

Bond Case Briefs

Municipal Finance Law Since 1971

S&P Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors

Table of Contents

- ESG In U.S. Public Finance
- States And Local Governments
- Water And Sewer, Solid Waste, Public Power And Electric Cooperative Utilities
- Health Care
- Charter Schools
- Higher Education
- Transportation
- Related Research

Key Takeaways

- S&P Global Ratings has been incorporating environmental, social, and governance (ESG) risks and opportunities into the credit ratings of public finance entities based on factors embedded in our sector-based criteria.
- ESG credit factors can influence the capacity and willingness of an obligor to meet its financial commitments, but strong
- ESG credentials do not necessarily indicate strong creditworthiness.
- Our long-term ratings and ESG credit factor analysis incorporate qualitative and quantitative analysis and do not have a pre-determined time horizon.
- Challenges remain with respect to data and disclosure practices. However, we anticipate that over time, as the market evolves, disclosure from borrowers will converge and increase transparency on ESG factors.
- Even with additional data, ESG analysis will increasingly require a qualitative view of an entity's capacity to anticipate a variety of long-term plausible disruptions to its credit fundamentals as well as an assessment of management's capacity to preserve financial and organizational resiliency.

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