S&P Global
Market Intelligence

Credit Assessment Scorecards

With credit markets constantly evolving, how effectively do you manage risk?

S&P Global Market Intelligence's Credit Assessment Scorecards ("Scorecards") provide credit and risk management professionals with essential tools to identify and manage default risks of private, publicly traded, rated and unrated companies and government entities across a multitude of sectors.

Assess credit risk with confidence, consistency, and convenience

In today's volatile environment, you are challenged to effectively assess creditworthiness to meet increasing regulatory requirements, limit losses and grow revenue. It is essential to zero in on relevant risk factors to minimize defaults and manage internal risks.

Our Scorecards provide an effective framework to navigate today's climate, especially for low-default portfolios that, by definition, lack the internal default data necessary for the construction of statistical models that can be robustly calibrated and validated. Scorecards are easy-to-use tools that draw on a mixture of quantitative and qualitative questions in a check-box style to identify key risks.

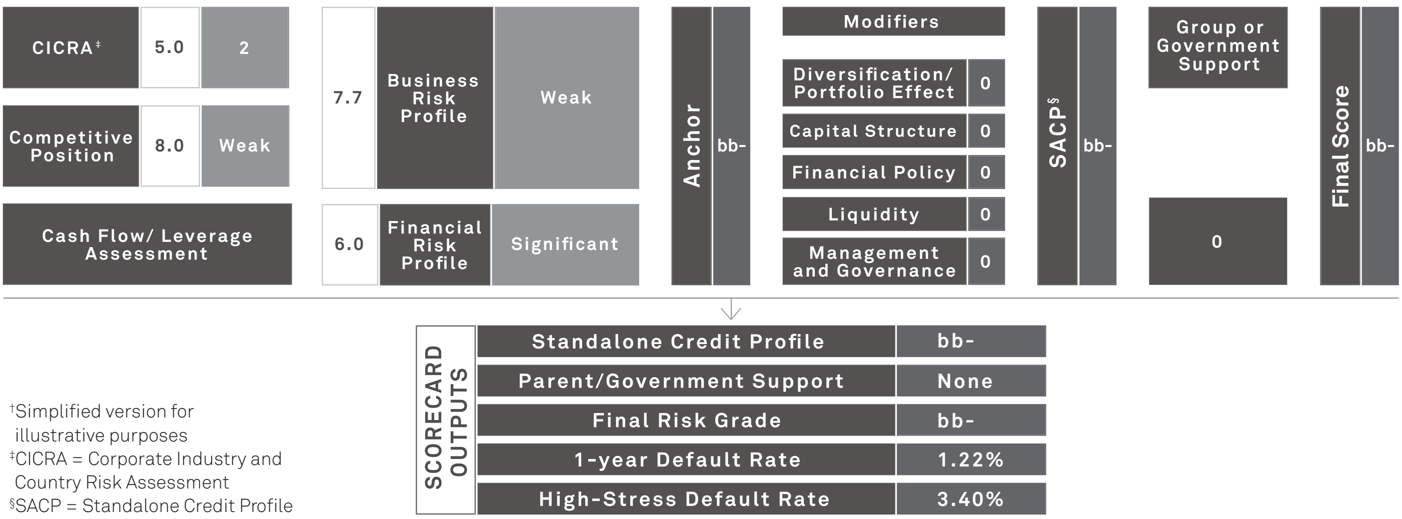
Scorecards with ESG Credit Metrics are enhanced Scorecards that explicitly include environmental, social and governance (ESG) factors. The ESG credit risk factors are considered in detail alongside the traditional credit analysis formalized in the Scorecards, enabling you to reflect the impact of material ESG factors on credit risk while working through the regular credit assessment process. These Scorecards generate ESG credit metrics that quantify the impact on the final credit score of ESG credit risk factors, a key stakeholder requirement (see Figure 2 below).

