

News

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MOODY'S ESG SOLUTIONS PROPOSES ENHANCEMENTS TO ITS ESG ASSESSMENT METHODOLOGY

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Moody's ESG Solutions is seeking feedback from market participants on proposed enhancements to its Environmental, Social and Governance (ESG) Assessment methodology.

Moody's ESG Assessments measure the degree to which companies manage their exposure to ESG factors that are material to their stakeholders and business, from the perspective of risk mitigation and value creation. The methodology is based on a 'double materiality' approach, which considers how ESG factors impact enterprise value as well as how a company's activities affect society and the environment.

In its proposal, Moody's ESG Solutions aims to make the following enhancements to its methodology:

- Introduce new sub-categories for analysis into the ESG Assessment framework, such as Physical Risks, Cyber & Technology Risks, and Responsible Tax. Moody's ESG Solutions will also adjust the scope of other sub-categories to be more exhaustive and to minimize overlaps.
- Refine the double materiality approach to balance shareholder and stakeholder interests, and reflect the growing integration of ESG factors into financial analysis.
- Increase the number of industry frameworks from 40 to 51, to ensure ESG factors are appropriately weighted for a more precise analysis of individual entities.

- Enhance the data structure supporting the ESG Assessment to offer greater transparency into the scoring methodology with comparable ESG metrics and associated sources of information.
- Add an overall ESG grade that allows users to quickly understand the performance of an entity relative to the whole universe of entities assessed by this methodology.

Market participants are invited to comment to the market consultation by 18 March 2022, no later than 11:59 p.m. US Eastern time. Upon appropriate consideration of comments received, Moody's ESG Solutions will adopt and publish a revised version of this methodology. Further information on the market consultation is available [here](#).

ABOUT MOODY'S ESG SOLUTIONS

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For more information visit Moody's ESG hub at www.moody.com/esg.

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