



MOODY'S | Better Decisions

TCFD Report 2020

Foreword

A message from Mark Kaye,
Moody's Chief Financial Officer

The world is undergoing fundamental, systemic change as environmental factors redefine the characteristics and parameters of the financial markets.

The pandemic has generated both opportunities and challenges. It has created the space for us to reimagine our operations as we plan for the Workplace of the Future, and the imperative for us to accelerate our work with respect to climate action and transparency. At Moody's, we are facilitating the transformation of markets to be greener by integrating climate considerations into our business offerings, and by continuing to advance environmental sustainability in our own operations and global value chain.

In 2020, we implemented a decarbonization plan and made tangible progress on our corporate environmental sustainability commitments. This included setting and progressing against our science-based targets in an effort to reduce our greenhouse gas (GHG) emissions on the path to achieving net zero by 2050, consistent with our commitment to the United Nations Global Compact Business Ambition for 1.5°C. We procured 100 percent renewable electricity for our global operations; remained carbon neutral for our operations, business travel and employee commuting; and retroactively offset

our GHG emissions from September 2000, when Moody's became a public company.

We are proud to be the first S&P 500 company to join the Say on Climate campaign and to be recognized for our leadership in corporate sustainability by the global environmental nonprofit CDP, attaining a place on its prestigious 2020 "A List" for tackling climate change. Last year, Moody's was also named by CDP as a Supplier Engagement Leader for our efforts to raise the level of climate ambition across our value chain.

Progress on our environmental sustainability efforts would not have been possible without the resiliency and passion of our people. As the pandemic continues, we are adapting our operations in a way that better serves the needs of our employees and reduces our GHG emissions. To achieve these goals, we are enhancing our technology and IT infrastructure and will likely implement a hybrid model of in-office and remote work that will allow us to reduce office space, employee commuting and business travel over the long-term.

Moody's is also driving systemic climate action in the capital markets. In 2020, we formed Moody's ESG Solutions (MESG) to align our efforts across the firm, and to best meet the growing global demand for environmental, social and governance (ESG), and climate capabilities.

We continue to integrate climate risk considerations into our credit ratings and risk management solutions to enable comprehensive decision-making and data-driven insight.

With this report, we reaffirm our commitment to advancing our disclosures against the 11 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are proud to have fully implemented climate risk awareness into our business activities and overall strategy, corporate governance and risk management.

As we move forward, Moody's will continue to embed responsible and sustainable decision-making into everything we do. We understand our responsibility to our stakeholders, including stockholders, customers, employees and the communities in which we operate, and we strive to be a catalyst for positive, system-wide change for better business, better lives and better solutions.




Mark Kaye
Chief Financial Officer,
Moody's Corporation

"At Moody's, we are transforming the markets to be greener by integrating climate considerations into our business offerings, and by continuing to advance environmental sustainability in our own operations and global value chain."

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) "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 recommendations from the TCFD 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 populate the framework with information tailored to help investors and other stakeholders understand how reporting organizations assess and manage 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.

Addressing climate-related risks is increasingly important for the global economies to move toward more sustainable outcomes. We believe it is essential that we demonstrate best practice by providing transparency on climate-related issues according to the recommendations from the TCFD. Our new Stakeholder Sustainability plan intends to embed responsible, sustainable decision-making into everything we do, and the TCFD helps us to do this with regard to climate-related financial risks. By being a leader in this area, we realize our ambition of playing a pivotal role in accelerating the transformation of markets to create more inclusive, sustainable economies.

This publication is our third annual TCFD Report, building on the confirmation of support to TCFD that our CEO and CFO signed in June 2017. Over the course of the last year, we have strengthened our position on climate action and integration of ESG issues into our products and services. This edition of our TCFD Report includes enhanced climate scenario analysis, in which we consider an increased number of physical climate impacts such as wildfires and additional transition scenarios to explore the possible impacts of the timing of policy responses required to meet global climate goals. This report follows our ongoing commitment to the annual disclosure of our full greenhouse gas (GHG) inventory and additional climate-related matters.

As a business, we have continued to integrate climate considerations into our suite of risk management products to help raise the profile of climate issues. For example, Moody's Investors Service (MIS) has undertaken extensive reviews to integrate scenario analysis into credit impact assessments and commenced publishing ESG scores for rated issuers in January 2021, including an environmental issuer profile score that incorporates climate risk. We also continued to expand our climate-related service offerings via Moody's ESG Solutions, focusing on leveraging these solutions to enhance our core offering.

This report addresses Moody's responses to the 11 TCFD recommendations, building upon past disclosures, and interviews with key internal staff. The layout of our report has been designed to address each of the TCFD recommendations systematically. As per our previous TCFD Report, we apply forward-looking statements that reflect our current expectations and assumptions given the best available research and modeling as of the date of this report. These statements may differ materially over time due to the complexity of variables and outcomes that contribute to our future emissions scenarios.

Report highlights

- » 100 percent of Moody's property locations and data centers assessed for exposure to six physical climate impacts (heat stress, water stress, sea-level rise, flooding, hurricanes and typhoons, and wildfires).
- » Carbon price modeling conducted based on expected price trajectories for two Network for Greening the Financial System (NGFS) scenarios: delayed and orderly scenarios.
- » Achieved 100 percent renewable electricity across our global real estate portfolio, offset historical emissions since Moody's became a public company and achieved strong progress against science-based supplier engagement targets.
- » Moody's internal fee on carbon for business travel emissions was increased to USD50/metric ton of CO₂e as a mechanism to reduce travel emissions and provide funding for compensation and neutralization projects for unavoidable emissions.
- » A shadow price on carbon was introduced to evaluate the cost impact of operating emissions on new leases.

TCFD Disclosure

Governance

Board's oversight of climate-related risks and opportunities

The Board of Directors

Moody's Board of Directors is responsible for the Company's effective management and strategy for ESG-related risks and opportunities. The CEO, who also serves on the Board, is responsible for ensuring that material risks are appropriately assessed and mitigated. The Board reviews its long-term strategic plan at least annually to assess the Company's approach, including for climate-related concerns. The Board is responsible for setting, maintaining and regularly reviewing policies and processes to manage our exposure to risk, including climate-related risk. The Board has reviewed and approved Moody's Environmental & Sustainability Policy, which reflects our efforts to minimize the impact of our operations and services on the environment. The Board is assisted by two committees that inform Moody's approach to ESG issues, the Governance & Nominating Committee and the Audit Committee.

The Governance & Nominating Committee

The Governance & Nominating Committee is responsible for overseeing sustainability matters, including significant corporate social and environmental responsibility issues, reviewing matters and making recommendations to the Board.

The Audit Committee

The Audit Committee reviews the Company's risk factors, including the risk of a business continuity disruption due to climate-related incidents, and exposure to reputational and credibility concerns attributed to climate-related matters. The Audit Committee oversees disclosures, including financial and risk, in Moody's annual and quarterly reports related to sustainability, and supports the Board in its duties relating to risk assessment and management.

General Management

The Executive Leadership Team serves as the decision-making body for key strategic sustainability items, with oversight from two Moody's Board of Directors Committees: the Governance & Nominating Committee and the Audit Committee.

