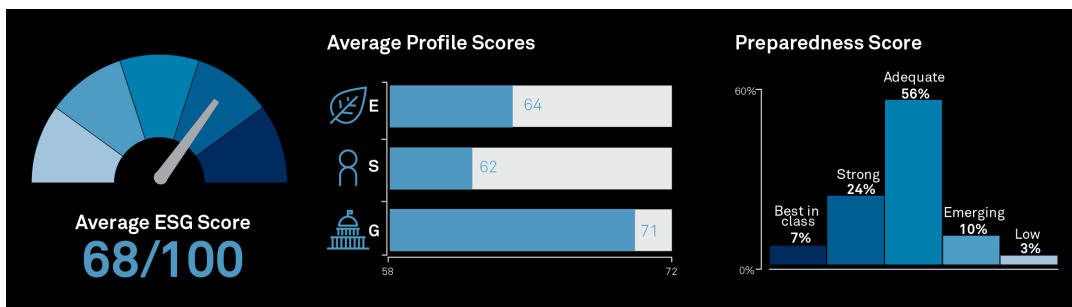


## ESG Evaluation Newsletter

Feb. 3, 2021



### Key Takeaways

- As of Jan. 31, 2021, we had over 60 ESG evaluations across all four regions and 19 sectors.
- The highest ESG evaluation score is 89 on Unilever, while the lowest score is 35 on a metals and mining company.
- We have also released a series of Key Sustainability Factors (KSF) articles that explain what factors are most important and which key performance indicators we use in select sectors. We most recently released a KSF on the financial services sector.
- In January, we released public evaluations on SUEK, Link REIT, and ING Groep NV.

### As a new year begins, many of the challenges of the previous year persist.

With the COVID-19 pandemic still raging throughout much of the world, companies remain focused on mitigating safety and workforce issues that have been front and center during the depths of the pandemic. Some sectors are still planning for the future by considering how the events of the last year will affect their employee base and their cultures after the pandemic ends. But the pandemic has also amplified existing social tensions across the globe, and management teams are engaging with more stakeholders to understand how this affects their businesses. Despite all of this, most companies we've spoken to remain resolute in their efforts to reduce their environmental footprints as the world simultaneously grapples with the existential threat of climate change. We also expect a heightened focus in 2021 on enhancing ESG disclosure as investors continue to more closely scrutinize the sustainability bona fides of the companies in which they invest. Both the current and future risks evidence a need for more rigorous scenario planning and proactive decision-making.

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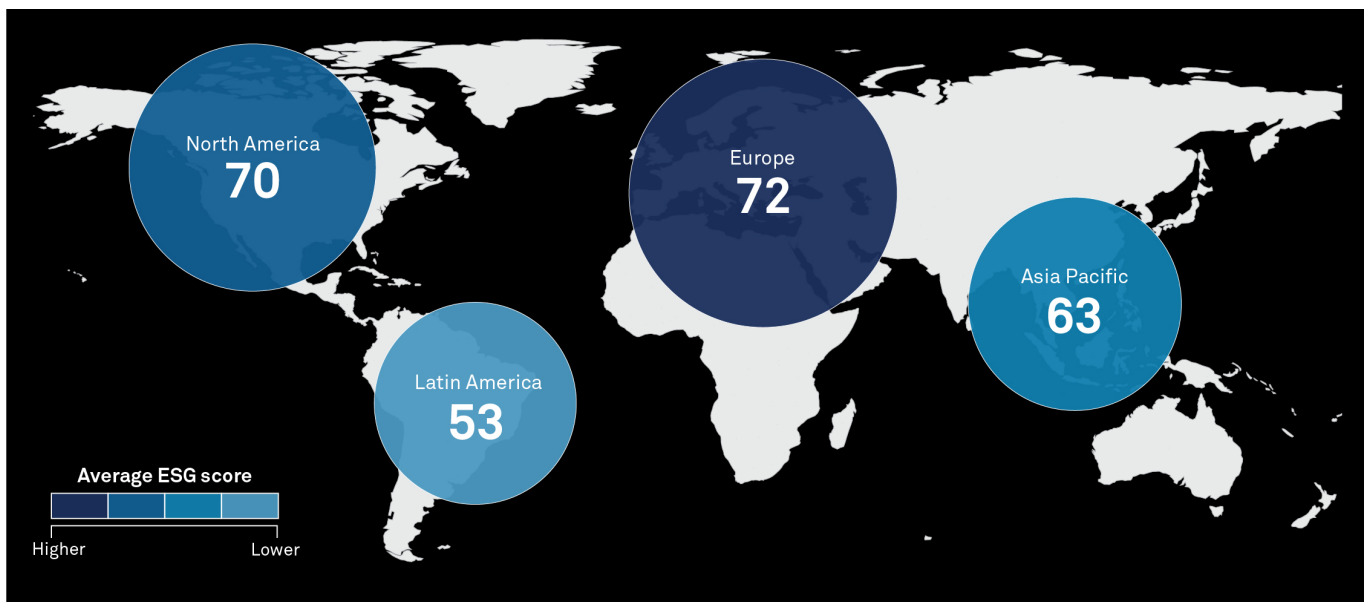
# ESG Evaluation Summary

