MOODY'S

ANNUAL REPORT | 2020

Raymond W. McDaniel, Jr.

Letter from the Chairman of the Board

It seems a gross understatement to characterize 2020 as an unprecedented year. The effects of the global pandemic, multiple natural disasters and significant resulting economic hardship were compounded by events such as Brexit in the UK and racial injustice in the US. These events exposed polarized divisions and forced reexamination of how the societies in which we live interact. Stepping back and taken holistically, we can see clearly how these and many other risk events interrelate.

Even in this highly challenging environment, Moody's achieved substantial success. The ability to adapt to uncertain and highly changeable conditions is a testament to the character and values of Moody's and the more than 11,000 employees who represent the company around the world. It speaks to the resiliency of our diverse organization as connected members of a community and to Moody's long-term strategies, which encourage us to focus on customers' needs in the most challenging of times. I'm proud and grateful for the commitment of our workforce as they adapted throughout the year.

One urgent example of the connectedness of global events is climate change. Moody's has taken important steps to bring environmental, social and governance (ESG) considerations into the center of our business. We have made robust progress on climate commitments and performance, and have enhanced our external sustainability profile. We will be the first S&P 500 company to affirm the principles outlined in the "Say on Climate" campaign, where stockholders will vote on the company's decarbonization plan at our upcoming Annual Meeting. ESG and climate change considerations are critical to managing risk and seizing opportunities in today's global capital markets and Moody's is committed to systemically and transparently integrating ESG considerations into our credit ratings and risk management solutions. In fact, a detailed discussion of ESG considerations is now included in all our rating committees.

As Directors, we recognize our responsibility to work with Moody's management to ensure that stockholders' and other stakeholders' interests are being heard. Increasingly, our focus has also moved to positioning the company appropriately on issues of social justice and racial equity. We are proud to be recognized for our efforts by the Human Rights Campaign, the Bloomberg Gender Equality Index, *Financial Times*, *Working Mother* and many others.

Moody's recently introduced the new Multicultural Customer Initiative, a collaboration across the enterprise to help multicultural institutions grow and prosper with the aid of our expertise, products and services. The company has conducted outreach with several community development financial institutions in the US who promote economic revitalization within distressed communities. As a first step, Moody's has placed cash deposits with two Black-owned banks, City First Bank and Carver Federal Savings Bank, to help them support the communities they serve. This work also complements the Supplier Diversity initiative, aimed at providing equal access to all companies seeking to conduct business with Moody's.

I'm incredibly proud of how far we've come, but we still have work to do, and no one is more able to accelerate our growth priorities than Rob Fauber, Moody's new President and Chief Executive Officer. Rob's record of achievement during his 15 years at the company, combined with his deep knowledge of our businesses and the needs of our customers, make him the ideal leader to take Moody's into its next chapter. Since joining Moody's in 2005, he has shown himself to be an innovative, strategic and results-oriented leader. He has also shown himself to be someone who cares deeply about our people.

Rob has grown with the company and served in multiple senior leadership roles, most recently as Chief Operating Officer, where he had responsibility for Moody's Investors Service and Moody's Analytics, as well as strategy and marketing for the corporation. Having worked closely with him for many years, I firmly believe that he will continue to enhance our strengths while championing collaboration, innovation and efficiency across the company. Moody's future is in excellent hands.

I must also take this opportunity to acknowledge and thank my predecessor and mentor, Henry McKinnell Jr., Ph.D., for his years as Chairman. Hank's leadership of the Board has been fundamental to the success of our company and his wise counsel helped us navigate such fundamental events as taking Moody's public in 2000, managing through the financial crisis, and of course most recently performing through the Covid-19 pandemic. I would also like to recognize and thank Basil Anderson, who served this Board with distinction for 17 years and whose perspective and insight was invaluable to our strategic thinking and growth plans. The combined wisdom and experience provided by Hank and Basil will be greatly missed. Again, thank you both.

In closing, I am very appreciative of our stockholders, many of whom have supported the company for more than a decade. I'm grateful to our Directors for their collective insight, and I welcome Lloyd Howell to our Board as the newest Director. I want to congratulate Moody's management for their leadership and focus, and the employees for their exemplary commitment to each other and to customers. In a world of rapidly evolving challenges, Moody's remains well-positioned to turn those challenges into opportunities in 2021 and beyond.

Raymond W. McDaniel, Jr.
Chairman of the Board

Robert Fauber

Letter from the President & Chief Executive Officer

It's my privilege and honor to write to you for the first time as Moody's President and Chief Executive Officer. I am deeply appreciative of Ray McDaniel's leadership and contributions over his nearly 34 years at Moody's and grateful to begin my tenure having inherited the leadership of a company that plays a critically important role in the world and which is in a strong position for growth, with a bright future.

Our purpose as a company is to provide knowledge, clarity and fairness to an interconnected world, and no year has tested that purpose more than 2020. We rose to the challenge, and today we are executing against a clear strategic vision for our future as a global integrated risk assessment business guided by the evolving needs of our customers. Our values and our culture are the bedrock of our success, and I am excited and optimistic about our future growth and evolution.

REFLECTING ON A YEAR OF UNPRECEDENTED CHALLENGES

2020 was an exceptionally difficult year in many ways, but one in which we really delivered for our employees, our customers, our stockholders and our communities. I couldn't be more proud of our employees and their dedication and resilience in adapting to the pandemic and the immense changes it brought for all of us and for our customers. I am especially proud of the way our people, in more than 40 countries, pivoted seamlessly to remote work while keeping our customers' needs at the core of what we do. Through it all, we have supported and cared for each other, with a range of new programs focusing on employee well-being, development and engagement.

As the pandemic unfolded, our customers looked to our expertise and our insights to help them navigate this challenging and uncertain environment. Early on, Moody's Investors Service (MIS) took a measured and thoughtful approach to ratings – and conducted extensive engagement to assist issuers, investors, regulators and the market in understanding that approach. Throughout 2020, MIS played a vital role in the continued efficient functioning of global debt capital markets, rating more than $5.5 trillion in global debt issuance. We pivoted to virtual engagement, resulting in greater customer interaction that ultimately translated to a 300% increase in attendance at Moody's events in 2020.

As our customers' needs evolved, Moody's Analytics (MA) continued its product innovation, including the launch of our Know Your Supplier portal to support hospital procurement of Covid-19 supplies; the development of our award-winning QUIQspread™ platform, which automates manual financial statement spreading; and the integration of RDC's risk data into our vast Orbis entity data platform, creating a market-leading one-stop shop for mission-critical Know Your Customer risk assessment.

In 2020, we expanded our capabilities in important domains and extended our reach in key markets through a series of acquisitions and investments. We also brought our environmental, social and governance (ESG) and climate capabilities together in the newly formed ESG Solutions Group, aligning our efforts across the firm in this critically important area.

The efforts of our employees and their focus on our customers translated into a year of financial success for our stockholders, with Moody's revenue up 11% to $5.4 billion and adjusted diluted EPS growth of 22%. MIS revenue grew an impressive 15% on the strength of global debt issuance activity and comprehensive coverage of global debt capital markets. MA had another strong year, growing 6% as usage of MA's products reached an all-time high, supported by strong retention rates. Together, this performance speaks to the value of our products in helping our customers make better decisions, particularly during challenging times.

A COMMITMENT TO OUR COMMUNITIES

As the purpose of corporations evolves, we understand that our success must be a shared success. In 2020, we enhanced the support we provided to those in need and raised the bar for our environmental stewardship. We made an $11 million contribution to the Moody's Foundation to advance its work empowering people with the financial knowledge, resources and confidence they need to create a better future and to reach their potential. The events of the past year have also underscored the importance of a strong commitment to diversity and inclusion, both internally and externally. This past year, we launched a number of diversity, equity and inclusion initiatives across our company and within the communities where we operate, including $2 million in commitments supporting equal justice and educational opportunities. We are very proud to have been recognized once again for our efforts in the *Bloomberg Equality Index*, *Diversity Inc's Top 50 List*, and as a leader for LGBTQ inclusion in the Human Rights Campaign's *Corporate Equality Index* for the tenth consecutive year.

We are also taking decisive action to promote environmental sustainability and address climate change. In 2020, we established clear environmental commitments relating to science-based targets for reducing our greenhouse gas emissions, procuring 100% renewable energy and expanding our carbon neutrality plans. We were the first S&P 500 company to join the "Say on Climate" campaign, and our actions achieved strong validation as Moody's earned a prestigious "A List" ranking from CDP.

LOOKING FORWARD

Looking forward, organizations face a complex, inter-linked world of risks and varied stakeholders. Covid-19 has further accelerated the digitization of manual processes across the financial sector and highlighted the importance of resilience and scenario planning. Organizations are managing many new risks, from ESG to climate, to cyber, to financial crime. They are seeking a more holistic, 360-degree view of risk – who they are connecting to and who they are doing business with. There are significant financial and reputational impacts for not managing these risks effectively and customers are looking for trusted partners who have the scale, rigor and capabilities to help them make better decisions about a wide range of risks.

As CEO, I am focused on three key areas to meet these market needs and realize our full potential as a global integrated risk assessment business: First, sharpening our understanding of how our customers' needs are evolving, and delivering solutions that can draw on the breadth and depth of our capabilities. Second, investing with intent to grow and scale, deepening and extending our presence in new and expanding risk assessment markets, as we have done successfully in the Know Your Customer space. Third, collaborating, modernizing and innovating with a focus on technology interoperability and data access that allows our customers to maximize our data, analytic and technology capabilities. And of course, all of this is underpinned by supporting and developing our people so that we have the skills and culture needed to drive our business forward.

For the last year, we have referred to Moody's as an integrated risk assessment business. Today, we serve a range of risk assessment use cases and end markets collectively worth more than $35 billion per year. Our largest risk assessment business is MIS, which serves fixed income issuers and investors as an integral component of global debt capital markets. And, as Moody's has evolved, we can now help customers make better decisions about everything from customer onboarding to commercial lending to sustainable investing, and much more.

Increasingly, we are combining our data, analytics and insights with our deep domain expertise and technology enablement to provide our customers solutions for identifying, measuring and managing risk. We continue to invest in these datasets and analytics capabilities, which are increasingly important across a growing number of risk assessment use cases and markets.

2020 was a record year for Moody's and a strong validation of the value we provide. I am focused on delivering on our mission of providing trusted insights and standards to help decision-makers act with confidence. We will put our customers and stakeholders front and center in what we do and how we do it. On behalf of everyone at Moody's, I extend my sincere thanks to our stockholders and our customers for their support. With the passion, agility and drive our employees have shown in these difficult times, and a clear vision for our future, we are positioned for even greater success in 2021 and beyond.

Robert Fauber
President & Chief Executive Officer

Moody's Corporation

DIRECTORS

Raymond W. McDaniel, Jr.(4*)
Chairman of the Board of Directors
Moody's Corporation

Basil L. Anderson(1,2,3)
Retired Vice Chairman
Staples, Inc.

Jorge A. Bermudez(1,2,3)
Retired Chief Risk Officer
Citigroup, Inc.

Thérèse Esperdy(1,2,3)
Retired Global Chairman of Financial Institutions Group
JPMorgan Chase & Co.

Robert Fauber(4)
President & Chief Executive Officer
Moody's Corporation

Vincent A. Forlenza(1,2*,3,4)
Lead Independent Director
Moody's Corporation
Retired Chief Executive Officer
Becton Dickinson

Kathryn M. Hill(1,2,3*,4)
Retired Senior Vice President
Cisco Systems Inc.

Henry A. McKinnell, Jr., Ph.D.(1,2,3)
Retired Chief Executive Officer
Pfizer Inc.

Leslie F. Seidman(1*,2,3,4)
Former Chairman
Financial Accounting Standards Board

Bruce Van Saun(1,2,3)
Chairman & Chief Executive Officer
Citizens Financial Group, Inc.

BOARD COMMITTEES

1 Audit
2 Governance & Nominating
3 Compensation & Human Resources
4 Executive
* Committee Chairman

Corporate Secretary

Elizabeth M. McCarroll

Stockholders and other stakeholders may communicate with the Board, or with a specific director or directors, by writing to:

c/o Corporate Secretary
Moody's Corporation
7 World Trade Center
250 Greenwich Street
New York, NY 10007

SENIOR MANAGEMENT

Robert Fauber
President & Chief Executive Officer

Stephen Tulenko
President, Moody's Analytics

Michael West
President, Moody's Investors Service

John J. Goggins
Executive Vice President & General Counsel

Senior Vice Presidents

Mona Breed
Chief Information Officer

Jeffrey R. Hare
Risk Management

Melanie Hughes
Chief Human Resources Officer

Mark Kaye
Chief Financial Officer

Scott Kenney
Risk Management & Chief Audit Executive

David Platt
Chief Strategy Officer

Caroline Sullivan
Corporate Controller

Vice Presidents

David Hogan
Treasurer

Scott Kapusta
Global Tax

Chief Credit Officer

Richard Cantor

Chief Compliance Officer

Helene Gurian

Chief Government & Public Affairs Officer

Lisa Rabbe

Head of Investor Relations

Shivani Kak

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-14037

MOODY'S CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**13-3998945**
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7 World Trade Center at 250 Greenwich Street, New York, New York 10007
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	TRADING SYMBOL(S)	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $0.01 per share	MCO	New York Stock Exchange
1.75% Senior Notes Due 2027	MCO 27	New York Stock Exchange
0.950% Senior Notes Due 2030	MCO 30	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of Moody's Corporation Common Stock held by nonaffiliates* on June 30, 2020 (based upon its closing transaction price on the New York Stock Exchange on such date) was approximately $51 billion.

As of January 31, 2021, 187.1 million shares of Common Stock of Moody's Corporation were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 20, 2021, are incorporated by reference into Part III of this Form 10-K.

The Index to Exhibits is included as Part IV, Item 15(3) of this Form 10-K.

* Calculated by excluding all shares held by executive officers and directors of the Registrant without conceding that all such persons are "affiliates" of the Registrant for purposes of federal securities laws.

MOODY'S CORPORATION

INDEX TO FORM 10-K

GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms, abbreviations and acronyms are used to identify frequently used terms in this report:

TERM	DEFINITION
ABS Suite	Business acquired by the Company in October 2019 which includes a software platform used by issuers and trustees for administration of asset-backed and mortgage-backed securities programs
Acquire Media (AM)	An aggregator and distributor of curated real-time news, multimedia, data, and alerts; acquired by the Company on October 21, 2020
Acquisition-Related Amortization	Amortization of definite-lived intangible assets acquired by the Company from all business combination transactions
Acquisition-Related Expenses	Consists of expenses incurred over a multi-year period to complete and integrate the acquisition of Bureau van Dijk
Adjusted Diluted EPS	Diluted EPS excluding the impact of certain items as detailed in the section entitled “Non-GAAP Financial Measures”
Adjusted Net Income	Net Income excluding the impact of certain items as detailed in the section entitled “Non-GAAP Financial Measures”
Adjusted Operating Income	Operating income excluding the impact of certain items as detailed in the section entitled "Non-GAAP Financial Measures"
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Americas	Represents countries within North and South America, excluding the U.S.
AML	Anti-money laundering
AOCI	Accumulated other comprehensive income (loss); a separate component of shareholders’ equity (deficit)
API	Application Programming Interface
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
Asia-Pacific	Represents Australia and countries in Asia including but not limited to: China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASR	Accelerated Share Repurchase
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
B&H	Barrie & Hibbert Limited, an acquisition completed in December 2011; part of the MA segment, a leading provider of risk management modeling tools for insurance companies worldwide
Board	The board of directors of the Company
BPS	Basis points
Brexit	The withdrawal of the United Kingdom from the European Union
Bureau van Dijk	Bureau van Dijk Electronic Publishing, B.V.; a global provider of business intelligence and company information; acquired by the Company on August 10, 2017 via the acquisition of Yellow Maple I B.V., an indirect parent of Bureau van Dijk; part of the RD&A LOB and a reporting unit within the MA reportable segment
Catylist	A provider of commercial real estate (CRE) solutions for brokers; acquired by the Company on December 30, 2020
CCXI	China Cheng Xin International Credit Rating Co. Ltd.; China’s first and largest domestic credit rating agency approved by the People’s Bank of China; the Company acquired a 49% interest in 2006; currently Moody’s owns 30% of CCXI.

TERM	DEFINITION
CFG	Corporate finance group; an LOB of MIS
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities; an asset class within SFG
COLI	Corporate-Owned Life Insurance
Commission	European Commission
Common Stock	The Company’s common stock
Company	Moody’s Corporation and its subsidiaries; MCO; Moody’s
Content	A reporting unit within the MA segment that offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts
COVID-19	An outbreak of a novel strain of coronavirus resulting in an international public health crisis and a global pandemic
CP	Commercial Paper
CP Notes	Unsecured commercial paper issued under the CP Program
CP Program	A program entered into on August 3, 2016 allowing the Company to privately place CP up to a maximum of $1 billion for which the maturity may not exceed 397 days from the date of issue and which is backstopped by the 2018 Facility.
CRAs	Credit rating agencies
DBPPs	Defined benefit pension plans
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
ERS	Enterprise Risk Solutions; an LOB within MA, which offers risk management software solutions as well as related risk management advisory engagements services
ESA	Economics and Structured Analytics; part of the RD&A line of business within MA
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESPP	Employee stock purchase plan
ETR	Effective tax rate
EU	European Union
EUR	Euros
EURIBOR	The Euro Interbank Offered Rate
Eurozone	Monetary union of the EU member states which have adopted the euro as their common currency
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
External Revenue	Revenue excluding any intersegment amounts
FASB	Financial Accounting Standards Board
Fermat	Fermat International; an acquisition completed in October 2008; part of the MA segment; a provider of risk and performance management software to the global banking industry

TERM	DEFINITION
FIG	Financial institutions group; an LOB of MIS
Four Twenty Seven	A provider of data, intelligence, and analysis related to physical climate risks; acquired by the Company in July 2019
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FTSE	Financial Times Stock Exchange
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
GDP	Gross domestic product
GDPR	European Union's General Data Protection Regulation
ICRA	ICRA Limited; a provider of credit ratings and research in India.
INR	Indian Rupee
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc.; a Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	Korea Investors Service Pricing, Inc.; a Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
KIS Research	Korea Investors Service Research; a Korean provider of financial research and consolidated subsidiary of the Company
Korea	Republic of South Korea
KYC	Know-your-customer
LIBOR	London Interbank Offered Rate
LOB	Line of business
MA	Moody's Analytics—a reportable segment of MCO; a global provider of data and analytic solutions which help companies make better and faster decisions; consists of two LOBs—RD&A and ERS
Make Whole Amount	The prepayment penalty amount relating to certain Senior Notes, which is a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal
MAKS	Moody's Analytics Knowledge Services; formerly known as Copal Amba; provides offshore research and analytic services to the global financial and corporate sectors; formerly part of the PS LOB within the MA reportable segment; this business was divested in November 2019
MALS	Moody's Analytics Learning Solutions; a reporting unit within the MA segment that includes on-line and classroom-based training services as well as credentialing and certification services
MCO	Moody's; Moody's Corporation and its subsidiaries; the Company
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MESG	Moody's ESG Solutions Group
MIS	Moody's Investors Service—a reportable segment of MCO; consists of five LOBs—SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research revenue as well as revenue from providing ESG research, data and assessments. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody's	Moody's Corporation and its subsidiaries; MCO; the Company

TERM	DEFINITION
MSS	Moody's Shared Services; primarily consists of information technology and support staff such as finance, human resources and legal that support both MIS and MA.
NAV	Net asset value
Net Income	Net income attributable to Moody’s Corporation, which excludes net income from consolidated noncontrolling interests belonging to the minority interest holder
New Credit Losses Accounting Standard	Updates to the ASC pursuant to ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. This new accounting guidance requires the use of an “expected credit loss” impairment model for most financial assets reported at amortized cost, which will require entities to estimate expected credit losses over the lifetime of the instrument.
New Lease Accounting Standard	Updates to the ASC pursuant to ASU No. 2016-02, “Leases (ASC Topic 842)”. This new accounting guidance requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows depend on classification as either a finance or operating lease
N/A	Not applicable
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these measures, when read in conjunction with the Company’s reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company’s performance, facilitate comparisons to competitors’ operating results and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision making
NRSRO	Nationally Recognized Statistical Rating Organization, which is a credit rating agency registered with the SEC.
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
Omega Performance	A provider of online credit training; acquired by the Company in August 2018
Operating segment	Term defined in the ASC relating to segment reporting; the ASC defines an operating segment as a component of a business entity that has each of the three following characteristics: i) the component engages in business activities from which it may recognize revenue and incur expenses; ii) the operating results of the component are regularly reviewed by the entity’s chief operating decision maker; and iii) discrete financial information about the component is available.
Other Retirement Plans	The U.S. retirement healthcare and U.S. retirement life insurance plans
PCS	Post-Contract Customer Support
PPIF	Public, project and infrastructure finance; an LOB of MIS
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, a former LOB within MA which consisted of MAKS and MALS that provided offshore analytical and research services as well as learning solutions and certification programs. Subsequent to the divestiture of MAKS in 2019, revenue from the MALS reporting unit, which previous to 2020 was reported in the PS LOB, is now reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material.
RD&A	Research, Data and Analytics; an LOB within MA that offers: subscription based research, data and analytical products, including credit ratings produced by MIS; credit research; quantitative credit scores and other analytical tools; economic research and forecasts; business intelligence and company information products; commercial real estate data and analytical tools; and on-line and classroom-based training services as well as credentialing and certification services
Redeemable Non-controlling Interest	Represents minority shareholders' interest in entities which are controlled but not wholly-owned by Moody's and for which Moody's obligation to redeem the minority shareholders' interest is represented by a put/call relationship

TERM	DEFINITION
Reform Act	Credit Rating Agency Reform Act of 2006
Regulatory Data Corporation (RDC)	A provider of anti-money laundering (AML) and know-your-customer (KYC) data and due diligence services; the Company acquired RDC in February 2020
REIT	Real Estate Investment Trust
Reis, Inc. (Reis)	A provider of U.S. commercial real estate (CRE) data; acquired by the Company in October 2018; part of the RD&A LOB and a reporting unit within the MA reportable segment.
Relationship Revenue	For MIS, represents recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. For MIS Other represents subscription-based revenue. For MA, represents subscription-based revenue and software maintenance revenue
Reporting unit	The level at which Moody’s evaluates its goodwill for impairment under U.S. GAAP; defined as an operating segment or one level below an operating segment
Retirement Plans	Moody’s funded and unfunded pension plans, the healthcare plans and life insurance plans
Revenue Accounting Standard	Updates to the ASC pursuant to ASU No. 2014-09, “Revenue from Contracts with Customers (ASC Topic 606)”. This new accounting guidance significantly changes the accounting framework under U.S. GAAP relating to revenue recognition and to the accounting for the deferral of incremental costs of obtaining or fulfilling a contract with a customer
RiskFirst	A company providing risk analytic solutions for the asset management and pension fund communities; acquired by the Company in July 2019
RMBS	Residential mortgage-backed securities; an asset class within SFG
ROU Asset	Assets recorded pursuant to the New Lease Accounting Standard which represent the Company’s right to use an underlying asset for the term of a lease
SaaS	Software-as-a-Service
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SFG	Structured finance group; an LOB of MIS
SG&A	Selling, general and administrative expenses
SSP	Standalone selling price
T&M	Time-and-Material
Tax Act	The “Tax Cuts and Jobs Act” enacted into U.S. law on December 22, 2017, which significantly amends the tax code in the U.S.
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services as well as data services, research and analytical engagements. For MA, represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and research and analytical engagements
U.K.	United Kingdom
U.S.	United States
USD	U.S. dollar
UTPs	Uncertain tax positions
Vigeo Eiris (VE)	A provider of Environmental, Social and Governance (ESG) research, data and assessments; acquired by the Company in April 2019
WACC	Weighted Average Cost of Capital

TERM	DEFINITION
ZM Financial Systems (ZMFS)	A provider of risk and financial management software for the U.S. banking sector; acquired by the Company in December 2020
2018 Restructuring Program	Restructuring program approved by the chief executive officer of Moody’s on October 26, 2018. This program included relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate leases due to consolidation of various business activities.
2020 MA Strategic Reorganization Restructuring Program	Restructuring program approved by the chief executive officer of Moody’s on December 22, 2020, relating to a strategic reorganization in the MA reportable segment.
2020 Real Estate Rationalization Restructuring Program	Restructuring program approved by the chief executive officer of Moody’s on July 29, 2020, primarily in response to the COVID-19 pandemic which revolves around the rationalization and exit of certain real estate leases.
2012 Senior Notes	Principal amount of $500 million, 4.50% senior unsecured notes due in September 2022
2013 Senior Notes	Principal amount of $500 million, 4.875% senior unsecured notes due in February 2024
2014 Senior Notes	Principal amount of $600 million, 5.25% senior unsecured notes due in July 2044
2015 Senior Notes	Principal amount of €500 million, 1.75% senior unsecured notes due in March 2027
2017 Senior Notes Due 2023	Principal amount of $500 million, 2.625% senior unsecured notes due January 15, 2023
2017 Senior Notes Due 2028	Principal amount of $500 million, 3.25% senior unsecured notes due January 15, 2028
2017 Senior Notes Due 2021	Principal amount of $500 million, 2.75% senior unsecured notes originally due in December 2021, but early repaid by the Company in 2020.
2018 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to $1 billion; backstops CP issued under the CP Program
2018 Senior Notes	Principal amount of $300 million, 3.25% senior unsecured notes originally due in June 2021, but early repaid by the Company in 2020.
2018 Senior Notes Due 2029	Principal amount of $400 million, 4.25% senior unsecured notes due February 1, 2029
2018 Senior Notes Due 2048	Principal amount of $400 million, 4.875% senior unsecured notes due December 17, 2048
2019 Senior Notes	Principal amount of €750 million, 0.950% senior unsecured notes due in February 25, 2030
2020 Senior Notes Due 2025	Principal amount of $700 million, 3.75% senior unsecured notes due March 24, 2025
2020 Senior Notes Due 2050	Principal amount of $300 million, 3.25% senior unsecured notes due May 20, 2050
2020 Senior Notes Due 2060	Principal amount of $500 million, 2.55% senior unsecured notes due August 18, 2060
7WTC	The Company’s corporate headquarters located at 7 World Trade Center in New York, NY

PART I

ITEM 1. BUSINESS

BACKGROUND

As used in this report, except where the context indicates otherwise, the terms “Moody’s” or the “Company” refer to Moody’s Corporation, a Delaware corporation, and its subsidiaries. The Company’s executive offices are located at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007 and its telephone number is (212) 553-0300.

THE COMPANY

Company Overview

Moody’s is a global integrated risk assessment firm that empowers organizations and investors to make better decisions. Moody’s reports in two segments: MIS and MA. Financial information and operating results of these segments, including revenue, expenses and operating income, are included in Part II, Item 8. Financial Statements of this annual report and are herein incorporated by reference.

MOODY’S INVESTORS SERVICE

Independent provider of credit rating opinions and related information for over 100 years

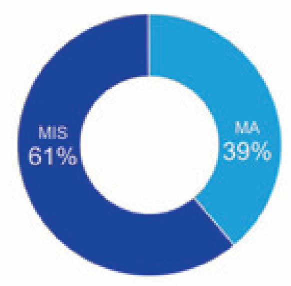
59.7% 2020 Adjusted Operating Margin

57.1% 2020 Operating Margin

MOODY’S

A global integrated risk assessment firm that empowers organizations to make better decisions

Total 2020 Revenue of $5.4 billion



44.5% 2020 Operating Margin

49.7% 2020 Adjusted Operating Margin

MOODY’S ANALYTICS

Global provider of data and analytic solutions which help companies make better and faster decisions.

29.4% 2020 Adjusted Operating Margin

20.3% 2020 Operating Margin

2007 - 2016
Expanded beyond ratings agency

- Established ***Moody's Analytics***
- Built the ***ERS*** business (e.g., Fermat, B&H)
- Expanded ***ratings to China*** (i.e., CCXI)

2017 - 2020
Built out substantial data and analytics capabilities

- Complemented ERS business with ***private company information*** (i.e., BvD)
- Accelerated ***capability expansion*** (e.g., company database, CRE data, ESG data)

2021 and Beyond
Positioned to serve a wide range of risk assessment markets

- ***Competitive differentiator***: integration of data and analytics combined with expertise and technology enablement
- Further investment in data and analytics capabilities such as **private company, CRE and ESG** to serve high growth risk assessment use cases (e.g., KYC and compliance)

Moody's Investors Service Overview

MIS publishes credit ratings and provides assessment services on a wide range of debt obligations, programs and facilities, and the entities that issue such obligations in markets worldwide, including various corporate, financial institution and governmental obligations, and structured finance securities. A rating from MIS enables issuers to create timely, go-to-market debt strategies with the ability to capture wider investor focus and deeper liquidity options.

The Benefits of a Moody's Rating

Access to capital

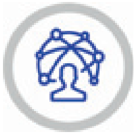
- Moody’s opinions on credit are used by institutional investors throughout the world, making an issuer’s debt potentially more attractive to a wide range of buyers.
- A Moody’s rating may facilitate access to both domestic and international debt capital.

Transparency, credit comparison and market stability

- Signals a willingness by issuers to be transparent and provides issuers with an independent assessment against which to compare creditworthiness.
- Moody’s ratings and research reports may help to maintain investor confidence, especially during periods of market stress.

Planning and budgeting

- May help issuers when formulating internal capital plans and funding strategies



Analytical capabilities

- Among ratings advisors, Moody’s has a strong position and is well-recognized for the depth and breadth of its analytical capabilities.

Ratings revenue is derived from the originators and issuers of such transactions who use MIS ratings to support the distribution of their debt issues to investors. Ratings are disseminated via press releases to the public primarily through a variety of electronic media, including the internet and real-time information systems widely used by securities traders and investors.

MIS by the Numbers

5,000+
Rated Non-Financial Corporates

16,000+
Rated Public Finance Issuers

3,600+
Rated Financial Institutions

9,100+
Rated Structured Finance Deals

145
Rated Sovereigns

1,000+
Rated Infrastructure & Public Finance Issuers

47
Rated Supranational Institutions

202
Rating Methodologies

459
Rated Sub-Sovereigns

140+
Countries where MIS provides ratings

MIS also earns revenue from certain non-ratings-related operations, which primarily consist of financial instruments pricing services in the Asia-Pacific region, revenue from ESG research, data and assessments and revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

Moody's Analytics Overview

MA is a global provider of data and analytic solutions which help companies make better and faster decisions. MA's analytic models, industry insights, software tools and proprietary data assets allow companies to inform and perform many critical business activities with trust and confidence. MA's approach to aggregating, broadening and deepening available data, research, analytic tools and software solutions fosters a more integrated and efficient delivery to MA's customers resulting in better decisions around risks and opportunities. MA's subscription businesses provide a significant base of recurring revenue to mitigate cyclical changes in debt issuance volumes that may result in volatility in MIS's revenues.

MA's Diverse Product Solutions

Continuous expansion and refinement of content, tools and user experience to help customers make better and faster decisions.

Integrated Experience: ***Ease of Use***	Enhanced Content and Coverage: ***More Value***
Onboard customers Confirm KYC, AML	**Compliance modules** Leverage BvD, RDC and Acquire Media data
Gather financials Create credit statistics	**Spreading tools** Prepopulate and digitize financials
Analyze credit and transaction Assess creditworthiness of portfolio	**World class credit research and analytics** Early warning signals and credit scoring
Consider risks holistically Climate change, cyber, macro-economic	**ESG impact** of customer's business

Multichannel Delivery

- Web
- Excel add-in
- API
- Third party platforms
- Mobile

MA Customers by the Numbers

1,500+
Asset Managers

2,900+
Commercial Banks

3,100+
Corporations

225+
Securities Dealers and Investment Banks

675+
Insurance Companies

4,000+
Government & Other Entities

300+
Real Estate Entities

337,000+
Individuals accessed the Moody's research website

155+
Countries where MA customers operate

31,000+
Customer users accessed the Moody's research website in 2020

Sustainability

Moody’s manages its business with the goal of delivering value to all of its stakeholders, including its customers, employees, business partners, local communities and stockholders. As part of this effort, Moody’s advances sustainability by considering environmental, social, and governance (“ESG”) factors throughout its operations and products and services. It uses its expertise and assets to make a positive difference through technology tools, research and analytical services that help other organizations and the investor community better understand the links between sustainability considerations and the global markets. Moody’s efforts to promote sustainability-related thought leadership, assessments and data to market participants include following the policies of recognized sustainability organizations that develop standards or frameworks and/or evaluate and assess performance, including the Global Reporting Initiative and Sustainability Accounting Standards Board. Moody's also issues an annual report on how the Company has implemented the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations. Moody’s sustainability-related achievements in 2020 included the following:

- established science based targets for reducing greenhouse gas (GHG) emissions and received validation for such targets from Science Based Targets initiative;
- published Moody's Decarbonization Plan; and
- introduced sustainability related performance goals for determining compensation of certain senior executives.

The Board oversees sustainability matters, with assistance from the Audit and Governance & Nominating Committees, as part of its oversight of management and the Company’s overall strategy.

HUMAN CAPITAL

Moody's purpose is to bring clarity, knowledge and fairness to an interconnected world. The Company's success in achieving its purpose is only possible through the collective contributions of its global employee population whose members possess the unique combination of skills, professional experience and diversity of backgrounds needed to advance the Company's business and contribute to the communities in which it operates. Moody's believes that it is essential to: i) create a workplace where its employees feel valued and inspired; ii) to provide an environment that fosters a culture of independence, inclusion and intellectual leadership; and iii) to support peer collaboration and professional growth.

As a global integrated risk assessment firm, attracting, supporting and retaining skilled talent is essential to the Company's success. Moody's addresses these goals by: (i) championing diversity, equity and inclusion among employees; (ii) seeking to provide market-competitive compensation and benefits and rewarding employees for their contributions to the Company's strategic and operational goals; (iii) offering wellness programs; (iv) supporting employee learning, development and skills enhancement; and (v) advancing employee engagement.

Diversity, Equity and Inclusion

Moody's believes it is imperative to be visible champions of diversity, equity and inclusion because differing thoughts and perspectives help to enrich the Company's offerings to its many stakeholders and improves performance. The key objectives for which the Company focuses with respect to these items include: (i) incorporating diversity, equity and inclusion into Moody's business strategy; (ii) establishing leadership accountability with respect to diversity, including through executive compensation programs; (iii) working to increase diverse representation, e.g., women and ethnic groups; (iv) continuing to advance women and ethnically diverse employees in leadership roles; (v) enhancing employee training in diversity, equity and inclusion matters; (vi) promoting equal employment opportunities in all aspects of employment; (vii) designing the Company's compensation practices to provide equal pay for equal work; and (viii) incorporating market standards, role, experience and performance into compensation decisions. The executive leadership team's focus on these items is vital to attract, support and retain its skilled talent.

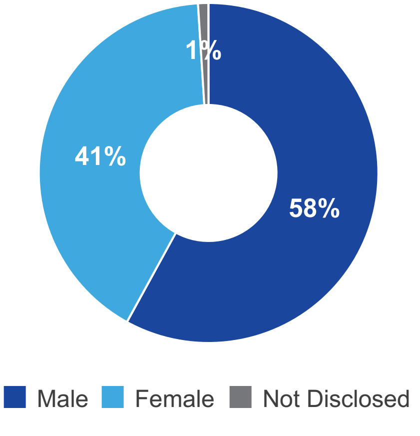
Moody's has numerous diversity programs and eight active business resource groups ("BRGs"), representing 40 chapters and more than 5,400 memberships globally as of December 31, 2020. An employee can hold membership in multiple BRGs in a single region.

The Company's diversity programs include its TIDE program (Talent Aspirations & Alignment, Insights, Development & Career Planning and Exposure & Expansion), which is a high potential employee diversity initiative aimed at elevating women and ethnically diverse employees into leadership positions.

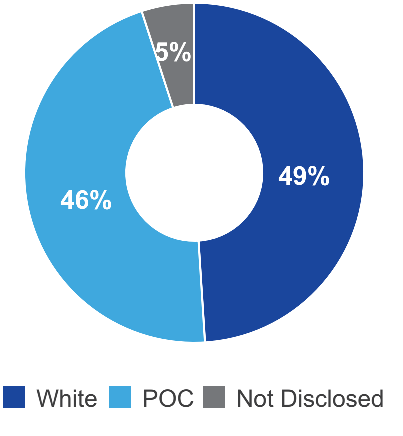
The Company provides and periodically updates information on its BRGs and other diversity, inclusion and equity programs in its various sustainability and stakeholder reports and on its Diversity & Inclusion microsite. See moodys.com/csr and moodys.com/diversity for these items. The content of those websites is not incorporated by reference herein.

The charts below present additional information regarding the diversity of the Company's workforce as of December 31, 2020. The percentage for people of color ("POC") includes those who identified as Asian, Hispanic, Black, American Indian/Alaskan Native, Hawaiian/Other Pacific Island or two or more races. Officers and Managers are calculated using the job categories: executives, senior managers, mid-level managers, and first-level managers. The following data is based on Company records and may involve estimates or assumptions.

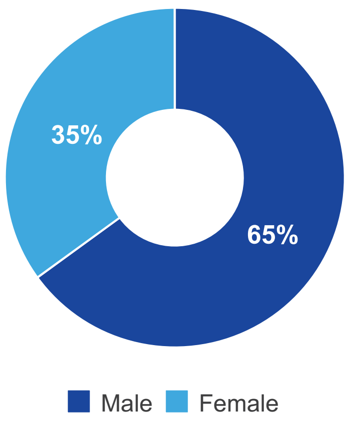
Total Workforce: Gender



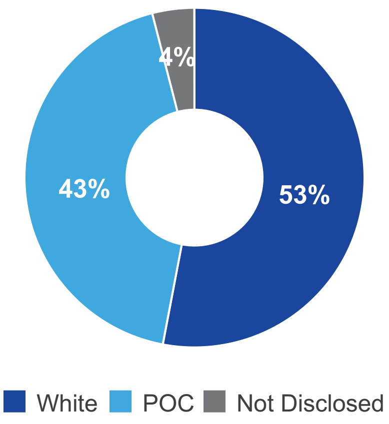
U.S. Workforce: Ethnicity



Total Officers and Managers: Gender



U.S. Officers and Managers: Ethnicity



Compensation

Moody's compensation programs are designed to foster and maintain a strong, capable, experienced and motivated global workforce. An important element of the Company's compensation philosophy is aligning compensation to local market standards so that it can attract and retain the highly-skilled talent needed to thrive. The Company's compensation packages include market-competitive salaries, annual bonuses and equity grants for certain employees.

Benefits and Wellness Programs

With respect to benefits, the Company views investments in benefits as an investment in its people. Moody's is committed to providing competitive benefits programs designed to care for all employees and their families. The Company's comprehensive programs offer resources for physical and mental health that promote preventive care, awareness and support a healthy lifestyle. The Company also promotes financial wellness and provides for flexible work arrangements, which support the Company's efforts to create a work atmosphere in which people feel valued and inspired to give their best. Beyond delivering health, welfare, retirement benefits, and paid vacation and sick days, Moody's extends other benefits to support its employees and their families. To provide competitive benefits, the Company periodically adjusts the nature and extent of benefits, such as parental leave, workplace flexibility and educational support.

Employee Population

As of December 31, 2020 and 2019, the number of Moody’s full-time equivalent employees was as follows:

	Global Headcount		
	December 31,		Change
	2020	2019	%
MIS			
U.S.	**1,512**	1,453	4 %
Non-U.S.	**3,564**	3,358	6 %
Total	**5,076**	4,811	6 %
MA			
U.S.	**2,004**	1,810	11 %
Non-U.S.	**2,963**	3,023	(2)%
Total	**4,967**	4,833	3 %
MSS			
U.S.	**709**	645	10 %
Non-U.S.	**738**	792	(7)%
Total	**1,447**	1,437	1 %
Total MCO			
U.S.	**4,225**	3,908	8 %
Non-U.S.	**7,265**	7,173	1 %
Total	**11,490**	11,081	4 %

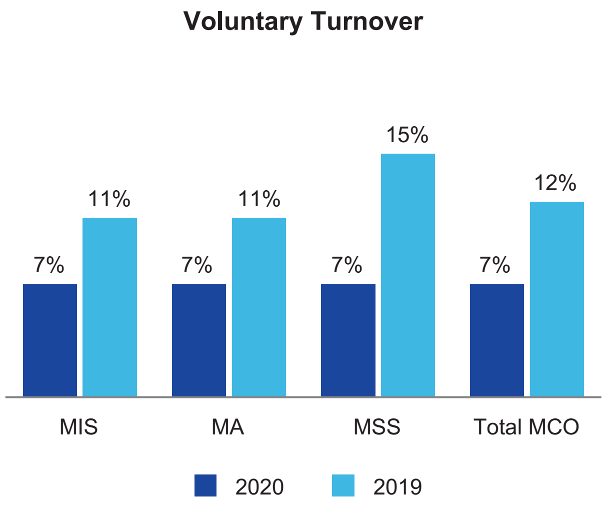
The MIS employee population primarily consists of credit analysts, data and operations analysts, credit strategy and methodology professionals, software engineers, sales and sales operations, and international strategy teams.

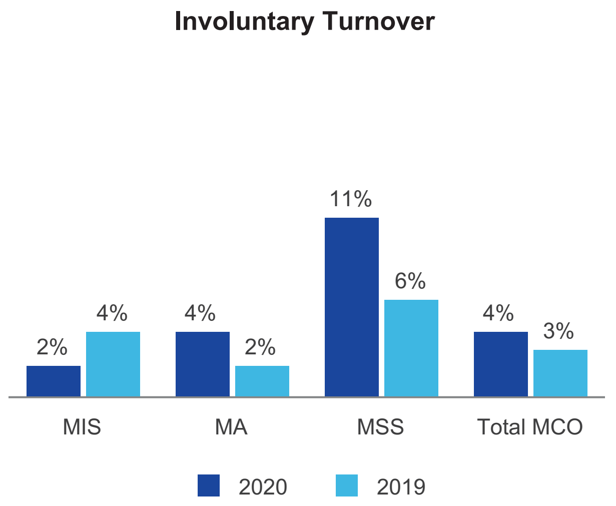
MA’s employee population primarily consists of software engineers, data and operation analysts, advisory and implementation teams and economists, as well as sales and sales support professionals.

The MSS employee population primarily consists of information technology professionals and other professional support staff such as finance, human resources and legal that support both MIS and MA.

__Employee Engagement, Learning and Development__

Management monitors employee turnover rates as presented in the chart below:





The decline in the Company's voluntary turnover rates in 2020 compared to 2019 are likely due to the effects of COVID-19 on the labor market. Additionally, MSS involuntary turnover figures in 2020 in the chart above includes employees who separated pursuant to a third party outsourcing arrangement relating to certain back office functions.

Additionally, as a result of the COVID-19 pandemic, the Company enhanced its digital communications with its employees in 2020. These enhanced communications have allowed senior management to apprise employees of evolving priorities and its focus on the health, safety and well-being of Moody's employees during this challenging time.

Learning & Development is one element of Moody's talent management framework, which includes talent acquisition, performance management, total rewards, succession planning and leadership development. Each of these areas supports the Company's business strategy and Moody's culture as a diverse, equitable and inclusive place to work. The Company views learning and education as an investment in its people that aligns their professional goals and interests with the success of the firm, and helps to retain talent over the longer-term. A number of training programs are available, including leadership development, professional skills development, technical skills, as well as compliance training.

MOODY'S STRATEGY

Moody's corporate mission is to provide trusted insights and standards that help decision-makers act with confidence. Moody's will continue to invest with intent to defend and enhance its core businesses and expand into strategic adjacencies and new geographies.

Moody's Priorities for Strategic Growth

Global Integrated Risk Assessments

Standard Solutions and Insights

- Credit
- Data
- Analytics

Moody's Core Strengths

- Trusted Brand
- Proprietary data and integrated analytics
- Business-credit products
- Expanded global customer base

Strategic Adjacencies and Expand into New Geographies

Business Adjacencies

- Commercial Real Estate
- Know Your Customer
- ESG

Regional Expansion

- EMEA
- Asia Pacific
- Latin America

Moody's invests in initiatives to implement the Company's strategy, including internally led organic development and targeted acquisitions. Illustrative examples include:

- Enhancements to ratings quality and product extensions
- Investments that extend ownership and participation in joint ventures and strategic alliances
- Expansion in emerging markets
- New products, services, content and technology capabilities to meet customer demands
- Selective bolt-on acquisitions that accelerate the ability to scale and grow Moody's businesses

During 2020, Moody's continued to invest in and acquire complementary businesses as further described below:

Date	Business	Company	Stake	Strategic Commentary
December 2020	Commercial Real Estate	**Catylist, Inc**	100%	A U.S. based provider of commercial real estate (CRE) solutions for brokers. The acquisition advances Moody's Analytics CRE platform, substantially enhancing its coverage of property-level data and expanding its range of analytical solutions to the broker market.
December 2020	Risk Solutions	**ZM Financial Systems**	100%	A U.S. based provider of risk and financial management software for the U.S. banking sector. The acquisition advances Moody's position in integrated risk assessment by broadening Moody's Analytics' suite of enterprise risk solutions, which help financial institutions make better decisions.
November 2020	ESG & KYC	**MioTech**	Minority	Provider of ESG and KYC alternative data and insights serving the Greater China market. The investment reflects Moody's commitment to providing China's evolving financial markets with innovative and technology enabled ESG and KYC solutions.
October 2020	Data	**Acquire Media**	100%	A U.S. based aggregator and distributor of curated real-time news, multimedia, data, and alerts. The acquisition serves to advance MA's solutions by strengthening its ability to provide early warning signals and real-time insight to market participants.
August 2020	Credit Ratings	**Malaysian Rating Corporation Berhad (MARC)**	Minority	Credit rating agency serving the Malaysian domestic bond and sukuk markets. The investment strengthens Moody's presence in Southeast Asia and across domestic bond markets globally, and advances its position as a leader in Islamic finance.
March 2020	Financial Training & Certifications	**RBA International**	100%	A U.K. based provider of online retail bank training and certifications. The acquisition deepens the capabilities of MA's financial training and certifications business.
February 2020	KYC	**Regulatory DataCorp**	100%	A U.S. based provider of KYC data and due diligence services. The acquisition complements Moody's 2017 acquisition of company data provider Bureau van Dijk (BvD), creating a global leader in compliance solutions, BvD's fastest-growing business segment.

