

United Kingdom Transparency Report

ISSUED IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2022

Moody's Investors Service United Kingdom Transparency Report¹

Provided in respect of the year ended 31 December 2022

¹ This Transparency Report was prepared for the year ended 2022 with an effective date of 31 March 2023.

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1. Introduction from Stephen Long, Regional Head of Moody's Investors Service for Europe, the Middle East and Africa

In this section we describe who we are and what we do.

Moody's Investors Service ("MIS") has decades of experience in helping market participants globally, including in the UK, understand credit risk.

We define credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. This risk is inherent in bank loans, fixed-income securities and other financial products that are amongst the building blocks of the world's capital markets. In addition to traditional bank loan markets, debt capital markets are a powerful mechanism for channelling funds into companies seeking to invest and for governments implementing policy agendas, including the infrastructure needed to transition to a low-carbon, climate-resilient economy.

Credit ratings and research help investors analyse the credit risks associated with fixed-income securities and other financial obligations. As a leading global provider of credit ratings, research, and risk analysis, MIS helps contribute to the funding of the economy by analysing available information to assess the credit risk in an accessible and digestible form for use by market professionals.

We have developed a rating system that rank-orders our view of the relative credit risk of the issuers and financial obligations we rate. This credit rating system communicates an informed opinion of how issuers or financial obligations across all geographies and asset classes in a given rating category will perform over time relative to other issuers and obligations in higher or lower rating categories.

In so doing, credit ratings have standardised the language of credit by establishing common points of reference that can be compared across markets, industries and geographies. This comparability is especially important as capital markets have become increasingly global and interconnected and investors are faced with an extensive choice of investment opportunities.

Our credit rating methodologies are freely available on ratings.moodys.com, along with information on the performance of our credit ratings. This information shows that our credit ratings have historically proven to be effective predictors of default, with lower rated entities and obligations expected to default, on average, at a higher frequency than more highly rated entities and obligations. Our most recent annual default study is available on [Moody's.com](https://www.moodys.com) [here](#).

1.1 Key 2022 developments

Assessing the credit impact of the Ukraine conflict, high inflation and energy shock

MIS closely monitors our credit ratings so that they are relevant and up to date, helping market participants make informed decisions. As the COVID-19 pandemic health crisis abated and economies opened up, the invasion of Ukraine by Russia in February 2022 compounded an existing trend of rising inflation with a particular impact on energy and food prices. Monetary policy was significantly tightened in most major economies, and refinancing conditions for more vulnerable issuers worsened. In the context of deteriorating financial conditions, downgrades outpaced upgrades in 2022, and the default rate increased.

The Ukraine conflict resulted in sanctions which meant that ratings on all Russian issuers were withdrawn in 2022 and MIS decided to close its business operations in Russia, which had been conducted through a branch of MIS UK.

Advancing ESG in our credit analysis and credit research

Throughout 2022, MIS continued its commitment to provide greater transparency and consistency in how we incorporate ESG considerations into our credit ratings. Notably, we continued to assign Environmental (E), Social (S) and Governance (G) Issuer Profile Scores ("IPS") and Credit Impact Scores ("CIS"). These have been assigned to around 10,000 rated issuers globally across a wide range of sectors – including corporates, utilities, financial institutions, and governments. As set out in our Cross-Sector methodology, "[General Principles for Assessing Environmental, Social and Governance Risks](#)":

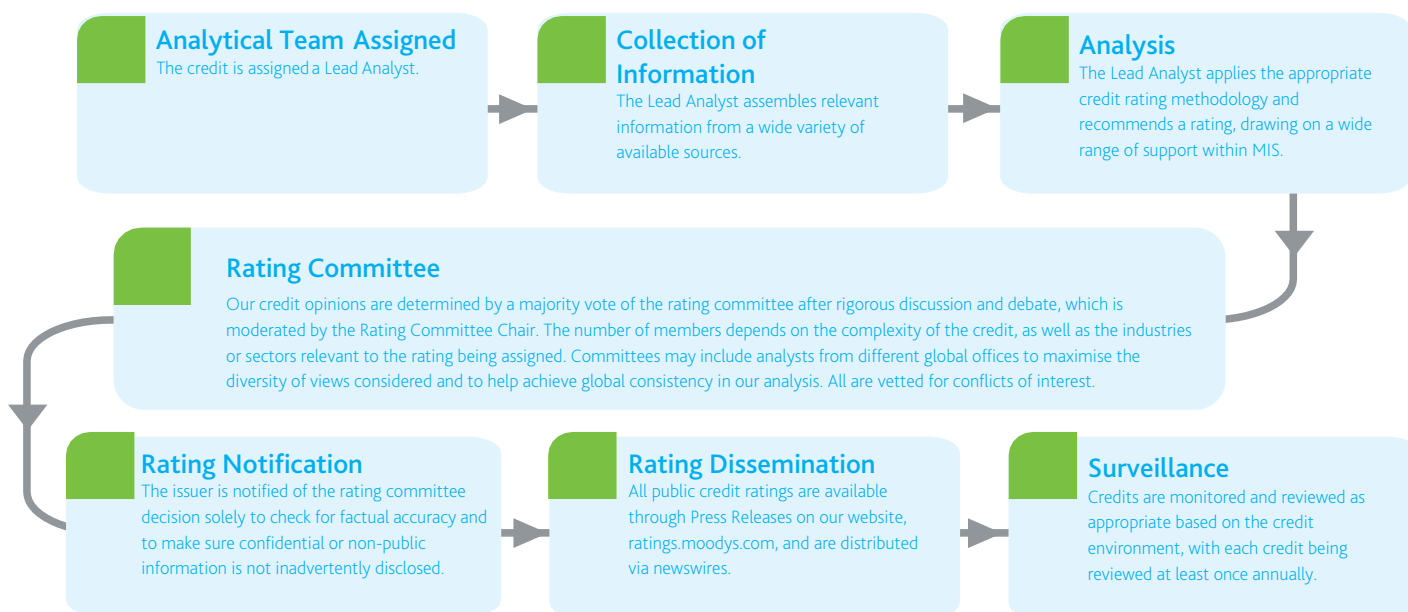
- » IPS are separate environmental, social and governance scores that assess an entity's exposure to the categories of ESG considerations that we regard as most material to credit. Our assessment of the exposure to E, S and G risks or benefits is based on the general ESG principles described in the methodology. IPS are an input into the credit rating process.

