

Press Release

Solactive Launches PAB High-Yield (HY) Indices and Enlarges Paris-Aligned Index Family

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FRANKFURT AM MAIN – Investors have been increasingly considering aligning investment decisions with ESG values. In 2021, this focus increased as the entire world watched heads of states' debates on effective actions against climate change at the UN Climate Change Conference (COP26) in Glasgow, Scotland. Taking one step further to consolidate its leading role in the Paris-aligned (PAB) fixed-income indexing, Solactive launches now two Paris-aligned high-yield indices as well as a CTB-version (Climate Transition Benchmark) and expands the PAB index family.

The **Solactive USD Corporate HY PAB Index**, the **Solactive Euro Corporate HY PAB Index**, and the **Solactive Euro Corporate HY CTB Index** follow the successfully launched Investment Grade (IG) PAB index series, which has been live for nearly two years already. Solactive's PAB index universe is the most extensive one in the whole fixed-income industry. It includes already the IG PAB indices in USD, EUR, and GBP; the **Global Corporate Index**; and the Paris Aware indices (**Solactive Paris Aware Global Aggregate Index** and **Solactive Paris Aware Global Government Index**).

Solactive used an index methodology for their benchmarks with stricter criteria than the PAB regulation requires. The German index provider makes sure that the gross emissions are reduced by 50% at inception and by at least 7% Year-Over-Year, according to the Paris recommendation. Solactive goes beyond that and measures Scopes 1, 2, and 3 emissions as well as the carbon intensity based on the book values for debt and equity of companies, which makes the criteria stricter for two reasons:

- a) Scope 3 emissions are already respected instead of using the phase in approach granted by the regulation;
- b) Aligning the indices by intensities reduces the gross emissions even further and makes sure the impact of the companies is measured on an equal basis.

To make the criteria more effective, the intensity must be reduced by 50% compared to the parent index. Companies that do not meet specific ESG requisites, for example, those that generate more than 10% of their revenue from production, exploration, distribution and services related to fossil fuels, are excluded.

Risk/Return Profile

Despite the strict criteria, Solactive keeps the PAB screened indices aligned to their benchmark in terms of risk/return characteristics, as there are constraints regarding how much the Paris-aligned index may differ from the parent index.

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The German index provider recently ran a calculation comparing each benchmark index to its Paris-aligned version regarding performance, correlation and annualized tracking error in the range of one, three and five years. It demonstrated an average correlation of 99.4% between the four IG benchmark indices and their PAB versions.

The results showed that ESG screening brought outperformance to most indices. The **EUR HY PAB**, the **US IG PAB**, and the **US HY PAB** indices outperformed their parent indices by more than one percent since their launch. In three and five years, five of the six PAB indices outperformed their respective benchmark.

Timo Pfeiffer, Chief Markets Officer at Solactive, comments: *"Climate change is one of the biggest challenges of our time, which translates into a surge in demand for climate investment strategies. As part of the overall path to a greener planet, Solactive is committed to increasingly develop more sustainable investment solutions. We have been successfully doing that in the active investments space, where we are most prominent and present. Now we are moving towards the next stage of evolution in the fixed-income space with the recently launched Paris-aligned high-yield indices, which solidifies our lead role in climate investment strategies."*

For more information, please visit:

<http://www.solactive.com>

Note to editors

About Solactive

Solactive is a leading provider of indexing, benchmarking, and calculation solutions for the global investment and trading community. Headquartered in Frankfurt and, with offices in Hong Kong, Toronto, Berlin, and Dresden, we innovate and disrupt the status quo as the partner of choice for our clients.

The unique blend of our 250 staff's expertise in data, data science, financial markets, and technology enables our clients' continued success through the delivery of a superior experience, unique customization capabilities,

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and the best value for money available in the industry. With more than 20,000 indices calculated daily, we offer a full suite of solutions, including market-leading ESG and thematic indices.

As at January 2022, Solactive served approximately 500 clients across the world, with approximately US\$250 billion invested in products linked to our indices. Solactive is registered with ESMA as a benchmark administrator and is supervised by the BaFin.

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