

FTSE Blossom Japan Index

Industry neutral index that measures 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 Index, the FTSE Blossom Japan Index represents broad exposure to the Japanese equity market, whilst weighting each constituent based on its ESG risk and performance using an industry neutral methodology.

About the index

The FTSE Blossom Japan Index:

- Demonstrates a clear ESG standard for market participants and companies to utilize in their stewardship and engagement efforts
- Utilizes the globally established FTSE4Good Index Inclusion Rules and ESG Ratings methodology
- Minimizes any industry bias through industry neutral weighting, thereby providing a benchmark designed to closely reflect the constituents of the underlying index universe
- Provides a benchmark solution that incorporates ESG considerations without deviating significantly from the design and performance of the traditional market capitalization weighted benchmark, the FTSE Japan Index¹

¹ Source: FTSE Russell as at 28 April 2017. Past performance is no guarantee of future results. Returns for the FTSE Blossom Japan Index reflect hypothetical historical performance. See the end for important legal disclosures.

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 over 700 Japanese companies covered including the FTSE Japan Index constituents, which are used as the basis for the FTSE Blossom Japan Index.²

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

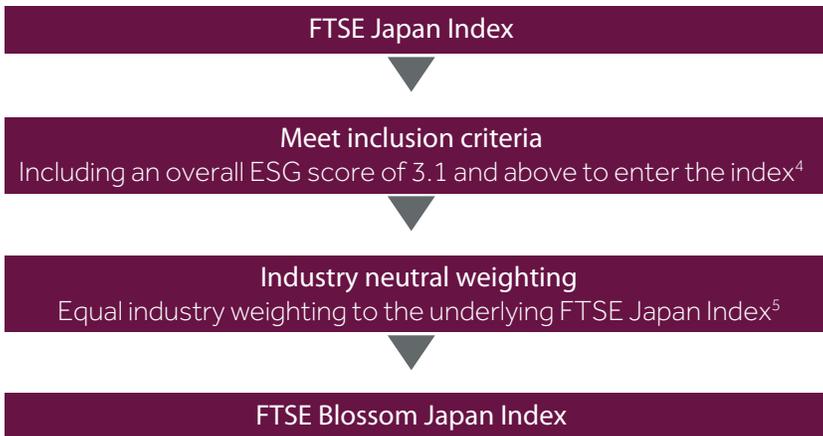
Detailed corporate communication and engagement program that has catalyzed improved corporate practices globally.³

² Source: FTSE Russell as at March 2017

³ Source: Mackenzie et al (2012), University of Edinburgh; Slager, Catharina Henrike (2012), University of Nottingham

Index structure

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

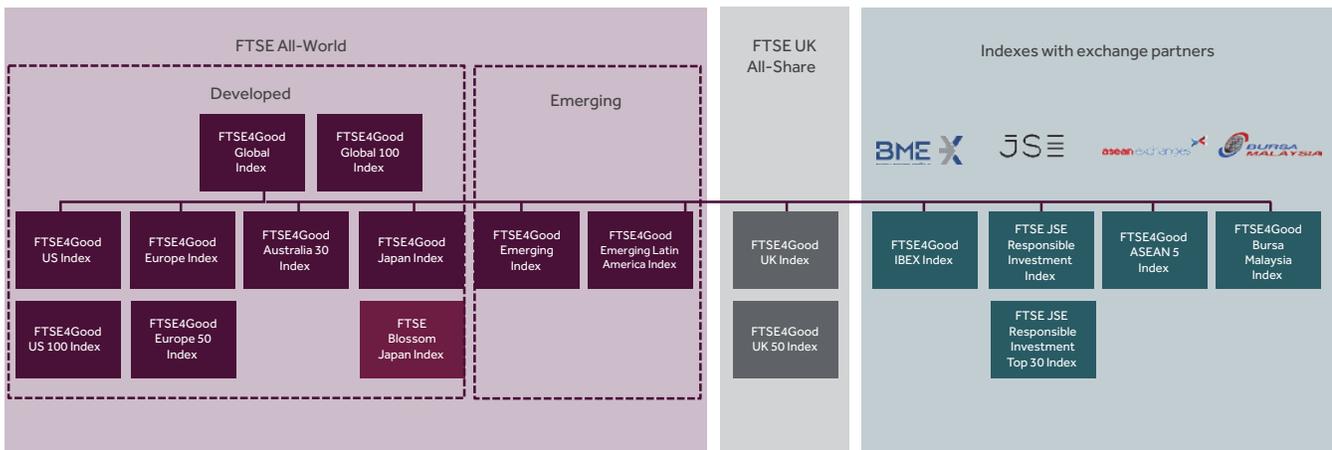


4 Additional rules are set out in the FTSE Blossom Japan Index Ground Rules and the Index Inclusion Rules for the FTSE4Good Index Series

5 A single constituent’s weight within the index is capped at 15%, and 20 times its index weight in the FTSE Japan Index

A global family of indexes

The FTSE Blossom Japan Index draws on the ESG criteria of the flagship FTSE4Good Index Series methodology, and benefits from its track record since the 2001 launch and the experience reflected in its evolving methodology.



Supporting the sustainable investment market

FTSE Russell brings over 15 years of experience in ESG data and benchmarks, and provides data analytics, ratings and indexes covering thousands of companies worldwide.

As an index provider, FTSE Russell plays an active role in the major regional sustainable investment industry associations, including the Japan Sustainable Investment Forum. Ahead of its launch, along with other pioneers in the industry, FTSE Russell also helped develop the United Nations-backed Principles for Responsible Investment (PRI) and became a founding signatory and the first index provider member.

FTSE Russell is part of London Stock Exchange Group (LSEG), which is a member of the Sustainable Stock Exchanges initiative and chaired its working group to develop Model Guidance on ESG Reporting for exchanges globally. This resulted in LSEG publishing its own [Guidance](#) in February 2017.

About FTSE Russell

FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process. A comprehensive range of reliable and accurate indexes provides investors worldwide with the tools they require to measure and benchmark markets across asset classes, styles or strategies.

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 ETFs, structured products and index-based derivatives.

FTSE Russell is focused on applying the highest industry standards in index design and governance, employing transparent rules-based methodology informed by independent committees of leading market participants. FTSE Russell fully embraces the IOSCO Principles and its Statement of Compliance has received independent assurance. Index innovation is driven by client needs and customer partnerships, allowing FTSE Russell to continually enhance the breadth, depth and reach of its offering.

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