

Press Release

Abu Dhabi, Boston, Frankfurt, London, Melbourne, Nice, Singapore, Sydney, Tokyo, December 15, 2022

Scientific Beta welcomes the NZAOA's Principles for Net-Zero-Aligned Benchmarks

Scientific Beta responds to the recent call to action for the development and uptake of Net-Zero-Aligned Benchmarks

The UN-convened Net-Zero Asset Owner Alliance (NZAOA) recently launched a call to action for asset owners and index providers for the development and uptake of Net-Zero-Aligned Benchmarks. NZAOA spells out ten principles such indices should follow to underpin the alliance's goal of transitioning investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels.

In a new publication entitled "[Scientific Beta welcomes the NZAOA's Principles for Net-Zero-Aligned Benchmarks](#)," Erik Christiansen, ESG & Low Carbon Investment Specialist with Scientific Beta, shows how Scientific Beta's Climate Impact Consistent (CIC) indices integrate these 10 principles. In effect, the CIC indices are designed to maximise the climate impact potential of an investment strategy and, in line with the commitment that NZAOA members make, they "emphasise GHG emissions reduction outcomes in the real economy".

The NZAOA also points to some of the shortcomings of the European Union's climate benchmarks. Scientific Beta has previously voiced concerns about this regulation and concurs with the NZAOA's arguments. The publication shows how many indices that comply with the regulated Paris Aligned Benchmark (PAB) constraints fail to reflect some of the NZAOA's core benchmark principles.

Commenting on the release of the publication, the author, Erik Christiansen, said, "Our detailed analysis of the NZAOA's ten principles for the development and uptake of net-zero-aligned benchmarks shows that Scientific Beta's CIC indices respect these principles by being investable and macro-consistent while also maximising impact through portfolio construction. We also show that many strategies that simply satisfy the PAB regulation are far removed from NZAOA requirements, notably principles 3 and 4."

For more detailed information, please refer to the following Scientific Beta publication:

[Scientific Beta welcomes the NZAOA's Principles for Net-Zero-Aligned Benchmarks, Scientific Beta Publication, December 2022](#)



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 encourage the entire investment industry to adopt the latest advances in smart factor and ESG/Climate index design and implementation. Established in December 2012 by EDHEC-Risk Institute, one of the top academic institutions in the field of fundamental and applied research for the investment industry, as part of its mission to transfer academic know-how to the financial industry, Scientific Beta shares the same concern for scientific rigour and veracity, which it applies to all the services that it provides to investors and asset managers. We offer the smart factor and ESG/Climate solutions that are most proven scientifically, with full transparency of both methods and associated risks.

On January 31, 2020, Singapore Exchange (SGX) acquired a majority stake in Scientific Beta. SGX is maintaining the strong collaboration with EDHEC Business School, and principles of independent, empirical-based academic research, that have benefited Scientific Beta's development to date.

Scientific Beta has developed two types of expertise over the years corresponding to two major concerns for investors:

- Expertise in the area of Smart Beta, and more particularly factor investing
- Expertise in the area of ESG, and particularly Climate investing

To date, Scientific Beta is offering two major types of climates objectives:

Since 2015, offerings with financial objectives respecting ESG and Carbon constraints. These offerings correspond to the application of exclusion filters, the design of which allows the financial characteristics of the index to be conserved. This involves reconciling financial objectives and compliance with ESG norms and climate obligations. As such, the Core ESG, Extended ESG and Low Carbon filters can be integrated into smart beta or cap-weighted offerings in line with the financial objectives targeted by the investor.

Since 2021, Scientific Beta has been offering indices with pure climate objectives (Climate Impact Consistent Indices) that allow climate exclusions and weightings to be combined in order to translate companies' climate alignment engagement into portfolio decisions.

Since it was acquired by SGX in January 2020, Scientific Beta has accelerated its investments in the area of Climate Investing as part of the SGX Sustainable Exchange strategy, which is mobilising an investment of SGD 20 million. In addition, EDHEC and Scientific Beta have set up a EUR 1 million/year ESG Research Chair at EDHEC Business School.

With a concern to provide worldwide client servicing, Scientific Beta is present in Boston, London, Nice, Singapore and Tokyo. As of July 31, 2022, the Scientific Beta indices corresponded to USD 52.47bn in assets under replication. Scientific Beta has a dedicated team of 55 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. Scientific Beta became an associate member of the Institutional Investor Group on Climate Change (IIGCC) on April 9, 2021.

Today, Scientific Beta is devoting more than 40% of its R&D investment to Climate Investing and more than 45% of its assets under replication refer to indices with an ESG or Climate flavour. As a complement to its own research, Scientific Beta supports an important research

initiative developed by EDHEC on ESG and climate investing and cooperates with V.E and ISS ESG for the construction of its ESG and climate indices.

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. On October 31, 2019, Scientific Beta received the Professional Pensions Investment Award for “Equity Factor Index Provider of the Year 2019.”

