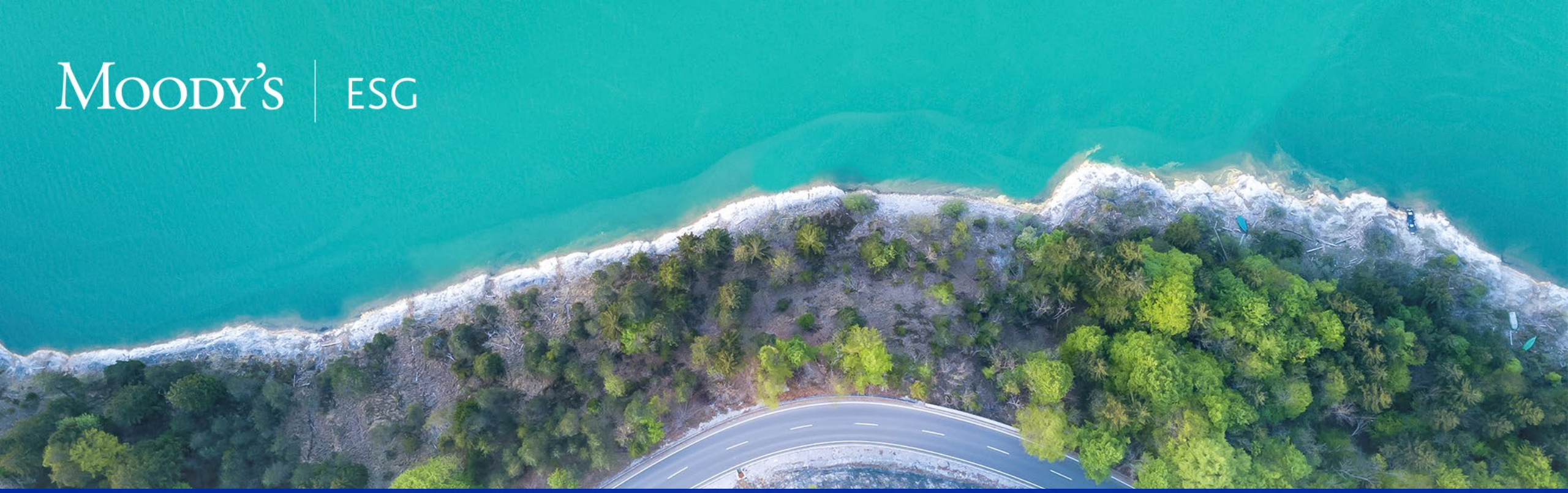
MOODY'S | ESG



ESG & Climate at Moody's

Mark Kaye, CFO, Moody's Corporation

December 2021

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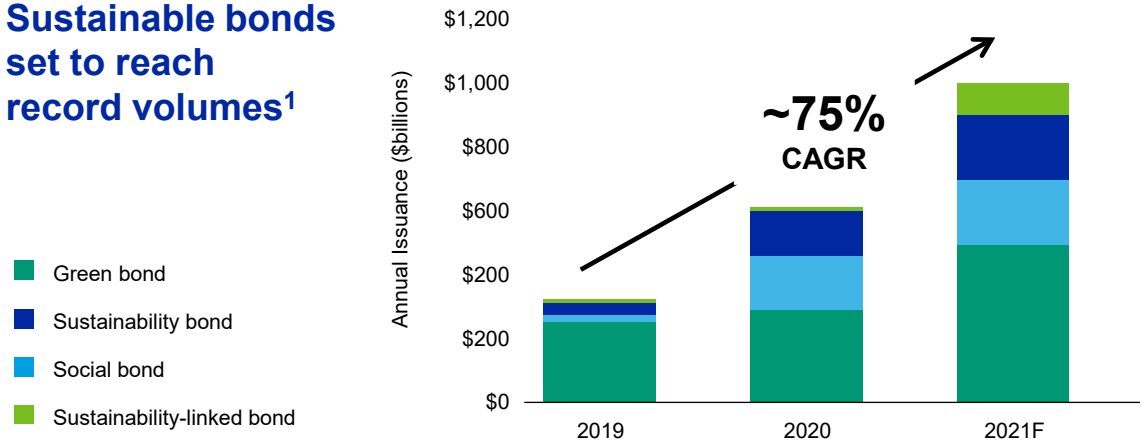
