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Moody's ESG Framework

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Senior Vice-President**

Advancing global standards in ESG



Global and irreversible

- » Demand for climate risk analytics is accelerating
- » Global market practitioners need enhanced ESG products and services
- » Sustainable finance is a fast growing asset class



Leadership in ESG Analytics

MIS aims to be the leader in:

- » ESG integration into credit ratings
- » Standalone ESG, Sustainable Finance and Climate Risk data, assessments, and insights

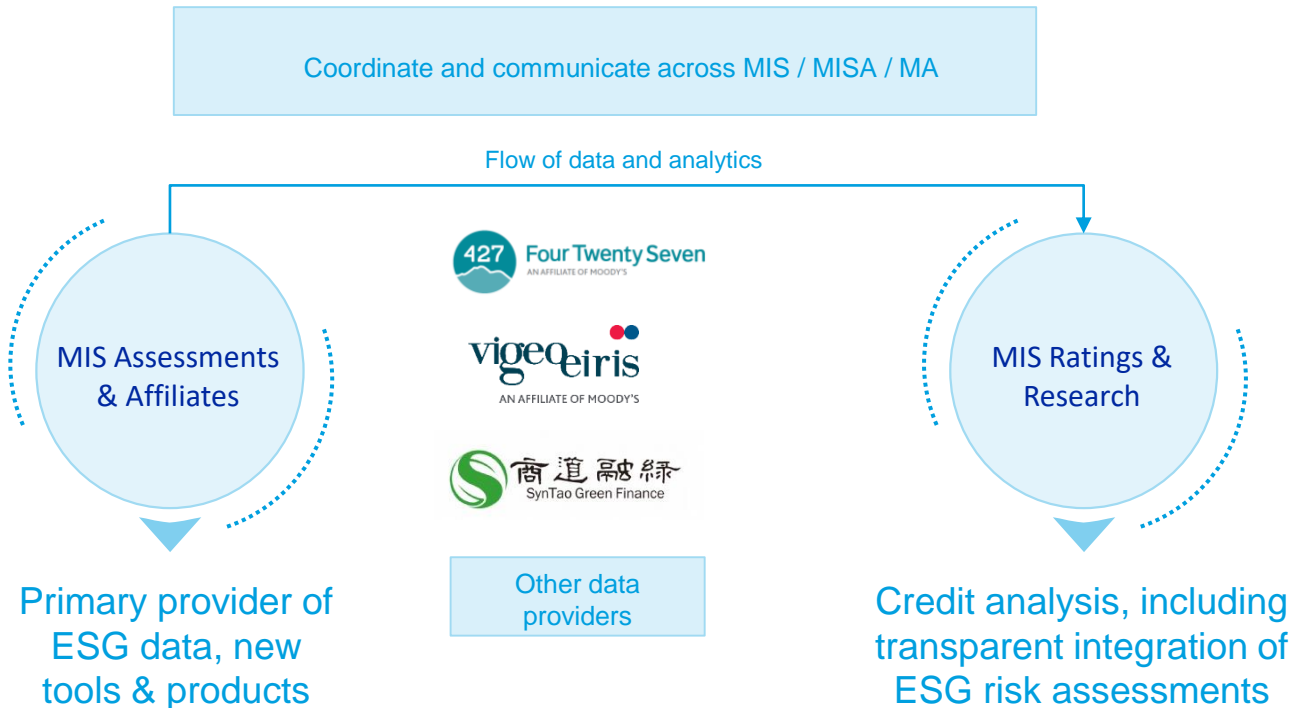


A unified strategy

Aligned in a broader unified organizational strategy leveraging data and risk products across a variety of risk categories for ESG, Sustainable Finance and Climate Risk