Moody's Priorities Looking Forward

Realizing the full potential of our global integrated risk assessment opportunity

Sharpen focus on understanding and delivering for our customers

World-class customer experience

Invest with intent to grow and scale

Deepen and extend our presence in risk assessment markets

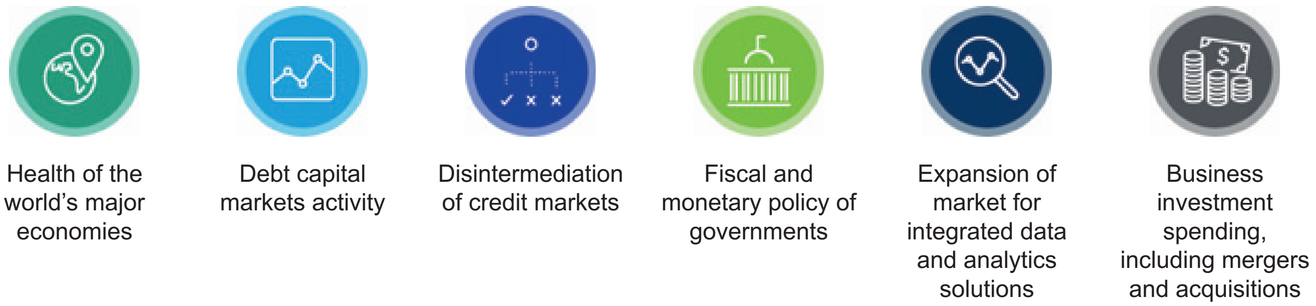
Collaborate, modernize and innovate

Technology interoperability and data access

PROSPECTS FOR GROWTH

Moody's believes that the overall long-term outlook remains favorable for continued growth of the global fixed-income market and related financial information market, which includes information such as credit opinions, research, data, analytics, risk management tools and related services.

Moody's growth is influenced by a number of trends that impact financial information markets including:

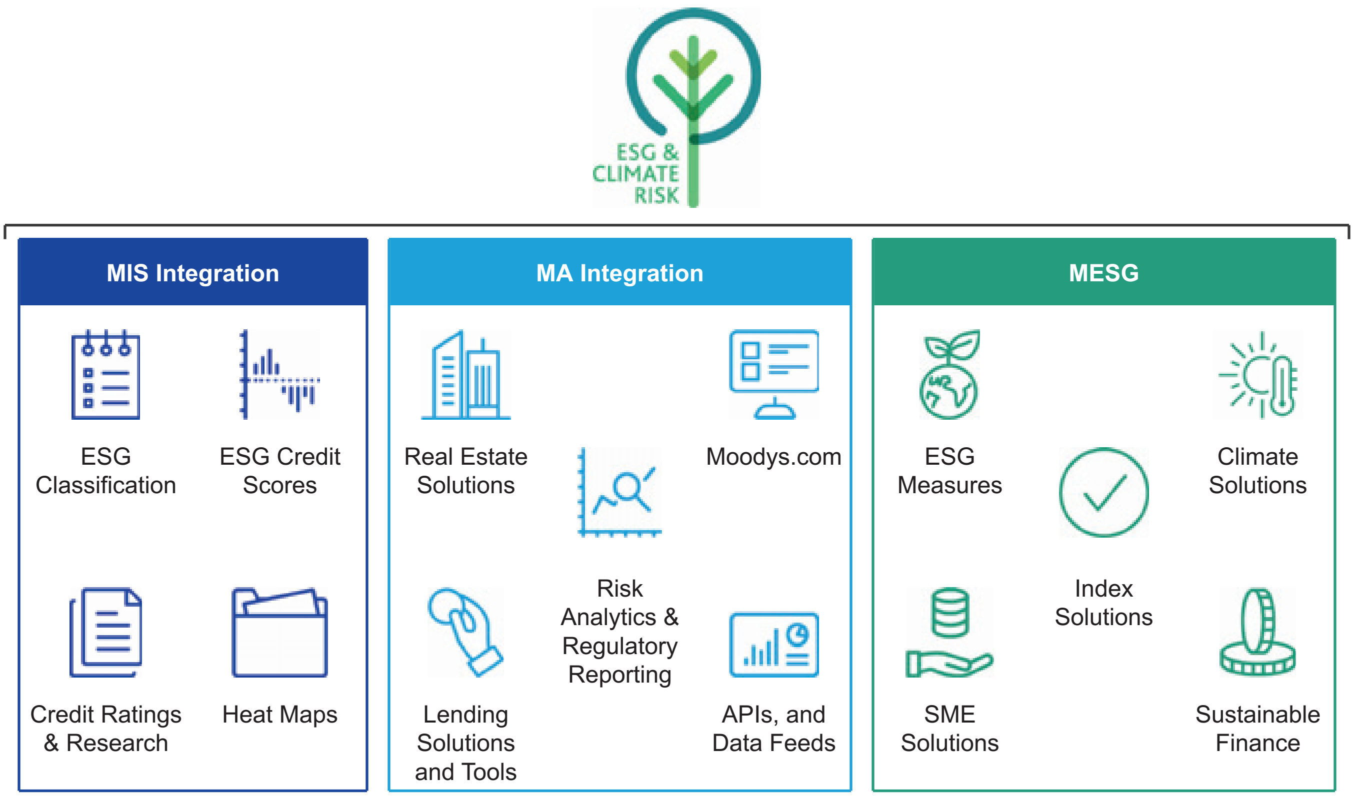


In an environment of increasing financial complexity and heightened attention to credit analysis and risk management, Moody's is well positioned to benefit from continued growth in global fixed-income market activity and more widespread use of credit ratings, research and related analytical products. Moody's expects that these developments will support continued long-term demand for high quality, independent credit opinions, research, data, analytics, risk management tools and related services. Moreover, pricing opportunities aligned with customer value creation and advances in information technology present growth opportunities for Moody's.

Environmental, Social and Governance Data and Solutions

ESG data and solutions are expected to play an increasingly important role across both MIS and MA as market participants seek trusted insights and standards to make better decisions.

Priorities for Strategic Growth: ESG Integrated Across All Platforms, Driving Growth and Enhanced Relevance



Impact of Technology

The pace of change in technology and communication over the past two decades makes information about investment alternatives widely available throughout the world and facilitates issuers' ability to place securities outside their national markets and similarly investors' ability to obtain information about securities issued outside their national markets. Technology also allows issuers and investors the ability to more readily obtain information about new financing techniques and new types of securities that they may wish to purchase or sell, which in the absence of the appropriate technology might not be readily or easily obtainable. This availability of information promotes the ongoing integration and expansion of financial markets worldwide, giving issuers and investors access to a wider range of both established and newer capital markets. As technology provides broader access to worldwide markets, it also results in a greater need for credible, globally comparable opinions about credit risk, data, analytics and related services.

Moody's operations are subject to various risks, as more fully described in Part I, Item 1A "Risk Factors," inherent in conducting business on a global basis. Such risks include currency fluctuations and possible nationalization, expropriation, exchange and price controls, changes in the availability of data from public sector sources, limits on providing information across borders and other restrictive governmental actions.

MIS Prospects for Growth

Strong secular trends should continue to provide long-term growth opportunities in MIS. Key growth drivers include:

- Debt market issuance driven by global GDP growth;
- Continued disintermediation of fixed-income markets in both developed and emerging economies driving issuance and demand for new ratings products and services; and
- Growth in first time rating mandates.

In addition to the factors noted above, growth in global fixed income markets in a given year is dependent on many macroeconomic and capital market factors including:

Rating fees paid by debt issuers account for most of the revenue of MIS. Therefore, a substantial portion of MIS's revenue is dependent upon the dollar-equivalent volume and number of ratable debt securities issued in the global capital markets.

MIS's results can be affected by factors such as:

- Performance and prospects for growth of the major world economies;
- Fiscal and monetary policies pursued by their governments; and
- Whether issuers request MIS ratings to aid investors in making their investment decisions.

However, annual fee arrangements with frequent debt issuers, annual debt monitoring fees and annual fees from commercial paper and medium-term note programs, bank deposit ratings, insurance company financial strength ratings, mutual fund ratings, and other areas partially mitigate MIS's dependence on the volume or number of new debt securities issued in the global fixed-income markets. MIS's global coverage positions it well to serve the needs of the global fixed income markets.

While already common in U.S. and Western European markets, an ongoing trend in the world's capital markets is the disintermediation of financial systems. Issuers increasingly raise capital in the global public capital markets, in addition to, or in substitution for, traditional financial intermediaries. Moreover, financial intermediaries have sold assets in the global public capital markets, in addition to, or instead of, retaining those assets. Moody's believes that issuer use of global debt capital markets offer advantages in capacity and efficiency compared to traditional banking systems and that the trend of increased disintermediation will continue. Further, disintermediation has continued because of the historically low interest rate environment and bank deleveraging, which has encouraged a number of corporations and other entities to seek alternative funding in the bond markets.

Moody's also observes disintermediation in key emerging markets where economic growth may outpace internal banking system capacity. Thus, disintermediation is expected to continue over the longer-term, with Moody's targeting investment and resources to those markets where disintermediation and bond issuance is expected to remain robust.

MA Prospects for Growth

Growth in MA is likely to be driven by expansion across customer sectors fostered by broadening MA's data and analytics solutions to meet an expanded set of customer use cases.

MA's business growth is influenced by a number of factors, including:

- Growth from data and analytics in adjacent markets, including ESG, KYC, and CRE
- Expansion of data sets and delivery options establishing a gateway that supports multiple stakeholders
- Ability to capitalize on demand for company data from a diverse set of use cases
- Continued digital transformation of credit decisioning and analytical tools (e.g., shift to SaaS-based solutions)
- Geographic expansion of actuarial and asset management solutions and continued investment in predictive analytics franchise

Moody's expects that MA products and services that improve efficiencies, provide business insights, and enable compliance with financial regulation, including AML, KYC, and accounting standards, will continue to be in demand from institutions worldwide. In order to respond to other sources of demand and drive growth, MA is actively investing in new products, including enhanced data sets and improved delivery services (e.g., software-as-a-service). These efforts should support broader distribution of MA's capabilities, deepen relationships with existing customers and drive new customer acquisition.

COMPETITION

MIS competes with other CRAs and with investment banks and brokerage firms that offer credit opinions and research. Many users of MIS's ratings also have in-house credit research capabilities. There are also some rating markets, based on industry, geography and/or instrument type, in which Moody's has made investments and obtained market positions superior to its competitors, while in other markets, the reverse is true.

MA competes broadly in the financial information industry against various diversified competitors. MA's main competitors within RD&A are providers of fixed income analytics, valuations, economic data and research as well as a host of financial training and education firms. In ERS, MA faces competition from both large software providers and various other vendors as well as in-house solutions.

REGULATION

MIS, certain of the Company's ratings affiliates and many of the issuers and/or securities that it rates are subject to extensive regulation in the U.S., EU and in other countries (including by state and local authorities). In addition, some of the services offered by MA and its affiliates are subject to regulation in countries such as Canada, China and Australia. MA also derives a significant amount of its sales from banks and other financial services providers who are subject to regulatory oversight and who are required to pass through certain regulatory requirements to key suppliers such as MA. Existing and proposed laws and regulations can impact the Company's operations, products and the markets in which the Company operates. Additional laws and regulations have been proposed or are being considered. Each of the existing, adopted, proposed and potential laws and regulations can increase the costs and legal risk associated with the Company's operations, including the issuance of credit ratings, and may negatively impact the Company's profitability and ability to compete, or result in changes in the demand for credit ratings, in the manner in which credit ratings are utilized and in the manner in which the Company operates.

The regulatory landscape continues to evolve. In the U.S., CRAs are subject to extensive regulation primarily pursuant to the Reform Act and the Dodd-Frank Act. The Reform Act added Section 15E to the Exchange Act and provided the SEC with the authority to establish a registration and oversight program for CRAs registered as NRSROs. Among other things, the Reform Act requires the SEC to submit an annual report to Congress providing an overview of SEC activities with respect to NRSROs, and the SEC's views on the state of competition, transparency and conflicts of interests among NRSROs. The Dodd-Frank Act enhanced the SEC's oversight of the regulation of NRSROs, and includes a requirement that the SEC publish an annual report summarizing the results of its annual examinations of NRSROs. To date, through a series of rulemakings, the SEC has implemented several Exchange Act provisions related to NRSROs. These include, for example, provisions addressing disclosure of data and assumptions underlying credit ratings, conflicts of interest with respect to sales and marketing practices, disclosure of performance statistics, application and disclosure of credit rating methodologies, analyst training and testing and consistent application of rating symbols and definitions. The Dodd-Frank Act also changed the pleading standard for CRAs. The Company has made, and continues to make, substantial IT and other investments, and has implemented the relevant compliance obligations.

In the EU, the CRA industry is registered and supervised through a pan-EU regulatory framework. The European Securities and Markets Authority (ESMA) has direct supervisory responsibility for registered CRAs throughout the EU MIS' EU CRA subsidiaries are registered and are subject to formal regulation and periodic inspection. Applicable rules include, but are not limited to, procedural requirements with respect to use of credit ratings, independence and avoidance of conflicts of interest, conflicts of interest concerning investments in CRAs, methodologies, models and key rating assumptions, CRA rotation and use of multiple CRAs, outsourcing, disclosures, credit ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, reporting requirements to ESMA regarding fees, and additional procedural and substantive requirements on the pricing of services. From time to time, ESMA publishes interpretive guidance, or thematic reports regarding various aspects of the CRA regulation and, annually, sets out its work program for the forthcoming year. ESMA's 2021 work program includes monitoring, identifying and assessing new risks such as those emanating from COVID-19 and ESG data and rating providers, assessing the drivers behind changes to credit rating methodologies, engaging with CRAs on IT and information security controls and ensuring that credit ratings are accessible and usable by investors.

In 2021, the European Commission is expected to publish its second Sustainable Finance Action Plan which may include a timeline for the adoption of legislative proposals regarding products and services in the ESG sector. The Commission is also expected to publish a report in 2021 on CRAs and the integration of sustainability factors into their credit ratings. The Commission may also seek to introduce a regulatory framework that may impact Moody's ESG products and services.

Separately, the U.K. left the EU on January 31, 2020 and commenced the Brexit implementation period ending on December 31, 2020.   After the Brexit implementation period, the MIS U.K. registered CRA ceased to be registered with and regulated by ESMA and became subject to regulation by the U.K. Financial Conduct Authority. Regulatory arrangements were put in place by the relevant authorities in both the U.K. and the EU to allow credit ratings to be available for regulatory use in both the EU and the U.K. after the end of the Brexit implementation period. MIS has put arrangements in place to endorse its U.K. credit ratings into the EU and its EU credit ratings into the U.K. These arrangements are independent of the EU-U.K. Trade and Cooperation Agreement ("TCA") that now governs the trading relationship between the EU and the U.K., subject to relevant ratification arrangements by each party.

In light of the regulations that have gone into effect in both the EU and the U.S. (as well as many other countries), periodically and as a matter of course pursuant to their enabling legislation, regulatory authorities have, and will continue to, publish reports that describe their oversight activities. In addition, other legislation and/or interpretation of existing regulation relating to the Company's operations, including credit rating, ancillary and research services has been or is being considered by local, national and multinational bodies and this type of activity is likely to continue in the future. Finally, in certain countries, governments may provide financial or other support to locally-based CRAs. For example, governments may from time to time establish official CRAs or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could change the competitive landscape in which MIS operates. The legal status of CRAs has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of the Company cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or regulatory or legislative actions, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of the Company.

INTELLECTUAL PROPERTY

Moody's and its affiliates own and control a variety of intellectual property, including but not limited to:

- Proprietary information
- Publications
- Databases
- Trademarks
- Software tools and applications
- Domain names
- Research
- Models and methodologies
- Other proprietary materials that, in the aggregate, are of material importance to Moody's business

Management of Moody's believes that each of the trademarks and related corporate names, marks and logos relating to its businesses, including those containing the term "Moody's", are of material importance to the Company.

The Company, primarily through MA and its subsidiaries, licenses certain of its databases, software applications, credit risk models, training courses in credit risk and capital markets, research and other publications and services that contain intellectual property to its customers. In addition, the Company, primarily through Vigeo Eiris and Four Twenty Seven and their respective subsidiaries, licenses certain databases, software applications, assessments, research and other publications and services relating to ESG and climate risks that contain intellectual property to its customers. These licenses are provided pursuant to standard agreements containing customary restrictions and intellectual property protections.

In addition, Moody's licenses from third parties certain technology, data and other intellectual property rights. Specifically, Moody's obtains licenses from third parties to use financial information (such as market and index data, financial statement data, research data, default data, and security identifiers) as well as software development tools and libraries. In addition, the Company's Bureau van Dijk and RDC businesses obtain from third party information providers certain financial, credit risk, compliance, management, ownership and/or other data worldwide, which Bureau van Dijk and RDC distribute through its company information products. The Company obtains such technology and intellectual property rights from generally available commercial sources. The Company also utilizes generally available open source software and libraries for internal use and subject to appropriately permissive open source licenses, to carry out routine functions in certain of the Company's software products. Most of such technology and intellectual property is available from a variety of sources. Although certain financial information (particularly security identifiers, certain pricing or index data, and certain company financial data in selected geographic markets) is available from a limited number of sources, Moody's does not believe it is dependent on any one data source for a material aspect of its business.

The names of Moody's products and services referred to herein are trademarks, service marks or registered trademarks or service marks owned by or licensed to Moody's or one or more of its affiliates. The Company owns thirty eight patents. None of the Company's intellectual property is subject to a specific expiration date, except to the extent that the patents and the copyright in items that the Company creates (such as credit reports, research, software, and other written opinions) expire pursuant to relevant law.

The Company considers its intellectual property to be proprietary, and Moody's relies on a combination of copyright, trademark, trade secret, patent, non-disclosure and other contractual and technological safeguards for protection. Moody's also pursues instances of third-party infringement of its intellectual property in order to protect the Company's rights.

AVAILABLE INFORMATION

Moody's investor relations internet website is http://ir.moodys.com/. Under the "SEC Filings" tab at this website, the Company makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and other information statements that the Company files electronically with the SEC. The SEC's internet site is http://www.sec.gov/.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Name, Age, Position and Biographical Data

Robert Fauber, 50
President and Chief Executive Officer

Mr. Fauber has served as the Company's President and Chief Executive Officer since January 2021. Mr. Fauber joined the Board of Directors in October 2020 and he currently serves on the Executive Committee of the Board of Directors. Prior to serving as CEO, Mr. Fauber served as Chief Operating Officer from November 2019 to December 2020, as President of Moody's Investors Service, Inc. from June 2016 to October 2019, as Senior Vice President—Corporate & Commercial Development of Moody's Corporation from April 2014 to May 2016, and was Head of the MIS Commercial Group from January 2013 to May 2016. From April 2009 through April 2014, he served as Senior Vice President—Corporate Development of Moody's Corporation. Mr. Fauber served as Vice President—Corporate Development from September 2005 to April 2009. Prior to joining Moody's, Mr. Fauber served in several roles at Citigroup and its investment banking subsidiary Salomon Smith Barney from 1999 to 2005. From 1992 to 1996, Mr. Fauber worked at NationsBank (now Bank of America) in the middle market commercial banking group.

John J. Goggins, 60
Executive Vice President and General Counsel

Mr. Goggins has served as the Company's Executive Vice President and General Counsel since April 2011 and the Company's Senior Vice President and General Counsel from October 2000 until April 2011. Mr. Goggins joined Moody's Investors Service, Inc. in February 1999 as Vice President and Associate General Counsel.

Melanie Hughes, 58
Senior Vice President and Chief Human Resources Officer

Ms. Hughes has served as the Company's Senior Vice President—Chief Human Resources Officer since September 2017. Prior to joining the Company, Ms. Hughes was Chief Human Resource Officer and Executive Vice President, Human Resources at American Eagle Outfitters from July 2016 to September 2017 and served as Executive Vice President, Human Resources at Tribune Media from May 2013 to June 2016. She has held several senior management roles for many different companies such as Coach, Gilt Group, DoubleClick and UBS Warburg.

Mark Kaye, 41
Senior Vice President and Chief Financial Officer

Mr. Kaye has served as the Company's Senior Vice President—Chief Financial Officer since August 2018. Prior to joining the Company, Mr. Kaye was Senior Vice President and Head of Financial Planning and Analysis at Massachusetts Mutual Life Insurance Company (MassMutual) since February 2016, and Chief Financial Officer of MassMutual U.S. since July 2015. Prior to that, Mr. Kaye served as Chief Financial Officer and Senior Vice President, Retirement Solutions, at Voya Financial from 2011 to 2015. Mr. Kaye previously held various senior financial and risk reporting positions at ING U.S. and ING Group, and was in the investment banking division of Credit Suisse First Boston.

Caroline Sullivan, 52
Senior Vice President and Corporate Controller

Ms. Sullivan has served as the Company's Senior Vice President—Corporate Controller since December 2018. Prior to joining the Company, Ms. Sullivan served in several roles at Bank of America from 2011 to 2018, where her last position held was Managing Director and Global Banking Controller. Prior to that role, Ms. Sullivan supported the Global Wealth & Investment Management business from 2015 to 2017 in a variety of positions including Controller. Ms. Sullivan, a CPA, previously held various senior positions at several banks and a major accounting firm, and is a member of the Board of Directors of Financial Executives International.

Stephen Tulenko, 53
President, Moody's Analytics

Mr. Tulenko has served as President of Moody's Analytics since November 2019. Mr. Tulenko served as Executive Director of Enterprise Risk Solutions from 2013 to October 2019 and as Executive Director of Global Sales, Customer Service and Marketing from 2008 to 2013. Prior to the formation of Moody's Analytics, he held various sales, product development and product strategy roles at Moody's Investors Service, Inc. Mr. Tulenko joined Moody's in 1990.

Michael West, 52
President, Moody's Investors Service

Mr. West has served as President of Moody's Investors Service, Inc. since November 2019. Mr. West served as Managing Director—Head of MIS Ratings and Research from June 2016 to October 2019. Previously, Mr. West served as Managing Director—Head of Global Structured Finance from February 2014 to May 2016 and Managing Director—Head of Global Corporate Finance from January 2010 to January 2014. Earlier in his career, he was also responsible for the research strategy for the ratings businesses and before that led Corporate Finance for the EMEA Region, European Corporates and the EMEA leveraged finance business. Prior to joining Moody's in 1998, Mr. West worked at Bank of America and HSBC in various credit roles.

ITEM 1A. RISK FACTORS

Please carefully consider the following discussion of significant factors, events and uncertainties that make an investment in the Company's securities risky and provide important information for the understanding of the "forward-looking" statements discussed in Item 7 of this Form 10-K and elsewhere. These risk factors should be read in conjunction with the other information in this annual report on Form 10-K.

The events and consequences discussed in these risk factors could, in circumstances the Company may not be able to accurately predict, recognize, or control, have a material adverse effect on Moody's business, financial condition, operating results (including components of the Company's financial results such as sales and profits), cash flows and stock price. These risk factors do not identify all risks that Moody's faces. The Company could also be affected by factors, events, or uncertainties that are not presently known to the Company or that the Company currently does not consider to present significant risks. In addition to the effects of the COVID-19 pandemic and resulting global disruptions on our business and operations discussed in Item 7 of this Form 10-K and in the risk factors below, additional or unforeseen effects from the COVID-19 pandemic and the global economic climate may give rise to or amplify many of these risks discussed below.

A. Legal and Regulatory Risks

Moody's Faces Risks Related to U.S. Laws and Regulations Affecting the Credit Rating Industry and Moody's Customers.

Moody's operates in a highly regulated industry and is subject to extensive regulation by federal, state and local authorities in the U.S., including the Reform Act and the Financial Reform Act. These regulations are complex, continually evolving and have tended to become more stringent over time. Additionally, the change in the Presidential administration and changes in Congress may increase the uncertainty with regard to potential changes in these laws and regulations and the enforcement of any new or existing legislation or directives by government authorities. See "Regulation" in Part 1, Item 1 of this annual report on Form 10-K for more information. The current laws and regulations:

– seek to encourage, and may result in, increased competition among CRAs and in the credit rating business;

– may result in alternatives to credit ratings or changes in the pricing of credit ratings;

– restrict the use of information in the development or maintenance of credit ratings;

– increase regulatory oversight of the credit markets and CRA operations;

– provide the SEC with direct jurisdiction over CRAs that seek NRSRO status, and grant authority to the SEC to inspect the operations of CRAs; and

– provide for enhanced oversight standards and specialized pleading standards, which may result in increases in the number of legal proceedings claiming liability for losses suffered by investors on rated securities and aggregate legal defense costs.

If these laws and regulations, and any future rulemaking or court rulings, reduce demand for credit ratings or increase costs, Moody's may be unable to pass such costs through to customers. In addition, there may be uncertainty over the scope, interpretation and administration of such laws and regulations. The Company's compliance and efforts to mitigate the risk of fines, penalties or other sanctions can result in significant expenses. Legal proceedings that are increasingly lengthy can result in uncertainty over and exposure to liability.

It is difficult to accurately assess the future impact of legislative and regulatory requirements on Moody's business and its customers' businesses. For example, new laws and regulations may affect MIS's communications with issuers as part of the rating assignment process, alter the manner in which MIS's credit ratings are developed, assigned and communicated, affect the manner in which MIS or its customers or users of credit ratings operate, impact the demand for MIS's credit ratings and alter the economics of the credit ratings business, including by restricting or mandating business models for CRAs. Further, speculation concerning the impact of legislative and regulatory initiatives and the increased uncertainty over potential liability and adverse legal or judicial determinations may negatively affect Moody's stock price. Although these legislative and regulatory initiatives apply to CRAs and credit markets generally, they may affect Moody's in a disproportionate manner. Each of these developments increase the costs and legal risk associated with the issuance of credit ratings and can have a material adverse effect on Moody's operations, profitability and competitiveness, the demand for credit ratings and the manner in which such ratings are utilized.

In addition, MA derives a significant amount of its sales from banks and other financial services providers who are subject to regulatory oversight. U.S. banking regulators, including the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Board, as well as many state agencies have issued guidance to insured depository institutions and other providers of financial services on assessing and managing risks associated with third-party relationships, which include all business arrangements between a financial services provider and another entity, by contract or otherwise, and generally requires banks and financial services providers to exercise comprehensive oversight throughout each phase of a bank or financial service provider's business arrangement with third-party service providers, and instructs banks and financial service providers to adopt risk management processes commensurate with the level of risk and complexity of their third-party relationships. In light of this, MA's existing or potential bank and financial services customers subject to this guidance have sought to and may further revise their third-party risk management policies and processes and the terms on which they do business with MA. This can result in delayed or reduced sales to such customers, adversely affect MA's relationship with such customers, increase the costs of doing business with such customers and/or result in MA assuming greater financial and legal risk under service agreements with such customers.

Moody's Faces Risks Related to Financial Reforms Outside the U.S. Affecting the Credit Rating Industry and Moody's Customers.

In addition to the extensive and evolving U.S. laws and regulations governing the industry, foreign jurisdictions have taken measures to regulate CRAs and the markets for credit ratings. In particular, the EU has adopted a common regulatory framework for CRAs operating in the EU and continues to monitor the credit rating industry and analyze approaches that may strengthen existing regulation. Ratings emanating from outside the EU are subject to ESMA's oversight if they are endorsed into the EU. Additionally, other foreign jurisdictions have recently taken measures to increase regulation of rating agencies and markets for ratings. See "Regulation" in Part 1, Item 1 of this annual report on Form 10-K for more information.

The EU and other jurisdictions, as discussed further below, adopt legislation and engage in rulemaking on an ongoing basis that significantly impacts operations and the markets for the Company's products and services. Future laws and regulations could extend to products and services not currently regulated. These regulations could: (i) affect the need for debt securities to be rated, (ii) expand supervisory remits to include non-EU ratings used for regulatory purposes, (iii) increase the level of competition in the market for credit ratings, (iv) establish criteria for credit ratings or limit the entities authorized to provide credit ratings, and (iv) restrict the collection, use, accuracy, correction and sharing of personal information by CRAs, or (v) regulate pricing (such that fees that are based on costs and are non-discriminatory) on products and services provided by MA such as those products that incorporate ratings and research originated by MIS. Future regulations could also affect products and services the Company offers in the ESG sector (including those offered by Moody's ESG Solutions Group).

Additionally, as of the date of the filing of this annual report on Form 10-K, there remains uncertainty regarding the impact that Brexit will have on the credit rating industry within the U.K., the EU and other jurisdictions. The U.K. left the EU on January 31, 2020, thereby entering an 11-month implementation period. The Brexit implementation period ended on December 31, 2020. Following the Brexit implementation period, the MIS U.K. registered CRA ceased to be registered with and regulated by ESMA and became subject to regulation by the U.K. Financial Conduct Authority. Regulatory arrangements put in place in both the U.K. and the EU allow credit ratings to be available for regulatory use in both the EU and the U.K. after the end of the Brexit-implementation period. MIS has put arrangements in place to endorse its U.K. credit ratings into the EU and its EU credit ratings into the U.K. The U.K. and the EU are expected to agree by March 2021 to a memorandum of understanding establishing the framework for structured regulatory cooperation on financial services. The contents and extent of the memorandum of understanding are currently unclear, and therefore the impact on Moody's customers and other stakeholders is currently uncertain.

Both of Moody's segments face risks related to financial reforms outside the U.S. affecting the credit rating industry and Moody's customers. MIS is a registered entity and is therefore subject to formal regulation and periodic or other inspections in the EU and other foreign jurisdictions, such as, but not limited to, Hong Kong and China, where it operates through registered subsidiaries. For example:

– In the EU, applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of resecuritizations, and restrictions on CRAs or their shareholders if certain ownership thresholds are crossed. Additional procedural and substantive requirements include conditions for the issuance of credit ratings, rules regarding the organization of CRAs, restrictions on activities deemed to create a conflict of interest, including fees that are based on costs and are non-discriminatory, and special requirements for the rating of structured finance instruments.

- In Hong Kong, applicable rules include liability for the intentional or negligent dissemination of false and misleading information and procedural requirements for the notification of certain matters to regulators. In addition, MIS Hong Kong is subject to a code of conduct applicable to CRAs that impose procedural and substantive requirements on the preparation and issuance of credit ratings, restrictions on activities deemed to create a conflict of interest including the disclosure of its compensation arrangements with rated entities and special requirements for the rating of structured finance instruments. A failure to comply with these procedural and substantive requirements also exposes MIS Hong Kong to the risk of regulatory enforcement action which could result in financial penalties or, in serious cases, its ability to conduct credit rating activities in Hong Kong.

- In China, while MIS is not a licensed credit rating agency, it does issue global credit ratings from offices outside of China regarding Chinese issuers. In addition, the Company holds a 30% investment in a credit rating agency licensed in China. China has laws applicable to domestic credit rating agencies as well as foreign investment in such entities and entities in general (including national security review). Such laws are broadly crafted and the implementation and interpretation of such laws are subject to the broad discretion of Chinese regulators, which could affect our ability to conduct business in China.

- In addition, U.S. economic sanctions have increasingly targeted Chinese persons. In response, China recently issued a blocking statute that establishes a framework for limiting the effect of foreign sanctions on Chinese persons. Blocking statutes typically create conflicts of law. An entity that is subject to conflicting laws in multiple jurisdictions may need to determine a means to comply with such laws. Such conflicts could eventually affect the ability of entities to adhere to applicable laws.

With respect to MA, regulators in Europe and other foreign markets in which MA is active have issued guidance similar to that issued in the U.S. relating to financial institutions' assessment and management of risks associated with third-party relationships. In light of this, MA's existing or potential bank and financial services customers subject to this guidance have sought and may further revise their third-party risk management policies and processes and the terms on which they do business with MA. This can result in delayed or reduced sales to such customers, adversely affect MA's relationship with such customers, increase the costs of doing business with such customers and/or result in MA assuming greater financial and legal risk under service agreements with such customers.

Although Moody's will monitor developments related to financial reforms outside the U.S. affecting the credit rating industry and Moody's customers, Moody's cannot predict the extent of such future laws and regulations, and the effect that they will have on Moody's business or the potential for increased exposure to liability could be significant. For example, compliance with the EU and other foreign regulations may increase costs of operations and could have a significant negative effect on Moody's operations, profitability or ability to compete, or the markets for its products and services, including in ways that Moody's presently is unable to predict. In addition, exposure to increased liability under the EU regulations and regulations of other foreign jurisdictions may further increase costs and legal risks associated with the issuance of credit ratings and materially and adversely impact Moody's results of operations. Financial reforms in the EU and other foreign jurisdictions may have a material adverse effect on Moody's business, operating results and financial condition.

The Company Faces Exposure to Litigation and Government Regulatory Proceedings, Investigations and Inquiries Related to Rating Opinions and Other Business Practices.

Moody's faces exposure to litigation and government and regulatory proceedings, investigations and inquiries related to MIS's ratings actions, as well as other business practices and products within both MIS and MA. If the market value of credit-dependent instruments declines or defaults, whether as a result of difficult economic times, turbulent markets or otherwise, the number of investigations and legal proceedings that Moody's faces could increase significantly. Parties who invest in securities rated by MIS may pursue claims against MIS or Moody's for losses they face in their portfolios. For instance, Moody's faced numerous class action lawsuits and other litigation, government investigations and inquiries concerning events linked to the U.S. subprime residential mortgage sector and broader deterioration in the credit markets during the financial crisis of 2007-2008. Legal proceedings impose additional expenses on the Company and require the attention of senior management to an extent that may significantly reduce their ability to devote time to addressing other business issues, and any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions. Risks relating to legal proceedings are heightened in foreign jurisdictions that lack the legal protections or liability standards comparable to those that exist in the U.S. In addition, new laws and regulations have been and may continue to be enacted that establish lower liability standards, shift the burden of proof or relax pleading requirements, thereby increasing the risk of successful litigations in the U.S. and in foreign jurisdictions. These litigation risks are often difficult to assess or quantify. Moody's may not have adequate insurance or reserves to cover these risks, and the existence and magnitude of these risks often remains unknown for substantial periods of time. Furthermore, when Moody's is unable to achieve dismissals at an early stage and litigation matters proceed to trial, the aggregate legal defense costs incurred by Moody's increase substantially, as does the risk of an adverse outcome.

Additionally, as litigation or the process to resolve pending matters progresses, Moody’s will continue to review the latest information available and may change its accounting estimates, which could require Moody’s to record or increase liabilities in the consolidated financial statements in future periods. See Note 21 to the consolidated financial statements for more information regarding ongoing investigations and civil litigation that the Company currently faces. Due to the number of these proceedings and the significant amount of damages sought, there is a risk that Moody’s will be subject to judgments, settlements, fines, penalties or other adverse results that have a material adverse effect on its business, operating results and financial condition.

The Company Is Exposed to Risks Related to Its Compliance and Risk Management Programs.

Moody’s operates in a number of countries, and as a result the Company is required to comply and quickly adapt with numerous international and U.S. federal, state and local laws and regulations. The Company’s ability to comply with applicable laws and regulations, including anti-corruption, antitrust and securities trading laws, is largely dependent on its establishment and maintenance of compliance, review and reporting systems, as well as its ability to attract and retain qualified compliance and risk management personnel. Moody’s policies and procedures to identify, evaluate and manage the Company’s risks, including risks resulting from acquisitions, may not be fully effective, and Moody’s employees or agents may engage in misconduct, fraud or other errors. It is not always possible to deter such errors, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. If Moody’s employees violate its policies or if the Company’s risk management methods are not effective, the Company may be subject to criminal and civil liability, the suspension of the Company’s employees, fines, penalties, regulatory sanctions, injunctive relief, exclusion from certain markets or other penalties, and may suffer harm to its reputation, financial condition and operating results.

Moody’s Faces Risks Related to Protecting Its Intellectual Property Rights.

Moody’s considers many aspects of its products and services to be proprietary. Failure to protect the Company’s intellectual property adequately could harm its reputation and affect the Company’s ability to compete effectively. Businesses the Company acquires also involve intellectual property portfolios, which increase the challenges the Company faces in protecting its strategic advantage. In addition, the Company’s operating results can be adversely affected by inadequate or changing legal and technological protections for intellectual property and proprietary rights in some jurisdictions and markets. The lack of strong legal and technological intellectual property protections in foreign jurisdictions in which we operate may increase our vulnerability and may pose risks to our business. From time to time, laws are passed that require publication of certain information, in some cases at no cost, that the Company considers to be its intellectual property and that it currently sells or licenses for a fee, which could result in lost revenue.

Unauthorized third parties may also try to obtain and use technology or other information that the Company regards as proprietary. It is also possible that Moody’s competitors or other entities could obtain patents related to the types of products and services that Moody’s offers, and attempt to require Moody’s to stop developing or marketing the products or services, to modify or redesign the products or services to avoid infringing, or to obtain licenses from the holders of the patents in order to continue developing and marketing the products and services. Even if Moody’s attempts to assert or protect its intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that the Company will be successful. The Company’s ability to establish, maintain and protect its intellectual property and proprietary rights against theft, misappropriation or infringement could be materially and adversely affected by insufficient and/or changing proprietary rights and intellectual property legal protections in some jurisdictions and markets. These risks, and the cost, time and resources needed to address them, may increase as the Company’s business grows and its profile rises in countries with intellectual property regimes that are less protective than the rules and regulations applied in the United States.

Moody’s Faces Risks Related to Tax Matters, Including Changes in Tax Rates or Tax Rules.

As a global company, Moody’s is subject to taxation in the United States and various other countries and jurisdictions. As a result, our effective tax rate is determined based on the taxable income and applicable tax rates in the various jurisdictions in which the Company operates. Moody’s future tax rates could be affected by changes in the composition of earnings in countries or states with differing tax rates or other factors, including by increased earnings in jurisdictions where Moody’s faces higher tax rates, losses incurred in jurisdictions for which Moody’s is not able to realize the related tax benefit, or changes in foreign currency exchange rates. Changes in the tax, accounting and other laws, treaties, regulations, policies and administrative practices, or changes to their interpretation or enforcement, including changes applicable to multinational corporations such as the Base Erosion Profit Shifting initiative being conducted by the Organization for Economic Co-operation and Development, which requires companies to disclose more information to tax authorities on operations around the world, and the European Union’s state aid rulings, could have a material adverse effect on the Company’s effective tax rate, results of operations and financial condition and may lead to greater audit scrutiny of profits earned in various countries.

For example, the Tax Act made significant changes to the U.S. federal tax laws. Many aspects of the legislation remain uncertain or unclear and may not be clarified for some time. As additional regulatory guidance is issued interpreting or clarifying the Tax Act or if the tax accounting rules are modified, there may be adjustments or changes to the Company's determination of its mandatory one-time deemed repatriation tax liability ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries recorded in 2017. Additional regulatory guidance may also affect the Company's expected future effective tax rates and tax assets and liabilities, which could have a material adverse effect on Moody's business, results of operations, cash flows and financial condition. Furthermore, the Tax Act may impact the volume of debt securities issued as discussed in the Risk Factor, *Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets, Asset Levels and Flows into Investment Levels and Changes in Interest Rates and Other Volatility in the Financial Markets May Negatively Impact the Nature and Economics of the Company's Business*. Additionally, a change in the Presidential administration and changes in Congress increase the uncertainty with regard to potential changes in the U.S. federal tax laws and the interpretation or enforcement of legislation or directives by tax authorities.

In addition, Moody's is subject to regular examination of its income tax returns by the Internal Revenue Service and other tax authorities, and the Company is experiencing increased scrutiny as its business grows. Moody's regularly assesses the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of its provision for income taxes, including unrecognized tax benefits; however, developments in an audit or litigation could materially and adversely affect the Company. Although the Company believes its tax estimates and accruals are reasonable, there can be no assurance that any final determination will not be materially different than the treatment reflected in its historical income tax provisions, accruals and unrecognized tax benefits, which could materially and adversely affect the Company's business, operating results, cash flows and financial condition.

B. Risks Relating to our Business

The Company is Exposed to Legal, Economic, Operational and Regulatory Risks of Operating in Multiple Jurisdictions.

Moody's conducts operations in various countries outside the U.S. and derives a significant portion of its revenue from foreign sources. Changes in the economic condition of the various foreign economies in which the Company operates have an impact on the Company's business. For example, economic uncertainty in the Eurozone or elsewhere, including, but not limited to, in Latin America or China, affects the number of securities offerings undertaken within those particular areas. In addition to the risks addressed elsewhere in this section, operations abroad expose Moody's to a number of legal, economic and regulatory risks such as:

- exposure to exchange rate movements between foreign currencies and USD;
- restrictions on the ability to convert local currency into USD and the costs, including the tax impact, of repatriating cash held by entities outside the U.S.;
- U.S. laws affecting overseas operations, including domestic and foreign export and import restrictions, tariffs and other trade barriers and restrictions, such as those related to the U.S.'s relationship with China and embargoes and sanctions laws with respect to Russia and Venezuela;
- differing and potentially conflicting legal or civil liability, compliance and regulatory standards, including as a result of Brexit;
- uncertainty about the future relationship between the U.K. and the EU;
- current and future regulations relating to the imposition of mandatory rotation requirements on CRAs hired by issuers of securities;
- uncertain and evolving laws and regulations, including those applicable to the financial services industries, such as the European Union's implementation of the Markets in Financial Instruments Directive II, MiFID II, in January 2018, and to the protection of intellectual property;
- the transition away from benchmark reference rates based on market participant judgements, such as LIBOR and EURIBOR, to rates based on observable transactions, such as the Secured Overnight Financing Rate (SOFR);
- uncertainty regarding the future relationship between the U.S. and China, which may result in further restrictions or actions by the U.S. government with respect to doing business in China and/or by the Chinese government with respect to business conducted by foreign entities in China;
- economic, political and geopolitical market conditions, including the effect of these conditions on customers and customer retention;
- the possibility of nationalization, expropriation, price controls and other restrictive governmental actions;

- competition with CRAs that have greater familiarity, longer operating histories and/or support from local governments or other institutions;
- uncertainties in obtaining data and creating products and services relevant to particular geographic markets;
- reduced protection for intellectual property rights;
- longer payment cycles and possible problems in collecting receivables;
- differing accounting principles and standards;
- difficulties in staffing and managing foreign operations, including potential relocation and/or restaffing of employees as a result of Brexit;
- difficulties and delays in translating documentation into foreign languages;
- potentially adverse tax consequences; and
- complexities of compliance with employment laws and new data and cybersecurity rules in numerous jurisdictions.

Additionally, Moody's is subject to complex U.S., foreign and other local laws and regulations that are applicable to its operations abroad, such as laws and regulations governing economic and trade sanctions, tariffs, embargoes, and anticorruption laws including the Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act of 2010 and other similar local laws. The internal controls, policies and procedures and employee training and compliance programs to deter prohibited practices the Company has implemented may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies or from material violations of applicable laws and regulations. Any determination that the Company has violated sanctions, anti-bribery or anti-corruption laws could have a material adverse effect on Moody's business, operating results and financial condition. Compliance with international and U.S. laws and regulations that apply to the Company's international operations increases the cost of doing business in foreign jurisdictions. Violations of such laws and regulations may result in severe fines and penalties, criminal sanctions, administrative remedies, restrictions on business conduct and could have a material adverse effect on Moody's reputation, its ability to attract and retain employees, its business, operating results and financial condition.

Moody's Operations are Exposed to Risks from Infrastructure Malfunctions or Failures.

Moody's ability to conduct business may be materially and adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which Moody's is located, including New York City, the location of Moody's headquarters, major cities worldwide in which Moody's has offices, and locations in China used for certain Moody's work. This may include a disruption involving physical or technological infrastructure (whether or not controlled by the Company), including the Company's electronic delivery systems, data center facilities, or the Internet, used by the Company or third parties with or through whom Moody's conducts business. Many of the Company's products and services are delivered electronically and the Company's customers depend on the Company's ability to receive, store, process, transmit and otherwise rapidly handle very substantial quantities of data and transactions on computer-based networks. Some of Moody's operations require complex processes and the Company's extensive controls to reduce the risk of error inherent in our operations cannot eliminate such risk completely. The Company's customers also depend on the continued capacity, reliability and security of the Company's telecommunications, data centers, networks and other electronic delivery systems, including its websites and connections to the Internet. The Company's employees also depend on these systems for internal use. Any significant failure, compromise, cyber-breach, interruption or a significant slowdown of operations of the Company's infrastructure, whether due to human error, capacity constraints, hardware failure or defect, weather (including climate change), natural disasters, fire, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism, acts of terrorism, political unrest, pandemic (including the COVID-19 pandemic), war or otherwise, may impair the Company's ability to deliver its products and services.

