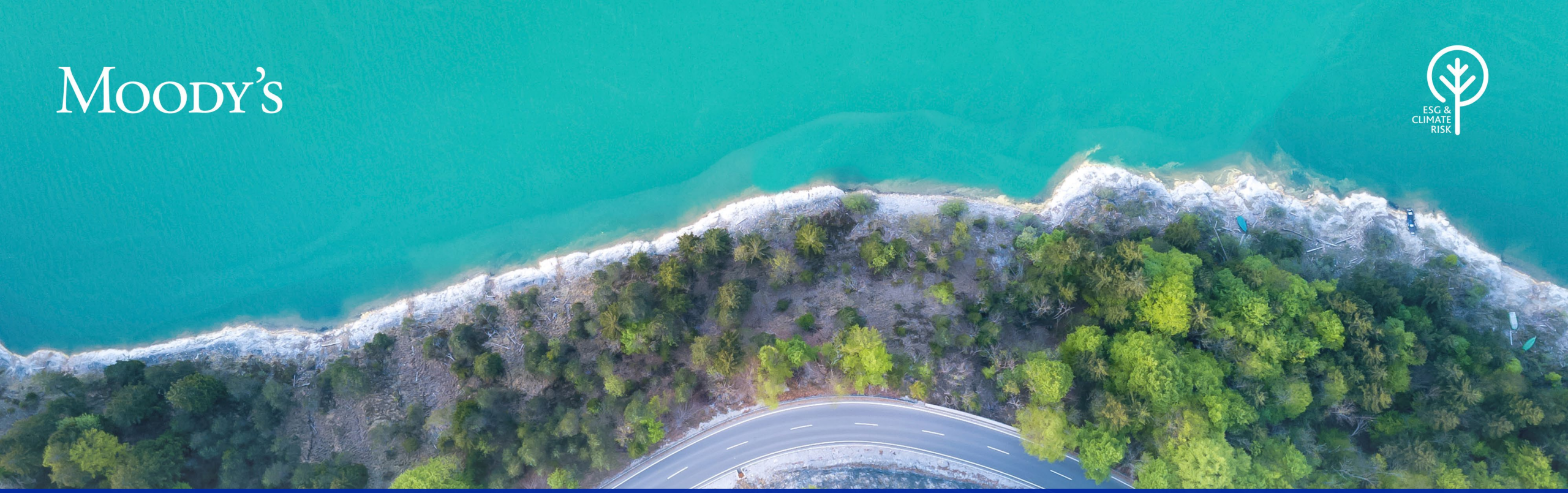


Moody's ESG Solutions Group

Andrea Blackman

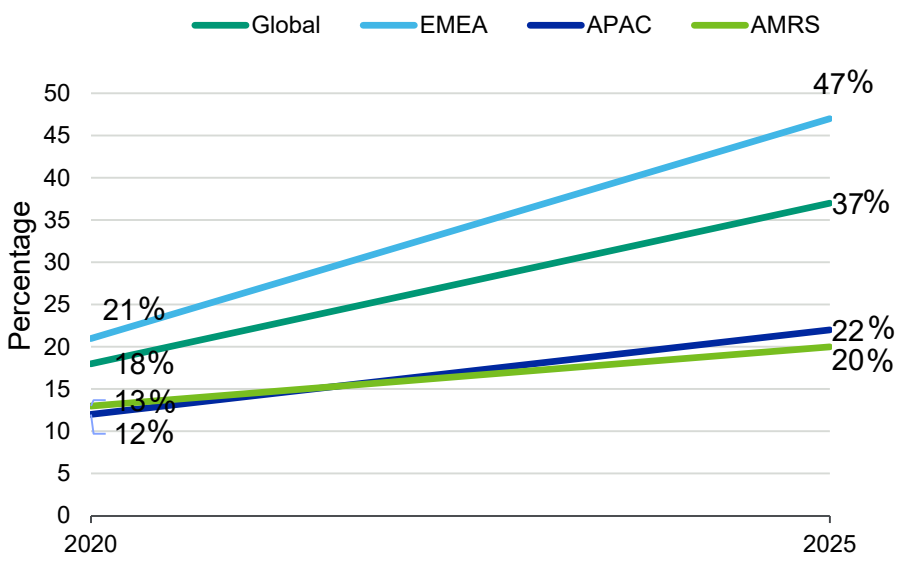
March 1, 2021

Disclaimer

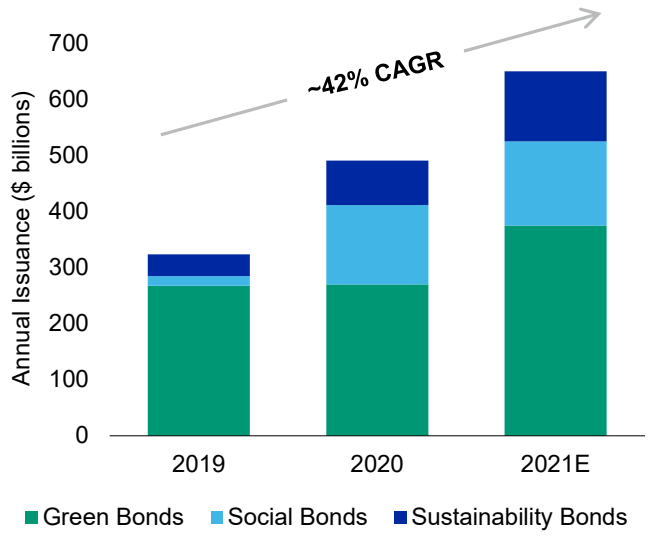
Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of Moody's Corporation (the "Company") that involve a number of risks and uncertainties. Such statements may include, among other words, "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof that convey the prospective nature of events or outcomes generally indicative of forward-looking statements. The forward-looking statements and other information in this release are made as of the date hereof and the Company undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise, except as required by applicable law or regulation. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying examples of factors, risks and uncertainties that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the impact of COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP 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; 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.

ESG and Sustainability Markets are Growing Despite a Lack of Standards

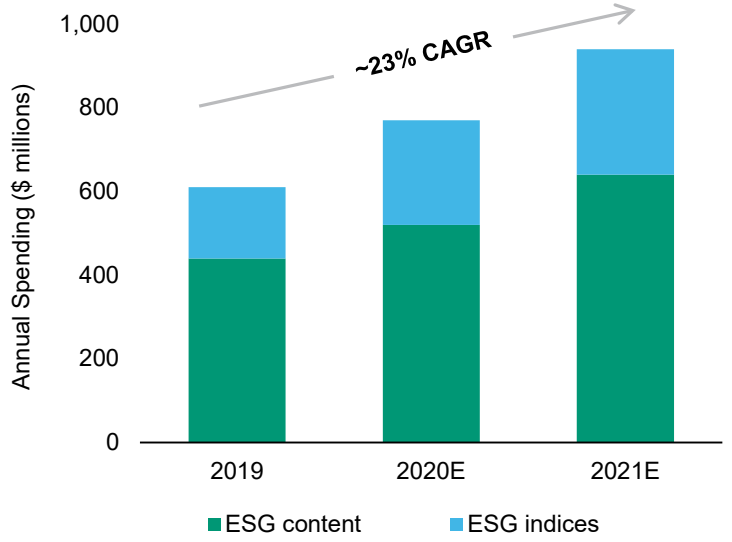
Percentage of assets invested sustainably[1]



Sustainable bonds set for record volumes[2]



Spend on ESG content & indices growing rapidly[3]



Trends evidence a long-term shift in investment practices

Sustainable finance market is on the rise

Growing demand for data and benchmarks

1. Source: Global Client Sustainability Survey, July – September 2020. BlackRock
2. Source: Moody's Investors Service "Sector in-depth: Sustainable Finance – Global – Sustainable bond volumes to top $650 billion in 2021", February 4, 2021.
3. Sources: McKinsey and Opimas.

Regulation is a Catalyst of a Pivotal Market Shift

ESG & CLIMATE RISK

Increasing regulation

- EU - Work on Sustainable Finance Action Plan to continue; NFRD[1] and Green Bond Standard legislation to be discussed this year; calls for regulating SSPs[2] increasing.
- US – Climate and Equity issues are key focus areas with expected rulemaking.
