
Vigeo Eiris downgrades the scores of tobacco sector companies

After a review of tobacco companies' social responsibility risks, Vigeo Eiris has downgraded the sector average score by more than 7 points, from 46/100 to 38.3/100. The scores and rankings of these companies make them de facto ineligible for inclusion in the reference indices developed by the agency.

Vigeo Eiris has significantly downgraded the scores of European listed tobacco sector companies. The average score of this sector fell from 46/100 in 2015 to 38,3/100 at the end of April 2017. This score now reflects the low level of ESG performance Vigeo Eiris accords these companies in terms of their capacity to adapt their economic model to reduce their negative impacts on health, the environment and on society particularly in developing countries, and on their capacity to manage reputational and legal security risks in particular. As a consequence of this evolution, these companies are not eligible for inclusion in Vigeo Eiris' indices of excellence ("Best-in-class")

This scoring reduction for tobacco sector companies under Vigeo Eiris's review evidences the increasing negative societal views on the health impacts of tobacco consumption and the impacts of its production on soils.

Out of the twenty seven rating criteria applied to tobacco sector company analysis, three criteria have been set to zero: Respect for human rights standards and prevention of violations, management of the negative societal impact due to tobacco consumption, product safety and its impacts on health. The scrutiny of companies' behaviours has been tightened up on the criteria related to the elimination of the worst forms of child and forced labour; information to customers (labelling and marketing). In the Governance domain, Vigeo Eiris examines companies' strategy and, where appropriate, the measures they undertake to transform their business model in due time in order to substitute alternative and sustainable products and services in the production and commercialisation of tobacco.

Adopted in September 2015, the UN Sustainable Development Goals (SDGs) established a common international framework for sustainable development and explicitly demanded a strengthening of the implementation of the WHO FCTC in all countries (Goal 3). Several NGOs, (Tobacco Free Portfolios, Campaign for Tobacco-Free Kids, South East Asia Tobacco Control Alliance, Action on Smoking and Health (ASH) and the National Committee Against Smoking (Comité National Contre le Tabagisme - CNCT)) are increasingly taking action to exercise pressure on the industry, on governments as well as on investors to reduce the risks' exposure to tobacco.

Dr Bronwyn King, CEO of Tobacco Free Portfolios warmly welcomed the news: *“It’s pleasing to see an ESG rating agency reflect on and revise methodologies for assessing tobacco companies. ‘Best of sector’ is a nonsense concept for tobacco companies as they all make products that kill their own customers. I applaud Vigeo Eiris for enhancing their analyses to ensure that tobacco companies are clearly categorized as ineligible for inclusion in lists of companies scoring well on environmental, social or governance metrics.”*

Fouad Benseddik, Director of Methods and Institutional Relations of Vigeo Eiris added : *« The friction between the tobacco economy and the requirements of sustainable development is escalating: our ratings reflect both the increasing societal aversion and the risk of future performances of this sector ».*

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About Vigeo Eiris

Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors in the strategy and the operations of organizations, and undertakes a risk assessment to assist investors and companies in decision-making.

Vigeo Eiris offers two types of services through separate business units:

- **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- **Vigeo Eiris enterprise** assesses organisations of all sizes, listed and not listed companies in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is CBI (Climate Bond Initiative (CBI) Verifier.

Vigeo Eiris is represented in Paris, London, Boston, Brussels, Casablanca, Milan, Montreal, Santiago, Stockholm and Tokyo. The team is composed of more than 200 experts of 28 nationalities with diversified and complementary skills. Vigeo Eiris has developed the « Vigeo Eiris Global Network », consisting of 7 research providers (Australia, Brazil, Germany, Israel, Japan, Spain and Mexico).

For more information: www.vigeo-eiris.com