

ESG In Credit Ratings November 2023

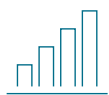
Positive Rating Actions Fall To A Year-To-Date Low

S&P Global
Ratings

This report does not constitute a rating action.

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

Total ESG-driven credit rating actions, October 2023 versus September 2023



16▲

All credit
rating actions



2▼

Positive
rating actions



14▲

Negative
rating actions

▲ Increase
▼ Decrease

October 2023 positive rating action breakdown

Key factors



1

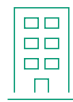
Health and safety



1

Governance structure

Key sector



2

Corporates and
infrastructure

Key regions



1

North America



1

Europe

October 2023 negative rating action breakdown

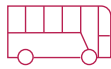
Key factor



7

Risk management,
culture, and oversight

Key sector



7

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 October 2023. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Key Takeaways

- Total ESG-related rating actions increased to 16 in October from a year-to-date low of 10 in September, with negative actions continuing to lead positive ones by seven to one.
- Governance factors continued to be the primary driver, with 10 rating actions, followed by social factors with six.
- All seven of October's U.S. public finance rating actions were negative, with six due to governance factors. Of these, five were driven by risk management, culture, and oversight factors.

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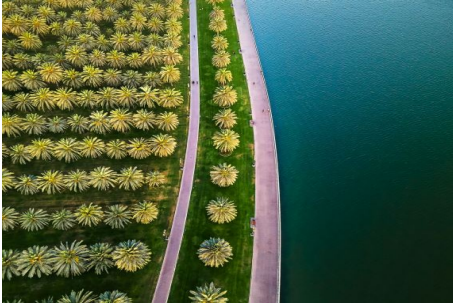
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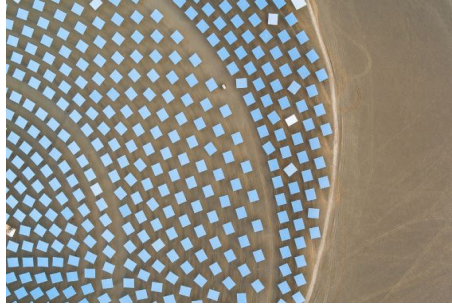
ESG Research Highlights



Middle East Sustainable Bonds May Expand Further

Nov. 14, 2023

Given the Middle East's concentration of oil and gas in the economy, and challenges with issuing sustainable sukuk, we examine the potential role of sustainable bond instruments, including Islamic finance instruments, in funding the region's energy transition. We highlight trends in the green, social, sustainable, and sustainable-linked bonds (GSSSB) market--including sustainable sukuk--in the Middle East, as well as the potential challenges. We look at the markets in the region (see the appendix for a list of countries considered) and explore key drivers of future issuance growth by sector and issuer type.



Sustainability Insights Research: Islamic Finance's Role In The Climate Transition

Nov. 14, 2023

Islamic finance and sustainable finance share common features and both markets are expanding, with sustainable sukuk comprising a nonnegligible proportion of annual sukuk issuance. Islamic finance is typically concentrated in economies reliant on hydrocarbons that have greater exposure to energy transition risks, which potentially creates higher demand for sustainable sukuk to execute the transition of these countries, in our view. We see progress in Southeast Asia and the Gulf Cooperation Council in creating local definitions of what constitutes sustainable Islamic finance.



