

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-14037

MOODY'S CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware

(STATE OF INCORPORATION)

13-3998945

(I.R.S. EMPLOYER IDENTIFICATION NO.)

7 World Trade Center at 250 Greenwich Street, New York, New York 10007

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	TRADING SYMBOL(S)	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value \$0.01 per share	MCO	New York Stock Exchange
1.75% Senior Notes Due 2027	MCO 27	New York Stock Exchange
0.950% Senior Notes Due 2030	MCO 30	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of Moody's Corporation Common Stock held by nonaffiliates\* on June 30, 2019 (based upon its closing transaction price on the New York Stock Exchange on such date) was approximately \$37.0 billion.

As of January 31, 2020, 187.4 million shares of Common Stock of Moody's Corporation were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 21, 2020, are incorporated by reference into Part III of this Form 10-K.

The Index to Exhibits is included as Part IV, Item 15(3) of this Form 10-K.

\* Calculated by excluding all shares held by executive officers and directors of the Registrant without conceding that all such persons are "affiliates" of the Registrant for purposes of federal securities laws.

MOODY'S 2019 10-K

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**Exhibits filed Herewith**

4.1	Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934
10.3.1.3	Second Amendment to the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (as amended, December 18, 2017)
10.3.3.2	Form of Employee Non-Qualified Stock Option Grant Agreement (for awards granted in 2020 or later) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan
10.3.4.3	Form of Performance Share Award Letter (for awards granted in 2020 or later) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan
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31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

## GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms, abbreviations and acronyms are used to identify frequently used terms in this report:

<b>TERM</b>	<b>DEFINITION</b>
ABS Suite	Business acquired by the Company in October 2019 which includes a software platform used by issuers and trustees for administration of asset-backed and mortgage-backed securities programs
Acquisition-Related Amortization	Amortization of definite-lived intangible assets acquired by the Company from all business combination transactions
Acquisition-Related Expenses	Consists of expenses incurred to complete and integrate the acquisition of Bureau van Dijk for which the integration will be a multi-year effort
Adjusted Diluted EPS	Diluted EPS excluding the impact of certain items as detailed in the section entitled "Non-GAAP Financial Measures"
Adjusted Net Income	Net Income excluding the impact of certain items as detailed in the section entitled "Non-GAAP Financial Measures"
Adjusted Operating Income	Operating income excluding the impact of certain items as detailed in the section entitled "Non-GAAP Financial Measures"
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Americas	Represents countries within North and South America, excluding the U.S.
AOCI	Accumulated other comprehensive income (loss); a separate component of shareholders' equity (deficit)
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
Asia-Pacific	Represents Australia and countries in Asia including but not limited to: China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASR	Accelerated Share Repurchase
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
Board	The board of directors of the Company
BPS	Basis points
Brexit	The withdrawal of the United Kingdom from the European Union, effective January 31, 2020
Bureau van Dijk	Bureau van Dijk Electronic Publishing, B.V.; a global provider of business intelligence and company information; acquired by the Company on August 10, 2017 via the acquisition of Yellow Maple I B.V., an indirect parent of Bureau van Dijk; part of the RD&A LOB and a reporting unit within the MA reportable segment
CCAR	Comprehensive Capital Analysis and Review; annual review by the Federal Reserve in the U.S. to ensure that financial institutions have sufficient capital in times of economic and financial stress and that they have robust, forward-looking capital-planning processes that account for their unique risks.
CCXI	China Cheng Xin International Credit Rating Co. Ltd.; China's first and largest domestic credit rating agency approved by the People's Bank of China; the Company acquired a 49% interest in 2006; currently Moody's owns 30% of CCXI.
CCXI Gain	In the first quarter of 2017, as part of a strategic business realignment, CCXI issued additional capital to its majority shareholder in exchange for a ratings business wholly-owned by the majority shareholder and which has the right to rate a different class of debt instrument in the Chinese market. The capital issuance by CCXI in exchange for this ratings business diluted Moody's ownership interest in CCXI to 30% of a larger business and resulted in a \$60 million non-cash, non-taxable gain.
CECL	Current expected credit losses

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<b>TERM</b>	<b>DEFINITION</b>
CFG	Corporate finance group; an LOB of MIS
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities; an asset class within SFG
Commission	European Commission
Common Stock	The Company's common stock
Company	Moody's Corporation and its subsidiaries; MCO; Moody's
Content	A reporting unit within the MA segment that offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts
CP	Commercial Paper
CP Notes	Unsecured commercial paper issued under the CP Program
CP Program	A program entered into on August 3, 2016 allowing the Company to privately place CP up to a maximum of \$1 billion for which the maturity may not exceed 397 days from the date of issue and which is backstopped by the 2018 Facility.
CRAs	Credit rating agencies
D&B	Dun & Bradstreet
DBPPs	Defined benefit pension plans
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
ERS	Enterprise Risk Solutions; an LOB within MA, which offers risk management software solutions as well as related risk management advisory engagements services
ESA	Economics and Structured Analytics; part of the RD&A line of business within MA
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETR	Effective tax rate
EU	European Union
EUR	Euros
EURIBOR	The Euro Interbank Offered Rate
Eurozone	Monetary union of the EU member states which have adopted the euro as their common currency
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
External Revenue	Revenue excluding any intersegment amounts
FASB	Financial Accounting Standards Board
FIG	Financial institutions group; an LOB of MIS
Financial Reform Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Four Twenty Seven	A provider of data, intelligence, and analysis related to physical climate risks; acquired by the Company in July 2019

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<b>TERM</b>	<b>DEFINITION</b>
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FTSE	Financial Times Stock Exchange
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
ICRA	ICRA Limited; a provider of credit ratings and research in India.
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
INR	Indian Rupee
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc.; a Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	Korea Investors Service Pricing, Inc.; a Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
KIS Research	Korea Investors Service Research; a Korean provider of financial research and consolidated subsidiary of the Company
Korea	Republic of South Korea
Legacy Tax Matters	Exposures to certain potential tax liabilities assumed in connection with the Company's spin-off from Dun & Bradstreet in 2000
LIBOR	London Interbank Offered Rate
LOB	Line of business
MA	Moody's Analytics—a reportable segment of MCO; provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs—RD&A, ERS and PS
Make Whole Amount	The prepayment penalty amount relating to certain Senior Notes, which is a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal
MAKS	Moody's Analytics Knowledge Services; formerly known as Copal Amba; provides offshore research and analytic services to the global financial and corporate sectors; part of the PS LOB and a reporting unit within the MA reportable segment; this business was divested in November 2019
MALS	Moody's Analytics Learning Solutions; a reporting unit within the MA segment that includes on-line and classroom-based training services as well as credentialing and certification services
MCO	Moody's; Moody's Corporation and its subsidiaries; the Company
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MIS	Moody's Investors Service—a reportable segment of MCO; consists of five LOBs—SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody's	Moody's Corporation and its subsidiaries; MCO; the Company
NAV	Net asset value

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<b>TERM</b>	<b>DEFINITION</b>
Net Income	Net income attributable to Moody's Corporation, which excludes net income from consolidated noncontrolling interests belonging to the minority interest holder
New Lease Accounting Standard	Updates to the ASC pursuant to ASU No. 2016-02, "Leases (ASC Topic 842)". This new accounting guidance requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows depend on classification as either a finance or operating lease
New D&B	The New D&B Corporation—comprises the D&B business after September 30, 2000
New Revenue Accounting Standard	Updates to the ASC pursuant to ASU No. 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)". This new accounting guidance significantly changes the accounting framework under U.S. GAAP relating to revenue recognition and to the accounting for the deferral of incremental costs of obtaining or fulfilling a contract with a customer
N/A	Not applicable
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision making
NRSRO	Nationally Recognized Statistical Rating Organization, which is a credit rating agency registered with the SEC.
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities (in periods prior to January 1, 2018), certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
Omega Performance	A provider of online credit training; acquired by the Company in August 2018
Operating segment	Term defined in the ASC relating to segment reporting; the ASC defines an operating segment as a component of a business entity that has each of the three following characteristics: i) the component engages in business activities from which it may recognize revenue and incur expenses; ii) the operating results of the component are regularly reviewed by the entity's chief operating decision maker; and iii) discrete financial information about the component is available.
Other Retirement Plans	The U.S. retirement healthcare and U.S. retirement life insurance plans
PCS	Post-Contract Customer Support
PPIF	Public, project and infrastructure finance; an LOB of MIS
Pri-2012	Private Retirement Plans Mortality Table published by the Society of Actuaries
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, an LOB within MA consisting of MAKs and MALs that provides offshore analytical and research services as well as learning solutions and certification programs
Purchase Price Hedge	Foreign currency collars and forward contracts entered into by the Company to economically hedge the Bureau van Dijk euro denominated purchase price
Purchase Price Hedge Gain	Gain on foreign currency collars and forward contracts to economically hedge the Bureau van Dijk euro denominated purchase price
RD&A	Research, Data and Analytics; an LOB within MA that offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools
Redeemable Non-controlling Interest	Represents minority shareholders' interest in entities which are controlled but not wholly-owned by Moody's and for which Moody's obligation to redeem the minority shareholders' interest is represented by a put/call relationship

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<b>TERM</b>	<b>DEFINITION</b>
Reform Act	Credit Rating Agency Reform Act of 2006
Regulatory Data Corporation (RDC)	A global leader in risk and compliance intelligence; the Company acquired RDC in February 2020
REIT	Real Estate Investment Trust
Reis, Inc. (Reis)	A provider of U.S. commercial real estate (CRE) data; acquired by the Company in October 2018; part of the RD&A LOB and a reporting unit within the MA reportable segment.
Relationship Revenue	For MIS, represents recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. For MIS Other represents subscription-based revenue. For MA, represents subscription-based revenue and software maintenance revenue
Reporting unit	The level at which Moody's evaluates its goodwill for impairment under U.S. GAAP; defined as an operating segment or one level below an operating segment
Retirement Plans	Moody's funded and unfunded pension plans, the healthcare plans and life insurance plans
RiskFirst	A company providing risk analytic solutions for the asset management and pension fund communities; acquired by the Company in July 2019
RMBS	Residential mortgage-backed securities; an asset class within SFG
ROU Asset	Assets recorded pursuant to the New Lease Accounting Standard which represent the Company's right to use an underlying asset for the term of a lease
SaaS	Software-as-a-Service
SCDM	SCDM Financial, a leading provider of analytical tools for participants in securitization markets. Moody's acquired SCDM's structured finance data and analytics business in February 2017
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Settlement Charge	Charge of \$864 million recorded in the fourth quarter of 2016 related to an agreement entered into on January 13, 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to credit ratings that MIS assigned to certain structured finance instruments in the financial crisis era
SFG	Structured finance group; an LOB of MIS
SG&A	Selling, general and administrative expenses
SynTao Green Finance (STGF)	A provider of environmental, social and governance data and analytics based in and serving China; a minority stake was acquired by the Company in October 2019
SSP	Standalone selling price
T&M	Time-and-Material
Tax Act	The "Tax Cuts and Jobs Act" enacted into U.S. law on December 22, 2017, which significantly amends the tax code in the U.S.
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services as well as data services, research and analytical engagements. For MA, represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and research and analytical engagements
U.K.	United Kingdom
U.S.	United States
USD	U.S. dollar



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<b>TERM</b>	<b>DEFINITION</b>
UTPs	Uncertain tax positions
WACC	Weighted Average Cost of Capital
2010 Senior Notes	Principal amount of \$500 million, 5.50% senior unsecured notes, repaid in 2019
2012 Senior Notes	Principal amount of \$500 million, 4.50% senior unsecured notes due in September 2022
2013 Senior Notes	Principal amount of the \$500 million, 4.875% senior unsecured notes due in February 2024
2014 Senior Notes (5-Year)	Principal amount of \$450 million, 2.75% senior unsecured notes, repaid in 2019
2014 Senior Notes (30-Year)	Principal amount of \$600 million, 5.25% senior unsecured notes due in July 2044
2015 Senior Notes	Principal amount of €500 million, 1.75% senior unsecured notes due in March 2027
2017 Senior Notes Due 2023	Principal amount of \$500 million, 2.625% senior unsecured notes due January 15, 2023
2017 Senior Notes Due 2028	Principal amount of \$500 million, 3.25% senior unsecured notes due January 15, 2028
2017 Senior Notes Due 2021	Principal amount of \$500 million, 2.75% senior unsecured notes due in December 2021
2018 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to \$1 billion; backstops CP issued under the CP Program
2018 Senior Notes	Principal amount of \$300 million, 3.25% senior unsecured notes due June 7, 2021
2018 Senior Notes (10-year)	Principal amount of \$400 million, 4.25% senior unsecured notes due February 1, 2029
2018 Senior Notes (30-year)	Principal amount of \$400 million, 4.875% senior unsecured notes due December 17, 2048
2019 Senior Notes	Principal amount of €750 million, 0.950% senior unsecured notes due in February 25, 2030
7WTC	The Company's corporate headquarters located at 7 World Trade Center in New York, NY

## PART I

### ITEM 1. BUSINESS

#### **BACKGROUND**

As used in this report, except where the context indicates otherwise, the terms “Moody’s” or the “Company” refer to Moody’s Corporation, a Delaware corporation, and its subsidiaries. The Company’s executive offices are located at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007 and its telephone number is (212) 553-0300.

#### **THE COMPANY**

##### **Company Overview**

Moody’s is a provider of (i) credit ratings and assessment services; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; (vi) offshore financial research and analytical services (this business was divested with the sale of the MAKS in the fourth quarter of 2019); and (vii) company information and business intelligence products. Moody’s reports in two reportable segments: MIS and MA. Financial information and operating results of these segments, including revenue, expenses and operating income, are included in Part II, Item 8. Financial Statements of this annual report, and are herein incorporated by reference.

MIS publishes credit ratings and provides assessment services on a wide range of debt obligations and the entities that issue such obligations in markets worldwide, including various corporate and governmental obligations, structured finance securities and commercial paper programs. Ratings revenue is derived from the originators and issuers of such transactions who use MIS ratings to support the distribution of their debt issues to investors. MIS provides ratings in more than 130 countries. Ratings are disseminated via press releases to the public through a variety of print and electronic media, including the internet and real-time information systems widely used by securities traders and investors. As of December 31, 2019, MIS had the following ratings relationships:

- Approximately 4,900 rated non-financial corporate issuers;
- Approximately 4,100 rated financial institutions issuers;
- Approximately 17,200 rated public finance issuers (including sovereign, sub-sovereign and supranational issuers);
- Approximately 9,500 rated structured finance transactions; and
- Approximately 1,000 rated infrastructure and project finance issuers.

MIS earns revenue from certain non-ratings-related operations, which primarily consist of financial instruments pricing services in the Asia-Pacific region as well as revenue from ICRA non-rating operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

MA provides financial intelligence and analytical tools to assist businesses in making decisions. MA’s portfolio of solutions consists of specialized research, data, software, and professional services, which are assembled to support the financial analysis and risk management activities of institutional customers worldwide. MA customers represent more than 11,000 institutions worldwide operating in over 155 countries. During 2019, Moody’s research website was accessed by over 306,000 individuals including 41,000 customer users.

##### **Corporate Social Responsibility**

Moody’s believes that knowledge fuels opportunity. The core of Moody’s business is to provide credit ratings, research, tools and analysis that help to equip participants in the global financial markets to understand risks and make important investment decisions with critical insight. Moody’s global corporate social responsibility (CSR) efforts are rooted in that same approach. Moody’s is committed to working to empower people with the knowledge, resources and confidence they need to create a better future – for themselves, their communities and the environment.

The CSR Council, chaired by President and CEO Raymond W. McDaniel, Jr. and comprised of members of the management team, evaluates the Company’s CSR progress and generates recommendations on its CSR strategy. The CSR Working Group, comprised of senior executives, is then charged with implementing the Company’s CSR strategy. In addition, the Company’s Board of Directors oversees sustainability matters, with assistance from the Governance & Nominating Committee, as part of its oversight of management and the Company’s overall strategy. For more information on Moody’s approach to CSR, see [moody.com/csr](http://moody.com/csr). The content of this website is not incorporated by reference herein.

## Sustainability

Moody's advances sustainability by considering Environmental, Social, and Governance (ESG) factors throughout its operations and two business segments. It uses its expertise and assets to make a positive difference through technology tools, research and analytical services that help other organizations and the investor community better understand the links between sustainability considerations and the global markets. Moody's efforts to promote sustainability-related thought leadership, assessments and data to market participants include following the policies of recognized sustainability and corporate social responsibility parties that develop standards or frameworks and/or evaluate and assess performance, including Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). Moody's sustainability-related achievements in 2019 included the following: (i) Moody's began reporting using recommendations from SASB; (ii) the Company became a signatory to the Principles for Responsible Investment; (iii) it joined the United Nations Global Compact; and (iv) it issued its second annual report on how the Company has implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## PROSPECTS FOR GROWTH

Over recent decades, global fixed-income markets have grown significantly both in terms of the amount and types of securities or other obligations outstanding. Moody's believes the overall long-term outlook remains favorable for continued growth of the global fixed-income market and related financial information market, which includes information such as credit opinions, research, data, analytics, risk management tools and related services.

Moody's growth is influenced by a number of trends that impact financial information markets including:

- Health of the world's major economies;
- Debt capital markets activity;
- Disintermediation of credit markets;
- Fiscal and monetary policy of governments; and
- Business investment spending, including mergers and acquisitions.

In an environment of increasing financial complexity and heightened attention to credit analysis and risk management, Moody's is well positioned to benefit from continued growth in global fixed-income market activity and a more widespread use of credit ratings, research and related analytical products. Moody's expects that these developments will support continued long-term demand for high quality, independent credit opinions, research, data, analytics, risk management tools and related services.

Strong secular trends should continue to provide long-term growth opportunities. For MIS, key growth drivers include debt market issuance driven by global GDP growth, continued disintermediation of fixed-income markets in both developed and emerging economies driving issuance and demand for new ratings products and services. Growth in MA is likely to be driven by deeper and broader penetration of the customer base as data demands, regulatory compliance and other analytical requirements drive demand for MA's products and expertise. Moreover, pricing opportunities aligned with customer value creation and advances in information technology present growth opportunities for Moody's.

Growth in global fixed income markets in a given year is dependent on many macroeconomic and capital market factors including interest rates, business investment spending, corporate refinancing needs, merger and acquisition activity, issuer profits, consumer borrowing levels and securitization activity. Rating fees paid by debt issuers account for most of the revenue of MIS. Therefore, a substantial portion of MIS's revenue is dependent upon the dollar-equivalent volume and number of ratable debt securities issued in the global capital markets. MIS's results can be affected by factors such as the performance and prospects for growth of the major world economies, the fiscal and monetary policies pursued by their governments, and the decisions of issuers to request MIS ratings to aid investors in their investment decisions. However, annual fee arrangements with frequent debt issuers, annual debt monitoring fees and annual fees from commercial paper and medium-term note programs, bank deposit ratings, insurance company financial strength ratings, mutual fund ratings, and other areas partially mitigate MIS's dependence on the volume or number of new debt securities issued in the global fixed-income markets. Furthermore, the strong growth seen in the issuance of structured finance securities from the mid-1990's reversed dramatically in 2008 due to market turmoil, before stabilizing in 2011. Despite significant declines from peak market issuance levels, Moody's believes that structured finance securities will continue to play a role in global fixed-income markets and provide opportunities for long-term revenue growth.

The pace of change in technology and communication over the past two decades makes information about investment alternatives widely available throughout the world and facilitates issuers' ability to place securities outside their national markets and similarly investors' ability to obtain information about securities issued outside their national markets. Technology also allows issuers and investors the ability to more readily obtain information about new financing techniques and new types of securities that they may wish to purchase or sell, which in the absence of the appropriate technology might not be readily or easily obtainable. This availability of information promotes the ongoing integration and expansion of financial markets worldwide, giving issuers and investors access to a wider range of both established and newer capital markets. As technology provides broader access to worldwide markets, it also results in a greater need for credible, globally comparable opinions about credit risk, data, analytics and related services. Additionally, information technology also provides opportunities to further build a global platform to support Moody's continued expansion in developing markets.

An ongoing trend in the world's capital markets is the disintermediation of financial systems. Issuers increasingly raise capital in the global public capital markets, in addition to, or in substitution for, traditional financial intermediaries. Moreover, financial intermediaries have sold assets in the global public capital markets, in addition to, or instead of, retaining those assets. Moody's believes that issuer use of global debt capital markets offer advantages in capacity and efficiency compared to traditional banking systems and that the trend of increased disintermediation will continue. Further, disintermediation has continued because of the historically low interest rate environment and bank deleveraging, which has encouraged a number of corporations and other entities to seek alternative funding in the bond markets.

Moody's also observes disintermediation in key emerging markets where economic growth may outpace internal banking system capacity. Thus, disintermediation is expected to continue over the longer-term, with Moody's targeting investment and resources to those markets where disintermediation and bond issuance is expected to remain robust.

In the aftermath of the global financial crisis, banking, insurance and capital markets authorities promulgated a wide range of new regulations to restore stability and confidence in financial institutions under their oversight. Programs such as Basel III, Solvency II, and CCAR — among many others — prompted banks, insurers, securities dealers, and asset managers to invest in more robust risk management practices and systems. Many of these investments drew on expertise and tools offered by MA, resulting in strong revenue growth in the post-crisis period. As banking and capital markets stabilized, and with financial institutions better capitalized, regulatory-driven demand for certain MA products has moderated, while in other areas (e.g., anti-money laundering (AML) and know-your-customer (KYC) compliance) regulatory-driven demand for data and solutions remains strong. We expect MA products and services that improve efficiencies, provide business insights and enable compliance with financial regulation, including AML, KYC, and accounting standards, will continue to be adopted by institutions worldwide. Finally, in order to respond to other sources of demand and drive growth, MA is actively investing in new products, including enhanced data sets and improved delivery methods (e.g., software-as-a-service). These efforts should support broader distribution of MA's capabilities, deepen relationships with existing customers and drive new customer acquisition.

Legislative bodies and regulators in the U.S., Europe and other jurisdictions continue to conduct regulatory reviews of CRAs, which may result in, for example, an increased number of competitors, changes to the business model or restrictions on certain business activities of MIS, removal of references to ratings in certain regulations, or increased costs of doing business for MIS. At present, Moody's is unable to assess the nature and effect that any regulatory changes may have on future growth opportunities.

Moody's operations are subject to various risks, as more fully described in Part I, Item 1A "Risk Factors," inherent in conducting business on a global basis. Such risks include currency fluctuations and possible nationalization, expropriation, exchange and price controls, changes in the availability of data from public sector sources, limits on providing information across borders and other restrictive governmental actions.

## **COMPETITION**

MIS competes with other CRAs and with investment banks and brokerage firms that offer credit opinions and research. Many users of MIS's ratings also have in-house credit research capabilities. MIS's largest competitor in the global credit rating business is S&P Global Ratings (S&P), a division of S&P Global. There are some rating markets, based on industry, geography and/or instrument type, in which Moody's has made investments and obtained market positions superior to S&P, while in other markets, the reverse is true.

In addition to S&P, MIS's competitors in the U.S. include Fitch Ratings, A.M. Best Company, Kroll Bond Rating Agency Inc., and Morningstar Inc. In Europe, there are approximately 40 companies currently registered with ESMA, which include both purely domestic European CRAs and International CRAs such as S&P and Fitch. There are additional competitors in other regions and countries, some of which are global entities and compete across regions and asset classes, while others focus on particular asset classes and regions.

MA competes broadly in the financial information industry against diversified competitors such as Refinitiv, Bloomberg, S&P Global Market Intelligence, Fitch Solutions, D&B, SS&C Technologies, Wolters Kluwer, Fidelity National Information Services, SAS, Fiserv, MSCI and IHS Markit among others. MA's main competitors within RD&A include S&P Global Market Intelligence, CreditSights, Refinitiv, Intex, IHS Markit, BlackRock Solutions, FactSet and other providers of fixed income analytics, valuations, economic data and research. In ERS, MA faces competition from both large software providers such as SS&C Technologies, Fidelity National Information Services, SAS, Oracle, Finastra, Oliver Wyman, Verisk Analytics and various other vendors and in-house solutions. Within Professional Services, MA competes with a host of financial training and education firms.

## **MOODY'S STRATEGY**

Moody's corporate mission is to be the world's most respected authority serving financial risk-sensitive markets. The key aspects to implement this strategy are to:

- Defend and enhance the core ratings and research business of MIS;
- Build MA's position as a leading provider of data, analytics and risk management solutions to financial institutions, corporations, and governmental authorities; and
- Invest in strategic growth opportunities.

Moody's will make investments to defend and enhance its core businesses in an attempt to position the Company to fully capture market opportunities resulting from global debt capital market expansion and increased business investment spending. Moody's will also make strategic investments to achieve scale in attractive financial information markets, move into attractive product and service adjacencies where the Company can leverage its brand, extend its thought leadership and expand its geographic presence in high growth emerging markets.

To broaden the Company's potential, MA provides a wide range of products and services to enable financial institutions, corporations and governmental authorities to better manage risk. As such, MA adds to the Company's value proposition in three ways. First, MA's subscription businesses provide a significant base of recurring revenue to offset cyclicity in ratings issuance volumes that may result in volatility in MIS's revenues. Second, MA products and services, such as financial training and professional services on research and risk management best practices, provide opportunities for entry into emerging markets before banking systems and debt capital markets fully develop and thus present long-term growth opportunities for the ratings business. Finally, MA's integrated risk management software platform embeds Moody's solutions deep into the technology infrastructure of banks and insurance companies worldwide.

Moody's invests in initiatives to implement the Company's strategy, including internally led organic development and targeted acquisitions. Example initiatives include:

- Enhancements to ratings quality and product extensions;
- Investments that extend ownership and participation in joint ventures and strategic alliances;
- New products, services, content (e.g., non-credit risk assessments such as ESG and cybersecurity risk) and technology capabilities to meet customer demands;
- Selective bolt-on acquisitions that accelerate the ability to scale and grow Moody's businesses; and
- Expansion in emerging markets.

During 2019, Moody's continued to invest in and acquire complementary businesses in MIS and MA as further described below:

- In April 2019, Moody's acquired a majority stake in Vigeo Eiris, a provider of Environmental, Social and Governance (ESG) research, data and assessments. The acquisition furthers Moody's objective of promoting global standards for ESG for use by market participants;
- In June 2019, Moody's formed a joint venture with Team8, a cybersecurity think tank and company creation platform, to establish a global standard for evaluating and assessing cyber risk for enterprises. The joint venture builds on Moody's investments and initiatives in cybersecurity and emerging technologies, including its 2018 strategic investment in Team8;
- In July 2019, Moody's acquired a majority stake in Four Twenty Seven, Inc., a provider of data, intelligence, and analysis related to physical climate risks. This further complements Moody's ESG research, data and assessment capabilities and its majority acquisition of Vigeo Eiris;
- Also in July 2019, Moody's acquired RiskFirst, a provider of risk analytic solutions for the asset management and pension fund communities. The acquisition positions MA to extend its range of market-leading risk solutions to the institutional buy-side;
- In October 2019, Moody's acquired the ABS Suite business from Deloitte & Touche LLP. ABS Suite is a software platform used by issuers and trustees for the administration of asset-backed and mortgage-backed securities programs. The transaction strengthens MA's position as a leading provider of structured finance solutions;
- Also in October 2019, Moody's acquired a minority stake in SynTao Green Finance, a provider of ESG data and analytics based in and serving China. The investment strengthens Moody's presence and engagement in China and its financial markets, with a focus on supporting long-term, sustainable growth and contributing to the healthy development of ESG markets. It also complements the acquisitions of majority stakes in Vigeo Eiris and Four Twenty Seven, Inc.

Additionally, in November 2019, Moody's completed the sale of Moody's Analytics Knowledge Services (MAKS), a provider of offshore research and analytic services to the global financial and corporate sectors. Moody's made the decision to divest the MAKS business given increasing strategic focus on providing its customers with financial intelligence and analytical tools and as a service business, MAKS was increasingly less relevant in this regard.

## REGULATION

MIS and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries (including by state and local authorities). Existing and proposed laws and regulations can impact the Company's operations and the markets for securities that it rates. Additional laws and regulations have been proposed or are being considered. Each of the existing, adopted, proposed and potential laws and regulations can increase the costs and legal risk associated with the Company's operations, including the issuance of credit ratings, and may negatively impact the Company's profitability and ability to compete, or result in changes in the demand for credit ratings, in the manner in which credit ratings are utilized and in the manner in which the Company operates.

The regulatory landscape has changed rapidly in recent years and continues to evolve. In the U.S., CRAs are subject to extensive regulation primarily pursuant to the Reform Act and the Dodd-Frank Act. The Reform Act added Section 15E to the Exchange Act and provided the SEC with the authority to establish a registration and oversight program for credit rating agencies registered as NRSROs. Among other things, the Reform Act requires the SEC to submit an annual report to Congress providing an overview of SEC activities with respect to NRSROs, and detailing the SEC's views on the state of competition, transparency and conflicts of interests among NRSROs. The Dodd-Frank Act enhanced the SEC's oversight of the regulation of NRSROs, and includes a requirement that the SEC publish an annual report summarizing the results of its annual examinations of NRSROs. To date, through a series of rulemakings, the SEC has implemented a number of Exchange Act provisions related to NRSROs. These include, for example, provisions addressing disclosure of data and assumptions underlying credit ratings, conflicts of interest with respect to sales and marketing practices, disclosure of performance statistics, application and disclosure of credit rating methodologies, analyst training and testing and consistent application of rating symbols and definitions. The Company has made and continues to make substantial IT and other investments, and has implemented the relevant compliance obligations.

In the EU, the CRA industry is registered and supervised through a pan-European regulatory framework. The European Securities and Markets Authority (ESMA) has direct supervisory responsibility for the registered CRA industry throughout the EU. MIS' EU CRA subsidiaries are registered and are subject to formal regulation and periodic inspection. Applicable rules include procedural requirements with respect to use of credit ratings, independence and avoidance of conflicts of interest, conflicts of interest concerning investments in CRAs, CRA rotation, methodologies, models and key rating assumptions, use of multiple CRAs, outsourcing, disclosures, credit ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, reporting requirements to ESMA regarding fees, and additional procedural and substantive requirements on the pricing of services. From time to time, ESMA publishes interpretive guidance, or thematic reports regarding various aspects of the regulation and, annually, sets out its work program for the forthcoming year. During 2019, supervisory priorities included credit ratings quality, cybersecurity, Brexit and fees charged by CRAs. In 2019, ESMA updated guidelines, issued new guidelines and published an update to its thematic report on its observations of CRA fee practices. ESMA's 2020 work program includes the credit rating process, methodology development and validation, governance and internal controls, including with respect to IT and information security where ESMA is expected to publish cloud guidelines in Q1. Policy priorities include assisting the European Commission in promoting sustainable finance in the field of CRAs.

In 2016, the European Commission published a report concluding that no new EU legislation was necessary at that time, but that it would continue to monitor the credit rating industry and analyze approaches that may strengthen existing regulation. The European Commission is expected to publish a report in Q1 2020 on CRAs and the integration of sustainability factors into their credit rating opinions and in Q2 on Sustainability Research and Ratings. Furthermore, new proposals on data are expected from the European Commission in 2020 which may have a direct or indirect impact on the Company.

Separately, on June 23, 2016, the U.K. voted to exit the E.U. and on January 31, 2020 formally left the E.U. There is now a transition period of 11 months until December 31, 2020 when most EU law will remain applicable in the U.K.. The longer-term impact of the decision to leave the E.U. on the overall regulatory framework for the U.K. will depend, in part, on the relationship that the U.K. negotiates with the E.U. During the transition period, the E.U. CRA regulatory framework will remain in place in the U.K. and firms must continue to abide by their existing obligations with ESMA as the regulator of EU-registered CRAs. It is expected that from the start of 2021, legislation for CRAs under the supervision of the Financial Conduct Authority will come into force in the U.K.

In light of the regulations that have gone into effect in both the E.U. and the U.S. (as well as many other countries), periodically and as a matter of course pursuant to their enabling legislation, regulatory authorities have and will continue to publish reports that describe their oversight activities over the industry. In addition, other legislation and/or interpretation of existing regulation relating to the Company's operations, including credit rating, ancillary and research services is being considered by local, national and multinational bodies and this type of activity is likely to continue in the future. Finally, in certain countries, governments may provide financial or other support to locally-based CRAs. For example, governments may from time to time establish official CRAs or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could change the competitive landscape in which MIS operates. The legal status of CRAs has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of the Company cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or regulatory or legislative actions, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of the Company.

## **INTELLECTUAL PROPERTY**

Moody's and its affiliates own and control a variety of intellectual property, including but not limited to proprietary information, trademarks, research, publications, software tools and applications, models and methodologies, databases, domain names, and other proprietary materials that, in the aggregate, are of material importance to Moody's business. Management of Moody's believes that each of the trademarks and related corporate names, marks and logos relating to its businesses, including those containing the term "Moody's", are of material importance to the Company.

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The Company, primarily through MA and its subsidiaries, licenses certain of its databases, software applications, credit risk models, training courses in credit risk and capital markets, research and other publications and services that contain intellectual property to its customers. These licenses are provided pursuant to standard fee-bearing agreements containing customary restrictions and intellectual property protections.

In addition, Moody's licenses from third parties certain technology, data and other intellectual property rights. Specifically, Moody's obtains licenses from third parties to use financial information (such as market and index data, financial statement data, research data, default data, and security identifiers) as well as software development tools and libraries. In addition, the Company's Bureau van Dijk business obtains from third party information providers certain financial, credit risk, compliance, management, ownership and other data on companies worldwide, which Bureau van Dijk distributes through its company information products. The Company obtains such technology and intellectual property rights from generally available commercial sources. The Company also utilizes generally available open source software and libraries for internal use and subject to appropriately permissive open source licenses, to carry out routine functions in certain of the Company's software products. Most of such technology and intellectual property is available from a variety of sources. Although certain financial information (particularly security identifiers, certain pricing or index data, and certain company financial data in selected geographic markets) is available from a limited number of sources, Moody's does not believe it is dependent on any one data source for a material aspect of its business.

The names of Moody's products and services referred to herein are trademarks, service marks or registered trademarks or service marks owned by or licensed to Moody's or one or more of its affiliates. The Company owns three patents. None of the Company's intellectual property is subject to a specific expiration date, except to the extent that the patents and the copyright in items that the Company creates (such as credit reports, research, software, and other written opinions) expire pursuant to relevant law.

The Company considers its intellectual property to be proprietary, and Moody's relies on a combination of copyright, trademark, trade secret, patent, non-disclosure and other contractual safeguards for protection. Moody's also pursues instances of third-party infringement of its intellectual property in order to protect the Company's rights.

### **EMPLOYEES**

As of December 31, 2019 the number of full-time equivalent employees of Moody's was approximately 11,000.

### **AVAILABLE INFORMATION**

Moody's investor relations internet website is <http://ir.moody.com/>. Under the "SEC Filings" tab at this website, the Company makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and other information statements that the Company files electronically with the SEC. The SEC's internet site is <http://www.sec.gov/>.

### **INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

<b>Name, Age and Position</b>	<b>Biographical Data</b>
<b>Robert Fauber, 49</b> <i>Executive Vice President and Chief Operating Officer</i>	Mr. Fauber has served as the Company's Chief Operating Officer since November 2019. Mr. Fauber served as President of Moody's Investors Service, Inc. from June 1, 2016 to October 31, 2019, as Senior Vice President—Corporate & Commercial Development of Moody's Corporation from April 2014 to May 31, 2016, and was Head of the MIS Commercial Group from January 2013 to May 31, 2016. From April 2009 through April 2014, he served as Senior Vice President—Corporate Development of Moody's Corporation. Mr. Fauber served as Vice President—Corporate Development from September 2005 to April 2009. Prior to joining Moody's, Mr. Fauber served in several roles at Citigroup and its investment banking subsidiary Salomon Smith Barney from 1999 to 2005. From 1992 to 1996, Mr. Fauber worked at NationsBank (now Bank of America) in the middle market commercial banking group.
<b>John J. Goggins, 59</b> <i>Executive Vice President and General Counsel</i>	Mr. Goggins has served as the Company's Executive Vice President and General Counsel since April 2011 and the Company's Senior Vice President and General Counsel from October 2000 until April 2011. Mr. Goggins joined Moody's Investors Service, Inc. in February 1999 as Vice President and Associate General Counsel.
<b>Melanie Hughes, 57</b> <i>Senior Vice President and Chief Human Resources Officer</i>	Ms. Hughes has served as the Company's Senior Vice President—Chief Human Resources Officer since September 2017. Prior to joining the Company, Ms. Hughes was Chief Human Resource Officer and Executive Vice President, Human Resources at American Eagle Outfitters from July 2016 to September 2017 and served as Executive Vice President, Human Resources at Tribune Media from May 2013 to June 2016. She has held several senior management roles for many different companies such as Coach, Gilt Group, DoubleClick and UBS Warburg.

**Name, Age and Position**

**Mark Kaye, 40**  
*Senior Vice President and  
Chief Financial Officer*

**Biographical Data**

Mr. Kaye has served as the Company's Senior Vice President—Chief Financial Officer since August 2018. Prior to joining the Company, Mr. Kaye was Senior Vice President and Head of Financial Planning and Analysis at Massachusetts Mutual Life Insurance Company (MassMutual) since February 2016, and Chief Financial Officer of MassMutual U.S. since July 2015. Prior to that, Mr. Kaye served as Chief Financial Officer and Senior Vice President, Retirement Solutions, at Voya Financial from 2011 to 2015. Mr. Kaye previously held various senior financial and risk reporting positions at ING U.S. and ING Group, and was in the investment banking division of Credit Suisse First Boston.

**Raymond W. McDaniel, Jr., 62**  
*President and  
Chief Executive Officer*

Mr. McDaniel has served as the Company's President and Chief Executive Officer since April 2012, and served as the Chairman and Chief Executive Officer from April 2005 until April 2012. He currently serves on the Executive Committee of the Board of Directors. Mr. McDaniel served as the Company's President from October 2004 until April 2005 and the Company's Chief Operating Officer from January 2004 until April 2005. He has served as Chief Executive Officer of Moody's Investors Service, Inc. since October 2007. He held the additional titles of President from November 2001 to August 2007 and December 2008 to November 2010 and Chairman from October 2007 until June 2015. Mr. McDaniel served as the Company's Executive Vice President from April 2003 to January 2004, and as Senior Vice President, Global Ratings and Research from November 2000 until April 2003. He served as Senior Managing Director, Global Ratings and Research, of Moody's Investors Service, Inc. from November 2000 until November 2001 and as Managing Director, International from 1996 to November 2000. Mr. McDaniel currently is a director of John Wiley & Sons, Inc. (2005-present) and a member of the Board of Trustees of Muhlenberg College (2015-present).

**Caroline Sullivan, 51**  
*Senior Vice President and  
Corporate Controller*

Ms. Sullivan has served as the Company's Senior Vice President—Corporate Controller since December 2018. Prior to joining the Company, Ms. Sullivan served in several roles at Bank of America, where her last position held was Managing Director and Global Banking Controller. Prior to that role, Ms. Sullivan supported the Global Wealth & Investment Management business from 2015 to 2017 in a variety of positions including Controller and was Chief Financial Officer for the Latin America region from 2014 to 2015. From 2011 to 2013, she served as the Legal Entity Controller for the bank's main broker dealer and other Merrill Lynch entities. Ms. Sullivan previously held various senior positions at several banks and a major accounting firm, and is a member of the American Institute of Certified Public Accountants.

**Stephen Tulenko, 52**  
*President, Moody's Analytics*

Mr. Tulenko has served as President of Moody's Analytics since November 2019. Mr. Tulenko served as Executive Director of Enterprise Risk Solutions from 2013 to October 2019 and as Executive Director of Global Sales, Customer Service and Marketing from 2008 to 2013. Prior to the formation of Moody's Analytics, he held various sales, product development and product strategy roles at Moody's Investors Service, Inc. Mr. Tulenko joined Moody's in 1990.

**Michael West, 51**  
*President, Moody's Investors Service*

Mr. West has served as President of Moody's Investors Service, Inc. since November 2019. Mr. West served as Managing Director—Head of MIS Ratings and Research from June 2016 to October 2019. Previously, Mr. West served as Managing Director—Head of Global Structured Finance from February 2014 to May 2016 and Managing Director—Head of Global Corporate Finance from January 2010 to January 2014. Earlier in his career, he was also responsible for the research strategy for the ratings businesses and before that led Corporate Finance for the EMEA Region, European Corporates and the EMEA leveraged finance business. Prior to joining Moody's in 1998, Mr. West worked at Bank of America and HSBC in various credit roles.



## ITEM 1A. RISK FACTORS

Please carefully consider the following discussion of significant factors, events and uncertainties that make an investment in the Company's securities risky and provide important information for the understanding of the "forward-looking" statements discussed in Item 7 of this Form 10-K and elsewhere. These risk factors should be read in conjunction with the other information in this annual report on Form 10-K.

The events and consequences discussed in these risk factors could, in circumstances the Company may not be able to accurately predict, recognize, or control, have a material adverse effect on Moody's business, financial condition, operating results (including components of the Company's financial results such as sales and profits), cash flows and stock price. These risk factors do not identify all risks that Moody's faces. The Company could also be affected by factors, events, or uncertainties that are not presently known to the Company or that the Company currently does not consider to present significant risks. In addition, the global economic climate amplifies many of these risks.

### A. Legal and Regulatory Risks

#### ***Moody's Faces Risks Related to U.S. Laws and Regulations Affecting the Credit Rating Industry and Moody's Customers.***

Moody's operates in a highly regulated industry and is subject to extensive regulation by federal, state and local authorities in the U.S., including the Reform Act and the Financial Reform Act. These regulations are complex, continually evolving and have tended to become more stringent over time. See "Regulation" in Part 1, Item 1 of this annual report on Form 10-K for more information. These laws and regulations:

- seek to encourage, and may result in, increased competition among rating agencies and in the credit rating business;
- may result in alternatives to credit ratings or changes in the pricing of credit ratings;
- restrict the use of information in the development or maintenance of credit ratings;
- increase regulatory oversight of the credit markets and CRA operations;
- provide for direct jurisdiction of the SEC over CRAs that seek NRSRO status, and grant authority to the SEC to inspect the operations of CRAs; and
- authorize the adoption of enhanced oversight standards and new pleading standards, which may result in increases in the number of legal proceedings claiming liability for losses suffered by investors on rated securities and aggregate legal defense costs.

If these laws and regulations, and any future rulemaking or court rulings, reduce demand for credit ratings or increase costs, Moody's may be unable to pass such costs through to customers. In addition, there may be uncertainty over the scope, interpretation and administration of such laws and regulations. The Company's compliance and efforts to mitigate the risk of fines, penalties or other sanctions can result in significant expenses. Legal proceedings that are increasingly lengthy can result in uncertainty over and exposure to liability.

It is difficult to accurately assess the future impact of legislative and regulatory requirements on Moody's business and its customers' businesses. For example, new laws and regulations may affect MIS's communications with issuers as part of the rating assignment process, alter the manner in which MIS's ratings are developed, assigned and communicated, affect the manner in which MIS or its customers or users of credit ratings operate, impact the demand for MIS's ratings and alter the economics of the credit ratings business, including by restricting or mandating business models for rating agencies. Further, speculation concerning the impact of legislative and regulatory initiatives and the increased uncertainty over potential liability and adverse legal or judicial determinations may negatively affect Moody's stock price. Although these legislative and regulatory initiatives apply to rating agencies and credit markets generally, they may affect Moody's in a disproportionate manner. Each of these developments increase the costs and legal risk associated with the issuance of credit ratings and can have a material adverse effect on Moody's operations, profitability and competitiveness, the demand for credit ratings and the manner in which such ratings are utilized.

In addition, MA derives a significant amount of its sales in the ERS and Professional Services LOBs from banks and other financial services providers who are subject to regulatory oversight. U.S. banking regulators, including the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Board, as well as many state agencies have issued guidance to insured depository institutions and other providers of financial services on assessing and managing risks associated with third-party relationships, which include all business arrangements between a financial services provider and another entity, by contract or otherwise, and generally requires banks and financial services providers to exercise comprehensive oversight throughout each phase of a bank or financial service provider's business arrangement with third-party service providers, and instructs banks and financial service providers to adopt risk management processes commensurate with the level of risk and complexity of their third-party relationships. In light of this, MA's existing or potential bank and financial services customers subject to this guidance have sought to and may further revise their third-party risk management policies and processes and the terms on which they do business with MA. This can result in delayed or reduced sales to such customers, adversely affect MA's relationship with such customers, increase the costs of doing business with such customers and/or result in MA assuming greater financial and legal risk under service agreements with such customers.

***Moody's Faces Risks Related to Financial Reforms Outside the U.S. Affecting the Credit Rating Industry and Moody's Customers.***

In addition to the extensive and evolving U.S. laws and regulations governing the industry, foreign jurisdictions have taken measures to increase regulation of rating agencies and the markets for ratings. In particular, the EU has adopted a common regulatory framework for rating agencies operating in the EU. As a result, ESMA has direct supervisory authority for CRAs in the EU and has the power to take enforcement action against non-compliant CRAs, including through the issuance of public notices, withdrawal of registration and, in some cases, the imposition of fines. Although the Commission published a report in 2016 concluding that no new European legislation was needed for the industry at that time, the report also stated that it would continue to monitor the credit rating industry and analyze approaches that may strengthen existing regulation. For example, in 2018, ESMA published final guidance on the applicability of EU regulation to endorsed ratings which became effective on January 1, 2019. See "Regulation" in Part 1, Item 1 of this annual report on Form 10-K for more information.

MIS is a registered entity and is therefore subject to formal regulation and periodic inspection in the EU. Applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of securitizations, and restrictions on CRAs or their shareholders if certain ownership thresholds are crossed. Additional procedural and substantive requirements include conditions for the issuance of credit ratings, rules regarding the organization of CRAs, restrictions on activities deemed to create a conflict of interest, including fees that are based on costs and are non-discriminatory, and special requirements for the rating of structured finance instruments. Compliance with the EU regulations may increase costs of operations and could have a significant negative effect on Moody's operations, profitability or ability to compete, or the markets for its products and services, including in ways that Moody's presently is unable to predict. In addition, exposure to increased liability under the EU regulations may further increase costs and legal risks associated with the issuance of credit ratings and materially and adversely impact Moody's results of operations.

In addition, regulators in Europe and other foreign markets in which MA is active have issued guidance similar to that issued in the U.S. relating to financial institutions' assessment and management of risks associated with third-party relationships. Such guidelines include the European Banking Authority's Guidelines on Outsourcing which became effective on September 30, 2019. In light of this, MA's existing or potential bank and financial services customers subject to this guidance have sought and may further revise their third-party risk management policies and processes and the terms on which they do business with MA. This can result in delayed or reduced sales to such customers, adversely affect MA's relationship with such customers, increase the costs of doing business with such customers and/or result in MA assuming greater financial and legal risk under service agreements with such customers.

The EU and other jurisdictions engage in rulemaking on an ongoing basis that could significantly impact operations or the markets for Moody's products and services, including regulations extending to products and services not currently regulated and regulations affecting the need for debt securities to be rated, expansion of supervisory remit to include non-EU ratings used for regulatory purposes, increasing the level of competition in the market for credit ratings, establishing criteria for credit ratings or limiting the entities authorized to provide credit ratings, regulation of pricing (such that fees that are based on costs and are non-discriminatory) on activities provided by MA such as the distribution of ratings and research, and laws and regulations related to collection, use, accuracy, correction and sharing of personal information by CRAs. Additionally, as of the date of the filing of this annual report on Form 10-K, there remains uncertainty regarding the impact that Brexit will have on the credit rating industry within the U.K., the EU and other jurisdictions. Although Moody's will monitor these developments, Moody's cannot predict the extent of such future laws and regulations, and the effect that they will have on Moody's business or the potential for increased exposure to liability could be significant. Financial reforms in the EU and other foreign jurisdictions may have a material adverse effect on Moody's business, operating results and financial condition.

***The Company Faces Exposure to Litigation and Government Regulatory Proceedings, Investigations and Inquiries Related to Rating Opinions and Other Business Practices.***

Moody's faces exposure to litigation and government and regulatory proceedings, investigations and inquiries related to MIS's ratings actions, as well as other business practices and products. If the market value of credit-dependent instruments declines or defaults, whether as a result of difficult economic times, turbulent markets or otherwise, the number of investigations and legal proceedings that Moody's faces could increase significantly. Parties who invest in securities rated by MIS may pursue claims against MIS or Moody's for losses they face in their portfolios. Moody's has faced numerous class action lawsuits and other litigation, government investigations and inquiries concerning events linked to the U.S. subprime residential mortgage sector and broader deterioration in the credit markets during the financial crisis of 2007-2008. Legal proceedings impose additional expenses on the Company and require the attention of senior management to an extent that may significantly reduce their ability to devote time to addressing other business issues, and any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions. Risks relating to legal proceedings are heightened in foreign jurisdictions that lack the legal protections or liability standards comparable to those that exist in the U.S. In addition, new laws and regulations have been and may continue to be enacted that establish lower liability standards, shift the burden of proof or relax pleading requirements, thereby increasing the risk of successful litigations in the U.S. and in foreign jurisdictions. These litigation risks are often difficult to assess or quantify. Moody's may not have adequate insurance or reserves to cover these risks, and the existence and magnitude of these risks often remains unknown for substantial periods of time. Furthermore, when Moody's is unable to achieve dismissals at an early stage and litigation matters proceed to trial, the aggregate legal defense costs incurred by Moody's increase substantially, as does the risk of an adverse outcome.

Additionally, as litigation or the process to resolve pending matters progresses, Moody's will continue to review the latest information available and may change its accounting estimates, which could require Moody's to record or increase liabilities in the consolidated financial statements in future periods. See Note 22 to the consolidated financial statements for more information regarding ongoing investigations and civil litigation that the Company currently faces. Due to the number of these proceedings and the significant amount of damages sought, there is a risk that Moody's will be subject to judgments, settlements, fines, penalties or other adverse results that have a material adverse effect on its business, operating results and financial condition.

***The Company Is Exposed to Risks Related to Its Compliance and Risk Management Programs.***

Moody's operates in a number of countries, and as a result the Company is required to comply and quickly adapt with numerous international and U.S. federal, state and local laws and regulations. The Company's ability to comply with applicable laws and regulations, including anti-corruption laws, is largely dependent on its establishment and maintenance of compliance, review and reporting systems, as well as its ability to attract and retain qualified compliance and risk management personnel. Moody's policies and procedures to identify, evaluate and manage the Company's risks, including risks resulting from acquisitions, may not be fully effective, and Moody's employees or agents may engage in misconduct, fraud or other errors. It is not always possible to deter such errors, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. If Moody's employees violate its policies or if the Company's risk management methods are not effective, the Company could be subject to criminal and civil liability, the suspension of the Company's employees, fines, penalties, regulatory sanctions, injunctive relief, exclusion from certain markets or other penalties, and may suffer harm to its reputation, financial condition and operating results.

***Moody's Faces Risks Related to Protecting Its Intellectual Property Rights.***

Moody's considers many aspects of its products and services to be proprietary. Failure to protect the Company's intellectual property adequately could harm its reputation and affect the Company's ability to compete effectively. Businesses the Company acquires also involve intellectual property portfolios, which increase the challenges the Company faces in protecting its strategic advantage. In addition, the Company's operating results can be adversely affected by inadequate or changing legal and technological protections for intellectual property and proprietary rights in some jurisdictions and markets. On January 6, 2015, a rule with direct relevance to the CRA industry was published in the Official Journal of the European Union regarding the types of information that CRAs are to provide about certain ratings (those that were paid for by issuers) for publication on a central website administered by ESMA (the European Ratings Platform). This rule directly relates to the Company's intellectual property as it requires that the Company provide proprietary information at no cost that the Company currently sells, which could result in lost revenue. ESMA launched the European Rating Platform for public use on December 1, 2016.

Unauthorized third parties may also try to obtain and use technology or other information that the Company regards as proprietary. It is also possible that Moody's competitors or other entities could obtain patents related to the types of products and services that Moody's offers, and attempt to require Moody's to stop developing or marketing the products or services, to modify or redesign the products or services to avoid infringing, or to obtain licenses from the holders of the patents in order to continue developing and marketing the products and services. Even if Moody's attempts to assert or protect its intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that the Company will be successful. The Company's ability to establish, maintain and protect its intellectual property and proprietary rights against theft, misappropriation or infringement could be materially and adversely affected by insufficient and/or changing proprietary rights and intellectual property legal protections in some jurisdictions and markets. These risks, and the cost, time and resources needed to address them, may increase as the Company's business grows and its profile rises in countries with intellectual property regimes that are less protective than the rules and regulations applied in the United States.

**Moody's Faces Risks Related to Tax Matters, Including Changes in Tax Rates or Tax Rules.**

As a global company, Moody's is subject to taxation in the United States and various other countries and jurisdictions. As a result, our effective tax rate is determined based on the pre-tax income and applicable tax rates in the various jurisdictions in which the Company operates. Moody's future tax rates could be affected by changes in the composition of earnings in countries or states with differing tax rates or other factors, including by increased earnings in jurisdictions where Moody's faces higher tax rates, losses incurred in jurisdictions for which Moody's is not able to realize the related tax benefit, or changes in foreign currency exchange rates. Changes in the tax, accounting and other laws, treaties, regulations, policies and administrative practices, or changes to their interpretation or enforcement, including changes applicable to multinational corporations such as the Base Erosion Profit Shifting initiative being conducted by the Organization for Economic Co-operation and Development, which requires companies to disclose more information to tax authorities on operations around the world, and the European Union's state aid rulings, could have a material adverse effect on the Company's effective tax rate, results of operations and financial condition and may lead to greater audit scrutiny of profits earned in various countries.

For example, the Tax Act made significant changes to the U.S. federal tax laws. Many aspects of the new legislation are currently uncertain or unclear and may not be clarified for some time. As additional regulatory guidance is issued interpreting or clarifying the Tax Act or if the tax accounting rules are modified, there may be adjustments or changes to the Company's determination of its mandatory one-time deemed repatriation tax liability ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries recorded in 2017. Additional regulatory guidance may also affect the Company's expected future effective tax rates and tax assets and liabilities, which could have a material adverse effect on Moody's business, results of operations, cash flows and financial condition. Furthermore, the Tax Act may impact the volume of debt securities issued as discussed in the Risk Factor, Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets, Asset Levels and Flows into Investment Levels and Changes in Interest Rates and Other Volatility in the Financial Markets May Negatively Impact the Nature and Economics of the Company's Business.

In addition, Moody's is subject to regular examination of its income tax returns by the Internal Revenue Service and other tax authorities, and the Company is experiencing increased scrutiny as its business grows. Moody's regularly assesses the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of its provision for income taxes, including unrecognized tax benefits; however, developments in an audit or litigation could materially and adversely affect the Company. Although the Company believes its tax estimates and accruals are reasonable, there can be no assurance that any final determination will not be materially different than the treatment reflected in its historical income tax provisions, accruals and unrecognized tax benefits, which could materially and adversely affect the Company's business, operating results, cash flows and financial condition.

## **B. Risks Relating to Our Business**

***The Company is Exposed to Legal, Economic, Operational and Regulatory Risks of Operating in Multiple Jurisdictions.***

Moody's conducts operations in various countries outside the U.S. and derives a significant portion of its revenue from foreign sources. Changes in the economic condition of the various foreign economies in which the Company operates have an impact on the Company's business. For example, economic uncertainty in the Eurozone or elsewhere, including in Latin America or China, affects the number of securities offerings undertaken within those particular areas. In addition to the risks addressed elsewhere in this section, operations abroad expose Moody's to a number of legal, economic and regulatory risks such as:

- exposure to exchange rate movements between foreign currencies and USD;
- restrictions on the ability to convert local currency into USD and the costs, including the tax impact, of repatriating cash held by entities outside the U.S.;
- U.S. laws affecting overseas operations, including domestic and foreign export and import restrictions, tariffs and other trade barriers and restrictions, such as those related to the U.S.'s relationship with China and embargoes and sanctions laws with respect to Russia and Venezuela;
- differing and potentially conflicting legal or civil liability, compliance and regulatory standards, including as a result of Brexit;
- uncertainty about the future relationship between the U.K. and the EU;
- current and future regulations relating to the imposition of mandatory rotation requirements on CRAs hired by issuers of securities;
- uncertain and evolving laws and regulations, including those applicable to the financial services industries, such as the European Union's implementation of the Markets in Financial Instruments Directive II, MiFID II, in January 2018, and to the protection of intellectual property;
- the transition away from LIBOR to the Secured Overnight Financing Rate, SOFR, as a benchmark reference for short-term interests;
- economic, political and geopolitical market conditions, including the effect of these conditions on customers and customer retention;

- the possibility of nationalization, expropriation, price controls and other restrictive governmental actions;
- competition with local rating agencies that have greater familiarity, longer operating histories and/or support from local governments or other institutions;
- uncertainties in obtaining data and creating products and services relevant to particular geographic markets;
- reduced protection for intellectual property rights;
- longer payment cycles and possible problems in collecting receivables;
- differing accounting principles and standards;
- difficulties in staffing and managing foreign operations, including the expected relocation and/or restaffing of employees due to Brexit;
- difficulties and delays in translating documentation into foreign languages; and
- potentially adverse tax consequences.

Additionally, Moody's is subject to complex U.S., foreign and other local laws and regulations that are applicable to its operations abroad, such as the Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act of 2010 and other anti-bribery and anti-corruption laws. The internal controls, policies and procedures and employee training and compliance programs to deter prohibited practices the Company has implemented may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies or from material violations of applicable laws and regulations. Any determination that the Company has violated anti-bribery or anti-corruption laws could have a material adverse effect on Moody's business, operating results and financial condition. Compliance with international and U.S. laws and regulations that apply to the Company's international operations increases the cost of doing business in foreign jurisdictions. Violations of such laws and regulations may result in severe fines and penalties, criminal sanctions, administrative remedies, restrictions on business conduct and could have a material adverse effect on Moody's reputation, its ability to attract and retain employees, its business, operating results and financial condition.

***Moody's Operations are Exposed to Risks from Infrastructure Malfunctions or Failures.***

Moody's ability to conduct business may be materially and adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which Moody's is located, including New York City, the location of Moody's headquarters, major cities worldwide in which Moody's has offices, and locations in China used for certain Moody's work. This may include a disruption involving physical or technological infrastructure (whether or not controlled by the Company), including the Company's electronic delivery systems, data center facilities, or the Internet, used by the Company or third parties with or through whom Moody's conducts business. Many of the Company's products and services are delivered electronically and the Company's customers depend on the Company's ability to receive, store, process, transmit and otherwise rapidly handle very substantial quantities of data and transactions on computer-based networks. Some of Moody's operations require complex processes and the Company's extensive controls to reduce the risk of error inherent in our operations cannot eliminate such risk completely. The Company's customers also depend on the continued capacity, reliability and security of the Company's telecommunications, data centers, networks and other electronic delivery systems, including its websites and connections to the Internet. The Company's employees also depend on these systems for internal use. Any significant failure, compromise, cyber-breach, interruption or a significant slowdown of operations of the Company's infrastructure, whether due to human error, capacity constraints, hardware failure or defect, weather (including climate change), natural disasters, fire, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism, acts of terrorism, political unrest, pandemic, war or otherwise, may impair the Company's ability to deliver its products and services.

Moody's efforts to secure and plan for potential disruptions of its major operating systems may not be successful. The Company relies on third-party providers, including, increasingly, cloud-based service providers, to provide certain essential services. While the Company believes that such providers are reliable, the Company has limited control over the performance of such providers. To the extent any of the Company's third-party providers ceases to provide these services in an efficient, cost-effective manner or fails to adequately expand its services to meet the Company's needs and the needs of the Company's customers, the Company could experience lower revenues and higher costs. Additionally, although the Company maintains processes to prevent, detect and recover from a disruption, the Company also does not have fully redundant systems for most of its smaller office locations and low-risk systems, and its disaster recovery plan does not include restoration of non-essential services. If a disruption occurs in one of Moody's locations or systems and its personnel in those locations or those who rely on such systems are unable to utilize other systems or communicate with or travel to other locations, such persons' ability to service and interact with Moody's customers will suffer. The Company cannot predict with certainty all of the adverse effects that could result from the Company's failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. A disruption to Moody's operations or infrastructure may have a material adverse effect on its reputation, business, operating results and financial condition.

***Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets, Asset Levels and Flows into Investment Levels and Changes in Interest Rates and Other Volatility in the Financial Markets Can Negatively Impact the Nature and Economics of the Company's Business.***

Moody's business is impacted by general economic conditions and volatility in the U.S. and world financial markets. Furthermore, issuers of debt securities may elect to issue securities without ratings or securities which are rated or evaluated by non-traditional parties such as financial advisors, rather than traditional CRAs, such as MIS. A majority of Moody's credit-rating-based revenue is transaction-based, and therefore it is especially dependent on the number and dollar volume of debt securities issued in the capital markets. Market disruptions and economic slowdown and uncertainty have in the past, and may in the future, negatively impacted the volume of debt securities issued in global capital markets and the demand for credit ratings. Changes to U.S. tax laws and policy can negatively affect the volume of debt securities issued in the U.S. For example, the Tax Act limits deductibility on interest payments and significantly reduces the tax cost associated with the repatriation of cash held outside the U.S., both of which could negatively affect the volume of debt securities issued. Conditions that reduce issuers' ability or willingness to issue debt securities, such as market volatility, declining growth, currency devaluations or other adverse economic trends, reduce the number and dollar-equivalent volume of debt issuances for which Moody's provides ratings services and thereby adversely affect the fees Moody's earns in its ratings business.

Economic and government factors such as a long-term continuation of difficult economic conditions, a re-emergence of the sovereign debt crisis in Europe, the ultimate impact of Brexit and current uncertainty in various other jurisdictions, may have an adverse impact on the Company's business. Future debt issuances also could be negatively affected by increases in interest rates, widening credit spreads, regulatory and political developments, growth in the use of alternative sources of credit, and defaults by significant issuers. Declines or other changes in the markets for debt securities may materially and adversely affect the Company's business, operating results and financial condition.

Moody's initiatives to reduce costs to counteract a decline in its business may not be sufficient and cost reductions may be difficult or impossible to obtain in the short term, due in part to rent, technology, compliance and other fixed costs associated with some of the Company's operations as well as the need to monitor outstanding ratings. Further, cost-reduction initiatives, including those under-taken to date, could make it difficult for the Company to rapidly expand operations in order to accommodate any unexpected increase in the demand for ratings. Volatility in the financial markets, including changes in the volumes of debt securities and changes in interest rates, may have a material adverse effect on the business, operating results and financial condition, which the Company may not be able to successfully offset with cost reductions.

***The Company Faces Increased Pricing Pressure from Competitors and/or Customers.***

There is price competition in the credit rating, research, credit risk management markets, research and analytical services and financial training and certification services. Moody's faces competition globally from other CRAs and from investment banks and brokerage firms that offer credit opinions in research, as well as from in-house research operations. Competition for customers and market share has spurred more aggressive tactics by some competitors in areas such as pricing and services, as well as increased competition from non-NRSROs that evaluate debt risk for issuers or investors. At the same time, a challenging business environment and consolidation among customers, particularly those involved in structured finance products, and other factors affecting demand may enhance the market power of competitors and reduce the Company's customer base. Weak economic growth intensifies competitive pricing pressures and can result in customers' use of free or lower-cost information that is available from alternative sources or their development of alternative, proprietary systems for assessing credit risk that replace the products currently purchased from Moody's. While Moody's seeks to compete primarily on the basis of the quality of its products and services, it can lose market share when its pricing is not sufficiently competitive. In addition, the Reform Act was designed to encourage competition among rating agencies. The formation of additional NRSROs may increase pricing and competitive pressures. Furthermore, in some of the countries in which Moody's operates, governments may provide financial or other support to local rating agencies. Any inability of Moody's to compete successfully with respect to the pricing of its products and services will have a material adverse impact on its business, operating results and financial condition.

***The Company is Exposed to Reputation and Credibility Concerns.***

Moody's reputation and the strength of its brand are key competitive strengths. To the extent that the rating agency business as a whole or Moody's, relative to its competitors, suffers a loss in credibility, Moody's business will be significantly impacted. Factors that may have already affected credibility and could potentially continue to have an impact in this regard include the appearance of a conflict of interest, the performance of securities relative to the rating assigned to such securities, the timing and nature of changes in ratings, a major compliance failure, negative perceptions or publicity and increased criticism by users of ratings, regulators and legislative bodies, including as to the ratings process and its implementation with respect to one or more securities and intentional, poor representation of our products and services by our partners or agents or unintentional misrepresentations of Moody's products and services in advertising materials, public relations information, social media or other external communications. Operational errors, whether by Moody's or a Moody's competitor, could also harm the reputation of the Company or the credit rating industry. Damage to reputation and credibility could have a material adverse impact on Moody's business, operating results and financial condition, as well as on the Company's ability to find suitable candidates for acquisition.

***The Introduction of Competing Products or Technologies by Other Companies Can Negatively Impact the Nature and Economics of the Company's Business.***

The markets for credit ratings, research, credit risk management services, research and analytical services and financial training and certification services are highly competitive and characterized by rapid technological change, changes in customer demands, and evolving regulatory requirements, industry standards and market preferences. The ability to develop and successfully launch and maintain innovative products and technologies that anticipate customers' changing requirements and utilize emerging technological trends in a timely and cost-effective manner is a key factor in maintaining market share. Moody's competitors include both established companies with significant financial resources, brand recognition, market experience and technological expertise, and smaller companies which may be better poised to quickly adopt new or emerging technologies or respond to customer requirements. Competitors may develop quantitative methodologies or related services for assessing credit risk that customers and market participants may deem preferable, more cost-effective or more valuable than the credit risk assessment methods currently employed by Moody's, or may position, price or market their products in manners that differ from those utilized by Moody's. Moody's also competes indirectly against consulting firms and technology and information providers; these indirect competitors could in the future choose to compete directly with Moody's, cease doing business with Moody's or change the terms under which it does business with Moody's in a way that could negatively impact our business. In addition, customers or others may develop alternative, proprietary systems for assessing credit risk. Such developments could affect demand for Moody's products and services and its growth prospects. Further, the increased availability in recent years of free or relatively inexpensive internet information may reduce the demand for Moody's products and services. Moody's growth prospects also could be adversely affected by Moody's failure to make necessary or optimal capital infrastructure expenditures and improvements and the inability of its information technologies to provide adequate capacity and capabilities to meet increased demands of producing quality ratings and research products at levels achieved by competitors. Any inability of Moody's to compete successfully may have a material adverse effect on its business, operating results and financial condition.