Moody's efforts to secure and plan for potential disruptions of its major operating systems may not be successful. The Company relies on third-party providers, including, increasingly, cloud-based service providers, to provide certain essential services. While the Company believes that such providers are reliable, the Company has limited control over the performance of such providers. To the extent any of the Company's third-party providers ceases to provide these services in an efficient, cost-effective manner or fails to adequately expand its services to meet the Company's needs and the needs of the Company's customers (including as a result of the COVID-19 pandemic), the Company could experience lower revenues and higher costs. Additionally, although the Company maintains processes to prevent, detect and recover from a disruption, the Company also does not have fully redundant systems for most of its smaller office locations and low-risk systems, and its disaster recovery plan does not include restoration of non-essential services. If a disruption occurs in one of Moody's locations or systems and its personnel in those locations or those who rely on such systems are unable to utilize other systems or communicate with or travel to other locations, such persons' ability to service and interact with Moody's customers will suffer. The Company cannot predict with certainty all of the adverse effects that could result from the Company's failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. A disruption to Moody's operations or infrastructure may have a material adverse effect on its reputation, business, operating results and financial condition.

Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets, Asset Levels and Flows into Investment Levels and Changes in Interest Rates and Other Volatility in the Financial Markets Can Negatively Impact the Nature and Economics of the Company's Business.

Moody's business is impacted by general economic conditions and volatility in the U.S. and world financial markets. Furthermore, issuers of debt securities may elect to issue securities without ratings or securities which are rated or evaluated by non-traditional parties such as financial advisors, rather than traditional CRAs, such as MIS. A majority of Moody's credit-rating-based revenue is transaction-based, and therefore it is especially dependent on the number and dollar volume of debt securities issued in the capital markets. Market disruptions and economic slowdown and uncertainty have in the past, and may in the future, negatively impacted the volume of debt securities issued in global capital markets and the demand for credit ratings. Changes to U.S. tax laws and policy can negatively affect the volume of debt securities issued in the U.S. For example, the Tax Act limits deductibility on interest payments and significantly reduces the tax cost associated with the repatriation of cash held outside the U.S., both of which could negatively affect the volume of debt securities issued. Conditions that reduce issuers' ability or willingness to issue debt securities, such as market volatility, declining growth, currency devaluations or other adverse economic trends, reduce the number and dollar-equivalent volume of debt issuances for which Moody's provides ratings services and thereby adversely affect the fees Moody's earns in its ratings business.

Economic and government factors such as a long-term continuation of difficult economic conditions, the scaling back, wind-down or termination of COVID-19 economic stimulus and support programs, and current uncertainty in various other jurisdictions, may have an adverse impact on the Company's business. Future debt issuances also could be negatively affected by increases in interest rates, widening credit spreads, regulatory and political developments, growth in the use of alternative sources of credit, and defaults by significant issuers. Declines or other changes in the markets for debt securities may materially and adversely affect the Company's business, operating results and financial condition.

Moody's initiatives to reduce costs to counteract a decline in its business may not be sufficient and cost reductions may be difficult or impossible to obtain in the short term, due in part to rent, technology, compliance and other fixed costs associated with some of the Company's operations as well as the need to monitor outstanding ratings. Further, cost-reduction initiatives, including those under-taken to date, could make it difficult for the Company to rapidly expand operations in order to accommodate any unexpected increase in the demand for ratings. Volatility in the financial markets, including changes in the volumes of debt securities and changes in interest rates, may have a material adverse effect on the business, operating results and financial condition, which the Company may not be able to successfully offset with cost reductions.

The Company Faces Increased Pricing Pressure from Competitors and/or Customers.

There is price competition in the credit rating, research, and credit risk management markets, as well as in the market for research, business intelligence and analytical services offered by MA. Moody's faces competition globally from other CRAs and from investment banks and brokerage firms that offer credit opinions in research, as well as from in-house research operations. Competition for customers and market share has spurred more aggressive tactics by some competitors in areas such as pricing and services, as well as increased competition from non-NRSROs that evaluate debt risk for issuers or investors. At the same time, a challenging business environment and consolidation among both competitors and customers, particularly those involved in structured finance products and commercial real estate, and other factors affecting demand may enhance the market power of competitors and reduce the Company's customer base. Weak economic growth intensifies competitive pricing pressures and can result in customers' use of free or lower-cost information that is available from alternative sources or their development of alternative, proprietary systems for assessing credit risk that replace the products currently purchased from Moody's. While Moody's seeks to compete primarily on the basis of the quality of its products and services, it can lose market share when its pricing is not sufficiently competitive. In addition, the Reform Act was designed to encourage competition among rating agencies. The formation of additional NRSROs may increase pricing and competitive pressures. Furthermore, in some of the countries in which Moody's operates, governments may provide financial or other support to local rating agencies. Any inability of Moody's to compete successfully with respect to the pricing of its products and services will have a material adverse impact on its business, operating results and financial condition.

The Company is Exposed to Reputation and Credibility Concerns.

Moody's reputation and the strength of its brand are key competitive strengths. To the extent that the rating agency business as a whole or Moody's, relative to its competitors, suffers a loss in credibility, Moody's business will be significantly impacted. Factors that may have already affected credibility and could potentially continue to have an impact in this regard include the appearance of a conflict of interest, the performance of securities relative to the rating assigned to such securities, the timing and nature of changes in ratings, a major compliance failure, negative perceptions or publicity and increased criticism by users of ratings, regulators and legislative bodies, including as to the ratings process, including as to the Company's recent ESG initiatives, and its implementation with respect to one or more securities and intentional, poor representation of our products and services by our partners or agents or unintentional misrepresentations of Moody's products and services in advertising materials, public relations information, social media or other external communications. Operational errors, whether by Moody's or a Moody's competitor, could also harm the reputation of the Company or the credit rating industry. Damage to reputation and credibility could have a material adverse impact on Moody's business, operating results and financial condition, as well as on the Company's ability to find suitable candidates for acquisition.

The Introduction of Competing Products, Technologies or Services by Other Companies Can Negatively Impact the Nature and Economics of the Company's Business.

The markets for credit ratings, research, credit risk management services, research, business intelligence and analytical services are highly competitive and characterized by rapid technological change, changes in customer and investor demands, and evolving regulatory requirements, industry standards and market preferences. The ability to develop and successfully launch and maintain innovative products, technologies and services that anticipate customers' and investors' changing requirements and utilize emerging technological trends in a timely and cost-effective manner is a key factor in maintaining market share. Moody's competitors include both established companies with significant financial resources, brand recognition, market experience and technological expertise, and smaller companies which may be better poised to quickly adopt new or emerging technologies or respond to customer requirements. Competitors may develop quantitative methodologies or related services for assessing credit risk that customers and market participants may deem preferable, more cost-effective or more valuable than the credit risk assessment methods currently employed by Moody's, or may position, price or market their products in manners that differ from those utilized by Moody's. Moody's also competes indirectly against consulting firms and technology and information providers, some of whom are also suppliers to Moody's; these indirect competitors could in the future choose to compete directly with Moody's, cease doing business with Moody's or change the terms under which it does business with Moody's in a way that could negatively impact our business. In addition, customers or others may develop alternative, proprietary systems for assessing credit risk. Such developments could affect demand for Moody's products and services and its growth prospects. Further, the increased availability in recent years of free or relatively inexpensive internet information may reduce the demand for Moody's products and services. Moody's growth prospects also could be adversely affected by Moody's failure to make necessary or optimal capital infrastructure expenditures and improvements and the inability of its information technologies to provide adequate capacity and capabilities to meet increased demands of producing quality ratings and research products at levels achieved by competitors. Any inability of Moody's to compete successfully may have a material adverse effect on its business, operating results and financial condition.

Moody's Is Exposed to Risks Related to Loss of Key Employees and Related Compensation Cost Pressures.

Moody's success depends upon its ability to recruit, retain and motivate highly skilled, experienced financial analysts and other professionals. Competition for skilled individuals in the financial services industry is intense, and Moody's ability to attract high quality employees could be impaired if it is unable to offer competitive compensation and other incentives or if the regulatory environment mandates restrictions on or disclosures about individual employees that would not be necessary in competing industries. As greater focus has been placed on executive compensation at public companies, in the future, Moody's may be required to alter its compensation practices in ways that adversely affect its ability to attract and retain talented employees. Investment banks, investors and competitors may seek to attract analyst talent by providing more favorable working conditions or offering significantly more attractive compensation packages than Moody's. Moody's also may not be able to identify and hire the appropriate qualified employees in some markets outside the U.S. with the required experience or skills to perform sophisticated credit analysis. Additionally, relocation and/or restaffing of employees due to Brexit could adversely affect our ability to attract and retain talent for our European operations. There is a risk that even when the Company invests significant resources in attempting to attract, train and retain qualified personnel, it will not succeed in its efforts, and its business could be harmed.

Moody's is highly dependent on the continued services of Robert Fauber, the President and Chief Executive Officer, and other senior officers and key employees. The loss of the services of skilled personnel for any reason and Moody's inability to replace them with suitable candidates quickly or at all, as well as any negative market perception resulting from such loss, could have a material adverse effect on Moody's business, operating results and financial condition.

Moody's Acquisitions, Dispositions and Other Strategic Transactions or Investments May Not Produce Anticipated Results Exposing the Company to Future Significant Impairment Charges Relating to Its Goodwill, Intangible Assets or Property and Equipment.

Moody's regularly evaluates and enters into acquisition, disposition or other strategic transactions and investments to strengthen its business and grow the Company. For example, Moody's acquired Bureau van Dijk in 2017, Reis in 2018, and Regulatory DataCorp (RDC) in February 2020. Such transactions and investments present significant challenges and risks. The Company faces intense competition for acquisition targets, especially in light of industry consolidation, which may affect Moody's ability to complete such transactions on favorable terms or at all. Additionally, the Company makes significant investments in technology, including software for internal use, which can be expensive, time-intensive and complex to develop and implement.

Any strategic transaction involves a number of risks, including unanticipated challenges regarding integration of operations, technologies and new employees; the existence of liabilities or contingencies not disclosed to or otherwise known by the Company prior to closing a transaction; unexpected regulatory and operating difficulties and expenditures; scrutiny from competition and antitrust authorities; failure to retain key personnel of the acquired business; future developments that impair the value of purchased goodwill or intangible assets; diversion of management's focus from other business operations; failure to implement or remediate controls, procedures and policies appropriate for a larger public company at acquired companies that prior to the acquisition lacked such controls, procedures and policies; disputes or litigation arising out of acquisitions or dispositions; challenges retaining the customers of the acquired business; coordination of product, sales, marketing and program and systems management functions; integration of employees from the acquired business into Moody's organization; integration of the acquired business's accounting, information technology, human resources, legal and other administrative systems with Moody's; risks that acquired systems expose us to cybersecurity risks; and for foreign transactions, additional risks related to the integration of operations across different cultures and languages, and the economic, political, and regulatory risks associated with specific countries. The anticipated benefits from an acquisition or other strategic transaction or investment may not be realized fully, or may take longer to realize than expected. As a result, the failure of acquisitions, dispositions and other strategic transactions and investments to perform as expected may have a material adverse effect on Moody's business, operating results and financial condition.

At December 31, 2020, Moody's had $4,556 million of goodwill and $1,824 million of intangible assets on its balance sheet. Approximately 93% of the goodwill and intangible assets reside in the MA business, including those related to Bureau van Dijk, and are allocated to the five reporting units within MA: Content; ERS; MALS; Bureau van Dijk; and Reis. The remaining 7% of goodwill and intangible assets reside in MIS and primarily relate to ICRA. Failure to achieve business objectives and financial projections in any of these reporting units could result in a significant asset impairment charge, which would result in a non-cash charge to operating expenses. Goodwill and intangible assets are tested for impairment on an annual basis and also when events or changes in circumstances indicate that impairment may have occurred. Determining whether an impairment of goodwill exists can be especially difficult in periods of market or economic uncertainty and turmoil, and requires significant management estimates and judgment. In addition, the potential for goodwill impairment is increased during periods of economic uncertainty. An asset impairment charge could have a material adverse effect on Moody's business, operating results and financial condition.

The global COVID-19 pandemic may have a material adverse impact on our operations and financial performance, and is having a material adverse impact on the operations and financial performance of many of our customers. It is difficult to predict the extent to which the pandemic and related impacts will adversely impact our business operations, financial performance, results of operations, financial position and the achievement of our strategic objectives.

Our operations and financial performance could be negatively impacted by the COVID-19 pandemic that has caused, and is expected to continue to cause, the global slowdown of economic activity and significant volatility and disruption in financial markets. Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences continue to be uncertain, rapidly changing and difficult to predict, the pandemic's impact on our operations and financial performance, as well as its impact on our ability to successfully execute our business strategies and initiatives, remains uncertain and difficult to predict. Further, the ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and workforce pressures); the impact of the pandemic and actions taken in response on global and regional economies, travel, and economic activity; the availability of federal, state, local or non-U.S. funding programs; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; uncertainty presented by approved vaccines, corresponding rollout and unanticipated consequences of such vaccine; and the pace of recovery when the COVID-19 pandemic subsides.

The COVID-19 pandemic has subjected our operations and financial performance to a number of risks, including, but not limited to, those discussed below:

- The global credit market disruptions and economic stimulus measures led to robust U.S. investment grade and U.S. speculative grade issuance that may not continue as government programs are scaled back, wound down or terminated and as issuers reassess their capital position and liquidity needs.
- We continue to publish research and issue credit ratings in accordance with our public credit rating methodologies in a highly uncertain, rapidly changing environment where it is difficult to predict the impact the COVID-19 pandemic has had on the operations and financial performance of many of our rated issuers. Given these unprecedented events, and our prior experience during periods of volatility and economic uncertainty, it is likely that our ratings and research will be challenged around the globe by the press, rated entities, investors and government agencies and officials. Such scrutiny has impacted and may continue to impact our reputation, brand and credibility and result in future government and regulatory proceedings, investigations, inquiries and litigation.
- Likewise, MA continues to offer quantitative analytics in a highly uncertain, rapidly changing environment where it is difficult to accurately capture the impact of the COVID-19 pandemic within its analytical models across different business sectors and geographies. Any failure of MA's models to sufficiently account for COVID-19 impacts may impact MA"s reputation, brand and credibility and could result in customer dissatisfaction and/or contract cancellations.

- Illness, travel restrictions or workforce disruptions could result in reduced sales opportunities for both MIS and MA and result in an extension of the MA sales cycles on existing opportunities as well as higher attrition rates and/or lower yields on renewable contracts.
- The COVID-19 pandemic may decrease demand for the financial intelligence and analytical tools MA provides, in particular in the event that MA's customers come under financial pressure and reduce spending for the types of products and services offered by MA.
- Our customers are being impacted and will be impacted by the COVID-19 pandemic to differing degrees. Some of our customers may go out of business or lose access to market-based sources of capital, or experience significant spending constraints and layoffs, reducing the number of issuers in the market, issuance volume and demand for our products and services. As a result, we may face pricing pressure on our products, delayed renewals for certain subscription based products, and challenges to new sales which would in turn reduce revenue, ultimately impacting our results of operations.
- The COVID-19 pandemic has increased volatility in the capital markets. The Company might not be able to continue to access preferred sources of liquidity when we would like, and our borrowing costs could increase.
- While we have transitioned to remote work for all employees globally, maintaining such a state for an extended period of time may have a material adverse effect on our productivity, our ability to meet the needs of our customers and may expose us to both operational and security risks. In addition, maintaining an infrastructure that supports a prolonged remote working environment may limit information technology resources available for other projects.
- As the COVID-19 pandemic continues to affect the global economy, it may have the effect of heightening many of the other risks, such as those surrounding cybersecurity, described in our risk factors in this Form 10-K. Further, the COVID-19 pandemic may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not expect to present significant risks to our operations or financial results.

C. Technology Risks

The Company is Exposed to Risks Related to Cybersecurity and Protection of Confidential Information.

The Company's operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to its business operations and confidential and sensitive information about its customers and employees in the Company's computer systems and networks, and in those of its third party vendors. The risks the Company faces range from cyber-attacks common to most industries, to more advanced threats that target the Company because of its prominence in the global marketplace, or due to its ratings of sovereign debt. Breaches of Moody's or Moody's vendors' technology and systems, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, or malware, employee or insider error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the Company's or such vendors' web sites or systems, applications, data processing, or disruption of other business operations, or may compromise the confidentiality and integrity of material information held by the Company (including information about Moody's business, employees or customers), as well as sensitive personally identifiable information (PII), the disclosure of which could lead to identity theft. Measures that Moody's takes to avoid, detect, mitigate or recover from material incidents can be expensive, and may be insufficient, circumvented, or may become ineffective. Further, the Company may be exposed to additional threats as the Company migrates its data from legacy systems to cloud-based solutions, and increased dependence on third parties to store cloud-based data subjects the Company to further cyber risks.

The Company has invested and continues to invest in risk management and information security measures in order to protect its systems and data, including employee training, disaster plans, and technical defenses. The cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex, and sophisticated global cyber threats. Despite the Company's best efforts, it is not fully insulated from, and has in the past experienced, security threats and system disruptions. Although past incidents have not had a material adverse effect on the Company's operating results, there can be no assurance of a similar result in the future. Because the methods used for these systems cyberattacks are rapidly changing, the Company, despite significant focus and investment, may be unable to anticipate/deploy sufficient protections against such incidents. Further, the extent of a particular security incident and the steps needed to investigate may not be immediately clear, and it may take a significant amount of time before such an investigation can be completed and full and reliable information about the incident, including the extent of the harm and how best to remediate it, is known. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks, and may in the future result in heightened cybersecurity compliance requirements, including additional regulatory expectations for oversight of vendors and service providers. Cybersecurity incidents, including the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data, could cause reputational harm, loss of customers and revenue, fines, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard the Company's customers' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by the Company. In addition, disclosure or media reports of actual or perceived security vulnerabilities to the Company's systems or those of the Company's third parties, even if no breach has been attempted or occurred, could lead to reputational harm, loss of customers and revenue, or increased regulatory actions oversight and scrutiny.

Any of the foregoing may have a material adverse effect on Moody's business, operating results and financial condition.

The Company is Exposed to Risks Related Protection of Confidential Information

To conduct its operations, the Company regularly moves data across national borders, and consequently is subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to Moody's is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increased the jurisdictional reach of European Union privacy law and added a broad array of requirements for processing personal data, including the public disclosure of significant data breaches. Failure to comply with GDPR requirements could result in penalties of up to 4% of annual worldwide revenue. Additionally, other countries have enacted or are enacting data localization laws that require data to stay within their borders. Further, laws such as the California Consumer Privacy Act, enacted in January 2020, will, among other things, require covered companies to provide new disclosures to consumers, and affords consumers new abilities to opt-out of certain sales of personal information. The effects of non-compliance with the CCPA and other similar data privacy laws in other jurisdictions are significant, however, and may require us to modify our data processing practices and policies and to incur additional costs and expenses. All of these evolving compliance and operational requirements have required changes to certain business practices, thereby increasing costs, requiring significant management time and attention, and subjecting the Company to negative publicity, as well as remedies that may harm its business, including fines, modified demands or orders. the cessation of existing business practices, and exposure to litigation, regulatory actions, sanctions or other statutory penalties.

The Company Is Dependent on the Use of Third-Party Software, Data, Hosted Solutions, Data Centers, Cloud and Network Infrastructure (Together, "Third Party Technology"), and Any Reduction in Third-Party Product Quality or Service Offerings, Could Have a Material Adverse Effect on the Company's Business, Financial Condition or Results of Operations.

Moody's relies on Third Party Technology in connection with its product development and offerings and operations. The Company depends on the ability of Third Party Technology providers to deliver and support reliable products, enhance their current products, develop new products on a timely and cost-effective basis, provide data necessary to develop and maintain its products and respond to emerging industry standards and other technological changes. The Third Party Technology Moody's uses can become obsolete or restrictive, incompatible with future versions of the Company's products, fail to be comprehensive or accurate, unavailable or fail to operate effectively (including as a result of the COVID-19 pandemic), and Moody's business could be adversely affected when the Company is unable to timely or effectively replace such Third Party Technology.

The Company also monitors its use of Third Party Technology to comply with applicable license and other contractual requirements. Despite the Company's efforts, the Company cannot ensure that such third parties will permit Moody's use in the future, resulting in increased Third Party Technology acquisition costs and loss of rights. In addition, the Company's operating costs could increase if license or other usage fees for Third Party Technology increase or the efforts to incorporate enhancements to Third Party Technology are substantial. In the ordinary course, our third-parties, including our vendors, are subject to various forms of cyber attacks. To date, such attacks have not resulted in a material adverse impact to our business operations, but there can be no guarantee we will not experience such an impact. Some of these third-party suppliers are also Moody's competitors, increasing the risks noted above. When any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Moody’s corporate headquarters is located at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, with approximately 797,537 square feet of leased space. As of December 31, 2020, Moody’s operations were conducted from 26 U.S. offices and 98 non-U.S. office locations, all of which are leased. These properties are geographically distributed to meet operating and sales requirements worldwide. These properties are generally considered to be both suitable and adequate to meet current operating requirements.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Part II, Item 8 –“Financial Statements”, Note 21 “Contingencies” in this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information in response to this Item is set forth under the captions below.

MOODY’S PURCHASES OF EQUITY SECURITIES

For the three months ended December 31, 2020:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program [2]
October 1- 31	2,306	$ —	—	$1,081 million
November 1- 30	396,164	$ 277.73	395,735	$971 million
December 1- 31	511,332	$ 278.92	502,196	$831 million
Total	909,802	$ 278.40	897,931	

(1) Includes surrender to the Company of 2,306, 429 and 9,136 shares of common stock in October, November and December, respectively, to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) As of the last day of each of the months. On October 22, 2018, the Board approved $1 billion in share repurchase authority, which was fully utilized during 2020. On December 16, 2019, the Board approved an additional $1 billion in share repurchase authority, which at December 31, 2020 had approximately $831 million of remaining authority. Additionally, on February 9, 2021, the Board approved an additional $1.0 billion of share repurchase authority. There is no established expiration date for either of the aforementioned remaining authorizations.

During the fourth quarter of 2020, Moody’s issued 0.2 million shares under employee stock-based compensation plans.

COMMON STOCK INFORMATION

The Company’s common stock trades on the New York Stock Exchange under the symbol “MCO”. The number of registered shareholders of record at January 31, 2021 was 1,721. A substantially greater number of the Company’s common stock is held by beneficial holders whose shares of record are held by banks, brokers and other financial institutions.

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth, as of December 31, 2020, certain information regarding the Company’s equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights [2] (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	3,167,939 [1]	$ 133.95	17,620,777 [3]
Equity compensation plans not approved by security holders	—	$ —	—
Total	3,167,939	$ 133.95	17,620,777

(1) Includes 2,505,011 options and unvested restricted shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan and 5,418 unvested restricted shares outstanding under the 1998 Non-Employee Directors' Stock Incentive Plan. This number also includes a maximum of 657,510 performance shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan, which is the maximum number of shares issuable pursuant to performance share awards assuming the maximum payout of 200% of the target award for performance shares granted in 2018, 2019 and 2020. Assuming payout at target, the number of shares to be issued upon the vesting of outstanding performance share awards is 328,755.

(2) Does not reflect unvested restricted shares or performance share awards included in column (a) because these awards have no exercise price.

(3) Includes 14,102,262 shares available for issuance as under the 2001 Stock Incentive Plan, of which all may be issued as options and 8,032,220 may be issued as restricted stock, performance shares or other stock-based awards under the 2001 Stock Incentive Plan and 887,433 shares available for issuance as options, shares of restricted stock or performance shares under the 1998 Directors Plan, and 2,631,082 shares available for issuance under the Company’s Employee Stock Purchase Plan. No new grants may be made under the 1998 Stock Incentive Plan, which expired by its terms in June 2008.

PERFORMANCE GRAPH

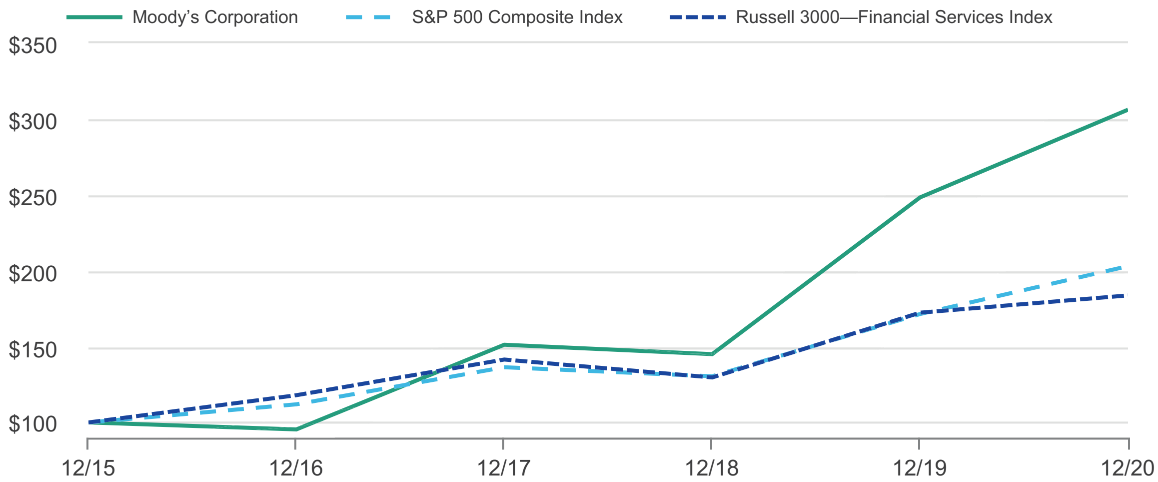
The following graph compares the total cumulative shareholder return of the Company to the performance of Standard & Poor's 500 Composite Index and the Russell 3000 Financial Services Index. Both of the aforementioned indexes are easily accessible to the Company's shareholders in newspapers, the internet and other readily available sources for purposes of the following graph.

The comparison assumes that $100.00 was invested in the Company's common stock and in each of the foregoing indices on December 31, 2015. The comparison also assumes the reinvestment of dividends, if any. The total return for the common stock was 206% during the performance period as compared with a total return during the same period of 103% and 84% for the S&P 500 Composite Index and the Russell 3000 Financial Services Index, respectively.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Moody's Corporation, the S&P 500 Index

and the Russell 3000 Financial Services Index



	Year Ended December 31,					
	2015	2016	2017	2018	2019	2020
Moody's Corporation	$ 100.00	$ 95.41	$ 151.24	$ 145.03	$ 248.37	$ 306.18
S&P 500 Composite Index	$ 100.00	$ 111.96	$ 136.40	$ 130.42	$ 171.49	$ 203.04
Russell 3000—Financial Services Index	$ 100.00	$ 117.96	$ 141.49	$ 129.67	$ 172.37	$ 183.75

The comparisons in the graph above are provided in response to disclosure requirements of the SEC and are not intended to forecast or be indicative of future performance of the Company's common stock.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody’s Corporation consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains Forward-Looking Statements. See “Forward-Looking Statements” commencing on page 71 and Item 1A. “Risk Factors” commencing on page 29 for a discussion of uncertainties, risks and other factors associated with these statements.

THE COMPANY

Moody’s is a global integrated risk assessment firm that empowers organizations and investors to make better decisions. Moody’s reports in two segments: MIS and MA.

MIS publishes credit ratings and provides assessment services on a wide range of debt obligations, programs and facilities, and the entities that issue such obligations in markets worldwide, including various corporate, financial institution and governmental obligations, and structured finance securities. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations, which consist primarily of financial instrument pricing services in the Asia-Pacific region, revenue from providing ESG research, data and assessments and revenue from ICRA’s non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

MA is a global provider of data and analytic solutions which help companies make better and faster decisions. MA’s analytic models, industry insights, software tools and proprietary data assets allow companies to inform and perform many critical business activities with trust and confidence. MA’s approach to aggregating, broadening and deepening available data, research, analytic tools and software solutions fosters a more integrated and efficient delivery to MA's customers resulting in better decisions around risks and opportunities.

COVID-19

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. While the Company has selectively reopened certain of its offices, Moody’s continues to require remote work for most employees globally and has operated effectively to date. The Company continues to monitor regional developments relating to the COVID-19 pandemic to inform decisions on the reopening of its offices.

The Company experienced disruption in certain sectors of its business beginning late in the first quarter of 2020 resulting from market volatility associated with the COVID-19 crisis. However, at the date of the filing of this annual report on Form 10-K, the Company is unable to predict either the potential near-term or longer-term impact that the COVID-19 crisis may have on its financial position and operating results due to numerous uncertainties regarding the duration and severity of the crisis, including the length of time to distribute a vaccine. As a result, it is reasonably possible that the Company could experience material impacts including, but not limited to: reductions in revenue and cash flows; additional credit losses related to accounts receivables; asset impairment charges; and changes in the funded status of defined benefit pension plans. While it is reasonably possible that the COVID-19 crisis could impact the results of operations and cash flows of the Company in the near term, Moody's believes that it has adequate liquidity to maintain its operations with minimal disruption and to maintain compliance with its debt covenants.

In 2020, in order to maximize liquidity and to increase available cash on hand through this period of uncertainty, the Company added $700 million in additional long-term borrowings as more fully discussed in the section entitled "Liquidity and Capital Resources" below and in Note 18 to the consolidated financial statements. In addition, the Company reduced discretionary spending, including temporarily suspending its share repurchase program beginning late in the first quarter of 2020 and spanning through the third quarter. The Company resumed its share repurchase program in the fourth quarter of 2020.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020 in the United States. The Company utilized certain provisions in the CARES Act and other IRS guidance which permit the deferral of certain income and payroll tax remittances.

CRITICAL ACCOUNTING ESTIMATES

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, restructuring, goodwill, long-lived assets (including acquired intangible assets), leases, pension and other retirement benefits and income taxes. Actual results may differ from these estimates under different assumptions or conditions. The following accounting estimates are considered critical because they are particularly dependent on management's judgment about matters that are uncertain at the time the accounting estimates are made and changes to those estimates could have a material impact on the Company's consolidated results of operations or financial condition.

Goodwill

On July 31st of each year, Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment (i.e., MIS and MA), or one level below an operating segment (i.e., a component of an operating segment).

The Company has seven primary reporting units at December 31, 2020: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and five reporting units within MA: Content, ERS, MALS, Bureau van Dijk and Reis. The Content reporting unit offers subscription-based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products. The ERS reporting unit provides products and services that support the credit risk management and regulatory compliance activities of financial institutions and also provides advanced actuarial software for the life insurance industry. These products and services are primarily delivered via software that is licensed on a perpetual basis or sold on a subscription basis. The MALS reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training. The Bureau van Dijk reporting unit primarily consists of the Bureau van Dijk business and the newly acquired RDC and AM businesses, and provides business intelligence and company information products. The Reis reporting unit, which consists of the Reis business and newly acquired Catylist business, provides commercial real estate market information and analytical tools.

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made based on the qualitative factors that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be quantitatively determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the Company will record a goodwill impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value. The Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions, realignments of reporting units or if there are indicators of potential impairment. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years.

<u>Interim goodwill impairment assessments performed in 2020 in advance of the Company's annual assessment</u>

During the first half of 2020, the observable market capitalization of ICRA declined to a level that resulted in a significant decline in headroom (the amount by which the fair value of a reporting unit exceeds its carrying value) from amounts reported in the Company's Form 10-K for the year ended December 31, 2019. ICRA is a publicly traded company in India, and accordingly the Company is able to derive its fair value based on its observable average market capitalization (plus a control premium) over a relatively short duration of time. While the estimate of the fair value of the ICRA reporting unit resulted in no impairment of goodwill in the first half of 2020, further declines in ICRA's average market capitalization could result in impairment in future quarters. As of the date of the filing of this annual report on Form 10-K, the ICRA market capitalization reflects a level that does not result in impairment.

As discussed in further detail in Note 10 to the Company's consolidated financial statements, ICRA has disclosed that it completed the internal examinations it conducted into anonymous allegations that were forwarded to ICRA by SEBI, certain additional allegations made during the course of that examination, and a separate anonymous complaint. ICRA reported that its Board of Directors have taken appropriate actions based on the findings of the completed examinations. As of the date of this annual report on Form 10-K, the Company is unable to estimate the financial impact, if any, that may result from a potential unfavorable conclusion of these matters or any other ICRA inquiry. An unfavorable resolution of such matters may negatively impact ICRA's future operating results, which could result in an impairment of goodwill and amortizable intangible assets in future quarters.

At June 30, 2020, the Company performed an interim quantitative goodwill impairment assessment on the Reis reporting unit (acquired in October 2018), which resulted in no impairment of goodwill. The Company performed this quantitative assessment in response to a decline in projected cash flows relative to Reis' acquisition case projections and included the estimated impact of the COVID-19 crisis on the business. While the fair value at June 30, 2020 of the Reis reporting unit exceeded its carrying value, further declines in its financial projections could result in impairment in future quarters.

Annual goodwill impairment assessment performed at July 31, 2020

At July 31, 2020, the Company performed qualitative assessment for each of the reporting units. The qualitative analyses resulted in the Company determining that it was not more likely than not that the fair value of any reporting unit was less than its carrying amount.

Determining the fair value of a reporting unit or an indefinite-lived acquired intangible asset involves the use of significant estimates and assumptions, which are more fully described below. In addition, the Company also makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units.

Other assets and liabilities, including applicable corporate assets, are allocated to the extent they are related to the operation of respective reporting units.

Sensitivity Analysis and Key Assumptions for Deriving the Fair Value of a Reporting Unit

The following table identifies the amount of goodwill allocated to each reporting unit as of December 31, 2020 and the amount by which the net assets of each reporting unit would exceed the fair value under Step 2 of the goodwill impairment test as prescribed in ASC Topic 350, assuming hypothetical reductions in their fair values as of the date of the last quantitative goodwill impairment assessment for each reporting unit (June 30, 2020 for ICRA and Reis; July 31, 2019 for all remaining reporting units).

		Sensitivity Analysis			
		Deficit Caused by a Hypothetical Reduction to Fair Value			
	Goodwill	10 %	20 %	30 %	40 %
MIS	$ 99	$ —	$ —	$ —	$ —
Content	381	—	—	—	—
ERS	800	—	—	—	—
MALS	127	—	—	(12)	(37)
ICRA	212	—	(2)	(44)	(85)
Bureau van Dijk	2,746	—	—	—	(266)
Reis	191	—	(22)	(48)	(74)
Totals	$ 4,556	$ —	$ (24)	$ (104)	$ (462)

Methodologies and significant estimates utilized in determining the fair value of reporting units:

The following is a discussion regarding the Company's methodology for determining the fair value of its reporting units as of the date of each reporting unit's last quantitative assessment (June 30, 2020 for Reis and ICRA; and July 31, 2019 for the remaining reporting units). As ICRA is a publicly traded company in India, the Company estimates its fair value using its observable market capitalization.

The fair value of each reporting unit, excluding ICRA, was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations. Moody's allocates newly acquired goodwill to reporting units based on the reporting unit expected to benefit from the acquisition.

The sensitivity analysis on the future cash flows and WACC assumptions described below are as of each reporting unit's last quantitative goodwill impairment assessment. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that require significant management judgment:

– Future cash flow assumptions - The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with the Company's operating budget and strategic plan. Beyond the forecasted period, a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates was performed on all reporting units. For each reporting unit analyzed, a 10% reduction in the revenue growth rates used would not have resulted in its carrying value exceeding its estimated fair value.

– WACC - The WACC is the rate used to discount each reporting unit’s estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor, which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit’s cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company’s outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC applied in each reporting unit's last quantitative test ranged from 8.5% to 9.0%. Differences in the WACC used between reporting units is primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units. A sensitivity analysis of the WACC was performed on all reporting units. For each reporting unit analyzed, an increase in the WACC of one percentage point would not result in the carrying value of the reporting unit exceeding its fair value.

Long-lived assets

Long-lived assets, which consist primarily of amortizable intangible assets, operating lease ROU assets and property and equipment, are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Under the first step of the recoverability assessment, Moody's compares the estimated undiscounted future cash flows attributable to the asset or asset group to its carrying value. If the undiscounted future cash flows are greater than the carrying value, no further assessment is required. If the undiscounted future cash flows are less than the carrying value, Moody's proceeds with step two of the assessment. Under step two of this assessment, Moody's is required to determine the fair value of the asset or asset group and recognize an impairment loss if the carrying amount exceeds its fair value. In performing this assessment, Moody's must include assumptions that market participants would use in their estimates of fair value, including the estimated future cash flows and discount rate. Moody's must apply judgment in developing estimated future cash flows and in the determination of market participant assumptions.

Income Taxes

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. The Company’s tax assets and liabilities are affected by the amounts charged for services provided and expenses incurred as well as other tax matters such as intercompany transactions. The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company is subject to tax audits in various jurisdictions. The Company regularly assesses the likely outcomes of such audits in order to determine the appropriateness of liabilities for UTPs. The Company classifies interest related to income taxes as a component of interest expense in the Company’s consolidated financial statements and associated penalties, if any, as part of other non-operating expenses.

For UTPs, ASC Topic 740 requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to UTPs and associated interest and penalties requires significant estimates to be made by the Company, there can be no assurance that the Company will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on the Company’s operating results or financial condition.

On December 22, 2017, the Tax Act was signed into law, which resulted in significant changes to U.S. corporate tax laws. The Tax Act includes a mandatory one-time deemed repatriation tax (“transition tax”) on previously untaxed accumulated earnings of foreign subsidiaries and reduces the statutory federal corporate income tax rate from 35% to 21%. From enactment of the Tax Act through December 31, 2018, the Company recorded a provision of $236 million related to the transition tax. In addition, the Company has recorded a deferred tax asset of $50 million related to potential foreign tax credits which could be realized if certain UTPs resulted in tax assessments. The transition tax liability reported on the Company’s 2017 and 2018 tax returns is payable over eight years starting in 2018 and will not accrue interest.

Pursuant to the Tax Act being signed into law, all previously undistributed foreign earnings became subject to U.S. tax. In light of U.S. tax reform, the Company has reassessed its capital allocation strategy, including reevaluating its global cash position and revising its plans for repatriating or reinvesting foreign earnings. The Company regularly evaluates in which entities it will indefinitely reinvest earnings outside the U.S. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested outside of the U.S.

Revenue Recognition and Costs to Obtain a Contract with a Customer

Revenue is recognized when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The discussion below outlines areas of the Company's revenue recognition process that require significant management judgment and estimates. Refer to Note 2 of the consolidated financial statements for a comprehensive discussion regarding the Company's accounting policies relating to the recognition of revenue and costs to obtain a contract with a customer.

<u>Determination of performance obligations:</u>

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct.

In the Company's MIS segment, revenue arrangements with multiple elements are generally comprised of two distinct performance obligations; the initial rating and the related monitoring services. Revenue attributed to initial ratings of issued securities is generally recognized when the rating is delivered to the issuer, whereas revenue from monitoring related to MIS's ratings is recognized ratably over the period in which the monitoring is performed.

In the MA segment, contracts with customers often include promises to transfer multiple products and services to a customer. When arrangements for software, content or SaaS licenses also include related implementation services, the Company may be required to exercise significant judgment in determining the level of integration and interdependency between the promise to grant the software license and the promise to deliver the related implementation services. This determination influences whether the software license is considered distinct and accounted for separately (with revenue generally being recognized at the time the product master or first copy is delivered or transferred to the customer), or not distinct and accounted for together with the implementation services (with revenue being recognized on a percentage-of-completion basis as implementation services are performed).

<u>Allocating consideration to performance obligations:</u>

Management judgment is also required in the determination of the SSP, which is utilized to allocate the transaction price to each distinct performance obligation at contract inception when the contract includes multiple distinct performance obligations.

In the MIS segment, the SSP for both ratings and monitoring services is generally based upon directly observable selling prices where the rating or monitoring service is sold separately.

In the MA segment, for performance obligations where an observable price exists, such as PCS, the observable price is utilized. If an observable price does not currently exist, the Company will utilize management's best estimate of SSP for that good or service using estimation methods that maximize the use of observable data points.

The SSP in both segments is usually apportioned along the lines of class of customer, nature of product/services, and other attributes related to those products and services. Once SSP is determined for each performance obligation, the transaction price, including any discount, is allocated based on the relative SSP of the separate performance obligations.

<u>Costs to Obtain a Contract with a Customer:</u>

Costs incurred to obtain customer contracts, such as sales commissions, are deferred and recorded within other current assets and other assets when such costs are determined to be incremental to obtaining a contract, would not have been incurred otherwise and the Company expects to recover those costs. These costs are amortized to expense on a systematic basis consistent with the transfer of products or services to the customer for which the asset relates. Depending on the line of business to which the contract relates, this amortization period may be based upon the average economic life of the products sold or average period for which services are provided, inclusive of anticipated contract renewals.

Contingencies

Accounting for contingencies, including those matters described in Note 21 to the consolidated financial statements, is highly subjective and requires the use of judgments and estimates in assessing their magnitude and likely outcome. In many cases, the outcomes of such matters will be determined by third parties, including governmental or judicial bodies. The provisions made in the consolidated financial statements, as well as the related disclosures, represent management's best estimates of the current status of such matters and their potential outcome based on a review of the facts and in consultation with outside legal counsel where deemed appropriate. The Company regularly reviews contingencies and as new information becomes available may, in the future, adjust its associated liabilities.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances, when a loss is reasonably possible but uncertainties related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material.

As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

Accounts Receivable Allowances

On January 1, 2020, the Company adopted ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” as more fully described in Note 1 to the consolidated financial statements. As the Company's accounts receivable are short-term in nature, the adoption of this ASU did not have a material impact to the Company's allowance for bad debts or its policies and procedures for determining the allowance.

In order to determine an estimate of expected credit losses, receivables are segmented based on similar risk characteristics including historical credit loss patterns and industry or class of customers to calculate reserve rates. The Company uses an aging method for developing its allowance for credit losses by which receivable balances are grouped based on aging category. A reserve rate is calculated for each aging category which is generally based on historical information, and is adjusted, when necessary, for current conditions (e.g., macroeconomic or industry related) and reasonable and supportable forecasts about the future. The Company also considers customer specific information (e.g., bankruptcy or financial difficulty) when estimating its expected credit losses, as well as the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Expected credit losses are reflected as additions to the accounts receivable allowance. Actual uncollectible account write-offs are recorded against the allowance.

In 2020, Moody's assessment included consideration of the current COVID-19 pandemic and its estimated impact on the Company's accounts receivable allowances. This assessment involved the utilization of significant judgment regarding the severity and duration of the market disruption caused by the pandemic, as well as judgment regarding which industries, classes of customers and geographies would be most significantly impacted.

Pension and Other Retirement Benefits

The expenses, assets and liabilities that Moody’s reports for its Retirement Plans are dependent on many assumptions concerning the outcome of future events and circumstances. These significant assumptions include the following:

– future compensation increases based on the Company’s long-term actual experience and future outlook;

– long-term expected return on pension plan assets based on historical portfolio results and the expected future average annual return for each major asset class within the plan’s portfolio (which is principally comprised of equity and fixed-income investments); and

– discount rates based on current yields on high-grade corporate long-term bonds.

The discount rates used to measure the present value of the Company’s benefit obligation for its Retirement Plans as of December 31, 2020 were derived using a cash flow matching method whereby the Company compares each plan’s projected payment obligations by year with the corresponding yield on the FTSE pension discount curve. The cash flows by plan are then discounted back to present value to determine the discount rate applicable to each plan.

Moody’s major assumptions vary by plan and assumptions used are set forth in Note 15 to the consolidated financial statements. In determining these assumptions, the Company consults with third-party actuaries and other advisors as deemed appropriate. While the Company believes that the assumptions used in its calculations are reasonable, differences in actual experience or changes in assumptions could have a significant effect on the expenses, assets and liabilities related to the Company’s Retirement Plans. Additionally, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2020 to accompany the Pri2012 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries.

When actual plan experience differs from the assumptions used, actuarial gains or losses arise. Excluding differences between the expected long-term rate of return assumption and actual returns on plan assets, the Company amortizes, as a component of annual pension expense, total outstanding actuarial gains or losses over the estimated average future working lifetime of active plan participants to the extent that the gain/loss exceeds 10% of the greater of the beginning-of-year projected benefit obligation or the market-related value of plan assets. For Moody’s Retirement Plans, the total actuarial losses as of December 31, 2020 that have not been recognized in annual expense are $152 million, and Moody’s expects to recognize a net periodic expense of $11 million in 2021 related to the amortization of actuarial losses.

For Moody’s funded U.S. pension plan, the differences between the expected long-term rate of return assumption and actual returns could also affect the net periodic pension expense. As permitted under ASC Topic 715, the Company amortizes the impact of asset returns over a five-year period for purposes of calculating the market-related value of assets that is used in determining the expected return on assets' component of annual expense and in calculating the total unrecognized gain or loss subject to amortization. As of December 31, 2020, the Company has an unrecognized asset gain of $49 million, of which $13 million will be recognized in the market-related value of assets that is used to calculate the expected return on assets component of 2021 expense.

The table below shows the estimated effect that a one percentage-point decrease in each of these assumptions will have on Moody's 2021 income before provision for income taxes. These effects have been calculated using the Company's current projections of 2021 expenses, assets and liabilities related to Moody's Retirement Plans, which could change as updated data becomes available.

(dollars in millions)	Assumptions Used for 2021	Estimated Impact on 2021 Income before Provision for Income Taxes (Decrease)/ Increase
Weighted Average Discount Rates [1]	2.24%/2.30%	$ (11)
Weighted Average Assumed Compensation Growth Rate	3.62 %	$ 2
Assumed Long-Term Rate of Return on Pension Assets	5.45 %	$ (5)

(1) Weighted average discount rates of 2.24% and 2.30% for pension plans and Other Retirement Plans, respectively.

Based on current projections, the Company estimates that expenses related to Retirement Plans will be approximately $31 million in 2021, an increase compared to the $27 million recognized in 2020.