- APAC activity increasing; China's commitment to reach carbon emission neutrality by 2060

Continued harmonisation of standards

- SASB-GRI initiative; SASB-IIRC merger; TCFD becoming mandatory in some jurisdictions; WEF framework; IFRS trustees may work on global ESG disclosure standards; EU work on NFRD

Sustainable finance innovation

- Labels continue to emerge, supporting growth of sustainable finance beyond green, social and sustainability bonds and loans; focus on transition and sustainability-linked loans/bonds

Climate still central but ESG themes expand post Covid

- Climate remains central, with increasing focus on social dimension in ESG, in particular diversity, social, racial and income inequality; growth in standards and tools targeting biodiversity loss and nature-related risks (e.g. TNFD[3])
- Deeper understanding of dual or dynamic materiality

Consumer preferences are changing

- Increasingly vocal around corporate behaviour & purpose
- Seek investments that reflect their values

ESG data, analytics, and reporting remain shared challenges

- Inconsistent quality and availability of ESG data and performance insight remains a challenge
- Standards seen as an essential next step to facilitate market development

Moody's customers need data, analytics and insight to manage performance reflecting multi-stakeholder impact

1. Non-Financial Reporting Directive
2. Sustainability Service Provider
3. Taskforce for Natural Related Financial Disclosure

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

ESG & CLIMATE RISK

MIS Integration

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

MA Integration

- Real Estate Solutions
- Moodys.com
- Risk Analytics & regulatory reporting
- Lending solutions and tools
- APIs, and Data Feeds

Moody's ESG Solutions

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

Moody's ESG Solutions Group

Bringing quality, rigor and consistency to the most comprehensive spectrum of capabilities serving core segments as the economy greens

- Brings together over 30 years of ESG expertise to meet rapidly evolving needs
- Delivers data, analytics and insight to further enhance best-in-class risk assessment capabilities from MIS and MA