***Moody's Is Exposed to Risks Related to Loss of Key Employees and Related Compensation Cost Pressures.***

Moody's success depends upon its ability to recruit, retain and motivate highly skilled, experienced financial analysts and other professionals. Competition for skilled individuals in the financial services industry is intense, and Moody's ability to attract high quality employees could be impaired if it is unable to offer competitive compensation and other incentives or if the regulatory environment mandates restrictions on or disclosures about individual employees that would not be necessary in competing industries. As greater focus has been placed on executive compensation at public companies, in the future, Moody's may be required to alter its compensation practices in ways that adversely affect its ability to attract and retain talented employees. Investment banks, investors and competitors may seek to attract analyst talent by providing more favorable working conditions or offering significantly more attractive compensation packages than Moody's. Moody's also may not be able to identify and hire the appropriate qualified employees in some markets outside the U.S. with the required experience or skills to perform sophisticated credit analysis. Additionally, relocation and/or restaffing of employees due to Brexit could adversely affect our ability to attract and retain talent for our European operations. There is a risk that even when the Company invests significant resources in attempting to attract, train and retain qualified personnel, it will not succeed in its efforts, and its business could be harmed.

Moody's is highly dependent on the continued services of Raymond W. McDaniel, Jr., the President and Chief Executive Officer, and other senior officers and key employees. The loss of the services of skilled personnel for any reason and Moody's inability to replace them with suitable candidates quickly or at all, as well as any negative market perception resulting from such loss, could have a material adverse effect on Moody's business, operating results and financial condition.

***Moody's Acquisitions, Dispositions and Other Strategic Transactions or Internal Technology Investments May Not Produce Anticipated Results Exposing the Company to Future Significant Impairment Charges Relating to Its Goodwill, Intangible Assets or Property and Equipment.***

Moody's has entered into and expects to continue to enter into acquisition, disposition or other strategic transactions and expects to make various investments to strengthen its business and grow the Company. Such transactions as well as internal technology investments present significant challenges and risks. The market for acquisition targets, dispositions and other strategic transactions is highly competitive, especially in light of industry consolidation, which may affect Moody's ability to complete such transactions and complete such transactions on favorable terms. If Moody's is unsuccessful in completing such transactions on favorable terms or if opportunities for expansion do not arise, its business, operating results and financial condition could be materially adversely affected. Additionally, the Company makes significant investments in technology including software developed for internal-use which is time-intensive and complex to implement. Such investments may not be successful or may not result in the anticipated benefits resulting in asset write-offs.

In August 2017, Moody's acquired Bureau van Dijk for \$3,542 million. The anticipated synergies of the Bureau van Dijk acquisition, as well as other completed transactions, may not be fully realized due to a variety of factors. Any strategic transaction involves a number of risks, including unanticipated challenges regarding integration of operations, technologies and new employees; the existence of liabilities or contingencies not disclosed to or otherwise known by the Company prior to closing a transaction; unexpected regulatory and operating difficulties and expenditures; scrutiny from competition and antitrust authorities; failure to retain key personnel of the acquired business; future developments that impair the value of purchased goodwill or intangible assets; diversion of management's focus from other business operations; failure to implement or remediate controls, procedures and policies appropriate for a larger public company at acquired companies that prior to the acquisition lacked such controls, procedures and policies; challenges retaining the customers of the acquired business; coordination of product, sales, marketing and program and systems management functions; integration of employees from the acquired business into Moody's organization; integration of the acquired business's accounting, information technology, human resources, legal and other administrative systems with Moody's; risks that acquired systems expose us to cybersecurity risks; and for foreign transactions, additional risks related to the integration of operations across different cultures and languages, and the economic, political, and regulatory risks associated with specific countries. The anticipated benefits from an acquisition or other strategic transaction may not be realized fully, or may take longer to realize than expected. As a result, the failure of acquisitions, dispositions and other strategic transactions to perform as expected may have a material adverse effect on Moody's business, operating results and financial condition.

At December 31, 2019, Moody's had \$3,722 million of goodwill and \$1,498 million of intangible assets on its balance sheet, both of which increased significantly due to the acquisition of Bureau van Dijk in 2017. Approximately 92% of the goodwill and intangible assets reside in the MA business, including those related to Bureau van Dijk, and are allocated to the five reporting units within MA: Content; ERS; MALS; Bureau van Dijk; and Reis. The remaining 8% of goodwill and intangible assets reside in MIS and primarily relate to ICRA. Failure to achieve business objectives and financial projections in any of these reporting units could result in a significant asset impairment charge, which would result in a non-cash charge to operating expenses. Goodwill and intangible assets are tested for impairment on an annual basis and also when events or changes in circumstances indicate that impairment may have occurred. Determining whether an impairment of goodwill exists can be especially difficult in periods of market or economic uncertainty and turmoil, and requires significant management estimates and judgment. In addition, the potential for goodwill impairment is increased during periods of economic uncertainty. An asset impairment charge could have a material adverse effect on Moody's business, operating results and financial condition.

## C. Technology Risks

### *The Company is Exposed to Risks Related to Cybersecurity and Protection of Confidential Information.*

The Company's operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to its business operations and confidential and sensitive information about its customers and employees in the Company's computer systems and networks, and in those of its third party vendors. The cyber risks the Company faces range from cyber-attacks common to most industries, to more advanced threats that target the Company because of its prominence in the global marketplace, or due to its ratings of sovereign debt. Breaches of Moody's or Moody's vendors' technology and systems, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, or malware, employee or insider error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the Company's or such vendors' web sites, applications, data processing, or disruption of other business operations, or may compromise the confidentiality and integrity of material information held by the Company (including information about Moody's business, employees or customers), as well as sensitive personally identifiable information (PII), the disclosure of which could lead to identity theft. Measures that Moody's takes to avoid, detect, mitigate or recover from material incidents can be expensive, and may be insufficient, circumvented, or may become ineffective. Further, the Company may be exposed to additional cyber threats as the Company migrates its data from legacy systems to cloud-based solutions, and increased dependence on third parties to store cloud-based data subjects the Company to further cyber risks.

The Company has invested and continues to invest in risk management and information security measures in order to protect its systems and data, including employee training, disaster plans, and technical defenses. The cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex, and sophisticated global cyber threats. Despite the Company's best efforts, it is not fully insulated from data breaches and system disruptions. Further, the extent of a particular cybersecurity incident and the steps needed to investigate may not be immediately clear, and it may take a significant amount of time before such an investigation can be completed and full and reliable information about the incident, including the extent of the harm and how best to remediate it, is known. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks, and may in the future result in heightened cybersecurity requirements, including additional regulatory expectations for oversight of vendors and service providers. Any material breaches of cybersecurity, including the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data, or media reports of perceived security vulnerabilities to the Company's systems or those of the Company's third parties, even if no breach has been attempted or occurred, could cause the Company to experience reputational harm, loss of customers and revenue, fines, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard the Company's customers' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by the Company.



Any of the foregoing may have a material adverse effect on Moody's business, operating results and financial condition.

***The Company is Exposed to Risks Related Protection of Confidential Information***

To conduct its operations, the Company regularly moves data across national borders, and consequently is subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to Moody's is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increased the jurisdictional reach of European Union privacy law and added a broad array of requirements for processing personal data, including the public disclosure of significant data breaches. Failure to comply with GDPR requirements could result in penalties of up to 4% of annual worldwide revenue. Additionally, other countries have enacted or are enacting data localization laws that require data to stay within their borders. Further, California recently enacted legislation, the California Consumer Privacy Act ("CCPA"), that will, among other things, require covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. Legislators have stated that they intend to propose amendments to the CCPA before it goes into effect, and it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. The effects of the CCPA potentially are significant, however, and may require us to modify our data processing practices and policies and to incur substantial costs and expenses. All of these evolving compliance and operational requirements have required changes to certain business practices, thereby increasing costs, requiring significant management time and attention, and subjecting the Company to negative publicity, as well as remedies that may harm its business, including fines, modified demands or orders, the cessation of existing business practices, and exposure to litigation, regulatory actions, sanctions or other statutory penalties.

***The Company Is Dependent on the Use of Third-Party Software, Data, Hosted Solutions, Data Centers, Cloud and Network Infrastructure (Together, "Third Party Technology"), and Any Reduction in Third-Party Product Quality or Service Offerings, Could Have a Material Adverse Effect on the Company's Business, Financial Condition or Results of Operations.***

Moody's relies on Third Party Technology in connection with its product development and offerings and operations. The Company depends on the ability of Third Party Technology providers to deliver and support reliable products, enhance their current products, develop new products on a timely and cost-effective basis, and respond to emerging industry standards and other technological changes. The Third Party Technology Moody's uses can become obsolete or restrictive, incompatible with future versions of the Company's products, unavailable or fail to operate effectively, and Moody's business could be adversely affected when the Company is unable to timely or effectively replace such Third Party Technology. The Company also monitors its use of Third Party Technology to comply with applicable license and other contractual requirements. Despite the Company's efforts, the Company cannot ensure that such third parties will permit Moody's use in the future, resulting in increased Third Party Technology acquisition costs and loss of rights. In addition, the Company's operating costs could increase if license or other usage fees for Third Party Technology increase or the efforts to incorporate enhancements to Third Party Technology are substantial. Some of these third-party suppliers are also Moody's competitors, increasing the risks noted above. When any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Moody's corporate headquarters is located at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, with approximately 797,537 square feet of leased space. As of December 31, 2019, Moody's operations were conducted from 25 U.S. offices and 114 non-U.S. office locations, all of which are leased. These properties are geographically distributed to meet operating and sales requirements worldwide. These properties are generally considered to be both suitable and adequate to meet current operating requirements.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Part II, Item 8 –“Financial Statements”, Note 22 “Contingencies” in this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Information in response to this Item is set forth under the captions below.

**MOODY'S PURCHASES OF EQUITY SECURITIES**

For the three months ended December 31, 2019:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program <sup>(2)</sup>
October 1- 31	269,922	\$ 211.45	267,621	\$540 million
November 1- 30	434,096	\$ 220.21	433,208	\$445 million
December 1- 31	477,686	\$ 232.83	475,447	\$1,334 million
<b>Total</b>	<b>1,181,704</b>	<b>\$ 223.32</b>	<b>1,176,276</b>	

<sup>(1)</sup> Includes surrender to the Company of 2,301, 888 and 2,239 shares of common stock in October, November and December, respectively, to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

<sup>(2)</sup> As of the last day of each of the months. On December 15, 2015, the Board authorized a \$1 billion share repurchase program which was fully utilized during 2019. On October 22, 2018, the Board approved an additional \$1 billion for the share repurchase program, which at December 31, 2019 had approximately \$334 million of remaining authority. On December 16, 2019, the Board approved an additional \$1 billion for the share repurchase program, which may commence following the completion of the existing program. There is no established expiration date for the remaining authorization.

During the fourth quarter of 2019, Moody's issued 0.1 million shares under employee stock-based compensation plans.

**COMMON STOCK INFORMATION**

The Company's common stock trades on the New York Stock Exchange under the symbol "MCO". The number of registered shareholders of record at January 31, 2020 was 1,801. A substantially greater number of the Company's common stock is held by beneficial holders whose shares of record are held by banks, brokers and other financial institutions.

**EQUITY COMPENSATION PLAN INFORMATION**

The table below sets forth, as of December 31, 2019, certain information regarding the Company's equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights <sup>(a)</sup>	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights <sup>(2)</sup>	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) <sup>(c)</sup>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,277,981 <sup>(1)</sup>	\$ 93.51	18,297,931 <sup>(3)</sup>
Equity compensation plans not approved by security holders	—	\$ —	—
<b>Total</b>	<b>4,277,981</b>	<b>\$ 93.51</b>	<b>18,297,931</b>

<sup>(1)</sup> Includes 3,394,705 options and unvested restricted shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan and 9,766 unvested restricted shares outstanding under the 1998 Non-Employee Directors' Stock Incentive Plan. This number also includes a maximum of 873,510 performance shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan, which is the maximum number of shares issuable pursuant to performance share awards assuming the maximum payout at 225% of the target award for performance shares granted in 2017 and the maximum payout of 200% of the target award for performance shares granted in 2018 and 2019. Assuming payout at target, the number of shares to be issued upon the vesting of outstanding performance share awards is 415,754.

<sup>(2)</sup> Does not reflect unvested restricted shares or performance share awards included in column (a) because these awards have no exercise price.

<sup>(3)</sup> Includes 14,724,774 shares available for issuance as under the 2001 Stock Incentive Plan, of which all may be issued as options and 8,552,689 may be issued as restricted stock, performance shares or other stock-based awards under the 2001 Stock Incentive Plan and 893,602 shares available for issuance as options, shares of restricted stock or performance shares under the 1998 Directors Plan, and 2,679,555 shares available for issuance under the Company's Employee Stock Purchase Plan. No new grants may be made under the 1998 Stock Incentive Plan, which expired by its terms in June 2008.

**PERFORMANCE GRAPH**

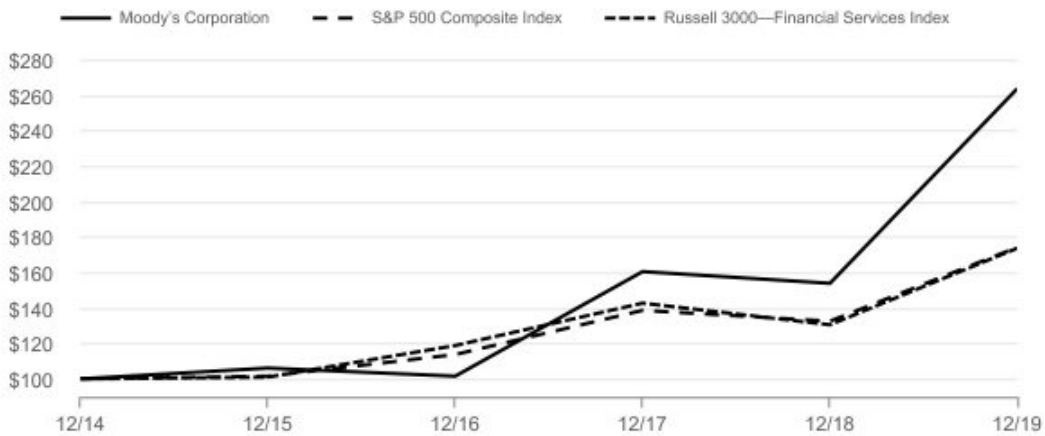
The following graph compares the total cumulative shareholder return of the Company to the performance of Standard & Poor's 500 Composite Index and the Russell 3000 Financial Services Index. Both of the aforementioned indexes are easily accessible to the Company's shareholders in newspapers, the internet and other readily available sources for purposes of the following graph.

The comparison assumes that \$100.00 was invested in the Company's common stock and in each of the foregoing indices on December 31, 2014. The comparison also assumes the reinvestment of dividends, if any. The total return for the common stock was 163% during the performance period as compared with a total return during the same period of 74% for both the Russell 3000 Financial Services Index and the S&P 500 Composite Index.

**Comparison of Cumulative Total Return**

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN**

Among Moody's Corporation, the S&P 500 Index  
and the Russell 3000 Financial Services Index



	Year Ended December 31,					
	2014	2015	2016	2017	2018	2019
Moody's Corporation	\$ 100.00	\$ 106.09	\$ 101.22	\$ 160.45	\$ 153.86	\$ 263.49
S&P 500 Composite Index	\$ 100.00	\$ 101.38	\$ 113.51	\$ 138.29	\$ 132.23	\$ 173.86
Russell 3000—Financial Services Index	\$ 100.00	\$ 100.68	\$ 118.77	\$ 142.45	\$ 130.56	\$ 173.54

The comparisons in the graph above are provided in response to disclosure requirements of the SEC and are not intended to forecast or be indicative of future performance of the Company's common stock.

**ITEM 6. SELECTED FINANCIAL DATA**

The Company's selected consolidated financial data should be read in conjunction with Item 7. "MD&A" and the Moody's Corporation consolidated financial statements and notes thereto.

amounts in millions, except per share data	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Results of operations</b>					
<b>Revenue</b>	\$ 4,829	\$ 4,443	\$ 4,204	\$ 3,604	\$ 3,485
<b>Expenses</b>					
Operating and SG&A Expenses <sup>(1)</sup>	2,554	2,326	2,202	1,950	1,880
Restructuring	60	49	—	12	—
Depreciation and amortization	200	192	158	127	114
Acquisition-Related Expenses	3	8	23	—	—
Settlement Charge	—	—	—	864	—
Loss pursuant to the divestiture of MAKs	14	—	—	—	—
<b>Total Expenses</b>	<b>2,831</b>	<b>2,575</b>	<b>2,383</b>	<b>2,953</b>	<b>1,994</b>
<b>Operating income</b> <sup>(2)</sup>	<b>1,998</b>	<b>1,868</b>	<b>1,821</b>	<b>651</b>	<b>1,491</b>
Non-operating (expense) income, net <sup>(3)(1)</sup>	(188)	(196)	(34)	(94)	(112)
<b>Income before provision for income taxes</b> <sup>(2)</sup>	<b>1,810</b>	<b>1,672</b>	<b>1,787</b>	<b>557</b>	<b>1,379</b>
Provision for income taxes <sup>(4)</sup>	381	352	779	282	430
<b>Net income</b> <sup>(2)(5)</sup>	<b>1,429</b>	<b>1,320</b>	<b>1,008</b>	<b>275</b>	<b>949</b>
Less: Net income attributable to noncontrolling interests	7	10	7	9	8
<b>Net income attributable to Moody's</b> <sup>(2)(5)</sup>	<b>\$ 1,422</b>	<b>\$ 1,310</b>	<b>\$ 1,001</b>	<b>\$ 266</b>	<b>\$ 941</b>
<b>Earnings per share</b>					
Basic <sup>(2)(5)</sup>	\$ 7.51	\$ 6.84	\$ 5.24	\$ 1.38	\$ 4.70
Diluted <sup>(2)(5)</sup>	\$ 7.42	\$ 6.74	\$ 5.15	\$ 1.36	\$ 4.63
<b>Weighted average shares outstanding</b>					
Basic	189.3	191.6	191.1	192.7	200.1
Diluted	191.6	194.4	194.2	195.4	203.4
<b>Dividends declared per share</b>	<b>\$ 2.00</b>	<b>\$ 1.76</b>	<b>\$ 1.14</b>	<b>\$ 1.49</b>	<b>\$ 1.39</b>
<b>Operating margin</b> <sup>(2)</sup>	<b>41.4 %</b>	<b>42.0 %</b>	<b>43.3 %</b>	<b>18.1 %</b>	<b>42.8 %</b>
<b>Operating Cash Flow</b> <sup>(6)</sup>	<b>\$ 1,675</b>	<b>\$ 1,461</b>	<b>\$ 755</b>	<b>\$ 1,259</b>	<b>\$ 1,198</b>

	December 31,				
	2019	2018	2017	2016	2015
<b>Balance sheet data</b>					
Total assets	\$ 10,265	\$ 9,526	\$ 8,594	\$ 5,327	\$ 5,103
Long-term debt	\$ 5,581	\$ 5,226	\$ 5,111	\$ 3,063	\$ 3,381
Operating lease liabilities, long-term	\$ 485	\$ —	\$ —	\$ —	\$ —
Total shareholders' equity (deficit)	\$ 831	\$ 656	\$ (115)	\$ (1,027)	\$ (333)

(1) Pursuant to the adoption of a new accounting standard relating to pension accounting in 2018, only the service cost component of net periodic expense is classified within operating and SG&A expenses with the remaining components being classified as non-operating (expenses) income. Prior period results have been restated to reflect this classification.

(2) The significant decrease in 2016 was primarily due to the \$864 million Settlement Charge (\$701 million, net of tax, or \$3.59 per diluted share).

(3) The 2017 amount includes a \$111 million Purchase Price Hedge Gain as well as the \$60 million CXXI Gain. The 2016 amount includes a \$35 million FX gain relating to the substantial liquidation of a subsidiary. The 2015 amount includes a benefit of \$7 million related to the favorable resolution of certain Legacy Tax Matters.

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- (4) Provision for income taxes in the year ended December 31, 2019 includes a tax charge of \$13 million pursuant to the divestiture of MAKs. Provision for income taxes in the year ended December 31, 2018 includes a charge of \$64 million relating to an increase in non-U.S. UTPs, partially offset by a \$59 million benefit from potential realization of foreign tax credits and other adjustments to previous estimates relating to the Tax Act. Provision for income taxes in the year ended December 31, 2017 includes a net charge of \$246 million related to the impact of U.S. tax reform and a statutory tax rate reduction in Belgium.
- (5) The 2019 amount includes i) a \$45 million (\$0.23 per share) restructuring charge, ii) a \$14 million loss and \$13 million tax charge (\$0.07 per share each) pursuant to the divestiture of MAKs. The 2018 amount includes: i) a \$59 million (\$0.30 per share) benefit related to the impact of U.S. tax reform, ii) a \$64 million (\$0.33 per share) charge related to an increase to non-U.S. UTPs; and iii) \$37 million (\$0.19 per share) net restructuring charge. The 2017 amount includes: i) a \$246 million (\$1.27 per share) charge related to the impact of U.S. tax reform; ii) a \$72 million (\$0.37 per share) Purchase Price Hedge Gain; and iii) the \$60 million (\$0.31 per share) CCXI Gain. The 2016 amount includes: i) a \$701 million (\$3.59 per share) Settlement Charge; ii) an \$8 million (\$0.04 per share) restructuring charge; and iii) a \$35 million (\$0.18 per share) FX gain relating to the substantial liquidation of a subsidiary. The 2015 amount includes a benefit of \$6 million (\$0.03 per share) related to the resolution of certain Legacy Tax Matters.
- (6) The decline in operating cash flow in 2017 is primarily due to payments made relating to the Settlement Charge. Additionally, in the first quarter of 2017, the Company adopted ASU No. 2016-09 "Improvements to Employee Share-Based Payment Accounting". As required by ASU 2016-09, Excess Tax Benefits or shortfalls relating to employee stock-based compensation are reflected in operating cash flow and the Company has applied this provision on a retrospective basis. Under previous accounting guidance, Excess Tax Benefits or shortfalls were shown as a reduction to operating cash flow and an increase to financing cash flow.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K.

This MD&A contains Forward-Looking Statements. See "Forward-Looking Statements" commencing on page 59 and Item 1A. "Risk Factors" commencing on page 17 for a discussion of uncertainties, risks and other factors associated with these statements.

### THE COMPANY

Moody's is a provider of (i) credit ratings and assessment services; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; (vi) offshore financial research and analytical services (this business was divested with the sale of MAKs in the fourth quarter of 2019); and (vii) company information and business intelligence products. Moody's reports in two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings and provides assessment services on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations, which consist primarily of financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

MA provides financial intelligence and analytical tools to assist businesses in making decisions. MA's portfolio of solutions consists of specialized research, data, software, and professional services, which are assembled to support the financial analysis and risk management activities of institutional customers worldwide.

### CRITICAL ACCOUNTING ESTIMATES

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, restructuring, goodwill, long-lived assets (including acquired intangible assets), leases, pension and other retirement benefits and income taxes. Actual results may differ from these estimates under different assumptions or conditions. The following accounting estimates are considered critical because they are particularly dependent on management's judgment about matters that are uncertain at the time the accounting estimates are made and changes to those estimates could have a material impact on the Company's consolidated results of operations or financial condition.

#### Goodwill

On July 31st of each year, Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment (i.e., MIS and MA), or one level below an operating segment (i.e., a component of an operating segment).

The Company has seven primary reporting units at December 31, 2019: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and five reporting units within MA: Content, ERS, MALS, Bureau van Dijk and Reis. The Content reporting unit offers subscription-based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products. The ERS reporting unit provides products and services that support the credit risk management and regulatory compliance activities of financial institutions and also provides advanced actuarial software for the life insurance industry. These products and services are primarily delivered via software that is licensed on a perpetual basis or sold on a subscription basis. The MALS reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training. The Bureau van Dijk reporting unit primarily consists of the Bureau van Dijk business, and primarily provides business intelligence and company information products. The Reis reporting unit, which consists of the newly acquired Reis business, provides commercial real estate market information and analytical tools.

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made based on the qualitative factors that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be quantitatively determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company will record a goodwill impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value. The Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions, realignments or if there are indicators of potential impairment. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years.

At July 31, 2019, the Company performed quantitative assessments of the Content, ERS, MALS, Bureau van Dijk, MIS, and ICRA reporting units and a qualitative assessment for the Reis reporting unit, which was acquired by Moody's within one year of the Company's annual assessment date. The quantitative assessments did not result in the carrying value of the reporting unit exceeding its fair value. The qualitative analysis for Reis resulted in the Company determining that it was not more likely than not that the fair value of the Reis reporting unit was less than its carrying amount.

Determining the fair value of a reporting unit or an indefinite-lived acquired intangible asset involves the use of significant estimates and assumptions, which are more fully described below. In addition, the Company also makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units.

Other assets and liabilities, including applicable corporate assets, are allocated to the extent they are related to the operation of respective reporting units.

**Sensitivity Analysis and Key Assumptions for Deriving the Fair Value of a Reporting Unit**

The following table identifies the amount of goodwill allocated to each reporting unit as of December 31, 2019 and the amount by which the net assets of each reporting unit would exceed the fair value under Step 2 of the goodwill impairment test as prescribed in ASC Topic 350, assuming hypothetical reductions in their fair values as of the date of the last quantitative goodwill impairment assessment for each reporting unit (July 31, 2019 for all reporting units except Reis).

	Goodwill	Sensitivity Analysis			
		Deficit Caused by a Hypothetical Reduction to Fair Value			
		10 %	20 %	30 %	40 %
MIS	\$ 98	\$ —	\$ —	\$ —	\$ —
Content	363	—	—	—	—
ERS	690	—	—	—	—
MALS	125	—	—	(12)	(37)
ICRA	220	—	—	—	(30)
Bureau van Dijk	2,045	—	—	—	(266)
Reis <sup>(1)</sup>	181	N/A	N/A	N/A	N/A
Totals	\$ 3,722	\$ —	\$ —	\$ (12)	\$ (333)

<sup>(1)</sup> Reis was acquired in October 2018. Due to the close proximity of the Reis acquisition, the purchase price approximates the fair value of the reporting unit. In the event that Reis' actual performance does not meet its acquisition-case cash flows, an impairment in future quarters could result.

As illustrated in the preceding table, the reporting unit most at risk for potential impairment is the MALS reporting unit and failure to meet its financial projections could result in impairment in future quarters.

As discussed in further detail in Note 11 to the Company's consolidated financial statements, ICRA has reported that it is addressing certain matters which are currently under investigation. As of the date of the filing of this annual report on Form 10-K, the Company is unable to estimate the financial impact, if any, that may result from a potential unfavorable conclusion of these matters or any other ICRA inquiry. An unfavorable resolution of such matters may negatively impact ICRA's future operating results, which could result in an impairment of goodwill and amortizable intangible assets in future quarters.



**Methodologies and significant estimates utilized in determining the fair value of reporting units:**

The following is a discussion regarding the Company's methodology for determining the fair value of its reporting units, excluding ICRA, as of July 31, 2019, the date of each reporting unit's last quantitative assessment. As ICRA is a publicly traded company in India, the Company was able to observe its fair value based on its market capitalization. The fair value of each reporting unit, excluding ICRA, was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations. Moody's allocates newly acquired goodwill to reporting units based on the reporting unit expected to benefit from the acquisition.

The sensitivity analysis on the future cash flows and WACC assumptions described below are as of each reporting unit's last quantitative goodwill impairment assessment. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that requires significant management judgment:

- **Future cash flow assumptions** —The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with the Company's operating budget and strategic plan. Cash flows for the six years subsequent to the date of the quantitative goodwill impairment analysis were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on a continued improvement in the global economy and capital markets, new customer acquisition and new products. Beyond six years, a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates was performed on all reporting units. For each reporting unit analyzed, a 10% reduction in the revenue growth rates used would not have resulted in its carrying value exceeding its estimated fair value.
- **WACC** —The WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor, which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit's cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC for all reporting units ranged from 8.5% to 9.0% as of July 31, 2019. Differences in the WACC used between reporting units is primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units. A sensitivity analysis of the WACC was performed on all reporting units as of July 31, 2019. For all reporting units analyzed, an increase in the WACC of one percentage point would not result in the carrying value of the reporting unit exceeding its fair value.

**Long-lived assets**

Long-lived assets, which consist primarily of amortizable intangible assets, operating lease ROU assets and property and equipment, are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Under the first step of the recoverability assessment, Moody's compares the estimated undiscounted future cash flows attributable to the asset or asset group to its carrying value. If the undiscounted future cash flows are greater than the carrying value, no further assessment is required. If the undiscounted future cash flows are less than the carrying value, Moody's proceeds with step two of the assessment. Under step two of this assessment, Moody's is required to determine the fair value of the asset or asset group and recognize an impairment loss if the carrying amount exceeds its fair value. In performing this assessment, Moody's must include assumptions that market participants would use in their estimates of fair value, including the estimated future cash flows and discount rate. Moody's must apply judgment in developing estimated future cash flows and in the determination of market participant assumptions.

**Income Taxes**

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. The Company's tax assets and liabilities are affected by the amounts charged for services provided and expenses incurred as well as other tax matters such as intercompany transactions. The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company is subject to tax audits in various jurisdictions. The Company regularly assesses the likely outcomes of such audits in order to determine the appropriateness of liabilities for UTPs. The Company classifies interest related to income taxes as a component of interest expense in the Company's consolidated financial statements and associated penalties, if any, as part of other non-operating expenses.

For UTPs, ASC Topic 740 requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to UTPs and associated interest and penalties requires significant estimates to be made by the Company, there can be no assurance that the Company will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on the Company's operating results or financial condition.

On December 22, 2017, the Tax Act was signed into law, which resulted in significant changes to U.S. corporate tax laws. The Tax Act includes a mandatory one-time deemed repatriation tax ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries and reduces the statutory federal corporate income tax rate from 35% to 21%. Due to the complexities involved in applying the provisions of the Tax Act, in 2017 the Company recorded a provisional estimate of \$247 million related to the transition tax in 2017. In 2018, the IRS issued notices clarifying certain aspects of the transition tax. As a result, the Company reduced its provision for the transition tax by \$11 million. The IRS may issue additional regulations or notices in future periods to clarify or amend provisions of the Tax Act and such guidance could result in revisions in future periods to the amounts recorded for the existing provisions and interpretations of the Tax Act. In addition, in 2018 the Company recorded a deferred tax asset of \$48 million related to potential foreign tax credits which could be realized if certain UTPs resulted in tax assessments. Due to additional UTPs recorded, the Company increased the deferred tax asset to \$50 million in 2019. The transition tax liability reported on the Company's 2017 and 2018 tax returns is payable over eight years starting in 2018 and will not accrue interest. Due to the reduction in U.S. corporate income tax rates beginning in 2018, a decrease of \$56 million was recorded to net deferred tax assets in 2017. The above amounts may be impacted by a number of additional considerations, including but not limited to the issuance of regulations and the Company's ongoing analysis of the new law.

Pursuant to the Tax Act being signed into law, all previously undistributed foreign earnings became subject to U.S. tax. In light of U.S. tax reform, the Company has reassessed its capital allocation strategy, including reevaluating its global cash position and revising its plans for repatriating or reinvesting foreign earnings. The Company regularly evaluates in which entities it will indefinitely reinvest earnings outside the U.S. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested outside of the U.S.

#### **Revenue Recognition and Costs to Obtain a Contract with a Customer**

Revenue is recognized when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The discussion below outlines areas of the Company's revenue recognition process that require significant management judgment and estimates. Refer to Note 2 of the consolidated financial statements for a comprehensive discussion regarding the Company's accounting policies relating to the recognition of revenue and costs to obtain a contract with a customer.

#### **Determination of performance obligations:**

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct.

In the Company's MIS segment, revenue arrangements with multiple elements are generally comprised of two distinct performance obligations; the initial rating and the related monitoring services. Revenue attributed to initial ratings of issued securities is generally recognized when the rating is delivered to the issuer, whereas revenue from monitoring related to MIS's ratings is recognized ratably over the period in which the monitoring is performed.

In the MA segment, contracts with customers often include promises to transfer multiple products and services to a customer. When arrangements for software, content or SaaS licenses also include related implementation services, the Company may be required to exercise significant judgment in determining the level of integration and interdependency between the promise to grant the software license and the promise to deliver the related implementation services. This determination influences whether the software license is considered distinct and accounted for separately (with revenue generally being recognized at the time the product master or first copy is delivered or transferred to the customer), or not distinct and accounted for together with the implementation services (with revenue being recognized on a percentage-of-completion basis as implementation services are performed).

#### **Allocating consideration to performance obligations:**

Management judgment is also required in the determination of the SSP, which is utilized to allocate the transaction price to each distinct performance obligation at contract inception when the contract includes multiple distinct performance obligations.

In the MIS segment, the SSP for both ratings and monitoring services is generally based upon directly observable selling prices where the rating or monitoring service is sold separately.

In the MA segment, for performance obligations where an observable price exists, such as PCS, the observable price is utilized. If an observable price does not currently exist, the Company will utilize management's best estimate of SSP for that good or service using estimation methods that maximize the use of observable data points.

The SSP in both segments is usually apportioned along the lines of class of customer, nature of product/services, and other attributes related to those products and services. Once SSP is determined for each performance obligation, the transaction price, including any discount, is allocated based on the relative SSP of the separate performance obligations.

**Costs to Obtain a Contract with a Customer:**

Costs incurred to obtain customer contracts, such as sales commissions, are deferred and recorded within other current assets and other assets when such costs are determined to be incremental to obtaining a contract, would not have been incurred otherwise and the Company expects to recover those costs. These costs are amortized to expense on a systematic basis consistent with the transfer of products or services to the customer for which the asset relates. Depending on the line of business to which the contract relates, this amortization period may be based upon the average economic life of the products sold or average period for which services are provided, inclusive of anticipated contract renewals.

**Contingencies**

Accounting for contingencies, including those matters described in Note 22 to the consolidated financial statements, is highly subjective and requires the use of judgments and estimates in assessing their magnitude and likely outcome. In many cases, the outcomes of such matters will be determined by third parties, including governmental or judicial bodies. The provisions made in the consolidated financial statements, as well as the related disclosures, represent management's best estimates of the current status of such matters and their potential outcome based on a review of the facts and in consultation with outside legal counsel where deemed appropriate. The Company regularly reviews contingencies and as new information becomes available may, in the future, adjust its associated liabilities.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances, when a loss is reasonably possible but uncertainties related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material.

As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

**Accounts Receivable Allowances**

Moody's records variable consideration in respect of estimated future adjustments to customer billings as an adjustment to revenue, using the expected value method based on analysis of similar contracts in the same line of business. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts due to uncertainty relating to customers inability to pay are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments are recorded against the allowance depending on the nature of the adjustment. Actual uncollectible account write-offs are recorded against the allowance. Moody's evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current status of customer accounts. Moody's also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody's adjusts its allowance as considered appropriate in the circumstances. This process involves a high degree of judgment and estimation and could involve significant dollar amounts. Accordingly, Moody's results of operations can be affected by adjustments to the allowance. Management believes that the allowance is adequate to cover anticipated adjustments and write-offs under current conditions. However, significant changes in any of the above factors, or actual write-offs or adjustments that differ from the estimated amounts, could impact the Company's consolidated results of operations.

**Pension and Other Retirement Benefits**

The expenses, assets and liabilities that Moody's reports for its Retirement Plans are dependent on many assumptions concerning the outcome of future events and circumstances. These significant assumptions include the following:

- future compensation increases based on the Company's long-term actual experience and future outlook;

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- long-term expected return on pension plan assets based on historical portfolio results and the expected future average annual return for each major asset class within the plan's portfolio (which is principally comprised of equity and fixed-income investments); and
- discount rates based on current yields on high-grade corporate long-term bonds.

The discount rates used to measure the present value of the Company's benefit obligation for its Retirement Plans as of December 31, 2019 were derived using a cash flow matching method whereby the Company compares each plan's projected payment obligations by year with the corresponding yield on the FTSE pension discount curve. The cash flows by plan are then discounted back to present value to determine the discount rate applicable to each plan.

Moody's major assumptions vary by plan and assumptions used are set forth in Note 16 to the consolidated financial statements. In determining these assumptions, the Company consults with third-party actuaries and other advisors as deemed appropriate. While the Company believes that the assumptions used in its calculations are reasonable, differences in actual experience or changes in assumptions could have a significant effect on the expenses, assets and liabilities related to the Company's Retirement Plans. Additionally, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2019 to accompany the Pri2012 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries.

When actual plan experience differs from the assumptions used, actuarial gains or losses arise. Excluding differences between the expected long-term rate of return assumption and actual returns on plan assets, the Company amortizes, as a component of annual pension expense, total outstanding actuarial gains or losses over the estimated average future working lifetime of active plan participants to the extent that the gain/loss exceeds 10% of the greater of the beginning-of-year projected benefit obligation or the market-related value of plan assets. For Moody's Retirement Plans, the total actuarial losses as of December 31, 2019 that have not been recognized in annual expense are \$122 million, and Moody's expects to recognize a net periodic expense of \$8 million in 2020 related to the amortization of actuarial losses.

For Moody's funded U.S. pension plan, the differences between the expected long-term rate of return assumption and actual returns could also affect the net periodic pension expense. As permitted under ASC Topic 715, the Company amortizes the impact of asset returns over a five-year period for purposes of calculating the market-related value of assets that is used in determining the expected return on assets' component of annual expense and in calculating the total unrecognized gain or loss subject to amortization. As of December 31, 2019, the Company has an unrecognized asset loss of \$26 million, of which \$3 million will be recognized in the market-related value of assets that is used to calculate the expected return on assets' component of 2020 expense.

The table below shows the estimated effect that a one percentage-point decrease in each of these assumptions will have on Moody's 2020 income before provision for income taxes. These effects have been calculated using the Company's current projections of 2020 expenses, assets and liabilities related to Moody's Retirement Plans, which could change as updated data becomes available.

(dollars in millions)	Assumptions Used for 2020	Estimated Impact on 2020 Income before Provision for Income Taxes (Decrease)/Increase
Weighted Average Discount Rates <sup>(1)</sup>	3.04%/3.05%	\$ (10)
Weighted Average Assumed Compensation Growth Rate	3.64 %	\$ 2
Assumed Long-Term Rate of Return on Pension Assets	4.45 %	\$ (4)

<sup>(1)</sup> Weighted average discount rates of 3.04% and 3.05% for pension plans and Other Retirement Plans, respectively.

A one percentage-point increase in assumed healthcare cost trend rates will not affect 2020 projected expenses. Based on current projections, the Company estimates that expenses related to Retirement Plans will be approximately \$28 million in 2020, an increase compared to the \$24 million recognized in 2019.

### Leases

The Company's operating leases do not provide an implicit interest rate. Accordingly, the Company must estimate the secured incremental borrowing rate attributable to the currency in which the lease is denominated in the derivation of operating lease liabilities and related operating lease ROU Assets. This secured incremental borrowing rate is based on the information available at the lease commencement date and is utilized in the determination of the present value of lease payments.

In addition, certain of Moody's leases have the option to extend the lease beyond the initial term or terminate the lease prior to the end of the term. For these leases, Moody's may be required to exercise significant judgment to determine when that option is reasonably certain of being exercised, which will impact the lease term and determination of the lease liability and corresponding ROU Asset.

**Restructuring**

The Company has engaged, and may continue to engage, in restructuring actions, which require management to utilize significant estimates related to expenses for severance and other employee benefit costs, contract termination costs and asset impairments. If the actual amounts differ from these estimates, the amount of the restructuring charge could be impacted. For a full description of Moody's restructuring actions, refer to Note 12 to the consolidated financial statements.

**Other Estimates**

In addition, there are other accounting estimates within Moody's consolidated financial statements, including recoverability of deferred tax assets, valuation of investments in affiliates and the estimated lives of amortizable intangible assets. Management believes the current assumptions and other considerations used to estimate amounts reflected in Moody's consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in Moody's consolidated financial statements, the resulting changes could have a material adverse effect on Moody's consolidated results of operations or financial condition.

See Note 2 to the consolidated financial statements for further information on significant accounting policies that impact Moody's.

**REPORTABLE SEGMENTS**

The Company is organized into two reportable segments at December 31, 2019: MIS and MA, which are more fully described in the section entitled "The Company" above and in Note 23 to the consolidated financial statements.

**RECLASSIFICATION OF PREVIOUSLY REPORTED REVENUE BY LOB**

There were certain organizational/product realignments in both MIS and MA in the first quarter of 2019. Accordingly, in MIS, revenue from REITs, which was previously classified in the SFG LOB, is now classified in the CFG LOB. In MA, revenue relating to the Bureau van Dijk FACT product (a credit assessment and origination solution), which was previously classified in RD&A, is now classified in the ERS LOB. Accordingly, 2018 and 2017 revenue by LOB was reclassified to conform with this new presentation, as follows:

MIS	As previously reported	Reclassification	As Reclassified	MA	As previously reported	Reclassification	As Reclassified
<b>Full year 2018</b>							
CFG	\$ 1,334	\$ 45	\$ 1,379	RD&A	\$ 1,134	\$ (13)	\$ 1,121
SFG	\$ 526	\$ (45)	\$ 481	ERS	\$ 438	\$ 13	\$ 451
<b>Full year 2017</b>							
CFG	\$ 1,393	\$ 55	\$ 1,448	RD&A	\$ 833	\$ (7)	\$ 826
SFG	\$ 495	\$ (55)	\$ 440	ERS	\$ 448	\$ 7	\$ 455

## RESULTS OF OPERATIONS

*This section of this Form 10-K generally discusses year ended December 31, 2019 and 2018 financial results and year-to-year comparisons between these years. Discussions related to the year ended December 31, 2017 financial results and year-to-year comparisons between the years ended December 31, 2018 and 2017 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*

### **Year ended December 31, 2019 compared with year ended December 31, 2018**

#### **Executive Summary**

- Moody's completed the following acquisitions, which impact the Company's year-over-year comparative results:
  - Omega Performance on August 16, 2018;
  - Reis on October 15, 2018;
  - Vigeo Eiris on April 12, 2019;
  - Four Twenty Seven on July 22, 2019;
  - RiskFirst on July 25, 2019;
  - ABS Suite on October 1, 2019
- On November 8, 2019, the Company sold its MAKS business to Equistone Partners Europe Limited, a European private equity firm. The operating results of MAKS are reported within the MA segment (and PS LOB) through the November 8, 2019 closing of the transaction.
- Refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for the definitions of how the Company determines certain organic growth measures used in this MD&A that exclude the impact of acquisition/divestiture activity.
- The following table provides an executive summary of key operating results for the year ended December 31, 2019. Following this executive summary is a more detailed discussion of the Company's operating results as well as a discussion of the operating results of the Company's reportable segments.

**Year Ended December 31,**

<b>Financial measure:</b>	<b>2019</b>		<b>2018</b>		<b>% Change</b>	<b>Insight and Key Drivers of Change Compared to Prior Year</b>
Moody's total revenue	\$	<b>4,829</b>	\$	4,443	9 %	— reflects growth in both segments
MIS External Revenue	\$	<b>2,875</b>	\$	2,712	6 %	— higher revenue from rating corporate debt (both investment-grade and high-yield) resulting from both higher rated issuance volumes reflecting favorable market conditions and favorable product mix; <i>partially offset by</i> — a decline in activity in bank loans and the CLO asset class primarily resulting from higher borrowing costs and shift in investor demand to fixed-rate instruments
MA External Revenue	\$	<b>1,954</b>	\$	1,731	13 %	— strong growth in the credit research and ratings data feeds product lines as well as growth from Bureau van Dijk within RD&A; — inorganic growth from 2019 acquisitions; and — growth from ongoing demand in ERS for SaaS-based solutions, especially to facilitate adoption of new accounting standards by banks and insurance companies
Total operating and SG&A expenses	\$	<b>2,554</b>	\$	2,326	10 %	— additional compensation expense resulting from hiring activity, salary increases and incentive compensation aligned with financial performance; — inorganic expense growth from acquisitions
Restructuring	\$	<b>60</b>	\$	49	22 %	— charges pursuant to the 2018 Restructuring Program reflecting the rationalization and exit of certain real estate leases and reductions to staff - <i>refer to Note 12 to the consolidated financial statements</i>
Loss pursuant to the divestiture of MAKS	\$	<b>14</b>	\$	—	NM	— loss relates to the divestiture of MAKS - <i>refer to Note 10 to the consolidated financial statements</i>
Operating Margin		<b>41.4 %</b>		42.0 %	(60BPS)	— modest contraction is primarily due to the aforementioned restructuring and loss pursuant to the divestiture of MAKS
Adjusted Operating Margin		<b>47.4 %</b>		47.6 %	(20BPS)	— in line with prior year
ETR		<b>21.0 %</b>		21.1 %	(10BPS)	— overall in line with the prior year period
Diluted EPS	\$	<b>7.42</b>	\$	6.74	10 %	— growth reflects higher operating income/Adjusted Operating Income coupled with benefits from the Company's share repurchase program
Adjusted Diluted EPS	\$	<b>8.29</b>	\$	7.39	12 %	

**Moody's Corporation**

	Year Ended December 31,		% Change Favorable (Unfavorable)
	2019	2018	
<b>Revenue:</b>			
United States	\$ 2,544	\$ 2,330	9 %
<b>Non-U.S.:</b>			
EMEA	1,446	1,377	5 %
Asia-Pacific	551	493	12 %
Americas	288	243	19 %
Total Non-U.S.	2,285	2,113	8 %
Total	4,829	4,443	9 %
<b>Expenses:</b>			
Operating	1,387	1,246	(11 %)
SG&A	1,167	1,080	(8 %)
Restructuring	60	49	(22 %)
Depreciation and amortization	200	192	(4 %)
Acquisition-Related Expenses	3	8	63 %
Loss pursuant to the divestiture of MAKS	14	—	NM
Total	2,831	2,575	(10 %)
Operating income	1,998	1,868	7 %
Adjusted Operating Income <sup>(1)</sup>	2,291	2,117	8 %
Interest expense, net	(208)	(215)	3 %
Other non-operating income, net	20	19	5 %
Non-operating (expense) income, net	(188)	(196)	4 %
Net income attributable to Moody's	\$ 1,422	\$ 1,310	9 %
Diluted weighted average shares outstanding	191.6	194.4	1 %
Diluted EPS attributable to Moody's common shareholders	\$ 7.42	\$ 6.74	10 %
Adjusted Diluted EPS <sup>(1)</sup>	\$ 8.29	\$ 7.39	12 %
Operating margin	41.4 %	42.0 %	
Adjusted Operating Margin <sup>(1)</sup>	47.4 %	47.6 %	
Effective tax rate	21.0 %	21.1 %	

<sup>(1)</sup> Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

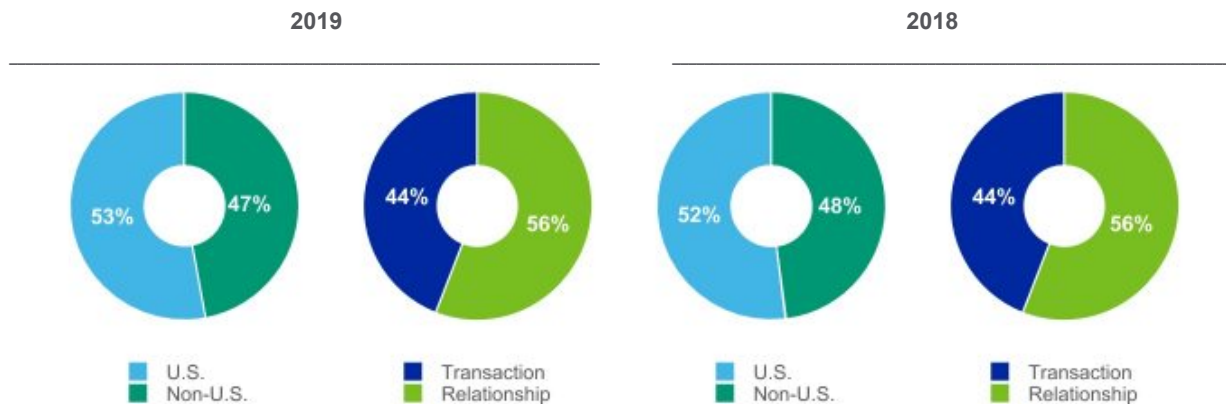
The table below shows Moody's global staffing by geographic area:

	December 31,		% Change
	2019	2018	
United States	3,908	4,007	(2 %)
Non-U.S.	7,173	9,050	(21 %)
Total	11,081 <sup>(1)</sup>	13,057	(15 %)

<sup>(1)</sup> The divestiture of the MAKS business resulted in a reduction of approximately 2,700 employees, most of which were in low-cost jurisdictions. Additionally, Moody's global staffing increased by approximately 400 employees relating to 2019 acquisitions.



**GLOBAL REVENUE**



**Global revenue ↑ \$386 million**

**U.S. Revenue ↑ \$214 million**

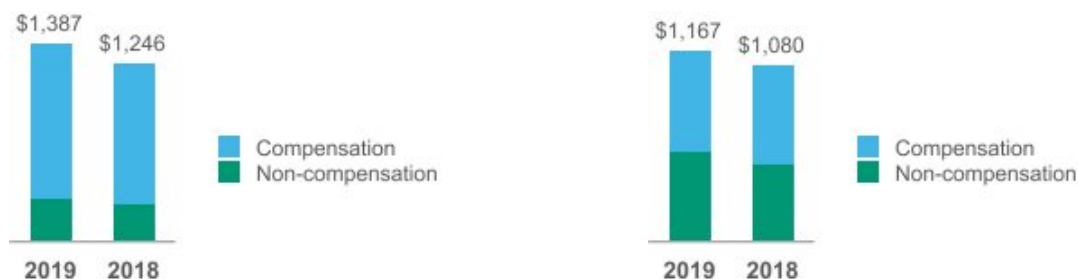
**Non-U.S. Revenue ↑ \$172 million**

The increase in global revenue reflected growth in both reportable segments. Refer to the section entitled “Segment Results” of this MD&A for a more fulsome discussion of the Company’s segment revenue.

- The increase in U.S. revenue reflects strong growth in MA (most notably in RD&A) coupled with good growth in MIS (most notably in corporate debt ratings revenue)
- The increase in non-U.S. revenue reflects strong growth in MA (most notably in RD&A across all regions) coupled with good growth in MIS (most notably in corporate debt ratings revenue across all regions)
  - Foreign currency translation unfavorably impacted non-U.S. revenue by three percent.

**Operating Expense ↑ \$141 million**

**SG&A Expense ↑ \$87 million**



**Compensation expenses increased \$100 million reflecting:**

- hiring activity and salary increases partially offset by benefits from the 2018 Restructuring Program;
- an increase in incentive compensation aligned with higher actual financial performance relative to targets; and
- inorganic expense growth from the aforementioned acquisitions.

**Non-compensation expenses increased \$41 million reflecting:**

- higher costs to support the Company’s initiative to enhance technology infrastructure to enable automation, innovation and efficiency; and
- costs from the aforementioned acquisitions.

**Compensation expenses increased \$66 million reflecting:**

- hiring activity and salary increases partially offset by benefits from the 2018 Restructuring Program;
- an increase in incentive compensation aligned with higher actual financial performance relative to targets; and
- inorganic expense growth from the aforementioned acquisitions.

**Non-compensation expenses increased \$21 million reflecting:**

- inorganic expense growth from the aforementioned acquisitions;
- higher costs to support the Company’s initiative to enhance technology infrastructure to enable automation, innovation and efficiency.



## Other Expenses

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The restructuring charge of \$60 million relates to actions pursuant to the Company's 2018 Restructuring Program, which is more fully discussed in Note 12 to the consolidated financial statements.

The \$14 million loss pursuant to the divestiture of MAKS relates to the Company's strategic divestiture of this business, which is more fully discussed in Note 10 to the consolidated financial statements.

### Operating margin 41.4%, down 60 BPS

### Adjusted Operating Margin 47.4%, in line with prior year

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- Modest operating margin contraction is primarily due to a higher restructuring charge in 2019 coupled with the loss pursuant to the divestiture of MAKS

- Adjusted Operating Margin is in line with the prior year

### Interest Expense, net ↓ \$7 million

### Other non-operating income ↑ \$1 million

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Decrease is primarily due to:

- a \$41 million higher benefit from the interest element of cross-currency swaps (more fully discussed in Note 7 to the consolidated financial statements);

*partially offset by:*

- an increase in tax-related interest of \$13 million reflecting a higher benefit relating to the favorable resolution of UTPs in the 2018 compared to the same period in 2019 coupled with an increase in statutory interest rates for existing UTP reserves; and
- a \$12 million prepayment penalty on the early redemption of the 2010 Senior Notes.

Was in line with the prior year reflecting:

- FX losses of approximately \$18 million in 2019 compared to \$11 million in FX losses in the same period of the prior year;

*offset by:*

- \$8 million in higher income primarily related to a higher expected return on the Company's pension plan assets.

### ETR ↓ 10BPS

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The ETR of 21.0% in 2019 was in line with the prior year (refer to Note 18 of the consolidated financial statements for further detail on the Company's ETR).

### Diluted EPS ↑ \$0.68

### Adjusted Diluted EPS ↑ \$0.90

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Diluted EPS in 2019 of \$7.42 increased \$0.68 compared to 2018 and included the aforementioned restructuring charge as well as the loss and tax-related charge pursuant to the divestiture of MAKS. Diluted EPS benefited approximately \$0.11 from lower diluted weighted average shares outstanding, which primarily resulted from the Company's share repurchase program.

Adjusted Diluted EPS of \$8.29 in 2019 increased \$0.90 compared to 2018 (refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for items excluded in the derivation of Adjusted Diluted EPS). Adjusted Diluted EPS benefited approximately \$0.12 from lower diluted weighted average shares outstanding, which primarily resulted from the Company's share repurchase program.

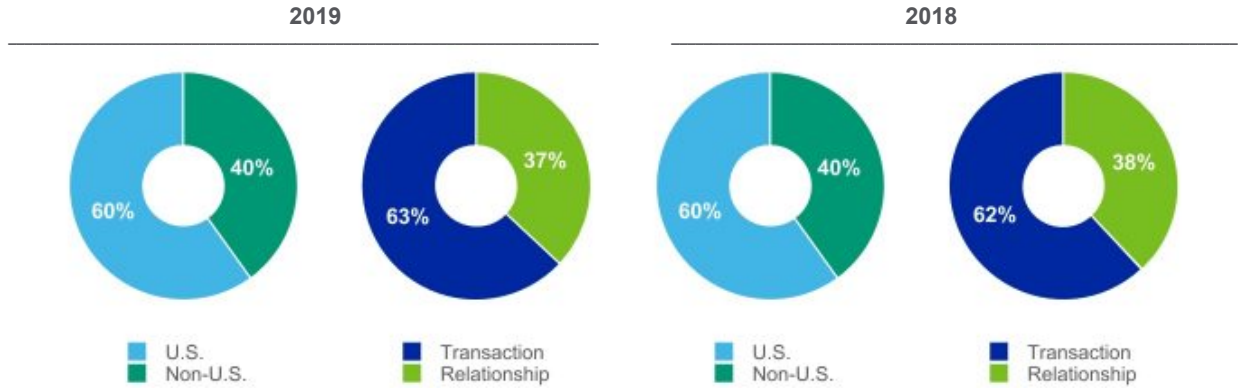
**Segment Results**
**Moody's Investors Service**

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year Ended December 31,		% Change Favorable (Unfavorable)
	2019	2018	
<b>Revenue:</b>			
Corporate finance (CFG)	\$ 1,497	\$ 1,379	9 %
Structured finance (SFG)	427	481	(11 %)
Financial institutions (FIG)	476	442	8 %
Public, project and infrastructure finance (PPIF)	446	391	14 %
Total ratings revenue	2,846	2,693	6 %
MIS Other	29	19	53 %
Total external revenue	2,875	2,712	6 %
Intersegment royalty	134	124	8 %
Total	3,009	2,836	6 %
<b>Expenses:</b>			
Operating and SG&A (external)	1,265	1,167	(8 %)
Operating and SG&A (intersegment)	9	12	25 %
Restructuring	31	32	3 %
Depreciation and amortization	71	65	(9 %)
Total expense	1,376	1,276	(8 %)
Operating income	\$ 1,633	\$ 1,560	5 %
Restructuring	31	32	3 %
Depreciation and amortization	71	65	(9 %)
Captive insurance company settlement	10	—	NM
Adjusted Operating Income	\$ 1,745	\$ 1,657	5 %
Operating margin	54.3 %	55.0 %	
Adjusted Operating Margin	58.0 %	58.4 %	

Pursuant to certain organizational realignments in 2019, revenue from REITs, which was previously classified in the SFG LOB, is now reported as a component of the CFG LOB. The amounts reclassified were not material and prior year revenue by LOB has been reclassified to conform to this new presentation.

**MOODY'S INVESTORS SERVICE REVENUE**



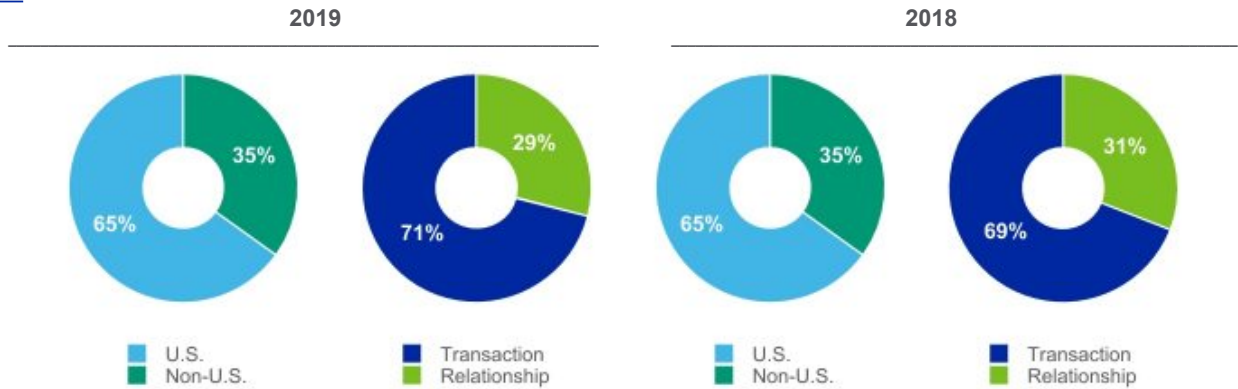
**MIS: Global revenue ↑ \$163 million**

**U.S. Revenue ↑ \$102 million**

**Non-U.S. Revenue ↑ \$61 million**

- The increase in Global MIS revenue reflected growth across all LOBs excluding SFG.
- The growth in U.S. revenue reflected higher CFG and PPIF revenue being partially offset by declines in SFG.
- The increase in non-U.S. revenue reflected growth in CFG and FIG being partially offset by declines in SFG.
  - Foreign currency translation unfavorably impacted non-U.S. MIS revenue by three percentage points.

**CFG REVENUE**

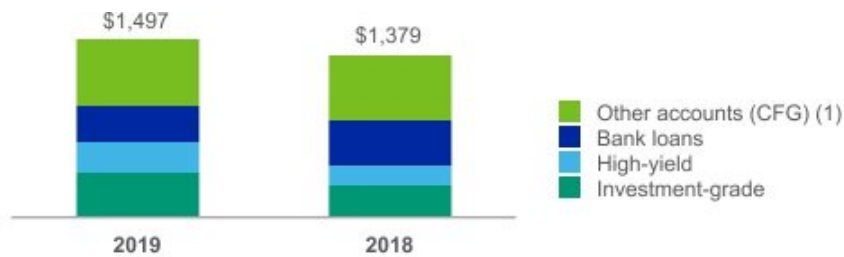


**CFG: Global revenue ↑ \$118 million**

**U.S. Revenue ↑ \$74 million**

**Non-U.S. Revenue ↑ \$44 million**

Global CFG revenue for the years ended December 31, 2019 and 2018 was comprised as follows:



(1) Other includes: recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations as well as fees from programs such as commercial paper, medium term notes, and ICRA corporate finance revenue.

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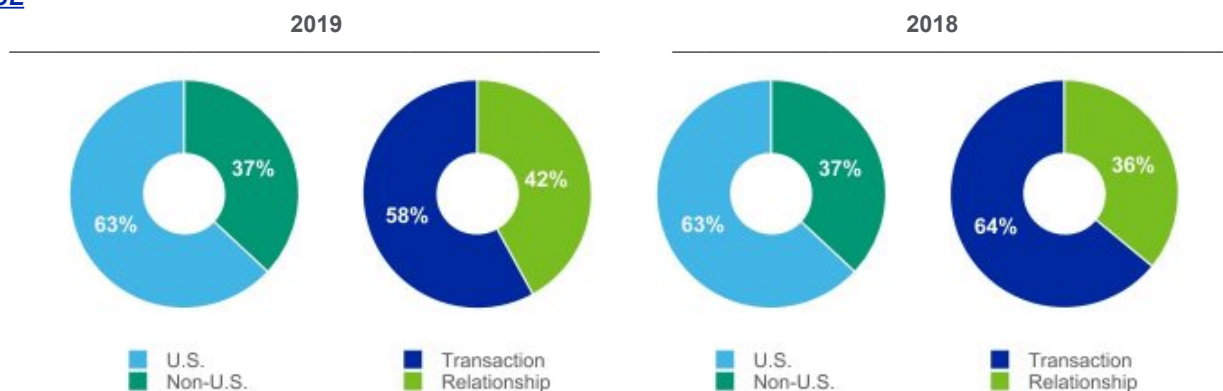
The increase in CFG revenue of 9% reflected growth both in the U.S. (8%) and internationally (9%) with the most notable drivers consisting of:

- benefits from favorable changes in product mix and pricing increases;
- growth in corporate bond (both investment-grade and speculative-grade) rated issuance volumes, mainly in the U.S. and EMEA, as issuers took advantage of low borrowing costs to secure acquisition financing and complete opportunistic new issuance/refinancing transactions;

partially offset by:

- a decline in rated issuance volumes in U.S. bank loans as higher borrowing costs and reduced investor demand for floating rate instruments suppressed activity.

**SFG REVENUE**

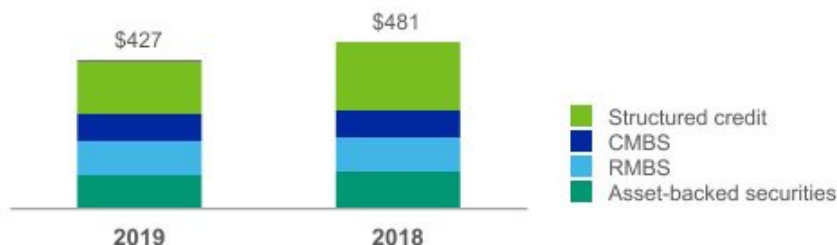


**SFG: Global revenue ↓ \$54 million**

**U.S. Revenue ↓ \$31 million**

**Non-U.S. Revenue ↓ \$23 million**

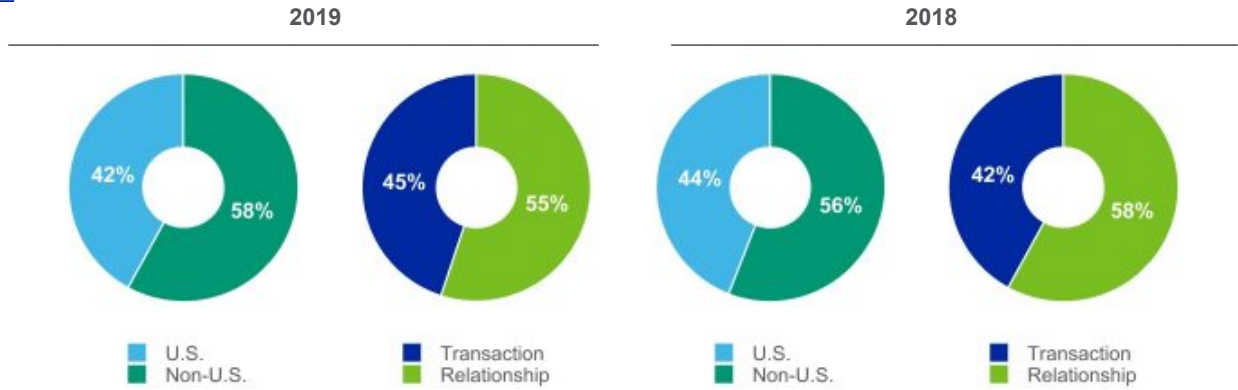
Global SFG revenue for the years ended December 31, 2019 and 2018 was comprised as follows:



The decrease in SFG revenue of 11% reflected declines both in the U.S. (10%) and internationally (13%) and primarily reflected:

- lower revenue from the CLO asset class in the U.S. and internationally, as wider credit spreads, lower loan supply and an increasingly competitive landscape have resulted in reduced activity;
- declines across most asset classes in EMEA, as geopolitical uncertainties and continued uncertainties relating to Brexit during 2019 resulted in reduced activity. Additionally, there was elevated activity in 2018 in advance of certain regulations relating to securitization transactions in Europe.

**FIG REVENUE**

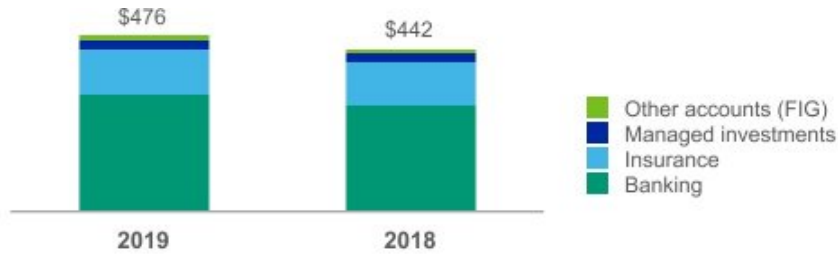


**FIG: Global revenue ↑ \$34 million**

**U.S. Revenue ↑ \$6 million**

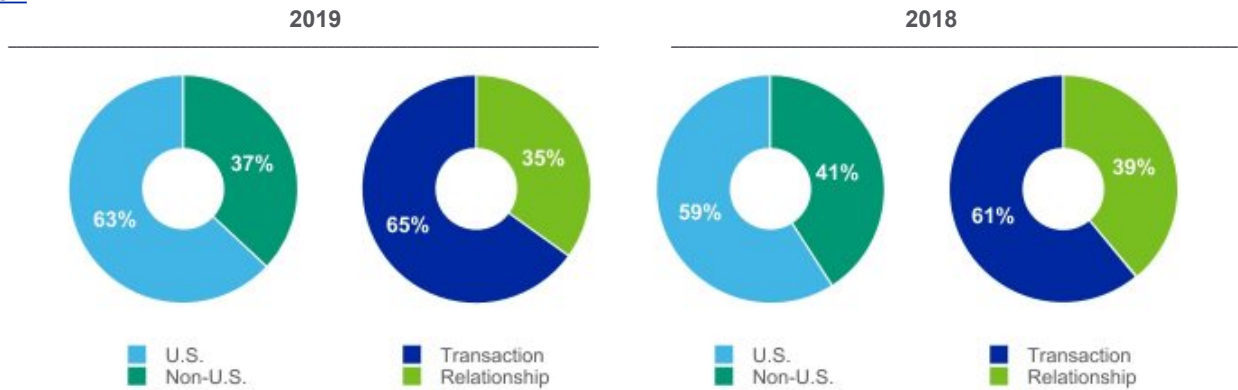
**Non-U.S. Revenue ↑ \$28 million**

Global FIG revenue for the years ended December 31, 2019 and 2018 was comprised as follows:



The 8% increase in FIG revenue was mainly due to growth internationally in the banking sector primarily due to favorable product mix. Foreign currency translation unfavorably impacted FIG revenue by two percent.

