

TCFD Report

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.

Moody’s and TCFD

Moody’s Corporation (Moody’s) is a global integrated risk assessment firm that empowers organizations to make better decisions. Our data, analytical solutions and insights help decision makers identify opportunities and manage the risks of doing business with others. We believe that greater transparency, more informed decisions and fair access to information open the door to shared progress.

Moody’s response to the TCFD recommendations follow the confirmation of support signed by our CEO and CFO in June 2017. It also follows our ongoing annual disclosure commitment of the organization’s greenhouse gas (GHG) inventory and climate-related issues through CDP. Moody’s Investors Service (MIS) has undertaken extensive reviews to integrate scenario analysis into credit impact assessments. Moody’s firmly believes in promoting global environmental, social and governance (ESG) measurement standards for use by market participants and ongoing commitment to enhancing transparency in ESG. Richard Cantor, chief credit officer of Moody’s, serves as a member of the Task Force. This TCFD response addresses the 11 recommendations and was developed with the assistance of external consultants, building on past risk disclosure through CDP and interviews with key internal risk personnel.

Governance

The Board’s oversight of climate-related risks and opportunities

Moody’s Board of Directors (the “Board”) oversees our management and overall strategy. In fulfilling this responsibility, the Board oversees our enterprise-level approach to major risks facing the company and identifies strategic opportunities.

The Board’s oversight of risk

With the assistance of the Audit Committee, the Board oversees Moody’s policies for assessing and managing our exposure to risk. The Board periodically reviews these risks and Moody’s risk management processes. The Board’s responsibilities include reviewing our practices with respect to risk assessment and management and reviewing contingent liabilities and risks that may be material to the company.

As part of its risk oversight, the Audit Committee reviews key risk factors, including those disclosed in Moody’s Annual Report on Form 10-K. Such risk factors include the risk of a business continuity disruption due to climate-related incidents. Risk factors in the Form 10-K also include exposure to reputational and credibility concerns, such as those that could stem from climate-related considerations. For example, the MIS practices relating to the incorporation of climate-related risks into its credit methodologies and credit ratings could potentially impact its ratings performance and business reputation.

The Governance & Nominating Committee oversees sustainability matters, including significant issues of corporate social and environmental responsibility, as they pertain to Moody's business and long-term value creation for our stockholders. The Governance & Nominating Committee reviews such matters and makes recommendations to the Board. In addition, the Audit Committee oversees financial, risk and other disclosures made in our annual and quarterly reports related to sustainability. We included disclosure relating to sustainability in our 2019 Form 10-Q filings as well as in the Form 10-K for the year ended December 31, 2019.

The Board has reviewed and approved our Environmental & Sustainability Policy, which reflects Moody's efforts to minimize the impact of our operations and services on the environment.

The Board's oversight of strategy

The Board reviews Moody's long-term strategic plan at least annually. Members of management provide the overall strategy for the company as well as for the two primary business segments, focusing on both Moody's current position and the proposed plans to achieve our strategic goals. Management's presentations include financial updates, strategies for the various lines of business and geographic plans. The Board's ongoing oversight extends throughout the year, because management is continually adjusting Moody's strategy in response to emerging risks and opportunities. As described below, this was especially evident in 2019 as we strived to enhance our work in the ESG sector.

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

Management's role with respect to risk

The CEO, who also serves on the Board, is responsible for ensuring that material risks are appropriately assessed and mitigated. Under the oversight of the Board and its committees, the CEO has established an Enterprise-Wide Risk Committee, composed of the CEO and his direct reports, which include

the chief risk officer. The Enterprise-Wide Risk Committee reviews the work of the Enterprise Risk Management (ERM) function that is managed by the chief risk officer. Among other things, the ERM function is responsible for identifying and monitoring existing and emerging risks that may impede the achievement of Moody's strategic and operative objectives.

The CFO provides leadership in innovation, implementation and influence to facilitate long-term sustainable growth. Beginning this year, Moody's is leveraging a climate-related scenario analysis, including a physical risk assessment from Four Twenty Seven, Inc. and a transition risk assessment, to understand the financial and risk-related implications of climate change on Moody's business model and operations. The CFO has expanded financial disclosures related to sustainability that provide useful information to investors and has tied CFO incentive compensation to sustainability performance.

The chief risk officer, who dually reports to the Audit Committee and the CEO, provides oversight and monitoring of all material risks that have the potential to hinder Moody's operations and talent, 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 the ERM function, they would be presented to the Audit Committee and to the Board.

Moody's CSR Council, chaired by President and CEO Raymond W. McDaniel, Jr., convenes senior management team members to shape its overall CSR strategy. The CSR Working Group, chaired by Arlene Isaacs-Lowe, global head of CSR and president of the Moody's Foundation, consists of executives charged with honing and implementing the strategy. In addition to our CSR team, Moody's also created the CSR Impact Leaders program to leverage employee knowledge and insight in advancing our CSR initiatives. These CSR bodies provide oversight and guidance on how employees' input can be incorporated into environmentally conscious policies and processes.

Management's role with respect to managing opportunities

Moody's management team develops a strategic plan that responds to market-driven opportunities through new products, offerings and acquisitions.