- S&P Global Ratings' environmental, social, and governance (ESG) evaluation is a cross-sector, relative analysis of an entity's capacity to operate successfully in the future and is grounded in how ESG factors could affect stakeholders, potentially leading to a material direct or indirect financial impact on the entity.
- Our definition of stakeholders for a particular entity goes beyond shareholders to include employees, the local community, government, regulators, customers, lenders, borrowers, policyholders, voters, members, and suppliers. A high ESG evaluation score indicates an entity is relatively less prone to experiencing material ESG-related events, and is relatively better positioned to capitalize on ESG-related growth opportunities than entities with lower ESG evaluation scores.
- First, we establish an ESG profile for a given entity, which assesses the exposure of the entity's operations to observable ESG risks and opportunities, and how the entity is mitigating these risks and capitalizing on these opportunities.
- Second, we assess the entity's long-term preparedness, namely its capacity to anticipate and adapt to a variety of long-term plausible disruptions.
- The ESG evaluation is not a credit rating, a measure of credit risk, or a component of our credit rating methodology.

**S&P Global Ratings currently evaluates over 60 entities across the globe, with an average score of 68.** Since the first ESG evaluation, published in June 2019, S&P Global Ratings has finalized ESG Evaluations across 19 sectors globally. **By region, the highest average score is 72,** for companies headquartered in Europe.