**PPIF REVENUE**

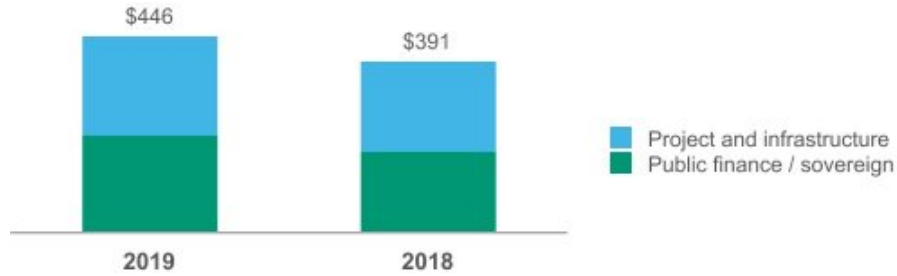


**PPIF: Global revenue ↑ \$55 million**

**U.S. Revenue ↑ \$53 million**

**Non-U.S. Revenue ↑ \$2 million**

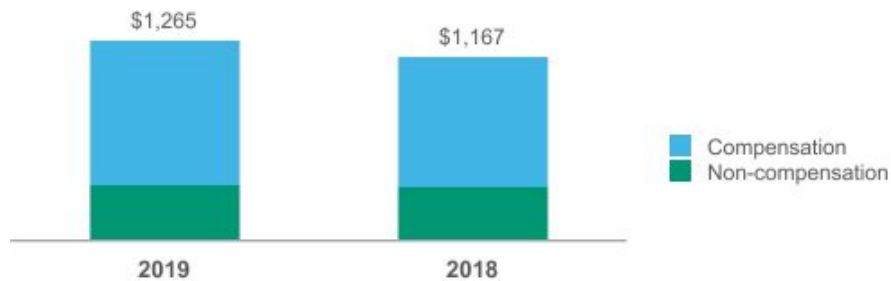
Global PPIF revenue for the years ended December 31, 2019 and 2018 was comprised as follows:



The 14% increase in PPIF revenue consisted almost entirely of growth in the U.S. reflecting:

- higher public finance refunding volumes resulting from continued low benchmark interest rates; and
- higher infrastructure finance rated issuance volumes (mainly in the utilities and power sectors) resulting from favorable market conditions.

**MIS: Operating and SG&A Expense ↑ \$98 million**



The increase is primarily due to growth in compensation expenses reflecting:

- higher incentive compensation of approximately \$50 million aligned with higher financial performance relative to targets;
- higher salaries and employee benefits of approximately \$40 million reflecting hiring activity and salary increases partially offset by the beneficial impacts of the 2018 Restructuring Program.

**Other Expenses**

The restructuring charge of \$31 million relates to actions pursuant to the Company's 2018 Restructuring Program, which are more fully discussed in Note 12 to the consolidated financial statements.

**MIS: Operating Margin 54.3% ↓ 70BPS**

**Adjusted Operating Income 58.0% ↓ 40BPS**

MIS operating margin and Adjusted Operating Margin were both generally in line with the prior year.



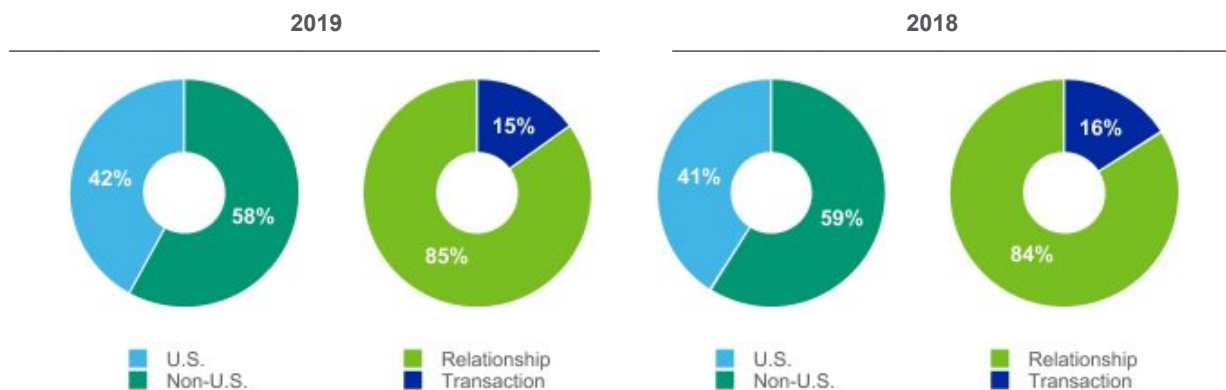
**Moody's Analytics**

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year Ended December 31,		% Change Favorable (Unfavorable)
	2019	2018	
<b>Revenue:</b>			
Research, data and analytics (RD&A)	\$ 1,273	\$ 1,121	14 %
Enterprise risk solutions (ERS)	522	451	16 %
Professional services (PS)	159	159	— %
Total external revenue	1,954	1,731	13 %
Intersegment revenue	9	12	(25 %)
Total MA Revenue	1,963	1,743	13 %
<b>Expenses:</b>			
Operating and SG&A (external)	1,289	1,159	(11 %)
Operating and SG&A (intersegment)	134	124	(8 %)
Restructuring	29	17	(71 %)
Depreciation and amortization	129	127	(2 %)
Acquisition-Related Expenses	3	8	63 %
Loss pursuant to the divestiture of MAKS	14	—	NM
Total expense	1,598	1,435	(11 %)
Operating income	\$ 365	\$ 308	19 %
Restructuring	29	17	(71 %)
Depreciation and amortization	129	127	(2 %)
Acquisition-Related Expenses	3	8	63 %
Loss pursuant to the divestiture of MAKS	14	—	NM
Captive insurance company settlement	6	—	NM
Adjusted Operating Income	\$ 546	\$ 460	19 %
Operating margin	18.6 %	17.7 %	
Adjusted Operating Margin	27.8 %	26.4 %	

Pursuant to organizational/product realignments in the first quarter of 2019, revenue relating to the Bureau van Dijk FACT product, a credit assessment and origination software solution, is now reported in the ERS LOB. This revenue was previously reported in the RD&A LOB. Prior year revenue by LOB has been reclassified to conform to this new presentation, and the amounts reclassified were not material.

**MOODY'S ANALYTICS REVENUE**



**MA: Global revenue ↑ \$223 million**

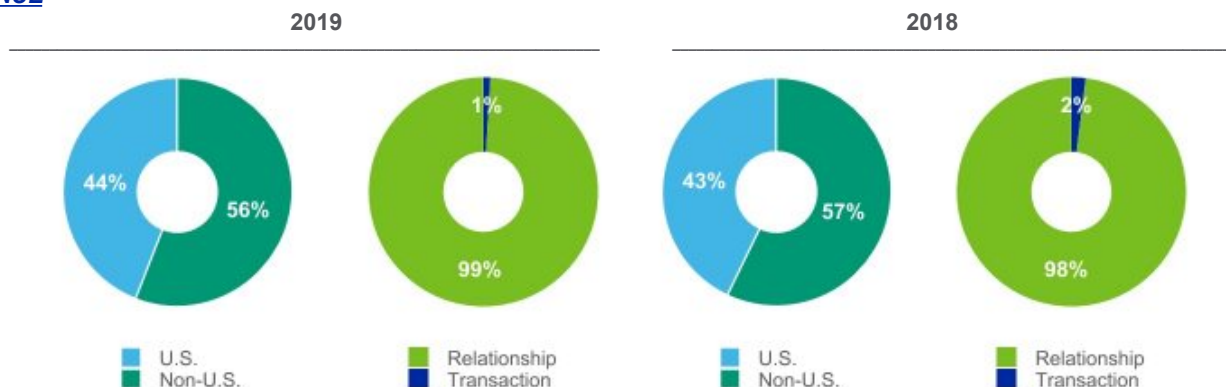
**U.S. Revenue ↑ \$112 million**

**Non-U.S. Revenue ↑ \$111 million**

The 13% increase in global MA revenue reflects strong growth in RD&A and ERS.

- Organic revenue growth was 11% (refer to the section entitled "Non-GAAP Financial Measures" of this MD&A for the definition and methodology that the Company utilizes to calculate this metric).
- Foreign currency translation unfavorably impacted MA revenue by two percent.
- The increase in U.S. revenue reflected growth across all LOBs, most notably in RD&A.
- The increase in non-U.S. revenue reflected growth in RD&A and ERS across all regions.
  - Foreign currency translation unfavorably impacted non-U.S. MA revenue by three percent.

**RD&A REVENUE**



**RD&A: Global revenue ↑ \$152 million**

**U.S. Revenue ↑ \$77 million**

**Non-U.S. Revenue ↑ \$75 million**

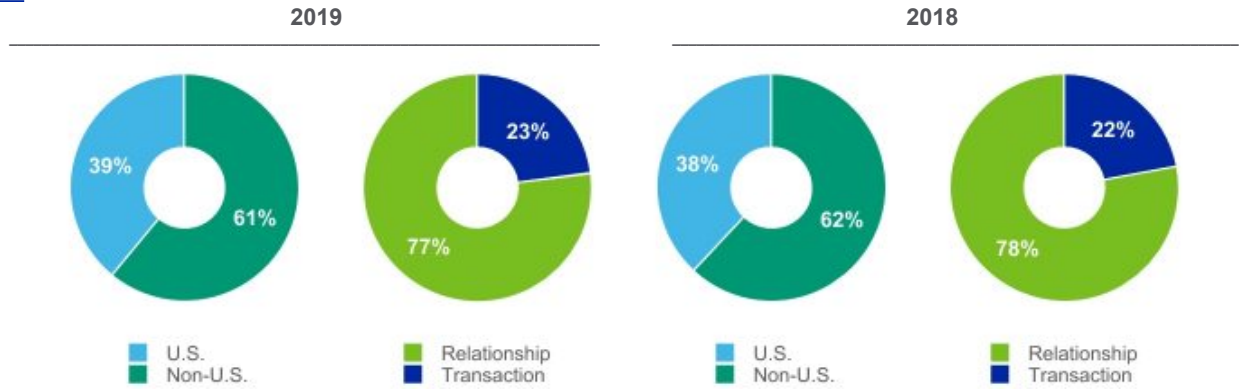
Global RD&A revenue grew 14% compared to 2018 with the most notable drivers of the change reflecting:

- strong results in the credit research and rating data feeds product lines which comprised approximately 40% of the global RD&A growth;
  - this growth reflected enhanced content on the new CreditView platform and continued alignment of usage and licensing parameters which have generated higher fees
- strong demand for Bureau van Dijk solutions that address customer identity requirements, such as know-your-customer, anti-money laundering, anti-bribery and sanctions compliance;
- inorganic revenue from the Reis acquisition of \$28 million.

Foreign currency translation unfavorably impacted RD&A revenue by two percent.

Organic revenue growth for RD&A was 11%.

**ERS REVENUE**



**ERS: Global revenue ↑ \$71 million**

**U.S. Revenue ↑ \$31 million**

**Non-U.S. Revenue ↑ \$40 million**

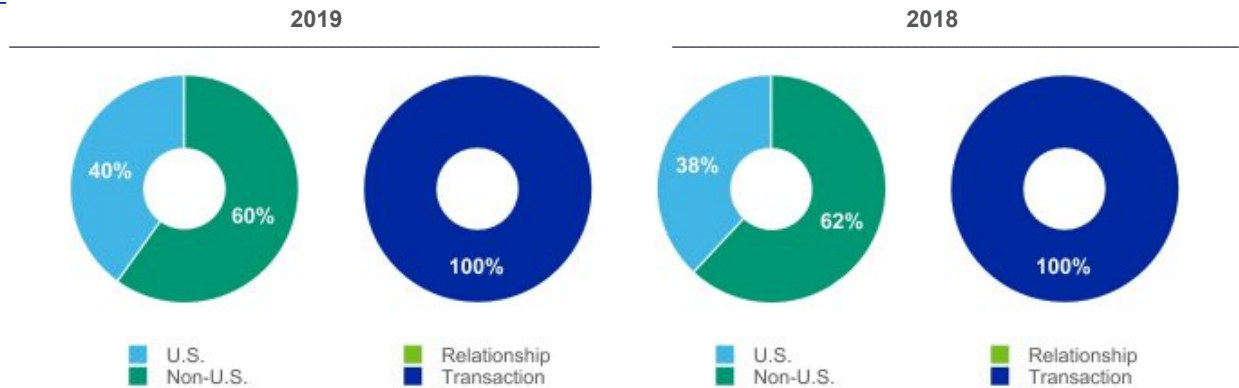
Global ERS revenue increased 16% compared to 2018 with the most notable drivers of the growth reflecting:

- ongoing demand for credit assessment and loan origination solutions and SaaS-based CECL solutions;
- increased demand for actuarial modeling tools in support of certain international accounting standards relating to insurance contracts.

Approximately 73% of the global ERS revenue growth was from subscription-based products.

Organic revenue growth for ERS was 14%.

**PS REVENUE**



**PS: Global revenue was in line with prior year**

**U.S. Revenue ↑ \$4 million**

**Non-U.S. Revenue ↓ \$4 million**

Global PS revenue was flat compared to 2018 and reflected the following offsetting drivers:

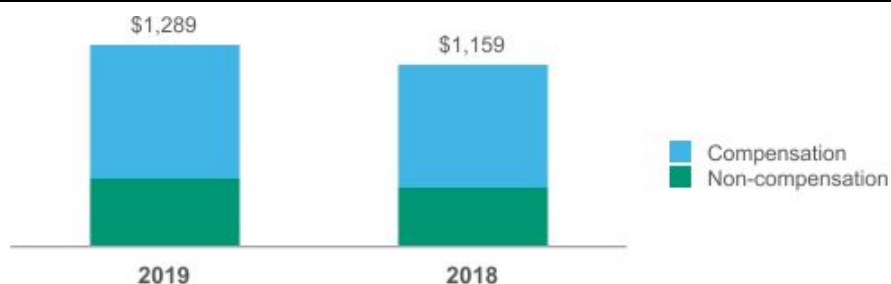
- organic growth in online learning solutions;
- \$5 million in inorganic revenue growth from the acquisition of Omega Performance;

*partially offset by:*

- lower revenue from outsourced analytical and research services pursuant to the divestiture of the MAKES business on November 8, 2019.

Organic revenue growth for PS was 8%.

**MA: Operating and SG&A Expense ↑ \$130 million**



The increase in operating and SG&A expenses compared to 2018 reflected growth in both compensation and non-compensation costs of approximately \$74 million and \$56 million, respectively. The most notable drivers of this growth were:

**Compensation costs**

- higher costs reflecting hiring activity and salary increases partially offset by savings from the 2018 Restructuring Program;
- inorganic expense growth of \$26 million relating to the 2019 acquisitions.

**Non-compensation costs**

- higher costs to support the Company's initiative to enhance technology infrastructure to enable automation, innovation and efficiency.

**Other Expenses**

The restructuring charge of \$29 million relates to actions pursuant to the Company's 2018 Restructuring Plan, which are more fully discussed in Note 12 to the consolidated financial statements.

The \$14 million loss pursuant to the divestiture of MAKS, which is more fully discussed in Note 10 to the consolidated financial statements, relates to the Company's strategic divestiture of this business.

**MA: Operating Margin 18.6% ↑ 90BPS**

**Adjusted Operating Margin 27.8% ↑ 140BPS**

The operating margin and Adjusted Operating Margin expansion for MA both reflect strong RD&A revenue growth coupled with strong growth in higher margin SaaS-based solutions in the ERS LOB. Operating margin expansion was suppressed by higher restructuring charges in 2019 and the loss pursuant to the divestiture of MAKS.

**MARKET RISK**

Foreign exchange risk:

Moody's maintains a presence in more than 40 countries. In 2019, approximately 43% of the Company's revenue and approximately 42% of the Company expenses were denominated in functional currencies other than the U.S. dollar, principally in the British pound and the euro. As such, the Company is exposed to market risk from changes in FX rates. As of December 31, 2019, approximately 68% of Moody's assets were located outside the U.S., making the Company susceptible to fluctuations in FX rates. The effects of translating assets and liabilities of non-U.S. operations with non-U.S. functional currencies to the U.S. dollar are charged or credited to OCI.

The effects of revaluing assets and liabilities that are denominated in currencies other than a subsidiary's functional currency are charged to other non-operating income (expense), net in the Company's consolidated statements of operations. Accordingly, the Company enters into foreign exchange forwards to partially mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency.

The following table shows the impact to the fair value of the forward contracts if foreign currencies weakened against the U.S. dollar or euro:

Foreign Currency Forwards <sup>(1)</sup>		
Sell	Buy	Impact on fair value of contract if foreign currency weakened by 10%
U.S. dollar	British pound	\$23 million unfavorable impact
U.S. dollar	Canadian dollar	\$8 million unfavorable impact
U.S. dollar	Euro	\$42 million unfavorable impact
U.S. dollar	Japanese yen	\$3 million unfavorable impact
U.S. dollar	Singapore dollar	\$4 million unfavorable impact
Euro	British pound	€2 million unfavorable impact

<sup>(1)</sup> Refer to Note 7 to the consolidated financial statements in Item 8 of this Form 10-K for further detail on the forward contracts.

The change in fair value of the foreign exchange forward contracts would be offset by FX revaluation gains or losses on underlying assets and liabilities denominated in currencies other than a subsidiary's functional currency.

**Euro-denominated debt and cross-currency swaps designated as net investment hedges:**

The Company has designated €500 million of the 2015 Senior Notes and €750 million of the 2019 Senior Notes as a net investment hedge to mitigate FX exposure relating to euro denominated net investments in subsidiaries. If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate \$140 million unfavorable adjustment to OCI related to this net investment hedge. This adjustment would be offset by favorable translation adjustments on the Company's euro net investment in subsidiaries.

In 2019, the Company had cross-currency swaps to exchange an aggregate amount of €1,079 million with corresponding euro fixed interest rates for an aggregate amount of \$1,220 million with corresponding USD fixed interest rates. Additionally, the Company had cross-currency swaps to exchange an aggregate amount of €931 million with corresponding interest based on the floating 3-month EURIBOR for an aggregate amount of \$1,080 million with corresponding interest based on the floating 3-month U.S. LIBOR. Both types of swaps were designated as net investment hedges under ASC Topic 815, *Derivatives and Hedging*. The purpose of these cross-currency swaps is to mitigate FX exposure related to a portion of the Company's euro net investments in certain foreign subsidiaries against changes in euro/USD exchange rates. If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate \$226 million unfavorable impact to the fair value of the cross-currency swaps recognized in OCI, which would be offset by favorable currency translation gains on the Company's euro net investment in foreign subsidiaries.

**Credit and Interest rate risk:**

**Interest rate swaps designated as a fair value hedge:**

The Company's interest rate risk management objectives are to reduce the funding cost and volatility to the Company and to alter the interest rate exposure to the desired risk profile. Moody's uses interest rate swaps as deemed necessary to assist in accomplishing these objectives. The Company is exposed to interest rate risk on its various outstanding fixed-rate debt for which the fair value of the outstanding fixed rate debt fluctuates based on changes in interest rates. The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month LIBOR. These swaps are adjusted to fair market value based on prevailing interest rates at the end of each reporting period and fluctuations are recorded as a reduction or addition to the carrying value of the borrowing, while net interest payments are recorded as interest expense/income in the Company's consolidated statement of operations. A hypothetical change of 100 BPS in the LIBOR-based swap rate would result in an approximate \$27 million change to the fair value of the swap, which would be offset by the change in fair value of the hedged item.

Additional information on these interest rate swaps is disclosed in Note 7 to the consolidated financial statements located in Item 8 of this Form 10-K.

Moody's cash equivalents consist of investments in high-quality investment-grade securities within and outside the U.S. with maturities of three months or less when purchased. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposit and issuers of high-grade commercial paper and by limiting the amount it can invest with any single issuer. Short-term investments primarily consist of certificates of deposit.

**LIQUIDITY AND CAPITAL RESOURCES****Cash Flow**

The Company is currently financing its operations, capital expenditures, acquisitions and share repurchases from operating and financing cash flows.

The following is a summary of the changes in the Company's cash flows followed by a brief discussion of these changes:

	Year Ended December 31,			\$ Change Favorable (unfavorable)
	2019	2018		
Net cash provided by operating activities	\$ 1,675	\$ 1,461	\$	214
Net cash provided by (used in) investing activities	\$ 36	\$ (406)	\$	442
Net cash used in financing activities	\$ (1,563)	\$ (412)	\$	(1,151)
Free Cash Flow <sup>(1)</sup>	\$ 1,606	\$ 1,370	\$	236

<sup>(1)</sup> Free Cash Flow is a non-GAAP measure and is defined by the Company as net cash provided by operating activities minus cash paid for capital expenditures. Refer to "Non-GAAP Financial Measures" of this MD&A for further information on this financial measure.

**Net cash provided by operating activities**

Net cash flows from operating activities increased \$214 million compared to the prior year primarily due to the increase in Adjusted Operating Income compared to the same period in the prior year (see section entitled "Results of Operations" for further discussion) coupled with various changes in working capital.

**Net cash provided by (used in) investing activities**

The \$442 million increase in cash flows provided by investing activities compared to 2018 primarily reflects:

- a \$127 million decrease in cash paid for acquisitions compared to the prior year; and
- \$226 million of net cash received relating to the MAKS divestiture in 2019.

**Net cash used in financing activities**

The \$1,151 million increase in cash used in financing activities was primarily attributed to:

- a \$788 million increase in the amount of treasury shares repurchased, which included the execution of an ASR program by the Company in February 2019; and
- an increase in the net debt repayments of \$288 million compared to prior year.

**Cash and short-term investments held in non-U.S. jurisdictions**

The Company's aggregate cash and cash equivalents and short-term investments of \$1.9 billion at December 31, 2019 included approximately \$1.2 billion located outside of the U.S. Approximately 26% of the Company's aggregate cash and cash equivalents and short-term investments is denominated in euros and British pounds. The Company manages both its U.S. and non-U.S. cash flow to maintain sufficient liquidity in all regions to effectively meet its operating needs.

As a result of the Tax Act, all previously net undistributed foreign earnings have now been subject to U.S. tax. The Company continues to evaluate which entities it will indefinitely reinvest earnings outside the U.S. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested. Accordingly, the Company has commenced repatriating a portion of its non-U.S. cash in these subsidiaries and will continue to repatriate certain of its offshore cash in a manner that addresses compliance with local statutory requirements, sufficient offshore working capital and any other factors that may be relevant in certain jurisdictions. Notwithstanding the Tax Act, which generally eliminated federal income tax on future cash repatriation to the U.S., cash repatriation may be subject to state and local taxes or withholding or similar taxes.

**Other Material Future Cash Requirements**

The Company believes that it has the financial resources needed to meet its cash requirements and expects to have positive operating cash flow in 2020. Cash requirements for periods beyond the next twelve months will depend, among other things, on the Company's profitability and its ability to manage working capital requirements. The Company may also borrow from various sources.

The Company remains committed to using its strong cash flow to create value for shareholders by investing in growing areas of the business, reinvesting in ratings quality initiatives, making selective acquisitions, repurchasing stock and paying a dividend, all in a manner consistent with maintaining sufficient liquidity after giving effect to any additional indebtedness that may be incurred.

**Dividends and Share Repurchases**

On February 11, 2020, the Board approved the declaration of a quarterly dividend of \$0.56 per share for Moody's common stock, payable March 18, 2020 to shareholders of record at the close of business on February 25, 2020. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board.

In October 2018, the Board authorized a \$1.0 billion share repurchase program, which at December 31, 2019 had a remaining authority of approximately \$334 million. Additionally, in December 2019, the Board authorized an additional \$1.0 billion share repurchase program, which may commence following the completion of the existing program.

Full-year 2020 total share repurchases are expected to be approximately \$1.3 billion, subject to available cash, market conditions and other ongoing capital allocation decisions.

**Other cash requirements**

The Company has future cash requirements, including operating leases and debt service and payments, as noted in the tables that follow as well as future payments related to the transition tax under the Tax Act.

On February 13, 2020, the Company completed the acquisition of Regulatory Data Corporation for \$700 million.

The Company anticipates making contributions of approximately \$100 million to its funded U.S. pension plan in 2020.

**Indebtedness**

At December 31, 2019, Moody's had \$5.6 billion of outstanding debt and approximately \$1 billion of additional capacity available under the Company's CP program, which is backstopped by the 2018 Facility as more fully discussed in Note 19 to the consolidated financial statements. At December 31, 2019, the Company was in compliance with all covenants contained within all of the debt agreements. All of the Company's long-term debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. At December 31, 2019, there were no such cross defaults.

During 2019, the Company issued €750 million in unsecured senior notes via a public offering, the terms of which are more fully discussed in Note 19. Additionally, the Company repaid the \$500 million 2010 Senior Notes and the \$450 million 2014 Senior Notes (5-year) in 2019.

The repayment schedule for the Company's borrowings outstanding at December 31, 2019 is as follows:



For additional information on the Company's outstanding debt, refer to Note 19 to the consolidated financial statements.

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for operations, share repurchases and other strategic opportunities, which would result in higher financing costs.

**Off-Balance Sheet Arrangements**

At December 31, 2019, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities where Moody's is the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

### Contractual Obligations

The following table presents payments due under the Company's contractual obligations as of December 31, 2019:

(in millions)	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Indebtedness <sup>(1)</sup>	\$ 7,676	\$ 175	\$ 1,646	\$ 1,251	\$ 4,604
Operating lease obligations	648	107	194	164	183
Purchase obligations	127	96	31	—	—
Pension obligations <sup>(2)</sup>	147	8	45	27	67
<b>Total <sup>(3)</sup></b>	<b>\$ 8,598</b>	<b>\$ 386</b>	<b>\$ 1,916</b>	<b>\$ 1,442</b>	<b>\$ 4,854</b>

<sup>(1)</sup> Reflects principal payments, related interest and applicable fees due on all indebtedness outstanding as described in Note 19 to the consolidated financial statements.

<sup>(2)</sup> Reflects projected benefit payments relating to the Company's U.S. unfunded DBPPs and Retirement and Other Plans described in Note 16 to the consolidated financial statements.

<sup>(3)</sup> The table above does not include the Company's net long-term tax liabilities of \$477 million relating to UTPs, since the expected cash outflow of such amounts by period cannot be reasonably estimated. Additionally, the table above does not include approximately \$43 million relating to indemnification liability resulting from the divestiture of MAKs and approximately \$51 million relating to the remaining unpaid deemed repatriation liability resulting from the Tax Act enacted into law in the U.S. in December 2017.

### Non-GAAP Financial Measures:

In addition to its reported results, Moody's has included in this MD&A certain adjusted results that the SEC defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and can provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company. Below are descriptions of the Company's non-GAAP financial measures accompanied by a reconciliation of the non-GAAP measure to its most directly comparable GAAP measure:

#### Adjusted Operating Income and Adjusted Operating Margin:

The Company presents Adjusted Operating Income and Adjusted Operating Margin because management deems these metrics to be useful measures to provide additional perspective on the operating performance of Moody's. Adjusted Operating Income excludes the impact of: i) restructuring charges; ii) depreciation and amortization; iii) Acquisition-Related Expenses; iv) a loss pursuant to the divestiture of MAKs; and v) a captive insurance company settlement. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. Depreciation and amortization are excluded because companies utilize productive assets of different ages and use different methods of acquiring and depreciating productive assets. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk and are excluded due to the material nature of these expenses (which are not expected to recur at this dollar magnitude) over the course of the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. The loss pursuant to the divestiture of MAKs is excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement, which is more fully discussed in Note 22 to the consolidated financial statements, relates to the resolution of a matter that is not expected to recur in the future at this magnitude. Management believes that the exclusion of the aforementioned items, as detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue.

	Year ended December 31,	
	2019	2018
<b>Operating income</b>	<b>\$ 1,998</b>	<b>\$ 1,868</b>
Adjustments:		
Restructuring	60	49
Depreciation and amortization	200	192
Acquisition-Related Expenses	3	8
Loss pursuant to the divestiture of MAKs	14	—
Captive insurance company settlement	16	—
<b>Adjusted Operating Income</b>	<b>\$ 2,291</b>	<b>\$ 2,117</b>
Operating margin	41.4 %	42.0 %
Adjusted Operating Margin	47.4 %	47.6 %



**Adjusted Net Income and Adjusted Diluted EPS attributable to Moody's common shareholders:**

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems these metrics to be useful measures to provide additional perspective on the operating performance of Moody's. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; ii) Acquisition-Related Expenses; iii) restructuring charges; iv) a loss and tax charge pursuant to the divestiture of MAKS; and v) a captive insurance company settlement.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different ages and have different methods of acquiring and amortizing intangible assets. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Also, management believes that excluding acquisition-related amortization expense provides additional perspective when comparing operating results from period to period, and with both acquisitive and non-acquisitive peer companies. Additionally, Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk and are excluded due to the material nature of these expenses (which are not expected to recur at this dollar magnitude) over the course of the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. The loss and tax charge pursuant to the divestiture of MAKS are excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement, which is more fully discussed in Note 22 to the consolidated financial statements, relates to the resolution of a matter that is not expected to recur in the future at this magnitude.

Furthermore, the Company excluded the impact of 2018 adjustments pursuant to U.S. Tax Reform and certain adjustments relating to the Company's non-U.S. UTPs, which resulted in significant adjustments to the provision for income taxes in the prior year. The Company excludes these items to provide additional perspective when comparing net income and diluted EPS from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

<i>Amounts in millions</i>	Year ended December 31,	
	2019	2018
<b>Net income attributable to Moody's common shareholders</b>	<b>\$ 1,422</b>	<b>\$ 1,310</b>
Pre-Tax Acquisition-Related Expenses	\$ 3	\$ 8
Tax on Acquisition-Related Expenses	—	(2)
<b>Net Acquisition-Related Expenses</b>	<b>3</b>	<b>6</b>
Pre-Tax Acquisition-Related Intangible Amortization Expenses	\$ 103	\$ 102
Tax on Acquisition-Related Intangible Amortization Expenses	(24)	(23)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>79</b>	<b>79</b>
<b>Loss pursuant to the divestiture of MAKS</b>	<b>14</b>	<b>—</b>
<b>Tax charge pursuant to the divestiture of MAKS</b>	<b>13</b>	<b>—</b>
<b>Impact of U.S. tax reform</b>	<b>—</b>	<b>(59)</b>
<b>Increase to non-U.S. UTPs</b>	<b>—</b>	<b>64</b>
Pre-Tax Restructuring	\$ 60	\$ 49
Tax on Restructuring	(15)	(12)
<b>Net Restructuring</b>	<b>45</b>	<b>37</b>
Pre-tax captive insurance company settlement	\$ 16	\$ —
Tax on captive insurance company settlement	(4)	—
<b>Net captive insurance company settlement</b>	<b>12</b>	<b>—</b>
<b>Adjusted Net Income</b>	<b>\$ 1,588</b>	<b>\$ 1,437</b>

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Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

	Year ended December 31,	
	2019	2018
<b>Diluted earnings per share attributable to Moody's common shareholders</b>	<b>\$ 7.42</b>	<b>\$ 6.74</b>
Pre-Tax Acquisition-Related Expenses	\$ 0.02	\$ 0.04
Tax on Acquisition-Related Expenses	—	(0.01)
<b>Net Acquisition-Related Expenses</b>	<b>0.02</b>	<b>0.03</b>
Pre-Tax Acquisition-Related Intangible Amortization Expenses	\$ 0.54	\$ 0.52
Tax on Acquisition-Related Intangible Amortization Expenses	(0.12)	(0.12)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>0.42</b>	<b>0.40</b>
<b>Loss pursuant to the divestiture of MAKS</b>	<b>0.07</b>	<b>—</b>
<b>Tax charge pursuant to the divestiture of MAKS</b>	<b>0.07</b>	<b>—</b>
<b>Impact of U.S. tax reform</b>	<b>—</b>	<b>(0.30)</b>
<b>Increase to non-U.S. UTPs</b>	<b>—</b>	<b>0.33</b>
Pre-Tax Restructuring	\$ 0.31	\$ 0.25
Tax on Restructuring	(0.08)	(0.06)
<b>Net Restructuring</b>	<b>0.23</b>	<b>0.19</b>
Pre-tax captive insurance company settlement	\$ 0.08	\$ —
Tax on captive insurance company settlement	(0.02)	—
<b>Net captive insurance company settlement</b>	<b>0.06</b>	<b>—</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 8.29</b>	<b>\$ 7.39</b>

Note: the tax impacts in the table above were calculated using tax rates in effect in the jurisdiction for which the item relates.

**Free Cash Flow:**

The Company defines Free Cash Flow as net cash provided by operating activities minus payments for capital additions. Management believes that Free Cash Flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow. Below is a reconciliation of the Company's net cash flows from operating activities to Free Cash Flow:

	Year ended December 31,	
	2019	2018
<b>Net cash provided by operating activities</b>	<b>\$ 1,675</b>	<b>\$ 1,461</b>
Capital additions	(69)	(91)
<b>Free Cash Flow</b>	<b>\$ 1,606</b>	<b>\$ 1,370</b>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 36</b>	<b>\$ (406)</b>
<b>Net cash used in financing activities</b>	<b>\$ (1,563)</b>	<b>\$ (412)</b>

**Organic Revenue:**

The Company presents the organic revenue and growth because management deems this metric to be a useful measure which provides additional perspective in assessing the revenue growth excluding the inorganic revenue impacts from certain acquisitions and divestiture activity. The following table details the periods excluded from each acquisition/divestiture to determine organic revenue.

Acquisition/Divestiture	Period excluded to determine organic revenue growth
Omega Performance	January 1, 2019 - August 16, 2019
Reis	January 1, 2019 - October 14, 2019
RiskFirst	July 25, 2019 - December 31, 2019
ABS Suite	October 1, 2019 - December 31, 2019
MAKS	November 8, 2018 - December 31, 2018

Below is a reconciliation of the Company's organic dollar revenue and growth rates:

Amounts in millions	Year Ended December 31,			
	2019	2018	Change	Growth
<b>MA revenue</b>	\$ 1,954	\$ 1,731	\$ 223	13%
Omega Performance revenue	(5)	—	(5)	
Reis revenue	(28)	—	(28)	
RiskFirst revenue	(7)	—	(7)	
ABS Suite revenue	(2)	—	(2)	
MAKS revenue	—	(16)	16	
<b>Organic MA revenue</b>	\$ 1,912	\$ 1,715	\$ 197	11%

Amounts in millions	Year Ended December 31,			
	2019	2018	Change	Growth
<b>RD&amp;A revenue</b>	\$ 1,273	\$ 1,121	\$ 152	14%
Reis revenue	(28)	—	(28)	
ABS Suite revenue	(2)	—	(2)	
<b>Organic RD&amp;A revenue</b>	\$ 1,243	\$ 1,121	\$ 122	11%

Amounts in millions	Year Ended December 31,			
	2019	2018	Change	Growth
<b>ERS revenue</b>	\$ 522	\$ 451	\$ 71	16%
RiskFirst revenue	(7)	—	(7)	
<b>Organic ERS revenue</b>	\$ 515	\$ 451	\$ 64	14%

Amounts in millions	Year Ended December 31,			
	2019	2018	Change	Growth
<b>PS revenue</b>	\$ 159	\$ 159	\$ —	—%
Omega Performance revenue	(5)	—	(5)	
MAKS revenue	—	(16)	16	
<b>Organic PS revenue</b>	\$ 154	\$ 143	\$ 11	8%

**Recently Issued Accounting Pronouncements**

Refer to Note 2 to the consolidated financial statements located in Part II, Item 8 on this Form 10-K for a discussion on the impact to the Company relating to recently issued accounting pronouncements.

## CONTINGENCIES

For information regarding legal proceedings, see Part II, Item 8 – “Financial Statements”, Note 22 “Contingencies” in this Form 10-K.

### Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K are forward-looking statements and are based on future expectations, plans and prospects for the Company’s business and operations that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this annual report on Form 10-K, including in the sections entitled “Contingencies” under Item 7, “MD&A”, commencing on page 31 of this annual report on Form 10-K, under “Legal Proceedings” in Part I, Item 3, of this Form 10-K, and elsewhere in the context of statements containing the words “believe”, “expect”, “anticipate”, “intend”, “plan”, “will”, “predict”, “potential”, “continue”, “strategy”, “aspire”, “target”, “forecast”, “project”, “estimate”, “should”, “could”, “may” and similar expressions or words and variations thereof relating to the Company’s views on future events, trends and contingencies or otherwise convey the prospective nature of events or outcomes generally indicative of forward-looking statements. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this annual report on Form 10-K, and the Company undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise, except as required by applicable law or regulation. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying examples of factors, risks and uncertainties that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements.

Those factors, risks and uncertainties include, but are not limited to, credit market disruptions or economic slowdowns, which could affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to uncertainty as companies transition away from LIBOR and Brexit; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting credit markets, international trade and economic policy, including those related to tariffs and trade barriers; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which the Company may be subject from time to time; provisions in the Financial Reform Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company’s global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including data protection and privacy laws, sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate such acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody’s actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under “Risk Factors” in Part I, Item 1A of the Company’s annual report on Form 10-K for the year ended December 31, 2019, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company’s actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company’s business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this item is set forth under the caption “Market Risk” in Part II, Item 7 on page 51 of this annual report on Form 10-K.

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ITEM 8. FINANCIAL STATEMENTS

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Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moody's Corporation is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Moody's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Moody's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has undertaken an assessment of the design and operational effectiveness of the Company's internal control over financial reporting as of December 31, 2019 based on criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the assessment performed, management has concluded that Moody's maintained effective internal control over financial reporting as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ RAYMOND W. MCDANIEL, JR.

**Raymond W. McDaniel, Jr.**

*President and Chief Executive Officer*

/s/ MARK KAYE

**Mark Kaye**

*Senior Vice President and Chief Financial Officer*

February 21, 2020

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Moody's Corporation:

### *Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Moody's Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Change in Accounting Principles*

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Accounting Standard Codification (ASC) Topic 842, *Leases*, and its method of accounting for revenue as of January 1, 2018, due to the adoption of Accounting Standard Update (ASU) 2014-019 and all related amendments, which established ASC Topic 606, *Revenue—Revenue from Contracts with Customers*.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Assessment of the carrying value of goodwill*

As discussed in Note 11 to the consolidated financial statements, the goodwill balance as of December 31, 2019 was \$3,722 million. The Company evaluates its reporting units for impairment on an annual basis, or more frequently if there are changes in the reporting structure of the Company or indicators of potential impairment. The Company has seven primary reporting units as of December 31, 2019: two within the Company's Moody's Investors Services segment and five within the Moody's Analytics segment.

We identified the assessment of the carrying value of goodwill in the reporting units within the Moody's Analytics segment as a critical audit matter on account of the significant degree of judgment required in evaluating assumptions about future operating results and the discount rates used to measure the reporting unit fair values.

The primary procedures we performed to address this critical audit matter included the following. We tested internal controls over the Company's goodwill impairment process, including controls related to future operating results and the discount rates used to measure the reporting unit fair values. We evaluated management's judgments relating to the assumed revenue growth rates, operating costs, and the discount rate by comparing them to available evidence. We also performed sensitivity analyses to assess the impact of alternative assumptions on management's impairment conclusion. We compared the Company's historical revenue and cost forecasts to actual results to assess the Company's ability to accurately forecast. We involved a valuation professional with specialized skill and knowledge, who assisted in assessing the significant assumptions used to develop the discount rate, including the relevance and reliability of the information used.

*Assessment of gross unrecognized tax benefits*

As discussed in Note 18 to the consolidated financial statements, the Company has recorded uncertain tax benefits (UTPs), excluding associated interest, of \$477 million as of December 31, 2019. The Company determines whether it is more-likely-than-not that a tax position will be sustained based on its technical merits as of the reporting date. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

We identified the assessment of the Company's UTPs as a critical audit matter because complex judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of the tax positions.

The primary procedures we performed to address this critical audit matter included the following. We tested internal controls over the Company's tax process, including those related to the timely identification of UTPs, the assessment of new information related to previously identified UTPs, and the measurement of UTPs. We involved tax and valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's interpretation of tax laws and judgments about the administrative practices of tax authorities,
- assessing transfer pricing studies for compliance with applicable laws and regulations,
- inspecting settlement documents with applicable taxing authorities,
- assessing the expiration of statutes of limitations, and
- performing an assessment of the Company's tax positions and comparing the results to the Company's assessment.

In addition, we evaluated the Company's ability to accurately estimate its gross UTPs by comparing historical gross UTPs to actual results upon conclusion of tax audits or expiration of the statute of limitations.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

New York, New York

February 21, 2020



MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in millions, except per share data)

	Year Ended December 31,		
	2019	2018	2017
<b>Revenue</b>	<b>\$ 4,829</b>	<b>\$ 4,443</b>	<b>\$ 4,204</b>
<b>Expenses</b>			
Operating	1,387	1,246	1,216
Selling, general and administrative	1,167	1,080	986
Restructuring	60	49	—
Depreciation and amortization	200	192	158
Acquisition-Related Expenses	3	8	23
Loss pursuant to the divestiture of MAKs	14	—	—
<b>Total expenses</b>	<b>2,831</b>	<b>2,575</b>	<b>2,383</b>
<b>Operating income</b>	<b>1,998</b>	<b>1,868</b>	<b>1,821</b>
<b>Non-operating (expense) income, net</b>			
Interest expense, net	(208)	(215)	(209)
Other non-operating income, net	20	19	4
Purchase Price Hedge Gain	—	—	111
CCXI Gain	—	—	60
<b>Non-operating (expense) income, net</b>	<b>(188)</b>	<b>(196)</b>	<b>(34)</b>
<b>Income before provision for income taxes</b>	<b>1,810</b>	<b>1,672</b>	<b>1,787</b>
Provision for income taxes	381	352	779
<b>Net income</b>	<b>1,429</b>	<b>1,320</b>	<b>1,008</b>
Less: Net income attributable to noncontrolling interests	7	10	7
<b>Net income attributable to Moody's</b>	<b>\$ 1,422</b>	<b>\$ 1,310</b>	<b>\$ 1,001</b>
<b>Earnings per share</b>			
Basic	<b>\$ 7.51</b>	<b>\$ 6.84</b>	<b>\$ 5.24</b>
Diluted	<b>\$ 7.42</b>	<b>\$ 6.74</b>	<b>\$ 5.15</b>
<b>Weighted average shares outstanding</b>			
Basic	<b>189.3</b>	<b>191.6</b>	<b>191.1</b>
Diluted	<b>191.6</b>	<b>194.4</b>	<b>194.2</b>

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in millions)

	Year Ended December 31, 2019			Year Ended December 31, 2018			Year Ended December 31, 2017		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net Income			\$ 1,429			\$ 1,320			\$ 1,008
<b>Other Comprehensive Income (Loss):</b>									
<b>Foreign Currency Adjustments:</b>									
Foreign currency translation adjustments, net	\$ (22)	\$ (1)	\$ (23)	\$ (315)	\$ —	\$ (315)	\$ 225	\$ —	\$ 225
Foreign currency translation adjustments - reclassification of losses included in net income	32	—	32	—	—	—	—	—	—
Net gains (losses) on net investment hedges	35	(9)	26	41	(7)	34	(59)	23	(36)
Net investment hedges - reclassification of gains included in net income	(3)	1	(2)	—	—	—	—	—	—
<b>Cash Flow Hedges:</b>									
Net realized and unrealized (losses) gains on cash flow hedges	—	—	—	(1)	—	(1)	10	(4)	6
Reclassification of (gains) losses included in net income	—	—	—	—	—	—	(12)	5	(7)
<b>Available for Sale Securities:</b>									
Net unrealized gains on available for sale securities	—	—	—	—	—	—	2	—	2
Reclassification of gains included in net income	—	—	—	—	—	—	(4)	—	(4)
<b>Pension and Other Retirement Benefits:</b>									
Amortization of actuarial losses and prior service costs included in net income	3	(1)	2	5	(1)	4	8	(3)	5
Net actuarial (losses) gains and prior service costs	(32)	8	(24)	6	(2)	4	21	(8)	13
<b>Total Other Comprehensive Income (Loss)</b>	<b>\$ 13</b>	<b>\$ (2)</b>	<b>\$ 11</b>	<b>\$ (264)</b>	<b>\$ (10)</b>	<b>\$ (274)</b>	<b>\$ 191</b>	<b>\$ 13</b>	<b>\$ 204</b>
Comprehensive Income			1,440			1,046			1,212
Less: comprehensive income (loss) attributable to noncontrolling interests			11			(12)			19
<b>Comprehensive Income Attributable to Moody's</b>			<b>\$ 1,429</b>			<b>\$ 1,058</b>			<b>\$ 1,193</b>

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION  
**CONSOLIDATED BALANCE SHEETS**  
*(Amounts in millions, except share and per share data)*

	December 31,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,832	\$ 1,685
Short-term investments	98	133
Accounts receivable, net of allowances of \$43 in 2019 and \$43 in 2018	1,419	1,287
Other current assets	330	282
<b>Total current assets</b>	<b>3,679</b>	<b>3,387</b>
Property and equipment, net	292	320
Operating lease right-of-use assets	456	—
Goodwill	3,722	3,781
Intangible assets, net	1,498	1,566
Deferred tax assets, net	229	197
Other assets	389	275
<b>Total assets</b>	<b>\$ 10,265</b>	<b>\$ 9,526</b>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 773	\$ 696
Current portion of operating lease liabilities	89	—
Current portion of long-term debt	—	450
Deferred revenue	1,050	953
<b>Total current liabilities</b>	<b>1,912</b>	<b>2,099</b>
Non-current portion of deferred revenue	112	122
Long-term debt	5,581	5,226
Deferred tax liabilities, net	357	352
Uncertain tax positions	477	495
Operating lease liabilities	485	—
Other liabilities	504	576
<b>Total liabilities</b>	<b>9,428</b>	<b>8,870</b>
Contingencies (Note 22)		
<b>Redeemable noncontrolling interest</b>	<b>6</b>	<b>—</b>
<b>Shareholders' equity:</b>		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Series common stock, par value \$.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value \$.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at December 31, 2019 and December 31, 2018, respectively.	3	3
Capital surplus	642	601
Retained earnings	9,656	8,594
Treasury stock, at cost; 155,215,143 and 151,598,695 shares of common stock at December 31, 2019 and December 31, 2018, respectively	(9,250)	(8,313)
Accumulated other comprehensive loss	(439)	(426)
<b>Total Moody's shareholders' equity</b>	<b>612</b>	<b>459</b>
Noncontrolling interests	219	197
<b>Total shareholders' equity</b>	<b>831</b>	<b>656</b>
<b>Total liabilities, redeemable noncontrolling interest and shareholders' equity</b>	<b>\$ 10,265</b>	<b>\$ 9,526</b>

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in millions)

	Year Ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities</b>			
Net income	\$ 1,429	\$ 1,320	\$ 1,008
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	200	192	158
Stock-based compensation	136	130	123
Deferred income taxes	(38)	(99)	88
CCXI Gain	—	—	(60)
Purchase Price Hedge Gain	—	—	(111)
ROU Asset impairment & other non-cash restructuring/impairment charges	38	—	—
Loss pursuant to the divestiture of MAKs	14	—	—
Changes in assets and liabilities:			
Accounts receivable	(134)	(136)	(148)
Other current assets	(88)	(9)	(70)
Other assets	(69)	(17)	12
Lease obligations	(16)	—	—
Accounts payable and accrued liabilities	77	(134)	(638)
Restructuring liability	—	42	(6)
Deferred revenue	76	139	73
Unrecognized tax positions and other non-current tax liabilities	8	59	63
Other liabilities	42	(26)	263
<b>Net cash provided by operating activities</b>	<b>1,675</b>	<b>1,461</b>	<b>755</b>
<b>Cash flows from investing activities</b>			
Capital additions	(69)	(91)	(91)
Purchases of investments	(138)	(193)	(170)
Sales and maturities of investments	174	161	239
Receipts from Purchase Price Hedge	—	—	111
Cash received upon disposal of a business, net of cash transferred to purchaser	226	6	—
Cash paid for acquisitions, net of cash acquired	(162)	(289)	(3,511)
Receipts from settlements of net investment hedges	12	—	2
Payments for settlements of net investment hedges	(7)	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>36</b>	<b>(406)</b>	<b>(3,420)</b>
<b>Cash flows from financing activities</b>			
Issuance of notes	824	1,090	2,292
Repayment of notes	(950)	(800)	(300)
Issuance of commercial paper	1,317	989	1,837
Repayment of commercial paper	(1,320)	(1,120)	(1,707)
Proceeds from stock-based compensation plans	45	47	56
Repurchase of shares related to stock-based compensation	(77)	(62)	(49)
Treasury shares	(991)	(203)	(200)
Dividends	(378)	(337)	(290)
Dividends to noncontrolling interests	(3)	(5)	(3)
Payment for noncontrolling interest	(12)	—	(9)
Debt issuance costs, extinguishment costs and related fees	(18)	(11)	(27)
<b>Net cash used in financing activities</b>	<b>(1,563)</b>	<b>(412)</b>	<b>1,600</b>
Effect of exchange rate changes on cash and cash equivalents	(1)	(30)	85
Increase (decrease) in cash and cash equivalents	147	613	(980)
Cash and cash equivalents, beginning of period	1,685	1,072	2,052
Cash and cash equivalents, end of period	<b>\$ 1,832</b>	<b>\$ 1,685</b>	<b>\$ 1,072</b>

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**  
 (Amounts in millions, except per share data)

	Shareholders of Moody's Corporation									
	Common Stock			Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Moody's Shareholders' Deficit	Non-Controlling Interests	Total Shareholders' Equity (Deficit)
	Shares	Amount	Capital Surplus		Shares	Amount				
<b>Balance at December 31, 2016</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 477</b>	<b>\$ 6,689</b>	<b>(152.2)</b>	<b>\$ (8,030)</b>	<b>\$ (364)</b>	<b>\$ (1,225)</b>	<b>\$ 198</b>	<b>\$ (1,027)</b>
Net income				1,001				1,001	7	1,008
Dividends (\$1.14 per share)				(220)				(220)	(3)	(223)
Adoption of ASU 2016-16				(5)				(5)		(5)
Stock-based compensation			123					123		123
Shares issued for stock-based compensation plans at average cost, net			(67)		1.9	77		10		10
Purchase of noncontrolling interest			(4)					(4)	(1)	(5)
Treasury shares repurchased					(1.6)	(200)		(200)		(200)
Currency translation adjustment, net of net investment hedge activity (net of tax of \$23 million)							176	176	13	189
Net actuarial gains and prior service cost (net of tax of \$8 million)							13	13		13
Amortization of prior service costs and actuarial losses (net of tax of \$3 million)							5	5		5
Net unrealized gain on available for sale securities							(1)	(1)	(1)	(2)
Net realized and unrealized gain on cash flow hedges (net of tax of \$1 million)							(1)	(1)		(1)
<b>Balance at December 31, 2017</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 529</b>	<b>\$ 7,465</b>	<b>(151.9)</b>	<b>\$ (8,153)</b>	<b>\$ (172)</b>	<b>\$ (328)</b>	<b>\$ 213</b>	<b>\$ (115)</b>

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) continued**  
 (Amounts in millions, except per share data)

	Shareholders of Moody's Corporation									
	Common Stock				Treasury Stock		Accumulated Other Comprehensive Loss	Total Moody's Shareholders' (Deficit) Equity	Non- Controlling Interests	Total Shareholders' (Deficit) Equity
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount				
<b>Balance at December 31, 2017</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 529</b>	<b>\$ 7,465</b>	<b>(151.9)</b>	<b>\$ (8,153)</b>	<b>\$ (172)</b>	<b>\$ (328)</b>	<b>\$ 213</b>	<b>\$ (115)</b>
Net income				1,310				1,310	10	1,320
Dividends (\$1.76 per share)				(339)				(339)	(4)	(343)
Adoption of New Revenue Accounting Standard				156				156		156
Adoption of ASU 2016-01				2			(2)	—		—
Stock-based compensation			131					131		131
Shares issued for stock-based compensation plans at average cost, net			(59)		1.5	43		(16)		(16)
Treasury shares repurchased					(1.2)	(203)		(203)		(203)
Currency translation adjustment, net of net investment hedge activity (net of tax of \$7 million)							(259)	(259)	(22)	(281)
Net actuarial gains and prior service cost (net of tax of \$2 million)							4	4		4
Amortization of prior service costs and actuarial losses (net of tax of \$1 million)							4	4		4
Net realized and unrealized gain on cash flow hedges (net of tax of \$1 million)							(1)	(1)		(1)
<b>Balance at December 31, 2018</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 601</b>	<b>\$ 8,594</b>	<b>(151.6)</b>	<b>\$ (8,313)</b>	<b>\$ (426)</b>	<b>\$ 459</b>	<b>\$ 197</b>	<b>\$ 656</b>

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

MOODY'S CORPORATION  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) continued**  
 (Amounts in millions, except per share data)

	Shareholders of Moody's Corporation									
	Common Stock			Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Moody's Shareholders' Equity	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Capital Surplus		Shares	Amount				
<b>Balance at December 31, 2018</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 601</b>	<b>\$ 8,594</b>	<b>(151.6)</b>	<b>\$ (8,313)</b>	<b>\$ (426)</b>	<b>\$ 459</b>	<b>\$ 197</b>	<b>\$ 656</b>
Net income				1,422				1,422	7	1,429
Dividends (\$2.00 per share)				(380)				(380)	(3)	(383)
Adoption of ASU 2018-02 (See Note 1)				20			(20)	—		—
Stock-based compensation			136					136		136
Shares issued for stock-based compensation plans at average cost, net			(70)		1.6	38		(32)		(32)
Purchase of noncontrolling interest			(9)					(9)	(3)	(12)
Non-controlling interest resulting from majority acquisition of Vigeo Eiris								—	17	17
Treasury shares repurchased			(16)		(5.2)	(975)		(991)		(991)
Currency translation adjustment, net of net investment hedge activity (net of tax of \$9 million)							29	29	4	33
Net actuarial gains and prior service cost (net of tax of \$8 million)							(24)	(24)		(24)
Amortization of prior service costs and actuarial losses (net of tax of \$1 million)							2	2		2
<b>Balance at December 31, 2019</b>	<b>342.9</b>	<b>\$ 3</b>	<b>\$ 642</b>	<b>\$ 9,656</b>	<b>(155.2)</b>	<b>\$ (9,250)</b>	<b>\$ (439)</b>	<b>\$ 612</b>	<b>\$ 219</b>	<b>\$ 831</b>

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular dollar and share amounts in millions, except per share data)

### NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Moody's is a provider of (i) credit ratings and assessment services; (ii) credit, capital markets and economic research, data and analytical tools; (iii) software solutions that support financial risk management activities; (iv) quantitatively derived credit scores; (v) learning solutions and certification services; (vi) offshore financial research and analytical services (this business was divested with the sale of MAKS in the fourth quarter of 2019); and (vii) company information and business intelligence products. Moody's reports in two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings and provides assessment services on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

MA provides financial intelligence and analytical tools to assist businesses in making decisions. MA's portfolio of solutions consists of specialized research, data, software, and professional services, which are assembled to support the financial analysis and risk management activities of institutional customers worldwide.

On November 8, 2019, the Company sold the MAKS business to Equistone Partners Europe Limited, a European private equity firm. The operating results of MAKS are reported within the MA segment (and PS LOB) through the closing of the transaction in the fourth quarter.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

#### Adoption of New Accounting Standards

On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases (Topic 842)" and has elected to apply the provisions of the New Lease Accounting Standard on the date of adoption with adjustments to the assets and liabilities on its opening balance sheet, with no cumulative-effect adjustment to the opening balance of retained earnings required. Accordingly, the Company did not restate prior year comparative periods for the impact of the New Lease Accounting Standard. The New Lease Accounting Standard requires lessees to recognize an ROU Asset and lease liability for all leases with terms of more than 12 months. The Company has elected the package of practical expedients permitted under the transition guidance within the New Lease Accounting Standard, which permits the Company not to reassess the following for any expired or existing contracts: i) whether any contracts contain leases; ii) lease classification (i.e. operating lease or finance/capital lease); and iii) initial direct costs.

The adoption of the New Lease Accounting Standard resulted in the recognition of ROU Assets and lease liabilities of approximately \$518 million and \$622 million, respectively, at January 1, 2019, consisting primarily of operating leases relating to office space. Pursuant to this transition adjustment, the Company also recognized approximately \$150 million and approximately \$125 million in additional deferred tax assets and liabilities, respectively. Compared to previous guidance, the New Lease Accounting Standard does not significantly change the method by which a lessee should recognize, measure and present expenses and cash flows arising from a lease. Refer to Note 2 for a more fulsome description of the Company's accounting policy relating to the New Lease Accounting Standard, which includes a discussion relating to the pattern of operating lease expense recognition (both prior to and subsequent to an impairment of an ROU Asset).

In the first quarter of 2019, the Company adopted ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". Under previous GAAP, adjustments to deferred tax assets and liabilities related to a change in tax laws or rates were included in income from continuing operations, even in situations where the related items were originally recognized in OCI (commonly referred to as a "stranded tax effect"). The provisions of this ASU permit the reclassification of the stranded tax effect related to the Tax Act from AOCI to retained earnings. In the first quarter of 2019, the Company reclassified \$20 million of tax benefits from AOCI to retained earnings relating to the aforementioned stranded tax effect of the Tax Act.

On January 1, 2019, the Company adopted ASU No. 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes". The amendments in this ASU permit the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815, in addition to the currently permissible benchmark interest rates. This ASU provides the Company the ability to utilize the OIS rate based on SOFR as the benchmark interest rate on certain hedges of interest rate risk. The adoption of this ASU had no impact on the Company's financial statements upon adoption.



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On January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" using the modified retrospective approach. Under the previous accounting guidance, the reduction to reported 2018 revenue, operating income and Net Income would have been a reduction of \$13 million, \$24 million and \$19 million, respectively.

**Reclassification of Previously Reported Revenue by LOB**

There were certain organizational/product realignments in both MIS and MA in the first quarter of 2019. Accordingly, in MIS, revenue from REITs, which was previously classified in the SFG LOB, is now classified in the CFG LOB. In MA, revenue relating to the Bureau van Dijk FACT product (a credit assessment and origination solution), which was previously classified in RD&A, is now classified in the ERS LOB. Accordingly, 2018 and 2017 revenue by LOB was reclassified to conform with this new presentation, as follows:

MIS	As previously reported	Reclassification	As Reclassified	MA	As previously reported	Reclassification	As Reclassified
<b>Full year 2018</b>							
CFG	\$ 1,334	\$ 45	\$ 1,379	RD&A	\$ 1,134	\$ (13)	\$ 1,121
SFG	\$ 526	\$ (45)	\$ 481	ERS	\$ 438	\$ 13	\$ 451
<b>Full year 2017</b>							
CFG	\$ 1,393	\$ 55	\$ 1,448	RD&A	\$ 833	\$ (7)	\$ 826
SFG	\$ 495	\$ (55)	\$ 440	ERS	\$ 448	\$ 7	\$ 455

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

The consolidated financial statements include those of Moody's Corporation and its majority- and wholly-owned subsidiaries. The effects of all intercompany transactions have been eliminated. Investments in companies for which the Company has significant influence over operating and financial policies but not a controlling interest are accounted for on an equity basis whereby the Company records its proportional share of the investment's net income or loss as part of other non-operating income (expense), net and any dividends received reduce the carrying amount of the investment. The Company applies the guidelines set forth in Topic 810 of the ASC in assessing its interests in variable interest entities to decide whether to consolidate that entity. The Company has reviewed the potential variable interest entities and determined that there are no consolidation requirements under Topic 810 of the ASC. The Company consolidates its ICRA subsidiaries on a three month lag.

**Cash and Cash Equivalents**

Cash equivalents principally consist of investments in money market mutual funds and money market deposit accounts as well as high-grade commercial paper and certificates of deposit with maturities of three months or less when purchased.

**Short-term Investments**

Short-term investments are securities with maturities greater than 90 days at the time of purchase that are available for operations in the next 12 months. The Company's short-term investments primarily consist of certificates of deposit and their cost approximates fair value due to the short-term nature of the instruments. Interest and dividends on these investments are recorded into income when earned.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred.

**Computer Software Developed or Obtained for Internal Use**

The Company capitalizes costs related to software developed or obtained for internal use. These assets, included in property and equipment in the consolidated balance sheets, relate to the Company's financial, website and other systems. Such costs generally consist of direct costs for third-party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application development stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives on a straight-line basis. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

## **Goodwill and Other Acquired Intangible Assets**

Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment (i.e., MIS and MA), or one level below an operating segment (i.e., a component of an operating segment), annually as of July 31 or more frequently if impairment indicators arise in accordance with ASC Topic 350.

The Company evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made that, based on the qualitative factors, an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company will recognize the difference as an impairment charge.

The Company evaluates its reporting units for impairment on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions or realignments or if there are indicators of potential impairment. For the reporting units where the Company is consistently able to conclude that an impairment does not exist using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. Goodwill is assigned to a reporting unit at the date when an acquisition is integrated into one of the established reporting units, and is based on which reporting unit is expected to benefit from the synergies of the acquisition.

For purposes of assessing the recoverability of goodwill, the Company has seven primary reporting units at December 31, 2019: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and five reporting units within MA: Content, ERS, MALS, Bureau van Dijk, and Reis.

### **Impairment of long-lived assets and definite-lived intangible assets**

Long-lived assets (including ROU Assets) and amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Under the first step of the recoverability assessment, the Company compares the estimated undiscounted future cash flows attributable to the asset or asset group to their carrying value. If the undiscounted future cash flows are greater than the carrying value, no further assessment is required. If the undiscounted future cash flows are less than the carrying value, Moody's proceeds with step two of the assessment. Under step two of this assessment, Moody's is required to determine the fair value of the asset or asset group (reduced by the estimated cost to sell the asset for assets or disposal groups held-for-sale) and recognize an impairment loss if the carrying amount exceeds its fair value.

### **Stock-Based Compensation**

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes shares issued under stock option and restricted stock plans.

### **Derivative Instruments and Hedging Activities**

Based on the Company's risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values on a gross basis. The changes in the value of derivatives that qualify as fair value hedges are recorded in the same income statement line item in earnings in which the corresponding adjustment to the carrying value of the hedged item is presented. The entire change in the fair value of derivatives that qualify as cash flow hedges is recorded to OCI and such amounts are reclassified from AOCI to the same income statement line in earnings in the same period or periods during which the hedged transaction affects income. Effective with the Company's early adoption of ASC 2017-12, the Company changed the method by which it assesses effectiveness for net investment hedges from the forward-method to the spot-method. The Company considers the spot-method an improved method of assessing hedge effectiveness, as spot rate changes relating to the hedging instrument's notional amount perfectly offset the currency translation adjustment on the hedged net investment in the Company's foreign subsidiaries. The entire change in the fair value of derivatives that qualify as net investment hedges is initially recorded to OCI. Those changes in fair value attributable to components included in the assessment of hedge effectiveness in a net investment hedge are recorded in the currency translation adjustment component of OCI and remain in AOCI until the period in which the hedged item affects earnings. Those changes in fair value attributable to components excluded from the assessment of hedge effectiveness in a net investment hedge are recorded to OCI and amortized to earnings using a systematic and rational method over the duration of the hedge. Any changes in the fair value of derivatives that the Company does not designate as hedging instruments under Topic 815 of the ASC are recorded in the consolidated statements of operations in the period in which they occur.

## Revenue Recognition and Costs to Obtain or Fulfill a Contract with a Customer

### Revenue recognition:

Revenue is recognized when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

When contracts with customers contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to each distinct performance obligation on a relative SSP basis. The Company determines the SSP by using the price charged for a deliverable when sold separately or uses management's best estimate of SSP for goods or services not sold separately using estimation techniques that maximize observable data points, including: internal factors relevant to its pricing practices such as costs and margin objectives; standalone sales prices of similar products; pricing policies; percentage of the fee charged for a primary product or service relative to a related product or service; and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trends.

Sales, usage-based, value added and other taxes are excluded from revenues.

### MIS Revenue

In the MIS segment, revenue arrangements with multiple elements are generally comprised of two distinct performance obligations, a rating and the related monitoring service. Revenue attributed to ratings of issued securities is generally recognized when the rating is delivered to the issuer. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of certain structured finance products, primarily CMBS, issuers can elect to pay all of the annual monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities.

MIS arrangements generally have standard contractual terms for which the stated payments are due at conclusion of the ratings process for ratings and either upfront or in arrears for monitoring services; and are signed by customers either on a per issue basis or at the beginning of the relationship with the customer. In situations when customer fees for an arrangement may be variable, the Company estimates the variable consideration at inception using the expected value method based on analysis of similar contracts in the same line of business, which is constrained based on the Company's assessment of the realization of the adjustment amount.

The Company allocates the transaction price within arrangements that include multiple performance obligations based upon the relative SSP of each service. The SSP for both rating and monitoring services is generally based upon observable selling prices where the rating or monitoring service is sold separately to similar customers.

### MA Revenue

In the MA segment, products and services offered by the Company include hosted research and data subscriptions, installed software subscriptions, perpetual installed software licenses and related maintenance, or PCS, and professional services. Subscription and PCS contracts are generally invoiced in advance of the contractual coverage period, which is principally one year, but can range from 3-5 years; while perpetual software licenses are generally invoiced upon delivery and professional services are invoiced as those services are provided. Payment terms and conditions vary by contract type, but primarily include a requirement of payment within 30 to 60 days.

Revenue from research, data and other hosted subscriptions is recognized ratably over the related subscription period as MA's performance obligation to provide access to these products is progressively fulfilled over the stated term of the contract. A large portion of these services are invoiced in the months of November, December and January.

