

ESG Evaluation

Sustainable Practices. Sustainable Returns.



S&P Global
Ratings

Today, investors who deliberately apply an ESG lens to investing are growing rapidly worldwide

as more come to realize the risks of separating such issues from business fundamentals. The lack of consistency, standards, and forward view of the majority of ESG information providers result in widespread difficulties for investors looking to integrate ESG factors into their investment decisions.

S&P Global Ratings ESG Evaluation is for companies looking to help their investors gain a better understanding of their strategy, purpose and management quality. The forward-looking ESG Evaluation is a relative analysis of their ability to operate successfully now and in the future using both public and

private data confidentially provided to our team of analysts rooted in a company's business and industry. As a result, the final output is S&P Global Ratings' assessment of an entity's sustainability efforts that may help them attract short and longer-term investment as needed.

"Without a sense of purpose, no company, either public or private, can achieve its full potential.

It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth. It will remain exposed to activist campaigns that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to investors who depend on it to finance their retirement, home purchases, or higher education."

Larry Fink,
CEO of Blackrock 2018 Letter to CEOs



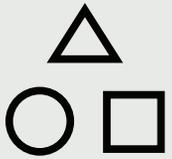
S&P Global Ratings ESG Evaluation

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.



The Importance of ESG Evaluation for Entities

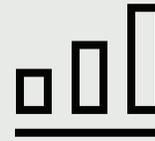
S&P Global Ratings' ESG Evaluation scores each ESG factor and looks at long term preparedness. It provides investors with insights into the opportunity and risk profile of your entity, incorporating analysis on both the region and sector.



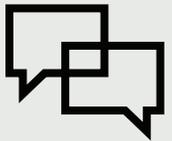
Help your investors better understand your company's strategy, corporate purpose and management quality



Benchmark your performance to understand your areas of strength and weakness and enhance your risk management processes



Differentiate your sustainability efforts from your peers in the eyes of your investors and the community



Send a strong, pro-active message to stakeholders and appeal to more women and millennials as employees and customers



Positioning your entity well in ESG could help you access a broader source of capital



Be proactive and be prepared as more and more investors are requesting specific objectives around an entity's ESG strategies and monitoring their progress

The Importance of ESG Evaluation for Investors

S&P Global Ratings' ESG Evaluation scores each ESG factor and looks at long-term preparedness. It helps investors to understand the risk profile of the business, and its relative positioning against local and global peers.



Gain deeper insights into the risk and opportunities facing businesses you are investing in



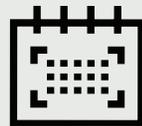
Balance risk adjusted financial returns with sustainability benefits



Meet your clients' needs and requests, and satisfy your ESG mandates



Adhere to climate finance and regulatory investment targets and disclosure standards

