BlackRock

Investment Stewardship

Vote Bulletin: Moody's Corporation

Company	**Moody's Corporation (NYSE: MCO)**
Market and Sector	United States/Financial Services
Meeting Date	20 April 2021
Key Resolutions[1]	**Item 4**: Approve 2020 Decarbonization Plan
Key Topics	Climate risk
Board Recommendation	The board recommended voting FOR this management item
BlackRock Vote	BlackRock voted FOR this proposal because we believe the company is already industry-leading on climate risk management, and the proposal meets our expectations that companies have clear policies and action plans to manage climate risk

Overview

Moody's Corporation (Moody's) is a U.S. based global integrated risk assessment firm that engages in the provision of credit ratings, research, tools and analysis to global capital markets.

BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance issues that we believe drive long-term shareholder value, including management and board oversight of climate-related risks, sustainability disclosures, human capital management, social risks and opportunities, as well as board quality and effectiveness.

At the 2021 annual general meeting (AGM), management proposed an advisory shareholder vote on the company's decarbonization plan, i.e., a "say on climate." According to Moody's 2021 Proxy Statement,[2] following its discussions with TCI Fund Management Limited (on behalf of the stockholder The Children's Investment Master Fund), the board decided to hold this advisory, non-binding "say on climate" vote to approve the company's decarbonization plan at the 2021 and 2022 AGMs.

Rationale for BlackRock's Vote

<u>Item 4: Approve 2020 Decarbonization Plan (FOR)</u>

In line with management, BIS voted FOR this proposal because it meets our expectations that companies have clear policies and action plans to manage climate risk, and provides a roadmap towards the company's stated climate ambitions and targets

[1] Moody's Corporation, 2021 Proxy Statement.

[2] See previous footnote.

BIS considers Moody's to be an industry leader on climate disclosure. In addition to aligning its Corporate Social Responsibility reporting to the sector-specific standards of the Sustainability Accounting Standards Board (SASB),[3] Moody's produces a detailed report aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that provides a scenario planning analysis as well as near-, medium- and long-term risks.[4] As discussed in our commentary "Climate risk and the transition to a low-carbon economy", TCFD and SASB cover the physical, liability, and transition risks associated with climate change, and are highly complementary so companies are well-served to consider them in tandem in their reporting.

Moody's decarbonization plan meets BIS' expectations that companies have clear policies and action plans to manage climate risks and to realize opportunities presented by the global energy transition. The plan includes targets based on climate science and commits the company to reduce greenhouse gas (GHG) emissions, while setting targets for scope 1, 2 and 3 emissions,[5] among other initiatives.[6]

Notably, Moody's has been explicit that this vote is advisory and that oversight and management of the company's decarbonization strategy remains with the board and executive management, not shareholders. BIS agrees with and supports this clear delineation in the roles and responsibilities of shareholders and the board/executive management on this issue. We believe that this counters concerns that this vote strays into micromanagement by shareholders of the basic decision-making of management.

While BIS is supportive of this proposal at Moody's for the reasons stated above, we will continue to take a case-by-case approach to "say on climate" proposals more broadly. We will monitor Moody's progress on the decarbonization plan and hold its directors accountable by voting against the re-election of relevant board members should we have concerns with planning, implementation or disclosures.

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[3] Moody's Corporation, "SASB Index".

[4] Moody's Corporation, "TCFD Report".

[5] Targets include a 50% reduction in absolute scope 1 and 2 GHG emissions by 2030 and a 15% reduction in scope 3 GHG emissions from fuel and energy-related activities, business travel and employee commuting by 2025, both targets from a 2019 baseline. See the company's 2021 Proxy Statement for more information.

[6] Moody's Corporation, 2021 Proxy Statement.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.