

ESG at S&P Global Ratings

Lisa Schroeer

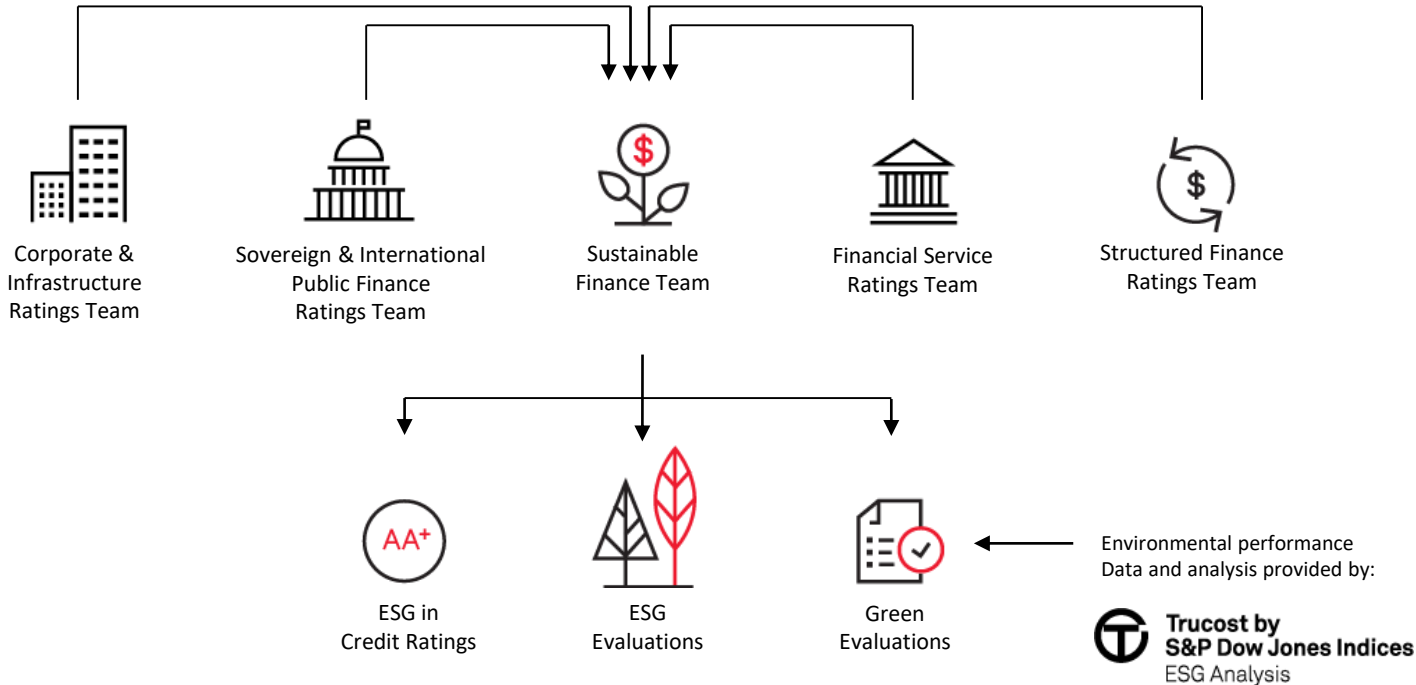
April 11, 2019



S&P Global Ratings Sustainable Finance Team

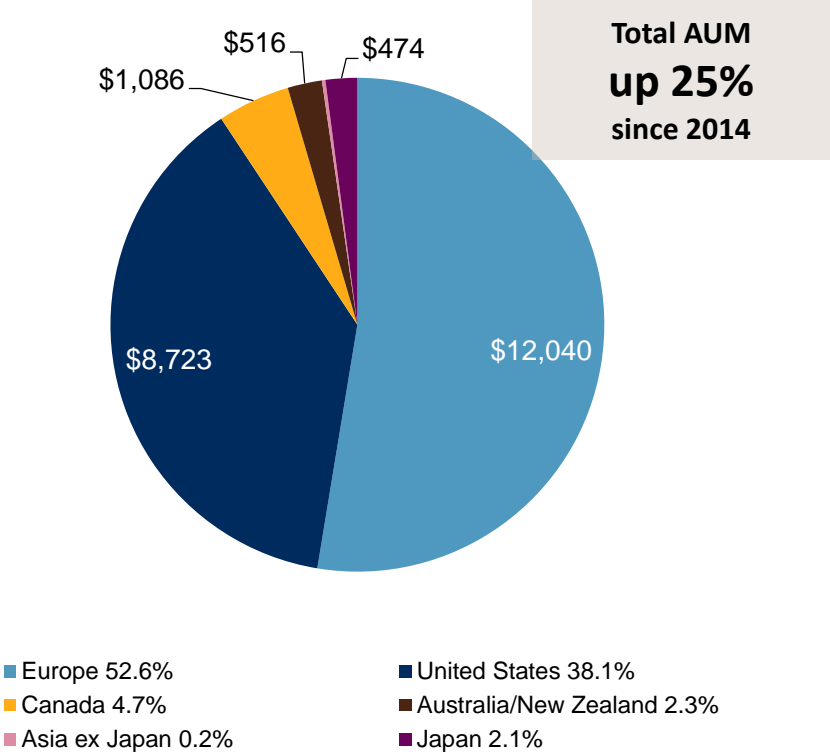
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A team of analysts with environmental, legal, audit, credit and governance qualifications and experience leveraging S&P Global's ESG data and analytical capabilities.

