



Index Insights | Sustainable investment | Equity

Asset owners remain positive about sustainable investment

Quarterly Japanese ESG indices and passive investment report, written in collaboration with SGX, featuring insight from the annual FTSE Russell Sustainable Investment Asset Owner survey 2024

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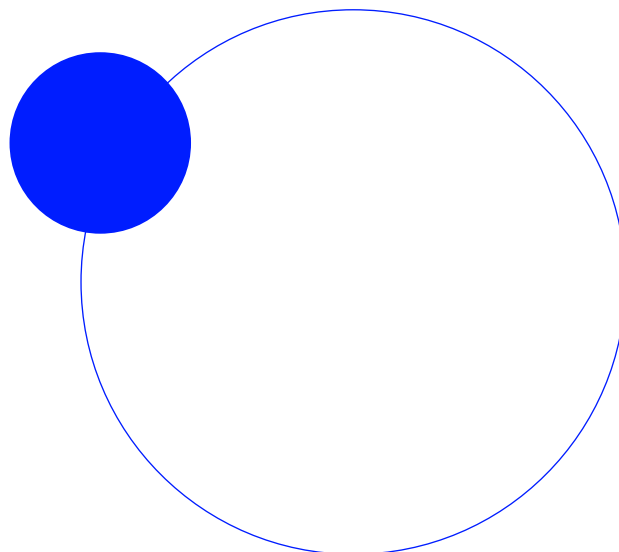


Quarterly analysis

Authored in collaboration with SGX, this report reviews the development of Japan's sustainability standards, the FTSE ESG Scores of listed companies in Japan compared to market-specific indices, and the growth of index-linked SGX FTSE Blossom Japan Index Futures.

Key highlights from this quarter's analysis:

- Despite the changing global political landscape and rising concerns about greenwashing, our survey suggests that the global appetite for sustainable investment solutions remains strong, particularly among institutional investors.
- Both Blossom Japan and Blossom Sector Relative Indices reported outperforming their benchmark, FTSE Japan All Cap Index, on both a quarterly basis and an annual basis in 2024.
- SGX FTSE Blossom Japan Index Futures remain the contract of choice for Japan ESG derivatives, with a 98% market share in Open Interest (USD notional terms).



Will global asset owners shift away from ESG and cut back on sustainable investing?

Japanese media has been covering the evolving political landscape with respect to ESG, particularly in the United States, along with a slowdown in sustainable investment. There are also concerns about greenwashing and tighter regulations on sustainable investment. Will these factors cause asset owners to scale back even further on ESG investments?

Every year, FTSE Russell conducts a [Sustainable Investment Asset Owner Survey](#). According to results from 2024's survey, asset owners remain positive about sustainable investment.

Positive outlook for sustainable investment regulation

Ninety percent of asset owners agree that sustainable investment and ESG regulations have helped them to meet their sustainable investment goals in 2024 – up from 75% in 2023.¹

Although in previous years survey respondents viewed regulation in this space as a barrier to adopting sustainable investment, they are now expressing more positive views.

In the recent past, asset owners expressed concerns that regulation could hinder their progress in sustainable investing. As regulations have been implemented, however, they appear to have become more confident of their benefits and now support them. Just 11% of asset owners surveyed now consider regulation to be a barrier to sustainable investment adoption, significantly down from 29% of respondents in 2023 (see Figure 1).

¹ FTSE Russell Sustainable Investment Asset Owner Survey 2024

Figure 1. Top barriers to increased sustainable investment adoption across all asset classes



Multi-pick. B1. What barriers to increased sustainable investment adoption across asset classes do you perceive?

