

ESG In Credit Ratings

May 2023

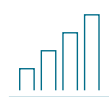
S&P Global
Ratings

Positives Outpace Negatives As ESG-Related Rating Actions Drop Sharply

This report does not constitute a rating action

By The Numbers: April 2023 ESG-Related Credit Rating Actions

Total ESG-driven credit rating actions, April 2023 versus March 2023



13 ▼
All credit
rating actions



7 ▲
Positive
rating actions



6 ▼
Negative
rating actions

▲ Increase
▼ Decrease

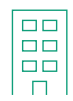
April 2023 positive rating action breakdown

Key factor



3
Health and
safety

Key sector



6
Corporates and
infrastructure

Key region



5
Europe

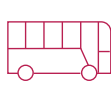
April 2023 negative rating action breakdown

Key factor



2
Transparency and
reporting

Key sector



3
U.S. public
finance

Key region



5
North
America

ESG-related rating actions are those where ESG credit factors were a key driver of the decision to change a credit rating, outlook, or CreditWatch status. S&P Global Ratings considers ESG credit factors to be those ESG factors that may influence the capacity and willingness of an issuer to meet its financial commitments. Rating actions include rating, CreditWatch, and outlook changes in April 2023. ESG--Environmental, social, and governance.
Source: S&P Global Ratings.

Key Takeaways

- The number of rating actions related to environmental, social, and governance (ESG) credit factors decreased by nearly two-thirds to 13 in April, down from 38 the previous month. Furthermore, positive rating actions outweighed negative actions for the first time since June 2022.
- Governance factors led, with six rating actions, followed by social factors with five, and environmental factors with two. Transparency and reporting was the reason for half of all rating actions related to governance factors in April.
- The majority of April's ESG-related rating actions came from the corporates and infrastructure sector, of which three quarters were positive.

Newsletter Contacts

Brenden Kugle

Centennial
+1-303-721-4619
brenden.kugle
@spglobal.com

Patrick Drury Byrne

Dublin
+353 1 568 0605
patrick.drurybyrne
@spglobal.com

Matthew S Mitchell

Paris
+33-6-17-23-72-88
matthew.mitchell
@spglobal.com

ESG Research Highlights



Sustainable Finance Newsletter First-Quarter 2023

April 28, 2023

S&P Global Ratings acquired Shades of Green (SoG) in December 2022. Our combined expertise on sustainability and commitment to robust analysis are reflected in several recent awards. Our teams are working together to deliver a common suite of SPO products expected to be released in the coming months. During Q1 2023, S&P Global Ratings published 25 second party opinions (SPOs; 18 S&P Global Ratings and seven SoG), 15 S&P Global Ratings ESG evaluations, three SoG company assessments, and three SoG impact reporting reviews.



Toward Net Zero: Shining A Light On European Solar ABS

April 12, 2023

Securitization could play a key role in accelerating the transition to a greener economy in the EU by facilitating the capital needed to finance the deployment of solar energy. Overall, we would expect more defaults in a solar asset-backed securities (ABS) pool compared with a typical residential mortgage-backed securities pool. We typically view solar ABS transactions as having limited recoveries for equipment associated with solar systems upon removal, similar to unsecured ABS transactions.



Sustainability Insights: U.S. Broadband Expansion: Bridging Access Gaps

April 6, 2023

The Bipartisan Infrastructure Law includes \$42.5 billion to enhance access and affordability for broadband infrastructure in the U.S. Broadband expansion and improved access could fuel economic growth and job creation, particularly for rural communities, and lead to better education, health care, and other socioeconomic outcomes. States play a key role in accelerating access and enabling cost-effective and reliable service for residents that could contribute to ongoing credit stability for state governments.

