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Fitch Launches ESG Scoring System to Show Effect on Ratings.

Fitch Ratings has launched an integrated scoring system that shows how environmental, social and governance factors impact individual credit rating decisions.

The scoring system, ESG Relevance Scores, displays how ESG elements are relevant and material to the rating decision.

Fitch is introducing ESG Relevance Scores across all asset classes using a standardized and transparent scoring system, starting with more than 1,500 non-financial corporate ratings. Scores for banks, financial institutions, insurance companies, sovereign bonds, public finance, global infrastructure and structured finance will soon follow.

Fitch is initially making all of its ESG Relevance Scores available in the public domain. It will then maintain and publish scores on an ongoing basis as part of its credit research.

“Our scores will enable investors to agree or disagree with the way in which we have treated ESG at both an entity and a sector level, assist them in making their own judgments about credit rating impact, and enable them to fully discuss all aspects of the credit with our analytical teams,” said Andrew Steel, global head of sustainable finance, in a news release.

Mr. Steel added that the initial analysis of Fitch’s corporate portfolio resulted in more than 22,000 individual ESG scores for the agency’s publicly rated entities.

“Initial results show that 22% of our current corporate ratings are being influenced by E, S or G factors, with just under 3% currently having a single E, S or G subfactor that by itself led to a change in the rating,” Mr. Steel said.

PENSIONS & INVESTMENTS

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