- » CIS reflect our qualitative assessment of the impact of ESG considerations on the credit rating of an issuer or transaction. CIS are an output of the ratings process that more transparently communicates our assessment of the impact of ESG considerations on assigned ratings in the context of other credit drivers.

During 2022 MIS began to issue Second Party Opinions ("SPOs"), which are a qualitative assessment of how sustainability labelled debt aligns to sustainability principles and the extent to which they are expected to contribute to sustainable development. MIS also issued a proposed framework for Net Zero Assessments ("NZAs"), which, as conceived in the proposed framework, are a qualitative assessment of an issuer's plans to reduce its greenhouse gas emissions. Neither SPOs nor NZAs are Credit Rating Services, and accordingly, are treated as Non-Credit Rating Services in this Transparency Report.

1.2 How We Determine Ratings

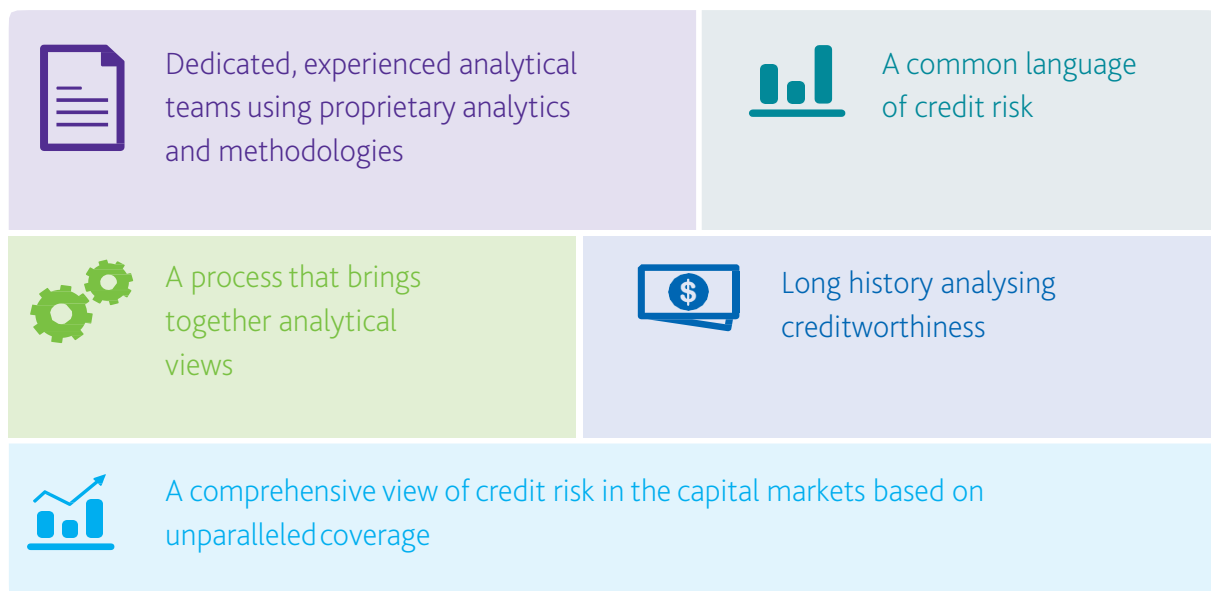
MIS's credit ratings are determined by rating committees in which methodologies, not formulae, provide a framework for group decision making. Our methodologies, which are publicly available, set out the key analytical factors that we believe are the most important determinants for generating predictive credit ratings. Below, we describe a typical rating process:



1.3 Key Attributes of MIS's Credit Ratings

MIS's credit ratings are intended to augment – not replace – the independent credit analysis that sophisticated investors and other market participants conduct for portfolio management, capital allocation and other purposes.