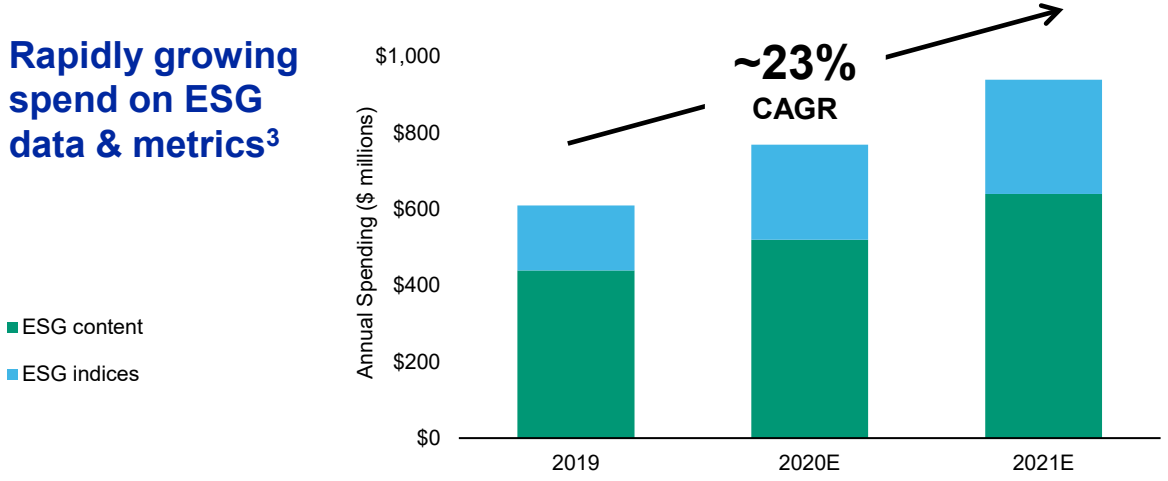
ESG Markets Keep Growing

Sustainable bonds to reach $1 trillion in 2021; demand for ESG and climate data and analytics rising

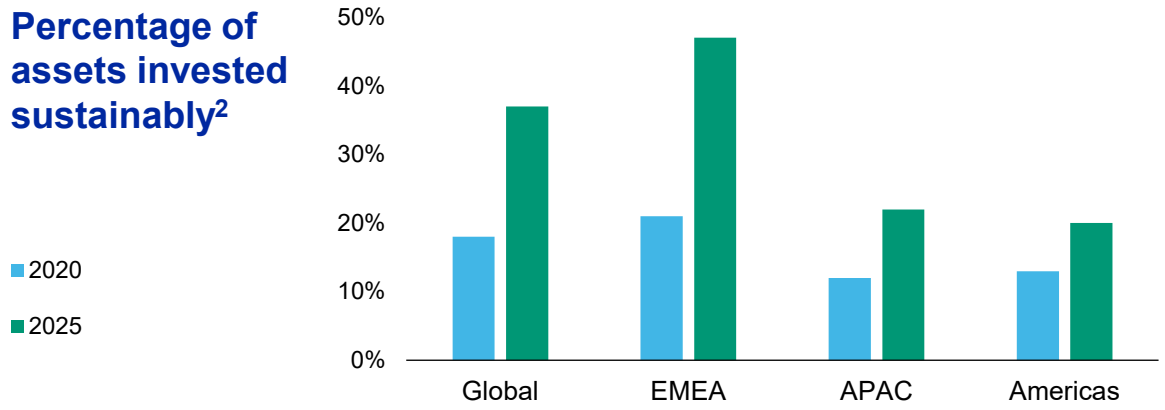
Sustainable bonds set to reach record volumes[1]



