

# **MSCI Green Bond and Green Loan Assessment: Frequently Asked Questions**

MSCI ESG Research

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## 1. Introduction

This document aims to address frequently asked questions (FAQs) from self-labeled green bond issuers about the [MSCI Green Bond and Green Loan Assessment Methodology](#) (“the Methodology”); the MSCI Green Bond Standard Delivery Feed, catering to the growing interest in green bonds data captured by MSCI ESG Research; in addition to MSCI’s Green Bond Assessment; Bloomberg MSCI Green Bond Index, a global investment grade benchmark index tracking the green bond market; and our standard processes for interacting with issuers.

As with all queries pertaining to an issuer’s own data or evaluations with MSCI ESG Research, the global MSCI Issuer Communications team addresses any questions which issuers may have on MSCI ESG Research’s green bond assessments and oversees the review of issuer feedback. MSCI Issuer Communications is available to address issuers’ queries at any time via [esgissuercomm@msci.com](mailto:esgissuercomm@msci.com).

To maintain the independence of the Methodology and the integrity of our assessments, MSCI ESG Research usually does not host phone calls with issuers (or their underwriters) to discuss the assessment of their bonds. All communications with issuers are conducted via email and are preserved as per MSCI document retention policies. However, in a few exceptional cases the MSCI ESG Research team may get on a call with the issuer, if the same is moderated by the Issuer Communications or Issuer Relations team and the discussion is limited to queries pertaining to issuer’s use of proceeds, without delving into any discussion on green bond assessments.

### 1.1 What is the role of MSCI in the Bloomberg MSCI Green Bond Index?

The key design features of the Bloomberg MSCI Green Bond Index are listed below:

- MSCI ESG Research evaluates the “green” eligibility criteria along four dimensions: use of proceeds (UoP), project evaluation, management of proceeds, and reporting. These eligibility criteria reflect the four core elements of the Green Bond Principles (GBP) administered by the International Capital Markets Association (“ICMA”). While MSCI ESG Research produces assessments on self-labeled green bonds regardless of inclusion in any particular index, the Methodology also informs the potential inclusion in the Bloomberg MSCI Green Bond Index.
- Fixed-income eligibility criteria are chosen by Bloomberg so that the final index is both transparent and representative of the market. Bloomberg performs the index calculation and is the index administrator. In all cases, index criteria are determined separately by the index administrator and not by MSCI ESG Research.

Thus, for a bond to be eligible for the index, it must meet the criteria set by MSCI ESG Research to be considered as green and must also satisfy the set of inclusion criteria defined by Bloomberg in the [Bloomberg MSCI Green Bond Index Primer](#).

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## 1.2 What is the role of MSCI ESG Research in green bond assessment?

Green bonds are fixed-income securities issued by corporates, government agencies and other entities from which the proceeds are formally applied to projects or activities that promote climate or other environmental sustainability purposes and initiatives.

“Greenwashing” — the practice of pushing the boundary of what can be reasonably considered “green” — is seen by many investors as a serious potential threat to the credibility of the green bond market.

To address this concern, MSCI ESG Research has established clearly defined rules for classifying green bonds, with an aim to provide sufficient transparency on the UoP for eligible securities and, most importantly, to present investors with an investment universe that is regarded as green according to the Methodology.

## 2. Green bond eligibility rules and evaluation process

### 2.1 What is the basis for considering a bond to be green?

MSCI ESG Research independently evaluates self-labeled green bonds according to four dimensions to determine whether such fixed-income securities meet the requirements to be classified as green. The evaluation criteria are aligned with the themes articulated in principles administered by the ICMA.

For each such bond to be considered green as per the Methodology, MSCI ESG Research requires publicly available information about the securities as outlined below:

1. Stated UoP in at least one of seven eligible environmental categories defined by MSCI ESG Research:
  - a. Alternative energy
  - b. Energy efficiency
  - c. Pollution prevention and control
  - d. Sustainable water
  - e. Green building
  - f. Climate adaptation
  - g. Other environmental
2. Process for green project evaluation and selection;
3. Process for management of proceeds; and
4. Commitment to ongoing reporting on the allocation of proceeds.

For more information on the seven eligible UoP categories, please refer to the “Green” section of Appendix I: Use of proceeds categories in the Methodology.

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## 2.2 What happens if the UoP does not fall within the seven eligible UoP categories?

