

ESG In Credit Ratings February 2024

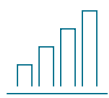
A Slow Start

S&P Global
Ratings

This report does not constitute a rating action.

By the numbers: January 2024 ESG-related credit rating actions

Total ESG-driven credit rating actions, January 2024 vs. December 2023



8

All credit rating actions



2

Positive rating actions



6

Negative rating actions

▲ Increase
▼ Decrease

January 2024 positive rating action breakdown

Key factors



2

Risk management, culture, and oversight

Key sector



2

Corporates and infrastructure

Key regions



2

Asia Pacific

January 2024 negative rating action breakdown

Key factor



6

Risk management, culture, and oversight

Key sector



4

U.S. public finance

Key region



4

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, in January 2024. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Key Takeaways

- Total rating actions related to environmental, social, and governance (ESG) factors held steady at eight in January--the same as the month before--with negative actions continuing to outpace positive ones.
- Governance factors remained the primary driver, with all eight citing risk management, culture, and oversight as the primary ESG factor.
- U.S. public finance was the sector with the most ESG-related rating activity (four actions) in January, all of which were negative.
- Half of January's ESG-related rating actions cited multiple factors rather than just one factor, which is atypical compared with 2023 trends.

Contacts

Brenden Kugle

Centennial
+1-303-721-4619
brenden.kugle
@spglobal.com

Patrick Drury Byrne

Dublin
+353-1-568-0605
patrick.drurybyrne
@spglobal.com

Pierre Georges

Paris
+33-14-420-6735
pierre.georges
@spglobal.com

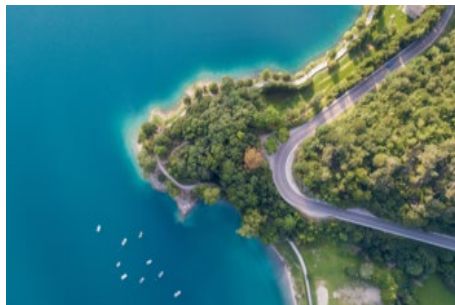
ESG Research Highlights



Sustainable Bond Issuance To Approach \$1 Trillion In 2024

Feb. 13, 2024

Despite global macroeconomic uncertainty in some key regions, we anticipate that green, social, sustainable, and sustainable-linked bonds (GSSSB) issuance will increase modestly to \$0.95 trillion-\$1.05 trillion in 2024, from \$0.98 trillion in 2023. Green bonds will continue their dominance in GSSSB markets, buoyed by increased demand for environmental projects across all geographies. Transition and blue bonds may also gain traction in the GSSSB market in 2024. We believe that issuers in middle- and low-income countries will strive to increase their share of GSSSB issuance given their large unmet funding needs.



Sustainability Insights: Top Five Takeaways From COP28

Dec. 18, 2023

Headlines from the Dubai Climate Change Conference (COP28) have been grabbed by a first declaration between countries to transition away from fossil fuels. Yet the conference was also marked by limited progress on climate finance and market initiatives that underpin decarbonization goals. In this article, S&P Global Ratings highlights its five key takeaways from COP28.



GCC Sovereigns Can Manage Physical Climate Risks For Now

Dec. 11, 2023

Water stress and extreme heat events are the climatic hazards most likely to worsen in the Gulf Cooperation Council (GCC) by the middle of this century. We view these as compound climate hazards, with extreme heat events likely to exacerbate water stress, potentially leading to loss of productivity. Adaptation and resilience measures to reduce related impacts are largely in place, but as climate hazards intensify, they will increasingly pose challenges for the region.

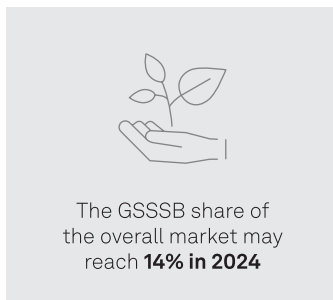
Chart Of The Month

Sustainable Bond Issuance To Approach \$1 Trillion In 2024

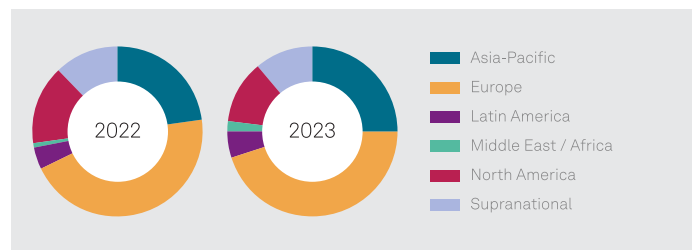
S&P Global Ratings recently published its global bond forecast for 2024 (see "[Credit Trends, Global Financing Conditions: Cautious Optimism After Peak Rates](#)," published Jan. 25, 2024). In that report, we estimated modest growth of 4.3% in global bond issuance. Below, we provide our outlook for the GSSSB market for 2024. In addition, we explore some of the key drivers of overall global, as well as regional and sectoral, issuance.