Sustainability Insights: UN PRI Conference 2023: Five Takeaways That Matter

Oct. 23, 2023

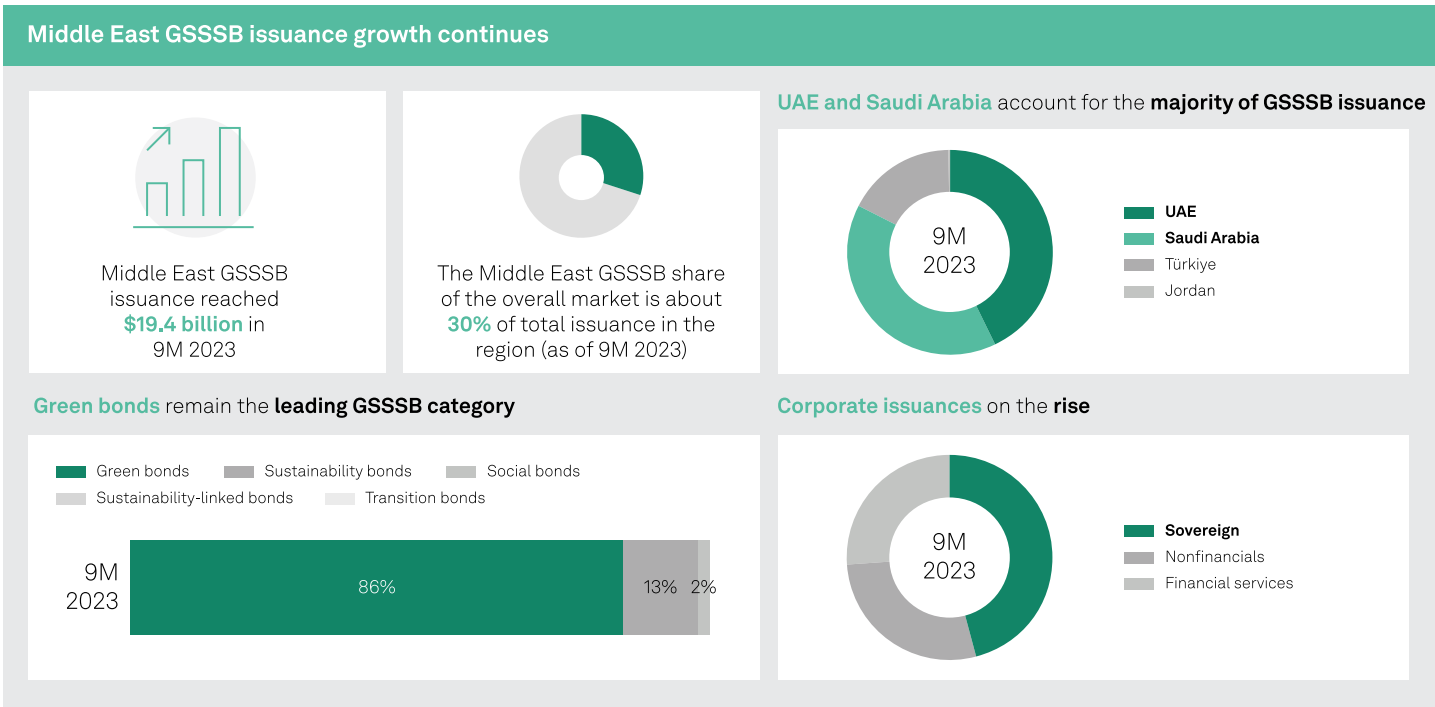
The theme of the 2023 PRI in Person conference in Tokyo was "moving from commitments to action." Accordingly, much of the discussion focused on how investors and other market participants can accelerate the adoption of more sustainable practices. The takeaways in this article reflect S&P Global Ratings' view of the themes most relevant to the world of sustainable finance.

Chart Of The Month

Middle East Sustainable Bonds May Expand Further

Given the Middle East's concentration of oil and gas in the economy, and challenges with issuing sustainable sukuk, (see "[Islamic Finance's Role In The Climate Transition](#)," published Nov. 14, 2023), we examine the potential role of sustainable bond instruments, including Islamic finance instruments, in funding the region's energy transition. We highlight trends in the green, social, sustainable, and sustainable-linked bonds (GSSSB) market--including sustainable sukuk--in the Middle East, as well as the potential challenges. We look at the markets in the region (see the appendix for a list of countries considered) and explore key drivers of future issuance growth by sector and issuer type.

The research draws on Environmental Finance's Bond Database of global GSSSB issuance for nonfinancial corporates, sovereigns, financial institutions, and international public finance issuers, but excludes structured finance issuers. We also gather non-GSSSB data from public sources such as Bloomberg and C-Bonds.



9M--First nine months. GSSSB--Green, social, sustainability, and sustainability-linked bonds. Sources: Environmental Finance Database; Social bonds include Akbank's \$300 million issuance.

