

# ESG In Credit Ratings September 2023

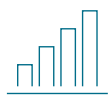
## Negative Actions Take Center Stage Again

S&P Global  
Ratings

*This report does not constitute a rating action.*

### By The Numbers: August 2023 ESG-Related Credit Rating Actions

#### Total ESG-driven credit rating actions, August 2023 versus July 2023



16 ▲

All credit  
rating actions



4 ▲

Positive  
rating actions



12 ▲

Negative  
rating actions

▲ Increase  
▼ Decrease

#### August 2023 positive rating action breakdown

Key factor

2



Health and  
safety

Key sector

3



Corporates and  
infrastructure

Key region

3



North  
America

#### August 2023 negative rating action breakdown

Key factor

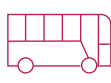
4



Transparency  
and reporting

Key sector

6



U.S. public  
finance

Key region

12



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 changes in ratings, CreditWatch placements, and outlooks, as well as withdrawals, in August 2023. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

### Key Takeaways

- Total ESG-related rating actions increased to 16 in August from 14 in July, with negative actions continuing to lead positive ones by three to one, down from four to one in July.
- Governance factors were the key driver in August, with nine rating actions, followed by social factors with five and environmental factors with two.
- All four of August's negative transparency and reporting-related rating actions came from the U.S. public finance sector.

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# ESG Research Highlights

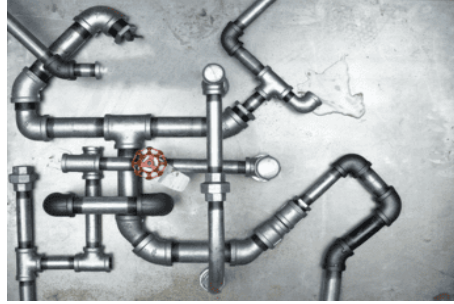
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## Building Energy Regulations And The Potential Impact On European RMBS

Sept. 6, 2023

We conducted a scenario analysis of properties in the U.K. (focusing on England and Wales), Ireland, France, and the Netherlands, where energy performance certificates (EPCs) indicate low energy efficiency (for example, classes F and G). We found that climate transition risks linked to changes in energy-efficiency performance regulations currently have a limited impact on European residential mortgage-backed securities (RMBS). This is due to uncertainties on the timing and extent of sale or rental restrictions, financing available for renovations, supply and demand in housing markets, and structural protections in RMBS transactions.



## Lost Water: Challenges And Opportunities

Sept. 6, 2023

In this research, we look at water infrastructure challenges through the lens of non-revenue water (NRW), meaning water that a utility sources and treats but for which it receives no financial compensation. We explore how water infrastructure is currently financed; whether there is a significant case for increasing investment in water infrastructure to reduce NRW for stakeholders and rated entities financing water infrastructure; and why underinvestment persists.