MSCI ESG Research will consider a self-labeled green bond eligible if 100% of the projected proceeds are allocated to projects with a positive environmental benefit, with at least 90% of the proceeds allocated to the eligible UoP categories defined by MSCI ESG Research and zero proceeds allocated to certain UoP categories identified by MSCI ESG Research as leading to ineligibility.

### Exhibit 1: Use of proceeds requirements (all three must be met)

% of proceeds	Description
<b>100%</b>	Should have positive environmental benefits, i.e., intended to facilitate sustainable economic growth with more efficient resource management and reduced greenhouse gas (GHG) and toxic emissions. This can be any environmental benefit, for instance, energy efficiency, GHG emission reduction, reduction of air or water pollution, resource conservation, replacement of plastic with natural materials, among others
<b>&gt;90%</b>	Allocated to one or more of the seven eligible green categories defined by MSCI ESG Research (Alternative energy; energy efficiency; pollution prevention and control; sustainable water; green building; climate adaptation; other environmental)
<b>Zero</b>	Funding to thermal coal extraction or coal-based energy generation, agriculture for tobacco or manufacturing of tobacco-based products, or manufacturing of controversial weapons (including cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments)  <i>Note that the above list is exhaustive. Any funding to these projects would result in the bond becoming ineligible.</i>

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## 2.3 When is a self-labeled green bond considered ineligible as per the Methodology?

### At Issuance

On assessing a self-labeled green bond, if MSCI ESG Research estimates (based on the bond-related documents and/or upon interacting with issuers, (see Section 3.1 below) that over 10% of the projected UoP of the bond in consideration falls outside the eligible UoP categories, or that any of the proceeds fund certain UoP categories identified by MSCI ESG Research as ineligible, the bond is considered ineligible.

### Ad-hoc

MSCI ESG Research may reassess eligible bonds on an ad-hoc basis if it comes to its notice that the allocation of proceeds from such securities are not in line with what the issuer had communicated at the time of initial assessment.

### Upon annual review

Securities which are considered eligible by MSCI ESG Research at the time of issuance may become ineligible, if the issuer fails to meet the commitment to ongoing reporting on the allocation of proceeds (see, section 2.1 above).

Additionally, in cases where bonds considered eligible by MSCI ESG Research at the time of issuance do report on the UoP, but upon annual review, it is evident to MSCI ESG Research that over 10% of the total proceeds have been allocated to categories outside the eligible categories (see Exhibit 1, section 2.2 above), such bonds will cease to be eligible.

## 2.4 How does MSCI ESG Research estimate the projected UoP at the time of issuance?

In cases where there is insufficient data on funding allocated to each category in the self-labeled green bond framework, making it difficult to confirm whether 90% of the proceeds are allocated to eligible green categories as per the Methodology, MSCI ESG Research contacts the issuer through MSCI Issuer Communications to get the clarification needed. Where such communication fails (e.g., the issuer does not respond), MSCI ESG Research makes the following assumptions:

1. Bond proceeds are assumed to be allocated as per the issuer's existing relevant project pool if such data is publicly available. MSCI ESG Research assumes that proceeds are allocated to a relevant project pool, and not as per the issuer's previous similarly labeled bond, if any.
2. If the above is not available, MSCI ESG Research assumes that proceeds are allocated in equal proportion among each of the funded categories, as mentioned in the issuer's self-labeled green bond framework.

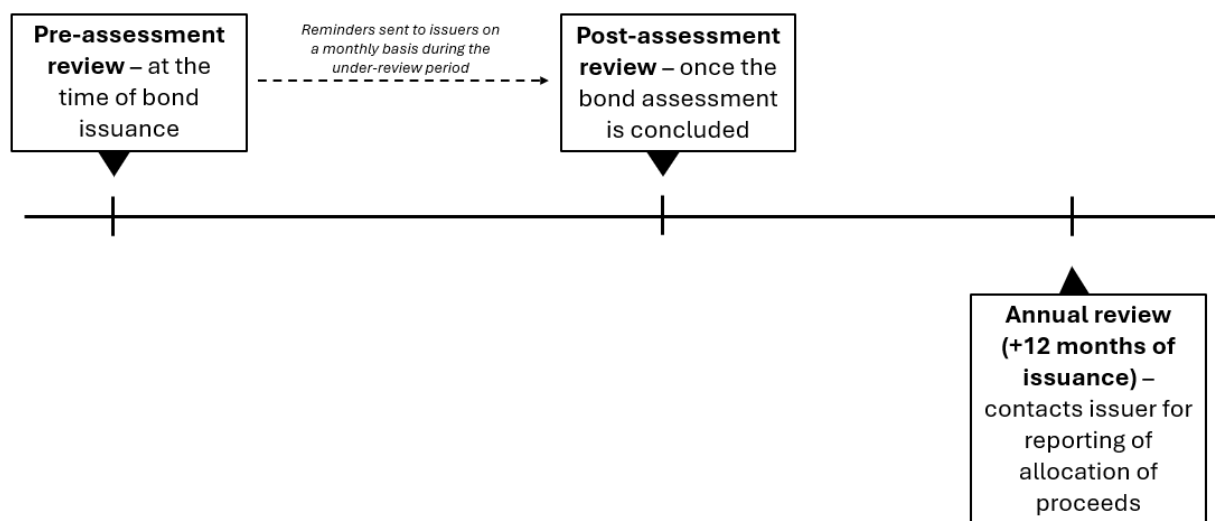
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### 3. Interaction with Issuers

