

Sustainability in Practice

Michael Wilkins
Managing Director
Sustainable Finance

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S&P Global
Ratings

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What is a Credit Rating?

What it *Is*....

- A forward-looking opinion about the ability and willingness of an issuer, such as a corporation or government, to meet its financial obligations in full and on time
- Strives to be globally comparable across sectors
- Incorporates views on relative likelihood of default that are applied to entities (issuers) and securities (issues)
- One of many inputs available to investors as part of their decision-making process

What it *Is Not*....

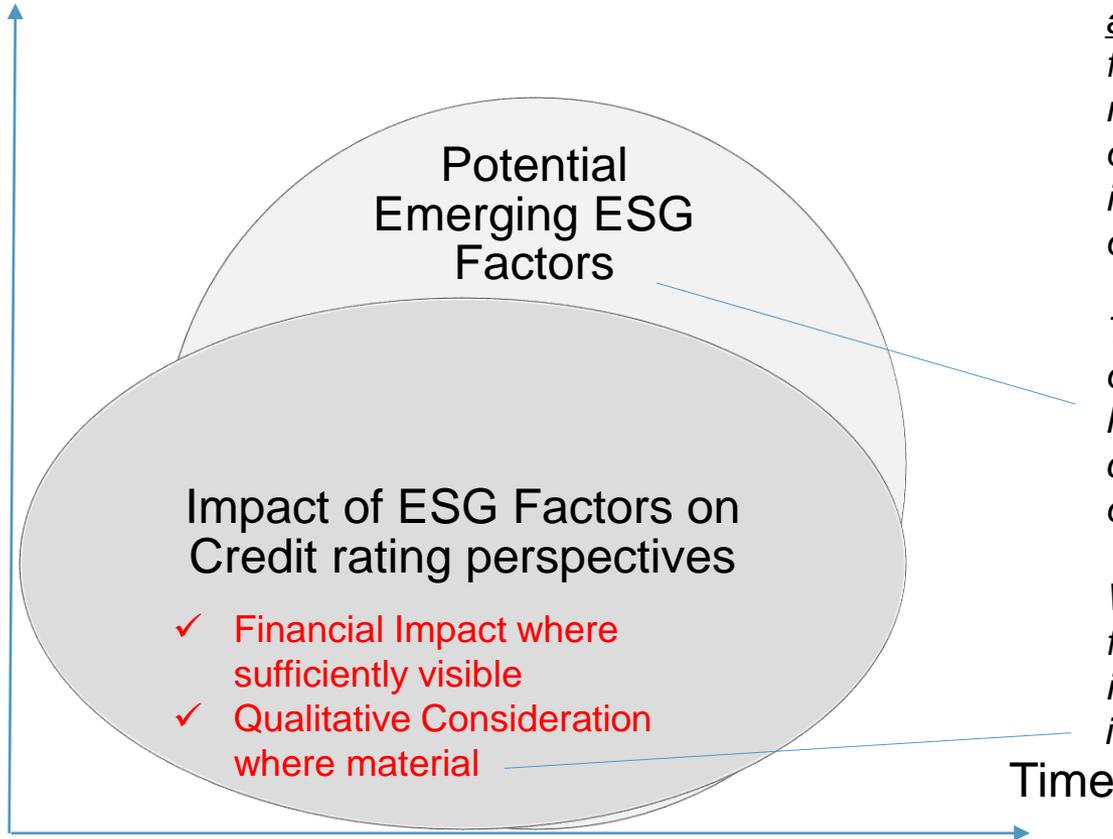
- A guarantee of credit quality or default probability
- Investment advice or recommendation (buy, sell or hold)
- A measure of liquidity or price
- A way of defining “good” or “bad” companies
- An audit of the company

The key objective of our ratings is to provide metrics for evaluating the relative creditworthiness of issuers and obligations

Our ratings provide comparability and transparency

Credit Ratings & ESG – a broad perspective

Risk Visibility



“The impact of ESG risks and opportunities would, if sufficiently visible and material, be factored into our financial forecasts. In some cases, our view of the materiality and visibility of ESG risks and opportunities, and how effectively an entity is mitigating those risks, extends beyond our forecast time frame.

These factors may still be captured within our qualitative rating considerations if we have a high degree of visibility and certainty about their risks and opportunities.

*We monitor the impact of these ESG factors and our view will evolve as new information becomes available or as the issuer’s fundamentals change”**

* See How Does S&P Global Ratings Incorporate Environmental, Social, And Governance Risks Into Its Ratings Analysis, published on Nov. 21, 2017

Transparency in Corporate Credit Reports

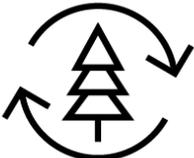
S&P Launches ESG Sections

- We've been analyzing E, S, and G factors in credit for a long time and can demonstrate the impact these have had on our credit ratings.
- We are also making it easier for those who use our credit ratings to see how ESG figures in the credit equation. All about better communication.
- We are planning to add an ESG section to about 2,000 corporate credit reports.
- We will be highlighting ESG exposure that might affect cash flow, profitability or debt levels, or business risk and how severe that exposure is and the likelihood of a problem occurring from it:
 - If an ESG issue doesn't affect credit quality and doesn't look likely to the we won't give our view on it
 - If a company has no notable material credit exposure to ESG it will be noted in the new section

ESG & Credit - Look Back Series

How Many Corporate Credit Ratings Were Driven By ESG Factors?

June 2015 - June 2017



Environmental



Social



Governance

ESG

ESG reference

717

346

262

1325

Rating driver

106

42

77

225

Case Studies

Research Update:

Swedish Power Company Vattenfall Outlook Revised To Stable On Reduced Power Price Volatility; Affirmed At 'BBB+/A-2'

Research Update:

Aberdeen Roads (Finance) Senior Debt Outlook Revised To Negative; 'A-' Rating Affirmed

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