Segment = Currently implementing, evaluating or planning to evaluate sustainable investment (Total n=229)

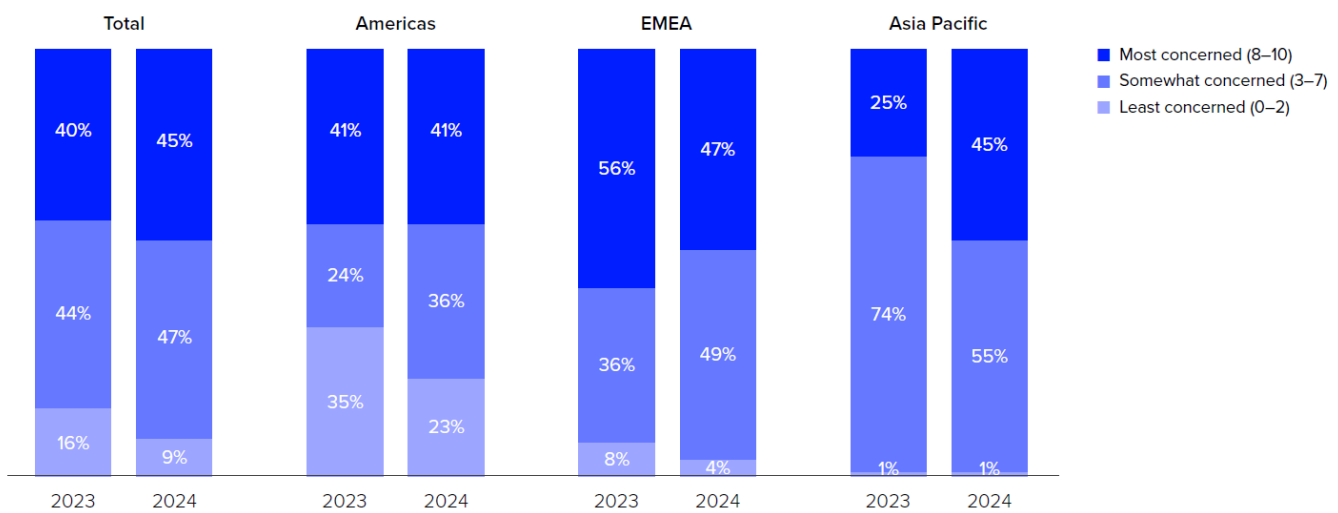
▲▼ = Significantly higher/lower than 2023 at the 95% confidence level

Source: FTSE Russell [8th Annual Sustainable Investment Asset Owner survey 2024](#) "Asset owners remain positive about sustainable investment"

Growing concerns about the investment impact of climate risk

Climate change is a major concern for asset owners, with 91% of respondents worried about its investment impact – up from 84% in our 2023 survey (see Figure 2). Climate change and extreme weather events dominate global media coverage, highlighting their financial, physical and emotional toll on diverse communities.

Figure 2. Level of concerns with investment impact of climate risk



Question: What level of concern do you have with the investment impact of climate risk? (asked on an 11-point scale; responses grouped into three buckets)
 Total asset owners (2023/2024) – Total (n=325/291); Americas (n=138/91); EMEA (n=83/97); Asia Pacific (n=104/103)
 Source: FTSE Russell [8th Annual Sustainable Investment Asset Owner survey 2024 “Asset owners remain positive about sustainable investment”](#)