In addition to overseeing the Finance function, the CFO is the head of Moody's Stakeholder Sustainability Group (SSG), with managerial oversight for Moody's Stakeholder Sustainability activities and MESG, and reports directly to the President and CEO. The Stakeholder Sustainability team evaluates the Company's progress on sustainability issues and generates recommendations to enhance Moody's approach to sustainability. MESG identifies opportunities in Moody's business that align with our sustainability mission.

The head of Stakeholder Sustainability oversees the design and implementation of Moody's corporate sustainability strategy, including climate-related risks. The head of MESG oversees the climate-related strategic opportunities in Moody's products and services. The Board's ongoing oversight extends throughout the year, as management continually adjusts its approach in response to emerging climate and ESG-related risks and opportunities.

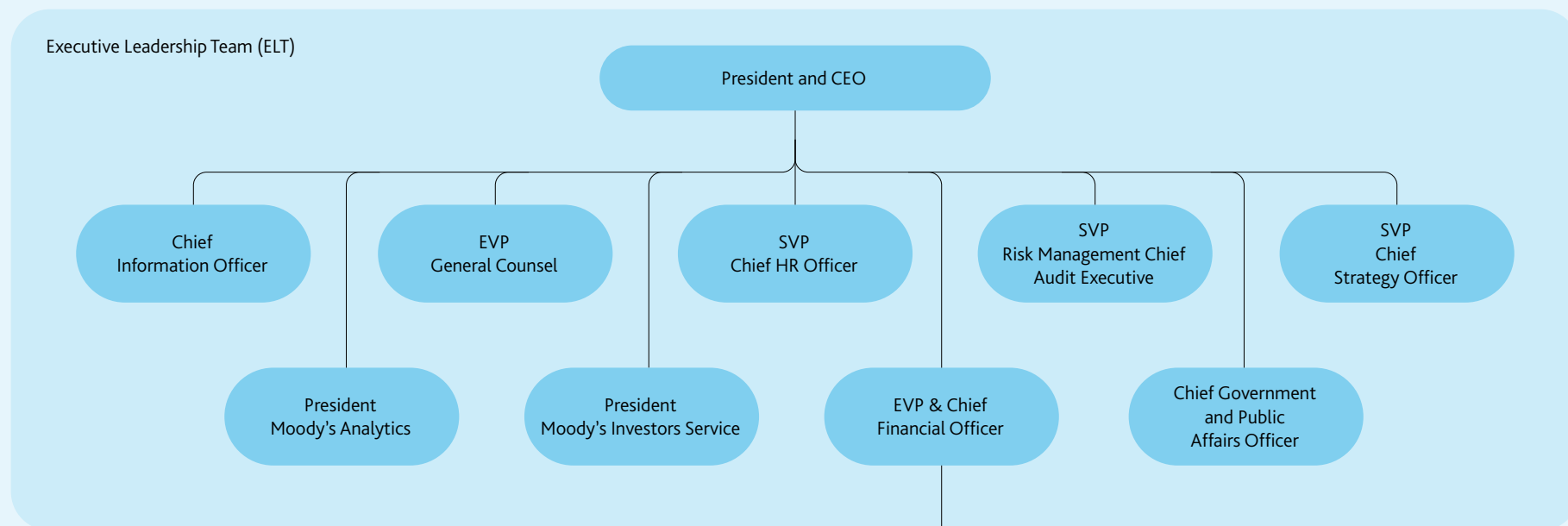
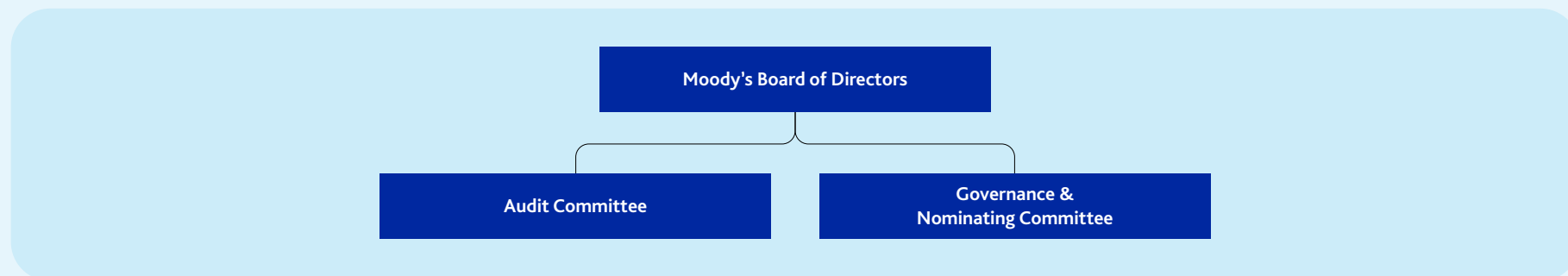
Management's role in assessing and managing climate-related risks and opportunities

Moody's management team develops strategic plans that respond to both climate and other ESG-related risks, as well as market-driven opportunities through new products, offerings and acquisitions.

Tiered monetary incentives for performance on climate issues link the accountability of Moody's strategic pillars to our top executives. Their monetary rewards will be evaluated against various Moody's sustainability objectives, including emissions reductions that are aligned with our corporate goals and science-based targets.

Table 1: Governance summary for climate-related risks and opportunities within Moody's

Moody's Board of Directors	Oversees the Company's enterprise-wide approach to the major risks facing the Company, and the Company's policies, procedures and practices for assessing and managing its exposure to risk.
Audit Committee	Responsible for the oversight of financial, risk and other disclosures made in our annual and quarterly reports related to sustainability.
Governance & Nominating Committee	Oversees sustainability matters, including significant issues of corporate social and environmental responsibility, as they pertain to the Company's business and long-term value creation for the Company and its stockholders, and make recommendations to the Board regarding these issues.
Executive Leadership Team	Composed of the CEO and his direct reports, serves as the ultimate decision-making body for key strategic sustainability items, with oversight from two Moody's Board of Directors Committees: the Governance & Nominating Committee and the Audit Committee.
President and Chief Executive Officer (CEO)	Oversees the mitigation of risk, identification of opportunities and the development of subsequent strategies to seize opportunities.
Chief Financial Officer (CFO)	Provides leadership in innovation, implementation and influence to facilitate long-term sustainable growth. In doing so, the CFO embeds sustainability and ESG into business-as-usual financial processes and company-wide operations, products and services.
The Enterprise-Wide Risk Committee	Composed of the CEO and his direct reports, which include the Chief Risk Officer, the committee reviews the work of the Enterprise Risk Management (ERM) function, which is managed by the Chief Risk Officer.
ERM function	Responsible for identifying and monitoring existing and emerging risks that may impede the achievement of Moody's strategic and operative objectives.
Chief Risk Officer (CRO)	Reports to the CEO and provides oversight and monitoring of material risks that can potentially hinder Moody's operations and talent, including climate-related risks. The CRO is responsible for the full ERM function, including risk identification and monitoring. Risks associated with climate change are actively managed and mitigated by the Crisis Management and Business Continuity Plans team.
Head of Stakeholder Sustainability	Responsible for evaluating Moody's progress on sustainability and developing recommendations for future enhancement to the strategy.
Head of Moody's ESG Solutions (MESG)	Responsible for identifying opportunities for Moody's business as per our defined sustainability mission.