Leases

The Company's operating leases do not provide an implicit interest rate. Accordingly, the Company must estimate the secured incremental borrowing rate attributable to the currency in which the lease is denominated in the derivation of operating lease liabilities and related operating lease ROU Assets. This secured incremental borrowing rate is based on the information available at the lease commencement date and is utilized in the determination of the present value of lease payments.

In addition, certain of Moody's leases have the option to extend the lease beyond the initial term or terminate the lease prior to the end of the term. For these leases, Moody's may be required to exercise significant judgment to determine when that option is reasonably certain of being exercised, which will impact the lease term and determination of the lease liability and corresponding ROU Asset.

Restructuring

The Company has engaged, and may continue to engage, in restructuring actions, which require management to utilize significant estimates related to expenses for severance and other employee benefit costs, contract termination costs and asset impairments. If the actual amounts differ from these estimates, the amount of the restructuring charge could be impacted. For a full description of Moody's restructuring actions, refer to Note 11 to the consolidated financial statements.

Other Estimates

In addition, there are other accounting estimates within Moody's consolidated financial statements, including recoverability of deferred tax assets, valuation of investments in affiliates and the estimated lives of amortizable intangible assets. Management believes the current assumptions and other considerations used to estimate amounts reflected in Moody's consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in Moody's consolidated financial statements, the resulting changes could have a material adverse effect on Moody's consolidated results of operations or financial condition.

See Note 2 to the consolidated financial statements for further information on significant accounting policies that impact Moody's.

REPORTABLE SEGMENTS

The Company is organized into two reportable segments at December 31, 2020: MIS and MA, which are more fully described in the section entitled "The Company" above and in Note 22 to the consolidated financial statements.

RESULTS OF OPERATIONS

This section of this Form 10-K generally discusses year ended December 31, 2020 and 2019 financial results and year-to-year comparisons between these years. Discussions related to the year ended December 31, 2018 financial results and year-to-year comparisons between the years ended December 31, 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Potential Impact of COVID-19 on the Company's future operating results

- The Company is closely monitoring the impact of COVID-19 on all aspects of its business (refer to the section above entitled "COVID-19" for further detail). The operating results discussed below may not be indicative of future results of the Company due to uncertainties relating to the duration and severity of the pandemic and its potential impact on Moody's. The Company remains committed to disciplined cost management through this period of uncertainty.
- As of the date of the filing of this annual report on Form 10-K, the Company believes that the most significant risks to its 2021 financial results relating to COVID-19 uncertainties are as follows:
  - **MIS:** within the MIS segment, the most notable risks to near-term financial performance may be:
    - the potential for continued volatility in issuance. The Company observed significant market disruption and a widening of credit spreads late in the first quarter of 2020, followed by strong corporate bond issuance activity during the remainder of 2020. Future market volatility and widening of credit spreads could have a material impact on MIS's near-term operating results;
    - corporate debt issuance (both investment-grade and speculative-grade) may moderate compared to issuance levels observed in 2020. While issuance was strong in 2020, a portion of the 2020 activity was elevated as a result of corporate issuers bolstering their balance sheets in light of uncertainties regarding the COVID-19 pandemic; and
    - declines in leveraged loan issuance could result in a decrease in availability of collateral for securitization activity, which could then result in further declines in CLO activity.
  - **MA:** within the MA segment, the most notable risks to near-term financial performance may be:
    - reductions in discretionary spending by MA's customer base and social distancing measures could result in fewer new sales opportunities being identified and an extension of sales cycles on existing opportunities, particularly related to software sales; and
    - higher attrition rates and/or lower yields on renewable contracts.

Impact of acquisitions/divestitures on comparative results

- Moody's completed the following acquisitions, which impact the Company's year-over-year comparative results:
    - Vigeo Eiris on April 12, 2019;
    - Four Twenty Seven on July 22, 2019;
    - RiskFirst on July 25, 2019;
    - ABS Suite on October 1, 2019;
    - Regulatory DataCorp on February 13, 2020;
    - Acquire Media on October 21, 2020;
- On November 8, 2019, the Company sold its MAKS business to Equistone Partners Europe Limited, a European private equity firm. The operating results of MAKS are reported within the MA segment (and PS LOB) through the November 8, 2019 closing of the transaction. Beginning in 2020, revenue from the MALS unit, which previous to 2020 was reported in the PS LOB, is now reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material.
- Refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for the definitions of how the Company determines certain organic growth measures used in this MD&A that exclude the impact of acquisition/divestiture activity.

Year ended December 31, 2020 compared with year ended December 31, 2019

Executive Summary

– The following table provides an executive summary of key operating results for the year ended December 31, 2020. Following this executive summary is a more detailed discussion of the Company's operating results as well as a discussion of the operating results of the Company's reportable segments.

Financial measure:	Year Ended December 31, 2020	2019	% Change Favorable / (Unfavorable)	Insight and Key Drivers of Change Compared to Prior Year
Moody's total revenue	**$ 5,371**	$ 4,829	11 %	— reflects strong growth in both segments
MIS External Revenue	**$ 3,292**	$ 2,875	15 %	— primary driver of growth reflects higher corporate debt issuance (both investment-grade and high-yield) as issuers bolstered liquidity positions in response to COVID-19 uncertainties and issued opportunistically for refinancing needs
MA External Revenue	**$ 2,079**	$ 1,954	6 %	— strong renewals and new sales of credit research and data feeds, as well as demand for KYC and compliance solutions; — demand for insurance compliance products along with credit assessment and loan origination solutions in ERS; and — inorganic growth from acquisitions.
Total operating and SG&A expenses	**$ 2,704**	$ 2,554	(6 %)	— additional compensation expense resulting from hiring activity and merit increases coupled with higher incentive compensation aligned with financial and operating performance; — higher costs to support strategic initiatives to enhance technology infrastructure to enable automation, innovation and efficiency as well as to support business growth; *partially offset by:* — lower travel costs and disciplined expense management in light of the COVID-19 crisis coupled with benefits from the 2018 Restructuring Program
Restructuring	**$ 50**	$ 60	17 %	— charges are pursuant to the Company's restructuring programs, more fully discussed in Note 11 to the consolidated financial statements
Operating Margin	**44.5 %**	41.4 %	310BPS	— margin expansion reflects strong revenue growth partially offset by growth in operating expenses
Adjusted Operating Margin	**49.7 %**	47.4 %	230BPS	
ETR	**20.3 %**	21.0 %	70BPS	— decrease primarily due to a deferred tax benefit in 2020 resulting from a non-U.S. corporate reorganization
Diluted EPS	**$ 9.39**	$ 7.42	27 %	— increase reflects strong operating income/Adjusted Operating Income growth as described above
Adjusted Diluted EPS	**$ 10.15**	$ 8.29	22 %	

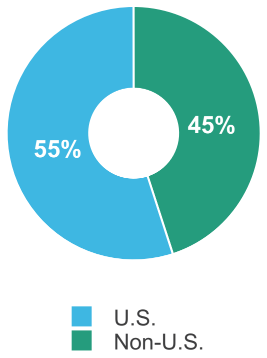
Moody's Corporation

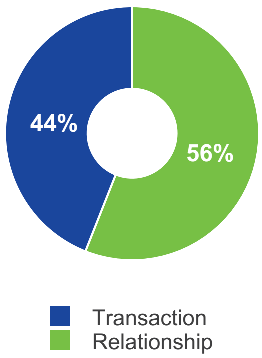
	Year Ended December 31, 2020	2019	% Change Favorable (Unfavorable)
Revenue:			
United States	**$ 2,955**	$ 2,544	16%
Non-U.S.:			
EMEA	**1,545**	1,446	7%
Asia-Pacific	**571**	551	4%
Americas	**300**	288	4%
Total Non-U.S.	**2,416**	2,285	6%
Total	**5,371**	4,829	11%
Expenses:			
Operating	**1,475**	1,387	(6%)
SG&A	**1,229**	1,167	(5%)
Restructuring	**50**	60	17%
Depreciation and amortization	**220**	200	(10%)
Acquisition-Related Expenses	**—**	3	100%
Loss pursuant to the divestiture of MAKS	**9**	14	36%
Total	**2,983**	2,831	(5%)
Operating income	**2,388**	1,998	20%
Adjusted Operating Income [1]	**2,667**	2,291	16%
Interest expense, net	**(205)**	(208)	1%
Other non-operating income, net	**46**	20	130%
Non-operating (expense) income, net	**(159)**	(188)	15%
Net income attributable to Moody's	**$ 1,778**	$ 1,422	25%
Diluted weighted average shares outstanding	**189.3**	191.6	1%
Diluted EPS attributable to Moody's common shareholders	**$ 9.39**	$ 7.42	27%
Adjusted Diluted EPS [1]	**$ 10.15**	$ 8.29	22%
Operating margin	**44.5 %**	41.4 %	
Adjusted Operating Margin [1]	**49.7 %**	47.4 %	
Effective tax rate	**20.3 %**	21.0 %	

(1) Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

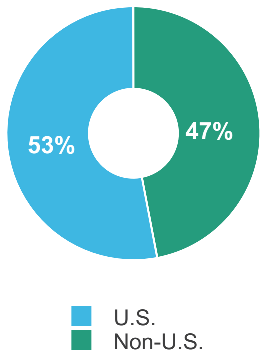
GLOBAL REVENUE

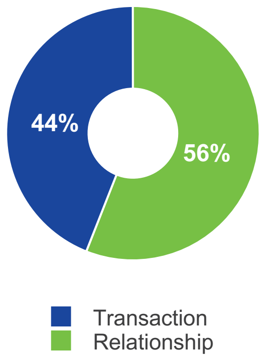
2020





2019

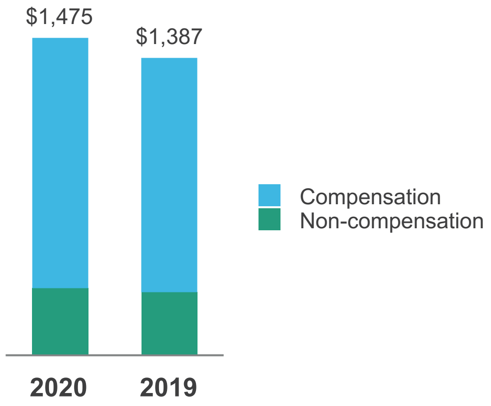




Global revenue ⇑ $542 million **U.S. Revenue ⇑ $411 million** **Non-U.S. Revenue ⇑ $131 million**

The increase in global revenue reflected growth in both reportable segments. Refer to the section entitled “Segment Results” of this MD&A for a more fulsome discussion of the Company’s segment revenue.

Operating Expense ⇑ $88 million



Compensation expenses increased $69 million reflecting:

— hiring activity and salary increases; and

— higher incentive compensation accruals aligned with financial and operating performance.

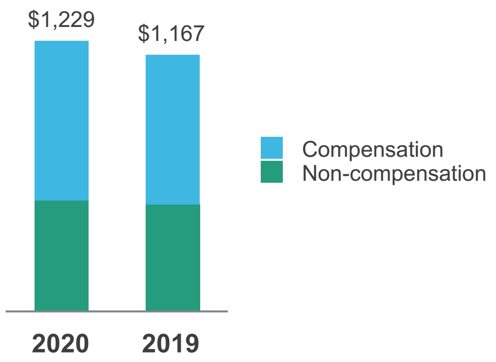
Non-compensation expenses increased $19 million reflecting:

— higher costs to support strategic initiatives to enhance technology infrastructure to enable automation, innovation and efficiency as well as to support business growth;

partially offset by:

— lower travel costs and disciplined expense management in light of the COVID-19 crisis.

SG&A Expense ⇑ $62 million



Compensation expenses increased $43 million reflecting:

— hiring activity and salary increases partially offset by benefits from the 2018 Restructuring Program; and

— an increase in incentive compensation aligned with financial and operating performance.

Non-compensation expenses increased $19 million reflecting:

— higher costs to support the Company’s initiative to enhance technology infrastructure to enable automation, innovation and efficiency; and

— higher estimates for credit losses of approximately $18 million primarily resulting from the anticipated impact of the COVID-19 crisis on the Company's customers;

partially offset by:

— lower travel costs and disciplined expense management in light of the COVID-19 crisis; and

— a $16 million captive insurance company settlement in 2019.

Other Expenses

The restructuring charge of $50 million in 2020 primarily relates to:

- the non-cash impairment of certain leased real estate assets (ROU Assets and leasehold improvements) pursuant to the rationalization of certain real estate in response to the COVID-19 pandemic; and
- severance costs associated with a strategic realignment in the MA segment.

The $60 million restructuring charge in 2019 relates to actions pursuant to the Company's 2018 Restructuring Program which consisted of relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate due to consolidation of various business activities.

Further detail on the Company's restructuring programs are more fully discussed in Note 11 to the consolidated financial statements.

The loss pursuant to the divestiture of MAKS in both years relates to the Company's strategic divestiture of this business.

Operating margin 44.5%, up 310 BPS

Adjusted Operating Margin 49.7%, up 230 BPS

Operating margin and Adjusted Operating Margin expansion reflects strong revenue growth partially offset by growth in expenses.

Interest Expense, net ⇓ $3 million

Primarily reflects:

— a $17 million benefit from a fair value hedge settled in connection with the early redemption of the 2017 Senior Notes;

— a $16 million higher benefit from fair value swaps (more fully discussed in Note 7 to the consolidated financial statements);

partially offset by:

— a combined $24 million prepayment penalty in 2020 on the early redemption of the 2018 Senior Notes and 2017 Senior Notes

Other non-operating income ⇑ $26 million

The increase was primarily due to:

— FX gains of approximately $2 million in 2020 compared to $18 million in FX losses in the same period of the prior year.

ETR ⇓ 70BPS

The decrease in the ETR is primarily due to a deferred tax benefit resulting from a non-U.S. corporate reorganization.

Diluted EPS ⇑ $1.97

Diluted EPS in 2020 of $9.39 increased $1.97 compared to 2019, with both periods including the aforementioned restructuring charges. The growth in EPS is mainly due to the aforementioned growth in operating income.

Adjusted Diluted EPS ⇑ $1.86

Adjusted Diluted EPS of $10.15 in 2020 increased $1.86 compared to 2019 (refer to the section entitled “Non-GAAP Financial Measures” of this MD&A for items excluded in the derivation of Adjusted Diluted EPS). The growth in Adjusted Diluted EPS is primarily due to the aforementioned growth in Adjusted Operating Income.

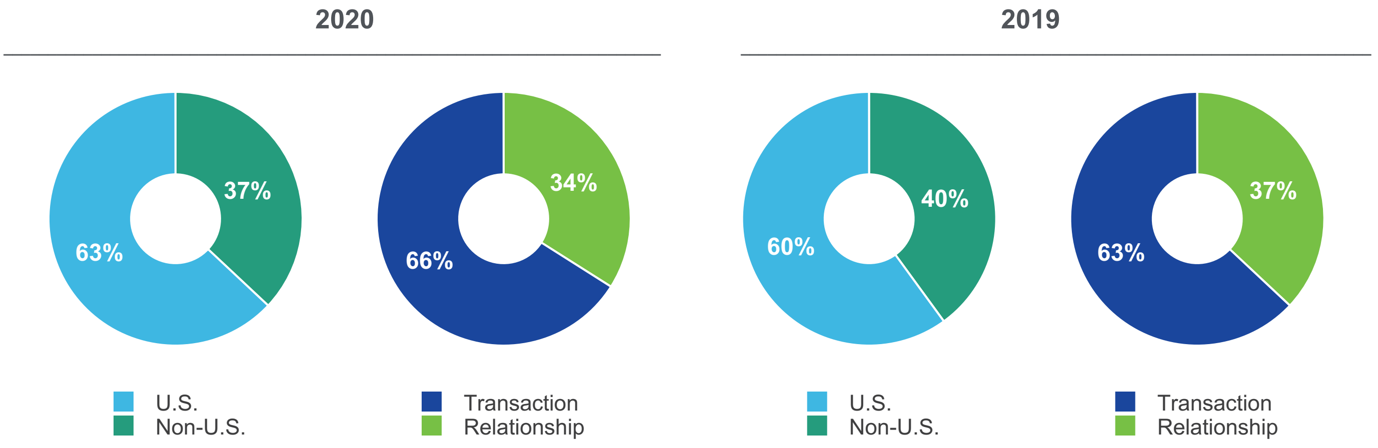
Segment Results

Moody's Investors Service

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year Ended December 31, 2020	Year Ended December 31, 2019	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	**$ 1,857**	$ 1,497	24%
Structured finance (SFG)	**362**	427	(15%)
Financial institutions (FIG)	**530**	476	11%
Public, project and infrastructure finance (PPIF)	**496**	446	11%
Total ratings revenue	**3,245**	2,846	14%
MIS Other	**47**	29	62%
Total external revenue	**3,292**	2,875	15%
Intersegment royalty	**148**	134	10%
Total	**3,440**	3,009	14%
Expenses:			
Operating and SG&A (external)	**1,380**	1,265	(9%)
Operating and SG&A (intersegment)	**7**	9	22%
Restructuring	**19**	31	39%
Depreciation and amortization	**70**	71	1%
Total expense	**1,476**	1,376	(7%)
Operating income	**$ 1,964**	$ 1,633	20%
Restructuring	**19**	31	39%
Depreciation and amortization	**70**	71	1%
Captive insurance company settlement	**—**	10	100%
Adjusted Operating Income	**$ 2,053**	$ 1,745	18%
Operating margin	**57.1 %**	54.3 %	
Adjusted Operating Margin	**59.7 %**	58.0 %	

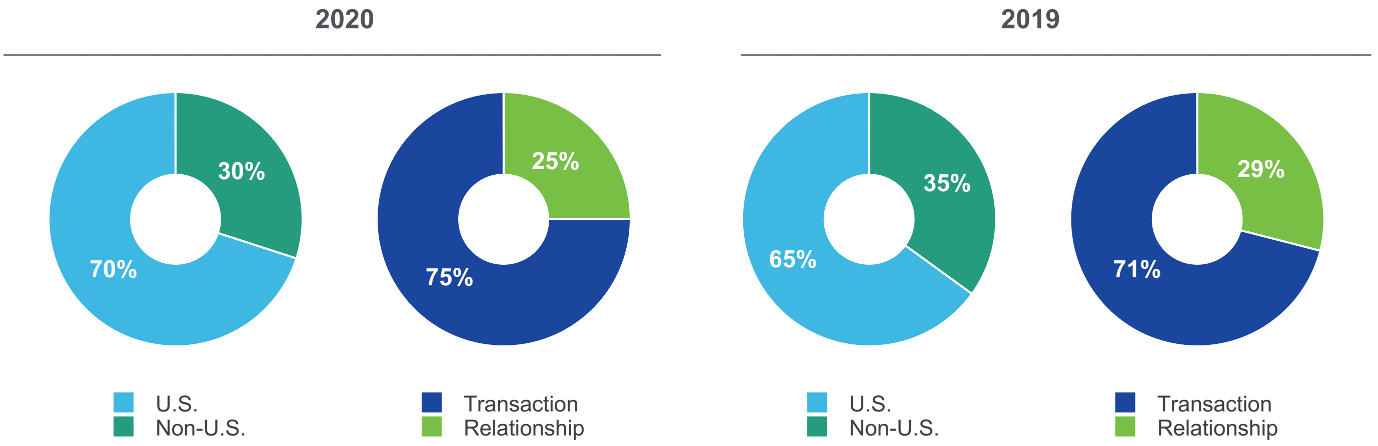
MOODY'S INVESTORS SERVICE REVENUE



MIS: Global revenue ↑ $417 million **U.S. Revenue ↑ $347 million** **Non-U.S. Revenue ↑ $70 million**

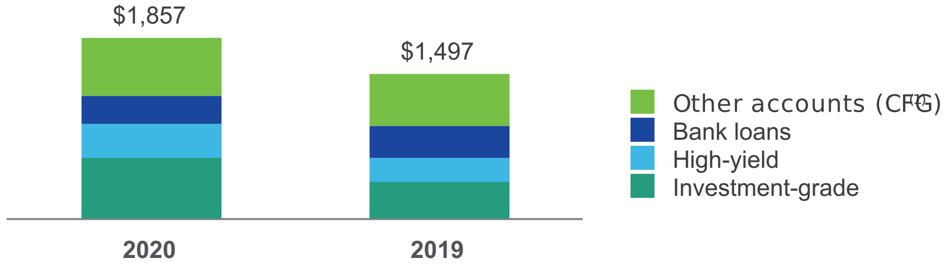
- The increase in global MIS revenue (and in both U.S. and non-U.S. revenue) reflected growth across all LOBs, excluding SFG.

CFG REVENUE



CFG: Global revenue ↑ $360 million **U.S. Revenue ↑ $323 million** **Non-U.S. Revenue ↑ $37 million**

Global CFG revenue for the years ended December 31, 2020 and 2019 was comprised as follows:

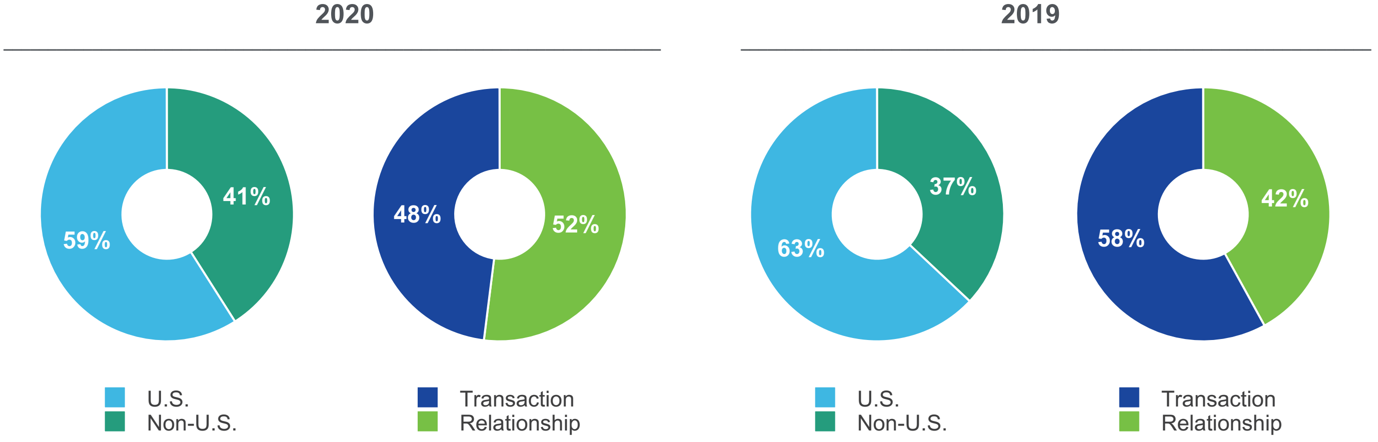


[1] Other includes: recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations as well as fees from programs such as commercial paper, medium term notes, and ICRA corporate finance revenue.

The increase in CFG revenue of 24% reflected growth both in the U.S. (33%) and internationally (7%), which resulted in a $344 million increase in transaction revenue. The most notable drivers of the CFG revenue growth were:

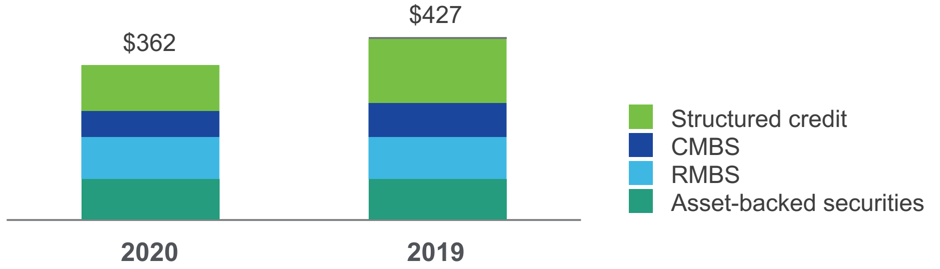
- strong growth in investment-grade rated issuance volumes reflecting:
  - corporate issuers bolstering their liquidity positions in light of uncertainties regarding the duration and severity of the COVID-19 crisis;
  - opportunistic issuance for refinancing in light of the current ongoing favorable market conditions.
- strong growth in speculative-grade rated issuance volumes despite severe market disruption in this sector in March 2020 relating to the COVID-19 crisis. Subsequent to this disruption in the first quarter of 2020, high-yield market sentiment improved and credit spreads tightened resulting in strong growth in rated issuance volumes; and
- benefits from favorable changes in product mix and pricing increases.

SFG REVENUE



SFG: Global revenue ⇓ $65 million **U.S. Revenue ⇓ $56 million** **Non-U.S. Revenue ⇓ $9 million**

Global SFG revenue for the years ended December 31, 2020 and 2019 was comprised as follows:

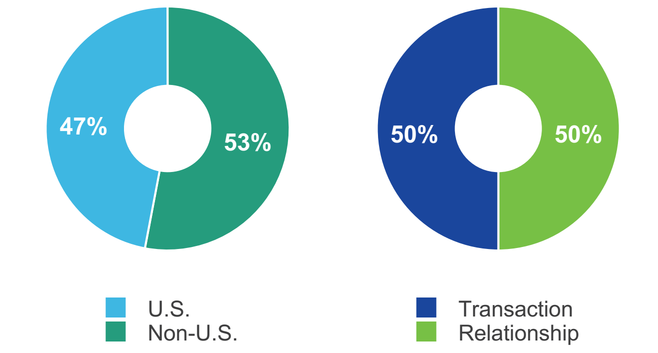


The decrease in SFG revenue of 15% reflected declines both in the U.S. (21%) and internationally (6%). Transaction revenue declined $71 million. The most notable factors contributing to the decline in SFG revenue were:

- reduced activity in the CLO asset class resulting from:
  - challenges in the leveraged loan market resulting in lower loan supply (refer to CFG discussion above);
  - wider credit spreads through much of the year in response to uncertainties relating to the COVID-19 crisis; and
  - an increasingly competitive landscape.
- declines in U.S. CMBS securitization activity as commercial retail and hotel properties have been negatively impacted by the COVID-19 crisis.

FIG REVENUE

2020



2019

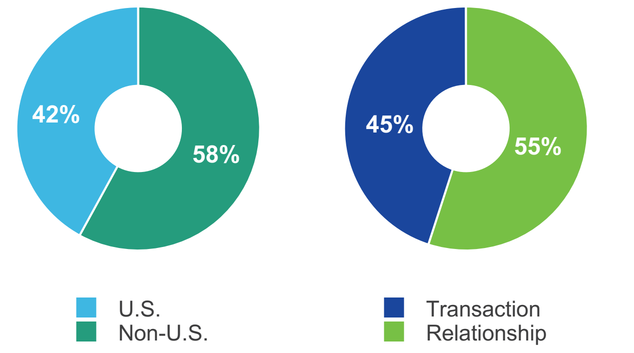
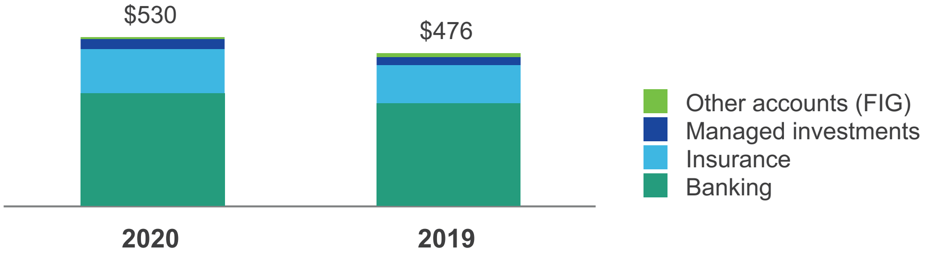


FIG: Global revenue ⇑ $54 million **U.S. Revenue ⇑ $50 million** **Non-U.S. Revenue ⇑ $4 million**

Global FIG revenue for the years ended December 31, 2020 and 2019 was comprised as follows:



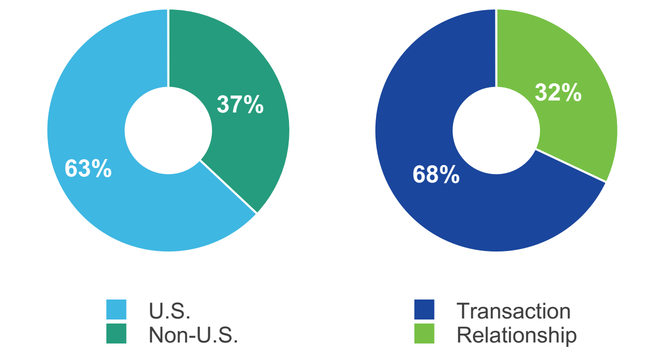
Transaction revenue grew by $53 million compared to the same period in the prior year.

The 11% increase in FIG revenue was mainly due to:

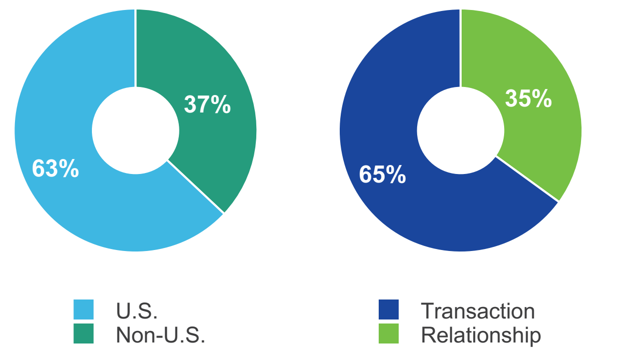
- growth in U.S. banking and insurance rated issuance volumes as financial institutions and insurers fortified their balance sheets in light of uncertainties relating to the COVID-19 crisis and favorable market conditions;
- issuance in advance of anticipated volatility around the U.S. presidential election in the fourth quarter of 2020; and
- benefits from favorable changes in product mix and pricing increases.

PPIF REVENUE

2020

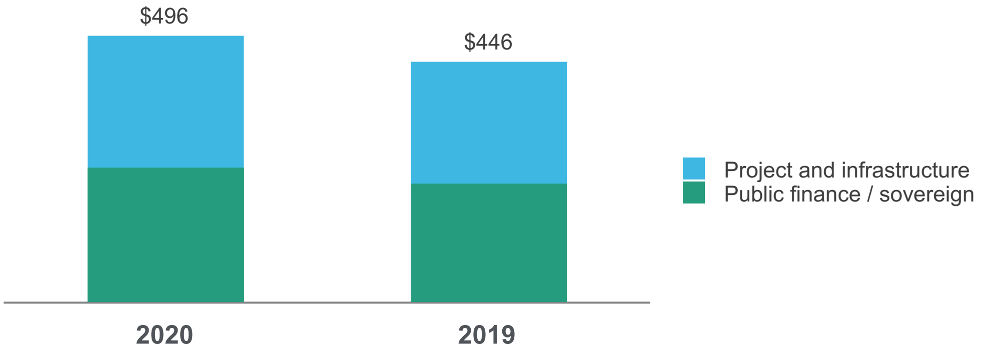


2019



PPIF: Global revenue ⇑ $50 million   U.S. Revenue ⇑ $29 million   Non-U.S. Revenue ⇑ $21 million

Global PPIF revenue for the years ended December 31, 2020 and 2019 was comprised as follows:

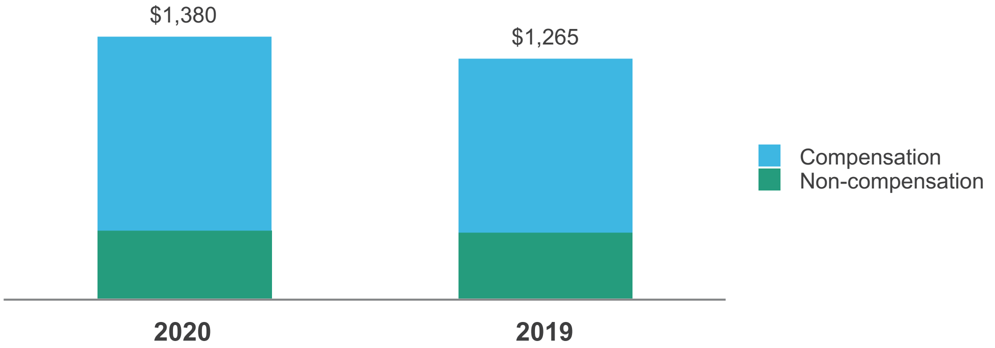


Transaction revenue increased $45 million compared to the same period in the prior year.

The 11% increase in PPIF revenue resulted primarily from:

- higher U.S. public finance refunding volumes resulting from continued low benchmark interest rates, including refinancing by way of taxable transactions;
- higher infrastructure finance revenue resulting from investment-grade issuers bolstering their balance sheets in light of uncertainties regarding the duration and severity of the COVID-19 crisis; and
- benefits from favorable changes in product mix and pricing increases.

MIS: Operating and SG&A Expense ⇑ $115 million



The growth reflects a $98 million and $17 million increase in compensation and non-compensation expenses, respectively. The most notable drivers of these increases are as follows:

Compensation costs

The increase is primarily due to:

— annual salary increases and hiring;

— higher incentive compensation aligned with financial and operating performance;

— inorganic expense growth from the aforementioned acquisitions; *partially offset by*

— benefits from the 2018 Restructuring Program

Non-compensation costs

The increase is primarily due to:

— approximately $27 million in higher costs to support the Company’s initiative to enhance technology infrastructure to enable automation, innovation and efficiency as well as to support business growth;

— higher estimates for bad debt reserves of $11 million primarily resulting from the anticipated impact of the COVID-19 crisis on the Company's customers; *partially offset by:*

— lower travel costs of $17 million and disciplined expense management in light of the COVID-19 crisis; and

— a $10 million charge in the prior year for a captive insurance company settlement

Other Expenses

The restructuring charges in both years relate to the Company's restructuring programs, which are more fully discussed in Note 11 to the consolidated financial statements.

MIS: Operating Margin 57.1% ⥣ 280BPS Adjusted Operating Margin 59.7% ⥣ 170BPS

MIS operating margin and Adjusted Operating Margin both increased reflecting strong revenue growth outpacing expense growth.

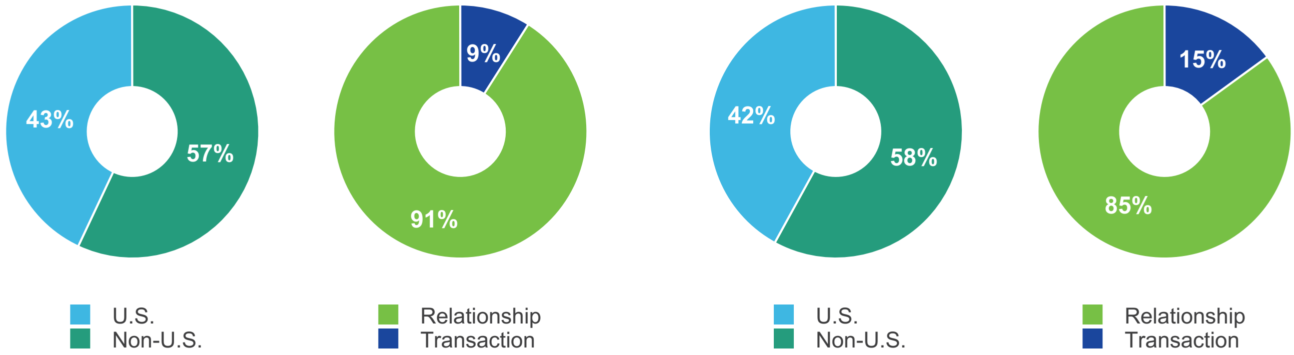
Moody's Analytics

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year Ended December 31,		% Change Favorable (Unfavorable)
	2020	**2019**	
Revenue:			
Research, data and analytics (RD&A)	**$ 1,514**	$ 1,273	19%
Enterprise risk solutions (ERS)	**565**	522	8%
Professional services (PS)	**—**	159	(100%)
Total external revenue	**2,079**	1,954	6%
Intersegment revenue	**7**	9	(22%)
Total MA Revenue	**2,086**	1,963	6%
Expenses:			
Operating and SG&A (external)	**1,324**	1,289	(3%)
Operating and SG&A (intersegment)	**148**	134	(10%)
Restructuring	**31**	29	(7%)
Depreciation and amortization	**150**	129	(16%)
Acquisition-Related Expenses	**—**	3	100%
Loss pursuant to the divestiture of MAKS	**9**	14	36%
Total expense	**1,662**	1,598	(4%)
Operating income	**$ 424**	$ 365	16%
Restructuring	**31**	29	(7%)
Depreciation and amortization	**150**	129	(16%)
Acquisition-Related Expenses	**—**	3	100%
Loss pursuant to the divestiture of MAKS	**9**	14	36%
Captive insurance company settlement	**—**	6	100%
Adjusted Operating Income	**$ 614**	$ 546	12%
Operating margin	**20.3 %**	18.6 %	
Adjusted Operating Margin	**29.4 %**	27.8 %	

MOODY'S ANALYTICS REVENUE

2020	2019



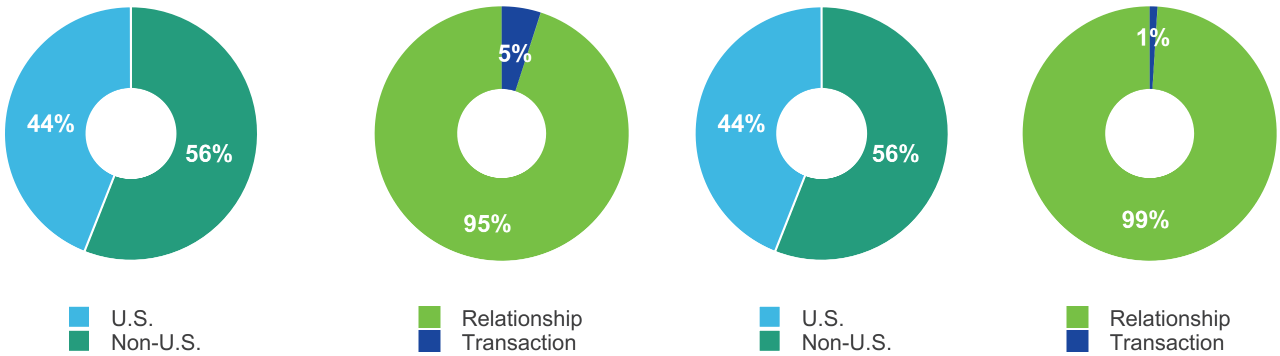
MA: Global revenue ↑ $125 million U.S. Revenue ↑ $64 million Non-U.S. Revenue ↑ $61 million

The 6% increase in global MA revenue reflects strong growth in RD&A and ERS, partially offset by a decline in revenue resulting from the divestiture of the MAKS business in the fourth quarter of 2019.

- The increase in revenue for both the U.S. and non-U.S regions reflected growth in both RD&A and ERS and included the impact of 2020 acquisitions.
  - The increase in non-U.S. revenue was partially offset by a decline in revenue resulting from the divestiture of MAKS in the fourth quarter of 2019.
- The increase in relationship revenue as a percentage of total revenue from 85% in 2019 to 91% in 2020 reflects the divestiture of the transaction revenue-based MAKS business in 2019.
- Organic revenue growth was 8%.

RD&A REVENUE

2020	2019



RD&A: Global revenue ↑ $241 million U.S. Revenue ↑ $110 million Non-U.S. Revenue ↑ $131 million

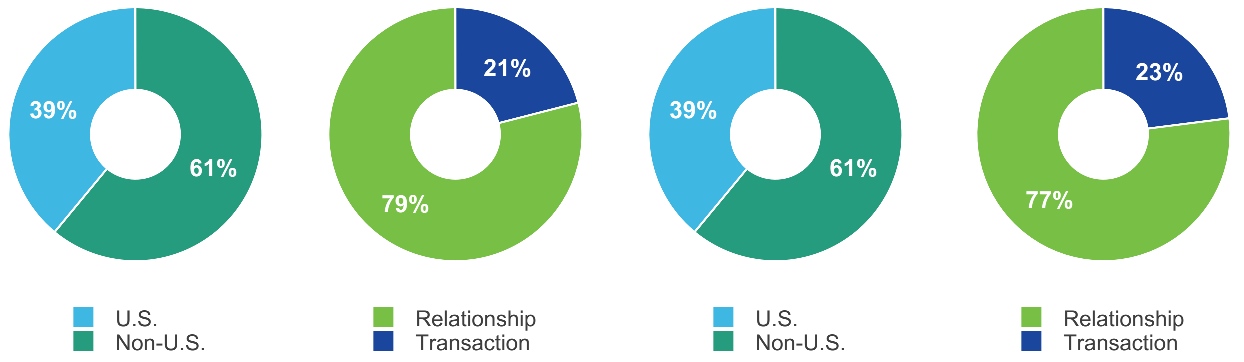
Global RD&A revenue grew 19% compared to 2019 with the most notable drivers of the growth reflecting:

- inorganic revenue growth from the acquisitions of RDC, ABS Suite and Acquire Media;
- strong renewals and new sales as well as benefits of pricing increases related to credit research and data feeds; and
- strong demand for solutions that address customer identity requirements, such as know-your-customer and compliance solutions.

Organic revenue growth for RD&A was 10%.

ERS REVENUE

2020 | **2019**



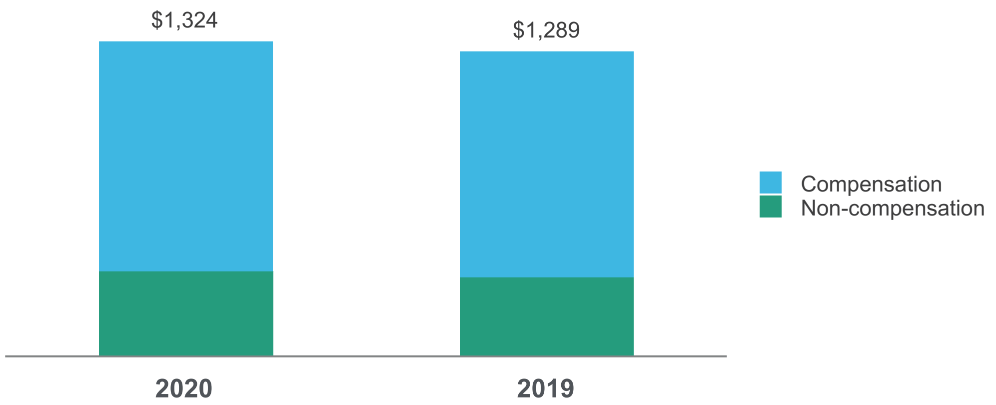
ERS: Global revenue ↑ $43 million | **U.S. Revenue ↑ $18 million** | **Non-U.S. Revenue ↑ $25 million**

Global ERS revenue increased 8% compared to 2019 with the most notable drivers of the growth reflecting:

- continued strong demand for credit assessment and loan origination solutions;
- increased demand for actuarial modeling tools in support of certain international accounting standards relating to insurance contracts; and
- inorganic revenue growth from the acquisition of RiskFirst.

Organic revenue growth for ERS was 6%.

MA: Operating and SG&A Expense ↑ $35 million



The increase in operating and SG&A expenses compared to 2019 reflected growth in both compensation and non-compensation costs of approximately $14 million and $21 million, respectively. The most notable drivers of this growth were:

Compensation costs

— annual salary increases and hiring; *partially offset by:*

— benefits from the 2018 Restructuring Program

Non-compensation costs

— approximately $75 million in higher costs to support strategic initiatives to enhance technology infrastructure to enable automation, innovation and efficiency as well as to support business growth; *partially offset by:*

— lower travel costs of approximately $40 million coupled with disciplined expense management across other expense categories in light of the COVID-19 crisis

Other Expenses

The restructuring charges in both years relate to the Company's restructuring programs as more fully discussed in Note 11 to the consolidated financial statements.

The $9 million and $14 losses pursuant to the divestiture of MAKS in both 2020 and 2019 relate to the Company's strategic divestiture of this business.

MA: Operating Margin 20.3% ⥣ 170BPS   Adjusted Operating Margin 29.4% ⥣ 160BPS

The operating margin and Adjusted Operating Margin expansion for MA both reflect RD&A and ERS revenue growth partially offset by modest expense growth.

MARKET RISK

Foreign exchange risk:

Moody's maintains a presence in more than 40 countries. In 2020, approximately 42% of the Company's revenue and approximately 39% of the Company expenses were denominated in functional currencies other than the U.S. dollar, principally in the British pound and the euro. As such, the Company is exposed to market risk from changes in FX rates. As of December 31, 2020, approximately 61% of Moody's assets were located outside the U.S., making the Company susceptible to fluctuations in FX rates. The effects of translating assets and liabilities of non-U.S. operations with non-U.S. functional currencies to the U.S. dollar are charged or credited to OCI.

The effects of revaluing assets and liabilities that are denominated in currencies other than a subsidiary's functional currency are charged to other non-operating income (expense), net in the Company's consolidated statements of operations. Accordingly, the Company enters into foreign exchange forwards to partially mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. The following table shows the impact to the fair value of the forward contracts if foreign currencies weakened against the U.S. dollar or euro:

Foreign Currency Forwards (1)		
Sell	**Buy**	**Impact on fair value of contract if foreign currency weakened by 10%**
U.S. dollar	British pound	$30 million unfavorable impact
U.S. dollar	Canadian dollar	$10 million unfavorable impact
U.S. dollar	Euro	$45 million unfavorable impact
U.S. dollar	Japanese yen	$1 million unfavorable impact
U.S. dollar	Singapore dollar	$5 million unfavorable impact
U.S. dollar	Indian Rupee	$2 million unfavorable impact
U.S. dollar	Russian Ruble	$1 million unfavorable impact
Euro	British pound	$14 million unfavorable impact

(1) Refer to Note 7 to the consolidated financial statements in Item 8 of this Form 10-K for further detail on the forward contracts.