## Global Sustainable Bonds 2023 Issuance To Exceed \$900 Billion

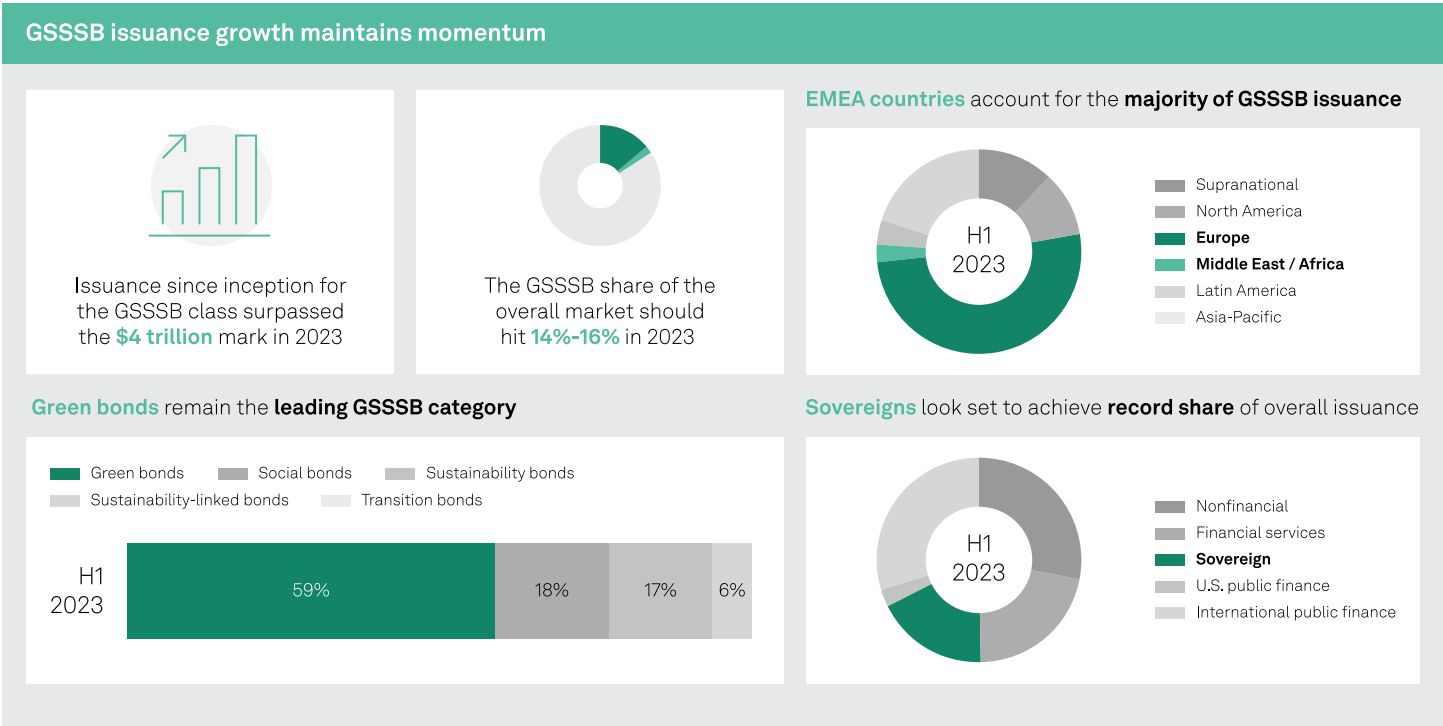
Sept. 5, 2023

Despite stagnating global bond issuance, we anticipate that green, social, sustainable, and sustainability-linked bond (GSSSB) issuance should be in line with our forecast of \$900 billion to \$1 trillion, or 14% to 16% of total issuance, in 2023. We anticipate issuance of sustainability-linked bonds will decline in 2023 as questions regarding the credibility of targets persist, while green bonds will continue to dominate the GSSSB market, building on a record level of issuance in the first half of the year. Europe will remain the leading region for GSSSBs, while North American issuance may be hampered by lower supply and demand for the remainder of the year. Emerging markets could see increased issuance in the coming year.

# Chart Of The Month

## Global Sustainable Bonds 2023 Issuance To Exceed \$900 Billion

In our article, "[Global Sustainable Bonds 2023 Issuance To Exceed \\$900 Billion](#)," published Sept. 5, we provide our outlook for the GSSSB market for the second half of the year. Additionally, we explore key drivers of issuance growth in the first half of the calendar year, broken down by sector and region. All 2023 figures are for Jan. 1 to June 30.

