
Vigeo Eiris compares its ESG criteria and sector frameworks to those of SASB

Vigeo Eiris, a global provider of sustainability research and services has completed a mapping of its ESG research framework to those provided by the **Sustainability Accounting Standards Board (SASB)**. Following an internal review, some of our ESG sector analysis models are being updated to take into greater consideration the SASB recommendations. In keeping with our commitment to transparency and in the interests of deepening market understanding on the differences and similarities of our value propositions, Vigeo Eiris is pleased to disclose the high-level results in this short paper.

“Vigeo Eiris considers SASB to be an important player within the sustainability standards ecosystem. We congratulate them on the work that they have done, and we strongly support their mission. However, whilst both our agencies operate within the field of sustainability, we serve different missions that are important for the market to appreciate clearly. Our agency position has always been to be attentive to and inclusive of the guidance from all recognised reporting standard setters whilst also remaining true to our independent principles and methodologies. The results of our internal work show areas of materiality overlap at sector level as well as areas of materiality difference which are important to understand and directly reflective of our different missions.” – Fouad Benseddik, Director of Institutional Relations

“SASB is pleased to see Vigeo Eiris map their ESG criteria and sector framework against the SASB standards. While we were not directly involved in this mapping project, we believe this report provides helpful comparisons between SASB and Vigeo Eiris at three levels of detail: the sectors, the general ESG issues considered by each firm, and the industry-specific materiality decisions. We agree with Vigeo Eiris that this work should help the market understand that while many of the SASB disclosure topics are covered by the Vigeo Eiris methodology – and are likely to be covered to a greater extent in the future – there are also several differences that naturally emerge from the different missions of each organization. These differences can help users understand SASB’s and Vigeo Eiris’s distinct approaches to material ESG information. We are happy to work with Vigeo Eiris in the future to continue to support the use of ESG information in the capital markets.” – Nicolai Lundy, Director of Education & Partnerships, SASB

What was done:

Our mapping was conducted at three levels. Firstly, mapping the SASB sectors against Vigeo Eiris’ sector frameworks. Secondly, mapping the content of our ESG research framework with the SASB “Sustainability Dimensions” and “Sustainability Issues”. Thirdly, analysing the level of overlap between what SASB identify as material issues for sectors with what Vigeo Eiris identify as material issues.

Findings:

- ▶ **The sustainability themes analysed by the two frameworks appears complementary** with a similar range of ESG issues covered, albeit with different titles and some additional aspects covered by Vigeo Eiris’ framework.
- ▶ **Despite applying different methodologies for determining materiality there is a noticeable degree of overlap between what SASB and Vigeo Eiris** consider material at a sector level (at what we would call a baseline level). Put another way, where SASB identify an Issue as material at sector level, the corresponding Issue typically has a moderate to high weight in our sector framework.

- ▶ **From our 40 sectors, 32 sectors show consistent overlap of materiality issues** while 8 sectors¹ demonstrate a difference (meaning SASB indicate at least one issue as material at sector level and VE do not). In some of these cases – this appears to be due to the different composition of the sectors.
- ▶ **In line with our different definitions of materiality, the Vigeo Eiris research offers a broader lens for viewing materiality resulting in a consistently higher number of ESG criteria** systematically being considered as highly material within our frameworks. However, in some cases, some of the issues considered as material by SASB standards do not find a corresponding criteria in Vigeo Eiris' framework.

Conclusions & Next Steps:

The purpose of Vigeo Eiris' ESG research is to support investors in measuring what we call Sustainability Risk. We determine material ESG issues by factoring in the impacts for multiple stakeholders (*communities, supply chains, environment, workers, shareholders, governments etc*) **as well as** the impacts for companies (*negative impacts to reputation, legal security risk, operational efficiency impacts and human capital cohesion impacts*).

The overlaps that we see with SASB standards at sector level reflect some degree of common understanding on how the mismanagement of ESG issues might impact the operating performance of companies. However, the differences that are visible don't so much reflect a difference in opinion but rather a difference in approach and mission.

