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S&P: The Evolving Impact Of Environmental And Social Factors On Credit Ratings

Key Takeaways

- Our credit ratings are forward-looking opinions that reflect the ability and willingness of debt issuers, like corporations or governments, to meet their financial obligations on time and in full.
- Our environmental, social, and governance (ESG) factors concern an entity's effect on and impact from the natural and social environment and the quality of its governance. However, not all of these factors influence creditworthiness and, thus, credit ratings.
- We define ESG credit factors as a subset of ESG factors which, by applying sector-specific criteria, we believe could 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.
- Increasing frequency and severity of climate-related risks could result in environmental and social factors becoming more material, influential, and certain in our credit analysis over time.

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