

Sustainable Finance – S&P Global Ratings



Feb. 25th 2020

S&P Global
Ratings

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*Director, Head of Steering
Sustainable Finance
S&P Global Ratings*

3 Distinct Initiatives

- 1 ESG In Credit Ratings
- 2 Green Evaluation
- 3 ESG Evaluation



Source: S&P Global Ratings; S&P Market Intelligence

ESG In Credit Ratings

S&P Global Ratings RatingsDirect®

ESG Industry Report Card: Midstream
June 5, 2019

S&P Global Ratings RatingsDirect®

ESG Industry Report Card: Power Generation
May 13, 2019

S&P Global Ratings RatingsDirect®

ESG Industry Report Card: Regulated Utilities Networks
May 13, 2019

Key Takeaways

- Transition scenarios for the sector are generally limited, reflecting the sector's high inertia and high fixed costs.
- Debt covenants typically change in material events, which could limit the company's ability to raise additional capital in the future.
- The sector is expected to remain relatively stable due to the importance of regulated utilities to local communities and the existing regulatory and governmental framework.

The ESG Risk Atlas

To assist in the understanding of factors, we use our environmental, social, and governance (ESG) Risk Atlas tool. The ESG Risk Atlas tool is a Regional Risk Atlas tool. Last updated May 13, 2019. The Risk Atlas provides a relative ranking of industries in terms of exposure to environmental and social risk opportunities. The sector risk atlas shows three levels of exposure: each sector is exposed to environmental and social risks, scoring 0 to 4 stars. A score closer to 0 represents a relatively low exposure, while 4 indicates a high relative exposure to environmental and social risk. Scores are calculated using the Appendix. For a full list of sectors, further on the Risk Atlas section, which is located in the credit-specific reports, which is part of the Risk Atlas tool. For a full list of sectors, which is located in the credit-specific reports, which is part of the Risk Atlas tool.

Environmental Exposure (Risk Atlas: 2)

Review the environmental risk to identify which risks are generally most important to the sector. Review the sector's exposure to the risks. Review the ESG Risk Atlas tool. Review the sector's exposure to the risks. Review the ESG Risk Atlas tool. Review the sector's exposure to the risks. Review the ESG Risk Atlas tool.

www.spglobal.com/ratings May 13, 2019

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Enel, ESG, And Credit Ratings

January 20, 2020

Key Takeaways

- Italian energy giant Enel has embraced ESG considerations, though its energy mix still relies on fossil fuels for about half of power generation.
- Environmental considerations matter for Enel's credit quality and are well embedded into the group's strategy and investment plan, which foresee favorable growth prospects both in renewables and networks.
- Social risks include threats from affordability and service quality concerns, but we believe Enel is well positioned to face them.
- Regarding governance, a relatively complex group structure and exposure to higher-risk countries are factors that constrain the ratings.

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Italian energy giant Enel SpA (BBB+/A-) is at the forefront of sustainability in the global power market. Most recently, International Financing Review named the company issuer of the year for 2019 for its commitment to sustainable systems, which has resulted in the world's first green

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Green Evaluations



Green Evaluation

ACS Servicios Comunicaciones y Energía S.L. €750 Million Green Notes

Transaction Overview

ACS Servicios Comunicaciones y Energía S.L. (ACS SCE) issued €750 million of direct, general, unconditional, unsubordinated, and unsecured notes in April 2018. We base our Green Evaluation score of E1/85 on the €939.7 million of proceeds allocated to green projects as of Sept. 30, 2019. ACS SCE is using the proceeds to finance or refinance the development, construction, installation, and maintenance of new or existing eligible green projects, assets, or activities. These include renewable energy, energy distribution and management, water management, and energy efficiency projects across North America, South America, Europe, Asia, and Africa, for which ACS SCE has either a full or partial ownership stake. This analysis is an update of the previous Green Evaluation completed in April 2018 (E1/83), which was based on ACS SCE's expected allocation of proceeds.