Revenue from the sale of a software license, when considered distinct from the related software implementation services, is generally recognized at the time the product master or first copy is delivered or transferred to the customer. However, in instances where the software license (perpetual or subscription) and related implementation services are considered to be one combined performance obligation, revenue is recognized over time using cost based input methods. These methods require judgment to evaluate assumptions, including the total estimated costs to determine progress towards contract completion and to calculate the corresponding amount of revenue to recognize, which is consistent with the pattern of recognition for the software implementation services if considered to be a separate distinct performance obligation. The Company exercises judgment in determining the level of integration and interdependency between the promise to grant the software license and the promise to deliver the related implementation services. This determination influences whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the implementation services and recognized over time. PCS is generally recognized ratably over the contractual period commencing when the software license is fully delivered. Revenue from installed software subscriptions, which includes PCS, is bifurcated into a software license performance obligation and a PCS performance obligation, which follow the patterns of recognition described above.

For implementation services and other service projects within the ERS and ESA businesses for which fees are fixed, the Company determined progress towards completion is most accurately measured on a percentage-of-completion basis (input method) as this approach utilizes the most directly observable data points and is therefore used to recognize the related revenue. For implementation services where price varies based on time expended, a time-based measure of progress towards completion of the performance obligation is utilized.

Revenue from professional services rendered within the PS LOB is generally recognized as the services are performed over time.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where an arrangement contains multiple performance obligations, the Company accounts for the individual performance obligations separately if they are considered distinct. Revenue is generally allocated to all performance obligations based upon the relative SSP at contract inception. For certain performance obligations, judgment is required to determine the SSP. Revenue is recognized for each performance obligation based upon the conditions for revenue recognition noted above.

In the MA segment, customers usually pay a fixed fee for the products and services based on signed contracts. However, accounting for variable consideration is applied mainly for: i) estimates for cancellation rights and price concessions and ii) T&M based services.

The Company estimates the variable consideration associated with cancellation rights and price concessions based on the expected amount to be provided to customers and reduces the amount of revenue to be recognized. T&M based contracts represent about half of MA's service projects within the ERS and ESA businesses. The Company provides agreed upon services at a contracted daily or hourly rate. The commitment represents a series of goods and services that are substantially the same and have the same pattern of transfer to the customer. As such, if T&M services are sold with other MA products, the Company allocates the variable consideration entirely to the T&M performance obligation if the services are sold at standard pricing or at a similar discount level compared to other performance obligations in the same revenue contract. If these criteria are not met, the Company estimates variable consideration for each performance obligation upfront. Each form of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

#### **Costs to Obtain or Fulfill a Contract with a Customer:**

##### *Costs to obtain a contract with a customer*

Costs incurred to obtain customer contracts, such as sales commissions, are deferred and recorded within other current assets and other assets when such costs are determined to be incremental to obtaining a contract, would not have been incurred otherwise and the Company expects to recover those costs. These costs are amortized to expense on a systematic basis consistent with the transfer of the products or services to the customer. Depending on the line of business to which the contract relates, this may be based upon the average economic life of the products sold or average period for which services are provided, inclusive of anticipated contract renewals. Determining the estimated economic life of the products sold requires judgment with respect to anticipated future technological changes. The Company had a balance of \$159 million and \$110 million in such deferred costs as of December 31, 2019 and December 31, 2018, respectively, and recognized \$53 million and \$38 million of related amortization during the years ended December 31, 2019 and December 31, 2018, respectively, which is included within SG&A expenses in the consolidated statement of operations. Costs incurred to obtain customer contracts are only in the MA segment.

##### *Cost to fulfill a contract with a customer*

Costs incurred to fulfill customer contracts, are deferred and recorded within other current assets and other assets when such costs relate directly to a contract, generate or enhance resources of the Company that will be used in satisfying performance obligations in the future and the Company expects to recover those costs.

The Company capitalizes work-in-process costs for in-progress MIS ratings, which is recognized consistent with the rendering of the related services to the customers, as ratings are issued. The Company had a balance of \$11 million in such deferred costs as of December 31, 2019 and December 31, 2018 and recognized \$42 million and \$40 million of amortization of the costs during the years ended December 31, 2019 and December 31, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

In addition, within the MA segment, the Company capitalizes royalty costs related to third-party information data providers associated with hosted company information and business intelligence products. These costs are amortized to expense consistent with the recognition pattern of the related revenue over time. The Company had a balance of \$40 million and \$35 million in such deferred costs as of December 31, 2019 and December 31, 2018, respectively, and recognized \$56 million and \$54 million of related amortization during the years ended December 31, 2019 and December 31, 2018, respectively, which is included within operating expenses in the consolidated statement of operations.

#### **Accounts Receivable Allowances**

Moody's records variable consideration in respect of estimated future adjustments to customer billings as an adjustment to revenue using the expected value method based on analysis of similar contracts in the same line of business. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments are recorded against the allowance, depending on the nature of the adjustment. Actual uncollectible account write-offs are recorded against the allowance. Moody's evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current status of customer accounts. Moody's also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody's adjusts its allowance as considered appropriate in the circumstances.

## Leases

The Company has operating leases, of which substantially all relate to the lease of office space. The Company's leases which are classified as finance leases are not material to the consolidated financial statements.

The Company determines if an arrangement meets the definition of a lease at contract inception. The Company recognizes in its consolidated balance sheet a lease liability and an ROU Asset for all leases with a lease term greater than 12 months. In determining the length of the lease term, the Company utilizes judgment in assessing the likelihood of whether it is reasonably certain that it will exercise an option to extend or early-terminate a lease, if such options are provided in the lease agreement.

ROU Assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU Assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As substantially all of the Company's leases do not provide an implicit interest rate, the Company uses its estimated secured incremental borrowing rates at the lease commencement date in determining the present value of lease payments. These secured incremental borrowing rates are attributable to the currency in which the lease is denominated.

At commencement, the Company's initial measurement of the ROU Asset is calculated as the present value of the remaining lease payments (i.e., lease liability), with additive adjustments reflecting: initial direct costs (e.g., broker commissions) and prepaid lease payments (if any); and reduced by any lease incentives provided by the lessor if: (i) received before lease commencement or (ii) receipt of the lease incentive is contingent upon future events for which the occurrence is both probable and within the Company's control.

Lease expense for minimum operating lease payments is recognized on a straight-line basis over the lease term. This straight-line lease expense represents a single lease cost which is comprised of both an interest accretion component relating to the lease liability and amortization of the ROU Assets. The Company records this single lease cost in operating and SG&A expenses. However, in situations where an operating lease ROU Asset has been impaired, the subsequent amortization of the ROU Asset is then recorded on a straight-line basis over the remaining lease term and is combined with accretion expense on the lease liability to result in single operating lease cost (which subsequent to impairment will no longer follow a straight-line recognition pattern).

The Company has lease agreements which include lease and non-lease components. For the Company's office space leases, the lease components (e.g., fixed rent payments) and non-lease components (e.g., fixed common-area maintenance costs) are combined and accounted for as a single lease component.

Variable lease payments (e.g. variable common-area-maintenance costs) are only included in the initial measurement of the lease liability to the extent those payments depend on an index or a rate. Variable lease payments not included in the lease liability are recognized in net income in the period in which the obligation for those payments is incurred.

## Contingencies

Moody's is involved in legal and tax proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation that are incidental to the Company's business, including claims based on ratings assigned by MIS. Moody's is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. Moody's discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

## **Operating Expenses**

Operating expenses include costs associated with the development and production of the Company's products and services and their delivery to customers. These expenses principally include employee compensation and benefits and travel costs that are incurred in connection with these activities. Operating expenses are charged to income as incurred, except for certain costs related to software implementation services, which may be deferred until related revenue is recognized. Additionally, certain costs incurred to develop internal use software are capitalized and amortized over their estimated useful life.

## **Selling, General and Administrative Expenses**

SG&A expenses include such items as compensation and benefits for corporate officers and staff and compensation and other expenses related to sales. They also include items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. SG&A expenses are charged to income as incurred, except for certain expenses incurred to develop internal use software (which are capitalized and amortized over their estimated useful life) and the deferral of sales commissions in the MA segment (which are recognized in the period in which the related revenue is recognized).

## **Foreign Currency Translation**

For all operations outside the U.S. where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these foreign operations, currency translation adjustments are recorded to other comprehensive income.

## **Comprehensive Income**

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts, net actuarial gains and losses and net prior service costs related to pension and other retirement plans, gains and losses on derivative instruments designated as net investment hedges or cash flow hedges and unrealized gains and losses on securities designated as 'available-for-sale' under ASC Topic 320 (for periods prior to January 1, 2018). Comprehensive income items, including cumulative translation adjustments of entities that are less-than-wholly-owned subsidiaries, will be reclassified to noncontrolling interests and thereby, adjusting accumulated other comprehensive income proportionately in accordance with the percentage of ownership interest of the NCI shareholder.

## **Income Taxes**

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company classifies interest related to unrecognized tax benefits as a component of interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. For UTPs, the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

On December 22, 2017, the Tax Act was signed into law, resulting in all previously undistributed foreign earnings being subject to U.S. tax. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested.

## **Fair Value of Financial Instruments**

The Company's financial instruments include cash, cash equivalents, trade receivables and payables, and certain short-term investments consisting primarily of certificates of deposit and money market deposits, all of which are short-term in nature and, accordingly, approximate fair value.

The Company also invests in mutual funds, which are accounted for as equity securities with readily determinable fair values under ASC Topic 321. Beginning in the first quarter of 2018, the Company measures these investments at fair value with both realized gains and losses and unrealized holding gains and losses for these investments included in net income.

Prior to January 1, 2018, the investments in mutual funds were designated as 'available for sale' under Topic 320 of the ASC. Accordingly, unrealized gains and losses on these investments were recorded to other comprehensive income and were reclassified out of accumulated other comprehensive income to the statement of operations when the investment matured or was sold using a specific identification method.

Also, the Company uses derivative instruments to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value on the Company's consolidated balance sheets.

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Fair value is defined by the ASC 820 as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk principally consist of cash and cash equivalents, short-term investments, trade receivables and derivatives.

The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposits and high-grade commercial paper. Short-term investments primarily consist of certificates of deposit as of December 31, 2019 and 2018. The Company manages its credit risk exposure on cash equivalents and short-term investments by limiting the amount it can invest with any single entity. No customer accounted for 10% or more of accounts receivable at December 31, 2019 or 2018.

### **Earnings per Share of Common Stock**

Basic shares outstanding is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted shares outstanding is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding and dilutive during the reporting period.

### **Pension and Other Retirement Benefits**

Moody's maintains various noncontributory DBPPs as well as other contributory and noncontributory retirement plans. The expense and assets/liabilities that the Company reports for its pension and other retirement benefits are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions represent the Company's best estimates and may vary by plan. The differences between the assumptions for the expected long-term rate of return on plan assets and actual experience is spread over a five-year period to the market-related value of plan assets, which is used in determining the expected return on assets component of annual pension expense. All other actuarial gains and losses are generally deferred and amortized over the estimated average future working life of active plan participants.

The Company recognizes as an asset or liability in its consolidated balance sheet the funded status of its defined benefit retirement plans, measured on a plan-by-plan basis. Changes in the funded status due to actuarial gains/losses are recorded as part of other comprehensive income during the period the changes occur.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Recently Issued Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The amendments in this ASU require the use of an "expected credit loss" impairment model for most financial assets reported at amortized cost, which will require entities to estimate expected credit losses over the lifetime of the instrument. This may result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, an allowance for credit losses will be recognized as a contra account to the amortized cost carrying value of the asset rather than a direct reduction to the carrying value, with changes in the allowance impacting earnings. In November 2018, the FASB issued ASU No. 2018-19 "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," which clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, but instead should be accounted for in accordance with Topic 842, Leases.

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ASU No. 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted in annual and interim reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. This ASU also sets forth new disclosure requirements relating to financial assets within its scope.

The most notable impact of this ASU to Moody's relates to the Company's processes around the assessment of its allowance for doubtful accounts on accounts receivable. The Company has updated its policies and procedures in order to implement the "expected credit loss" impairment model, which includes (1) refinement of the grouping of receivables with similar risk characteristics; and (2) processes to identify information that can be used to develop reasonable and supportable forecasts of factors that could affect the collectability of the reported amount of the receivable. The cumulative-effect adjustment to retained earnings upon adoption of this ASU is not material, and the Company does not expect the ASU to have a significant future impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This ASU requires implementation costs incurred by customers in cloud computing arrangements (i.e., hosting arrangements) to be capitalized under the same premises of authoritative guidance for internal-use software, and deferred over the non-cancellable term of the cloud computing arrangements plus any option renewal periods that are reasonably certain to be exercised by the customer or for which the exercise is controlled by the service provider. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company will be required to present the amortization of capitalized implementation costs in the same line item in the statement of operations as the fees associated with the hosting service (i.e. operating and SG&A expense) and classify the related payments in the statement of cash flows in the same manner as payments made for fees associated with the hosting service (i.e. cash flows from operating activities). This ASU also requires capitalization of implementation costs in the balance sheet to be consistent with the location of prepayment of fees for the hosting element (i.e. within other current assets or other assets). The Company will adopt this ASU prospectively to all implementation costs incurred after the date of adoption. The future impact to the Company's financial statements will relate to the aforementioned classification of these capitalized costs and related amortization.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans". This ASU eliminates requirements for certain disclosures and requires additional disclosures under defined benefit pension plans and other postretirement plans. The ASU is effective for all entities for fiscal years beginning after December 15, 2020 on a retrospective basis to all periods presented, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments". This ASU clarifies and improves guidance related to the recently issued standards updates on credit losses, hedging, and recognition and measurement of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company does not anticipate that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This ASU simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740, Income Taxes, and clarifies certain aspects of the existing guidance to promote consistency among reporting entities. Certain amendments within this ASU are required to be applied on a prospective basis, while other amendments must be applied on a retrospective or modified retrospective basis. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.



**NOTE 3 REVENUES**
**Revenue by Category**

The following table presents the Company's revenues disaggregated by LOB:

	Year Ended December 31,		
	2019	2018	2017 <sup>(1)</sup>
<b>MIS:</b>			
Corporate finance (CFG) <sup>(3)</sup>			
Investment-grade	\$ 379	\$ 271	\$ 335
High-yield	258	175	254
Bank loans	313	379	351
Other accounts (CFG) <sup>(2)</sup>	547	554	508
<b>Total CFG</b>	<b>1,497</b>	<b>1,379</b>	<b>1,448</b>
Structured finance (SFG) <sup>(3)</sup>			
Asset-backed securities	99	107	97
RMBS	95	98	89
CMBS	81	78	87
Structured credit	148	196	165
Other accounts (SFG)	4	2	2
<b>Total SFG</b>	<b>427</b>	<b>481</b>	<b>440</b>
Financial institutions (FIG)			
Banking	320	290	300
Insurance	119	114	102
Managed investments	25	25	22
Other accounts (FIG)	12	13	12
<b>Total FIG</b>	<b>476</b>	<b>442</b>	<b>436</b>
Public, project and infrastructure finance (PPIF)			
Public finance / sovereign	222	185	218
Project and infrastructure	224	206	213
<b>Total PPIF</b>	<b>446</b>	<b>391</b>	<b>431</b>
Total ratings revenue	<b>2,846</b>	<b>2,693</b>	<b>2,755</b>
MIS Other	29	19	19
Total external revenue	<b>2,875</b>	<b>2,712</b>	<b>2,774</b>
Intersegment royalty	134	124	112
<b>Total MIS</b>	<b>3,009</b>	<b>2,836</b>	<b>2,886</b>
<b>MA:</b>			
Research, data and analytics (RD&A) <sup>(4)</sup>	1,273	1,121	826
Enterprise risk solutions (ERS) <sup>(4)</sup>	522	451	455
Professional services (PS)	159	159	149
Total external revenue	<b>1,954</b>	<b>1,731</b>	<b>1,430</b>
Intersegment revenue	9	12	16
<b>Total MA</b>	<b>1,963</b>	<b>1,743</b>	<b>1,446</b>
Eliminations	(143)	(136)	(128)
<b>Total MCO</b>	<b>\$ 4,829</b>	<b>\$ 4,443</b>	<b>\$ 4,204</b>

<sup>(1)</sup> Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

<sup>(2)</sup> Other includes: recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations as well as fees from programs such as commercial paper, medium term notes, and ICRA corporate finance revenue.

<sup>(3)</sup> Pursuant to certain organizational realignments in 2019, MIS now reports revenue from REITs, which was previously classified in the SFG LOB, as a component of the CFG LOB. The amounts reclassified were not material and prior year revenue by LOB has been reclassified to conform to this new presentation.

<sup>(4)</sup> Pursuant to organizational/product realignments in 2019, revenue relating to the Bureau van Dijk FACT product, a credit assessment and origination software solution, is now reported in the ERS LOB. This revenue was previously reported in the RD&A LOB. Prior year revenue by LOB has been reclassified to conform to this new presentation, and the amounts reclassified were not material.

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The following table presents the Company's revenues disaggregated by LOB and geographic area:

	Year Ended December 31, 2019			Year Ended December 31, 2018			Year Ended December 31, 2017 <sup>(1)</sup>		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
<b>MIS:</b>									
Corporate finance <sup>(2)</sup>	\$ 968	\$ 529	\$ 1,497	\$ 894	\$ 485	\$ 1,379	\$ 961	\$ 487	\$ 1,448
Structured finance <sup>(2)</sup>	270	157	427	301	180	481	288	152	440
Financial institutions	200	276	476	194	248	442	186	250	436
Public, project and infrastructure finance	282	164	446	229	162	391	266	165	431
Total ratings revenue	1,720	1,126	2,846	1,618	1,075	2,693	1,701	1,054	2,755
MIS Other	1	28	29	1	18	19	1	18	19
Total MIS	1,721	1,154	2,875	1,619	1,093	2,712	1,702	1,072	2,774
<b>MA:</b>									
Research, data and analytics <sup>(3)</sup>	558	715	1,273	481	640	1,121	424	402	826
Enterprise risk solutions <sup>(3)</sup>	201	321	522	170	281	451	167	288	455
Professional services	64	95	159	60	99	159	55	94	149
Total MA	823	1,131	1,954	711	1,020	1,731	646	784	1,430
Total MCO	\$ 2,544	\$ 2,285	\$ 4,829	\$ 2,330	\$ 2,113	\$ 4,443	\$ 2,348	\$ 1,856	\$ 4,204

<sup>(1)</sup> Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

<sup>(2)</sup> Pursuant to certain organizational realignments in 2019, MIS now reports revenue from REITs, which was previously classified in the SFG LOB, as a component of the CFG LOB. The amounts reclassified were not material and prior years revenue by LOB has been reclassified to conform to this new presentation.

<sup>(3)</sup> Pursuant to organizational/product realignments in 2019, revenue relating to the Bureau van Dijk FACT product, a credit assessment and origination software solution, is now reported in the ERS LOB. This revenue was previously reported in the RD&A LOB. Prior years revenue by LOB has been reclassified to conform to this new presentation, and the amounts reclassified were not material.

The following table presents the Company's reportable segment revenues disaggregated by segment and geographic region:

	Year Ended December 31,		
	2019	2018	2017
<b>MIS:</b>			
U.S.	\$ 1,721	\$ 1,619	\$ 1,702
Non-U.S.:			
EMEA	686	669	638
Asia-Pacific	320	300	292
Americas	148	124	142
Total Non-U.S.	1,154	1,093	1,072
Total MIS	2,875	2,712	2,774
<b>MA:</b>			
U.S.	823	711	646
Non-U.S.:			
EMEA	760	708	494
Asia-Pacific	231	193	179
Americas	140	119	111
Total Non-U.S.	1,131	1,020	784
Total MA	1,954	1,731	1,430
Total MCO	\$ 4,829	\$ 4,443	\$ 4,204

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The tables below summarize the split between transaction and relationship revenue. In the MIS segment, excluding MIS Other, transaction revenue represents the initial rating of a new debt issuance as well as other one-time fees while relationship revenue represents the recurring monitoring fees of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. In MIS Other, transaction revenue represents revenue from professional services and outsourcing engagements and relationship revenue represents subscription-based revenues. In the MA segment, relationship revenue represents subscription-based revenues and software maintenance revenue. Transaction revenue in MA represents perpetual software license fees and revenue from software implementation services, risk management advisory projects, training and certification services, and outsourced research and analytical engagements.

	Year Ended December 31,								
	2019			2018			2017 <sup>(2)</sup>		
	Transaction <sup>(1)</sup>	Relationship	Total	Transaction <sup>(1)</sup>	Relationship	Total	Transaction <sup>(1)</sup>	Relationship	Total
Corporate Finance	\$ 1,057	\$ 440	\$ 1,497	\$ 949	\$ 430	\$ 1,379	\$ 1,053	\$ 395	\$ 1,448
	71 %	29 %	100 %	69 %	31 %	100 %	73 %	27 %	100 %
Structured Finance	\$ 246	\$ 181	\$ 427	\$ 310	\$ 171	\$ 481	\$ 279	\$ 161	\$ 440
	58 %	42 %	100 %	64 %	36 %	100 %	63 %	37 %	100 %
Financial Institutions	\$ 212	\$ 264	\$ 476	\$ 187	\$ 255	\$ 442	\$ 195	\$ 241	\$ 436
	45 %	55 %	100 %	42 %	58 %	100 %	45 %	55 %	100 %
Public, Project and Infrastructure Finance	\$ 292	\$ 154	\$ 446	\$ 238	\$ 153	\$ 391	\$ 278	\$ 153	\$ 431
	65 %	35 %	100 %	61 %	39 %	100 %	65 %	35 %	100 %
MIS Other	\$ 2	\$ 27	\$ 29	\$ 2	\$ 17	\$ 19	\$ 3	\$ 16	\$ 19
	7 %	93 %	100 %	11 %	89 %	100 %	16 %	84 %	100 %
Total MIS	\$ 1,809	\$ 1,066	\$ 2,875	\$ 1,686	\$ 1,026	\$ 2,712	\$ 1,808	\$ 966	\$ 2,774
	63 %	37 %	100 %	62 %	38 %	100 %	65 %	35 %	100 %
Research, data and analytics	\$ 16	\$ 1,257	\$ 1,273	\$ 18	\$ 1,103	\$ 1,121	\$ 25	\$ 801	\$ 826
	1 %	99 %	100 %	2 %	98 %	100 %	3 %	97 %	100 %
Enterprise risk solutions	\$ 118	\$ 404	\$ 522	\$ 99	\$ 352	\$ 451	\$ 137	\$ 318	\$ 455
	23 %	77 %	100 %	22 %	78 %	100 %	30 %	70 %	100 %
Professional services	\$ 159	\$ —	\$ 159	\$ 159	\$ —	\$ 159	\$ 149	\$ —	\$ 149
	100 %	— %	100 %	100 %	— %	100 %	100 %	— %	100 %
Total MA	\$ 293	\$ 1,661	\$ 1,954	\$ 276	\$ 1,455	\$ 1,731	\$ 311	\$ 1,119	\$ 1,430
	15 %	85 %	100 %	16 %	84 %	100 %	22 %	78 %	100 %
Total Moody's Corporation	\$ 2,102	\$ 2,727	\$ 4,829	\$ 1,962	\$ 2,481	\$ 4,443	\$ 2,119	\$ 2,085	\$ 4,204
	44 %	56 %	100 %	44 %	56 %	100 %	50 %	50 %	100 %

<sup>(1)</sup> Revenue from software implementation services and risk management advisory projects in MA, while classified by management as transactional revenue, is recognized over time under the New Revenue Accounting Standard (please also refer to the table below).

<sup>(2)</sup> Prior period amounts have not been adjusted under the modified retrospective method of adoption for the New Revenue Accounting Standard.

The following table presents the timing of revenue recognition:

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	MIS	MA	Total	MIS	MA	Total
Revenue recognized at a point in time	\$ 1,809	\$ 132	\$ 1,941	\$ 1,686	\$ 99	\$ 1,785
Revenue recognized over time	1,066	1,822	2,888	1,026	1,632	2,658
Total	\$ 2,875	\$ 1,954	\$ 4,829	\$ 2,712	\$ 1,731	\$ 4,443

## Unbilled Receivables, Deferred Revenue and Remaining Performance Obligations

### Unbilled receivables

At December 31, 2019 and December 31, 2018, accounts receivable included approximately \$346 million and \$312 million, respectively, of unbilled receivables related to the MIS segment. Certain MIS arrangements contain contractual terms whereby the customers are billed in arrears for annual monitoring services and rating fees, requiring revenue to be accrued as an unbilled receivable as such services are provided.

In addition, for certain MA arrangements, the timing of when the Company has the unconditional right to consideration and recognizes revenue occurs prior to invoicing the customer. Consequently, at December 31, 2019 and December 31, 2018, accounts receivable included approximately \$53 million and \$60 million, respectively, of unbilled receivables related to the MA segment.

### Deferred revenue

The Company recognizes deferred revenue when a contract requires a customer to pay consideration to the Company in advance of when revenue is recognized. This deferred revenue is relieved when the Company satisfies the related performance obligation and revenue is recognized.

Significant changes in the deferred revenue balances during the year ended December 31, 2019 are as follows:

	Year Ended December 31, 2019		
	MIS	MA	Total
Balance at January 1, 2019	\$ 325	\$ 750	\$ 1,075
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(209)	(714)	(923)
Increases due to amounts billable excluding amounts recognized as revenue during the period	202	789	991
Increases due to acquisitions during the period	3	6	9
Effect of exchange rate changes	1	9	10
Total changes in deferred revenue	(3)	90	87
Balance at December 31, 2019	\$ 322	\$ 840	\$ 1,162
Deferred revenue - current	\$ 214	\$ 836	\$ 1,050
Deferred revenue - noncurrent	\$ 108	\$ 4	\$ 112

For the MA segment, for the year ended December 31, 2019, the increase in the deferred revenue balance was primarily due to organic growth.

Significant changes in the deferred revenue balances during the year ended December 31, 2018 are as follows:

	Year Ended December 31, 2018		
	MIS	MA	Total
Balance at January 1, 2018 (after New Revenue Accounting Standard transition adjustment)	\$ 334	\$ 612	\$ 946
Changes in deferred revenue			
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(218)	(590)	(808)
Increases due to amounts billable excluding amounts recognized as revenue during the period	216	730	946
Increases due to acquisitions during the period	—	16	16
Effect of exchange rate changes	(7)	(18)	(25)
Total changes in deferred revenue	(9)	138	129
Balance at December 31, 2018	\$ 325	\$ 750	\$ 1,075
Deferred revenue—current	\$ 207	\$ 746	\$ 953
Deferred revenue—noncurrent	\$ 118	\$ 4	\$ 122

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For the MA segment, for the year ended December 31, 2018, the increase in the deferred revenue balance was primarily due to organic growth and the Reis acquisition in the fourth quarter of 2018.

### Remaining performance obligations

Remaining performance obligations in the MIS segment largely reflect deferred revenue related to monitoring fees for certain structured finance products, primarily CMBS, where the issuers can elect to pay the monitoring fees for the life of the security in advance. As of December 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$140 million. The Company expects to recognize into revenue approximately 20% of this balance within one year, approximately 50% of this balance between one to five years and the remaining amount thereafter. With respect to the remaining performance obligations for the MIS segment, the Company has applied a practical expedient set forth in ASC Topic 606 permitting the omission from the table above for unsatisfied performance obligations relating to contracts with an original expected length of one year or less.

Remaining performance obligations in the MA segment include both amounts recorded as deferred revenue on the balance sheet as of December 31, 2019 as well as amounts not yet invoiced to customers as of December 31, 2019 largely reflecting future revenue related to signed multi-year arrangements for hosted and installed subscription based products. As of December 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$1.7 billion. The Company expects to recognize into revenue approximately 70% of this balance within one year, approximately 20% of this balance between one to two years and the remaining amount thereafter.

### NOTE 4 RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING

Below is a reconciliation of basic to diluted shares outstanding:

	Year Ended December 31,		
	2019	2018	2017
Basic	189.3	191.6	191.1
Dilutive effect of shares issuable under stock-based compensation plans	2.3	2.8	3.1
Diluted	191.6	194.4	194.2
Antidilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	0.2	0.4	0.6

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of December 31, 2019, 2018 and 2017.

### NOTE 5 ACCELERATED SHARE REPURCHASE PROGRAM

On February 20, 2019, the Company entered into an ASR agreement with a financial institution counterparty to repurchase \$500 million of its outstanding common stock. The Company paid \$500 million to the counterparty and received an initial delivery of 2.2 million shares of its common stock. Final settlement of the ASR agreement was completed on April 26, 2019 and the Company received delivery of an additional 0.6 million shares of the Company's common stock.

In total, the Company repurchased 2.8 million shares of the Company's common stock during the term of the ASR Agreement, based on the volume-weighted average price (net of discount) of \$180.33/share over the duration of the program. The initial share repurchase and final share settlement were recorded as a reduction to shareholders' equity.

**NOTE 6 CASH EQUIVALENTS AND INVESTMENTS**

The table below provides additional information on the Company's cash equivalents and investments:

	As of December 31, 2019						
	Cost	Gross Unrealized Gains	Fair Value	Balance sheet location			Other assets
				Cash and cash equivalents	Short-term investments		
Certificates of deposit and money market deposit accounts <sup>(1)</sup>	\$ 971	\$ —	\$ 971	\$ 866	\$ 95	\$ 10	
Open ended mutual funds	\$ 3	\$ —	\$ 3	\$ —	\$ 3	\$ —	

	As of December 31, 2018						
	Cost	Gross Unrealized Gains	Fair Value	Balance sheet location			Other assets
				Cash and cash equivalents	Short-term investments		
Money market mutual funds	\$ 15	\$ —	\$ 15	\$ 15	\$ —	\$ —	
Certificates of deposit and money market deposit accounts <sup>(1)</sup>	\$ 1,022	\$ —	\$ 1,022	\$ 904	\$ 116	\$ 2	
Open ended mutual funds	\$ 29	\$ 4	\$ 33	\$ —	\$ 17	\$ 16	

<sup>(1)</sup> Consists of time deposits and money market deposit accounts. The remaining contractual maturities for the certificates of deposits classified as short-term investments were one to 12 months at December 31, 2019 and at December 31, 2018. The remaining contractual maturities for the certificates of deposits classified in other assets are 13 to 18 months at December 31, 2019 and 14 to 36 months at December 31, 2018. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.

**NOTE 7 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

**Derivatives and non-derivative instruments designated as accounting hedges:**
**Interest Rate Swaps Designated as Fair Value Hedges**

The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month LIBOR. The purpose of these hedges is to mitigate the risk associated with changes in the fair value of the long-term debt, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the debt. The changes in the fair value of the swaps and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest expense, net in the Company's consolidated statement of operations.

The following table summarizes the Company's interest rate swaps designated as fair value hedges:

Hedged Item	Nature of Swap	Notional Amount As of December 31,		Floating Interest Rate
		2019	2018	
2010 Senior Notes due 2020	Pay Floating/Receive Fixed	\$ —	\$ 500	3-month LIBOR
2012 Senior Notes due 2022	Pay Floating/Receive Fixed	\$ 330	\$ 330	3-month LIBOR
2017 Senior Notes due 2021	Pay Floating/Receive Fixed	\$ 500	\$ 500	3-month LIBOR
2017 Senior Notes due 2023	Pay Floating/Receive Fixed	\$ 250	\$ —	3-month LIBOR
Total		\$ 1,080	\$ 1,330	

Refer to Note 19 for information on the cumulative amount of fair value hedging adjustments included in the carrying amount of the above hedged items.

The following table summarizes the impact to the statement of operations of the Company's interest rate swaps designated as fair value hedges:

Total amounts of financial statement line item presented in the statements of operations in which the effects of fair value hedges are recorded	Amount of Income Recognized in the Consolidated Statements of Operations		
	Year Ended December 31,		
	2019	2018	2017
Interest expense, net	\$ (208)	\$ (215)	\$ (209)

Descriptions	Location on Consolidated Statements of Operations	2019	2018	2017
Net interest settlements and accruals on interest rate swaps	Interest expense, net	\$ 3	\$ (2)	\$ 7
Fair value changes on interest rate swaps	Interest expense, net	25	2	(9)
Fair value changes on hedged debt	Interest expense, net	\$ (25)	\$ (2)	\$ 9

**Cash flow hedges**

In the fourth quarter of 2018, the Company entered into and settled \$250 million notional amount treasury rate locks, which were designated as cash flow hedges and used to manage the Company's interest rate risk associated with the anticipated issuance of the 2018 Senior Notes Due 2029, which are more fully discussed in Note 19. The Company settled these treasury rate locks in December 2018 in connection with the issuance of the 2018 Senior Notes Due 2029. The loss on these treasury rate locks was recorded in comprehensive income (see tables below relating to gains and losses on cash flow and net investment hedges) and will be amortized to interest expense over the term of the 2018 Senior Notes Due 2029.

**Net Investment Hedges**

The Company has designated €500 million of the 2015 Senior Notes Due 2027 and €750 million of the 2019 Senior Notes due 2030 as net investment hedges. These hedges are designated as accounting hedges under the applicable sections of ASC Topic 815 and will end upon the repayment of the notes in 2027 and 2030, respectively, unless terminated early at the discretion of the Company.

The Company enters into cross-currency swaps to mitigate FX exposure related to a portion of the Company's euro net investment in certain foreign subsidiaries against changes in euro/USD exchange rates. The following table provides information on the cross-currency swaps designated as net investment hedges under ASC Topic 815:

Nature of Swap	December 31, 2019			
	Pay		Receive	
	Notional Amount	Weighted Average Interest Rate	Notional Amount	Weighted Average Interest Rate
Pay Fixed/Receive Fixed	€ 1,079	1.43%	\$ 1,220	3.96%
Pay Floating/Receive Floating	931	Based on 3-month EURIBOR	1,080	Based on 3-month USD LIBOR
<b>Total</b>	<b>€ 2,010</b>		<b>\$ 2,300</b>	

As of December 31, 2019, these hedges will expire and the notional amounts will be settled in 2021, 2022, 2023, and 2024 for €688 million, €438 million, €442 million and €442 million of the total notional amount, respectively, unless terminated early at the discretion of the Company.

Nature of Swap	December 31, 2018			
	Pay		Receive	
	Notional Amount	Weighted Average Interest Rate	Notional Amount	Weighted Average Interest Rate
Pay Floating/Receive Floating	€ 710	Based on 3-month EURIBOR	\$ 830	Based on 3-month USD LIBOR
<b>Total</b>	<b>€ 710</b>		<b>\$ 830</b>	

The following table provides information on the gains/(losses) on the Company's net investment and cash flow hedges:

Derivative and Non-Derivative Instruments in Net Investment Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI on Derivative, net of Tax			Amount of Gain/(Loss) Reclassified from AOCI into Income, net of tax			Gain/(Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2019	2018	2017 <sup>(2)</sup>	2019	2018	2017 <sup>(2)</sup>	2019 <sup>(3)</sup>	2018 <sup>(3)</sup>	2017
FX forward contracts	\$ 4	\$ —	\$ 1	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —
Cross currency swaps	29	12	—	—	—	—	52	11	—
Long-term debt	(7) <sup>(1)</sup>	22	(37)	—	—	—	—	—	—
Total net investment hedges	\$ 26	\$ 34	\$ (36)	\$ 2	\$ —	\$ —	\$ 52	\$ 11	\$ —
<b>Derivatives in Cash Flow Hedging Relationships</b>									
Cross currency swap	\$ —	\$ 2	\$ 6	\$ —	\$ —	\$ 8	\$ —	\$ —	\$ —
Interest rate contracts	—	(2)	—	—	—	(1)	—	—	—
Total cash flow hedges	—	—	6	—	—	7	—	—	—
<b>Total</b>	<b>\$ 26</b>	<b>\$ 34</b>	<b>\$ (30)</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 7</b>	<b>\$ 52</b>	<b>\$ 11</b>	<b>\$ —</b>

- (1) Due to the Company's adoption of ASU 2018-02 during 2019, \$3 million related to the tax effect of this net investment hedge was reclassified to retained earnings. Refer to Note 1 for further details.
- (2) For the year ended December 31, 2017, amount of gain or (loss) represents only the effective portion of the hedging relationship as this period was prior to the Company's 2018 initial application of ASU 2017-12.
- (3) Effective with the adoption of ASU 2017-12, the Company has elected to assess the effectiveness of its net investment hedges based on changes in spot exchange rates. Accordingly, amounts related to cross-currency swaps recognized directly into Net Income during 2018 and 2019 represent net periodic interest settlements and accruals, which are recognized in interest expense, net.

The cumulative amount of net investment hedge and cash flow hedge gains (losses) remaining in AOCI is as follows:

	Cumulative Gains/(Losses), net of tax	
	December 31, 2019	December 31, 2018
<i>Net investment hedges</i>		
Cross currency swaps	\$ 41	\$ 12
FX forwards	26	24
Long-term debt	(13)	(3)
Total net investment hedges	54	33
<i>Cash flow hedges</i>		
Interest Rate Contract	(2)	(2)
Cross-currency swap	2	2
Total cash flow hedges	—	—
Total net gain in AOCI	\$ 54	\$ 33

#### Derivatives not designated as accounting hedges:

##### Foreign exchange forwards

The Company also enters into foreign exchange forward contracts to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating (expense) income, net in the Company's consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary's functional currency. These contracts have expiration dates at various times through February 2020.



The following table summarizes the notional amounts of the Company's outstanding foreign exchange forwards:

Notional Amount of Currency Pair:	December 31, 2019		December 31, 2018	
	Sell	Buy	Sell	Buy
Contracts to sell USD for GBP	\$ 235	£ 178	\$ 310	£ 241
Contracts to sell USD for Japanese Yen	\$ 29	¥ 3,200	\$ 14	¥ 1,600
Contracts to sell USD for Canadian dollars	\$ 83	C\$ 110	\$ 99	C\$ 130
Contracts to sell USD for Singapore dollars	\$ 41	S\$ 56	\$ —	S\$ —
Contracts to sell USD for Euros	\$ 421	€ 378	\$ 213	€ 185
Contracts to sell Euros for GBP	€ 25	£ 21	€ —	£ —

NOTE: € = Euro, £ = British pound, S\$ = Singapore dollar, \$ = U.S. dollar, ¥ = Japanese yen, C\$ = Canadian dollar

#### Foreign Exchange Options and forward contracts relating to the acquisition of Bureau van Dijk

The Company entered into a foreign currency collar in 2017 consisting of option contracts to economically hedge the Bureau van Dijk euro denominated purchase price (as discussed further in Note 9 of the financial statements). These option contracts were not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. The foreign currency option contracts consisted of separate put and call options each in the aggregate notional amount of €2.7 billion. This collar was settled at the end of July 2017, in advance of the August 10, 2017 closing of the Bureau van Dijk acquisition.

The Company entered into foreign exchange forwards to hedge the Bureau van Dijk purchase price for the period from the settlement of the aforementioned foreign currency collar until the closing date on August 10, 2017. These forward contracts were not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. The foreign exchange contracts were to sell \$2.8 billion and buy €2.4 billion and sell \$41 million and buy £31 million.

The following table summarizes the impact to the consolidated statements of operations relating to the net gain (loss) on the Company's derivatives which are not designated as hedging instruments:

Derivatives Not Designated as Accounting Hedges	Location on Statement of Operations	Year Ended December 31,		
		2019	2018	2017
FX forwards	Other non-operating expense, net	\$ (11)	\$ (52)	\$ 22
FX collar relating to Bureau van Dijk acquisition	Purchase Price Hedge Gain	—	—	101
FX forwards relating to Bureau van Dijk acquisition	Purchase Price Hedge Gain	—	—	10
		<u>\$ (11)</u>	<u>\$ (52)</u>	<u>\$ 133</u>

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The table below shows the classification between assets and liabilities on the Company's consolidated balance sheets for the fair value of derivative instruments as well as the carrying value of its non-derivative debt instruments designated and qualifying as net investment hedges:

	Derivative and Non-derivative Instruments		
	Balance Sheet Location	December 31, 2019	December 31, 2018
<b>Assets:</b>			
<b>Derivatives designated as accounting hedges:</b>			
Cross-currency swaps designated as net investment hedges	Other assets	\$ 56	\$ 19
Interest rate swaps designated as fair value hedges	Other assets	27	8
Total derivatives designated as accounting hedges		83	27
<b>Derivatives not designated as accounting hedges:</b>			
FX forwards on certain assets and liabilities	Other current assets	9	1
<b>Total assets</b>		<b>\$ 92</b>	<b>\$ 28</b>
<b>Liabilities:</b>			
<b>Derivatives designated as accounting hedges:</b>			
Cross-currency swaps designated as net investment hedges	Other liabilities	\$ —	\$ 3
Interest rate swaps	Other liabilities	—	5
Total derivatives designated as accounting hedges		—	8
<b>Non-derivative instrument designated as accounting hedge:</b>			
Long-term debt designated as net investment hedge	Long-term debt	1,403	572
<b>Derivatives not designated as accounting hedges:</b>			
FX forwards on certain assets and liabilities	Accounts payable and accrued liabilities	—	8
<b>Total liabilities</b>		<b>\$ 1,403</b>	<b>\$ 588</b>

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of:

	December 31,	
	2019	2018
Office and computer equipment (3 - 10 year estimated useful life)	\$ 221	\$ 242
Office furniture and fixtures (3 - 10 year estimated useful life)	51	52
Internal-use computer software (1 - 10 year estimated useful life)	619	574
Leasehold improvements and building (1 - 21 year estimated useful life)	240	242
Total property and equipment, at cost	1,131	1,110
Less: accumulated depreciation and amortization	(839)	(790)
Total property and equipment, net	\$ 292	\$ 320

Depreciation and amortization expense related to the above assets was \$97 million, \$90 million, and \$97 million for the years ended December 31, 2019, 2018 and 2017, respectively.

**NOTE 9 ACQUISITIONS**

The following is a discussion of material acquisitions completed by the Company. The business combinations described below are accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at fair value on the date of the transaction. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. Goodwill typically results through expected synergies from combining operations of an acquiree and an acquirer, anticipated new customer acquisition and products, as well as from intangible assets that do not qualify for separate recognition.

**Reis**

On October 15, 2018, a subsidiary of the Company acquired 100% of Reis, Inc., a provider of commercial real estate market information and analytical tools to real estate professionals. The cash payment of \$278 million was funded with cash on hand. The acquisition further expands Moody's Analytics' network of data and analytics providers in the commercial real estate space.

Shown below is the final purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

<i>(Amounts in millions)</i>		
Current assets		\$ 32
Property and equipment		4
Intangible assets:		
Customer relationships (14 year weighted average life)	\$ 77	
Database (5 year weighted average life)	13	
Product technology (7 year weighted average life)	10	
Trade name (10 year weighted average life)	4	
Total intangible assets (12 year weighted average life)		104
Goodwill		183
Deferred tax assets		13
Liabilities:		
Deferred revenue	\$ (14)	
Accounts payable and accrued liabilities	(20)	
Deferred tax liabilities	(24)	
Total liabilities		(58)
Net assets acquired		\$ 278

Current assets in the table above include acquired cash of \$24 million. Additionally, current assets include accounts receivable of approximately \$6 million.

**Goodwill**

The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and Reis, which is expected to extend the Company's reach to new and evolving market segments as well as cost savings synergies, expected new customer acquisitions and products.

Goodwill, which has been assigned to the MA segment, is not deductible for tax purposes.

Reis is a separate reporting unit for the purposes of the Company's annual goodwill impairment assessment.

**Transaction costs**

Transaction costs directly related to the Reis acquisition were not material.

**Bureau van Dijk**

On August 10, 2017, a subsidiary of the Company acquired 100% of Yellow Maple I B.V., an indirect parent company of Bureau van Dijk Electronic Publishing B.V., a global provider of business intelligence and company information products. The cash payment of \$3,542 million was funded with a combination of cash on hand, primarily offshore, and new debt financing.

Shown below is the final purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

<i>(Amounts in millions)</i>		
Current assets		\$ 158
Property and equipment		4
Intangible assets:		
Customer relationships (23 year weighted average life)	\$ 999	
Product technology (12 year weighted average life)	259	
Trade name (18 year weighted average life)	82	
Database (10 year weighted average life)	13	
Total intangible assets (21 year weighted average life)		1,353
Goodwill		2,615
Other assets		6
Liabilities:		
Deferred revenue	(101)	
Accounts payable and accrued liabilities	(44)	
Deferred tax liabilities, net	(330)	
Other liabilities	\$ (119)	
Total liabilities		(594)
Net assets acquired		<u>\$ 3,542</u>

Current assets in the table above include acquired cash of \$36 million. Additionally, current assets include accounts receivable of approximately \$88 million (net of an allowance for uncollectible accounts of \$4 million).

The acquired deferred revenue balance of approximately \$154 million was reduced by \$53 million as part of acquisition accounting to establish the fair value of deferred revenue. This reduced reported revenue by \$53 million over the remaining contractual period of in-progress customer arrangements assumed as of the acquisition date, and resulted in approximately \$17 million and \$36 million less in reported revenue in the years ended December 31, 2018 and 2017, respectively.

**Goodwill**

The goodwill recognized as a result of this acquisition includes, among other things, the value of combining the complementary product portfolios of the Company and Bureau van Dijk, which is expected to extend the Company's reach to new and evolving market segments as well as cost savings synergies, expected new customer acquisitions and products.

Goodwill, which has been assigned to the MA segment, is not deductible for tax purposes.

Bureau van Dijk is a separate reporting unit for purposes of the Company's annual goodwill impairment assessment.

**Other Liabilities Assumed**

In connection with the acquisition, the Company assumed liabilities relating to UTPs as well as deferred tax liabilities which relate to acquired intangible assets. UTPs are included in other liabilities in the table above.

**Supplementary Unaudited Pro Forma Information**

Supplemental information on an unaudited pro forma basis is presented below for the year ended December 31, 2017 as if the acquisition of Bureau van Dijk occurred on January 1, 2016. The pro forma financial information is presented for comparative purposes only and is based on certain estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of future results of operations or the results that would have been reported if the acquisition had been completed at January 1, 2016. The unaudited pro forma information includes amortization of acquired intangible assets based on the purchase price allocation and an estimate of useful lives reflected above, and incremental financing costs resulting from the acquisition, net of income tax, which was estimated using the weighted average statutory tax rates in effect in the jurisdiction for which the pro forma adjustment relates.

<i>(Amounts in millions)</i>	<b>For the year ended December 31, 2017</b>	
Pro forma Revenue	\$	4,415
Pro forma Net Income attributable to Moody's	\$	1,012

The unaudited pro forma results do not include any anticipated cost savings or other effects of the planned integration of Bureau van Dijk. Accordingly, the pro forma results above are not necessarily indicative of the results that would have been reported if the acquisition had occurred on the dates indicated, nor are the pro forma results indicative of results which may occur in the future. The Bureau van Dijk results included in the table above have been converted to U.S. GAAP from IFRS as issued by the IASB and have been translated to USD at rates in effect for the periods presented. In addition, a corresponding pro forma adjustment was included to add back the approximate \$36 million reduction to reported revenue for the period from August 10, 2017 to December 31, 2017 relating to the deferred revenue adjustment required as part of acquisition accounting as of the actual August 10, 2017 acquisition date.

### **Other Acquisitions and Strategic Initiatives**

Below is a discussion of acquisitions and other strategic initiatives executed by the Company during the years ended December 31, 2019, 2018 and 2017. The purchase prices for these acquisitions were not material and the near term impact to the Company's financial statements is not expected to be material.

#### *The following strategic initiatives operate in the MIS reportable segment:*

In October 2019, the Company acquired a minority stake in SynTao Green Finance (STFG), a provider of ESG data and analytics based in and serving China.

In July 2019, the Company acquired a majority stake in Four Twenty Seven, Inc., a provider of data, intelligence, and analysis related to physical climate risks. Four Twenty Seven Climate Solutions revenue is reported in the MIS Other LOB. In connection with this transaction, Moody's recognized a Redeemable Non-controlling Interest for the portion of Four Twenty Seven which the Company does not own. This Redeemable Non-controlling interest was not material.

In April 2019, the Company acquired a majority stake in Vigeo Eiris, a provider of Environmental, Social and Governance (ESG) research, data and assessments. The acquisition furthers Moody's objective of promoting global standards for ESG for use by market participants. Vigeo Eiris' revenue will be reported in the MIS Other LOB.

#### *The following strategic initiatives operate in the MA reportable segment:*

In October 2019, the Company acquired the ABS Suite business, which includes a software platform used by issuers and trustees for the administration of asset-backed and mortgage-backed securities programs. ABS Suite revenue is reported in the RD&A LOB.

In July 2019, the Company acquired RiskFirst, a company providing risk analytic solutions for the asset management and pension fund communities. RiskFirst revenue is reported in the ERS LOB.

In August 2018, the Company acquired 100% of Omega Performance, a provider of online credit training. Revenue for Omega Performance is reported in the PS LOB.

In February 2017, a subsidiary of the Company acquired the structured finance data and analytics business of SCDM Financial. Revenue for SCDM is reported in the RD&A LOB.

#### *The following strategic initiative is a corporate initiative:*

In June 2019, the Company formed a joint venture with Team 8, a cybersecurity think tank and company creation platform, to establish a global standard for evaluating and assessing cyber risk for enterprises.

### **NOTE 10. DIVESTITURE**

On November 8, 2019, the Company completed the sale of MAKES to Equistone Partners Europe Limited (Equistone), a European private equity firm for \$226 million in net cash proceeds. The final cash consideration received will be subject to customary post-closing completion adjustments.

This divestiture resulted in a loss of \$14 million, which included \$32 million of currency translation losses reclassified from AOCI to the statement of operations. Additionally, in connection with this divestiture, the Company has recorded a \$43 million liability for certain indemnification provisions.

**NOTE 11 GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS**

The following table summarizes the activity in goodwill:

	Year Ended December 31, 2019								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	\$ 258	\$ —	\$ 258	\$ 3,535	\$ (12)	\$ 3,523	\$ 3,793	\$ (12)	\$ 3,781
Additions/adjustments <sup>(1)</sup>	53	—	53	61	—	61	114	—	114
Foreign currency translation adjustments	4	—	4	(14)	—	(14)	(10)	—	(10)
Divestiture of MAKS (See Note 10)	—	—	—	(163)	—	(163)	(163)	—	(163)
Ending balance	\$ 315	\$ —	\$ 315	\$ 3,419	\$ (12)	\$ 3,407	\$ 3,734	\$ (12)	\$ 3,722

	Year Ended December 31, 2018								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	\$ 285	\$ —	\$ 285	\$ 3,480	\$ (12)	\$ 3,468	\$ 3,765	\$ (12)	\$ 3,753
Additions/adjustments <sup>(2)</sup>	—	—	—	211	—	211	211	—	211
Foreign currency translation adjustments	(27)	—	(27)	(156)	—	(156)	(183)	—	(183)
Ending balance	\$ 258	\$ —	\$ 258	\$ 3,535	\$ (12)	\$ 3,523	\$ 3,793	\$ (12)	\$ 3,781

<sup>(1)</sup> The 2019 additions/adjustments for the MIS segment in the table above relate to the acquisitions of Vigeo Eiris and Four Twenty Seven. The 2019 additions/adjustments for the MA segment in the table above relate to the acquisitions of RiskFirst and ABS Suite.

<sup>(2)</sup> The 2018 additions/adjustments for the MA segment in the table above primarily relate to the acquisitions of Reis and Omega Performance.

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Acquired intangible assets and related amortization consisted of:

	December 31,	
	2019	2018
Customer relationships	\$ 1,325	\$ 1,368
Accumulated amortization	(235)	(214)
Net customer relationships	1,090	1,154
Trade secrets	30	30
Accumulated amortization	(29)	(28)
Net trade secrets	1	2
Software/product technology	372	353
Accumulated amortization	(131)	(102)
Net software/product technology	241	251
Trade names	150	155
Accumulated amortization	(30)	(34)
Net trade names	120	121
Other <sup>(1)</sup>	80	70
Accumulated amortization	(34)	(32)
Net other	46	38
<b>Total</b>	<b>\$ 1,498</b>	<b>\$ 1,566</b>

<sup>(1)</sup> Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models.

Amortization expense relating to acquired intangible assets is as follows:

	Year Ended December 31,		
	2019	2018	2017
Amortization expense	\$ 103	\$ 102	\$ 61

Estimated future annual amortization expense for intangible assets subject to amortization is as follows:

Year Ending December 31,	
2020	\$ 99
2021	99
2022	99
2023	96
2024	94
Thereafter	1,011
<b>Total estimated future amortization</b>	<b>\$ 1,498</b>

*Matters concerning the ICRA reporting unit*

On August 29, 2019, the board of directors of ICRA terminated the employment of ICRA's CEO and on September 28, 2019, the shareholders of ICRA voted to remove the former CEO from his position on ICRA's board of directors. ICRA has reported that the Securities and Exchange Board of India (SEBI) issued an adjudication order dated December 26, 2019 imposing a penalty of INR 25 lakh (approximately \$35,000) on ICRA in connection with credit ratings assigned to one of ICRA's customers and the customer's subsidiaries. ICRA has further reported that: (i) it is appealing that order; and (ii) it has received a related "show cause" notice from SEBI asking ICRA to demonstrate why the penalty imposed should not be increased. In addition, ICRA has disclosed that it is addressing anonymous allegations that were forwarded to ICRA by SEBI, as well as certain additional allegations made during the course of the ongoing internal examination into those anonymous allegations. As of the date of this annual report on Form 10-K, the Company is unable to estimate the financial impact, if any, that may result from a potential unfavorable conclusion of these matters or any other ICRA inquiry. An unfavorable resolution of such matters may negatively impact ICRA's future operating results, which could result in an impairment of goodwill and amortizable intangible assets in future quarters.

**NOTE 12 RESTRUCTURING**

On October 26, 2018, the chief executive officer of Moody's approved a restructuring program (the "2018 Restructuring Program") that the Company currently estimates will result in annualized savings of approximately \$60 million per year, a portion of which benefited 2019. The 2018 Restructuring Program, the scope of which was expanded in the second quarter of 2019, is now estimated to result in total pre-tax charges of \$105 to \$110 million. The 2018 Restructuring Program includes relocation of certain functions from high-cost to lower-cost jurisdictions, a reduction of staff, including from recent acquisitions and pursuant to a review of the business criticality of certain positions, and the rationalization and exit of certain real estate leases due to consolidation of various business activities. The exit from certain leased office space began in the fourth quarter of 2018 and will entail approximately \$50 million of the charges to either terminate or sublease the affected real estate leases. The 2018 Restructuring Program is also anticipated to represent approximately \$60 million of personnel-related restructuring charges, an amount that includes severance and related costs primarily determined under the Company's existing severance plans. Cash outlays associated with the employee termination cost component of the 2018 Restructuring Program are anticipated to be approximately \$60 million, which will be paid through 2021.

Total expenses included in the accompanying consolidated statements of operations relating to the aforementioned restructuring plan is as follows:

	Year Ended December 31,		
	2019	2018	2017
2018 Restructuring Program	\$ 60	\$ 49	\$ —

Changes to the restructuring liability were as follows:

2018 Restructuring Program:	Employee Termination Costs	Contract Termination Costs	Total Restructuring Liability <sup>(2)</sup>
<b>Balance as of December 31, 2017</b>	\$ —	\$ —	\$ —
Cost incurred and adjustments	33	12	45
Cash payments and adjustments	(3)	—	(3)
<b>Balance as of December 31, 2018</b>	\$ 30	\$ 12	\$ 42
Adoption of New Lease Accounting Standard <sup>(1)</sup>	—	(11)	(11)
Cost incurred and adjustments	26	5	31
Cash payments and adjustments	(35)	(3)	(38)
<b>Balance as of December 31, 2019</b>	\$ 21	\$ 3	\$ 24
<b>Cumulative expense incurred to date</b>	\$ 59	\$ 50	

<sup>(1)</sup> Upon the adoption of the New Lease Accounting Standard, the Company recorded a reclassification of \$11 million of liabilities in the first quarter of 2019 for costs associated with certain real estate leases which were exited in previous years, as a reduction of the ROU Asset capitalized upon adoption.

<sup>(2)</sup> The liability excludes \$4 million of non-cash acceleration of amortization of leasehold improvements relating to the rationalization and exit of certain real estate leases as well as \$25 million of ROU Asset impairment charges for the year ended December 31, 2019. The fair value of the impaired ROU Assets was determined by utilizing the present value of the estimated future cash flows attributable to the assets. The fair value of those ROU assets subsequent to the impairment was \$18 million, and is categorized as Level 3 within the ASC Topic 820 fair value hierarchy.

As of December 31, 2019, a majority of the remaining \$24 million restructuring liability is expected to be paid out through 2021.

**NOTE 13 FAIR VALUE**

The table below presents information about items which are carried at fair value on a recurring basis at December 31, 2019 and 2018:

Description	Fair value Measurement as of December 31, 2019		
	Balance	Level 1	Level 2
Assets:			
Derivatives <sup>(1)</sup>	\$ 92	\$ —	\$ 92
Open ended mutual funds	3	3	—
Total	\$ 95	\$ 3	\$ 92



Description	Fair Value Measurement as of December 31, 2018		
	Balance	Level 1	Level 2
<b>Assets:</b>			
Derivatives <sup>(1)</sup>	\$ 28	\$ —	\$ 28
Money market mutual funds	15	15	—
Open ended mutual funds	33	33	—
<b>Total</b>	<b>\$ 76</b>	<b>\$ 48</b>	<b>\$ 28</b>
<b>Liabilities:</b>			
Derivatives <sup>(1)</sup>	\$ 16	\$ —	\$ 16
<b>Total</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ 16</b>

<sup>(1)</sup> Represents FX forwards on certain assets and liabilities as well as interest rate swaps and cross-currency swaps as more fully described in Note 7 to the consolidated financial statements.

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts, mutual funds, and money market mutual funds:

**Derivatives:**

In determining the fair value of the derivative contracts in the table above, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

**Open ended mutual funds and money market mutual funds:**

The mutual funds in the table above are deemed to be equity securities with readily determinable fair values with changes in the fair value recognized through net income under ASC Topic 321. The fair value of these instruments is determined using Level 1 inputs as defined in the ASC Topic 820.

**NOTE 14. OTHER BALANCE SHEET INFORMATION**

The following tables contain additional detail related to certain balance sheet captions:

	December 31,	
	2019	2018
<b>Other current assets:</b>		
Prepaid taxes	\$ 79	\$ 100
Prepaid expenses	71	67
Capitalized costs to obtain and fulfill sales contracts	91	77
Other	89	38
<b>Total other current assets</b>	<b>\$ 330</b>	<b>\$ 282</b>

	December 31,	
	2019	2018
<b>Other assets:</b>		
Investments in non-consolidated affiliates	\$ 117	\$ 105
Deposits for real-estate leases	13	14
Indemnification assets related to acquisitions	16	16
Mutual funds and fixed deposits	10	18
Costs to obtain sales contracts	119	79
Cross currency and interest rate swaps	83	27
Other	31	16
<b>Total other assets</b>	<b>\$ 389</b>	<b>\$ 275</b>

	December 31,	
	2019	2018
<b>Accounts payable and accrued liabilities:</b>		
Salaries and benefits	\$ 152	\$ 113
Incentive compensation	208	155
Customer credits, advanced payments and advanced billings	28	20
Dividends	7	7
Professional service fees	43	48
Interest accrued on debt	63	71
Accounts payable	38	30
Income taxes	73	71
Pension and other retirement employee benefits	7	6
Accrued royalties	25	25
Foreign exchange forwards on certain assets and liabilities	—	8
Restructuring liability	21	35
Other	108	107
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 773</b>	<b>\$ 696</b>

	December 31,	
	2019	2018
<b>Other liabilities:</b>		
Pension and other retirement employee benefits	\$ 299	\$ 249
Deferred rent -- non-current portion <sup>(1)</sup>	—	94
Interest accrued on UTPs	82	70
MAKS indemnification provisions (See Note 10)	43	—
Income tax liability – non-current portion	51	125
Cross currency and interest rate swaps	—	8
Restructuring liability	3	7
Other	26	23
<b>Total other liabilities</b>	<b>\$ 504</b>	<b>\$ 576</b>

<sup>(1)</sup> Pursuant to the adoption of the New Lease Accounting Standard, deferred rent relating to operating leases was reclassified to operating lease ROU Asset.

**NOTE 15 COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table provides details about the reclassifications out of AOCI:

	Year Ended December 31,			Location in the consolidated statement of operations
	2019	2018	2017	
<b>Currency translation adjustment losses</b>				
Sale of foreign subsidiaries (see Note 10)	\$ (32)	\$ —	\$ —	Loss pursuant to the divestiture of MAKs
<b>Total currency translation adjustment losses</b>	<b>(32)</b>	<b>—</b>	<b>—</b>	
<b>Gains on cash flow hedges</b>				
Cross-currency swap	—	—	13	Other non-operating income (expense), net
Interest rate contract	—	—	(1)	Interest expense, net
<b>Total before income taxes</b>	<b>—</b>	<b>—</b>	<b>12</b>	
Income tax effect of item above	—	—	(5)	Provision for income taxes
<b>Total net gains on cash flow hedges</b>	<b>—</b>	<b>—</b>	<b>7</b>	
<b>Gains on net investment hedges</b>				
FX forwards	3	—	—	Other non-operating income (expense), net
Income tax effect of item above	(1)	—	—	Provision for income taxes
<b>Total net gains on net investment hedges</b>	<b>2</b>	<b>—</b>	<b>—</b>	
<b>Gains on available for sale securities</b>				
Gains on available for sale securities	—	—	2	Other non-operating income (expense), net
Income tax effect of item above	—	—	—	Provision for income taxes
<b>Total gains on available for sale securities</b>	<b>—</b>	<b>—</b>	<b>2</b>	
<b>Pension and other retirement benefits</b>				
Amortization of actuarial losses and prior service costs included in net income	(2)	(3)	(5)	Operating expense
Amortization of actuarial losses and prior service costs included in net income	(1)	(2)	(3)	SG&A expense
<b>Total before income taxes</b>	<b>(3)</b>	<b>(5)</b>	<b>(8)</b>	
Income tax effect of item above	1	1	3	Provision for income taxes
<b>Total pension and other retirement benefits</b>	<b>(2)</b>	<b>(4)</b>	<b>(5)</b>	
<b>Total (losses) gains included in Net Income attributable to reclassifications out of AOCI</b>	<b>\$ (32)</b>	<b>\$ (4)</b>	<b>\$ 4</b>	

The following table shows changes in AOCI by component (net of tax):

	Year Ended December 31, 2019				
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Total
<b>Balance December 31, 2018</b>	\$ (53)	\$ —	\$ (406)	\$ 33	\$ (426)
Other comprehensive income/(loss) before reclassifications	(24)	—	(27)	26	(25)
Amounts reclassified from AOCI	2	—	32	(2)	32
Adoption of ASU 2018-02 (See Note 1)	(17)	—	—	(3)	(20)
Other comprehensive income/(loss)	(39)	—	5	21	(13)
<b>Balance December 31, 2019</b>	\$ (92)	\$ —	\$ (401)	\$ 54	\$ (439)

	Year Ended December 31, 2018					
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Gains on Available for Sale Securities	Total
<b>Balance December 31, 2017</b>	\$ (61)	\$ 1	\$ (113)	\$ (1)	\$ 2	\$ (172)
Adoption of ASU 2016-01	—	—	—	—	(2)	(2)
Other comprehensive income/(loss) before reclassifications	4	(1)	(293)	34	—	(256)
Amounts reclassified from AOCI	4	—	—	—	—	4
Other comprehensive income/(loss)	8	(1)	(293)	34	(2)	(254)
<b>Balance December 31, 2018</b>	\$ (53)	\$ —	\$ (406)	\$ 33	\$ —	\$ (426)

	Year Ended December 31, 2017					
	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Investment Hedges	Gains on Available for Sale Securities	Total
<b>Balance December 31, 2016</b>	\$ (79)	\$ 2	\$ (325)	\$ 35	\$ 3	\$ (364)
Other comprehensive income/(loss) before reclassifications	13	6	212	(36)	1	196
Amounts reclassified from AOCI	5	(7)	—	—	(2)	(4)
Other comprehensive income/(loss)	18	(1)	212	(36)	(1)	192
<b>Balance December 31, 2017</b>	\$ (61)	\$ 1	\$ (113)	\$ (1)	\$ 2	\$ (172)

#### NOTE 16 PENSION AND OTHER RETIREMENT BENEFITS

##### U.S. Plans

Moody's maintains funded and unfunded noncontributory Defined Benefit Pension Plans ("DBPPs"). The DBPPs provide defined benefits using a cash balance formula based on years of service and career average salary or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody's funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Retirement Plans". The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Other Retirement Plans".

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Through 2007, substantially all U.S. employees were eligible to participate in the Company's DBPPs. Effective January 1, 2008, the Company no longer offers DBPPs to U.S. employees hired or rehired on or after January 1, 2008 and new hires in the U.S. instead will receive a retirement contribution in similar benefit value under the Company's Profit Participation Plan. Current participants of the Company's Retirement Plans and Other Retirement Plans continue to accrue benefits based on existing plan benefit formulas.

