

Fortescue Metals Group Ltd. Assigned ESG Evaluation Of 66; Preparedness Strong

SINGAPORE, Jan. 25, 2022 /PRNewswire/ -- (S&P Global Ratings) -- S&P Global Ratings today assigned [Fortescue Metals Group Ltd.](#) an ESG Evaluation of 66. The company's ESG Evaluation is the result of an ESG profile of 58 combined with Strong preparedness. Higher numbers indicate stronger sustainability in our evaluations. The ESG Evaluation report is available [here](#).



The ESG Evaluation of 66 reflects our view that Fortescue has robust ESG management practices and hence a credible ambition to address its high environmental and social exposure.

The company has well-articulated net-zero targets for its direct and indirect carbon emissions, but its efforts toward downstream decarbonization remain fairly nascent. In an industry that is as exposed to transition risks as it is to safety incidents, health and safety has been a key focus for the company, with below-average injury and fatality rates for a few years. In addition, Fortescue invests heavily in communities through hiring and sourcing contracts, and engages actively with local indigenous people, in line with its vision to generate lasting socio-economic benefits where it operates. Finally, Fortescue's governance reflects its high transparency and reconciles the strong rule of law in Australia, which is its country of incorporation and operations, with the company's large revenue exposure to China, which has less established governance standards.

Fortescue is well prepared to remain resilient to disruptions, especially the energy transition, given the board's acute understanding of material risks in the industry, coupled with its extensive investments in green and renewable energy.

Fortescue is the fourth-largest iron ore producer globally, with 182.2 million tonnes shipped from its three mining hubs in the Pilbara region of Western Australia during the fiscal year ended June 30, 2021. In that year, the company generated 90% of its revenue from China and employed 10,164 people.

What Is An ESG Evaluation?

S&P Global Ratings' ESG evaluation is a cross-sector, relative analysis of an entity's capacity to continue to operate successfully. It is grounded in how ESG factors could affect stakeholders, potentially leading to a material direct or indirect financial impact on the entity.

Our definition of stakeholders for a particular entity goes beyond shareholders to include employees, the local community, government, regulators, customers, lenders, borrowers, policyholders, voters, members, and suppliers. A high ESG evaluation indicates an entity is relatively less prone to experiencing material ESG-related events, and is relatively better positioned to capitalize on ESG-related growth opportunities than entities with lower ESG evaluations.

First, we establish an ESG profile for a given entity, which assesses the exposure of the entity's operations to observable ESG risks and opportunities, and how the entity is mitigating these risks and capitalizing on these opportunities.

Second, we assess the entity's long-term preparedness, namely its capacity to anticipate and adapt to a variety of long-term plausible disruptions.

S&P Global Ratings evaluates more than 100 entities across the globe, with an average score of 67. Since the first ESG evaluation, published in June 2019, we have finalized ESG evaluations across 22 sectors globally. By region, the highest average score is 72, for companies headquartered in Europe, the Middle East, and Africa (EMEA).

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