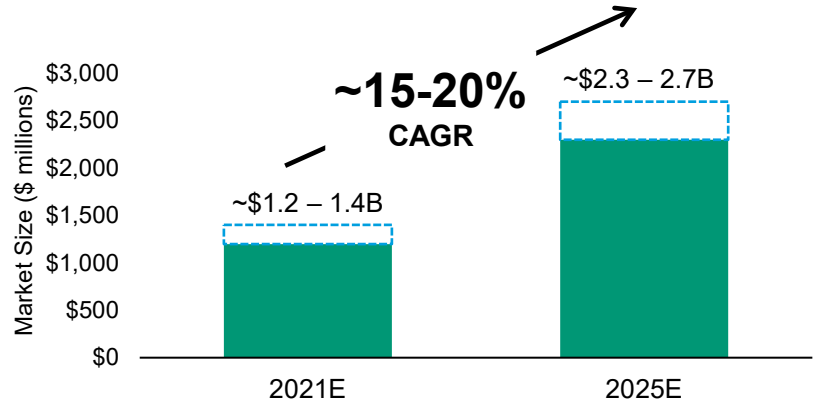
Rapidly growing spend on ESG data & metrics[3]



Percentage of assets invested sustainably[2]



Climate data and analytics markets continue to grow[4]



1. Source: Moody's ESG Solutions "Sector In-depth: Sustainable Finance – Global – Sustainable Bonds on course to top $1 trillion annual issuance in 2021", October 27, 2021.
2. Source: Global Client Sustainability Survey, July – September 2020. BlackRock.
3. Source: Opimas, March 2020.
4. Source: Name withheld; excludes consulting services and the insurance segment except for investment portfolios and disclosures.

Moody's is Uniquely Positioned to Develop Critical ESG Market Solutions

MESG

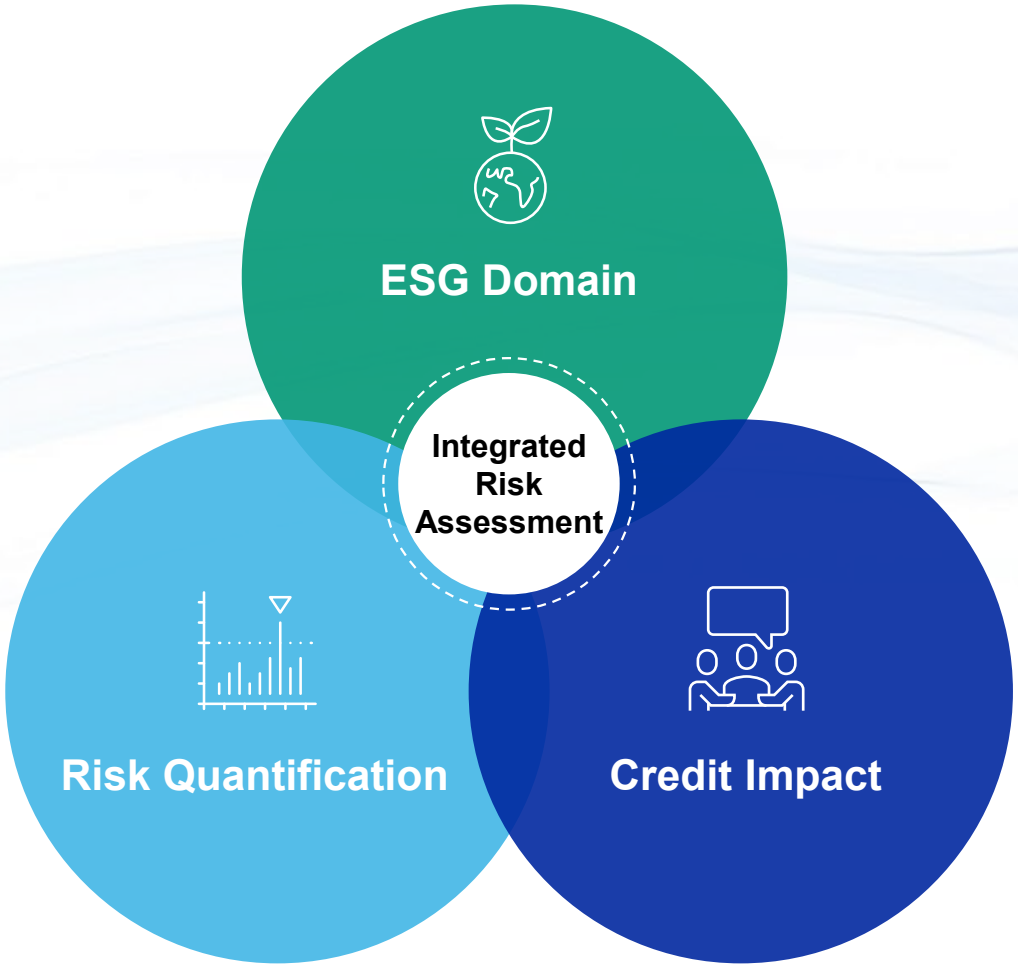
- Climate Solutions
- ESG Measures
- SME Solutions
- Sustainable Finance
- Index Solutions