Strategy

Climate-related risks, opportunities and time horizons

Moody's climate strategy and decarbonization plan are informed by our ongoing identification and management of material risks and opportunities. Using the TCFD framework, we explored climate-related risks and opportunities across three time frames: short-term (up to 2025), medium-term (up to 2030) and long-term (up to 2040). Risks were explored

using multiple climate scenarios, including an unmitigated emissions pathway to represent maximized physical impacts, an orderly low-carbon transition scenario, and a disorderly low-carbon transition scenario based on delayed climate action and subsequent disruptive policy responses to meet our global climate goals. Climate-related risks and opportunities were evaluated against Moody's financial materiality threshold. We define our materiality threshold as a risk or opportunity that poses a change of over 10 percent of Moody's earnings before interest and tax (EBIT), or if there is a significant impact on business financial sustainability.

Based on our scenario analysis results, we have concluded that climate-related risks faced by Moody's do not present substantive financial or strategic impact on our operations. However, several climate-related opportunities do exist for Moody's across the categories of market, products and services, and resilience, as outlined in Table 2. A selection of our latest ESG product and service opportunities are detailed in the highlighted boxes on the subsequent page.

Table 2: Climate-related opportunities

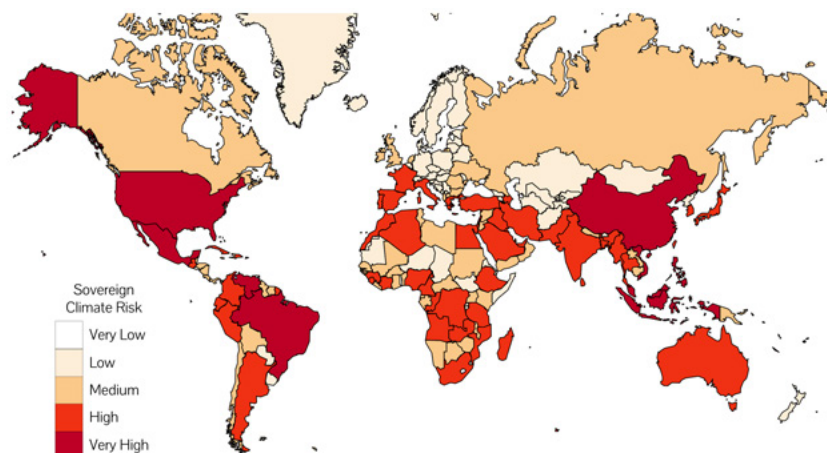
● Low impact ● Medium impact ● High impact

Category	Opportunity	Financial driver	Time horizon	Magnitude of impact	Strategy to harness
Markets	Access to new markets	Increased revenues through access to new and emerging markets	Short term	●	MESG has the opportunity to further integrate ESG into Moody's products and services and expand our climate solutions suite. The team also conducts outreach and engagement activities with relevant ESG stakeholders (think tanks, NGOs, academia and other influential bodies in this space), playing a pivotal role in the transformation of capital markets to incorporate Climate and broader ESG considerations.
Products and services	Development of new products or services through R&D and innovation	Increased revenues resulting from increased demand for products and services	Short term	●	To realize this opportunity's full potential, Moody's is developing data infrastructure that allows streamlined access to ESG, climate risk and sustainable finance data to Moody's entities and affiliates as well as our customers. As a result of this data infrastructure under development, i) Moody's employees can more easily navigate a comprehensive climate database, enabling quick access to high-quality data, facilitating climate considerations into Moody's research publications where relevant and enabling innovation to help solve complex problems that our customers face; and ii) Moody's customers can easily access the same high-quality data to incorporate climate considerations into their analysis and work processes.
Resilience	Memberships and climate change commitments	Increased revenues through access to new and emerging markets	Short term	●	To explore this opportunity's full potential, Moody's has established an Outreach and Engagement ESG and Climate Risk Council (O&E ESG Council). The Council brings together leaders from across the firm who engage with relevant industry associations for thought leadership, exchange of technical expertise and marketing outreach, and allows for collaborative engagement on strategic ESG topics.

MESG's Sovereign Risk Score Data

MESG released its Sovereign Climate Risk Score Data in 2020. The data solution maps granular socioeconomic data associated with granular climate risk data and analyses scores for six climate hazards and 42 metrics for each sovereign (e.g., GDP, population, exposure agriculture, etc.). An overall climate risk score is then assigned to each of the 187 sovereigns considered in the model.

Figure 1: Sovereign climate risk scores



MIS's ESG scores

MIS has introduced new ESG scores to bring transparency to an issuer's ESG exposure and to demonstrate how these exposures impact the rating.

ESG scores have a five-point scale ranging from positive to very highly negative (see Figure 1). The Issuer Profile Score (IPS) indicates MIS's opinion of the extent to which a given issuer or transaction is exposed to E, S and G risks or benefits; the Credit Impact Score (CIS) indicates the extent, if any, to which the credit rating of an issuer or transaction is different than it would have been in the absence of exposure to the risks related to the issuer's ESG characteristics.

Figure 2: ESG score categories



Impact on business, strategy and financial planning

In terms of physical climate impacts, risks do exist for Moody's, but the level of potential financial impact is considered below our materiality threshold. Our analysis covered several acute (event-driven) climate impacts, including flooding, wildfires and hurricanes and typhoons and chronic impacts (long-term shifts in average weather patterns) of heat stress, water stress and sea-level rise. Historically, our operations have faced physical climate events, and we use such events to refine our management procedures and further understand financial impacts by tracking associated office downtime and potential revenue loss.

In terms of transition risks, Moody's 2020 Decarbonization Plan positions the business well in the face of increased climate-related policies, reputational concerns and market changes. As part of this risk management effort, we continue to adapt our products and services to incorporate climate considerations. MIS integrates ESG considerations into its credit ratings. MIS's new Issuer Profile Scores (IPS) and ESG Credit Impact Scores (CIS) are designed to provide transparency into the credit risks and benefits, as well as the impact on an issuer's credit rating, from ESG considerations, which includes the potential long-term impacts of transition and physical climate-related risks.

ESG is also integrated in multiple Moody's Analytics flagship databases, such as CreditView, REIS, DataHub and other tools like ESG Score Predictor and Climate Risk Dashboard. Similar to our 2019 TCFD Report, we conducted detailed modeling to understand the impact of a possible introduction of carbon pricing. Further details of this analysis are found in the "Resilience of strategy (scenario analysis)" section of this report; a key takeaway is that due to our ambitious emissions targets, the projected financial impact of mandatory carbon pricing did not exceed 0.8 percent of Moody's 2020

net operating income across all scenarios and time horizons evaluated. Assessing the carbon price impact of varied emissions scenarios of Moody's GHG inventory – i.e., unmitigated emissions versus the implementation of Moody's decarbonization plan – served to reinforce the importance of pursuing our ambitious climate strategy. For example, under the disorderly transition scenario, we noted that Moody's current climate strategy mitigates against over USD32 million in gross annual carbon pricing costs in the long term compared to an unmitigated emissions scenario.