Serving risk management, equity and credit markets

MESG Solutions Suite

ESG Measures

Data, analytics, insight and tools to identify material factors affecting performance, mitigate risk and measure impact

- Scores on 5,000+ large cap companies with 270+ data points; deep domain expertise across E, S and G
- Company and sector assessments
- Controversy monitoring and alerts on 8,000+ companies
- Normative standard assessments (e.g., alignment to UN SDGs)
- Tools for investment strategy & portfolio construction and review
- Benchmarks to improve understanding of dual materiality performance

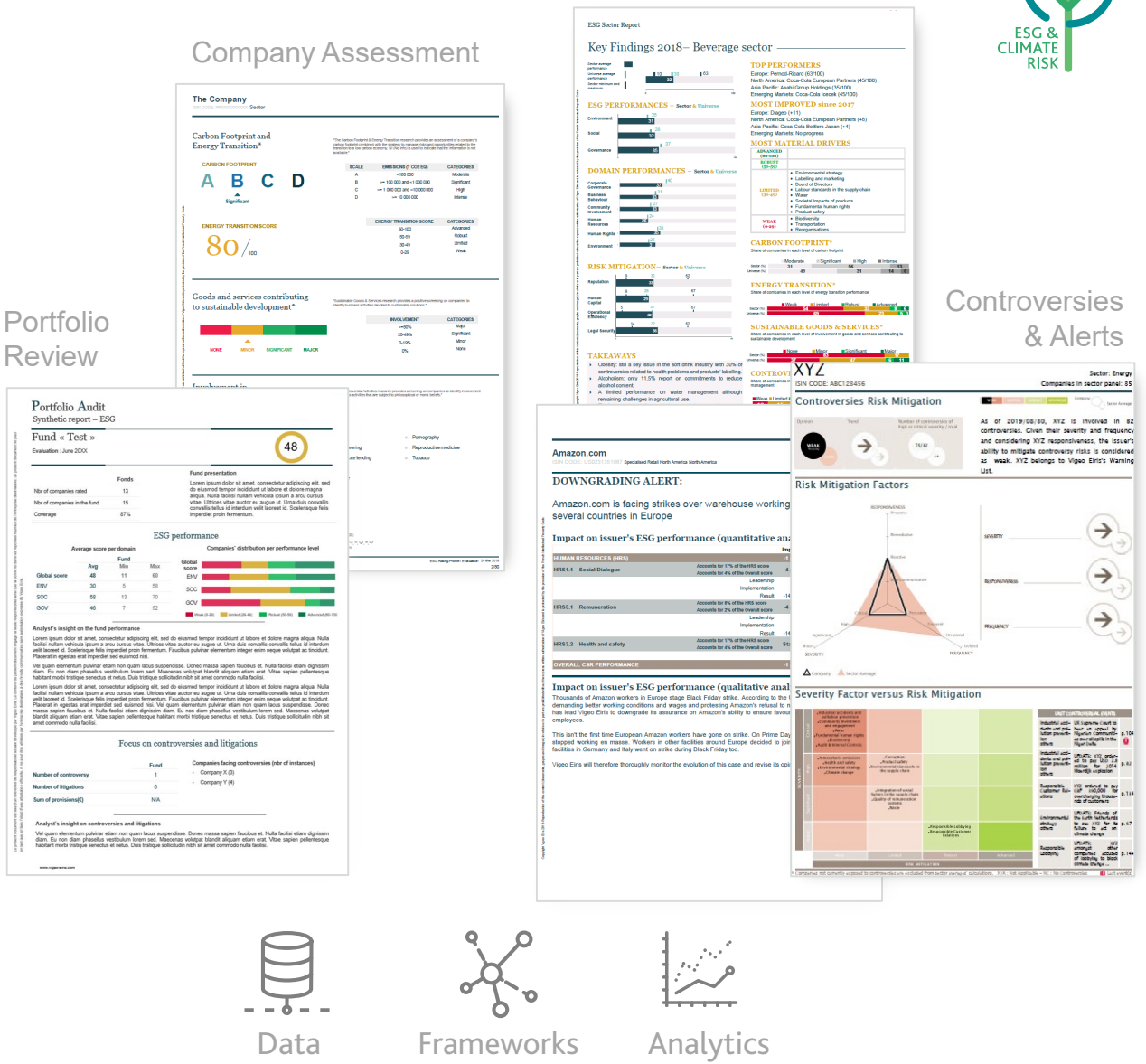
Who	What
Asset Managers **Asset Owners**	Product innovation Portfolio strategy & construction Performance analysis & monitoring Stewardship
Banks	Performance analysis & monitoring Asset valuation Portfolio risk management
Index Providers	Product innovation Performance benchmarks
Companies	KYC, KYS Risk monitoring

