Moody's

Moody's Decarbonization Plan

Moody's made significant progress on our environmental sustainability goals in 2020. We have set science-based targets for reducing our greenhouse gas (GHG) emissions, established plans for expanding our carbon neutrality and procured 100% renewable electricity.

Mark Kaye, Chief Financial Officer of Moody's Corporation has stated: "Contributing to an environmentally sustainable global future is a key business objective for Moody's. We are proud of the work we've done to enhance our environmental sustainability and we will continue to expand and enhance our efforts to integrate best practices throughout our business, using science-based targets."

Moody's intends to reach net-zero emissions by 2040, a decade earlier than its commitment to the United Nations Global Compact (UNGC) Business Ambition for 1.5°C.

Moody's science-based targets for reducing our GHG emissions focus on three key metrics:

» **50% reduction in absolute Scope 1 and Scope 2 GHG emissions by 2030[1].**

Moody's is procuring 100% renewable electricity for our global operations through renewable energy attribute certificates in the short term. Moody's will seek to ensure success in the medium and long term by increasing contracts with utility suppliers whose electricity originates from a renewable source where possible.

The primary source of our Scope 1 and 2 emissions is grid electricity usage, with our operating sites being composed of leased office space in multi-tenant buildings. To reduce energy consumption, we track the number of employees in LEED certified (or equivalent) buildings, which is approximately 60% of our workforce. As part of our future real estate plans, Moody's aims to increase this percentage while also reducing under-utilized office space as we shift toward a more digital workplace. We also plan to expand and implement new employee programs dedicated to electricity usage reduction, such as Moody's Summer Lights-Out initiative which consists of our global offices dimming or turning off lights during Friday afternoons.

» **15% reduction in Scope 3 GHG emissions from fuel and energy related activities, business travel and employee commuting by 2025[1].**

In 2020, Moody's implemented a company-wide carbon price on business travel, as well as an employee engagement program to educate employees on how they can individually help Moody's reduce its carbon footprint. As we plan for the 'Workplace of the Future', which envisions more technology enabled work, we continue to enhance our digital capabilities and IT infrastructure to implement work-from-home solutions that ensure productivity and reduce employee commuting time and non-essential business travel. When essential business travel resumes post-COVID-19, we will encourage employees to travel with lower emissions options when possible, such as booking trains over planes or economy rather than business class.

» **60% of Moody's suppliers by spend covering purchased goods and services and capital goods to have science-based targets by 2025.**

Our supplier code of conduct was updated to strongly encourage suppliers to disclose their carbon footprint and set science-based targets to achieve emissions reductions. Moody's has also partnered with CDP supply chain services to enhance our supplier engagement in these areas through webinars and personalized support.

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[1] Target determined from a 2019 base year.

In addition to our science-based targets, Moody's commits to:

» Achieving carbon neutrality

Moody's achieved carbon neutrality for the first time in 2019 and is dedicated to remaining carbon neutral on an annual basis by mitigating emissions, as set by our science-based targets, and purchasing verified carbon offsets for residual emissions from our operations, employee commuting and business travel. In addition, Moody's intends to retroactively offset our GHG emissions from September 2000, when Moody's became a public company, to December 2018. This will be completed through verified carbon offsets that are matched to each of the historical year's estimated emissions.

In addition, Moody's supports carbon-offset projects that provide co-benefits such as biodiversity through forestry projects and promote financial prosperity in communities where we operate. We select carbon offset projects based on the optimal alignment and support of the UN's Sustainable Development Goals (SDGs), including forestation offsets, clean cookstoves or water boreholes, and clean energy. In 2021, Moody's intends to maximize our purchase of carbon offsets in alignment with the newly released net-zero guidance from the Science Based Targets initiative, which prioritizes offsets such as forestation and others that reduce emissions.

» Engaging with our external stakeholders

In addition to engaging with our supply chain partners, Moody's helps our customers to better understand climate risk, sustainable finance, and Environmental, Social, and Governance (ESG) considerations. We do this through seminars, briefings and meetings with a broad array of capital market participants. Through these activities, Moody's shares our thought leadership content including:

- Moody's Investors Service's (MIS) sustainability research, including climate risk analysis, which is hosted on our website's homepage (moodys.com) under the 'ESG Impact' section.
- Moody's ESG and Climate Risk Hub (moodys.com/ESG), which highlights a broad array of products and solutions from MIS, Moody's Analytics, and ESG solutions group including Four Twenty Seven and VE. The site has specific sections dedicated to climate change, sustainable finance and ESG more broadly.
- Moody's ESG Outreach and Engagement Council, established in 2019, that helps to advance sustainability collaboration, serve global market needs, and align Moody's corporate sustainability strategy with ESG business opportunities.

We play an important role in helping to inform policy that incorporates climate risk and opportunities into financial considerations. Moody's engages with policymakers by adhering to globally recognized frameworks and standards, participating in consultations such as the EU Non-Financial Reporting Directive, and sharing insights and best practices on climate risk disclosure through various engagements with central banks, financial institutions, and other bodies. In addition, we indirectly advance policy through a broad range of climate-related commitments and active participation in trade associations.

Moody's has taken proactive measures to contribute to climate policy by joining several important initiatives, such as the UNGC where we serve as a founding member of its CFO Taskforce for the SDGs. Moreover, we joined the Business Roundtable (BRT), supported its statement on the "Purpose of the Corporation", and contributed to BRT's Addressing Climate Change – Principles and Policies. In addition, Moody's Chief Credit Officer serves as a member of the Task Force on Climate-related Financial Disclosures (TCFD), providing insight as to what might constitute "decision useful" disclosures for investors and sharing Moody's own experience developing TCFD disclosures. We also signed the Principles for Responsible Investment and the Accounting For Sustainability (A4S) CFO Statement of support, where our CFO serves as a member.

These activities promote the advancement of climate policy, meet strategic climate risk governance goals as set out by the TCFD, and commit Moody's to climate risk reporting aligned with the 2020 requirements of the PRI Reporting Framework.

Read more about our recent environmental commitments on our Investor Relations site. To learn more about Moody's efforts and commitment to advance environmental sustainability in our global value chain, business offerings and communities, read our 2020 Sustainability Report and 2020 TCFD report, and visit Moody's ESG & Climate Risk Hub.

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