Passive sustainable investment strategies overtake active ones

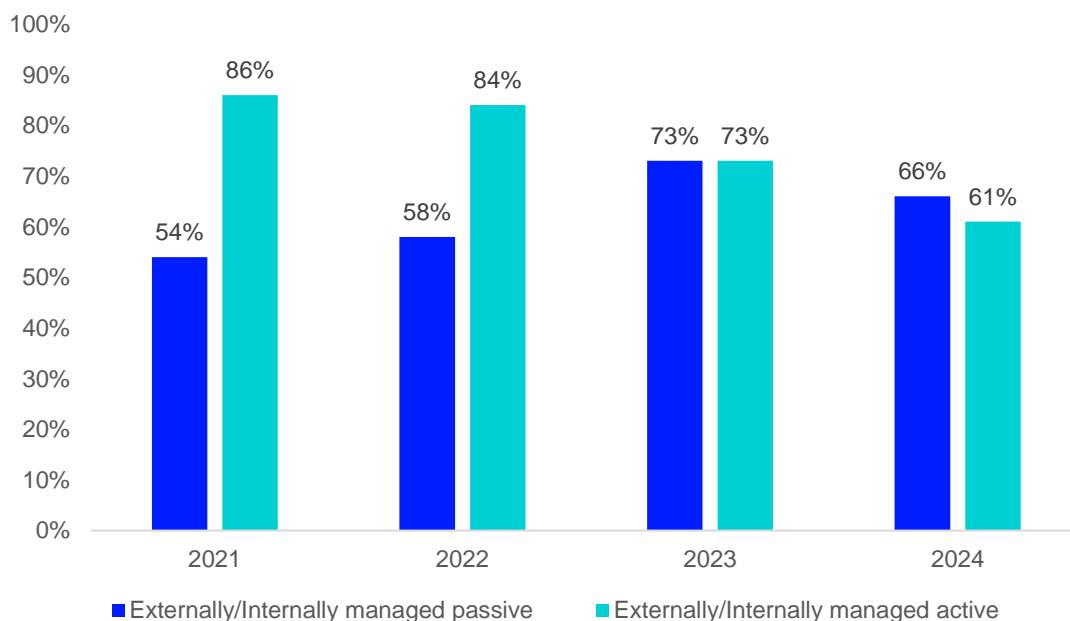
Our findings also highlight the continued shift toward greater allocation to passive investment strategies in the broader financial markets, a trend that is also reflected among assets owners.

The lack of standardisation in ESG data, scores and ratings has fallen from being the second biggest concern last year to eighth place this year, with only 20% of asset owners now viewing it as a barrier to sustainable investment adoption (see Figure 1).

Our survey finds that the biggest regulatory challenge for asset owners – cited by over half (51%) – is the difficulty of aligning their portfolios or indices with sustainable investment or climate requirements. This reflects the growing use of quantitative approaches to meet very specific climate objectives and the increasing scrutiny from regulators.

As concerns shift, more asset owners are implementing (or considering implementing) sustainability considerations through passive rather than active strategies (see Figure 3).

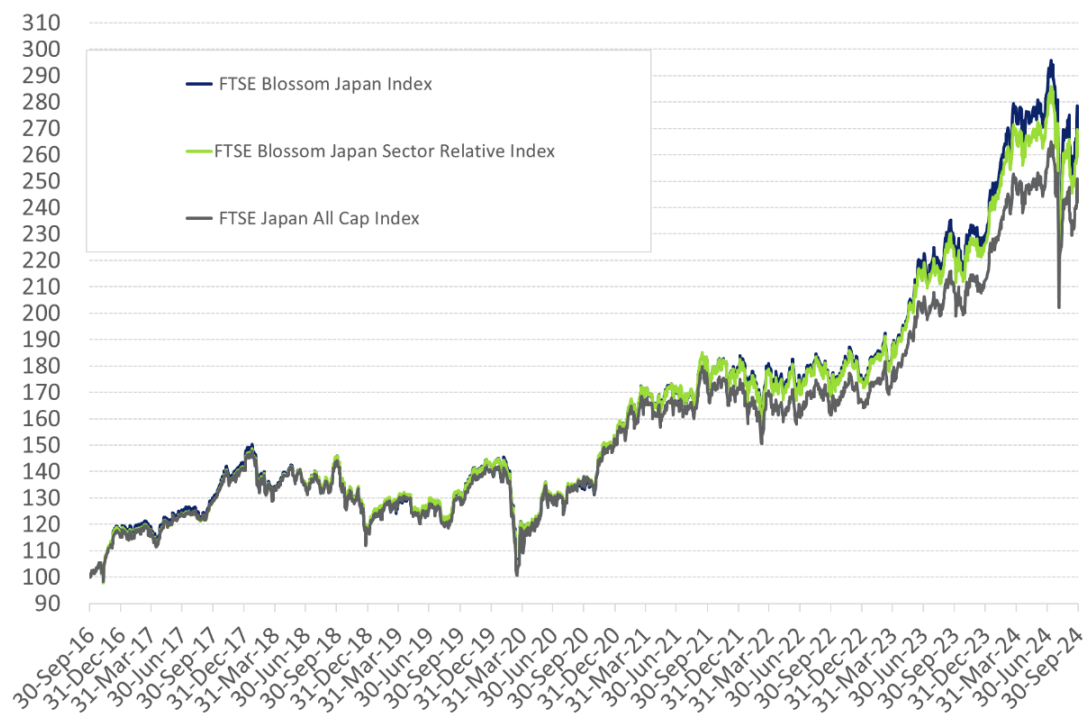
Figure 3. Where sustainable investment considerations have been implemented or considered