In 2019, Moody's introduced an internal price on carbon into our business travel, with the aim to both reduce emissions from business travel, and to collect funds to enable the procurement of renewable electricity for 100 percent of our operations and source carbon credits to offset the remaining emissions. We conducted a benchmark study and decided to set the price at the industry average of USD15/tCO₂e. In 2020, that price was raised to USD50/tCO₂e. As a result of implementing an internal price on carbon, we procured 100 percent renewable electricity for our global operations, and enough offsets to become carbon neutral in our Scope 1 and 2, business travel and employee commuting emissions.

Furthering our integration of carbon cost into business financial considerations, in 2021 we introduced carbon cost consideration into the request for proposals when selecting office space. This allows us to consider the hidden cost of carbon when comparing floor designs and office locations.

Climate issues are further integrated into our business strategy and planning via our signatory support for the Say on Climate campaign, which requires companies to undertake advisory stockholder voting on their climate transition action plans. As part of this commitment, we are providing public disclosure of emissions, our plans to mitigate these emissions and undertaking a shareholder vote on the 2020 Decarbonization Plan.

Resilience of strategy (scenario analysis)

We first conducted climate scenario analysis in 2020 to evaluate our exposure to physical and transition risks. In this reporting cycle, our analysis was extended outside of our direct operations and strategy to include an evaluation of critical data service sites and the application of additional climate scenarios to assess our strategy's resilience. The process of scenario analysis seeks to not only evaluate the impact of climate-related risks, but also to gain a deeper understanding of climate-related opportunities in response to market demand for ESG-related solutions.

The resilience of our strategy was assessed by applying three publicly referenced climate scenarios across our identified time frames (short, medium and long term). Scenarios were selected based on a benchmark study to determine suitability and ability to evaluate a plurality of emissions' evolutions considering both the magnitude and timing of action. A summary of the three climate scenarios applied by Moody's is given in Table 3.

The future we experience is likely to be a combination of elements from both transition and physical risk scenarios. As the world's time for action to limit warming to 1.5°C diminishes, climate modeling indicates that we will see a rise in physical impacts from the change of weather patterns and

climate. Responding to these present climate-related impacts and the emerging risk of increased exposure means the risk due to the unforeseen implementation of policies is likely to avoid such physical impacts. Exploring the extremes of high physical and transition risk scenarios informs our strategy and enables us to assess and build long-term resilience. 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 strengthened 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.

Physical risk analysis and results

A high-emissions scenario (IPCC Representative Concentration Pathway 8.5/RCP 8.5) was applied to model exposure to physical climate impacts and allow the integration of mitigation strategies into financial planning. Modeling was powered by Moody's Climate Solutions, an MESG offering, to evaluate the exposure to physical climate impacts across Moody's global portfolio and data centers. Chronic risks arising from long-term shifts in climate and weather patterns, and acute risks, arising from sudden and severe climate events, were evaluated for each Moody's site and data center. We assessed physical risks using this high-emissions scenario over the next 20 years, since climate impacts under different scenarios prior to this time show negligible differences until their emissions' trajectories begin to diverge.

Overall, physical risks for Moody's global portfolio were low for acute climate events of floods, hurricanes and typhoons, and medium for wildfire. The impact of chronic climate events was low for sea-level rise and in the medium risk category for heat and water stress. Although minor real estate and data center location changes occurred throughout the year, the overall aggregated impact level agreed with the analysis conducted in our previous TCFD Report (aside from wildfires, which was not assessed in our previous reporting cycle). The aggregated impact scores are based on a qualitative analysis of the extent of impact coupled with the adaptation and mitigation measures required to manage risk. These figures were assessed against Moody's collected Business Interruption costs data of historical events and our materiality risk threshold.

Table 3: Moody's applied climate scenarios

	Intergovernmental Panel on Climate Change (IPCC)	Network for Greening the Financial System (NGFS)	
	Representative Concentration Pathway 8.5 (RCP 8.5)	Orderly	Disorderly
Description	A high-emissions scenario with emissions continuing to rise throughout the 21st century. Associated warming and impact of high emissions results in physical climate impacts.	Climate policies are introduced early and become gradually more stringent. The worldwide price of carbon rises from USD0 in 2020 to USD179.80/mtCO ₂ e in 2040.	The introduction of climate policies is delayed until 2030. The delay results in a reliance on only available technologies, and emissions reductions need to be sharper to reach net zero by 2070. The worldwide carbon price is steady until 2030, and then significantly ramps up to USD359.69/mtCO ₂ e in 2040.
Outcome	End of century warming between 3.2°C and 5.4°C	Net-zero emissions achieved before 2070 67% chance of limiting global warming to below 2°C	
Application	Physical risk analysis	Transition analysis	
Rationale for selection	Explore a worst-case/high-emissions scenario indicating failure of our globally agreed climate goals.	Enable Moody's to evaluate a planned and orderly transition to meet our global climate goals.	Assess the impact of delayed policy incentives and resultant ramped-up action to meet our global climate goals.

Moody's exposure to wildfire was first assessed in this report, and due to the large portion of sites at a high level of exposure to impact from wildfire, this has been rated as medium for our business. Although heat and water stress were deemed high risk to a significant number of sites, 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 energy requirements and the additional expenses to condition workspaces to

safeguard employee comfort and secure water supplies. The site-level physical risk assessment informed which sites globally would require resilience investment and which would be more suitable for long-term relocation. For long leases and without cancellation clauses, we carefully examined the physical climate hazard exposure and found that there were no such sites classified as very high exposure to any of the climate impacts assessed. Other potential near-term impacts could include an increase in utility

prices due to climate-related issues. Considering the nearest past typical consumption year of 2019, gas, electricity, water and sewer expenses represented about USD5 million or 0.2 percent of operating expenses. A hypothetical 10 percent rise in utility and energy prices across the board could raise electricity spend by approximately USD500,000 annually.

A summary of our physical climate risk scenario analysis is shown in Table 4 below.

Table 4: **Physical risk scenario analysis results**

● Low impact ● Medium impact ● High impact

Physical risks under RCP 8.5		Long-term impact level	Management and mitigation
Acute Sudden and severe climate events	Floods	●	In a high temperature rise scenario, the risk of flooding was low across Moody's real estate portfolio, with less than 5% of sites and data centers at very high risk of exposure. Sites and data centers at higher risk will be evaluated and tracked in annual risk reports.
	Hurricanes and typhoons	●	Sites and data centers with historical exposure to severe weather events are monitored and assessed for resilience investment. Overall, less than 6% of our sites and data centers are at the highest assessed risk to hurricanes and typhoons; most of our global facilities are situated in areas of low risk. Those identified as higher risk are monitored for resilience investment and potential relocation.
	Wildfires	●	Moody's currently has no leased assets in areas of highest category exposure to wildfire, although nearly one-quarter of the sites are situated in areas considered as high risk. Air quality and downtime due to wildfire will be monitored at high exposure sites.
Chronic Impacts due to long-term shifts in climate or weather patterns	Heat stress	●	A significant proportion (44%) of our sites and data centers are expected to experience a high level of heat stress due to climate change, although only 4% are exposed to very high heat stress. We expect operating costs to provide comfort cooling to increase, and will monitor such sites so that we can continue to source 100% renewable electricity.
	Water stress	●	In 9% of our sites and data centers, Moody's operations are expected to experience very high levels of water stress due to climate change, with an additional 34% of sites exposed to a high-level risk. Each site identified at risk of water stress will be evaluated for resilience investments and monitored, along with its water levels. A focus on data service provision sites, as opposed to offices, is prioritized due to expected water consumption levels.
	Sea-level rise	●	Overall, the exposure of Moody's sites and data centers to a very high level of sea-level rise is 3.5%. Impacted sites and data centers will be monitored in terms of contingency planning and adaptation measures installed at the citywide level.

