Task Force on Climate-related Financial Disclosures Report

JULY 2019

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About TCFD

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that: a) "promote more informed investment, credit, and insurance underwriting decisions" and b) "would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks."

The Task Force's recommendations are structured around four thematic areas that are core elements of how organizations operate—governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by key climate-related financial disclosures—referred to as recommended disclosures—that build out the framework with information that will help investors and others understand how reporting organizations assess climate-related issues.

Core Elements of Recommended Climate-Related Financial Disclosures

GOVERNANCE
The organization's governance around climate-related risks and opportunities

STRATEGY
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

RISK MANAGEMENT
The processes used by the organization to identify, assess, and manage climate-related risks

METRICS AND TARGETS
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Moody's and TCFD

Moody's Corporation (Moody's) is an essential component of the global capital markets, providing credit ratings, research, tools and analysis that contribute to transparent and integrated financial markets. Moody's Corporation is the parent company of Moody's Investors Service (MIS), which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics (MA), which offers leading-edge software, advisory services and research for credit and economic analysis and financial risk management.

Moody's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have signed statements of support for the recommendations put forward by TCFD in June 2017. Moody's has implemented the recommendation as follows.

Moody's work on climate-related risks and opportunities is focused on areas where it believes it can make the greatest impact. This includes promoting global Environmental, Social and Governance (ESG) measurement standards for use by market participants and an ongoing commitment to enhancing transparency in ESG.

Governance

Disclose the organization's governance around climate-related risks and opportunities

Board's oversight of climate-related risks and opportunities

The Moody's Corporation Board of Directors (the "Board") oversees the management and overall strategy of Moody's Corporation and its enterprise-level approach to major risks facing the Company. With the assistance of the Audit Committee, the Board exercises its oversight through the review and approval of the Company's policies and practices for assessing and managing risk as well as the review of risks that may be material to the Company. The Board also reviews the Company's annual long-term strategic plan, including an identification of opportunities. Major risks and risk management processes are reviewed periodically, including in connection with the review of the Company's strategy.

In addition, the Board reviews and approves the Company's Environmental & Sustainability Policy, which reflects Moody's efforts to minimize the impact of its operations and services on the environment. The Audit Committee of the Board primarily oversees the integrity of the Company's financial statements and the financial reporting and audit process, and also is responsible for reviewing policies with respect to risk assessment and risk management. This is done through direct interaction with key management, including periodic reporting. As part of its risk oversight, the Audit Committee reviews key risk factors, such as those disclosed in the Annual Report, including the risk of a business continuity disruption due to climate-related incidents. Risk factors also include exposure to reputational and credibility concerns. For example, MIS's reputation could be affected with respect to its practices relating to the incorporation of climate-related risks into its credit methodologies and ratings.

Learn more about Moody's corporate governance structure and practices: bit.ly/moodyscgsp

Management's role in assessing and managing climate-related risks and opportunities

The CEO is a member of the Board and, as CEO, is responsible for ensuring that risks are appropriately mitigated and opportunities are appropriately identified. The Company's strategic plan considers these risks and opportunities, including the identification of a recent acquisition in the ESG sector, reflecting ESG implications for fixed income markets and credit ratings.

The CEO, along with members of the management team, serve on the CSR Council. The CEO acts as the Council's chairman. The Council meets at least twice a year to evaluate the Company's CSR progress and generate recommendations on its CSR strategy. The CSR Working Group, chaired by Arlene Isaacs-Lowe, Managing Director and Global Head of CSR, meets bi-monthly and consists of senior executives charged with honing and implementing the Company's CSR strategy.

The Chief Risk Officer (CRO) dually reports to the Audit Committee and the CEO. In this role, the CRO is responsible for overseeing the organization's Enterprise Risk Management (ERM) Function, which provides oversight and monitoring of all material risks that have the potential to affect the Company's operations and people, including climate-related risks. Risks associated with climate-change are actively managed through the Corporate Services Group and mitigated through the Crisis Management and Business Continuity Plans and teams.

Should any material climate-related risks and mitigating actions be identified by management, they would be presented to the Audit Committee and to the Board.

In addition to the Company's CSR team, Moody's also created the CSR Impact Leaders program and an Environmental Task Force to incorporate employee knowledge and insight. Members of both bodies provide oversight and guidance on how employees can contribute input on environmentally conscious policies and processes.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Moody's does not believe that its business model would be negatively affected by physical climate parameters. However, Moody's has identified opportunities for its business in the areas of emission reporting obligations, product efficiency regulations and standards and changing consumer behavior. Moody's new product offerings and climate-related analytical initiatives are intended to address the business opportunities and risks identified below.