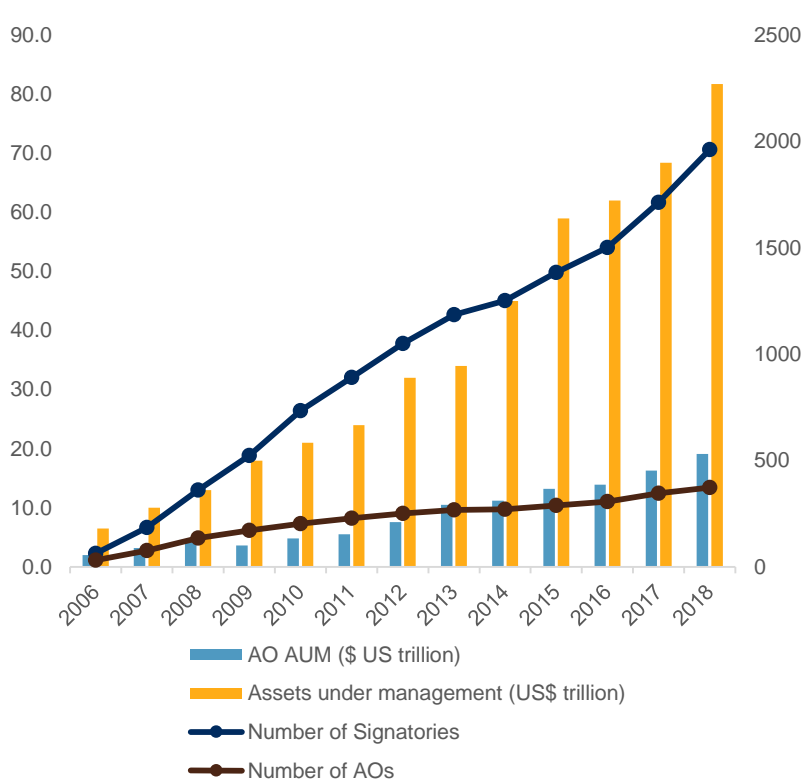


ESG-Linked Assets Driving Growth of ESG Data and Insights

Responsible Investment Strategy Assets by Region; Total AUM \$23 Trillion, 2016



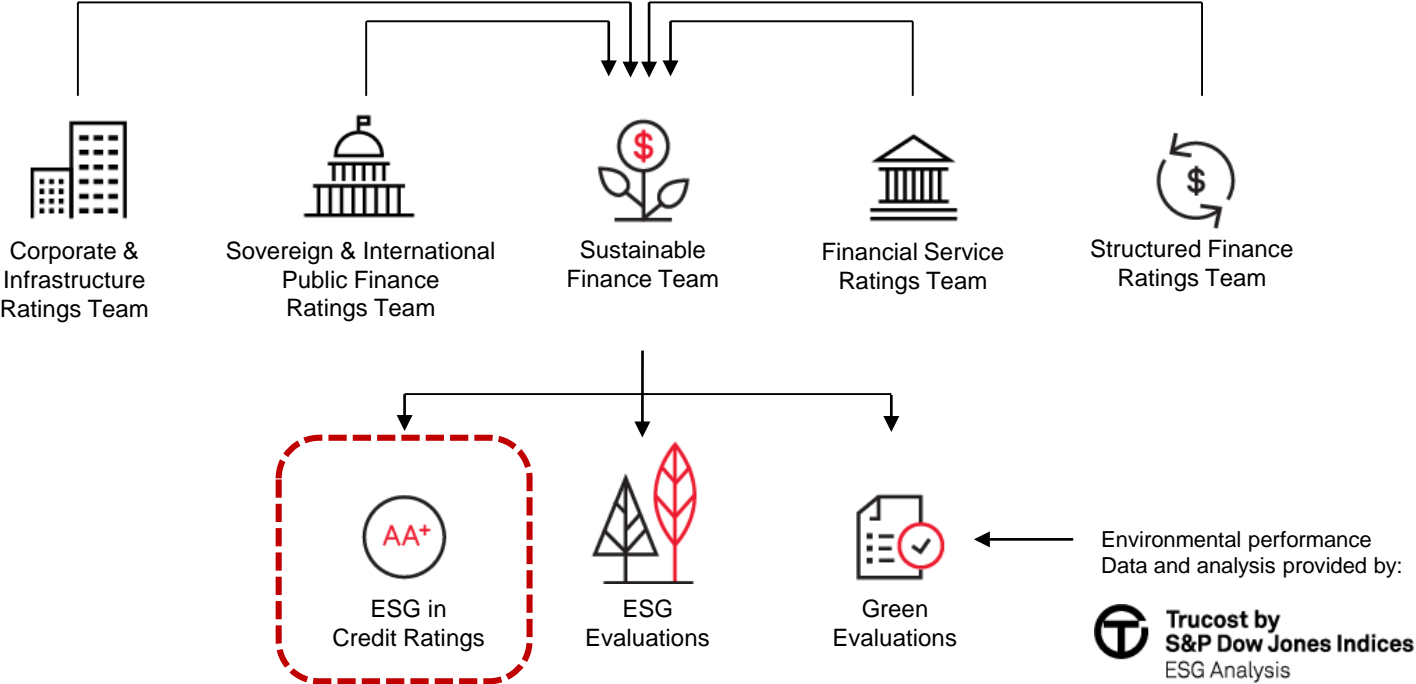
Number of Signatories (RHS) and Associated AUM (LHS, USD \$ Trillion)



Source: Global Sustainable Investment Alliance (GSIA) Global Sustainability Investment Review 2016; UN Principles for Responsible Investment 2018

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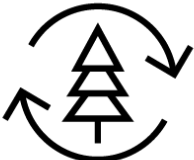
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ESG & Credit - Look Back Series