Transition analysis

Qualitative and quantitative analyses were completed to explore transition risks and opportunities. Our public commitment to net-zero emissions by 2050, together with our efforts to integrate climate issues into our product offering, minimizes the impact of transition risks on our business. We evaluated transition impacts across short, medium and long-term intervals.

A key element of transition impacts is the potential increase in GHG emissions pricing. A wider introduction of mandatory carbon pricing would increase costs for direct operations and indirectly via the purchase of goods and services. Although Moody's direct operations are not emission-intensive, our value chain emissions dominate our GHG inventory and are likely to be sensitive to carbon pricing impacts. Our ambitious science-based targets and commitment to sourcing 100 percent renewable

electricity to reduce our direct emissions mitigate much of the risk associated with potential carbon pricing. Our supplier engagement program also reduces our exposure to carbon pricing on our purchased goods and services. Our updated Supplier Code of Conduct encourages suppliers to disclose their GHG inventory and set their own science-based targets. As part of this program, we have partnered with the CDP supply chain to deliver our suppliers with personalized support and webinars.

To understand the impact of a potential mandatory price on carbon applied to our residual emissions, we explored two low-emissions reference scenarios described by NGFS – applying their orderly and disorderly scenarios. While both transition scenarios meet the Paris Agreement goals, the disorderly scenario represents a delay in global climate action until 2030, which in turn requires a greater level of

disruptive and unplanned initiatives to meet the same target. Carbon price scenario modeling was undertaken to evaluate the impacts of pricing on Moody's direct (Scope 1) and indirect (Scope 2 and 3) GHG emissions. The impacts of both NGFS scenarios are modeled under an emissions scenario where we meet our verified science-based targets and achieve net zero by 2050. Under both transition scenarios modeled, we found that the possible financial impacts varied over time frames; however, the annual risk never exceeded our materiality threshold (defined as a risk or opportunity that poses a change of over 10 percent of Moody's EBIT, or if there is a significant impact on business financial sustainability). The transition analysis results reinforced the importance of early, ambitious action on reducing our value chain emissions and continue to guide our climate action strategy.

Table 5: Transition analysis carbon pricing results¹

	NGFS orderly		NGFS disorderly	
	Carbon price USD/metric ton CO ₂ e	Impact Gross annual cost, million USD (0% discount rate ²)	Carbon price USD/metric ton CO ₂ e	Impact Gross annual cost, million USD (0% discount rate)
Short term (2025)	\$86.49	\$9.01	\$13.56	\$1.41
Medium term (2030)	\$110.38	\$9.71	\$14.25	\$1.25
Long term (2040)	\$179.80	\$7.91	\$359.69	\$15.82

¹ Moody's carbon pricing scenario analysis is based upon a projection of our Company's GHG emissions across Scope 1, Scope 2 (market-based) and all reported Scope 3 categories. Our future emissions were modeled assuming we meet our existing science-based targets, maintaining a linear reduction trend after the target year and net-zero emissions by 2050. Additionally, our future emissions projection assumes we maintain 100 percent renewable electricity use across our global portfolio. Emissions were extrapolated from a 2019 base year, to represent a typical year of operations for Moody's. The impact amounts reported are solely based on emissions cost and do not consider the cost of renewable energy. Renewable energy costs are not modeled in this report due to the high volatility in price and the cost-structure complexity that the markets of the over 40 countries where Moody's operates represents.

² Financial impact results are presented in the form of gross annual costs without applying a discount rate to future values. This choice was made in acknowledgment of the concerns associated with underestimating the social cost of carbon and the consequences on future generations.

Table 6: Transition risk scenario analysis results

























● Low impact ● Medium impact ● High impact

Transition risks under NGFS scenarios		Impact level			Management and mitigation
		Short	Medium	Long	
Policy and legal	Increased pricing of GHG emissions (cost expressed as % of 2020 net operating income ³)	Disorderly ● 0.06%	● 0.06%	● 0.71%	Due to our ambitious net-zero emissions goal, the potential introduction of mandatory global carbon pricing was assessed to have a low impact on our operations (refer to Table 5, Transition analysis). Our net-zero strategy is crucial to enabling us to prepare for a possible disorderly transition scenario where carbon pricing spikes suddenly to compensate for delayed global climate action. Our 1.5°C aligned science-based target emissions trajectory to net zero in 2050 positions us well to mitigate the impacts of increased carbon pricing.
		Orderly ● 0.40%	● 0.44%	● 0.35%	
	Enhanced emissions reporting obligations	Disorderly ●	●	●	Increased emission reporting obligations are highly likely under both orderly and disorderly scenarios. The impact is expected to be low for Moody's due to our current and ongoing commitment to full accounting and disclosure of our GHG inventory, including attainment of third-party assurance. Our teams monitor both existing and emerging regulation, ensuring processes are developed to enable full compliance on mandatory reporting obligations.
		Orderly ●	●	●	
	Mandates and regulations on existing products and services	Disorderly ●	●	●	Impact of potential mandates on existing products and services is expected to be low due to our ongoing strategy to embed climate considerations into our governance, operations, products and services. As detailed in our opportunities section, MIS's proactive approach to integrate ESG factors into its credit risk analysis positions our business well in terms of potential mandatory regulations to include such factors. In addition to risk, Moody's is also moving quickly to realize the market opportunity that these new regulations present to our products and services (Table 2).
		Orderly ●	●	●	
	Exposure to litigation	Disorderly ●	●	●	We face the risk of potential exposure to litigation from customers or third parties in connection with their use of our data, products and/or services. To mitigate and manage this risk, we take care that our products and services are based on the best available information. Possible data coverage gaps or data quality issues via a suite of solutions, including proxy comparisons on climate data and continued updates of our methodologies using the best available science and research. Our ongoing focus on the quality of our data, combined with our dedication to remediating any gaps and continually improving our data quality results in a low risk of litigation exposure relating to our data.
		Orderly ●	●	●	

3 Operating income refers to Moody's 2020 income before provision for income taxes as disclosed in Moody's 2020 Form 10-K.

