



Introducing Fitch Ratings ESG Relevance Scores Data

Simply being told that an entity, transaction or program has associated ESG risk issues isn't enough. You need to know whether those issues will actually impact the rating. Fitch Ratings ESG Relevance Scores give you a transparent and easily comprehensible view of which issues are material and relevant to your credit assessment.

Easily and appropriately evaluate ESG risk in your credit assessment

There is growing pressure from asset owners to incorporate ESG factors into credit risk assessments. There is also evidence¹ of correlation between ESG and credit worthiness. But up until now, fixed income ESG data has been disparate, difficult to obtain and hard to work with. Fitch Ratings ESG Relevance Scores Data is the first product of its kind to close this gap. The data provides a value neutral view on how different ESG factors specifically impact credit.

Quickly identify which ESG risk issues are material and relevant

Simply being told that an entity, transaction or program has associated ESG risk issues isn't enough. You need to know whether those issues will actually impact the rating. Fitch Ratings ESG Relevance Scores give you a transparent and easily comprehensible view of which issues are material and relevant to your credit assessment.

Ensure you are being sufficiently rewarded for ESG risk

Each credit you assess has a different level of ESG risk which could impact the return on your investment. The ESG Relevance Scores Data provides a way to cross compare these risks at an entity and transaction specific level to help you evaluate whether you are being adequately compensated for the degree of ESG credit risk you are exposed to.

Validate whether you are assessing your ESG risk appropriately

The ESG Relevance Scores Data can also be used as a screening tool to validate your own value judgements on how ESG impacts credit risk. Quickly identify high scoring outliers, so you can go back, perform additional research where necessary and confirm your view.

1. S Subramanian, D Suzuki, A Makedon, JC Hall, Marc Pouey and J.Bonilla, "Equity strategy focus point: ESG: good companies can make good stocks", Bank of America Merrill Lynch, December 2016



How relevant are E, S and G issues to the overall credit rating?

5		Highly relevant, a key rating driver that has a significant impact on the entity rating on an individual basis.
4		Relevant to rating, not a key rating driver, but has an impact on the entity rating in combination with other factors.
3		Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating.
2		Irrelevant to the entity rating, but relevant to the sector. Conceptually applicable from a credit perspective for the sector, but unlikely to impact a rating.
1		Irrelevant to the entity rating and irrelevant to the sector. Conceptually inapplicable from a credit perspective for the sector

Where does the data come from?

Fitch Ratings ESG Relevance Scores are created by senior analysts who are assigning forward-looking, through the cycle ratings, and assessing which ESG risk issues impact the rating. The scores do not make value judgments on whether an entity engages in good or bad ESG practices, but draw out which specific E, S and G risk elements are influencing the credit profile.

What does the data include?

Scores range from '5' to '1', with a higher score indicating greater relevance. A relevance score of '5' indicates an ESG risk factor that on a standalone basis has a direct impact on the rating. Conversely, a score of '1' indicates an ESG risk factor which has no credit impact or is irrelevant to the sector and the entity/transaction/program from a credit perspective.

Broad market coverage

This data includes ESG relevance scores for the majority of Fitch's publicly rated entities and transactions across non-financial corporates, banks, non-bank financial institutions (NBFIs), insurance, public finance (international and US municipal), global infrastructure and structured finance (excluding structured credit and covered bonds).

Future enhancements will include, historical data, covered bonds, some additional entities that will carry ESG Relevance Scores, and sovereigns.



Fitch Analytical Groups	ESG Templates	No. of Issuers/ Transactions	No. of Data Points	No. of E Scores	No. of S Scores	No. of G Scores	% Some Impact
Corporates	50	1,524	21,336	7,620	7,620	6,096	21%
Financial Institutions	4	1,039	14,546	5,195	5,195	4,156	17%
Sovereigns	1	120	1,785	595	595	595	100%
Public Finance & Infrastructure	25	2,597	37,428	12,985	12,985	11,458	6%
Structured	20	4,796	67,144	23,980	23,980	19,184	17%
Total	100	10,076	142,239	50,375	50,375	41,489	16%

Source: Fitch Ratings September 2020.

Achieve your commitment to incorporate ESG into your investment analysis and decision-making

Whether to serve client requirements, internal ESG goals or to help meet your commitment under the UNPRI, the Fitch Ratings ESG Relevance Scores Data provides an easy, transparent, comprehensive and consistent way to incorporate ESG risk into your credit assessments. Filter the data into your own dashboards and alerts for instant access to the most credit focused ESG information available in the market today.

Granular detail

When you need to screen for prescriptive tolerances for certain types of ESG risk, you need to get a more detailed view of exactly which ESG issues are considered material and relevant to credit ratings. The data provides a level of granularity that goes beyond just identifying whether a risk is environmental, social or governance based. It identifies specific E, S and G credit risk issues and groups them into 14 or 15 subfactor scores for 100 different sectors.