KEY ATTRIBUTES OF MIS'S CREDIT RATINGS



2. Legal Structure and Ownership

MIS UK² is a wholly-owned, indirect subsidiary company of Moody's Corporation ("MCO"), a Delaware (USA) incorporated company listed on the New York Stock Exchange ("NYSE"). MIS UK is a private limited company and is incorporated in accordance with UK law.

² Including its branches: Moody's Investors Service Ltd., Russian Branch and Moody's Investors Service Limited (spółka z ograniczoną odpowiedzialnością) oddział w Polsce (Poland). On 5 March 2022, the commercial operations of the Russian Branch were suspended and on 20 September 2022, the board of MIS UK approved its closure and de-registration which are pending. On 21 September 2022, the decision was made to liquidate the Polish Branch. The liquidation is in process.

3. Internal Control Mechanisms Ensuring the Quality of MIS's Credit Rating Activities

MIS's approach to maintaining key internal control mechanisms to ensure the quality of its UK and UK-endorsed credit ratings includes the items outlined below.

3.1 Governance

MIS UK benefits from an effective governance structure that operates in accordance with Article 12 and Annex I Section E III of Regulation (EC) No 1060/2009 as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018 (as amended) (the "Regulation") and company law, involving regional and functional management oversight and an enhanced unitary board structure with independent members.

MIS UK is MIS's UK endorsing entity and has established an Endorsement Committee for the purposes of considering and making decisions related to endorsement of non-UK credit ratings. The Endorsement Committee meets quarterly or as required, to evaluate information provided by internal control functions and business management and make its determinations.

3.2 Credit Strategy and Standards ("CSS")

3.2.1 CSS Structure

CSS comprises several functions: the Methodology & Model Development Group ("MMDG"); the Methodology Review Group ("MRG"); the Ratings & Process Oversight Group ("RPO"); and the Credit Strategy & Research Group ("CS&R"). Each function reports to the MIS Chief Credit Officer.

3.2.2 Methodology & Model Development Group

MMDG is responsible for credit rating methodology development and delivery across MIS. MMDG develops and maintains credit rating methodologies, certain assessment frameworks and credit rating quantitative tools ("CRQTs"), including models, scorecards and other related analytical tools used in the rating process across MIS. MMDG provides analytical resources and leadership, manages a robust end-to-end process and has direct accountability for credit rating methodology development and publication, as well as the CRQT development and verification process.

3.2.3 Methodology Review Group

MRG's four main responsibilities are to (1) approve new and revised credit rating methodologies, acting through the Methodology Review Committee ("MRC"), (2) review specifications of MIS credit rating models for consistency with published credit rating methodologies, (3) review the appropriateness of existing credit rating methodologies on an annual basis, and (4) review credit rating actions, on a sampled basis, to evaluate the application of published credit rating methodologies.

3.2.4 Ratings & Process Oversight Group

Credit Officers within RPO enhance ratings quality and promote cross-sector consistency in the application of methodologies by contributing a broader view than that available to individual rating groups. In support of these objectives, RPO provides guidance on the credit implications of the global macro-economic environment and sector trends, and its Credit Officers provide guidance to analysts on complex credit situations, participate and vote in rating committees, and lead credit portfolio reviews.

The policy development and support staff within RPO are responsible for the development and maintenance of RPO's library of documents, including policies, procedures, guidance and best practices, and the implementation of key credit rating processes.

RPO's decision-making forum for key policies and procedures is the Rating Practices Committee, which is comprised of members of CSS and senior managers of rating groups, and is chaired by the Managing Director, RPO. The committee is responsible for setting overall best practices that govern MIS's credit rating process.

3.2.5 Credit Strategy & Research Group

CS&R is responsible for proactively identifying and prioritising emerging strategic credit issues, aligning credit views across rating groups, and generating macro-financial and thematic research. CS&R gathers, analyses, and synthesises external and internal data sources to identify key credit issues and guide credit strategy. CS&R includes the Default & Ratings Analytics team, which generates default transition and loss severity research and rating performance measurement statistics.

3.3 Compliance Department

The Compliance Department is part of the wider Legal and Compliance organisation, which reports to MCO's Global General Counsel and is independent of rating groups. It performs assessment activities that evaluate MIS's adherence to regional and local laws and regulations as well as codes of conduct, policies and procedures. The Compliance Department monitors the adequacy and effectiveness of the measures and procedures put in place to maintain compliance with the Regulation and provides reports to the board of directors of MIS UK on a regular basis.

3.4 Internal Audit

MCO maintains a centralised and independent Internal Audit function, which is responsible for performing internal audits in relation to all MIS entities, including MIS UK. The Internal Audit function is responsible for bringing a systematic and disciplined approach to evaluating and improving the effectiveness of MCO's internal controls and governance processes. The Board of Directors of MCO has established an Audit Committee (the "MCO Audit Committee") to whom the Internal Audit function reports.

Internal Audit's coverage of the ratings process is assessed through a combination of the following types of audits covering MIS international locations: (1) rating group audits, (2) regulatory obligation process reviews, (3) audits of functions such as Compliance or CSS, and (4) operational process reviews.