Moody's corporate mission is to provide trusted insights and standards that help decision makers act with confidence. Management believes that one key aspect to implementing this strategy is to invest in strategic growth opportunities.

Through the work of the management team, led by the CEO and chief operating officer, Moody's invests in initiatives to implement our strategy, including internally led organic development and targeted acquisitions.

Climate-related risks and opportunities governance summary

- » **Moody's Board of Directors:** Oversees overall strategy and enterprise-level approach to major risks
- » **Audit Committee:** Is responsible for the financial, risk and other disclosures made in our annual and quarterly reports related to sustainability
- » **Governance & Nominating Committee:** Oversees sustainability matters as they pertain to business and long-term value creation and makes recommendations to the Board regarding these issues
- » **CEO:** Ensures that risks are mitigated and opportunities are identified
- » **CFO:** Embeds sustainability into business-as-usual financial processes and decision-making within their remit, including real estate, facilities and supply chain
- » **Chief risk officer:** Is responsible for full ERM function, including risk identification and monitoring
- » **Chief strategy officer:** Is responsible for the CSR function and provides periodic reporting, along with the global head of CSR, to the Board
- » **CSR team:** Is responsible for internal capacity building and implementation of sustainability measurement and reporting of strategy and processes

Strategy

ESG considerations are critical to managing risk and seizing opportunities in today's global capital markets. Moody's is committed to transparently and systematically integrating ESG considerations into credit ratings and risk management solutions. Working with our affiliates, Moody's is also developing standalone market-leading ESG, sustainable finance, and climate risk data and assessments to meet the growing needs of issuers, investors and policymakers across the globe. Through an in-depth discovery process conducted in 2017, which included survey input, meetings and interviews, Moody's learned that our stakeholders consider small business growth, environmental sustainability and education to be high-priority economic, environmental and social issues to which we could make an effective and meaningful contribution.

Climate change-related opportunities

Moody's has identified three main areas of climate-related opportunities for its business: strategic investment in products and services, memberships and climate change commitments, and research and development. Moody's new product offerings and climate-related analytical initiatives are intended to address the business opportunities and risks identified in the relevant section below.

Strategic investment in products and services

In 2019, Moody's acquired several ESG-related companies to promote transparent standards for use by market participants. These acquisitions recognize that ESG considerations are increasingly relevant to issuers, investors, counterparties and others as capital markets and other stakeholders seek clear and objective standards for understanding and measuring these factors. Moody's new product offerings and climate-related analytical initiatives contributed to an estimated \$15 million to \$20 million in revenue in 2019.

VIGEO EIRIS

In April 2019, Moody's acquired a majority stake in Vigeo Eiris, a global provider of ESG research, data and assessments. With products and capabilities based on ESG assessments and an extensive ESG database, Vigeo Eiris offers specialized research

and decision-making tools for sustainable and ethical investments. These include carbon footprint data and assessments covering physical risk management, climate change governance and energy transition. The addition of Vigeo Eiris strengthens Moody's ability to provide positive screenings that identify companies developing climate change solutions and support our partners in the development of EU's Paris-aligned Benchmarks.

FOUR TWENTY SEVEN

In July 2019, Moody's acquired a majority stake in Four Twenty Seven, a provider of data, intelligence and analysis related to physical climate risks. It does this by aggregating location-based exposures to provide climate risk assessments at the company, REIT, sub-sovereign and sovereign levels. The addition of Four Twenty Seven enhances Moody's growing portfolio of risk assessment capabilities and underscores our work to advance global standards for assessing environmental and climate risk factors. Four Twenty Seven also strengthens our growing thought leadership and research on incorporating climate risk into economic modeling and credit ratings.

SYNTAO GREEN FINANCE

In October 2019, Moody's acquired a minority stake in SynTao Green Finance, a provider of ESG data and analytics based in and serving China. SynTao's data covers publicly listed Chinese companies, bond issuers and macro ESG development trends, and the company also provides thought leadership on ESG to policy makers. This investment strengthens Moody's presence and engagement in China and its financial markets, and reflects our focus on supporting long-term, sustainable regional growth and contributing to the healthy development of ESG markets more broadly.

Memberships and climate change commitments

Moody's conducts outreach and engagement with a multitude of ESG and CSR bodies and is a member of a number of industry associations and supranational organizations. For a full list, see GRI Index, Organizational profile, Item 102-12, on page A-5, and Item 102-13, on page A-6. The following are highlights from 2019.

UNITED NATIONS GLOBAL COMPACT

In July 2019, Moody's became a participant in the United Nations Global Compact (UNGC). Launched in 2000 to encourage companies to engage in responsible business practices, the UNGC is the largest corporate sustainability initiative in the world, with over 9,500 business and 3,000 non-business signatories. As part of its membership, Moody's will submit an annual progress report that includes a description of practical actions it has taken to enhance its sustainability efforts.

In addition, Moody's was named as a founding participant of the UNGC CFO Taskforce for the Sustainable Development Goals (SDGs) and joined the UNGC Reporting on the SDGs Action Platform to help shape the future of corporate reporting on SDGs. The SDGs are 17 goals established by the UN to address global challenges by 2030, including climate change and environmental degradation.