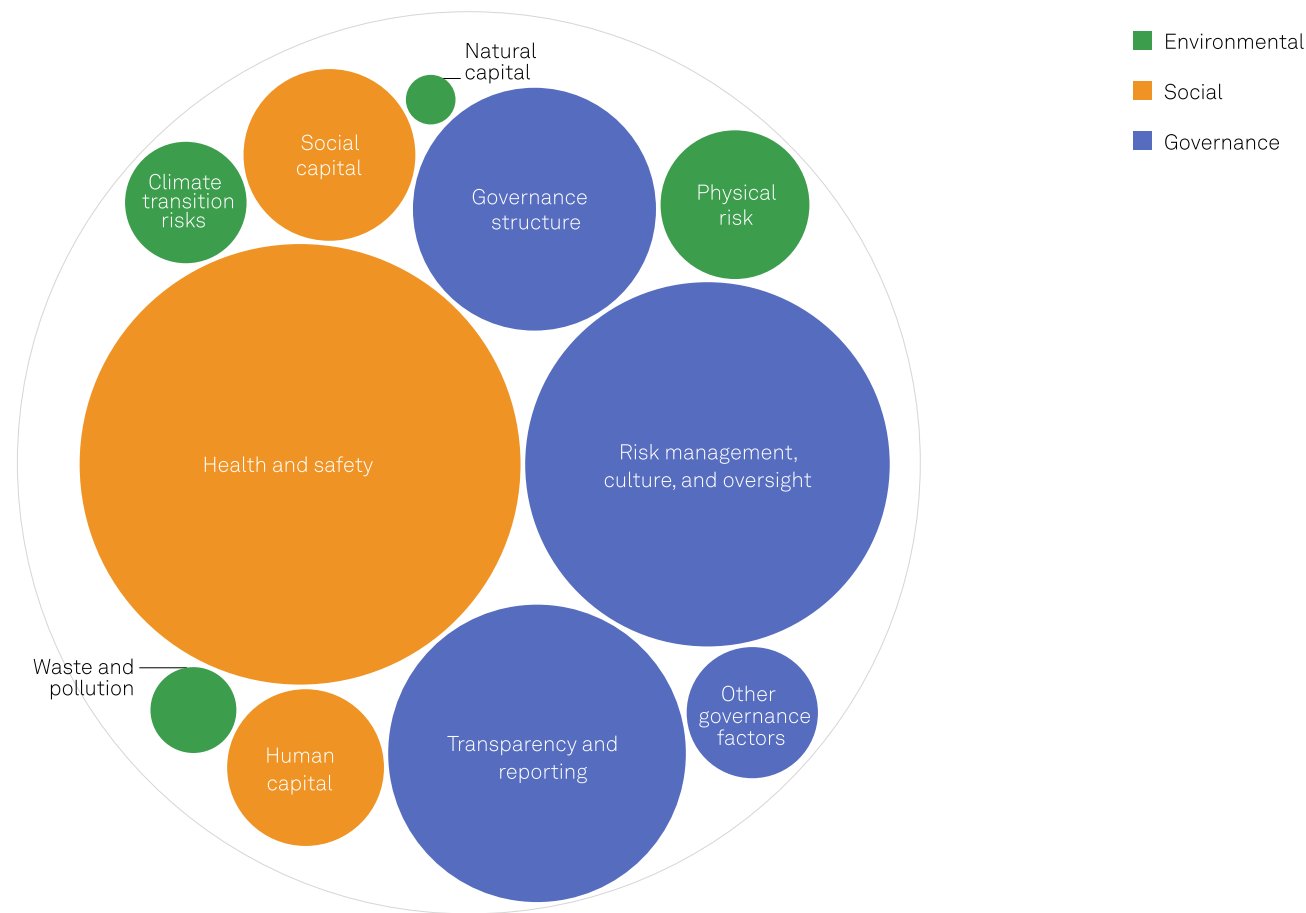
For more, see "[Sustainability Insights Research: Middle East Sustainable Bonds May Expand Further](#)," published Nov. 14, 2023.