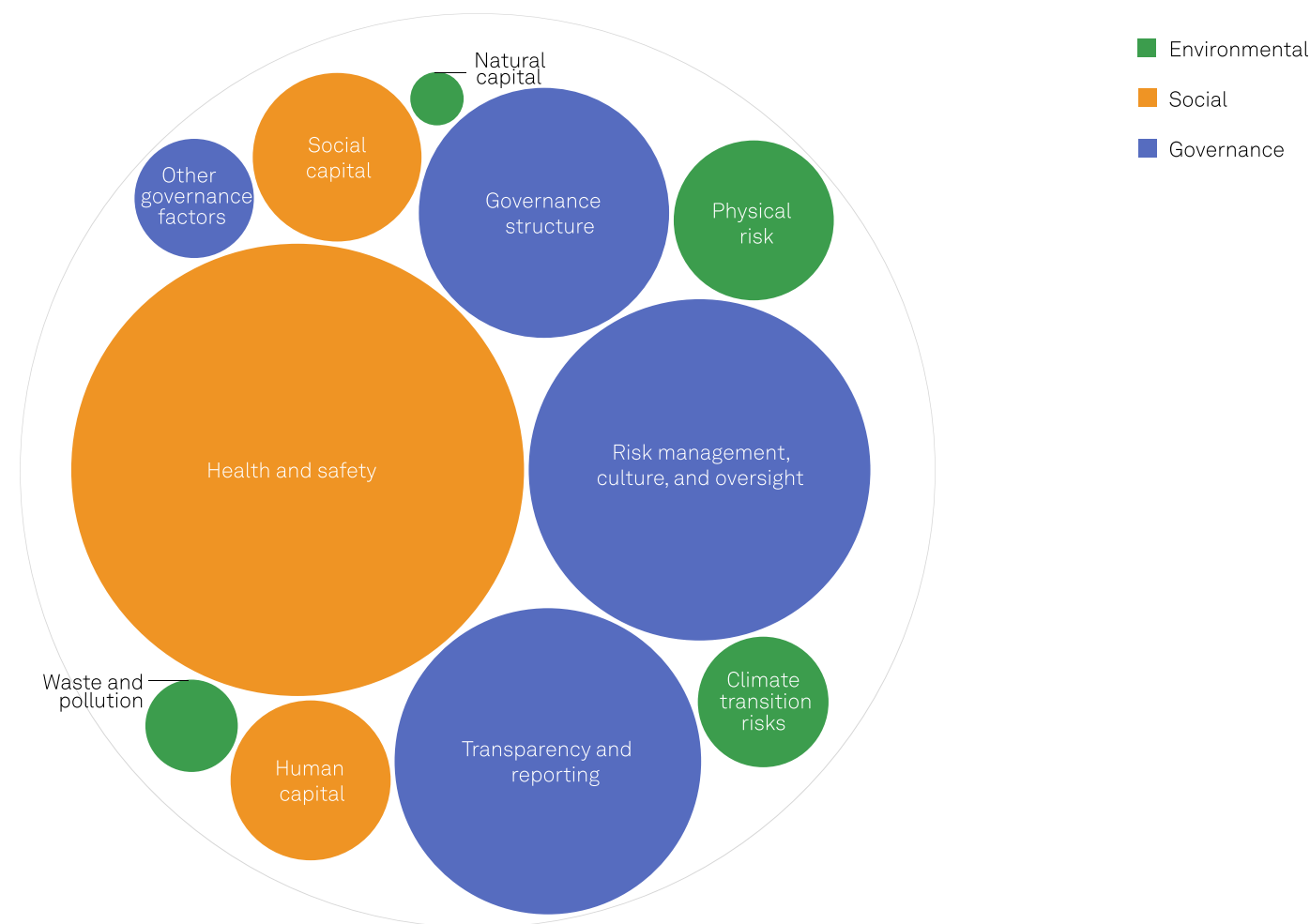


# 2023 ESG Credit Rating Actions

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

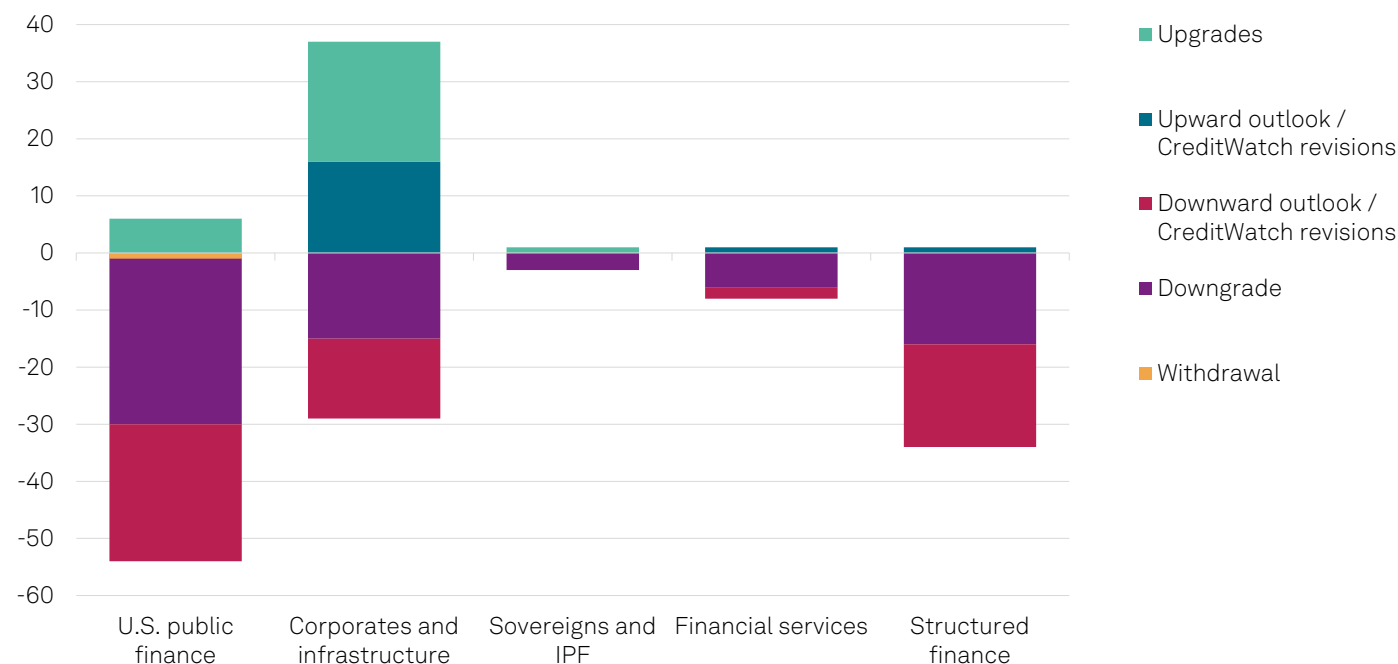
Year-to-date



Data as of Aug. 31, 2023. Bubble size is determined by the occurrence of factors between January and August 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

