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## Fitch: ESG in Credit - Exposure to Social Impacts Report

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**Fitch Ratings-London/Hong Kong-26 May 2022:** Social issues are rising in prominence for investors and other stakeholders and as such the exposure issuers have on shifting consumer preferences or social pressures and resistance can manifest as a credit risk in certain situations, Fitch Ratings says in the latest of its 'ESG in Credit' series.

These shifts are captured as part of Fitch's ESG Relevance Scores (ESG.RS) under the Exposure to Social Impacts (SIM) general issues. This category captures credit issues arising from shifting consumer preferences driven by a desire to avoid harm or do good. These shifts are largely outside issuers' direct control and can be highly dynamic over time. They can affect demand for products and services, impair operations and alter market shares.

Mitigation of risks associated with elements under social impacts, such as strikes, boycotts and shifting consumer preferences, therefore rests heavily on the level of awareness on the part of the issuers of these underlying shifts, and actions to manage their operations to limit their exposure.

The pharmaceuticals, energy and natural resources and tobacco sectors have historically been at the forefront of either regulatory action to manage social impacts, or face various levels of social resistance. With the proliferation of social media, the technology sector is also becoming increasingly exposed to regulatory and consumer shifts in attitudes. Some non-bank financial institutions (NBFIs), as well as certain pools of RMBS transactions, have a higher concentration of higher ESG.RS that indicate medium and high impact from SIM.

The ESG in Credit series provides insights on the credit relevance and materiality of sector-specific ESG credit issues.

'ESG in Credit – Exposure to Social Impacts Report' is available at [fitchratings.com](https://fitchratings.com) or by clicking the link above, It focuses on the SIM general issue within Fitch's ESG.RS framework and scoring templates.

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