ESG In Credit Ratings Q1 2025

As Rating Activity Picks Up, Negative Actions Continue To Dominate

S&P Global Ratings

This report does not constitute a rating action.

By the numbers: First-quarter 2025 ESG-related credit rating actions

Total ESG-driven credit rating actions, Q4 2024 vs. Q1 2025

	ALL CREDIT RATING ACTIONS	POSITIVE RATING ACTIONS	NEGATIVE RATING ACTIONS
Q4 2024	51	0	51
Q1 2025	57	3	54

Positive rating action breakdown

	TOP FACTOR	TOP SECTOR	TOP REGION
Q4 2024	0 N/A	0 N/A	0 N/A
Q1 2025	1 Governance structure	1 Sovereigns	2 EMEA

Negative rating action breakdown

	TOP FACTOR	TOP SECTOR	TOP REGION
Q4 2024	19 Risk management, culture, and oversight	45 U.S. public finance	46 North America
Q1 2025	20 Risk management, culture, and oversight	49 U.S. public finance	51 North America

ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Key Takeaways

- Credit rating actions related to environmental, social, and governance (ESG) factors increased 12% in the first quarter of 2025 versus the fourth quarter of 2024, partially due to an uptick in the number of ESG-related rating actions involving corporate issuers (to five, from zero the previous quarter).
- Rating actions related to physical risks also contributed to the overall increase. There were 19 in the first quarter (just shy of the full-year 2024 tally of 22), and 17 of the 19 were in the U.S. public finance sector. (Most of these were related to the January wildfires in Los Angeles County.)
- Negative rating actions outnumbered positive ones by 18 to 1, as there were just three positive rating actions recorded in the first quarter. The U.S. public finance sector was the dominant sector in terms of ESG-driven rating activity--it saw an 11% quarter-over-quarter increase.
- Governance factors continued to drive ESG-related rating actions in the first quarter, though their share fell to 65% from 67% in the fourth quarter. Risk management, culture, and oversight was the most common underlying governance factor (at 20), narrowly outpacing physical risks.

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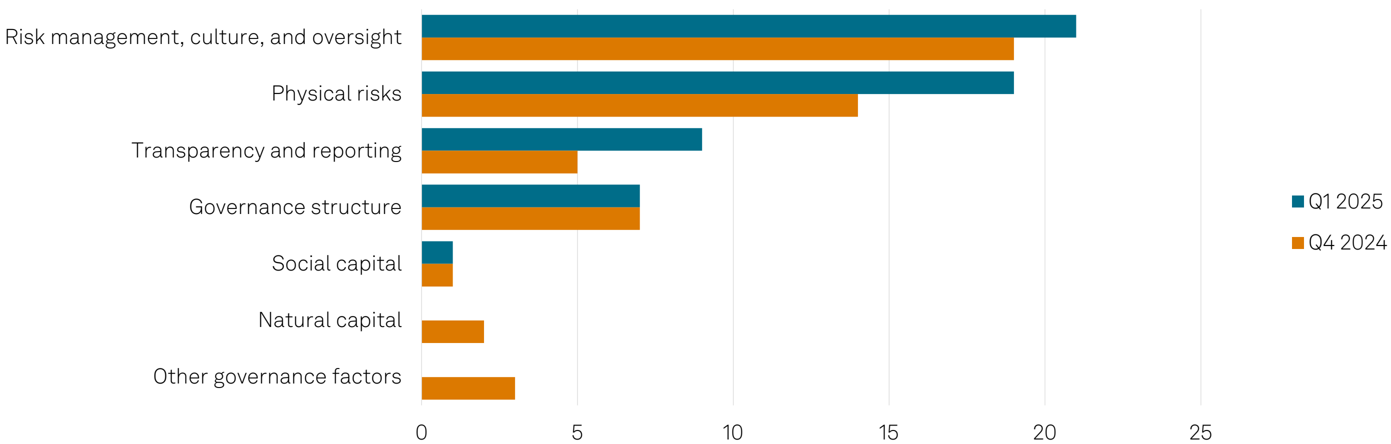
2025 ESG Credit Rating Actions

S&P Global Ratings includes a reference in its credit rating rationales when one or more of the below ESG factors were a key driver behind a change to the credit rating, outlook, or CreditWatch status. We consider ESG credit factors as those ESG factors that can 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. They are not an assessment of an entity's sustainability profile or ESG performance. This newsletter provides additional data and insights on ESG credit factors that have been key drivers behind changes to our credit ratings.