MA

- Risk Analytics & Reporting
- Real Estate Solutions
- Lending Solutions and Tools
- Catastrophe Models

MIS

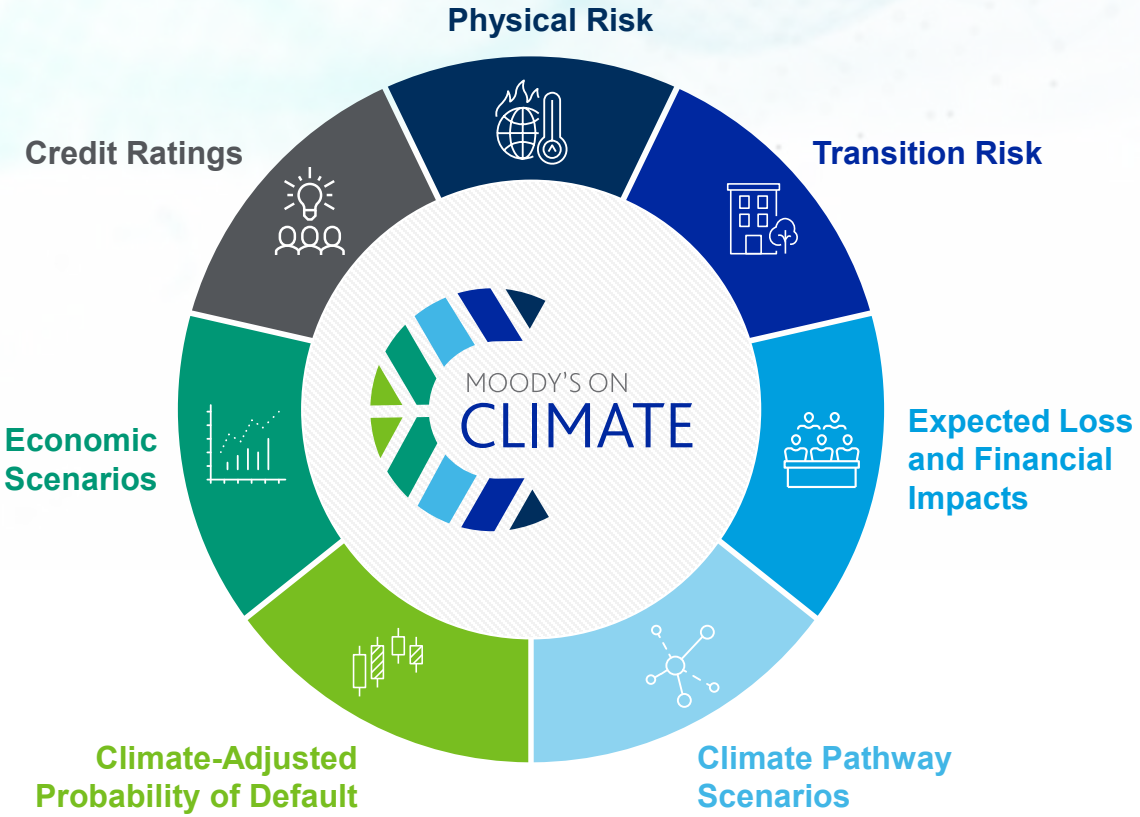
- Credit Ratings & Research
- ESG Credit Impact Scores
- ESG Classification
- Heat Maps