Chart 1

## ESG Evaluation Geographic Distribution



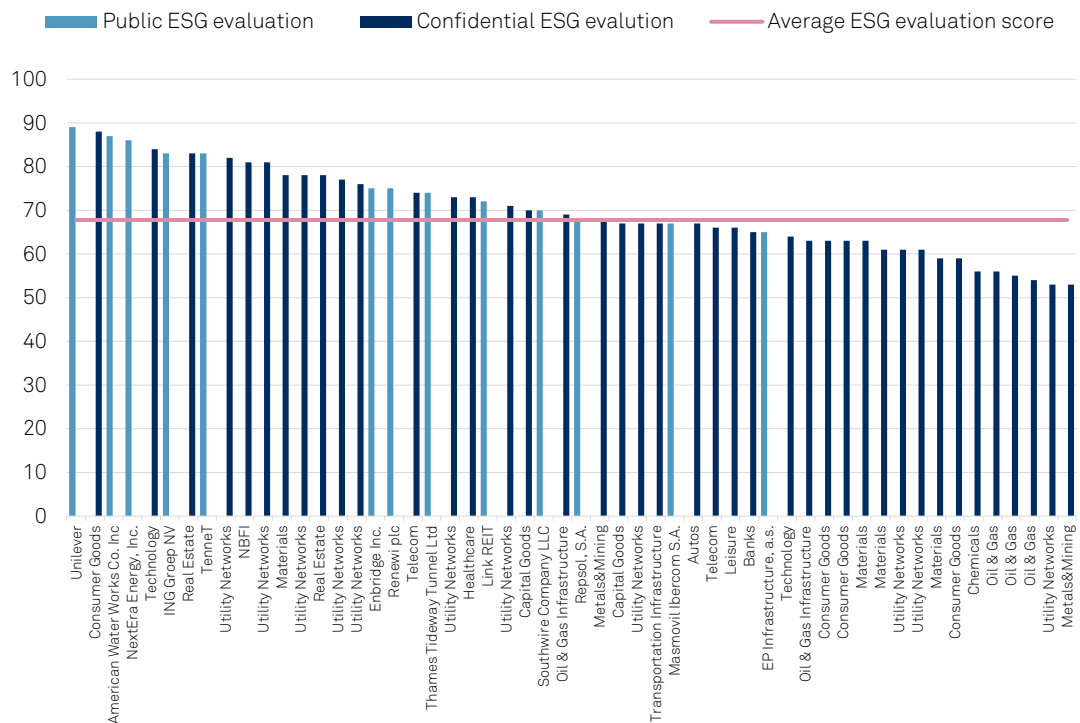
Source: S&P Global Ratings.

# Monthly Update (January 2021)

We completed 13 new ESG evaluations and three reviews in December and January. These were in the following sectors: capital goods, chemicals, oil and gas, banks, metals and mining, consumer goods, real estate, technology, telecom, and utilities.

Chart 2

## Monitored ESG As Of Jan. 31, 2021



Source: S&P Global Ratings.

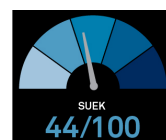
**Fourteen companies have a public ESG evaluation score.** Fourteen companies have a public evaluation (detailed analysis for each are available in the public evaluations panel below).

### Enbridge Inc. - December 2020



We published an ESG evaluation on Enbridge Inc. (oil and gas infrastructure) with a score of 75 and strong preparedness. As a participant in the oil and gas sector, the company must counter significant environmental headwinds, and it has faced safety issues in the past. However, it shows effective transparency in its reporting compared with peers, a strong governance structure, and scenario planning that positions it well to respond to changes in its operating environment.

### SUEK - January 2021



We published an ESG evaluation score of 44 for Siberian Coal Energy Co. (SUEK; coal energy) with an emerging preparedness. While the coal sector faces increasingly immediate environmental and social risks, SUEK's mining segment outperforms peers on greenhouse gas emissions. SUEK does not have an action plan to transition from coal or rapidly decarbonize, yet we believe its strategy

does not pose near-term financial risk. It is generally in line with peers on aspects of safety and communities, and the governance structure compares positively to local standards and well with international standards.

[spglobal.com/ratingsdirect](https://spglobal.com/ratingsdirect)

## RESEARCH HIGHLIGHTS

Listen to the latest episode of our ESG podcast, Beyond the Buzz, [here](#).

## beyond the buzz...

S&P Global Ratings' Sustainability Podcast



**Sustainability In 2021: A Bird's Eye View Of The Top Five ESG Topics**, Jan. 28, 2021

**Sustainable Debt Markets Surge As Social And Transition Financing Take Root**, Jan. 27, 2021

**Stakeholder Capitalism: Aligning Value Creation With Protection Of Values**, Jan. 19, 2021

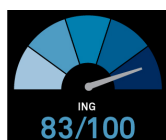
**ESG Pulse: Reimagining Accounting To Measure Climate Change Risks**, Dec. 22, 2020