In December 2019, Moody's also signed the UNGC Business Ambition Pledge for 1.5°C and committed to instituting science-based targets through the Science Based Targets initiative to help limit global temperature rise to 1.5 degrees Celsius and achieve net-zero emissions by 2050.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

In July 2019, Moody's became a signatory to the Principles for Responsible Investment (PRI), an international association of asset owners, investment managers and service providers working toward a more sustainable global financial system through the incorporation of ESG factors into investment decisions. This builds on our 2016 signing of PRI's Statement on ESG in Credit Risk and Ratings, part of an initiative to enhance the transparent and systematic integration of ESG factors into credit risk analysis. As a PRI member, Moody's joins a network of over 2,200 organizations in endorsing PRI's six core principles related to acting in the best long-term interest of investors and incorporating ESG issues into investment and disclosure practices. Moody's will submit a report to PRI on its responsible investment activities annually. Moody's will also continue to publish a TCFD Report annually, which satisfies PRI's new requirement for signatories beginning in 2020.

A4S CFO NET ZERO STATEMENT OF SUPPORT

In December 2019, Moody's CFO, Mark Kaye, signed the Accounting for Sustainability (A4S) CFO Net Zero Statement of Support and committed the company to setting and validating science-based targets through the Science Based Targets initiative. A4S was established by HRH The Prince of Wales and aims to inspire action by finance leaders to drive a fundamental shift toward resilient business models and a sustainable economy.

Research and development

DEVELOPMENT OF REPORTS AND WHITE PAPERS

Using data and analytics from Four Twenty Seven, Moody's analysts have produced several reports this year and in early 2020 on the exposure of issuers to the physical risks of climate change. To view full reports, visit: esg.moody's.io

In September 2019, MIS [published a report](#) analyzing the growing exposure of local governments to rising temperatures in the US. The report found that local government exposure to rising temperatures stemming from climate change varies widely by geography, with the Midwest and Southeast being more exposed than other regions.

In January 2020, MIS [published a report](#) examining the exposure of investor-owned utility holding companies with regulated US electric subsidiaries to the heightened risk of extreme weather events brought on by climate change. The report found that climate hazards, including higher air and water temperatures and increased intensity and frequency of storms, will increase financial and physical risks for investor-owned utilities.

In February 2020, MIS [published a report](#) examining the labeled bond market. The report found that green, social and sustainability bond issuance will hit a combined record of \$400 billion in 2020, up 24% from the previous record of \$323 billion achieved in 2019. Continued growth and diversification of these markets will be accompanied by innovation in new labels and structures, particularly with respect to transition bonds and sustainability-linked bonds and loans.

In March 2020, MIS [published a report](#) describing a conceptual approach to using climate scenarios to help assess the credit impact for rated issuers across sectors

globally on a consistent basis. While we expect a more pronounced decarbonization trajectory and more frequent and volatile extreme weather in the future, there is a wide range of possible outcomes, and the credit impact will not be uniform across or within sectors. Consequently, climate scenarios are critical in providing consistent starting points to better understand the relative positioning and strategic response of companies, governments and assets to both transition and physical risks. On transition risks, our scenarios are based on the International Energy Agency's Stated Energy Policies Scenario and Sustainable Development Scenario, which are closely aligned with the near-term and longer-term goals of the Paris Agreement, respectively. With regard to physical risks, in the near term the uncertainty in outcomes is driven mainly by scientific uncertainty inherent within climate models themselves. Grouping the outcomes of climate models into low, medium and high tiers allows for the exploration of potential severity in climate hazards.

DECISION MODEL REBUILDING

Factoring in climate data from Vigeo Eiris and Four Twenty Seven, Moody's modeling teams have been processing various segment, industry and regulatory scenarios and models to update probability of default and loss given default scoring. This helps market participants of those scenarios and models better understand portfolio implications, concentrations and sensitivities to ESG.

SCENARIO ANALYSIS

In 2020, we conducted a scenario analysis to evaluate our exposure to physical and transition risks in our operations and against our strategy. The scenario analysis categorizes several climate-related opportunities that Moody's has been implementing in recent years as a market response for ESG-related products. We identified climate-related risks and opportunities across three time frames: short term, which considers 2025; medium term, which considers 2030; and long term, which considers 2040. We explored the potential impacts of each risk with the goal of building mitigation strategies into financial planning. The low carbon transition presents numerous opportunities for Moody's in terms of new product offerings and expansion of ratings to fully encompass long-term climate-related risks and create opportunities for integration into an organization's business sustainability.

We assessed the resilience of our strategy by conducting scenario analysis to

We assessed the resilience of our strategy by conducting scenario analysis to investigate the implications of two alternate yet plausible future states of the world. To explore transition risks and opportunities, we applied a low emissions scenario involving application of strong policies such as carbon pricing to limit temperature rise in line with globally agreed climate goals. We modeled physical risks across Moody's entire global portfolio to assess both chronic risks (arising from long-term shifts in climate and weather patterns) and acute risks (arising from sudden and severe climate events). We modeled transition risks and opportunities—focusing on carbon price—across short-, medium- and long-term intervals. We assessed physical risks using a high-emissions scenario over the next 20 years; climate impacts under different scenarios prior to this time show negligible differences until the trajectories of their emissions begin to diverge.