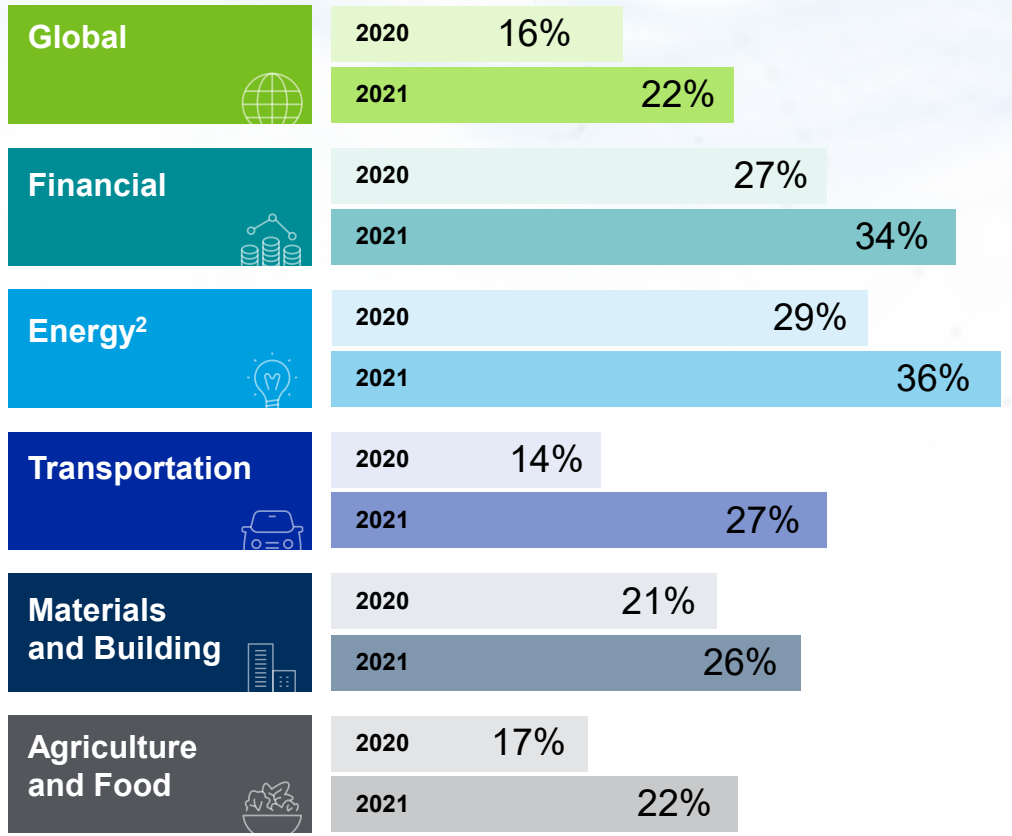
- Asset Managers & Asset Owners
- Banks & Insurers
- Companies & Organizations
- Governments & Academia
- Professional Services

Climate Transparency is Critical for Measuring & Managing Risk and Opportunity

Moody's Climate Solutions



Average climate risk disclosure rates by sector[1]



1. Source: Moody's research report "Ready or Not? Sector Performance in a Zero-Carbon World"; sample of over 3,800 larger cap companies.
2. The energy sector refers to companies involved in oil and gas exploration, production and downstream activities, oil equipment and services companies, and electric and gas utilities.

Moody's Transition Risk Offering Supports Evolving Market Needs

Transition Risk Data and Analytics

MESG

- **Carbon footprint** (Scope 1, 2, 3)[1], Brown share, Green share, climate controversies
- **EU taxonomy, SFDR[2] and TCFD[3] alignment**
- **Net Zero Solutions**

MA

- **Climate-adjusted PDs[4]:** impact of transition risk on company's credit worthiness
- **Economic scenarios:** impact of transition risk on countries' economic performance
- **Climate Pathways:** impact of transition risk on interest rates and asset