In 2019, Vigeo Eiris became the first major ESG Rating Agency to attain the ISO 9001 quality certification. In the interest of continuous improvement, our ESG Research teams are finalising work to adjust the materiality approach of some of our sectors closer to the position advocated by SASB. This is being done whilst respecting our fundamental principles of factoring stakeholder considerations *as well as* company risks in our materiality approach. Therefore we expect that while the SASB disclosure topics may more frequently appear among the Vigeo Eiris criteria, the Vigeo Eiris criteria will still include ESG criteria not included in the SASB standards. This work will be completed by the close of Q4 2019. The appendices to this position paper provide some information related to our SASB framework mapping.

For more information:

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¹ Heavy Construction, Electric Components and Equipment, Oil Equipment and Gas, Electric and Gas Utilities, Broadcasting and Advertising, Transport and Logistics, Supermarkets and Hotel Leisure Goods and Services.

Appendices

1. Sector Mapping Overview²:

SASB Sics Sector	SASB Sics Industry	Vigeo Eiris Sector
Consumer Goods	Apparel, Accessories and Footwear	Specialised Retail
Consumer Goods	Appliance Manufacturing	Specialised Retail
Consumer Goods	Building Products and Furnishings	Building Materials
Consumer Goods	E-Commerce	Specialised Retail
Consumer Goods	Household and Personal Products	Luxury Goods & Cosmetics
Consumer Goods	Multiline and Specialty Retailers and Distributors	Specialised Retail
Consumer Goods	Toys and Sporting Goods	Specialised Retail
Extractives & Minerals Processing	Coal Operations	Mining & Metals
Extractives & Minerals Processing	Construction Materials	Building Materials
Extractives & Minerals Processing	Iron and Steel Producers	Mining & Metals
Extractives & Minerals Processing	Metals and Mining	Mining & Metals
Extractives & Minerals Processing	Oil and Gas - Exploration and Production	Energy
Extractives & Minerals Processing	Oil and Gas - Midstream	Oil Equipment & Services
Extractives & Minerals Processing	Oil and Gas - Refining and Marketing	Oil Equipment & Services
Extractives & Minerals Processing	Oil and Gas - Services	Oil Equipment & Services
Financials	Asset Management and Custody Activities	Financial Services General
Financials	Commercial Banks	Diversified Banks
Financials	Consumer Finance	Retail and Specialised Banks
Financials	Insurance	Insurance
Financials	Investment Banking and Brokerage	Financial Services General
Financials	Mortgage Finance	Financial Services General
Financials	Security and Commodity Exchanges	Financial Services General
Food & Beverage	Agricultural Products	Food
Food & Beverage	Alcoholic Beverages	Beverage
Food & Beverage	Food Retailers and Distributors	Supermarkets
Food & Beverage	Meat Poultry and Dairy	Food
Food & Beverage	Non-Alcoholic Beverages	Beverage

² SASB's SICs taxonomy consists of 11 sectors housing 77 industries. Vigeo Eiris's sector taxonomy consists today of 40 sectors. As a result, readers will note that a single Vigeo Eiris sector may cover several SICs sectors.

SASB Sics Sector	SASB Sics Industry	Vigeo Eiris Sector
Food & Beverage	Processed Foods	Food
Food & Beverage	Restaurants	Hotel Leisure Goods & Services
Food & Beverage	Tobacco	Tobacco
Health Care	Biotechnology and Pharmaceuticals	Pharmaceuticals & Biotechnology
Health Care	Drug Retailers	Specialised Retail
Health Care	Health Care Delivery	Health Care Equipment & Services
Health Care	Health Care Distributors	Health Care Equipment & Services
Health Care	Managed Care	Health Care Equipment & Services
Health Care	Medical Equipment and Supplies	Health Care Equipment & Services
Infrastructure	Electric Utilities & Power Generators	Electric & Gas Utilities
Infrastructure	Engineering & Construction Services	Heavy Construction
Infrastructure	Gas Utilities & Distributors	Electric & Gas Utilities
Infrastructure	Home Builders	Home Construction
Infrastructure	Real Estate	Financial Services Real Estate
Infrastructure	Real Estate Services	Financial Services Real Estate
Infrastructure	Waste Management	Waste & Water Utilities
Infrastructure	Water Utilities & Services	Waste & Water Utilities
Renewable Resources & Alternative Energy	Biofuels	Energy
Renewable Resources & Alternative Energy	Forestry Management	Forest Product & Paper
Renewable Resources & Alternative Energy	Fuel Cells & Industrial Batteries	Energy
Renewable Resources & Alternative Energy	Pulp & Paper Products	Forest Product & Paper
Renewable Resources & Alternative Energy	Solar Technology & Project Developers	Electric Components and Equipment
Renewable Resources & Alternative Energy	Wind Technology & Project Developers	Electric Components and Equipment
Resource Transformation	Aerospace and Defence	Aerospace
Resource Transformation	Chemicals	Chemicals
Resource Transformation	Containers & Packaging	Transport & Logistics
Resource Transformation	Electrical & Electronic Equipment	Electric Components & Equipment
Resource Transformation	Industrial Machinery & Goods	Industrial Goods & Services
Services	Advertising & Marketing	Broadcasting & Advertising
Services	Casinos & Gaming	Hotel Leisure Goods & Services
Services	Education	Business Support Services
Services	Hotels and Lodging	Hotel Leisure Goods & Services