## PUBLIC EVALUATIONS

- Link REIT, January 2021
- ING Groep NV, January 2021
- SUEK, January 2021
- Repsol S.A., January 2021
- Enbridge Inc., December 2020
- Southwire Co. LLC, August 2020
- Masmovil Ibercom S.A., July 2020
- American Water Works Co. Inc., April 2020
- Thames Tideway Tunnel Ltd., April 2020
- EP Infrastructure, April 2020
- Renewi PLC, January 2020
- Unilever, December 2019
- TenneT, August 2019
- NextEra Energy Inc., June 2019



## ING - January 2021



We also published an evaluation on ING (banks). Our ESG Evaluation score of 83, mainly reflects our belief that the bank is among the strongest players in the banking industry in terms of its ability to leverage its role as financier to influence society's transition to a more sustainable and low-carbon economy.



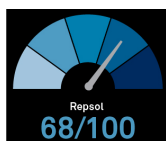
## Link REIT - January 2021



We published an ESG evaluation on Link REIT (real estate) with a score of 72 and adequate preparedness. Link operates in an industry with relatively low exposure to environmental and social risks. Operators in property investment typically do not develop nor build properties. This limits their exposure to risks such as safety and new environmental regulation. Link has a unique position because many of its assets are in social housing communities. The company plays an important role in those neighborhoods by providing access to food and other necessities and contributing to local employment. On the other hand, this exposes Link to more reputational risks and political scrutiny.



## Repsol – January 2021



We maintain Repsol's (oil and gas) ESG evaluation of 68, reflecting our view of the company's strong preparedness and better-than-peers' management of its environmental and social risks in a highly exposed industry. In particular, we believe Repsol's response to risks stemming from the COVID-19 pandemic and its continued focus on investments allocated to low-carbon technologies, laid out in its recently announced long-term strategic plan, are in line with our expectations and our overall evaluation. We will monitor how Repsol balances the interests of its various stakeholders as it implements this long-term strategic plan.

# Other Developments

## New Key Sustainability Factors Article For Financial Services

In January, we also published a new [Key Sustainability Factors article on the financial services sector](#). This article shows how we apply our ESG Evaluation Analytical Approach to financial services entities; this includes the relative value placed on different environmental and social factors, key performance indicators, and a list of long term disruptors, and considers the impact of direct and indirect exposure. It covers banks, insurance companies, and asset managers.

## Analytical Approach Updated In December 2020 With Nonmaterial Changes

We have also updated our [ESG Evaluation Analytical Approach](#) on Dec. 15, 2020, with nonmaterial changes. First, related to the monitoring of our ESG evaluation, we have introduced and explained the “under review” mechanism. Second, we have expanded our regional analysis, which continues to include a region’s exposure to natural disasters, and now also considers a region’s “vulnerability to physical impacts of climate change.” Finally, in our social profile analysis, we have clarified that items related to product safety are captured under the factor “safety management.”

## KEY SUSTAINABILITY FACTORS

Telecom

Paper And Forest Products

Oil And Gas

Power

Consumer Goods

Utility Networks

Financial Services




















**ESG Evaluation Analytical Approach**

# ESG Evaluation Breakdown

The highest average ESG evaluation score by region and sector is 84, for the technology sector in Europe, the Middle East, and Africa. We are evaluating oil and gas and metals and mining companies in all four regions.