Moody's is not a large contributor to greenhouse gas (GHG) emissions. However, the Company recognizes the importance of contributing to environmental sustainability as a company of credit and enterprise risk analysts and as a corporate citizen of the world. Moody's core expertise and key opportunities lie in analytics and research, technology and employees' skills. Through an in-depth discovery process conducted in 2017, which included survey input, meetings and interviews, Moody's learned that its stakeholders consider small business growth, environmental sustainability and education to be high-priority economic, environmental and social issues where the Company could make an effective and meaningful contribution.

Strategy

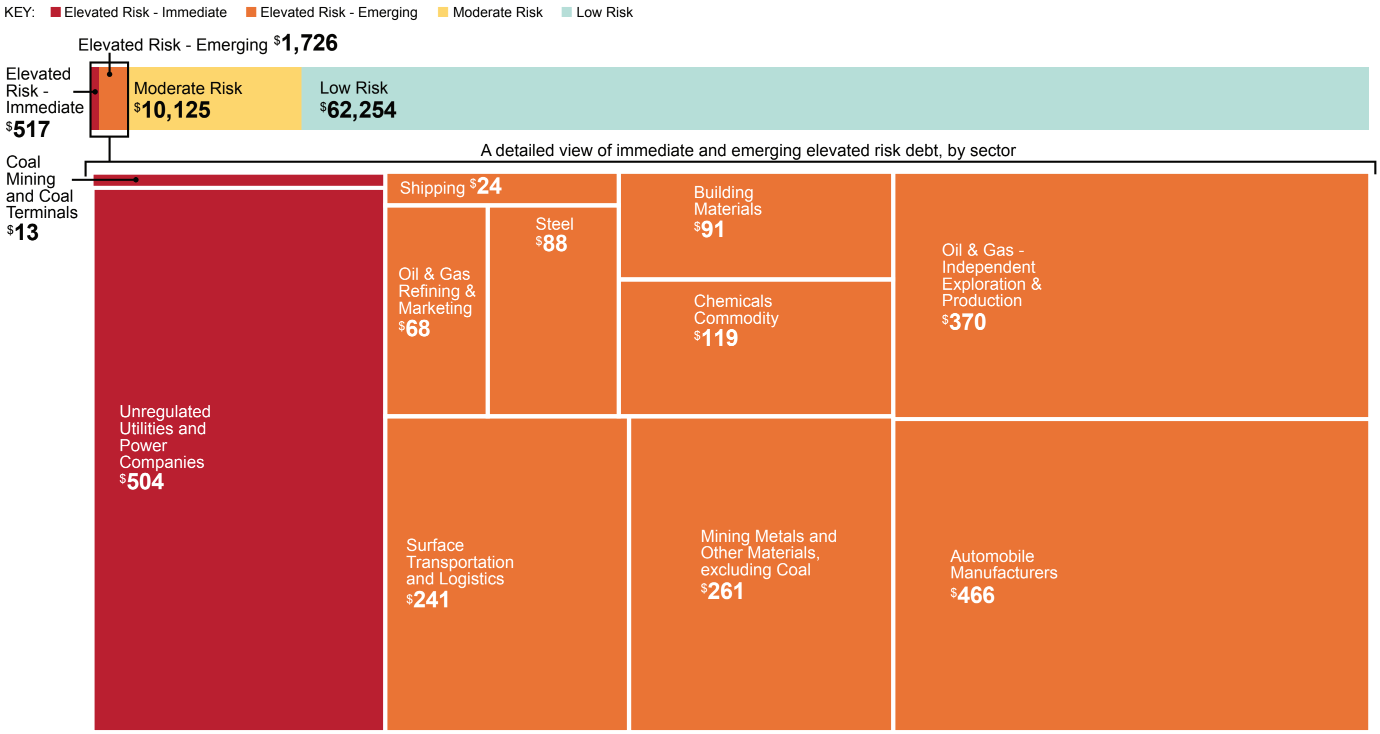
Following the 2015 United Nations Climate Change Conference, which encouraged the finance industry to transition to more sustainable practices, Moody's identified an opportunity to respond to growing demand from market participants for ESG measurements. As a result, MIS is developing tools to help the finance industry systematically and consistently incorporate sustainability into risk assessment and investment decisions.

MIS publishes credit ratings and research that provide information about the credit risk of counterparties, fixed-income securities and other financial obligations. By providing predictive and independent opinions about the risks associated with securities and other financial obligations, Moody's ratings and research help market participants decide where to allocate capital. This includes instances when the creditworthiness of a corporate and public sector entity may be materially affected by its climate-related risks and opportunities. MIS seeks to incorporate material credit considerations, including ESG issues when appropriate, into its credit analysis. As market participants and policymakers have begun focusing on the potential impact of environmental risks, MIS has taken a structured and systematic approach to this analysis, as noted in several of its research publications.