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

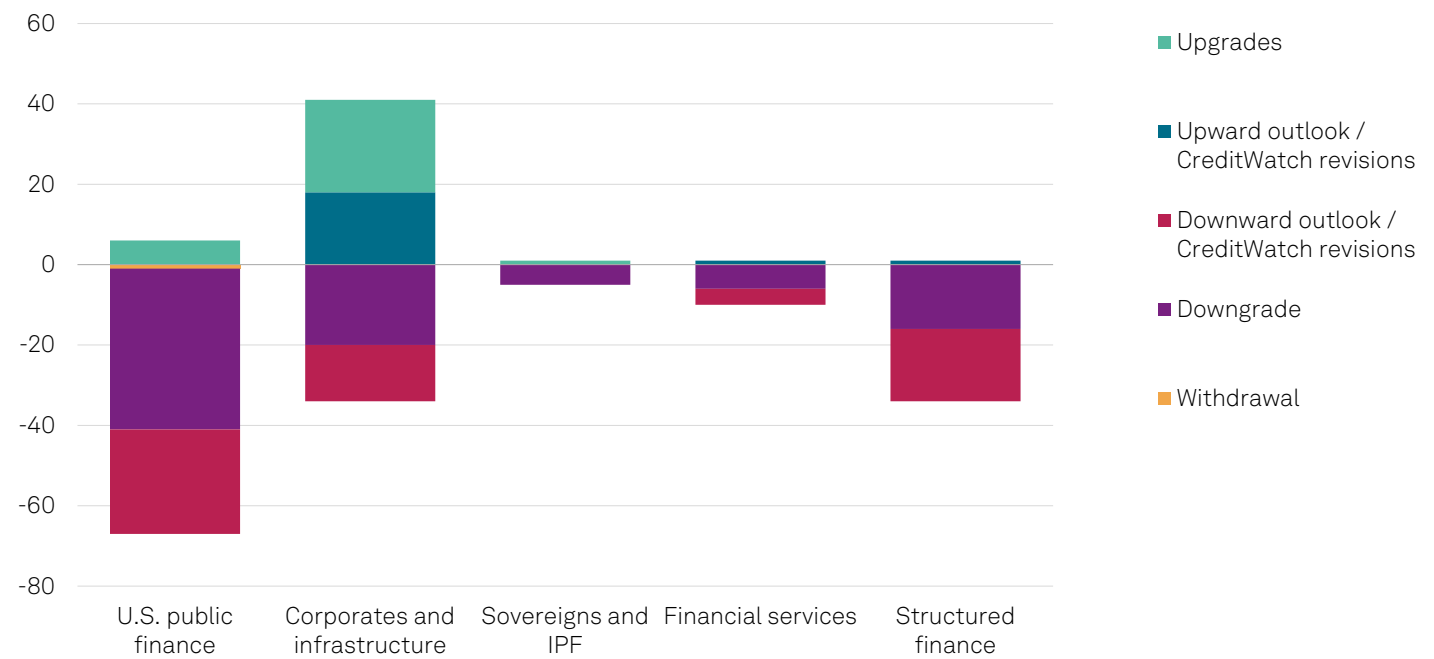
Year-to-date



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

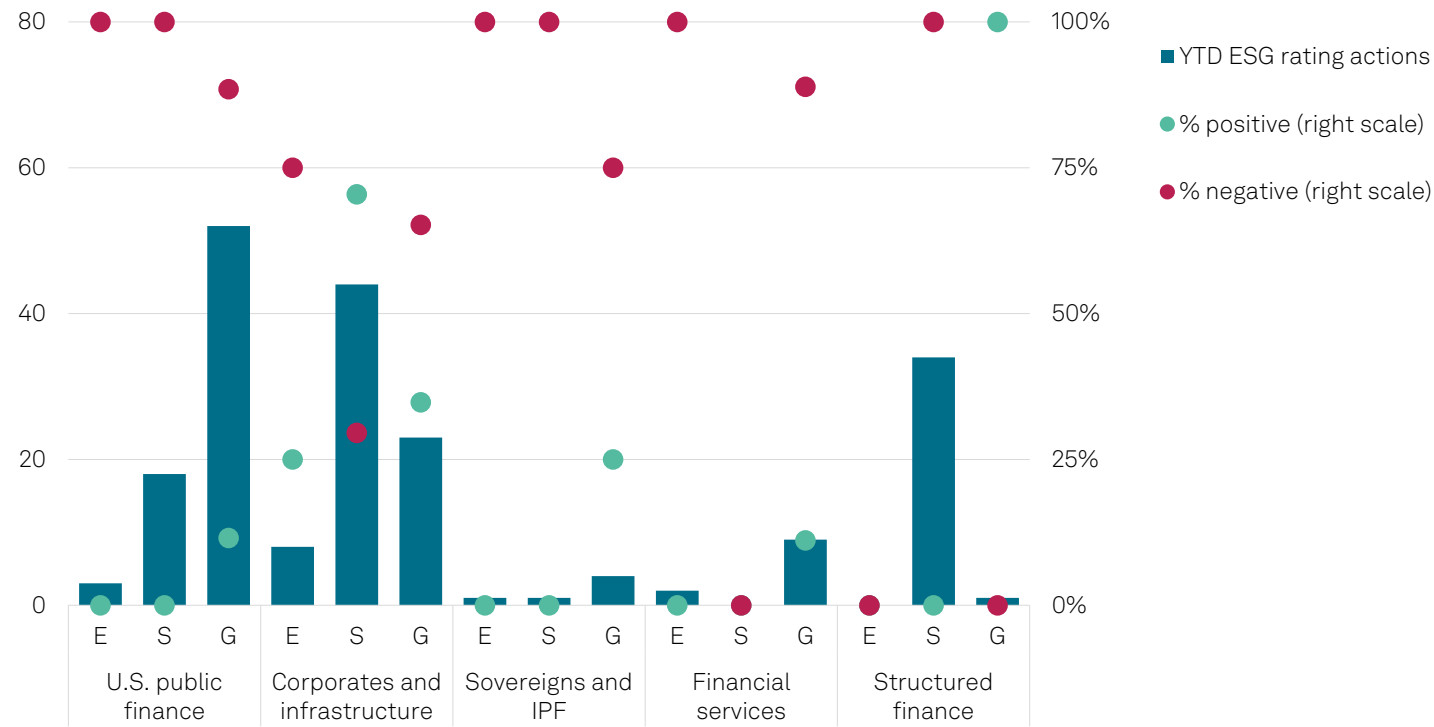
Number of actions, year-to-date