We used the International Energy Agency World Energy Outlook Sustainable Development Scenario to explore transition risks and opportunities. This scenario limits temperature rise in accordance with global climate goals and meets the UN's SDGs for energy access and air quality. We modeled carbon pricing scenarios to evaluate their impact on Moody's direct (Scope 1) and indirect (Scopes 2 and 3) GHG emissions.

We assessed physical risks using the Intergovernmental Panel on Climate Change Representative Concentration Pathway 8.5. This scenario consists of few or no policy changes, resulting in high levels of atmospheric GHG emissions at the end of the century and associated exacerbated physical impacts, such as increased heat or water stress, sea level rise and other extreme events. This analysis also rated the risk of natural disaster in the form of earthquake risk. As there is yet to be a strong proven link between climate change and earthquake events, the results were not included in this report; however, we fed them into internal risk frameworks and planning.

The future we experience is likely to be a combination of elements from both transition and physical risk scenarios. Exposure to transition risk due to the unforeseen implementation of policies is likely. However, as our global carbon budget to limit warming to 1.5 degrees Celsius diminishes, we are likely to




experience physical impacts from the change of weather patterns and climate, regardless of policy decisions in the next decade. Exploring the extremities of high transition risk and high physical risk scenarios helps inform our strategy and assess long-term resiliency. Moody's will monitor several indicators to help determine whether one scenario is evolving over another. These signposts include global carbon pricing implementation, nationally determined contributions to meet global climate goals (expected to be increased for the next Conference of the Parties), renewable energy prices and energy mix penetration as well as the evolution of emission pathways and emerging scientific literature.

A summary of the climate-related risks and opportunities that Moody's identified and modeled is shown in the tables on the next two pages.

Overall, climate-related risks for both transition and physical scenarios pose low-level impact to Moody's. Our dedication to climate action through comprehensive measurement and disclosure of emissions in the form of committing to setting science-based targets minimizes the exposure to accelerated emissions mitigation policies. The impact of carbon pricing on a sliding scale up to \$140 per metric ton of carbon dioxide equivalent in 2040¹ on Moody's emissions footprint was below 1% of net operating income. We have also enhanced the MIS rating methodologies and made improvements to acquired ESG-related companies to incorporate climate risk into economic modeling and credit ratings to ensure the MIS ratings are resilient to these risks.

Physical risks for Moody's global portfolio were low for acute climate events of floods, hurricanes and typhoons. Impact of chronic events were low for sea level rise and in the medium risk category for heat and water stress. Although heat and water stress were deemed high risk, the impact on Moody's is expected to be minimal. The geographic locations shown to experience heat and water stress were evaluated in consideration of their energy requirements and the additional expenses to condition workspaces to safeguard employee comfort. Expenses required to secure water supplies were minimal. The site-level physical risk assessment informed which sites globally would require resiliency investment and those which would be more suitable for long-term relocation.

1. *World Energy Outlook 2019*, International Energy Agency, <https://www.iea.org/reports/world-energy-outlook-2019>.

PHYSICAL RISKS		Long-term risk level	Risk mitigation
Acute Sudden and severe natural events	Floods	 Low	In a high-temperature-rise scenario, risk of flood was low across Moody's rental portfolio, with 9% of sites at risk. Sites at higher risk will be evaluated.
	Hurricanes and typhoons	 Low	Sites with historical exposure to severe weather events are monitored and assessed for resiliency investment. Overall, 9% of our sites are at risk to hurricanes and typhoons; most of these sites are at low risk. Those identified as higher risk are monitored for resiliency investment and potential relocation.
Chronic Risks due to long-term shifts in climate or weather patterns	Heat stress	 Medium	A significant proportion (33%) of our sites is expected to experience a high level of heat stress due to climate change. We expect operation costs of comfort cooling at these sites to increase and will monitor them to ensure we can continue to source 100% renewable electricity.
	Water stress	 Medium	In 4% of sites, Moody's operations are expected to experience water stress due to climate change. Each site identified at risk of water stress will be evaluated for resiliency investments and monitored, along with its water levels. Water stress tends to be one of the less relevant risks for offices, which make up all of Moody's rental portfolio that was screened for physical climate risk exposure.
	Sea level rise	 Low	Overall, the risk to Moody's from sea level rise is 1% of the sites. To improve resiliency, the affected sites will be monitored in terms of contingency planning and adaptation measures installed at the citywide level.

