

Moody's 2022 Stakeholder Sustainability Report Methodology Note

Reporting Boundary: Unless stated otherwise in this Note, our 2022 Sustainability reporting is consolidated based on financial control globally – i.e. it represents entities consolidated in Moody's financial statements.

Better Business

CLIMATE

Comments:

- » *The Greenhouse Gas (GHG) Protocol standard was followed for all emissions calculations, and external assurance of those emissions was attained. Stated emissions were calculated in accordance with the World Resources Institute/World Business Council for Sustainable Development GHG Protocol Corporate Accounting and Reporting Standard, Science Based Targets initiative (SBTi) Guidance, and latest SBTi Target Validation Protocol.*
- » *GHG inventory covers the seven UNFCCC/Kyoto Protocol gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). The Global Warming Potentials applied are consistent with the 5th Assessment Report.*

Reduction of Scope 1 and Scope 2 emissions from 2019 base year	Scope 1 includes emissions from stationary combustion and mobile combustion of fuels, and Scope 2 includes emissions from purchased electricity, chilled water and steam. The sum of both emissions scopes for the reporting year is compared to baseline year emissions (2019) for the final emissions reduction metric.
Percentage of Moody's suppliers by spend covering purchased goods and services and capital goods that have science-based targets	The percentage ratio of spend with suppliers that report to have science-based targets divided by the total supplier spend. The metric excludes spend already covered by Scope 1, Scope 2 or other Scope 3 emissions categories (e.g. business travel, utilities, rent) or spend not under our financial control (e.g. charitable contributions).
Reduction of Scope 3 emissions from fuel- and energy-related activities, business travel and employee commuting from 2019 base year	Indirect emissions from fuel- and energy-related activities are calculated from the upstream emissions of fuel and energy used and not already accounted for in Scope 1 or Scope 2. Market-based approach is used to account for renewable electricity purchases. Business travel and employee commuting emissions include well-to-wheel emissions in alignment with the SBTi Target Validation Protocol and Transport Guidance. Well-to-Wheel emissions from business travel are calculated based on business travel activities captured in our corporate procurement systems and include air travel, rail, hotels, car rentals and chauffeured car service (i.e. black cars). Well-to-Wheel emissions from employee commuting are calculated based on an all-employee commuting survey. Results from survey responses are extrapolated to the entire employee population. The sum of emissions from fuel- and energy-related activities, well-to-wheel business travel and employee commuting for the reporting year are compared to baseline year (2019) emissions for these categories for the final emissions reduction metric.
Achievement of 100% renewable electricity use	The percentage of renewable electricity sourced over Moody's total electricity consumed. Renewable electricity is sourced by the landlord or, when not available, through unbundled renewable energy attribute certificates. This metric is reported based on originally verified greenhouse gas emissions, accounting for acquisitions only post acquisition date because it is not possible to buy renewable electricity retroactively due to M&A activity; therefore, the 2020 restated verification opinion shows a decrease in percentage renewable electricity.
Offsetting our emissions from operations, employee commuting and business travel	The percentage of retired verified carbon offsets over total emissions from operations, employee commuting and business travel. Emissions from operations refer to market-based emissions according to the GHG Protocol.

CLIMATE *(continued)*

Total waste from office operations: » Volume (metric tons) » Emissions (mtCO₂e)	Waste volume is reported by waste disposal type: (i) landfill, (ii) recycled goods and (iii) recycled paper, in metric tons. The reported figure represents an extrapolation of the available data based on employee headcount to cover the full property portfolio. Only sites that have reported in all three waste disposal categories are considered in the sample. Actual waste data represented 11% of reported volume in 2022. Waste emissions reflect the treatment of waste generated in Moody's operations in the reporting year.
Investment-related emissions (mtCO₂e)	Emissions associated with all investments owned by Moody's, prorated by equity share and revenue for the period in which the investment was owned by Moody's. The methodology is different for private equity funds in which Moody's has invested, where emissions are calculated based on the intensity of Moody's Scope 1, Scope 2 location-based and Scope 3 upstream emissions over Moody's valuation. Investments in 2022 exclude 3% of the total investments in non-consolidated affiliates due to data limitations.
GHG Intensity (Scope 1 and Scope 2 mtCO₂e/sq ft)	Moody's absolute Scope 1 and Scope 2 market-based emissions divided by the total square footage of Moody's offices under financial control. Square footage in this metric includes Moody's managed offices and excludes shared-space offices due to data limitations. The impact is expected to be not material, with emissions in shared-space offices accounting for approximately 0.7% of total GHG inventory in 2022.
GHG Intensity (Scope 1 and Scope 2 mtCO₂e/revenue)	Moody's absolute Scope 1 and Scope 2 market-based emissions divided by Moody's total revenue of the corresponding year. In 2019 and 2020, the revenue also reflects acquisitions included in the emissions re-baseline.
GHG Intensity (Scope 3 mtCO₂e/employee)	Moody's absolute Scope 3 emissions divided by the total number of Moody's employees in entities under financial control.
GHG Intensity (Scope 3 mtCO₂e/\$ million of revenue)	Moody's absolute Scope 3 emissions divided by the total revenue of the corresponding year.
Energy Intensity ratio (kWh/sq ft)	Moody's total energy consumption in all offices under financial control divided by square footage of Moody's managed offices, excluding shared-space offices due to data limitations. The impact is expected to be not material, with energy in shared-space offices accounting for approximately 0.7% of total energy consumption in 2022.
Electricity intensity ratio per revenue	Moody's total electricity consumption in all offices under financial control divided by the total revenue of the corresponding year.
Electricity intensity ratio per headcount (kWh/employee)	Moody's total electricity consumption in all offices under financial control divided by the total number of Moody's employees in entities under financial control.