3.5 Risk Management

MIS has defined an integrated risk management programme that supports the achievement of its business objectives by addressing the full spectrum of risks to which MIS is exposed and managing the combined potential impact of those risks within an approved risk appetite.

MIS's risk management vision is to maintain a strong risk culture, combined with a sound risk and controls framework that effectively supports appropriate risk awareness, behaviours and sound risk-based decision making.

MIS is primarily exposed to strategic risks and non-financial risks that come from the execution of its strategy. These non-financial risks include direct and indirect effects that result from human factors, inadequate or failed internal processes and systems, and external events. Due to the pervasive nature of these risks, MIS manages risks through its risk and control framework, which has been developed along the lines of the Basel risk management framework. MIS's defined risk appetite and documented programme allows the appropriate identification, assessment, remediation and monitoring of risks. Supported by a Risk organisation which has deep and wide experience, the MIS programme includes a comprehensive governance structure of Risk Committees a commitment to competence and organisational design (based on three lines of defence), risk identification and assessment (including risk and control self-assessments), reporting and monitoring.

3.6 Codes of Conduct

MIS operates under both the MCO "Code of Business Conduct", which sets out guiding principles to which each employee and corporate director is expected to adhere, and the "MIS Code of Professional Conduct", which establishes guiding principles applicable to MIS employees.

3.7 Policies and Procedures

The principles established by the codes of conduct described above are elaborated upon in MIS's policies and procedures. These documents implement MIS's obligations under applicable laws and regulations in the countries in which it operates and govern the conduct of employees during the credit rating process. These documents establish a consistent approach throughout MIS and extend to, among other matters, the independence of the credit rating process, the avoidance of conflicts of interest and disclosure requirements.

3.8 Management of Conflicts of Interest

While it is not possible for MIS to eliminate all conflicts of interest in its business model, those that cannot be eliminated are identified, managed and disclosed to maintain objectivity, independence and integrity in the credit rating process. MIS has published a specific list of its potential conflicts for the UK³ and has adopted policies and procedures to prevent, identify and manage them. In particular, MIS has put in place the following:

- » MIS's codes of conduct establish both high-level principles addressing potential conflicts of interest and high-level standards on the handling of confidential information. Pursuant to MIS's policies, procedures and guidelines, employees are subject to

³ See Moody's Investors Service Statement of Potential Conflicts of Interest in the United Kingdom on <https://ratings.moodys.com/>.

restrictions with respect to receipt of gifts, personal ownership and trading of securities and other personal interests that could create a potential conflict with the independence of MIS's credit rating activities.

- » MIS is operationally and legally segregated from MCO's other main business division, Moody's Analytics.
- » As an institution, MIS does not act as a principal or make markets in securities.
- » MIS's Commercial Group, which is responsible for all commercial relationships with issuers, is operationally segregated from any analytical rating group and any involvement in credit rating activities. Analysts are prohibited from participating in fee discussions with issuers or their agents.
- » Credit ratings are determined by rating committees.
- » Analysts are not compensated or evaluated based on the amount of revenue that MIS derives from issuers that the analyst rates or with which the analyst interacts.
- » MIS applies a mechanism for the gradual rotation of relevant analytical staff to protect their independence.⁴
- » MIS conducts a "look-back review" when an analyst leaves MIS and joins an issuer and other relevant entities with which he or she had significant dealings as part of his or her duties as an analyst.

MIS expects each employee to comply with these policies and procedures to the extent relevant. The Compliance Department performs assessment activities, including monitoring potential conflicts of interest through its surveillance activities.

3.9 Rating Committees

Credit ratings are determined by rating committees pursuant to a majority vote of the rating committee's voting members and not by individual analysts. The rating committee is a critical mechanism for promoting the quality, consistency and integrity of MIS's credit ratings. MIS has established policies, procedures and guidelines governing the preparation for convening and conducting rating committees. Among other things, those policies, procedures and guidelines cover the composition of rating committees, the type, quality and format of information that needs to be provided and retained, voting procedures, management of conflicts of interest and maintenance of confidentiality.

3.10 Methodologies

MIS's credit rating methodologies are publicly and freely available on its website. They are typically global in nature and tailored to take account of structural or regional variations. New credit rating methodologies or changes to existing credit rating methodologies are approved by MRG, as necessary. Credit rating methodologies are subject to ongoing refinement and are reviewed at least annually. MIS's credit rating methodologies represent the core of MIS's analytical approach in a given sector and are applied consistently in the credit rating process.

3.11 Surveillance

Once a credit rating is published, MIS monitors the credit rating on an ongoing basis and reviews it at least once annually until the credit rating is withdrawn. Sovereign and multilateral development bank credit ratings that appear on the UK sovereign release calendar and eligible sub-sovereign credit ratings are reviewed at least every six months. MIS utilises a variety of monitoring processes. One component of MIS' monitoring process is the portfolio review, which is used by the Corporate Finance Group ("CFG"), the Financial Institutions Group ("FIG"), the Project and Infrastructure Finance Groups ("PIF"), the Sovereign and Sub-Sovereign Group ("SOV"), and the U.S. Public Finance Group ("PFG"). Portfolio reviews are used to review the appropriateness and consistency of credit ratings within a peer group. Portfolio reviews also offer a means of identifying common credit trends and assessing their potential credit rating implications, as well as promoting consistency in our credit analysis. In most of the rating groups, surveillance of credit ratings is conducted by the same analytical team that is responsible for the initial credit rating. In the Structured Finance Group ("SFG"), much of the surveillance activity is performed primarily by separate teams of surveillance analysts.