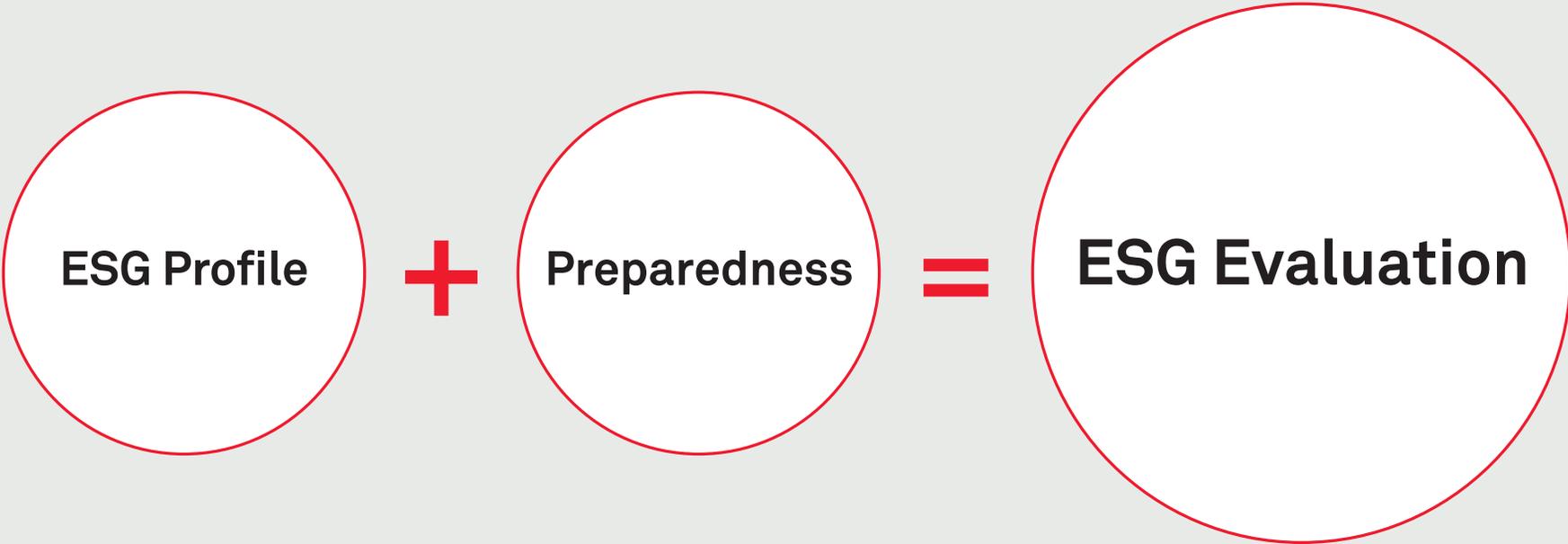


Investors believe ESG factors could translate to financial impact over a long term time horizon, for both fixed income and equity investments



Investors believe that integrating ESG could help improve the investment outcome in terms of return enhancement or risk reduction

S&P Global Ratings ESG Evaluation



Profile



Profile development assesses the exposure of an entity's operations to observable ESG risks and opportunities, accounting for the governance structure in mitigating risks and capitalizing on opportunities.

Risk Atlas



Region and sector macro analysis



Diagnostic



Entity-specific analysis by credit analyst and ESG team



Meeting



In-person assessment



Adjustments



Analytical judgement

Profile Factors

Environmental



Greenhouse Gas Emissions



Waste & Pollution



Water Use



Land Use

Social



Workforce & Diversity



Customer Engagement



Safety Management



Communities

Governance



Structure & Oversight



Transparency & Reporting



Code & Values



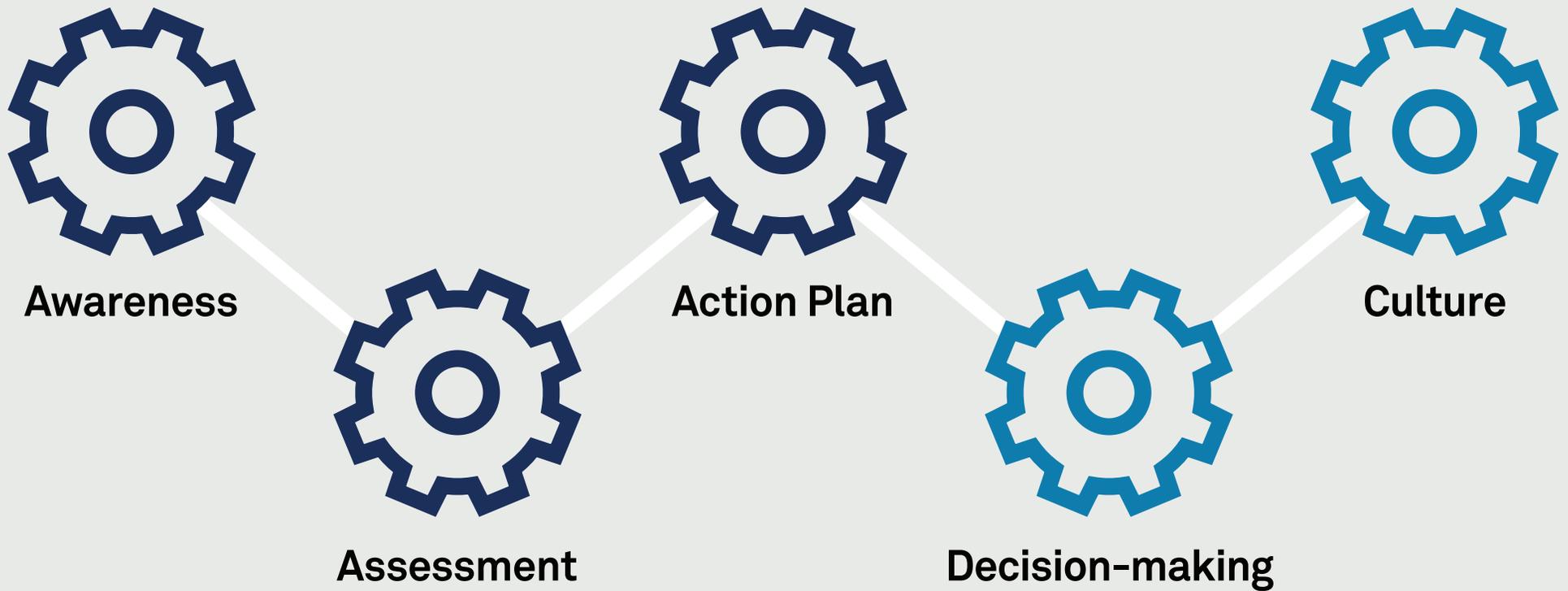
Cyber Risk & Systems

Preparedness



Preparedness assesses a company's capacity to anticipate and adapt to a variety of long-term plausible disruptions.

