

ESG In Credit Ratings

August 2023

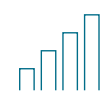
Rating Actions Turn More Negative

S&P Global
Ratings

This report does not constitute a rating action

By the numbers: July 2023 ESG-related credit rating actions

Total ESG-driven credit rating actions, July 2023 versus June 2023



14 ▼

All credit
rating actions



3 ▼

Positive
rating actions



11 ▲

Negative
rating actions

▲ Increase
▼ Decrease

July 2023 positive rating action breakdown

Key factor

3



Health and
safety

Key sector

3



Corporates and
infrastructure

Key region

2

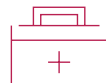


North
America

July 2023 negative rating action breakdown

Key factor

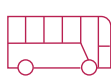
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Health and
safety

Key sector

5



U.S. public
finance

Key region

10



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, outlook changes, and withdrawals in July 2023. ESG--Environmental, social, and governance.

Source: S&P Global Ratings.

Key Takeaways

- Among ESG-related rating actions, negative rating actions exceeded positive actions by nearly 4 to 1 in July. Total ESG-related rating actions dropped to 14 from 16 in June. Social factors led in July, with nine rating actions, followed by governance factors with four and environmental factors with one.
- The majority of July's ESG-related rating actions came from the corporates and infrastructure and U.S. public finance sectors. All five of U.S. public finance's ESG-related rating actions were negative in July.
- Most of the negative rating actions so far in 2023 are from U.S. public finance and structured finance. Corporates and infrastructure lead positive actions, with over 80% of the positive actions.

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ESG Research Highlights



California's Evolving Insurance Market Has Mixed Impacts: Spotlight On U.S. Public Finance, Spotlight Off U.S. RMBS

Aug. 2, 2023

The recent move by a few major insurers to discontinue writing new homeowners' business in California is not unique compared with the wider U.S. insurance market. Higher insurance premiums in California could exacerbate homeowner affordability pressures, potentially leading to weaker credit quality in the long term for USPF entities. Rising insurance premiums are unlikely to affect our credit ratings on RMBS because various aspects in the securitization serve as adequate risk mitigants.



How Changing Workforce Dynamics May Affect U.S. Companies

Aug. 1, 2023

Changing relationships between workers and employers in the U.S. and a sharp increase in voluntary employee turnover have resulted in a tight labor market. In some sectors it has been particularly difficult to attract and retain workers with specialized skills. Demographic shifts in the workplace accelerated during the first years of the pandemic, with younger people now making up a far more substantial portion of the U.S. workforce. Reimagining the workforce culture and employee experience remains a challenge for management teams in some sectors. Sectoral characteristics influence how and the extent to which workforce issues could affect company performance.



Health Care Vendors: Delivering On Decarbonization Can Fuel Future Success

July 19, 2023

Most health care providers face mounting calls to cut carbon emissions, rein in budgets, and reduce waste, and we believe pressure to reduce emissions will spread across the value chain as governments take public policy decisions and industry leaders set emissions reduction targets. We believe health care costs are intertwined with carbon emissions, due to the health care system's high inefficiency, implying that reducing inefficiency will reduce the system's carbon footprint. In our view, rated health care vendors with the technological ability to help the system reduce emissions and cut costs will therefore gain a competitive advantage.