Sector Assessment

Company Assessment

Portfolio Review

Controversies & Alerts

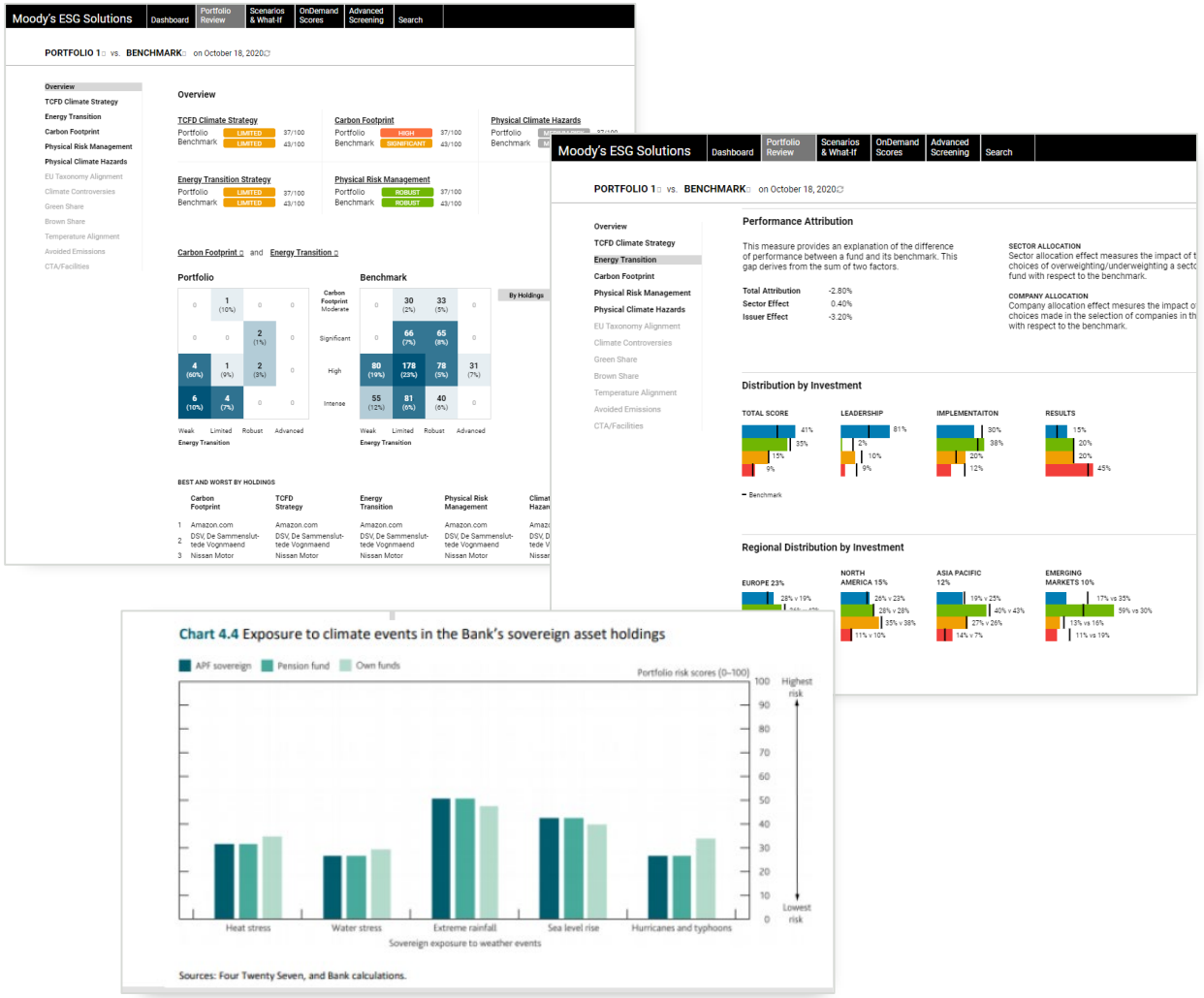


MESG Solutions Suite

Climate Solutions

- Risk measurement and evaluation tools to understand, quantify and manage climate risk and scenarios
- Physical, transition, governance and social equity risk factors considered
  - 5,000+ companies scored
  - 200 sovereigns scored
  - 10M+ real assets scored
- Portfolio Concentrations
- Regulatory compliance tools

Who	What
Asset Managers	Portfolio strategy & construction Investment selection Portfolio risk monitoring
Asset Owners	Asset allocation Portfolio monitoring Performance benchmarks
Banks & Insurers	Index innovation Performance benchmarks
Governments	Systemic resilience Stress testing Reporting



MESG Solutions Suite

Climate Solutions

Transition Risk Data

Assessment of 5,000 companies to identify transition risk exposure stemming from different fossil fuel resource types and power generation technologies

Climate Scenarios

Country and industry specific transition scenarios and RCP[1] scenarios that capture physical and transition risk channels

Portfolio Concentrations

Accounting for common exposure to climate hazards and downstream supply chain disruptions resulting in potential tail losses



Physical Risk Data

Forward-looking exposure to climate hazards for 5,000 listed companies with 2.5M facilities globally, 200 sovereigns and 10M CRE properties in the US

Climate Risk Quantification

Moody's Structural models (EDF™) to produce climate adjusted risk evaluation of physical and transition risk for public and private companies, CRE, sovereigns and customer credit