Multi-pick. AP3 – Where have you implemented (or are you considering implementing) sustainability considerations? Segment: Currently implementing, evaluating or plan to evaluate sustainable investment (2021 n=120; 2022 n=157; 2023 n=265; 2024 n=229)
 Source: FTSE Russell [8th Annual Sustainable Investment Asset Owner survey 2024 “Asset owners remain positive about sustainable investment”](#).

Blossom Index Series ends 2024 with strong quarterly performance

Figure 4. Blossom Index Series maintains its long-term outperformance against its benchmark



Source: FTSE Russell. Data as of 31 December 2024.

Both Blossom Japan and Blossom Japan Sector Relative Indices finished the year 2024 strongly, adding +354bp and +111bp respectively to their total excess returns over their FTSE Japan All Cap Index benchmark. Both were led by strong quarterly contributions from the ESG factor, with +278bp for Blossom Japan and +141bp for Blossom Japan Sector Relative.

Figure 5. Attribution analysis for FTSE Blossom Japan Index (bps)

	Industry	Value	Quality	Volatility	Momentum	ESG	Residual	Total Excess
2015/12 - 2023/12	-187	163	-155	-166	183	1,146	233	1,217
2015/12 - 2024/3	-178	203	-158	-214	402	1,612	277	1,945
2015/12 - 2024/6	-250	210	-157	-221	319	1,875	266	2,042
2015/12 - 2024/9	-225	199	-187	-203	266	1,632	377	1,858
2015/12 - 2024/12	-281	214	-155	-215	322	1,910	418	2,212
Quarterly Change 2024/1-3	9	40	-3	-48	218	466	45	728
Quarterly Change 2024/4-6	-72	6	1	-7	-83	263	-12	97
Quarterly Change 2024/7-9	25	-11	-30	18	-53	-243	111	-184
Quarterly Change 2024/10-12	-56	15	32	-12	56	278	41	354

Source: FTSE Russell. Data as of 31 December 2024. Data covers the period from 31 December 2015 to 31 December 2024.

Figure 6. Attribution analysis for FTSE Blossom Sector Relative Index (bps)

	Industry	Value	Quality	Volatility	Momentum	ESG	Residual	Total Excess
2015/12 - 2023/12	-24	34	-151	-60	255	663	107	823
2015/12 - 2024/3	2	9	-3	-162	176	1,188	-63	1,147
2015/12 - 2024/6	-57	12	-3	-164	153	1,321	-99	1,164
2015/12 - 2024/9	-28	44	-170	-69	307	915	12	1,011
2015/12 - 2024/12	-60	45	-170	-74	324	1,056	0	1,122
Quarterly Change 2024/1-3	26	-25	148	-102	-79	526	-170	324
Quarterly Change 2024/4-6	-59	4	-0	-2	-23	133	-36	17
Quarterly Change 2024/7-9	29	32	-167	95	154	-406	111	-153
Quarterly Change 2024/10-12	-31	1	1	-5	17	141	-12	111