Green Evaluation Overview

Transaction's Transparency		92
- Use of proceeds reporting - Reporting comprehensiveness		
Transaction's Governance		88
- Management of proceeds - Impact assessment structure		
Mitigation		
Sector	→ Net Benefit Ranking	→ Hierarchy Adjustments
Renewables and efficiency	Solar, wind, hydro, lighting	Carbon
Water	Distribution, desalination	Water
Adaptation		NA

Entity: ACS SCE
Subsector: Renewable energy
Location (HQ): Spain
Financing value: €750 million
Amount evaluated: 81%
Evaluation date: Nov. 15, 2019
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 anna.lubachynia@spglobal.com



Green Evaluation

Bothwell Spain S.A.'s €567.8 Million Project Bond & Bank Loan

Transaction Overview

Bothwell Spain S.A.'s €567.8 million green issuance includes €34 million senior secured loans, €1 billion (due June 2026), €234.1 million senior-secured debt, €2 billion (due June 2026), and a 10-year €200 million tranche. Proceeds will finance 23 solar photovoltaic (PV) projects in Spain with a combined capacity of 127 megawatt peak (MWp). The assets are primarily located in the southern regions of Castilla La Mancha, Andalusia, and Extremadura (61% of MWp) with the remainder across mainland Spain, the Balearic Islands, and the Canary Islands.