Following is a summary of changes in benefit obligations and fair value of plan assets for the Retirement Plans for the years ended December 31:

	Pension Plans		Other Retirement Plans	
	2019	2018	2019	2018
<b>Change in benefit obligation:</b>				
Benefit obligation, beginning of the period	\$ (508)	\$ (518)	\$ (32)	\$ (31)
Service cost	(17)	(19)	(3)	(3)
Interest cost	(21)	(17)	(1)	(1)
Plan participants' contributions	—	—	(1)	(1)
Benefits paid	21	11	1	1
Actuarial loss	(3)	—	—	—
Assumption changes	(61)	35	(6)	3
Benefit obligation, end of the period	\$ (589)	\$ (508)	\$ (42)	\$ (32)
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of the period	\$ 348	\$ 357	\$ —	\$ —
Actual return on plan assets	60	(18)	—	—
Benefits paid	(21)	(11)	(1)	(1)
Employer contributions	8	20	—	—
Plan participants' contributions	—	—	1	1
Fair value of plan assets, end of the period	\$ 395	\$ 348	\$ —	\$ —
Funded Status of the plans	\$ (194)	\$ (160)	\$ (42)	\$ (32)
Amounts recorded on the consolidated balance sheets:				
Pension and retirement benefits liability – current	\$ (6)	\$ (5)	\$ (1)	\$ (1)
Pension and retirement benefits liability – non current	(188)	(155)	(41)	(31)
Net amount recognized	\$ (194)	\$ (160)	\$ (42)	\$ (32)
<b>Accumulated benefit obligation, end of the period</b>	<b>\$ (529)</b>	<b>\$ (458)</b>		

The following information is for those pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2019	2018
Aggregate projected benefit obligation	\$ 589	\$ 508
Aggregate accumulated benefit obligation	\$ 529	\$ 458
Aggregate fair value of plan assets	\$ 395	\$ 348

The following table summarizes the pre-tax net actuarial losses and prior service cost recognized in AOCI for the Company's Retirement Plans as of December 31:

	Pension Plans		Other Retirement Plans	
	2019	2018	2019	2018
Net actuarial losses	\$ (116)	\$ (96)	\$ (6)	\$ —
Net prior service costs	4	4	—	—
Total recognized in AOCI – pretax	\$ (112)	\$ (92)	\$ (6)	\$ —

The following table summarizes the estimated pre-tax net actuarial losses for the Company's Retirement Plans that will be amortized from AOCI and recognized as components of net periodic expense during the next fiscal year:

	Pension Plans		Other Retirement Plans	
	2019	2018	2019	2018
Net actuarial losses	\$ 7	\$ —	\$ —	\$ —
Total to be recognized as components of net periodic expense	\$ 7	\$ —	\$ —	\$ —

Net periodic benefit expenses recognized for the Retirement Plans for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2019	2018	2017	2019	2018	2017
<b>Components of net periodic expense</b>						
Service cost	\$ 17	\$ 19	\$ 18	\$ 3	\$ 3	\$ 2
Interest cost	21	17	19	1	1	1
Expected return on plan assets	(20)	(15)	(17)	—	—	—
Amortization of net actuarial loss from earlier periods	4	6	9	—	—	—
Net periodic expense	\$ 22	\$ 27	\$ 29	\$ 4	\$ 4	\$ 3

The following table summarizes the pre-tax amounts recorded in OCI related to the Company's Retirement Plans for the years ended December 31:

	Pension Plans			Other Retirement Plans		
	2019	2018	2017	2019	2018	2017
Amortization of net actuarial losses	\$ 4	\$ 6	\$ 9	\$ —	\$ —	\$ —
Net actuarial (loss)/gain arising during the period	(24)	2	21	(6)	3	1
Total recognized in OCI – pre-tax	\$ (20)	\$ 8	\$ 30	\$ (6)	\$ 3	\$ 1

#### ADDITIONAL INFORMATION:

##### Assumptions—Retirement Plans

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Retirement Plans	
	2019	2018	2019	2018
Discount rate	3.04 %	4.07 %	3.05 %	4.10 %
Rate of compensation increase	3.64 %	3.69 %	—	—

Weighted-average assumptions used to determine net periodic benefit expense for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2019	2018	2017	2019	2018	2017
Discount rate	4.07 %	3.46 %	3.89 %	4.10 %	3.45 %	3.85 %
Expected return on plan assets	5.65 %	4.50 %	5.40 %	—	—	—
Rate of compensation increase	3.69 %	3.71 %	3.72 %	—	—	—

The expected rate of return on plan assets represents the Company's best estimate of the long-term return on plan assets and is determined by using a building block approach, which generally weighs the underlying long-term expected rate of return for each major asset class based on their respective allocation target within the plan portfolio, net of plan paid expenses. As the assumption reflects a long-term time horizon, the plan performance in any one particular year does not, by itself, significantly influence the Company's evaluation. For 2019, the expected rate of return used in calculating the net periodic benefit costs was 5.65%. For 2020, the Company's expected rate of return assumption is 4.45% to reflect the Company's current view of long-term capital market outlook. In addition, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2019 to accompany the Pri2012 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries. Additionally, the assumed healthcare cost trend rate assumption is not material to the valuation of the other retirement plans.

## Plan Assets

Moody's investment objective for the assets in the funded pension plan is to earn total returns that will minimize future contribution requirements over the long-term within a prudent level of risk. The Company works with its independent investment consultants to determine asset allocation targets for its pension plan investment portfolio based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics, and related risk factors. Other relevant factors, including historical and forward looking views of inflation and capital market returns, are also considered. Risk management practices include monitoring plan asset performance, diversification across asset classes and investment styles, and periodic rebalancing toward asset allocation targets. The Company's Asset Management Committee is responsible for overseeing the investment activities of the plan, which includes selecting acceptable asset classes, defining allowable ranges of holdings by asset class and by individual investment managers, defining acceptable securities within each asset class, and establishing investment performance expectations. Ongoing monitoring of the plan includes reviews of investment performance and managers on a regular basis, annual liability measurements, and periodic asset/liability studies.

The Company's investment policy uses risk-controlled investment strategies by increasing the plan's asset allocation to fixed income securities and specifying ranges of acceptable target allocation by asset class based on different levels of the plan's accounting funded status. In addition, the investment policy also requires the investment-grade fixed income assets be rebalanced between shorter and longer duration bonds as the interest rate environment changes. This investment policy is designed to help protect the plan's funded status and to limit volatility of the Company's contributions. Based on the policy, the Company's current target asset allocation is approximately 49% (range of 44% to 54%) in equity securities, 45% (range of 40% to 50%) in fixed income securities and 6% (range of 3% to 9%) in other investments and the plan will use a combination of active and passive investment strategies and different investment styles for its investment portfolios within each asset class. The plan's equity investments are diversified across U.S. and non-U.S. stocks of small, medium and large capitalization. The plan's fixed income investments are diversified principally across U.S. and non-U.S. government and corporate bonds, which are expected to help reduce plan exposure to interest rate variation and to better align assets with obligations. The plan also invests in other fixed income investments such as debts rated below investment grade, emerging market debt, and convertible securities. The plan's other investment, which is made through a private real estate debt fund, is expected to provide additional diversification benefits and absolute return enhancement to the plan assets.

Fair value of the assets in the Company's funded pension plan by asset category at December 31, 2019 and 2018 are as follows:

Asset Category	Fair Value Measurement as of December 31, 2019					% of total assets
	Balance	Level 1	Level 2	Measured using NAV practical expedient <sup>(1)</sup>		
<b>Cash and cash equivalent</b>	\$ 2	\$ —	\$ 2	\$ —		1 %
<b>Common/collective trust funds—equity securities</b>						
U.S. large-cap	140	—	140	—		35 %
U.S. small and mid-cap	21	—	21	—		5 %
Emerging markets	29	—	29	—		7 %
<b>Total equity investments</b>	<b>190</b>	<b>—</b>	<b>190</b>	<b>—</b>		<b>48 %</b>
<b>Emerging markets bond fund</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>15</b>		<b>4 %</b>
<b>Common/collective trust funds—fixed income securities</b>						
Intermediate-term investment grade U.S. government/corporate bonds	119	—	119	—		30 %
<b>Mutual funds</b>						
U.S. Treasury Inflation-Protected Securities (TIPs)	22	22	—	—		6 %
Convertible securities	12	12	—	—		3 %
<b>Private investment fund—high yield securities</b>	<b>12</b>	<b>—</b>	<b>—</b>	<b>12</b>		<b>3 %</b>
<b>Total fixed-income investments</b>	<b>180</b>	<b>34</b>	<b>119</b>	<b>27</b>		<b>46 %</b>
<b>Other investment—private real estate fund</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>23</b>		<b>6 %</b>
<b>Total Assets</b>	<b>\$ 395</b>	<b>\$ 34</b>	<b>\$ 311</b>	<b>\$ 50</b>		<b>100 %</b>

## Fair Value Measurement as of December 31, 2018

Asset Category	Balance	Level 1	Level 2	Measured using NAV practical expedient <sup>(1)</sup>	% of total assets
<b>Cash and cash equivalent</b>	\$ 1	\$ —	\$ 1	\$ —	— %
<b>Common/collective trust funds—equity securities</b>					
U.S. large-cap	122	—	122	—	35 %
U.S. small and mid-cap	16	—	16	—	5 %
Emerging markets	23	—	23	—	7 %
<b>Total equity investments</b>	<b>161</b>	<b>—</b>	<b>161</b>	<b>—</b>	<b>47 %</b>
<b>Emerging markets bond fund</b>	<b>13</b>	<b>—</b>	<b>—</b>	<b>13</b>	<b>4 %</b>
<b>Common/collective trust funds—fixed income securities</b>					
Intermediate-term investment grade U.S. government/corporate bonds	109	—	109	—	31 %
U.S. Treasury Inflation-Protected Securities (TIPs)	21	21	—	—	6 %
<b>Private investment fund—convertible securities</b>	<b>11</b>	<b>—</b>	<b>—</b>	<b>11</b>	<b>3 %</b>
<b>Private investment fund—high yield securities</b>	<b>11</b>	<b>—</b>	<b>—</b>	<b>11</b>	<b>3 %</b>
<b>Total fixed-income investments</b>	<b>165</b>	<b>21</b>	<b>109</b>	<b>35</b>	<b>47 %</b>
<b>Other investment—private real estate debt fund</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>21</b>	<b>6 %</b>
<b>Total Assets</b>	<b>\$ 348</b>	<b>\$ 21</b>	<b>\$ 271</b>	<b>\$ 56</b>	<b>100 %</b>

<sup>(1)</sup> Investments are measured using the net asset value per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to permit a reconciliation of the fair value hierarchy to the value of the total plan assets.

Cash and cash equivalents are primarily comprised of investments in money market mutual funds. In determining fair value, Level 1 investments are valued based on quoted market prices in active markets. Investments in common/collective trust funds are valued using the NAV per unit in each fund. The NAV is based on the value of the underlying investments owned by each trust, minus its liabilities, and then divided by the number of shares outstanding. Common/collective trust funds are categorized in Level 2 to the extent that they are considered to have a readily determinable fair value. Investments for which fair value is estimated by using the NAV per share (or its equivalent) as a practical expedient are not categorized in the fair value hierarchy.

Except for the Company's U.S. funded pension plan, all of Moody's Retirement Plans are unfunded and therefore have no plan assets.

### Cash Flows

The Company did not contribute to its U.S. funded pension plan during 2019, but contributed \$16 million to this plan during the year ended December 31, 2018. The Company made payments of \$8 million and \$5 million related to its U.S. unfunded pension plan obligations during the years ended December 31, 2019 and 2018, respectively. The Company anticipates making payments of \$99 million to its funded U.S. pension plan and \$6 million related to its unfunded U.S. pension plans during the year ended December 31, 2020.

### Estimated Future Benefits Payable

Estimated future benefits payments for the Retirement Plans are as follows as of year ended December 31, 2019:

Year Ending December 31,	Pension Plans	Other Retirement Plans
2020	\$ 16	\$ 1
2021	17	1
2022	47	1
2023	27	2
2024	23	2
2025 - 2029	\$ 146	\$ 12



**Defined Contribution Plans**

Moody's has a Profit Participation Plan covering substantially all U.S. employees. The Profit Participation Plan provides for an employee salary deferral and the Company matches employee contributions, equal to 50% of employee contribution up to a maximum of 3% of the employee's pay. Moody's also makes additional contributions to the Profit Participation Plan based on year-to-year growth in the Company's EPS (i.e. profit sharing contribution). The Company did not make this profit sharing contribution in 2019. Effective January 1, 2008, all new hires are automatically enrolled in the Profit Participation Plan when they meet eligibility requirements unless they decline participation. As the Company's U.S. DBPPs are closed to new entrants effective January 1, 2008, all eligible new hires will instead receive a retirement contribution into the Profit Participation Plan in value similar to the pension benefits. Additionally, effective January 1, 2008, the Company implemented a deferred compensation plan in the U.S., which is unfunded and provides for employee deferral of compensation and Company matching contributions related to compensation in excess of the IRS limitations on benefits and contributions under qualified retirement plans. Total expenses associated with U.S. defined contribution plans were \$43 million, \$27 million and \$43 million in the years ended December 31, 2019, 2018, and 2017, respectively.

Effective January 1, 2008, Moody's has designated the Moody's Stock Fund, an investment option under the Profit Participation Plan, as an Employee Stock Ownership Plan and, as a result, participants in the Moody's Stock Fund may receive dividends in cash or may reinvest such dividends into the Moody's Stock Fund. Moody's paid approximately \$1 million during each of the years ended December 31, 2019, 2018 and 2017, respectively, for the Company's common shares held by the Moody's Stock Fund. The Company records the dividends as a reduction of retained earnings in the Consolidated Statements of Shareholders' Equity (Deficit). The Moody's Stock Fund held approximately 411,100 and 435,500 shares of Moody's common stock at December 31, 2019 and 2018, respectively.

**Non-U.S. Plans**

Certain of the Company's non-U.S. operations provide pension benefits to their employees. The non-U.S. defined benefit pension plans are immaterial. For defined contribution plans, company contributions are primarily determined as a percentage of employees' eligible compensation. Moody's also makes contributions to non-U.S. employees under a profit sharing plan which is based on year-to-year growth in the Company's diluted EPS. The Company did not make this profit sharing contribution in 2019. Expenses related to these defined contribution plans for the years ended December 31, 2019, 2018 and 2017 were \$25 million, \$26 million and \$24 million, respectively.

**NOTE 17 STOCK-BASED COMPENSATION PLANS**

Under the 1998 Plan, 33 million shares of the Company's common stock have been reserved for issuance. The 2001 Plan, which is shareholder approved, permits the granting of up to 50.6 million shares, of which not more than 14.0 million shares are available for grants of awards other than stock options. The Stock Plans also provide for the granting of restricted stock. The Stock Plans provide that options are exercisable not later than ten years from the grant date. The vesting period for awards under the Stock Plans is generally determined by the Board at the date of the grant and has been four years except for employees who are at or near retirement eligibility, as defined, for which vesting is between one and four years. Additionally, the vesting period is three years for certain performance-based restricted stock that contain a condition whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company. Options may not be granted at less than the fair market value of the Company's common stock at the date of grant.

The Company maintains the Directors' Plan for its Board, which permits the granting of awards in the form of non-qualified stock options, restricted stock or performance shares. The Directors' Plan provides that options are exercisable not later than ten years from the grant date. The vesting period is determined by the Board at the date of the grant and is generally one year for both options and restricted stock. Under the Directors' Plan, 1.7 million shares of common stock were reserved for issuance. Any director of the Company who is not an employee of the Company or any of its subsidiaries as of the date that an award is granted is eligible to participate in the Directors' Plan.

Presented below is a summary of the stock-based compensation expense and associated tax benefit in the accompanying Consolidated Statements of Operations:

	Year Ended December 31,		
	2019	2018	2017
Stock-based compensation expense	\$ 136	\$ 130	\$ 123
Tax benefit	\$ 29	\$ 32	\$ 13 <sup>(1)</sup>

<sup>(1)</sup> The 2017 Amount includes a decrease in deferred tax assets resulting from a future reduction in the U.S. federal corporate income tax rate in accordance with the Tax Act.

The fair value of each employee stock option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted below. The expected dividend yield is derived from the annual dividend rate on the date of grant. The expected stock volatility is based on an assessment of historical weekly stock prices of the Company as well as implied volatility from Moody's traded options. The risk-free interest rate is based on U.S. government zero coupon bonds with maturities similar to the expected holding period. The expected holding period was determined by examining historical and projected post-vesting exercise behavior activity.

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The following weighted average assumptions were used for options granted:

	Year Ended December 31,		
	2019	2018	2017
Expected dividend yield	1.14 %	1.05 %	1.34 %
Expected stock volatility	24 %	26 %	27 %
Risk-free interest rate	2.56 %	2.82 %	2.19 %
Expected holding period -in years	6.2	6.2	6.5
Grant date fair value	\$ 43.29	\$ 45.73	\$ 30.00

A summary of option activity as of December 31, 2019 and changes during the year then ended is presented below:

Options	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2018	2.2	\$ 69.86		
Granted	0.2	175.30		
Exercised	(0.8)	44.59		
Outstanding, December 31, 2019	1.6	93.51	5.2 years	\$ 227
Vested and expected to vest, December 31, 2019	1.5	92.14	5.1 years	\$ 224
Exercisable, December 31, 2019	1.1	\$ 71.64	4.0 years	\$ 176

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Moody's closing stock price on the last trading day of the year ended December 31, 2019 and the exercise prices, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of December 31, 2019. This amount varies based on the fair value of Moody's stock. As of December 31, 2019, there was \$6 million of total unrecognized compensation expense related to options. The expense is expected to be recognized over a weighted average period of 2.2 years.

The following table summarizes information relating to stock option exercises:

	Year Ended December 31,		
	2019	2018	2017
Proceeds from stock option exercises	36	38	49
Aggregate intrinsic value	114	99	88
Tax benefit realized upon exercise	27	24	31

A summary of nonvested restricted stock activity for the year ended December 31, 2019 is presented below:

Nonvested Restricted Stock	Shares	Weighted Average Grant Date Fair Value Per Share
Balance, December 31, 2018	2.0	\$ 123.13
Granted	0.8	174.07
Vested	(0.9)	113.21
Forfeited	(0.1)	144.18
Balance, December 31, 2019	1.8	\$ 124.63

As of December 31, 2019, there was \$147 million of total unrecognized compensation expense related to nonvested restricted stock. The expense is expected to be recognized over a weighted average period of 2.4 years.

The following table summarizes information relating to the vesting of restricted stock awards:

	Year Ended December 31,		
	2019	2018	2017
Fair value of shares vested	156	151	111
Tax benefit realized upon vesting	36	35	35

A summary of performance-based restricted stock activity for the year ended December 31, 2019 is presented below:

<b>Performance-based restricted stock</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Balance, December 31, 2018	0.7	\$ 103.74
Granted	0.1	169.68
Vested	(0.3)	76.68
Balance, December 31, 2019	0.5	\$ 134.35

The following table summarizes information relating to the vesting of the Company's performance-based restricted stock awards:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Fair value of shares vested	47	23	20
Tax benefit realized upon vesting	11	6	7

As of December 31, 2019, there was \$24 million of total unrecognized compensation expense related to this plan. The expense is expected to be recognized over a weighted average period of 1.8 years.

The Company has a policy of issuing treasury stock to satisfy shares issued under stock-based compensation plans.

In addition, the Company also sponsors the ESPP. Under the ESPP, 6 million shares of common stock were reserved for issuance. The ESPP allows eligible employees to purchase common stock of the Company on a monthly basis at a discount to the average of the high and the low trading prices on the New York Stock Exchange on the last trading day of each month. This discount was 5% in 2019, 2018, and 2017 resulting in the ESPP qualifying for non-compensatory status under Topic 718 of the ASC. Accordingly, no compensation expense was recognized for the ESPP in 2019, 2018, and 2017. The employee purchases are funded through after-tax payroll deductions, which plan participants can elect from one percent to ten percent of compensation, subject to the annual federal limit.

#### NOTE 18 INCOME TAXES

Components of the Company's income tax provision are as follows:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Current:</b>			
Federal	\$ 179	\$ 168	\$ 454
State and Local	59	50	30
Non-U.S.	181	233	207
Total current	419	451	691
<b>Deferred:</b>			
Federal	(19)	(59)	156
State and Local	(3)	(2)	17
Non-U.S.	(16)	(38)	(85)
Total deferred	(38)	(99)	88
<b>Total provision for income taxes</b>	<b>\$ 381</b>	<b>\$ 352</b>	<b>\$ 779</b>

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A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on income before provision for income taxes is as follows:

	Year Ended December 31,		
	2019	2018	2017
U.S. statutory tax rate	21.0 %	21.0 %	35.0 %
State and local taxes, net of federal tax benefit	2.2 %	2.2 %	1.9 %
Benefit of foreign operations	(0.1)%	1.8 %	(9.9)%
U.S. Tax Act impact	— %	(2.8)%	17.0 %
Other	(2.1)%	(1.1)%	(0.4)%
Effective tax rate	21.0 %	21.1 %	43.6 %
Income tax paid	\$ 458	\$ 442	\$ 366

The source of income before provision for income taxes is as follows:

	Year Ended December 31,		
	2019	2018	2017
U.S.	\$ 1,039	\$ 936	\$ 1,099
Non-U.S.	771	736	688
Income before provision for income taxes	\$ 1,810	\$ 1,672	\$ 1,787

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2019	2018
<b>Deferred tax assets:</b>		
Account receivable allowances	\$ 6	\$ 6
Accumulated depreciation and amortization	1	1
Stock-based compensation	46	46
Accrued compensation and benefits	89	75
Operating lease liabilities	136	—
Deferred rent	—	22
Deferred revenue	37	41
Net operating loss	13	16
Restructuring	4	5
Uncertain tax positions	94	81
Self-insured related reserves	8	8
Other	13	14
Total deferred tax assets	447	315
<b>Deferred tax liabilities:</b>		
Accumulated depreciation and amortization of intangible assets and capitalized software	(389)	(395)
ROU Assets	(107)	—
Capital gains	(23)	(24)
Self-insured related income	(8)	(8)
Stock based compensation	(2)	(2)
New revenue accounting standard - ASC 606	(12)	(19)
Unrealized gain on net investment hedges - OCI	(22)	(10)
Other liabilities	(3)	(7)
Total deferred tax liabilities	(566)	(465)
Net deferred tax liabilities	(119)	(150)
Valuation allowance	(9)	(5)
Total net deferred tax liabilities	\$ (128)	\$ (155)

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On December 22, 2017, the Tax Act was signed into law, which resulted in significant changes to U.S. corporate tax laws. The Tax Act includes a mandatory one-time deemed repatriation tax ("transition tax") on previously untaxed accumulated earnings of foreign subsidiaries and beginning in 2018 reduces the statutory federal corporate income tax rate from 35% to 21%. Due to the complexities of the Tax Act, the SEC issued guidance requiring that companies provide a reasonable estimate of the impact of the Tax Act to the extent such reasonable estimate has been determined. Accordingly, as of December 31, 2017, the Company recorded a provisional estimate for the transition tax of \$247 million. In September, 2018, the Company filed its 2017 federal income tax return and revised its determination of the transition tax to \$236 million, a reduction of \$11 million from the estimate at December 31, 2017. The reduction was primarily due to proposed regulations issued by the Internal Revenue Service and the finalization of earnings and profits calculations. A portion of the transition tax will be payable over eight years, starting in 2018, and will not accrue interest. The above revised determination of transition tax may be impacted by a number of additional considerations, including but not limited to the issuance of additional regulations.

As a result of the Tax Act, all previously net undistributed foreign earnings have now been subject to U.S. tax. The Company regularly evaluates which entities it will indefinitely reinvest earnings. The Company has provided deferred taxes for those entities whose earnings are not considered indefinitely reinvested.

The Company has recorded reductions in its income tax provision of approximately \$44 million, or 242 BPS, for the full-year of 2019, and approximately \$38 million, or 223 BPS, for the full-year of 2018, relating to Excess Tax Benefits on stock-based compensation.

The Company had valuation allowances of \$9 million and \$5 million at December 31, 2019 and 2018, respectively, related to foreign net operating losses for which realization is uncertain.

As of December 31, 2019, the Company had \$477 million of UTPs of which \$422 million represents the amount that, if recognized, would impact the effective tax rate in future periods. The increase in UTPs primarily resulted from the additional reserves established for non-U.S. tax exposures and an adjustment to the transition tax under U.S. tax reform. In 2018, the Company has recorded a deferred tax asset in the amount of \$48 million for potential transition tax benefits if certain non-U.S. UTPs are not sustained. Due to additional UTPs recorded in 2019, the Company increased deferred assets to \$50 million.

A reconciliation of the beginning and ending amount of UTPs is as follows:

	Year Ended December 31,		
	2019	2018	2017
Balance as of January 1	\$ 495	\$ 389	\$ 200
Additions for tax positions related to the current year	35	80	86
Additions for tax positions of prior years	22	89	120
Reductions for tax positions of prior years	(2)	(13)	(4)
Settlements with taxing authorities	(1)	(2)	(2)
Lapse of statute of limitations	(44)	(48)	(11)
Reclassification to indemnification liability related to MAKS divestiture	(28)	—	—
Balance as of December 31	\$ 477	\$ 495	\$ 389

The Company classifies interest related to UTPs in interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. During the years ended December 31, 2019 and 2018, the Company incurred a net interest expense of \$28 million and \$15 million respectively, related to UTPs. As of December 31, 2019 and 2018, the amount of accrued interest recorded in the Company's consolidated balance sheets related to UTPs was \$82 million and \$70 million, respectively.

Moody's Corporation and subsidiaries are subject to U.S. federal income tax as well as income tax in various state, local and foreign jurisdictions. The Company's U.S. federal income tax returns for 2013 and 2015 through 2017 remain open to examination. The Company's New York State tax returns for 2011 through 2014 are currently under examination and the Company's New York City tax return for 2014 is currently under examination. The Company's U.K. tax return for 2012 is currently under examination and its returns for 2013 through 2017 remain open to examination.

For current ongoing audits related to open tax years, the Company estimates that it is possible that the balance of UTPs could decrease in the next twelve months as a result of the effective settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities which might necessitate increases to the balance of UTPs. As the Company is unable to predict the timing of conclusion of these audits, the Company is unable to estimate the amount of changes to the balance of UTPs at this time.

**NOTE 19 INDEBTEDNESS**

The following table summarizes total indebtedness:

December 31, 2019						
	Principal Amount	Fair Value of Interest Rate Swaps <sup>(1)</sup>	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value	
<b>Notes Payable:</b>						
4.50% 2012 Senior Notes, due 2022	\$ 500	\$ 9	\$ (1)	\$ (1)	\$ 507	
4.875% 2013 Senior Notes, due 2024	500	—	(1)	(2)	497	
5.25% 2014 Senior Notes (30-Year), due 2044	600	—	4	(5)	599	
1.75% 2015 Senior Notes, due 2027	561	—	—	(3)	558	
2.75% 2017 Senior Notes, due 2021	500	11	(1)	(2)	508	
2.625% 2017 Senior Notes, due 2023	500	7	(1)	(2)	504	
3.25% 2017 Senior Notes, due 2028	500	—	(4)	(3)	493	
3.25% 2018 Senior Notes, due 2021	300	—	—	(1)	299	
4.25% 2018 Senior Notes, due 2029	400	—	(3)	(3)	394	
4.875% 2018 Senior Notes, due 2048	400	—	(7)	(4)	389	
0.950% 2019 Senior Notes, due 2030	842	—	(3)	(6)	833	
<b>Total long-term debt</b>	<b>\$ 5,603</b>	<b>\$ 27</b>	<b>\$ (17)</b>	<b>\$ (32)</b>	<b>\$ 5,581</b>	

December 31, 2018						
	Principal Amount	Fair Value of Interest Rate Swaps <sup>(1)</sup>	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs	Carrying Value	
<b>Notes Payable:</b>						
5.50% 2010 Senior Notes, due 2020	\$ 500	\$ (4)	\$ (1)	\$ (1)	\$ 494	
4.50% 2012 Senior Notes, due 2022	500	2	(2)	(1)	499	
4.875% 2013 Senior Notes, due 2024	500	—	(1)	(2)	497	
2.75% 2014 Senior Notes (5-Year), due 2019	450	—	—	—	450	
5.25% 2014 Senior Notes (30-Year), due 2044	600	—	3	(5)	598	
1.75% 2015 Senior Notes, due 2027	572	—	—	(3)	569	
2.75% 2017 Senior Notes, due 2021	500	4	(1)	(2)	501	
2.625% 2017 Senior Notes, due 2023	500	—	(1)	(3)	496	
3.25% 2017 Senior Notes, due 2028	500	—	(5)	(4)	491	
3.25% 2018 Senior Notes, due 2021	300	—	—	(2)	298	
4.25% 2018 Senior Notes, due 2029	400	—	(3)	(3)	394	
4.875% 2018 Senior Notes, due 2048	400	—	(7)	(4)	389	
<b>Total debt</b>	<b>\$ 5,722</b>	<b>\$ 2</b>	<b>\$ (18)</b>	<b>\$ (30)</b>	<b>\$ 5,676</b>	
<b>Current portion</b>					<b>(450)</b>	
<b>Total long-term debt</b>					<b>\$ 5,226</b>	

<sup>(1)</sup> The Company has entered into interest rate swaps on the 2010 Senior Notes, the 2012 Senior Notes, the 2014 Senior Notes (5-Year), the 2017 Senior Notes due 2021 and the 2017 Senior Notes due 2023 which are more fully discussed in Note 7 above. These amounts represent the cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged debt.

### Credit Facility

The following summarizes information relating to the Company's revolving credit facility:

	Issue Date	Capacity	Maturity	December 31, 2019		December 31, 2018	
				Drawn	Undrawn	Drawn	Undrawn
2018 Credit Facility	November 14, 2018	\$ 1,000	November 13, 2023	\$ —	\$ 1,000	\$ —	\$ 1,000

Interest on borrowings under the facility may range from 0 BPS to 22.5 BPS per annum for Alternate Base Rate loans (as defined in the 2018 Facility agreement) or payable at rates that are based on the London InterBank Offered Rate ("LIBOR") plus a premium that can range from 80.5 BPS to 122.5 BPS depending on the Company's index debt ratings, as set forth in the 2018 Facility agreement. The Company also pays quarterly facility fees, regardless of borrowing activity under the facility. The quarterly fees for the 2018 Facility can range from 7 BPS of the facility amount to 15 BPS, depending on the Company's index debt ratings. The 2018 Facility contains certain customary covenants including a financial covenant that requires the Company to maintain a total debt to EBITDA ratio of (i) not more than 4 to 1 at the end of any fiscal quarter or (ii) not more than 4.5 to 1 as of the end of the first three consecutive quarters immediately following any acquisition with consideration in excess of \$500 million, subject to certain conditions as set forth in the 2018 Facility agreement.

### Commercial Paper

On August 3, 2016, the Company entered into a private placement commercial paper program under which the Company may issue CP notes up to a maximum amount of \$1.0 billion. Borrowings under the CP Program are backstopped by the 2018 Facility. Amounts under the CP Program may be re-borrowed. The maturity of the CP Notes will vary, but may not exceed 397 days from the date of issue. The CP Notes are sold at a discount from par, or alternatively, sold at par and bear interest at rates that will vary based upon market conditions. The rates of interest will depend on whether the CP Notes will be a fixed or floating rate. The interest on a floating rate may be based on the following: (a) certificate of deposit rate; (b) commercial paper rate; (c) the federal funds rate; (d) the LIBOR; (e) prime rate; (f) Treasury rate; or (g) such other base rate as may be specified in a supplement to the private placement agreement. The CP Program contains certain events of default including, among other things: non-payment of principal, interest or fees; entrance into any form of moratorium; and bankruptcy and insolvency events, subject in certain instances to cure periods. As of December 31, 2019, the Company has no CP borrowings outstanding.

### Notes Payable

The Company may prepay certain of its senior notes, in whole or in part, but may incur a Make-Whole Amount penalty.

During 2019, the Company fully repaid \$500 million of the 2010 Senior Notes and \$450 million of the 2014 Senior Notes (5-year) along with a Make-Whole Amount of approximately \$12 million. Additionally, in 2019, the Company issued the €750 million 2019 Senior Notes, due 2030. The 2019 Senior Notes were designated as net investment hedges as more fully discussed in Note 7.

At December 31, 2019, the Company was in compliance with all covenants contained within all of the debt agreements. All the debt agreements contain cross default provisions which state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of December 31, 2019, there were no such cross defaults.

The repayment schedule for the Company's borrowings is as follows:

Year Ending December 31,	2012 Senior Notes due 2022	2013 Senior Notes due 2024	2014 Senior Notes (30-year) due 2044	2015 Senior Notes due 2027	2017 Senior Notes due 2021	2017 Senior Notes due 2023	2017 Senior Notes due 2028	2018 Senior Notes due 2021	2018 Senior Notes due 2029	2018 Senior Notes due 2048	2019 Senior Notes due 2030	Total
2020	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2021	—	—	—	—	500	—	—	300	—	—	—	800
2022	500	—	—	—	—	—	—	—	—	—	—	500
2023	—	—	—	—	—	500	—	—	—	—	—	500
2024	—	500	—	—	—	—	—	—	—	—	—	500
Thereafter	—	—	600	561	—	—	500	—	400	400	842	3,303
Total	500	500	600	561	500	500	500	300	400	400	842	5,603

## INTEREST EXPENSE, NET

The following table summarizes the components of interest as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2019	2018	2017
Income	\$ 17	\$ 15	\$ 16
Expense on borrowings	(176)	(197)	(190)
Expense on UTPs and other tax related liabilities	(28)	(15)	(16)
Net periodic pension costs—interest component <sup>(1)</sup>	(22)	(19)	(20)
Capitalized	1	1	1
Total	\$ (208)	\$ (215)	\$ (209)
Interest paid <sup>(2)</sup>	\$ 167	\$ 183	\$ 158

<sup>(1)</sup> The Company adopted ASU No. 2017-07 in the first quarter of 2018, whereby all components of pension expense except for the service cost component are required to be presented in non-operating (expense) income, net. The service cost component continues to be reported as an operating expense.

<sup>(2)</sup> Interest paid includes net settlements on interest rate swaps more fully discussed in Note 7.

The Company's debt is recorded at its carrying amount, which represents the issuance amount plus or minus any issuance premium or discount, except for the 2010 Senior Notes, the 2012 Senior Notes, the 2017 Senior Notes due 2021 and the 2017 Senior Notes due 2023, which are recorded at the carrying amount adjusted for the fair value of an interest rate swap used to hedge the fair value of the note.

The fair value and carrying value of the Company's debt as of December 31, 2019 and 2018 are as follows:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
5.50% 2010 Senior Notes, due 2020	\$ —	\$ —	\$ 494	\$ 518
4.50% 2012 Senior Notes, due 2022	507	531	499	514
4.875% 2013 Senior Notes, due 2024	497	551	497	522
2.75% 2014 Senior Notes (5-Year), due 2019	—	—	450	450
5.25% 2014 Senior Notes (30-Year), due 2044	599	757	598	638
1.75% 2015 Senior Notes, due 2027	558	604	569	585
2.75% 2017 Senior Notes, due 2021	508	507	501	490
2.625% 2017 Senior Notes, due 2023	504	507	496	477
3.25% 2017 Senior Notes, due 2028	493	523	491	473
3.25% 2018 Senior Notes, due 2021	299	306	298	299
4.25% 2018 Senior Notes, due 2029	394	453	394	407
4.875% 2018 Senior Notes, due 2048	389	492	389	410
0.950% 2019 Senior Notes, due 2030	833	847	—	—
<b>Total</b>	<b>\$ 5,581</b>	<b>\$ 6,078</b>	<b>\$ 5,676</b>	<b>\$ 5,783</b>

The fair value of the Company's debt is estimated based on quoted market prices for similar instruments. Accordingly, the inputs used to estimate the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

## NOTE 20 CAPITAL STOCK

### Authorized Capital Stock

The total number of shares of all classes of stock that the Company has authority to issue under its Restated Certificate of Incorporation is 1.02 billion shares with a par value of \$0.01, of which 1.0 billion are shares of common stock, 10.0 million are shares of preferred stock and 10.0 million are shares of series common stock. The preferred stock and series common stock can be issued with varying terms, as determined by the Board.



### Share Repurchase Program

The Company implemented a systematic share repurchase program in the third quarter of 2005 through an SEC Rule 10b5-1 program. Moody's may also purchase opportunistically when conditions warrant. As a result, Moody's share repurchase activity will continue to vary from quarter to quarter. The table below summarizes the Company's remaining authority under its share repurchase program as of December 31, 2019:

Date Authorized	Amount Authorized	Remaining Authority
October 22, 2018	\$ 1,000	\$ 334
December 16, 2019	\$ 1,000	1,000
<b>Total Remaining Authority</b>		<b>\$ 1,334</b>

During 2019, Moody's repurchased 5.2 million shares of its common stock under its share repurchase program and issued a net 1.6 million shares under employee stock-based compensation plans. The net amount includes shares withheld for employee payroll taxes.

During 2019, the Company entered into an ASR with a financial institution counterparty to repurchase \$500 million of its outstanding common stock. Refer to Note 5 for further details.

### Dividends

The Company's cash dividends were:

	Dividends Per Share					
	Year ended December 31,					
	2019		2018		2017	
	Declared	Paid	Declared	Paid	Declared	Paid
<b>First quarter</b>	\$ 0.50	\$ 0.50	\$ 0.44	\$ 0.44	\$ —	\$ 0.38
<b>Second quarter</b>	0.50	0.50	0.44	0.44	0.38	0.38
<b>Third quarter</b>	0.50	0.50	0.44	0.44	0.38	0.38
<b>Fourth quarter</b>	0.50	0.50	0.44	0.44	0.38	0.38
<b>Total</b>	<b>\$ 2.00</b>	<b>\$ 2.00</b>	<b>\$ 1.76</b>	<b>\$ 1.76</b>	<b>\$ 1.14</b>	<b>\$ 1.52</b>

On February 11, 2020, the Board approved the declaration of a quarterly dividend of \$0.56 per share of Moody's common stock, payable on March 18, 2020 to shareholders of record at the close of business on February 25, 2020. The continued payment of dividends at the rate noted above, or at all, is subject to the discretion of the Board.

### NOTE 21 LEASE COMMITMENTS

The Company has operating leases, substantially all of which relate to the lease of office space. The Company's leases which are classified as finance leases are not material to the consolidated financial statements. Certain of the Company's leases include options to renew, with renewal terms that can extend the lease from one to 20 years at the Company's discretion.

The following table presents the components of the Company's lease cost:

	Year Ended December 31, 2019
Operating lease cost	\$ 97
Sublease income	(2)
Variable lease cost	17
<b>Total lease cost</b>	<b>\$ 112</b>

During the second quarter of 2019, the Company recorded \$25 million of ROU Asset impairment charges related to the exit of certain real estate leases. The impairment charges were recorded within Restructuring expense on the consolidated statement of operations. Refer to Note 12 for further details.

The following tables present other information related to the Company's operating leases:

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 106
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 41

**December 31, 2019**

Weighted-average remaining lease term	6.8 years
Weighted-average discount rate applied to operating leases	3.6 %

The following table presents a maturity analysis of the future minimum lease payments included within the Company's operating lease liabilities at December 31, 2019:

Year Ending December 31,	Operating Leases
2020	\$ 107
2021	103
2022	91
2023	85
2024	79
Thereafter	183
Total lease payments (undiscounted)	648
Less: Interest	74
Present value of lease liabilities:	\$ 574
Lease liabilities - current	\$ 89
Lease liabilities - noncurrent	\$ 485

The minimum rent for operating leases at December 31, 2018 is as follows:

Year Ending December 31,	Operating Leases
2019	\$ 106
2020	102
2021	96
2022	84
2023	81
Thereafter	247
Total minimum lease payments	\$ 716

**NOTE 22 CONTINGENCIES**

Given the nature of their activities, Moody's and its subsidiaries are subject to legal and tax proceedings, governmental, regulatory and legislative investigations, subpoenas and other inquiries, and claims and litigation by governmental and private parties that are based on ratings assigned by MIS or that are otherwise incidental to the Company's business. Moody's and MIS also are subject to periodic reviews, inspections, examinations and investigations by regulators in the U.S. and other jurisdictions, any of which may result in claims, legal proceedings, assessments, fines, penalties or restrictions on business activities. Moody's also is subject to ongoing tax audits as addressed in Note 18 to the consolidated financial statements.

In May 2013, the Company and five subsidiaries (collectively, the "Company Defendants") were served with a complaint filed by a former employee ("Plaintiff") in New York Supreme Court (the "Court") on behalf of New York State (the "State") and New York City (the "City") asserting purported claims under the New York False Claims Act ("NYFCA"). Both the State and the City were given an opportunity to intervene as plaintiffs in the action but declined to do so. In August 2013, Plaintiff filed an Amended Complaint adding Marsh & McLennan Companies, Inc. as a defendant. Plaintiff's central allegation against the Company Defendants is that their treatment of the Company's wholly-owned captive insurance subsidiary, Moody's Assurance Company, Inc. ("MAC"), in their State and City tax filings between 2002 and 2014 was contrary to the State and City tax codes. Plaintiff also asserts a cause of action for retaliation under the NYFCA and alleges that his employment was improperly terminated after he reported his concerns regarding MAC's tax treatment internally. Plaintiff alleges that the Company underpaid State and City taxes by more than \$120 million (which the Company believes is unsupported as a matter of fact and law), and requests statutory damages of triple that amount, as well as unspecified damages related to the retaliation claim. In December 2016, the Court issued a decision largely denying the Company Defendants' motion to dismiss. The Company Defendants appealed, and in August 2018, the Appellate Division of the New York Supreme Court upheld the Court's decision. In October 2019, the Company Defendants reached an agreement with the State, the City and the Plaintiff to settle all claims asserted against the Company Defendants for \$15.5 million. Pursuant to the settlement, the parties filed a stipulation discontinuing the action in December 2019.

Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, the Company records liabilities in the consolidated financial statements when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In instances when a loss is reasonably possible but uncertainties exist related to the probable outcome and/or the amount or range of loss, management does not record a liability but discloses the contingency if material. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. Moody's also discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, particularly when the claimants seek large or indeterminate damages or assert novel legal theories or the matters involve a large number of parties, the Company often cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also may be unable to predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition and to accrue for and disclose such matters as and when required. However, because such matters are inherently unpredictable and unfavorable developments or resolutions can occur, the ultimate outcome of such matters, including the amount of any loss, may differ from those estimates.

#### NOTE 23 SEGMENT INFORMATION

The Company is organized into two operating segments: MIS and MA and accordingly, the Company reports in two reportable segments: MIS and MA.

The MIS segment consists of five LOBs. The CFG, SFG, FIG and PPIF LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB primarily consists of financial instruments pricing services in the Asia-Pacific region as well as ICRA non-ratings revenue.

The MA segment develops a wide range of products and services that support the risk management activities of institutional participants in global financial markets. The MA segment consists of three LOBs—RD&A, ERS and PS.

Revenue for MIS and expenses for MA include an intersegment royalty charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products and is generally based on comparable market transactions. Also, revenue for MA and expenses for MIS include an intersegment fee charged to MIS from MA for certain MA products and services utilized in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to produce these products and services.

Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and legal. Such costs and corporate expenses that exclusively benefit one segment are fully charged to that segment. For overhead and corporate expenses that benefit both segments, in years prior to 2019, the Company generally allocated costs ratably based on each segment's share of total revenue.

Beginning in 2019, the Company refined its methodology such that costs allocated to each segment based on the segment's share of 2018 actual revenue comprise a "Baseline Pool" that will remain fixed over time. In subsequent periods, incremental overhead costs (or reductions thereof) will be allocated to each segment based on the prevailing shares of total revenue represented by each segment. The Company believes that this allocation method will better align the amount of overhead costs consumed by each segment and contribute stability to each segment's costs over time. The impact of this refined methodology would not have resulted in a material change to previously reported segment results.

"Eliminations" in the following table represent intersegment revenue/expense. Moody's does not report the Company's assets by reportable segment, as this metric is not used by the chief operating decision maker to allocate resources to the segments. Consequently, it is not practical to show assets by reportable segment.

### Financial Information by Segment

The table below shows revenue, Adjusted Operating Income and operating income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment. Refer to Note 3 for further details on the components of the Company's revenue.

	Year Ended December 31,							
	2019				2018			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 3,009	\$ 1,963	\$ (143)	\$ 4,829	\$ 2,836	\$ 1,743	\$ (136)	\$ 4,443
Total Expense	1,376	1,598	(143)	2,831	1,276	1,435	(136)	2,575
Operating income	1,633	365	—	1,998	1,560	308	—	1,868
Add:								
Restructuring	31	29	—	60	32	17	—	49
Depreciation and amortization	71	129	—	200	65	127	—	192
Acquisition-Related Expenses	—	3	—	3	—	8	—	8
Loss pursuant to the divestiture of MAKs	—	14	—	14	—	—	—	—
Captive insurance company settlement	10	6	—	16	—	—	—	—
Adjusted Operating Income	\$ 1,745	\$ 546	\$ —	\$ 2,291	\$ 1,657	\$ 460	\$ —	\$ 2,117

	Year Ended December 31, 2017			
	MIS <sup>(1)</sup>	MA <sup>(1)</sup>	Eliminations	Consolidated <sup>(1)</sup>
Revenue	\$ 2,886	\$ 1,446	\$ (128)	\$ 4,204
Total Expense	1,314	1,197	(128)	2,383
Operating Income	1,572	249	—	1,821
Add:				
Depreciation and amortization	74	84	—	158
Acquisition-Related Expenses	—	23	—	23
Adjusted Operating income	\$ 1,646	\$ 356	\$ —	\$ 2,002

<sup>(1)</sup> The Company adopted ASU No. 2017-07 in the first quarter of 2018, whereby all components of pension expense except for the service cost component are required to be presented in non-operating (expense) income, net. The service cost component continues to be reported as an operating expense. Segment results for 2017 have been restated to reflect this reclassification. Accordingly, operating and SG&A expenses for MIS and MA were reduced by \$8 million and \$4 million, respectively, for the year ended December 31, 2017.

The cumulative restructuring charges related to the 2018 Restructuring Program, as more fully discussed in Note 12, for the MIS and MA reportable segments are \$63 million and \$46 million, respectively.

**CONSOLIDATED REVENUE AND LONG-LIVED ASSETS INFORMATION BY GEOGRAPHIC AREA**

	Year Ended December 31,		
	2019	2018	2017
Revenue:			
U.S.	\$ 2,544	\$ 2,330	\$ 2,348
Non-U.S.:			
EMEA	1,446	1,377	1,132
Asia-Pacific	551	493	471
Americas	288	243	253
Total Non-U.S.	2,285	2,113	1,856
Total	\$ 4,829	\$ 4,443	\$ 4,204
Long-lived assets at December 31:			
U.S.	\$ 1,290	\$ 982	\$ 673
Non-U.S.	4,678	4,685	5,037
Total	\$ 5,968	\$ 5,667	\$ 5,710

**NOTE 24 VALUATION AND QUALIFYING ACCOUNTS**

Accounts receivable allowances primarily represent adjustments to customer billings that are estimated when the related revenue is recognized and also represents an estimate for uncollectible accounts. The valuation allowance on deferred tax assets relates to foreign net operating tax losses for which realization is uncertain. Below is a summary of activity:

Year Ended December 31,	Balance at Beginning of the Year	Charged to costs and expenses	Deductions <sup>(1)</sup>	Balance at End of the Year
<b>2019</b>				
Accounts receivable allowance	\$ (43)	\$ (11)	\$ 11	\$ (43)
Deferred tax assets—valuation allowance	\$ (5)	\$ (4)	\$ —	\$ (9)
<b>2018</b>				
Accounts receivable allowance	\$ (37)	\$ (18)	\$ 12	\$ (43)
Deferred tax assets—valuation allowance	\$ (6)	\$ —	\$ 1	\$ (5)
<b>2017</b>				
Accounts receivable allowance	\$ (26)	\$ (20)	\$ 9	\$ (37)
Deferred tax assets—valuation allowance	\$ (3)	\$ (3)	\$ —	\$ (6)

<sup>(1)</sup> Reflects write-off of uncollectible accounts receivable or expiration of foreign net operating tax losses.

**NOTE 25 OTHER NON-OPERATING (EXPENSE) INCOME, NET**

The following table summarizes the components of other non-operating (expense) income, net as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2019	2018	2017
FX loss	\$ (18)	\$ (11)	\$ (17)
Net periodic pension costs—other components <sup>(1)</sup>	18	10	8
Income from investments in non-consolidated affiliates	13	14	13
Other	7	6	—
Total	\$ 20	\$ 19	\$ 4

<sup>(1)</sup> The Company adopted ASU No. 2017-07 in the first quarter of 2018, whereby all components of pension expense except for the service cost component are required to be presented in non-operating (expense) income, net. The service cost component continues to be reported as an operating expense.

**NOTE 26 RELATED PARTY TRANSACTIONS**

Moody's Corporation made a grant of \$12 million to The Moody's Foundation during the year ended December 31, 2017. The Company did not make any grants to the Foundation in the years ended December 31, 2018 and 2019. The Foundation carries out philanthropic activities primarily in the areas of education and health and human services. Certain members of Moody's senior management are on the board of the Foundation.

**NOTE 27 QUARTERLY FINANCIAL DATA (UNAUDITED)**

(amounts in millions, except EPS)	Three Months Ended			
	March 31	June 30	September 30	December 31
<b>2019</b>				
<b>Revenue</b>	\$ 1,142	\$ 1,214	\$ 1,240	\$ 1,233
<b>Operating income</b>	\$ 462	\$ 483	\$ 549	\$ 504
<b>Net income attributable to Moody's</b>	\$ 373	\$ 310	\$ 380	\$ 359
<b>EPS:</b>				
<b>Basic</b>	\$ 1.96	\$ 1.64	\$ 2.01	\$ 1.91
<b>Diluted</b>	\$ 1.93	\$ 1.62	\$ 1.99	\$ 1.88
<b>2018</b>				
Revenue	\$ 1,127	\$ 1,175	\$ 1,081	\$ 1,060
Operating income	\$ 491	\$ 534	\$ 467	\$ 376
Net income attributable to Moody's	\$ 373	\$ 376	\$ 310	\$ 251
<b>EPS:</b>				
Basic	\$ 1.95	\$ 1.96	\$ 1.62	\$ 1.31
Diluted	\$ 1.92	\$ 1.94	\$ 1.59	\$ 1.29

Basic and diluted EPS are computed for each of the periods presented. The number of weighted average shares outstanding changes as common shares are issued pursuant to employee stock-based compensation plans and for other purposes or as shares are repurchased. Therefore, the sum of basic and diluted EPS for each of the four quarters may not equal the full year basic and diluted EPS.

Net Income attributable to Moody's in the three months ended June 30, 2019 includes a charge of \$53 million (\$41 million net of tax) relating to the 2018 Restructuring Program.

Net Income attributable to Moody's in the three months ended September 30, 2018 includes a \$65 million net benefit related to the net impact of U.S. tax reform and a \$64 million charge related to an increase to non-U.S. UTPs. Net Income attributable to Moody's in the three months ended December 31, 2018 includes a charge of \$49 million (\$37 million net of tax) relating to the 2018 Restructuring Program.

**NOTE 28 SUBSEQUENT EVENTS**

On February 11, 2020, the Board approved the declaration of a quarterly dividend of \$0.56 per share for Moody's common stock, payable March 18, 2020 to shareholders of record at the close of business on February 25, 2020.

On February 13, 2020, the Company completed the acquisition of Regulatory Data Corporation (RDC), a provider of anti-money laundering and know-your-customer data and due diligence services, for \$700 million. Due to the close proximity of the completion of the acquisition to the filing of this Form 10-K, the Company is unable to provide a preliminary purchase price allocation of the fair value of the assets acquired and liabilities assumed in the transaction. The Company will disclose a preliminary purchase price allocation in its Form 10-Q for the period ending March 31, 2020.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

The Company carried out an evaluation, as required by Rule 13a-15(b) under the Exchange Act, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the communication to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes In Internal Control Over Financial Reporting**

Information in response to this Item is set forth under the caption "Management's Report on Internal Control Over Financial Reporting", in Part II, Item 8 of this annual report on Form 10-K.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has determined that there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting during the three months ended December 31, 2019.

ITEM 9B. OTHER INFORMATION

Not applicable.

## PART III

Except for the information relating to the executive officers of the Company set forth in Part I of this annual report on Form 10-K, the information called for by Items 10-14 is contained in the Company's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 21, 2020, and is incorporated herein by reference.

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

ITEM 11 EXECUTIVE COMPENSATION

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES



## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### LIST OF DOCUMENTS FILED AS PART OF THIS REPORT.

##### (1) Financial Statements.

See Index to Financial Statements on page 60, in Part II. Item 8 of this Form 10-K.

##### (2) Financial Statement Schedules.

None.

##### (3) Exhibits.

#### INDEX TO EXHIBITS

<u>S-K EXHIBIT NUMBER</u>	
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3	<b>Articles Of Incorporation And By-laws</b>
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.1	<a href="#">Restated Certificate of Incorporation of the Registrant, effective April 17, 2013 (incorporated by reference to Exhibit 3.4 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013)</a>
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.2	<a href="#">Amended and Restated By-laws of Moody's Corporation, effective April 17, 2013 (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013)</a>
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4	<b>Instruments Defining The Rights Of Security Holders, Including Indentures</b>
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.1*	<a href="#">Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934</a>
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.2	<a href="#">Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000)</a>
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.3.1	<a href="#">Indenture, dated as of August 19, 2010, between Moody's Corporation and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 19, 2010)</a>
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.3.2	<a href="#">Supplemental Indenture, dated as of August 19, 2010, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 5.50% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 19, 2010)</a>
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.3.3	<a href="#">Second Supplemental Indenture, dated as of August 20, 2012, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.50% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 20, 2012)</a>
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.3.4	<a href="#">Third Supplemental Indenture, dated as of August 12, 2013, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 12, 2013)</a>
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.3.5	<a href="#">Fourth Supplemental Indenture, dated July 16, 2014, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 5.250% Senior Notes due 2044 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed July 16, 2014)</a>
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.3.6.1	<a href="#">Fifth Supplemental Indenture, dated March 9, 2015, between the Company, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services Limited, UK Branch as paying agent and transfer agent and Elavon Financial Services Limited as registrar, including the form of 1.75% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 10, 2015)</a>
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- .3.6.2 [Agency Agreement, dated March 9, 2015, between the Company, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services Limited, UK Branch as paying agent and transfer agent and Elavon Financial Services Limited as registrar \(incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 10, 2015\)](#)
- .3.7 [Sixth Supplemental Indenture, dated as of March 2, 2017, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 2.750% Senior Notes due 2021 and form of Floating Rate Senior Notes due 2018 \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 3, 2017\)](#)
- .3.8 [Seventh Supplemental Indenture, dated as of June 12, 2017, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of 2.625% Senior Notes due 2023 and the form of 3.250% Senior Notes due 2028 \(incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017\)](#)
- .3.9 [Eighth Supplement Indenture, dated as of June 7, 2018, between the Company and Wells Fargo, National Association, as trustee, including the form of 3.250% Senior Note due 2021 \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 7, 2018\)](#)
- .3.10 [Ninth Supplemental Indenture, dated as of December 17, 2018, between the Company and Wells Fargo Bank, National Association, as trustee, including the form of 4.250% Senior Note due 2029 and the form of 4.875% Senior Note due 2048 \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 21, 2018\)](#)
- .3.11.1 [Tenth Supplemental Indenture, dated as of November 25, 2019, between the Company, Wells Fargo Bank, National Association, as trustee, Elavon Financial Services Limited, UK Branch as paying agent and U.S. Bank National Association as registrar and transfer agent, including the form of 0.950% Senior Note due 2030 \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 25, 2019\)](#)
- .3.11.2 [Agency Agreement, dated November 25, 2019, between the Company, Wells Fargo Bank, National Association, as trustee, Elavon Financial Services Limited, UK Branch as paying agent and U.S. Bank National Association as registrar and transfer agent. \(incorporated by reference to Exhibit 4.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 25, 2019\)](#)

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### **Material Contracts**

- .1.1† [1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan \(Adopted September 8, 2000; Amended and Restated as of December 11, 2012, October 20, 2015, December 14, 2015 and December 18, 2017\) \(incorporated by reference to Exhibit 10.2.1 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018\)](#)
- .1.2† [Form of Non-Employee Director Restricted Stock Unit Grant Agreement \(for awards after 2017\) for the 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan \(Adopted September 8, 2000; Amended and Restated as of December 11, 2012, October 20, 2015, December 14, 2015 and December 18, 2017\)](#)
- .2† [Moody's Corporation 1999 Employee Stock Purchase Plan \(as amended and restated December 15, 2008\) \(formerly, The Dun & Bradstreet Corporation 1999 Employee Stock Purchase Plan\) \(incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed March 2, 2009\)](#)
- .3.1.1† [Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(as amended, December 18, 2017\) \(incorporated by reference to Exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018\)](#)
- .3.1.2† [First Amendment to the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(as amended, December 18, 2017\) \(incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number file number 1-14037, filed May 2, 2019\)](#)

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- [.3.1.3†\\*](#) [Second Amendment to the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(as amended, December 18, 2017 and April 15, 2019\)](#)
- [.3.2†](#) [Form of Employee Non-Qualified Stock Option and Restricted Stock Grant Agreement \(for awards granted prior to 2017\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 3, 2004\)](#)
- [.3.3.1†](#) [Form of Employee Non-Qualified Stock Option Grant Agreement \(for awards granted between 2017 and 2019\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017\)](#)
- [.3.3.2†\\*](#) [Form of Employee Non-Qualified Stock Option Grant Agreement \(for awards granted in 2020 or later\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan](#)
- [.3.4.1†](#) [Form of Performance Share Award Letter \(for awards granted in 2017\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017\)](#)
- [.3.4.2†](#) [Form of Performance Share Award Letter \(for awards granted between 2018 and 2019\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(incorporated by reference to Exhibit 10.4.6 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018\)](#)
- [.3.4.3†\\*](#) [Form of Performance Share Award Letter \(for awards granted in 2020 or later\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan](#)
- [.3.5.1†](#) [Form of Restricted Stock Unit Grant Agreement \(for awards granted prior to 2020\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan \(incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017\)](#)
- [.3.5.2†\\*](#) [Form of Restricted Stock Unit Grant Agreement \(for awards granted in 2020 or later\) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan](#)
- [.4†](#) [2004 Moody's Corporation Covered Employee Cash Incentive Plan \(as amended on February 10, 2015\) \(incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015\)](#)
- [.5†](#) [Moody's Corporation Deferred Compensation Plan, effective as of January 1, 2008 \(incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 26, 2007\)](#)
- [.6†](#) [Supplemental Executive Benefit Plan of Moody's Corporation, amended and restated as of January 1, 2008 \(incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 29, 2008\)](#)
- [.7†](#) [Pension Benefit Equalization Plan of Moody's Corporation, amended and restated as of January 1, 2008 \(incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 29, 2008\)](#)
- [.8.1†](#) [Moody's Corporation Cafeteria Plan, effective January 1, 2008 \(incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed March 2, 2009\)](#)
- [.8.2†](#) [First Amendment to the Moody's Corporation Cafeteria Plan \(incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on form 10-Q, file number 1-14037, filed July 31, 2014\)](#)

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- .8.3† [Second Amendment to the Moody's Corporation Cafeteria Plan \(incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015\)](#)
- .9† [Moody's Corporation Change in Control Severance Plan \(as amended December 18, 2017\) \(incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2018\)](#)
- .10†\* [Moody's Corporation Retirement Account, amended and restated as of January 1, 2018](#)
- .11† [Profit Participation Plan of Moody's Corporation \(amended and restated as of January 1, 2018\) \(incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, file number 333-228577, filed November 28, 2018\)](#)
- .12† [The Moody's Corporation Nonfunded Deferred Compensation Plan for Non-Employee Directors \(as amended and restated October 20, 2015\) \(incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 25, 2016\)](#)
- .13.1† [Amended and Restated Moody's Corporation Career Transition Plan \(incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2017\)](#)
- .13.2† [Form of Separation Agreement and General Release used by the Registrant with its Career Transition Plan \(incorporated by reference to Exhibit 99.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 20, 2007\)](#)
- .14† [Supplemental Executive Disability Benefit Plan of Moody's Corporation, effective as of January 1, 2019 \(incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 25, 2019\)](#)
- .15 [Form Indemnification Agreement \(incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 22, 2017\)](#)
- .16† [Employment Offer Letter between Moody's Corporation and Mark Kaye, dated July 18, 2018 \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of the Registrant, file number 1-14037, filed on October 31, 2018\)](#)
- .17† [Transition Agreement between the Company and Mark Almeida, dated October 21, 2019 \(incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed on October 25, 2019\)](#)
- .18 [Settlement Agreement dated January 13, 2017 between \(1\) Moody's Corporation, Moody's Investors Service, Inc. and Moody's Analytics, Inc., and \(2\) the United States, acting through the United States Department of Justice and the United States Attorney's Office for the District of New Jersey, along with various States and the District of Columbia, acting through their respective Attorneys General \(incorporated by reference to the Report on Form 8-K of the Registrant, file number 1-14037, filed January 17, 2017\)](#)
- .19 [Form Commercial Paper Dealer Agreement between Moody's Corporation, as Issuer, and the Dealer party thereto \(incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 3, 2016\)](#)
- .20 [Five-Year Credit Agreement dated as of November 14, 2018, among Moody's Corporation, the Borrowing Subsidiaries Party Thereto, the Lenders Party Thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citibank, N.A. as Co-Syndication Agents, and Barclays Bank plc, MUFG Bank, Ltd. and TD Bank, N.A. as Co-Documentation Agents \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 20, 2018\)](#)
- .21 [Loan Agreement, dated as of June 6, 2017, among Moody's Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent \(incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed June 12, 2017\)](#)

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21*	<a href="#">Subsidiaries of the Registrant List of Active Subsidiaries as of December 31, 2019</a>
23	<b>Consent of Independent Registered Public Accounting Firm</b>
.1*	<a href="#">Consent of KPMG LLP</a>
31	<b>Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</b>
.1*	<a href="#">Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
.2*	<a href="#">Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32	<b>Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</b>
.1*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)</a>
.2*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)</a>
101	<b>Inline XBRL</b>
.INS*	Inline XBRL Instance Document
.SCH*	Inline XBRL Taxonomy Extension Schema Document
.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
.DEF*	Inline XBRL Definitions Linkbase Document
.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Annual Report on Form 10-K (formatted in Inline XBRL and contained in Exhibit 101)

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\* Filed herewith

† Management contract of compensatory plan or arrangement

ITEM 16 FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION  
*(Registrant)*

By: /s/ RAYMOND W. MCDANIEL, JR.

**Raymond W. McDaniel, Jr.**  
*President and Chief Executive Officer*

Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ RAYMOND W. MCDANIEL, JR.  
**Raymond W. McDaniel, Jr.,**  
*President and Chief Executive Officer*  
*(principal executive officer)*

/s/ KATHRYN M. HILL  
**Kathryn M. Hill,**  
*Director*

/s/ MARK KAYE  
**Mark Kaye,**  
*Senior Vice President and Chief Financial Officer*  
*(principal financial officer)*

/s/ VINCENT A. FORLENZA  
**Vincent A. Forlenza,**  
*Director*

/s/ CAROLINE SULLIVAN  
**Caroline Sullivan,**  
*Senior Vice President and Corporate Controller*  
*(principal accounting officer)*

/s/ HENRY A. MCKINNELL, JR. PH.D.  
**Henry A. McKinnell, Jr. Ph.D.,**  
*Chairman*

/s/ BASIL L. ANDERSON  
**Basil L. Anderson,**  
*Director*

/s/ LESLIE F. SEIDMAN  
**Leslie F. Seidman,**  
*Director*

/s/ JORGE A. BERMUDEZ  
**Jorge A. Bermudez,**  
*Director*

/s/ BRUCE VAN SAUN  
**Bruce Van Saun,**  
*Director*

/s/ THÉRÈSE ESPERDY  
**Thérèse Esperdy,**  
*Director*

/s/ GERRIT ZALM  
**Gerrit Zalm,**  
*Director*

Date: February 21, 2020

## EXHIBIT 4.1

### DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Moody's Corporation has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our Common Stock; (2) our 1.75% Senior Notes due 2027; and (3) our 0.950% Senior Notes due 2030.

### DESCRIPTION OF THE COMPANY'S COMMON STOCK

#### General

We are authorized to issue up to 1,000,000,000 shares of Common Stock, par value \$.01 per share ("Common Stock"). We are also authorized to issue up to 10,000,000 shares of Preferred Stock, par value \$.01 per share ("Preferred Stock"), none of which are outstanding or reserved for issuance, and 10,000,000 shares of Series Common Stock, par value \$.01 per share ("Series Common Stock"), none of which are outstanding or reserved for issuance.

The principal stock exchange on which our Common Stock is listed is the New York Stock Exchange under the symbol "MCO." All outstanding shares of Common Stock are validly issued, fully paid and nonassessable.

The following description of the terms of our common shares is not complete and is qualified in its entirety by reference to our Restated Certificate of Incorporation (the "Certificate"), and our Amended and Restated By-laws (the "By-laws") both of which are exhibits to our Annual Report on Form 10-K to which this Exhibit 4.1 is a part.

#### Voting Rights

The holders of our Common Stock generally are entitled to one vote on all matters submitted for action by our stockholders; provided, however, that, except as otherwise required by law, holders of our Common Stock shall not be entitled to vote on any amendment to the Certificate (including any certificate of designations relating to any series of Preferred Stock or Series Common Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock or Series Common Stock (if any are issued in the future).

There is no provision for cumulative voting with regard to the election of directors.

#### Dividend and Liquidation Rights

Subject to the rights applicable to any shares of Preferred Stock or Series Common Stock outstanding at any time, holders of our Common Stock are entitled to receive dividends at such times and in such amounts as the Board of Directors in its discretion shall determine and are entitled, in the event of a liquidation, to share ratably in all assets remaining paid after payment of liquidation.

#### Other Rights

The holders of our Common Stock have no preemptive rights and no rights to convert their shares of Common Stock into any other securities, and our shares of Common Stock are not subject to any redemption or sinking fund provisions.

#### Anti-Takeover Provisions

Some provisions of Delaware law, our Certificate and our By-laws may have the effect of delaying, deferring or discouraging another party from acquiring control of us.

#### *Certificate and By-laws*

The Certificate and the By-laws provide that the affirmative vote of the holders of at least 80 percent in voting power of all the shares entitled to vote generally in the election of directors, voting together as a single class, shall be required:

- for stockholders to remove directors;
  - to fill newly created directorships and vacancies at a special meeting;
-

- to modify the provisions in the Certificate that:
  - address the process for filling vacancies and newly created Board seats;
  - allow the Board of Directors (the “Board”) to adopt, amend, or repeal By-laws;
  - provide that any action by stockholders is to be taken at an annual or special meeting, and not by written consent or at special meetings called by stockholders; and
  - restrict amendments to the Certificate and By-laws that are inconsistent with the foregoing provisions; and
- to amend provisions of the By-laws relating to:
  - the size and election of the Board, and the quorum and vote for Board action; and
  - the submission of nominations and other business at meetings of stockholders, including the advance notice By-laws.

The Certificate and By-laws also:

- authorize the Board to issue, at any time, Preferred Stock, the terms of which may be determined by the Board;
- do not authorize cumulative voting;
- authorize the Board to adopt, amend, or repeal By-laws; and
- provide that only the Secretary or any other officer, whenever directed by the Board or by the Chief Executive Officer, may call a special meeting.

#### *Delaware Law*

We are subject to Section 203 of the Delaware General Corporation Law, which regulates, subject to some exceptions, acquisitions of publicly-held Delaware corporations. In general, Section 203 prohibits us from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person becomes an interested stockholder, unless:

- the Board approved the business combination or the transaction in which the person became an interested stockholder prior to the date the person attained this status;
- upon consummation of the transaction that resulted in the person becoming an interested stockholder, the person owned at least 85 percent of our voting stock outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and issued under employee stock plans under which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date the person became an interested stockholder, the Board approved the business combination and the stockholders other than the interested stockholder authorized the transaction at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3 percent of the outstanding stock not owned by the interested stockholder.