TRANSITION RISKS AND OPPORTUNITIES			Short term (2025)	Medium term (2030)	Long term (2040)
Policy and legal	Increased pricing of GHG emissions	Introduction of mandatory carbon pricing would increase costs for direct operations and increase costs indirectly via the purchase of goods and services.		<0.5% impact on operating income	<1% impact on operating income
	Mandates and regulations on existing products and services	Mandates and regulations on high-carbon products give way to increased opportunities for the growth of Moody's ESG-related rating products.		Market growth opportunity	Market growth opportunity
Technology	Costs to transition to lower-emission technology	The World Energy Outlook Sustainable Development Scenario shows a significant continued reduction in the pricing of renewable technologies; therefore, we will benefit from avoided costs in the continued procurement of renewable electricity.		Avoided costs	Avoided costs
Market	Changing customer behavior	Moody's is unlikely to experience reduced demand for goods and services due to increased input prices, but we likely will realize opportunities from the growth of our ESG-related products.		Market growth opportunity	Market growth opportunity
	Shifts in consumer preferences	Shifting of customer preferences is unlikely to weaken our reputation if we keep responding to market demand for more climate leadership.		Market growth opportunity	Market growth opportunity
	Climate-related risk analytics in ratings	Potential poor ratings performance due to an ineffective implementation of climate-related risk analytics in ratings could damage the MIS reputation.		No discernible quantified impact	No discernible quantified impact
	Stigmatization of sector	Moody's faces potential stigmatization from its association with high-carbon emitters.		No discernible quantified impact	No discernible quantified impact
	Increased stakeholder concern or negative stakeholder feedback	Moody's strong push for increased disclosure on GHG inventory and implementation of science-based targets will likely meet stakeholder expectations.		Market growth opportunity	Market growth opportunity

 LOW RISK  OPPORTUNITY

Risk management

ESG risk factors influence investment processes and decision-making and cover many issues that traditionally have not been part of financial analysis yet are likely to have increasing operational and financial impacts. Moody's assesses climate-related risks through a multidisciplinary risk management process. While climate-related risks have not been determined to be material to our operations at this time, we have identified three potential areas of impact: extreme weather patterns on operations, regulation on utility and energy costs, and reputational risks related to sustainability practices.

Below are descriptions of the potential risks and our approach to risk management for each scenario.

Impact of extreme weather patterns on operations

Changes and extreme variability in weather patterns could potentially cause a reduction in revenue from decreased delivery of goods and services and/or increased costs associated with operations. For example, our Asia-Pacific operations are vulnerable to an increase in the severity, duration and frequency of tropical storms. Physical risks in the US take the form of increased frequency and severity of storms with related flooding, particularly in the coastal eastern states, and extreme heat events contributing to drought conditions and numerous wildfires across the western states. This could lead to temporary or, in the event of severe damage, permanent closure of offices. One such instance occurred in 2012, when our headquarters at 7 World Trade Center in New York City was temporarily closed due to storm surge flooding that resulted in a loss of power in Lower Manhattan.

As part of our risk management approach, Moody's works to understand risk drivers and manage operating expenses accordingly. Business continuity and disaster recovery planning is an integral part of our risk culture and encompasses climate-related risk. When evaluating this specific scenario, we determined that alternative options such as telecommuting and the transfer of work to other locations are feasible and can be implemented with modest productivity disruptions.

Impact of regulation on utility and energy costs

As energy markets and regulations change, Moody's sees the potential for a near-term increase in operating costs. Specifically, climate change regulation may result in energy price increases. Gas, electricity, water and sewer expenses represented about \$5 million or 0.2% of our 2019 operating expenses. A hypothetical 10% rise in utility and energy prices across the board could raise electricity spend by about \$500,000 annually.

While this would have a minimal effect on Moody's financial results, it is part of our business strategy to manage this exposure. We work with relevant partners and vendors to assist in calculating our global footprint and devise recommendations for emission reductions. These efforts include ensuring appropriate terms and conditions are in place to plan for potential disruptions and build in redundancy where needed.

Impact of reputational risks related to sustainability practices

Moody's is highly visible within the capital markets and attracts many diverse stakeholders, including individuals and organizations for whom our future is of direct importance, as well as indirect stakeholders who are concerned with corporate behavior and action. This visibility heightens the potential impact of climate-related risks of our operations and product offerings. Since the threat of climate change is held as relevant and important by certain stakeholders, Moody's actions or lack thereof concerning climate change could create reputational risk. For example, if we are not transparent and do not adequately explain our actions to stakeholders, they could conclude that Moody's is not environmentally responsible. Further, the MIS practices relating to the incorporation of climate-related risks into its credit methodologies and ratings could potentially impact its ratings performance and business reputation. Though any one incident is unlikely to weaken our reputation, a cumulative lack of support and transparency for sustainability goals could detract from our brand value.

As part of our risk management approach, Moody's has engaged a third-party vendor to evaluate our carbon accounting and reporting and to develop meaningful recommendations to help us accelerate our climate-related risk initiatives. We are committed to advancing our climate and sustainability efforts and improving our disclosure in this area to meet growing investor and stakeholder expectations and avoid incremental costs associated with negative brand perception.

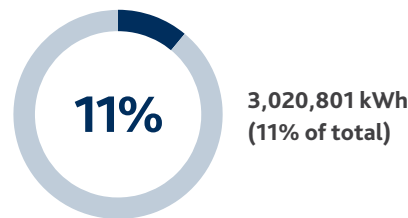
Metrics and targets

Moody's has shown a commitment to disclosure of GHG inventory and climate-related strategies via CDP since 2017. Plans have been put in place to expand the scope of emissions accounting and disclosure for our 2020 CDP response to include all relevant Scope 3 sources of emissions. We engage third-party auditors to review our GHG inventory and implement an internal monitoring and review process to track and refine accuracy over time. Moody's sourced Verra and Gold Standard Verified Emission Reductions to offset 2019 emissions. We also intend to complete 100% sourcing of renewable energy in 2020, as well as formally publish verified targets aligned with the Science Based Targets initiative. These targets ensure that our direct operations align with an emissions trajectory of 1.5 degrees Celsius and that net-zero emissions are achieved no later than 2050. The most significant contribution to our emissions footprint is the Scope 3 category of Purchased Goods and Services. We introduced best practice accounting methodologies in 2020 to estimate our emissions from this category, with bold plans underway for ambitious target setting and supplier engagement approaches to reduce these emissions. Our 2020 CDP response and science-based targets commitment will further detail our metrics and targets.

