S&P Global Ratings Publishes ESG Overview Of Global Sovereigns

PARIS, Feb. 3, 2021 /PRNewswire/ -- S&P Global Ratings has today published its "ESG Overview: Global Sovereigns." The report discusses environmental, social, and governance (ESG) credit factors that inform our analysis of 135 sovereign governments we rate globally. ESG credit factors are important to our analysis of sovereign creditworthiness and are embedded in several of our rating factors. Changes in ESG credit factors therefore influence--positively and negatively--our sovereign ratings and outlooks (see "How Environmental, Social, And Governance Factors Help Shape The Ratings On Governments, Insurers, And Financial Institutions," published Oct. 23, 2018, on RatingsDirect). ESG can affect a broad range of rating factors we examine to determine our sovereign ratings, as described in "The Role Of Environmental, Social, And Governance Credit Factors In Our Ratings Analysis," published Sept 12, 2019.

One of the key takeaways from the report is that governance is a strength for about 50% of rated sovereigns, and a weakness for about 7%, mostly in emerging and frontier markets. We base our view on the GDP-weighted distribution of our institutional assessments, which we use as a proxy for governance. Yet social factors remain at the heart of our sovereign risk analysis. The COVID-19 pandemic has revealed varying degrees of resilience and responsiveness to health and safety risks.

Environmental risks are also gaining prominence.

"The energy transition could widen gaps between sovereign borrowers, while natural disasters and other risks linked to the environment are becoming increasingly important," said Patrice Cochelin, S&P Global Ratings Head of Analytical Governance for Sustainable Finance.

"Resilience is a reflection of E, S, and G. Countries showing high resilience to natural disasters and advanced management of transition risk also tend to have strong social outcomes, both typically made possible and sustainable by strong governance," Mr. Cochelin added.

The report describes the analytical approach, as well as risks and opportunities that can affect sovereign creditworthiness, and provides an ESG overview of sovereigns by region.

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This report does not constitute a rating action.

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Media Contact:
Miriam Hespanhol, New York (1) 407-793-0452
miriam.hespanhol@spglobal.com

Analyst Contacts:
Patrice Cochelin, Paris + 33144207325
Roberto H Sifon-arevalo, New York + 1 (212) 438 7358
Joydeep Mukherji, New York + 1 (212) 438 7351
Frank Gill, Madrid + 34 91 788 7213
KimEng Tan, Singapore + 65 6239 6350

Key Contacts:

Americas Media Relations: (1) 212-438-6667
media_relations@spglobal.com

Americas Customer Service: (1) 212-438-7280
research_request@spglobal.com

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