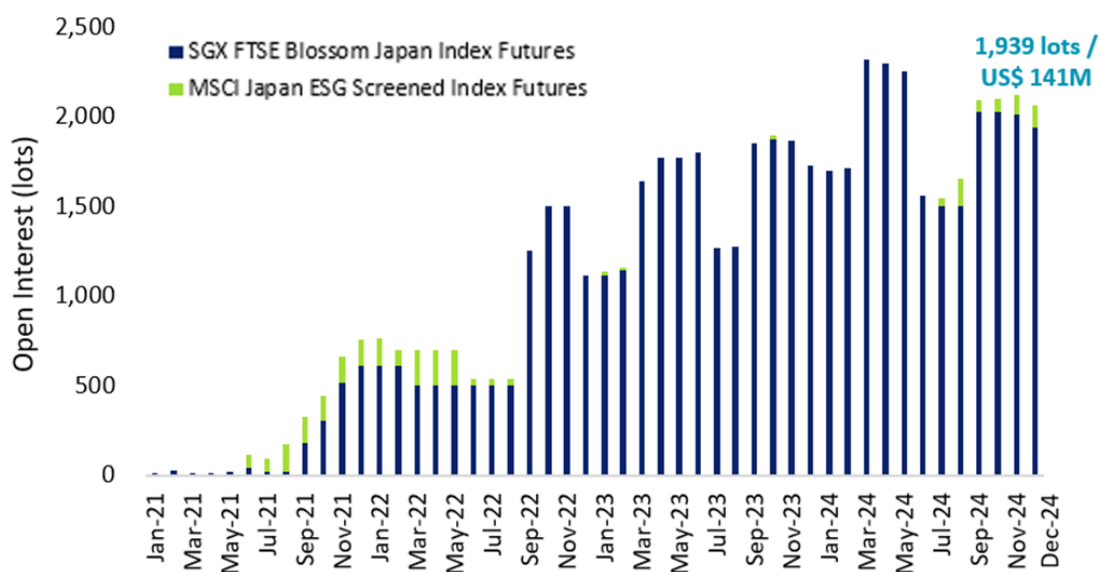
Source: FTSE Russell. Data as of 31 December 2024. Data covers the period from 31 December 2015 to 31 December 2024.

Despite significant turmoil in the Japanese equity market in August 2024, both indices performed well throughout that year. Blossom Japan recorded a +995bp excess return relative to the benchmark, largely driven by the ESG Factor's strong performance (+764bp). Blossom Japan Sector Relative also performed well, with the ESG Factor contributing +393bp to its total excess return of +299bp.

SGX FTSE Blossom Japan Index Futures remains the global leader in Japan ESG derivatives

The SGX FTSE Blossom Japan Index futures contract remains the leading Japan ESG derivative, holding a 98% market share in Open Interest (USD notional terms).

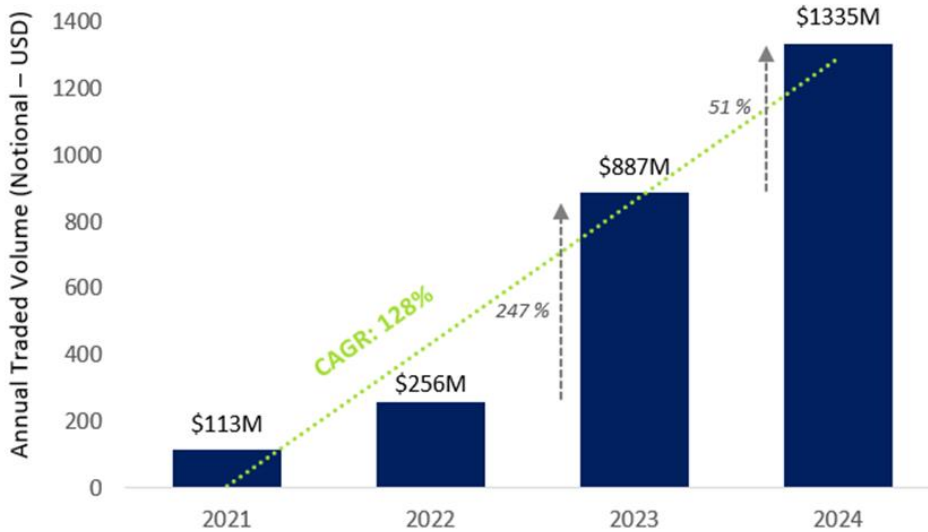
Figure 7. Leading OI of SGX FTSE Blossom Japan vs other Japan ESG futures



Source: SGX. Data as of January 2021 – December 2024. Past performance is no guarantee of future results. Please see endnote for important legal disclosures.