ESG-related rating activity by ESG factor

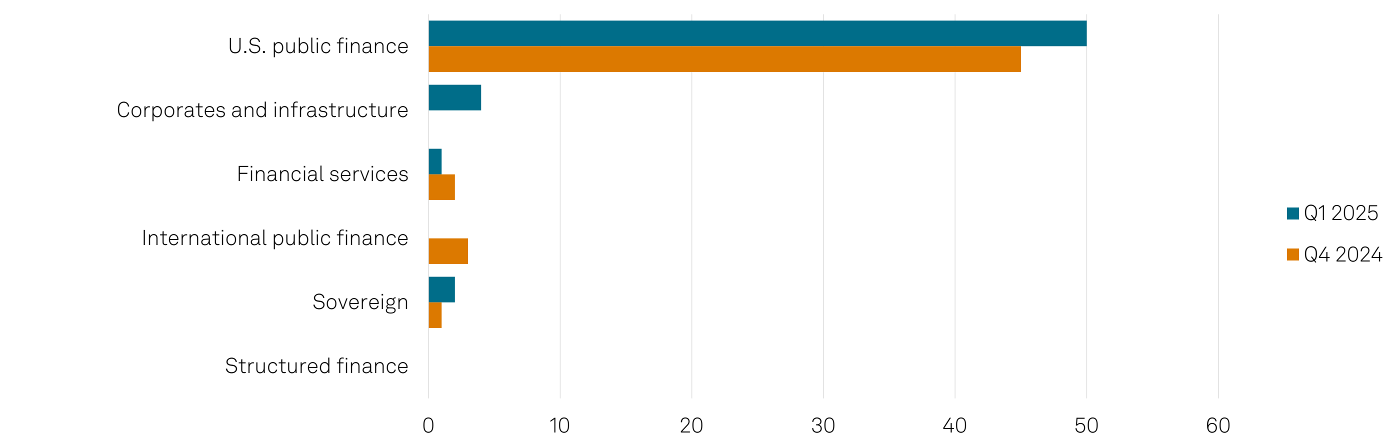
Q1 2025 versus Q4 2024, no. of actions



Data reviews rating activity between Jan. 1. 2025, and March 31, 2025. Source: S&P Global Ratings.