Through an on-loan agreement, Bothwell transfers the proceeds to 30 project companies that own and operate the assets. Bothwell is an equity company that is owned by the T-Solar Global Operating Asset group made up of shareholders Grupo T-Solar (51%), the asset manager MEAG (37%), and Kohlberg Kravis Roberts (12%). While the transaction covers 23 solar PV assets in Spain, these entities collectively own and operate 200 MWp of renewable energy assets in Spain, Italy, Peru, and India. From the transaction's proceeds, €35.5 million is distributed to shareholders and is not in scope of this evaluation. Therefore, we are evaluating only €529.3 million (93%) of the transaction's financing.

Entity: Bothwell Spain S.A.
Subsector: Green Energy
Location (HQ): Spain
Financing value: €567.8 million
Amount evaluated: 93%
Evaluation date: Dec. 20, 2019
Contact: Beth Burke
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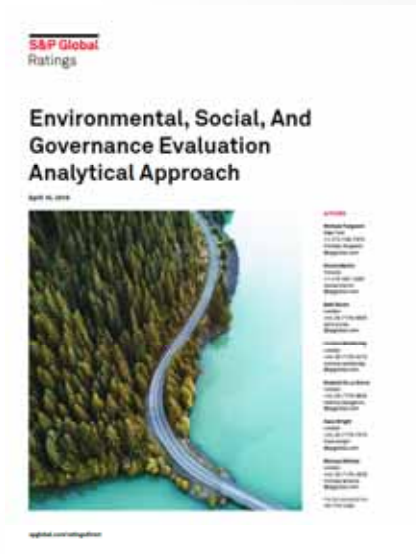
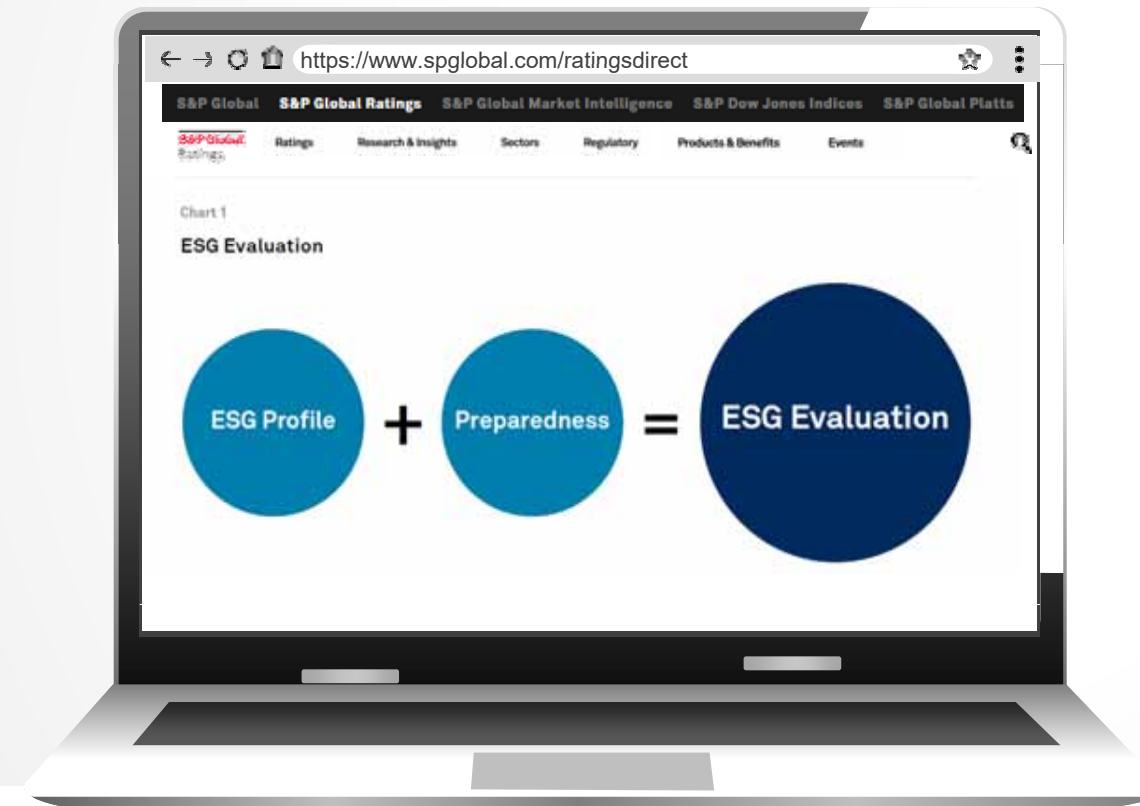
Green Evaluation Overview