SASB Sics Sector	SASB Sics Industry	Vigeo Eiris Sector
Services	Leisure Facilities	Hotel Leisure Goods & Services
Services	Media & Entertainment	Publishing
Services	Professional & Commercial Services	Business Support Services
Technology & Communications	EMS & ODM	Electronic Components & Equipment
Technology & Communications	Hardware	Technology & Hardware
Technology & Communications	Internet Media & Services	Telecommunications
Technology & Communications	Semiconductors	Technology & Hardware
Technology & Communications	Software & IT Services	Software & IT Services
Technology & Communications	Telecommunication Services	Telecommunications
Transportation	Air Freight & Logistics	Transport & Logistics
Transportation	Airlines	Travel & Tourism
Transportation	Auto Parts	Automobiles
Transportation	Automobiles	Automobiles
Transportation	Car Rental & Leasing	Travel & Tourism
Transportation	Cruise Lines	Hotel Leisure Goods & Services
Transportation	Marine Transportation	Transport & Logistics
Transportation	Rail Transportation	Transport & Logistics
Transportation	Road Transportation	Transport & Logistics

2. Sustainability Themes Overview³⁻⁴:

The table below matches the SASB General Issue Categories to Vigeo Eiris Criteria.

SASB Sustainability Dimension	SASB General Issue Category	Vigeo Eiris Criteria	Vigeo Eiris Code
Environment	GHG Emissions	Atmospheric Emissions Energy	ENV 2.4 ENV 2.2
Environment	Air Quality	Atmospheric Emissions	ENV 2.4
Environment	Energy Management	Energy	ENV 2.2
Environment	Water & Waste Water Management	Water	ENV 2.1
Environment	Waste & Hazardous Materials Management	Waste	ENV 2.5
Environment	Ecological Impacts	Biodiversity Use and Disposal of Products	ENV 1.4 ENV 3.1
Social Capital	Human Rights & Community Relations	Fundamental Human Rights Social and Economic Development	HRT 1.1 CIN 1.1
Social Capital	Customer Privacy	Fundamental Human Rights	HRT 1.1
Social Capital	Data Security	Fundamental Human Rights	HRT 1.1
Social Capital	Access & Affordability	Societal Impacts of Products and Services	CIN 2.1
Social Capital	Product Quality & Safety	Product and Service Safety	C&S 1.1