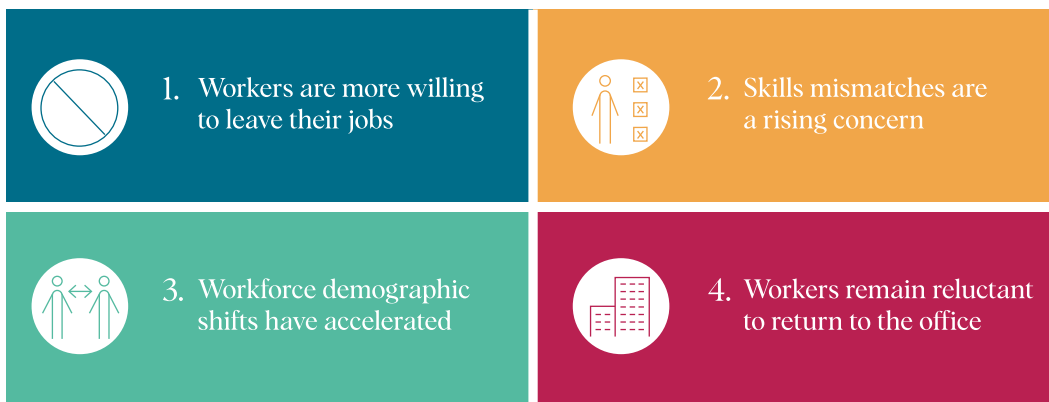
Chart Of The Month

How Changing Workforce Dynamics May Affect U.S. Companies

S&P Global Ratings earlier this month published a [research article](#) that examines four key corporate workforce dynamics that emerged or intensified since the onset of the COVID-19 pandemic in the U.S.: voluntary employee exits, skills mismatches, demographic shifts, and working from home. The authors explore these trends and--depending on their importance (or materiality) to a sector--how they could affect operations, influence decision-making, and potentially affect companies' future financial performance. We do so in part based on the experience of our sustainable finance team meeting with management teams in connection with over 200 ESG Evaluations, as well as our ongoing credit analysis.

Case studies in the health care services, oil and gas, and midstream energy sectors illustrate our findings. While some of these findings are likely to be unique to certain sectors, others might be more universally applicable.

Key workforce dynamics



Source: S&P Global Ratings.

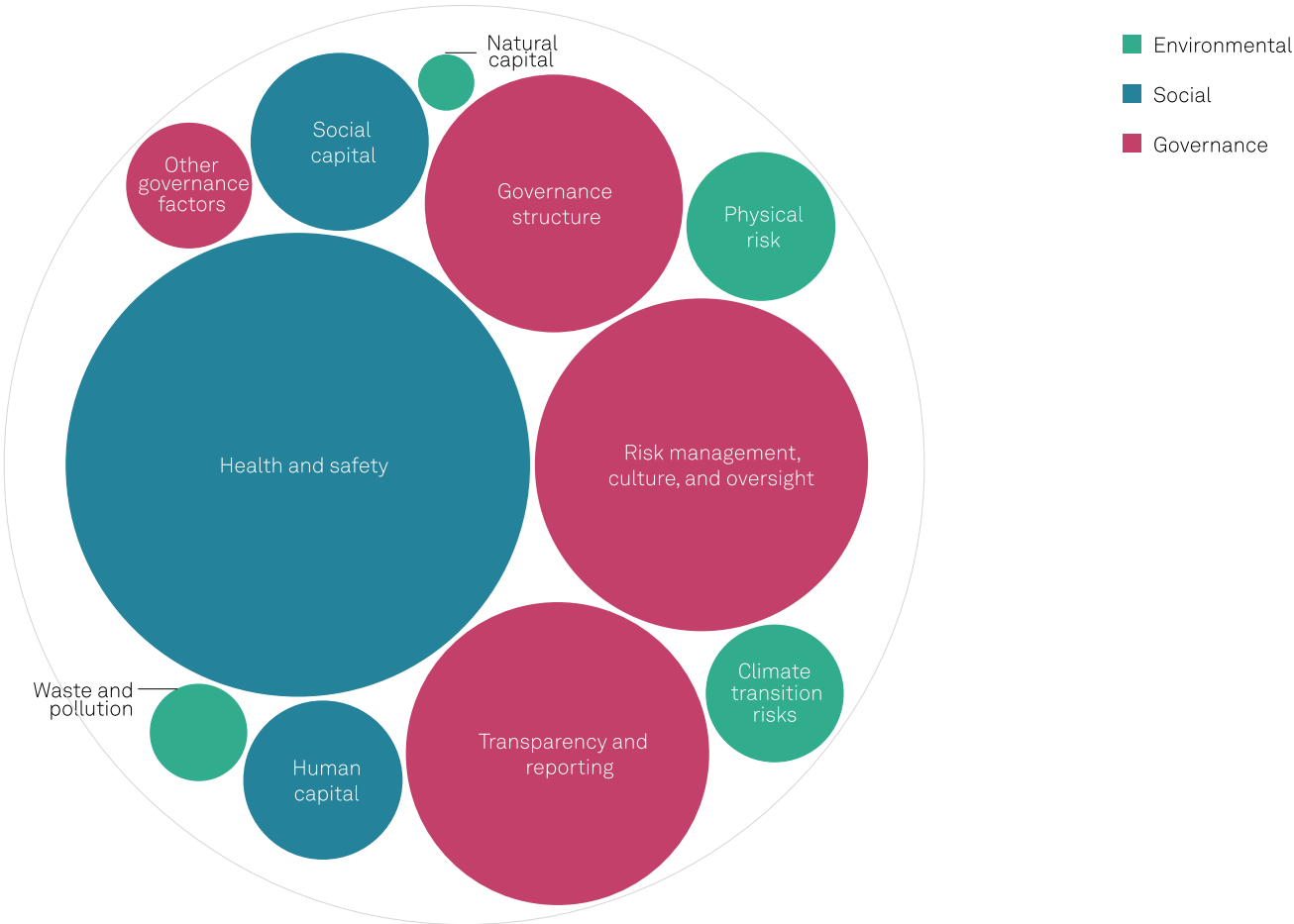
For more information, see "[How Changing Workforce Dynamics May Affect U.S. Companies](#)," published Aug. 1, 2023.