Regulatory Compliance

Stress testing and TCFD reporting for climate risk metrics and financial risk metrics

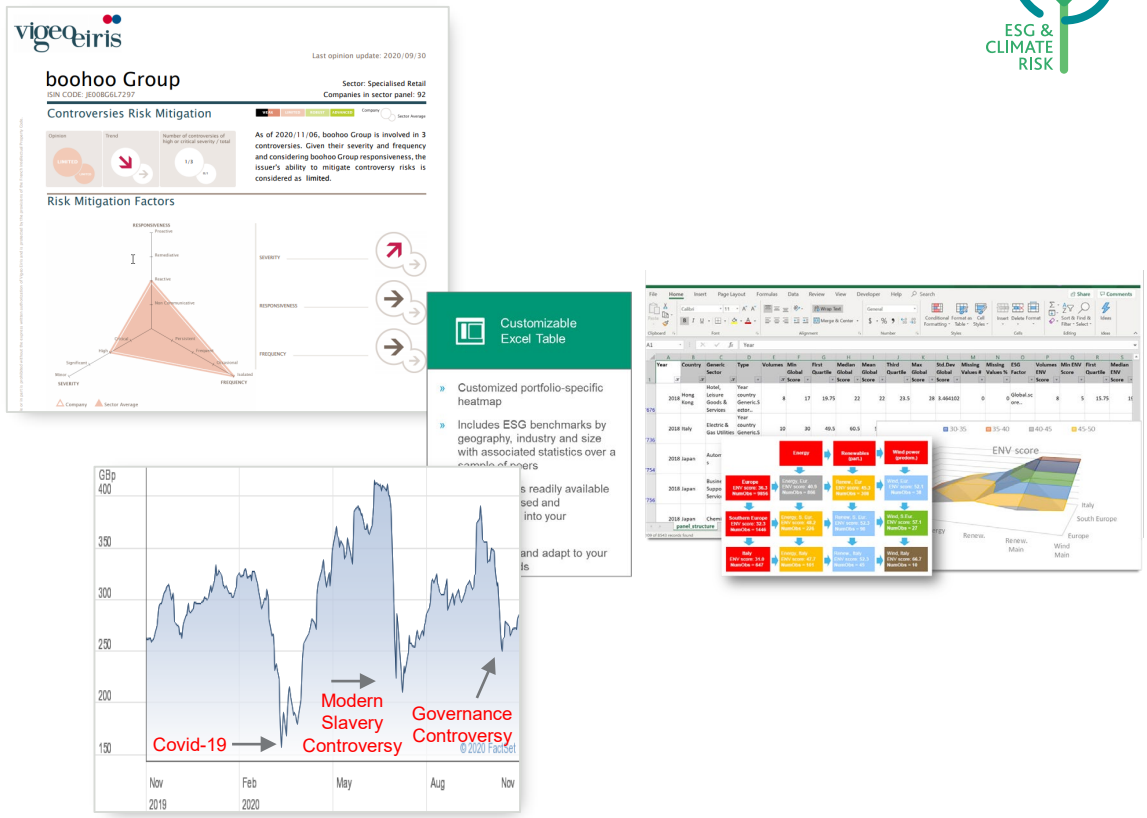
1. Representative Concentration Pathway

MESG Solutions Suite

SME Solutions

- Solutions to screen and examine supply chain risk and bank portfolio concentrations
  - Predictive ESG scores using model-driven, machine learning algorithms; 100K+ pre-scored SMEs with up to 60 datapoints per entity
  - Company size, industry and geography benchmarks
  - Moody's SME ESG Predictor Tool available for internal use by customers
- Deep-dive into risk concentrations using SME methodology
- Full engagement for high-risk suppliers and sectors to proactively manage reputational risk

Who	What
Companies	KYC, KYS Risk and compliance monitoring Engagement
Banks	Origination Asset valuation Portfolio risk management
Asset Owners	Product innovation Portfolio strategy & construction Performance analysis & monitoring
Index Providers	Index innovation Performance benchmarks