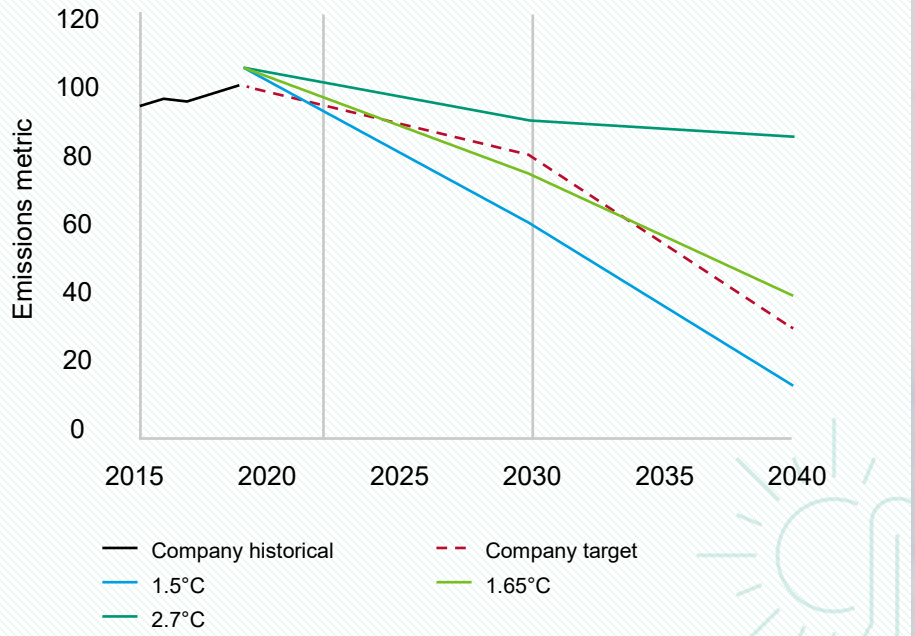
MIS

- Integration into **credit risk ratings and research**
- **Heat Maps**
- **Carbon Transition Assessments:** How the company is positioned to perform during the energy transition

Temperature Alignment, A Net Zero Solution New

Easy-to-use, **forward-looking assessment of corporate emissions targets to temperature trajectory** benchmarks

(IEA[5] scenarios 1.5°C, 1.65°C, 2.7°C)



1. Scope 1 covers direct emissions from sources that the company owns or controls. Scope 2 covers indirect emissions sources which the company uses or purchases. Scope 3 covers all other indirect emissions that occur in a company's value chain.
2. Sustainable Finance Disclosure Regulation.
3. Task Force on Climate-Related Financial Disclosures.
4. Probability of Default.
5. International Energy Agency.

Source: Moody's ESG Solutions.

Moody's is Positioned as Market Leader for Physical Climate Risk

Physical Risk Data and Analytics

MESG

- **On-demand scoring** for real estate
- **Scores and risk management assessment** for listed and unlisted companies
- **Sovereign and sub-sovereign** population-weighted scores