The change in fair value of the foreign exchange forward contracts would be offset by FX revaluation gains or losses on underlying assets and liabilities denominated in currencies other than a subsidiary's functional currency.

Derivatives and non-derivatives designated as net investment hedges:

The Company designates derivative instruments and foreign currency-denominated debt as hedges of foreign currency risk of net investments in certain foreign subsidiaries (net investment hedges) under ASC Topic 815, *Derivatives and Hedging*.

Cross-currency swaps and forward contracts

As of December 31, 2020, the Company had the following derivative instruments designated as hedges of euro denominated net investments in subsidiaries:

- Cross-currency swaps to exchange an aggregate amount of €1,079 million with corresponding euro fixed interest rates for an aggregate amount of $1,220 million with corresponding USD fixed interest rates.
- Cross-currency swaps to exchange an aggregate amount of €959 million with corresponding interest based on the floating 3-month EURIBOR for an aggregate amount of $1,080 million with corresponding interest based on the floating 3-month U.S. LIBOR.
- Foreign currency forward contracts to sell euro with the aggregate notional amount of €524 million and buy U.S. dollar in the aggregate notional amount of $627 million.

If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate $313 million unfavorable impact to the fair value of the cross-currency swaps and forward contracts recognized in OCI, which would be offset by favorable currency translation gains on the Company's euro net investment in foreign subsidiaries.

As of December 31, 2020, the Company also had a foreign currency forward contract to hedge the foreign currency risk related to a British pound dominated net investment in subsidiaries. The foreign currency forward contract is to sell British pound with the notional amount of £134 million and buy euro in the aggregate notional amount of €148 million. If the British pound were to strengthen 10% relative to the euro, there would be an approximate $20 million unfavorable impact to the fair value of the forward contract recognized in OCI, which would be offset by favorable currency translation gains on the Company's euro net investment in foreign subsidiaries.

Euro-denominated debt

As of December 31, 2020, the Company has designated €500 million of the 2015 Senior Notes and €750 million of the 2019 Senior Notes as a net investment hedge to mitigate FX exposure relating to euro denominated net investments in subsidiaries. If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate $153 million unfavorable adjustment to OCI related to this net investment hedge. This adjustment would be offset by favorable translation adjustments on the Company's euro net investment in subsidiaries.

Interest rate and credit risk:

Interest rate swaps designated as a fair value hedge:

The Company's interest rate risk management objectives are to reduce the funding cost and volatility to the Company and to alter the interest rate exposure to the desired risk profile. Moody's uses interest rate swaps as deemed necessary to assist in accomplishing these objectives. The Company is exposed to interest rate risk on its various outstanding fixed-rate debt for which the fair value of the outstanding fixed rate debt fluctuates based on changes in interest rates. The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month and 6-month LIBOR. These swaps are adjusted to fair market value based on prevailing interest rates at the end of each reporting period and fluctuations are recorded as a reduction or addition to the carrying value of the borrowing, while net interest payments are recorded as interest expense/income in the Company's consolidated statement of operations. A hypothetical change of 100 BPS in the LIBOR-based swap rate would result in an approximate $52 million change to the fair value of the swap, which would be offset by the change in fair value of the hedged item.

Additional information on these interest rate swaps is disclosed in Note 7 to the consolidated financial statements located in Item 8 of this Form 10-K.

Moody's cash equivalents consist of investments in high-quality investment-grade securities within and outside the U.S. with maturities of three months or less when purchased. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposit and issuers of high-grade commercial paper and by limiting the amount it can invest with any single issuer. Short-term investments primarily consist of certificates of deposit.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Company is currently financing its operations, capital expenditures, acquisitions and share repurchases from operating and financing cash flows.

The following is a summary of the changes in the Company's cash flows followed by a brief discussion of these changes:

	Year Ended December 31,				$ Change Favorable (unfavorable)	
		2020		2019		
Net cash provided by operating activities	**$**	**2,146**	$	1,675	$	471
Net cash (used in) provided by investing activities	**$**	**(1,077)**	$	36	$	(1,113)
Net cash used in financing activities	**$**	**(351)**	$	(1,563)	$	1,212
Free Cash Flow [1]	**$**	**2,043**	$	1,606	$	437

(1) Free Cash Flow is a non-GAAP measure and is defined by the Company as net cash provided by operating activities minus cash paid for capital expenditures. Refer to "Non-GAAP Financial Measures" of this MD&A for further information on this financial measure.

Net cash provided by operating activities

Net cash flows from operating activities increased $471 million compared to the prior year reflecting:

- an increase in net income compared to the same period in the prior year (see section entitled "Results of Operations" for further discussion) coupled with various changes in working capital;

partially offset by:

- a $99 million contribution to the Company's funded pension plan in the first quarter of 2020; and
- a $68 million payment made in conjunction with the settlement of treasury lock interest rate forward contracts as more fully described in Note 7 to the consolidated financial statements.

Net cash (used in) provided by investing activities

The $1,113 million increase in cash flows used in investing activities compared to 2019 primarily reflects:

- an increase in cash paid for acquisitions of $735 million (refer to Note 9 to the consolidated financial statements for further discussion on the Company's M&A activity);
- $226 million of net cash received relating to the MAKS divestiture in 2019; and
- $113 million in higher net purchases of investments in 2020 compared to the same period in the prior year (refer to Note 6 to the consolidated financial statements for further information on the Company's investments).

Net cash used in financing activities

The $1,212 million decrease in cash used in financing activities was primarily attributed to:

- the net issuance of $691 million in long-term debt during 2020 compared to a net repayment of $126 million in long-term debt in 2019; and
- lower cash paid for treasury share repurchases of $488 million compared to the same period in the prior year.

Cash and short-term investments held in non-U.S. jurisdictions

The Company's aggregate cash and cash equivalents and short-term investments of $2.7 billion at December 31, 2020 included approximately $1.5 billion located outside of the U.S. Approximately 14% of the Company's aggregate cash and cash equivalents and short-term investments is denominated in euros and British pounds. The Company manages both its U.S. and non-U.S. cash flow to maintain sufficient liquidity in all regions to effectively meet its operating needs.

As a result of the Tax Act, all previously net undistributed foreign earnings have now been subject to U.S. tax. The Company continues to evaluate which entities it will indefinitely reinvest earnings outside the U.S. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested. Accordingly, the Company has commenced repatriating a portion of its non-U.S. cash in these subsidiaries and will continue to repatriate certain of its offshore cash in a manner that addresses compliance with local statutory requirements, sufficient offshore working capital and any other factors that may be relevant in certain jurisdictions. Notwithstanding the Tax Act, which generally eliminated federal income tax on future cash repatriation to the U.S., cash repatriation may be subject to state and local taxes or withholding or similar taxes.

Other Material Future Cash Requirements

The Company believes that it has the financial resources needed to meet its cash requirements and expects to have positive operating cash flow in 2021. Cash requirements for periods beyond the next twelve months will depend, among other things, on the Company’s profitability and its ability to manage working capital requirements. The Company may also borrow from various sources.

Moody's remains committed to using its strong cash flow to create value for shareholders by both investing in the Company's employees and growing the business through targeted organic initiatives and inorganic acquisitions aligned with strategic priorities. Additional excess capital is returned to the Company’s shareholders via a combination of dividends and share repurchases.

Dividends and Share Repurchases

On February 9, 2021, the Board approved the declaration of a quarterly dividend of $0.62 per share for Moody’s common stock, payable March 18, 2021 to shareholders of record at the close of business on February 25, 2021. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board.

On December 16, 2019, the Board approved $1 billion in share repurchase authority, which at December 31, 2020 had approximately $831 million of remaining authority. Also, on February 9, 2021, the Board approved an additional $1 billion in share repurchase authority, which may be utilized following the completion of the authority granted on December 16, 2019.

Beginning late in the first quarter of 2020 and through the third quarter of 2020, the Company suspended its share repurchase activity to preserve liquidity in light of uncertainties regarding the severity and duration of the COVID-19 crisis. The Company resumed its share repurchase program in the fourth quarter of 2020.

Other cash requirements

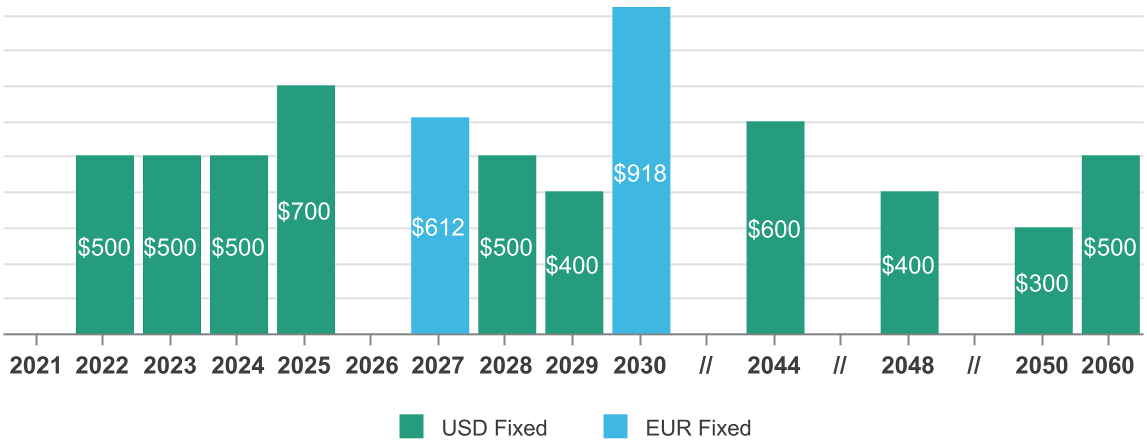
The Company has future cash requirements, including operating leases and debt service and payments, as noted in the tables that follow as well as future payments related to the transition tax under the Tax Act.

Indebtedness

During 2020, in response to uncertainties relating to the severity and duration of the COVID-19 crisis, the Company increased its long-term debt position by $700 million via public offerings to bolster liquidity. The key terms of these transactions are more fully discussed in Note 18 to the consolidated financial statements in Item 8 of this Form 10-K.

At December 31, 2020, Moody’s had $6.4 billion of outstanding debt and approximately $1 billion of additional capacity available under the Company’s CP program, which is backstopped by the 2018 Facility as more fully discussed in Note 18 to the consolidated financial statements. At December 31, 2020, the Company was in compliance with all covenants contained within all of the debt agreements. All of the Company’s long-term debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. At December 31, 2020, there were no such cross defaults.

The repayment schedule for the Company’s borrowings outstanding at December 31, 2020 is as follows:



For additional information on the Company's outstanding debt, refer to Note 18 to the consolidated financial statements.

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for operations, share repurchases and other strategic opportunities, which would result in higher financing costs.

Off-Balance Sheet Arrangements

At December 31, 2020, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities where Moody's is the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

Contractual Obligations

The following table presents payments due under the Company's contractual obligations as of December 31, 2020:

		Payments Due by Period			
(in millions)	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Indebtedness [1]	**$ 9,167**	$ 192	$ 1,373	$ 1,492	$ 6,110
Operating lease obligations	**579**	110	192	160	117
Purchase obligations	**224**	108	107	9	—
Pension obligations [2]	**149**	46	22	21	60
Total [3]	**$ 10,119**	$ 456	$ 1,694	$ 1,682	$ 6,287

(1) Reflects principal payments, related interest and applicable fees due on all indebtedness outstanding as described in Note 18 to the consolidated financial statements.

(2) Reflects projected benefit payments relating to the Company's U.S. unfunded DBPPs and Retirement and Other Plans described in Note 15 to the consolidated financial statements.

(3) The table above does not include the Company's net long-term tax liabilities of $483 million relating to UTPs, since the expected cash outflow of such amounts by period cannot be reasonably estimated. Additionally, the table above does not include approximately $33 million relating to indemnification liability resulting from the divestiture of MAKS and approximately $18 million relating to the remaining unpaid deemed repatriation liability resulting from the Tax Act enacted into law in the U.S. in December 2017.

Non-GAAP Financial Measures:

In addition to its reported results, Moody's has included in this MD&A certain adjusted results that the SEC defines as "non-GAAP financial measures." Management believes that such adjusted financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and can provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These adjusted measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these adjusted measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company. Below are brief descriptions of the Company's adjusted financial measures accompanied by a reconciliation of the adjusted measure to its most directly comparable GAAP measure:

Adjusted Operating Income and Adjusted Operating Margin:

The Company presents Adjusted Operating Income and Adjusted Operating Margin because management deems these metrics to be useful measures to provide additional perspective on the operating performance of Moody's. Adjusted Operating Income excludes the impact of: i) restructuring; ii) depreciation and amortization; iii) Acquisition-Related Expenses; iv) loss pursuant to the divestiture of MAKS; and v) a captive insurance company settlement. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. Depreciation and amortization are excluded because companies utilize productive assets of different estimated useful lives and use different methods of acquiring and depreciating productive assets. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk. These expenses were excluded in the prior years due to the material nature of the cumulative costs incurred over the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. The loss pursuant to the divestiture of MAKS is excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement relates to the resolution of a matter that is not expected to recur in the future at this magnitude.

Management believes that the exclusion of the aforementioned items, as detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue.

	Year ended December 31,	
	2020	**2019**
Operating income	**$ 2,388**	$ 1,998
Adjustments:		
Restructuring	**50**	60
Depreciation and amortization	**220**	200
Acquisition-Related Expenses	**—**	3
Loss pursuant to the divestiture of MAKS	**9**	14
Captive insurance company settlement	**—**	16
Adjusted Operating Income	**$ 2,667**	$ 2,291
Operating margin	**44.5 %**	41.4 %
Adjusted Operating Margin	**49.7 %**	47.4 %

Adjusted Net Income and Adjusted Diluted EPS attributable to Moody's common shareholders:

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems these metrics to be useful measures to provide additional perspective on the operating performance of Moody's. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) Acquisition-Related Expenses; ii) amortization of acquired intangible assets; iii) restructuring charges/adjustments; iv) loss and a tax charge pursuant to the divestiture of MAKS; and v) a captive insurance company settlement. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk. These expenses were excluded in prior years due to the material nature of the cumulative costs incurred over the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. The loss and tax charge pursuant to the divestiture of MAKS are excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement relates to the resolution of a matter that is not expected to recur in the future at this magnitude.

The Company excludes the aforementioned items to provide additional perspective when comparing net income and diluted EPS from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

Amounts in millions	Year ended December 31,			
		2020		**2019**
Net income attributable to Moody's common shareholders		**$ 1,778**		**$ 1,422**
Pre-Tax Acquisition-Related Expenses	$ —		$ 3	
Tax on Acquisition-Related Expenses	—		—	
Net Acquisition-Related Expenses		**—**		**3**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 124		$ 103	
Tax on Acquisition-Related Intangible Amortization Expenses	(28)		(24)	
Net Acquisition-Related Intangible Amortization Expenses		**96**		**79**
Pre-Tax Restructuring	$ 50		$ 60	
Tax on Restructuring	(12)		(15)	
Net Restructuring		**38**		**45**
Pre-tax captive insurance company settlement	$ —		$ 16	
Tax on captive insurance company settlement	—		(4)	
Net captive insurance company settlement		**—**		**12**
Tax charge pursuant to the divestiture of MAKS		**—**		**13**
Loss pursuant to the divestiture of MAKS		**9**		**14**
Adjusted Net Income		**$ 1,921**		**$ 1,588**

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

	Year ended December 31,			
		2020		2019
Diluted earnings per share attributable to Moody's common shareholders		**$ 9.39**		**$ 7.42**
Pre-Tax Acquisition-Related Expenses	$ —		$ 0.02	
Tax on Acquisition-Related Expenses	—		—	
Net Acquisition-Related Expenses		**—**		**0.02**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 0.66		$ 0.54	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.15)		(0.12)	
Net Acquisition-Related Intangible Amortization Expenses		**0.51**		**0.42**
Pre-Tax Restructuring	$ 0.26		$ 0.31	
Tax on Restructuring	(0.06)		(0.08)	
Net Restructuring		**0.20**		**0.23**
Pre-tax captive insurance company settlement	$ —		$ 0.08	
Tax on captive insurance company settlement	—		(0.02)	
Net captive insurance company settlement		**—**		**0.06**
Tax charge pursuant to the divestiture of MAKS		**—**		**0.07**
Loss pursuant to the divestiture of MAKS		**0.05**		**0.07**
Adjusted Diluted EPS		**$ 10.15**		**$ 8.29**

Note: the tax impacts in the table above were calculated using tax rates in effect in the jurisdiction for which the item relates.

Free Cash Flow:

The Company defines Free Cash Flow as net cash provided by operating activities minus payments for capital additions. Management believes that Free Cash Flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow. Below is a reconciliation of the Company's net cash flows from operating activities to Free Cash Flow:

	Year ended December 31,	
	2020	2019
Net cash provided by operating activities	**$ 2,146**	$ 1,675
Capital additions	**(103)**	(69)
Free Cash Flow	**$ 2,043**	$ 1,606
Net cash (used in) provided by investing activities	**$ (1,077)**	$ 36
Net cash used in financing activities	**$ (351)**	$ (1,563)

Organic Revenue:

The Company presents organic revenue and organic revenue growth because management deems this metric to be a useful measure which provides additional perspective in assessing the revenue growth excluding the inorganic revenue impacts from certain acquisitions and divestiture activity. The following table details the periods excluded from each acquisition/divestiture to determine organic revenue.

Acquisition	Acquisition Date	Period excluded to determine organic revenue growth
RiskFirst	July 25, 2019	January 1, 2020 - July 24, 2020
ABS Suite	October 1, 2019	January 1, 2020 - September 30, 2020
Regulatory DataCorp	February 13, 2020	February 13, 2020 - December 31, 2020
Acquire Media	October 21, 2020	October 21, 2020 - December 31, 2020
Divestiture	**Divestiture Date**	
MAKS	November 7, 2019	January 1, 2019 - November 7, 2019

Additionally, subsequent to the divestiture of MAKS in 2019, revenue from the MALS unit, which previous to 2020 was reported in the Professional Services LOB, is now reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material. For purposes of determining organic RD&A revenue growth, MALS revenue has been excluded from 2020 RD&A revenue.

Below is a reconciliation of MA's reported revenue and growth rates to its organic revenue and organic growth rates:

	Year Ended December 31,			
Amounts in millions	2020	2019	Change	Growth
MA revenue	**$ 2,079**	$ 1,954	$ 125	**6%**
RiskFirst	**(12)**	—	(12)	
ABS Suite	**(6)**	—	(6)	
Regulatory Data Corp	**(52)**	—	(52)	
Acquire Media	**(2)**	—	(2)	
MAKS	**—**	(94)	94	
Organic MA revenue	**$ 2,007**	$ 1,860	$ 147	**8%**

	Year Ended December 31,			
Amounts in millions	2020	2019	Change	Growth
RD&A revenue	**$ 1,514**	$ 1,273	$ 241	**19%**
ABS Suite	**(6)**	—	(6)	
Regulatory Data Corp	**(52)**	—	(52)	
Acquire Media	**(2)**	—	(2)	
MALS	**(56)**	—	(56)	
Organic RD&A revenue	**$ 1,398**	$ 1,273	$ 125	**10%**

	Year Ended December 31,			
Amounts in millions	2020	2019	Change	Growth
ERS revenue	**$ 565**	$ 522	$ 43	**8%**
RiskFirst revenue	**(12)**	—	(12)	
Organic ERS revenue	**$ 553**	$ 522	$ 31	**6%**

Recently Issued Accounting Pronouncements

Refer to Note 2 to the consolidated financial statements located in Part II, Item 8 on this Form 10-K for a discussion on the impact to the Company relating to recently issued accounting pronouncements.

CONTINGENCIES

Legal proceedings in which the Company is involved also may impact Moody's liquidity or operating results. No assurance can be provided as to the outcome of such proceedings. In addition, litigation inherently involves significant costs. For information regarding legal proceedings, see Part II, Item 8 – "Financial Statements", Note 21 "Contingencies" in this Form 10-K.

Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of the Company that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this annual report on Form 10-K, including in the sections entitled "Contingencies" under Item 7, "MD&A", commencing on page 43 of this annual report on Form 10-K, under "Legal Proceedings" in Part I, Item 3, of this Form 10-K, and elsewhere in the context of statements containing the words "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof relating to the Company's views on future events, trends and contingencies or otherwise convey the prospective nature of events or outcomes generally indicative of forward-looking statements. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this annual report on Form 10-K, 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 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 Brexit and uncertainty as companies transition away from LIBOR; 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; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to Moody's Investors Service'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; U.S. 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, 2020, 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this item is set forth under the caption “Market Risk” in Part II, Item 7 on page 63 of this annual report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS

Index to Financial Statements

Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moody’s Corporation is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company’s Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Moody’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Moody’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company evaluated and assessed the design and operational effectiveness of the Company’s internal control over financial reporting as of December 31, 2020 based on criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the assessment performed, management has concluded that Moody’s maintained effective internal control over financial reporting as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of Moody's internal control over financial reporting as of December 31, 2020.

/s/ ROBERT FAUBER

Robert Fauber

President and Chief Executive Officer

/s/ MARK KAYE

Mark Kaye

Senior Vice President and Chief Financial Officer

February 19, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Moody's Corporation:

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Moody's Corporation and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Accounting Standard Codification (ASC) Topic 842, Leases.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Carrying value of goodwill

As discussed in Note 10 to the consolidated financial statements, the goodwill balance as of December 31, 2020 was $4,556 million. The Company evaluates its reporting units for impairment on an annual basis, or more frequently if there are changes in the reporting structure of the Company or indicators of potential impairment. The Company has seven primary reporting units as of December 31, 2020: two within the Company's Moody's Investors Service segment and five within the Moody's Analytics segment.

We identified the assessment of the carrying value of goodwill in the reporting units within the Moody's Analytics segment as a critical audit matter on account of the significant degree of judgment required in evaluating assumptions about future operating results and the discount rates used to measure the reporting unit fair values.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of internal controls over the Company's goodwill impairment process, including controls related to future operating results and the discount rates used to measure the reporting unit fair values. We evaluated management's judgments relating to the assumed revenue growth rates, operating costs, and the discount rates by comparing them to available evidence. We also performed sensitivity analyses to assess the impact of alternative assumptions on management's impairment conclusion. We compared the Company's historical revenue and cost forecasts to actual results to assess the Company's ability to accurately forecast. For certain reporting units, we involved valuation professionals with specialized skill and knowledge, who assisted in assessing the significant assumptions used to develop the discount rates, including the relevance and reliability of the information used.

Gross uncertain tax positions

As discussed in Note 17 to the consolidated financial statements, the Company has recorded uncertain tax positions (UTPs), excluding associated interest, of $483 million as of December 31, 2020. The Company determines whether it is more-likely-than-not that a tax position will be sustained based on its technical merits as of the reporting date. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

We identified the assessment of the Company's gross UTPs as a critical audit matter because complex judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of the tax positions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of internal controls over the Company's tax process, including those related to the timely identification of UTPs, the assessment of new information related to previously identified UTPs, and the measurement of UTPs. We involved valuation professionals with specialized skills and knowledge, who assisted in assessing transfer pricing studies for compliance with applicable laws and regulations. Additionally, we involved tax professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's interpretation of tax laws and judgments about the administrative practices of tax authorities
- inspecting settlement documents with applicable taxing authorities
- assessing the expiration of statutes of limitations
- performing an assessment of the Company's tax positions and comparing the results to the Company's assessment.

In addition, we evaluated the Company's ability to accurately estimate its gross UTPs by comparing historical gross UTPs to actual results upon conclusion of tax audits or expiration of the statute of limitations.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

New York, New York

February 19, 2021

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in millions, except per share data)

	Year Ended December 31,		
	2020	2019	2018
Revenue	$ 5,371	$ 4,829	$ 4,443
Expenses			
Operating	1,475	1,387	1,246
Selling, general and administrative	1,229	1,167	1,080
Restructuring	50	60	49
Depreciation and amortization	220	200	192
Acquisition-Related Expenses	—	3	8
Loss pursuant to the divestiture of MAKS	9	14	—
Total expenses	**2,983**	**2,831**	**2,575**
Operating income	**2,388**	**1,998**	**1,868**
Non-operating (expense) income, net			
Interest expense, net	(205)	(208)	(215)
Other non-operating income, net	46	20	19
Non-operating (expense) income, net	**(159)**	**(188)**	**(196)**
Income before provision for income taxes	**2,229**	**1,810**	**1,672**
Provision for income taxes	452	381	352
Net income	**1,777**	**1,429**	**1,320**
Less: Net (loss) income attributable to noncontrolling interests	(1)	7	10
Net income attributable to Moody's	**$ 1,778**	**$ 1,422**	**$ 1,310**
Earnings per share			
Basic	**$ 9.48**	**$ 7.51**	**$ 6.84**
Diluted	**$ 9.39**	**$ 7.42**	**$ 6.74**
Weighted average shares outstanding			
Basic	**187.6**	**189.3**	**191.6**
Diluted	**189.3**	**191.6**	**194.4**

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			**$ 1,777**			$ 1,429			$ 1,320
Other Comprehensive Income (Loss):									
Foreign Currency Adjustments:									
Foreign currency translation adjustments, net	**$ 361**	**$ (13)**	**$ 348**	$ (22)	$ (1)	$ (23)	$ (315)	$ —	$ (315)
Foreign currency translation adjustments - reclassification of losses included in net income	**—**	**—**	**—**	32	—	32	—	—	—
Net (losses) gains on net investment hedges	**(364)**	**91**	**(273)**	35	(9)	26	41	(7)	34
Net investment hedges - reclassification of gains included in net income	**(1)**	**—**	**(1)**	(3)	1	(2)	—	—	—
Cash Flow Hedges:									
Net losses on cash flow hedges	**(68)**	**17**	**(51)**	—	—	—	(1)	—	(1)
Reclassification of losses included in net income	**3**	**(1)**	**2**	—	—	—	—	—	—
Pension and Other Retirement Benefits:									
Amortization of actuarial losses/prior service costs and settlement charge included in net income	**8**	**(2)**	**6**	3	(1)	2	5	(1)	4
Net actuarial (losses) gains and prior service costs	**(42)**	**10**	**(32)**	(32)	8	(24)	6	(2)	4
Total Other Comprehensive (Loss) Income	**$ (103)**	**$ 102**	**$ (1)**	$ 13	$ (2)	$ 11	$ (264)	$ (10)	$ (274)
Comprehensive Income			**1,776**			1,440			1,046
Less: comprehensive (loss) income attributable to noncontrolling interests			**(8)**			11			(12)
Comprehensive Income Attributable to Moody's			**$ 1,784**			$ 1,429			$ 1,058

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share and per share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,597**	$ 1,832
Short-term investments	**99**	98
Accounts receivable, net of allowances for credit losses of $34 in 2020 and $20 in 2019	**1,430**	1,419
Other current assets	**383**	330
Total current assets	**4,509**	3,679
Property and equipment, net	**278**	292
Operating lease right-of-use assets	**393**	456
Goodwill	**4,556**	3,722
Intangible assets, net	**1,824**	1,498
Deferred tax assets, net	**334**	229
Other assets	**515**	389
Total assets	**$ 12,409**	$ 10,265
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,039**	$ 773
Current portion of operating lease liabilities	**94**	89
Deferred revenue	**1,089**	1,050
Total current liabilities	**2,222**	1,912
Non-current portion of deferred revenue	**98**	112
Long-term debt	**6,422**	5,581
Deferred tax liabilities, net	**404**	357
Uncertain tax positions	**483**	477
Operating lease liabilities	**427**	485
Other liabilities	**590**	504
Total liabilities	**10,646**	9,428
Contingencies (Note 21)		
Redeemable noncontrolling interest	**—**	6
Shareholders' equity:		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at December 31, 2020 and December 31, 2019, respectively.	**3**	3
Capital surplus	**735**	642
Retained earnings	**11,011**	9,656
Treasury stock, at cost; 155,808,563 and 155,215,143 shares of common stock at December 31, 2020 and December 31, 2019, respectively	**(9,748)**	(9,250)
Accumulated other comprehensive loss	**(432)**	(439)
Total Moody's shareholders' equity	**1,569**	612
Noncontrolling interests	**194**	219
Total shareholders' equity	**1,763**	831
Total liabilities, redeemable noncontrolling interest and shareholders' equity	**$ 12,409**	$ 10,265

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

	Year Ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities			
Net income	**$ 1,777**	$ 1,429	$ 1,320
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	**220**	200	192
Stock-based compensation	**154**	136	130
Deferred income taxes	**(44)**	(38)	(99)
Prepayment penalty relating to early redemption of debt	**24**	12	—
Settlement of treasury rate lock	**(68)**	—	—
ROU Asset impairment & other non-cash restructuring/impairment charges	**36**	38	—
Loss pursuant to the divestiture of MAKS	**9**	14	—
Changes in assets and liabilities:			
Accounts receivable	**31**	(134)	(136)
Other current assets	**(38)**	(88)	(9)
Other assets	**(49)**	(69)	(17)
Lease obligations	**(10)**	(16)	—
Accounts payable and accrued liabilities	**247**	65	(99)
Deferred revenue	**(29)**	76	139
Unrecognized tax positions and other non-current tax liabilities	**(12)**	8	59
Other liabilities	**(102)**	42	(19)
Net cash provided by operating activities	**2,146**	1,675	1,461
Cash flows from investing activities			
Capital additions	**(103)**	(69)	(91)
Purchases of investments	**(181)**	(138)	(193)
Sales and maturities of investments	**104**	174	161
Cash received upon disposal of a business, net of cash transferred to purchaser	**—**	226	6
Cash paid for acquisitions, net of cash acquired	**(897)**	(162)	(289)
Receipts from settlements of net investment hedges	**2**	12	—
Payments for settlements of net investment hedges	**(2)**	(7)	—
Net cash (used in) provided by investing activities	**(1,077)**	36	(406)
Cash flows from financing activities			
Issuance of notes	**1,491**	824	1,090
Repayment of notes	**(800)**	(950)	(800)
Issuance of commercial paper	**789**	1,317	989
Repayment of commercial paper	**(792)**	(1,320)	(1,120)
Proceeds from stock-based compensation plans	**51**	45	47
Repurchase of shares related to stock-based compensation	**(104)**	(77)	(62)
Treasury shares	**(503)**	(991)	(203)
Dividends	**(420)**	(378)	(337)
Dividends to noncontrolling interests	**(1)**	(3)	(5)
Payment for noncontrolling interest	**(23)**	(12)	—
Debt issuance costs, extinguishment costs and related fees	**(39)**	(18)	(11)
Net cash used in financing activities	**(351)**	(1,563)	(412)
Effect of exchange rate changes on cash and cash equivalents	**47**	(1)	(30)
Increase in cash and cash equivalents	**765**	147	613
Cash and cash equivalents, beginning of period	**1,832**	1,685	1,072
Cash and cash equivalents, end of period	**$ 2,597**	$ 1,832	$ 1,685

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(Amounts in millions, except per share data)

	Shareholders of Moody's Corporation									
	Common Stock				Treasury Stock					
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Loss	Total Moody's Shareholders' (Deficit) Equity	Non-Controlling Interests	Total Shareholders' (Deficit) Equity
Balance at December 31, 2017	**342.9**	**$ 3**	**$ 529**	**$ 7,465**	**(151.9)**	**$ (8,153)**	**$ (172)**	**$ (328)**	**$ 213**	**$ (115)**
Net income				1,310				1,310	10	1,320
Dividends ($1.76 per share)				(339)				(339)	(4)	(343)
Adoption of Revenue Accounting Standard				156				156		156
Adoption of ASU 2016-01				2			(2)	—		—
Stock-based compensation			131					131		131
Shares issued for stock-based compensation plans at average cost, net			(59)		1.5	43		(16)		(16)
Treasury shares repurchased					(1.2)	(203)		(203)		(203)
Currency translation adjustment, net of net investment hedge activity (net of tax of $7 million)							(259)	(259)	(22)	(281)
Net actuarial gains and prior service cost (net of tax of $2 million)							4	4		4
Amortization of prior service costs and actuarial losses (net of tax of $1 million)							4	4		4
Net realized and unrealized gain on cash flow hedges (net of tax of $1 million)							(1)	(1)		(1)
Balance at December 31, 2018	**342.9**	**$ 3**	**$ 601**	**$ 8,594**	**(151.6)**	**$ (8,313)**	**$ (426)**	**$ 459**	**$ 197**	**$ 656**

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY continued

(Amounts in millions, except per share data)

	Shareholders of Moody's Corporation									
	Common Stock				Treasury Stock					
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Loss	Total Moody's Shareholders' Equity	Non-Controlling Interests	Total Shareholders' Equity
Balance at December 31, 2018	**342.9**	**$ 3**	**$ 601**	**$ 8,594**	**(151.6)**	**$ (8,313)**	**$ (426)**	**$ 459**	**$ 197**	**$ 656**
Net income				1,422				1,422	7	1,429
Dividends ($2.00 per share)				(380)				(380)	(3)	(383)
Adoption of ASU 2018-02, relating to the Tax Act				20			(20)	—		—
Stock-based compensation			136					136		136
Shares issued for stock-based compensation plans at average cost, net			(70)		1.6	38		(32)		(32)
Purchase of noncontrolling interest			(9)					(9)	(3)	(12)
Non-controlling interest resulting from majority acquisition of Vigeo Eiris								—	17	17
Treasury shares repurchased			(16)		(5.2)	(975)		(991)		(991)
Currency translation adjustment, net of net investment hedge activity (net of tax of $9 million)							29	29	4	33
Net actuarial losses and prior service cost (net of tax of $8 million)							(24)	(24)		(24)
Amortization of prior service costs and actuarial losses (net of tax of $1 million)							2	2		2
Balance at December 31, 2019	**342.9**	**$ 3**	**$ 642**	**$ 9,656**	**(155.2)**	**$ (9,250)**	**$ (439)**	**$ 612**	**$ 219**	**$ 831**

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY continued

(Amounts in millions, except per share data)

	Shareholders of Moody's Corporation								Non-Controlling Interests	Total Shareholders' Equity
	Common Stock		Capital Surplus	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Moody's Shareholders' Equity		
	Shares	Amount			Shares	Amount				
Balance at December 31, 2019	**342.9**	**$ 3**	**$ 642**	**$ 9,656**	**(155.2)**	**$ (9,250)**	**$ (439)**	**$ 612**	**$ 219**	**$ 831**
Net income				1,778				1,778	—	1,778
Dividends ($2.24 per share)				(421)				(421)	(3)	(424)
Adoption of New Credit Losses Accounting Standard				(2)				(2)		(2)
Stock-based compensation			154					154		154
Shares issued for stock-based compensation plans at average cost, net			(58)		1.4	5		(53)		(53)
Purchase of noncontrolling interest			(3)					(3)	(14)	(17)
Treasury shares repurchased			—		(2.0)	(503)		(503)		(503)
Currency translation adjustment, net of net investment hedge activity (net of tax of $78 million)							82	82	(8)	74
Net actuarial losses and prior service cost (net of tax of $10 million)							(32)	(32)		(32)
Amortization of prior service costs and actuarial losses (net of tax of $2 million)							6	6		6
Net realized and unrealized loss on cash flow hedges (net of tax of $16 million)							(49)	(49)		(49)
Balance at December 31, 2020	**342.9**	**$ 3**	**$ 735**	**$ 11,011**	**(155.8)**	**$ (9,748)**	**$ (432)**	**$ 1,569**	**$ 194**	**$ 1,763**

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 **DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

Moody's is a global integrated risk assessment firm that empowers organizations and investors to make better decisions. Moody's reports in two reportable segments: MIS and MA.

MIS publishes credit ratings and provides assessment services on a wide range of debt obligations, programs and facilities, and the entities that issue such obligations in markets worldwide, including various corporate, financial institution and governmental obligations, and structured finance securities. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings to support the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations, which consist primarily of financial instrument pricing services in the Asia-Pacific region, revenue from providing ESG research, data and assessments and revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

MA is a global provider of data and analytic solutions which help companies make better and faster decisions. MA's analytic models, industry insights, software tools and proprietary data assets allow companies to inform and perform many critical business activities with trust and confidence. MA's approach to aggregating, broadening and deepening available data, research, analytic tools and software solutions fosters a more integrated and efficient delivery to MA's customers resulting in better decisions around risks and opportunities.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases (Topic 842)" and elected to apply the provisions of the New Lease Accounting Standard on the date of adoption with adjustments to the assets and liabilities on its opening balance sheet, with no cumulative-effect adjustment to the opening balance of retained earnings required. Accordingly, the Company did not restate prior year comparative periods for the impact of the New Lease Accounting Standard.

On January 1, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The Company has implemented policies and procedures in compliance with the "expected credit loss" impairment model, which included: (1) refinement of the grouping of receivables with similar risk characteristics; and (2) processes to identify information that can be used to develop reasonable and supportable forecasts of factors that could affect the collectability of the reported amount of the receivable. As the Company's accounts receivable are short-term in nature, the adoption of this ASU did not have a material impact to the Company's allowance for bad debts or its policies and procedures for determining the allowance. Refer to Note 2 for further information on how the Company determines its reserves for expected credit losses. The Company recorded a $2 million cumulative-effect adjustment to retained earnings to increase its allowance for credit losses upon adoption.

On January 1, 2020, the Company adopted ASU No. 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This ASU requires implementation costs incurred by customers in cloud computing arrangements (i.e., hosting arrangements) to be capitalized under the same provisions of authoritative guidance for internal-use software, and amortized over the non-cancellable term of the cloud computing arrangements plus any option renewal periods that are reasonably certain to be exercised by the customer or for which the exercise is controlled by the service provider. The Company is now required to present the amortization of capitalized implementation costs in the same line item in the statement of operations as the fees associated with the hosting service (i.e. operating and SG&A expense) and classify the related payments in the statement of cash flows in the same manner as payments made for fees associated with the hosting service (i.e. cash flows from operating activities). This ASU also requires capitalization of implementation costs in the balance sheet to be consistent with the location of prepayment of fees for the hosting element (i.e. within other current assets or other assets). The Company adopted this ASU prospectively to all implementation costs incurred after the date of adoption and it did not have a material impact on the Company's current financial statements. The future impact to the Company's financial statements will relate to the aforementioned classification of these capitalized costs and related amortization.

In March 2020, FASB issued ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting". The ASU provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance was effective beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022 as the transition from LIBOR is completed.

On December 31, 2020, the Company adopted ASU No. 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans”. This ASU eliminates requirements for certain disclosures and requires additional disclosures under defined benefit pension plans and other postretirement plans. The Company is also now required to present a narrative description of significant gains or losses in the benefit obligation over the past year. The Company adopted this ASU retrospectively for all periods presented with the new required disclosures presented in Note 15.

COVID-19

The Company experienced disruption in certain sectors of its business beginning late in the first quarter of 2020 resulting from market volatility associated with the COVID-19 crisis. However, at the date of the filing of this annual report on Form 10-K, the Company is unable to predict either the potential near-term or longer-term impact that the COVID-19 crisis may have on its financial position and operating results due to numerous uncertainties regarding the duration and severity of the crisis, including the length of time to distribute a vaccine. As a result, it is reasonably possible that the Company could experience material impacts including, but not limited to: reductions in revenue and cash flows; additional credit losses related to accounts receivables; asset impairment charges; and changes in the funded status of defined benefit pension plans. While it is reasonably possible that the COVID-19 crisis could impact the results of operations and cash flows of the Company in the near term, Moody's believes that it has adequate liquidity to maintain its operations with minimal disruption and to maintain compliance with its debt covenants.

In order to maximize liquidity and to increase available cash on hand through this period of uncertainty, the Company increased its long-term borrowings by $700 million as more fully discussed in Note 18. In addition, the Company reduced discretionary spending, including temporarily suspending its share repurchase program beginning late in the first quarter of 2020 and spanning through the third quarter. The Company resumed its share repurchase program in the fourth quarter of 2020.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020 in the United States. The Company utilized certain provisions in the CARES Act and other IRS guidance which permit the deferral of certain income and payroll tax remittances.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

The consolidated financial statements include those of Moody’s Corporation and its majority- and wholly-owned subsidiaries. The effects of all intercompany transactions have been eliminated. Investments in companies for which the Company has significant influence over operating and financial policies but not a controlling interest are accounted for on an equity basis whereby the Company records its proportional share of the investment’s net income or loss as part of other non-operating income (expense), net and any dividends received reduce the carrying amount of the investment. The Company applies the guidelines set forth in Topic 810 of the ASC in assessing its interests in variable interest entities to decide whether to consolidate an entity. The Company has reviewed the potential variable interest entities and determined that there are no consolidation requirements under Topic 810 of the ASC. The Company consolidates its ICRA subsidiaries on a three month lag.

Cash and Cash Equivalents

Cash equivalents principally consist of investments in money market mutual funds and money market deposit accounts as well as high-grade commercial paper and certificates of deposit with maturities of three months or less when purchased.

Short-term Investments

Short-term investments are securities with maturities greater than 90 days at the time of purchase that are available for operations in the next 12 months. The Company’s short-term investments primarily consist of certificates of deposit and their cost approximates fair value due to the short-term nature of the instruments. Interest and dividends on these investments are recorded into income when earned.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred.

Computer Software Developed or Obtained for Internal Use

The Company capitalizes costs related to software developed or obtained for internal use. These assets, included in property and equipment in the consolidated balance sheets, relate to the Company’s financial, website and other systems. Such costs generally consist of direct costs for third-party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application development stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives on a straight-line basis. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

The Company also capitalizes implementation costs incurred in cloud computing arrangements (i.e., hosting arrangements) and depreciates the costs over the non-cancellable term of the cloud computing arrangements plus any option renewal periods that are reasonably certain to be exercised or for which the exercise is controlled by the service provider. The Company classifies the amortization of capitalized implementation costs in the same line item in the statement of operations as the fees associated with the hosting service (i.e., operating and SG&A expense) and classifies the related payments in the statement of cash flows in the same manner as payments made for fees associated with the hosting service (i.e. cash flows from operating activities). In addition, the capitalization of implementation costs is reflected in the balance sheet consistent with the location of prepayment of fees for the hosting element (i.e., within other current assets or other assets).

Goodwill and Other Acquired Intangible Assets

Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment (i.e., MIS and MA), or one level below an operating segment (i.e., a component of an operating segment), annually as of July 31 or more frequently if impairment indicators arise in accordance with ASC Topic 350.

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made based on the qualitative factors that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be quantitatively determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company will record a goodwill impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value.

The Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions, reporting unit realignments or if there are indicators of potential impairment. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. Goodwill is assigned to a reporting unit at the date when an acquisition is integrated into one of the established reporting units, and is based on which reporting unit is expected to benefit from the synergies of the acquisition.

For purposes of assessing the recoverability of goodwill, the Company has seven primary reporting units: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and five reporting units within MA: Content, ERS, MALS, Bureau van Dijk and Reis.

Impairment of long-lived assets and definite-lived intangible assets

Long-lived assets (including ROU Assets) and amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Under the first step of the recoverability assessment, the Company compares the estimated undiscounted future cash flows attributable to the asset or asset group to their carrying value. If the undiscounted future cash flows are greater than the carrying value, no further assessment is required. If the undiscounted future cash flows are less than the carrying value, Moody's proceeds with step two of the assessment. Under step two of this assessment, Moody's is required to determine the fair value of the asset or asset group (reduced by the estimated cost to sell the asset for assets or disposal groups classified as held-for-sale) and recognize an impairment loss if the carrying amount exceeds its fair value.

Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes shares issued under stock option and restricted stock plans.

Derivative Instruments and Hedging Activities

Based on the Company's risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values on a gross basis. The changes in the value of derivatives that qualify as fair value hedges are recorded in the same income statement line item in earnings in which the corresponding adjustment to the carrying value of the hedged item is presented. The entire change in the fair value of derivatives that qualify as cash flow hedges is recorded to OCI and such amounts are reclassified from AOCI to the same income statement line in earnings in the same period or periods during which the hedged transaction affects income. Effective with the Company's early adoption of ASC 2017-12, the Company changed the method by which it assesses effectiveness for net investment hedges from the forward-method to the spot-method. The Company considers the spot-method an improved method of assessing hedge effectiveness, as spot rate changes relating to the hedging instrument's notional amount perfectly offset the currency translation adjustment on the hedged net investment in the Company's foreign subsidiaries. The entire change in the fair value of derivatives that qualify as net investment hedges is initially recorded to OCI. Those changes in fair value attributable to components included in the assessment of hedge effectiveness in a net investment hedge are recorded in the currency translation adjustment component of OCI and remain in AOCI until the period in which the hedged item affects earnings. Those changes in fair value attributable to components excluded from the assessment of hedge effectiveness in a net investment hedge are recorded to OCI and amortized to earnings using a systematic and rational method over the duration of the hedge. Any changes in the fair value of derivatives that the Company does not designate as hedging instruments under Topic 815 of the ASC are recorded in the consolidated statements of operations in the period in which they occur.

Revenue Recognition and Costs to Obtain or Fulfill a Contract with a Customer

Revenue recognition:

Revenue is recognized when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to each distinct performance obligation on a relative SSP basis. The Company determines the SSP by using the price charged for a deliverable when sold separately or uses management's best estimate of SSP for goods or services not sold separately using estimation techniques that maximize observable data points, including: internal factors relevant to its pricing practices such as costs and margin objectives; standalone sales prices of similar products; pricing policies; percentage of the fee charged for a primary product or service relative to a related product or service; and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trends.

Sales, usage-based, value added and other taxes are excluded from revenues.

MIS Revenue

In the MIS segment, revenue arrangements with multiple elements are generally comprised of two distinct performance obligations, a rating and the related monitoring service. Revenue attributed to ratings of issued securities is generally recognized when the rating is delivered to the issuer. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of certain structured finance products, primarily CMBS, issuers can elect to pay all of the annual monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities.