When you see a high score identified against a particular entity, transaction or program, you can quickly identify exactly which of the 14 or 15 subfactor scores is a cause for concern, and drill down to the industry specific ESG risk factor impacting the rating.

For each rated entity or transaction, Fitch Ratings ESG Relevance Scores Data includes:

- Overall ESG Score
- Overall Environmental Score
- Overall Social Score
- Overall Governance Score
- 14 or 15 ESG Relevance Sub-factor Scores (different per sector):
 - 5 Environmental Scores
 - 5 Social Scores
 - 4 or 5 Governance Scores (depending on sector / asset class)
- Positive impact indicator (PII) for any score that is 4 or 5
- Historical ESG data (coming as an enhancement)

Fitch ESG Relevance Score Framework

Incorporating Sector Specifics in Broad E, S, and G Categories

GENERAL ISSUE CATEGORIES



5 ENVIRONMENTAL CATEGORIES
5 SOCIAL CATEGORIES
4 or 5 GOVERNANCE CATEGORIES

- Set of General Issue categories for consideration across sectors.
- Align with widely accepted classification standards like the one published by the Sustainability Accounting Standard Board (SASB).
- Standardized across sectors.
- Different for non-Sovereign and Sovereign (including state and local government) entities.
- Governance General Issue categories are different for Structured Finance transactions and Covered Bond programs.

SECTOR SPECIFIC CREDIT ISSUES



100 UNIQUE ESG SECTOR TEMPLATES

- Extract the elements of the ESG that affect fundamental credit at a sector level.
- Identify sector-specific ESG credit issues that relate to each of the General Issue categories.
- For some sectors, one or more General Issue categories are not material to the credit quality of entities in that sector and denoted as "na"
- The specific rating criteria factor(s) within which the corresponding ESG Issues are captured in Fitch's credit analysis is (are) highlighted in each General Issue category.

SCORING OF MATERIALITY TO CREDIT RATING



14 or 15 SCORES AND 1 AGGREGATE SCORE FOR EACH ENTITY/TRANSACTION/PROGRAM

- Individual E, S and G relevance scores range from 5 to 1.
- A score of 5 indicates factors that on a standalone basis have a direct impact on the credit rating.
- Conversely, a score of '1' indicates factors that have no credit impact or are irrelevant to the credit rating.



FitchConnect

Fitch Connect is a cutting-edge, multi-channel technology platform that delivers our data, research and tools to our clients in a way that ideally matches their current systems and workflows.

Instantly get the information you need in a usable format. Reduce days of work to minutes and reduce the risks of manual data handling errors as our technology does the heavy lifting for you.



Web

Access the latest ratings data and research: Our web portal offers a user-friendly way to explore and work with our data and research. Advanced Search provides a precise way to home in on the information you need. You can then save the search or add the relevant companies or countries to a portfolio, with custom fields and views for easy peer group comparison and tracking. Each company or country has a standard format entity page for easy navigation, whilst our Early Warning Signals tab and custom alerts ensure you never miss a change that could impact your decision making.



Excel Add-In

Make our data work harder: Pull our ratings, ESG, transition and default data into Excel via our Add In. Use our simple formula builder to manipulate the data with no specialist knowledge required, as our best practice techniques ensure you can draw down data at speed. Use pre-built templates to assess ratings data or custom-built templates that match your workflow to cut down the time you spend calculating and increase the time you dedicate to critical decisions.



API & Feeds

Use your own systems: Our Feeds and API channels integrate seamlessly with any third party or proprietary systems, allowing you to bring our ratings data and research into a familiar environment and work with it alongside information from other sources. All our products are available via API and all our data is available via Feeds.

Explore an easier way to incorporate ESG risk into your credit assessments

The Fitch Ratings ESG Relevance Scores Data is delivered via our underlying technology, Fitch Connect, which allows you to access the data via web application, Excel Add In, API or data feed. We can show you the data in action through a demonstration tailored to your specific workflow and usage requirements. Contact your Fitch Solutions representative today to arrange your appointment.

About Fitch Solutions

Fitch Solutions fuels better informed credit risk and strategy decisions with reliable data, insightful research and powerful analytics. Get the crucial intelligence and fresh perspectives you need, especially in markets where information is hard to find and difficult to interpret. Our data and research are produced with accuracy, granularity and depth. Leverage workflow efficiencies, transparent methodologies, and accessible experts who add extra value to our products.

Contact us



Bharat Book Bureau

W: www.bharatbook.com

E: poonam@bharatbook.com

T: +91 22 27810772 / 73

Mob : 9223767111