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

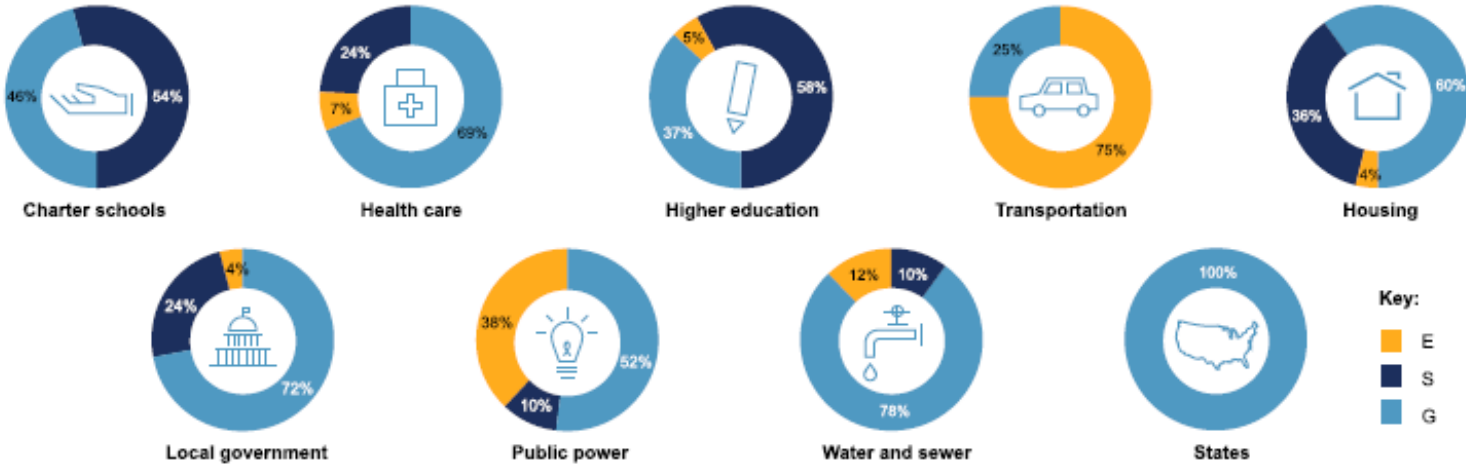
77

225

ESG In Credit Ratings – Lookback Summary

ESG In USPF - Connecting The Dots

Environmental, Social or Government related factors contributed to 34% of rating actions in 2017 and 2018.



We expect ESG factors to become more explicit drivers of rating actions as awareness increases and transparency and disclosure improve.

ESG & Credit – Transparency in Rating Reports

S&P Global Ratings Launches ESG Sections In Corporate Credit Rating Reports

Environmental, Social, And Governance Factors

Environmental factors are material to our credit analysis of BP, social and governance factors less so. Significant international and domestic environmental regulations can make it difficult for oil and gas companies to conduct exploration and development activities vital to sustaining production and reserve replacement, key elements of our analysis.

The Macondo incident in the Gulf of Mexico has demonstrated how big financial losses can be in the event of an oil spill. We believe this incident was a wake-up call for BP and the entire industry because, since then, all large oil and gas companies have been increasingly focusing on safety of operations. This is also one of the reasons why we believe digitalization and robotization in the sector will be only gradual, since the companies are still learning how to operate fully unmanned platforms with minimal environmental risks.

BP is also one of the leaders in the global energy transition and is committed to reducing carbon emissions in line with the Paris Climate Agreement, as its CEO has recently reiterated. This is reflected in BP's higher share of natural gas in its portfolio than the other majors. BP is also investing in renewables, similar to its peers, but so far these investments have not exceeded 5% of total capital spending.

From a governance standpoint, BP is fully in line with best practices, similar to other large international companies. The company has not been subject to any material investigations on bribery or corruption, which happens often in emerging markets, where BP has a smaller presence than Total or Eni.

Example

Middlesex Water Co.