Energy consumption and site information

Energy type	Total consumption
Diesel	380 gallons
LPG	88,383 kilowatt-hours (kWh)
Natural gas	13,754 million British Thermal Units (MMBtu)
Electricity	28,269,677 kWh
Steam	140,821 kWh
Chilled water	1,468,565 ton-hours

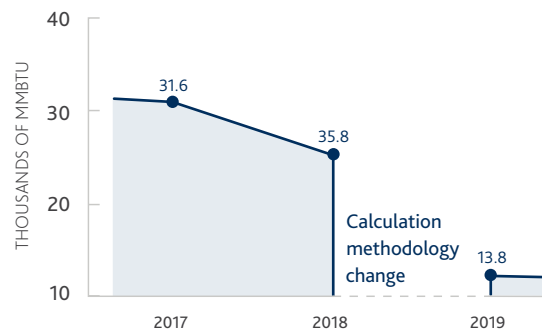
Renewable energy use



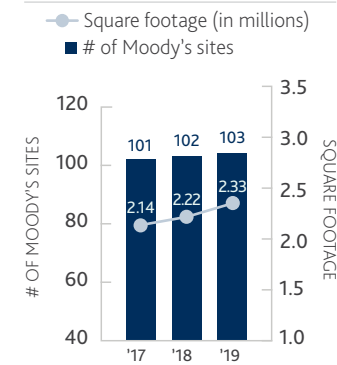
Electricity



Natural gas



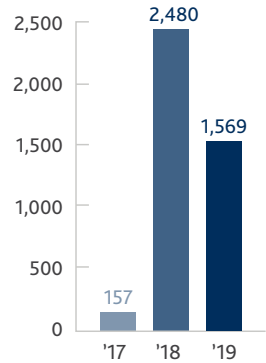
Moody's sites



GHG emissions (in metric tons of carbon dioxide equivalent)

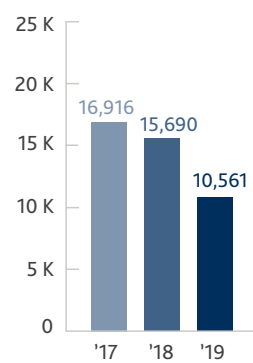
Scope 1¹

Metric tons of carbon dioxide equivalent (tCO₂e)



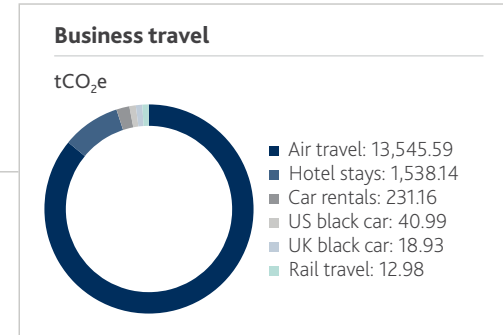
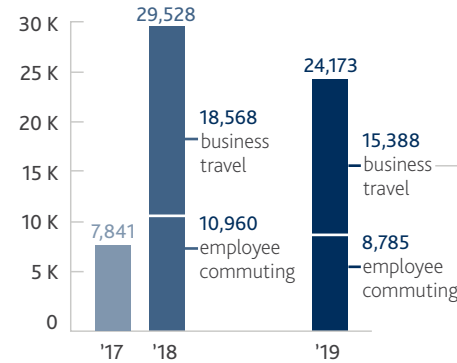
Scope 2: market-based¹

tCO₂e



Scope 3¹

tCO₂e



Gas	Reference
CO ₂	IPCC Fifth Assessment Report (AR5 - 100 year)
CH ₄	IPCC Fifth Assessment Report (AR5 - 100 year)
N ₂ O	IPCC Fifth Assessment Report (AR5 - 100 year)

Scope 1 and 2 emissions were calculated in accordance with the World Resources Institute/World Business Council for Sustainable Development GHG Protocol Corporate Accounting and Reporting Standard. Scope 3 emissions were calculated in accordance with the World Resources Institute/World Business Council for Sustainable Development Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

1. Figures have been rounded; see Moody's corresponding CDP report for full data. 2019 emissions reporting includes employees from Moody's Analytics Knowledge Services up to the date of completed sale of that business.