Chart Of The Month

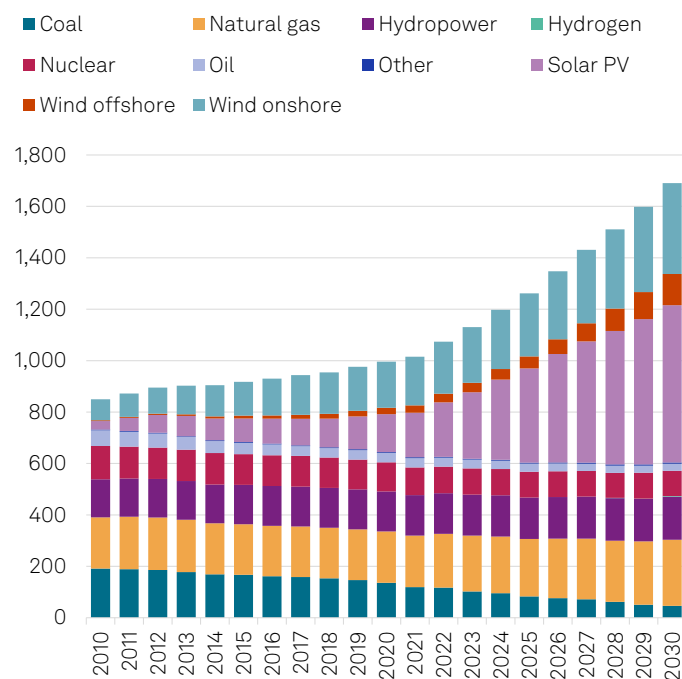
Solar Energy Is Gaining Ground

The European Commission is determined to transform Europe's energy system and accelerate the transition to renewable sources, particularly through its REPowerEU program, which emphasizes the need to boost the roll-out of renewable energy to reduce the dependency on fossil fuels. Although nuclear and natural gas power plants dominate Europe's power generation, there is a clear path to have renewable energy generation at its core, with wind and solar technologies dominating by 2030.

But this trend is not limited to Europe--per the International Energy Agency, solar photovoltaic energy is poised to generate the largest share of energy in the world by 2030.

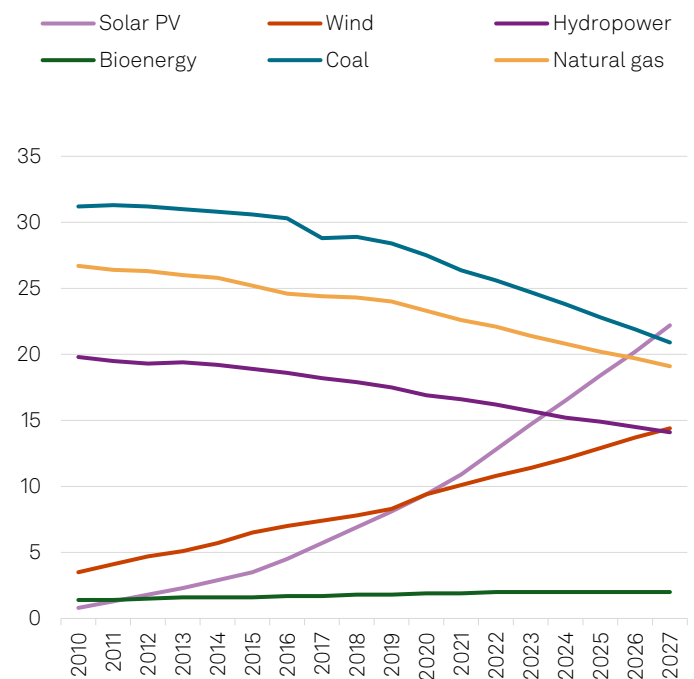
Installed capacity (GW)

EU-27 and U.K.



Source: S&P Global Commodity Insights, formerly IHS Markit.

World share of cumulative power capacity by technology (%)



PV--Photovoltaic. Source: IEA.