Confidence

Gain confidence in your decision-making and the reliability of your company's internal risk rating systems with our Scorecards:

- Point-in-time factors combine with forward-looking qualitative factors, converging trends, and relationships between key drivers to provide a full picture of credit risk.
- Analytical flexibility helps you assess a variety of ESG factors to determine if they can materially influence the creditworthiness of an entity, as ESG factors do not always correlate to key ESG credit risk factors (e.g., cement producers' negative environmental impact is not generally considered credit negative).
- Leading benchmarks include over 140 industry and country risk scores.
- Full technical documentation describes the analytical/ statistical processes used to develop a Scorecard, identifies the data used in construction and provides testing performance results.
- A rigorous development process and annual recalibrations ensure that our Scorecards are highly predictive of default risk.
- An IFRS-9 and CECL impairment overlay incorporates macro-economic conditions, as well as market information, to adjust the Scorecard's Probability of Default (PD) output. The adjustments consider reasonable and supportable current and forward-looking information to ensure that Scorecards can produce forward-looking point-in-time PD estimates (both one-year and lifetime)

Figure 1: Sample Corporate Scorecard



†Simplified version for illustrative purposes
‡CICRA = Corporate Industry and Country Risk Assessment
§SACP = Standalone Credit Profile

Consistency

Follow a roadmap to assess creditworthiness, focusing on the key risk factors most predictive of default risk.

This standardized structure allows for replicability year-to-year, analyst-to-analyst, and a transparent scoring process1 relies on:

- Attribute-driven scoring guidelines that provide an easy-to-use, logical structure to score business risk factors.
- Performance testing with 75% of a Scorecard's outputs on average being an exact match, or within one notch of, the S&P Global Ratings' credit rating.
- Identification of default risk through a granular 20-point rating scale.
- Scorecard numerical scores that are broadly aligned with S&P Global Ratings' criteria and further supported by historical default data from 1981.

Figure 2: ESG Credit Metrics

Environmental, Social, And Governance Credit Metrics* Overview & Comments						
Environmental Comments	e-1	e-2	e-3	e-4	e-5	e-3.00
	Environmental factors are a very negative consideration in our credit rating analysis of XYZ Holdings….					
Social Comments	s-1	s-2	s-3	s-4	s-5	s-4.22
	Social factors are also a very negative consideration. The company continues to bear a colossal financial burden from compensation to ….					
Governance Comments	g-1	g-2	g-3	g-4	g-5	g-4.26
	Governance factors are a moderately negative consideration in our credit rating analysis of the company. The company has considerable risk of litigation related to the accident and has huge off-balance-sheet liabilities, although it has steadily stabilized operations and earnings since 2011.					

Areas of the Corporate Scorecard that will most likely be influenced by ESG considerations include industry risk, competitive position and management/governance. This will differ with other Scorecards, such as those for banking and project finance.

The ESG credit metrics that are generated are alpha-numeric quantifications of the expected impact of ESG credit risk factors on the final score. They are shown on a scale from 1 to 5, with
1 being positive and 5 very negative, and are proving to be critical for internal and external requirements.

Convenience

In today's complex credit markets, it is important to have tools that help you quickly and conveniently assess your risk. Key features of our Scorecards include:

- Automation: Automate the spreading of financial data from S&P Global Market Intelligence and S&P Capital IQ platforms using the Excel® "plug-in" feature.
- Seamless updates: Annual validation process is carried out to ensure that all Scorecards are analytically sound and the scoring criteria and User Guide are up-to-date.
- Transparency: In-depth model development and maintenance documentation identifies how a Scorecard was developed, its limitations, use of data, and performance.
- Quick deployment: Unlike other solutions, our Scorecards provide an off-the-shelf solution, so you can free up resources in your company to help increase efficiency throughout your business.
- Over 70 Scorecards* offer sector-specific, globally applicable sector and geographic coverage for all major asset classes, governments, real estate, and project finance.

Let us help you

Our bespoke modelling and integration team can help transition your existing internal processes or scoring models and facilitate knowledge transfer on the methodology behind the Scorecards. Nothing satisfies us more than helping you complete a project or meet a deadline. Know we are just a phone call or email away.

Credit Assessment Scorecards: 6 Key Sectors

Sector	Sub-Sectors
Financial Institutions	Banks, Insurance, Brokers/Dealers, etc.
Corporates	Large Corporations, Small & Medium Enterprises (SMEs), Commodity Traders, and various other sector-specific scorecards
Governments	Sovereigns, Local and Regional Governments, US Public Finance (PFAST)
Real Estate	Commercial Real Estate (CREST), Real Estate Investment Trusts (REITs), Real Estate Developers
Project Finance	Energy, Infrastructure, etc.
Specialised Lending	Asset Finance (Aviation, Shipping), Structured Trade and Commodity Finance

* As of February, 2023

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