

Scorecard

Fitch Solutions ESG Ratings Methodology

About Fitch

COVERAGE OF COMPANIES

LAUNCH DATE

2019

FOCUS

Corporate ESG ratings

LINK:

<https://www.fitchsolutions.com/products/fitch-ratings-esg-relevance-scores-data>

Fitch Solutions ESG Ratings Methodology Score

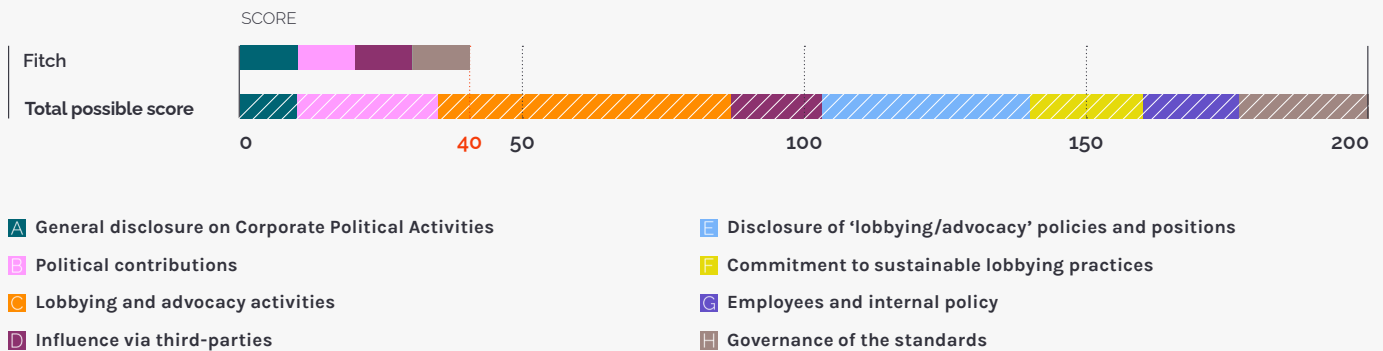


Rank 15 /26

Tracker Rank and Score for Fitch

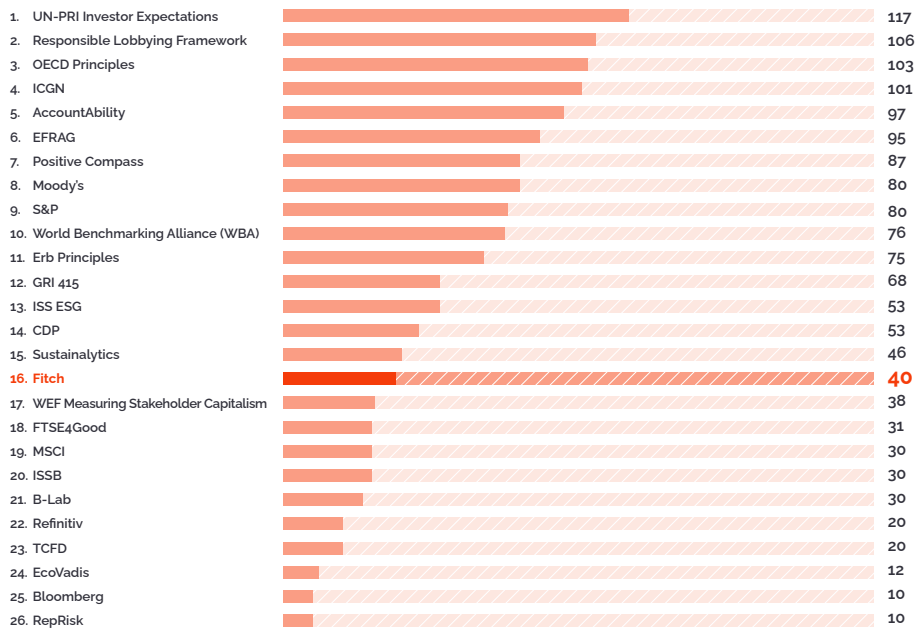
The score is out of a total of 200 and the rank describes the standards position in the 26 standards assessed by the Tracker.

Category scores of Fitch



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

According to Fitch, their ESG Entity Rating, launched in 2019 as ‘ESG Relevance Scores,’¹ “indicates an entity’s performance, commitment, and integration of environmental and social considerations into its business, strategy and management, and the effectiveness of governance. The metrics seek to measure the impact of business activities on the environment and on society. The ESG Framework Score rating evaluates the use of proceeds from green, social or sustainable bond issuances, or the key performance indicators (KPIs) and sustainability performance targets used by the company for reporting on sustainability-linked bonds, and the extent to which they contribute to environmental and social objectives.”²

Summary

The Sustainable Fitch ESG Ratings Methodology for ESG Entity Rating receives a Tracker score of 40 out of 200. The Fitch approach to assessing corporate conduct determines **“whether an entity’s main business lines contribute positively to environmental and social goals.”** This analysis is assumed to cover the disclosure of corporate political activities and lobbying spend as required under local regulations, so the methodology receives points in Category A of the Tracker assessment, ‘General disclosure on corporate political activities.’ The Fitch process benchmarks **“each business activity against internationally recognised environmental taxonomies and internationally recognised documents setting out social goals,”** including the SDGs.³ Finally, the methodology provides a broad assessment on **“the extent to which an entity’s governance profile furthers environmental and social goals and adheres to sound governance practices.”** This is understood to include some disclosure of corporate political activities, but only those required by local regulations, which vary by jurisdiction. The high-level approach and lack of specificity in Fitch’s approach to assessing corporate political activities weakens their Tracker score.

Opportunities for improvement

The Fitch Solutions ESG methodology does not currently capture corporate political activities in a consistent or comprehensive manner. There is room for improvement across all eight Tracker categories. As more firms seek to contribute to positive policy goals related to the energy transitions, Category F, 'Commitment to Sustainable Lobbying Practices' should be added to Fitch's existing scanning of company contributions to ESG goals.

Endnotes

- 1 <https://www.fitchsolutions.com/sites/default/files/2022-04/Fitch-Ratings-ESG-Relevance-Scores-Data-FAQs-130422.pdf>
- 2 https://www.sustainablefitch.com/products/esg-ratings?gclid=CjwKCAjw9pGjB-hB-EiwAa5jl3NrBXoUMcNrpZ2ToTAmO7iB3jBSiBoAm_mLB_xZHNeEBAzsAIOOTV-RoC_mMQAvD_BwE#about-esg-ratings
- 3 https://assets.ctfassets.net/03fbs7oah13w/5hWQ7R44kPRUDKNH16k-BRx/6d14d4655f484cf5bd361558afea06bc/SUF_ESG_Score_Methodology_2022-06.pdf

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