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

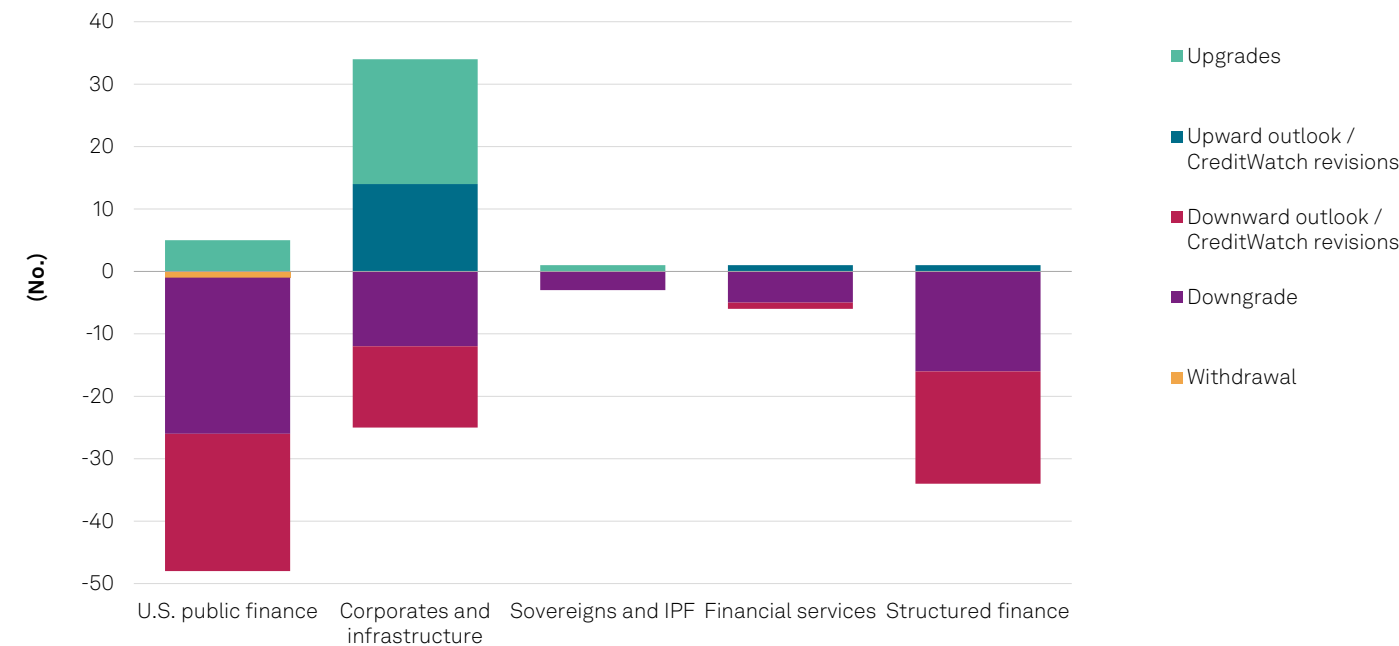
Year-to-date



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

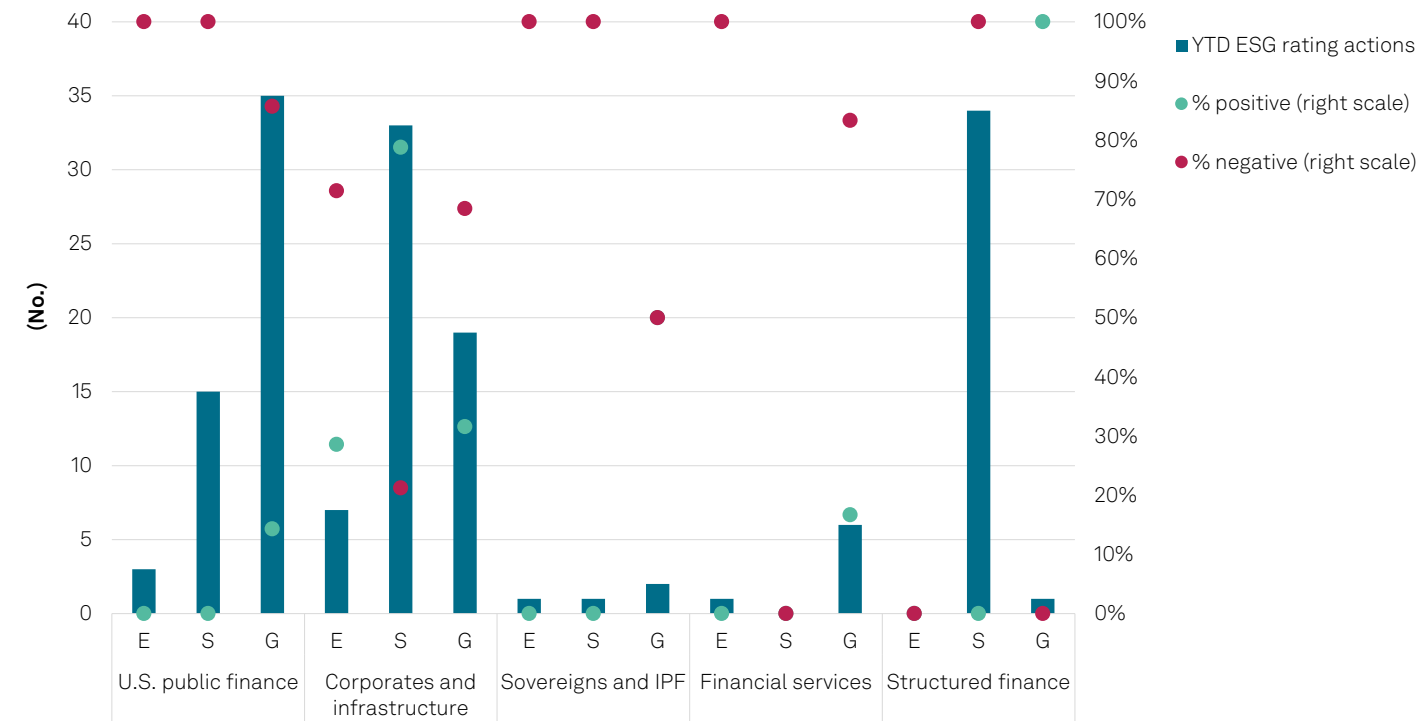