ENVIRONMENT AND NATURAL RESOURCES

Percentage of employees in offices that eliminated single use plastics	The percentage of employees working in offices without single use plastics. 2021 metric was restated as a result of a change in methodology and access to improved data.
Percentage of employees in offices that implemented centralized waste collection	The percentage of employees working in offices that implemented centralized waste collection. The metric represents offices with more than 50 employees, covering approximately 90% of the total Moody's employee population. 2021 metric was restated as a result of a change in methodology and access to improved data.
Percentage of employees in offices that eliminated coffee machines with capsules/sachets	The percentage of employees in offices that do not use coffee machines with capsules/sachets. 2021 metric was restated as a result of a change in methodology and access to improved data.
Percentage of employees in offices that recycle coffee machine capsules/sachets	The percentage of employees in offices that recycle coffee machine capsules/sachets. The metric represents only those offices where coffee machines with capsules/sachets are still being used. 2021 metric was restated as a result of a change in methodology and access to improved data.
Percentage of spend on sustainable materials: » Eco-friendly office paper (U.S. only) » Eco-friendly stationery and office supplies (U.S. only)	The spend share on eco-friendly (i) office paper and (ii) stationery/office supplies over the total spend on these products. Stationery and office supplies include items such as folders, notebooks, writing supplies, etc. and exclude janitorial/sanitary supplies for facility maintenance, cleaning or food services. The metric represents our operations in the U.S.; we are working to collect actual data globally. Products qualify as eco-friendly when they meet one of the more than 45 environmental attributes that are reported by suppliers – including recycled or remanufactured content, environmental certifications or standards (FSC, Organic, GreenSeal, etc.), and other environmental design elements (refillable, bio-based content, etc.).
Reduction of office paper from 2019 baseline (U.S. and U.K. only)	The number of prints in U.S. and U.K. offices in the reporting year over prints in the base year (2019). 2020 and 2021 metrics were restated as a result of improved access to purchased paper data in the U.K. We are working to collect actual data globally.

RESPONSIBLE SOURCING	
Percentage of spend with diverse suppliers	The percentage of spend with diverse suppliers that we do business with directly (Tier 1) over the total addressable spend. Diverse suppliers are categorized into six groups: Woman Owned, Small Business, Minority Owned, Veteran Owned, Small Disadvantaged and LGBT+ Owned. Suppliers are considered diverse when they (i) are certified as such by applicable certifying bodies, e.g. SAM (System for Award Management), NMSDC (National Minority Supplier Development Council), and WBENC (Women's Business Enterprise National Council); or (ii) self-attest or self-identify to their diverse ownership status. The metric covers suppliers used by Moody's Corporation and its wholly-owned subsidiaries that are integrated in Moody's IT systems.
PUBLIC POLICY	
Lobbying expenses (U.S.)	Annual costs related to Moody's lobbying activities in the United States are reported on the federal and state levels. Federal lobbying expenses are reported in compliance with the U.S. Federal Lobbying Disclosure Act and based on quarterly activity reports available here . U.S. State lobbying expenses are reported in compliance with relevant state laws.
Lobbying expenses (EU)	Annual costs related to Moody's lobbying activities in the reporting year, as filed in the EU Transparency Register in relation to engaging with EU institutions.

Better Lives

DIVERSITY, EQUITY AND INCLUSION

Comments:

» Headcount as of December 31st of respective year unless stated otherwise.

» Demographic data is based on self-identification, except in the U.S. EEO-1 employment data where employment records and observer identification were used when employees declined to self-identify.