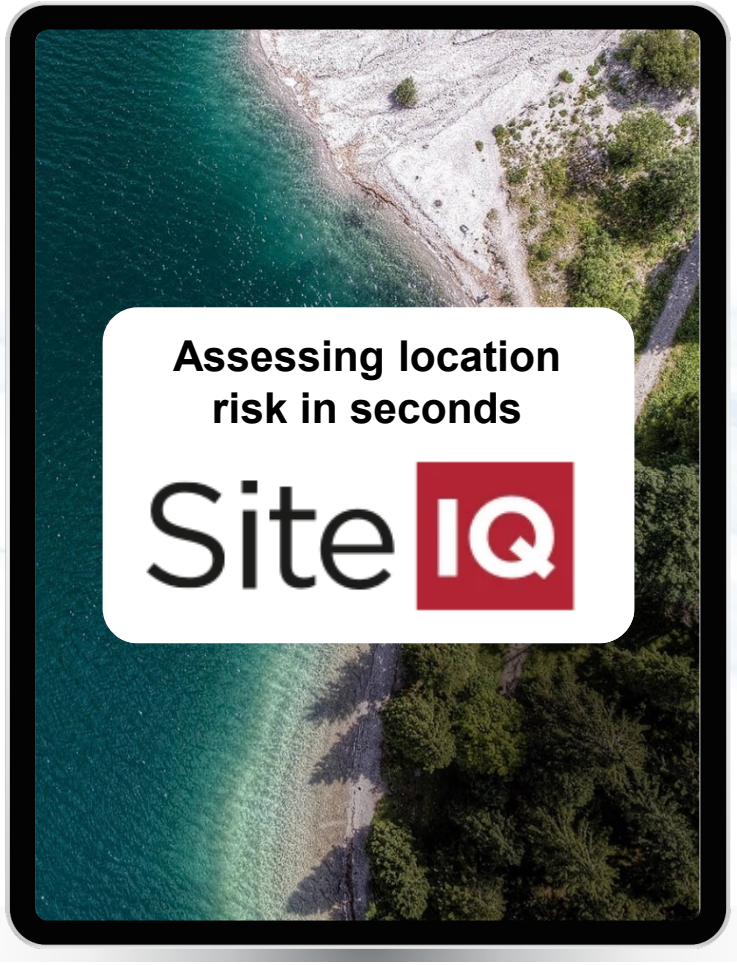
MA

- **Catastrophe models** for a wide range of perils
- **Climate-adjusted PDs**[1] & portfolio concentration analysis
- Integration into **macroeconomic forecasts**
- Scores for **CRE** properties and submarkets, markets, and regions

MIS

- Integration into **credit risk ratings and research**
- **Heat maps**

SiteIQ



1. Probability of Default.

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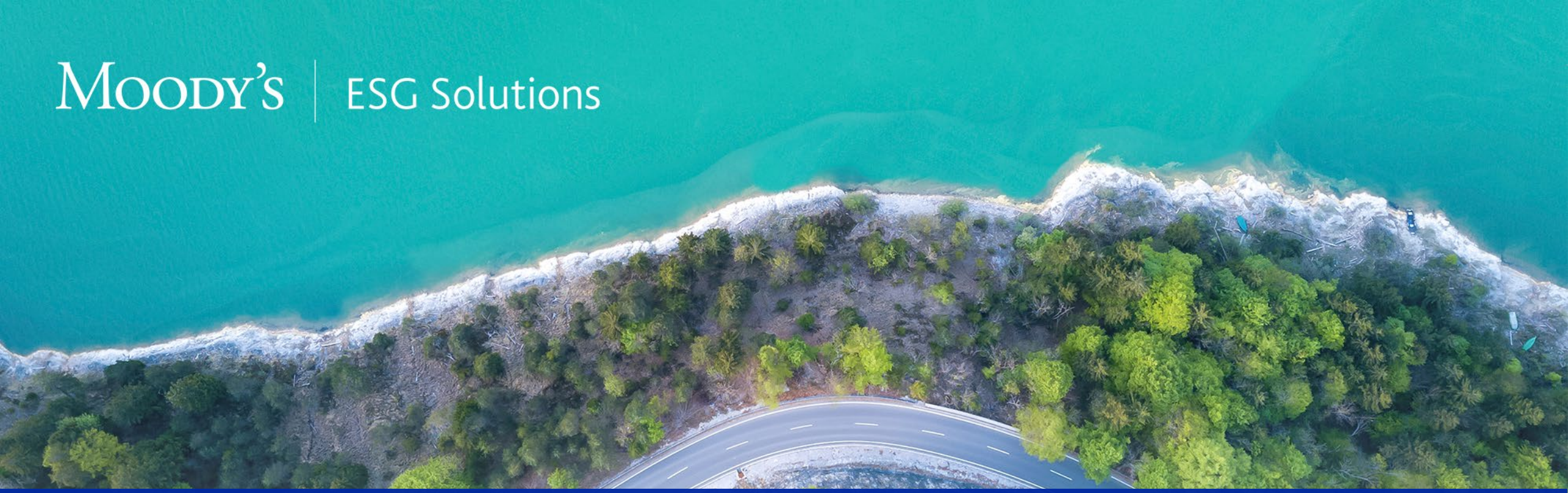

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