Driven by institutional adoption, a growing appreciation for the index’s consistent outperformance against major Japanese broad market indexes, and increasing use as a tool for cash equitisation, annual traded volume has risen steadily since 2021 – from US\$113 million to US\$1.34 billion – at a CAGR of 128%.

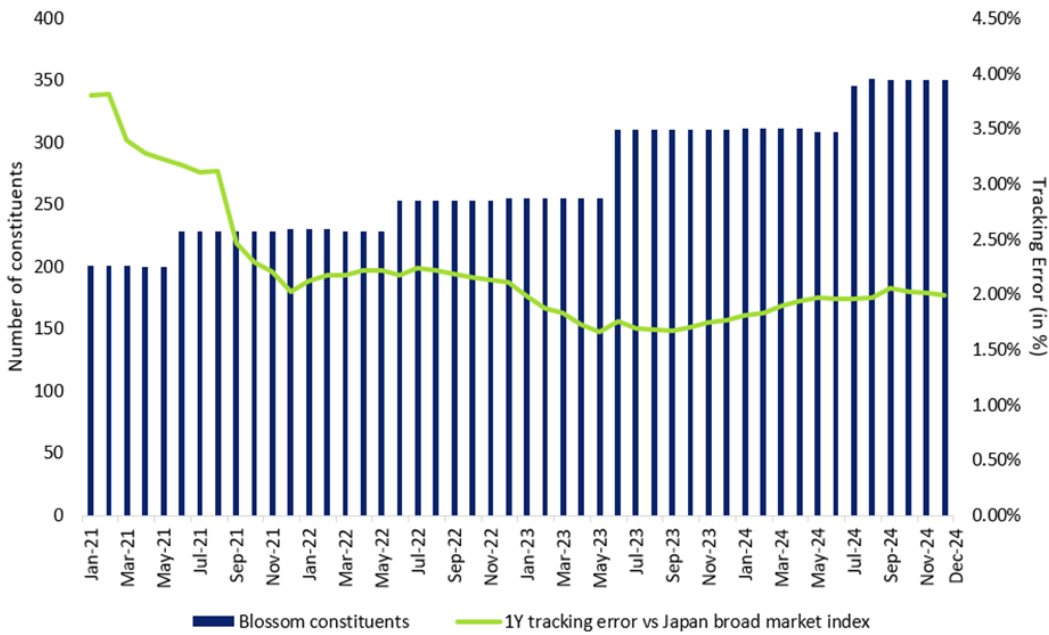
Figure 8. Growing volumes of SGX FTSE Blossom Japan since 2021



Source: SGX. Data as of January 2021 – December 2024. Past performance is no guarantee of future results. Please see endnote for important legal disclosures.

The case for using the contract in Japanese portfolios is becoming increasingly compelling, as corporate governance reforms have led to more companies being included in the index. This has reduced tracking error against other broad-based indices.

Figure 9. Growing size of FTSE Blossom Japan index basket (LHS), driving tracking error (RHS) down



Source: SGX. Data as of January 2021 – December 2024. Past performance is no guarantee of future results. Please see endnote for important legal disclosures.

As liquidity in SGX FTSE Blossom grows, market participants are increasingly inquiring about the market impact of block tickets (Negotiated Large Trades) in sizes such as US\$100m or US\$300m.