2015 — UK – Modern Slavery Act

2017 — France – Duty of Care

2019 — Australia – Modern Slavery Act

2021 — EU – Conflict Minerals Regulation

Proposed — EU-wide human rights and environmental reporting

MESG Solutions Suite

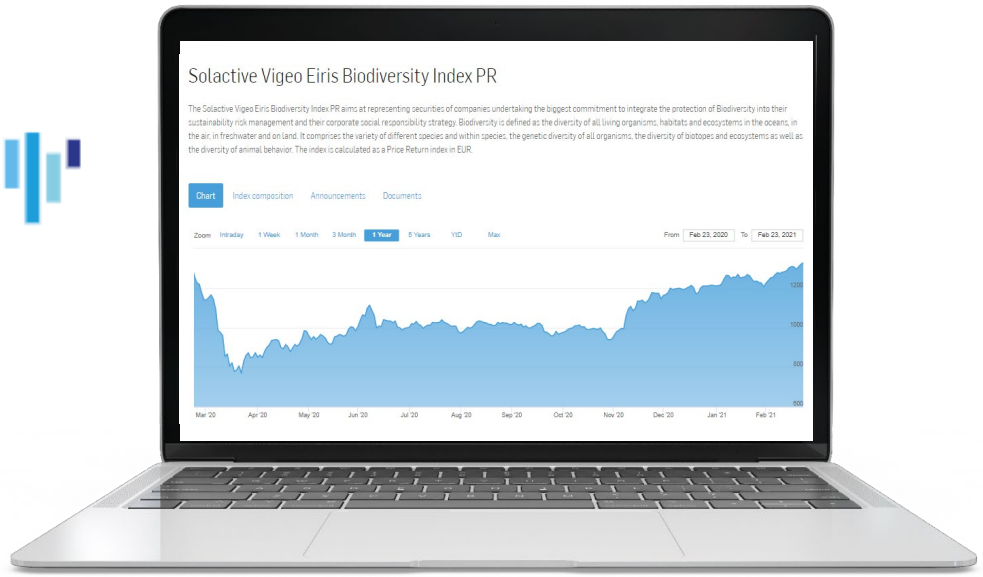
Index Solutions

- 75+ index families created with our ESG data since 2013
- Index designs for ETFs, listed & OTC derivatives, certificates, structured products, benchmarks
- Multiple index themes, including ESG, Climate, Biodiversity, Gender
- 10+ partnerships with index providers, banks & asset managers
- Full lifecycle support from creation through to reporting

Who	What
Index Providers	Product innovation Index calculation
Banks	Benchmarks
Asset Managers	Benchmarks



SOLACTIVE
German Index Engineering



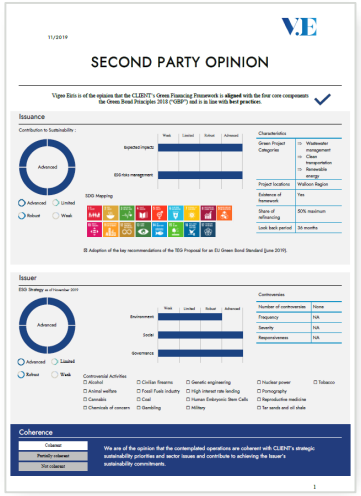
MESG Solutions Suite

Sustainable Finance

- Second Party Opinions (SPOs) for bond and loan issuance
  - Includes green, social, sustainability and linked loans and bonds
  - 300+ SPOs; 90 completed in 2020
  - Leading provider with global reach known for innovation
- Sustainability Ratings & Green Certifications
  - Nascent market gaining traction in EMEA and the US
  - 25 Sustainability Ratings

Who	What
Companies Issuers	Sustainability performance Corporate resilience Stakeholder value Disclosure
Governments	Build back better Climate & social transition
Asset Managers	Product innovation Investment selection Fiduciary duty Conduct stewardship

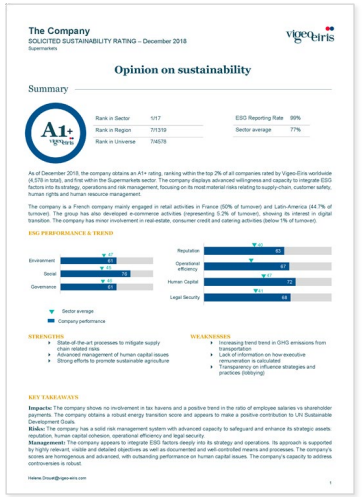
Second Party Opinion



Sustainability-linked Loan



Sustainability Rating



SPOs
Product type[3]



65% Green Bonds

22% Sustainability Bonds

12% Social bonds

1% Other

SPOs
Sector[3]



57% Companies

22% Banks & Insurance

6% Local Authorities

6% Public Entities

4% Sovereign

3% Public Utilities

2% Other

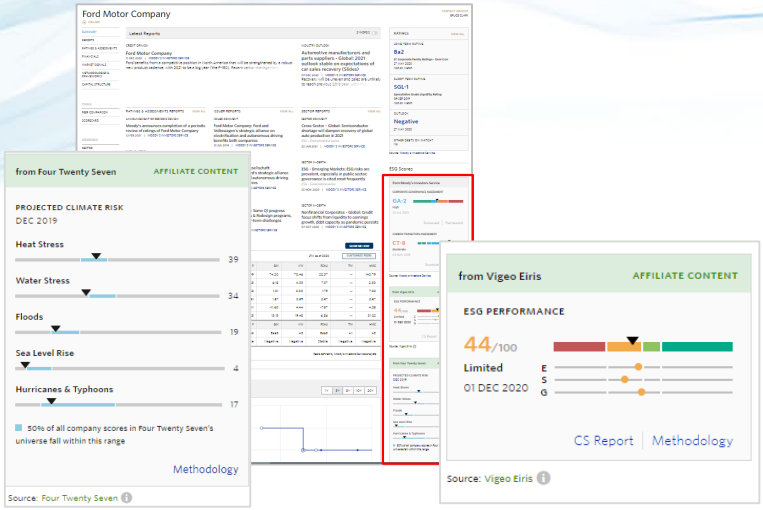
1. Data as of December 31, 2020.
2. Conducted by Moody's affiliate V.E.
3. Source: V.E.