SASB Sustainability Dimension	SASB General Issue Category	Vigeo Eiris Criteria	Vigeo Eiris Code
Social Capital	Customer Welfare	Responsible Customer Relations Information to Customers	C&S 1.3 C&S 1.2
Social Capital	Selling Practices & Product Labelling	Responsible Customer Relations Information to Customers	C&S 1.3 C&S 1.2
Human Capital	Labour Practices	Fundamental Labour Rights Social Dialogue	HRT 2.1 HRS 1.1
Human Capital	Employee Health & Safety	Health & Safety	HRS 3.2
Human Capital	Employee Engagement Diversity & Inclusion	Non-Discrimination	HRT 2.4
Business Model and Innovation	Product Design & Lifecycle Management	Environmental Strategy and Eco-Design	ENV 1.1
Business Model and Innovation	Business Model Resilience	<i>Not covered³</i>	N/A
Business Model and Innovation	Supply Chain Management	Supply Chain (Contractual) Supply Chain (Environmental) Supply Chain (Labour)	C&S 2.2 C&S 2.3 C&S 2.4
Business Model and Innovation	Materials Sourcing and Efficiency	Environmental Strategy and Eco-design Use and Disposal of Products	ENV 1.1 ENV 3.1
Business Model and Innovation	Physical Impacts of Climate Change	Physical Impacts of Climate Change	AA 2.2
Leadership and Governance	Business Ethics	Corruption	C&S 3.1
Leadership and Governance	Competitive Behaviour	Anti-Competitive Practices	C&S 3.2
Leadership and Governance	Management of the Legal and Regulatory Environment	Responsible Lobbying	C&S 3.3
Leadership and Governance	System Risk Management	Audit and Internal Controls	CGV 2.1
Leadership and Governance	Critical Incident Risk Management	Controversy Risk Assessment Product ⁴	N/A

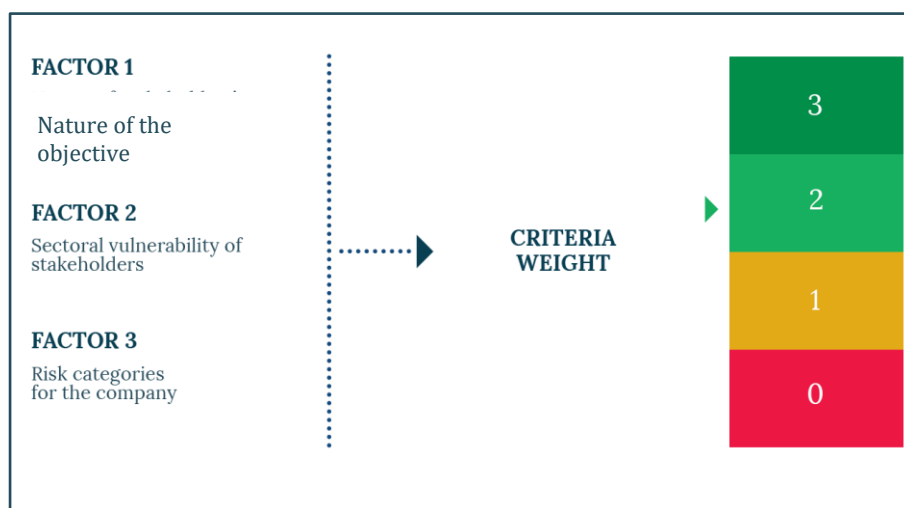
³ Vigeo Eiris criteria all find their origin from international texts and reference standards. The SASB Issue of 'Business Model Resilience' is not covered within our ESG research framework as to date, we find no direct international standard from which we might build an ESG Criterion.

⁴ Critical Incident Risk management is an element systematically analysed through Vigeo Eiris 'Controversy Risk Assessment product'.

3. Materiality Overview:

The section below provides **three examples** of how the sector level materiality analysis was conducted. Only VE clients with licensing permission from SASB will have access to the full mapping.

- ▶ The SASB standards identify the sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry.
- ▶ Materiality within the Vigeo Eiris assessment framework is expressed through the weight of a given criterion. This is expressed on a scale of 0 (*immaterial*) to 3 (*highly-material*).
- ▶ The factors used to determine the weight (materiality) of a criterion are as follows;
- ▶ *The Nature of Stakeholder Expectations on this ESG issue,*
- ▶ *The Vulnerability of Stakeholders relative to this ESG issue,*
- ▶ *The Risks faced by corporates relative to this ESG issue.*



Colour Code	Definition
	Strong alignment – this Issue which is flagged as highly material by SASB for a sector is also flagged as highly material by Vigeo Eiris (having a weight of 3).
	Moderate alignment – this element which is flagged as highly material by SASB is also flagged as moderately material by Vigeo Eiris (having a weight of 2).
	No alignment – this element which is flagged as highly material by SASB is either <ul style="list-style-type: none"> ▶ not covered by Vigeo Eiris' methodology ▶ or is flagged as low in terms of materiality by Vigeo Eiris (having a weight of 1 or 0).