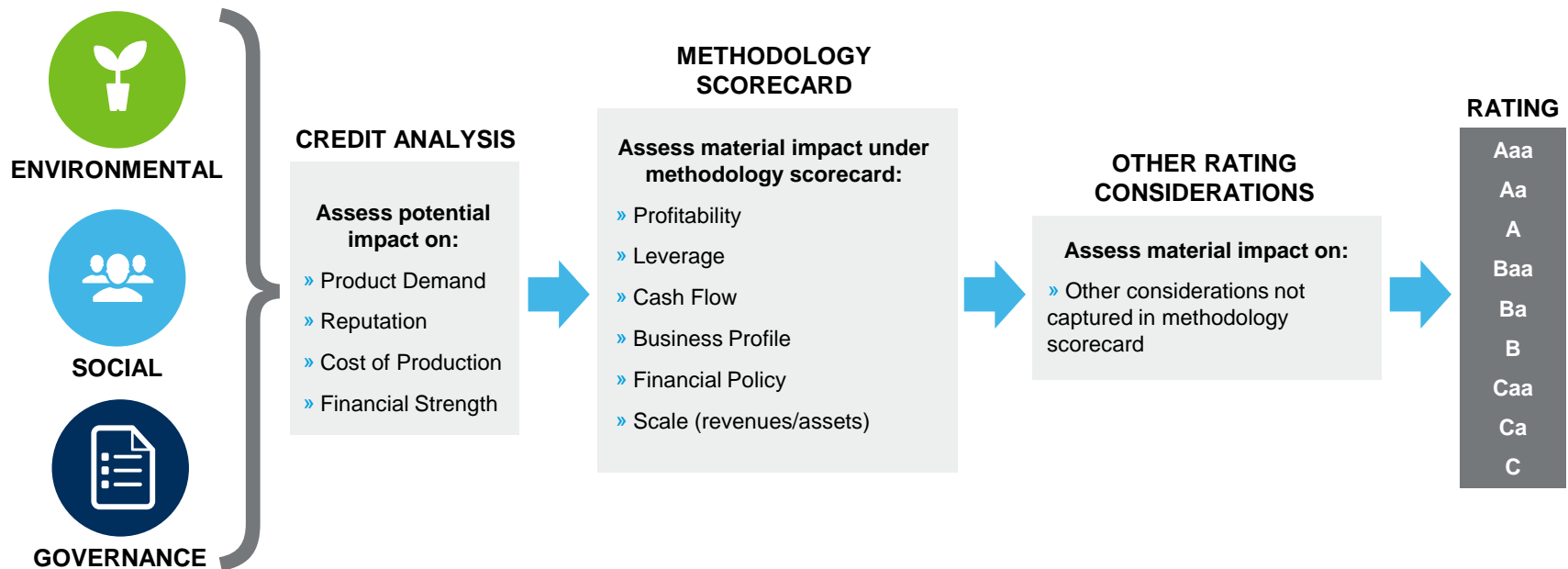
MIS vision: Leadership in ESG risk analytics, a broad product suite

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Our ratings capture ESG considerations with material credit implications

Illustrative example of how ESG considerations are incorporated into our corporate and sovereign credit analysis



Moody's Analytical Approach to ESG

Integrated Credit Analytical Approach



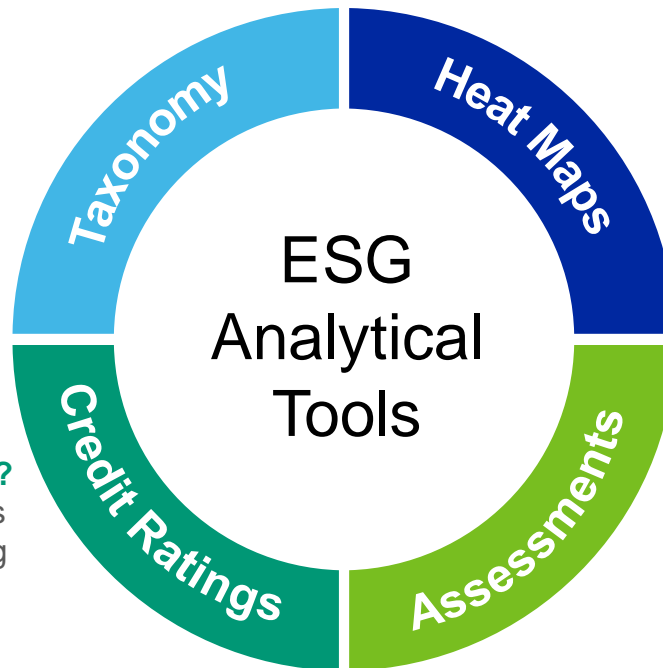
What is ESG?

Framework Reports describe Moody's Taxonomy of ESG risks



How are ESG factors incorporated into an issuer's credit rating?

Integrate ESG analysis into credit ratings using the relevant industry methodology supplemented by the ESG methodology, and provide greater transparency in press releases and credit opinions.



Is ESG material to credit quality?

Heat maps indicate materiality of ESG risks to credit quality and provide relative ranking of sectors



How is a specific issuer exposed to ESG risks?

Assessments are issuer-specific scores that provide rank ordering of issuers along a single ESG risk. Typically applied to sectors that rank as high risk in heat maps



Credit relevant ESG “Taxonomy” Created



ENVIRONMENTAL

Air pollution
Carbon regulations
Natural & man-made hazards
Soil/water pollution & land-use restrictions
Water shortages

 Incorporated in Moody's Carbon Transition Risk Assessment



SOCIAL

Private Sector Governments

Customer relations	Demographics
Health & safety	Labor & Income
Human Capital	Education
Responsible Production	Health & safety
Demographic & Societal Trends	Housing
	Access to basic services



GOVERNANCE

Private Sector Governments

Financial Strategy & Risk Management	Institutional Structure
Management Credibility & Track Record	Policy Credibility & Effectiveness
Organization Structure	Budget Management
Compliance & Reporting	Transparency & Disclosure
Board Structure, Policies & Procedures	

 For publicly listed non-financial corporates, these categories are incorporated in Moody's Corporate Governance Assessment Scores

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Environmental, Social and Governance

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