MIS arrangements generally have standard contractual terms for which the stated payments are due at conclusion of the ratings process for ratings and either upfront or in arrears for monitoring services; and are signed by customers either on a per issue basis or at the beginning of the relationship with the customer. In situations when customer fees for an arrangement may be variable, the Company estimates the variable consideration at inception using the expected value method based on analysis of similar contracts in the same line of business, which is constrained based on the Company's assessment of the realization of the adjustment amount.

The Company allocates the transaction price within arrangements that include multiple performance obligations based upon the relative SSP of each service. The SSP for both rating and monitoring services is generally based upon observable selling prices where the rating or monitoring service is sold separately to similar customers.

MA Revenue

In the MA segment, products and services offered by the Company include hosted research and data subscriptions, installed software subscriptions, perpetual installed software licenses and related maintenance, or PCS, and professional services. Subscription and PCS contracts are generally invoiced in advance of the contractual coverage period, which is principally one year, but can range from 3-5 years; while perpetual software licenses are generally invoiced upon delivery and professional services are invoiced as those services are provided. Payment terms and conditions vary by contract type, but primarily include a requirement of payment within 30 to 60 days.

Revenue from research, data and other hosted subscriptions is recognized ratably over the related subscription period as MA's performance obligation to provide access to these products is progressively fulfilled over the stated term of the contract. A large portion of these services are invoiced in the months of November, December and January.

Revenue from the sale of a software license, when considered distinct from the related software implementation services, is generally recognized at the time the product master or first copy is delivered or transferred to the customer. PCS is generally recognized ratably over the contractual period commencing when the software license is fully delivered. Revenue from installed software subscriptions, which includes PCS, is bifurcated into a software license performance obligation and a PCS performance obligation, which follow the patterns of recognition described above. However, in instances where the software license (perpetual or subscription) and related implementation services are considered to be one combined performance obligation, revenue is recognized over time using cost based input methods. Due to the strategic shift in the MA business towards SaaS solutions, revenue generated from these types of arrangements were not material in the years ended December 31, 2020, 2019 and 2018.

For implementation services and other service projects within the ERS and ESA businesses for which fees are fixed, the Company determined progress towards completion is most accurately measured on a percentage-of-completion basis (input method) as this approach utilizes the most directly observable data points and is therefore used to recognize the related revenue. For implementation services where price varies based on time expended, a time-based measure of progress towards completion of the performance obligation is utilized.

Revenue from professional services rendered is generally recognized as the services are performed over time.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where an arrangement contains multiple performance obligations, the Company accounts for the individual performance obligations separately if they are considered distinct. Revenue is generally allocated to all performance obligations based upon the relative SSP at contract inception. For certain performance obligations, judgment is required to determine the SSP. Revenue is recognized for each performance obligation based upon the conditions for revenue recognition noted above.

In the MA segment, customers usually pay a fixed fee for the products and services based on signed contracts. However, accounting for variable consideration is applied mainly for: i) estimates for cancellation rights and price concessions and ii) T&M based services.

The Company estimates the variable consideration associated with cancellation rights and price concessions based on the expected amount to be provided to customers and reduces the amount of revenue to be recognized. T&M based contracts represent about half of MA’s service projects within the ERS and ESA businesses. The Company provides agreed upon services at a contracted daily or hourly rate. The commitment represents a series of goods and services that are substantially the same and have the same pattern of transfer to the customer. As such, if T&M services are sold with other MA products, the Company allocates the variable consideration entirely to the T&M performance obligation if the services are sold at standard pricing or at a similar discount level compared to other performance obligations in the same revenue contract. If these criteria are not met, the Company estimates variable consideration for each performance obligation upfront. Each form of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

Costs to Obtain or Fulfill a Contract with a Customer:

Costs to obtain a contract with a customer

Costs incurred to obtain customer contracts, such as sales commissions, are deferred and recorded within other current assets and other assets when such costs are determined to be incremental to obtaining a contract, would not have been incurred otherwise and the Company expects to recover those costs. These costs are amortized to expense on a systematic basis consistent with the transfer of the products or services to the customer. Depending on the line of business to which the contract relates, this may be based upon the average economic life of the products sold or average period for which services are provided, inclusive of anticipated contract renewals. Determining the estimated economic life of the products sold requires judgment with respect to anticipated future technological changes. The Company had a balance of $180 million and $159 million in such deferred costs as of December 31, 2020 and December 31, 2019, respectively, and recognized $59 million, $53 million and $38 million of related amortization during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively, which is included within SG&A expenses in the consolidated statement of operations. Costs incurred to obtain customer contracts are only in the MA segment.

Cost to fulfill a contract with a customer

Costs incurred to fulfill customer contracts, are deferred and recorded within other current assets and other assets when such costs relate directly to a contract, generate or enhance resources of the Company that will be used in satisfying performance obligations in the future and the Company expects to recover those costs.

The Company capitalizes work-in-process costs for in-progress MIS ratings, which is recognized consistent with the rendering of the related services to the customers, as ratings are issued. The Company had a balance of $12 million and $11 million in such deferred costs as of December 31, 2020 and December 31, 2019, respectively, and recognized $47 million, $42 million and $40 million of amortization of the costs during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

In addition, within the MA segment, the Company capitalizes royalty costs related to third-party information data providers associated with hosted company information and business intelligence products. These costs are amortized to expense consistent with the recognition pattern of the related revenue over time. The Company had a balance of $35 million and $40 million in such deferred costs as of December 31, 2020 and December 31, 2019, respectively, and recognized $66 million, $56 million and $54 million of related amortization during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

Accounts Receivable Allowances

In order to determine an estimate of expected credit losses, receivables are segmented based on similar risk characteristics including historical credit loss patterns and industry or class of customers to calculate reserve rates. The Company uses an aging method for developing its allowance for credit losses by which receivable balances are stratified based on aging category. A reserve rate is calculated for each aging category which is generally based on historical information, and is adjusted, when necessary, for current conditions (e.g., macroeconomic or industry related) and reasonable and supportable forecasts about the future. The Company also considers customer specific information (e.g., bankruptcy or financial difficulty) when estimating its expected credit losses, as well as the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Expected credit losses are reflected as additions to the accounts receivable allowance. Actual uncollectible account write-offs are recorded against the allowance.

During the year ended December 31, 2020, the Company recorded a net provision for expected credit losses of $26 million. The increase in the provision for expected credit losses for the current period was primarily attributable to the aforementioned estimated effects of COVID-19.

Leases

The Company has operating leases, of which substantially all relate to the lease of office space. The Company's leases which are classified as finance leases are not material to the consolidated financial statements.

The Company determines if an arrangement meets the definition of a lease at contract inception. The Company recognizes in its consolidated balance sheet a lease liability and an ROU Asset for all leases with a lease term greater than 12 months. In determining the length of the lease term, the Company utilizes judgment in assessing the likelihood of whether it is reasonably certain that it will exercise an option to extend or early-terminate a lease, if such options are provided in the lease agreement.

ROU Assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU Assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As substantially all of the Company's leases do not provide an implicit interest rate, the Company uses its estimated secured incremental borrowing rates at the lease commencement date in determining the present value of lease payments. These secured incremental borrowing rates are attributable to the currency in which the lease is denominated.

At commencement, the Company's initial measurement of the ROU Asset is calculated as the present value of the remaining lease payments (i.e., lease liability), with additive adjustments reflecting: initial direct costs (e.g., broker commissions) and prepaid lease payments (if any); and reduced by any lease incentives provided by the lessor if: (i) received before lease commencement or (ii) receipt of the lease incentive is contingent upon future events for which the occurrence is both probable and within the Company's control.

Lease expense for minimum operating lease payments is recognized on a straight-line basis over the lease term. This straight-line lease expense represents a single lease cost which is comprised of both an interest accretion component relating to the lease liability and amortization of the ROU Assets. The Company records this single lease cost in operating and SG&A expenses. However, in situations where an operating lease ROU Asset has been impaired, the subsequent amortization of the ROU Asset is then recorded on a straight-line basis over the remaining lease term and is combined with accretion expense on the lease liability to result in single operating lease cost (which subsequent to impairment will no longer follow a straight-line recognition pattern).

The Company has lease agreements which include lease and non-lease components. For the Company's office space leases, the lease components (e.g., fixed rent payments) and non-lease components (e.g., fixed common-area maintenance costs) are combined and accounted for as a single lease component.

Variable lease payments (e.g. variable common-area-maintenance costs) are only included in the initial measurement of the lease liability to the extent those payments depend on an index or a rate. Variable lease payments not included in the lease liability are recognized in net income in the period in which the obligation for those payments is incurred.

Contingencies

Moody's is involved in legal and tax proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation that are incidental to the Company's business, including claims based on ratings assigned by MIS. Moody's is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. Moody's discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

Operating Expenses

Operating expenses include costs associated with the development and production of the Company's products and services and their delivery to customers. These expenses principally include employee compensation and benefits and travel costs that are incurred in connection with these activities. Operating expenses are charged to income as incurred.

Selling, General and Administrative Expenses

SG&A expenses include such items as compensation and benefits for corporate officers and staff and compensation and other expenses related to sales. They also include items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. SG&A expenses are charged to income as incurred.

Foreign Currency Translation

For all operations outside the U.S. where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these foreign operations, currency translation adjustments are recorded to other comprehensive income.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts, net actuarial gains and losses and net prior service costs related to pension and other retirement plans and gains and losses on derivative instruments designated as net investment hedges or cash flow hedges. Comprehensive income items, including cumulative translation adjustments of entities that are less-than-wholly-owned subsidiaries, will be reclassified to noncontrolling interests and thereby, adjusting accumulated other comprehensive income proportionately in accordance with the percentage of ownership interest of the NCI shareholder.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company classifies interest related to unrecognized tax benefits as a component of interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. For UTPs, the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

On December 22, 2017, the Tax Act was signed into law, resulting in all previously undistributed foreign earnings being subject to U.S. tax. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested.

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, trade receivables and payables, and certain short-term investments consisting primarily of certificates of deposit and money market deposits, all of which are short-term in nature and, accordingly, approximate fair value.

The Company also invests in mutual funds, which are accounted for as equity securities with readily determinable fair values under ASC Topic 321. The Company measures these investments at fair value with both realized gains and losses and unrealized holding gains and losses for these investments included in net income.

Also, the Company uses derivative instruments to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value in the Company's consolidated balance sheets.

Fair value is defined by the ASC 820 as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk principally consist of cash and cash equivalents, short-term investments, trade receivables and derivatives.

The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposits and high-grade commercial paper. Short-term investments primarily consist of certificates of deposit as of December 31, 2020 and 2019. The Company manages its credit risk exposure on cash equivalents and short-term investments by limiting the amount it can invest with any single entity. No customer accounted for 10% or more of accounts receivable at December 31, 2020 or 2019.

Earnings per Share of Common Stock

Basic shares outstanding is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted shares outstanding is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding and dilutive during the reporting period.

Pension and Other Retirement Benefits

Moody's maintains various noncontributory DBPPs as well as other contributory and noncontributory retirement plans. The expense and assets/liabilities that the Company reports for its pension and other retirement benefits are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions represent the Company's best estimates and may vary by plan. The differences between the assumptions for the expected long-term rate of return on plan assets and actual experience is spread over a five-year period to the market-related value of plan assets, which is used in determining the expected return on assets component of annual pension expense. All other actuarial gains and losses are generally deferred and amortized over the estimated average future working life of active plan participants.

The Company recognizes as an asset or liability in its consolidated balance sheet the funded status of its defined benefit retirement plans, measured on a plan-by-plan basis. Changes in the funded status due to actuarial gains/losses are recorded as part of other comprehensive income during the period the changes occur.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In April 2019, the FASB issued ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments”. This ASU clarifies and improves guidance related to the recently issued standards updates on credit losses, hedging, and recognition and measurement of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company does not anticipate that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This ASU simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740, Income Taxes, and clarifies certain aspects of the existing guidance to promote consistency among reporting entities. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company does not anticipate that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01, “Reference Rate Reform - Scope,” which clarified the scope and application of the original guidance, ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU No. 2020-04"), issued in March 2020. ASU No. 2020-04 provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. Both ASU's were effective upon issuance, and the Company may elect to apply the amendments prospectively through December 31, 2022 as the transition from LIBOR is completed.

NOTE 3 **REVENUES**

Revenue by Category

The following table presents the Company's revenues disaggregated by LOB:

	Year Ended December 31,		
	2020	**2019**	**2018**
MIS:			
Corporate finance (CFG)			
Investment-grade	**$ 636**	$ 379	$ 271
High-yield	**352**	258	175
Bank loans	**287**	313	379
Other accounts (CFG) (1)	**582**	547	554
Total CFG	**1,857**	1,497	1,379
Structured finance (SFG)			
Asset-backed securities	**98**	99	107
RMBS	**96**	95	98
CMBS	**61**	81	78
Structured credit	**105**	148	196
Other accounts (SFG)	**2**	4	2
Total SFG	**362**	427	481
Financial institutions (FIG)			
Banking	**355**	320	290
Insurance	**137**	119	114
Managed investments	**28**	25	25
Other accounts (FIG)	**10**	12	13
Total FIG	**530**	476	442
Public, project and infrastructure finance (PPIF)			
Public finance / sovereign	**250**	222	185
Project and infrastructure	**246**	224	206
Total PPIF	**496**	446	391
Total ratings revenue	**3,245**	2,846	2,693
MIS Other	**47**	29	19
Total external revenue	**3,292**	2,875	2,712
Intersegment royalty	**148**	134	124
Total MIS	**3,440**	3,009	2,836
MA:			
Research, data and analytics (RD&A)	**1,514**	1,273	1,121
Enterprise risk solutions (ERS)	**565**	522	451
Professional services (PS)(2)	**—**	159	159
Total external revenue	**2,079**	1,954	1,731
Intersegment revenue	**7**	9	12
Total MA	**2,086**	1,963	1,743
Eliminations	**(155)**	(143)	(136)
Total MCO	**$ 5,371**	$ 4,829	$ 4,443

(1) Other includes: recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations as well as fees from programs such as commercial paper, medium term notes, and ICRA corporate finance revenue.

(2) Subsequent to the divestiture of MAKS in 2019, revenue from the MALS reporting unit, which previous to 2020 was reported in the PS LOB, is now reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material.

The following table presents the Company's revenues disaggregated by LOB and geographic area:

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	U.S.	**Non-U.S.**	**Total**	**U.S.**	**Non-U.S.**	**Total**	**U.S.**	**Non-U.S.**	**Total**
MIS:									
Corporate finance	**$ 1,291**	**$ 566**	**$ 1,857**	$ 968	$ 529	$ 1,497	$ 894	$ 485	$ 1,379
Structured finance	**214**	**148**	**362**	270	157	427	301	180	481
Financial institutions	**250**	**280**	**530**	200	276	476	194	248	442
Public, project and infrastructure finance	**311**	**185**	**496**	282	164	446	229	162	391
Total ratings revenue	**2,066**	**1,179**	**3,245**	1,720	1,126	2,846	1,618	1,075	2,693
MIS Other	**2**	**45**	**47**	1	28	29	1	18	19
Total MIS	**2,068**	**1,224**	**3,292**	1,721	1,154	2,875	1,619	1,093	2,712
MA:									
Research, data and analytics	**668**	**846**	**1,514**	558	715	1,273	481	640	1,121
Enterprise risk solutions	**219**	**346**	**565**	201	321	522	170	281	451
Professional services (PS)(1)	**—**	**—**	**—**	64	95	159	60	99	159
Total MA	**887**	**1,192**	**2,079**	823	1,131	1,954	711	1,020	1,731
Total MCO	**$ 2,955**	**$ 2,416**	**$ 5,371**	$ 2,544	$ 2,285	$ 4,829	$ 2,330	$ 2,113	$ 4,443

(1) Subsequent to the divestiture of MAKS in 2019, revenue from the MALS reporting unit, which previous to 2020 was reported in the PS LOB, is now reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material.

The following table presents the Company's reportable segment revenues disaggregated by segment and geographic region:

	Year Ended December 31,		
	2020	**2019**	**2018**
MIS:			
U.S.	**$ 2,068**	$ 1,721	$ 1,619
Non-U.S.:			
EMEA	**727**	686	669
Asia-Pacific	**345**	320	300
Americas	**152**	148	124
Total Non-U.S.	1,224	1,154	1,093
Total MIS	3,292	2,875	2,712
MA:			
U.S.	**887**	823	711
Non-U.S.:			
EMEA	**818**	760	708
Asia-Pacific	**226**	231	193
Americas	**148**	140	119
Total Non-U.S.	**1,192**	1,131	1,020
Total MA	**2,079**	1,954	1,731
Total MCO	**$ 5,371**	$ 4,829	$ 4,443

The tables below summarize the split between transaction and relationship revenue. In the MIS segment, excluding MIS Other, transaction revenue represents the initial rating of a new debt issuance as well as other one-time fees while relationship revenue represents the recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements and relationship revenue represents subscription-based revenues. In the MA segment, relationship revenue represents subscription-based revenues and software maintenance revenue. Transaction revenue in MA represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, and training and certification services.

	Year Ended December 31,								
	2020			2019			2018		
	Transaction	Relationship	Total	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	**$ 1,401**	**$ 456**	**$1,857**	$ 1,057	$ 440	$1,497	$ 949	$ 430	$1,379
	75 %	*25 %*	*100 %*	*71 %*	*29 %*	*100 %*	*69 %*	*31 %*	*100 %*
Structured Finance	**$ 175**	**$ 187**	**$ 362**	$ 246	$ 181	$ 427	$ 310	$ 171	$ 481
	48 %	*52 %*	*100 %*	*58 %*	*42 %*	*100 %*	*64 %*	*36 %*	*100 %*
Financial Institutions	**$ 265**	**$ 265**	**$ 530**	$ 212	$ 264	$ 476	$ 187	$ 255	$ 442
	50 %	*50 %*	*100 %*	*45 %*	*55 %*	*100 %*	*42 %*	*58 %*	*100 %*
Public, Project and Infrastructure Finance	**$ 337**	**$ 159**	**$ 496**	$ 292	$ 154	$ 446	$ 238	$ 153	$ 391
	68 %	*32 %*	*100 %*	*65 %*	*35 %*	*100 %*	*61 %*	*39 %*	*100 %*
MIS Other	**$ 4**	**$ 43**	**$ 47**	$ 2	$ 27	$ 29	$ 2	$ 17	$ 19
	9 %	*91 %*	*100 %*	*7 %*	*93 %*	*100 %*	*11 %*	*89 %*	*100 %*
Total MIS	**$ 2,182**	**$ 1,110**	**$3,292**	$ 1,809	$ 1,066	$2,875	$ 1,686	$ 1,026	$2,712
	66 %	*34 %*	*100 %*	*63 %*	*37 %*	*100 %*	*62 %*	*38 %*	*100 %*
Research, data and analytics	**$ 74**	**$ 1,440**	**$1,514**	$ 16	$ 1,257	$1,273	$ 18	$ 1,103	$1,121
	5 %	*95 %*	*100 %*	*1 %*	*99 %*	*100 %*	*2 %*	*98 %*	*100 %*
Enterprise risk solutions	**$ 118**	**$ 447**	**$ 565**	$ 118	$ 404	$ 522	$ 99	$ 352	$ 451
	21 %	*79 %*	*100 %*	*23 %*	*77 %*	*100 %*	*22 %*	*78 %*	*100 %*
Professional services(1)	**$ —**	**$ —**	**$ —**	$ 159	$ —	$ 159	$ 159	$ —	$ 159
	— %	*— %*	*— %*	*100 %*	*— %*	*100 %*	*100 %*	*— %*	*100 %*
Total MA	**$ 192**	**$ 1,887**	**$2,079**	$ 293	$ 1,661	$1,954	$ 276	$ 1,455	$1,731
	9 %	*91 %*	*100 %*	*15 %*	*85 %*	*100 %*	*16 %*	*84 %*	*100 %*
Total Moody's Corporation	**$ 2,374**	**$ 2,997**	**$5,371**	$ 2,102	$ 2,727	$4,829	$ 1,962	$ 2,481	$4,443
	44 %	*56 %*	*100 %*	*44 %*	*56 %*	*100 %*	*44 %*	*56 %*	*100 %*

(1) Subsequent to the divestiture of MAKS in 2019, the RD&A LOB now includes revenue from MALS beginning in the first quarter of 2020. MALS revenue was previously reported as part of the PS LOB and prior year revenue by LOB has not been reclassified as the amounts were not material.

The following table presents the timing of revenue recognition:

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	MIS	MA	Total	MIS	MA	Total	MIS	MA	Total
Revenue recognized at a point in time	**$ 2,182**	**$ 121**	**$ 2,303**	$ 1,809	$ 132	$ 1,941	$ 1,686	$ 99	$ 1,785
Revenue recognized over time	**1,110**	**1,958**	**3,068**	1,066	1,822	2,888	1,026	1,632	2,658
Total	**$ 3,292**	**$ 2,079**	**$ 5,371**	$ 2,875	$ 1,954	$ 4,829	$ 2,712	$ 1,731	$ 4,443

Unbilled Receivables, Deferred Revenue and Remaining Performance Obligations

Unbilled receivables

At December 31, 2020 and December 31, 2019, accounts receivable included approximately $361 million and $346 million, respectively, of unbilled receivables related to the MIS segment. Certain MIS arrangements contain contractual terms whereby the customers are billed in arrears for annual monitoring services and rating fees, requiring revenue to be accrued as an unbilled receivable as such services are provided.

In addition, for certain MA arrangements, the timing of when the Company has the unconditional right to consideration and recognizes revenue occurs prior to invoicing the customer. Consequently, at December 31, 2020 and December 31, 2019, accounts receivable included approximately $98 million and $53 million, respectively, of unbilled receivables related to the MA segment.

Deferred revenue

The Company recognizes deferred revenue when a contract requires a customer to pay consideration to the Company in advance of when revenue is recognized. This deferred revenue is relieved when the Company satisfies the related performance obligation and revenue is recognized.

Significant changes in the deferred revenue balances during the year ended December 31, 2020 are as follows:

	Year Ended December 31, 2020		
	MIS	MA	Total
Balance at December 31, 2019	**$ 322**	**$ 840**	**$ 1,162**
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	**(229)**	**(800)**	**(1,029)**
Increases due to amounts billable excluding amounts recognized as revenue during the period	**215**	**792**	**1,007**
Increases due to acquisitions during the period	**—**	**24**	**24**
Effect of exchange rate changes	**5**	**18**	**23**
Total changes in deferred revenue	**(9)**	**34**	**25**
Balance at December 31, 2020	**$ 313**	**$ 874**	**$ 1,187**
Deferred revenue - current	**$ 216**	**$ 873**	**$ 1,089**
Deferred revenue - noncurrent	**$ 97**	**$ 1**	**$ 98**

For the MA segment, for the year ended December 31, 2020, the increase in the deferred revenue balance was primarily due to acquisitions (RDC, Acquire Media, ZMFS, and Catylist) and changes in FX translation rates.

Significant changes in the deferred revenue balances during the year ended December 31, 2019 are as follows:

	Year Ended December 31, 2019		
	MIS	MA	Total
Balance at December 31, 2018	$ 325	$ 750	$ 1,075
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(209)	(714)	(923)
Increases due to amounts billable excluding amounts recognized as revenue during the period	202	789	991
Increases due to acquisitions during the period	3	6	9
Effect of exchange rate changes	1	9	10
Total changes in deferred revenue	(3)	90	87
Balance at December 31, 2019	$ 322	$ 840	$ 1,162
Deferred revenue—current	$ 214	$ 836	$ 1,050
Deferred revenue—noncurrent	$ 108	$ 4	$ 112

For the MA segment, for the year ended December 31, 2019, the increase in the deferred revenue balance was primarily due to organic growth.

Significant changes in the deferred revenue balances during the year ended December 31, 2018 are as follows:

	Year Ended December 31, 2018		
	MIS	MA	Total
Balance at January 1, 2018 (after New Revenue Accounting Standard transition adjustment)	$ 334	$ 612	$ 946
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(218)	(590)	(808)
Increases due to amounts billable excluding amounts recognized as revenue during the period	216	730	946
Increases due to acquisitions during the period	—	16	16
Effect of exchange rate changes	(7)	(18)	(25)
Total changes in deferred revenue	(9)	138	129
Balance at December 31, 2018	$ 325	$ 750	$ 1,075
Deferred revenue—current	$ 207	$ 746	$ 953
Deferred revenue—noncurrent	$ 118	$ 4	$ 122

For the MA segment, for the year ended December 31, 2018, the increase in the deferred revenue balance was primarily due to organic growth and the Reis acquisition in the fourth quarter of 2018.

Remaining performance obligations

Remaining performance obligations in the MIS segment largely reflect deferred revenue related to monitoring fees for certain structured finance products, primarily CMBS, where the issuers can elect to pay the monitoring fees for the life of the security in advance. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $130 million. The Company expects to recognize into revenue approximately 20% of this balance within one year, approximately 50% of this balance between one to five years and the remaining amount thereafter. With respect to the remaining performance obligations for the MIS segment, the Company has applied a practical expedient set forth in ASC Topic 606 permitting the omission of unsatisfied performance obligations relating to contracts with an original expected length of one year or less.

Remaining performance obligations in the MA segment include both amounts recorded as deferred revenue on the balance sheet as of December 31, 2020 as well as amounts not yet invoiced to customers as of December 31, 2020 largely reflecting future revenue related to signed multi-year arrangements for hosted and installed subscription-based products. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $2.2 billion. The Company expects to recognize into revenue approximately 65% of this balance within one year, approximately 20% of this balance between one to two years and the remaining amount thereafter.

NOTE 4 RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING

Below is a reconciliation of basic to diluted shares outstanding:

	Year Ended December 31,		
	2020	2019	2018
Basic	**187.6**	189.3	191.6
Dilutive effect of shares issuable under stock-based compensation plans	**1.7**	2.3	2.8
Diluted	**189.3**	191.6	194.4
Antidilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	**0.2**	0.2	0.4

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of December 31, 2020, 2019 and 2018.

NOTE 5 ACCELERATED SHARE REPURCHASE PROGRAM

On February 20, 2019, the Company entered into an ASR agreement with a financial institution counterparty to repurchase $500 million of its outstanding common stock. The Company paid $500 million to the counterparty and received an initial delivery of 2.2 million shares of its common stock. Final settlement of the ASR agreement was completed on April 26, 2019 and the Company received delivery of an additional 0.6 million shares of the Company’s common stock.

In total, the Company repurchased 2.8 million shares of the Company's common stock during the term of the ASR Agreement, based on the volume-weighted average price (net of discount) of $180.33/share over the duration of the program. The initial share repurchase and final share settlement were recorded as a reduction to shareholders' equity.

NOTE 6 CASH EQUIVALENTS AND INVESTMENTS

The table below provides additional information on the Company's cash equivalents and investments:

	As of December 31, 2020					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**
Certificates of deposit and money market deposit accounts [1]	**$ 1,430**	**$ —**	**$ 1,430**	**$ 1,325**	**$ 99**	**$ 6**
Mutual funds	**$ 54**	**$ 6**	**$ 60**	**$ —**	**$ —**	**$ 60**

	As of December 31, 2019					
				Balance sheet location		
	Cost	**Gross Unrealized Gains**	**Fair Value**	**Cash and cash equivalents**	**Short-term investments**	**Other assets**
Certificates of deposit and money market deposit accounts [1]	$ 971	$ —	$ 971	$ 866	$ 95	$ 10
Mutual funds	$ 3	$ —	$ 3	$ —	$ 3	$ —

(1) Consists of time deposits and money market deposit accounts. The remaining contractual maturities for the certificates of deposits classified as short-term investments were one to 12 months at December 31, 2020 and at December 31, 2019. The remaining contractual maturities for the certificates of deposits classified in other assets are 13 to 23 months at December 31, 2020 and 13 to 18 months at December 31, 2019. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.

In addition, the Company invested in Corporate-Owned Life Insurance (COLI) in the first quarter of 2020. As of December 31, 2020, the contract value of the COLI was $17 million.

NOTE 7 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

Derivatives and non-derivative instruments designated as accounting hedges:

Interest Rate Swaps Designated as Fair Value Hedges

The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month and 6-month LIBOR. The purpose of these hedges is to mitigate the risk associated with changes in the fair value of the long-term debt, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the debt. The changes in the fair value of the swaps and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest expense, net in the Company's consolidated statement of operations.

The following table summarizes the Company's interest rate swaps designated as fair value hedges:

		Notional Amount As of December 31,		
Hedged Item	**Nature of Swap**	**2020**	**2019**	**Floating Interest Rate**
2012 Senior Notes due 2022	Pay Floating/Receive Fixed	**$ 330**	$ 330	3-month LIBOR
2017 Senior Notes due 2021 [1]	Pay Floating/Receive Fixed	**$ —**	$ 500	3-month LIBOR
2017 Senior Notes due 2023	Pay Floating/Receive Fixed	**$ 250**	$ 250	3-month LIBOR
2017 Senior Notes due 2028 [2]	Pay Floating/Receive Fixed	**$ 500**	$ —	3-month LIBOR
2020 Senior Notes due 2025 [3]	Pay Floating/Receive Fixed	**$ 300**	**$ —**	6-month LIBOR
Total		**$ 1,380**	$ 1,080	

(1) These interest rates swaps were terminated in conjunction with the repayment of the 2017 Senior Notes due 2021 in the third quarter of 2020.
(2) These interest rate swaps were executed in the first quarter of 2020.
(3) These interest rate swaps were executed in the third quarter of 2020.

Refer to Note 18 for information on the cumulative amount of fair value hedging adjustments included in the carrying amount of the above hedged items.

The following table summarizes the impact to the statement of operations of the Company's interest rate swaps designated as fair value hedges:

Total amounts of financial statement line item presented in the statements of operations in which the effects of fair value hedges are recorded		**Amount of Income Recognized in the Consolidated Statements of Operations — Year Ended December 31, 2020**	**2019**	**2018**
Interest expense, net		**$ (205)**	$ (208)	$ (215)
Descriptions	**Location on Consolidated Statements of Operations**			
Net interest settlements and accruals on interest rate swaps	Interest expense, net	**$ 19**	$ 3	$ (2)
Fair value changes on interest rate swaps	Interest expense, net	**47**	25	2
Fair value changes on hedged debt	Interest expense, net	**$ (47)**	$ (25)	$ (2)

Net Investment Hedges

Debt designated as net investment hedges

The Company has designated €500 million of the 2015 Senior Notes Due 2027 and €750 million of the 2019 Senior Notes due 2030 as net investment hedges to mitigate FX exposure related to a portion of the Company's euro net investment in certain foreign subsidiaries against changes in euro/USD exchange rates. These hedges are designated as accounting hedges under the applicable sections of ASC Topic 815 and will end upon the repayment of the notes in 2027 and 2030, respectively, unless terminated early at the discretion of the Company.

Cross currency swaps designated as net investment hedges

The Company enters into cross-currency swaps to mitigate FX exposure related to a portion of the Company's euro net investment in certain foreign subsidiaries against changes in euro/USD exchange rates. The following table provides information on the cross-currency swaps designated as net investment hedges under ASC Topic 815:

December 31, 2020

	Pay		**Receive**	
Nature of Swap	**Notional Amount**	**Weighted Average Interest Rate**	**Notional Amount**	**Weighted Average Interest Rate**
Pay Fixed/Receive Fixed	€ 1,079	1.43%	$ 1,220	3.96%
Pay Floating/Receive Floating	959	Based on 3-month EURIBOR	1,080	Based on 3-month USD LIBOR
Total	**€ 2,038**		**$ 2,300**	

December 31, 2019

	Pay		**Receive**	
Nature of Swap	**Notional Amount**	**Weighted Average Interest Rate**	**Notional Amount**	**Weighted Average Interest Rate**
Pay Fixed/Receive Fixed	€ 1,079	1.43%	$ 1,220	3.96%
Pay Floating/Receive Floating	931	Based on 3-month EURIBOR	1,080	Based on 3-month USD LIBOR
Total	**€ 2,010**		**$ 2,300**	

During the first quarter of 2020, the Company executed €450 million notional value of cross-currency swaps (set to expire in 2026). During the third quarter of 2020, the Company early-terminated €422.5 million notional value of cross-currency swaps (set to expire in 2021), resulting in immaterial cash proceeds.

As of December 31, 2020, these hedges will expire and the notional amounts will be settled as follows unless terminated early at the discretion of the Company:

Year Ending December 31,		
2021	€	265
2022	€	438
2023	€	442
2024	€	443
2026	€	450
Total	**€**	**2,038**

Forward contracts designated as net investment hedges

The Company also enters into forward contracts to mitigate FX exposure related to a portion of the Company's euro and GBP net investment in certain foreign subsidiaries against changes in euro/USD and GBP/euro exchange rates. The following table summarizes the notional amounts of the Company's outstanding forward contracts that were designated as net investment hedges:

	December 31, 2020				December 31, 2019	
Notional amount of net investment hedges	**Sell**		**Buy**		**Sell**	**Buy**
Contract to sell EUR for USD	€	524	$	627	—	—
Contract to sell GBP for EUR	£	134	€	148	—	—

These forward contracts both will expire in February 2021.

Cash Flow Hedges

Interest Rate Forward Contracts

In January 2020, the Company entered into $300 million notional amount treasury rate locks with an average locked-in U.S. 30-year Treasury rate of 2.0103%, which were designated as cash flow hedges and used to manage the Company's interest rate risk during the period prior to an anticipated issuance of 30-year debt. The treasury lock interest rate forward contracts matured on April 30, 2020, resulting in a cumulative loss of $68 million, which was recognized in AOCI. The loss on the Treasury rate lock will be reclassified from AOCI to earnings in the same period that the hedged transaction (i.e. interest payments on the 3.25% 2020 Senior Notes, due 2050) impacts earnings.

The following table provides information on the gains/(losses) on the Company's net investment and cash flow hedges:

	Amount of Gain/(Loss) Recognized in AOCI on Derivative, net of Tax			Amount of Gain/(Loss) Reclassified from AOCI into Income, net of tax			Gain/(Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
Derivative and Non-Derivative Instruments in Net Investment Hedging Relationships	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
FX forward contracts	**$ (14)**	$ 4	$ —	**$ —**	$ 2	$ —	**$ —**	$ —	$ —
Cross currency swaps	**(165)**	29	12	**—**	—	—	**50**	52	11
Long-term debt	**(95)**	(7) [(1)]	22	**—**	—	—	**—**	—	—
Total net investment hedges	**$ (274)**	$ 26	$ 34	**$ —**	$ 2	$ —	**$ 50**	$ 52	$ 11
Derivatives in Cash Flow Hedging Relationships									
Cross currency swap	**$ —**	$ —	$ 2	**$ —**	$ —	$ —	**$ —**	$ —	$ —
Interest rate contracts	**(51)**	—	(2)	**(2)**	—	—	**—**	—	—
Total cash flow hedges	**(51)**	—	—	**(2)**	—	—	**—**	—	—
Total	**$ (325)**	$ 26	$ 34	**$ (2)**	$ 2	$ —	**$ 50**	$ 52	$ 11

(1) Due to the Company's adoption of ASU 2018-02 during 2019, $3 million related to the tax effect of this net investment hedge was reclassified to retained earnings.

The cumulative amount of net investment hedge and cash flow hedge gains (losses) remaining in AOCI is as follows:

	Cumulative Gains/(Losses), net of tax	
	December 31, 2020	December 31, 2019
Net investment hedges		
Cross currency swaps	**$ (124)**	$ 41
FX forwards	**12**	26
Long-term debt	**(108)**	(13)
Total net investment hedges	**(220)**	54
Cash flow hedges		
Interest Rate Contract	**(51)**	(2)
Cross-currency swap	**2**	2
Total cash flow hedges	**(49)**	—
Total net (loss) gain in AOCI	**$ (269)**	$ 54

Derivatives not designated as accounting hedges:

Foreign exchange forwards

The Company also enters into foreign exchange forward contracts to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating (expense) income, net in the Company's consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary's functional currency. These contracts have expiration dates at various times through February 2021.

The following table summarizes the notional amounts of the Company's outstanding foreign exchange forwards:

	December 31, 2020		December 31, 2019	
Notional Amount of Currency Pair:	Sell	Buy	Sell	Buy
Contracts to sell USD for GBP	**$ 295**	**£ 222**	$ 235	£ 178
Contracts to sell USD for Japanese Yen	**$ 15**	**¥ 1,600**	$ 29	¥ 3,200
Contracts to sell USD for Canadian dollars	**$ 107**	**C$ 140**	$ 83	C$ 110
Contracts to sell USD for Singapore dollars	**$ 59**	**S$ 79**	$ 41	S$ 56
Contracts to sell USD for Euros	**$ 447**	**€ 376**	$ 421	€ 378
Contracts to sell Euros for GBP	**€ 135**	**£ 121**	€ 25	£ 21
Contracts to sell USD for Russian Ruble	**$ 13**	**₽ 1,000**	$ —	₽ —
Contracts to sell USD for Indian Rupee	**$ 18**	**₹ 1,350**	$ —	₹ —

NOTE: € = Euro, £ = British pound, S$ = Singapore dollar, $ = U.S. dollar, ¥ = Japanese yen, C$ = Canadian dollar, ₽= Russian Ruble, ₹= Indian Rupee

The following table summarizes the impact to the consolidated statements of operations relating to the net gain (loss) on the Company's derivatives which are not designated as hedging instruments:

		Year Ended December 31,		
Derivatives Not Designated as Accounting Hedges	**Location on Statement of Operations**	**2020**	**2019**	**2018**
FX forwards	Other non-operating expense, net	**$ 41**	$ (11)	$ (52)

The table below shows the classification between assets and liabilities on the Company's consolidated balance sheets for the fair value of derivative instruments as well as the carrying value of its non-derivative debt instruments designated and qualifying as net investment hedges:

	Derivative and Non-derivative Instruments		
	Balance Sheet Location	December 31, 2020	December 31, 2019
Assets:			
Derivatives designated as accounting hedges:			
Cross-currency swaps designated as net investment hedges	Other assets	**$ —**	$ 56
Interest rate swaps designated as fair value hedges	Other assets	**57**	27
Total derivatives designated as accounting hedges		**57**	83
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Other current assets	**31**	9
Total assets		**$ 88**	**$ 92**
Liabilities:			
Derivatives designated as accounting hedges:			
FX forwards designated as net investment hedges	Accounts payable and accrued liabilities	**$ 16**	$ —
Cross-currency swaps designated as net investment hedges	Accounts payable and accrued liabilities	**23**	—
Cross-currency swaps designated as net investment hedges	Other liabilities	**144**	—
Interest rate swaps	Other liabilities	**1**	—
Total derivatives designated as accounting hedges		**184**	—
Non-derivative instrument designated as accounting hedge:			
Long-term debt designated as net investment hedge	Long-term debt	**1,530**	1,403
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities	**2**	—
Total liabilities		**$ 1,716**	$ 1,403

NOTE 8 PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

	December 31,	
	2020	2019
Office and computer equipment (3 - 10 year estimated useful life)	**$ 260**	$ 221
Office furniture and fixtures (3 - 10 year estimated useful life)	**49**	51
Internal-use computer software (1 - 10 year estimated useful life)	**666**	619
Leasehold improvements and building (1 - 21 year estimated useful life)	**231**	240
Total property and equipment, at cost	**1,206**	1,131
Less: accumulated depreciation and amortization	**(928)**	(839)
Total property and equipment, net	**$ 278**	$ 292

Depreciation and amortization expense related to the above assets was $96 million, $97 million, and $90 million for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 9 ACQUISITIONS AND DIVESTITURE

The following is a discussion of material acquisitions completed by the Company. The business combinations described below are accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at fair value on the date of the transaction. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, anticipated new customer acquisition and products, as well as from intangible assets that do not qualify for separate recognition. Pro forma financial information has not been presented for any of the acquired businesses described below as the financial results of these acquired entities are not material relative to the Company's financial results.

RDC

On February 13, 2020, the Company acquired 100% of RDC, a provider of anti-money laundering and know-your-customer data and due diligence services.

The table below details the total consideration relating to the acquisition:

Cash paid at closing	$	700
Additional consideration paid to sellers in 2020 [1]		2
Total consideration	$	702

[1] Represents additional consideration paid to the sellers following finalization of customary post-closing completion adjustments.

Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

(Amounts in millions)				
Current assets			$	24
Intangible assets:				
Customer relationships (25 year weighted average life)	$	174		
Database (10 year weighted average life)		86		
Product technology (4 year weighted average life)		17		
Trade name (3 year weighted average life)		3		
Total intangible assets (19 year weighted average life)				280
Goodwill				494
Other assets				2
Liabilities:				
Accounts payable and accrued liabilities	$	(5)		
Deferred revenue		(20)		
Deferred tax liabilities		(71)		
Other liabilities		(2)		
Total liabilities				(98)
Net assets acquired			$	702

Current assets in the table above include acquired cash of $6 million. Additionally, current assets include accounts receivable of approximately $14 million.

Goodwill

The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and RDC, which is expected to extend the Company's reach to new and evolving market segments as well as cost savings synergies, expected new customer acquisitions and products.

Goodwill, which has been assigned to the MA segment, is not deductible for tax purposes.

RDC is a component of the Bureau van Dijk reporting unit for purposes of the Company's annual goodwill impairment assessment.

Transaction costs

Transaction costs directly related to the RDC acquisition were not material.

Reis

On October 15, 2018, a subsidiary of the Company acquired 100% of Reis, Inc., a provider of commercial real estate market information and analytical tools to real estate professionals. The cash payment of $278 million was funded with cash on hand. The acquisition further expands Moody's Analytics' network of data and analytics providers in the commercial real estate space.

Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

(Amounts in millions)				
Current assets			$	32
Property and equipment				4
Intangible assets:				
Customer relationships (14 year weighted average life)	$	77		
Database (5 year weighted average life)		13		
Product technology (7 year weighted average life)		10		
Trade name (10 year weighted average life)		4		
Total intangible assets (12 year weighted average life)				104
Goodwill				183
Deferred tax assets				13
Liabilities:				
Deferred revenue	$	(14)		
Accounts payable and accrued liabilities		(20)		
Deferred tax liabilities		(24)		
Total liabilities				(58)
Net assets acquired			$	278

Current assets in the table above include acquired cash of $24 million. Additionally, current assets include accounts receivable of approximately $6 million.

Goodwill

The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and Reis, which is expected to extend the Company's reach to new and evolving market segments as well as cost savings synergies, expected new customer acquisitions and products.

Goodwill, which has been assigned to the MA segment, is not deductible for tax purposes.

Reis is a separate reporting unit for the purposes of the Company's annual goodwill impairment assessment.

Transaction costs

Transaction costs directly related to the Reis acquisition were not material.

Other Acquisitions

Below is a discussion of acquisitions executed by the Company during the years ended December 31, 2020, 2019 and 2018 for which the purchase prices were not individually material and the near term impact to the Company's financial statements (both individually and in the aggregate) is not expected to be material.

The following businesses were acquired in 2019 and operate in the MIS reportable segment:

In April 2019, the Company acquired a majority stake in Vigeo Eiris, a provider of Environmental, Social and Governance (ESG) research, data and assessments. The acquisition furthers Moody's objective of promoting global standards for ESG for use by market participants. During 2020, the Company increased its stake in Vigeo Eiris from 69.2% to 99.8%. Vigeo Eiris revenue is reported in the MIS Other LOB.

In July 2019, the Company acquired a majority stake in Four Twenty Seven, Inc., a provider of data, intelligence, and analysis related to physical climate risks. Four Twenty Seven Climate Solutions revenue is reported in the MIS Other LOB. In connection with this transaction, Moody's recognized a Redeemable Non-controlling Interest for the portion of Four Twenty Seven which the Company does not own. This Redeemable Non-controlling interest was not material.

The following businesses were acquired in 2020 and operate in the MA reportable segment:

During the fourth quarter of 2020, the Company acquired three additional businesses within the MA reportable segment, which were not individually material, but are material in aggregate, to Moody's consolidated financial statements:

- In December 2020, the Company acquired 100% of Catylist, Inc., a provider of commercial real estate solutions for brokers. Catylist revenue is reported in the RD&A LOB.
- In December 2020, the Company acquired 100% of ZM Financial Systems, a provider of financial management software for the U.S. banking sector. ZMFS revenue is reported in the ERS LOB.
- In October 2020, the Company acquired 100% of Acquire Media, an aggregator and distributor of curated real-time news, multimedia, data, and alerts. AM revenue is reported in the RD&A LOB.

The aggregate consideration transferred for the aforementioned acquisitions of $205 million was funded by cash on hand, and is subject to customary post-closing completion adjustments that are not expected to be material.

The Company has performed preliminary valuation analyses of the fair market value of assets and liabilities of the acquired businesses. The final purchase price allocations will be determined when the Company has completed and fully reviewed the detailed valuations. The final allocations could differ materially from the preliminary allocations. The final allocations may include changes in allocations to acquired intangible assets as well as goodwill and other changes to assets and liabilities including tax liabilities. The estimated useful lives of acquired intangible assets are also preliminary.

The following table summarizes the aggregate preliminary estimates of fair value of the assets acquired and liabilities assumed as of the respective closing dates for each acquisition.