ESG-related rating activity by sector

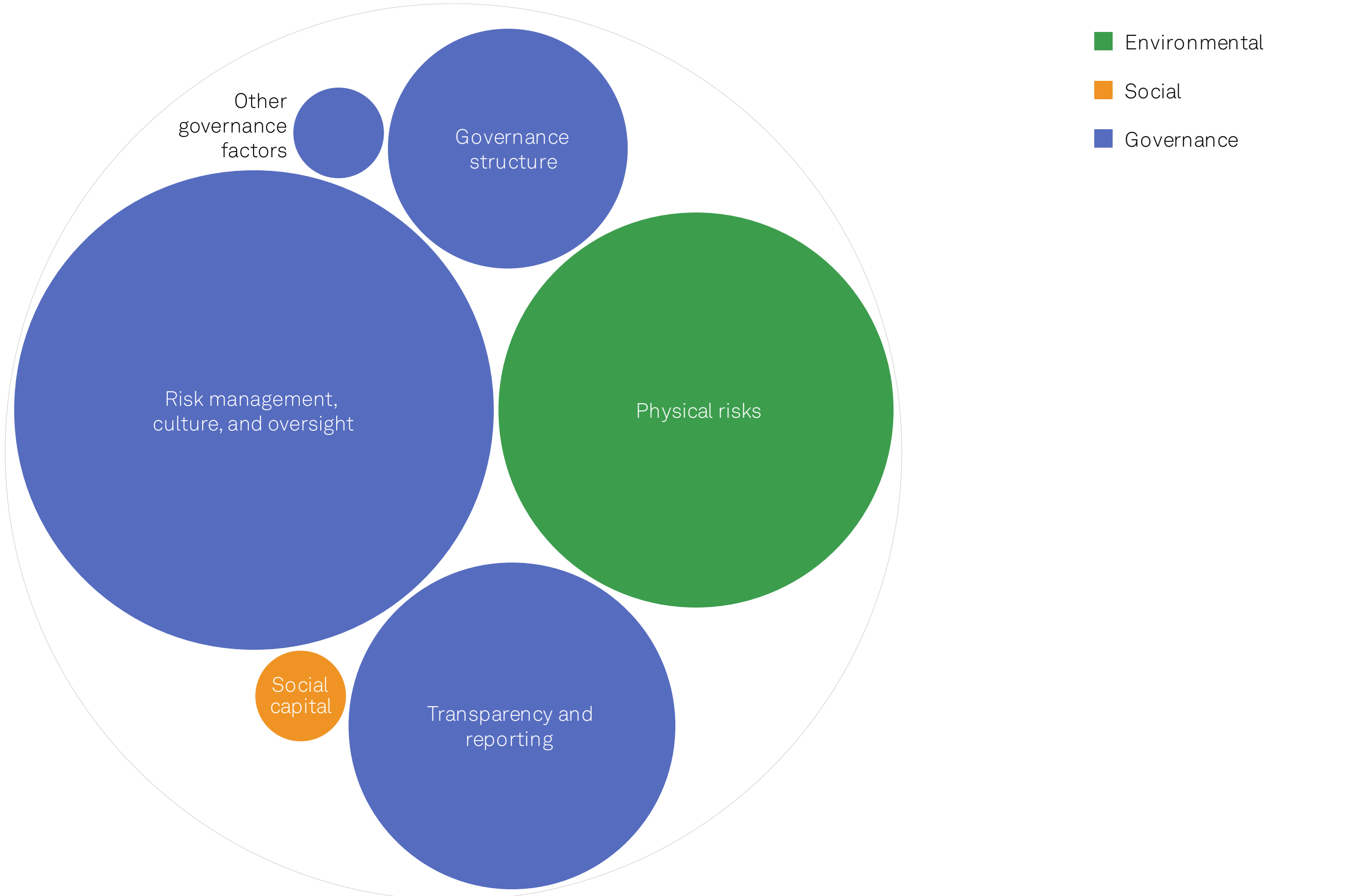
Q1 2025 versus Q4 2024, no. of actions



Data reviews rating activity between Jan. 1. 2025, and March 31, 2025. Source: S&P Global Ratings.