UK-based regulated water utility

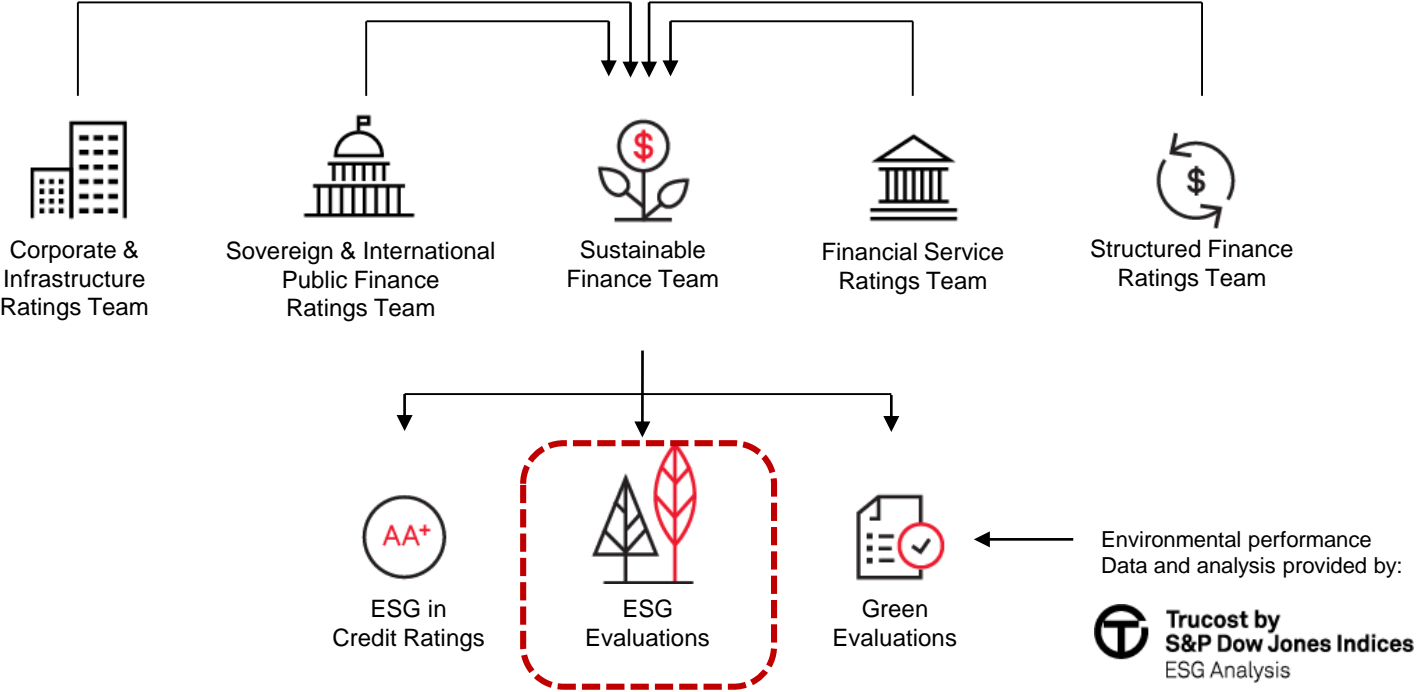
“We consider Middlesex Water's environmental footprint in the broader context of environmental, social, and governance (ESG) risk factors. For a provider of a water utility services whose own supply largely depends on the natural resources surrounding its service territory, the requirement to be a good steward of the environment while adhering to all federal and state water quality regulations remains a key mandate for Middlesex Water. From a social perspective, we view the company's long track record of providing safe and reliable drinking water services to its customers as a key factor that could enable it to maintain social cohesion going forward, even though affordability of steadily increasing rates and charges to the customer remain an area that we continue to watch closely.

Governance factors are neutral to our ESG assessment. Our assessment of Middlesex Water's governance reflects our view of the company's independent Board of Directors, who in our view is capably engaged in risk oversight on behalf of all stakeholders.”

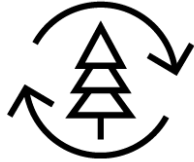
“Published Feb. 22, 2019

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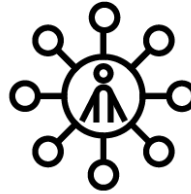
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ESG Evaluation