Table 6: Transition risk scenario analysis results (continued)

● Low impact ● Medium impact ● High impact

Transition risks under NGFS scenarios		Impact level			Management and mitigation
		Short	Medium	Long	
Technology	Costs to transition to lower-emission technology	Disorderly 			Both the orderly and disorderly scenarios feature a substantial increase in the role of renewables in the energy mix, which will alleviate the costs required to achieve our ongoing commitment to 100% renewable electricity. The transformation to renewable energy will be even more rapid in the disorderly scenario due to the delay in action and limited ability to scale removal technologies in time. Our internal pricing of emissions through our 100% renewable electricity commitment and ambitious science-based targets help to keep energy and fuel switching costs within budget and plan.
		Orderly 			
Market	Changing customer behavior	Disorderly 			Changing customer behavior presents as a low impact risk for Moody's due to our proactive approach in embedding climate considerations across our products and services. We constantly monitor current and emerging market dynamics so that we can work to provide products and services that meet our customers' changing demands.
		Orderly 			
Reputation	Stigmatization of sector	Disorderly 			Potential stigmatization from association with high-carbon emitters is limited for our businesses due to our continued response to integrate climate issues throughout our products and services. MIS's new IPS and CIS help to more transparently reflect climate issues in the credit information we provide.
		Orderly 			
	Increased stakeholder concern or negative stakeholder feedback	Disorderly 			As a public company, our climate-related commitments, strategy and service offering are closely scrutinized by our stakeholders and therefore exposed to the risk of increased concern. Our support for the Say on Climate campaign demonstrates our ongoing evaluation to consider and implement the input from our investors. We believe that our strong push for action, transparency and stakeholder engagement on climate positions us as a climate leader and meets our stakeholder expectations. We also face exposure due to potential customer concerns in relation to quality considerations of the underlying data of our ESG products and services. These possible data quality and coverage concerns are inherent across providers of similar services. Although these data quality concerns are inherent across all providers of similar services, at Moody's we manage and minimize this risk by constantly improving the accuracy of our underlying data over time based on the best available research and science.
		Orderly 			

Risk management

Risk identification and assessment process

Moody's climate risk identification and assessment processes are integrated throughout several tiers of our business units and roles. Business units are responsible for undertaking due diligence and reporting any risks and opportunities associated with their activities to the ERM function. We run annual site surveys across Moody's entire real estate portfolio to evaluate both existing and emerging risks, with a dedicated categorization for climate-related risks. Moody's climate-related physical and transition risks and opportunities are assessed across the business using quantitative and qualitative scenario analysis.

Our ERM and Stakeholder Sustainability functions track and evaluate climate risks across current and emerging regulations, technology, legal, reputational as well as acute and chronic physical risk. ERM is designed to establish a standard, organization-wide understanding of risk management and to define roles and responsibilities based on the 2017 COSO Framework. Risks are assessed in terms of size, the boundary of impact, and financial or operations implications for Moody's service offerings. The CEO, who also serves on the Board, provides an additional tier of risk identification to submit any newly detected risks or opportunities to ERM. Under the Board's oversight and its committees, the CEO has established an Enterprise-Wide Risk Committee, composed of the CEO and his direct reports, which includes the CRO. The Enterprise-Wide Risk Committee reviews the work of ERM and undertakes regular independent reviews of currently tracked risks with the aim to identify potential new risks and opportunities for further exploration.

Management process

Climate-related issues are integrated throughout Moody's company-wide management process and overseen by SSG. Our CRO, who dually

reports to the Audit Committee and the CEO, provides oversight and monitoring of material risks that have the potential to impact Moody's operations and talent, including climate-related risks. Physical climate risks are actively managed

through ERM and mitigated through the Crisis Management and Business Continuity Plan and teams. Any material climate-related risks and mitigating actions identified by ERM are also presented to the Audit Committee.

Table 7: **Our response to the management of climate-related risks is undertaken through a variety of business functions depending on the categorization of risk**

Current regulation	Risks resulting from non-compliance with current regulation are managed internally by a wide range of experts in our corporate governance model (including Legal, Internal Audit, Compliance, Government and Public Affairs, SSG, Finance and Regional Businesses). These functions work together as appropriate to discuss business implications of current regulation to contribute to our ongoing compliance with current regulation.
Emerging regulation	The Government and Public Affairs (GPA) department is responsible for monitoring emerging laws and regulations and for engaging with policymakers and regulators as required. In addition, since 2019, SSG is also responsible for conducting climate scenario analysis and assessing Moody's emerging regulatory risk that the scenarios pose.
Technology	Technology risks are managed throughout portfolio-wide monitoring of energy and utility usage and costs, including scenario analysis to understand the implications of potential cost rises. Moody's voluntary commitment to 100 percent renewable electricity across our operations reduces our exposure to costs related to the transition to low-carbon energy sources.
Legal	Our Legal division is responsible for reviewing new product offerings and initiatives in order to assess and consider the risks involved in climate-related issues.
Market	Market risks are managed by continually monitoring customer behavior in conjunction with our strategy of products and services. Moody's new ESG product offerings and ESG integration into our existing offering are intended to address the business opportunities and risks associated with market risk.
Reputation	Moody's is highly visible within the capital markets and attracts many diverse stakeholders, including individuals, organizations and indirect stakeholders concerned with corporate behavior and action. This visibility heightens the potential impact of climate-related risks on our operations and product offerings. Potential risks to our reputation are managed through efforts to embed our climate strategy throughout our operations and working to provide transparency on our progress.
Physical risks	Moody's Climate Solutions proprietary models were applied to assign risk exposure scores to each of our global real estate sites and data centers. Exposure to acute and chronic physical impacts was assessed, including heat stress, water stress, sea-level rise, flooding, severe weather events and wildfire. High-risk sites and data centers are logged on our ERM registry for ongoing monitoring, with key metrics also monitored by our Real Estate team to give an early indication of rising consumption or costs. Acute physical risks are largely managed by ensuring we have a robust Business Continuity Plan in place. Data on historical disruptions from climate events is tracked across our facilities globally and used to refine our business continuity planning over time. Results from our site-level climate scenario analysis serve to inform our ongoing management and mitigation of acute physical risks, with material risks logged in our ERM registry. Our supplier screening, selection and due diligence processes consider our supply chain's exposure (such as data service providers) to climate-related risks. Redundancy in these services safeguards our ongoing operations should a severe weather event affect our operations. Further examples of mitigation and management of climate-related risks are detailed in Table 4.

Integration into overall risk management

Due to the importance of climate, Moody's has worked toward embedding climate considerations across our business as well as working to set forth an ambitious low-carbon transition plan and comprehensive risk management processes. Success is underpinned by the funding of the Company's bonus plan for certain of Moody's executives as it includes elements that are dependent on achieving a series of climate indicators. ERM is the overarching framework that tracks our business-wide risks, including climate-related risks. We actively track and monitor risks against our materiality threshold for inclusion in the Form 10-K risks disclosure. Climate-related risks are then reviewed by SSG, developing recommendations and plans to be implemented.

Metrics and targets

Metrics to assess climate-related risks and opportunities

We consider the impact of GHG emission pricing on our share price. Multiple figures of adjusted earnings per share (EPS) for 2020 were evaluated by applying the theoretical carbon price from the two NGFS emissions scenarios used in our scenario analysis and our internal carbon fee on business travel. In 2020, Moody's implemented a carbon fee on business travel of USD50/metric ton of CO_{2e} as a key mechanism to limit our travel emissions and fund projects such as the offsetting of emissions for travel that is unavoidable. Due to the COVID-19 pandemic, our business travel emissions were significantly reduced from previous years. We expect the

impact of this internal carbon fee to challenge our business units on the decision to travel and restrict flights to essential travel only.