Leading factors cited in ESG-related rating actions

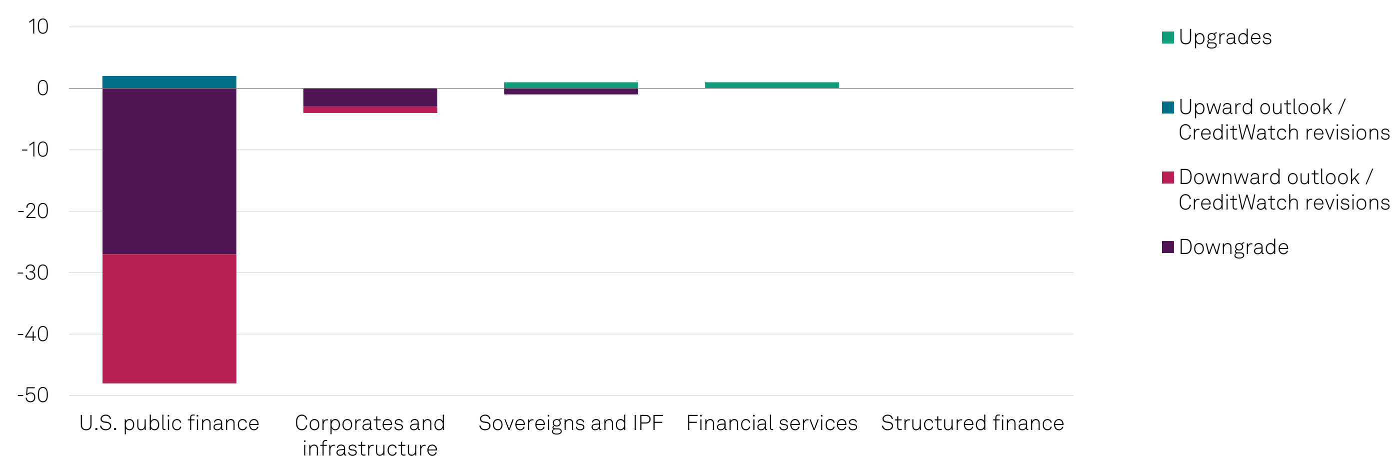
As a proportion of total cited factors, year-to-date 2025



Data as of March 31, 2025. Bubble size is determined by occurrence of factors between January and March 2025, irrespective of positive or negative actions. The sum of ESG factors exceeds total ESG-related rating actions because some actions are influenced by multiple factors. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

ESG-related credit rating actions by type

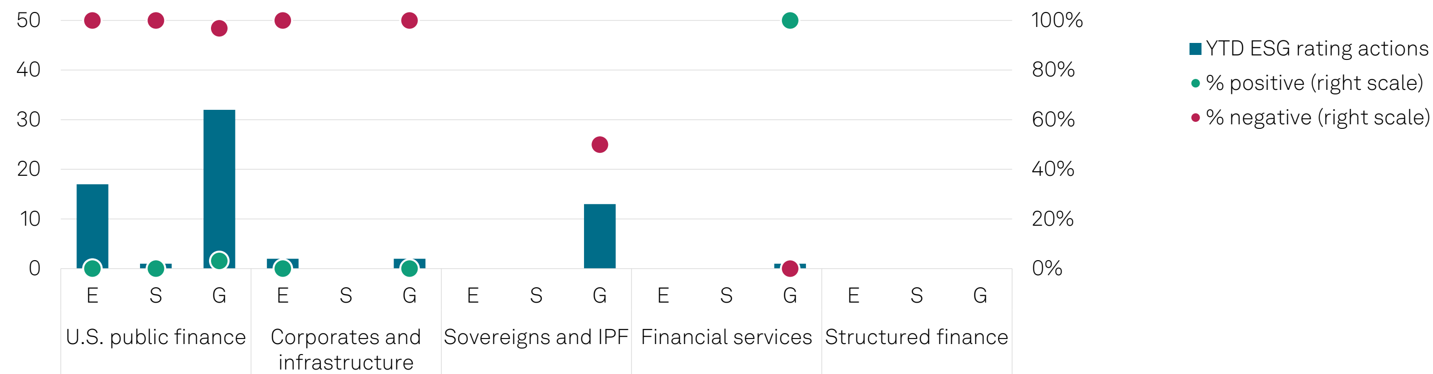
Number of actions, year-to-date



Data as of March 31, 2025. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. Upgrades and upward outlook/CreditWatch revisions are shown as positive numbers, while downgrades and downward outlook/CreditWatch revisions are shown as negative numbers. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