Next steps

Moody's understands that resiliency and strategy building for climate-related risks and opportunities is an iterative process. We intend to expand the analysis scope to cover additional scenarios in future years, such as the application of a fully detailed scenario for 1.5 degrees Celsius when it becomes available. As scenario narratives continue to advance, we will expand risk coverage and increase the granularity of assessment. The evolution of global emissions and the scenario signposts will be monitored to help us ensure that the climate and emissions strategy adequately mitigates risks and continues to respond to market calls for increased ESG products. Moody's will continue to strive for ambitious climate action through our commitment to measuring, reducing, offsetting and reporting on our emissions footprint.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of Moody's Corporation (the “Company”) that involve a number of risks and uncertainties. Such statements may include, among other 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 that convey the prospective nature of events or outcomes generally indicative of forward-looking statements. The forward-looking statements and other information in this release are made as of the date hereof 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 applicable law or regulation. 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, the impact of COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP growth in the U.S. and worldwide, and on the Company's own operations and personnel. Many other factors could cause actual results to differ from Moody's outlook, including 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 uncertainty as companies transition away from LIBOR and Brexit; 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, including those related to tariffs and trade barriers; 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 Dodd-Frank

Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) and regulations resulting from Dodd-Frank; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to MIS's rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which the Company may be subject from time to time; provisions in the Dodd-Frank 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 currently, or in the future could be, amplified by the COVID-19 outbreak and 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, 2019, 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.

About the information in this report

Certain statements in this report are aspirational or otherwise forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. These statements, including statements regarding the goals of Moody's Corporation and its subsidiaries (the "Company"), are not guarantees of future results or occurrences. Actual results and financial condition may differ materially from the Company's expectations or predictions expressed in this report due to a variety of factors, including, among others, global socio-demographic, political and economic trends, technological innovations, climate-related conditions and weather events, legislative and regulatory changes and other unforeseen events or conditions, and the factors discussed in the precautionary statements included in this report and those contained in the Company's filings with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this report, and the Company undertakes no obligation 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 addition, while this report describes potential future events that may be significant, the significance of those potential events should not be read as equating to materiality as the concept is used in the Company's filings with the Securities and Exchange Commission.



VERIFICATION OPINION GREENHOUSE GAS EMISSIONS

To: Moody's Corporation

APEX Companies LLC, (Apex) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by Moody's Corporation (Moody's) for the period stated below. This Verification Opinion applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of Moody's. Moody's is responsible for the preparation and fair presentation of the GHG emissions statement in accordance with the criteria. Apex's sole responsibility was to provide independent verification opinion on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information. Apex is responsible for expressing an opinion on the GHG statement based on the verification. Verification activities applied in a limited level of assurance verification are less extensive in nature, timing and extent than in a reasonable level of assurance verification.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Types of GHGs: CO₂, N₂O, CH₄, HFCs, CFCs, HCFCs

GHG Emissions Statement:

- **Scope 1:** 1,569 metric tons of CO₂ equivalent
- **Scope 2 (Location-Based):** 11,210 metric tons of CO₂ equivalent
- **Scope 2 (Market-Based):** 10,561 metric tons of CO₂ equivalent
- **Scope 3:**
 - Business Travel: 15,388 metric tons of CO₂ equivalent
 - Employee Commuting: 8,785 metric tons of CO₂ equivalent

Data and information supporting the Scope 1, Scope 2, and Scope 3 GHG emissions assertion were historical in nature for the most part. In some cases, data were estimated rather than historical in nature.

Period covered by GHG emissions verification:

- January 1, 2019 to December 31, 2019

Criteria against which verification conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol, Corporate Accounting and Reporting Standard
- WRI/WBCSD Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Reference Standard:

- ISO 14064-3: Greenhouse gases -- Part 3: Specification with guidance for the validation and verification of greenhouse gas statements



Level of Assurance and Qualifications:

- Limited
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for each of the above indicators.
- Global Warming Potentials used to calculate refrigerant emissions were not consistent with those used for the remainder of the inventory.

GHG Verification Methodology:

Evidence-gathering procedures included but were not limited to:

- Interviews with relevant personnel of Moody's and their consultant;
- Review of documentary evidence produced by Moody's;
- Review of Moody's data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
- Audit of sample of data used by Moody's to determine GHG emissions.

Verification Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions statement shown above:

- is not materially correct and is not a fair representation of the GHG emissions data and information; and
- has not been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (**Scope 1 and 2**), and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (**Scope 3**).

It is our opinion that Moody's has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Statement of independence, impartiality and competence

Apex is an independent professional services company that specializes in Health, Safety, Social and Environmental management services including assurance with over 30 years history in providing these services.

No member of the verification team has a business relationship with Moody's, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

Apex has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of Apex's standard methodology for the verification of greenhouse gas emissions data.



Attestation:

A handwritten signature in blue ink, appearing to read 'Trevor A. Donaghu'.

Trevor A. Donaghu, Lead Verifier
Program Manager
APEX Companies, LLC
Pleasant Hill, California

A handwritten signature in blue ink, appearing to read 'David Reilly'.

David Reilly, Technical Reviewer
Principal Consultant
APEX Companies, LLC
Santa Ana, California

April 13, 2020

This verification statement, including the opinion expressed herein, is provided to Moody's Corporation and is solely for the benefit of Moody's Corporation in accordance with the terms of our agreement. We consent to the release of this statement by you to CDP in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.

SOLICITED SUSTAINABILITY RATING – March 2020

Sustainability Rating Certificate for Moody's

Moody's has solicited Vigeo Eiris to conduct an independent ESG and sustainability rating.

As of March 2020, Moody's Corp¹. ("Moody's") obtains an A2+ rating, based on an overall score of 53/100. Moody's ranks within the top 10% of all companies rated by Vigeo Eiris worldwide (4,859 in total²) and 1st out of 58 within the Business Support Services North American sector.

