

MSCI ESG Research Second-Party Opinions

► Transparency and credibility: Assessing alignment with industry and MSCI standards for green and social debt financing

Back in 2014 when the Bloomberg MSCI Global Green Bond Index was launched (then called the Barclays MSCI Global Green Bond Index), the market of self-labeled ESG bonds was small and homogenous with just 49 unique issuers, USD 28.42 billion in total underwriting and 97% of bonds self-labeled as “green.”

Now, it’s a different story.

In 2021, global issuance of Green Bonds – the largest category of sustainable debt by dollar volume – hit a record \$513B. By the end of 2022, issuance could reach \$900B-\$1T. As the market has grown, objectives and definitions of the numerous sustainable investment instruments have also become increasingly complex to navigate. It’s more important than ever to lend credibility and transparency to sustainable debt financing plans with independent, reputable Second-Party Opinions (SPOs).

How sustainable are green and social debt financing plans - and how to be sure?

Sustainable debt financing provides issuers with capital for projects focusing on environmental impact (Green Bonds & Loans) or social impact (Social Bonds & Loans). Issuing sustainable debt also signals a commitment to sustainability.

For investors, it’s a means of advancing social and environmental investment priorities, as well as a way to hedge against climate risk.

That commonly requires issuers to:

1. Define the initiatives that will be financed by the green or social debt
2. Define how that performance will be measured and reported



SPOs built on an industry-leading reputation

MSCI ESG Research has been assessing green bonds since the launch of the Barclays MCSI Green Bond Index in 2014.

MSCI ESG Research is a leader in the provision of ESG Ratings and other ESG & Climate solutions. Our SPOs can bring additional value to organizations issuing sustainable debt.



Focus

MSCI ESG Research Second-Party Opinions are prepared by a dedicated team and are reviewed against the **MSCI Green Bond and Green Loan Assessment Methodology** and the **MSCI Social Bond and Social Loan Assessment Methodology**.



Rigor

An important difference between the ICMA principles and MSCI ESG Research’s Green Bond & Loan principles is that MSCI ESG Research applies a more stringent evaluation on Principle 1: Use of Proceeds.



Expertise

In addition to Second-Party Opinions, MSCI ESG Research offers a range of solutions that evaluate environmental, social and governance factors across different sectors and markets. These include MSCI ESG Ratings, MSCI Climate Change Metrics, MSCI Sustainable Impact Metrics, MSCI Business Involvement Screening Research and MSCI ESG Controversies.

Our SPO offering includes:

Pre-issuance: a written assessment of an issuer's green or social debt financing framework.

Post-issuance: a written review of an issuer's green or social debt financing (either one-time or with annual reviews throughout the life of the bond or loan).

Deliverables:

- Written opinion including analysis of alignment with industry standard and MSCI ESG Research's methodology for the following categories:
 - Use of Proceeds
 - Process for Project Evaluation and Selection
 - Management of Proceeds
 - Ongoing Reporting
- SPO Badge for fully favorable / unqualified opinions.
- ICMA External Review Form, as needed.
- Listing on SPO page, [msci.com](https://www.msci.com), if issuers decide to make the SPO available in the public domain.

Notes

- SPOs are meant to inform readers whether the financing framework or transaction being assessed aligns with industry standards (where they exist) and / or the relevant MSCI ESG methodology. They are not designed to verify or certify the use of proceeds for a specific transaction.
- A favorable / unqualified MSCI ESG Research SPO does not guarantee inclusion in any MSCI Index, including joint indexes like the Bloomberg MSCI Green Bond Index.
- An issuer's right to use the SPO and SPO Badge in the public domain will expire prior to the end of the Term of the underlying agreement if the issuer modifies the subject framework after the SPO has been published.

About MSCI ESG Research products and services

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC. is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

For enquiries, contact ESG Client Service esgclientservice@msci.com.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com.

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS

OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "MSCI PARTY") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2022 MSCI Inc. All rights reserved | CFS0322