(Amounts in millions)		
Current assets		$ 5
Intangible assets:		
Customer relationships (18 year weighted average life)	$ 47	
Product technology (8 year weighted average life)	23	
Database (10 year weighted average life)	8	
Trade name (14 year weighted average life)	4	
Total intangible assets (14 year weighted average life)		82
Goodwill		131
Other assets		3
Total assets acquired		221
Current liabilities		8
Long-term liabilities		8
Total liabilities assumed		16
Net assets acquired		$ 205

The following businesses were acquired in 2019 and 2018 and operate in the MA reportable segment:

- In October 2019, the Company acquired the ABS Suite business, which includes a software platform used by issuers and trustees for the administration of asset-backed and mortgage-backed securities programs. ABS Suite revenue is reported in the RD&A LOB.
- In July 2019, the Company acquired 100% of RiskFirst, a company providing risk analytic solutions for the asset management and pension fund communities. RiskFirst revenue is reported in the ERS LOB.
- In August 2018, the Company acquired 100% of Omega Performance, a provider of online credit training. Revenue for Omega Performance is reported in the PS LOB.

Divestiture

On November 8, 2019, the Company completed the sale of MAKS to Equistone Partners Europe Limited (Equistone), a European private equity firm for $227 million in net cash proceeds.

This divestiture resulted in a loss of $23 million ($9 million in 2020 and $14 million in 2019), which included $32 million of currency translation losses reclassified from AOCI to the statement of operations. Additionally, in connection with this divestiture, the Company has recorded certain indemnification provisions. These provisions totaled $33 million and $43 million as of December 31, 2020 and 2019, respectively. These amounts are included in other liabilities at December 31, 2020 and 2019 in the consolidated balance sheets of the Company.

NOTE 10 GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS

The following table summarizes the activity in goodwill:

	Year Ended December 31, 2020								
	MIS			**MA**			**Consolidated**		
	Gross goodwill	**Accumulated impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated impairment charge**	**Net goodwill**
Balance at beginning of year	**$ 315**	**$ —**	**$ 315**	**$ 3,419**	**$ (12)**	**$ 3,407**	**$ 3,734**	**$ (12)**	**$ 3,722**
Additions/ adjustments (1)	**(2)**	**—**	**(2)**	**628**	**—**	**628**	**626**	**—**	**626**
Foreign currency translation adjustments	**(2)**	**—**	**(2)**	**210**	**—**	**210**	**208**	**—**	**208**
Ending Balance	**$ 311**	**$ —**	**$ 311**	**$ 4,257**	**$ (12)**	**$ 4,245**	**$ 4,568**	**$ (12)**	**$ 4,556**

	Year Ended December 31, 2019								
	MIS			**MA**			**Consolidated**		
	Gross goodwill	**Accumulated impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated impairment charge**	**Net goodwill**	**Gross goodwill**	**Accumulated impairment charge**	**Net goodwill**
Balance at beginning of year	$ 258	$ —	$ 258	$ 3,535	$ (12)	$ 3,523	$ 3,793	$ (12)	$ 3,781
Additions/ adjustments (2)	53	—	53	61	—	61	114	—	114
Foreign currency translation adjustments	4	—	4	(14)	—	(14)	(10)	—	(10)
Divestiture of MAKS				$ (163)		$ (163)	$ (163)	$ —	$ (163)
Ending balance	$ 315	$ —	$ 315	$ 3,419	$ (12)	$ 3,407	$ 3,734	$ (12)	$ 3,722

(1) The 2020 additions/adjustments for the MA segment in the table above relate to the acquisitions of RDC, AM, ZMFS, and Catylist.

(2) The 2019 additions/adjustments for the MIS segment in the table above relate to the acquisitions of Vigeo Eiris and Four Twenty Seven. The 2019 additions/adjustments for the MA segment in the table above relate to the acquisitions of RiskFirst and ABS Suite.

Acquired intangible assets and related amortization consisted of:

	December 31,	
	2020	**2019**
Customer relationships	**$ 1,623**	$ 1,325
Accumulated amortization	**(313)**	(235)
Net customer relationships	**1,310**	1,090
Trade secrets	**30**	30
Accumulated amortization	**(29)**	(29)
Net trade secrets	**1**	1
Software/product technology	**417**	372
Accumulated amortization	**(166)**	(131)
Net software/product technology	**251**	241
Trade names	**161**	150
Accumulated amortization	**(38)**	(30)
Net trade names	**123**	120
Other [1]	**192**	80
Accumulated amortization	**(53)**	(34)
Net other	**139**	46
Total	**$ 1,824**	$ 1,498

(1) Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models.

Amortization expense relating to acquired intangible assets is as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
Amortization expense	**$ 124**	$ 103	$ 102

Estimated future annual amortization expense for intangible assets subject to amortization is as follows:

Year Ending December 31,	
2021	$ 131
2022	131
2023	126
2024	119
2025	117
Thereafter	1,200
Total estimated future amortization	$ 1,824

Matters concerning the ICRA reporting unit

On August 29, 2019, the board of directors of ICRA terminated the employment of ICRA's CEO and on September 28, 2019, the shareholders of ICRA voted to remove the former CEO from his position on ICRA's board of directors. ICRA appointed a new Managing Director & Group CEO effective August 10, 2020. ICRA has reported that the Securities and Exchange Board of India (SEBI) issued an adjudication order dated December 26, 2019 imposing a penalty of INR 25 lakh (approximately $35,000) on ICRA in connection with credit ratings assigned to one of ICRA’s customers and the customer’s subsidiaries. ICRA has further reported that: (i) it had appealed that order; and (ii) it has received a related "show cause" notice from SEBI asking ICRA to demonstrate why the penalty imposed should not be increased. In an order dated September 22, 2020, SEBI increased the penalty imposed on ICRA from INR 25 lakh to INR 1 crore (approximately $140,000) and ICRA has disclosed that it has appealed that order. In addition, ICRA has disclosed that it completed the internal examinations it conducted into anonymous allegations that were forwarded to ICRA by SEBI, certain additional allegations made during the course of that examination, and a separate anonymous complaint. ICRA reported that its Board of Directors have taken appropriate actions based on the findings of the completed examinations. As of the date of this annual report on Form 10-K, the Company is unable to estimate the financial impact, if any, that may result from a potential unfavorable conclusion of these matters or any other ICRA inquiry. An unfavorable resolution of such matters may negatively impact ICRA’s future operating results, which could result in an impairment of goodwill and amortizable intangible assets in future quarters.

NOTE 11 RESTRUCTURING

On December 22, 2020, the chief executive officer of Moody's approved a restructuring program (the "2020 MA Strategic Reorganization Restructuring Program") that the Company estimates will result in annualized savings of $25 to $30 million per year. This program relates to a strategic reorganization in the MA reportable segment and is estimated to result in total pre-tax charges of approximately $20 to $30 million, consisting of severance and related costs primarily determined under the Company's existing severance plans. The 2020 MA Strategic Reorganization Restructuring Program is expected to be substantially complete in the first half of 2021. Cash outlays associated with this program are expected to be $20 to $30 million, which will be paid through 2022.

On July 29, 2020, the chief executive officer of Moody's approved a restructuring program (the "2020 Real Estate Rationalization Restructuring Program") primarily in response to the COVID-19 pandemic which revolves around the rationalization and exit of certain real estate leases. The exit from certain leased office space began in the third quarter of 2020 and is anticipated to be substantially completed during the first half of 2021. The 2020 Real Estate Rationalization Restructuring Program primarily reflects non-cash charges related to the impairment of operating lease right-of-use assets and leasehold improvements. The 2020 Restructuring Program is expected to result in an estimated annualized savings of approximately $5 to $6 million a year and is substantially complete at December 31, 2020.

On October 26, 2018, the chief executive officer of Moody's approved a restructuring program (the "2018 Restructuring Program") that the Company estimates will result in annualized savings of approximately $60 million per year. The 2018 Restructuring Program, the scope of which was expanded in the second quarter of 2019, is substantially complete at December 31, 2020. The 2018 Restructuring Program included relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate due to consolidation of various business activities. The exit from certain leased office space began in the fourth quarter of 2018 and resulted in $50 million of the charges to either terminate or sublease the affected real estate leases. The 2018 Restructuring Program also included $55 million of personnel-related restructuring charges, an amount that includes severance and related costs primarily determined under the Company's existing severance plans. Cash outlays associated with the employee termination cost component of the 2018 Restructuring Program were $55 million.

Total expenses included in the accompanying consolidated statements of operations relating to the Company's restructuring programs are as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
2018 Restructuring Program	**$ (4)**	$ 60	$ 49
2020 Real Estate Rationalization Restructuring Program	**36**	—	—
2020 MA Strategic Reorganization Restructuring Program	**18**	—	—
Total Restructuring	**$ 50**	$ 60	$ 49

Changes to the restructuring liability were as follows:

	Employee Termination Costs	Contract Termination Costs	Total Restructuring Liability
Balance as of December 31, 2018	**$ 30**	**$ 12**	**$ 42**
2018 Restructuring Program [1]:			
Adoption of New Lease Accounting Standard [2]	—	(11)	(11)
Cost incurred and adjustments	26	5	31
Cash payments and adjustments	(35)	(3)	(38)
Balance as of December 31, 2019	**$ 21**	**$ 3**	**$ 24**
2018 Restructuring Program:			
Cost incurred and adjustments	(4)	—	(4)
Cash payments and adjustments	(17)	(1)	(18)
2020 Real Estate Rationalization Restructuring Program [3]:			
Cost incurred and adjustments	—	1	1
2020 MA Strategic Reorganization Restructuring Program:			
Cost incurred and adjustments	18	—	18
Balance as of December 31, 2020	**$ 18**	**$ 3**	**$ 21**
Cumulative expense incurred to date			
2018 Restructuring Program	**$ 55**	**$ 50**	
2020 Real Estate Rationalization Restructuring Program:	**$ —**	**$ 36**	
2020 MA Strategic Reorganization Restructuring Program:	**$ 18**	**$ —**	

(1) The liability excludes $4 million of non-cash acceleration of amortization of leasehold improvements relating to the rationalization and exit of certain real estate leases as well as $25 million of ROU Asset impairment charges for the year ended December 31, 2019. The fair value of the impaired ROU Assets was determined by utilizing the present value of the estimated future cash flows attributable to the assets. The fair value of those ROU assets subsequent to the impairment was $18 million, and is categorized as Level 3 within the ASC Topic 820 fair value hierarchy.

(2) Upon the adoption of the New Lease Accounting Standard, the Company recorded a reclassification of $11 million of liabilities in the first quarter of 2019 for costs associated with certain real estate leases which were exited in previous years, as a reduction of the ROU Asset capitalized upon adoption.

(3) The liability excludes $13 million of non-cash acceleration of amortization of leasehold improvements relating to the rationalization and exit of certain real estate leases as well as $21 million of ROU Asset impairment charges for the year ended December 31, 2020. The fair value of the impaired ROU Assets was determined by utilizing the present value of the estimated future cash flows attributable to the assets. The fair value of those ROU assets subsequent to the impairment was $10 million, and is categorized as Level 3 within the ASC Topic 820 fair value hierarchy.

As of December 31, 2020, a majority of the remaining $21 million restructuring liability is expected to be paid out through 2022.

NOTE 12 **FAIR VALUE**

The table below presents information about items which are carried at fair value on a recurring basis at December 31, 2020 and 2019:

	Description	Fair value Measurement as of December 31, 2020 Balance	Level 1	Level 2
Assets:				
	Derivatives [1]	**$ 88**	**$ —**	**$ 88**
	Mutual funds	**60**	**60**	**—**
	Total	**$ 148**	**$ 60**	**$ 88**
Liabilities:				
	Derivatives [1]	**$ 186**	**$ —**	**$ 186**
	Total	**$ 186**	**$ —**	**$ 186**

	Description	Fair Value Measurement as of December 31, 2019 Balance	Level 1	Level 2
Assets:				
	Derivatives [1]	$ 92	$ —	$ 92
	Mutual funds	3	3	—
	Total	$ 95	$ 3	$ 92

(1) Represents FX forwards on certain assets and liabilities as well as interest rate swaps and cross-currency swaps as more fully described in Note 7 to the consolidated financial statements.

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts, mutual funds, and money market mutual funds:

Derivatives:

In determining the fair value of the derivative contracts in the table above, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

Mutual funds:

The mutual funds in the table above are deemed to be equity securities with readily determinable fair values with changes in the fair value recognized through net income under ASC Topic 321. The fair value of these instruments is determined using Level 1 inputs as defined in the ASC Topic 820.

NOTE 13. **OTHER BALANCE SHEET INFORMATION**

The following tables contain additional detail related to certain balance sheet captions:

	December 31, 2020	2019
Other current assets:		
Prepaid taxes	**$ 94**	$ 79
Prepaid expenses	**91**	71
Capitalized costs to obtain and fulfill sales contracts	**93**	91
Foreign exchange forwards on certain assets and liabilities	**31**	9
Other	**74**	80
Total other current assets	**$ 383**	$ 330

	December 31, 2020	December 31, 2019
Other assets:		
Investments in non-consolidated affiliates	**$ 135**	$ 117
Deposits for real-estate leases	**19**	13
Indemnification assets related to acquisitions	**15**	16
Mutual funds and fixed deposits	**66**	10
Company owned life insurance (at contract value)	**17**	—
Costs to obtain sales contracts	**134**	119
Derivative instruments designated as accounting hedges	**57**	83
Pension and other retirement employee benefits	**21**	—
Other	**51**	31
Total other assets	**$ 515**	$ 389

	December 31, 2020	December 31, 2019
Accounts payable and accrued liabilities:		
Salaries and benefits	**$ 197**	$ 152
Incentive compensation	**226**	208
Customer credits, advanced payments and advanced billings	**42**	28
Dividends	**11**	7
Professional service fees	**53**	43
Interest accrued on debt	**82**	63
Accounts payable	**39**	38
Income taxes	**128**	73
Pension and other retirement employee benefits	**45**	7
Accrued royalties	**19**	25
Foreign exchange forwards on certain assets and liabilities	**2**	—
Restructuring liability	**18**	21
Derivative instruments designated as accounting hedges	**39**	—
Other	**138**	108
Total accounts payable and accrued liabilities	**$ 1,039**	$ 773

	December 31, 2020	December 31, 2019
Other liabilities:		
Pension and other retirement employee benefits	**$ 244**	$ 299
Interest accrued on UTPs	**113**	82
MAKS indemnification provisions	**33**	43
Income tax liability – non-current portion	**18**	51
Derivative instruments designated as accounting hedges	**145**	—
Restructuring liability	**3**	3
Other	**34**	26
Total other liabilities	**$ 590**	$ 504

NOTE 14 **COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table provides details about the reclassifications out of AOCI:

	Year Ended December 31,			Location in the consolidated statement of operations
	2020	**2019**	**2018**	
Currency translation adjustment losses				
Sale of foreign subsidiaries	**$ —**	$ (32)	$ —	Loss pursuant to the divestiture of MAKS
Total currency translation adjustment losses	**—**	(32)	—	
Losses on cash flow hedges				
Interest rate contract	**(3)**	—	—	Other non-operating income (expense), net
Income tax effect of item above	**1**	—	—	Provision for income taxes
Total net losses on cash flow hedges	**(2)**	—	—	
Gains on net investment hedges				
Cross currency swaps	**1**	—	—	Other non-operating income (expense), net
FX forwards	**—**	3	—	Other non-operating income (expense), net
Total before income taxes	**1**	3	—	
Income tax effect of item above	**—**	(1)	—	Provision for income taxes
Total net gains on net investment hedges	**1**	2	—	
Pension and other retirement benefits				
Amortization of actuarial losses and prior service costs included in net income	**(6)**	(3)	(5)	Other non-operating income (expense), net
Accelerated recognition of loss due to settlement	**(2)**	—	—	Other non-operating income (expense), net
Total before income taxes	**(8)**	(3)	(5)	
Income tax effect of item above	**2**	1	1	Provision for income taxes
Total pension and other retirement benefits	**(6)**	(2)	(4)	
Total losses included in Net Income attributable to reclassifications out of AOCI	**$ (7)**	$ (32)	$ (4)	

The following table shows changes in AOCI by component (net of tax):

	Year Ended December 31, 2020				
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Total
Balance December 31, 2019	**$ (92)**	**$ —**	**$ (401)**	**$ 54**	**$ (439)**
Other comprehensive income/(loss) before reclassifications	(32)	(51)	356	(273)	—
Amounts reclassified from AOCI	6	2	—	(1)	7
Other comprehensive income/(loss)	(26)	(49)	356	(274)	7
Balance December 31, 2020	**$ (118)**	**$ (49)**	**$ (45)**	**$ (220)**	**$ (432)**

	Year Ended December 31, 2019				
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Total
Balance December 31, 2018	**$ (53)**	**$ —**	**$ (406)**	**$ 33**	**$ (426)**
Adoption of ASU 2018-02	(17)	—	—	(3)	(20)
Other comprehensive income/(loss) before reclassifications	(24)	—	(27)	26	(25)
Amounts reclassified from AOCI	2	—	32	(2)	32
Other comprehensive income/(loss)	(39)	—	5	21	(13)
Balance December 31, 2019	**$ (92)**	**$ —**	**$ (401)**	**$ 54**	**$ (439)**

	Year Ended December 31, 2018					
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Gains on Available for Sale Securities	Total
Balance December 31, 2017	**$ (61)**	**$ 1**	**$ (113)**	**$ (1)**	**$ 2**	**$ (172)**
Adoption of ASU 2016-01	—	—	—	—	(2)	(2)
Other comprehensive income/(loss) before reclassifications	4	(1)	(293)	34	—	(256)
Amounts reclassified from AOCI	4	—	—	—	—	4
Other comprehensive income/(loss)	8	(1)	(293)	34	(2)	(254)
Balance December 31, 2018	**$ (53)**	**$ —**	**$ (406)**	**$ 33**	**$ —**	**$ (426)**

NOTE 15 PENSION AND OTHER RETIREMENT BENEFITS

U.S. Plans

Moody's maintains funded and unfunded noncontributory Defined Benefit Pension Plans ("DBPPs"). The DBPPs provide defined benefits using a cash balance formula based on years of service and career average salary or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody's funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Retirement Plans". The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Other Retirement Plans".

Through 2007, substantially all U.S. employees were eligible to participate in the Company's DBPPs. Effective January 1, 2008, the Company no longer offers DBPPs to U.S. employees hired or rehired on or after January 1, 2008 and new hires in the U.S. instead will receive a retirement contribution in similar benefit value under the Company's Profit Participation Plan. Current participants of the Company's Retirement Plans and Other Retirement Plans continue to accrue benefits based on existing plan benefit formulas.

Following is a summary of changes in benefit obligations and fair value of plan assets for the Retirement Plans for the years ended December 31:

	Pension Plans		Other Retirement Plans	
	2020	**2019**	**2020**	**2019**
Change in benefit obligation:				
Benefit obligation, beginning of the period	**$ (589)**	$ (508)	**$ (42)**	$ (32)
Service cost	**(17)**	(17)	**(3)**	(3)
Interest cost	**(17)**	(21)	**(1)**	(1)
Plan participants' contributions	**—**	—	**(1)**	(1)
Benefits paid	**22**	21	**2**	1
Actuarial gain (loss)	**6**	(3)	**2**	—
Assumption changes	**(68)**	(61)	**(5)**	(6)
Benefit obligation, end of the period	**$ (663)**	$ (589)	**$ (48)**	$ (42)
Change in plan assets:				
Fair value of plan assets, beginning of the period	**$ 395**	$ 348	**$ —**	$ —
Actual return on plan assets	**45**	60	**—**	—
Benefits paid	**(22)**	(21)	**(2)**	(1)
Employer contributions	**110**	8	**1**	—
Plan participants' contributions	**—**	—	**1**	1
Fair value of plan assets, end of the period	**$ 528**	$ 395	$ —	$ —
Funded Status of the plans	**$ (135)**	$ (194)	**$ (48)**	$ (42)
Amounts recorded on the consolidated balance sheets:				
Pension and retirement benefits asset – non current	**$ 21**	$ —	**$ —**	$ —
Pension and retirement benefits liability – current	**(44)**	(6)	**(1)**	(1)
Pension and retirement benefits liability – non current	**(112)**	(188)	**(47)**	(41)
Net amount recognized	**$ (135)**	$ (194)	**$ (48)**	$ (42)
Accumulated benefit obligation, end of the period	**$ (601)**	$ (529)		

The increase in the benefit obligation in both 2020 and 2019 primarily resulted from reductions in discount rates, partially offset by a decrease related to lower cash balance conversion interest rates.

The following information is for those pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2020	**2019**
Aggregate projected benefit obligation	**$ 156**	$ 589
Aggregate accumulated benefit obligation	**$ 138**	$ 529
Aggregate fair value of plan assets	**$ —**	$ 395

The following table summarizes the pre-tax net actuarial losses and prior service cost recognized in AOCI for the Company's Retirement Plans as of December 31:

	Pension Plans		Other Retirement Plans	
	2020	**2019**	**2020**	**2019**
Net actuarial losses	**$ (144)**	$ (116)	**$ (8)**	$ (6)
Net prior service credits	**3**	4	**—**	—
Total recognized in AOCI – pretax	**$ (141)**	$ (112)	**$ (8)**	$ (6)

Net periodic benefit expenses recognized for the Retirement Plans for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Components of net periodic expense						
Service cost	**$ 17**	$ 17	$ 19	**$ 3**	$ 3	$ 3
Interest cost	**17**	21	17	**1**	1	1
Expected return on plan assets	**(20)**	(20)	(15)	**—**	—	—
Amortization of net actuarial loss and prior service credits from earlier periods	**7**	4	6	**—**	—	—
Net periodic expense	**$ 21**	$ 22	$ 27	**$ 4**	$ 4	$ 4

In addition to the amounts reflected in the above table, during the year ended December 31, 2020, the Company recognized a loss of $2 million on settlement of a pension obligation.

The following table summarizes the pre-tax amounts recorded in OCI related to the Company's Retirement Plans for the years ended December 31:

	Pension Plans			Other Retirement Plans		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Amortization of net actuarial losses and prior service credit	**$ 7**	$ 4	$ 6	**$ —**	$ —	$ —
Settlement loss	**2**	—	—	**—**	—	—
Net actuarial (loss)/gain arising during the period	**(37)**	(24)	2	**(3)**	(6)	3
Total recognized in OCI – pre-tax	**$ (28)**	$ (20)	$ 8	**$ (3)**	$ (6)	$ 3

ADDITIONAL INFORMATION:

Assumptions—Retirement Plans

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Retirement Plans	
	2020	**2019**	**2020**	**2019**
Discount rate	**2.24 %**	3.04 %	**2.30 %**	3.05 %
Rate of compensation increase	**3.62 %**	3.64 %	**—**	—

Weighted-average assumptions used to determine net periodic benefit expense for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Discount rate	**3.04 %**	4.07 %	3.46 %	**3.05 %**	4.10 %	3.45 %
Expected return on plan assets	**4.45 %**	5.65 %	4.50 %	**—**	—	—
Rate of compensation increase	**3.64 %**	3.69 %	3.71 %	**—**	—	—
Cash balance plan interest crediting rate	**4.50 %**	4.50 %	4.50 %	**—**	—	—

The expected rate of return on plan assets represents the Company's best estimate of the long-term return on plan assets and is determined by using a building block approach, which generally weighs the underlying long-term expected rate of return for each major asset class based on their respective allocation target within the plan portfolio, net of plan paid expenses. As the assumption reflects a long-term time horizon, the plan performance in any one particular year does not, by itself, significantly influence the Company's evaluation. For 2020, the expected rate of return used in calculating the net periodic benefit costs was 4.45%. For 2021, the Company's expected rate of return assumption is 5.45% to reflect the Company's current view of long-term capital market outlook. In addition, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2020 to accompany the Pri2012 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries.

Plan Assets

Moody's investment objective for the assets in the funded pension plan is to earn total returns that will minimize future contribution requirements over the long-term within a prudent level of risk. The Company works with its independent investment consultants to determine asset allocation targets for its pension plan investment portfolio based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics, and related risk factors. Other relevant factors, including historical and forward looking views of inflation and capital market returns, are also considered. Risk management practices include monitoring plan asset performance, diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. The Company's Asset Management Committee is responsible for overseeing the investment activities of the plan, which includes selecting acceptable asset classes, defining allowable ranges of holdings by asset class and by individual investment managers, defining acceptable securities within each asset class, and establishing investment performance expectations. Ongoing monitoring of the plan includes reviews of investment performance and managers on a regular basis, annual liability measurements, and periodic asset/liability studies.

The Company's investment policy uses risk-controlled investment strategies by increasing the plan's asset allocation to fixed income securities and specifying ranges of acceptable target allocation by asset class based on different levels of the plan's accounting funded status. In addition, the investment policy also requires the investment-grade fixed income assets be rebalanced between shorter and longer duration bonds as the interest rate environment changes. This investment policy is designed to help protect the plan's funded status and to limit volatility of the Company's contributions. Based on the policy, the Company's current target asset allocation is approximately 33% (range of 28% to 38%) in equity securities, 62% (range of 57% to 67%) in fixed income securities and 5% (range of 2% to 8%) in other investments and the plan will use a combination of active and passive investment strategies and different investment styles for its investment portfolios within each asset class. The plan's equity investments are diversified across U.S. and non-U.S. stocks of small, medium and large capitalization. The plan's fixed income investments are diversified principally across U.S. and non-U.S. government and corporate bonds, which are expected to help reduce plan exposure to interest rate variation and to better align assets with obligations. The plan also invests in other fixed income investments such as debts rated below investment grade, emerging market debt, and convertible securities. The plan's other investment, which is made through a private real estate debt fund, is expected to provide additional diversification benefits and absolute return enhancement to the plan assets.

Fair value of the assets in the Company's funded pension plan by asset category at December 31, 2020 and 2019 are as follows:

	Fair Value Measurement as of December 31, 2020				
Asset Category	**Balance**	**Level 1**	**Level 2**	**Measured using NAV practical expedient (1)**	**% of total assets**
Cash and cash equivalent	$ 4	$ —	$ 4	$ —	1 %
Common/collective trust funds—equity securities					
U.S. large-cap	143	—	143	—	27 %
U.S. small and mid-cap	28	—	28	—	5 %
Emerging markets	32	—	32	—	6 %
Total equity investments	203	—	203	—	38 %
Emerging markets bond fund	32	—	—	32	6 %
Common/collective trust funds—fixed income securities					
Intermediate-term investment grade U.S. government/ corporate bonds	214	—	214	—	41 %
Mutual funds					
U.S. Treasury Inflation-Protected Securities (TIPs)	23	23	—	—	4 %
Convertible securities	16	16	—	—	3 %
Private investment fund—high yield securities	12	—	—	12	2 %
Total fixed-income investments	297	39	214	44	56 %
Other investment—private real estate fund	24	—	—	24	5 %
Total Assets	$ 528	$ 39	$ 421	$ 68	100 %

Asset Category	Balance	Level 1	Level 2	Measured using NAV practical expedient (1)	% of total assets
	Fair Value Measurement as of December 31, 2019				
Cash and cash equivalent	**$ 2**	**$ —**	**$ 2**	**$ —**	**1 %**
Common/collective trust funds—equity securities					
U.S. large-cap	**140**	**—**	**140**	**—**	**35 %**
U.S. small and mid-cap	**21**	**—**	**21**	**—**	**5 %**
Emerging markets	**29**	**—**	**29**	**—**	**7 %**
Total equity investments	**190**	**—**	**190**	**—**	**48 %**
Emerging markets bond fund	**15**	**—**	**—**	**15**	**4 %**
Common/collective trust funds—fixed income securities					
Intermediate-term investment grade U.S. government/ corporate bonds	**119**	**—**	**119**	**—**	**30 %**
U.S. Treasury Inflation-Protected Securities (TIPs)	**22**	**22**	**—**	**—**	**6 %**
Private investment fund—convertible securities	**12**	**12**	**—**	**—**	**3 %**
Private investment fund—high yield securities	**12**	**—**	**—**	**12**	**3 %**
Total fixed-income investments	**180**	**34**	**119**	**27**	**46 %**
Other investment—private real estate debt fund	**23**	**—**	**—**	**23**	**6 %**
Total Assets	**$ 395**	**$ 34**	**$ 311**	**$ 50**	**100 %**

(1) Investments are measured using the net asset value per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to permit a reconciliation of the fair value hierarchy to the value of the total plan assets.

Cash and cash equivalents are primarily comprised of investments in money market mutual funds. In determining fair value, Level 1 investments are valued based on quoted market prices in active markets. Investments in common/collective trust funds are valued using the NAV per unit in each fund. The NAV is based on the value of the underlying investments owned by each trust, minus its liabilities, and then divided by the number of shares outstanding. Common/collective trust funds are categorized in Level 2 to the extent that they are considered to have a readily determinable fair value. Investments for which fair value is estimated by using the NAV per share (or its equivalent) as a practical expedient are not categorized in the fair value hierarchy.

Except for the Company's U.S. funded pension plan, all of Moody's Retirement Plans are unfunded and therefore have no plan assets.

Cash Flows

The Company contributed $99 million to its U.S. funded pension plan during 2020, but did not contribute to this plan during the year ended December 31, 2019. The Company made payments of $11 million and $8 million related to its U.S. unfunded pension plan obligations during the years ended December 31, 2020 and 2019, respectively. The Company currently does not anticipate making a contribution to its funded pension plan in 2021, and anticipates making payments of $44 million related to its unfunded U.S. pension plans and $1 million related to its other Retirement Plans during the year ended December 31, 2021.

Estimated Future Benefits Payable

Estimated future benefits payments for the Retirement Plans are as follows as of year ended December 31, 2020:

Year Ending December 31,	Pension Plans	Other Retirement Plans
2021	$ 55	$ 1
2022	17	1
2023	25	2
2024	21	2
2025	24	2
2026 - 2030	$ 139	$ 13

Defined Contribution Plans

Moody's has a Profit Participation Plan covering substantially all U.S. employees. The Profit Participation Plan provides for an employee salary deferral and the Company matches employee contributions, equal to 50% of employee contribution up to a maximum of 3% of the employee's pay. Effective January 1, 2008, all new hires are automatically enrolled in the Profit Participation Plan when they meet eligibility requirements unless they decline participation. As the Company's U.S. DBPPs are closed to new entrants effective January 1, 2008, all eligible new hires will instead receive a retirement contribution into the Profit Participation Plan in value similar to the pension benefits. Additionally, effective January 1, 2008, the Company implemented a deferred compensation plan in the U.S., which is unfunded and provides for employee deferral of compensation and Company matching contributions related to compensation in excess of the IRS limitations on benefits and contributions under qualified retirement plans. Total expenses associated with U.S. defined contribution plans were $44 million, $43 million and $27 million in the years ended December 31, 2020, 2019, and 2018, respectively.

Effective January 1, 2008, Moody's has designated the Moody's Stock Fund, an investment option under the Profit Participation Plan, as an Employee Stock Ownership Plan and, as a result, participants in the Moody's Stock Fund may receive dividends in cash or may reinvest such dividends into the Moody's Stock Fund. Moody's paid approximately $1 million during each of the years ended December 31, 2020, 2019 and 2018, respectively, for the Company's common shares held by the Moody's Stock Fund. The Company records the dividends as a reduction of retained earnings in the Consolidated Statements of Shareholders' Equity (Deficit). The Moody's Stock Fund held approximately 360,600 and 411,100 shares of Moody's common stock at December 31, 2020 and 2019, respectively.

Non-U.S. Plans

Certain of the Company's non-U.S. operations provide pension benefits to their employees. The non-U.S. defined benefit pension plans are immaterial. For defined contribution plans, company contributions are primarily determined as a percentage of employees' eligible compensation. Expenses related to these defined contribution plans for the years ended December 31, 2020, 2019 and 2018 were $29 million, $25 million and $26 million, respectively.

NOTE 16 STOCK-BASED COMPENSATION PLANS

Under the 1998 Plan, 33 million shares of the Company's common stock have been reserved for issuance. The 2001 Plan, which is shareholder approved, permits the granting of up to 50.6 million shares, of which not more than 14.0 million shares are available for grants of awards other than stock options. The Stock Plans also provide for the granting of restricted stock. The Stock Plans provide that options are exercisable not later than ten years from the grant date. The vesting period for awards under the Stock Plans is generally determined by the Board at the date of the grant and has been four years except for employees who are at or near retirement eligibility, as defined, for which vesting is between one and four years. Additionally, the vesting period is three years for certain performance-based restricted stock that contain a condition whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company. Options may not be granted at less than the fair market value of the Company's common stock at the date of grant.

The Company maintains the Directors' Plan for its Board, which permits the granting of awards in the form of non-qualified stock options, restricted stock or performance shares. The Directors' Plan provides that options are exercisable not later than ten years from the grant date. The vesting period is determined by the Board at the date of the grant and is generally one year for both options and restricted stock. Under the Directors' Plan, 1.7 million shares of common stock were reserved for issuance. Any director of the Company who is not an employee of the Company or any of its subsidiaries as of the date that an award is granted is eligible to participate in the Directors' Plan.

Presented below is a summary of the stock-based compensation expense and associated tax benefit in the accompanying Consolidated Statements of Operations:

	Year Ended December 31,		
	2020	**2019**	**2018**
Stock-based compensation expense	**$ 154**	$ 136	$ 130
Tax benefit	**$ 30**	$ 29	$ 32

The fair value of each employee stock option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted below. The expected dividend yield is derived from the annual dividend rate on the date of grant. The expected stock volatility is based on an assessment of historical weekly stock prices of the Company as well as implied volatility from Moody's traded options. The risk-free interest rate is based on U.S. government zero coupon bonds with maturities similar to the expected holding period. The expected holding period was determined by examining historical and projected post-vesting exercise behavior activity.

The following weighted average assumptions were used for options granted:

	Year Ended December 31,		
	2020	2019	2018
Expected dividend yield	**0.80 %**	1.14 %	1.05 %
Expected stock volatility	**23 %**	24 %	26 %
Risk-free interest rate	**1.43 %**	2.56 %	2.82 %
Expected holding period -in years	**5.7**	6.2	6.2
Grant date fair value	**$ 60.66**	$ 43.29	$ 45.73

A summary of option activity as of December 31, 2020 and changes during the year then ended is presented below:

Options	**Shares**	**Weighted Average Exercise Price Per Share**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding, December 31, 2019	1.6	$ 93.51		
Granted	0.1	280.37		
Exercised	(0.7)	59.57		
Outstanding, December 31, 2020	1.0	133.95	5.6 years	$ 160
Vested and expected to vest, December 31, 2020	1.0	132.80	5.6 years	$ 158
Exercisable, December 31, 2020	0.7	$ 101.13	4.6 years	$ 125

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Moody's closing stock price on the last trading day of the year ended December 31, 2020 and the exercise prices, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of December 31, 2020. This amount varies based on the fair value of Moody's stock. As of December 31, 2020, there was $6 million of total unrecognized compensation expense related to options. The expense is expected to be recognized over a weighted average period of 2.3 years.

The following table summarizes information relating to stock option exercises:

	Year Ended December 31,		
	2020	2019	2018
Proceeds from stock option exercises	**39**	36	38
Aggregate intrinsic value	**132**	114	99
Tax benefit realized upon exercise	**32**	27	24

A summary of nonvested restricted stock activity for the year ended December 31, 2020 is presented below:

Nonvested Restricted Stock	**Shares**	**Weighted Average Grant Date Fair Value Per Share**
Balance, December 31, 2019	1.8	$ 124.63
Granted	0.5	279.00
Vested	(0.8)	132.50
Balance, December 31, 2020	1.5	$ 201.30

As of December 31, 2020, there was $162 million of total unrecognized compensation expense related to nonvested restricted stock. The expense is expected to be recognized over a weighted average period of 2.4 years.

The following table summarizes information relating to the vesting of restricted stock awards:

	Year Ended December 31,		
	2020	2019	2018
Fair value of shares vested	**202**	156	151
Tax benefit realized upon vesting	**46**	36	35

A summary of performance-based restricted stock activity for the year ended December 31, 2020 is presented below:

Performance-based restricted stock	Shares	Weighted Average Grant Date Fair Value Per Share
Balance, December 31, 2019	0.5	$ 134.35
Granted	0.1	273.81
Vested	(0.3)	109.43
Balance, December 31, 2020	0.3	$ 197.19

The following table summarizes information relating to the vesting of the Company's performance-based restricted stock awards:

	Year Ended December 31,		
	2020	2019	2018
Fair value of shares vested	**70**	47	23
Tax benefit realized upon vesting	**17**	11	6

As of December 31, 2020, there was $21 million of total unrecognized compensation expense related to this plan. The expense is expected to be recognized over a weighted average period of 1.8 years.

The Company has a policy of issuing treasury stock to satisfy shares issued under stock-based compensation plans.

In addition, the Company also sponsors the ESPP. Under the ESPP, 6 million shares of common stock were reserved for issuance. The ESPP allows eligible employees to purchase common stock of the Company on a monthly basis at a discount to the average of the high and the low trading prices on the New York Stock Exchange on the last trading day of each month. This discount was 5% in 2020, 2019, and 2018 resulting in the ESPP qualifying for non-compensatory status under Topic 718 of the ASC. Accordingly, no compensation expense was recognized for the ESPP in 2020, 2019, and 2018. The employee purchases are funded through after-tax payroll deductions, which plan participants can elect from one percent to ten percent of compensation, subject to the annual federal limit.

NOTE 17 **INCOME TAXES**

Components of the Company's income tax provision are as follows:

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	**$ 213**	$ 179	$ 168
State and Local	**68**	59	50
Non-U.S.	**215**	181	233
Total current	**496**	419	451
Deferred:			
Federal	**6**	(19)	(59)
State and Local	**—**	(3)	(2)
Non-U.S.	**(50)**	(16)	(38)
Total deferred	**(44)**	(38)	(99)
Total provision for income taxes	**$ 452**	$ 381	$ 352

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on income before provision for income taxes is as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S. statutory tax rate	**21.0 %**	21.0 %	21.0 %
State and local taxes, net of federal tax benefit	**2.3 %**	2.2 %	2.2 %
Benefit of foreign operations	**(1.5)%**	(0.1)%	1.8 %
U.S. Tax Act impact	**— %**	— %	(2.8)%
Other	**(1.5)%**	(2.1)%	(1.1)%
Effective tax rate	**20.3 %**	21.0 %	21.1 %
Income tax paid	**$ 514**	$ 458	$ 442

The source of income before provision for income taxes is as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
U.S.	**$ 1,349**	$ 1,039	$ 936
Non-U.S.	**880**	771	736
Income before provision for income taxes	**$ 2,229**	$ 1,810	$ 1,672

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2020	**2019**
Deferred tax assets:		
Account receivable allowances	**$ 9**	$ 6
Accumulated depreciation and amortization	**2**	1
Stock-based compensation	**42**	46
Accrued compensation and benefits	**99**	89
Capitalized costs	**39**	—
Operating lease liabilities	**122**	136
Deferred revenue	**30**	37
Net operating loss	**17**	13
Restructuring	**3**	4
Uncertain tax positions	**98**	94
Self-insured related reserves	**10**	8
Loss on net investment hedges - OCI	**93**	—
Other	**10**	13
Total deferred tax assets	**574**	447
Deferred tax liabilities:		
Accumulated depreciation and amortization of intangible assets and capitalized software	**(468)**	(389)
ROU Assets	**(90)**	(107)
Capital Gains	**(23)**	(23)
Self-insured related income	**(10)**	(8)
Stock-based compensation	**—**	(2)
Revenue Accounting Standard - ASC 606	**(10)**	(12)
Deferred tax on unremitted foreign earnings	**(16)**	—
Gain on net investment hedges - OCI	**(8)**	(22)
Other	**(4)**	(3)
Total deferred tax liabilities	**(629)**	(566)
Net deferred tax liabilities	**(55)**	(119)
Valuation allowance	**(15)**	(9)
Total net deferred tax liabilities	**$ (70)**	$ (128)

On December 22, 2017, the Tax Act was signed into law, which resulted in significant changes to U.S. corporate tax laws. The Tax Act includes a mandatory one-time deemed repatriation tax ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries and beginning in 2018 reduces the statutory federal corporate income tax rate from 35% to 21%. Due to the complexities of the Tax Act, the SEC issued guidance requiring that companies provide a reasonable estimate of the impact of the Tax Act to the extent such reasonable estimate has been determined. Accordingly, as of December 31, 2017, the Company recorded a provisional estimate for the transition tax of $247 million. In September, 2018, the Company filed its 2017 federal income tax return and revised its determination of the transition tax to $236 million, a reduction of $11 million from the estimate at December 31, 2017. The reduction was primarily due to proposed regulations issued by the Internal Revenue Service and the finalization of earnings and profits calculations. A portion of the transition tax will be payable over eight years, starting in 2018, and will not accrue interest. The above revised determination of transition tax may be impacted by a number of additional considerations, including but not limited to the issuance of additional regulations.

As a result of the Tax Act, all previously net undistributed foreign earnings have now been subject to U.S. tax. The Company regularly evaluates which entities it will indefinitely reinvest earnings. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested.

The Company has recorded reductions in its income tax provision of approximately $60 million, or 269 BPS, for the full-year of 2020, and approximately $44 million, or 242 BPS, for the full-year of 2019, relating to Excess Tax Benefits on stock-based compensation.

The Company had valuation allowances of $15 million and $9 million at December 31, 2020 and 2019, respectively, related to foreign net operating losses for which realization is uncertain.

As of December 31, 2020, the Company had $483 million of UTPs of which $432 million represents the amount that, if recognized, would impact the effective tax rate in future periods. The increase in UTPs primarily resulted from the additional reserves established for non-U.S. tax exposures and an adjustment to the transition tax under U.S. tax reform. In addition, the Company has recorded a deferred tax asset in the amount of $50 million for potential transition tax benefits if certain non-U.S. UTPs are not sustained.

A reconciliation of the beginning and ending amount of UTPs is as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
Balance as of January 1	**$ 477**	$ 495	$ 389
Additions for tax positions related to the current year	**37**	35	80
Additions for tax positions of prior years	**17**	22	89
Reductions for tax positions of prior years	**(2)**	(2)	(13)
Settlements with taxing authorities	**(5)**	(1)	(2)
Lapse of statute of limitations	**(41)**	(44)	(48)
Reclassification to indemnification liability related to MAKS divestiture	**—**	(28)	—
Balance as of December 31	**$ 483**	$ 477	$ 495

The Company classifies interest related to UTPs in interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. During the years ended December 31, 2020 and 2019, the Company incurred a net interest expense of $31 million and $28 million respectively, related to UTPs. As of December 31, 2020 and 2019, the amount of accrued interest recorded in the Company’s consolidated balance sheets related to UTPs was $113 million and $82 million, respectively.

Moody’s Corporation and subsidiaries are subject to U.S. federal income tax as well as income tax in various state, local and foreign jurisdictions. The Company’s U.S. federal income tax return for 2019 remains open to examination and 2017 and 2018 are currently under examination. The Company’s New York City tax returns for 2014 through 2017 are currently under examination. The Company’s U.K. tax return for 2012 is currently under examination and its returns for 2013 through 2019 remain open to examination.

For current ongoing audits related to open tax years, the Company estimates that it is possible that the balance of UTPs could decrease in the next twelve months as a result of the effective settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities which might necessitate increases to the balance of UTPs. As the Company is unable to predict the timing of conclusion of these audits, the Company is unable to estimate the amount of changes to the balance of UTPs at this time.

NOTE 18 **INDEBTEDNESS**

The Company's debt is recorded at its carrying amount, which represents the issuance amount plus or minus any issuance premium or discount, except for the 2012 Senior Notes, the 2017 Senior Notes due 2023, the 2017 Senior Notes due 2028 and the 2020 Senior Notes due 2025, which are recorded at the carrying amount adjusted for the fair value of an interest rate swap used to hedge the fair value of the note.

The following table summarizes total indebtedness:

	December 31, 2020				
	Principal Amount	Fair Value of Interest Rate Swaps(1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
4.50% 2012 Senior Notes, due 2022	**$ 500**	**$ 14**	**$ (1)**	**$ (1)**	**$ 512**
4.875% 2013 Senior Notes, due 2024	**500**	**—**	**(1)**	**(1)**	**498**
5.25% 2014 Senior Notes, due 2044	**600**	**—**	**3**	**(5)**	**598**
1.75% 2015 Senior Notes, due 2027	**612**	**—**	**—**	**(2)**	**610**
2.625% 2017 Senior Notes, due 2023	**500**	**12**	**—**	**(2)**	**510**
3.25% 2017 Senior Notes, due 2028	**500**	**31**	**(4)**	**(3)**	**524**
4.25% 2018 Senior Notes, due 2029	**400**	**—**	**(3)**	**(3)**	**394**
4.875% 2018 Senior Notes, due 2048	**400**	**—**	**(6)**	**(4)**	**390**
0.950% 2019 Senior Notes, due 2030	**918**	**—**	**(3)**	**(6)**	**909**
3.75% 2020 Senior Note, due 2025	**700**	**(1)**	**(1)**	**(5)**	**693**
3.25% 2020 Senior Note, due 2050	**300**	**—**	**(4)**	**(3)**	**293**
2.55% 2020 Senior Note, due 2060	**500**	**—**	**(4)**	**(5)**	**491**
Total long-term debt	**$ 6,430**	**$ 56**	**$ (24)**	**$ (40)**	**$ 6,422**

	December 31, 2019				
	Principal Amount	Fair Value of Interest Rate Swaps (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value
Notes Payable:					
4.50% 2012 Senior Notes, due 2022	$ 500	$ 9	$ (1)	$ (1)	$ 507
4.875% 2013 Senior Notes, due 2024	500	—	(1)	(2)	497
5.25% 2014 Senior Notes, due 2044	600	—	4	(5)	599
1.75% 2015 Senior Notes due 2027	561	—	—	(3)	558
2.75% 2017 Senior Notes, due 2021	500	11	(1)	(2)	508
2.625% 2017 Senior Notes, due 2023	500	7	(1)	(2)	504
3.25% 2017 Senior Notes, due 2028	500	—	(4)	(3)	493
3.25% 2018 Senior Notes, due 2021	300	—	—	(1)	299
4.25% 2018 Senior Notes, due 2029	400	—	(3)	(3)	394
4.875% 2018 Senior Notes, due 2048	400	—	(7)	(4)	389
0.950% 2019 Senior Notes, due 2030	842	—	(3)	(6)	833
Total long-term debt	$ 5,603	$ 27	$ (17)	$ (32)	$ 5,581

(1) The fair value of interest rate swaps in the table above represents the cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged debt.

