

Press Release Boston, London, Nice, Paris, Singapore, Tokyo, September 23, 2019

Scientific Beta to offer ESG option on all of its flagship multi-factor indices

More than 35% of Scientific Beta’s assets replicate ESG versions of its indices

Scientific Beta has announced that it is now providing an ESG option for all of its indices. The ESG option enables investors to benefit from the performance of Scientific Beta’s High Factor Intensity (HFI) Multi-Beta Multi-Strategy (MBMS) indices while upholding ESG norms and materially reducing exposure to companies with high exposure to ESG risks.

The ESG option excludes companies that fall severely short of global standards of responsible business conduct, deprive shareholders of voting rights or are involved in activities that conflict with global ESG norms or their objectives (anti-personnel landmines and cluster munitions, tobacco manufacturing, coal). It also includes additional negative filters targeting companies facing critical controversies in the areas covered by the UN Global Compact, or involved in inhumane weapons or deriving significant revenues from tobacco distribution.

Scientific Beta’s ESG incorporation approach is based on three principles:

- Differentiating between non-financial objectives or constraints, which are primarily addressed by negative or positive filtering, and the search for financial performance, which relies on an academic consensus based on factors and diversification;
- Treating the ESG policy as a fiduciary constraint and delivering on an ambitious non-financial mandate while maintaining high-factor intensity and good diversification of portfolios;
- Offering an off-the-shelf ESG option for HFI MBMS indices while retaining the capacity for customisation.

Commenting on the launch of Scientific Beta’s ESG option, Noël Amenc, CEO of Scientific Beta, said, “Scientific Beta’s ESG incorporation philosophy centres on exclusions that are determined solely on ESG merits and demerits and applied as the first step of index construction. This approach respects the principles of ethical and socially responsible investors and, as a result, exclusions send clear signals to issuers and are straightforward to explain to stakeholders.”



Contact:

For more information, please contact: **Séverine Cibelly**

Tel.: +33 493 187 863 – E-mail: severine.cibelly@scientificbeta.com

To visit our web site: www.scientificbeta.com

About Scientific Beta

Scientific Beta aims to be the first provider of a smart beta indices platform to help investors understand and invest in advanced beta equity strategies.

Established by EDHEC-Risk Institute, one of the top academic institutions in the field of fundamental and applied research for the investment industry, Scientific Beta shares the same concern for scientific rigour and veracity, which it applies to all the services that it offers investors and asset managers.

The Scientific Beta offering covers three major services:

- **Scientific Beta Indices**

Scientific Beta Indices are smart beta indices that aim to be the reference for the investment and analysis of alternative beta strategies. Scientific Beta Indices reflect the state-of-the-art in the construction of different alternative beta strategies and allow for a flexible choice among a wide range of options at each stage of their construction process. This choice enables users of the platform to construct their own benchmark, thus controlling the risks of investing in this new type of beta (Smart Beta 2.0).

Within the framework of Smart Beta 2.0 offerings, Scientific Beta provides access to smart factor indices, which give exposure to risk factors that are well rewarded over the long term while at the same time diversifying away unrewarded specific risks. By combining these smart factor indices, one can design very high performance passive investment solutions.

- **Scientific Beta Analytics**

Scientific Beta Analytics are detailed analytics and exhaustive information on its smart beta indices to allow investors to evaluate the advanced beta strategies in terms of risk and performance. The analytics capabilities include risk and performance assessments, factor and sector attribution, and relative risk assessment. Scientific Beta Analytics also allow the liquidity, turnover and diversification quality of the indices offered to be analysed. In the same way, analytics provide an evaluation of the probability of out-of-sample outperformance of the various strategies present on the platform.

- **Scientific Beta Fully-Customised Benchmarks and Smart Beta Solutions** is a service proposed by Scientific Beta, and its partners, in the context of an advisory relationship for the construction and implementation of benchmarks specially designed to meet the specific objectives and constraints of investors and asset managers. This service notably offers the possibility of determining specific combinations of factors, considering optimal combinations of smart beta strategies, defining a stock universe specific to the investor, and taking account of specific risk constraints during the benchmark construction process.

With a concern to provide worldwide client servicing, Scientific Beta is present in Boston, London, Nice, Singapore and Tokyo. As of June 30, 2019, the Scientific Beta indices corresponded to USD 48bn in assets under replication. Scientific Beta has a dedicated team of 52 people who cover not only client support from Nice, Singapore and Boston, but also the development, production and promotion of its index offering. Scientific Beta signed the United Nations-supported Principles for Responsible Investment (PRI) on September 27, 2016. On November 27, 2018, Scientific Beta was presented with the Risk Award for Indexing Firm of the Year 2019 by the prestigious professional publication Risk Magazine.