MIS also publishes research analyzing the impact of climate change on credit risk for corporate and public sector debt issuers. For example, MIS publishes a comprehensive heat map (more info in the infographic here) assessing the credit impact of global environmental risks. First published in 2015, and updated in 2018, MIS' heat map assesses credit exposure to environmental risks across 84 industry sectors globally, and is one of our most widely read ESG resources. Our 2018 report looked at $74.6 trillion in rated debt, which was up nearly 10% compared to 2015. About $10 trillion of the total rated debt is in sectors assessed as having moderate exposure to environmental risks—including pollution, land-use restrictions, carbon regulations, water shortages and natural disasters—compared with $7 trillion three years ago. In addition, MIS regularly publishes sector-specific analyses on the credit impact of climate change.

In 2016, MIS introduced Green Bond Assessments, which are forward-looking opinions on the relative effectiveness of the issuer's approach to managing, administering, allocating proceeds to and reporting on environmental projects financed with the proceeds of green bonds. A Green Bond Assessment

For 11 sectors, with $2.2 trillion in rated debt, environmental risks are already ratings-relevant or will be in the coming few years. Breakdown of "Elevated Risk" (Immediate/Emerging) sectors in environmental risks heat map (in US$ billion)



Note: Boxes are sized relative to the value of rated debt (in US$ billion) and color indicated for overall credit exposure.
Source: Moody's Investors Service

reflects Moody's evaluation of five broad factors; including use of proceeds; ongoing reporting; organization; management of proceeds; and, disclosure on use of proceeds. As of December 2018, the green bonds we had assessed will save about 2.6 million metric tons of annual carbon emissions, according to our estimates.

MIS was the first credit rating agency to become an associate member of the Institutional Investors Group on Climate Change, and a member of the Ceres Investor Network, a US-based sustainability nonprofit organization.

In April 2019 Moody's acquired a majority stake in Vigeo Eiris, a global leader in ESG research, data and assessments. This acquisition bolsters Moody's objective of promoting global standards for ESG for use by market participants and its ongoing commitment to enhancing transparency in ESG.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks

Moody's assesses climate-related risks and opportunities through a multi-disciplinary risk management process. Risk management processes are intended to reflect risks that the Company faces as an organization, including climate-related risk. At this time, climate-related risks have not been determined to be material to the Company's operations.

The Company's approach to risk management includes Management, Enterprise Risk Management (ERM), Business Continuity Management (BCM), Crisis Management, and IT Disaster Recovery.

Management

Management plays an essential role in the risk management process and serves as the first line of defense in risk management. The management team has risk management built into its objectives and is responsible for identifying and assessing any risks and opportunities as well as risk mitigating actions – including:

- Working with the embedded Risk Officers to identify and assess risks under their management/ownership;
- Developing and implementing risk response strategies for the risks under their management;
- Monitoring risks and response strategies under their management; and
- Ensuring the accuracy and timeliness of information provided for risk reporting.

Enterprise Risk Management (ERM) Program

The ERM program is headed by the CRO and supported by embedded Risk Officers for MIS and MA as well as a Risk Officer for the Shared Services function. The ERM program is responsible for designing and maintaining processes to assist the management team with the identification, management, and strategic consideration of enterprise-wide risks and to facilitate risk oversight by the Board.

This includes:

- Ensuring that significant enterprise risks are identified and proper risk responses and mitigation strategies are developed and implemented;
- Validating that identified risks and responses have defined end-to-end owners;
- Monitoring risk responses through the use of key risk indicators and tolerance levels; and
- Regularly communicating information related to risks through reporting to management and the Board.

Business Continuity Management (BCM)

BCM maintains a risk mitigation plan for various events, including natural or climate-related disasters. The program is designed to provide a framework for the Company's business to plan and respond to disruptions in its business. The Company's Business Continuity team tests its plans on an annual basis and updates plans with the business each year to address new events.

Crisis Management

Crisis Management plans are in place to provide a risk mitigation plan for events that affect the organization's operation. The Crisis Management team is the Company's primary response to emergency events and serves as a coordinating function during a crisis. The Crisis Management team regularly tests its capabilities through tests and scenarios and continually refines its program.