Please note that the questions that MSCI Issuer Communications provides for issuers via email vary depending on the category(ies) funded by the issuer and/or availability of documents. Furthermore, our interactions with issuers are largely determined by feedback from market participants (issuers, underwriters, and other MSCI clients) on the Methodology as well as timelines impacting liquidity of bonds post-issuance.

#### 3.1 What are the ways in which MSCI ESG Research contacts self-labeled green bond issuers?

##### Exhibit 2: Issuer Communications timelines



##### Pre-assessment Review

At the time of issuance, the MSCI Issuer Communications team reaches out to the issuer via an email from [esgissuercomm@msci.com](mailto:esgissuercomm@msci.com) in cases where the publicly available information is insufficient to assess the securities' green criteria along the four principles outlined above in section 2.1. The MSCI Issuer Communications team makes reasonable efforts to source issuer contact information from publicly available sources. In cases where the issuer's contact information is not available publicly or the issuer remains unresponsive, the MSCI Issuer Communications team may also contact the parties associated with the issuance (underwriters, joint bookrunners, global coordinators, guarantors of the bond, among others).

##### Post-assessment Review

Once such a security is assessed and concluded to either be eligible or ineligible as per the Methodology, the MSCI Issuer Communications team reaches out to the issuer via an email from [esgissuercomm@msci.com](mailto:esgissuercomm@msci.com) to convey whether such a security is ALIGNED or NOT ALIGNED to the Methodology.

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Kindly note that the MSCI Issuer Communications team only reaches out to the issuer where issuer contact information is publicly available.

### Annual Review

For securities which are considered eligible by MSCI ESG Research at the time of issuance, the Methodology requires the issuer of such a security to either report on projects or state its commitment to report within one year of issuance. Furthermore, the Methodology requires such issuers to report on a systematic, regular basis in case of any material developments that impact funding to eligible projects.

If such reporting is not available three months after the reporting due date, the security is assessed as “On Watch” and, if the required reporting is not available six months after the reporting due date, the security will be considered to not meet the necessary criteria stated in the Methodology.

### Exhibit 3: Availability of Reporting

Months since issuance of the bond or initiation of the loan, or since the previous annual reporting date	Reporting status
12	Annual Report due for publication
15*	If reporting not available, assessed as “On Watch” by MSCI ESG Research
18	If reporting is still not available, the self-labeled bond is no longer considered to meet the conditions specified in the Methodology due to lack of transparency, as per MSCI ESG Research’s assessment

\* This allows time for contact with the issuer or borrower in case any questions are raised. This is necessary since market reporting in general on green bonds is not yet standardized, and reports are not always available through standard financial reporting channels.

MSCI ESG Research reaches out to the issuers via an email from [esgissuercomm@msci.com](mailto:esgissuercomm@msci.com) during the annual review process to confirm whether the UoP continues to meet the eligibility criteria stated in the Methodology and request the issuer to share the green bond allocation report.

## 3.2 Where can issuers direct questions about a security’s eligibility for the Bloomberg MSCI Green Bond Index or specific fixed income characteristics for its eligibility?

Bloomberg maintains responsibility for assessing a security’s eligibility for the Bloomberg MSCI Green Bond Index based on its fixed income characteristics (such as rating/coupon type of a bond etc.). For queries about this, Bloomberg can be contacted via email at [indexhelp@bloomberg.net](mailto:indexhelp@bloomberg.net).