3.12 Credit Ratings Performance

MIS periodically analyses the performance of its credit ratings to assess their consistency and quality. MIS publishes information including historical default and impairment rates for main geographical areas by credit rating category, the transitions between credit rating categories, and other periodic performance metrics so that financial market professionals can understand the historical performance of securities assigned to different credit rating categories. MIS's public credit ratings are publicly and freely available generally through press releases and on issuer landing pages on <https://ratings.moody.com> enabling third parties to assess their performance.

⁴ See section 7 below for further information on MIS's approach to analyst rotation.

4. Allocation of Staff in MIS UK

Surveillance of credit ratings, apart from SFG, typically is conducted by the same analytical team that is responsible for the initial credit rating. MIS allocates staff to a new credit rating but does not allocate staff separately to credit rating reviews listed in the table below.

The data presented in this section⁵ relates to the allocation of staff in MIS UK under the following categories outlined below.⁶

- » Both New Credit Ratings and Credit Rating Reviews: the data presented⁷ does not distinguish between staff allocation for new credit ratings and credit rating reviews. However, surveillance staff in SFG typically are different from the analytical staff that are responsible for the initial credit rating. Consequently, within SFG, staff may be allocated separately to new credit ratings and to credit rating reviews.
- » New Credit Ratings Only: the data presented includes staff in SFG assigned to new credit ratings.
- » Credit Rating Reviews Only: the data presented includes staff in SFG assigned to credit rating reviews.
- » Methodology Appraisal: as noted in section 3 above, MIS's credit rating methodologies, where feasible and appropriate, are typically global in nature and may be tailored to take account of regional or national considerations. The role of reviewing and approving credit rating methodologies (including credit rating models) rests with the MRC within MRG. Although MRG operates and is staffed globally, only employees of MRG in the UK are identified below.
- » Model Appraisal: within MIS, the Model Verification team, which is part of CSS, is tasked with verifying credit rating models that are used globally. The staff are located in global offices including in the United States of America, India and Lithuania, undertaking credit rating model verification for all MIS entities, including MIS UK, and may be supported by third party vendors. Furthermore, MRG reviews new or materially-revised credit rating models as part of the methodology approval process.
- » Credit Ratings Support Staff: this category includes staff in MIS UK who directly support credit rating analysts enabling the analysts to allocate greater time to core analytical responsibilities. These include MIS UK staff in the Global Middle Office and other support or administrative functions.
- » Senior Management: this category comprises the persons who effectively direct the business of MIS UK.⁸

MIS UK	CFG	FIG	PPIF ⁹	RRS	SFG	SOV	ALL OTHERS	GRAND TOTAL
Each of New Credit Ratings and Credit Rating Reviews	27	19	16	69	4	12	0	147
New Credit Ratings Only	0	0	0	0	23	0	0	23
Credit Rating Reviews Only	0	0	0	0	18	0	0	18
Methodology Appraisal	0	0	0	0	0	0	4	4
Credit Rating Support Staff	2	0	0	0	0	0	85	87
Senior Management	0	0	0	0	0	0	7	7
Total	29	19	16	69	45	12	96	286

⁵ For the purposes of this Transparency Report, all data and statistics cited below are provided as of 31 December 2022.

⁶ The data outlined includes only staff based in MIS UK. MIS UK may be assisted by support provided by non-UK based analysts in Ratings & Research ("R&R"), Ratings & Research Support ("RRS") and other support staff based in non-UK registered credit rating agencies and/or service hubs.

⁷ Staff identified may participate in credit rating activities as well as non-credit rating activities of MIS UK (as defined in section 8 below).

⁸ See section 9 below for further details on the senior management of MIS UK. Senior management data is provided for MIS UK regardless of whether or not a member of the senior management is employed by MIS UK.

⁹ Public, Project & Infrastructure Finance.

5. MIS's Record-Keeping Policy

MIS's global Policy and Procedures for Record Retention for Rating Services, along with the Appendix of Rating Services Record Retention Schedules, provide the fundamental principles of MIS's global record retention policy for both UK and UK-endorsed credit ratings, including:

- » the type of documents subject to the policy;
- » categories of document types for purposes of retention obligations;
- » retention periods for records relating to the credit rating services, in accordance with applicable law and regulation in the jurisdictions in which MIS operates;
- » instructions on the repositories used for record retention; and
- » specifying the parties responsible for retention and deletion of records related to the credit rating services.

Records that are required to be retained include certain documents obtained or created during the credit rating process, whether provided by external sources or created by MIS. In addition, those documents and other credit-relevant documents are generally retained in a consolidated file for each issuer or transaction. Access rights to the document management databases are restricted to maintain the confidentiality of the information stored.