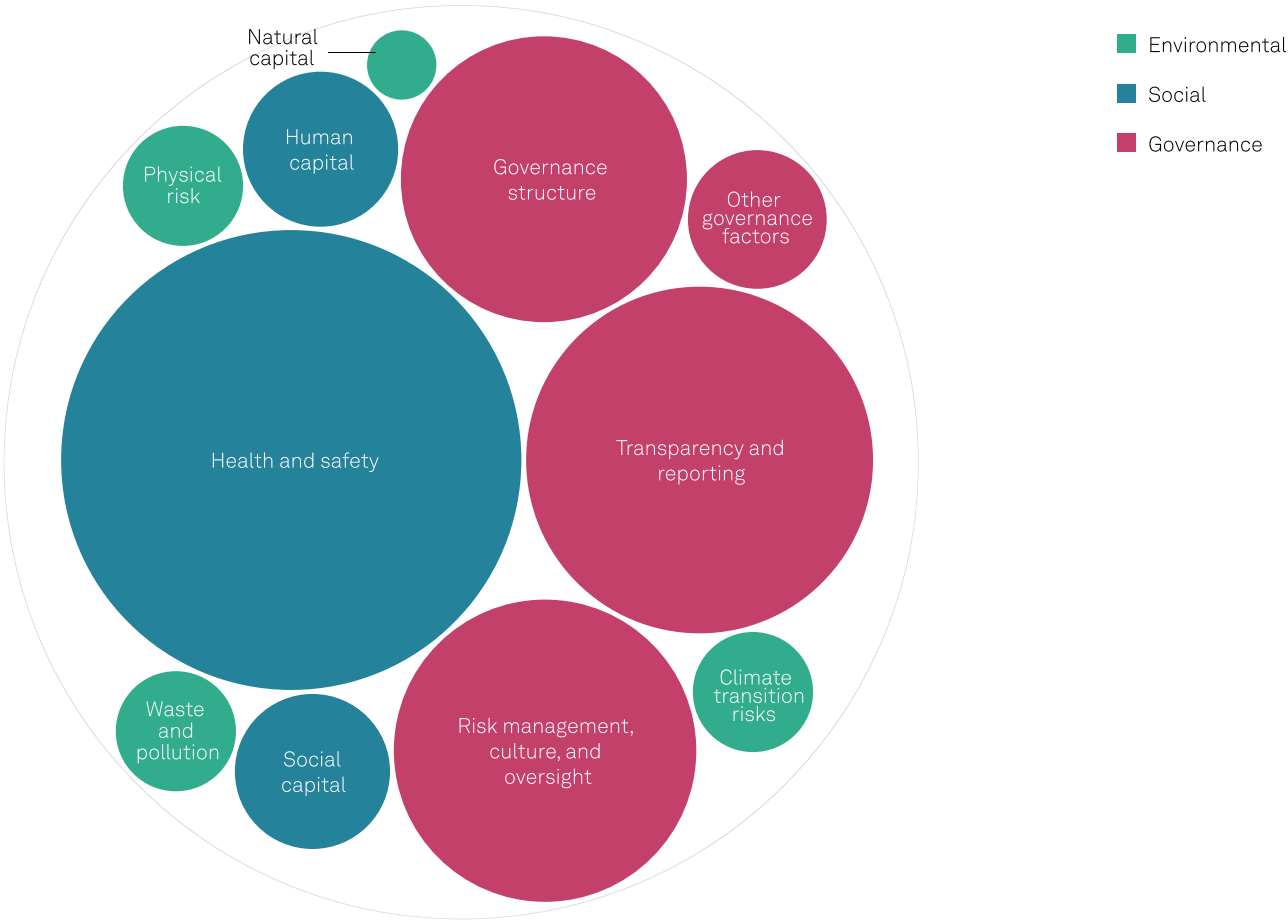
For more information, see "[Toward Net Zero: Shining A Light On European Solar ABS](#)," published April 12, 2023.

2023 ESG Credit Rating Actions

The following section provides a summary of key ESG credit rating action trends in 2023. S&P Global Ratings includes an explicit reference in its credit rating rationales when one or more of the below ESG factors were a key driver behind a change to the credit rating, outlook, or CreditWatch status. We consider ESG credit factors as those ESG factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. They are not an assessment of an entities' sustainability profile or ESG performance. This newsletter provides additional data and insights on ESG credit factors that have been key drivers behind changes to our credit ratings.