Here are some statistics:

Figure 10. Liquidity analysis on executing large blocks – February 2025

FTSE Blossom index liquidity analysis		Basket execution impact	
USDJPY	150.64	Block size (USD)	100M 300M
Index DAV 3m (USD)	19,093,763,967	Highest DAV impact	2.80% 8.41%
Wgt of Cos in FTSE Japan AC and other broad Japan market indexes	~73-74%	Median DAV impact	0.62% 1.85%
FTSE Blossom # Cos	358	Weight DAV impact > 2%	0.59% 62.46%
Stock Max DAV 3m (USD)	995,533,723	Count DAV impact > 2%	1 157
Stock Min DAV 3m (USD)	208,940	Weight DAV impact > 4%	- 8.47%
Stock Median DAV 3m (USD)	17,379,587	Count DAV impact > 4%	- 14

Source: SGX. Data as of February 2025. Past performance is no guarantee of future results. Please see endnote for important legal disclosures.

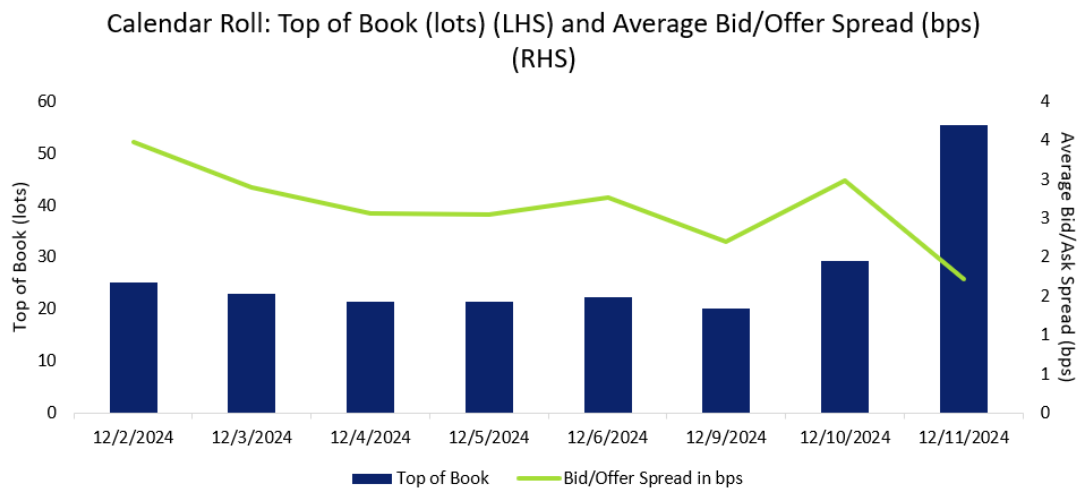
Under normal market conditions, large block trades can be executed with minimal impact due to the inherent liquidity of the underlying basket. This is reflected in the DAV figures at both the index and individual stock levels.

Alongside existing screen liquidity, investors can confidently switch their generic market beta futures position to SGX FTSE Blossom Futures by requesting quotes from their dealers.

The June 2025 quarterly futures contract is now available, following the expiry of the March 2025 contract on 13 March. Market participants can easily roll their futures positions with the support of a competitive order book. Figure 11 highlights the increasing tradability of the futures contract, with a meaningful top of book (TOB) at 27 lots and tight average spreads of 2.6bps.

In 2024, the quarterly roll volumes of FTSE Blossom Japan Index Futures averaged US\$260 million – a 35% year-on-year increase – demonstrating sufficient liquidity.

Figure 11. Calendar roll average top of book (LHS) and bid/offer (bps) – December 2024



Source: SGX. Data as of December 2024. Past performance is no guarantee of future results. Please see endnote for important legal disclosures.

Looking ahead, Japan’s dividend season is approaching. Of the 350 constituents in the FTSE Blossom Japan Index, 281 stocks are expected to go ex-dividend in March. SGX’s Blossom Futures – the only liquid Japan ESG contract – is a convenient tool to equitise dividends in portfolios benchmarked to the FTSE Blossom Japan Index and other Japanese benchmarks such as FTSE Japan All Cap Index.

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