Global employee breakdown by gender and seniority	The percentage breakdown of employees globally by gender and seniority. The total breakdown by gender represents the full employee population, however, due to lack of job mapping from certain Moody's affiliates, approximately 90% of the total population is represented in the breakdown by seniority.
U.S. employee breakdown by race and ethnicity groups for: » Total U.S. Workforce » U.S. Officers and Managers	The percentage breakdown of (i) all U.S. employees and (ii) U.S. officers and managers by race and ethnicity group. Reported race and ethnicity groups include white, underrepresented groups or not disclosed. Underrepresented groups include employees that identify as Asian, Latino/Latina, Black, Native American/Alaskan Native, Hawaiian/Other Pacific Island or two or more races. Officers and managers represent executives, senior managers, mid-level managers and first-level managers.
U.S. EEO-1 employment data	The percentage breakdown of the U.S. workforce by race/ethnicity, gender and job category. The data is based on self-identification or, in the absence of self-identification, employment records or observer identification is used.
Global gender pay equity	The dollar amount in base pay and bonus earned by women employees for every dollar amount earned by comparable men employees, as of April 1, 2022. Moody's conducts annual pay equity reviews for employees eligible for Moody's compensation programs, taking into account factors such as an employee's role, geography, seniority and tenure. The population studied for this metric includes employees eligible for Moody's compensation programs globally and excludes limited duration employees, non-employees, temporary workers and employees from companies acquired in 2H 2021. Employees from V.E and Four Twenty Seven were excluded from the analysis due to not being integrated into Moody's compensation programs at the time of the analysis and represent 3% of employees; their integration is scheduled for 2022.
U.S. ethnicity pay equity	The dollar amount in base pay and bonus earned by (i) Black, (ii) Latino/Latina, and (iii) Asian employees for every dollar amount earned by comparable white employees, as of April 1, 2022. Moody's conducts annual pay equity reviews for employees eligible for Moody's compensation programs, taking into account factors such as an employee's role, geography, seniority and tenure. The population studied for this metric includes employees in the U.S. who are eligible for Moody's compensation programs and excludes limited duration employees, non-employees, temporary workers and employees from companies acquired in 2H 2021. Employees from V.E and Four Twenty Seven were excluded from the analysis due to not being integrated into Moody's compensation programs at the time of the analysis, and represent 3% of employees; their integration is scheduled for 2022.
HUMAN CAPITAL	
Percentage of employees covered by collective bargaining agreements	The percentage of Moody's employees under collective bargaining agreements. 2020 and 2021 data excludes certain non-wholly-owned subsidiaries and newly acquired companies not integrated in Moody's IT systems.
Percentage of employees that received performance reviews	Limited duration employees, employees in a probation period or who joined Moody's from newly acquired companies do not participate in the GPS performance review process. Certain non-wholly-owned subsidiaries for which this data was not available are excluded from the analysis. Therefore the data represents approximately 80% of the total employee population.
Employee turnover rate: Voluntary and Involuntary	The percentage of employees who left the company in the reporting year over the average number of employees in the reporting year. Excludes employees whose reason for termination was not provided.
Turnover breakdown by gender	The percentage breakdown of all employees who left Moody's broken down by gender. Calculated as employees who left the company in the reporting year by gender, divided by the total number of employees who left in the reporting year.

EMPLOYEE ENGAGEMENT

Business Engagement Survey (BES) results	Quantified insights from the employee engagement survey, including: » Employee engagement score – average of two items: "How happy are you at Moody's?" and "Would you recommend Moody's?" The answers range from 1 (strongly disagree) to 5 (strongly agree). The scores are converted to a scale of 100. » Well-being favorability score – the unweighted average percentage of employees that selected either "agree" or "strongly agree" that Moody's takes a genuine interest in their well-being. The global benchmark provided by the survey third-party service provider is based on cross-client, cross-industry and cross-country company data from well over 700 organizations and over 150 countries. Global benchmark for the well-being favorability score is not available. The data represents approximately 90% of employees (excludes certain non-wholly-owned subsidiaries and newly acquired companies which are not integrated in Moody's IT systems and therefore the survey was not distributed to them).
---	--