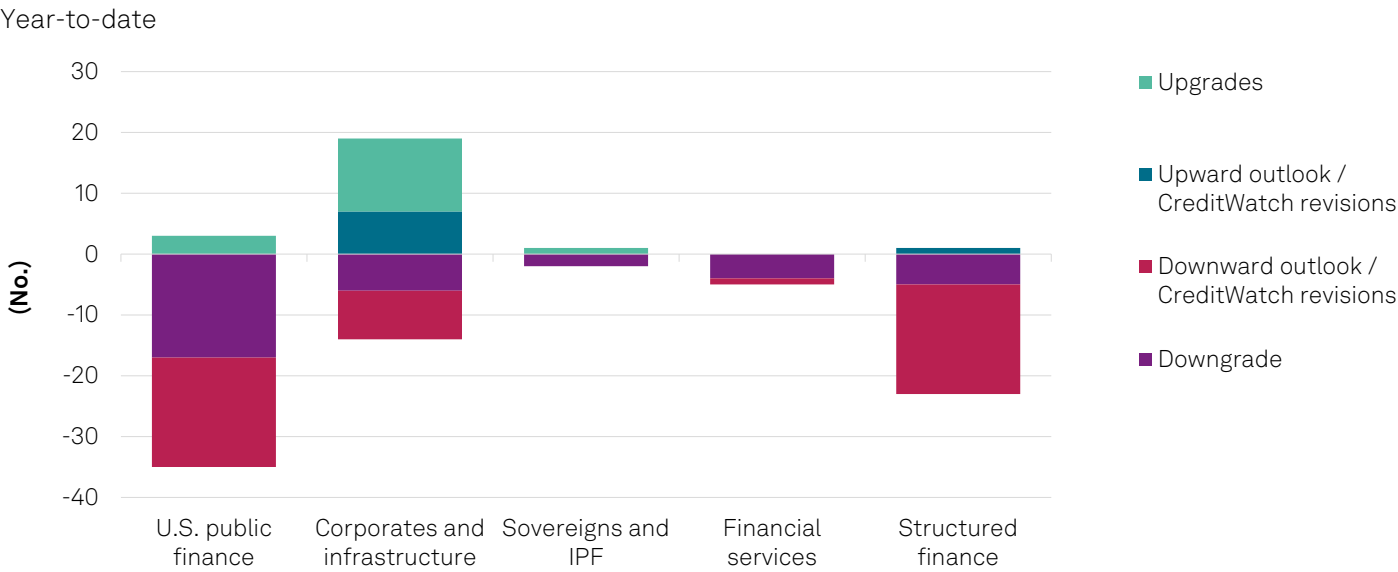
Leading ESG factors driving credit rating actions as a proportion of total tagged factors