In the reporting period, we also introduced a shadow price on carbon to evaluate new facility leases on their emissions performance. The real estate shadow price remains a theoretical construct to build the cost impact of emissions from energy consumption into our lease procurement decisions; therefore, it is not included in carbon price calculations. The 2020 results in terms of impact on Moody's share price are described in Table 8 below. Applying the theoretical global carbon prices (orderly, disorderly and Moody's internal carbon price) on 2020 emissions was found to have very low overall impact on Moody's carbon-adjusted EPS (diluted weighted average shares outstanding).

The orderly scenario does not apply a carbon price in 2020; therefore, there was no impact, and the disorderly scenario results in a less than a 0.01 percent reduction from Moody's actual diluted EPS. Moody's internal carbon price on business travel, although having a higher applied rate, only had a negligible impact on EPS due to the limited travel emissions generated in 2020.

Climate-related opportunities are tracked within Moody's in terms of the associated product revenue and expected growth.

We also track and monitor several climate-related metrics to further understand physical and transition impacts across our operations. On a site level, we track and monitor energy and fuel usage and their associated emissions and water usage across our real estate sites and data centers to understand trends of increased utility requirements in response to climate-related issues. Disruption lengths and financial impact due to climate-related events are also comprehensively tracked across our sites' portfolio to inform our real estate strategy. Locations indicated at high levels of exposure to physical climate impact are tracked within our ERM, and such factors inform our lease renewal decision-making process. As part of our Workplace of the Future planning, we also are evaluating the working preferences of employees and reviewing business function requirements for in-office and remote employment. Our goal is to devise flexible working plans and real estate spaces that support our anticipated future approach to delivering Moody's products and services. These plans are likely to see a consolidation of sites and redesign of spaces to support collaboration and flexible working conditions.

Table 8: Moody's adjusted earnings per share (EPS) based on carbon price scenarios

	NGFS orderly	NGFS disorderly	Moody's internal carbon price
	Scope 1, Scope 2 (market-based) and Scope 3 emissions	Scope 1, Scope 2 (market-based) and Scope 3 emissions	Business travel emissions
	Total 2020: 117,609 mtCO_{2e}	Total 2020: 117,609 mtCO_{2e}	Total 2020: 2,100 mtCO_{2e}
Carbon price (USD/mtCO_{2e})	\$0.00	\$1.80	\$50.00
2020 pre-tax cost of carbon (million USD)	\$0.00	\$0.21	\$0.11
Carbon-adjusted net income (million USD)	\$2,229.00	\$2,228.79	\$2,228.90
Carbon-adjusted net income, net of tax (million USD)	\$1,778.00	\$1,777.83	\$1,777.92
Carbon-adjusted diluted EPS	\$9.3925	\$9.3916	\$9.3921
% reduction from actual	0.000%	-0.009%	-0.005%

Scope 1, 2 and 3 emissions

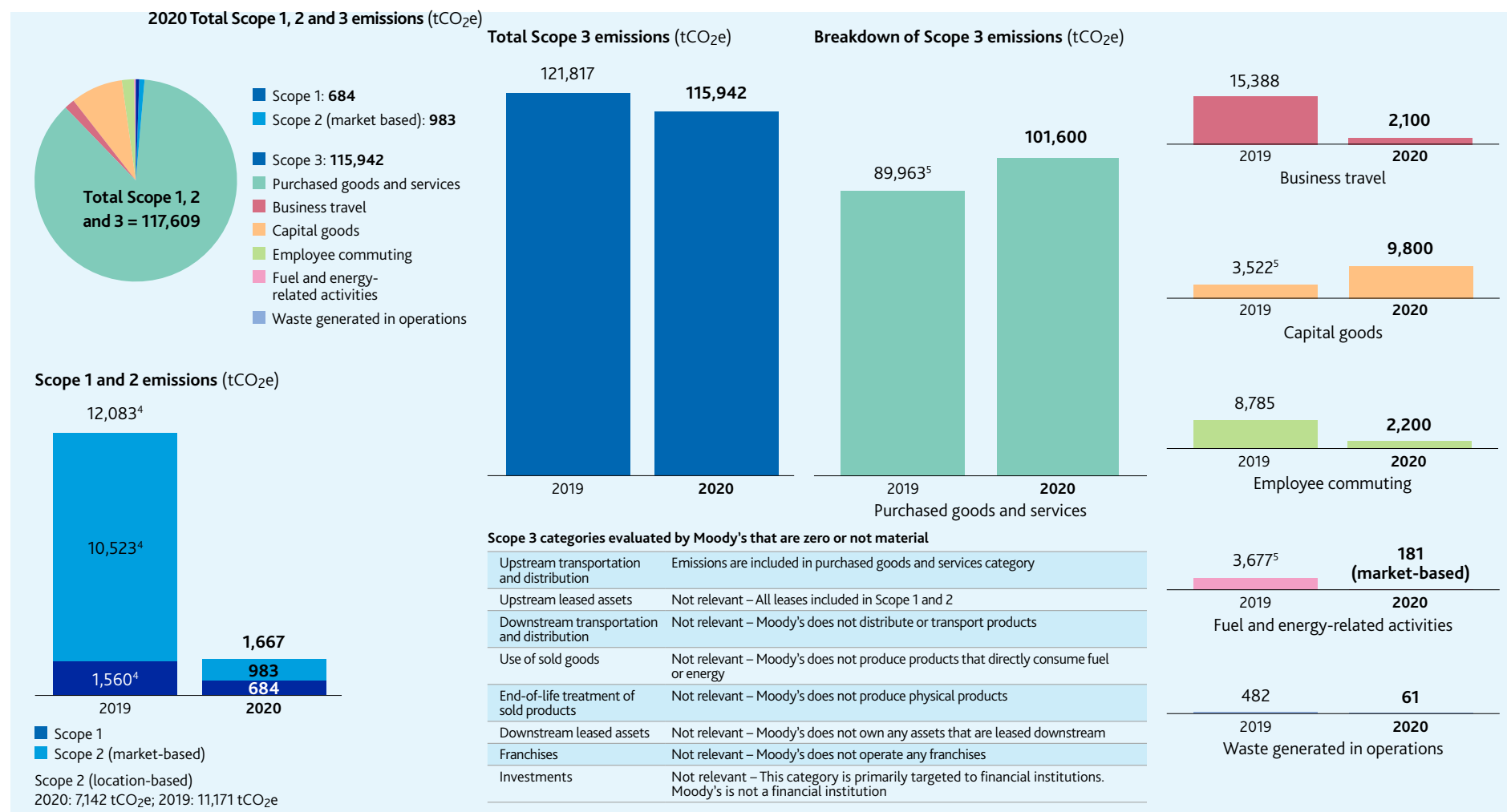
Similar to previous years, we have continued to calculate the relevant emissions sources across Moody's entire operations from both direct and indirect sources. Our Scope 1, 2 and 3 GHG inventory is detailed in Table 9. The Greenhouse

Gas Protocol standard was followed for all emissions calculations, and external assurance of those emissions was attained. Due to the COVID-19 pandemic, we observed a downturn in our emissions inventory; Scope 1 and 2 emissions have reduced since 2019 due to widespread remote work.