Rating applications and other contractual documents with issuers, along with exchanges with issuers related to commercial and fee information are handled by the Commercial Group, which is segregated from the analytical teams. For credit rating services covered by the policy, records that relate to contracts, commercial or fee information are electronically filed in separate retention systems from the records filed as part of the analytical process.

6. Internal Audit Review of Compliance Department

The MCO Internal Audit function completed an annual audit of the Compliance Department, which supports MIS globally, including MIS UK as an endorsing Credit Rating Agency and issued the report in November 2022.¹⁰ The audit focused on processes and controls established by Compliance related to Compliance policies, procedures and guidelines, employee training and certifications, independence of the Compliance function, and activities related to credit rating action surveillance reporting.

The review resulted in an audit opinion of Satisfactory. Internal controls, governance and risk management processes were adequately established and functioning well.

¹⁰ The report covered the period of 1 October 2021 to 30 September 2022.

7. MIS's Management and Analyst Rotation Policy

7.1 MIS's Management

MIS's management structure is established on a global, regional and national basis across jurisdictions. MIS's organisational structure and decision-making procedures clearly specify reporting lines and allocate functions and responsibilities.

7.1.1 Global Management

Raymond W. McDaniel, Jr. is the Chairman of the Board of Directors of MCO. Robert Fauber is the President and Chief Executive Officer of MCO and is also the Chief Executive Officer of MIS. Both Messrs. McDaniel and Fauber are based in New York. Mary Dierdorff is the Chairperson of the Board of Moody's Investors Service, Inc. and Michael West is the President of MIS.

7.1.2 Regional Management

MIS's management group is complemented by three regional managers, one for each of EMEA, Americas and Asia/Pacific. Stephen Long was appointed Regional Head of MIS EMEA effective 16 May 2022 and reports to Monica Merli, Global Head of MIS Regional Management. Previously, Monica Merli had acted as Regional Head of MIS EMEA and Global Head of MIS Regional Management. The Regional Head of MIS EMEA is critical for providing centralised oversight of MIS operations in the EMEA region, including MIS UK. Stephen Long is also the country manager for the United Kingdom. Prior to 16 May 2022, Colin Ellis acted as the country manager for the UK. MIS's regional management reporting structure in the UK is further enhanced by MIS's corporate governance. In his capacity as Regional Head of MIS EMEA, Stephen Long has been, since June 2022, a member of the board of directors of MIS UK. This structure establishes MIS UK's national responsibility for adherence to the Regulation and regional oversight and responsibility for MIS entities at the level of the Regional Head of MIS EMEA.

7.1.3 National Management

During the reporting period, MIS UK was managed on a day-to-day basis by the country manager. Country managers act in this capacity as part of the wider, global regional management function and report on a matrix basis to the Managing Director, Regional Management as noted above. Country managers are responsible for, among other things, acting as a staff communication and liaison point for office related matters.

7.1.4 Rating Group Management

MIS's rating groups in Ratings and Research ("R&R") are also organised with regional and global reporting lines that operate across five rating groups during the reporting period: (1) SOV, (2) PPIF, (3) CFG, (4) FIG and (5) SFG. Within R&R, the Global Head of each rating group reports to the Global Head of R&R, who, in turn, reports to the President of MIS. Generally, the Global Head of each rating group is supported by regional Managing Directors in each of MIS's three main regions of operation (EMEA, Americas, and Asia/Pacific). Those regional Managing Directors are in turn generally supported by lower-level managers whose responsibilities are limited to particular parts of regions or sectors. This cross-border reporting structure results in an escalation and resolution of any rating group issue on an international or regional basis, irrespective of the country in which the issue may have arisen. Similarly, to the extent possible, decisions made relating to a particular rating group are implemented by the relevant management across jurisdictions or regions. Please see section 9 of this Transparency Report for further information on MIS's management and corporate governance in MIS UK.

7.1.5 Credit Strategy and Standards ("CSS")

Within MIS, CSS is tasked with, among other things, promoting consistency and quality in credit ratings globally. Each of the CSS functions described in section 3 above is managed by a Managing Director reporting to the MIS Chief Credit Officer. As credit ratings are issued across sectors and regions, CSS also operates globally and regionally across sectors or rating groups.

Consequently, members of CSS focus on credit rating methodologies and credit ratings in a particular sector or a broad rating group, irrespective of their geographical location or the MIS entity responsible for issuing the credit rating under the Regulation. CSS is independent of MIS's rating groups. MRG provides reports to the board of directors of MIS UK.

The operational structure of CSS results in an appropriate and consistent cross-jurisdictional implementation of any enhancements to best practices or changes to MIS's methodological approach.

7.1.6 Compliance Department

A Senior Compliance Officer serves as Head of Compliance (each a "Designated Compliance Officer" or "DCO") in each of MIS's three main regions of operation: EMEA, Americas, and Asia/Pacific. The Compliance Department in the UK is an integral part of the regional and global Compliance Department and is independent of business management. Compliance staff in the UK report to the DCO of EMEA. In accordance with the Regulation, the board of directors of MIS UK receive reports from the Compliance

Department. In practice, this structure means that compliance-related decisions that involve changes to international or regional business practice or policies are replicated, where appropriate, across all MIS entities including MIS UK.