Year-to-date



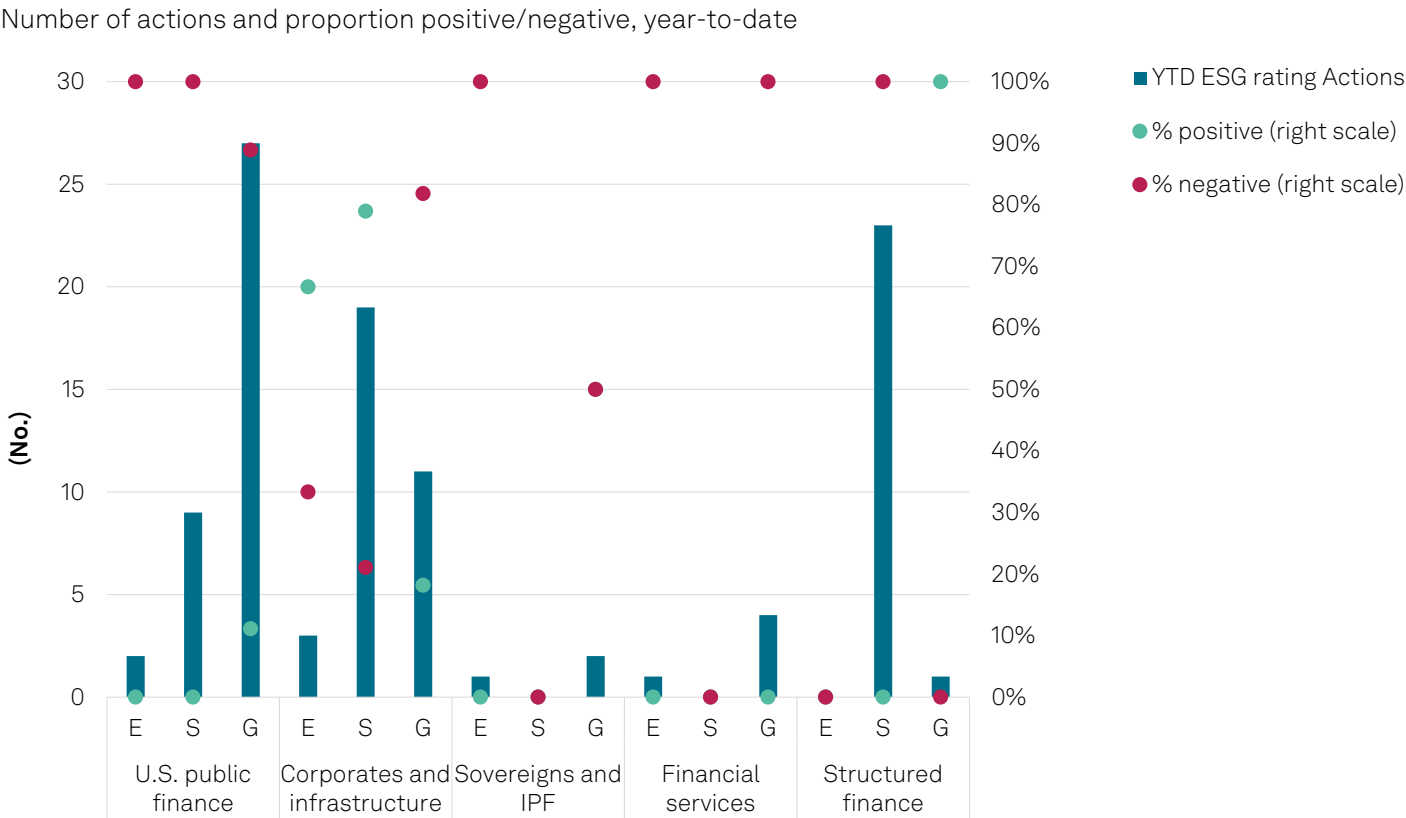
Data as of April 30, 2023. Bubble size is determined by the occurrence of factors between January and April 2023. In instances where multiple ESG factors were recorded as the main drivers of the credit rating action, each is counted for the purposes of this infographic. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

ESG-related credit rating actions by type



Data as of April 30, 2023. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. Downgrades and downward outlook/CreditWatch revisions are shown as negative numbers for purposes of this chart. ESG--Environmental, social, and governance.
Source: S&P Global Ratings.

