been any findings or grades which indicate violations of human rights. As mentioned earlier its internal communications process would be a further check on this.	EMP1-EMP7, EMP10, EMP11, EMP16-EMP1	Merit

UN GLOBAL COMPACT PRINCIPLES (CONTINUED)
ASSESSMENT OF FTSE GROUP

Principle	FTSE performance	GC reference	Grade
Businesses should uphold the effective abolition of child labour	The Ethical Conduct Policy includes a commitment to not using child labour.	EMP18	Merit
Businesses should uphold the elimination of discrimination in respect of employment and occupation	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 the Executive Group regarding the policy. Employees confirm that the policy works in practice.	EMP12, EMP13	Merit
Businesses should support a precautionary approach to environmental challenges	<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 stretching 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>	COM8, COM9	Merit
Businesses should undertake initiatives to promote greater environmental responsibility	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. Deadlines were set for compliance and FTSE engaged with many companies. A particular challenge was US companies, particularly domestic ones, which found environmental commitments and reporting problematic. FTSE had a process of engaging with the companies and timetables were set.	COM8, COM9	Merit



UN GLOBAL COMPACT PRINCIPLES (CONTINUED)
ASSESSMENT OF FTSE GROUP

Principle	FTSE performance	GC reference	Grade
Businesses should encourage the development and diffusion of environmentally friendly technologies	Environmental technologies are not relevant to FTSE’s products directly. When moving offices in London it also included environmental concerns in the search of its new office building and ensured that the current office has a BREEAM rating of Excellent. Further it also has influence through the environmental criteria of FTSE4Good (see comments against the two principles above).	COM8, COM9	Merit
Businesses should work against all forms of corruption, including extortion and bribery	<p>This policy regarding bribery is set out in the staff handbook. 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. Some stakeholders interviewed were not explicitly aware of this policy but took it for granted 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>	COM8, COM9 CUS12, CUS13, SUP8, SUP9	Merit



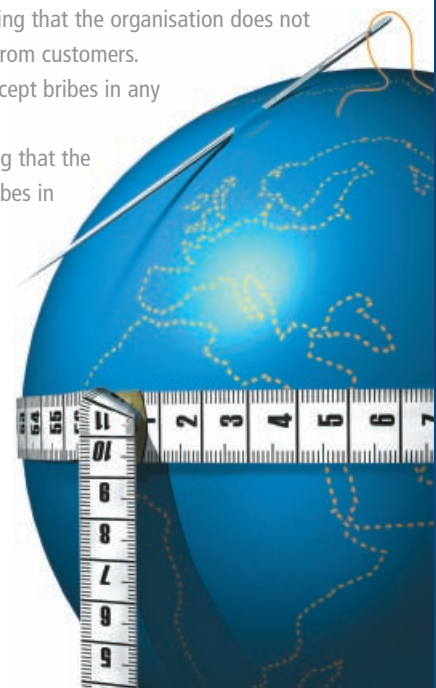
MAPPING UN GLOBAL COMPACT PRINCIPLES
AGAINST GOODCORPORATION REFERENCES

Principle	GoodCorporation reference and wording
<p>Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p>EMP1: There are clear employment terms and conditions for all staff. EMP2: There is a clear disciplinary procedure. EMP3: An effective employee grievance procedure is in operation. EMP4: The terms for leaving the organisation are explicit. EMP5: Freedom of association and organisation of employees is respected. EMP6: An employee consultation process is in operation. EMP7: Compliance with relevant employment laws and regulations is monitored.</p>
<p>Businesses should make sure that they are not complicit in human rights abuses.</p>	<p>EMP10: Employees know how and when their remuneration is determined. EMP11: Local cost of living and pay norms are taken into consideration when determining remuneration. EMP16: There is a policy to treat all employees with respect and no forms of harassment are tolerated. EMP17: Procedures are in place to respond to accusations of workplace harassment or bullying. EMP18: There is a process to ensure that child labour is not employed. In exceptional circumstances where an organisation employs child labour, it must undertake a responsible replacement of that child labour with adult labour.</p>
<p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>EMP5: Freedom of association and organisation of employees is respected.</p>
<p>Businesses should uphold the elimination of all forms of forced and compulsory labour</p>	<p>EMP1: There are clear employment terms and conditions for all staff. EMP2: There is a clear disciplinary procedure. EMP3: An effective employee grievance procedure is in operation. EMP4: The terms for leaving the organisation are explicit. EMP5: Freedom of association and organisation of employees is respected. EMP6: An employee consultation process is in operation. EMP7: Compliance with relevant employment laws and regulations is monitored. EMP10: Employees know how and when their remuneration is determined. EMP11: Local cost of living and pay norms are taken into consideration when determining remuneration. EMP16: There is a policy to treat all employees with respect and no forms of harassment are tolerated. EMP17: Procedures are in place to respond to accusations of workplace harassment or bullying. EMP18: There is a process to ensure that child labour is not employed. In exceptional circumstances where an organisation employs child labour, it must undertake a responsible replacement of that child labour with adult labour.</p>



MAPPING UN GLOBAL COMPACT PRINCIPLES
AGAINST GOODCORPORATION REFERENCES (CONTINUED)

Principle	GoodCorporation reference and wording
Businesses should uphold the effective abolition of child labour	EMP18: There is a process to ensure that child labour is not employed. In exceptional circumstances where an organisation employs child labour, it must undertake a responsible replacement of that child labour with adult labour.
Businesses should uphold the elimination of discrimination in respect of employment and occupation	EMP12: An equal opportunities policy statement exists and is monitored. The policy states the intention to recruit, promote and reward employees on the basis of merit alone. EMP13: Procedures are in place to respond to accusations of workplace discrimination.
Businesses should support a precautionary approach to environmental challenges	COM8: The organisation assesses its environmental impacts in terms of use of resources (such as materials, energy and water) and production of waste and pollution. COM9: The organisation prioritises its environmental impacts and has a monitored programme for continuous reduction of impacts.
Businesses should undertake initiatives to promote greater environmental responsibility	COM8: The organisation assesses its environmental impacts in terms of use of resources (such as materials, energy and water) and production of waste and pollution. COM9: The organisation prioritises its environmental impacts and has a monitored programme for continuous reduction of impacts.
Businesses should encourage the development and diffusion of environmentally friendly technologies	COM8: The organisation assesses its environmental impacts in terms of use of resources (such as materials, energy and water) and production of waste and pollution. COM9: The organisation prioritises its environmental impacts and has a monitored programme for continuous reduction of impacts.
Businesses should work against all forms of corruption, including extortion and bribery	COM8: The organisation assesses its environmental impacts in terms of use of resources (such as materials, energy and water) and production of waste and pollution. COM9: The organisation prioritises its environmental impacts and has a monitored programme for continuous reduction of impacts. CUS12: There is a policy not to offer, pay, solicit or accept bribes in any form to or from customers. CUS13: There is a process for monitoring and checking that the organisation does not offer, pay, solicit or accept bribes in any form to or from customers. SUP8: There is a policy not to offer, pay, solicit or accept bribes in any form to or from suppliers. SUP9: There is a process for monitoring and checking that the organisation does not offer, pay, solicit or accept bribes in any form to or from suppliers.



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