Consistent with our recent reports about GSSSBs, this research draws on Environmental Finance's Bond Database of global GSSSB issuance for nonfinancial corporates, sovereigns, financial institutions, and international public finance but excludes structured finance issuers. Because the database is continuously updated, some figures may not exactly match those cited in previous years. For U.S. public finance issuers, we use a proprietary dataset we have maintained for more than 10 years that we believe best captures the nuances of the U.S. municipal bond market. Our GSSSB forecasts in this research are informed by S&P Global Ratings' global bond forecasts, issuer surveys, and market analysis by our sustainable finance and credit ratings teams.

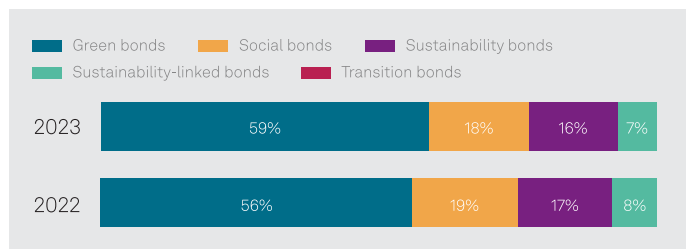
Key figures



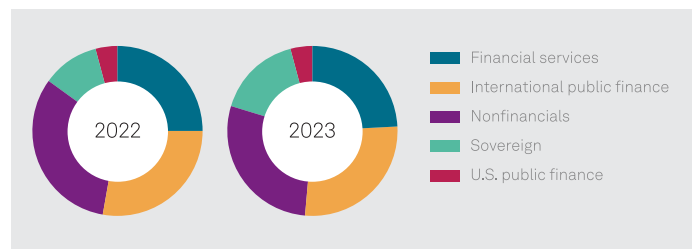
Middle East and Latin America issuance increased the most in 2023



Green bonds continue to lead GSSSB issuances



Sovereign issuance increased the most in 2023



Donut charts show share of total issuance. GSSSB--Green, social, sustainability, and sustainability-linked bonds. Sources: Environmental Finance Bond Database, S&P Global Ratings.