Year-to-date



Data as of July 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

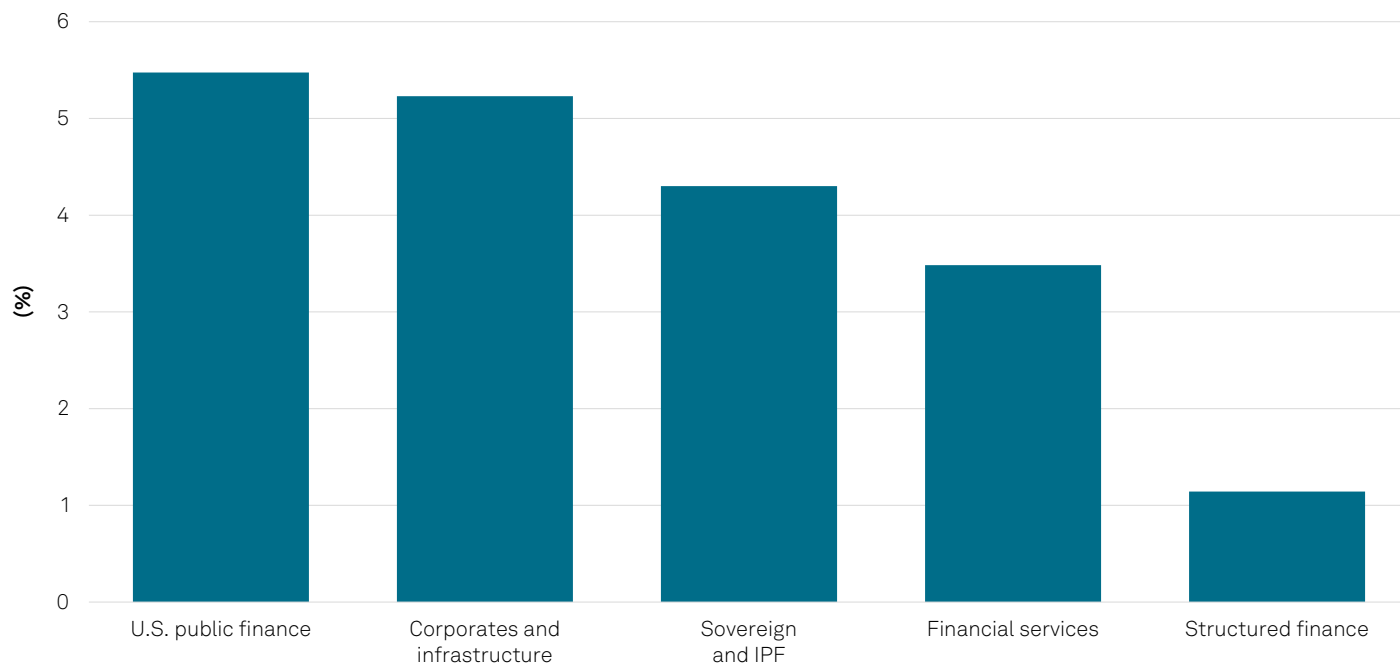
Number of actions and proportion positive/negative, year-to-date