Chart 3

## Average ESG Score By Sector

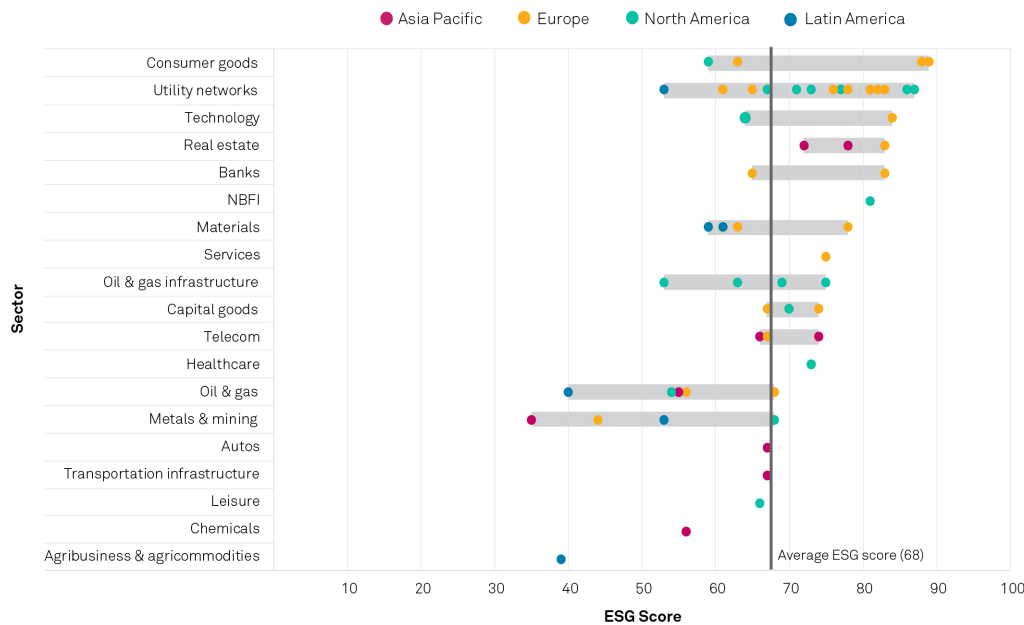
Sector	Asia-Pacific	Europe	North America	Latin America
 NBF			81	
 Real estate	75	83		
 Services		75		
 Banks		74		
 Technology		84	64	
 Utility networks		73	77	53
 Health care			73	
 Consumer goods		80	59	63
 Capital goods		70	70	
 Telecom	70	67		
 Autos	67			
 Transportation infrastructure	67			
 Leisure			66	
 Materials		71		60
 Oil and gas infrastructure			65	
 Chemicals	56			
 Oil and gas	55	62	54	40
 Metals and mining	35	44	68	53
 Agribusiness and agricommodities				39

NBFI--Nonbank financial institution. Source: S&P Global Ratings.

**Highest ESG evaluation score of 89 and a low of 35.** The highest current ESG evaluation score is 89 for Unilever, a consumer goods company headquartered in Europe. By contrast, the lowest is a metals and mining company headquartered in Asia-Pacific with a score of 35. This wide difference can partially be explained by company-specific attributes, and also by sector and regional exposure. Additionally, we layer on a preparedness assessment; a company with best-in-class preparedness, gets significant uplift, while companies with low or emerging preparedness would have points deducted from their profile score.

Chart 4

**ESG Evaluation Score Distribution**



NBFI--Nonbank financial institution. Source: S&P Global Ratings.