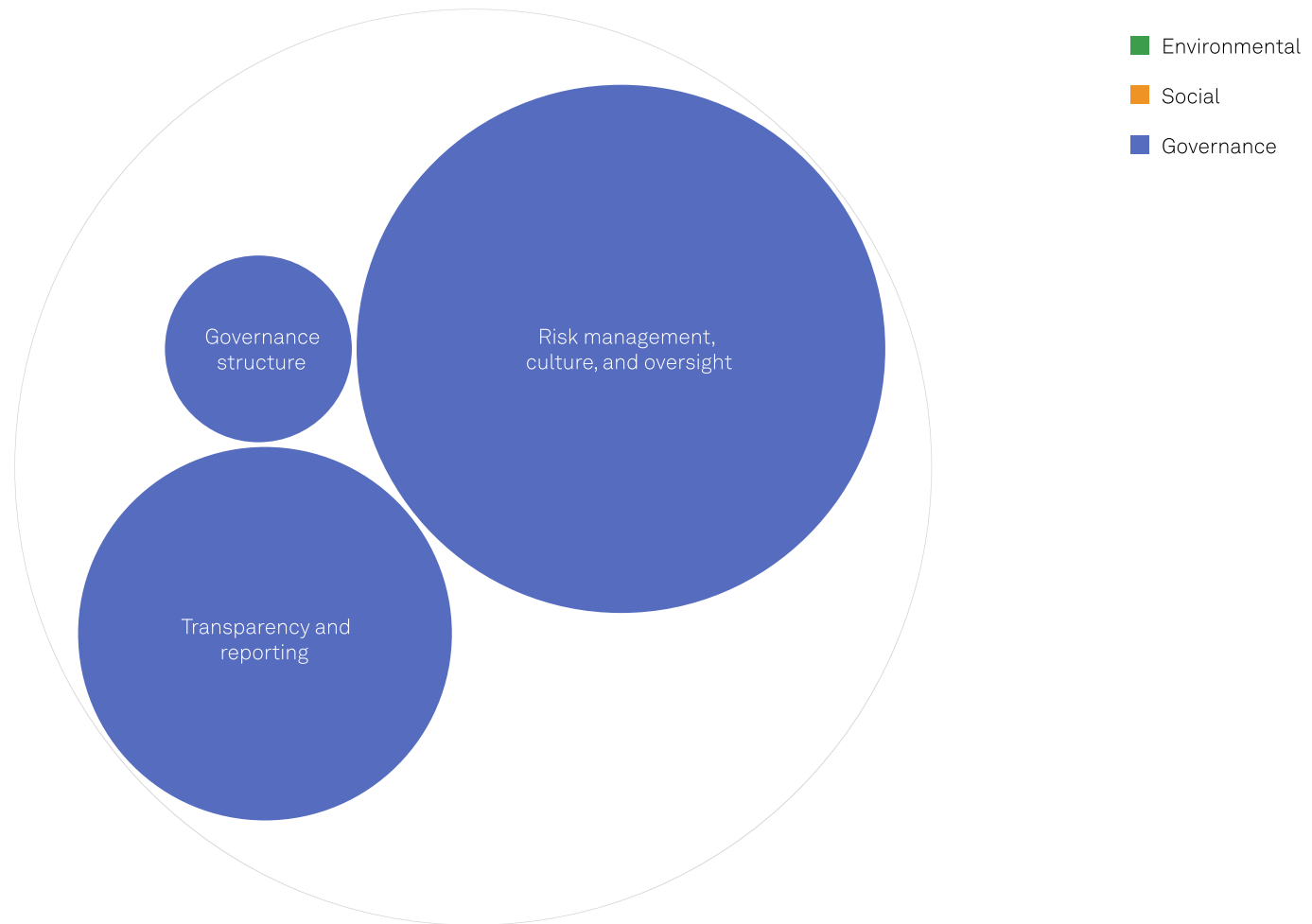
For more, see "[Sustainable Bond Issuance To Approach \\$1 Trillion In 2024](#)," published Feb. 13, 2024.

2024 ESG Credit Rating Actions

S&P Global Ratings includes a 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 factors cited in ESG-related rating actions

