

Nikkei to launch “Nikkei 225 Climate Change 1.5° Target Index” developed in collaboration with Wilshire

Nikkei Inc. will launch the “Nikkei 225 Climate Change 1.5° Target Index” on May 30, developed jointly with the U.S. headquartered corporation Wilshire.

TOKYO, JAPAN, May 16, 2022 /EINPresswire.com/ -- Nikkei Inc. (headquartered in Chiyoda-ku, Tokyo; President and CEO: Tsuyoshi Hasebe) will launch the “Nikkei 225 Climate Change 1.5° Target Index,” which will become publicly available starting on May 30. This new index is based on the Nikkei Stock Average (Nikkei 225), with the weights of the constituents adjusted in accordance with their greenhouse gas (GHG) emissions. The index was developed jointly with the U.S. headquartered corporation Wilshire, a global investment technology and advisory company *1.

Recently, extreme weather events caused by global warming have become a significant worldwide issue. The Paris Agreement aims to limit the increase in global temperature to well below 2 (and preferably to less than 1.5) degrees Celsius over pre-industrial levels. In the equity investment community, the actions taken by corporations to mitigate climate change are increasingly impacting the behavior of investors.

The new index is based on the Nikkei 225 and aims to meet the minimum standard of the EU Paris-aligned Benchmarks (PAB) *2. A key characteristic of the index is that it applies GHG emission levels (normalized by enterprise value) to the weight of its constituents. As a result, the lower the GHG emissions of a given constituent, the higher its weight in the index. In accordance with the stipulations of the PAB, a constituent will be removed from the index if it derives more than a certain amount of its revenues from fossil fuels. Also removed will be those deemed involved with controversial weapons or tobacco, based on considerations related to ESG (Environment, Social, and Governance) criteria. As a result, the overall GHG emission level of the new index is 50% lower than that of the Nikkei 225. Such emission levels will be further decreased by 7% annually in the coming years. The sector weight of the new index will be preserved so that the difference in the two indexes will continue to be sourced from factors related to climate change. Wilshire’s methodology will be used to set the weights for the index and determine which (if any) constituents should be removed.

The Nikkei 225 Climate Change 1.5° Target Index is the first index developed jointly by Nikkei and Wilshire. The two will continue to cooperate in developing new indexes by using their deep

expertise and knowledge of the investment markets.

President and CEO Tsuyoshi Hasebe of Nikkei Inc. commented as follows: “Nikkei is committed to the preservation of the environment and our planet. We are making efforts to do so with our news and commentaries, as well as through other activities here in Japan and abroad. The Nikkei 225 Climate Change 1.5° Target Index will offer opportunities for greater amounts of global investment capital to flow into the major Japanese corporations that are environmentally conscious. It will also support action to attain the goals of the Paris Agreement.”

Chief Executive Officer Mark Makepeace of Wilshire stated: “Today, a crucial step forward has been taken by Wilshire and our partner Nikkei to enable global investors to make informed choices that decarbonize Japanese investment portfolios. Now with the Nikkei 225 Climate Change 1.5° Target Index, investors can transition from climate takers to climate makers by responsibly investing in Japanese companies that are truly committed to mitigating climate risks across their business activities.”

*1: About Wilshire

Wilshire is a global provider of market-leading indexes, advanced analytics, and multi-asset investment solutions. A trusted partner to a diverse range of more than 500 institutional investors and financial intermediaries, Wilshire’s clients rely on it to improve investment outcomes for a better future. Wilshire was founded in 1972, headquartered in the United States with offices worldwide and advises on over \$1.3 trillion in assets, \$97 billion of which are assets under management. It has had a partnership with the Financial Times for its index-related business since February 2021, and has renamed its flagship U.S. equity indexes the FT Wilshire 5000 Index Series.

More information on Wilshire can be found at www.wilshire.com

*2: About PAB (Paris-aligned Benchmarks)

Established by the EU in the effort to combat climate change, Paris-aligned Benchmarks are indexes with constituent companies that are aligned with the Paris Agreement. A PAB index has certain requirements related to greenhouse gas (GHG) emissions. It must remove any constituent that accrues a certain level of its revenue from fossil fuels. Moreover, the total GHG emissions accounted for by the constituents of a PAB index must be at least 50% less than those of the original index, with such emissions continuously decreasing by 7% annually in the consequent years. The PAB is a global standard for the climate change indexes.

§ General information of the index

□ Name (in Japanese): 日経225気候変動1.5°目標インデックス

□ Name (in English): Nikkei 225 Climate Change 1.5° Target Index (Abbreviated form: Nikkei Climate 1.5° Target Index)

□Characteristics:□

Based on the constituents and weights of the Nikkei 225, the total GHG emissions of the index's constituents are 50% below those making up the Nikkei 225. Such emissions will fall by 7% annually in consecutive years with the adjustment of constituent weights.

□Periodic Review:□ Twice a year in the end of April and October

□Calculation:□

The daily closing value is published. The maximum weight of a constituent is 10%. The historical index is calculated from October 30, 2015, with the base value of 22,977.13 on October 30, 2020.

□Unit:□ Yen

* For details on the Nikkei 225 Climate Change 1.5□ Target Index, refer to the Index Guidebook. Current index value and other information will be available from May 30 in the official index website "Nikkei Indexes" at <https://indexes.nikkei.co.jp/en/>

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