Example 1 - Chemicals

Vigeo Eiris' Chemicals' sector best corresponds to SASB's Chemicals' industry.

SASB General Issue Category & Disclosure Topic	VE Criteria	VE Criterion Weight	Alignment
GIC: GHG Emissions Greenhouse Gas Emissions	Atmospheric Emissions Energy	3 3	
GIC: Air Quality Air Quality	Atmospheric Emissions	3	
GIC: Energy Management Energy Management	Energy Use	3	
GIC: Water & Wastewater Management Water Management	Water	3	
GIC: Waste & Hazardous Materials Management Hazardous Waste Management	Waste	2	
GIC: Human Rights & Community Relations Community Relations	Fundamental Human Rights Social and Economic Development	2 2	
GIC: Employee Health & Safety Workforce Health & Safety	Health and Safety	3	
GIC: Product Design & Lifecycle Management Product Design for Use-phase Efficiency Safety & Environmental Stewardship of Chemicals Genetically Modified Organisms	Environmental Strategy and Eco-design	3	
GIC: Management of the Legal & Regulatory Environment Management of the Legal & Regulatory Environment	Responsible Lobbying	2	
GIC: Critical Incident Risk Management Operational Safety, Emergency Preparedness & Response	Controversy Database	n/a	

In addition, Vigeo Eiris's Chemicals sector also considers the following sustainability criteria as highly material:
Board of Directors.

Example 2 - Diversified Banks

Vigeo Eiris's Diversified Banks sector best corresponds to the SASB Commercial Banks industry.

SASB General Issue Category & Disclosure Topic	VE Criteria	VE Criterion Weight	Alignment
GIC: Data Security Data Security	Fundamental Human Rights	3	
GIC: Access & Affordability Financial Inclusion & Capacity Building	Societal Impacts of the Company's Products and Services	3	
GIC: Product Design & Lifecycle Management Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Environmental Strategy and Eco- design	2	
GIC: Business Ethics Business Ethics	Corruption	3	
GIC: Systemic Risk Management Systemic Risk Management	Audit and Internal Controls	3	

In addition, Vigeo Eiris' Diversified Banks sector also considers the following sustainability criteria as highly material:
*Board of Directors, Information to Customers, Executive Remuneration, Non-discrimination, Management of the
Environmental Impacts from Energy Use, Reorganisation, Development of Green Products and Services, Social and
Economic Development, Responsible Customer Relations, The Promotion of Health & Safety.*

Example 3 – Supermarkets

Vigeo Eiris's Supermarkets sector corresponds to the SASB Food Retailers and Distributors industry.

SASB General Issue Category & Disclosure Topic	VE Criteria	VE Criterion Weight	Alignment
GIC: GHG Emissions Fleet Fuel Management Air Emissions from Refrigeration	Atmospheric Emissions Energy Use	3 3	
GIC: Energy Management Energy Management	Energy Use	3	
GIC: Waste & Hazardous Materials Management Food Waste Management	Waste	0	
GIC: Data Security Data Security	Fundamental Human Rights	2	
GIC: Product Quality & Safety Food Safety	Product and Service Safety	3	
GIC: Customer Welfare Product Health & Nutrition	Information to Customers Responsible Customer Relations	3 0	
GIC: Selling Practices & Product Labeling Product Labeling & Marketing	Information to Customers Responsible Customer Relations	3 0	
GIC: Labor Practices Labor Practices	Fundamental Labour Rights Social Dialogue	3 2	
GIC: Supply Chain Management Management of the Environmental & Social Impacts in the Supply Chain	Supply Chain (Contractual) Supply Chain (Environmental) Supply Chain (Labour)	2 2 3	

In addition, Vigeo Eiris's Supermarkets sector also considers the following sustainability criteria as highly material: *Non-discrimination, Environmental Strategy and Eco-design, Reorganisation, Promotion of Local Social and Economic Development, Responsible Lobbying, Board of Directors.*

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