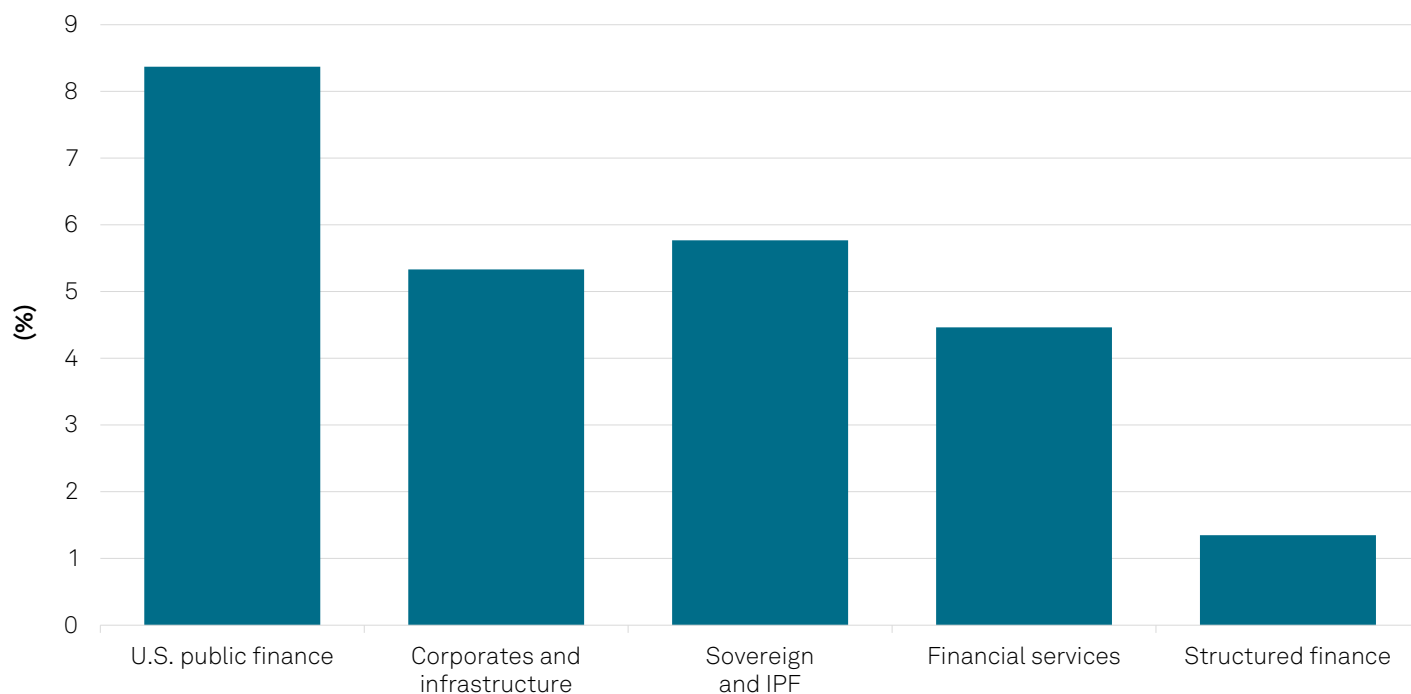
ESG-related credit rating actions by sector and factor



Data as of April 30, 2023. Rating actions include rating, CreditWatch, and outlook changes. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. ESG--Environmental, social, and governance. IPF--International public finance. YTD--Year-to-date.
Source: S&P Global Ratings.