ESG Data, Analytics and Insight in Moody's Best-in-Class Risk Assessment Capabilities

Moody's CreditView
The view that counts

Moody's CreditView

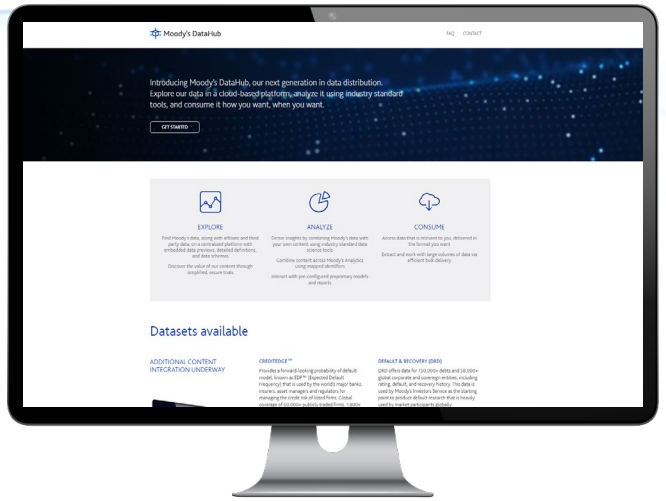
- ESG & Physical Climate Risk Scores
- ESG Company and Sector Reports
- MIS Sector Heatmaps & Classifications
- MIS Entity CTA & CGA Scores



Moody's DataHub

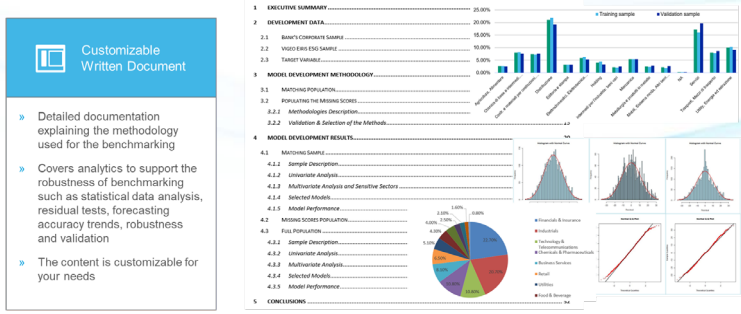
Moody's DataHub

- All of Moody's data on a centralized platform
- ESG, climate risk and controversy data



ESG Score Predictor

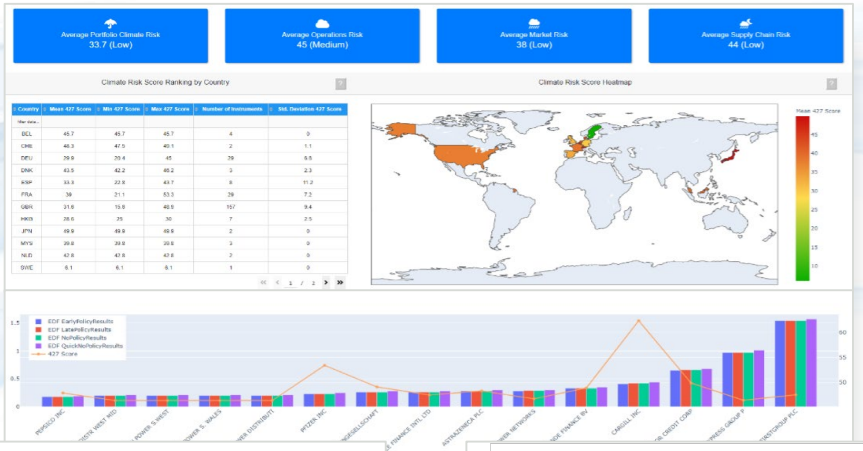
- Predictor tool using Artificial Intelligence / Machine Learning techniques, for use by customers with their own data
- ESG benchmark scores
- 100k+ SME proxy scores

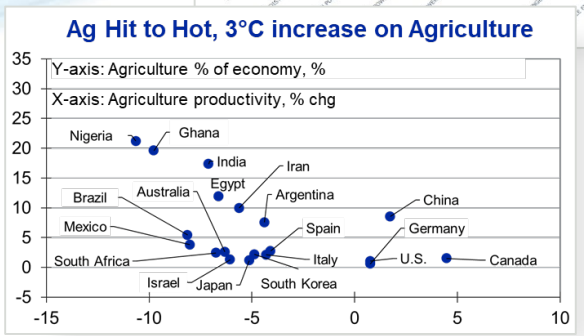


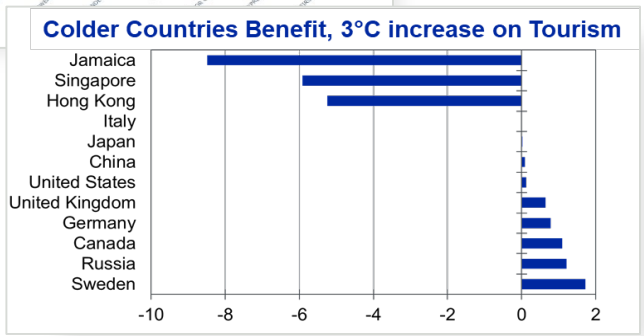
ESG Data, Analytics and Insight in Moody's Best-in-Class Risk Assessment Capabilities