TRAINING AND UPSKILLING

Absolute training hours	Hours captured in the Moody's University, our learning management system, and centralized online training programs, related to completed training on topics such as compliance, professional development, and diversity, equity and inclusion. There are other training programs not captured in the scope of this metric, like professional certifications, on the job learnings, and other learning events not administered through Moody's University. The data represents approximately 90% of employees (excludes certain non-wholly-owned subsidiaries and newly acquired companies not yet integrated in Moody's IT systems).
Average training hours per employee at Officer and Non-Officer levels	Average training hours per officer: Total training hours by officer-level employees divided by the number of officers as of December 31st of the reporting year. Officers include executives, senior managers, mid-level managers and first-level managers. Average training hours per non-officer: Total training hours by non-officers divided by the number of non-officers as of December 31st of the reporting year. The data represents approximately 90% of employees (excludes certain non-wholly-owned subsidiaries and newly acquired companies not yet integrated in Moody's IT systems).
Training and development expenditure per employee	Training and development spend in the reporting year, associated with the training activity reported in other training metrics, divided by the number of employees as of December 31st of the reporting year. The spend includes in-house and third-party training, dedicated team expenses and the educational assistance program. 2020 and 2021 metrics were restated due to a change in methodology and to include non-wholly-owned subsidiaries.
Training and development expenditure as a percentage of payroll	Training and development spend in the reporting year, associated with the training activity reported in other training metrics, divided by the total payroll expense in that year. The spend includes in-house and third-party training, dedicated team expenses and the educational assistance program. 2020 and 2021 metrics were restated due to a change in methodology and to include non-wholly-owned subsidiaries.

TALENT ACQUISITION

Percentage of open positions filled with internal candidates	The percentage of job openings filled by Moody's employees in the reporting year, rounded to the nearest integer. 2020 and 2021 metrics were restated due to a change in methodology and excludes certain non-wholly-owned subsidiaries and newly acquired companies not yet integrated in Moody's IT systems.
Number of unfilled positions (rounded)	Positions that have been open for 90 days or longer as of December 31st of the reporting year. 2020 and 2021 data excludes certain non-wholly-owned subsidiaries and newly acquired companies not integrated in Moody's IT systems.
Average hiring cost per new hire (USD, rounded)	Represents the ratio of hiring costs in the reporting year over Moody's total number of new hires in that same year, rounded to the nearest integer. The costs consist of talent acquisition operating and agency expenses. 2020 and 2021 metrics were restated due to a change in methodology and to include non-wholly-owned subsidiaries.

COMMUNITIES

Invested (rounded)

Moody's Foundation grants	Grants paid from Moody's Foundation towards projects aligned with its strategic focus areas, relief response and transition/exit grants.
Moody's charitable contributions	Payments, made by Moody's Corporation and its wholly-owned subsidiaries, classified as charitable contributions, i.e. cash payments to a qualified nonprofit organization (501c3 in the U.S., or equivalent in other countries), paid in the reporting year. Examples of charitable contributions can include nonprofit event sponsorships, general support donations, humanitarian disaster relief, etc.
Value of volunteer hours	Moody's employees' volunteer hours monetized based on employee hourly compensation (as of December 31st of respective year), expressed in dollar amount. The data represents approximately 90% of employees (excludes certain non-wholly-owned subsidiaries and newly acquired companies which are not yet integrated in Moody's IT systems).
Employee-driven giving	Grants paid from Moody's Foundation toward Matching Gifts and Dollars for Doers programs. Matching Gifts are charitable cash donations made by Moody's Foundation to match cash donations made by employees. Dollars for Doers are cash donations made by Moody's Foundation to organizations where employees have volunteered a specific number of hours.
Total social investment	The total of Moody's Foundation's grant payments, charitable contributions (including volunteer events), value of volunteer hours and employee-driven giving. Individual social investment items may not sum to Total Social Investment due to rounding.

Moody's Foundation Impact metrics (for each strategic pillar)

Comments:

- » We work with a third-party reporting and evaluation platform to measure the impact of non-profit programs to which Moody's Foundation provides strategic grants. The metrics are based on the data reported by grantee partners via survey responses.
- » Data is reflective of programming that was active in the calendar year and is not reflective of all Moody's grant partners.

\$ Invested (rounded)	Grants paid by Moody's Foundation towards active programs in the reporting year.
Female beneficiaries	The proportion of beneficiaries that identify as female affected by programs financed by Moody's Foundation grants and active in the reporting year.
Countries affected	The number of countries where programs, financed by Moody's Foundation grants and active in the reporting year, operated.
Median efficacy rate	The proportion of beneficiaries who achieved the Moody's Foundation's funded outcome over beneficiaries directly reached by a specific program. The target primary outcome is selected per program by Moody's Foundation and listed in the partner agreement. Each primary outcome has specific binary criteria that an individual in a program must achieve to be considered as having achieved an outcome.
Low-income beneficiaries	The proportion of beneficiaries who are considered as low-income or economically disadvantaged over beneficiaries directly reached by a specific program. There is no universally agreed upon definition of "low-income"; partner organizations are asked to use their local definition when providing this data in the survey.
Improved General Employability & Soft Skills outcome	The proportion of beneficiaries in programs where the primary outcome was "Improved General Employability & Soft Skills" over all beneficiaries.
Total reach (rounded)	The number of beneficiaries in programs funded by Moody's Foundation and active in the reporting year.