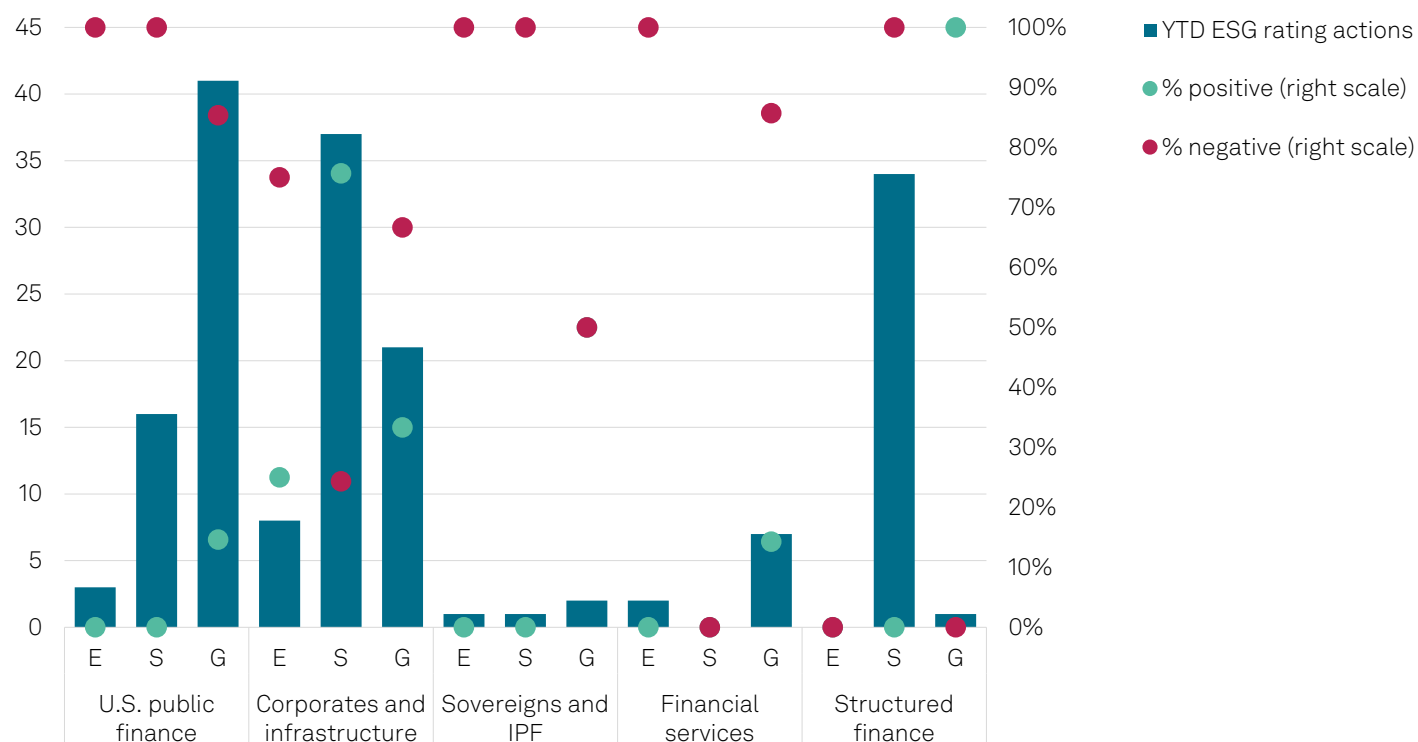
Number of actions, year-to-date



Data as of Aug. 31, 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, downward outlook/CreditWatch revisions, and withdrawals 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

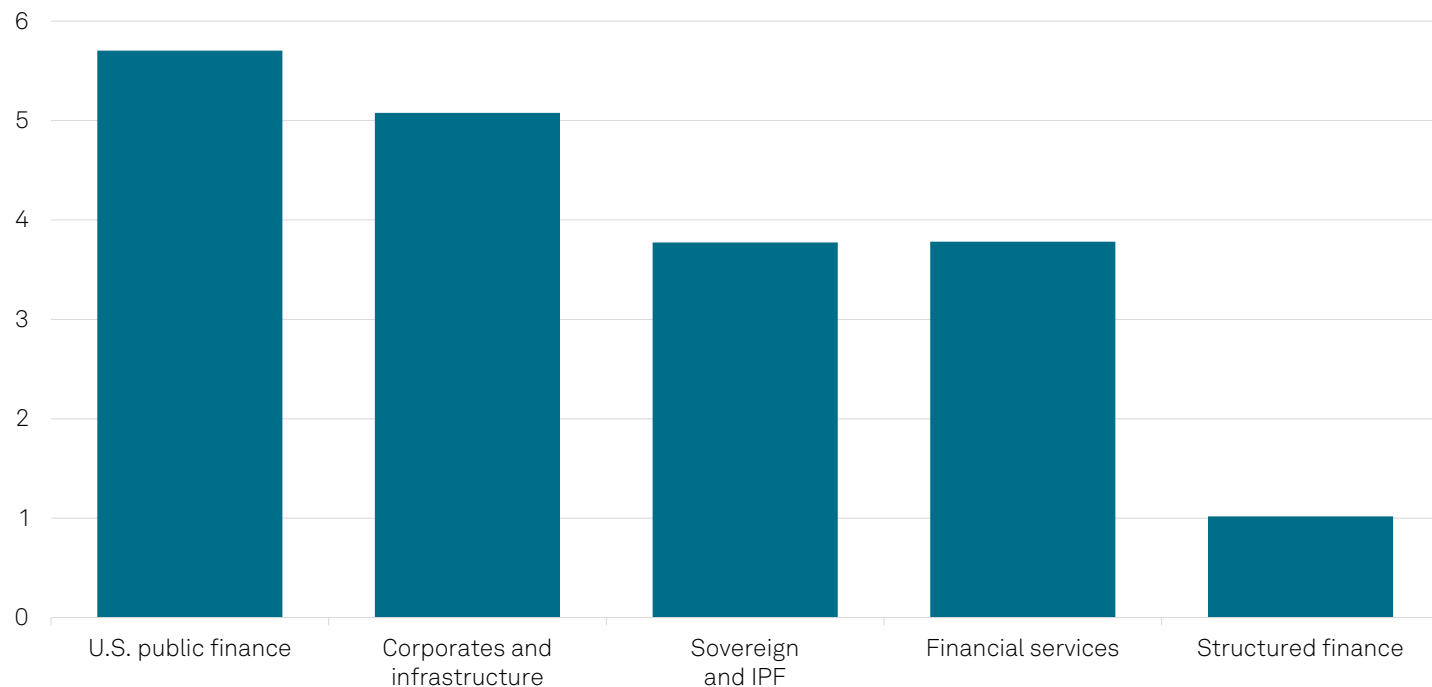
Number of actions, year-to-date



Data as of Aug. 31, 2023. Rating actions include rating, CreditWatch, outlook changes, and withdrawals. 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 (%)

