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May 16, 2022

State of Utah  
Treasurer Marlo M. Oaks  
350 N. State Street, Suite 180  
Salt Lake City, UT, 84114-2315

Re: Letter of April 21, 2022, ESG Credit Indicators – State of Utah

Dear Treasurer Oaks,

I am Eden Perry, head of S&P Global Ratings U.S. Public Finance practice and write in response to your letter dated April 21, 2022, addressed to Doug Peterson and Martina Cheung. As stated in Martina Cheung's response, we have treated your letter as a customer complaint. We take your feedback seriously and appreciate you writing to S&P Global Ratings.

Our credit rating opinions are intended to provide investors and market participants with information about the relative credit risk of the issuers and individual debt issues that we rate. S&P Global Ratings has incorporated into its credit rating analysis and disclosed in its credit rating reports the environmental, social and governance (ESG) factors that we consider material to our analysis of Utah's creditworthiness since at least May 8, 2020. Our ESG credit indicators simply provide additional transparency on those ESG credit factors that are already incorporated into our credit rating analysis. Indeed, as you acknowledge in your letter, our credit ratings have long "incorporate[d] financially material factors, including ESG factors." The only thing that has changed, with the publishing of our ESG indicators, is that we are now providing both a description and a numerical representation of how relevant ESG factors influence our credit rating opinions.

Our ESG credit indicators for Utah reflect those ESG credit factors that we consider material to our analysis of Utah's creditworthiness. Accordingly, we cannot agree to your request to withdraw or to cease publishing ESG credit indicators for Utah. We will not allow any issuer to inappropriately influence our analytical processes or our credit rating opinions. As with all issuer feedback, we will only make changes that are warranted based upon our own independent and objective assessment of the feedback. In this case we have determined that our analysis of Utah's creditworthiness (inclusive of our ESG credit indicators) appropriately reflects our credit rating opinion and accordingly will remain unchanged.

With respect to our credit rating analysis of Utah, which we rate 'AAA', through the application of our State Ratings Methodology (attached for reference), we determined that Utah's exposure to drought conditions and water scarcity, physical risk, and natural capital, respectively, pose a moderately negative influence when considering these factors against the backdrop of the state's economic and demographic trends and as compared to its nationwide peers. At the same time, we believe these ESG credit factors are offset, although not mitigated altogether, by Utah's demonstrated commitment to planning for long-term water challenges and its allocation of significant one-time federal funding toward water infrastructure projects and water conservation. Furthermore, we view Utah's social and governance risks as being in line with our view of the sector as a whole.

We have identified these credit factors, and in particular the potential long-term credit risks associated with Utah's declining water levels in the face of its strong population growth, under the heading "environmental, social and governance" in our credit rating reports for Utah since May 8, 2020, and as recently as Feb. 15, 2022 (attached for reference). Notably, we did not receive any comments from you on our inclusion or discussion of these ESG factors in our credit rating reports until your April 21 letter.

In the weeks leading up to publishing our ESG Credit Indicator Report Card: U.S. States And Territories, March 31, 2022 (ESG Credit Indicator Report Card), we reached out to every U.S. State and Territory referenced in the ESG Credit Indicator Report Card, including Utah. The purpose of this outreach was to provide transparency and education around ESG credit indicators, answer any questions, and address any feedback. We made several attempts to engage with you during this time period and did not receive any questions, comments, or feedback from you as it related to our plans generally or regarding our analysis of Utah. Your April 21 letter was the first time we heard from you on this issue.

Attached for your reference is a recently published FAQ on ESG credit indicators that you may find helpful with respect to understanding what ESG credit indicators are and how they relate to credit ratings. Also attached are several notable research papers we have published over the last several years that discuss our approach to incorporating the impact of ESG credit factors in our credit rating analysis. Included is a selection of publications on how certain ESG factors have affected our credit rating analysis of U.S. public finance rated entities, and specifically our credit rating analysis of Utah.

Unrelated to the above, we note that the "ESG Ratings" you reference in your letter for Russian, Chinese and U.S. entities do not have any relationship to credit ratings produced by S&P Global Ratings and are not produced by S&P Global Ratings. These 'ratings' you refer to are in fact ESG Scores prepared and published by Sustainable1, a separate business of S&P Global. For more information on ESG Scores and appropriate contacts for that business we refer you to: <https://www.spglobal.com/esg/solutions/data-intelligence-esg-scores>.

Finally, your letter suggests that S&P Global Ratings' issuance of ESG credit indicators may potentially implicate or even violate various laws. S&P Global Ratings denies such a contention. Furthermore, we do not believe this is an appropriate forum for the discussion of such issues.

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We hope this response and our related publications are helpful to understanding our credit rating opinion of Utah and our ESG credit indicators.

S&P Global Ratings reserves all rights.

Sincerely,  
  
Eden Perry

#### **Attachments**

- [Understanding S&P Global Ratings' ESG Credit Indicators](#)
- [Environmental, Social, And Governance Principles In Credit Ratings](#)
- [U.S. State Ratings Methodology](#)
- [ESG Credit Indicator Definitions And Application](#)
- [S&P Global Ratings To Enhance Transparency In U.S. Public Finance Credit Analysis With ESG Credit Indicators](#)
- [When U.S. Public Finance Ratings Change, ESG Factors Are Often The Reason](#)
- [ESG U.S. Public Finance Report Card: Mountain States](#)
- [Could The Western U.S. Drought Threaten Municipal Credit Stability?](#)
- [How The Western States Plan Is Critical To Ratings As Colorado River Flows Slow To A Trickle](#)
- [Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors](#)
- [Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors](#)
- [The Role Of Environmental, Social, And Governance Credit Factors In Our Ratings Analysis](#)
- [Utah Credit Rating Report - Feb. 2022](#)
- [Utah Credit Rating Report - June 2021](#)
- [Utah Credit Rating Report - May 2020](#)