

Scorecard

Moody's

About Moody's

COVERAGE OF COMPANIES

300 million+

LAUNCH DATE

2004

FOCUS

Corporate ESG scores and debt securities

LINK:

<https://www.moody.com/web/en/us/capabilities/esg.html>

Moody's Score

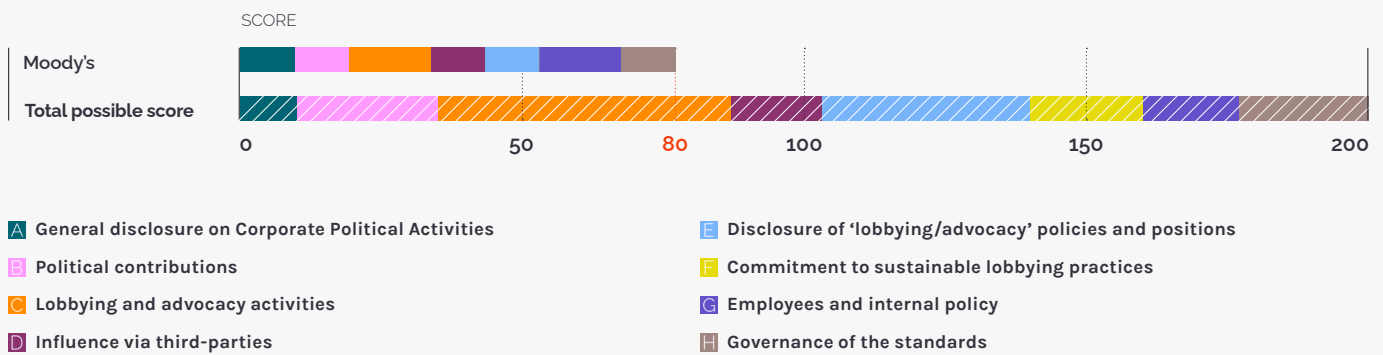
Tracker Rank and Score for Moody's

The score is out of a total of 200 and the rank describes the standards position in the 26 standards assessed by the Tracker.



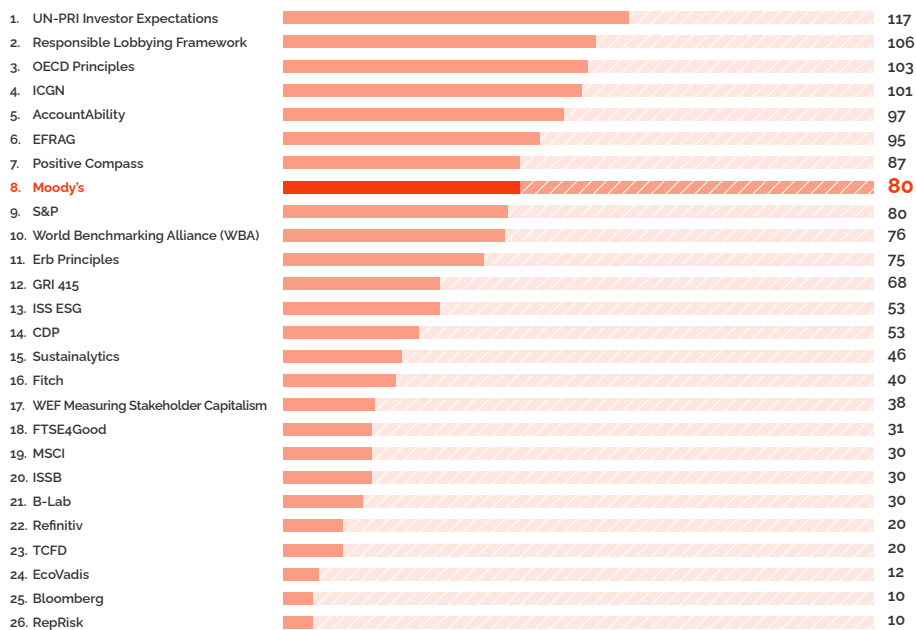
Rank 7 /26

Category scores of Moody's



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

Moody's ESG data includes scores that evaluate a company's environmental and social impact, and corporate governance practices. ESG data coverage includes public and private multinational, national and subnational companies of all sizes. Moody's claims to offer customers access to over 300 million modelled ESG Scores and the underlying data across 59 ESG and climate metrics.¹ Moody's also provides customers access to 5,000 ESG scores and the underlying data for public companies derived from analyst-led ESG assessments. The methodology for the modelled scores is derived from the methodology used for the analyst-led ESG assessments.²

Beyond traditional analyst-led ESG scoring, Moody's provides forward-looking analytics, built on consistent historical data from Moody's ESG Solutions from 2004 through present, we construct and calibrate the models on a dataset containing more than 100,000 firms to predict metrics for 600+ industries and 12,000 sub-national locations in 220 countries and territories.³ Moody's sophistication in providing both historical ESG data and forward-looking ESG information using machine learning tools suggests that it should be well equipped to assess the full scope of corporate political activities in its ESG data analytics.

Summary

The Moody's ESG methodology receives a Tracker score of 80 out of 200. The 'Responsible Lobbying' ESG assessment used in the Moody's framework covers a number of important areas. The questionnaire asks if a 'company has defined any quantified targets on responsible lobbying, and then requests the company to 'provide baseline and deadlines dates.' These questions earn points in Tracker Category B, 'political contributions.' The Moody's methodology also asks companies to identify who is responsible for oversight of lobbying and advocacy activities. Overall, the Moody's ESG questionnaire covers a number of Tracker areas, but is not consistent, and a number of significant gaps remain in the methodology. Given Moody's unique position as one of the world's largest credit rating and ESG data providers, we expect the firm will bring its data gathering and analytical capacities to bear on corporate political activities as an essential input in the investment decision making and monitoring process across markets.

Opportunities for improvement

The Moody's methodology fails to assess any elements of Tracker Category F 'Commitment to sustainable lobbying practices'. As more firms develop an approach to positive and sustainable lobbying in line with their own commitments, the importance of assessing corporate conduct in this area will increase. In the Moody's assessment methodology, there is limited coverage of employee conduct and in the governance of relationships with trade associations and industry bodies, two important Tracker categories. The analysis of these areas by Moody's should be updated to more consistently capture corporate conduct and practices across key jurisdictions where the companies have operations. A number of elements of the Moody's questionnaire are literally 'tick box' questions that should be expanded on and more consistently explained to responding companies. The value of Moody's data is in its global coverage and sophistication, so the methodology for collecting data on corporate political activities could be updated to better reflect Moody's commitment to provide its customers and issuers with consistent, comparable and complete information.

Endnotes

- 1 <https://www.moodyanalytics.com/solutions-overview/data/environmental-social-and-governance-data>
- 2 <https://www.moody.com/newsandevents/topics/ESG-Credit-00702C#scores>
- 3 Moody's (2021) 'ESG Score Predictor: Applying a Quantitative Approach for Expanding Company Coverage:' https://www.moodyanalytics.com/articles/pa/2022/esg_score_predictor_applying_a_quantitative_approach_for_expanding_company_coverage

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