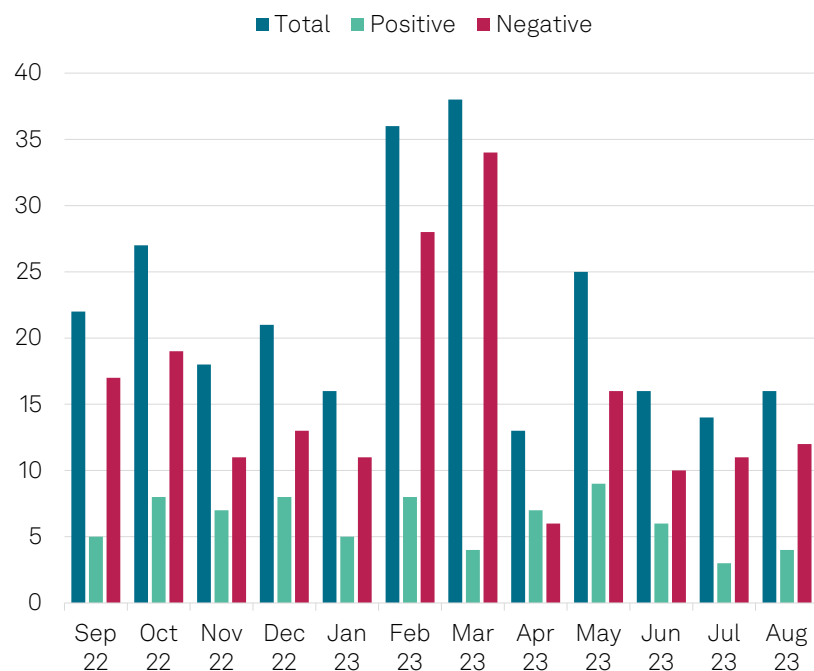
Year-to-date



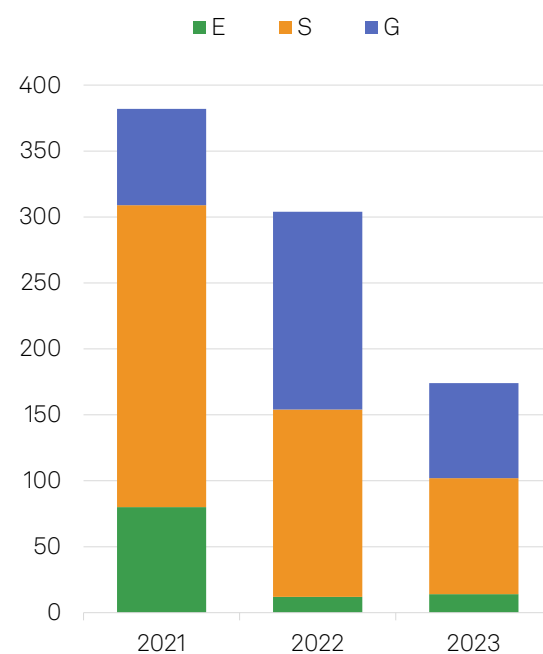
Data as of Aug 31, 2023. Total rating actions exclude affirmations, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance.  
Source: S&P Global Ratings.

## ESG-related credit rating actions

Number of actions, trailing 12 months



Number of actions, year-to-date



Data as of Aug. 31, 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, downgrades with outlook revisions, and withdrawals. ESG--Environmental, social, and governance.  
Source: S&P Global Ratings.

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# Appendix

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## 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	29	15	0	3	6	16	69
CreditWatch negative	17	1	0	0	1	18	37
Downward outlook revision	7	13	0	0	1	0	21
Upgrade	6	21	0	1	0	0	28
Upward outlook revision	0	16	0	0	1	0	17
CreditWatch positive	0	0	0	0	0	1	1
Withdrawn	1	0	0	0	0	0	1
<b>Total ESG-related rating actions*</b>	<b>60</b>	<b>66</b>	<b>0</b>	<b>4</b>	<b>9</b>	<b>35</b>	<b>174</b>
Environmental§	4	12	0	1	2	0	19
Social§	19	38	0	1	0	34	92
Governance§	59	27	0	2	10	2	100

Data as of Aug. 31, 2023. \*Rating actions include rating, CreditWatch, outlook changes, and withdrawals in January-August 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.

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