7.2 MIS's Policy for Analyst Rotation

MIS's approach to the rotation of analysts is set out in the global [Policy for Analyst Rotation](#) (the "Analyst Rotation Policy"). The purpose of the Analyst Rotation Policy is to set out a rotation mechanism to provide a gradual change in lead analysts, rating analysts, and persons approving credit ratings. The Analyst Rotation Policy applies to MIS UK and non-UK entities. Under the Analyst Rotation Policy, MIS UK will rotate lead analysts every four years, rating analysts every five years, and persons approving credit ratings every seven years. Non-MIS UK entities where analyst rotation applies either adhere to the same requirements as MIS UK or will rotate lead analysts every seven years, rating analysts every eight years and persons approving credit ratings every nine years. When rotated, analytical staff are subject to a minimum two year "cooling off" period, in which they are prohibited from engaging in credit rating activities with respect to the applicable issuer and/or its related third parties as appropriate.

8. Revenue of MIS UK

The revenue¹¹ of MIS UK is derived from Credit Rating Services and Non-Credit Rating Services, as defined below and is shown for the financial year ended 31 December 2022. Defined terms used in this section have the following meanings:

- » **“Credit Rating Services”**: Credit Rating Services are those products and services offered with respect to Credit Ratings and, if applicable, the related rating outlook or rating review. A Credit Rating is an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.
- » **“Non-Credit Rating Services”**: Products and services that MIS UK may offer that are not Credit Rating Services as identified in MIS's Ratings, Symbols and Definitions.

MIS UK does not currently offer any Ancillary Services.¹²

MIS UK ¹³	£ MILLION
Credit Rating Services	127.9
Non-Credit Rating Services	9.9
Total Revenue	137.8

ASSET CLASS	£ MILLION
CFG	55.4
FIG	22.6
PPIF	19.3
SFG	33.8
SOV	6.7
Total	137.8

¹¹ Total revenue is based on invoices issued, net of credit notes, for MIS UK. In general, there is a high correlation between invoiced amounts and revenues in any particular year.

¹² Ancillary Services are those products and services which are not Credit Rating Services and which may include market forecasts, estimates of economic trends, pricing analysis or other general data analysis as well as related distribution services.

¹³ Including applicable revenue from its branches: Moody's Investors Service Ltd., Russian Branch and Moody's Investors Service Limited (spółka z ograniczoną odpowiedzialnością) oddział w Polsce (Poland). The revenue for MIS UK excludes billing for UK-endorsed credit ratings.

9 Governance Statement

As an NYSE-listed company, MCO complies with the NYSE's Corporate Governance Listing Standards.

9.1 Board of Directors – Structure and Members

An enhanced unitary board is in place for MIS UK.

9.1.1 Composition

As at 31 December 2022, the composition of the board of directors of MIS UK was as follows:

- » Four MIS members: Michael West, Monica Merli, Philipp Lotter, Stephen Long and three independent members: Roderick Munsters, Lesley Jones and Séverin Cabannes.¹⁴

During the reporting period, Michael West acted as Chair.

9.1.2 Expertise

Each member of the board of directors of MIS UK is of good repute and sufficiently skilled and experienced in order to perform his or her respective function. A majority of the members of the board of directors of MIS UK, and all of the independent members, have sufficient expertise in all relevant areas of financial services. In addition, at least one independent member and one MIS member has in-depth knowledge and experience, at a senior level, of the markets in structured finance instruments.

9.1.3 Independence

Not less than two and at least one-third of the members of the board of directors of MIS UK are independent. The independent members are free of any business, family or other relationship with MIS UK, its controlling shareholder or the management of either, that creates a conflict of interest that would impair their judgment. In addition, independent members are not involved in credit rating activities.

9.1.4 Term of Appointment

Each independent member has been appointed for a pre-agreed, fixed period of no longer than five years. The independent members may only be dismissed in the event of misconduct or professional underperformance. The terms of appointment for the MIS members are not fixed.

9.1.5 Time Commitment and Compensation

The independent members have sufficient time to meet the expectations of their role. The independent members must inform the chair of any directorships, consultancy posts or similar offices with other companies. The compensation of each independent member is not linked to the business performance of MIS UK (or any other MIS entity globally) and is arranged in order to ensure the independence of the relevant independent member's judgment. MIS members do not receive any additional remuneration for their role.

9.2 Board of Directors – Role and Responsibilities

9.2.1 Remit

The remit of the board of directors of MIS UK includes oversight of the following:

- » the independence of credit rating activities, including independence from all political and economic influences or constraints;
- » proper identification, management and disclosure of conflicts of interest;
- » sound and prudent management of MIS UK;
- » MIS UK's compliance with the Regulation; and
- » MIS UK's internal control framework.