Environmental



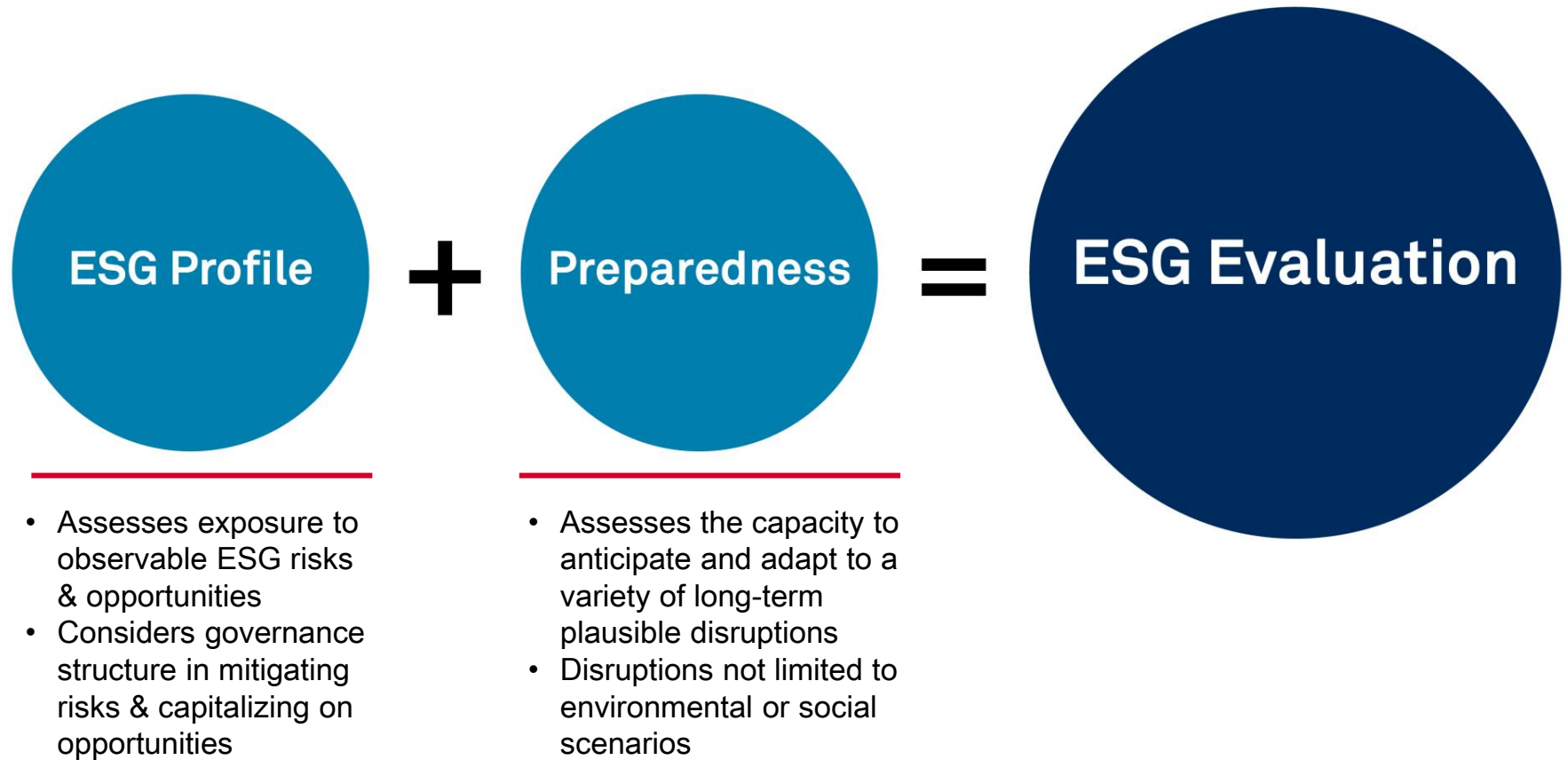
Social



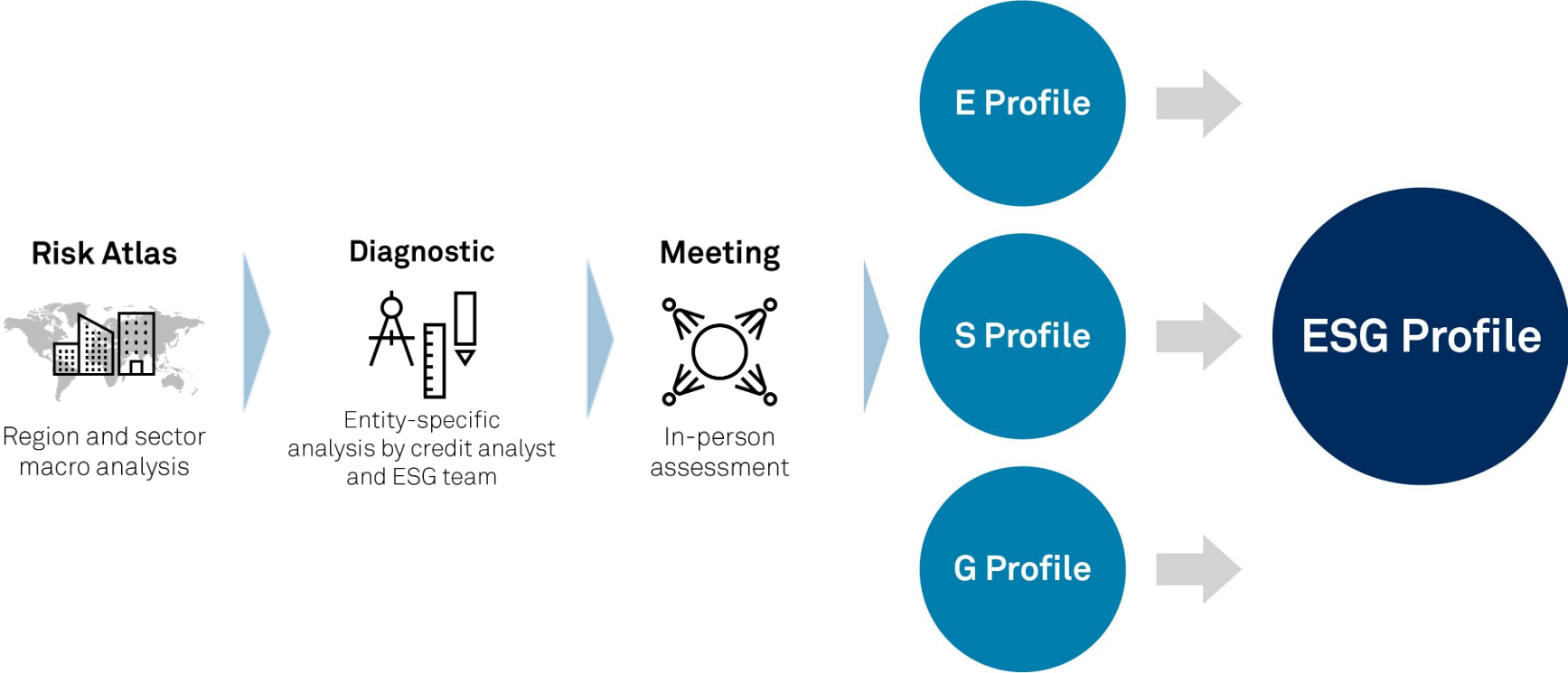
Governance

The **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** and potentially lead to a material direct or indirect **financial impact** on the entity.

ESG Evaluation
















ESG Profile - Analytic Process



Profile Score: ESG Factors

ESG Factors

Environmental	Social	Governance
 Biodiversity	 Customers	 Reporting
 Carbon	 Human capital	 Structure
 Waste	 Human rights	 Transparency
 Water	 Safety	 Values
 Social cohesion		

