

# FTSE Blossom Japan Index Series

Measuring ESG practices of Japanese companies to facilitate stewardship integration into investment strategies

## Overview

Investors globally are developing investment strategies that aim to integrate environmental, social and governance (ESG) considerations into their core approaches and are growing in sophistication. The Japanese sustainable market is no exception to this global trend and has blossomed in recent times, creating a demand to integrate ESG criteria into the core benchmark construction and passive strategies of investors.

Based on the underlying FTSE Japan All Cap Index, the FTSE Blossom Japan Index Series represents broad exposure to the Japanese equity market, whilst weighting each constituent based on its ESG risk and performance using an industry or sector neutral methodology depending on the index.

## Benefits

The FTSE Blossom Japan Index Series:

- **Facilitates ESG integration into the Japanese market** – supports improved ESG outcomes and drives better corporate sustainability performance and practices, using FTSE ESG ratings
- **Applies ICB industry or sector neutral weighting approach** – minimizes industry or sector bias by applying industry or sector neutrality to match the weights of the underlying FTSE Japan All Cap Index
- **Improves company engagement** – increases transparency and disclosure in the capital markets to improve company engagement and investment stewardship practices
- **Supports climate transition to a low carbon economy** – in addition, the Sector Relative index excludes high carbon intensity companies, while considering the quality of companies' management of climate risks and opportunities via the Transition Pathway Initiative's (TPI) Management Quality Score, to support climate transition efforts

## Features

### Based on FTSE Russell's ESG Ratings

FTSE Russell assesses a wide universe of companies on their ESG performance. Within the global universe there are approximately 1300 Japanese companies covered including the FTSE Japan All Cap Index constituents, which are used as the basis for the FTSE Blossom Japan Index Series.

### Materiality

Identifying investment relevant ESG Themes, for a given company, based on the business characteristics such as the geographies and subsectors in which it operates.

### International standards

Alignment with existing international standards, including the UN Sustainable Development Goals.

### Evolving criteria

Periodic review of ESG evaluation criteria based on corporate behavior, investor needs and stakeholder interest.

### Independence

Governance structure based on an independent committee.

### Transparency

Transparent process based on publicly available information.

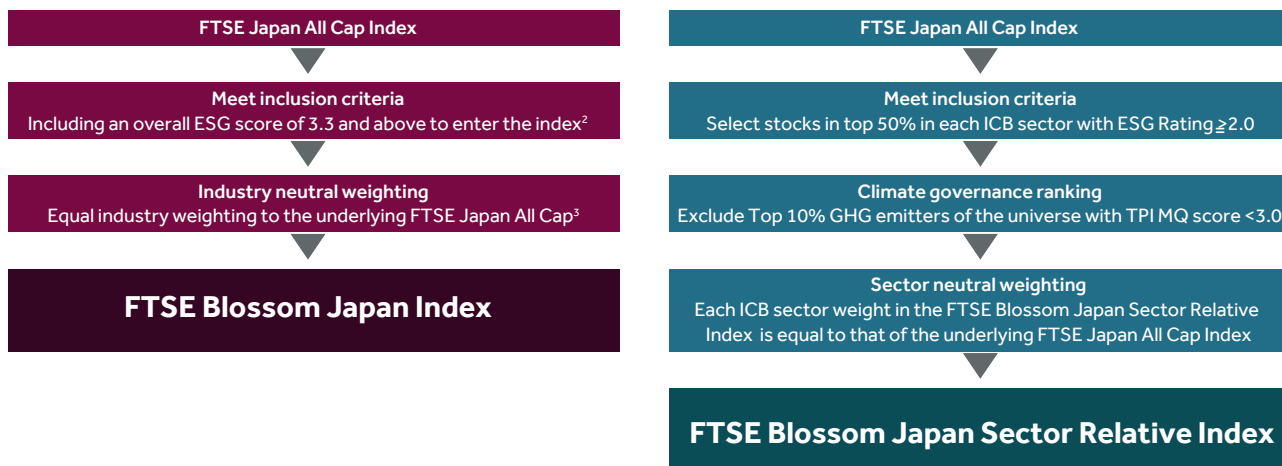
### Corporate engagement

Detailed corporate communication and engagement program that has catalyzed improved corporate practices globally.<sup>1</sup>

<sup>1</sup> Source: Mackenzie et al (2012), University of Edinburgh; Slager, Catharina Henrike (2012), University of Nottingham

## Index construction process

The FTSE Blossom Japan Index Series uses FTSE Russell's transparent ESG Ratings to measure exposure to and management of ESG-related risks.



<sup>2</sup> Additional rules are set out in the FTSE Blossom Japan Index Ground Rules and the Index Inclusion Rules for the FTSE4Good Index Series

<sup>3</sup> A single constituent's weight within the index is capped at 15%, and 20 times its index weight in the FTSE Japan All Cap Index

## Index methodology

FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index
Approximately 200 Japanese securities	Approximately 500 Japanese securities
<b>Industry-neutral approach</b> to minimize industry bias by matching weights with those of the underlying index	<b>Sector-neutral approach</b> to minimize sector bias by matching weights with those of the underlying Index
Selects Japanese companies with <b>ESG Rating 3.3 and above</b>	Selects Japanese companies in the <b>top 50% of each sector</b> and with <b>ESG Rating 2.0 and above</b>
Since 2017, <b>demonstrates a clear ESG standard</b> for market participants and companies to utilize in their stewardship and engagement efforts	<b>Supports climate transition to a low carbon economy</b> by evaluating companies' climate governance and climate change efforts with the TPI Management Quality Score

**About FTSE Russell**

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit [ftserussell.com](https://ftserussell.com).

To learn more, visit [ftserussell.com](https://ftserussell.com); email [info@ftserussell.com](mailto:info@ftserussell.com); or call your regional Client Service Team office:

**EMEA**

+44 (0) 20 7866 1810

**North America**

+1 877 503 6437

**Asia-Pacific**

Hong Kong +852 2164 3333

Tokyo +81 3 6441 1430

Sydney +61 (0) 2 8823 3521

**For more information about our indexes, please visit [ftserussell.com](https://ftserussell.com).**

© 2022 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®", "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of FTSE Russell products, including but not limited to indexes, data and analytics, or the fitness or suitability of the FTSE Russell products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell products is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of the LSE Group nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group data requires a licence from FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.