IJGlobal ESG Second Opinion Provider – Moody's

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Moody's Investors Service wins the IJGlobal ESG Second Opinion Provider Award with one judge celebrating its approach that is “driving consistency and transparency in debt frameworks” adding this is “what the market needs”.

One of the judges said of Moody’s: “This is a great example of a private sector player taking the initiative to set sustainability standards in the finance world – with possible backlash – and set a stake in the ground.”

Another judge added: “Moody's has adapted, enhanced and expanded its capabilities to meet market needs and sought-after SOP evaluation services in ESG financial instruments and financing frameworks.

“Its offering lends credence to the call for credible, consistent, comparable and transparent ESG performance data and information in the sustainable financing space.”

Yet another judge said: “Moody's has a reputation for being an ESG pioneer within the credit agency world. Its analysis is high quality.”

And the judges’ comments were rounded off with: “It is important to encourage a credible organisation like Moody's to create strong standards that help the industry progress amidst a current poorly regulated ‘alphabet’ of sustainability standards.”

The winner

As global market demand for independent views on the credentials of labelled green, social, sustainability and sustainability-linked debt issuance continues to grow, Moody’s has moved to meet that need.

In October 2022, Moody’s published a framework to provide second party opinions (SPO) on sustainable debt.

The submission states: “This assessment framework explains the general approach taken by Moody’s Investors Service (MIS) in providing SPOs of green, social and sustainability financial instruments (e.g. bonds or loans) or financing frameworks following either a use of proceeds or sustainability-linked approach.

“The SPO also provides a score that indicates our opinion of the overall sustainability quality of the financial instrument or financing framework.

“The launch of our proprietary SPO offering will strongly position the agency to meet growing market needs for rigorous, consistent, and independent analysis of the sustainability credentials of labelled debt.”

The submission continues: “Our SPOs provide an independent assessment of how debt instruments or financing frameworks align to sustainability principles and the extent to which they are expected to contribute to the issuer’s advancement of long-term sustainable development.

“Since launch, we have assigned SPOs to a host of debt issuers across sectors and regions, including Abu Dhabi Future Energy Company PJSC (Masdar), France's leading telecommunications provider Orange, Germany’s federal state Baden-Wuerttemberg, Spanish utility Iberdrola, Chinese metro operator Kunming Rail Transit Group, Korean memory chip manufacturer SK Hynix Inc, and the Government of Egypt. In total, more than 700 have been assigned across in excess of 50 countries since 2012.”

Among other goals, the analytical considerations incorporated into Moody’s SPO approach seek to differentiate between financial instruments and financing frameworks that have a meaningful contribution to long-term sustainable development and those for which the green or social impact may be overstated or unclear, including by considering the coherence of the financial instrument or financing framework in the context of an issuer’s sustainability strategy.

The submission states: “In establishing SPOs, we may consider data, information or assessments found in or calculated or estimated from an issuer’s public disclosures, in particular the financial instrument documentation or financing framework; from published research or indicators (e.g., proprietary scores) of MIS or other Moody’s entities; or from relevant third-party sources. We may also use non-public information provided by the issuer.

“Our SPO assessment framework is applicable globally to a wide variety of financial instruments and financing frameworks, including those issued by corporate entities, project and structured finance vehicles, financial institutions, multilateral development banks, and sovereign, regional, and local governments.”