Data as of Oct. 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

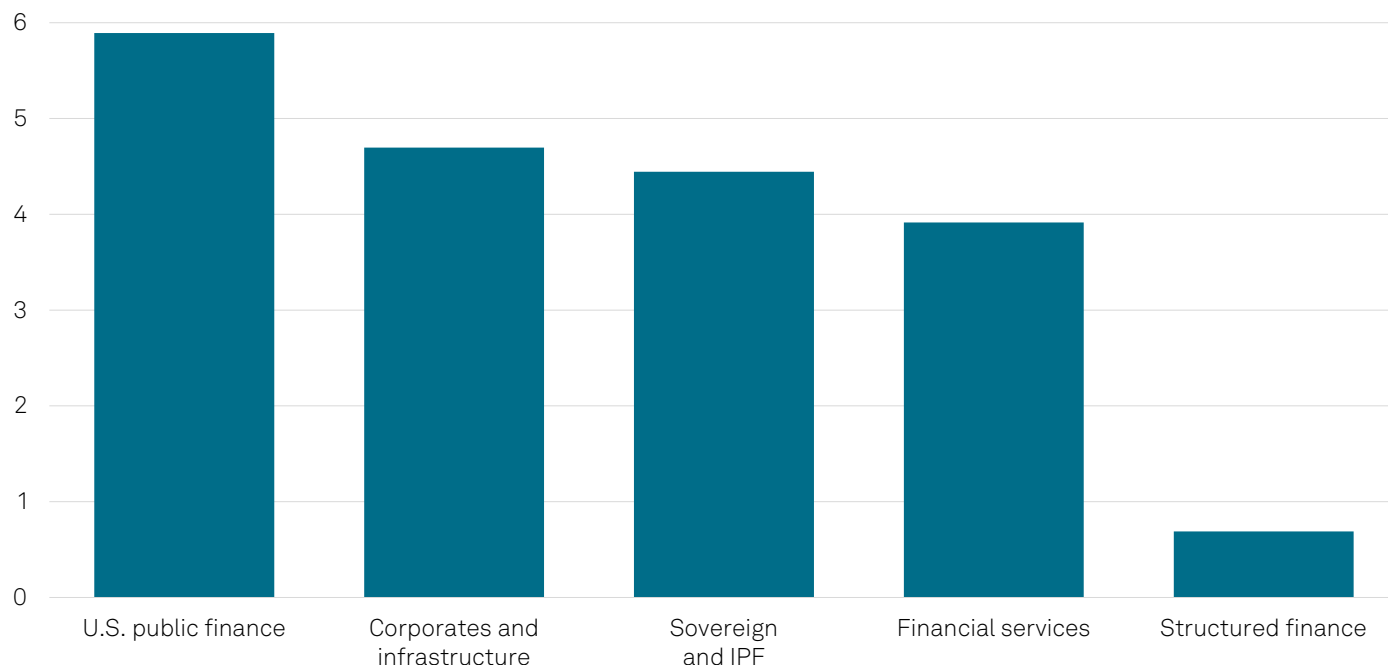
Number of actions, year-to-date



Data as of Oct. 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 (%)