Preparedness – Emerging & Strategic Risks

Climate
Change

Energy & Fuel

Water
Scarcity

Wealth
Distribution

Urbanization

Material
Resource
Scarcity

Ecosystem
Decline

Deforestation

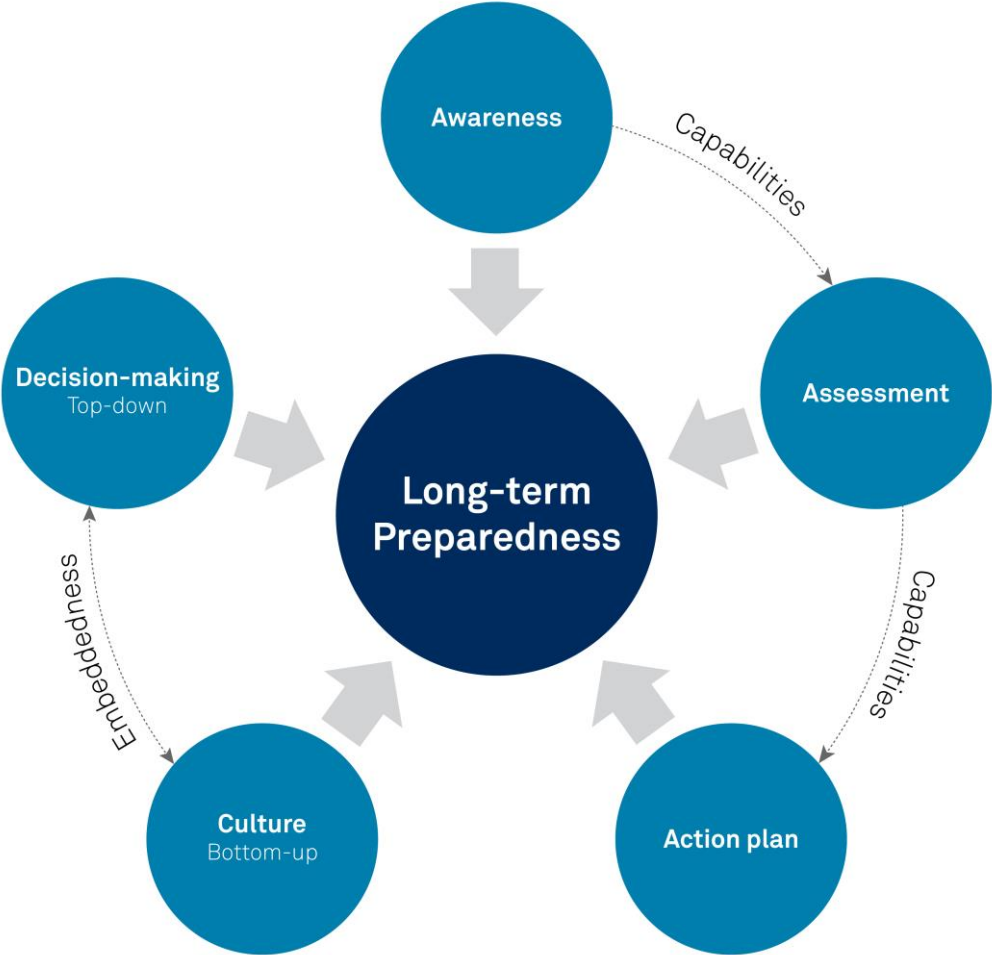
Food Security

Cyber
Security

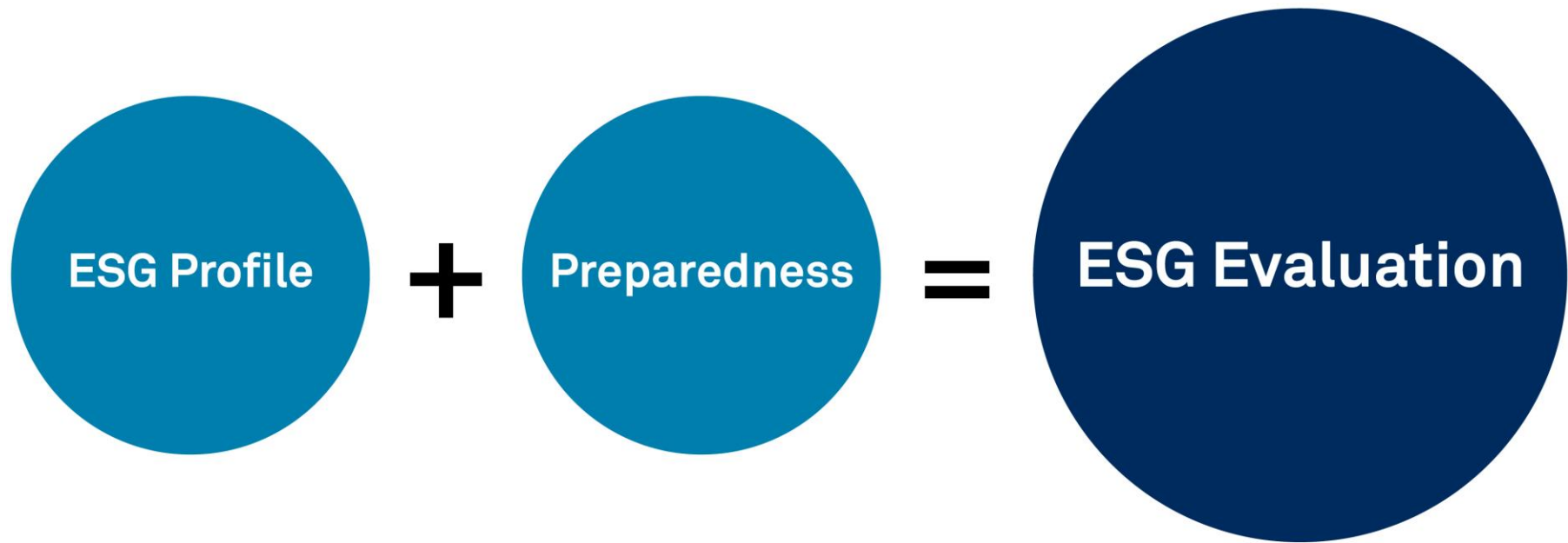
Childhood
Obesity

Ageing &
Wellbeing

Preparedness – Two Concepts; Five Factors



Proposed Analytical Approach - Simplified



Thank you

If you would like more information please visit
www.spglobal.com/sustainable-finance



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