IT Disaster Recovery

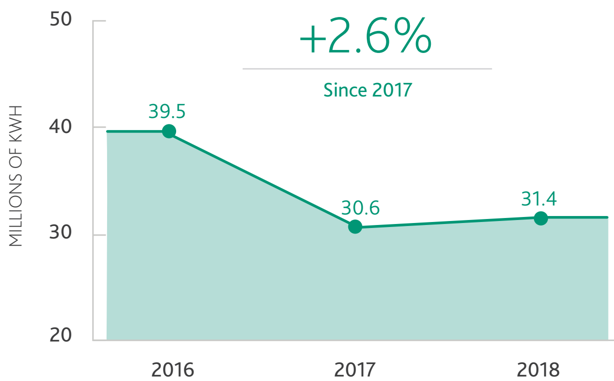
The Company has a fully developed and functional IT Disaster Recovery plan that is designed to recover its technology resources in the event of an outage. This plan provides a number of risk mitigation techniques and enables the organization to be resilient and recover in accordance with its Business Continuity Plans.

Metrics and Targets

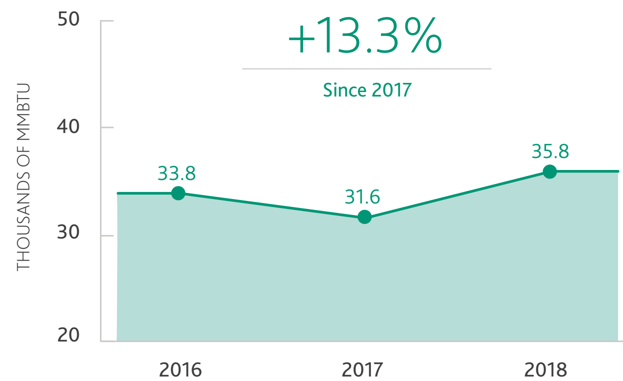
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Energy consumption

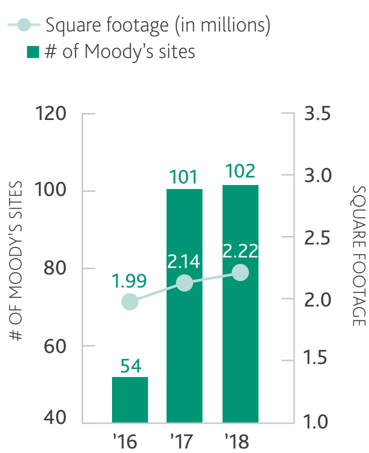
Electricity



Natural gas

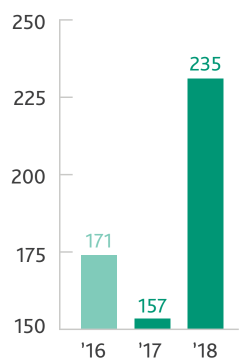


Moody's sites

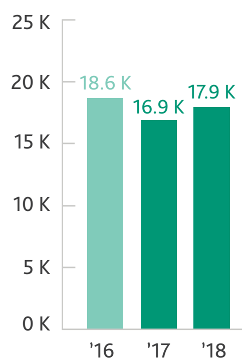


GHG emissions (in metric tons)

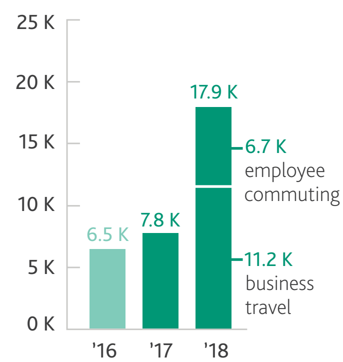
Scope 1



Scope 2: Market based



Scope 3



1. Figures have been rounded. See Moody's corresponding CDP report for full data. Moody's attributes much of the 2018 increases in energy consumption and emissions to our increased physical footprint (overall square footage, number of sites and employee travel) and to improvements in the rigor and quality of evidence in reporting such as, but not limited to, more sites reporting natural gas consumption this year. In 2018, we collected for the first time data on our employees' commuting practices.

The Methodology used for Scope 1 and 2 emissions is the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol.

Gas	Reference
CO2	IPCC Fifth Assessment Report (AR5 - 100 year)
CH4	IPCC Fifth Assessment Report (AR5 - 100 year)
N2O	IPCC Fifth Assessment Report (AR5 - 100 year)

The Methodology used for Scope 3 emissions is DEFRA 2018 Factors for Business Air Travel; without Radiative Forcing. Adjusted for AR5 GWPs.

Targets are set for credit rating methodology updates, climate-related research and ESG-related products on a multi-year basis.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this report on are forward-looking statements and are based on future expectations, plans and prospects for the Company's business and operations that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this report in the context of statements containing the words "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof relating to the Company's views on future events, trends and contingencies. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this report, and the Company undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise, except as required by law. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying examples of factors, risks and uncertainties that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, credit market disruptions or economic slowdowns, which could affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to the U.K.'s planned withdrawal from the EU; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting credit markets, international trade and economic policy; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquires to which the Company may be subject from time to time; provisions in the Financial Reform Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including data protection and privacy laws, sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate such acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under "Risk Factors" in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2018, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

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