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## 4. Eligibility determination process

### 4.1 What is the “Under Review” process?

Inadequate information about an issuer’s self-labeled green bond may result in the security being considered “Under Review”. **If, after the completion of the “Under Review” period, MSCI ESG Research still lacks sufficient information to determine its eligibility as per the Methodology, the security would be considered permanently ineligible.**

The MSCI Issuer Communications team reaches out to the issuers on a monthly basis via an email from [esgissuercomm@msci.com](mailto:esgissuercomm@msci.com) during the “Under Review” period asking them to share relevant information to determine the eligibility of the security as per the Methodology.

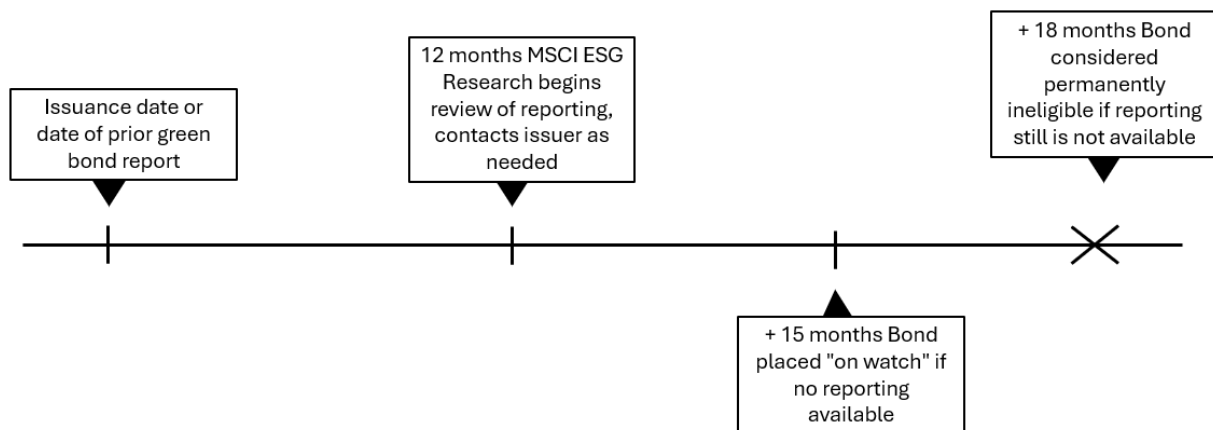
The “Under Review” period was six months; as of October 1, 2024, this period will be reduced to three months. This change will be rolled out in a staggered manner as follows:

- From March 15, 2024 to June 30, 2024, the “Under Review” period was **five** months;
- From July 01, 2024 to September 30, 2024, the “Under Review” period will be **four** months; and
- From October 1, 2024 onwards, the “Under Review” period will be **three** months.
- An extension of one month maybe provided in cases where the issuer needs some time and commits to responding within the extended timeframe.

### 4.2 What are the reporting obligations required of an issuer?

In the event a bond is considered eligible as per the Methodology, MSCI ESG Research expects the issuer to publicly report on the actual UoP within 12 months of issuance, then subsequently within 12 months from the prior UoP report (delineated in Availability of reporting section of the Methodology). This obligation is required until maturity of the bond or until the proceeds from the bond have been fully disbursed, whichever is earlier.

#### Exhibit 4: Annual Review timelines



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As indicated above in Exhibit 4, there is a grace period of three months after the 12-month issuance period. If the issuer has not published a report within 15 months from the date of issuance, the bond(s) will be assessed as “On Watch”. If the issuer has still not published a report within 18 months from issuance or since the last annual UoP report, such a bond(s) will be considered permanently ineligible as per the Methodology and subsequently removed from the Bloomberg MSCI Green Bond Index (if the bond is a part of the index) since it ceases to meet the criteria set by MSCI ESG Research to be considered green.

## 5. Second-Party Opinions

MSCI ESG Research also offers second-party opinions for green bonds. These are available for both corporate and non-corporate issuers. Please visit [Second-Party Opinions – MSCI](#) or contact [ESG\\_Corporate\\_Sales@msci.com](mailto:ESG_Corporate_Sales@msci.com) for additional information.

Please note that the publication of a favorable second-party opinion by MSCI ESG Research has no bearing on the MSCI ESG Rating for the issuer (if one exists) and does not guarantee inclusion in any index maintained or advised by MSCI or MSCI ESG Research, including Bloomberg MSCI Green Bond Index, due to additional fixed income eligibility criteria.