Data as of July 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



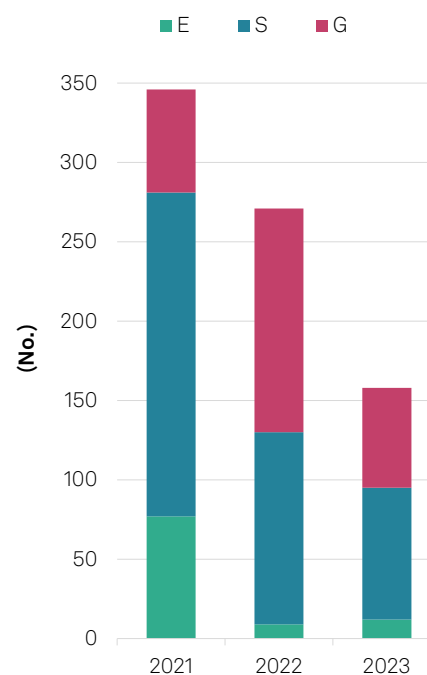
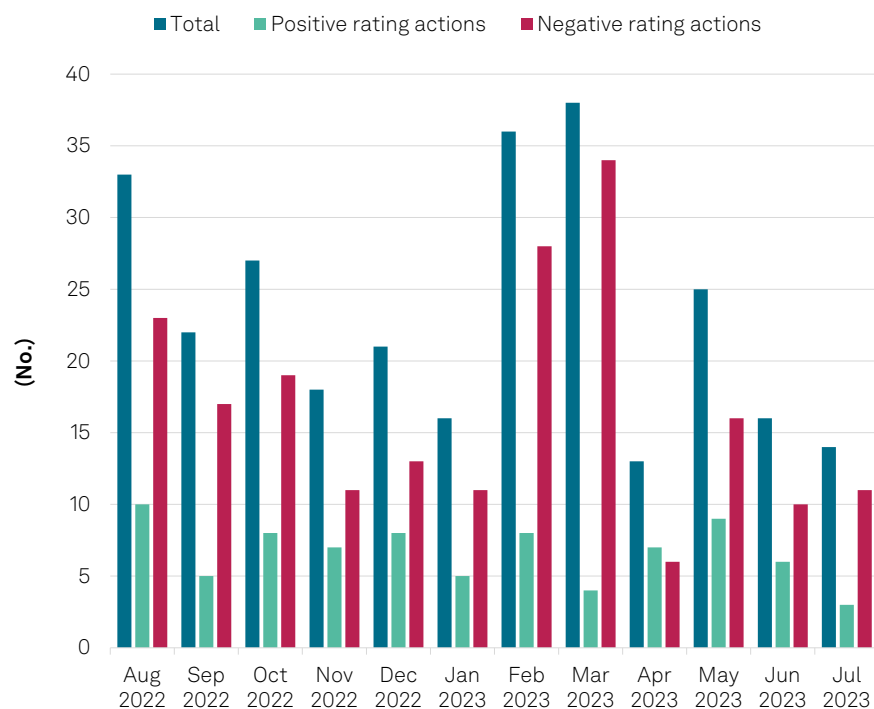
Data as of July 31, 2023. Total rating actions exclude affirmations, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance.

Source: S&P Global Ratings.

ESG-related credit rating actions

Trailing 12 months

Year-to-date



Data as of July 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	25	12	0	3	5	16	61
CreditWatch negative	15	1	0	0	0	18	34
Downward outlook revision	7	12	0	0	1	0	20
Upgrade	5	20	0	1	0	0	26
Upward outlook revision	0	14	0	0	1	0	15
CreditWatch positive	0	0	0	0	0	1	1
Withdrawn	1	0	0	0	0	0	1
Total ESG-related rating actions*	53	59	0	4	7	35	158
Environmental§	4	11	0	1	1	0	17
Social§	18	34	0	1	0	34	87
Governance§	51	25	0	2	9	2	89

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