ESG-related rating actions as a percent of total

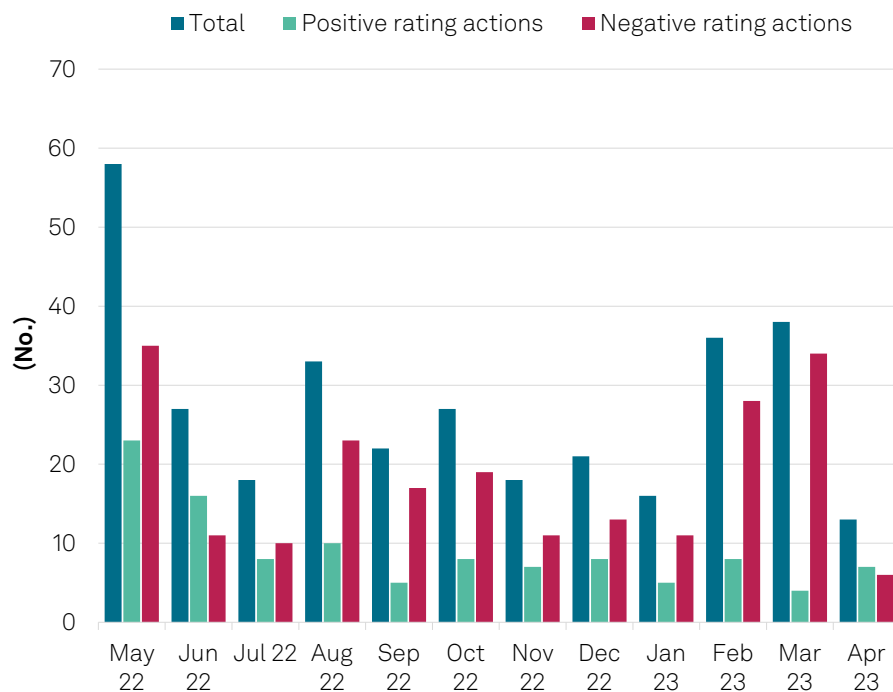
Year-to-date



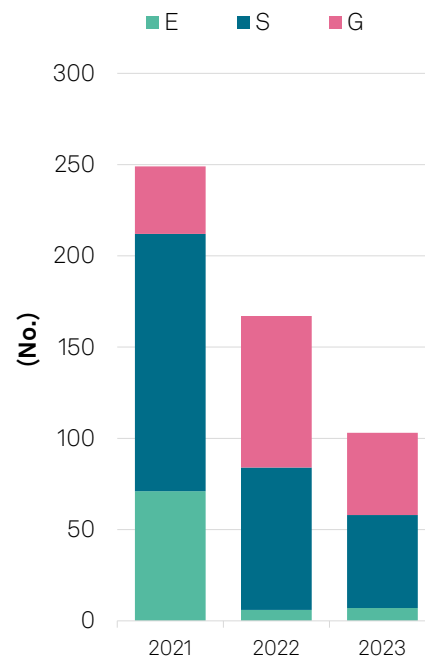
Data as of April 30, 2023. Total rating actions exclude affirmations, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance. Source: S&P Global Ratings.

ESG-related credit rating actions

Trailing 12 months



Year-to-date



Data as of April 30, 2023. Positive actions include upgrades, CreditWatch positive placements, upward outlook revisions, and upgrades with outlook revisions. Negative actions include downgrades, downward outlook revisions, CreditWatch negative placements, and downgrades with outlook revisions. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Appendix

ESG-related credit rating actions

Year-to-date

| | U.S. public finance | Corporates and infrastructure | Sovereigns | International public finance | Financial services | Structured finance | Total |
|--|------------------------|----------------------------------|------------|---------------------------------|-----------------------|-----------------------|------------|
| Downgrade | 17 | 6 | 0 | 2 | 4 | 5 | 34 |
| CreditWatch negative | 14 | 1 | 0 | 0 | 0 | 18 | 33 |
| Downward outlook revision | 4 | 7 | 0 | 0 | 1 | 0 | 12 |
| Upgrade | 3 | 12 | 0 | 1 | 0 | 0 | 16 |
| Upward outlook revision | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| CreditWatch positive | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Total ESG-related rating actions* | 38 | 33 | 0 | 3 | 5 | 24 | 103 |
| Environmental§ | 3 | 5 | 0 | 1 | 1 | 0 | 10 |
| Social§ | 11 | 20 | 0 | 0 | 0 | 23 | 54 |
| Governance§ | 42 | 14 | 0 | 2 | 5 | 2 | 65 |

Data as of April 30, 2023. *Rating actions include rating, CreditWatch, and outlook changes over January-April 2023. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. §The sum of environmental, social, and governance actions may exceed total ESG-related rating actions because some actions are influenced by multiple factors. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Sector Contacts

Lai Ly

Global Head of ESG Research
+33-1-4075-2597
lai.ly
@spglobal.com

Pierre Georges

Corporates
+34-14-420-6735
pierre.georges
@spglobal.com

Nora Wittstruck

U.S. Public Finance
+1-212-438-8589
nora.wittstruck
@spglobal.com

Matthew S Mitchell

Structured Finance
+33-6-17-23-72-88
matthew.mitchell
@spglobal.com

Sarah Sullivant

Sovereigns
+1-415-371-5051
sarah.sullivant
@spglobal.com

Emmanuel Volland

Financial Institutions
+33-14-420-6696
emmanuel.volland
@spglobal.com

Dennis P Sugrue

Insurance
+44-20-7176-7056
dennis.sugrue
@spglobal.com

Research Contributor

Yogesh Balasubramanian

Mumbai
CRISIL Global Analytical Center,
an S&P affiliate

Copyright 2023 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/ratings/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.