Section 203 defines a “business combination” to include:

- any merger or consolidation involving us and the interested stockholder;
  - any sale, transfer, pledge or other disposition involving the interested stockholder of 10 percent or more of our assets;
  - in general, any transaction that results in the issuance or transfer by us of any of our stock to the interested stockholder;
  - any transaction involving us that has the effect of increasing the proportionate share of our stock owned by the interested stockholders; and
  - the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges, or other financial benefits provided by or through us.
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In general, Section 203 defines an "interested stockholder" as any person who, together with the person's affiliates and associates, owns, or within three years prior to the time of determination of interested stockholder status did own, 15 percent or more of a corporation's voting stock.

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## DESCRIPTION OF THE COMPANY'S 1.75% SENIOR NOTES DUE 2027 AND 0.950% SENIOR NOTES DUE 2030

The following summary of our 1.75% Senior Notes due 2027 (the "2027 notes") and our 0.950% Senior Notes due 2030 (the "2030 notes" and, together with the 2027 notes, the "notes") is based on, subject to, and qualified in its entirety by the indenture dated as of August 19, 2010 between Moody's Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented in respect of the 2027 notes by the fifth supplemental indenture thereto dated as of March 9, 2015 between Moody's Corporation, the Trustee, and Elavon Financial Services DAC (formerly Elavon Financial Services Limited), UK Branch, as paying agent (the "Paying Agent") and transfer agent and Elavon Financial Services DAC (formerly Elavon Financial Services Limited), as registrar, and in respect of the 2030 notes by the tenth supplemental indenture thereto dated as of November 25, 2019 between Moody's Corporation, the Trustee, the Paying Agent, as paying agent, and U.S. Bank National Association as registrar and transfer agent. References to the "Company," "we," "us," "our" and similar words refer to Moody's Corporation and not to any of its subsidiaries. The 2027 notes and the 2030 notes are traded on The New York Stock Exchange under the trading symbols "MCO 27" and "MCO 30," respectively.

### General

The notes:

- are senior unsecured obligations of ours;
- rank equally with all of our other senior unsecured indebtedness from time to time outstanding;
- are structurally subordinated to all existing and future obligations of our subsidiaries, including claims with respect to trade payables;
- are effectively junior to any existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness;
- were initially limited to €500,000,000 aggregate principal amount for the 2027 notes and €750,000,000 aggregate principal amount for the 2030 notes, each of which remains the respective amount outstanding; and
- were issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

### Principal, Maturity and Interest

Each 2027 note bears interest from March 9, 2015 at a rate of 1.75% per year. Each 2030 note bears interest from November 25, 2019 at a rate of 0.950% per year. Interest on the 2027 notes is payable annually in arrears on March 9 of each year. Interest on the 2030 notes is payable annually in arrears on February 25 of each year. Interest on the notes is computed on the basis of (i) the actual number of days in the period for which interest is being calculated and (ii) the actual number of days from and including the last date on which interest was paid on the notes of the applicable series, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Markets Association.

Interest on the 2027 notes accrues from and including March 9, 2015. Interest on the 2030 notes accrues from and including November 25, 2019. Interest on the notes of each series will be paid to holders of record on the date that is 15 calendar days immediately before the respective interest payment date. The rights of holders of beneficial interests of notes of either series to receive the payments of interest on such notes are subject to the applicable procedures of Euroclear Bank SA/ NV, as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream").

The 2027 notes and the 2030 notes will mature on March 9, 2027 and February 25, 2030, respectively. On the respective maturity dates of the notes, the holders will be entitled to receive 100% of the principal amount of the notes of the applicable series. The notes do not have the benefit of any sinking fund.

With respect to the notes, a "business day" means any day, other than a Saturday or Sunday, (i) that is not a day on which banking institutions in The City of New York or London are authorized or required by law or executive order to close and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system, or the TARGET2 system, or any successor thereto, operates. If any interest payment date, maturity date or redemption date is not a business day, then the related payment for such interest payment date, maturity date or redemption date shall be paid on the next succeeding business day with the same force and effect as if made on such interest payment date, maturity date or redemption date, as the case may be, and no further interest shall accrue as a result of such delay.

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## Priority

The notes are general unsecured obligations of ours and will rank equally with all of our existing and future unsubordinated obligations.

Holders of any secured indebtedness we may issue will have claims that are prior to claims of the holders of the notes, to the extent of the value of the assets securing such indebtedness, in the event of any bankruptcy, liquidation or similar proceeding.

We conduct our operations through subsidiaries. As a result, distributions or advances from our subsidiaries are a major source of funds necessary to meet our debt service and other obligations. Contractual provisions, laws or regulations, as well as our subsidiaries' financial condition and operating requirements, may limit our ability to obtain cash required to pay our debt service obligations, including payments on the notes. The notes are "structurally" subordinated to all obligations of our subsidiaries including claims with respect to trade payables. This means that in the event of bankruptcy, liquidation or reorganization of any of our subsidiaries, the holders of notes will have no direct claim to participate in the assets of such subsidiary but may only recover by virtue of our equity interest in our subsidiaries (except to the extent we have a claim as a creditor of such subsidiary). As a result all existing and future liabilities of our subsidiaries, including trade payables and claims of lessors under leases, have the right to be satisfied in full prior to our receipt of any payment as any equity owner of our subsidiaries.

## Further Issues

The indenture provides that we may issue debt securities (the "debt securities") thereunder from time to time in one or more series, and permits us to establish the terms of each series of debt securities at the time of issuance. The indenture does not limit the aggregate amount of debt securities that may be issued under the indenture.

The 2027 notes and 2030 notes each constitute a separate series of debt securities under the indenture, initially limited to €500,000,000 and €750,000,000, respectively. Under the indenture, we may, without the consent of the holders of the notes of the applicable series, "reopen" either series and issue additional notes of such series from time to time in the future, provided that if the additional notes of such series are not fungible for U.S. federal income tax purposes with the notes of such series, the additional notes of such series will have a separate ISIN and/or any other identifying number. This means that, in circumstances where the indenture provides for the holders of notes of either series to vote or take any action, any of the outstanding notes of either series as well as any respective additional notes of such series that we may issue by reopening the series, will vote or take action as a single class.

## Optional Redemption

We may redeem all or a portion of either series of notes at our option at any time or from time to time as set forth below. We may redeem such notes at a redemption price equal to the greater of:

- 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date; and
- the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the notes to be redeemed (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below) plus 25 basis points for the 2027 notes and 20 basis points for the 2030 notes, plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the redemption date.

Notwithstanding the immediately preceding paragraph, we may redeem all or a portion of the 2027 notes at our option at any time on or after December 9, 2026 (90 days prior to their maturity) and all or a portion of the 2030 notes at our option at any time on or after November 25, 2029 (three months prior to their maturity), in each case at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

If money sufficient to pay the redemption price of all of the notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such notes (or such portion thereof) called for redemption.

"Comparable Government Bond Rate" means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the maturity of the

notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Remaining Scheduled Payments” means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if such redemption date is not an interest payment date with respect to such note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

We will, or will cause the Trustee or Paying Agent on our behalf to, mail notice of a redemption to holders of the applicable notes to be redeemed by first-class mail (or otherwise transmit in accordance with applicable procedures of Euroclear/Clearstream) at least 30 and not more than 60 days prior to the date fixed for redemption. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the applicable notes or portions thereof called for redemption. On or before the redemption date, we will deposit with the Paying Agent or set aside, segregate and hold in trust (if we are acting as paying agent), funds sufficient to pay the redemption price of, and accrued and unpaid interest on, such notes to be redeemed on that redemption date. If fewer than all of the notes of either series are to be redeemed, the Paying Agent will select, not more than 60 days prior to the redemption date, the particular notes or portions thereof for redemption from the outstanding notes of the applicable series not previously called by such method as the Paying Agent deems fair and appropriate and in accordance with the applicable procedures of the depository; provided, however, that no notes of a principal amount of €100,000 or less shall be redeemed in part.

We may at any time, and from time to time, purchase the notes of either series at any price or prices in the open market or otherwise.

### **Payment of Additional Amounts**

We will, subject to the exceptions and limitations set forth below, pay to the holder of any 2027 note such additional amounts as may be necessary to ensure that every net payment on such 2027 note, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States or any political subdivision or taxing authority of the United States, will not be less than the amount provided in such 2027 note to be then due and payable. However, we will not pay additional amounts for or on account of

- 1) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a holder or beneficial owner of a 2027 note) between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such holder or beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) of a 2027 note and the United States, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, partner, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof;
  - 2) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the holder or beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) (i) being or having been present in, or engaged in a trade or business in, the United States, (ii) being treated as having been present in, or engaged in a trade or business in, the United States, or (iii) having or having had a permanent establishment in the United States;
  - 3) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the holder or beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign private foundation or other foreign tax-exempt organization, or being a corporation that accumulates earnings to avoid U.S. federal income tax;
  - 4) any tax, assessment or other governmental charge imposed on a beneficial owner that actually or constructively owns 10% or more of the total combined voting power of all of our classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the Internal Revenue Code of 1986, as amended (the “Code”);
  - 5) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation (where such presentation is required) of such 2027 note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which such payment is duly provided for, whichever occurs later;
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- 6) any tax, assessment or other governmental charge that is payable by any method other than withholding or deduction by us or any paying agent from payments in respect of such 2027 note;
- 7) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge;
- 8) any withholding or deduction that is imposed on a payment that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive, or any law implementing or complying with our introduced in order to conform to, such Directive or Directives;
- 9) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment in respect of any 2027 note if such payment can be made without such withholding by at least one other paying agent;
- 10) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;
- 11) any tax, assessment or other governmental charge imposed as a result of the failure of the holder or beneficial owner of a 2027 note to comply with a request to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a 2027 note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- 12) any tax, assessment or other governmental charge imposed by reason of the failure of the beneficial owner to fulfill the statement requirements of Section 871(h) or Section 881(c) of the Code;
- 13) any tax, assessment or other governmental charge imposed under Sections 1471-1474 of the Code and the U.S. Treasury regulations thereunder ("FATCA"), any agreement with the U.S. Internal Revenue Service in connection with FATCA, any intergovernmental agreement between the United States and any other jurisdiction with respect to FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing, or in connection with, FATCA or any intergovernmental agreement; or
- 14) any combination of items (1) through (13) above.

We will, subject to the exceptions and limitations set forth below, pay to the holder of any 2030 note such additional amounts as may be necessary to ensure that every net payment on such 2030 note, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States or any political subdivision or taxing authority of the United States, will not be less than the amount provided in such 2030 note to be then due and payable. However, we will not pay additional amounts for or on account of

- 1) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a holder or beneficial owner of a 2030 note) between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such holder or beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) of a 2030 note and the United States, or any political subdivision or taxing authority of the United States, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, partner, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof;
  - 2) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the holder or beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) (i) being or having been present in, or engaged in a trade or business in, the United States, (ii) being treated as having been present in, or engaged in a trade or business in, the United States, or (iii) having or having had a permanent establishment in the United States;
  - 3) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the holder or beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign private foundation or other foreign tax-exempt organization, or being a corporation that accumulates earnings to avoid U.S. federal income tax;
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- 4) any tax, assessment or other governmental charge imposed on a beneficial owner that actually or constructively owns 10% or more of the total combined voting power of all of our classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the Code;
- 5) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation (where such presentation is required) of such 2030 note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which such payment is duly provided for, whichever occurs later;
- 6) any tax, assessment or other governmental charge that is payable or otherwise imposed by any method other than withholding or deduction by us or any paying agent from payments in respect of such 2030 note;
- 7) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge;
- 8) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment in respect of any 2030 note if such payment can be made without such withholding by at least one other paying agent;
- 9) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;
- 10) any tax, assessment or other governmental charge imposed as a result of the failure of the holder or beneficial owner of a 2030 note to comply with a request to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a 2030 note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- 11) any tax, assessment or other governmental charge imposed by reason of the failure of the beneficial owner to fulfill the statement requirements of Section 871(h) or Section 881(c) of the Code;
- 12) any tax, assessment or other governmental charge imposed under Sections 1471-1474 of FATCA, any agreement with the U.S. Internal Revenue Service in connection with FATCA, any intergovernmental agreement between the United States and any other jurisdiction with respect to FATCA, or any law, regulation or other official guidance enacted, or practices adopted, in any jurisdiction implementing, or in connection with, FATCA or any intergovernmental agreement, treaty or convention implementing FATCA; or
- 13) any combination of items (1) through (12) above.

In addition, we will not pay additional amounts to a beneficial owner of a note of either series that is a fiduciary, partnership, limited liability company or other fiscally transparent entity, or to a beneficial owner of a note of either series that is not the sole beneficial owner of such note, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the fiduciary, or a beneficial owner, partner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner, partner or member received directly its beneficial or distributive share of the payment. For purposes of this paragraph, the term "beneficial owner of a note" includes any person holding a note on behalf of or for the account of a beneficial owner. Except as specifically provided under this heading "—Payment of Additional Amounts," we will not be required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

With respect to the 2027 notes, we undertake that, to the extent permitted by law, we will maintain a paying agent in a Member State of the European Union (if any) that will not require withholding or deduction of tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such European Council Directive.

In the event that we are required to pay additional amounts to holders of notes of either series, we will provide written notice to the Trustee of its obligation to pay additional amounts, and the notice shall set forth the additional amounts to be paid by us on such payment date. The Trustee shall not at any time be under any duty or responsibility to any holder of notes of either series to determine the additional amounts, or with respect to the nature, extent, or calculation of the amount of additional amounts owed, or with respect to the method employed in such calculation of the additional amounts.

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## Redemption for Tax Reasons

The 2027 notes and the 2030 notes will mature and be redeemed at par on their maturity dates of March 9, 2027 and February 25, 2030, respectively, and are not redeemable prior to maturity except as described above under “—Optional Redemption” or below under “—Change of Control” or upon certain tax events described below.

We may redeem the notes of either series prior to maturity in whole, but not in part, on not more than 60 days' notice and not less than 30 days' notice at a redemption price equal to the principal amount of such notes plus any accrued interest and additional amounts to, but not including, the date fixed for redemption if:

- as a result of a change in or amendment to the tax laws, regulations or rulings of the United States or any political subdivision or taxing authority of or in the United States or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction in the United States) that is announced or becomes effective on or after March 9, 2015 for the 2027 notes and November 25, 2019 for the 2030 notes, we have or will become obligated, on the next date on which any payment under the notes of such series is due, to pay additional amounts with respect to the notes of such series as described above under “—Payment of Additional Amounts,” and we, in our business judgment, determine that such obligations cannot be avoided by the use of reasonable measures available to us; or
- on or after March 9, 2015 for the 2027 notes and November 25, 2019 for the 2030 notes, any action is taken by a taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision of or in the United States, including any of those actions specified above, whether or not such action was taken or decision was rendered with respect to us, or any change, amendment, application or interpretation is officially proposed, which, in any such case, in the written opinion of independent legal counsel of recognized standing, will result in a material probability that we will become obligated to pay additional amounts with respect to the notes of such series, and we, in our business judgment, determine that such obligations cannot be avoided by the use of reasonable measures available to us.

If we exercise our option to redeem the notes of either series, we will deliver to the Trustee a certificate signed by an authorized officer stating that we are entitled to redeem the notes of such series and an opinion of independent tax counsel to the effect that the circumstances described in either of the above bullets exist.

## Merger, Consolidation or Sale of Assets

Under the terms of the indenture, we are permitted to consolidate or merge with another entity or to sell all or substantially all of our assets to another entity, subject to our meeting all of the following conditions:

- any successor or purchaser is a corporation, limited liability company, partnership or trust organized under the laws of the United States of America, any State or the District of Columbia;
- immediately following the consolidation, merger, sale or conveyance, the resulting, surviving or transferee entity (if other than us) would not be in default in the performance of any covenant in the indenture; and
- we must deliver a supplemental indenture by which the surviving entity (if other than us) expressly assumes our obligations under the indenture.

In the event that we consolidate or merge with another entity or sell all or substantially all of our assets to another entity, the surviving entity (if other than us) will be substituted for us under the indenture, and we will be discharged from all of our obligations under the indenture.

Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of our assets. As a result, it may be unclear as to whether the merger, consolidation or sale of assets covenant would apply to a particular transaction as described above absent a decision by a court of competent jurisdiction.

## Change of Control

Upon the occurrence of a Change of Control Triggering Event with respect to either series of notes, unless we have exercised our right to redeem the notes of such series as described under “Optional Redemption” above, the indenture provides that each holder of notes of such series will have the right to require us to purchase all or a portion of such holder's notes of such series pursuant to the offer described below (the “Change of Control Offer”), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, subject to the rights of holders of notes of such series on the relevant record date to receive interest due on the relevant interest payment date.

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Within 30 days following the date upon which the Change of Control Triggering Event occurred, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to send, by first class mail, a notice to each holder of notes of such series, with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the "Change of Control Payment Date"). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date. Holders of notes of such series electing to have notes of such series purchased pursuant to a Change of Control Offer will be required to surrender their notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the note completed, to the paying agent at the address specified in the notice, or transfer their notes of such series to the paying agent by book-entry transfer pursuant to the applicable procedures of the paying agent, prior to the close of business on the third business day prior to the Change of Control Payment Date.

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all notes of such series properly tendered and not withdrawn under its offer.

Our ability to pay cash to holders of notes of a series upon a repurchase may be limited by our then existing financial resources.

Holders of either series of the notes will not be entitled to require us to purchase their notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction that is not a Change of Control. In addition, holders may not be entitled to require us to purchase their notes in certain circumstances involving a significant change in the composition of our Board of Directors, including in connection with a proxy contest where our Board of Directors does not approve a dissident slate of directors but approves them as required by clause (4) of the first paragraph of the definition of "Change of Control."

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of notes of either series as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the indenture by virtue of such compliance.

"Change of Control" means the occurrence of any one of the following:

- 1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than to the Company or one of its Subsidiaries;
- 2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company, measured by voting power rather than number of shares;
- 3) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person immediately after giving effect to such transaction;
- 4) the first day on which the majority of the members of the board of directors of the Company cease to be Continuing Directors; or
- 5) the adoption of a plan relating to the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control under clause (2) above if (i) we become a direct or indirect wholly-owned subsidiary of a holding company, and (ii) (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

"Change of Control Triggering Event" (i) with respect to the 2027 notes means the 2027 notes cease to be rated Investment Grade by S&P or, if S&P and another "nationally recognized statistical rating organization" (as defined in Rule 15c3-1(c)(2)(vi)(F)

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of the Exchange Act) shall provide a rating of the 2027 notes, by S&P and any such other rating organization, and (ii) with respect to the 2030 notes, means the 2030 notes cease to be rated Investment Grade by S&P or Fitch or, if S&P or Fitch and another “nationally recognized statistical rating organization” (as defined in Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act) shall provide a rating of the 2030 notes, by S&P or Fitch and any such other rating organization, on any date during the period (the “Trigger Period”) commencing 60 days prior to the first public announcement by the Company of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as S&P (in the case of the 2027 notes) or S&P or Fitch (in the case of the 2030 notes) or such other rating organization shall have publicly announced that it is considering a possible ratings change). Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

“Continuing Director” means, as of any date of determination, any member of the board of directors of the Company who:

- 1) was a member of such board of directors on the date of the indenture; or
- 2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.

“Investment Grade” means a rating of BBB- or better by S&P or Fitch (or its equivalent under any successor rating category of S&P or Fitch, as applicable); and an equivalent rating of another “nationally recognized statistical rating organization” that shall provide a rating of the notes of a series.

“Fitch” means Fitch Ratings, a part of the Fitch Group, and its successors.

“S&P” means S&P Global Ratings and its successors.

“Voting Stock” of any specified Person as of any date means the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

#### **Limitations on Liens**

We have covenanted in the indenture that we will not, and will not permit any Restricted Subsidiary to, create, assume, incur or guarantee any Indebtedness secured by a mortgage, security interest, pledge, lien, charge or other encumbrance upon any of our or our Restricted Subsidiaries’ properties or assets (a “Lien”), whether owned on the applicable date of issuance of the notes or thereafter acquired, unless the notes are at least equally and ratably secured with such secured Indebtedness (together with, if we so determine, any other Indebtedness of or guaranty by us or such Restricted Subsidiary then existing or thereafter created that is not subordinated to the notes) for so long as such other Indebtedness is so secured (and any Lien created for the benefit of the holders of the notes and any other debt securities of any series issued pursuant to the indenture and having the benefit of this covenant shall provide by its terms that such Lien will be automatically released and discharged upon the release and discharge of the Lien securing such other Indebtedness); provided, however, that the above restrictions shall not apply to the following (the “Permitted Liens”):

- 1) Liens on property or other assets of any Person existing at the time such Person becomes a Restricted Subsidiary, provided that such Lien was not incurred in anticipation of such Person becoming a Restricted Subsidiary;
  - 2) Liens on property or other assets existing at the time of acquisition by the Company or any Restricted Subsidiary, provided that such Lien was not incurred in anticipation of such acquisition;
  - 3) Liens on property or assets to secure any Indebtedness incurred prior to, at the time of, or within 270 days after, the acquisition of such property or in the case of real property, the completion of construction, the completion of improvements or the beginning of substantial commercial operation of such real property for the purpose of financing all or any part of the purchase price of such real property, the construction thereof or the making of improvements thereto;
  - 4) Liens in our favor or in favor of a Restricted Subsidiary;
  - 5) Liens existing on the date of issuance of the notes;
  - 6) Liens on property or other assets of a Person existing at the time the Person is merged into or consolidated with us or any Restricted Subsidiary or at the time of a sale, lease or other disposition of the properties of a Person as an entirety or substantially as an entirety to either us or any Restricted Subsidiary, provided that such Lien was not incurred in anticipation of the merger or consolidation or sale, lease or other disposition;
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- 7) Liens arising in connection with the financing of accounts receivable by us or any Restricted Subsidiary; provided that the uncollected amount of account receivables subject at any time to any such financing shall not exceed \$150,000,000; and
- 8) extensions, renewals or replacements (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to above without increase of the principal of the Indebtedness (plus any premium or fee payable in connection with any such extension, renewal or replacement) secured by the Lien; provided, however, that any Permitted Liens shall not extend to or cover any property of the Company or that of any Restricted Subsidiary, as the case may be, other than the property specified in the foregoing clauses and improvements to this property.

Notwithstanding the foregoing, the Company and any Restricted Subsidiary may create, assume, incur or guarantee Indebtedness secured by a Lien without equally and ratably securing the notes; provided, that at the time of such creation, assumption, incurrence or guarantee, after giving effect thereto and to the retirement of any Indebtedness that is concurrently being retired, the sum of (i) the aggregate amount of all outstanding Indebtedness secured by Liens other than Permitted Liens, and (ii) the Attributable Debt of all our Sale/Leaseback Transactions (as defined below) permitted by the third paragraph under "Limitation on Sale and Leaseback Transactions" below does not at such time exceed 5% of Consolidated Total Assets.

#### **Limitations on Sale and Leaseback Transactions**

We have covenanted in the indenture that we will not, and will not permit any Restricted Subsidiary to, enter into any arrangement relating to property now owned or hereafter acquired whereby either we transfer, or any Restricted Subsidiary transfers, such property to a Person and either we or any Restricted Subsidiary leases it back from such Person (a "Sale/Leaseback Transaction"), unless:

- we or such Restricted Subsidiary could, at the time of entering into such arrangement, incur Indebtedness secured by a Lien on the property involved in the transaction in an amount at least equal to the Attributable Debt with respect to such Sale/Leaseback Transaction, without equally and ratably securing the notes as described under "Limitation on Liens" above; or
- the net proceeds of the Sale/Leaseback Transaction are at least equal to such property's fair market value, as determined by our Board of Directors, and the proceeds are applied within 180 days of the effective date of the Sale/Leaseback Transaction to the repayment of senior indebtedness of ours or any Restricted Subsidiary.

The restrictions set forth above do not apply to a Sale/Leaseback Transaction: (i) entered into prior to the date of issuance of the notes; (ii) that exists at the time any Person that owns property or assets becomes a Restricted Subsidiary; (iii) between us and a Restricted Subsidiary or between Restricted Subsidiaries; (iv) involving leases for a period of no longer than three years; or (v) in which the lease for the property or asset is entered into within 270 days after the date of acquisition, completion of construction or commencement of full operations of such property or asset, whichever is latest.

Notwithstanding the restrictions contained above, we and our Restricted Subsidiaries may enter into a Sale/Leaseback Transaction; provided that at the time of such transaction, after giving effect thereto, the aggregate amount of all Attributable Debt with respect to Sale/Leaseback Transactions existing at such time that could not have been entered into pursuant to the above restrictions, together with the aggregate amount of all outstanding Indebtedness secured by Liens as permitted by the last paragraph under the section entitled "Limitation on Liens" above, does not at such time exceed 5% of Consolidated Total Assets.

"Attributable Debt" means an amount equal to the lesser of (i) the fair market value of the property (as determined by our Board of Directors) or (ii) the present value of the total net amount of payments to be made under the lease during its remaining term, discounted at the interest rate set forth or implicit in the terms of the lease, compounded semi-annually.

"Consolidated Total Assets" means the total assets of the Company and its consolidated subsidiaries, as set forth on our most recent consolidated balance sheet, as determined under GAAP.

"GAAP" means with respect to any computations required or permitted hereunder, generally accepted accounting principles in effect in the United States as in effect from time to time; provided, however, if the Company is required by the SEC to adopt (or is permitted to adopt and so adopts) a different accounting framework, including but not limited to the International Financial Reporting Standards, "GAAP" shall mean such new accounting framework as in effect from time to time, including, without limitation, in each case, those accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Indebtedness" means any and all obligations of a Person for money borrowed which, in accordance with GAAP, would be reflected on the balance sheet of such person as a liability on the date as of which Indebtedness is to be determined.

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“Net Revenue” means, with respect to any Person for any period, the net revenue of such Person and its consolidated subsidiaries, determined on a consolidated basis in accordance with GAAP for such period.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

“Restricted Subsidiary” means any Subsidiary (i) the Total Assets of which exceed 10% of Consolidated Total Assets as of the end of the most recently completed fiscal year or (ii) the Net Revenue of which exceeds 10% of the Net Revenue of the Company and its consolidated subsidiaries as of the end of the most recently completed fiscal year.

“Subsidiary” means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

“Total Assets” means, at any date as to any Person, the total assets of such Person and its consolidated subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

### **SEC Reports**

The indenture provides that any documents or reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act must be filed by us with the Trustee within 30 days after the same are filed with the SEC. Documents filed by us with the SEC via the EDGAR system (or any successor thereto) will be deemed to be filed with the Trustee as of the time such documents are filed via EDGAR.

### **Events of Default**

Holders of each series of notes will have specified rights if an Event of Default (as defined below) occurs.

The term “Event of Default” in respect of a series of notes means any of the following:

- we do not pay interest on any note of such series within 30 days of its due date;
- we do not pay the principal of or any premium on any note of such series, when due and payable, at maturity, or upon acceleration or redemption;
- we remain in breach of a covenant or warranty in respect of the indenture or any note of such series (other than a covenant included in the indenture solely for the benefit of debt securities of another series) for 90 days after we receive a written notice of default, which notice must be sent by either the Trustee or holders of at least 25% in principal amount of the outstanding notes of such series;
- we or a Restricted Subsidiary fail to pay the principal of any Indebtedness when due at maturity in an aggregate amount of \$50 million or more, or a default occurs that results in the acceleration of the maturity of our or any of our Restricted Subsidiaries' Indebtedness in an aggregate amount of \$50 million or more; or
- we file for bankruptcy, or other events of bankruptcy, insolvency or reorganization specified in the indenture.

If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then-member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euros will be converted into U.S. dollars on the basis of the most recently available market exchange rate for euros. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default. Neither the Trustee nor the paying agent shall have any responsibility for effecting such currency conversions.

If an Event of Default with respect to a series of notes has occurred, the Trustee or the holders of at least 25% in principal amount of the applicable series of notes may declare the entire unpaid principal amount of (and premium, if any), and all the accrued interest on, such notes to be due and immediately payable. This is called a declaration of acceleration of maturity. There is no action on the part of the Trustee or any holder of such notes required for such declaration if the Event of Default is the Company's bankruptcy, insolvency or reorganization. Holders of a majority in principal amount of the applicable series of notes may also waive certain past defaults under the indenture with respect to the notes on behalf of all of such holders of the notes of

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such series. A declaration of acceleration of maturity may be canceled, under specified circumstances, by the holders of at least a majority in principal amount of the applicable series of notes and the Trustee.

The Trustee is not required to take any action under the indenture at the request of holders unless the holders offer the Trustee protection from expenses and liability satisfactory to the Trustee. If an indemnity satisfactory to the Trustee is provided, the holders of a majority in principal amount of notes of the applicable series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. The Trustee may refuse to follow those directions in certain circumstances specified in the indenture. No delay or omission in exercising any right or remedy will be treated as a waiver of the right, remedy or Event of Default.

Before holders are allowed to bypass the Trustee and bring a lawsuit or other formal legal action or take other steps to enforce their rights or protect their interests relating to a series of notes, the following must occur:

- such holders must give the Trustee written notice that an Event of Default has occurred and remains uncured;
- holders of at least 25% in principal amount of the notes of the applicable series must make a written request that the Trustee take action because of the default and must offer the Trustee indemnity satisfactory to the Trustee against the cost and other liabilities of taking that action; and
- the Trustee must have failed to take action for 60 days after receipt of the notice and offer of indemnity.

Holders are, however, entitled at any time to bring a lawsuit for the payment of money due on the notes of a series on or after the due date.

We are required to furnish to the Trustee annually, within 120 days after the end of each fiscal year, a brief certificate from certain of our officers as to his or her knowledge of our compliance with all conditions and covenants under the indenture and, in the event of any default, specifying each such default and the nature and status thereof of which such officer may have knowledge.

#### **Modification of the Indenture**

The indenture provides that we and the Trustee may, without the consent of any holders of notes, enter into supplemental indentures for the purposes, among other things, of:

- curing ambiguities or inconsistencies in the indenture or making any other provisions with respect to matters or questions arising under the indenture;
- providing for the assumption by a successor corporation of the obligations of the Company under the indenture;
- adding guarantees with respect to the notes;
- securing the notes;
- adding to the covenants of the Company for the benefit of the holders or surrendering any right or power conferred upon the Company;
- adding additional events of default;
- making any change that does not adversely affect the rights of any holder;
- changing or eliminating any provisions of the indenture so long as there are no holders entitled to the benefit of the provisions;
- complying with any requirement of the SEC in connection with the qualification of the indenture under the Trust Indenture Act of 1939; or
- conforming the provisions of the indenture and the notes to the "Description of Notes" section in the prospectus supplement relating to the applicable series of notes.

With specific exceptions, the indenture or the rights of the holders of the notes of a series may be modified by us and the Trustee with the consent of the holders of a majority in aggregate principal amount of the notes of such series, but no modification may be made without the consent of the holder of each outstanding note of a series that, among other things, would:

- extend the maturity of any payment of principal of or any installment of interest on any notes of such series;
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- reduce the principal amount of any note of such series, or the interest thereon, or any premium payable on any note of such series upon redemption thereof;
- change any place of payment where, or the currency in which, any note of such series or any premium or interest is denominated as payable;
- change the ranking of the notes of such series;
- impair the right to sue for the enforcement of any payment on or with respect to any note of such series; or
- reduce the percentage in principal amount of outstanding notes of such series required to consent to any supplemental indenture, any waiver of compliance with provisions of the indenture or specific defaults and their consequences provided for in the indenture, or otherwise modify the sections in the indenture relating to these consents.

#### **Defeasance and Covenant Defeasance**

We may elect either (i) to defease and be discharged from any and all obligations with respect to the notes of any series (except as otherwise provided in the indenture) (“defeasance”), or (ii) to be released from our obligations with respect to certain covenants that are described in the indenture (“covenant defeasance”), upon the deposit with the Trustee, in trust for such purpose, of money and/or government obligations that through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient, as certified by a nationally recognized firm of certified public accountants or other appropriate independent financial professional, without reinvestment, to pay the principal of, premium, if any, and interest on the notes of such series to maturity or redemption, as the case may be, and any mandatory sinking fund or analogous senior payments thereon. As a condition to defeasance or covenant defeasance, we must deliver to the Trustee an opinion of counsel to the effect that the holders of the notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred. We may exercise our defeasance option with respect to either series of the notes notwithstanding our prior exercise of our covenant defeasance option. If we exercise our defeasance option, payment of the notes of such series may not thereafter be accelerated because of an Event of Default.

If we exercise our covenant defeasance option, payment of the notes of such series may not thereafter be accelerated by reference to any covenant from which we are released as described under clause (ii) of the immediately preceding paragraph. However, if acceleration were to occur for other reasons, the realizable value at the acceleration date of the money and government obligations in the defeasance trust could be less than the principal and interest then due on the notes of such series, in that the required deposit in the defeasance trust is based upon scheduled cash flows rather than market value, which will vary depending upon interest rates and other factors.

As used in this section, the term “government obligations” shall include (i) securities that are direct obligations of the Federal Republic of Germany for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the Federal Republic of Germany, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the Federal Republic of Germany, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof.

#### **Paying Agent and Payments on the Notes**

Principal of, premium, if any, and interest on the notes of each series will be payable at the office of the Paying Agent or, at the option of the Company, payment of interest may be made by check mailed to the holders of the notes of such series at their respective addresses set forth in the register of holders; *provided* that all payments of principal, premium, if any, and interest with respect to the notes of such series represented by one or more global notes deposited with, or on behalf of, a common depository, and registered in the name of the nominee of the common depository for the accounts of Clearstream and Euroclear will be made through the facilities of the common depository. We may change the paying agent without prior notice to the holders and the Company or any of its Subsidiaries may act as paying agent. With respect to the 2027 notes, we undertake to maintain a paying agent in a member state of the European Union that, to the extent permitted by law, will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income in relation to the 2027 notes.

#### **Issuance in Euros**

Initial holders of each series of the notes were paid for the notes of such series in euros, and all payments of interest and principal, including payments made upon any redemption of the notes of such series, will be payable in euros. If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then member states of the European Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes of

such series will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euros will be converted into U.S. dollars on the basis of the most recently available market exchange rate for euro. Any payment in respect of the notes of such series so made in U.S. dollars will not constitute an event of default under the notes of such series or the indenture governing the notes of such series. Neither the Trustee nor the Paying Agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

“Market exchange rate” means the noon buying rate in The City of New York for cable transfers of euros as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York.

#### **Title**

We, the Trustee and any agent of ours may treat the registered owner of any debt security as the absolute owner thereof (whether or not the debt security shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

#### **Replacement of Notes**

We will replace any mutilated note at the expense of the holders upon surrender to the Trustee. We will replace notes that become destroyed, lost or stolen at the expense of the holder upon delivery to the Trustee of satisfactory evidence of the destruction, loss or theft thereof. In the event of a destroyed, lost or stolen note, an indemnity or security satisfactory to us and the Trustee will be required at the expense of the holder of the note before a replacement note will be issued.

#### **Book-Entry System**

##### *Global Clearance and Settlement*

The notes of each series were issued in the form of one or more global notes (each a “global note”) in fully registered form, without coupons, and were deposited on the closing date with a common depository for, and in respect of interests held through, Euroclear and Clearstream. Except as described herein, certificates will not be issued in exchange for beneficial interests in the global notes.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees.

Beneficial interests in the global notes are represented, and transfers of such beneficial interests are effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Those beneficial interests must be in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems.

Owners of beneficial interests in the global notes are not entitled to have notes registered in their names, and are not entitled to receive physical delivery of notes in definitive form. Except as provided below, beneficial owners are not considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the Trustee pursuant to the indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. These limits and laws may impair the ability to transfer beneficial interests in global notes.

Persons who are not Euroclear or Clearstream participants may beneficially own notes held by the common depository for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream. So long as the common depository for Euroclear and Clearstream is the registered owner of the Global Note, the common depository for all purposes will be considered the sole holder of the notes represented by the Global Note under the indenture and the Global Notes.

##### *Certificated Notes*

If the applicable depository is at any time unwilling or unable to continue as depository for any of the global notes and a successor depository is not appointed by us within 90 days, we will issue the notes in definitive form in exchange for the

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applicable global notes. We will also issue the notes in definitive form in exchange for the global notes if an event of default has occurred with regard to the notes represented by the global notes and has not been cured or waived. In addition, we may at any time and in our sole discretion determine not to have the notes represented by the global notes and, in that event, will issue the notes in definitive form in exchange for the global notes. In any such instance, an owner of a beneficial interest in the global notes will be entitled to physical delivery in definitive form of the notes represented by the global notes equal in principal amount to such beneficial interest and to have such notes registered in its name. The notes so issued in definitive form will be issued as registered in minimum denominations of €100,000 and integral multiples of €1,000 thereafter, unless otherwise specified by us. Our definitive form of the notes can be transferred by presentation for registration to the registrar at its office and must be duly endorsed by the holder or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the registrar duly executed by the holder or his attorney duly authorized in writing. We may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of definitive notes.

### **Notices**

Notices to holders of the notes will be sent by mail or email to the registered holders, or otherwise in accordance with the procedures of the applicable depository.

### **Registrar and Transfer Agent**

Elavon Financial Services DAC has been appointed as registrar for the 2027 notes. Elavon Financial Services DAC, UK Branch has been appointed as transfer agent for the 2027 notes. U.S. Bank National Association has been appointed as registrar and transfer agent for the 2030 notes. We may change the registrar and the transfer agent for either series of the notes without prior notice to the holders, and we or any of our Subsidiaries may act as the registrar or the transfer agent.

### **Governing Law**

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.

THE MOODY'S CORPORATION  
RETIREMENT ACCOUNT  
Amended and Restated as of January 1, 2018

INTRODUCTION

The Moody's Corporation Retirement Account ("the Plan") was effective as of the Effective Time, as such term is defined in the Employee Benefits Agreement entered into as of September 30, 2000, between The Dun & Bradstreet Corporation and The New D&B Corporation, following its adoption by the Board of Directors of Moody's Corporation (the "Corporation"). The Plan is a spin-off from The Dun & Bradstreet Corporation Retirement Account (the "D&B Plan") and covers employees who are in active service at the Effective Time. The Accrued Benefit of each such employee under the Plan as of the Effective Time shall equal the accrued benefit under the D&B Plan as of such date. In general, the Plan as in effect prior to the effective date of any amendment continued to apply to those who terminated employment prior to such date. The Plan is intended to be a defined benefit pension plan, and the provisions of the Plan will be submitted for a determination by the Internal Revenue Service that the Plan is "qualified" under Section 401(a) of the Internal Revenue Code.

The Plan was previously amended and restated effective as of December 18, 2013 and is hereby again amended and restated effective as of January 1, 2018. Except as otherwise specifically provided herein, a Member who is not an Employee at any time after December 31, 2017 shall be entitled to benefits, if any, under the Plan based upon the provisions of the Plan in effect on or prior to that date.

ARTICLE 1  
DEFINITIONS

SECTION 1.1. "Accrued Benefit" shall mean the benefit for a Member as determined from time to time in accordance with the provisions of Article 4 (including Interest Credits described in Section 4.1(a)), but subject to the limitations set forth in Article 14 and Article 15 of this Plan and any other limitation imposed as a condition of the Plan's qualification under ERISA or other applicable law.

SECTION 1.2. "Actuarial Equivalent Value" shall mean a benefit of equivalent value computed on the basis of the appropriate mortality table and interest rate, as follows:

(a) For the purpose of determining the Opening Balance described in Section 4.4, the applicable mortality table prescribed by the Internal Revenue Service under Section 417(e)(3) of the Code and 6.65% interest;

(b) For the purposes of determining the Accrued Benefit and Early Retirement Benefit described in Section 4.1 and Section 4.2, respectively, all forms of benefit under Article VIII to the extent based on the Participant's Account, and the Lump Sum Payment under Section 8.8: (i) the applicable mortality table prescribed by the Internal Revenue Service under Section 417(e)(3) of the Code (which currently is the GAR94 blended mortality table or such successor mortality table as is issued by the Internal Revenue Service), and (ii) an interest rate equal to (A) for periods prior to March 1, 2002, the annual yield on thirty (30) year Treasury Bonds for the first day of the month, (B) for periods between March 1, 2002 and December 31, 2007, the average of the annual yield on thirty (30) year Treasury Bonds published by the Internal Revenue Service, and (C) for periods beginning on or after January 1, 2008, the 30-year corporate bond "yield curve" enacted by the Pension Protection Act of 2006, implemented in 20% annual increments beginning in 2008, in each case using (A) a stability period of one month (the month in which the Benefit Commencement Date occurs), and (B) a lookback period of the three consecutive months immediately preceding the stability period; and

(c) For the purpose of determining the optional forms of benefit payment described in Section 8.6 for Members with respect to the Frozen Accrued Benefit described in Section 4.8 and the Grandfather Benefit described in Section 4.9, mortality rates shown in Attachment A of the Plan and six and seventy-five one hundredths percent (6.75%) interest.

SECTION 1.3. "Actuary" shall mean that individual who is an "enrolled actuary" (as defined in Section 7701(a)(35) of the Code) or that firm of actuaries which has on its staff such an actuary, appointed by the Management Benefits and Compensation Committee.

SECTION 1.4. "Affiliated Employer" shall mean the Company and any other employer which is treated with the Company as a single employer pursuant to Section 414 of the Code or, solely for purposes of Article 15, Section 415(h) of the Code.

SECTION 1.5. "Ameritech" means Ameritech Publishing, Inc. and/or Ameritech Publishing of Illinois, Inc.

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SECTION 1.6. "Average Final Compensation" means an Employee's average annual Compensation during the five (5) consecutive twelve (12) month periods in the last ten (10) consecutive twelve (12) month periods of his or her Credited Service (or during the total number of consecutive twelve (12) month periods if fewer than five (5)), prior to the relevant date of calculation under this Plan, affording the highest such average annual Compensation. If actual monthly Compensation for any month during the one hundred twenty (120) month computational period is unavailable, Compensation for such month shall be determined by dividing the Member's Compensation for the twelve (12) month period in which such month occurs by twelve (12). For the sole purpose of determining an Employee's average annual Compensation, service with a Non-Participating Affiliated Company shall be deemed Credited Service. In the event any Employee is regularly employed for at least one thousand (1,000) hours but less than eighteen hundred (1,800) hours, his or her earnings shall be annualized under uniform rules adopted by the Management Benefits and Compensation Committee.

SECTION 1.7. "Beneficiary" shall mean the person designated by a Member in accordance with the procedures set forth in Section 6.2 as entitled to receive benefits payable pursuant to the provisions of this Plan by virtue of such Member's death. Only natural persons may be a Beneficiary; a partnership, corporation, trust, estate or other legal entity is not eligible to be a Beneficiary under this Plan.

SECTION 1.8. "Benefit Commencement Date" shall mean the first day of the first month for which a benefit is payable to an individual, even though the first payment may not actually have been made at that date.

SECTION 1.9. "Board of Directors" shall mean the Board of Directors of Moody's Corporation. Any action authorized hereunder to be taken by the Board of Directors may be also taken by a duly authorized committee of the Board of Directors or a duly authorized delegates of the Board of Directors or such a committee.

SECTION 1.10. "Change in Control" means:

(a) Any "Person," as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any Corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation), is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities;

(b) during any period of twenty-four (24) months (not including any period prior to the effective date of this provision), individuals who at the beginning of such period constitute the Board of Directors, and any new director (other than (i) a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clause (a), (c) or (d) of this Section), (ii) a director designated by any Person (including the Corporation) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control, or (iii) a director designated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Corporation representing ten percent (10%) or more of the combined voting power of the Corporation's securities) whose election by the Board of Directors or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof;

(c) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other company, other than (i) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, and (ii) after which no Person holds twenty percent (20%) or more of the combined voting power of the then outstanding securities of the Corporation or such surviving entity; or

(d) the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets.

SECTION 1.11. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

SECTION 1.12. "Company" shall mean Moody's Corporation.

SECTION 1.13. "Company Credits" shall mean additions to the Retirement Account determined in accordance with the procedures of Section 4.5.

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SECTION 1.14. "Compensation" shall mean the total amount paid by the Employer to a Member with respect to any period of Credited Service as salary, wages, overtime, regular cash bonuses and commissions, lump sum payments in lieu of foregone merit increases, "bonus buyouts" as the result of job changes, and any portion of such amounts voluntarily deferred or reduced by the Member under any employee benefit plan of the Company available to all levels of Employees of the Company on a non-discriminatory basis upon satisfaction of eligibility requirements and voluntarily deferred or reduced under any executive deferral plan of the Company (provided such amounts otherwise would not have been excluded had they not been deferred), but excluding any pension, retainers, severance pay, special stay-on bonus payments, income derived from stock options, stock appreciation rights and dispositions of stock acquired thereunder, payments dependent upon any contingency after the period of Credited Service and other special remunerations (including performance units).

In the case of a Member who is transferred to an Affiliated Employer which is not an Employer during a year, Compensation shall be the amount received by the Member prior to such transfer. If a Member's Service with the Company is continued during a period of authorized leave of absence, for the purposes of determining Average Final Compensation and Company Credits, the Member shall be deemed to continue to receive the salary he or she was receiving at the time such leave commenced if the leave of absence was for the purposes of military service. In all cases of paid leave, the Member's Compensation during such period of leave shall be included for the purposes of determining Average Final Compensation and Retirement Credits.

In no event, however, for any twelve (12) month period to which Section 401(a)(17) of the Code applies, will the Compensation in a twelve (12) month period taken into account under the Plan exceed Two Hundred Thousand Dollars (\$200,000), or such indexed amount as may have been in effect under Section 401(a)(17) of the Code for the beginning of the twelve (12) month period, or as may be prescribed under Section 401(a)(17) of the Code for any twelve (12) month period by the Secretary of the Treasury from time to time.

Unless otherwise provided under the Plan, each Section 401(a)(17) Employee's accrued benefit under this Plan shall be the greater of the accrued benefit determined for the Employee under (a) or (b) below:

(a) the Employee's accrued benefit determined with respect to the benefit formula applicable under the Prior Plan for the Plan Year beginning on or after January 1, 1994, as applied to the Employee's total years of service taken into account under the Plan for the purposes of benefit accruals, or

(b) the sum of:

(i) the Employee's accrued benefit as of the last day of the last Plan Year beginning before January 1, 1994, frozen in accordance with Section 1.401(a)(4)-13 of the Treasury Regulations, and

(ii) the Employee's accrued benefit determined under the benefit formula applicable for the Plan Year beginning on or after January 1, 1994, as applied to the Employee's years of service credited to the Employee for Plan Years beginning on or after January 1, 1994, for purposes of benefit accruals.

A Section 401(a)(17) Employee means an Employee whose current accrued benefit as of a date on or after the first day of the Plan Year beginning on or after January 1, 1994, is based on compensation for a year beginning prior to the first day of the first Plan Year beginning on or after January 1, 1994, that exceeded One Hundred Fifty Thousand Dollars (\$150,000).

SECTION 1.15. "Computation Period" shall mean the Plan Year, except for purposes of determining eligibility, in which case, it shall mean the twelve (12) month period commencing with the Employee's Employment Commencement Date or Re-employment Commencement Date. If the Eligible Employee fails to satisfy the requirements for eligibility in that twelve (12) month period, the Computation Period for determining eligibility for that Eligible Employee shall thereafter be the Plan Year that begins within such twelve (12) month period and each Plan Year thereafter.

SECTION 1.16. "Credited Service" shall mean Years of Service as an Employee and a Member, as determined in accordance with Article 2, including all Years of "Credited Service" under The Dun & Bradstreet Retirement Account; Credited Service shall not include (a) any period of service with respect to which a distribution shall have been made pursuant to Section 16.2 which shall not have been restored as provided therein; or (b) any period of Service with the Partnership or Ameritech.

SECTION 1.17. "Deferred Vested Benefit" shall mean the benefit to which a vested Member would be entitled after a Severance Date, if the Member is not eligible to receive an Early Retirement Benefit as of such date under the terms of the Plan.

SECTION 1.18. "Defined Benefit Dollar Limitation" shall mean the limitation set forth in Section 415(b)(1) of the Code.

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SECTION 1.19. "Early Retirement Benefit" shall mean the benefit to which a Member would be entitled in the event of his or her retirement on his or her Early Retirement Date.

SECTION 1.20. "Early Retirement Date" shall mean the first day of the calendar month coincident with or next following the Member's Severance Date, if such date is earlier than his or her Normal Retirement Date and if the Member is eligible for Early Retirement under the terms of the Plan as described in Article 5.

SECTION 1.21. "Effective Date" shall mean the Effective Time, as such term is defined in the Employee Benefits Agreement entered into as of September 30, 2000, between The Dun & Bradstreet Corporation and The New D&B Corporation, following its adoption by the Board of Directors of the Company.

SECTION 1.22. "Eligibility Service" shall mean Service as counted for determining an Employee's right to become a Member in the Plan, as determined in accordance with the provisions of Article 2.

SECTION 1.23. "Eligible Employee" shall mean an Employee of an Employer, who is entitled to participate in the Plan upon meeting the requirements of Section 3.1, other than (a) an Employee whose terms and conditions of employment are the subject of a collective bargaining agreement except to the extent that participation in the Plan is expressly provided for in writing pursuant to such agreement, (b) a Leased Employee, or (c) any Employee on temporary assignment to the United States who continues to participate in one or more retirement plans maintained by an Affiliated Employer. Notwithstanding the foregoing, no Employee who commences or recommences employment with an Employer on or after January 1, 2008 shall accrue any benefit under the Plan (and, for the avoidance of doubt, an Employee who transfers employment from an Employer to an Affiliated Entity and who was eligible to accrue benefits under the Plan immediately prior to such transfer shall cease accruing pursuant to the terms of the Plan while continuously employed by such Affiliated Employer and shall accrue no further benefits thereafter).

SECTION 1.24. "Employee" shall mean any person who is a common-law employee or a Leased Employee of an Employer or an Affiliated Employer, any United States citizen who is employed by a "foreign affiliate" (as defined in Section 3121(l)(8) of the Code), provided that such person is covered by an agreement entered into by the Company under Section 3121(l) of the Code, and any United States citizen who is employed by a "domestic subsidiary" as defined in Section 407(a)(2) of the Code.

SECTION 1.25. "Employer" shall mean Moody's Corporation or any successor company, and such of its partially or wholly-owned subsidiary companies as may from time to time, be authorized by the Board of Directors to participate in the Plan with respect to all or some of its Eligible Employees and which have adopted the Plan (either under the provisions of the Plan as then constituted or under whatever modifications to such provisions as the Board of Directors may determine in its sole discretion).

SECTION 1.26. "Employment Commencement Date" shall mean the date on which an Employee is first credited with an Hour of Service.

SECTION 1.27. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

SECTION 1.28. "Former Employee" shall mean a person who was an Employee and who is no longer in the employment of the Employer or an Affiliated Employer.

SECTION 1.29. "Frozen Accrued Benefit" shall mean the benefit described in Section 4.8.

SECTION 1.30. "Fund" shall mean any fund provided for in a trust arrangement, or a combination of a trust arrangement and one or more insurance company contracts, which is held by a funding agent, to which contributions under the Plan are made, and out of which benefits are paid to Members or otherwise provided for.

SECTION 1.31. "Grandfather Benefit Amount" shall mean the minimum benefit amount to which certain Members are entitled as described in Section 4.9.

SECTION 1.32. "Highly Compensated Employee" shall mean an Eligible Employee who performs service during the Determination Year and is described in one or more of the following groups in accordance with applicable Treasury regulations:

(a) was a five percent (5%) owner as defined in Section 416(i)(1)(B)(i) of the Code, at any time during the Determination Year or the Look-back Year; or

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(b) received Compensation in excess of Eighty Thousand Dollars (\$80,000) (as adjusted annually for increases in the cost of living in accordance with Section 415(d) of the Code) during the Look-back Year.

A Former Employee shall be treated as a Highly Compensated Employee if such former Employee had a separation year prior to the Determination Year and was a Highly Compensated active Employee for either (i) such Employee's separation year or (ii) any Determination Year ending on or after the Employee's fifty-fifth (55th) birthday. For this purpose, a separation year is the Determination Year in which the Employee separates from service.

Notwithstanding anything to the contrary in this Plan, Sections 414(b), (c), (m), (n) and (o) of the Code are applied prior to determining whether an Employee is a Highly Compensated Employee.

For purposes of this Section,

- (A) "Compensation" shall mean compensation as defined in Section 414(q)(7) of the Code.
- (B) "Determination Year" shall mean the Plan Year for which the determination of who is Highly Compensated is being made.
- (C) "Look-back Year" shall mean the twelve (12) month period preceding the Determination Year.

SECTION 1.33. "Hour of Service" shall mean an hour of service calculated in accordance with the provisions of Article 2.

SECTION 1.34. "Integrated Amount" shall mean any amounts transferred to the Prior Plan under the provisions of the Employee Retirement Plan of Dun & Bradstreet Companies, Inc. (including interest thereon as provided in the Predecessor Plan) attributable to amounts vested in a Member under a qualified plan maintained by a business entity merged into or otherwise acquired by The Dun & Bradstreet Corporation prior to December 31, 1975.

SECTION 1.35. "Interest Credit" shall mean additions to the Retirement Account determined in accordance with the procedures of Section 4.7.

SECTION 1.36. "Leased Employee" shall mean any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient. Contributions or benefits provided a leased employee by the leasing organization which are attributable to services performed for the recipient employer shall be treated as provided by the recipient employer. A leased employee shall not be considered an employee of the recipient if: (i) such employee is covered by a money purchase pension plan providing: (1) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from the employee's gross income under Section 125, Section 402(e)(3), Section 402(h)(1)(B) or Section 403(b) of the Code, (2) immediate participation, and (3) full and immediate vesting; and (ii) leased employees do not constitute more than 20 percent of the recipient's nonhighly compensated work force.

SECTION 1.37. "Limitation Year" shall mean the twelve (12) month period ending on each December 31.

SECTION 1.38. "Management Benefits and Compensation Committee" shall mean the Board of Directors and the Management Benefits and Compensation Committee appointed pursuant to Section 10.1.

SECTION 1.39. "Member" shall mean an Eligible Employee who meets the requirements for membership and begins participation in the Plan pursuant to Article 3 and who is entitled or may become entitled to the payment of benefits under the Plan.

SECTION 1.40. "Minimum Benefit" means:

(a) with respect to Members who were participating in the Employee Retirement Plan of Dun & Bradstreet Companies, Inc. on December 31, 1975, the provisions which were applicable to such Members participating in such plan on December 31, 1966;

(b) with respect to Members who were participating in the Employees Retirement Plan of The Reuben H. Donnelley Corporation on December 31, 1975, the provisions which were applicable to such Members participating in such plan on December 1968.

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(c) with respect to Members participating in the Nielsen Plan on December 31, 1987, who become Members of the Prior Plan on January 1, 1988, the benefit accrued through December 31, 1987 determined in accordance with the provisions of the Nielsen Plan as in effect on such date; provided, however, the Member is vested in such benefit as of such date or becomes vested by reason of Service under the Prior Plan after January 1, 1988; and

(d) with respect to Members participating in the I.M.S. Plan on December 31, 1992, who remained Members of the Prior Plan on January 1, 1993, the benefit accrued through December 31, 1992 determined in accordance with the provisions of the I.M.S. Plan as in effect on such date; provided, however, the Member is vested in such benefit as of such date or became vested by reason of Service under the Prior Plan after January 1, 1993.

SECTION 1.41. "Named Fiduciary" shall mean a fiduciary designated as such under the provisions of Article 13.

SECTION 1.42. "Normal Retirement Age" shall mean the time a Member attains age sixty-five (65).

SECTION 1.43. "Normal Retirement Benefit" shall mean the benefit to which a Member would be entitled in the event of his or her retirement on his or her Normal Retirement Date.

SECTION 1.44. "Normal Retirement Date" means the first day of the calendar month coincident with or next following the Member's attainment of Normal Retirement Age.

SECTION 1.45. "Opening Balance" shall mean, for those Members who were members of the Prior Plan, the single sum amount described in Section 4.4.

SECTION 1.46. "Partnership" shall mean DonTech General Partnership, an Illinois general partnership.

SECTION 1.47. "Period of Service" shall mean the period of time commencing on the Employee's Employment Commencement Date or Re-employment Commencement Date, whichever is applicable, and ending on the Severance Date following such Employment Commencement Date or Re-employment Commencement Date. Period of Service shall be computed in one twelfths (1/12ths) of a year, with a full month being granted for each completed and partial month.

SECTION 1.48. "Period of Severance" shall mean the period of time commencing on the Severance Date and ending on the date the Employee again performs an Hour of Service for an Employer.

SECTION 1.49. "Plan" shall mean The Moody's Corporation Retirement Account, as embodied herein, and any amendments thereto.

SECTION 1.50. "Plan Sponsor" shall mean Moody's Corporation.

SECTION 1.51. "Plan Year" shall mean the period beginning on January 1 and ending on December 31.

SECTION 1.52. "Postponed Retirement Benefit" shall mean the benefit to which a Member would be entitled in the event of his or her retirement after his or her Normal Retirement Date.

SECTION 1.53. "Postponed Retirement Date" shall mean the first day of the month coincident with or next following the Member's Severance Date, if such date is later than the Member's Normal Retirement Date.

SECTION 1.54. "Predecessor Plan" shall mean the Employee Retirement Plan of The Dun & Bradstreet Companies, Inc. or the Employees Retirement Plan of The Reuben H. Donnelley Corporation, as such plan shall have been in effect on December 31, 1975.

SECTION 1.55. "Prior Plan" shall mean the Master Retirement Plan of The Dun & Bradstreet Corporation, which was amended and restated to become The Dun & Bradstreet Retirement Account (the "D&B Plan").

SECTION 1.56. "Qualified Joint and Survivor Annuity" shall have the meaning ascribed to such term in Section 8.3.

SECTION 1.57. "Re-employment Commencement Date" shall mean the first date, following a Period of Severance, that the Employee again performs an Hour of Service for an Affiliated Employer.

SECTION 1.58. "Retirement Account" shall mean the notional account used to calculate benefits under this Plan in accordance with the procedures of Article 4.

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SECTION 1.59. "Service" shall mean an Employee's period of employment with an Employer or an Affiliated Employer that is counted as "Service" in accordance with Article 2. Service shall include employment with any other corporation, company or business which has become or may become related to the Company by purchase, acquisition, merger, consolidation, or otherwise to the extent such service has been approved as Service by the Board of Directors, and solely for the purpose of determining eligibility for benefits under Article 5, the Employee's period of employment with the Partnership or Ameritech. In the case of any Employee employed by Wall Street Analytics, Inc. (subsequently renamed Moody's Wall Street Analytics, Inc.) on December 18, 2006, Service shall also include the Employee's period of employment with Wall Street Analytics, Inc. prior to December 18, 2006, for purposes of determining: (i) Eligibility Service (provided, however, that in no event may an Eligible Employee of Wall Street Analytics, Inc. become a Member prior to January 1, 2007), (ii) Credited Service in computing Company Credits under Plan Section 4.5, and (iii) Vesting Service in determining eligibility for benefits under Article 5.

SECTION 1.60. "Severance Date" shall mean the earlier of:

(a) the date on which the Employee resigns, is discharged or dies; or

(b) the date following a twelve (12) month period in which the Employee remains absent from employment (with or without pay) for any reason other than maternity or paternity leave of absence, resignation, discharge or death (such as vacation, holiday, sickness, disability, leave of absence or layoff); or

(c) the date following a twenty-four (24) month period in which the Employee remains absent from employment (with or without pay) for a maternity or paternity leave including:

(i) the individual's pregnancy; or

(ii) childbirth; or

(iii) adoption of a child; or

(iv) child care immediately after the birth or adoption of a child;

provided, however, the period between the first and second anniversary will be treated as neither a Period of Severance nor a Period of Service.

SECTION 1.61. "Spouse" shall mean the spouse of a Member. Effective as of September 16, 2013 (or, if a different date is permitted or required by Internal Revenue Service guidance for any particular purpose, the date specified in such guidance for such purpose), such determination shall be made based on the laws of the state where the marriage is initially established as provided in Revenue Ruling 2013-17.

SECTION 1.62. "Trust" shall mean any trust established under an agreement between the Company and a Trustee under which any portion of the Fund is held, and shall include any and all amendments to the trust agreement.

SECTION 1.63. "Trustee" shall mean any trustee holding any portion of the Fund under a Trust agreement forming a part of the Plan.

SECTION 1.64. "Vesting Service" shall mean Service as counted for determining an Employee's right to benefits under the Plan, as determined in accordance with Article 2 and Article 5.

SECTION 1.65. "Year of Service" shall mean a Computation Period during which the Employee is credited with one thousand (1,000) or more Hours of Service, under the rules of Article 2.

## ARTICLE II SERVICE COUNTING RULES

SECTION 2.1. "Hours of Service General Rule" An Employee shall be credited with an Hour of Service for:

(a) Each hour for which a person is directly or indirectly paid by, or entitled to payment from, the Employer or an Affiliated Employer for the performance of duties. These hours shall be credited to the person during the appropriate Computation Period in which the duties are performed;

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(b) Each hour for which a person is directly or indirectly paid by, or entitled to payment from, the Employer or an Affiliated Employer for reasons other than for the performance of duties (such as vacation, holiday, illness, incapacity (including disability), jury duty, military duty, leave of absence or layoff). These hours shall be credited to the Employee during the Computation Period in which the nonperformance of duties occurs. The computation of non-work hours described in this subsection will be computed in accordance with the provisions of the Department of Labor Regulation Section 2530.200b-2;

(c) Each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer or an Affiliated Employer. These hours will be credited to the person for the Plan Year to which the award or agreement pertains; and

(d) Each hour for which an Employee is not paid or entitled to pay but during which the Employee is absent for a period of military service or otherwise and during which reemployment rights are protected by law, but only if the Employee returns to employment within the time required by law.

**SECTION 2.2. Eligibility Service** An Eligible Employee who is a full-time associate shall be credited with one (1) year of Eligibility Service for each Computation Period during which he or she completes a coincident period of Service. An Eligible Employee who is a part-time associate shall be credited with one (1) year of Eligibility Service for each Computation Period during which he or she is credited with one thousand (1,000) or more Hours of Service. For this purpose, Hours of Service shall include Hours of Service with the Employer and any Affiliated Employer, regardless of whether the Affiliated Employer is an Employer for the purpose of this Plan. Hours of Service shall include Hours of Service with the Employer and any Affiliated Employer prior to the Effective Date.

**SECTION 2.3. Vesting Service - General Rule:** An Employee shall be credited with Vesting Service equal to the total of (i) his or her Period(s) of Service with an Employer or an Affiliated Employer and (ii) any Period(s) of Severance that are less than twelve (12) months, less any Period(s) of Service or Severance during any calendar year which ends prior to the Employee's attainment of age eighteen (18). Vesting Service shall be computed in one-twelfths (1/12ths) of a year, with a full month being granted for each completed and partial calendar month.

(a) Special Rules for Vesting Service Prior to Effective Date An Eligible Employee who became a Member of the Plan as of the Effective Date, shall be credited with Vesting Service for the period of time prior to the Effective Date in accordance with the terms of The Dun & Bradstreet Corporation Retirement Account as of such date.

(b) Special Rules for Vesting Service during Leaves of Absence A period of authorized leave of absence for a purpose approved by the Management Benefits and Compensation Committee under uniform rules, or absence for the purpose of military service pursuant to the requirements of law or by enlistment for not longer than the minimum period required by law, or, to the extent protected by applicable law, absence for any other purpose, shall be counted as Vesting Service if the Employee resumes his or her service as an Employee at the end of such leave of absence or within the period prescribed by law for the exercise of reemployment rights.

(c) Break in Vesting Service. Notwithstanding anything to the contrary in this Section 2.3, a former Member who incurs a Severance Date, and who is later re-employed by an Employer as an Employee after incurring a Period of Severance equal to the greater of five (5) or the number of Years of Service the former Member had as of his Severance Date, shall not be receive credit for any Vesting Service earned prior to the Member's Re-Employment Commencement Date for purposes of continuing to vest in any benefits earned prior to the Re-Employment Commencement Date or for vesting in any benefits earned after the Re-Employment Commencement Date.

**SECTION 2.4. Credited Service** A full-time Employee shall be credited with Credited Service equal to his or her Period(s) of Service as a Member. Credited Service shall be computed in one-twelfths (1/12ths) of a year, with a full month being granted for each completed and partial calendar month. An Employee who is a part-time Employee will be entitled to a full or fractional year of Credited Service for each year during which he or she is a Member under this Plan, as follows:

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<u>Hours of Service</u>	<u>Years of Credited Service</u>
1,800 and over	1.0
1,600 to 1,799	0.9
1,400 to 1,599	0.8
1,200 to 1,399	0.7
1,000 to 1,199	0.6
less than 1,000	0.0

Notwithstanding the above, for purposes of determining Credited Service for Periods of Service prior to January 1, 1997, Credited Service shall be determined in accordance with the provisions of the Prior Plan.

ARTICLE III  
MEMBERSHIP AND TRANSFERS

SECTION 3.1. Eligibility Each Eligible Employee who was a member in The D&B Plan immediately prior to the Effective Date shall become a Member as of the Effective Date, in accordance with the provisions hereof. Each other Eligible Employee shall become a Member in the Plan on the first day of the month coincident with or next following the date the Eligible Employee attains age 21 and completes one (1) year of Eligibility Service. Notwithstanding any other provision of the Plan to the contrary, no Employee who commences employment with an Employer on or after January 1, 2008 shall participate in the Plan (and, for the avoidance of doubt, an Employee who transfers employment from an Employer to an Affiliated Entity and who was eligible to accrue benefits under the Plan immediately prior to such transfer shall cease accruing pursuant to the terms of the Plan while continuously employed by such Affiliated Employer and shall accrue no further benefits thereafter).

SECTION 3.2. Eligibility upon Re-employment

(a) A former Member, whether or not vested as described in Article 5, who incurs a Severance Date, and who is later re-employed by an Employer as an Eligible Employee prior to incurring a Period of Severance equal to the greater of five (5) or the number of Years of Service the former Member had as of his Severance Date (or, with respect to a part-time Eligible Employee, before experiencing five (5) consecutive One-Year Breaks in Service), shall participate in the Plan as of the first day of the first calendar month following his or her Re-Employment Commencement Date.

(b) A former Member who was not previously vested in his or her Accrued Benefit pursuant to Article 5 and who is subsequently reemployed by an Employer as an Eligible Employee after incurring a Period of Severance of five (5) years or more (or, with respect to a part-time Eligible Employee, after experiencing five (5) consecutive One-Year Breaks in Service), shall become a Member and begin participation in the Plan in accordance with Section 3.1.

(c) A former Eligible Employee who did not satisfy the eligibility requirements of Section 3.1 prior to his or her Severance Date and who is subsequently reemployed by an Employer as an Eligible Employee shall become a Member and begin participation in the Plan in accordance with Section 3.1.