ESG-related credit rating actions by sector and factor

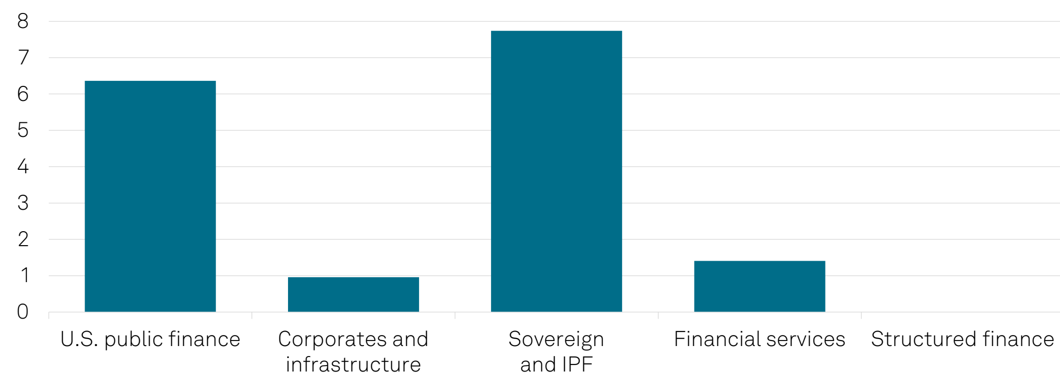
Number of actions and proportion positive/negative



Data as of March 31, 2025. Rating actions include rating, CreditWatch, and outlook changes. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. ESG--Environmental, social, and governance. IPF--International public finance. YTD--Year-to-date.
Source: S&P Global Ratings.

ESG-related credit rating actions (% of total)

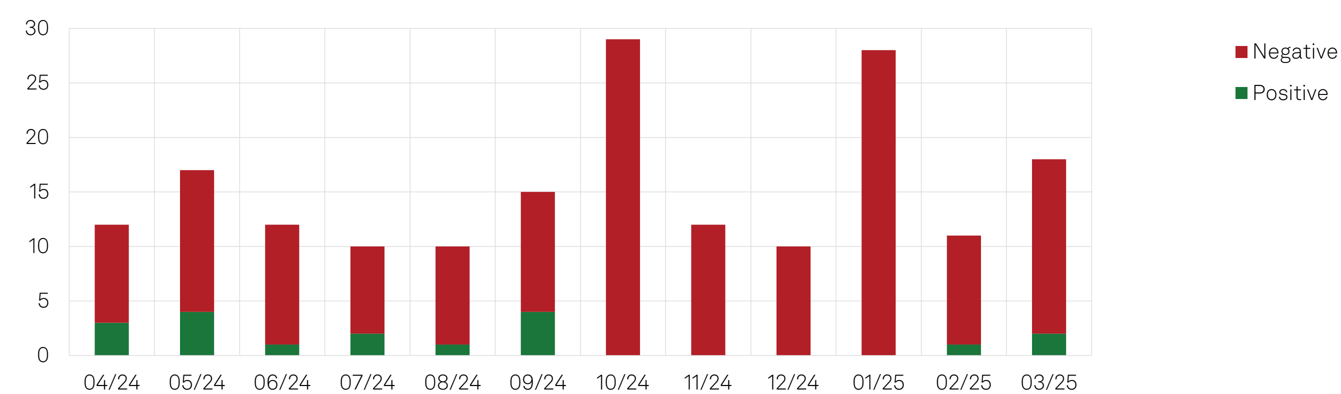
Year-to-date 2025



Data as of March 31, 2025. Total rating actions exclude affirmations with no outlook change, withdrawals, and new ratings, including instances where multiple rating actions exist. Sovereign and IPF have a much smaller dataset which is contributing to the larger proportion of ESG-related rating activity as a percentage of total. ESG--Environmental, social, and governance. IPF--International public finance. Source: S&P Global Ratings.