## 6. Green Bond Standard Delivery Feed file

The Green Bond Standard Delivery Feed file caters to the growing interest in green bond data captured by MSCI ESG Research, in addition to MSCI’s Green Bond Assessment.

The following are the key flags/factors present in the Green Bond Standard Delivery Feed file:

### Exhibit 5: Factors used in the Green Bond Standard Delivery Feed

Factor name	Explanation
<b>GB_SELF_LABELLED</b>	<p>MSCI ESG Research receives data from third-party vendors regarding self-labeled green bonds i.e., labels used by issuers for marketing those bonds. Certain flagging rules have been developed internally where bonds marketed as green (or synonymous) are identified as “self-labeled green.” Refer to Section 6.3 for understanding the rules used for identifying these bonds</p> <p>The GB_SELF_LABELLED factor is solely determined by bond labels used by issuers to market these bonds and are provided to MSCI ESG Research by third-party vendors. MSCI ESG Research does not take a view on the validity of these labels, and they might not be aligned with the Methodology</p>

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<b>HAS_GB_SELF_LABELLED</b>	This factor is used to identify whether the issuer has a minimum of one self-labeled green bond
<b>GB_MSCI_VERIFIED</b>	This factor indicates whether the bond has (or has not) been verified to meet the criteria specified by the Methodology. Please see Exhibit 6 for a detailed interpretation of the values for this factor
<b>HAS_GB_MSCI_VERIFIED</b>	This factor is used to identify whether the issuer has a minimum of one green bond verified by MSCI ESG Research to meet the criteria specified in the Methodology i.e., whether at least one bond of the issuer has GB_MSCI_VERIFIED = TRUE
<b>UoPs:</b> Use of Proceeds categories and sub-categories, namely: <ul style="list-style-type: none"> <li>• UOP_ALT_ENERGY</li> <li>• UOP_ENERGY_EFFIC</li> <li>• UOP_HEATING_COOLING_RELATED_ENERGY_EFFICIENCY</li> <li>• UOP_BUILDING_RENOVATION_RELATED_ENERGY_EFFICIENCY</li> <li>• UOP_TRANSPORT_RELATED_ENERGY_EFFICIENCY</li> <li>• UOP_ENERGY_STORAGE</li> <li>• UOP_SMART_GRIDS</li> <li>• UOP_POLL_PREV</li> <li>• UOP_SUST_WATER</li> <li>• UOP_GREEN_BLDG</li> <li>• UOP_ADAPT and</li> <li>• UOP_GREEN_OTHER</li> </ul>	These factors capture details on whether (or not) the bond proceeds are expected to be invested in the respective eligible category. This information is only available for bonds for which GB_MSCI_VERIFIED = TRUE, while the values are blank for other bonds. Please see Exhibit 7 on the interpretation of values specific to UoP factors for a detailed interpretation of this factor
<b>GB_PRINCIPLE_1_USE_OF_PROCEEDS</b> <ul style="list-style-type: none"> <li>• GB_PRINCIPLE_2_PROJECT_EVALUATION_AND_SELECTION_PROCESS</li> <li>• GB_PRINCIPLE_3_FORMAL_PROCESS_FOR_TRACKING_NET_PROCEEDS</li> <li>• GB_PRINCIPLE_4_REPORTING_ON_USE_OF_PROCEEDS</li> </ul>	Data for these factors is only available for bonds assessed by MSCI ESG Research. For bonds not in coverage, these factors will have Not Assessed values
<b>ANALYSIS_SUMMARY_EXTERNAL</b>	This factor summarizes the rationale as to whether the bond aligns with the Methodology or not. If a bond aligns with the Methodology, then this summary captures the use of proceeds categories that are expected to be funded by the bond. This factor will be available

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	only for bonds issued post January 1, 2022. For bonds issued prior to this date, the data will not be available as a part of this standard feed and would have Not Available values. This summary can be provided to issuers upon request, where the ISINs of the bonds are provided to MSCI ESG Research
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## 6.1 What are the values for these factors?

The factors listed in Exhibit 5 will have the values below.