MA Climate Risk Dashboard

» Climate adjusted scenarios, expected default frequencies (EDFs), spreads and more



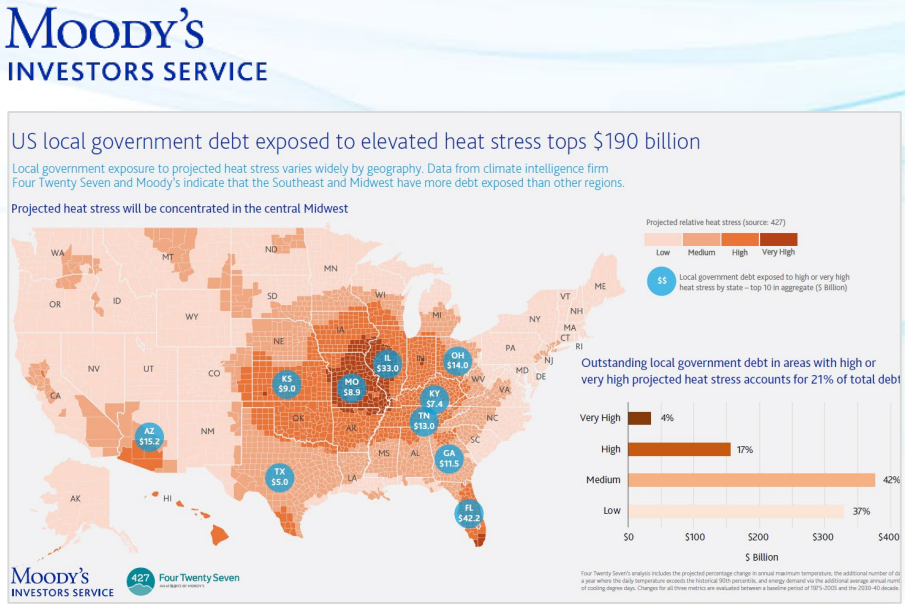




REIS Network, Climate Risk Scores

» MESG provides REIS network users with aggregated climate risk scores

» Scores show the climate risk threshold levels for commercial property locations ranging from 'no risk' to 'red flag' or extremely high risk



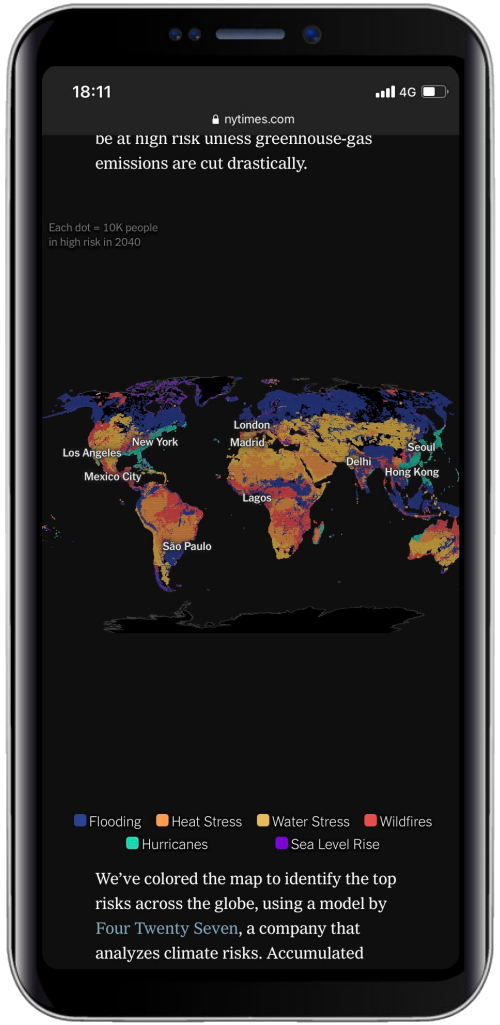
Innovation and Thought Leadership

Forefront of Innovation in SPO's:

- 1st Sustainability Linked Convertible Bond
- 1st Sustainability Linked Airline Loan
- 1st Sustainability Linked Sukuk
- 1st Sustainability Linked Bond in the US
- 1st Gender Focused Social Bond in Columbia
- 1st Social Bonds in Brazil
- 1st Sovereign SDG Bond
- 1st Airline Sustainability Linked Bond
- 1st Green Sukuk in N. Africa/Middle East

Awards

- 427 - Best Alternative Data Provider, WatersTechnology Asia 2020
- V.E - Best green bond, Second party opinion provider, Singapore, The Asset Country Awards 2020
- V.E - Best local currency green bond, Second party opinion provider, The Asset Regional Awards 2020
- MA - Climate Risk Award at Chartis RiskTech100®



Source: New York Times, Moody's ESG Solutions



Environmental Finance paid promotion
Sustainable Bonds Insight, February 2021

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