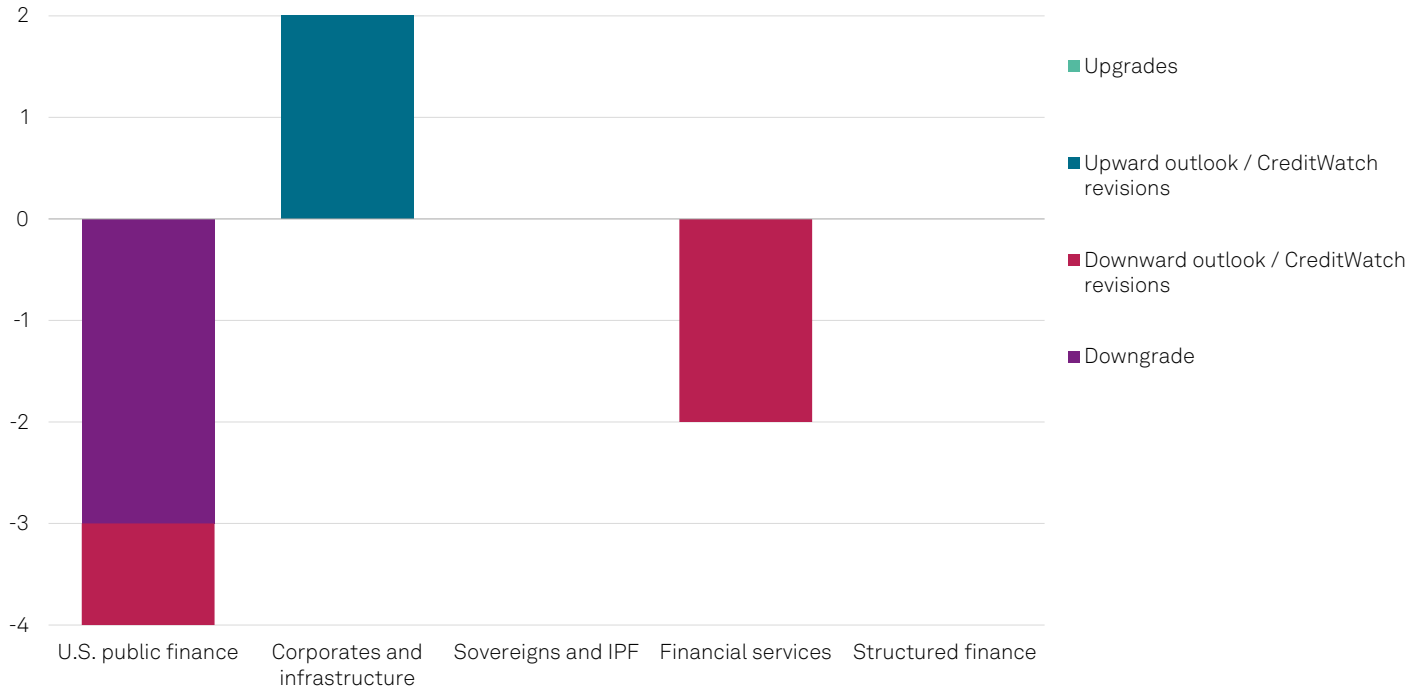
Year-to-date 2024



Data as of Jan. 31, 2024. ESG tagged factors as a proportion of total tagged factors. Bubble size is determined by the occurrence of factors in January 2024 alone. 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

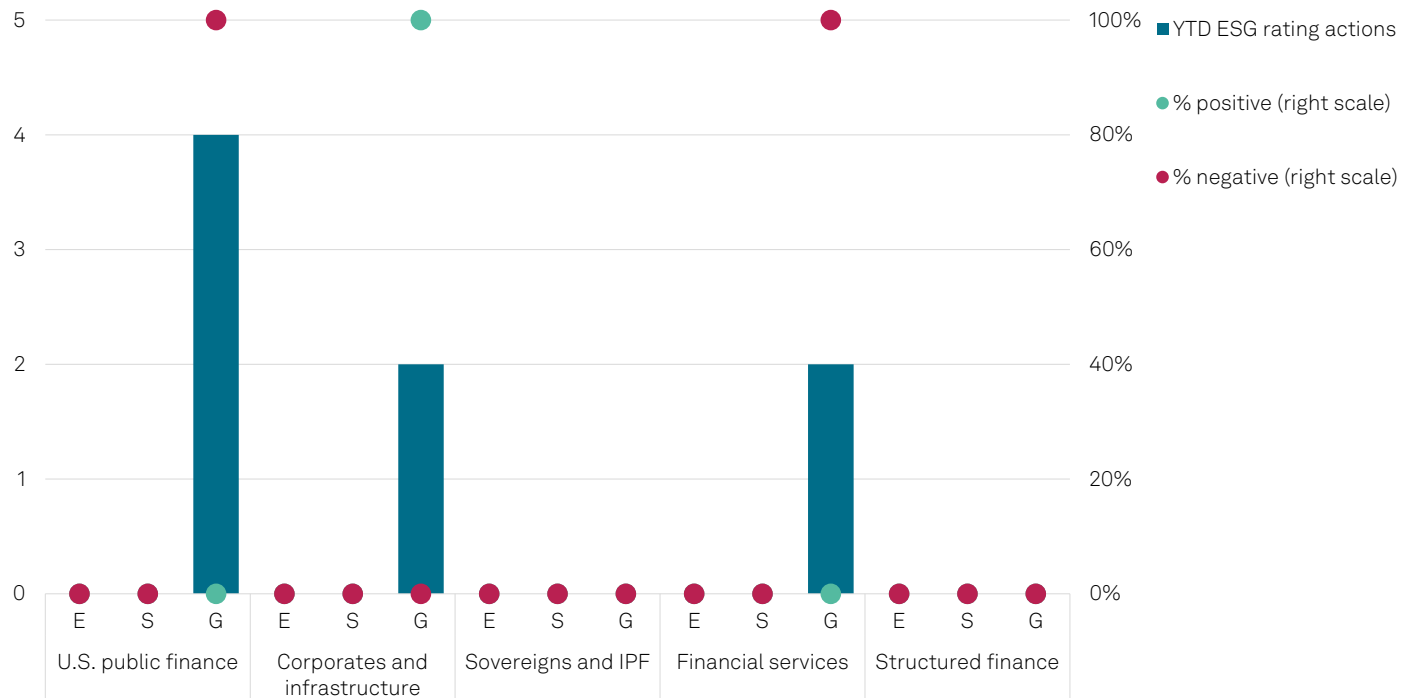
Number of actions, year-to-date



Data as of Jan. 31, 2024. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. Upgrades and upward outlook/CreditWatch revisions are shown as positive numbers, while downgrades and downward outlook/CreditWatch revisions are shown as negative numbers. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