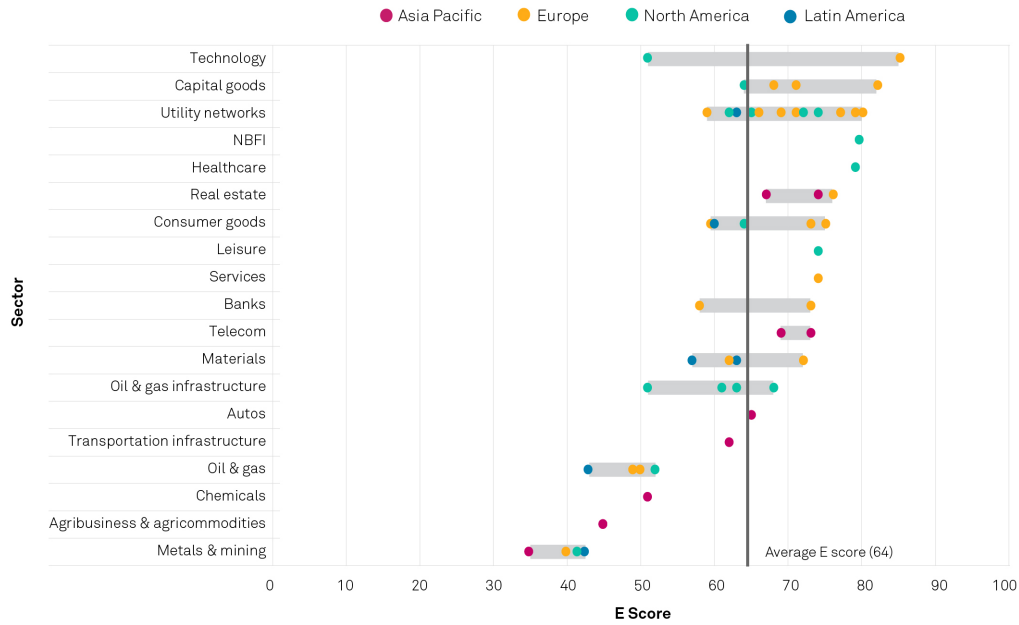
**Technology has the best E-profile score.** The highest E-profile score is 85 for a company in the technology sector headquartered in Europe, while the lowest is 35 for a metals and mining company headquartered in Asia-Pacific.

The technology sector, in general, has a relatively modest environmental footprint, with its main concern being energy usage, while the metals and mining sector has significant environmental risk, both in its direct footprint, where it can be a significant polluter and encroach on areas of high biodiversity, and downstream, where some of its outputs are increasingly being scrutinized and regulated for their greenhouse gas emissions.

The sectors with the top three E-profile scores are technology, capital goods, and utility networks.

Chart 5

E-Profile Score Distribution

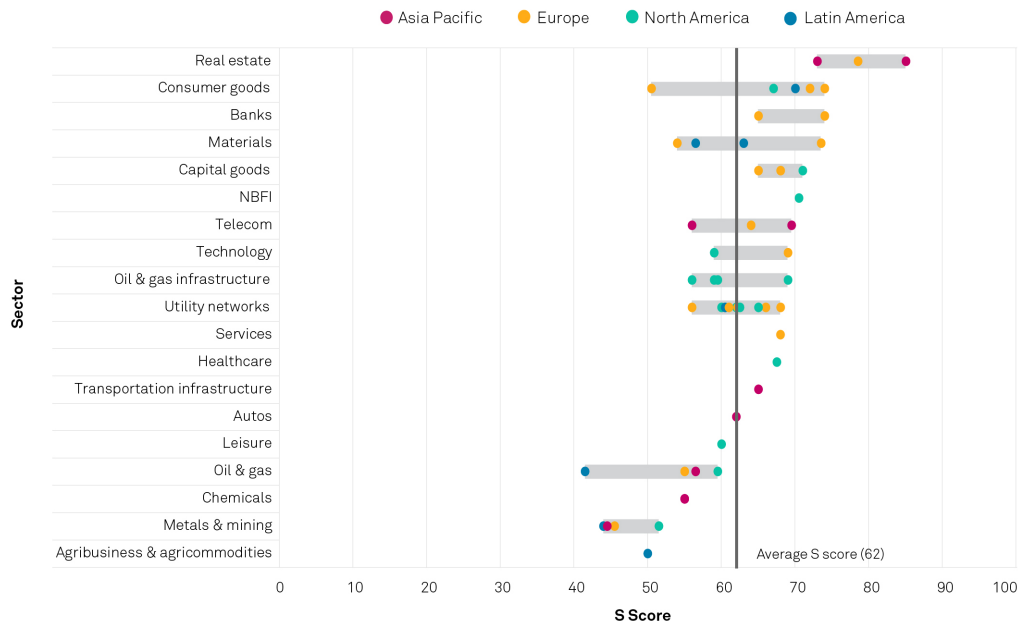


NBFI--Nonbank financial institution. Source: S&P Global Ratings.