ESG-related credit rating actions by month

Number of actions, trailing 12 months



Data as of March 31, 2025. Positive actions include upgrades, CreditWatch positive placements, upward outlook revisions, and upgrades with outlook revisions. Negative actions include downgrades, downward outlook revisions, CreditWatch negative placements, and downgrades with outlook revisions. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

Appendix

ESG-related credit rating actions*

Year-to-date

	U.S. public finance	Corporates and infrastructure	Sovereigns	International public finance	Financial services	Structured finance	Total
Downgrade	27	3	1	0	0	0	31
CreditWatch negative	8	0	0	0	0	0	8
Downward outlook revision	13	1	0	0	0	0	14
Upgrade	0	0	1	0	1	0	2
Upward outlook revision	2	0	0	0	0	0	2
Total ESG-related rating actions*	**50**	**4**	**2**	**0**	**1**	**0**	**57**
Environmental§	19	2	0	0	0	0	21
Social§	1	0	0	0	0	0	1
Governance§	40	4	2	0	1	0	47
Total ESG-tagged factors§	**60**	**0**	**0**	**0**	**0**	**0**	**69**

Data as of March 31, 2025. *Rating actions include rating, CreditWatch, and outlook changes between January and March 2025. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. §The sum of ESG factors affecting rating actions may exceed total ESG-related rating actions because some actions are influenced by multiple factors. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

ESG Spotlight

Ripple Effect: How Value Chains Compound Sector Exposures To Physical Climate Risks

Exposures of companies to physical climate risks inherited through value chains may be significant. This is more the case for companies operating in sectors with long and/or complex value chains, or those that rely on the natural environment. In this research, we seek to enhance understanding of sectors' exposures to physical climate risks. We do so by looking beyond direct exposures to estimate those transmitted between sectors through value-chain networks.

Using economic input-output data from the U.S. Bureau of Economic Analysis (BEA), we first build value-chain models at the sector level that express the economic inputs and dependencies between sectors. We then layer into these sector value-chain models the direct exposures of different sectors to nine climate hazards. These exposures are drawn from the S&P Global Sustainable1 Physical Climate Risk dataset. This allows us to estimate the exposures to physical climate risks each sector inherits from the sectors in its value chain.

We focus on the potential impacts, or risks, to sectors downstream of the climate hazard event, rather than potential opportunities. This research augments understanding of how climate hazards might transmit through value chains and lead to potentially material credit impacts.

Companies inherit physical climate risk exposure through their value chains

Source: S&P Global Ratings.

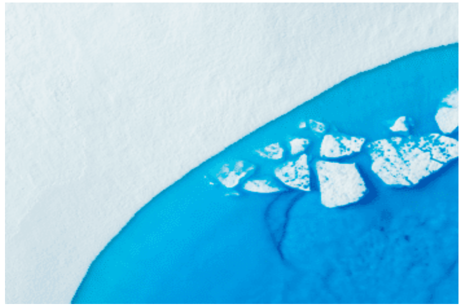
For more, see "Sustainability Insights Research: Ripple Effect: How Value Chains Compound Sector Exposures To Physical Climate Risks," March 13, 2025.

ESG Research Highlights

Decarbonizing Oil And Gas Production Faces Long-Term Hurdles After Short-Term Gains

April 15, 2025

Rated oil and gas producers should be able to deliver on short-term greenhouse gas reduction targets for their own operations, but achieving net zero requires technological advancements and supportive policy. This is the main finding of this research, which explores potential risks for oil and gas companies amid evolving emissions regulations.



Credit FAQ: How The Global Climate Policy Pendulum Influences Our Credit Ratings

April 9, 2025

Recent climate policy developments point to both changing investment priorities and easing pressures to decarbonize in the U.S. and Europe. However, S&P Global Ratings doesn't believe this necessarily means less financial risk for corporate entities. Policies still diverge between markets, and shifts generally decrease the visibility of investments, notably for long-term projects.

Global Sustainable Bond Issuance To Hold Steady At $1 Trillion In 2025

Feb. 5, 2025

Green bonds will continue to dominate issuance, with transition and sustainability-linked bonds potentially helping to push total sustainable bond issuance to $1 trillion this year. More than $900 billion of rated outstanding sustainable bonds mature in the next two years and nearly $2.5 trillion before the end of the decade, testing market participants' commitment to climate action and the strength of the sustainable bond market. Efforts to close the climate finance gap in lower-income countries, a rebound of sustainability-linked issuance, a broader base of transition bond issuers, or expanding issuance in China could be swing factors for 2025 volumes.

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