ESG-related credit rating actions by sector and factor

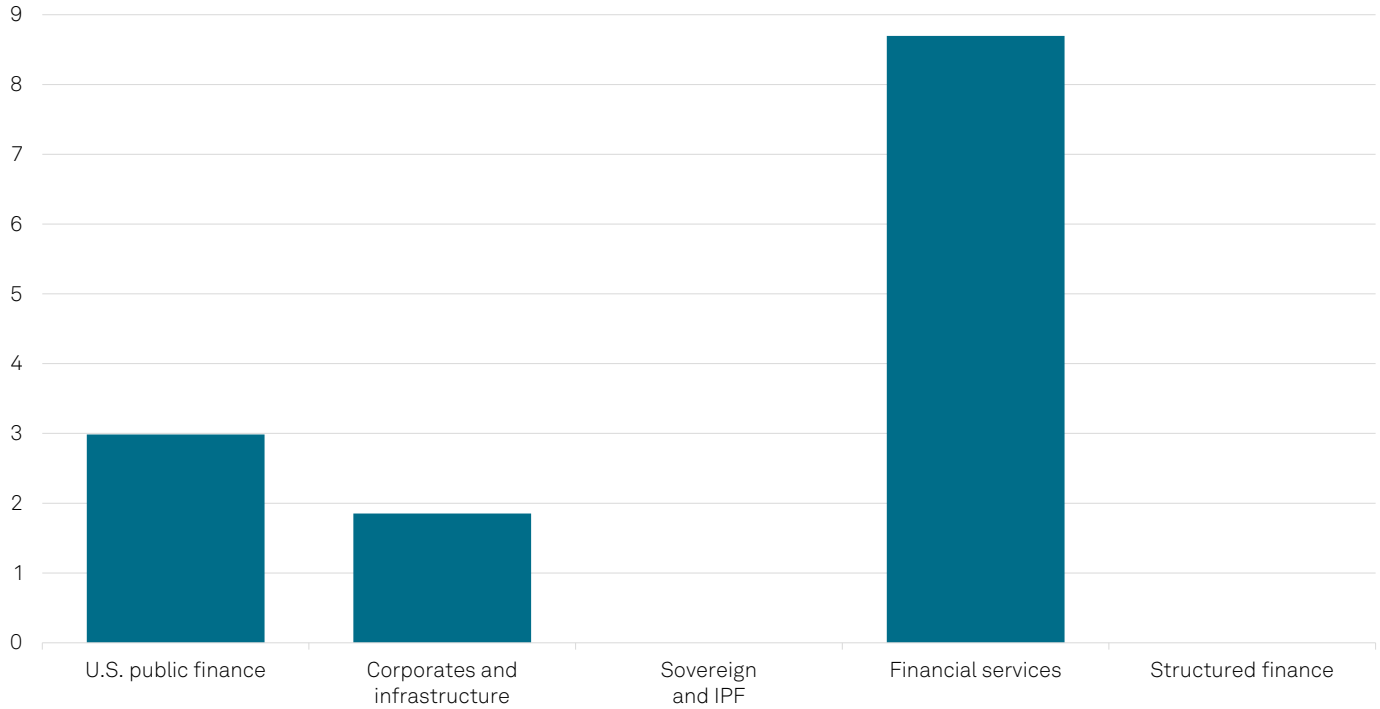
Number of actions, year-to-date



Data as of Jan. 31, 2024. Rating actions include rating, CreditWatch, and outlook changes. 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 credit rating actions (% of total)