(d) For purposes hereof, a "One-Year Break in Service" means each one-year Computation Period during which an Employee is credited with less than 501 Hours of Service.

(e) Notwithstanding any other provision of the Plan to the contrary, no Employee who commences reemployment with an Employer on or after January 1, 2008 shall accrue any additional benefit under the Plan (and, for the avoidance of doubt, an Employee who transfers employment from an Employer to an Affiliated Entity and who was eligible to accrue benefits under the Plan immediately prior to such transfer shall cease accruing pursuant to the terms of the Plan while continuously employed by such Affiliated Employer and shall accrue no further benefits thereafter).

SECTION 3.3. Termination of Membership A Member who incurs a Severance Date at a time when he or she is not entitled to a vested Accrued Benefit shall cease to be a Member at such time, and shall be deemed to have received a distribution of the value of his or her vested benefits hereunder. A Member who incurs a Severance Date and who is entitled to a vested Accrued Benefit shall cease Membership upon receipt of all payments to which he or she is entitled hereunder.



SECTION 3.4. Suspension of Membership A Member who ceases to be an Eligible Employee without incurring a Severance Date shall be deemed to have incurred a Severance Date for purposes of Section 4.5 on the date on which he or she ceased to be an Eligible Employee; provided, however, that except to the extent otherwise provided herein, such Employee shall continue to be treated as a Member for all other purposes under the Plan and shall continue to earn Vesting Service for as long as he or she continues to remain in the employ of an Affiliated Employer.

SECTION 3.5. Restoration of Membership after Suspension If a Member's membership is suspended for purposes of Section 4.5 pursuant to Section 3.4 above, such suspension shall terminate as of the first day of the first calendar month following the date on which the Member again becomes an Eligible Employee.

#### ARTICLE IV BENEFIT AMOUNTS

SECTION 4.1. Accrued Benefit A Member's Accrued Benefit, as determined from time to time hereunder, shall be the largest of the following amounts:

(a) the amount of a single life annuity commencing as of the Member's Normal Retirement Date (or on the date of determination if such date is after the Normal Retirement Date), which is the Actuarial Equivalent Value of the amount credited to such Member's Retirement Account as provided in this Article 4 (including Interest Credits pursuant to Section 4.7 through Normal Retirement Date if the date of determination is before such date);

(b) the Member's Frozen Accrued Benefit (as such term is defined in Section 4.8 below) commencing as of the Member's Normal Retirement Date (or on the date of determination if such date is after the Normal Retirement Date); or

(c) for a Member who, as of January 1, 1997: (i) had attained age fifty (50) and was credited with at least ten (10) Years of Vesting Service; (ii) had attained an age which, when added to his or her years of Vesting Service, was equal to or greater than seventy (70); or (iii) had attained age sixty-five (65), the Grandfather Benefit Amount (as such term is defined in Section 4.9 below) commencing as of the Member's Normal Retirement Date (or on the date of determination if such date is after the Normal Retirement Date).

A Member's Accrued Benefit as determined pursuant to this Section 4.1 from time to time shall be subject to the limitations set forth in Article 14 and Article 15 or otherwise as may be specified under the terms of the Plan or under any other limitations imposed as a condition of the Plan's qualification or continued qualification under the Code, ERISA, or other applicable law. In no event shall a Member's Accrued Benefit be less than the sum of all Company Credits to the Member hereunder.

SECTION 4.2. Early Retirement Benefit A Member's Early Retirement Benefit, as determined from time to time hereunder, shall be the largest of the following amounts:

(a) the amount of a single life annuity commencing as of the Member's Early Retirement Date, which is the Actuarial Equivalent Value of the amount credited to such Member's Retirement Account as provided in this Article 4;

(b) the Member's Frozen Accrued Benefit (as such term is defined in Section 4.8), commencing as of the Member's Early Retirement Date, multiplied by the percentage determined in accordance with the following table:

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If Benefit Commencement is month following attainment of Age:	% of Accrued Benefit if less than 35 Years of Service:	% of Accrued Benefit if 35 or more Years of Service:
64	97.0%	100.0%
63	94.0%	100.0%
62	91.0%	100.0%
61	88.0%	100.0%
60	85.0%	100.0%
59	82.0%	97.0%
58	79.0%	94.0%
57	76.0%	91.0%
56	73.0%	88.0%
55	70.0%	85.0%

If the commencement date is a month other than the month immediately following the Member's birth date, an interpolated percentage shall be used.

(c) for a Member who, as of January 1, 1997, had satisfied the age and service conditions of paragraph 4.1(c), the Grandfather Benefit Amount (as such term is defined in Section 4.9) commencing as of the Member's Normal Retirement Date (or on the date of determination if such date is after the Normal Retirement Date) or Early Retirement Date, multiplied by the percentage determined in accordance with the table set forth below. For purposes of this paragraph 4.2(c), a full month is credited for each completed and partial month of attained age.

Commencement Date is month following Attainment of Age:	% of Accrued Benefit if less than 35 Years of Service:	% of Accrued Benefit if 35 or more Years of Service:
64	97.0%	100.0%
63	94.0%	100.0%
62	91.0%	100.0%
61	88.0%	100.0%
60	85.0%	100.0%
59	82.0%	97.0%
58	79.0%	94.0%
57	76.0%	91.0%
56	73.0%	88.0%
55	70.0%	85.0%

If the commencement date is a month other than the month immediately following the Member's birth date, an interpolated percentage shall be used.

SECTION 4.3. Retirement Account A notional Retirement Account shall be created and maintained for each Member. The amount credited to such account shall be equal to the sum of the Opening Balance, if any, Company Credits, and monthly Interest Credits thereon, as provided in this Article 4. A Member's Retirement Account shall be created and maintained solely for the purpose of calculating benefits under this Plan, and shall not represent any share of the Fund nor entitle the Member to any share in the earnings of the Fund.

SECTION 4.4. Opening Balance For a Member who was a Member of the Prior Plan and who was an Employee as of January 1, 1997, the "Opening Balance" of the Retirement Account shall be a single sum amount equal to the Actuarial Equivalent Value, as of December 31, 1996, of the Normal Retirement Benefit such Member had accrued under the terms of the Prior Plan as of December 31, 1996. The Opening Balance shall be determined using the Member's Credited Service, Average Final Compensation and age as of December 31, 1996. For all other Members, the Opening Balance shall equal zero (0).

SECTION 4.5. Company Credits For each calendar month beginning on and after January 1, 1997, a Member's Retirement Account shall be credited with monthly Company Credits in an amount determined pursuant to the table set forth below, multiplied by his or her Compensation for such month. For purposes of determining Credited Service under this Section 4.5, a full month shall be credited for each completed and partial month.

<u>Age and Credited Service as of End of Month</u>	<u>Company Credits</u>
Less than 26	3.00%
27-28	3.05%
29-30	3.20%
31-32	3.35%
33-34	3.50%
35-40	4.00%
41-42	4.15%
43-44	4.35%
45-50	5.00%
51	5.20%
52-54	5.40%
55-64	7.50%
65-74	9.00%
75-84	10.50%
85 or more	12.50%

Notwithstanding any other provision of the Plan to the contrary, no Employee who commences or recommences employment with an Employer on or after January 1, 2008 shall be credited with any Company Credits (and, for the avoidance of doubt, an Employee who transfers employment from an Employer to an Affiliated Entity and who was eligible to accrue benefits under the Plan immediately prior to such transfer shall cease accruing pursuant to the terms of the Plan while continuously employed by such Affiliated Employer and shall accrue no further benefits thereafter).

SECTION 4.6. Monthly Allocation of Company Credits A Member's Company Credits shall be allocated to his or her Retirement Account as of the end of each calendar month.

SECTION 4.7. Interest Credits A Member's Retirement Account, including the Retirement Account of a Member who is no longer actively employed by an Employer or an Affiliated Employer, shall be credited as of the last day of each calendar month with a notional Interest Credit calculated by multiplying the Member's Retirement Account as of the last day of the prior calendar month by one-twelfth (1/12th) of the annual yield on thirty (30) Year Treasury Bonds published by the Internal Revenue Service for the month immediately prior to the month with respect to which such Interest Credit is being made. However, in no event shall the compounded annual Interest Credit (a) be less than four and one-half percent (4.5%) or (b) exceed one of the market rates of interest specified in Treasury Regulation sections 1.411(b)(5)-1(d)(3) through (6).

Interest Credits will cease to be added to a Member's Retirement Account as of the Member's Benefit Commencement Date.

SECTION 4.8. Preservation of Accrued Benefit of Prior Plan If the Member was a Member of the Prior Plan, the accrued benefit under the Prior Plan of such Member shall be calculated as of December 31, 1996, and shall be the Member's Frozen Accrued Benefit. The Frozen Accrued Benefit shall be calculated using the Credited Service and Average Final Compensation used in Section 4.4 above to determine the Opening Balance in the Member's Retirement Account. The Member shall be entitled, notwithstanding any other provision to the contrary, to receive as a minimum benefit under this Plan his or her Frozen Accrued Benefit in any of the optional forms of benefit that were available to the Member under the terms of the Prior Plan, including any early retirement subsidies to which the Member might be entitled under the Prior Plan. If the Member's Accrued Benefit exceeds the Actuarial Equivalent Value of the Member's Frozen Accrued Benefit, the difference shall be paid to him or her in the manner provided in Article 8.

SECTION 4.9. Grandfather Benefit Amount A Member who, as of January 1, 1997, had satisfied the age and service requirements set forth in paragraph 4.1(c) hereof, shall be entitled to a minimum benefit equal to the amount such Member would have received had the terms of the Prior Plan remained in effect and had the Member remained a Member of the Prior Plan until his or her Severance Date. The determination of a Member's Grandfather Benefit Amount shall be based upon the Member's actual Credited Service and Average Final Compensation at the time of such determination. Except as otherwise provided in Section 8.6, a Member who is entitled to the Grandfather Benefit Amount may elect only those optional forms of benefit which were available to the Member under the Prior Plan.

SECTION 4.10. Restoration of Retirement Account If a Member who incurs a Severance Date and is subsequently rehired by an Employer (a) was not fully vested in his or her Retirement Account in accordance with Article 5 hereof as of such Severance Date and (b) has a Period of Severance of less than five (5) years, such Member shall have his or her Retirement Account reinstated as of his or her Re-employment Commencement Date, and shall thereafter continue to vest in such Account in accordance with Article 5 hereof. The reinstated Retirement Account shall be equal to the Retirement Account as of the Severance Date. For any Member who has a Severance Date prior to the January 1, 1997, the reinstated Retirement Account is the Actuarial Equivalent Value as of the Re-employment Commencement Date of the Normal Retirement Benefit such Member had accrued under the terms of the Prior Plan as of his or her Severance Date. The reinstated Retirement Account shall be determined using the Member's age as of the Re-employment Commencement Date, and the Actuarial Equivalent basis as of the Re-employment Commencement Date, as defined in Section 1.2(a), except that the interest rate shall be equal to the annual yield on thirty (30) Year Treasury Bonds published by the Internal Revenue Service for the immediately prior month.

## ARTICLE V ENTITLEMENT TO BENEFITS

SECTION 5.1. Normal Retirement A Member who retires from employment with the Employer at Normal Retirement Age shall be entitled to receive one hundred percent (100%) of his or her Accrued Benefit as of his or her Normal Retirement Date in the manner provided under Article 8.

SECTION 5.2. Postponed Retirement A Member who remains an Eligible Employee after his or her Normal Retirement Date shall continue to participate in this Plan, and his or her Retirement Account shall continue to be credited with Company Credits and Interest Credits, until his or her Postponed Retirement Date. Such Member shall be entitled to receive one hundred percent (100%) of his or her Accrued Benefit as of his or her Postponed Retirement Date in the manner provided under Article 8.

SECTION 5.3. Early Retirement A Member who has attained age fifty-five (55) and completed ten (10) years of Vesting Service may retire at any time and may elect to receive one hundred percent (100%) of his or her Early Retirement Benefit as of his or her Early Retirement Date in the manner provided under Article 8. As an alternative, a Member may elect to defer receipt of his or her benefit to a later Benefit Commencement Date (but in no event later than the time specified in Section 8.2 hereof), in which case the Member's Retirement Account shall continue to be credited with Interest Credits until such Benefit Commencement Date. The Member then shall be entitled to receive one hundred percent (100%) of his or her Accrued Benefit as of such later Benefit Commencement Date in the manner provided in Article 8.

SECTION 5.4. Disability If a Member who has at least five (5) Years of Vesting Service becomes totally and permanently disabled while in the active service of the Employer or an Affiliated Employer, he or she shall become entitled to benefits under the provisions of Article 7 hereof provided that satisfactory evidence of such disability is furnished to the Management Benefits and Compensation Committee.

SECTION 5.5. Termination of Employment A Member whose employment with the Employer and an Affiliated Employer is terminated for any reason other than retirement in accordance with Sections 5.1, 5.2 or 5.3, disability in accordance with Section 5.4, or death in accordance with Section 5.7, shall be entitled to receive a percentage of his or her Accrued Benefit in accordance with the following schedule:

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If the Member's Years of <u>Vesting Service</u> are:	The Vested Portion of the <u>Accrued Benefit</u> is:
Less than 5 (Less than 3 for Members who complete at least one Hour of Service on or after January 1, 2008)	0%
5 or more (3 or more for Members who complete at least one Hour of Service on or after January 1, 2008)	100%

Notwithstanding the foregoing, a Member shall be one hundred percent (100%) vested in his or her Accrued Benefit as of the date a Change in Control occurs. The vested portion of the Accrued Benefit shall be payable as of the Member's Normal Retirement Age in the manner provided in Article 8. As an alternative, such Member may elect to begin receipt of his or her benefits at an earlier Benefit Commencement Date that follows the Member's attainment of age fifty-five (55), as provided in Article 8.

SECTION 5.6. Vesting on Plan Termination Notwithstanding anything contained herein to the contrary, in the event of the termination of the Plan, no further contributions shall be made hereunder, and the right of each Member to benefits accrued to the date of termination, to the extent funded, shall be nonforfeitable, and the assets of the Plan in the event of such termination shall be allocated among Members and their beneficiaries in accordance with the provisions of Section 4044 of ERISA. In the event of a partial termination of the Plan, the right of each member to benefits accrued to the date of such partial termination, to the extent funded, shall be nonforfeitable.

SECTION 5.7. Death If, after having earned five (5) or more years of Vesting Service, a Member dies (a) while actively employed by the Employer or an Affiliated Employer, or (b) while being credited with notional Company Credits and Interest Credits pursuant to Section 7.3 hereof, a death benefit shall be payable to the Member's Beneficiary in accordance with the provisions of Article 6.

SECTION 5.8. Suspension of Benefits Subject to the provisions of Section 8.2 of this Plan, a Member who continues in active service of the Employer after such Member's Normal Retirement Age, or who is receiving payments from this Plan and is re-employed by an Employer, shall have his or her payments suspended in accordance with uniform rules adopted by the Committee and the provisions set forth below:

(a) If such Member is expected to work less than one thousand (1,000) Hours of Service during any calendar year in a period of active service during his or her re-employment, then such Member shall be deemed to have retired and such Member shall commence or continue to receive distribution of such Member's benefits under the Plan.

(b) If such Member is expected to work one thousand (1,000) or more Hours of Service during any calendar year in a period of active service during his or her reemployment and performs at least one (1) Hour of Service during each of eight (8) or more days in any calendar month that occurs during such period of active service, such Member's benefits under this Plan shall be suspended until the earlier of (i) such Member's actual retirement from the active service of an Employer or (ii) such Member's satisfaction of the conditions of paragraph 5.8(a).

(c) If benefit payments have been suspended, payments shall resume no later than the first day of the third calendar month after the calendar month in which the Employee ceases to be employed. The initial payment upon resumption shall be calculated as the sum of the amount that had been payable prior to suspension of benefits and the amount of benefit earned under this Plan during the period of employment between suspension of payments and resumption of payments.

(d) No payment shall be withheld by the Plan pursuant to this Section unless the Plan notifies the Member by personal delivery or first class mail during the first calendar month or payroll period in which the Plan withholds payments that his or her benefits are suspended. Such notification shall contain a description of the specific reasons why benefit payments are being suspended, a general description of the provisions of this Article relating to the suspension of payments, a copy of such provisions, and a statement of the effect that applicable Department of Labor regulations may be found in Section 2530.203-3 of the code of Federal Regulations. In addition, the suspension notification shall inform the Member of the Plan's procedures for affording a review of the suspension of benefits. Requests for such reviews may be considered in accordance with the claims procedure set forth in Article 10 of the Plan. Any benefits to which any Member would be entitled to under the Plan shall be actuarially reduced by the amounts previously received by such Member upon an earlier termination of employment by retirement or otherwise, pursuant to uniform rules adopted by the Management Benefits and Compensation Committee.

SECTION 5.9. USERRA/HEART Act Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to military service will be provided in accordance with Code Section 414(u). In addition: (a) effective January 1, 2007, the Plan shall apply the requirements of Code Section 401(a)(37) (relating to death benefits for Members who die while performing qualified military service) and Code Section 414(u)(9) (relating to treatment in the event of death or disability resulting from active military service), and (b) effective January 1, 2009, differential wage payments shall be treated as provided in Code Section 414(u)(12).

## ARTICLE VI DEATH BENEFITS

SECTION 6.1. Payment of Death Benefits If, upon the death of a Member prior to the commencement of benefits hereunder, he or she (a) has been credited with less than five (5) years of Vesting Service or (b) has no Spouse and, on the Effective Date, was neither an active Employee nor being credited with notional Company Credits pursuant to Section 7.3 hereof, such Member's Accrued Benefit shall be forfeited. If, upon the death of a Member prior to the commencement of benefits hereunder, he or she has been credited with five (5) or more years of Vesting Service, the Member's Beneficiary (or contingent Beneficiary, as the case may be) shall be entitled to receive the Actuarial Equivalent Value of the deceased Member's Retirement Account in accordance with Section 6.3, except to the extent otherwise required pursuant to a "qualified domestic relations order," as such term is defined in Code Section 414(p).

SECTION 6.2. Designation of Beneficiary All Beneficiary designations shall be made on forms supplied by and in accordance with procedures established by the Management Benefits and Compensation Committee. An unmarried Member may designate any one individual person as his or her Beneficiary. If the Member is married, such Member's Beneficiary shall be his or her Spouse, unless (a) the Member designates a different Beneficiary in accordance with procedures established by the Management Benefits and Compensation Committee and (b) the Member's Spouse provide his or her written consent to such designation, which written consent shall have been witnessed by either a notary public or a representative of the Plan. If (i) the Member has not made a valid Beneficiary designation election at the time of his or her death, or (ii) the Member's Beneficiary (and contingent Beneficiary) shall have predeceased the Member, or (iii) the Beneficiary (or contingent Beneficiary) shall have elected to defer receipt of benefits and died prior to commencement of payment of such benefits, then the benefits shall be paid as a single life annuity to the person with the shortest life expectancy in the class consisting of such person or persons to whom the personal administrator of the Member (or of the Beneficiary or contingent Beneficiary, as the case may be) would be required to distribute the estate of the Member (or Beneficiary or contingent Beneficiary) if such Member (or Beneficiary or contingent Beneficiary) had died intestate, as determined under applicable state law.

SECTION 6.3. Benefit Commencement The Beneficiary (or contingent Beneficiary, as the case may be) may elect to begin receipt of his or her benefit on the first of the month following the death of the Member. The Beneficiary (or contingent Beneficiary) may elect to defer the receipt of his or her benefit beyond such date in accordance with the requirements of Code Section 401(a)(9) and the Treasury Regulations promulgated thereunder, but not later than the first day of the calendar month following the date on which the Member would have attained Normal Retirement Age. The deceased Member's Retirement Account which was not forfeited shall continue to be credited with Interest Credits, but not with Company Credits, until the Benefit Commencement Date.

SECTION 6.4. Spousal Death Benefit Notwithstanding any other provision of this Plan, upon the death of a vested Member prior to the commencement of benefit payments under the Plan, such Member's surviving Spouse shall be entitled to a minimum preretirement death benefit, provided such surviving Spouse has not waived his or her rights under the terms of the Plan. Such minimum preretirement death benefit shall be based upon the amount of such Member's Accrued Benefit as of the date of the Member's death, and shall be payable in the form of a single life annuity over such surviving Spouse's life, commencing on the first day of the month following the later of the date of the Member's death or the date the Member would have attained age fifty-five (55). The Spousal death benefit shall be equal to the greater of (a) fifty percent (50%) of the amount the Member would have received had he or she (i) retired on the later of the date of the Member's death or the date he or she would have attained age fifty-five (55) and (ii) elected to receive his or benefit in the form of a 50% Joint and Survivor Annuity Option or (b) the benefit to which the surviving Spouse is entitled under the provisions of Section 6.1 hereof.

## ARTICLE VII DISABILITY

SECTION 7.1. Disability Retirement A Member who has at least five (5) years of Vesting Service may retire because of disability, if evidence of such disability is given to the satisfaction of the Management Benefits and Compensation Committee.

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SECTION 7.2. Immediate Benefit A disabled Member as defined in Section 7.1 may elect to begin receipt of the Actuarial Equivalent Value of his or her Retirement Account on the first of the month following the date of disability as determined under Section 7.1 by the Management Benefits and Compensation Committee provided such Member is not receiving benefits under the Long-Term Disability Plan of Moody's Corporation. The Member may elect to defer the receipt of his or her benefit beyond such date, but not later than the Member's Normal Retirement Date. The Member's Retirement Account shall continue to be credited with Interest Credits until the Benefit Commencement Date.

SECTION 7.3. Deferred Benefit A disabled Member who is receiving benefits under the Long-Term Disability Plan of Moody's Corporation shall be entitled to a benefit payable on his or her Normal Retirement Date. Such Member's Retirement Account shall continue to be maintained and credited with notional Company Credits (as determined under the rules prescribed in Section 7.4) and Interest Credits until he or she attains Normal Retirement Age. A Member who, as of the Effective Date, has satisfied the age and service requirements set forth in paragraph 4.1(c) hereof will continue to earn Credited Service for the purpose of determining the special Grandfather Benefit Amount under Section 4.9. Upon attainment of Normal Retirement Age, Company Credits, Interest Credits and Credited Service, if any, will no longer be credited to such Member's Retirement Account and the Accrued Benefit shall be paid to him or her under the terms of Article 8.

Notwithstanding the foregoing provisions of this Section 7.3, a Disabled Member may elect to begin the receipt of his or her vested Accrued Benefit at an earlier Benefit Commencement Date. In such event, the Member's Company Credits, Interest Credits and Credited Service will cease to be credited as of the Benefit Commencement Date.

SECTION 7.4. Disability Company Credits If a Disabled Member (a) has five (5) years of Vesting Service on the date he or she first becomes disabled (as determined in accordance with Section 7.1) and (b) has not elected to begin receiving benefit payments under the Plan, then, for each month during the period of disability until the earlier of (i) such Member's Normal Retirement Date, (ii) such Member's Benefit Commencement Date, or (iii) the date on which the Member no longer is entitled to benefits under the Long Term Disability Plan of Moody's Corporation and has not returned to work with the Employer, such disabled Member will continue to earn Credited Service and his or her Retirement Account will be credited with Company Credits based on one-twelfth (1/12) of the Member's Compensation received by the Member during the twelve (12) consecutive month period prior to the disability.

#### ARTICLE VIII PAYMENT OF BENEFIT

SECTION 8.1. Date of Payment Commencement Ninety (90) days prior to an Early Retirement Date, Normal Retirement Date, or Postponed Retirement Date, or as soon as practical after a Severance Date, the Management Benefits and Compensation Committee shall furnish each Member with an Election Form in accordance with the procedures of this Article 8. A Member's Benefit Commencement Date shall be the first day of the calendar month that the benefit selected will commence, but in no event earlier than one hundred eighty (180) days after the furnishing of that form. On a Member's Benefit Commencement Date, a Member's Accrued Benefit shall be paid in the manner provided in this Article 8. Except as provided in Section 8.2, a Member may elect to defer payment of the normal form of benefit or any of the optional benefit forms described below until any specified future date.

SECTION 8.2. Required Commencement at Age 70½ The following provisions shall apply with respect to determining minimum distributions for calendar years beginning with the 2003 calendar year:

(a) The Member's entire interest will be distributed, or begin to be distributed, to the Member no later than the Member's required beginning date.

(b) If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the Member's surviving Spouse is the Member's sole designated beneficiary, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member died, or by December 31 of the calendar year in which the Member would have attained age 70 1/2, if later.

(ii) If the Member's surviving Spouse is not the Member's sole designated beneficiary, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

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(iv) If the Member's surviving Spouse is the Member's sole designated beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse begin, this provision shall apply as if the surviving Spouse were the Member.

For purposes of this Section 8.2, distributions are considered to begin on the Member's required beginning date (or, if Section 9.1(b)(iv) applies, the date distributions are required to begin to the surviving Spouse. If annuity payments irrevocably commence to the Member before the Member's required beginning date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section 9.1(b)(iv)), the date distributions are considered to begin is the date distributions actually commence.

(c) Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance herewith. If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) Code and the Treasury regulations. Any part of the Member's interest which is in the form of an individual account described in Section 414(k) of the Code will be distributed in a manner satisfying the requirements of Section 401(a)(9) of the Code and the Treasury regulations that apply to individual accounts.

(d) If the Member's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(i) The annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(ii) The distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 9.1(b)(iv);

(iii) Once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(iv) Payments will either be nonincreasing or increase only as follows:

(A) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(B) To the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described above dies or is no longer the Member's beneficiary pursuant to a qualified domestic relations order within the meaning of Section 414(p) of the Code;

(C) To provide cash refunds of employee contributions upon the Member's death; or

(D) To pay increased benefits that result from a plan amendment.

(e) The amount that must be distributed on or before the Member's required beginning date (or, if the Member dies before distributions begin, the date distributions are required to begin above) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Member's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's required beginning date.

(f) Any additional benefits accruing to the Member in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(g) If the Member's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Member and a nonspouse beneficiary, annuity payments to be made on or after the Member's required beginning date to the designated beneficiary after the Member's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Member using the table set forth in Q&A-2 of section 1.401(a)(9)-6 of the Treasury regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Member and a nonspouse beneficiary and a period certain annuity, the requirement in the preceding

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sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

(h) Unless the Member's Spouse is the sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Member's lifetime may not exceed the applicable distribution period for the Member under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Member reaches age 70, the applicable distribution period for the Member is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Member as of the Member's birthday in the year that contains the annuity starting date. If the Member's Spouse is the Member's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Member's applicable distribution period, as determined under this Section, or the joint life and last survivor expectancy of the Member and the Member's Spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Member's and Spouse's attained ages as of the Member's and Spouse's birthdays in the calendar year that contains the annuity starting date.

(i) If the Member dies before the date distribution of his or her interest begins and there is a designated beneficiary, the Member's entire interest will be distributed, beginning no later than the time described herein, over the life of the designated beneficiary or over a period certain not exceeding:

(i) Unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death; or

(ii) If the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(j) If the Member dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

(k) If the Member dies before the date distribution of his or her interest begins, the Member's surviving Spouse is the Member's sole designated beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section 9.1 will apply as if the surviving Spouse were the Member, except that the time by which distributions must begin will be determined without regard to Section 9.1(b)(iv).

(l) For purposes of this Section 9.1, the following terms have the following meanings:

(i) "Designated beneficiary" means the individual who is designated as the beneficiary under the Plan and is the designated beneficiary under Section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(ii) "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Member's required beginning date. For distributions beginning after the Member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to this Section 9.1(b)(iv).

(iii) "Life expectancy" means life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury Regulations.

(iv) "Required beginning date" means April 1 of the calendar year following the calendar year in which the Member (A) attains age 70½ or (B) retires, whichever is later; except that, in the case of a Member who is a five percent owner (as defined in Section 416 of the Code) of an Employer Company with respect to the calendar year in which he attains age 70½, required beginning date means April 1 following the calendar year in which the Member attains age 70½.

**SECTION 8.3. Normal Form of Benefit** The normal form of benefit for an unmarried Member shall be a single life annuity. The normal form of benefit for a married Member shall be a Qualified Joint and Survivor Annuity (as defined below) unless such Member, with the consent of his or her Spouse, elects otherwise. A Qualified Joint and Survivor Annuity shall mean a retirement benefit which is the Actuarial Equivalent Value of a single life annuity based on the Member's Early Retirement, Normal Retirement or Postponed Retirement Benefit (as the case may be), under which equal monthly installments

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are payable during the lifetime of the Member, and, should the Member predecease his or her Spouse, fifty percent (50%) (or, effective for distributions with annuity starting dates on or after January 1, 2008, seventy five percent (75%) if elected by the Spouse) of the amount of such installments will continue to be paid monthly to the Spouse for the remainder of the Spouse's lifetime.

**SECTION 8.4. Right to Elect Alternate Form of Benefit** In lieu of the benefits provided by Section 8.3, a Member shall have the right to elect, prior to his or her Benefit Commencement Date, an alternative form of benefit, in accordance with the terms of Section 8.6. If the Member is married, any such election may be made only with the written consent of his or her Spouse, executed as provided under Section 8.5. Any alternative form of benefit shall be the Actuarial Equivalent of the Member's Accrued Benefit. The Employer and the Management Benefits and Compensation Committee shall be entitled to rely conclusively upon documentation presented to its or their satisfaction that a Member is not married or, if a Member is married at the time of reference, that such Member's Spouse cannot be located or that the consent of such Spouse is not obtainable, for whatever circumstances the Secretary of the Treasury prescribes by regulations as sufficient to justify the commencement or waiver of benefits without Spousal consent.

Regardless of the form of payment, all distributions shall comply with Section 401(a)(9) of the Code and the regulations promulgated thereunder, including the minimum distribution incidental death benefit requirements of Section 401(a)(9)(G) of the Code and the regulations promulgated thereunder, and such provisions shall override any Plan provisions otherwise inconsistent therewith.

**SECTION 8.5. Form of Election** A Member may make or revoke an election of any form of benefit to which the Member is entitled under this Article 8 in writing to the Management Benefits and Compensation Committee, and such election or revocation shall be subject to the following conditions:

(a) The Management Benefits and Compensation Committee shall furnish to each Member a general written explanation in nontechnical terms of the availability of the various optional forms of payment under the Plan within a reasonable period of time prior to the earliest date the Member could retire under the Plan. A Member has a right to receive, within thirty (30) days after filing a written request with the Management Benefits and Compensation Committee, a written explanation of the terms and conditions of the Qualified Joint and Survivor Annuity and the financial effect upon the Member, given in terms of dollars per annuity payment. Requests for additional information may be made by the Member at any time before the ninetieth (90th) day prior to the Benefit Commencement Date.

(b) An election to receive an optional form of benefit may be made at any time during the Election Period. The Election Period is a period of one hundred eighty (180) days prior to the Member's Benefit Commencement Date. Subject to subparagraph (c) below, a Member may make an election not to receive the Qualified Joint and Survivor Annuity, revoke any previous election, and if the Member so desires, make a new election, until the expiration of the Election Period.

(c) If a Member is married, an election of a form of benefit other than the Qualified Joint and Survivor Annuity will require the written consent of the Spouse, and such written consent must be witnessed by a notary public or a representative of the Plan.

**SECTION 8.6. Optional Forms of Retirement Benefit** Unless otherwise provided below, a Member may elect to receive his or her Accrued Benefit in any one of the following optional forms of benefit, each of which shall be the Actuarial Equivalent Value of such Member's Accrued Benefit:

(a) **Joint and Survivor Annuity Option** Any Member (other than a Member who terminates employment with the Employer or an Affiliated Employer prior to his or her Early Retirement Date) may elect to receive a monthly benefit payable to the Member for life, and after the Member's death in an amount equal to one hundred percent (100%), or seventy-five percent (75%), or fifty percent (50%) of such amount as specified by the Member, to the joint annuitant for life. Should the joint annuitant die prior to the Member's Benefit Commencement Date, any election of this option shall be automatically canceled and the benefit hereunder shall be payable in the normal form of benefit as described under Section 8.3.

(b) **Months Certain and Life Income Annuity Option** Any Member who terminates employment with the Employer on or after such Member's Early Retirement Date may elect to receive his or her benefit in the form of monthly payments over the Member's lifetime with a guaranteed minimum period ("Period Certain") of either one hundred twenty (120) or one hundred eighty (180) months, as designated by the Member. Notwithstanding the above, a Member who was a participant in the Master Retirement Plan of the Dun & Bradstreet Corporation for Employees of I.M.S. International, Inc. as of December 31, 1992 may elect to receive his or her benefit in monthly payments over a Period Certain of sixty (60) months. In the event of the death of the Member after the Benefit Commencement Date, but prior to the Member's receiving benefit payments for the full Period Certain he or she has elected, the monthly payments remaining for the Period Certain shall be paid to the Member's Beneficiary (or contingent Beneficiary) designated in accordance with Section 6.2 In no event shall a Member be permitted to elect a Period Certain extending beyond the life expectancy of the Member and his or her designated Beneficiary, if any.

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(c) Straight Life Annuity Option A Member may elect to receive a single life annuity payable in equal unreduced monthly payments during the Member's lifetime, with no further payments to any other person after the Member's death.

(d) 50% Lump Sum Option A Member (other than a Member who is entitled to receive the Frozen Accrued Benefit described in Section 4.8 or the Grandfather Benefit Amount described in Section 4.9) may elect to receive fifty percent (50%) of his or her vested Retirement Account balance in a lump sum payment as of his or her Severance Date ("50% Lump Sum Option"); provided, however, that for distributions with an annuity starting date prior to January 1, 2008, the 50% Lump Sum Option shall equal fifty percent (50%) of the actuarial present value of the Member's vested Accrued Benefit using the definition of Actuarial Equivalent Value in Section 1.2(b) if that results in a larger lump sum distribution. Such election may be made at any time up to and including the Member's Postponed Retirement Date. The remaining fifty percent (50%) of the Retirement Account Balance will continue to be credited with Interest Credits to the Benefit Commencement Date. The benefit payable in a form other than a lump sum as of the Benefit Commencement Date will be the Actuarial Equivalent Value of the remaining Retirement Account balance as of that date in a form of benefit provided under Sections 8.3 and 8.6. In no event may the Benefit Commencement Date for the remaining Retirement Account balance be prior to the Member's Early Retirement Date. Notwithstanding the foregoing provisions of this paragraph 8.6(d), if an actuarial adjustment is made to the Normal Retirement Benefit of a Member due to the application of the suspension of benefit notification rules of Section 411 of the Code and Section 203 of ERISA in 1995 and 1996, such Member may elect a 50% Lump Sum Option if, absent such adjustment, the Member would not be entitled to the Grandfather Benefit Amount. For purposes of determining eligibility for Members to receive the 50% Lump Sum Option, a determination shall be made using a comparison of the Actuarial Equivalent Benefit under the Retirement Account at Early Retirement Age (or current age, if later) and the Grandfather Benefit Amount payable at age fifty-five (55).

(e) Level Income Annuity Option. Any Member (other than a Member who terminates employment with the Employer prior to his or her Early Retirement Date) may elect a monthly benefit providing for a level combined income from the Plan and the Member's primary Social Security benefit, both before and after the date Social Security benefits are payable. For purposes of this option, the Benefit Commencement Date for the Member's primary Social Security benefits shall be the first day of the month next following his or her attainment of age sixty-two (62) A Member may not revoke his or her election of this option or otherwise change the provisions of his or her election in any way after his or her Benefit Commencement Date. A Level Income Annuity Option may be elected in the form of a Joint and Survivor Annuity Option, a Straight Life Annuity Option, or a Months Certain and Life Income Annuity Option.

(f) 100% Lump Sum Option. In addition to the forms of benefit available pursuant to Section 8.3 and this Section 8.6, a Member who is not receiving annuity payments as of June 30, 2015 may elect to receive his or her entire vested Accrued Benefit in the form of a lump sum payment as of his or her Benefit Commencement Date. Notwithstanding Section 8.6(d), a Member who has previously elected a 50% lump sum benefit pursuant thereto may elect a lump sum distribution of his remaining Accrued Benefit even if he has not yet attained his Early Retirement Date. The amount of such lump sum payment shall be equal to the Actuarial Present Value of one hundred percent (100%) of the Member's vested Accrued Benefit (or remaining Accrued Benefit for a Member who has previously elected a 50% lump sum benefit) payable in a life annuity form of payment at the participant's Benefit Commencement Date (determined using the mortality assumption in Section 1.2(b)(i) and the interest rate assumption in Section 1.2(b)(ii)(C)).

SECTION 8.7. Beneficiary(ies) Subject to the provisions of Section 6.2:

(a) a Member may designate his or her Spouse, or, with the consent of the Member's Spouse (if any), any individual to be the joint annuitant under the Joint and Survivor Annuity Option described in Section 8.6(a); and

(b) with respect to the Months Certain and Life Income Option described in Section 8.6(b), in the event the Beneficiary predeceases the Member, benefits shall continue to be paid over the full Period Certain to such Member's contingent Beneficiary as shall have been designated by the Member on his or her Beneficiary designation election form.

SECTION 8.8. Lump Sum Payment If the Actuarial Equivalent Value of a Member's Accrued Benefit as described under Section 4.1 or 4.9 as of his or her Benefit Commencement Date does not exceed \$1,000, such amount shall be automatically paid in the form of a lump sum payment as soon as reasonably practicable following the Member's termination of employment.

SECTION 8.9 Direct Rollover Treatment for Certain Distributions Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 8.9, a distributee may elect, at the time and in the manner prescribed by the Management Benefits and Compensation Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

An eligible rollover distribution is a distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or the joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more;

(b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and

(c) any hardship withdrawal.

An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, a qualified trust described in Section 401(a) of the Code, a plan described in Section 403(b) of the Code, or an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving Spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

A distributee is an Employee or former Employee. In addition, the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, is a distributee with regard to the interest of the Spouse or former Spouse.

A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

In addition, a Beneficiary who is not the Member's Spouse but who is a "designated beneficiary" within the meaning of Section 401(a)(9)(E) of the Code may elect to have the portion of the distribution that otherwise is an eligible rollover distribution transferred in a trustee-to-trustee transfer to an individual retirement account or an individual retirement annuity that has been established for purposes of receiving such distribution.

With respect to distributions after December 31, 2007, a distributee who is a Member, a Spouse of a Member or an alternate payee may elect to directly roll over all or a portion of the eligible rollover distribution to a Roth IRA in a manner permitted by guidance issued by the Internal Revenue Service.

In the event that the provisions of this Section 8.9 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 8.9 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

Any such election shall be made (i) on forms approved by and filed with the Management Benefits and Compensation Committee, (ii) by telephonic, electronic or other data transmission in a manner approved by the Management Benefits and Compensation Committee, or (iii) in any other manner approved by the Management Benefits and Compensation Committee in its sole discretion.

SECTION 8.9 Retroactive Benefit Commencement Dates To the extent otherwise permitted by the Plan, a Member or a Beneficiary may elect a Retroactive Benefit Commencement Date. For purposes hereof, the term "Retroactive Benefit Commencement Date" shall have the same meaning as "retroactive annuity starting date" in Treasury Regulation Section 1.417(e)-1(b)(3)(iv)(B). If such a Retroactive Benefit Commencement Date is elected by a Member or Beneficiary, the distribution shall be administered in accordance with the rules set forth in Treasury Regulation Sections 1.417(e)-1(b)(3)(v) and (vi).

## ARTICLE IX FUNDING

SECTION 9.1. Funding Policy All contributions under the Plan shall be made by the Employer and shall only be made if such contributions are deductible by the Employer under Code Section 404. Such contributions will be determined on the basis of actuarial valuations of the assets and liabilities of the Plan by an independent actuary, who also may perform actuarial or consulting services for the Employer. Such contributions shall be voluntary and the Employer shall be under no legal obligation except as otherwise provided under this Plan or under ERISA or other applicable law to any person interested in the Plan to make or continue them. Contributions made by the Employer to the Plan may be used for the purposes of the payment of any benefits and the proper expenses of administering the Plan.

SECTION 9.2. Trust Fund The assets of the Plan shall be held in Trust by one or more corporate trustees pursuant to the terms of a trust agreement or trust agreements between Moody's Corporation and each corporate trustee. Such Trust agreement or agreements shall provide that the assets of the Plan shall be invested and reinvested in such investments as either the corporate Trustee or an investment manager or managers appointed by the Management Benefits and Compensation Committee may deem advisable. Any investment manager appointed by the Management Benefits and Compensation Committee shall be an investment adviser registered under the Investment Advisers Act of 1940, a bank as defined in that Act, or

an insurance company qualified to perform investment management services under the laws of more than one State, or any other entity which qualifies as an investment manager pursuant to Section 3(38) of ERISA, as may be amended from time to time, which investment manager shall have acknowledged in writing that it is a fiduciary with respect to the Plan (each, an "Investment Manager"). Investment decisions with respect to the Fund, including the authority to acquire and dispose of Plan assets shall be, to the extent determined by the Management Benefits and Compensation Committee, the exclusive responsibility of the corporate Trustee or the Investment Manager having discretionary investment authority under the terms of the governing Trust agreement.

SECTION 9.3. Non-Diversion of the Fund The Fund shall never inure to the benefit of the Employer and shall be held for the exclusive purposes of providing benefits to Members and their Beneficiaries and defraying reasonable expenses of administering the Plan; provided, however, that assets of the Plan may revert to the Employer in the event of a Plan termination to the extent that assets of the Plan exceed all benefit liabilities of the Plan or in the event of a contribution made by a mistake of fact if such mistaken contribution is returned within one year of its payment to the Fund. Contributions, which are conditioned on their being deductible under the Code, also may be returned within one year of the deduction being disallowed by the Internal Revenue Service. To the extent permitted by applicable law, the Company may elect to pay all (or its pro rata portion) of the administrative expenses of the Plan and fees and retainers of the Plan's trustee, actuary, accountant, counsel, consultant, administrator, or other specialist so long as the Plan or Fund remains in effect. To the extent that the Company does not elect to pay such expenses directly, the Company may direct the Trustee to pay the proper expenses of administering the Plan out of the Fund.

SECTION 9.4. Rights of Members and Others No Employee, Member or Beneficiary under this Plan or any other persons shall have any interest in or right to any part of the corpus, income or earnings of the Fund, except as and to the extent provided in this Plan.

SECTION 9.5. Contingent Nature of Contributions Unless the Employer notifies the Management Benefits and Compensation Committee and the Trustee in writing to the contrary, all contributions made to this Plan are expressly conditioned upon their deductibility under Section 404 of the Code.

## ARTICLE X PLAN ADMINISTRATION

SECTION 10.1. Named Fiduciary. The Management Benefits and Compensation Committee shall be the named fiduciary (the "Named Fiduciary") which shall have authority to control and manage the operation and administration of the Plan and to manage and control its assets. The Management Benefits and Compensation Committee shall consist of not less than three (3) nor more than seven (7) members, as may be appointed by the Board of Directors from time to time. Any member of the Management Benefits and Compensation Committee may resign at will by notice to the Board of Directors or be removed at any time (with or without cause) by the Board of Directors.

SECTION 10.2. Allocation of Duties. The Named Fiduciary may from time to time allocate fiduciary responsibilities among its members and may designate persons other than members of the Named Fiduciary to carry out fiduciary responsibilities under the Plan, and such persons shall be deemed to be fiduciaries under the Plan with respect to such delegated responsibilities. Fiduciaries may employ one or more persons to render advice with regard to any responsibility such fiduciary has under the Plan.

SECTION 10.3. Authority. The Named Fiduciary (and its delegees) shall have the exclusive right to interpret any and all of the provisions of the Plan and to determine any questions arising thereunder or in connection with the administration of the Plan. Any decision or action by the Named Fiduciary (and its delegees) shall be conclusive and binding upon all Employees, Members and Beneficiaries. In all instances the Named Fiduciary (and its delegees) shall have complete discretionary authority to determine eligibility for participation and benefits under the Plan, and to construe and interpret all provisions of the Plan and all documents relating thereto including, without limitation, all disputed and uncertain terms. All deference permitted by law shall be given to such constructions, interpretations and determinations.

SECTION 10.4. Action. Any action to be taken by the Named Fiduciary shall be taken by a majority of its members either at a meeting or by written instrument approved by such majority in the absence of a meeting. A written resolution or memorandum signed by one member of the Management Benefits and Compensation Committee member and the secretary of the Management Benefits and Compensation Committee shall be sufficient evidence to any person of any action taken pursuant to the Plan.

SECTION 10.5. Fiduciary Capacity. Any person, corporation or other entity may serve in more than one fiduciary capacity under the Plan.

SECTION 10.6. Determination of Benefits and Benefit Claims Procedures All benefits payable under the Plan shall be authorized in writing by the Management Benefits and Compensation Committee (or by such person or committee to whom such responsibility may have been delegated by the Management Benefits and Compensation Committee pursuant to

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the power vested in it herein) and shall be communicated in writing to the Member or Beneficiary. Any Member or Beneficiary may apply to the Management Benefits and Compensation Committee for payment of any benefit that may be due to him or her under the Plan. Such application shall set forth the nature of the claim and any information as the Management Benefits and Compensation Committee may reasonably request. Upon receipt of any such application, the Management Benefits and Compensation Committee shall determine whether or not the Member or Beneficiary is entitled to the benefit hereunder.

If an application for benefits is denied, in whole or in part, the Management Benefits and Compensation Committee shall give written notice to any Member or Beneficiary of the denial. The notice shall be given within ninety (90) days after receipt of the Member's or Beneficiary's application unless special circumstances require an extension for processing the claim. In no event shall such extension exceed a period of ninety (90) days from the end of such initial review period. The notice will be delivered to the claimant or sent to the claimant's last known address and will include the specific reason or reasons for the denial, a specific reference or references to pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim (which will indicate why such material or information is needed), and an explanation of the Plan's claims review procedure.

If the claimant wishes to appeal the denial of the application for benefits, the claimant or a duly authorized representative must file a written request with the Committee for a subsequent review. This request must be made by the claimant within sixty (60) days after receiving notice of the claim's denial. The claimant or representative may review pertinent documents relating to the claim and its denial, may submit issues and comments in writing to the Management Benefits and Compensation Committee. Within sixty (60) days after receipt of such a request for review, the Management Benefits and Compensation Committee shall reconsider the claim, and make a decision on the merits of the claim. If circumstances require an extension of time for processing the claim, the sixty (60) day period may be extended but in no event more than one hundred and twenty (120) days after the receipt of a request for review. The decision on review will be in writing and include specific reasons and references to the pertinent Plan provisions on which the decision is based.

#### ARTICLE XI MERGERS, CONSOLIDATIONS AND ASSETS OR LIABILITY TRANSFERS

SECTION 11.1. Mergers, Consolidations and Transfers The merger or consolidation with, or transfer of the allocable portion of the assets and liabilities of the Fund to any other qualified retirement plan trust shall be permitted in the sole discretion of the Management Benefits and Compensation Committee; provided, however, that such merger, consolidation or transfer shall occur only if the benefit each Member would receive, if the Plan were terminated immediately after such merger or consolidation or such transfer of the allocable portion of the assets and liabilities, would be at least as great as the benefits he or she would have received had the Plan been terminated immediately before the date of such merger, consolidation or transfer. No such merger, consolidation, or transfer shall be effected until and unless an actuarial statement satisfactory to the Management Benefits and Compensation Committee is filed with the Committee evidencing compliance with the foregoing requirements of this Section 11.1.

#### ARTICLE XII AMENDMENT OF PLAN

SECTION 12.1. Right to Amend the Plan By action of its Board of Directors, the Management Benefits and Compensation Committee or any delegate thereof, the Company reserves the right to modify, alter or amend this Plan on behalf of itself and any other Employer from time to time to any extent that it may deem advisable including, but without limiting the generality of the foregoing, any amendment deemed necessary to ensure the continued qualification of the Plan under Section 401 of the Code or the appropriate provisions of any subsequent revenue law. Except as provided in Section 13.1, no such amendment(s) shall have the effect of reverting to the Employer the whole or any part of the principal or income for purposes other than for the exclusive benefit of Members or Beneficiaries at any time prior to the satisfaction of all the liabilities under the Plan with respect to such persons. No amendment shall reduce a Member's Accrued Benefit on the effective date of the Plan amendment or eliminate an optional form of benefit under the Plan with respect to the Member's Accrued Benefit on the date of the amendment.

SECTION 12.2. Prior Plan Provisions The Plan as in effect prior to the effective date of any amendment (heretofore or hereafter adopted) will continue to apply to those who terminated employment on account of death, retirement, or any other reason, prior to such date unless the context of the Plan as amended from and after any such date is clearly made applicable to those who terminated prior to such date.

SECTION 12.3. Plan Qualification Notwithstanding the provisions of Sections 12.1 and 12.2, any amendment may be retroactive to the extent necessary to preserve the tax-qualified status of the Plan.

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ARTICLE XIII  
TERMINATION OF THE PLAN

SECTION 13.1. Right to Terminate The Plan The Board of Directors may at any time, in accordance with its established rules of procedure, terminate or permanently discontinue contributions under the Plan at any time on behalf of itself and/or any Employer. The assets of the Plan shall never inure to the benefit of any Employer and shall be held for the exclusive purposes of providing benefits to Members and their Beneficiaries and defraying reasonable expenses of administering the Plan; provided, however, assets of the Plan may revert to an Employer in the event of a Plan termination to the extent that assets of the Plan exceed all liabilities of the Plan or pursuant to Section 18.2.

SECTION 13.2. Vesting Upon Plan Termination or Partial Termination In the event of termination of the Plan, no further contributions shall be made hereunder and the right of each Member to benefits accrued to the date of termination to the extent funded shall be nonforfeitable. In the event of partial termination, the following provisions of this paragraph shall apply only to the portion of the Plan terminated. In the event of termination of the Plan by action of the Board of Directors or otherwise, the assets of the Plan shall be allocated among Members and their Beneficiaries in accordance with the provisions of Section 4044 of ERISA; provided, however, if the application of said provisions of Section 4044 results in the reduction or elimination of any benefits under any predecessor plan which were vested on December 31, 1975, and which would have been distributed under the termination priorities set forth in such Plans as of such date, the Company shall request the Pension Benefit Guaranty Corporation to initiate or shall on its own initiate an appropriate legal proceeding in accordance with the provisions of Section 4042 of ERISA. Upon the complete termination of the Plan, the rate of interest used to determine Accrued Benefits under the Plan shall be equal to the average of the rates of interest used under the Plan during the 5-year period ending on the termination date.

SECTION 13.3. Residual Assets Returned to Company The residual assets of the Plan shall be returned to the Company after all liabilities of the Plan to Members and their Beneficiaries have been satisfied.

SECTION 13.4. Settlement of Termination Liabilities Upon termination of the Plan, and subject to regulations of the Pension Benefit Guaranty Corporation or other applicable laws, any amount allocated for the benefit of a Member or Beneficiary shall be applied for his or her benefit, as the Management Benefits and Compensation Committee determines in its sole discretion, either by cash payment or by the purchase of an insurance company contract, or by any combination of the foregoing.

ARTICLE XIV  
LIMITATION OF RETIREMENT BENEFITS

SECTION 14.1. Special Limitation for Twenty-Five Highest Paid The provisions of this Article 14 shall apply (a) in the event the Plan is terminated, to any Member who is a Highly Compensated Employee or Highly Compensated Former Employee of the Company or any Affiliated Employer and (b) in any other event, to any Member who is one of the twenty-five (25) highest compensated Employees or former Employees of the Company or any Affiliated Employer for a Plan Year. The amount of the annual payments under the Plan to any Member to whom this Article 14 applies shall not exceed an amount equal to the payment that would be made under the Plan during the Plan Year on behalf of the Member under a single life annuity which is the Actuarial Equivalent to the sum of the Member's Accrued Benefit and any other benefits under the Plan.

SECTION 14.2. Exception To Special Limitations The provisions of Section 14.1 shall not apply if (a) the value of the benefits which would be payable under the Plan to a Member described in Section 14.1 is less than one percent (1%) of the value of the current liabilities (as defined in Section 412(l)(7) of the Code) under the Plan or (b) the value of the Plan's assets equals or exceeds, immediately after payment of a benefit under the Plan to a Member described in Section 14.1 one hundred ten percent (110%) of the value of the current liabilities under the Plan.

SECTION 14.3. Plan Termination Limit Notwithstanding the provisions of Sections 14.1 and 14.2, in the event the Plan is terminated, the restrictions contained in Section 14.1 shall not be applicable if the benefits payable under the Plan to any Member who is a Highly Compensated Employee or a Highly Compensated Former Employee are limited to benefits which are non-discriminatory under Section 401(a)(4) of the Code.

SECTION 14.4. Interpretation The foregoing provisions of this Article 14 are intended to conform the Plan to the requirements of Section 1.401(a)(4)-5(b) of the Treasury Regulations, and shall be construed accordingly. In the event that under any statute, regulation or ruling the conditions of this Section are no longer required for the Plan to comply with the requirements of Section 401 (or any other provisions with respect to qualification for tax exemption of retirement plans and trusts) of the Code, such conditions shall immediately become void and shall no longer apply without the necessity of an amendment to the Plan.

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ARTICLE XV  
LIMITATIONS ON BENEFITS

SECTION 15.1. Code Section 415 Limits In no event may a Member's Projected Annual Benefit (as defined below) in any Limitation Year (as defined below) exceed the maximum permitted under Section 415 of the Code. For this purpose:

(a) "Limitation Year" means the calendar year.

(b) "Defined Benefit Plan" means this Plan or any retirement plan maintained by the Company or any Affiliated Employer within the meaning of Section 415(h) of the Code that is not a Defined Contribution Plan.

(c) "Defined Contribution Plan" means any retirement plan maintained by the Company or any Affiliated Employer within the meaning of Section 415(h) of the Code which provides for an individual account for each participant and for benefits based solely on the amount contributed to such account and any income, expense, gains and losses, and forfeitures of accounts of other participants which may be allocated to such account.

(d) (i) A Member's "Projected Annual Benefit" under a Defined Benefit Plan shall be equal to the annual retirement benefit to which he or she would be entitled under such plan if he or she were to continue employment until his or her Social Security Retirement Age (as defined below) under such plan, and all other relevant factors used to determine benefits under the Plan were to remain the same as in the current Plan Year for all future Plan Years.

(ii) For purposes of this Subparagraph (e)

(A) a Member's benefit that is payable in a form other than a straight life annuity and that is subject to Section 417(e)(3) of the Code shall be converted into the form of an annual retirement benefit which is provided in the form of a straight life annuity, as follows. If the annuity starting date is in a Plan Year beginning after 2005, the converted amount shall equal annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Member's form of benefit, using whichever of the following produces the greatest annual amount: (x) the interest rate and the mortality table otherwise used under the Plan for adjusting benefits in the same form; (y) a 5.5% interest rate and the applicable mortality table; and (z) the applicable interest rate under Section 417(e)(3) of the Code and the applicable mortality table, divided by 1.05. If the annuity starting date is in a Plan Year beginning in 2004 or 2005, the converted amount shall equal the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Member's form of benefit payable, using whichever of the following produces the greater annual amount: (xx) the interest rate and the mortality table or other tabular factor used under the Plan for adjusting benefits in the same form; and (yy) a 5.5% interest rate and the applicable mortality table. In determining the actuarially equivalent straight life annuity for a benefit form other than a nondecreasing annuity payable for a period of not less than the life of the Member (or, in the case of a qualified pre-retirement survivor annuity, the life of the surviving Spouse), or decreases during the life of the Member merely because of (a) the death of the survivor annuitant (but only if the reduction is not below 50% of the annual benefit payable before the death of the survivor annuitant), or (b) the cessation or reduction of Social Security supplements of qualified disability payments (as defined in Section 401(a)(11) of the Code, the interest rate as set forth in Section 1.2 of the Plan will be substituted for "a 5.5% interest rate" in the preceding sentence. No actuarial adjustment to the benefit is required for (a) the value of a qualified joint and survivor annuity, (b) benefits that are not directly related to retirement benefits (such as the qualified disability benefit, pre-retirement death benefits, and post-retirement medical benefits), and (c) the value of post-retirement cost-of-living increases made in accordance with Section 415(d) of the Code and section 1.415-3(c)(2)(iii) of the Income Tax Regulations. The annual benefit does not include any benefits attributable to employee contributions or rollover contributions, or the assets transferred from a qualified plan that was not maintained by the Employer;

(B) if the annual benefit of the Member commences before the Member's Social Security Retirement Age, but on or after age 62, the limitation in Section 15.2(a) (as reduced in (A) above, if necessary), shall be determined as follows:

(i) If a Member's Social Security Retirement Age is 65, the limitation for benefits commencing on or after age 62 is determined by reducing the limitation by 5/9 of one percent for each month by which benefits commence before the month in which the Member attains age 65.

(ii) If a Member's Social Security Retirement Age is greater than 65, the limitation in Section 15.2(a) for benefits commencing on or after age 62 is determined by reducing the limitation by 5/9 of one percent for each of the first 36 months and 5/12 of one percent for each of the additional months (up to 24



months) by which benefit commence before the month of the Member's Social Security Retirement Age;

(C) if the benefit of a Member commences prior to age 62, the limitation in Section 15.2(a) shall be an annual benefit that is the actuarial equivalent of the defined benefit dollar limitation for age 62, as determined above, reduced for each month by which benefits commence before the month in which the Member attains age 62. The annual benefit beginning prior to age 62 shall be determined as the lesser of the equivalent annual benefit computed using the interest rate and mortality table (or other tabular factor) equivalence for early retirement benefits, and the equivalent annual benefit computed using a 5 percent interest rate and the mortality table from Section 1.2. Any decrease in the adjusted limitation determined in accordance with this subparagraph (C) shall not reflect any mortality decrement to the extent that benefits will not be forfeited upon the death of the Member.

If the annual benefit of a Member commences after the member's Social Security Retirement Age, the limitation as reduced in (B) above, if necessary, shall be adjusted so that it is the actuarial equivalent of an annual benefit of such limitation beginning at the Member's Social Security Retirement Age. The equivalent annual benefit beginning after Social Security Retirement Age shall be determined as the lesser of the equivalent annual benefit computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for purposes of determining actuarial equivalence for delayed retirement benefits, and the equivalent annual benefit computed using a 5 percent interest rate assumption and the mortality table as set forth in Section 1.2 of the Plan.

(D) if an annual retirement benefit begins after age 65, the otherwise applicable dollar limitation shall be adjusted so that it is the Actuarial Equivalent of an annual retirement benefit commencing at age 65 using an interest assumption equal to the lesser of five percent (5%) or the interest rate used by the Plan;

(E) an annual retirement benefit which is attributable all or in part to employee or rollover contributions (as defined in Section 402(c), 403(a)(4) or 408(d)(3) of the Code) shall be reduced so that it will be the equivalent of an annual retirement benefit derived solely from Employer contributions; and

(F) if any Member has completed (I) fewer than ten (10) years of Plan participation, the dollar limitation under Section 15.2(a) otherwise applicable to him or her shall be reduced by multiplying it by a fraction, the numerator of which is his or her years of Plan participation as of the close of the Limitation Year and the denominator of which is ten (10), and/or (II) fewer than ten (10) Years of Service with the Company and or any Affiliated Employer, the limitations under Sections 15.3 otherwise applicable to him or her shall be reduced by multiplying it by a fraction, the numerator of which is his or her Years of Service as of the close of the Limitation Year and the denominator of which is ten (10).

(e) "Social Security Retirement Age" means the social security retirement age as defined under Section 415(b)(8) of the Code which shall mean age sixty-five (65) in the case of a Member attaining age sixty-two (62) before January 1, 2000 (i.e., born before January 1, 1938), age sixty-six (66) for a Member attaining age sixty-two (62) after December 31, 1999, and before January 1, 2017 (i.e., born after December 31, 1937, but before January 1, 1955), and age sixty-seven (67) for a Member attaining age sixty-two (62) after December 31, 2016 (i.e., born after December 31, 1954).

(f) "415 Compensation" means the Member's compensation, within the meaning of Treas. Reg. § 1.415-2(d)(1) and (2), for a Limitation Year from the Company and all Affiliated Employers, including, to the extent includible in gross income, the Member's wages, salary, and other amounts (including fringe benefits, reimbursements, expense allowances, vacation pay, and long-term disability benefits) received or made available or, as applicable, accrued for personal services actually rendered, earned income from sources outside the United States whether or not excluded from taxable gross income, non-deductible moving expenses paid on behalf of or reimbursed to the Member, non-qualified stock options taxable in the year granted, and, as applicable, amounts previously not included which are earned but not paid in such period because of the timing of pay periods and pay days but are paid during the first few weeks following the end of such period, but excluding deferred compensation, stock options and other distributions that receive special tax benefits. In addition, 415 Compensation also includes any amounts deferred pursuant to Section 402(g)(3) of the Code, excludable from the gross income of the Member pursuant to Section 125 of the Code, and qualified transportation fringe benefits described in Section 132(f)(4) of the Code.

SECTION 15.2. Maximum Projected Benefit In no event may a Member's Projected Annual Benefit under Defined Benefit Plans for any Limitation Year exceed the amount prescribed by Section 415 of the Code. For purposes of determining the Projected Annual Benefit payable, subject to the adjustments hereinafter set forth, the Projected Annual Benefit of a Member who completes at least ten (10) Years of Service and to whom payments commence on or after his or her Social Security Retirement Age at any time within a Limitation Year shall not exceed the lesser of:

(a) One Hundred Sixty Thousand Dollars (\$160,000) or such indexed amount as shall be prescribed by the Secretary of the Treasury as of the first day of a Limitation Year in accordance with Section 415(b) of the Code; or

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(b) One hundred percent (100%) of the Member's highest average annual 415 Compensation determined over three (3) years of employment in which such average is highest; or

(c) Notwithstanding the foregoing, if the Member has never participated in any Defined Contribution Plans, his or her Projected Annual Benefit shall be not less than Ten Thousand Dollars (\$10,000) or such proportional amount thereof as shall be applicable because fewer than ten (10) Years of Service have been completed.

(d) If the applicable Section 415 limits are increased after a benefit is in pay status by virtue of an adjustment to those limits reflecting a change in the cost of living index, benefit payments to a Member shall be increased automatically to the maximum extent permitted under the revised limits. In addition, if the applicable Section 415 limits are increased after a Member's termination of employment, a Member's Accrued Benefit shall be increased automatically to the maximum extent permitted under the revised limits. These increases shall occur only to the extent it would not cause the benefit to exceed the benefit to which the Member would have been entitled in the absence of the Section 415 limits.

SECTION 15.3. Interpretation This Section shall be interpreted in accordance with regulations under Section 415 of the Code, and any applicable dollar limitations (whether higher or lower than the amounts specifically stated herein) imposed by such legislation if different from the dollar amounts specified herein shall be incorporated herein and shall supersede such stated dollar amounts as though the Plan had been amended accordingly. In the event that under any statute, regulation or ruling the conditions of this Section are no longer required for the Plan to comply with the requirements of Section 401 (or any other provisions with respect to qualification for tax exemption of retirement plans and trusts) of the Code, such conditions shall immediately become void and shall no longer apply without the necessity of an amendment to the Plan.

#### ARTICLE XVI PARTICIPANTS IN PREDECESSOR PLANS

SECTION 16.1. No Duplication of Benefits Except as may be expressly provided to the contrary in the Plan, the amount and form of retirement benefits provided to a Member under the Plan shall be in lieu of any such benefits payable to such Member or his or her Beneficiary under the terms of any Predecessor Plan for any Service with The Dun & Bradstreet Corporation prior to the Effective Date or any business entity merged into or otherwise acquired by The Dun & Bradstreet Corporation prior to January 1, 1985; provided, however, if any amounts are payable with respect to Service with such a merged or acquired business from a source other than the Fund, such benefits shall reduce the amount of any benefit payable to such Member or his or her Beneficiary for such Service under the Plan, the Prior Plan or The Dun & Bradstreet Retirement Account as in effect from and after January 1, 1985, whether or not such amounts are payable to the same person entitled to benefits under the Plan. Notwithstanding anything hereinabove to the contrary, entitlement of a Member or any Beneficiary to benefits under the Plan, the Prior Plan or The Dun & Bradstreet Retirement Account with respect to any period of Service with any business entity merged into or otherwise acquired by the Company prior to January 1, 1985, or any limitation on or reduction of benefits under the Plan as a result of such Service or otherwise shall continue to be determined in accordance with the schedule attached to the Predecessor Plan applicable to such Member or with the schedule, if any, applicable to such Predecessor Plan which was attached to and made a part of the Prior Plan prior to January 1, 1985.

SECTION 16.2. Payment of Integrated Amounts If any Member or his or her Beneficiary would have been entitled to a refund of any Integrated Amount under the terms of the Predecessor Plan, such Integrated Amount shall continue to be payable in accordance with the provisions of such Predecessor Plan, subject to the following:

(a) Unless a Member waives payment of such refund upon termination of Service (other than by death or retirement), any deferred benefits payable under the Plan to such Member or his or her Beneficiary shall be reduced by the Integrated Amount refunded. For purposes of computing such reduction, the actuarial value of the Normal Retirement Benefit payable at Normal Retirement Age calculated as of such date shall be reduced by the Integrated Amount distributed to such Member. If such Member is reemployed, he or she shall receive no credit for Service prior to the date of reemployment unless he or she repays to the Fund within five years of reemployment an amount equal to the amount received by him or her as a lump sum distribution plus interest at the rate earned by such Integrated Amount under the terms of such Predecessor Plan (not in excess of five percent (5%)) compounded annually; and

(b) Any Integrated Amount payable on the death of a Member (whether prior or subsequent to retirement) or his or her Beneficiary shall be payable only when there is no person thereafter entitled to any retirement benefits under the Plan and shall be reduced by the amount of any benefits previously paid to such Member or his or her Beneficiary under the Plan or Predecessor Plan.

#### ARTICLE XVII TOP-HEAVY CONTINGENCY

SECTION 17.1. General Rule The provisions of this Article 17 shall apply only in a Plan Year in respect of which the Plan becomes top-heavy as herein defined and thereafter to the extent provided herein.

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SECTION 17.2. Aggregation Group The Plan shall be considered to be top-heavy in any Plan Year if the aggregation group of which the Plan is required to be a part becomes top-heavy for such year; provided, however, the Plan shall not be considered to be top-heavy in such Plan Year if by the inclusion of additional plans permitted to be included in such required aggregation group the resulting permissive aggregation group is not top-heavy for such year.

(a) The required aggregation group as to the Plan shall include the Plan and any pension, profit sharing or stock bonus plan of the Company or any Affiliated Employer, its subsidiaries and any other corporation or entity under common control by or with the Company if such plan is intended to be a qualified plan under Section 401(a) of the Code, and either (i) includes or has included any Key Employee (as defined below) as a participant in the Plan Year for which a determination is being made or in the five (5) immediately preceding Plan Years or (ii) enables the Plan or any such plan to meet the anti-discrimination requirements or minimum participation standards applicable to qualified plans under the Code.