The remit of the board of directors of MIS UK also includes consideration of:

- » reports from MIS UK's control functions, including the Compliance Department and the "review function" (MRG within CSS); and

¹⁴ Stephen Long was appointed as an MIS member and Séverin Cabannes as an independent member of the MIS UK board of directors on 1 June 2022.

- » the opinions of the independent members.

9.2.2 Role of the Independent Members

In addition to the above, the independent members have a specific remit to:

- » monitor: (1) the development of the credit rating policies and methodologies used by MIS UK in its credit rating services, (2) the effectiveness of the internal quality control system of MIS UK in relation to its credit rating services, (3) the effectiveness of the measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated, managed and disclosed, and (4) compliance and governance processes, including the efficiency of MRG as the “review function”;
- » provide opinions on the matters within their specific remit to the board of directors; and
- » allow these opinions to be made available to the FCA upon request.

The independent members are not involved directly in credit rating activities; nonetheless, they may request information from MIS UK regarding its activities in relation to any of the matters that fall within their remit above.

9.3 Board of Directors – Proceedings

The board of directors of MIS UK is required to meet not less than half-yearly, with provision for ad-hoc meetings to be called by the chair if required in order to enable the board of directors to fulfil its regulatory requirements. In 2022, the board of directors met at least four times. The quorum for meetings of the board of directors is a minimum of four members, of whom: (i) at least half are MIS members; and (ii) at least two are independent members. Decisions are taken by simple majority vote, subject to the applicable provisions of MIS UK’s constitutional documents in respect of conflicts of interest.

9.4 Internal Controls, Compliance Function, Review Function and Conflict Management

Please see section 3 of this Transparency Report for information.

9.5 MCO Audit Committee

9.5.1 Audit Function

MIS UK does not have its own specific Audit Committee. This is not a requirement of the Regulation, or of the corporate governance requirements of MIS UK.

The MCO Audit Committee has oversight over MCO and all its subsidiaries, including MIS UK.

9.5.2 Purpose

The MCO Audit Committee’s primary purpose is to represent and assist MCO’s Board of Directors in fulfilling its oversight responsibilities relating to:

- a. the integrity of MCO’s financial statements and the financial information provided to MCO’s stockholders and others;
- b. MCO’s compliance with legal and regulatory requirements;
- c. MCO’s internal controls; and
- d. the audit process, including the qualifications and independence of the principal external auditors, and the performance of independent auditors and the internal audit function.

The MCO Audit Committee also oversees MCO’s policies and practices with respect to financial risk assessment, sustainability disclosure and risk management. In addition, it reviews and approves the Audit Committee Report that is required to be included in the annual proxy statement (Schedule 14A) and is responsible for the appointment, compensation, retention and oversight of the work of MCO’s independent auditors. As such, the independent auditors report directly to the MCO Audit Committee.

9.5.3 Membership and Meetings

The MCO Audit Committee consists of at least three MCO Directors, as appointed by the Board of Directors of MCO upon the recommendation of the Governance & Nominating Committee, including one chairman. Each member of the MCO Audit Committee must meet the independence requirements of the NYSE for directors and MCO Audit Committee members, and must be financially literate, both as determined by the Board of Directors of MCO. At least one member of the MCO Audit Committee must be an “audit committee financial expert”, as determined by the Board of Directors of MCO in accordance with the rules and regulations of the Securities and Exchange Commission.

Meetings must be held at least quarterly and additional meetings may be held as needed. The MCO Audit Committee reports to the Board of Directors of MCO on its activities on a regular basis. The MCO Audit Committee also meets separately with representatives of the independent auditors and Head of Internal Audit at least once a quarter and periodically with members of management, including the General Counsel and the Chief Compliance Officer, as the MCO Audit Committee determines appropriate.

9.6 Share Ownership, Amendments to Constitutional Documents, Board Appointments and Powers, Shareholder Meetings

MIS UK is an indirect wholly-owned subsidiary of MCO. The ultimate parent, MCO, is listed on the NYSE. There are no holders of securities with special control rights or restrictions on voting rights in respect of the shares of MIS UK.

The following entities have significant indirect shareholdings in MIS UK through their shareholdings in MCO (the most recent publicly disclosed figure prior to the date of publication of this Transparency Report):

- » Berkshire Hathaway, Inc. 13.47%
- » TCI Fund Management Limited 5.01%

The articles of association of MIS UK may be amended in accordance with UK law. MIS UK has the duties and responsibilities set out at sections 9.2.1 and (in the case of independent members) 9.2.2 above. In addition, the directors of MIS UK have the powers (including in respect of issuing and buying back shares) conferred on them by UK law and the constitutional documents of MIS UK. Subject to the requirements of the Regulation (to the extent applicable), the members of the board of directors of MIS UK may be appointed to, or removed from, office in accordance with UK law and the constitutional documents of MIS UK. The operation of the shareholder meeting, the key powers of the shareholder meeting and the shareholder rights of MIS UK are provided for in accordance with UK law and the constitutional documents of MIS UK.

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Moody's Investors Service Limited

One Canada Square
Canary Wharf
London, E14 5FA
United Kingdom

BX19897