### Exhibit 6: Interpretation of factor values used in Green Bond Standard Delivery Feed

Values	Interpretation
<b>TRUE</b>	Bond assessment has been concluded and the bond <b>meets</b> with the conditions specified in the Methodology
<b>FALSE</b>	Bond assessment has been concluded and the bond <b>does not meet</b> with the conditions specified in the Methodology
<b>Not Assessed</b>	Bond assessment has not yet started. This could be for various reasons such as the bond is not yet a part of the coverage universe, etc.
<b>TBD</b>	Bond assessment is in progress or not concluded yet. This factor value was historically used for bonds meeting the Bloomberg's Fixed Income Index criteria for which green assessment was still in progress
<b>UNDER_REVIEW</b>	Bond assessment is in progress or not concluded yet. This factor value is functionally the same as the factor value "TBD" and the two factor values are now used interchangeably

### Exhibit 7: Interpretation of values specific to UoP factors

Values for UoP Category*	Interpretation
<b>TRUE</b>	There <b>is evidence</b> that the bond <b>is expected</b> to fund the specific UoP category. The bond <b>meets</b> with the conditions specified in the Methodology

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<b>FALSE</b>	There <b>is evidence</b> that the bond <b>is not expected</b> to fund the specific UoP category. The bond <b>meets</b> with the conditions specified in the Methodology
<b>Blank</b>	<b>No evidence</b> has been gathered regarding the bond's funding to the specific UoP category. This must be looked at along with values for GB_MSCI_VERIFIED which might have TBD, UNDER_REVIEW or Not Assessed values. This means that MSCI has not verified the UoP for such bonds
<p><b>*This interpretation will hold true for all the UoP categories and subcategories, namely:</b>  <b>UOP_ALT_ENERGY, UOP_ENERGY_EFFIC,</b>  <b>UOP_HEATING_COOLING_RELATED_ENERGY_EFFICIENCY,</b>  <b>UOP_BUILDING_RENOVATION_RELATED_ENERGY_EFFICIENCY,</b>  <b>UOP_TRANSPORT_RELATED_ENERGY_EFFICIENCY, UOP_ENERGY_STORAGE,</b>  <b>UOP_SMART_GRIDS, UOP_POLL_PREV, UOP_SUST_WATER, UOP_GREEN_BLDG, UOP_ADAPT</b>  <b>and UOP_GREEN_OTHER</b></p>	

## 6.2 EU Taxonomy

MSCI ESG Research, is currently not providing values for the EU\_TAXONOMY\_ISSUER\_CLAIMS\_UOP\_ALIGNED factor since bond issuers do not disclose their bond's alignment of UoP to the EU Taxonomy on a comprehensive and consistent basis. Until this is done, MSCI ESG Research considers this factor to be outside the scope of the Methodology. MSCI ESG Research is working internally to assess if the values for this factor can be captured in a consistent manner in the future.

For GB\_EU\_STANDARD\_ALIGNED factor, MSCI ESG Research will begin capturing values for this once data on bond alignment to the EU Green Bond Standard becomes available. This is likely to occur in the last quarter of 2024.

The details for both factors are listed below:

### Exhibit 8: Factors pertaining to EU Taxonomy

Factor name	Interpretation
<b>EU_TAXONOMY_ISSUER_CLAIMS_UoP_ALIGNED</b>	This factor indicates whether the issuer claims that the bond proceeds (either in whole or in part) are aligned to the EU Taxonomy
<b>GB_EU_STANDARD_ALIGNED</b>	This factor indicates whether the bond is aligned to the EU Green Bond Standard, as verified by a third party

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## 6.3 What is the coverage universe for the Green Bond Standard Delivery Feed?

- The base universe for the Green Bond Standard Delivery Feed includes labeled green bonds included in the Bloomberg Global Aggregate Index and Bloomberg Composite Index.
- Only labeled green bonds which have GB\_MSCI\_VERIFIED = TRUE or GB\_SELF\_LABELLED = TRUE will be present in the universe for the Green Bond Standard Delivery Feed.
- Asset backed securities (ABS), collateralized debt obligations (CDOs), commercial mortgage-backed securities (CMBS), collateralized mortgage obligations (CMOs), mortgage-backed securities (MBS) and municipal bonds (Munis) are excluded from the universe for the feed.
- Bonds with fixed-income characteristics, such as the ones listed below, rendering the bond status to be inactive, will not be present in the Green Bond Standard Delivery Feed
  - Matured
  - Called
  - Converted or exchanged
  - Funged
  - Cancelled
  - Repaid before maturity
  - Repurchased
  - Tendered
- It is important to note that the bonds data in the Green Bond Standard Delivery Feed may differ from those shared with Bloomberg for the purpose of the Bloomberg MSCI Green Bond Index, due to differences in coverage universe, asset exclusions, etc.

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## Contact us

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