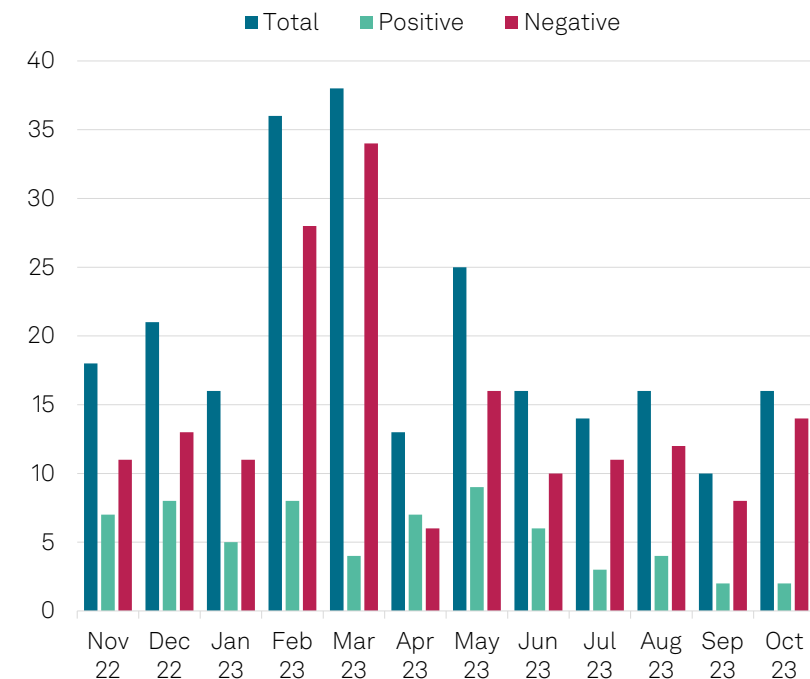
Year-to-date



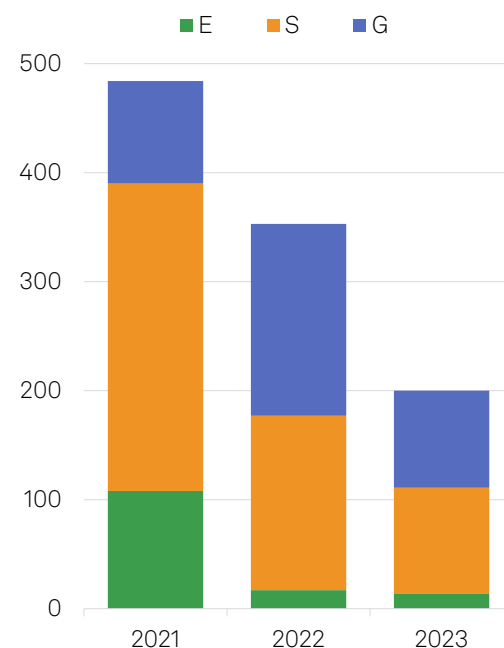
Data as of Oct. 31, 2023. Total rating actions exclude affirmations, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance. Source: S&P Global Ratings.

ESG-related credit rating actions

Number of actions, trailing 12 months



Number of actions, year-to-date



Data as of Oct. 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.

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 | 40 | 20 | 0 | 5 | 6 | 16 | 87 |
| CreditWatch negative | 18 | 1 | 0 | 0 | 1 | 18 | 38 |
| Downward outlook revision | 8 | 13 | 0 | 0 | 3 | 0 | 24 |
| Upgrade | 6 | 23 | 0 | 1 | 0 | 0 | 30 |
| Upward outlook revision | 0 | 18 | 0 | 0 | 1 | 0 | 19 |
| CreditWatch positive | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Withdrawn | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total ESG-related rating actions* | 73 | 75 | 0 | 6 | 11 | 35 | 200 |
| Environmental§ | 4 | 12 | 0 | 1 | 2 | 0 | 19 |
| Social§ | 21 | 46 | 0 | 1 | 0 | 34 | 102 |
| Governance§ | 72 | 29 | 0 | 4 | 13 | 2 | 120 |

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