Breakdown of electricity use as per 2020

Electricity	18,731 MWh
Renewable electricity use (renewable electricity consumed and purchased energy attribute certificates)	100%

Table 9: GHG inventory breakdown



⁴ These numbers were updated from previously published values to reflect improvement in data quality during the digitization efforts of our inventory. The change is not material and represents less than 0.5%.

⁵ These Scope 3 categories were restated due to improvements in data quality and calculations.

Climate-related targets and progress

Our overarching climate-related goal is to achieve net-zero emissions by 2050. This long-term goal is consistent with our commitment to the United Nations Global Compact (UNGC) Business Ambition for 1.5°C. Moody's has set science-based targets aligned with a 1.5°C

trajectory in the interim to meet this long-term goal. Our science-based targets covering Scope 1, Scope 2 and Scope 3 were formally validated by the Science Based Targets initiative (SBTi) in July 2020.

We achieved progress against our targets across the board but we are conscious that a portion of this progress is attributed to reduced emissive activities due to the COVID-19 pandemic. In

2020, we achieved and exceeded our target to reduce Scope 1 and 2 (market-based) emissions by 50 percent, ten years ahead of schedule. We also achieved and exceeded our target to reduce Scope 3 emissions (from fuel and energy-related activities, business travel and employee commuting) by 15 percent, five years ahead of schedule. We made strong progress against our science-based supplier engagement targets, with

over 25 percent of our suppliers by spend now committed to science-based targets of their own. In 2020, we achieved 100 percent renewable electricity use across our global real estate.

In 2020, we are proud to have offset our historical emissions footprint from our operations, business travel and employee commuting since becoming a public company.⁶

Moody's validated science-based targets

50%

reduction in absolute **Scope 1** and **Scope 2** (market-based) GHG emissions by 2030

15%

reduction in Scope 3 GHG emissions from **fuel and energy-related activities, business travel and employee commuting** by 2025

60%

of Moody's **suppliers** by spend covering purchased goods and services and capital goods to have **science-based targets** by 2025

Table 10: Moody's 2020 performance against decarbonization plan

● Achieved ● In progress ● Not on track

Decarbonization Plan Indicator	2020 performance	Target	Progress toward target
Reduction of Scope 1 + Scope 2 from 2019 base year	86%	50% (by 2030)	●
Reduction of Scope 3 fuel and energy-related activities, business travel and employee commuting from 2019 base year	84%	15% (by 2025)	●
% supplier spend covered by science-based targets	26%	60% (by 2025)	●
% renewable electricity use (property portfolio)	100%	100%	●
Carbon neutrality of residual emissions from operations, employee commuting and business travel	Offset 5,967 mtCO ₂ e emissions by supporting certified offset projects		●
Carbon neutrality of historical emissions (from 2000 when Moody's became a public company)	Achieved by supporting certified offset projects		●

⁶ Moody's applies a quality framework toward offset project selection, funding only certified projects. We select carbon offset projects based on optimal alignment and support of the UN Sustainable Development Goals (SDGs), such as forestation offsets, clean cookstoves or water boreholes, and clean energy.

Looking Forward

At Moody's, we view disclosure and transparency on climate-related issues as a key business priority. Our strategy and associated financial planning are geared toward the achievement of our ambitious commitments and targets. Looking forward, we intend to review and assess the SBTi's forthcoming Net-Zero Corporate Standard, scheduled for release in November 2021. Once the standard is released, we intend to use this framework to map out the next phase of our decarbonization plan and our strategy to achieve net-zero emissions.

Additional upcoming plans include the potential extension of our physical climate risk analysis to consider a longer time frame toward the end of the century. This extended time frame will seek to further explore the exposure and impact where the trajectories of the IPCC scenarios diverge. Over time, we believe our repository of internal metrics on climate-related issues across our sites and data centers will further inform our strategy and estimates on the financial impacts due to climate events and issues. Once our Workplace of the Future strategy has been fully developed, our physical climate risk analysis will be updated to reflect our real estate and employee preference changes. During this design process, multiple factors, including our physical climate impact exposure and utility metrics, will further inform the build-out of our upcoming real estate strategy.

We are committed to refining our analysis processes based on the best available data and research on the impacts of climate change. The monitoring of the newest research includes the scheduled Sixth Assessment Report 6 from the IPCC, which collates the latest research on climate change and impacts, and will inform our report in 2022.

We will also continue to monitor climate developments following the annual Conference of the Parties (CoP26) scheduled to be held in Glasgow, Scotland, in November 2021. As we head toward this global meeting, we review anticipated country-level announcements that strengthen their Nationally Determined Contributions and associated policies to meet these urgent targets.

“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:** 684 metric tons of CO₂ equivalent
- **Scope 2 (Location-Based):** 7,142 metric tons of CO₂ equivalent
- **Scope 2 (Market-Based):** 983 metric tons of CO₂ equivalent
- **Scope 3:**
 - Purchased Goods and Services: 101,600 metric tons of CO₂ equivalent
 - Capital Goods: 9,800 metric tons of CO₂ equivalent
 - Fuel and Energy-Related Activities:
 - Location-Based: 2,000 metric tons of CO₂ equivalent
 - Market-Based: 181 metric tons of CO₂ equivalent
 - Waste Generated in Operations: 61 metric tons of CO₂ equivalent
 - Business Travel: 2,100 metric tons of CO₂ equivalent
 - Employee Commuting: 2,200 metric tons of CO₂ equivalent
- **Supplier Spend with Science-Based Target (%):** 25.59%
- **Energy Use (electricity):** 18,731 megawatt hours
- **Renewable Energy (% renewable energy and purchased renewable energy credits):** 100%
- **Scope 1 + Scope 2 (Market-Based) + Scope 3 Business Travel + Scope 3 Employee Commuting =** 5,967 metric tons of CO₂ equivalent



- **GHG Emissions Offsets Retired for 2020 [achieving carbon neutrality for Scope 1, Scope 2 (Market-Based), Scope 3 Business Travel, and Scope 3 Employee Commuting emissions]:** 5,967 metric tons of CO₂ equivalent
- **GHG Emissions Offsets Retired for 2000 through 2019 [achieving carbon neutrality for estimated historical Scope 1, Scope 2 (Market-Based), Scope 3 Business Travel, and Scope 3 Employee Commuting emissions]:** 365,103 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, 2020 to December 31, 2020

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 Second Edition 2019-04: Greenhouse gases -- Part 3: Specification with guidance for the verification and validation 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.

GHG Verification Methodology:

Evidence-gathering procedures included but were not limited to:

- Interviews with relevant personnel of Moody's;
- 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:

Mary E. Armstrong-Friberg, Lead Verifier
Principal Consultant
APEX Companies, LLC
Cleveland, Ohio

Trevor A. Donaghu, Technical Reviewer
Program Manager
APEX Companies, LLC
Pleasant Hill, California

April 6, 2021

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.