**Real estate has the best S-profile score.** The highest S-profile score is 85 for a company in the real estate sector headquartered in Asia-Pacific, while the lowest is an oil and gas company headquartered in Latin America with a score of 42. The real estate sector as a whole faces somewhat less exposure to social risk, while the oil and gas sector faces significant safety issues and challenges around workforce continuity as the energy transition advances. The sectors with the top three S-profile scores are real estate, banks, and consumer goods.

Chart 6

S-Profile Score Distribution

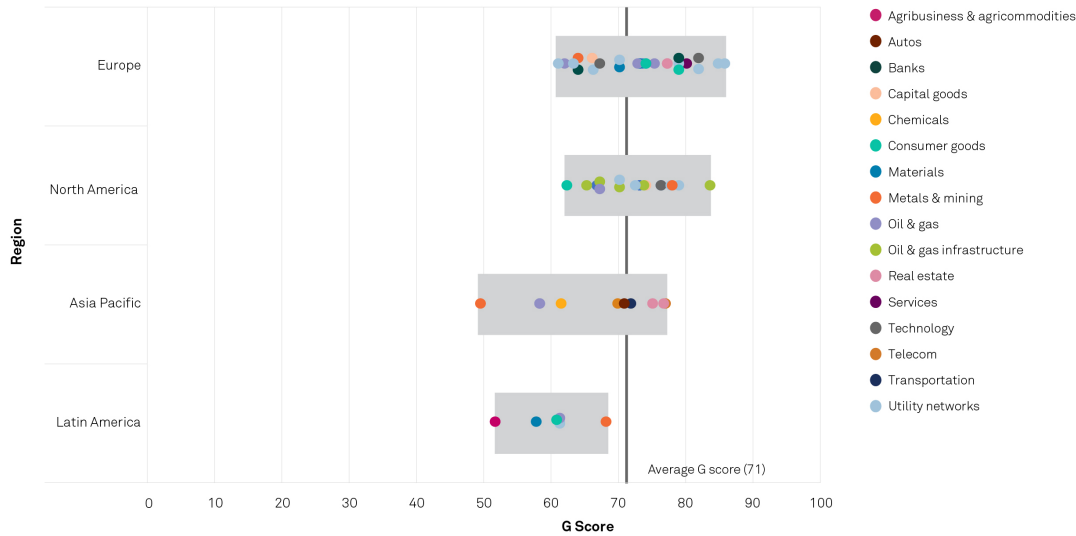


NBFI--Nonbank financial institution. Source: S&P Global Ratings.

**Europe fares the best in the G-profile.** The highest G-profile score is 82 for a company headquartered in Europe. All the European and North American based companies have a G score higher than 60. The lowest G-profile is held by a company in Asia.

Chart 7

**G-Profile Score Distribution**



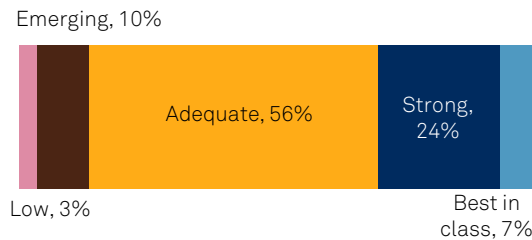
Source: S&P Global Ratings.

**Most companies have a preparedness score of adequate or higher.** Over 55% of the companies have received an adequate preparedness score, while only 7% are currently considered best in class.

Chart 8 and 9

**Preparedness Score**

	ESG Evaluation Score		
	Min	Average	Max
<b>Best in class</b>	86	88	89
<b>Strong</b>	68	78	84
<b>Adequate</b>	53	66	78
<b>Emerging</b>	39	50	59
<b>Low</b>	35	38	40



Source: S&P Global Ratings.



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