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Fitch: Access and Affordability Key Community-Related Credit Risk

Fitch Ratings-London/Hong Kong-07 June 2022: Access and affordability is the most relevant community-related environmental, social and governance (ESG) risk among rated issuers, especially for entities involved in the provision of basic services and infrastructure, housing and affordable lending, Fitch Ratings says in its latest 'ESG in Credit' publication.

Human Rights, Community Relations, Access & Affordability is one of the social general issues within Fitch's ESG Relevance Score framework. Building upon the UN Guiding Principles on Business and Human Rights and Sustainable Development Goals, many governments are developing national action plans that outline the role and responsibility of business in community development and rights. This includes the draft EU Social Taxonomy, which has "inclusive and sustainable communities and societies" as one of its three core objectives.

Access and affordability considerations can be credit positive, particularly issuances with agency sponsorship or provision for social good. This is the case for many residential mortgage-backed securities and covered bond programmes that address housing affordability and for government-sponsored enterprises that execute social policy objectives, like Fannie Mae (AAA/Negative) and Freddie Mac (AAA/Negative). Meanwhile, concessional financing and lending to low-income countries is credit positive for a number of Fitch-rated supranational development banks.

Human rights and community relations can be a key rating factor for issuers in energy and extractive industries because of their potential impact on the physical environment and sites of cultural heritage. Fitch has assigned elevated ESG Relevance Scores to issuers in mining and metals and oil and gas. Meanwhile the wellbeing of clinical trial participants is a human rights issue for pharmaceutical companies and relates to informed consent, trial safety, and the involvement of subjects from low-income, minority or underprivileged communities.

More details are available in our new report, ESG in Credit – Community-Related Issues, which is available at [fitchratings.com](https://www.fitchratings.com).

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