Credit Facility

The following summarizes information relating to the Company's revolving credit facility:

	Issue Date	Capacity	Maturity	December 31, 2020		December 31, 2019	
				Drawn	Undrawn	Drawn	Undrawn
2018 Credit Facility	November 14, 2018	$ 1,000	November 13, 2023	$ —	$ 1,000	$ —	$ 1,000

Interest on borrowings under the facility may range from 0 BPS to 22.5 BPS per annum for Alternate Base Rate loans (as defined in the 2018 Facility agreement) or payable at rates that are based on the London InterBank Offered Rate ("LIBOR") plus a premium that can range from 80.5 BPS to 122.5 BPS depending on the Company's index debt ratings, as set forth in the 2018 Facility agreement. The Company also pays quarterly facility fees, regardless of borrowing activity under the facility. The quarterly fees for the 2018 Facility can range from 7 BPS of the facility amount to 15 BPS, depending on the Company's index debt ratings. The 2018 Facility contains certain customary covenants including a financial covenant that requires the Company to maintain a total debt to EBITDA ratio of (i) not more than 4 to 1 at the end of any fiscal quarter or (ii) not more than 4.5 to 1 as of the end of the first three consecutive quarters immediately following any acquisition with consideration in excess of $500 million, subject to certain conditions as set forth in the 2018 Facility agreement.

Commercial Paper

On August 3, 2016, the Company entered into a private placement commercial paper program under which the Company may issue CP notes up to a maximum amount of $1.0 billion. Borrowings under the CP Program are backstopped by the 2018 Facility. Amounts under the CP Program may be re-borrowed. The maturity of the CP Notes will vary, but may not exceed 397 days from the date of issue. The CP Notes are sold at a discount from par, or alternatively, sold at par and bear interest at rates that will vary based upon market conditions. The rates of interest will depend on whether the CP Notes will be a fixed or floating rate. The interest on a floating rate may be based on the following: (a) certificate of deposit rate; (b) commercial paper rate; (c) the federal funds rate; (d) the LIBOR; (e) prime rate; (f) Treasury rate; or (g) such other base rate as may be specified in a supplement to the private placement agreement. The CP Program contains certain events of default including, among other things: non-payment of principal, interest or fees; entrance into any form of moratorium; and bankruptcy and insolvency events, subject in certain instances to cure periods. As of December 31, 2020, the Company has no CP borrowings outstanding.

Notes Payable

The Company may prepay certain of its senior notes, in whole or in part, but may incur a Make-Whole Amount penalty.

During 2020, the Company issued the 2020 Senior Notes, due 2025, the 2020 Senior Notes, due 2050 and the 2020 Senior Notes, due 2060. The key terms of these debt issuances are set forth in the table above.

Additionally, in 2020, the Company fully repaid $300 million of the 2018 Senior Notes, due 2021 (along with a Make-Whole Amount of approximately $8 million) and $500 million of the 2017 Senior Notes due 2021 (along with a Make-Whole Amount of approximately $16 million). The Company also recognized in interest expense, net, a $17 million benefit relating to carrying value adjustments pursuant to the early termination of interest rate swaps designated as fair value hedges that were associated with the 2017 Senior Notes due 2021.

At December 31, 2020, the Company was in compliance with all covenants contained within all of the debt agreements. All of the debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of December 31, 2020, there were no such cross defaults.

The repayment schedule for the Company's borrowings is as follows:

Year Ending December 31,	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes due 2044	2015 Senior Notes due 2027	2017 Senior Notes due 2023	2017 Senior Notes due 2028	2018 Senior Notes due 2029	2018 Senior Notes due 2048	2019 Senior Notes due 2030	2020 Senior Notes due 2025	2020 Senior Notes due 2050	2020 Senior Notes due 2060	Total
2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2022	500	—	—	—	—	—	—	—	—	—	—	—	500
2023	—	—	—	—	500	—	—	—	—	—	—	—	500
2024	—	500	—	—	—	—	—	—	—	—	—	—	500
2025	—	—	—	—	—	—	—	—	—	700	—	—	700
Thereafter	—	—	600	612	—	500	400	400	918	—	300	500	4,230
Total	**$ 500**	**$ 500**	**$ 600**	**$ 612**	**$ 500**	**$ 500**	**$ 400**	**$ 400**	**$ 918**	**$ 700**	**$ 300**	**$ 500**	**$ 6,430**

Interest expense, net

The following table summarizes the components of interest as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2020	**2019**	**2018**
Income	**$ 11**	$ 17	$ 15
Expense on borrowings	**(163)**	(176)	(197)
Expense on UTPs and other tax related liabilities	**(34)**	(28)	(15)
Net periodic pension costs—interest component	**(19)**	(22)	(19)
Capitalized	**—**	1	1
Total	**$ (205)**	$ (208)	$ (215)
Interest paid [(1)]	**$ 132**	$ 167	$ 183

[(1)] Interest paid includes net settlements on interest rate swaps more fully discussed in Note 7.

The fair value and carrying value of the Company's debt as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
4.50% 2012 Senior Notes, due 2022	**$ 512**	**$ 530**	$ 507	$ 531
4.875% 2013 Senior Notes, due 2024	**498**	**562**	497	551
5.25% 2014 Senior Notes, due 2044	**598**	**828**	599	757
1.75% 2015 Senior Notes, due 2027	**610**	**674**	558	604
2.75% 2017 Senior Notes, due 2021	**—**	**—**	508	507
2.625% 2017 Senior Notes, due 2023	**510**	**522**	504	507
3.25% 2017 Senior Notes, due 2028	**524**	**561**	493	523
3.25% 2018 Senior Notes, due 2021	**—**	**—**	299	306
4.25% 2018 Senior Notes, due 2029	**394**	**480**	394	453
4.875% 2018 Senior Notes, due 2048	**390**	**544**	389	492
0.950% 2019 Senior Notes, due 2030	**909**	**974**	833	847
3.75% 2020 Senior Note, due 2025	**693**	**785**	—	—
3.25% 2020 Senior Note, due 2050	**293**	**329**	—	—
2.55% 2020 Senior Note, due 2060	**491**	**467**	—	—
Total	**$ 6,422**	**$ 7,256**	$ 5,581	$ 6,078

The fair value of the Company's debt is estimated based on quoted market prices for similar instruments. Accordingly, the inputs used to estimate the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

NOTE 19 **CAPITAL STOCK**

Authorized Capital Stock

The total number of shares of all classes of stock that the Company has authority to issue under its Restated Certificate of Incorporation is 1.02 billion shares with a par value of $0.01, of which 1.0 billion are shares of common stock, 10.0 million are shares of preferred stock and 10.0 million are shares of series common stock. The preferred stock and series common stock can be issued with varying terms, as determined by the Board.

Share Repurchase Program

The Company implemented a systematic share repurchase program in the third quarter of 2005 through an SEC Rule 10b5-1 program. Moody's may also purchase opportunistically when conditions warrant. As a result, Moody's share repurchase activity will continue to vary from quarter to quarter. The table below summarizes the Company's remaining authority under its share repurchase program as of December 31, 2020:

Date Authorized	**Amount Authorized**	**Remaining Authority**
December 16, 2019	$ 1,000	831

During 2020, Moody's repurchased 2.0 million shares of its common stock under its share repurchase program and issued a net 1.4 million shares under employee stock-based compensation plans. The net amount includes shares withheld for employee payroll taxes.

During 2019, the Company entered into an ASR with a financial institution counterparty to repurchase $500 million of its outstanding common stock. Refer to Note 5 for further details.

Dividends

The Company's cash dividends were:

	Dividends Per Share					
	Year ended December 31,					
	2020		2019		2018	
	Declared	Paid	Declared	Paid	Declared	Paid
First quarter	**$ 0.56**	**$ 0.56**	$ 0.50	$ 0.50	$ 0.44	$ 0.44
Second quarter	**0.56**	**0.56**	0.50	0.50	0.44	0.44
Third quarter	**0.56**	**0.56**	0.50	0.50	0.44	0.44
Fourth quarter	**0.56**	**0.56**	0.50	0.50	0.44	0.44
Total	**$ 2.24**	**$ 2.24**	$ 2.00	$ 2.00	$ 1.76	$ 1.76

On February 9, 2021, the Board approved the declaration of a quarterly dividend of $0.62 per share of Moody's common stock, payable on March 18, 2021 to shareholders of record at the close of business on February 25, 2021. The continued payment of dividends at the rate noted above, or at all, is subject to the discretion of the Board.

NOTE 20 **LEASE COMMITMENTS**

The Company has operating leases, substantially all of which relate to the lease of office space. The Company's leases classified as finance leases are not material to the consolidated financial statements. Certain of the Company's leases include options to renew, with renewal terms that can extend the lease from one to 20 years at the Company's discretion.

The following table presents the components of the Company's lease cost:

	Year Ended December 31,	
	2020	2019
Operating lease cost	$ 96	$ 97
Sublease income	(5)	(2)
Variable lease cost	19	17
Total lease cost	$ 110	$ 112

During 2020, the Company recorded $21 million of ROU Asset impairment charges related to the exit of certain real estate leases. The impairment charges were recorded within Restructuring expense on the consolidated statement of operations. Refer to Note 11 for further details.

The following tables present other information related to the Company's operating leases:

	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 108	$ 106
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 36	$ 41

	Year Ended December 31,	
	2020	2019
Weighted-average remaining lease term (in years)	6.0	6.8
Weighted-average discount rate applied to operating leases	3.6 %	3.6 %

The following table presents a maturity analysis of the future minimum lease payments included within the Company's operating lease liabilities at December 31, 2020:

Year Ending December 31,	Operating Leases
2021	$ 110
2022	99
2023	93
2024	84
2025	76
Thereafter	117
Total lease payments (undiscounted)	579
Less: Interest	58
Present value of lease liabilities:	521
Lease liabilities - current	94
Lease liabilities - noncurrent	$ 427

NOTE 21 **CONTINGENCIES**

Given the nature of the Company's activities, Moody's and its subsidiaries are subject to legal and tax proceedings, governmental, regulatory and legislative investigations, subpoenas and other inquiries, and claims and litigation by governmental and private parties that are based on ratings assigned by MIS or that are otherwise incidental to the Company's business. Moody's and MIS also are subject to periodic reviews, inspections, examinations and investigations by regulators in the U.S. and other jurisdictions, any of which may result in claims, legal proceedings, assessments, fines, penalties or restrictions on business activities. Moody's also is subject to ongoing tax audits as addressed in Note 17 to the consolidated financial statements.

Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

NOTE 22 **SEGMENT INFORMATION**

The Company is organized into two operating segments: MIS and MA and accordingly, the Company reports in two reportable segments: MIS and MA.

The MIS segment consists of five LOBs. The CFG, SFG, FIG and PPIF LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB primarily consists of financial instruments pricing services in the Asia-Pacific region, ICRA non-ratings revenue and revenue from providing ESG research, data and assessments.

The MA segment develops a wide range of products and services that support the risk management activities of institutional participants in global financial markets. Beginning in the first quarter of 2020, the MA segment now consists of two LOBs - RD&A and ERS. Subsequent to the divestiture of MAKS in the fourth quarter of 2019, the MALS business, which was historically part of the PS LOB through December 31, 2019, was reclassified to the RD&A LOB. Prior year revenue by LOB has not been reclassified as the amounts relating to the MALS business were not material.

Revenue for MIS and expenses for MA include an intersegment royalty charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products and is generally based on comparable market transactions. Also, revenue for MA and expenses for MIS include an intersegment fee charged to MIS from MA for certain MA products and services utilized in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to produce these products and services.

Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and legal. Such costs and corporate expenses that exclusively benefit one segment are fully charged to that segment. For overhead and corporate expenses that benefit both segments, in years prior to 2019, the Company generally allocated costs ratably based on each segment's share of total revenue.

Beginning in 2019, the Company refined its methodology such that costs are allocated to each segment based on the segment's share of full-year 2018 actual revenue which comprises a "Baseline Pool" that will remain fixed over time. In subsequent periods, incremental overhead costs (or reductions thereof) will be allocated to each segment based on the prevailing shares of total revenue represented by each segment. The impact of this refined methodology would not have resulted in a material change to previously reported segment results.

"Eliminations" in the following table represent intersegment revenue/expense. Moody's does not report the Company's assets by reportable segment, as this metric is not used by the chief operating decision maker to allocate resources to the segments. Consequently, it is not practical to show assets by reportable segment.

Financial Information by Segment

The table below shows revenue, Adjusted Operating Income and operating income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment. Refer to Note 3 for further details on the components of the Company's revenue.

	Year Ended December 31,							
	2020				2019			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 3,440	$ 2,086	$ (155)	$ 5,371	$ 3,009	$ 1,963	$ (143)	$ 4,829
Total Expense	1,476	1,662	(155)	2,983	1,376	1,598	(143)	2,831
Operating income	1,964	424	—	2,388	1,633	365	—	1,998
Add:								
Restructuring	19	31	—	50	31	29	—	60
Depreciation and amortization	70	150	—	220	71	129	—	200
Acquisition-Related Expenses	—	—	—	—	—	3	—	3
Loss pursuant to the divestiture of MAKS	—	9	—	9	—	14	—	14
Captive insurance company settlement	—	—	—	—	10	6	—	16
Adjusted Operating Income	$ 2,053	$ 614	$ —	$ 2,667	$ 1,745	$ 546	$ —	$ 2,291

	Year Ended December 31, 2018			
	MIS	MA	Eliminations	Consolidated
Revenue	$ 2,836	$ 1,743	$ (136)	$ 4,443
Total Expense	1,276	1,435	(136)	2,575
Operating Income	1,560	308	—	1,868
Add:				
Restructuring	32	17	—	49
Depreciation and amortization	65	127	—	192
Acquisition-Related Expenses	—	8	—	8
Adjusted Operating income	$ 1,657	$ 460	$ —	$ 2,117

The cumulative restructuring charges for the MIS and MA reportable segments are $61 million and $44 million, respectively, related to the 2018 Restructuring Program and $21 million and $15 million, respectively, related to the 2020 Restructuring Program. The cumulative restructuring charge for the MA reportable segment related to the 2020 MA Strategic Reorganization Restructuring Program is $18 million. The restructuring programs are more fully discussed in Note 11.

CONSOLIDATED REVENUE AND LONG-LIVED ASSETS INFORMATION BY GEOGRAPHIC AREA

	Year Ended December 31,		
	2020	2019	2018
Revenue:			
U.S.	**$ 2,955**	$ 2,544	$ 2,330
Non-U.S.:			
EMEA	**1,545**	1,446	1,377
Asia-Pacific	**571**	551	493
Americas	**300**	288	243
Total Non-U.S.	**2,416**	2,285	2,113
Total	**$ 5,371**	$ 4,829	$ 4,443
Long-lived assets at December 31:			
U.S.	**$ 2,162**	$ 1,290	$ 982
Non-U.S.	**4,889**	4,678	4,685
Total	**$ 7,051**	$ 5,968	$ 5,667

NOTE 23 VALUATION AND QUALIFYING ACCOUNTS

Accounts receivable allowances represent estimates for uncollectible accounts. The valuation allowance on deferred tax assets relates to foreign net operating tax losses for which realization is uncertain. Below is a summary of activity:

Year Ended December 31,	Balance at Beginning of the Year	Adoption of New Expected Credit Losses Accounting Standard	Charged to costs and expenses	Deductions [(1)]	Balance at End of the Year
2020					
Allowances for credit losses	**$ (20)**	**$ (2)**	**$ (26)**	**$ 14**	**$ (34)**
Deferred tax assets—valuation allowance	**$ (9)**	$ —	**$ (6)**	**$ —**	**$ (15)**
2019					
Allowances for credit losses	$ (20)	$ —	$ (10)	$ 10	$ (20)
Deferred tax assets—valuation allowance	$ (5)	$ —	$ (4)	$ —	$ (9)
2018					
Allowances for credit losses	$ (14)	$ —	$ (15)	$ 9	$ (20)
Deferred tax assets—valuation allowance	$ (6)	$ —	$ —	$ 1	$ (5)

(1) Reflects write-off of uncollectible accounts receivable or expiration of foreign net operating tax losses.

NOTE 24 **OTHER NON-OPERATING (EXPENSE) INCOME, NET**

The following table summarizes the components of other non-operating (expense) income, net as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2020	**2019**	**2018**
FX gain (loss)	**$ 2**	$ (18)	$ (11)
Net periodic pension costs—other components	**13**	18	10
Income from investments in non-consolidated affiliates	**6**	13	14
Other	**25**	7	6
Total	**$ 46**	$ 20	$ 19

NOTE 25 **RELATED PARTY TRANSACTIONS**

Moody's Corporation made grants of $11 million to The Moody's Foundation during the year ended December 31, 2020. The Company did not make any grants to the Foundation in the years ended December 31, 2019 and 2018. The Foundation carries out philanthropic activities primarily in the areas of education and health and human services. Certain members of Moody's senior management are on the board of the Foundation.

NOTE 26 **SUBSEQUENT EVENTS**

On February 9, 2021, the Board approved the declaration of a quarterly dividend of $0.62 per share for Moody's common stock, payable March 18, 2021 to shareholders of record at the close of business on February 25, 2021. Additionally, on February 9, 2021, the Board approved an additional $1 billion of share repurchase authority, which may commence following the completion of the remaining authority disclosed in Note 19.

In the first quarter of 2021, the Company reached a settlement and had a lapse of a statute of limitations relating to certain of its UTPs. As a result of these items, in the first quarter of 2021, the Company will release UTPs of $61 million along with accrued interest of $40 million.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, as required by Rule 13a-15(b) under the Exchange Act, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report (the “Evaluation Date”). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the communication to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes In Internal Control Over Financial Reporting

Information in response to this Item is set forth under the caption “Management’s Report on Internal Control Over Financial Reporting”, in Part II, Item 8 of this annual report on Form 10-K.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, has determined that there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting during the three months ended December 31, 2020. Although a significant portion of the Company's workforce began working remotely in mid-March due to the COVID-19 pandemic, Moody's has not experienced any material impact to its internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

Except for the information relating to the executive officers of the Company set forth in Part I of this annual report on Form 10-K, the information called for by Items 10-14 is contained in the Company's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 20, 2021, and is incorporated herein by reference.

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 is included under the heading "Information about our Executive Officers" in Part I, Item 1 of this Form 10-K, as well as under the headings "Item 1–Election of Directors," "Corporate Governance–Codes of Business Conduct and Ethics," and "The Audit Committee," in the 2021 Proxy Statement and is incorporated by reference.

ITEM 11 EXECUTIVE COMPENSATION

Information required by this Item 11 is included under the headings "Compensation Discussion and Analysis," "Summary Compensation Table," "Grants of Plan-Based Awards Table for 2020," "Outstanding Equity Awards at Fiscal Year-End Table for 2020," "Option Exercises and Stock Vested Table for 2020," "Pension Benefits Table for 2020," "Non-Qualified Deferred Compensation Table," "Potential Payments Upon Termination or Change in Control," "Compensation of Directors," "Relationship of Compensation Practices to Risk Management" "CEO Pay Ratio," and "Report of the Compensation & Human Resources Committee" in the 2021 Proxy Statement and is incorporated by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 is included under the heading "Equity Compensation Plan Information" in Part II, Item 5 of this Form 10-K, as well as under the heading "Security Ownership of Certain Beneficial Owners and Management" in the 2021 Proxy Statement and is incorporated by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 is included under the headings "Corporate Governance –Director Independence" and "Certain Relationships and Related Transactions" in the 2021 Proxy Statement and is incorporated by reference.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item 14 is included under the headings "Item 2–Ratification of Appointment of Independent Registered Public Accountants–Principal Accounting Fees and Services" and "The Audit Committee" in the 2021 Proxy Statement and is incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

LIST OF DOCUMENTS FILED AS PART OF THIS REPORT.

(1) Financial Statements.

See Index to Financial Statements on page 73, in Part II. Item 8 of this Form 10-K.

(2) Financial Statement Schedules.

None.

(3) Exhibits.

INDEX TO EXHIBITS

S-K EXHIBIT NUMBER		
3	**Articles Of Incorporation And By-laws**	
	.1	Restated Certificate of Incorporation of the Registrant, effective April 22, 2020 (incorporated by reference to Exhibit 3.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 27, 2020)
	.2	Amended and Restated By-laws of Moody's Corporation, effective December 14, 2020 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 18, 2020)
4	**Instruments Defining The Rights Of Security Holders, Including Indentures**	
	.1*	Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934
	.2	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000)
	.3.1	Indenture, dated as of August 19, 2010, between Moody's Corporation and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 19, 2010)
	.3.2	Second Supplemental Indenture, dated as of August 20, 2012, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.50% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 20, 2012)
	.3.3	Third Supplemental Indenture, dated as of August 12, 2013, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 12, 2013)
	.3.4	Fourth Supplemental Indenture, dated July 16, 2014, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 5.250% Senior Notes due 2044 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed July 16, 2014)
	.3.5.1	Fifth Supplemental Indenture, dated March 9, 2015, between the Company, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services Limited, UK Branch as paying agent and transfer agent and Elavon Financial Services Limited as registrar, including the form or 1.75% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 10, 2015)

.3.5.2 Agency Agreement, dated March 9, 2015, between the Company, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services Limited, UK Branch as paying agent and transfer agent and Elavon Financial Services Limited as registrar ((incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 10, 2015)

.3.6 Sixth Supplemental Indenture, dated as of March 2, 2017, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 2.750% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 3, 2017)

.3.7 Seventh Supplemental Indenture, dated as of June 12, 2017, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of 2.625% Senior Notes due 2023 and the form of 3.250% Senior Notes due 2028 (incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017)

.3.8 Eighth Supplement Indenture, dated as of June 7, 2018, between the Company and Wells Fargo, National Association, as trustee, including the form of 3.250% Senior Note due 2021 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 7, 2018)

.3.9 Ninth Supplemental Indenture, dated as of December 17, 2018, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 4.250% Senior Note due 2029 and the form of 4.875% Senior Note due 2048 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 21, 2018)

.3.10.1 Tenth Supplemental Indenture, dated as of November 25, 2019, between the Company, Wells Fargo Bank, National Association, as trustee, Elavon Financial Services Limited, UK Branch as paying agent and U.S. Bank National Association as registrar and transfer agent, including the form of 0.950% Senior Note due 2030 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 25, 2019)

.3.10.2 Agency Agreement, dated November 25, 2019, between the Company, Wells Fargo Bank, National Association, as trustee, Elavon Financial Services Limited, UK Branch as paying agent and U.S. Bank National Association as registrar and transfer agent. (incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 25, 2019)

.3.11 Eleventh Supplement Indenture, dated as of March 24, 2020, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 3.750% Senior Note due 2025 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 25, 2020)

.3.12 Twelfth Supplemental Indenture, dated as of May 20, 2020, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 3.250% Senior Note due 2050 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed May 20, 2020)

.3.13 Thirteenth Supplemental Indenture, dated as of August 18, 2020, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 2.550% Senior Note due 2060 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 18, 2020)

10 **Material Contracts**

.1.1† 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan (Adopted September 8, 2000; Amended and Restated as of December 11, 2012, October 20, 2015, December 14, 2015 and December 18, 2017) (incorporated by reference to Exhibit 10.2.1 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018)

.1.2† Form of Non-Employee Director Restricted Stock Unit Grant Agreement (for awards after 2017) for the 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan (Adopted September 8, 2000; Amended and Restated as of December 11, 2012, October 20, 2015, December 14, 2015 and December 18, 2017) (incorporated by reference to Exhibit 10.2.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018)

.2†	Moody's Corporation 1999 Employee Stock Purchase Plan (as amended and restated December 15, 2008) (formerly, The Dun & Bradstreet Corporation 1999 Employee Stock Purchase Plan) (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed March 2, 2009)
.3.1.1†	Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (as amended, December 18, 2017) (incorporated by reference to Exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018)
.3.1.2†	First Amendment to the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (as amended, December 18, 2017) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number file number 1-14037, filed May 2, 2019)
.3.1.3†	Second Amendment to the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (as amended, December 18, 2017 and April 15, 2019) (incorporated by reference to Exhibit 10.3.1.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2020)
.3.2.1†	Form of Employee Non-Qualified Stock Option Grant Agreement (for awards granted between 2017 and 2019) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017)
.3.2.2†	Form of Employee Non-Qualified Stock Option Grant Agreement (for awards granted in 2020 or later) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.3.3.2 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2020)
.3.3.1†	Form of Performance Share Award Letter (for awards granted between 2018 and 2019) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.4.6 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018)
.3.3.2†	Form of Performance Share Award Letter (for awards granted in 2020 or later) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.3.4.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2020)
.3.4.1†	Form of Restricted Stock Unit Grant Agreement (for awards granted prior to 2020) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017)
.3.4.2†	Form of Restricted Stock Unit Grant Agreement (for awards granted in 2020 or later) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.3.5.2 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2020)
.4†	2004 Moody's Corporation Covered Employee Cash Incentive Plan (as amended on February 10, 2015) (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015)
.5†*	Moody's Corporation Deferred Compensation Plan (amended and restated effective as of January 1, 2020)
.6†	Supplemental Executive Benefit Plan of Moody's Corporation, amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 29, 2008)
.7†	Pension Benefit Equalization Plan of Moody's Corporation, amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 29, 2008)
.8.1†	Moody's Corporation Cafeteria Plan, effective January 1, 2008 (incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed March 2, 2009)

	.8.2†	First Amendment to the Moody's Corporation Cafeteria Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on form 10-Q, file number 1-14037, filed July 31, 2014)
	.8.3†	Second Amendment to the Moody's Corporation Cafeteria Plan (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015)
	.9†	Moody's Corporation Change in Control Severance Plan (as amended December 18, 2017) (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018)
	.10†*	Moody's Corporation Retirement Account (amended and restated as of January 1, 2021)
	.11†*	Profit Participation Plan of Moody's Corporation (amended and restated as of January 1, 2020)
	.12†	The Moody's Corporation Nonfunded Deferred Compensation Plan for Non-Employee Directors (as amended and restated October 20, 2015) (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 25, 2016)
	.13.1†	Amended and Restated Moody's Corporation Career Transition Plan (incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017)
	.13.2†	Form of Separation Agreement and General Release used by the Registrant with its Career Transition Plan (incorporated by reference to Exhibit 99.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 20, 2007)
	.14†	Supplemental Executive Disability Benefit Plan of Moody's Corporation, effective as of January 1, 2019 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 25, 2019)
	.15	Form Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 22, 2017)
	.16†	Employment Offer Letter between Moody's Corporation and Mark Kaye, dated July 18, 2018 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of the Registrant, file number 1-14037, filed on October 31, 2018)
	.17	Settlement Agreement dated January 13, 2017 between (1) Moody's Corporation, Moody's Investors Service, Inc. and Moody's Analytics, Inc., and (2) the United States, acting through the United States Department of Justice and the United States Attorney's Office for the District of New Jersey, along with various States and the District of Columbia, acting through their respective Attorneys General (incorporated by reference to the Report on Form 8-K of the Registrant, file number 1-14037, filed January 17, 2017)
	.18	Form Commercial Paper Dealer Agreement between Moody's Corporation, as Issuer, and the Dealer party thereto (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 3, 2016)
	.19	Five-Year Credit Agreement dated as of November 14, 2018, among Moody's Corporation, the Borrowing Subsidiaries Party Thereto, the Lenders Party Thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citibank, N.A. as Co-Syndication Agents, and Barclays Bank plc, MUFG Bank, Ltd. and TD Bank, N.A. as Co-Documentation Agents (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 20, 2018)
	.20	Loan Agreement, dated as of June 6, 2017, among Moody's Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017)
21*		Subsidiaries of the Registrant List of Active Subsidiaries as of December 31, 2020

23	**Consent of Independent Registered Public Accounting Firm**		
	.1*	Consent of KPMG LLP	
31	**Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**		
	.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
	.2*	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32	**Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**		
	.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)	
	.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)	
101	**Inline XBRL**		
	.INS*	Inline XBRL Instance Document	
	.SCH*	Inline XBRL Taxonomy Extension Schema Document	
	.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
	.DEF*	Inline XBRL Definitions Linkbase Document	
	.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document	
	.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104		The cover page from this Annual Report on Form 10-K (formatted in Inline XBRL and contained in Exhibit 101)	

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* Filed herewith

† Management contract of compensatory plan or arrangement

ITEM 16 FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION
(Registrant)

By: /s/ ROBERT FAUBER

Robert Fauber
President and Chief Executive Officer

Date: February 19, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ ROBERT FAUBER
Robert Fauber,
President and Chief Executive Officer
(principal executive officer)

/s/ MARK KAYE
Mark Kaye,
Senior Vice President and Chief Financial Officer
(principal financial officer)

/s/ CAROLINE SULLIVAN
Caroline Sullivan,
Senior Vice President and Corporate Controller
(principal accounting officer)

/s/ BASIL L. ANDERSON
Basil L. Anderson,
Director

/s/ JORGE A. BERMUDEZ
Jorge A. Bermudez,
Director

/s/ THÉRÈSE ESPERDY
Thérèse Esperdy,
Director

/s/ VINCENT A. FORLENZA
Vincent A. Forlenza,
Lead Independent Director

/s/ KATHRYN M. HILL
Kathryn M. Hill,
Director

/s/ RAYMOND W. MCDANIEL, JR.
Raymond W. McDaniel, Jr.,
Chairman

/s/ HENRY A. MCKINNELL, JR. PH.D.
Henry A. McKinnell, Jr. Ph.D.,
Director

/s/ LESLIE F. SEIDMAN
Leslie F. Seidman,
Director

/s/ BRUCE VAN SAUN
Bruce Van Saun,
Director

Date: February 19, 2021

EXHIBIT 21

SUBSIDIARIES OF MOODY'S CORPORATION

The following is a list of active, majority-owned subsidiaries of Moody's Corporation as of December 31, 2020.

U.S. Entities

Acquire Media U.S., LLC	Delaware
Bureau van Dijk Electronic Publishing Inc.	New York
Catylist Consulting Inc.	Delaware
Catylist Inc.	Delaware
Catylist Real Estate Software Inc.	Delaware
DVBS, Inc.	Delaware
Four Twenty Seven, Inc.	Delaware
GGYAXIS, Inc.	Delaware
Lewtan Technologies, Inc.	Massachusetts
MIS Asset Holdings, Inc.	Delaware
MIS Quality Management Corp.	Delaware
Moody's Advisors Inc.	Delaware
Moody's Analytics, Inc.	Delaware
Moody's Analytics Knowledge Services Solutions (US) Inc.	Delaware
Moody's Analytics Solutions, LLC	Delaware
Moody's Assurance Company, Inc.	New York
Moody's Assureco, Inc.	Delaware
Moody's Capital Markets Research, Inc.	Delaware
Moody's Group Holdings, Inc.	Delaware
Moody's Holdings LLC	Delaware
Moody's International LLC	Delaware
Moody's Investors Service, Inc.	Delaware
Moody's Overseas Holdings, Inc.	Delaware
Moody's Risk Assessments Holdings LLC	Delaware
Moody's Risk Assessments, Inc.	Delaware
Moody's Shared Services, Inc.	Delaware
Omega Performance Corporation	California
Regulatory DataCorp, Inc.	Delaware
Reis, Inc.	Delaware
Reis Services LLC	Maryland
Risk First Inc.	Delaware
The Moody's Foundation	New York
Vigeo Eiris USA, LLC	Delaware
Wellsford CRC Holdings Corp	Maryland
Wellsford Ventures, Inc.	Maryland
ZM Financial Systems, LLC	North Carolina

Non-US Entities

Acquire Media 1 UK Limited	UK
Administracion de Calificadoras, S.A. de C.V.	Mexico
Bureau van Dijk Editions Electroniques S.A.S.	France
Bureau van Dijk Editions Electroniques SARL	Switzerland
Bureau van Dijk Editions Electroniques SRL	Belgium
Bureau van Dijk Edizioni Elettroniche S.p.a	Italy
Bureau van Dijk Electronic Publishing AB	Sweden
Bureau van Dijk Electronic Publishing ApS	Denmark
Bureau van Dijk Electronic Publishing B.V.	Netherlands
Bureau van Dijk Electronic Publishing Beijing Co., Ltd.	China
Bureau van Dijk Electronic Publishing GmbH	Germany
Bureau van Dijk Electronic Publishing GmbH	Austria
Bureau van Dijk Electronic Publishing Hong Kong Limited	Hong Kong
Bureau van Dijk Electronic Publishing K.K.	Japan
Bureau van Dijk Electronic Publishing LLC	Korea
Bureau van Dijk Electronic Publishing Ltd.	UK
Bureau van Dijk Electronic Publishing Pte. Ltd.	Singapore
Bureau van Dijk Electronic Publishing Pty. Ltd.	Australia
Bureau van Dijk Electronic Publishing S.A. de C.V.	Mexico
Bureau van Dijk Electronic Publishing Unipessoal Lda.	Portugal
Bureau van Dijk Electroniq Publishing S.A. (Pty) Ltd	South Africa
Bureau van Dijk EP DMCC	UAE
Bureau van Dijk Publicaçao Eletronica Ltda.	Brazil
Bureau van Dijk Publicaciones Electronicas S.A.	Spain
Ethical Investment Research Services (EIRIS) Limited	UK
Four Twenty Seven France SAS	France
G.K. Four Twenty Seven Japan	Japan
Gilliland Gold Young Consulting Inc.	Canada
ICRA Analytics Limited (f/k/a ICRA Online Limited)	India
ICRA Lanka Limited	Sri Lanka
ICRA Limited	India
ICRA Nepal Limited	Nepal
KIS Pricing, Inc.	Korea
Korea Investors Service, Inc.	Korea
Midroog Ltd.	Israel
MIS Argentina S.A.	Argentina
MIS Brazil Servicos Tecnicos Ltda.	Brazil
MIS Support Center Private Limited	India
MIS Support Services CR Sociedad de Responsabilidad Ltda.	Costa Rica
Moody's (China) Limited	China
Moody's (Japan) K.K.	Japan
Moody's (UK) Limited	UK
Moody's America Latina Ltda.	Brazil
Moody's Analytics (DIFC) Limited	UAE
Moody's Analytics (India) Private Limited	India

Moody's Analytics (Malaysia) Sdn.Bhd.	Malaysia
Moody's Analytics (Thailand), Co. Ltd.	Thailand
Moody's Analytics Australia Pty. Ltd.	Australia
Moody's Analytics Canada Inc.	Canada
Moody's Analytics Czech Republic s.r.o.	Czech Republic
Moody's Analytics Deutschland GmbH	Germany
Moody's Analytics do Brasil Soluções para Gerenciamento de Risco de Crédito Ltda	Brazil
Moody's Analytics Global Education (Canada), Inc.	Canada
Moody's Analytics Hong Kong Ltd.	Hong Kong
Moody's Analytics Ireland Ltd.	Ireland
Moody's Analytics Japan K.K.	Japan
Moody's Analytics Knowledge Services (Jersey) Limited	Jersey
Moody's Analytics Knowledge Services (Singapore) Pte. Ltd.	Singapore
Moody's Analytics Knowledge Services Holdings (Mauritius) Limited	Mauritius
Moody's Analytics Knowledge Services Research (Mauritius) Limited	Mauritius
Moody's Analytics Korea Co., Ltd	Korea
Moody's Analytics SAS	France
Moody's Analytics Singapore Pte Ltd.	Singapore
Moody's Analytics Technical Services (Hong Kong) Ltd.	Hong Kong
Moody's Analytics Technical Services (UK) Limited	UK
Moody's Analytics UK Limited	UK
Moody's Asia Pacific Group (Singapore) Pte. Ltd.	Singapore
Moody's Asia Pacific Ltd.	Hong Kong
Moody's Canada Inc.	Canada
Moody's Canada LP	Canada
Moody's China (B.V.I.) Limited	British Virgin Islands
Moody's Company Holdings (BVI) I Limited	British Virgin Islands
Moody's Company Hong Kong Ltd.	Hong Kong
Moody's Credit Ratings (China) Limited	China
Moody's de Mexico, S.A. de C.V., I.C.V	Mexico
Moody's Deutschland GmbH	Germany
Moody's Eastern Europe LLC	Russia
Moody's EMEA Financing (Cyprus) Ltd	Cyprus
Moody's EMEA Holdings Limited	UK
Moody's Equilibrium I (BVI) Holding Corporation	British Virgin Islands
Moody's Equilibrium II (BVI) Holding Corporation	British Virgin Islands
Moody's Finance (BVI) Limited	British Virgin Islands
Moody's Financing (BVI) Limited	British Virgin Islands
Moody's Financing (Cyprus) Limited	Cyprus
Moody's France SAS	France
Moody's Group (BVI) Limited	British Virgin Islands
Moody's Group (Holdings) Unlimited	UK

Moody's Group Australia Pty Ltd.	Australia
Moody's Group Cyprus Ltd.	Cyprus
Moody's Group Deutschland GmbH	Germany
Moody's Group Finance Limited	UK
Moody's Group France SAS	France
Moody's Group Holdings (BVI) Limited	British Virgin Islands
Moody's Group Japan G.K.	Japan
Moody's Group NL B.V.	Netherlands
Moody's Group UK Ltd.	UK
Moody's Holdings (B.V.I.) Limited	British Virgin Islands
Moody's Holdings Ltd.	UK
Moody's Holdings NL B.V.	Netherlands
Moody's Information Consulting (Shenzhen) Co. Ltd.	China
Moody's International (UK) Limited	UK
Moody's Investment Company India Private Limited	India
Moody's Investors Service (Beijing), Ltd.	China
Moody's Investors Service (BVI) Limited	British Virgin Islands
Moody's Investors Service (Korea) Inc.	Korea
Moody's Investors Service (Nordics) AB	Sweden
Moody's Investors Service Cyprus Ltd.	Cyprus
Moody's Investors Service EMEA Limited	UK
Moody's Investors Service España SA	Spain
Moody's Investors Service Hong Kong Ltd.	Hong Kong
Moody's Investors Service India Private Limited	India
Moody's Investors Service Limited	UK
Moody's Investors Service Middle East Limited	UAE
Moody's Investors Service Pty Limited	Australia
Moody's Investors Service Singapore Pte. Ltd.	Singapore
Moody's Investors Service South Africa (Pty) Limited	South Africa
Moody's Israel Holdings Inc.	British Virgin Islands
Moody's Italia S.r.l.	Italy
Moody's Latin America Holding Corp.	British Virgin Islands
Moody's Lithuania, UAB	Lithuania
Moody's Local (Chile) SpA (f/k/a Equilibrium (Chile) Holding SpA)	Chile
Moody's Local AR Agente de Calificación de Riesgo S.A. (f/k/a Moody's Latin America Agente de Calificacion de Riesgo S.A.)	Argentina
Moody's Local PA Calificadora de Riesgo S.A (f/k/a Equilibrium Calificadora de Riesgo S.A.)	Panama
Moody's Local PE Clasificadora de Riesgo S.A(f/k/a Equilibrium Clasificadora de Riesgo S.A.)	Peru
Moody's Mauritius Holdings Ltd.	Mauritius
Moody's Risk Assessments Limited	UK
Moody's SF Japan K.K.	Japan
Moody's Shared Services India Private Ltd	India
Moody's Shared Services UK Limited	UK
Moody's Singapore Pte. Ltd.	Singapore
Moody's South Africa (B.V.I.) Limited	British Virgin Islands

Nile 6 (f/k/a Skyval Holdings LLP)	UK
Omega Performance Corp./S.C.C. Á Rendement Omega	Canada
Omega Performance Corporation Pty. Limited	Australia
Omega Performance NZ Limited	New Zealand
Omega Performance Pte. Ltd.	Singapore
Pragati Development Consulting Services Ltd	India
PT ICRA Indonesia	Indonesia
RBA International Limited	UK
Regulatory DataCorp Limited	UK
Regulatory DataCorp Private Limited	Singapore
Risk First (Holdings) Limited	UK
Risk First (IP) Limited	UK
Risk First Enterprise Limited	UK
Risk First Group Limited	UK
Risk First Limited	UK
Risk First Management Services Limited	UK
Skyval Limited	UK
Vigeo Belgium SA/NV	Belgium
Vigeo Eiris Canada Inc.	Canada
Vigeo Eiris Chile SpA	Chile
Vigeo Eiris Hong Kong Limited	Hong Kong
Vigeo Eiris Singapore Pte. Ltd	Singapore
Vigeo Italia S.r.l	Italy
Vigeo SAS	France
Yellow Maple Holding B.V.	Netherlands
Yellow Maple I B.V.	Netherlands
Yellow Maple II B.V.	Netherlands
Zephus Ltd.	UK
Yellow Maple I B.V.	Netherlands
Yellow Maple II B.V.	Netherlands
Zephus Ltd.	UK

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Moody's Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-236611, No. 333-170727, No. 333-170753, No. 333-145127, No. 333-126564, No. 333-103496, No. 333-47848, No. 333-81121, No. 333-68555, No. 333-64653, No. 333-60737, No. 333-57915, No. 333-57267, No. 333-192333, No. 333-192334, No. 333-228577, No. 333-223724) on Forms S-3, S-4 and S-8 of Moody's Corporation (the Company) of our report dated February 19, 2021, with respect to the consolidated balance sheets of Moody's Corporation as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2020, which report appears in the December 31, 2020 annual report on Form 10-K of Moody's Corporation.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases in 2019 due to the adoption of Accounting Standard Codification (ASC) Topic 842, Leases.

/s/ KPMG LLP

New York, New York

February 19, 2021

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Fauber, certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT FAUBER

Robert Fauber

President and Chief Executive Officer

February 19, 2021

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Kaye, certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK KAYE

Mark Kaye

Senior Vice President and Chief Financial Officer

February 19, 2021

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2020 as filed with the SEC on the date hereof (the "Report"), I, Robert Fauber, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT FAUBER

Robert Fauber

President and Chief Executive Officer

February 19, 2021

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2020 as filed with the SEC on the date hereof (the "Report"), I, Mark Kaye, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK KAYE

Mark Kaye

Senior Vice President and Chief Financial Officer

February 19, 2021

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Moody's Corporate Information

CORPORATE OFFICE

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New York, NY 10007
+1.212.553.0300
moodys.com

TRANSFER AGENT, REGISTRAR

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

U.S.: +1.866.714.7299
Outside the U.S.: +1.718.921.8124
Hearing impaired: +1.866.703.9077

Online Shareholder Account Information
amstock.com
info@amstock.com

INDEPENDENT ACCOUNTANTS

KPMG LLP
345 Park Avenue
New York, NY 10154

CORPORATE GOVERNANCE

The Company has filed its annual report on Form 10-K for the year ended December 31, 2020 with the Securities and Exchange Commission.

The Form 10-K, along with other Moody's SEC filings and corporate governance documents, are available, without charge, upon request to the Investor Relations Department at the Corporate Office or on ir.moodys.com.

The Company has submitted to the New York Stock Exchange the Chief Executive Officer's certification that he is unaware of any violation by the Company of the NYSE's corporate governance listing standards. The Company has filed with the SEC the Chief Executive Officer and Chief Financial Officer certifications as exhibits to the most recently filed Form 10-K, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

COMMON STOCK INFORMATION

The Company's common stock trades on the New York Stock Exchange under the symbol "MCO".

INVESTOR RELATIONS

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MOODY'S ENVIRONMENTAL POLICY

Moody's Corporation is committed to doing our part to protect and care for the environments in which we live and work.

This commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programs that support the more efficient use of natural resources and reduce the impact of our businesses on the environment. These programs and policies include, where feasible, the reduction and elimination of waste through re-use, recovery and recycling. As part of these efforts, Moody's is committed to reducing its global operations' contribution to climate change. Our environmental programs are structured to minimize the impact on our greenhouse gas emissions to the extent possible.

Moody's Corporation recognizes that our environmental impacts are limited and include greenhouse gas emissions (from energy used in buildings and for transport), water use and waste (from office operations). Nonetheless, we are committed to minimizing the impact of our operations and services on the environment by:

» Complying with the letter and spirit of all relevant environmental legislation

» Establishing applicable corporate environmental goals and objectives which will be reviewed and revised as necessary on an ongoing basis

» Minimizing the environmental risks to our employees and the communities in which we operate

» Using various communications channels to ensure that our employees are aware of environmental concerns and the impact of their activities on the environment, and to encourage them to minimize these impacts

» Adopting a purchasing program that takes into consideration the environmental practices of potential suppliers and contractors

» Seeking to reduce internal and client-facing travel whenever practical

» Where possible, consider "green" building choices or, at a minimum, those that provide the efficient use of energy and materials when selecting new office locations

» Reducing, and where possible eliminating, waste through re-use, recovery and recycling by participating in building-wide conservation efforts for water and energy conservation

» Tracking and reporting the results our efforts annually in our Corporate Social Responsibility Report

» Responding to CDP Climate Change questionnaire annually

» Ensuring that our policy is available for public review and is communicated to employees to increase their awareness of environmental concerns and to further encourage them to minimize the impact they have on the environment

Our commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programs that support the more efficient use of natural resources and reduce the impact of our businesses on the environment.

All paper in this report is certified to the Forest Stewardship Council® (FSC®) standards. The 10-K of this report is printed on paper that contains recycled fiber.

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