

STATEMENT ON ESG IN CREDIT RATINGS

We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility, and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating,

the two assessments should not be confused or seen as interchangeable.

With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.**

HOW CREDIT RATING AGENCIES SUPPORT THIS VISION

The credit rating agencies listed below recognise the needs of investors for greater clarity on how ESG factors are considered in credit analysis. In order to achieve this shared goal to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness, the credit rating agencies listed below affirm their commitment to:

- evaluate the extent to which ESG factors are credit-relevant for different issuers;
- publish their views transparently on the ways in which ESG factors are considered in credit ratings;
- review the ways ESG factors are integrated into credit analysis as our understanding of these factors evolves;
- maintain organisational governance and resourcing to deliver quality ratings, including ESG analysis where relevant;
- participate in industry-wide efforts to develop consistent public disclosure by issuers on ESG factors that could impact their creditworthiness;
- participate in dialogue with investors to identify and understand ESG risks to creditworthiness.

CREDIT RATING AGENCY SIGNATORIES

Dagong Global Credit Ratings Group
Liberum Ratings
Moody's Corporation

RAM Ratings
Scope Ratings
S&P Global Ratings

HOW INVESTORS SUPPORT THIS VISION

The investors listed overleaf are all signatories to the six UN-supported Principles for Responsible Investment. In signing the Principles, the investors listed below affirm their commitment to:

- incorporate ESG factors into investment analysis and decision-making processes;
- seek appropriate disclosure on ESG issues by investee entities;
- report on activities and progress towards implementing responsible investment.

Specifically, as fixed income investors, and as the primary users of credit ratings, the signatories of this statement will support formal integration of ESG factors into ratings. This helps ensure ESG risks are appropriately addressed in investment decision making, which will increase investor confidence in the quality and utility of those ratings. To support these efforts, these investors seek to participate in dialogue and engage in collaborative initiatives with other investors and credit rating agencies to further efforts to integrate ESG.

INVESTOR SIGNATORIES (100 INVESTORS MANAGING US\$16 TRILLION IN AUM)

Aberdeen Asset Management
ACTIAM
Addenda Capital
AEGON Asset Management
Alberta Investment Management Corporation
AllianceBernstein (AB)
Allianz Global Investors
Allianz SE
AlphaFixe Capital
AMP Capital
Ardea Investment Management
ASR Nederland NV
AustralianSuper
Aviva Investors
Bank J Safra Sarasin
Bâtirente
BlueBay Asset Management
BNP Paribas Investment Partners
Breckinridge Capital Advisors
British Columbia Municipal Pension- Board of Trustees
BT Pension Scheme Management
Caisse de dépôt et placement du Québec
Caisse des dépôts et consignations
Caja Ingenieros Gestión
Calvert Investments
CCOO, FP
Church of Sweden
Colonial First State Global Asset Management
Commonfund
Connor, Clark & Lunn Investment Management
Delta Alternative Management
Domini Social Investments
Dreilinden gGmbH
EGAMO
ERAFP
Federal Finance Gestion
First State Super
Folketrygdfondet
Fonds 1818
Fonds de Réserve pour les Retraites
Generation Investment Management
Geroa Pentsioak EPSV
Global Evolution
Goldman Sachs Asset Management
Gramercy Funds Management
Henderson Global Investors
Hermes Investment Management
HESTA Super Fund
HSBC Global Asset Management
Income Research & Management
Insight Investment
IVM Caring Capital
Jarislowsky Fraser Global Investment Management
Kempen Capital Management
KfW
Kommunal Landspensjonskasse
Länsförsäkringar
Legal & General Investment Management
Leith Wheeler Investment Counsel Ltd.
Local Government Super
Lombard Odier Asset Management
M&G Investments
Maple-Brown Abbott
Mariner Investment Group
MN
Neuberger Berman
NN Investment Partners
OFI Asset Management
Öhman
Ontario Teachers' Pension Plan
OP Wealth Management
Pax World Management
PGGM Investments
Principal Global Investors
Prudential Portfolio Managers
Public Investment Corporation
Public Sector Pension Investment Board
QBE Insurance Group
QIC
RBC Global Asset Management
Régime de Retraite de l'Université de Montréal
Royal London Asset Management
Sanlam Investment Management
Sarasin & Partners
Saturna Capital
Schroders
SKY Harbor Capital Management
Sparinvest
Standish Mellon Asset Management
Stone Harbor Investment Partners
T&D Asset Management
TD Asset Management
The Pensions Trust
Treehouse Investments
Union Bancaire Privée
Union Investment
Vancity Investment Management
Victorian Funds Management Corporation
Wespath Investment Management
Zurich Insurance Group