Press Release **Boston, London, Nice, Paris, Singapore, Tokyo, February 7, 2022**

After the Orpea affair in France, Scientific Beta again warns of the inadequacies of ESG scores

In light of the Orpea affair in France, in which a company that was ranked better than the rest of its sector in terms of Environmental, Social and Governance (ESG) scores from several rating agencies[1] is accused of abuse of elderly residents in its nursing homes, Scientific Beta has reiterated that ESG scores cannot guide investors concerned with social welfare and environmental sustainability. International organisations as diverse as the OECD and the WWF have warned against viewing ESG scores as a meaningful indicator of an investment strategy's contribution to the achievement of ESG goals.

These warnings are buttressed by the amply documented lack of convergence of ESG scores across different providers. This divergence, which Scientific Beta analyses in Scoring Against ESG? Avoiding the Pitfalls of ESG Scores in Portfolio Construction, is due not only to differing objectives, definitions, methodologies and data, but also to the inherent subjectivity of assessment.

Far from being a purely technical matter, Scientific Beta showed that the unreliable nature of these inputs not only limits their usefulness but can at worst have negative impacts on the achievement of real-world ESG goals sought by investors. In this context it is noteworthy that as recently as in September 2021, Orpea reported[2] that three ESG rating agencies had upgraded their ESG scores, putting Orpea among the leaders in its sector.

Scientific Beta conducted a survey of the readers of the Scoring Against ESG? Avoiding the Pitfalls of ESG Scores in Portfolio Construction paper and received broad and representative feedback from the financial markets participants that are the potential users of these ESG scores.

In Scoring against ESG? What are Market Participants' Views on ESG Scores? we documented widely shared scepticism on the robustness of the ESG scores themselves and on investment strategies that employ them by targeting higher portfolio-average scores. Often, even those who still favour using ESG scores do so for what they see as the lack of better options or in the belief that the shortcomings of ESG scores may be overcome with time.

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

Scoring Against ESG? Avoiding the Pitfalls of ESG Scores in Portfolio Construction

Scoring against ESG? What are Market Participants' Views on ESG Scores?

[1] ESG scores from MSCI, Sustainalytics, ISS ESG and Gaia Rating are highlighted in Orpea's annual report published in May 2021, available at, https://www.orpea-corp.com/images/orpeafinance/pdf/Documentation/FR/2021/ORPEA_DEU_FR_2020_ea58c.pdf
[2] Press release on H1 2021 corporate performance, available at https://www.orpea-corp.com/images/orpeafinance/pdf/Communiques/ENG/2021/PR_ORPEA_H1_2021_ENG_0c667.pdf

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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 June 30, 2021, the Scientific Beta indices corresponded to USD 63.75bn 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."