

SOLUTION OVERVIEW

FTSE Blossom World Index Series

Assess corporate ESG exposure and performances



Overview

Market participants are increasingly looking to evaluate sustainable investment approaches in their investment philosophies and strategies.

The FTSE Blossom World Index Series and FTSE Blossom World Sector Relative Index Series are designed to include global companies that have chosen to actively demonstrate ESG activities. This is based on the proprietary FTSE Russell ESG Data Model, which uses a transparent methodology to assess a company's exposure and performance.

The wider FTSE Blossom Index Series provides a comprehensive, cross-asset solution and includes the FTSE Blossom Japan Index, the FTSE Blossom Japan Sector Relative Index, the FTSE Blossom World Index Series, and the FTSE Blossom Fixed Income Index Series¹. These indices provide market participants with benchmark solutions that incorporate ESG considerations without deviating significantly from the design and performance of the traditional market capitalisation-weighted benchmark.

Benefits

- The FTSE Blossom Japan index has a long track record, since 2017 GPIF has used the index to allocate capital
- Facilitates ESG integration into the global market – enables better corporate sustainability performance and practices, measured by FTSE ESG scores
- Applies ICB industry or sector-neutral weighting approach – minimises industry or sector bias by applying industry or sector neutrality to match the weights of each regions equity markets, reducing tracking error, relative to the benchmark
- Improves company engagement – provides an established transparent reference in the capital markets to facilitate company disclosure and enable company engagement
- Supports client demand for climate transition to a low carbon economy – in addition, the Sector Relative index allows investors to exclude 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, by allowing for the removal of companies with poor corporate sustainability practices while maintaining index diversification across large and mid-cap companies
- The indices can be used as performance benchmarks or as the basis for index-linked products including index-tracking funds, derivatives and Exchange Traded Funds (ETFs)

Features

Based on FTSE Russell's ESG Scores

FTSE Russell assesses a wide universe of companies on their ESG performance which is applied to the index via a baseline exclusion as a minimum standard. FTSE Russell's ESG Scores is a transparent measurement of how companies are performing with respect to their ESG practices. The Score is based on an annual assessment of companies' own published disclosures.

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

FTSE ESG data model considers international standards, such as the Task Force on Climate-Related Financial Disclosures and the Corporate Human Rights Benchmark.

Evolving criteria

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

Independence

Governance structure based on an independent committee whose members are independent experts drawn from asset managers, asset owners, consultants and other stakeholders.

Transparency

Transparent process based on publicly available information.

Corporate engagement

Detailed corporate communication and engagement program that has improved corporate practices globally².

¹ Full list of indices in the FTSE Blossom Index Series can be found on page 2

² Source: Mackenzie et al (2012), University of Edinburgh; Slager, Catharina Henrike (2012), University of Nottingham

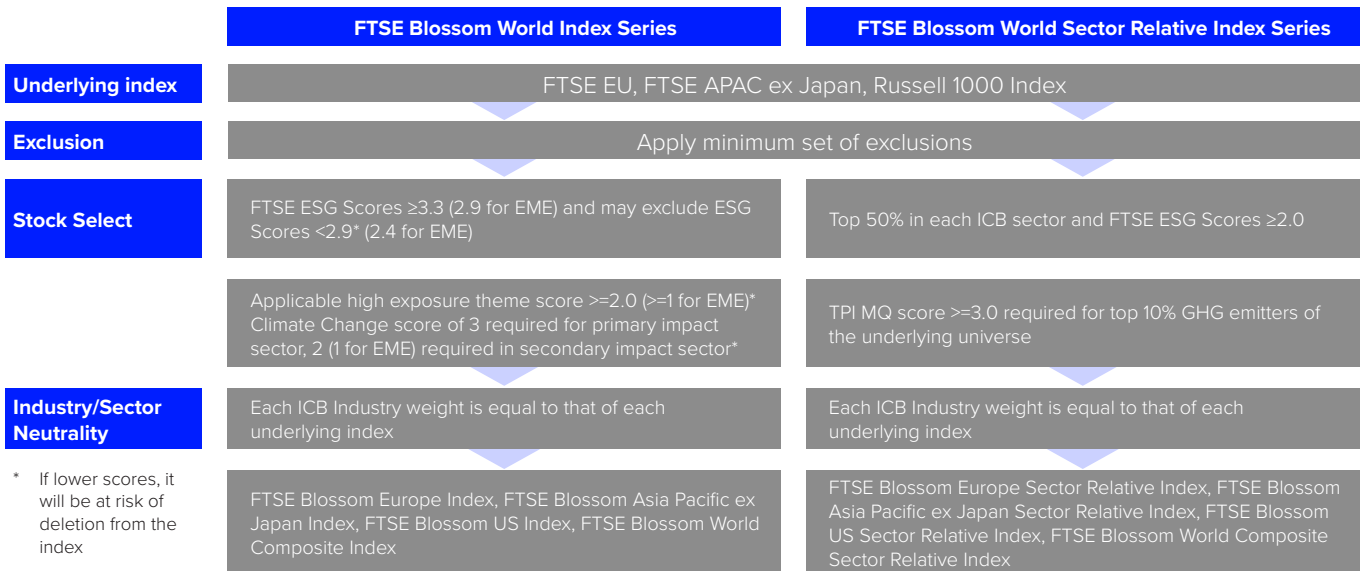


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Index construction process

Index construction process: from parent to blossom indexes

FTSE Blossom World Index



Index methodology

FTSE Blossom World Index	FTSE Blossom World Sector Relative Index
Industry-neutral approach to minimise industry bias by matching weight with those of the underlying index	Sector-neutral approach to minimize sector bias by matching weights with those of the underlying index
Selects developed market companies with ESG score of 3.3 (2.9 for EME) or above, and emerging market companies with ESG score of 2.9 (2.4 for EME) or above	Selects companies in the top 50% of each industry sector and with ESG Score of 2.0 or above
	Supports climate transition to a low carbon economy by evaluating companies' climate governance and climate change efforts with the TPI Management Quality Score

FTSE Blossom Index Series

Discover the full FTSE Blossom Index Series

- FTSE Blossom World Composite Index
- FTSE Blossom world Composite Sector Relative Index
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- FTSE Blossom Asia Pacific ex Japan Index
- FTSE Blossom Asia Pacific ex Japan Sector Relative Index
- FTSE Blossom Europe Index
- FTSE Blossom Europe Sector Relative Index
- FTSE Blossom US Index
- FTSE Blossom US Sector Relative Index
- FTSE Blossom Japan Fixed Income Index

About FTSE Russell

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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