Transaction's Transparency		87
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Sector	→ Net Benefit Ranking	→ Hierarchy Adjustments
Green Energy	Solar PV generation	Carbon
Adaptation		NA



ESG Evaluation: Definition & Analytical Approach

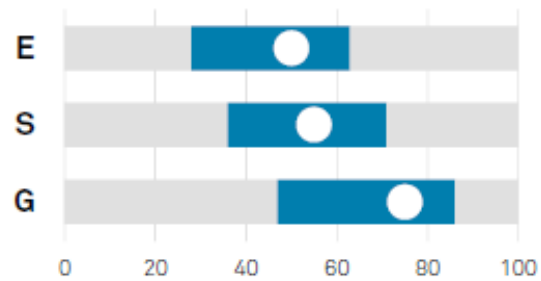
ESG Evaluation is a **cross-sector relative analysis** of an entity's capacity to operate successfully in the future and is grounded in how **ESG factors** could **affect stakeholders**, leading to a material direct or indirect **financial impact on the entity**.



Repsol's ESG Evaluation

Profile Score

61/100



Entity-specific attainable and actual scores

Preparedness Opinion

Strong

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

**ESG
Evaluation**

68/100

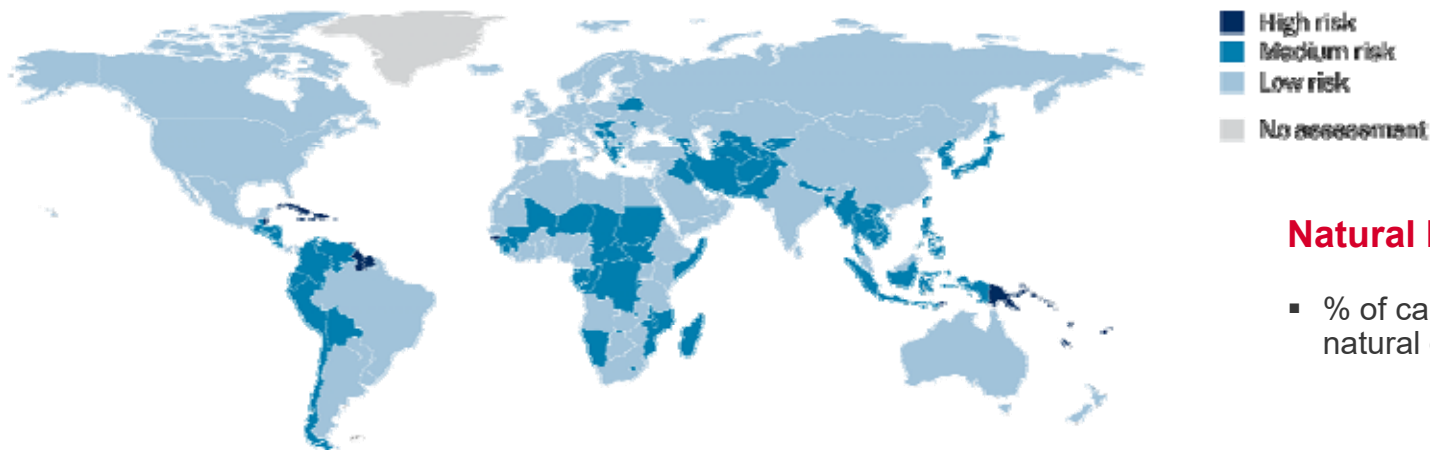
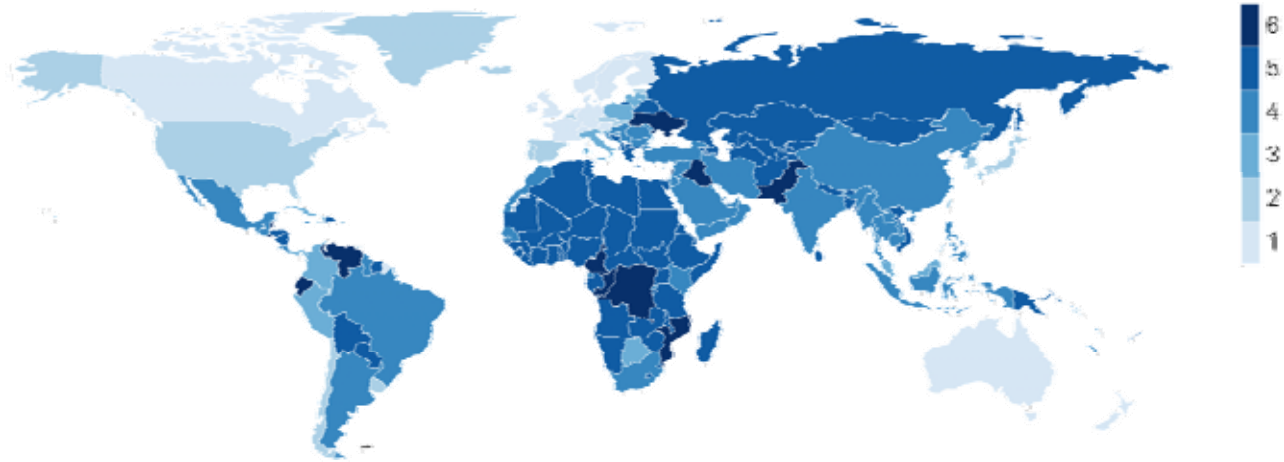
A higher score indicates better sustainability