Moody's displays overall strong willingness and capacity to integrate ESG factors into its strategy, operations and risk management, with robust to advanced performance on issues related to legal security, operational efficiency and reputation while limited although above sector-average results are seen on drivers that could impact human capital cohesion.



Rank in Sector	1/58	ESG Reporting Rate	87%
Rank in Region	5/1252	Sector average	61%
Rank in Universe	268/4859		

ESG AND RISKS MANAGEMENT PERFORMANCE (././100)



KEY TAKEAWAYS

Impacts: Moody's does not report on quantified objectives to reduce its climate footprint. KPIs demonstrating the company' social impacts reveal mixed trends in terms of diversity and training, while health and safety metrics are not monitored at group level. Moody's seems to have initiated a transition towards integrating sustainability, compliance and cyber risks within its service offer.

Risks: Moody's risk management system appears solid, covering most of its material sustainability risks. The company displays robust to advanced capacity to safeguard and enhance its legal security, reputation, and operational efficiency. Mitigation of material factors that could impact human capital cohesion receives a limited (although above-average) level of assurance.

Management: Moody's appears to integrate sustainability factors into its strategy and operations, although its approach does not appear to be supported by quantified objectives. Robust means and processes address the most material challenges. Moody's faces isolated controversies (four) and communicates on some corrective actions imposed to the Group in the frame of settlements.

¹ Moody's Investor Services, a subsidiary of Moody's Corp., is a shareholder of Vigeo Eiris

SOLICITED SUSTAINABILITY RATING – March 2020

This issuer-solicited sustainability rating was produced using research about Moody's from Vigeo Eiris' database as well as interviews with 11 Company's managers and directors and one employee representative, conducted from 04/02/2020 to 11/02/2020.

Vigeo Eiris' assessment report was delivered on 25/03/2020, covering 6 domains, 17 sustainability drivers and 29 impact indicators. It is structured around 3 key pillars:

1. The social and environmental impacts of Moody's products and services, its strategy for the future, and its ability to invest in and create sustainable value;
2. Moody's capacity to identify and mitigate its ESG risks and to preserve and increase the value of its strategic assets (including reputation, human capital, operational & organisational efficiency and legal security);
3. The strategic and operational integration of social responsibility topics in Moody's governance, operations and reporting, including the balance and dynamics of stakeholder relationships.

Vigeo Eiris' analysis aims to inform investors, asset managers and other relevant stakeholders of the nature, weighting and level of integration of ESG factors by the Company, as well as its ability to identify and mitigate related risks.

Moody's is an integrated risk-assessment firm with two main activities: Moody's Investors Service (MIS) publishes credit ratings and provides assessment services on debt obligations and entities that issue such obligations (corporate and governmental obligations, structured finance securities, etc.) while Moody's Analytics (MA) provides specialized research, data, software and professional services to support financial analysis and risk management activities of institutional customers. Since 2017, Moody's has acquired several research and data providers, including Bureau van Dijk (specialized in company information), Vigeo Eiris (sustainability research) and Four Twenty-Seven (climate risk research), thereby expanding its research, products and services to new risk classes, considered adjacent to credit risk.

Paris, 26 March 2020

Hélène Drouet
Sustainability Rating Product Manager



Muriel Caton
Senior advisor, sustainable finance strategy



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The Company gave us access to all documents and interviewees that we requested as part of our analysis process. We have a reasonable level of assurance about the reliability of information provided by the company. We have conducted this analysis in line with our standard methodological framework and Code of Conduct. We have not been subject to any pressure or proposal which could affect our independence or alter the integrity of our statements or opinions. We have no personal interest with the issuer, its executives or its activities.

Vigeo Eiris provides its clients with information and/or analyses or opinion on factual, quantitative or statistical, managerial, economic, financial, governance, social, or technical data, in relation to companies, brands, products or services, assessed individually or with respect to sectors, regions, stakeholders or specific themes. Vigeo Eiris is committed to making its best efforts when collecting, organising, consolidating, formatting, making available and/or delivering the aforementioned information, analyses and/or opinion to its clients.

Although Vigeo Eiris only uses publicly available information, we cannot guarantee the accuracy or completeness of this information. The above elements (information, indicators, analyses, scores, and opinion) do not include or imply any approval or disapproval from Vigeo Eiris, its executive officers or employees. These elements do not represent in any way a guarantee, or reference of legal, moral, philosophical, ethical or religious nature, supporting or opposing any investment or divestment decision, or any standpoint or opinion expressed in favour of, or against companies, products, services, sectors or regions directly or indirectly mentioned in Vigeo Eiris' deliverables. Our deliverables are not, and should not, be considered as a form of financial advice or recommendation. No investment or divestment decision should be attributed to the information or opinion provided by Vigeo Eiris. Our products and services must only be considered as one of the many elements related to the financial decision-making process.

Vigeo Eiris, its methodology, brand, and employees shall under no circumstances be held responsible for any kind of consequence (including economic, financial or legal) derived from the interpretation of its information, analyses, opinion, scores and indicators. The terms of use of our products and services and their impacts stem from the sole responsibility of their users.