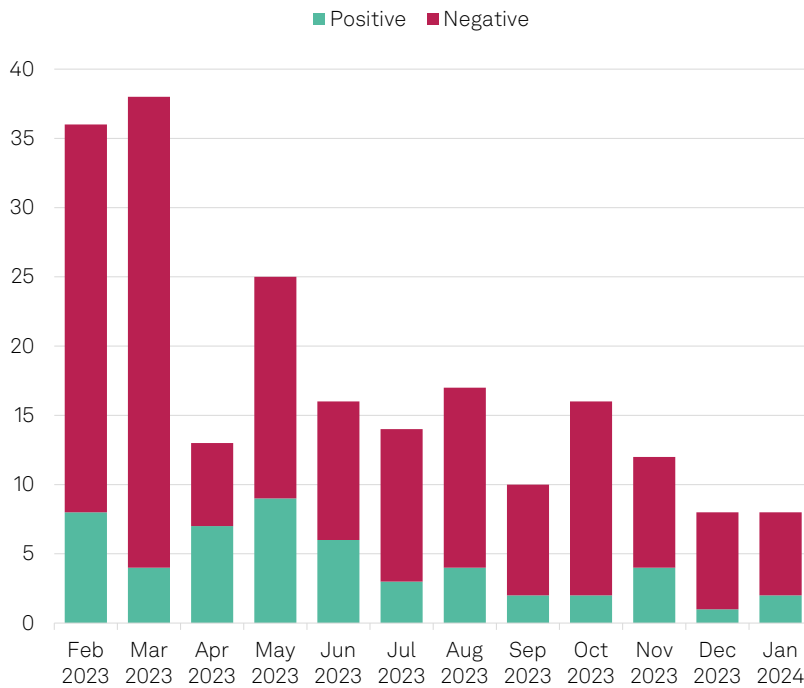
Year-to-date



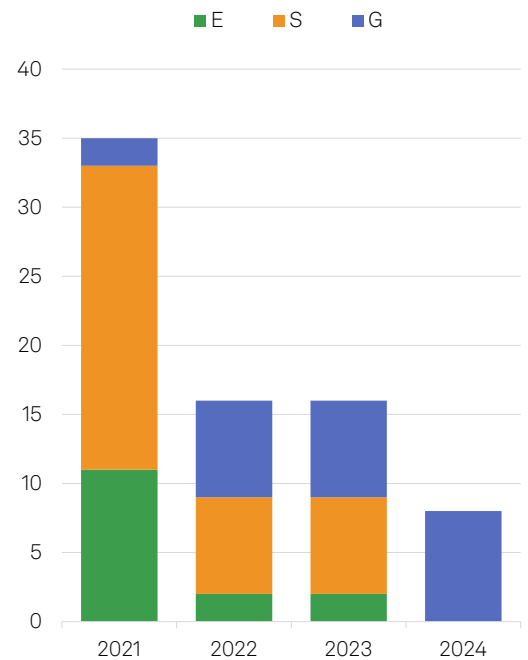
Data as of Jan. 31, 2024. Total rating actions exclude affirmations with no outlook change, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance. Source: S&P Global Ratings.

ESG-related credit rating actions

Number of actions, trailing 12 months



Number of actions, year-to-date



Data as of Jan. 31, 2024. 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, and downgrades with outlook revisions. 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	3	0	0	0	0	0	3
CreditWatch negative	0	0	0	0	0	0	0
Downward outlook revision	1	0	0	0	2	0	3
Upgrade	0	0	0	0	0	0	0
Upward outlook revision	0	2	0	0	0	0	2
CreditWatch positive	0	0	0	0	0	0	0
Total ESG-related rating actions*	4	2	0	0	2	0	8
Environmental§	0	0	0	0	0	0	0
Social§	0	0	0	0	0	0	0
Governance§	4	4	0	0	5	0	13
§Total ESG-tagged factors	4	4	0	0	2	0	13

Data as of Jan. 31, 2024. *Rating actions include rating, CreditWatch, and outlook changes in January 2024. 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 ESG factors affecting rating 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.

Sector Contacts

Lai Ly

Global Head of ESG Research
+33-1-4075-2597
lai.ly
@spglobal.com

Pierre Georges

Corporates
+34-14-420-6735
pierre.georges
@spglobal.com

Nora Wittstruck

U.S. Public Finance
+1-212-438-8589
nora.wittstruck
@spglobal.com

Matthew S Mitchell

Structured Finance
+33-6-17-23-72-88
matthew.mitchell
@spglobal.com

Sarah Sullivant

Sovereigns
+1-415-371-5051
sarah.sullivant
@spglobal.com

Emmanuel Volland

Financial Institutions
+33-14-420-6696
emmanuel.volland
@spglobal.com

Taos Fudji

Insurance
+39-02-7211-1276
taos.fudji
@spglobal.com

Research Contributor

Yogesh Balasubramanian

Mumbai
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