Appendix

ESG Profile: Regional Risk Atlas

Governance Risks

- Corporate Governance
- Institutional Effectiveness
- ESG Regulations



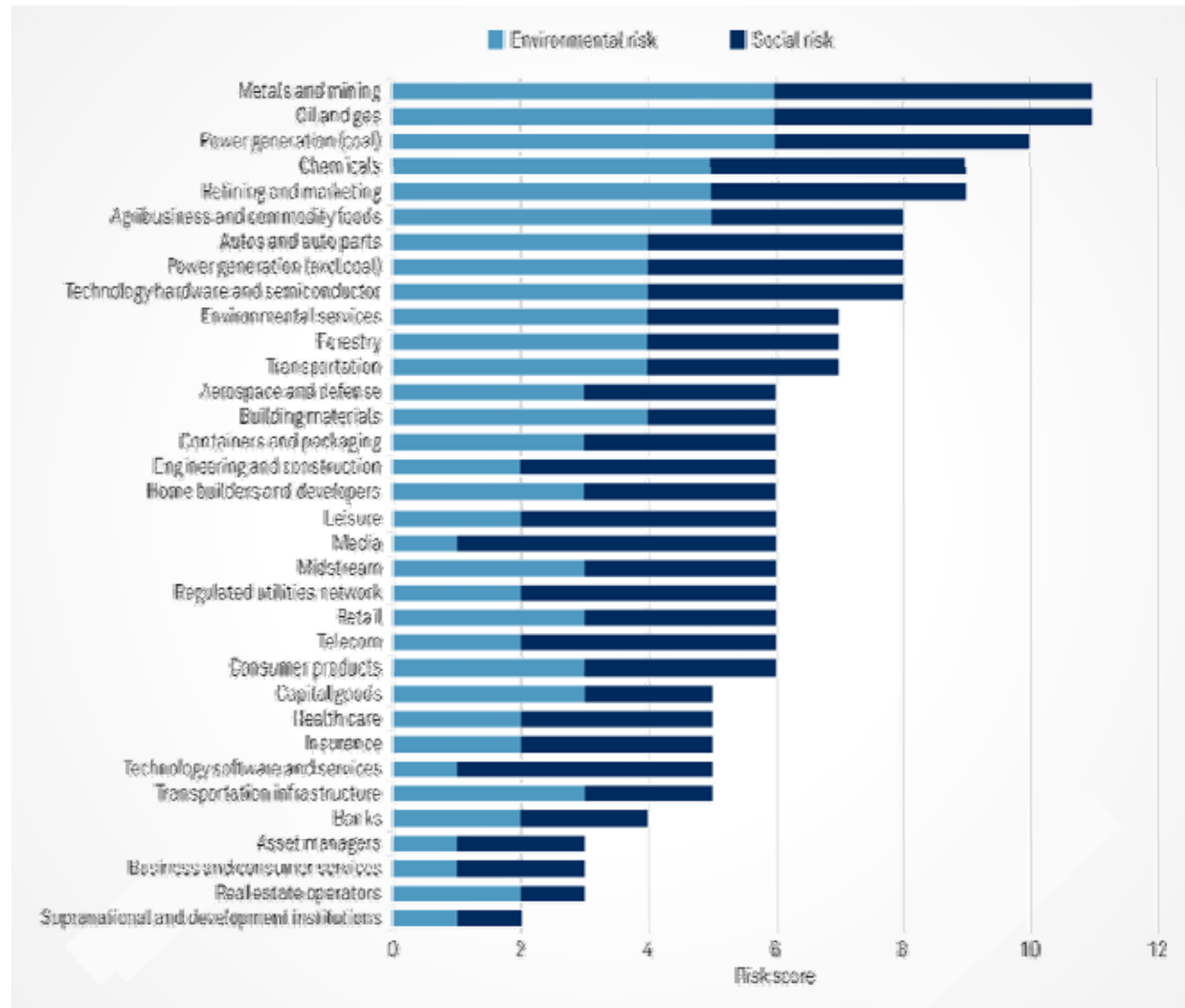
Natural Disaster Risk

- % of capital stock loss by natural disaster

Source: S&P Global Ratings; World Bank's Human Capital, Rule of Law, and Control of Corruption Indices; Transparency International's Perception of Corruption; UNSIDR Global Assessment Report; World Health Organization's Global Health Estimates

ESG Profile: Sector Risk Atlas







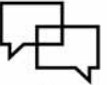




Sector Reports



Source: S&P Global Ratings

ESG Profile: Key Factors

Entity-specific scores assessed on a relative basis, against sector peers

Environmental	Social	Governance
 Greenhouse Gas Emissions	 Workforce & Diversity	 Structure & Oversight
 Waste & Pollution	 Safety Management	 Code & Values
 Water Use	 Customer Engagement	 Transparency & Reporting
 Land Use	 Communities	 Cyber-Risk & Systems

Ability to adjust: factor weights, factor scores, and profile scores

Source: S&P Global Ratings

ESG Preparedness



Source: S&P Global Ratings

Thank you!

If you would like more information please visit
www.spglobal.com/sustainable-finance