Long-term Preparedness



 Capabilities

 Embeddedness

S&P Global Ratings ESG Evaluation

The S&P Global Ratings ESG Evaluation report sets out our analysts' view of the ESG Profile of the company and its Preparedness assessment.

The ESG Profile reflects the entity's current activities and starts by applying the outputs from the S&P Global Ratings ESG Risk Atlas to the entity's sector and regional footprint. Our company analysis reflects our view of the extent to which the Profile analysis has mitigated these risks. The Preparedness assessment evaluates the entity's capacity to anticipate and adapt to a variety of long term plausible disruptions. Our analysis draws on the industry expertise of our global team of analysts and discussions with the management and board. It provides a relative overall ESG Score which allows comparison with other entities globally, including sector peers.

If requested, S&P Global Ratings may assess an entity against TCFD disclosure standards.

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This case study involves a hypothetical entity and is intended for demonstration purposes only. It does not represent an ESG Evaluation for any actual entity.

Environmental, Social and Governance (ESG) Evaluation

Electric Utility Case Study

Executive Summary

Electric Utility Inc. (EUI)'s operations are based in the US as a multi-state operation. The company also operates regulated networks in those states and currently relies on over 10,000 MW of aging coal-fired assets as well as about 2,500 MW of natural gas fired generation to supply its customers with electricity.

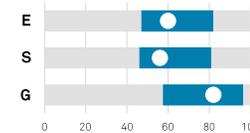
The company's ESG Evaluation score of 78 reflects many best practices in Preparedness (Strong), evidenced by regular updates to their long-term sustainability plan. In addition to planning the transition away from carbon fuels, the plan considers potential disruptors to their business model such as batteries and distributed generation and related cost pressures. A strong governance framework (82) and relatively low institutional risk exposure supports their overall ESG Profile of 65 which is dampened by high sector-related ESG risk exposure for their generation segment and relatively high carbon intensity compared to peers (bottom quartile). Reducing and reporting on waste management, managing indirect greenhouse gas emissions, and more focus on the social impact of their subsidiaries and suppliers could improve the overall ESG Profile. Company policies managing their social exposure have limited effectiveness given no allocation of responsibilities.

The company's operations have been relatively free from controversies for several years.

Entity	Electric Utility Inc.
Location (HQ)	U.S.
Primary Operation Location(s)	U.S.
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Profile Score

68/100



Company-specific attainable and actual scores

Preparedness Opinion

Strong

Awareness:
Assessment:
Action:
Culture:
Decision-making:

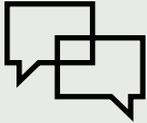
Excellent
Good
Excellent
Good
Excellent

ESG Evaluation

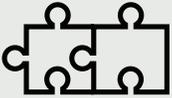


A higher score represents better sustainability

S&P Global Ratings ESG Evaluation is for an entity's investors looking to better understand the entity's strategy, purpose and management quality.



Ongoing and open dialogue with our analysts throughout the process allows you to highlight any data points that may require further explanation.



Our ESG Evaluation incorporates both **public** and **private** data, combines both **quantitative** and **qualitative** analysis, and considers both the **near-term** and **longer-term** risks and risk mitigants.



Our ESG Evaluation helps investors to assess an entity's adaptability through our assessment of each industry's sector-specific ESG risks and opportunities, geographic risk, management engagement, and our assessment of the entity's preparedness for potential disruptions due to ESG factors in the longer term.



Our ESG Evaluation captures insights from our credit analysts based on **deep sector knowledge** and **information gained from interactive meetings with an entity's management**.



Our analytical team initiates population of the ESG Evaluation diagnostic survey, then passes the survey on to the entity for review and final completion. The entity has the opportunity to update the diagnostic survey annually.



If requested, our ESG Evaluation may opine on whether or not the entity's financial disclosures are **aligned with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD)**.

Join the ESG discussion.

Visit www.spglobal.com/sustainable-finance. Email esg.evaluation@spglobal.com
Or contact your local S&P Global Ratings Sustainability representative:

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