(b) The permissive aggregation group shall include plans in the required aggregation group and any other comparable plan of an Employer in the controlled group specified in subparagraph (a) or to which such Employer contributes if such plan is intended to be qualified under Section 401(a) of the Code and continues to meet the anti-discrimination requirements and minimum participation standards of the Code when considered together with the plans in the required aggregation group.

A terminated or frozen plan shall be treated as part of the required or permissive aggregation group only in accordance with regulations promulgated under Code Section 416.

SECTION 17.3. Top-Heavy Definition A required aggregation group or a permissive aggregation group shall be considered to be top-heavy if, as of the applicable determination dates, the sum of the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans in such group and the aggregate value of the accounts of Key Employees under all defined contribution plans in such group exceed sixty percent (60%) of the sum of such values for all Employees participating in or eligible for participation in such plans.

(a) The applicable determination date for each plan shall be the last day of its plan year which immediately precedes the plan year for which such plan is being tested or, in the case of a new plan, the last day of its first plan year.

(b) The present value of accrued benefits of Employees under each defined benefit plan shall be determined as of the plan's most recent valuation date within the twelve (12) month period ending on the determination date (or, in the case of a new plan, as of the determination date) and shall be based upon the assumption that each Employee terminated his or her Service on the determination date with a fully vested accrued benefit on such date and elected a lump sum distribution in an amount equal to the present value of such benefit based upon the actuarial assumptions, mortality rates and assumed earnings used to maintain the plan's minimum funding account as defined in Section 412 of the Code. If the plans in the required aggregation group use different actuarial assumptions for purposes of determining the present value of cumulative accrued benefits, (i) for Key Employees, the actuarial assumptions used shall be the actuarial funding assumptions used to maintain the funding standard account under a selected plan in the required aggregation group, computed as if the Member voluntarily terminated Service as of the most recent valuation date, and (ii) for Members who are not Key Employees, the actuarial assumptions used shall be such assumptions so that the benefit shall accrue not more rapidly than the slowest accrual rate permitted under Section 411(b)(1)(C) of the Code.

(c) With respect to a defined contribution plan which is included in the required aggregation group or permissive aggregation group, the sum of a Member's aggregate value of account balances attributable to employer and employee contributions under such plans as of the most recent valuation date under the plan ending within the twelve (12) month period ending on the applicable determination date shall be adjusted for contributions due as of such determination date. If the Plan is not subject to the funding requirements of Section 412 of the Code, the adjustment is the amount of contributions actually made after the valuation date and on or before the determination date and, in the first plan year of any plan, also shall include contributions allocated as of a date in such plan year but made after the determination date. If a plan is subject to the funding requirements of Section 412 of the Code, a Member's account balance shall include contributions not yet required to be contributed, but which would be allocated as of a date not later than the determination date, and the adjustment shall reflect any contributions made or due after the valuation date but prior to the expiration of the extended payment period of Section 412(c)(10) of the Code.

(d) Present value shall also include any related rollovers and transfers. A determination as to whether a rollover or transfer is related or unrelated shall be made in accordance with the Code and applicable Treasury Regulations.

(e) The present values of accrued benefits and the values of accounts used in the sixty percent (60%) calculation described herein shall be increased by all distributions made within the five (5) year period ending on the determination date to Employees covered by plans in the aggregation group.

(f) Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to

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matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code.

(g) Notwithstanding the foregoing, the present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the plan and any plan aggregated with the plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period." The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.

SECTION 17.4. Key Employee The term key employee means any employee or former employee (including any deceased employee) who at any time during the plan year that includes the determination date was an officer of the employer having annual compensation greater than \$ 130,000 (as adjusted under Section 416(i)(1) of the Code for plan years beginning after December 31, 2002), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$ 150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

SECTION 17.5. Non-key Employee A non-key Employee shall be any Employee who is not a Key Employee.

SECTION 17.6. Minimum Benefit Provision In the event the Plan becomes top-heavy for any Plan Year, all plans in the required aggregation group will also be top-heavy for such year and all non-key Employees will be participating in more than one (1) top-heavy plan. In such event there shall be provided to each non-key Employee a minimum benefit under this Plan equal to:

(a) an annual retirement benefit (with no ancillary benefits) commencing at normal retirement at or after age sixty-five (65) equal to three percent (3%) of his or her average annual compensation for each Year of Service from and after December 31, 1983 during which the Prior Plan or The Dun & Bradstreet Retirement Account was top-heavy, excluding any such Service in excess of ten (10) years; minus

(b) the amount of such retirement benefit which could be purchased for such Employee by application of all amounts allocated to his or her accounts under each defined contribution plan of the Company or an Affiliated Employer as the result of Employer contributions and forfeitures for all Plan Years during which such Employee was a participant, but excluding any such allocations which were forfeited by such Employee. The determination of the amount of such retirement benefit which could be purchased for each non-key Employee shall be made by the Company's independent actuaries as of the date of such Employee's termination of Service and shall utilize the earnings and actuarial assumptions most recently published by the Pension Benefit Guaranty Corporation.

(c) Average annual compensation of a non-key Employee for purposes of the foregoing shall mean his or her average annual aggregate compensation, as determined under Section 415(c)(3) of the Code, for the five (5) consecutive years of his or her Service resulting in the highest such average, or for the actual years of his or her Service if fewer than five (5). For purposes hereof, the term average annual compensation shall not include such compensation after the last Plan Year in which a plan is a top-heavy plan or a super top-heavy plan.

Any benefit which is payable as other than a life annuity, or which commences at other than the Member's Normal Retirement Date shall be adjusted to an amount which is actuarially equivalent to such benefit. For purposes hereof, such Actuarially Equivalent determination shall be based on such actuarial assumptions set forth in Section 1.2.

SECTION 17.7. Vesting Provision Notwithstanding any provision in the Plan to the contrary, if the Plan becomes top-heavy in any Plan Year the accrued benefits of all Employees in active service from and after such year shall vest and become nonforfeitable after three (3) Years of Vesting Service. If the Plan is no longer top-heavy in a later Plan Year, the foregoing vesting schedule shall continue to apply with respect to all Employees having three (3) or more Years of Vesting Service, but shall no longer apply to Employees with less than three (3) Years of Vesting Service except to the extent their benefits have already vested by application of such schedule.

SECTION 17.8. Interpretation The foregoing provisions of this Article 17 are intended to conform the Plan to the requirements of Section 416 of the Code and any regulations, rulings or other pronouncements issued pursuant thereto, and shall be construed accordingly. In the event that under any statute, regulation or ruling all or a portion of the conditions of this Section are no longer required for the Plan to comply with the requirements of Section 401 of the Code (or any other provisions

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with respect to qualification for tax exemption of retirement plans and trusts), to the extent possible such conditions shall become void and shall no longer apply without the necessity of an amendment to the Plan.

ARTICLE XVIII  
MISCELLANEOUS

SECTION 18.1. Limitation on Distributions Notwithstanding any provision of this Plan regarding payment to Beneficiaries or Members, or any other person, the Management Benefits and Compensation Committee may withhold payment to any person if the Management Benefits and Compensation Committee determines that such payment may expose the Plan to conflicting claims for payment. As a condition for any payments, the Management Benefits and Compensation Committee may require such consent, representations, releases, waivers or other information as it deems appropriate. To the extent required by law, the Management Benefits and Compensation Committee shall comply with the terms of any judgment or other judicial decree, order, settlement or agreement including, but not limited to, a "qualified domestic relations order," as such term is defined in Code Section 414(p).

SECTION 18.2. Exclusive Benefit; Limitation on Reversion of Contributions Except as provided in subsections (a) through (c) below, Employer contributions made under the Plan will be held for the exclusive benefit of Members or Beneficiaries and may not revert to the Employer.

(a) A contribution made by the Employer under a mistake of fact may be returned to the Employer within one (1) year after it is contributed to the Plan.

(b) A contribution conditioned on the Plan's initial qualification under Sections 401(a) and 501(a) of the Code may be returned to the Employer, if the Plan does not qualify, within one (1) year after the date the Plan is denied qualification.

(c) A contribution conditioned upon its deductibility under Section 404 of the Code may be returned, to the extent the deduction is disallowed, to the Employer within one (1) year after the disallowance.

The maximum contribution that may be returned to the Employer will not exceed the amount actually contributed to the Plan, or the value of such contribution on the date it is returned to the Employer, if less.

SECTION 18.3. Voluntary Plan The Plan is purely voluntary on the part of the Employer and neither the establishment of the Plan nor any Plan amendment nor the creation of any fund or account, nor the payment of any benefits will be construed as giving any Employee or any person legal or equitable right against the Employer, any trustee or other agent, or the Management Benefits and Compensation Committee unless specifically provided for in this Plan or conferred by affirmative action of the Management Benefits and Compensation Committee or the Employer according to the terms and provisions of this Plan (or required by law). Such actions will not be construed as giving any Employee or Member the right to be retained in the service of the Employer. All Employees and/or Members will remain subject to discharge to the same extent as though this Plan had not been established.

SECTION 18.4. Nonalienation of Benefits Members and Beneficiaries are entitled to all the benefits specifically set out under the terms of the Plan, but neither those benefits nor any of the property rights in the Plan are assignable or distributable to any creditor or other claimant of a Member or Beneficiary. A Member will not have the right to anticipate, assign, pledge, accelerate, or in any way dispose of or encumber any of the monies or benefits or other property that may be payable or become payable to such Member or his or her Beneficiary; provided, however, the Committee shall recognize and comply with a valid qualified domestic relations order, as defined in Section 414(p) of the Code.

SECTION 18.5. Inability to Receive Benefits If the Management Benefits and Compensation Committee receives evidence that a person entitled to receive any payment under the Plan is physically or mentally incompetent to receive payment and to give a valid release, and another person or any institution is maintaining or has custody of such person, and no guardian, committee, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, then any distribution made under the Plan may be made to such other person or institution. The release of such other person or institution will be a valid and complete discharge for the payment of such distribution.

SECTION 18.6. Missing Persons If, after reasonable and diligent effort, the Management Benefits and Compensation Committee is unable to locate a Member, the distribution due such person will be forfeited after five (5) years. In the event that a distribution is due a Beneficiary and the Management Benefits and Compensation Committee, after reasonable and diligent effort, is unable to locate the Beneficiary, then (a) where a contingent Beneficiary has been designated in accordance with the terms of the Plan, the benefit shall be payable to the contingent Beneficiary, and such non-locatable Beneficiary shall have no further claim or interest hereunder, and (b) if no contingent Beneficiary has been designated or, if designated, the contingent Beneficiary cannot be located after reasonable and diligent effort, the distribution due such Beneficiary (or contingent Beneficiary) will be forfeited after five (5) years. If, however, such Member, Beneficiary or contingent Beneficiary, as the case may be, later files a claim for such benefit, the benefit will be reinstated without any interest earned

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thereon. Notification by certified or registered mail to the last known address of the Member, Beneficiary or contingent Beneficiary, as the case may be, will be deemed a reasonable and diligent effort to locate such person.

SECTION 18.7. Limitation of Third Party Rights Nothing expressed or implied in the Plan is intended or will be construed to confer upon or give to any person, firm, or association other than the Employer, the Members or Beneficiaries, and their successors in interest, any right, remedy, or claim under or by reason of this Plan except pursuant to a "qualified domestic relations order," as such term is defined in Code Section 414(p).

SECTION 18.8. Invalid Provisions If any provision of this Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan. The Plan will be construed and enforced as if the illegal and invalid provisions had never been included.

SECTION 18.9. Use and Form of Words Whenever any words are used herein in the masculine gender, they will be construed as though they were also used in the feminine gender in all cases where that gender would apply, and vice versa. Whenever any words are used herein in the singular form, they will be construed as though they were also used in the plural form in all cases where the plural form would apply, and vice versa.

SECTION 18.10. Headings Headings to Articles and Sections are inserted solely for convenience and reference, and in the case of any conflict, the text, rather than the headings, shall control.

SECTION 18.11. Governing Law The Plan will be governed by and construed according to the federal law governing employee benefit plans qualified under the Code and according to the laws of the state of New York (where such laws are not preempted by federal law).

SECTION 18.12. Funding-Related Benefit Restrictions

(a) Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80 Percent or If the Company Is In Bankruptcy.

(1) Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80 Percent, But Not Less Than 60 Percent. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80 percent (or would be less than 80 percent to the extent described in subparagraph (B) below) but is not less than 60 percent, then the limitations set forth in this Section 18.12(a)(1) apply.

(A) 50 Percent Limitation on Single Sum Payments, Other Accelerated Forms of Distribution, and Other Prohibited Payments. A Member or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of: (x) 50 percent of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or (y) 100 percent of the PBGC maximum benefit guarantee amount (as defined in Section 1.436-1(d)(3)(iii)(C) of the Treasury Regulations). The limitation set forth in this Section 18.12(a)(1)(A) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Member. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Member or Beneficiary as of the annuity starting date because of the application of the requirements of this Section 18.12(a)(1)(A), the Member or Beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in Section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations). The Member or Beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50 percent/PBGC maximum benefit guarantee amount limitation described in this Section 18.12(a)(1)(A), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan.

(B) Plan Amendments Increasing Liability for Benefits. No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is: (i) Less than 80 percent; or (ii) 80 percent or more, but would be less than 80 percent if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage. The limitation set forth in this Section 18.12(a)(1)(B) does not apply to any amendment to the Plan that provides a benefit increase under a Plan formula

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that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Members covered by the amendment.

(b) Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 60 Percent. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent (or would be less than 60 percent to the extent described in Section 18.12(b)(2) below), then the limitations in this Section 18.12(b) apply.

(1) Single Sums, Other Accelerated Forms of Distribution, and Other Prohibited Payments Not Permitted. A Member or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 18.12(b)(1) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Member.

(2) Shutdown Benefits and Other Unpredictable Contingent Event Benefits Not Permitted to Be Paid. An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan year is: (1) Less than 60 percent; or (2) 60 percent or more, but would be less than 60 percent if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100 percent.

(3) Benefit Accruals Frozen. Benefit accruals under the plan shall cease as of the applicable section 436 measurement date. In addition, if the Plan is required to cease benefit accruals under this Section 18.12(b)(3), then the Plan is not permitted to be amended in a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits.

(c) Limitations Applicable If the Company Is In Bankruptcy. Notwithstanding any other provisions of the Plan, a Member or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which the Company is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. In addition, during such period in which the Company is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. The limitation set forth in this paragraph does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Member.

(d) Provisions Applicable After Limitations Cease to Apply.

(1) Resumption of Prohibited Payments. If a limitation on prohibited payments under Section 18.12(a), (b) or (c) applied to the Plan as of a section 436 measurement date, but that limit no longer applies to the Plan as of a later section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later section 436 measurement date.

(2) Resumption of Benefit Accruals. If a limitation on benefit accruals under Section 18.12(b)(3) applied to the Plan as of a section 436 measurement date, but that limitation no longer applies to the plan as of a later section 436 measurement date, then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later section 436 measurement date, except as otherwise provided under the Plan. The Plan shall comply with the rules relating to partial years of participation and the prohibition on double proration under Department of Labor regulation 29 CFR § 2530.204-2(c) and (d).

(3) Shutdown and Other Unpredictable Contingent Event Benefits. If an unpredictable contingent event benefit with respect to an unpredictable contingent event that occurs during the Plan Year is not permitted to be paid after the occurrence of the event because of the limitation of Section 18.12(b)(2), but is permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of Section 1.436-1(g)(5)(ii)(B) of the Treasury Regulations), then that unpredictable contingent event benefit shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Section 18.12(b)(2)). If the unpredictable contingent event benefit does not become payable during the Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide for that benefit.

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(4) Treatment of Plan Amendments That Do Not Take Effect. If a Plan amendment does not take effect as of the effective date of the amendment because of the limitation of Section 18.12(a)(1)(B), but is permitted to take effect later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of Section 1.436-1(g)(5)(ii)(C) of the Treasury Regulations), then the Plan amendment must automatically take effect as of the first day of the Plan Year (or, if later, the original effective date of the amendment). If the Plan amendment cannot take effect during the same Plan Year, then it shall be treated as if it were never adopted, unless the Plan amendment provides otherwise.

(e) Notice Requirement. Written notices required by Section 101(j) of ERISA shall be provided to Members and Beneficiaries within 30 days after certain specified dates if the Plan has become subject to a limitation described in Section 18.12(a), (b) or (c).

(f) Methods to Avoid or Terminate Benefit Limitations. See Section 436(b)(2), (c)(2), (e)(2), and (f) of the Code and Section 1.436-1(f) of the Treasury Regulations for rules relating to employer contributions and other methods to avoid or terminate the application of the limitations set forth in Sections 18.12(a) through (c) for a Plan Year. In general, the methods the Company may use to avoid or terminate one or more of the benefit limitations under Section 18.12 (a) through (c) for a Plan Year include employer contributions and elections to increase the amount of Plan assets which are taken into account in determining the adjusted funding target attainment percentage, making an employer contribution that is specifically designated as a current year contribution that is made to avoid or terminate application of certain of the benefit limitations, or providing security to the Plan.

(g) Special Rules.

(1) Rules of Operation for Periods Prior to and After Certification of Plan's Adjusted Funding Target Attainment Percentage.

(A) In General. Section 436(h) of the Code and Section 1.436-1(h) of the Treasury Regulations set forth a series of presumptions that apply (1) before the Plan's enrolled actuary issues a certification of the Plan's adjusted funding target attainment percentage for the Plan Year and (2) if the Plan's enrolled actuary does not issue a certification of the Plan's adjusted funding target attainment percentage for the Plan Year before the first day of the 10th month of the Plan year (or if the Plan's enrolled actuary issues a range certification for the Plan Year pursuant to Section 1.436-1(h)(4)(ii) of the Treasury Regulations but does not issue a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year). For any period during which a presumption under Section 436(h) of the Code and Section 1.436-1(h) of the Treasury Regulations applies to the Plan, the limitations under Sections 18.12(a) through (c) are applied to the Plan as if the adjusted funding target attainment percentage for the Plan Year were the presumed adjusted funding target attainment percentage determined under the rules of Section 436(h) of the Code and Section 1.436-1(h)(1), (2), or (3) of the Treasury Regulations. These presumptions are set forth in Section 18.12(g)(2) through (4).

(B) Presumption of Continued Underfunding Beginning First Day of Plan Year. If a limitation under Section 18.12(a), (b) or (c) applied to the Plan on the last day of the preceding Plan Year, then, commencing on the first day of the current Plan year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan year, or, if earlier, the date Section 18.12(g)(3) or Section 18.12(g)(4) applies to the Plan: (1) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the adjusted funding target attainment percentage in effect on the last day of the preceding Plan Year; and (2) The first day of the current Plan Year is a section 436 measurement date.

(C) Presumption of Underfunding Beginning First Day of 4th Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the 4th month of the Plan Year and the Plan's adjusted funding target attainment percentage for the preceding Plan Year was either at least 60 percent but less than 70 percent or at least 80 percent but less than 90 percent, or is described in Section 1.436-1(h)(2)(ii) of the Treasury Regulations, then, commencing on the first day of the 4th month of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 18.12(g)(4) applies to the Plan: (1) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the Plan's adjusted funding target attainment percentage for the preceding Plan Year reduced by 10 percentage points; and (2) The first day of the 4th month of the current Plan Year is a section 436 measurement date.

(D) Presumption of Underfunding On and After First Day of 10th Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan

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Year before the first day of the 10th month of the Plan Year (or if the Plan's enrolled actuary has issued a range certification for the Plan Year pursuant to Section 1.436-1(h)(4)(ii) of the Treasury Regulations but has not issued a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year), then, commencing on the first day of the 10th month of the current Plan Year and continuing through the end of the Plan Year: (1) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be less than 60 percent; and (2) The first day of the 10th month of the current Plan Year is a section 436 measurement date.

(2) Plan Termination, Certain Frozen Plans, and Other Special Rules.

(A) Plan Termination. The limitations on prohibited payments in Sections 18.12(a), (b) and (c) do not apply to prohibited payments that are made to carry out the termination of the Plan in accordance with applicable law. Any other limitations under this Section 18.12(a) do not cease to apply as a result of termination of the Plan.

(B) Exception to Limitations on Prohibited Payments Under Certain Frozen Plans. The limitations on prohibited payments set forth in Sections 18.12(a), (b) and (c) do not apply for a Plan Year if the terms of the Plan, as in effect for the period beginning on September 1, 2005, and continuing through the end of the Plan Year, provide for no benefit accruals with respect to any Members. This Section 18.12(g)(2)(B) shall cease to apply as of the date any benefits accrue under the Plan or the date on which a Plan amendment that increases benefits takes effect.

(C) Special Rules Relating to Unpredictable Contingent Event Benefits and Plan Amendments Increasing Benefit Liability. During any period in which none of the presumptions under Section 18.12(g)(1) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's adjusted funding target attainment percentage for the Plan Year, the limitations under Section 18.12(a) and 18.12(b) shall be based on the inclusive presumed adjusted funding target attainment percentage for the Plan, calculated in accordance with the rules of Section 1.436-1(g)(2)(iii) of the Treasury Regulations.

(3) Special Rules Under PRA 2010.

(A) Payments Under Social Security Leveling Options. For purposes of determining whether the limitations under Section 18.12(a) or (b) apply to payments under a social security leveling option, within the meaning of Section 436(j)(3)(C)(i) of the Code, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Section 436(j)(3) of the Code and any Treasury Regulations or other published guidance thereunder issued by the Internal Revenue Service.

(B) Limitation on Benefit Accruals. For purposes of determining whether the accrual limitation under Section 18.12(b)(3) applies to the Plan, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Section 436(j)(3) of the Code (except as provided under section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, if applicable).

(4) Interpretation of Provisions. The limitations imposed by this Section 18.12 shall be interpreted and administered in accordance with Section 436 of the Code and Section 1.436-1 of the Treasury Regulations.

(h) Definitions. The definitions in the following Treasury Regulations apply for purposes of this Section 18.12: Section 1.436-1(j)(1) defining adjusted funding target attainment percentage; Section 1.436-1(j)(2) defining annuity starting date; Section 1.436-1(j)(6) defining prohibited payment; Section 1.436-1(j)(8) defining section 436 measurement date; and Section 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

(i) Effective Date. The rules in this Section 18.12 are effective for Plan Years beginning after December 31, 2007.

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MOODY'S CORPORATION  
RETIREMENT ACCOUNT

Amended and Restated as of January 1, 2018

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[MOODY'S CORPORATION LETTERHEAD]

[FORM OF RESTRICTED STOCK UNIT GRANT AGREEMENT FOR THE AMENDED AND RESTATED 2001 MOODY'S CORPORATION KEY EMPLOYEES' STOCK INCENTIVE PLAN]

Dear [Name]:

Congratulations! I am pleased to inform you that the Board of Directors of Moody's Corporation ("Moody's") awarded you \_\_\_\_\_ restricted stock units ("RSUs") on [DATE]. This letter outlines the key terms and conditions of your RSU grant.

Your RSU grant is subject to the terms and conditions of the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan, as amended (the "Plan"). By accepting the grant, you agree to the terms and conditions as set forth in the Plan and in this grant letter, including the terms and conditions applicable to you based on your country of residence as set forth in the attached Appendix. A copy of the Plan, as well as the prospectus relating to the offering of shares of Moody's stock pursuant to the Plan, is enclosed with this letter. You should read the Plan and the prospectus in their entirety for a better understanding of your grant. Capitalized terms not defined herein shall have the same meanings ascribed in the Plan.

Moody's has engaged Fidelity Stock Plan Services, LLC ("Fidelity") as the Plan administrator. Each Moody's employee who received an RSU grant will be provided with a Fidelity on-line brokerage account, at no cost to the employee, in which shares will be delivered when your RSUs vest. Generally, once your RSUs vest, you may transfer your shares to another brokerage account or leave them in your Fidelity account, subject to applicable exchange controls and/or repatriation requirements which may apply based on the country in which you work and/or reside.

Your RSU grant provides you with a right to receive an equity stake in Moody's and an opportunity for long-term capital appreciation.

Details of Your Restricted Stock Unit Grant

As an RSU holder, you have an unfunded, unsecured promise of Moody's to issue shares of Moody's stock in the future if certain vesting conditions are met. You shall not have the rights of a shareholder, including any right to vote shares or receive dividends with respect to shares of Moody's stock unless and until such shares are issued pursuant to the terms of this letter. Should any cash or stock dividends be awarded to Moody's shareholders during the time that you hold an unvested RSU, you will receive a right to an equivalent dividend amount; however, this dividend equivalent payment will vest and be paid to you only at such time as the RSUs themselves vest (otherwise the payment will be forfeited). You will have no right to the dividend equivalent until or unless you vest in the RSUs. In the event of a stock split, a stock dividend or similar change in Moody's stock, the number of your RSUs will be adjusted as determined by the Compensation & Human Resources Committee under the Plan.

Subject to your continued employment with Moody's or a Subsidiary or Affiliate, your RSUs will vest as follows: (1) provided that the date of grant falls on January 1 through August 1, 25% of the RSUs will vest on the first trading day in March that is at least six months after the date of grant and at the same percentage on each first trading day in March in the years thereafter until 100% of the RSUs are vested; or (2) provided that the date of grant falls on August 2 through December 31, 25% of the RSUs will vest on the first trading day in March that is at least 12 months after the date of grant and at the same percentage on each first trading day in March in the years thereafter until 100% of the RSUs are vested.

[In the event of your Termination of Employment (for reasons other than your death, Disability or Retirement after the first anniversary of the grant of the RSUs), you will forfeit all unvested RSUs immediately upon such termination. Moody's shall have the exclusive discretion to determine when your Termination of Employment occurs for purposes of your RSU grant (including whether you may still be considered to be employed while on a leave of absence), subject to U.S. Internal Revenue Code Section 409A ("Code Section 409A") in the event you are a U.S. taxpayer.

In the event of your Termination of Employment due to death, Disability or Retirement after the first anniversary of your RSU grant, the RSUs awarded hereunder shall vest in full.]<sup>1</sup>

[In the event of your Termination of Employment (for reasons other than your death, Disability or Special Retirement), you will forfeit all unvested RSUs immediately upon such termination. Moody's shall have the exclusive discretion to determine when your Termination of Employment occurs for purposes of your RSU grant (including whether you may still be considered to be employed while on a leave of absence), subject to U.S. Internal Revenue Code Section 409A ("Code Section 409A") in the event you are a U.S. taxpayer. For purposes hereof, "Special Retirement" means "Retirement" (as defined in the Plan) after the date hereof, without regard to any minimum employment requirement after the date hereof

In the event of your Termination of Employment due to death, Disability or Special Retirement, the RSUs awarded hereunder shall vest in full.]<sup>2</sup>

<sup>1</sup> Standard provisions for most grantees.

<sup>2</sup> Special provisions for certain grantees.

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### Transferability of Restricted Stock Units

Your RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by you otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against Moody's.

### Repayment/Forfeiture

Any payments or benefits you may receive hereunder shall be subject to repayment or forfeiture to the extent required by Moody's Corporation Clawback Policy as in effect from time to time and/or as may be required to comply with the requirements under the U.S. Securities Act of 1933, as amended, the U.S. Securities Exchange Act of 1934, as amended, rules promulgated by the U.S. Securities and Exchange Commission or any other applicable law, including the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any securities exchange on which Moody's common stock is listed or traded, as may be in effect from time to time.

### Nature of the Grant

In accepting the grant, you acknowledge, understand and agree that:

- (1) the Plan is established voluntarily by Moody's, it is discretionary in nature and it may be modified, amended, suspended or terminated by Moody's at any time, to the extent permitted by the Plan;
  - (2) the grant of the RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future RSU grants, or benefits in lieu of RSUs, even if RSUs have been granted in the past;
  - (3) all decisions with respect to future RSU or other grants, if any, will be at the sole discretion of Moody's;
  - (4) the RSU grant and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with Moody's, your employer or any Subsidiary or Affiliate and shall not interfere with the ability of Moody's, your employer or any Subsidiary or Affiliate, as applicable, to terminate your employment or service relationship (if any);
  - (5) you are voluntarily participating in the Plan;
  - (6) the RSU grant and the shares subject to the RSUs do not constitute and are not intended to replace any pension rights or compensation;
  - (7) the RSU grant and the shares subject to the RSUs, and the income and value of same, do not constitute and are not part of normal or expected compensation, salary, remuneration or wages for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
  - (8) the future value of the underlying shares is unknown, indeterminable and cannot be predicted with certainty;
  - (9) unless otherwise agreed with Moody's, the RSU grant and the shares subject to the RSUs, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a Subsidiary or Affiliate of Moody's;
  - (10) unless otherwise provided in the Plan or by Moody's in its discretion, the RSUs and the benefits evidenced by this letter do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares; and
  - (11) in addition to paragraphs (1) through (10) above, the following provisions will also apply to you if you are employed outside the United States:
    - (a) no claim or entitlement to compensation shall arise from forfeiture of the RSU grant resulting from your Termination of Employment (regardless of the reason for such termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and in consideration of the grant of RSUs to which you are otherwise not entitled, you irrevocably agree never to institute any claim against Moody's, its Subsidiaries or Affiliates and your employer, waive your ability, if any, to bring such a claim, and release Moody's, its Subsidiaries or Affiliates and your employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
    - (b) the RSUs and the shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose; and
    - (c) neither your employer nor Moody's (nor any of its Subsidiaries or Affiliates) shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the RSUs or any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of shares acquired upon settlement.
-

### No Advice Regarding Grant

Moody's is not providing any tax, legal or financial advice, nor is Moody's making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying shares. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

### Responsibility for Taxes

You acknowledge that, regardless of any action taken by Moody's or, if different, your employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items") is and remains your responsibility and may exceed the amount, if any, actually withheld by Moody's or your employer. You further acknowledge that Moody's and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSU grant, including the grant, vesting or settlement of the RSUs, the subsequent sale of shares acquired pursuant to such settlement and the receipt of any dividends or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that Moody's and/or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Moody's and/or your employer to satisfy all Tax-Related Items. In this regard, you authorize Moody's or its agent to satisfy the obligations with regard to all Tax-Related Items by withholding in shares to be issued upon settlement of the RSUs. In the event that such withholding in shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, by your acceptance of the RSUs, you authorize and direct Moody's and any brokerage firm determined acceptable to Moody's to sell on your behalf a whole number of shares from those shares issuable to you as Moody's determines to be appropriate to generate cash proceeds sufficient to satisfy the obligation for Tax-Related Items.

In the event the RSUs (or a portion thereof) cease to be subject to a "substantial risk of forfeiture" for tax purposes prior to the vesting dates set forth above, Moody's may cause the RSUs to vest on a date that is earlier than is provided in the vesting schedule set forth above to facilitate the satisfaction of Tax-Related Items using the withholding methods described above. Anything in this paragraph to the contrary notwithstanding, with respect to U.S. taxpayers and in order to avoid a prohibited acceleration under Code Section 409A, the number of shares subject to RSUs that will be permitted to be withheld (or sold on your behalf) to satisfy any Tax-Related Items for any portion of the RSUs that is considered nonqualified deferred compensation subject to Code Section 409A may not exceed the number of shares that equals the liability for the Tax-Related Items.

Moody's and/or your employer may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including the maximum rate applicable in your jurisdiction. If Tax-Related Items are withheld in excess of your actual tax liability, you may receive a refund of any over-withheld amount and will have no entitlement to the shares equivalent or, if not refunded, you may seek a refund from the local tax authorities. If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, you are deemed to have been issued the full number of shares subject to the RSUs, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you shall pay to Moody's or your employer, including through withholding from your wages or other cash compensation paid to you by Moody's or your employer, any amount of Tax-Related Items that Moody's or your employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Moody's may refuse to deliver the shares or the proceeds from the sale of shares if you fail to comply with your obligations in connection with the Tax-Related Items.

### Data Privacy Information and Consent

**Moody's is located at 7 World Trade Center at 250 Greenwich Street, New York, NY, 10007, USA and grants RSUs to employees of Moody's and its Subsidiaries and Affiliates, at its sole discretion. If you would like to participate in the Plan, please review the following information about Moody's data processing practices and declare your consent.**

- (a) ***Data Collection and Usage.* Moody's collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of stock or directorships held in Moody's, and details of all RSUs canceled, vested, or outstanding in your favor, which Moody's receives from you or the Employer. If Moody's offers you a grant of RSUs under the Plan, then Moody's will collect your personal data for purposes of allocating shares and implementing, administering and managing the Plan. Moody's legal basis for the processing of your personal data will be your consent.**
-

- (b) **Stock Plan Administration Service Providers.** *Moody's transfers employee data to Fidelity, an independent service provider based in the United States which assists Moody's with the implementation, administration and management of the Plan. In the future, Moody's may select a different service provider and share your data with another company that serves in a similar manner. Moody's service provider will open an account for you to receive and trade shares. You will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of your ability to participate in the Plan.*
- (c) **International Data Transfers.** *Moody's and its service providers are based in the United States. If you are outside the United States, you should note that your country has enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and which Moody's does not participate in. Moody's legal basis for the transfer of your personal data is your consent.*
- (d) **Data Retention.** *Moody's will use your personal data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When Moody's no longer needs your personal data, which will generally be seven years after you are granted RSUs under the Plan, Moody's will remove it from its systems. If Moody's keeps data longer, it would be to satisfy legal or regulatory obligations and Moody's legal basis would be compliance with the relevant laws or regulations.*
- (e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Your participation in the Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you cannot participate in the Plan. This would not affect your salary as an employee or your career; you would merely forfeit the opportunities associated with the Plan.*
- (f) **Data Subject Rights.** *You have a number of rights under data privacy laws in your country. Depending on where you are based, your rights may include the right to (a) to request access or copies of personal data Moody's processes, (b) rectification of incorrect data, (c) deletion of data, (d) restrictions on processing, (e) portability of data, (f) to lodge complaints with competent authorities in your country, and/or (g) a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights please contact HR Connect at HRConnect@moody.com.*

***By clicking "Accept Your Grant" on the Fidelity award acceptance page, you also provide your consent to the data processing practices described in this section to the extent that such consent is required by applicable law.***

#### Electronic Delivery and Acceptance

Moody's may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Moody's or any third party designated by Moody's.

#### Governing Law; Venue; Documents and Severability

This RSU grant is made in the state of Delaware and is governed by, and subject to, the laws of the state of Delaware applicable to contracts made and to be performed in the state of Delaware, without regard to any conflict of law provisions, as provided in the Plan, and the requirements of the New York Stock Exchange as well as the terms and conditions set forth herein.

Any and all disputes relating to, concerning or arising from this letter, or relating to, concerning or arising from the relationship between the parties evidenced by the RSUs or this letter, shall be brought and heard exclusively in the United States District Court for the District of Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts, hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

You acknowledge that you are proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to enable you to understand the terms and conditions of this letter and understand the provisions of the Plan. If you have received this letter or any other document related to the Plan translated into a language other than English, and if the translated version is different than the English version, the English version will control.

The terms and conditions provided herein are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

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### Share Issuance Restrictions: Compliance with Law

Notwithstanding any other provision of the Plan or this letter, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares, Moody's shall not be required to deliver any shares issuable upon settlement of the RSUs prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Moody's shall, in its absolute discretion, deem necessary or advisable. You understand that Moody's is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, you agree that Moody's shall have unilateral authority to amend the Plan and the terms of the RSUs without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

The shares subject to the RSUs shall be delivered on (i) the applicable vesting dates or, (ii) if earlier, the earliest vesting event contemplated in connection (1) with death, Disability or Retirement or (2) with a Change in Control as set forth in the Plan; provided, however, that with regard to U.S. taxpayers only, if the RSUs or settlement of the RSUs constitutes an item of deferred compensation under Code Section 409A and the Change in Control is not a "change in control event" within the meaning of Code Section 409A, the shares subject to the RSUs shall be delivered in accordance with the applicable vesting dates or, if earlier, the earliest vesting event contemplated in the event of death, Disability or Retirement.

Anything in the provisions of this RSU grant to the contrary notwithstanding, for U.S. taxpayers, the delivery of the shares subject to the RSUs or any other payment under this RSU that constitutes an item of deferred compensation under Code Section 409A and becomes payable to you by reason of your termination of employment shall not be made unless your termination of employment constitutes a "separation from service" (within the meaning of Code Section 409A and any regulations or other guidance thereunder ("Section 409A Guidance")). In addition, no shares subject to the RSUs will be delivered (or no other payments will be made) to you if you are a U.S. taxpayer prior to the earlier of (a) the expiration of the six-month period measured from the date of your separation from service or (b) the date of your death, if you are deemed at the time of such separation from service to be a "specified employee" (within the meaning of Section 409A Guidance) and to the extent such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A Guidance. The delivery of all shares subject to the RSUs which had been delayed pursuant to the immediately preceding sentence will be delivered to you in a lump sum upon expiration of such six-month period (or, if earlier, upon your death).

The provisions in this letter are to be interpreted, construed and operated to reflect the intent of Moody's that all aspects of the this RSU grant will be interpreted either to be exempt from the provisions of Code Section 409A or, to the extent subject to Code Section 409A, comply with Section 409A. The terms of this RSU grant may be amended at any time, without your consent, to avoid the application of Code Section 409A in a particular circumstance or as is necessary or desirable to satisfy any of the requirements under Code Section 409A, but Moody's will not be under any obligation to make any such amendment. Nothing in this letter may provide a basis for any person to take action against Moody's or any Subsidiary or Affiliate based on matters covered by Code Section 409A, including the tax treatment of any shares delivered or other payments made under this RSU grant, and neither Moody's nor any Subsidiary or Affiliate will under any circumstances have any liability to you, your estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this RSU grant, including taxes, penalties or interest imposed under Code Section 409A.

### Insider Trading Restriction/Market Abuse Laws

Depending on your country, Fidelity's country or the country in which shares are listed, you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States, your country and Fidelity's (or any other stock plan service provider's) country, which may affect your ability to accept, acquire, sell or attempt to sell or otherwise dispose of shares, rights to shares (e.g., RSUs) or rights linked to the value of shares (e.g., dividend equivalents) during such times as you are considered to have "inside information" regarding Moody's (as defined by or determined under the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis), and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Moody's insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

### Foreign Asset/Account Reporting

Please be aware that your country of residence may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares) in a brokerage or bank account outside your country of residence. Your country may require that you report such accounts, assets or transactions to the applicable authorities in that country.

You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

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Appendix

Notwithstanding any provisions in this letter, your RSU grant shall be subject to any special terms and conditions set forth in any Appendix to this letter for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent Moody's determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this letter.

Imposition of Other Requirements

Moody's reserves the right to impose other requirements on your participation in the Plan, on the RSUs and on any shares acquired under the Plan, to the extent Moody's determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Waiver

You acknowledge that waiver by Moody's of breach of any provision of this letter shall not operate or be construed as a waiver of any other provision of this letter, or of any subsequent breach by you or any other participant in the Plan.

\* \* \*

If you have any questions regarding this one-time grant, please contact your Human Resources representative.

Sincerely,

[MOODY'S CORPORATION]

[FORM OF EMPLOYEE NON-QUALIFIED STOCK OPTION GRANT AGREEMENT FOR THE AMENDED AND RESTATED 2001 MOODY'S CORPORATION  
KEY EMPLOYEES' STOCK INCENTIVE PLAN]

Dear [Name]:

Congratulations! I am pleased to inform you that the Board of Directors of Moody's Corporation ("Moody's") awarded you \_\_\_\_\_ stock options ("options") with an exercise price of US\$\_\_\_\_\_ on \_\_\_\_\_. This letter outlines the key terms and conditions of your option grant.

Your option grant is subject to the terms and conditions of the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan, as amended (the "Plan"). By accepting the grant, you agree to the terms and conditions as set forth in the Plan and in this grant letter, including the terms and conditions applicable to you based on your country of residence as set forth in the attached Appendix. A copy of the Plan, as well as the prospectus relating to the offering of shares of Moody's stock pursuant to the Plan, is enclosed with this letter. You should read the Plan and the prospectus in their entirety for a better understanding of your grant. Capitalized terms not defined herein shall have the same meaning ascribed to them in the Plan.

Moody's has engaged Fidelity Stock Plan Services, LLC ("Fidelity") as the Plan administrator. Each Moody's employee who received an option will be provided with a Fidelity on-line brokerage account, at no cost to the employee, through which Moody's options may be exercised. Generally, once you exercise your options and purchase shares, you may transfer your shares to another brokerage account or leave them in your Fidelity account, subject to applicable exchange controls and/or repatriation requirements which may apply based on the country in which you work and/or reside.

Your options provide you with a right to receive an equity stake in Moody's and an opportunity for long-term capital appreciation.

Details of Your Stock Option Grant

Your options give you the right to buy Moody's stock at a fixed price in the future. This is called the exercise price. The value of your options is tied directly to the stock market price of Moody's stock during the life span of the options. The higher the stock price, the more valuable your options become.

Your option grant is a grant of U.S. non-qualified options, which expires 10 years after the date of grant, or upon the expiration any applicable post-termination exercise period following your Termination of Employment, if earlier, as set forth in the Plan. Moody's shall have the exclusive discretion to determine when your Termination of Employment occurs for purposes of your option grant. You should review the enclosed copy of the Plan for details about the effect of a Termination of Employment on your equity award.

Subject to you continuing to provide services as an employee to Moody's or a Subsidiary or Affiliate, your options will vest and become exercisable with respect to 25% of the shares on each of the first, second, third and fourth anniversaries of the date of grant, so that your options will be 100% vested and exercisable after the fourth anniversary of the date of grant.

In the event of your Termination of Employment due to your death or Disability after the first anniversary of the date of grant, the vesting of the option will be accelerated as of the date of Termination of Employment, and your options will be exercisable, as set forth in the Plan.

In the event of your Termination of Employment due to Retirement after the first anniversary of the date of grant, the option shall continue to vest during the Post-Retirement Exercise Period set forth in the Plan and, to the extent vested, shall be exercisable as set forth in the Plan.

You may exercise all or a portion of your options to purchase shares, to the extent vested, at the fixed exercise price at any time after vesting commences and on or before the expiration date as described above. You may exercise the vested portion of your options by contacting Fidelity Investments either on-line or by using the toll-free number, depending on your means of exercise.

Transferability of Options

Your options may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by you otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against Moody's. During your lifetime, your options are exercisable only by you.

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### Repayment/Forfeiture

Any payments or benefits you may receive hereunder shall be subject to repayment or forfeiture to the extent required by Moody's Corporation Clawback Policy as in effect from time to time and/or as may be required to comply with the requirements under the U.S. Securities Act of 1933, as amended, the U.S. Securities Exchange Act of 1934, as amended, rules promulgated by the U.S. Securities and Exchange Commission or any other applicable law, including the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any securities exchange on which Moody's common stock is listed or traded, as may be in effect from time to time.

### Nature of the Grant

In accepting the grant, you acknowledge, understand and agree that:

- (1) the Plan is established voluntarily by Moody's, it is discretionary in nature and it may be modified, amended, suspended or terminated by Moody's at any time, to the extent permitted by the Plan;
  - (2) the grant of the option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future option grants, or benefits in lieu of options, even if options have been granted in the past;
  - (3) all decisions with respect to future option or other grants, if any, will be at the sole discretion of Moody's;
  - (4) the option grant and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with Moody's, your employer or any Subsidiary or Affiliate of Moody's and shall not interfere with the ability of Moody's, your employer or any Subsidiary or Affiliate of Moody's, as applicable, to terminate your employment or service relationship (if any);
  - (5) you are voluntarily participating in the Plan;
  - (6) the option and the shares subject to the option do not constitute and are not intended to replace any pension rights or compensation;
  - (7) the option and the shares subject to the option, and the income and value of same, do not constitute and are not part of normal or expected compensation, salary, remuneration or wages for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
  - (8) the future value of the underlying shares is unknown, indeterminable and cannot be predicted with certainty;
  - (9) if the underlying shares do not increase in value, the options will have no value;
  - (10) if you exercise your options and obtain shares, the value of those shares acquired upon exercise may increase or decrease in value, even below the fixed exercise price;
  - (11) unless otherwise agreed with Moody's, the option and the shares subject to the option, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a Subsidiary or Affiliate of Moody's;
  - (12) unless otherwise provided in the Plan or by Moody's in its discretion, your option and the benefits evidenced by this letter do not create any entitlement to have your options or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares; and
  - (13) in addition to paragraphs (1) through (12) above, the following provisions shall also apply to you if you are employed outside the United States:
    - (a) no claim or entitlement to compensation shall arise from forfeiture of the options or termination of your right to exercise the options resulting from your Termination of Employment (regardless of the reason for such termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and in consideration of the grant of the options to which you are otherwise not entitled, you irrevocably agree never to institute any claim against Moody's, any of its Subsidiaries and Affiliates or your employer, waive your ability, if any, to bring such a claim, and release Moody's, its Subsidiaries and Affiliates and your employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
    - (b) your options and the shares subject to your options are not part of normal or expected compensation or salary for any purpose; and
    - (c) neither your employer nor Moody's (nor any of its Subsidiaries or Affiliates) shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of your option grant or any amounts due to you pursuant to the exercise of the option or the subsequent sale of shares acquired upon exercise.
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### No Advice Regarding Grant

Moody's is not providing any tax, legal or financial advice, nor is Moody's making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying shares. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

### Responsibility for Taxes

You acknowledge that, regardless of any action taken by Moody's or, if different, your employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount, if any, actually withheld by Moody's or your employer. You further acknowledge that Moody's and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the option, including the grant, vesting or exercise of the option, the subsequent sale of shares acquired pursuant to such exercise and the receipt of any dividends, and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that Moody's and/or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Moody's and/or your employer to satisfy all Tax-Related Items. In this regard, you authorize Moody's, your employer or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (1) withholding from your wages or other cash compensation paid to you by Moody's and/or your employer; or
- (2) withholding from proceeds of the sale of shares acquired upon exercise either through a voluntary sale or through a mandatory sale arranged by Moody's (on your behalf pursuant to this authorization without further consent);

Moody's and/or your employer may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including the maximum rate applicable in your jurisdiction. If tax-Related Items are withheld in excess of your actual tax liability, you may receive a refund of any over-withheld amount and will have no entitlement to the shares equivalent or, if not refunded, you may seek a refund from the local tax authorities.

Finally, you shall pay to Moody's or your employer any amount of Tax-Related Items that Moody's or your employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Moody's may refuse to deliver the shares or the proceeds from the sale of shares if you fail to comply with your obligations in connection with the Tax-Related Items.

### Data Privacy Information and Consent

***Moody's is located at 7 World Trade Center at 250 Greenwich Street, New York, NY, 10007, USA and grants options to employees of Moody's and its Subsidiaries and Affiliates, at its sole discretion. If you would like to participate in the Plan, please review the following information about Moody's data processing practices and declare your consent.***

- (a) ***Data Collection and Usage.*** *Moody's collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of stock or directorships held in Moody's, and details of all options canceled, vested, exercised or outstanding in your favor, which Moody's receives from you or the Employer. If Moody's offers you a grant of options under the Plan, then Moody's will collect your personal data for purposes of allocating shares and implementing, administering and managing the Plan. Moody's legal basis for the processing of your personal data will be your consent.*
  - (b) ***Stock Plan Administration Service Providers.*** *Moody's transfers employee data to Fidelity, an independent service provider based in the United States which assists Moody's with the implementation, administration and management of the Plan. In the future, Moody's may select a different service provider and share your data with another company that serves in a similar manner. Moody's service provider will open an account for you to receive and trade shares. You will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of your ability to participate in the Plan.*
  - (c) ***International Data Transfers.*** *Moody's and its service providers are based in the United States. If you are outside the United States, you should note that your country has enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and which Moody's does not participate in. Moody's legal basis for the transfer of your personal data is your consent.*
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- (d) ***Data Retention.*** *Moody's will use your personal data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When Moody's no longer needs your personal data, which will generally be seven years after you are granted options under the Plan, Moody's will remove it from its systems. If Moody's keeps data longer, it would be to satisfy legal or regulatory obligations and Moody's legal basis would be compliance with the relevant laws or regulations.*
- (e) ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Your participation in the Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you cannot participate in the Plan. This would not affect your salary as an employee or your career; you would merely forfeit the opportunities associated with the Plan.*
- (f) ***Data Subject Rights.*** *You have a number of rights under data privacy laws in your country. Depending on where you are based, your rights may include the right to (a) to request access or copies of personal data Moody's processes, (b) rectification of incorrect data, (c) deletion of data, (d) restrictions on processing, (e) portability of data, (f) to lodge complaints with competent authorities in your country, and/or (g) a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights please contact HR Connect at [HRConnect@moody.com](mailto:HRConnect@moody.com).*

***By clicking "Accept Your Grant" on the Fidelity award acceptance page, you also provide your consent to the data processing practices described in this section to the extent that such consent is required by applicable law.***

#### Electronic Delivery and Acceptance

Moody's may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Moody's or any third party designated by Moody's.

#### Governing Law, Venue, Documents and Severability

This equity award is made in the state of Delaware and is governed by, and subject to, the laws of the state of Delaware applicable to contracts made and to be performed in the state of Delaware without regard to any conflicts of law provisions, as provided in the Plan, and the requirements of the New York Stock Exchange as well as the terms and conditions set forth herein.

Any and all disputes relating to, concerning or arising from this letter, or relating to, concerning or arising from the relationship between the parties evidenced by the option grant or this letter, shall be brought and heard exclusively in the United States District Court for the District of Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts, hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

You acknowledge that you are proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to enable you to understand the terms and conditions of this letter and understand the provisions of the Plan. If you have received this letter or any other document related to the Plan translated into a language other than English, and if the translated version is different than the English version, the English version will control.

The terms and conditions provided herein are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

#### Compliance with Law

Notwithstanding any other provision of the Plan or this letter, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares, Moody's shall not be required to deliver any shares issuable upon exercise of the option prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Moody's shall, in its absolute discretion, deem necessary or advisable. You understand that Moody's is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, you agree that Moody's shall have unilateral authority to amend the Plan and the terms of the option grant without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

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Insider Trading Restriction/Market Abuse Laws

Depending on your country, Fidelity's country or the country in which shares are listed, you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States, your country and Fidelity's (or any other stock plan service provider's) country, which may affect your ability to accept, acquire, sell or attempt to sell or otherwise dispose of shares, rights to shares (e.g., options) or rights linked to the value of shares during such times as you are considered to have "inside information" regarding Moody's (as defined by or determined under the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis), and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Moody's insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

Foreign Asset/Account Reporting

Please be aware that your country of residence may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares) in a brokerage or bank account outside your country of residence. Your country may require that you report such accounts, assets or transactions to the applicable authorities in that country.

You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter

Appendix

Notwithstanding any provisions in this letter, the option shall be subject to any special terms and conditions set forth in any Appendix to this letter for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent Moody's determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this letter.

Imposition of Other Requirements

Moody's reserves the right to impose other requirements on your participation in the Plan, on the option and on any shares acquired under the Plan, to the extent Moody's determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Waiver

You acknowledge that waiver by Moody's of breach of any provision of this letter shall not operate or be construed as a waiver of any other provision of this letter, or of any subsequent breach by you or any other participant in the Plan.

\* \* \*

If you have any questions regarding this one-time grant, please contact your Human Resources representative.

Sincerely,

[MOODY'S CORPORATION]

[MOODY'S CORPORATION LETTERHEAD]

[FORM OF PERFORMANCE SHARE AWARD LETTER FOR THE AMENDED AND RESTATED 2001 MOODY'S CORPORATION KEY EMPLOYEES' STOCK INCENTIVE PLAN]

Dear [Name]:

Congratulations! I am pleased to inform you that the Board of Directors of Moody's Corporation ("Moody's") awarded you \_\_\_\_\_ performance shares ("Performance Shares") on [DATE]. This letter outlines the key terms and conditions of your Performance Shares grant.

Your Performance Shares grant is subject to the terms and conditions of the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan, as amended (the "Plan"). By accepting the grant, you agree to the terms and conditions as set forth in the Plan and in this grant letter, including the terms and conditions applicable to you based on your country of residence as set forth in the attached Appendix. A copy of the Plan, as well as the prospectus relating to the offering of shares of Moody's stock pursuant to the Plan, is enclosed with this letter. You should read each of the Plan and the prospectus in their entirety for a better understanding of your grant. Capitalized terms not defined herein shall have the same meaning ascribed to them in the Plan.

Moody's has engaged Fidelity Stock Plan Services, LLC ("Fidelity") as the Plan administrator. You will be provided with a Fidelity on-line brokerage account, at no cost to you, in which shares will be delivered when and to the extent that your Performance Shares vest. Once your Performance Shares are issued, you may transfer your shares to another brokerage account or leave them in your Fidelity account, subject to applicable exchange controls and/or repatriation requirements which may apply based on the country in which you work and/or reside.

Your Performance Shares grant provides you with a right to receive an equity stake in Moody's and an opportunity for long-term capital appreciation if performance measures are achieved.

Details of Your Performance Shares Grant

As a holder of Performance Shares, you have an unfunded, unsecured promise of Moody's to issue shares of Moody's common stock, par value \$0.01 per share, in the future if and to the extent that certain performance goals are achieved. The maximum number of shares that can be issued to you shall equal two hundred percent (200%) of the number of target Performance Shares granted to you. You shall not have the rights of a shareholder, including any right to vote shares or receive dividends with respect to shares of Moody's common stock, unless and until such shares are issued pursuant to the terms of this letter at the conclusion of the performance period, as hereinafter defined. In the event of a stock split, a stock dividend or similar change in Moody's common stock, the number of your Performance Shares will be adjusted as determined by the Compensation & Human Resources Committee (the "Committee") under the Plan.

Your Performance Shares will vest, subject to your continued employment through the Vesting Date as hereinafter defined, to the extent that Moody's or one or more of its Subsidiaries or Affiliates, as applicable, achieves certain performance objectives which will be measured cumulatively over the three calendar years 20[ ]-20[ ] (the "Performance Period"); provided, however, that the number of Performance Shares treated as vested and the corresponding number of shares actually issued to you as a payout may be less than the number determined by the performance payment percentages (including zero), at the discretion of the Committee in accordance with the Plan. In the event there is negative total shareholder return over the Performance Period for example, the Committee would consider whether it was appropriate to exercise negative discretion and reduce the performance payment percentages in accordance with the Plan. If, during the Performance Period, you transfer your employment to or from Moody's or any Subsidiary or Affiliate, then your Performance Shares shall be divided pro rata on the basis of the portion of the Performance Period during which you are employed by each employer entity, and the performance goals applicable to employees of your employer entity as of the date of grant of the Performance Shares and any subsequent employer entities during the Performance Period shall apply to the applicable portion of the Performance Period. The vesting of Performance Shares on the Vesting Date will be determined by the Committee and shall be expressed as a percentage of the total number of target Performance Shares granted to you as determined pursuant to the following tables, subject to the Committee's discretion to reduce such percentages as defined in the Plan.

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The following table indicates the weight ascribed to the three performance measures based on the business entity segment for which each participant performs services:

Entity	Performance Measures		
	MCO Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA")	MA Sales	MIS Ratings Quality
Moody's Corporation and Shared Services	[ ]%	[ ]%	[ ]%
Moody's Investors Service	[ ]%	[ ]%	[ ]%
Moody's Analytics	[ ]%	[ ]%	[ ]%

The following table indicates the [YEAR] cumulative three-year targets:

[YEAR] Performance Share Targets	
Performance Measure	Cumulative 3-Year Target (millions)
MCO Profitability (EBITDA)	[\$ ]
MIS Ratings Quality (Average Position)	[ ]%
MA Sales	[\$ ]

Payout attributable to the achievement of each performance measure will be determined as follows:

	<b>Payout Percentage ****</b>
<b>MCO EBITDA Achievement*</b>	
Less than [ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% or more of Target	[ ]%
<b>MA Sales Achievement**</b>	
Less than [ ]% of Target	[ ]%
[ ]%	[ ]% - [ ]%
[ ]%	[ ]% - [ ]%
[ ]% or more of Target	[ ]%
<b>MIS Ratings Quality Achievement**</b>	
Less than [ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% of Target	[ ]%
[ ]% or more of Target	[ ]%

\* Moody's Corporation EBITDA means cumulative EBITDA for the three-year Performance Period.

\*\* Moody's Analytics Sales means cumulative net sales of Moody's Analytics for the three-year Performance Period. Funding includes a modifier to increase the funding slope as sales from acquired businesses are achieved. Funding can be further adjusted up or down depending upon whether the results of the acquisition are above or below the acquisition plan.

\*\*\* Moody's Investors Service Ratings Quality is the three year Average Position (AP) of MIS Ratings.

\*\*\*\* Subject to reduction in the Committee's discretion in accordance with the Plan.

Immediately following the conclusion of the Performance Period, the Committee shall certify whether the performance measures were attained, the percentage of payout, if any, and the date on which your Performance Shares will vest and be issued (the "Vesting Date"). For purposes of this letter, the Vesting Date shall be the date that the Committee determines the shares will be paid, which is expected to be the first trading day in March (but in no event after March 15<sup>th</sup>) following the conclusion of the Performance Period.

[In the event of your Termination of Employment prior to the Vesting Date (for reasons other than your death, Disability or Retirement after the first anniversary of the grant of the Performance Shares), you will forfeit all unvested Performance Shares. Moody's shall have the exclusive discretion to determine when your Termination of Employment occurs for purposes of your Performance Shares grant (including whether you may still be considered to be employed while on a leave of absence), subject to U.S. Internal Revenue Code Section 409A ("Code Section 409A") in the event you are a U.S. taxpayer.

In the event of your Termination of Employment by death, Disability or Retirement, in each case after the first anniversary of the date of your Performance Shares grant hereunder, you shall be entitled to receive as a payout a pro rata portion of the number of shares issuable pursuant to your Performance Shares based on the number of days of your actual service during the Performance Period, such shares to be issued after the end of the Performance Period on the originally scheduled Vesting Date set forth above but only if and to the extent that such shares would have been earned by achievement of performance measures and become issuable to you had your Termination of Employment not occurred prior to the end of the Performance Period; provided, however, that the number of shares actually issued to you may be less than the number determined by the performance payout percentage (including zero), at the discretion of the Committee.]<sup>1</sup>

<sup>1</sup>Standard provisions for most grantees.

[In the event of your Termination of Employment prior to the Vesting Date (for reasons other than your death, Disability or Special Retirement), you will forfeit all unvested Performance Shares. Moody's shall have the exclusive discretion to determine when your Termination of Employment occurs for purposes of your Performance Shares grant (including whether you may still be considered to be employed while on a leave of absence), subject to U.S. Internal Revenue Code Section 409A ("Code Section 409A") in the event you are a U.S. taxpayer. For purposes hereof, "Special Retirement" means "Retirement" (as defined in the Plan) after the date hereof, without regard to any minimum employment requirement after the date hereof.

In the event your Termination of Employment is due to your death, Disability or Special Retirement, you shall be entitled to receive as a payout the number of shares issuable pursuant to your Performance Shares after the end of the Performance Period on the originally scheduled Vesting Date set forth above but only if and to the extent that such shares would have been earned by achievement of performance measures and become issuable to you had your Termination of Employment not occurred prior to the end of the Performance Period; provided, however, that the number of shares actually issued to you may be less than the number determined by the performance payout percentage (including zero), at the discretion of the Committee.]<sup>2</sup>

In the event of a Change in Control, shares or, in the discretion of the Committee, cash equal to the fair market value of the shares as of immediately prior to the Change in Control, shall be issued in satisfaction of your Performance Shares immediately prior to the Change in Control as if the performance measures for the Performance Period had been achieved at 100% of Target.

#### Compliance with Stock Ownership Guidelines

As a holder of Performance Shares, you are subject to Moody's stock ownership guidelines. You should familiarize yourself with these guidelines, as you are solely responsible for ensuring compliance thereto. To request a copy of the guidelines, please contact your Human Resources representative.

#### Transferability of Performance Shares

Your Performance Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by you otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against Moody's.

#### Repayment/Forfeiture

Any payments or benefits you may receive hereunder shall be subject to repayment or forfeiture to the extent required by Moody's Corporation Clawback Policy as in effect from time to time and/or as may be required to comply with the requirements under the U.S. Securities Act of 1933, as amended, the U.S. Securities Exchange Act of 1934, as amended, rules promulgated by the U.S. Securities and Exchange Commission or any other applicable law, including the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any securities exchange on which Moody's common stock is listed or traded, as may be in effect from time to time.

#### Nature of the Grant

In accepting the grant, you acknowledge, understand and agree that:

- (1) the Plan is established voluntarily by Moody's, it is discretionary in nature and it may be modified, amended, suspended or terminated by Moody's at any time, to the extent permitted by the Plan;
- (2) the Performance Shares grant is exceptional, voluntary and occasional and does not create any contractual or other right to receive future performance shares grants, or benefits in lieu of performance shares, even if performance shares have been granted in the past;
- (3) all decisions with respect to future performance shares or other grants, if any, will be at the sole discretion of Moody's;
- (4) the grant of Performance Shares and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with Moody's, your employer or any Subsidiary or Affiliate of Moody's and shall not interfere with the ability of your employer or any Subsidiary or Affiliate of Moody's, as applicable, to terminate your employment or service relationship (if any);
- (5) you are voluntarily participating in the Plan;
- (6) the Performance Shares grant and the shares subject to the Performance Shares do not constitute and are not intended to replace any pension rights or compensation;
- (7) the Performance Shares grant and the shares subject to the Performance Shares, and the income and value of same, do not constitute and are not part of normal or expected compensation, salary, remuneration or wages for purposes of calculating any severance, resignation, termination, redundancy, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement benefits or similar mandatory payments;
- (8) the future value of the underlying shares is unknown, indeterminable and cannot be predicted with certainty;

<sup>2</sup>Special provisions for certain grantees.

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- (9) unless otherwise agreed with Moody's, the Performance Shares grant and the shares subject to the Performance Shares, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a Subsidiary or Affiliate of Moody's; and
- (10) in addition to paragraphs (1) through (9) above, the following provisions will also apply to you if you are employed outside the United States:
- (a) the Performance Shares and the shares subject to the Performance Shares are not part of normal or expected compensation or salary for any purpose;
  - (b) no claim or entitlement to compensation shall arise from forfeiture of the Performance Shares resulting from your Termination of Employment (regardless of the reason for such termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and in consideration of the grant of Performance Shares to which you are otherwise not entitled, you irrevocably agree never to institute any claim against Moody's, its Subsidiaries or Affiliates and your employer, waive your ability, if any, to bring such a claim, and release Moody's, its Subsidiaries or Affiliates and your employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim; and
  - (c) neither your employer nor Moody's (nor any of its Subsidiaries or Affiliates) shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of your Performance Shares or any amounts due to you pursuant to the settlement of your Performance Shares or the subsequent sale of shares acquired upon settlement.

#### No Advice Regarding Grant

Moody's is not providing any tax, legal or financial advice, nor is Moody's making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying shares. You are advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

#### Responsibility for Taxes

You acknowledge that regardless of any action taken by Moody's or, if different, your employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount, if any, actually withheld by Moody's or your employer. You further acknowledge that Moody's and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of your Performance Shares grant, including the grant vesting or settlement of your Performance Shares, the subsequent sale of shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of your Performance Shares to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that Moody's and/or your employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Moody's and/or your employer to satisfy all Tax-Related Items. In this regard, you authorize Moody's or its agent to satisfy the obligations with regard to all Tax-Related Items by withholding in shares to be issued upon settlement of your Performance Shares. In the event that such withholding in shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, by your acceptance of your Performance Shares, you authorize and direct Moody's and any brokerage firm determined acceptable to Moody's to sell on your behalf a whole number of shares from those shares issuable to you as Moody's determines to be appropriate to generate cash proceeds sufficient to satisfy the obligation for Tax-Related Items.

Moody's and/or your employer may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including the maximum rate applicable in your jurisdiction. If Tax-Related Items are withheld in excess of your actual tax liability, you may receive a refund of any over-withheld amount and will have no entitlement to the shares equivalent or, if not refunded, you may seek a refund from the local tax authorities. If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes you will be deemed to have been issued the full number of shares subject to your Performance Shares that have been earned by achievement of performance goals hereunder, notwithstanding that a number of the shares are withheld solely for the purpose of paying the Tax-Related Items.

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Finally, you shall pay to Moody's or your employer, including through withholding from your wages or other cash compensation paid to you by Moody's or your employer, any amount of Tax-Related Items that Moody's or your employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Moody's may refuse to deliver the shares or the proceeds from your Performance Shares award if you fail to comply with your obligations in connection with the Tax-Related Items.

#### Code Section 409A

For purposes of U.S. taxpayers, the provisions of this grant of Performance Shares are intended to either be exempt from Section 409A of the Code under the "short-term deferral" exception or comply with Section 409A of the Code, and the provisions of this grant will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Committee may, at any time and without your consent, modify the terms of this grant as it determines appropriate to comply with the requirements of Section 409A of the Code and the related U.S. Department of Treasury guidance. Moody's makes no representation or covenant to ensure that your Performance Shares or other payment hereunder are exempt from or compliant with Section 409A of the Code, and will have no liability to you or any other party if your Performance Shares or other payment hereunder that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Committee with respect thereto.

#### Data Privacy Information and Consent

**Moody's is located at 7 World Trade Center at 250 Greenwich Street, New York, NY, 10007, USA and grants Performance Shares to employees of Moody's and its Subsidiaries and Affiliates, at its sole discretion. If you would like to participate in the Plan, please review the following information about Moody's data processing practices and declare your consent.**

- (a) **Data Collection and Usage.** *Moody's collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of stock or directorships held in Moody's, and details of all Performance Shares canceled, vested, or outstanding in your favor, which Moody's receives from you or the Employer. If Moody's offers you a grant of Performance Shares under the Plan, then Moody's will collect your personal data for purposes of allocating shares and implementing, administering and managing the Plan. Moody's legal basis for the processing of your personal data will be your consent.*
  - (b) **Stock Plan Administration Service Providers.** *Moody's transfers employee data to Fidelity, an independent service provider based in the United States which assists Moody's with the implementation, administration and management of the Plan. In the future, Moody's may select a different service provider and share your data with another company that serves in a similar manner. Moody's service provider will open an account for you to receive and trade shares. You will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of your ability to participate in the Plan.*
  - (c) **International Data Transfers.** *Moody's and its service providers are based in the United States. If you are outside the United States, you should note that your country has enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and which Moody's does not participate in. Moody's legal basis for the transfer of your personal data is your consent.*
  - (d) **Data Retention.** *Moody's will use your personal data only as long as is necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When Moody's no longer needs your personal data, which will generally be seven years after you are granted Performance Shares under the Plan, Moody's will remove it from its systems. If Moody's keeps data longer, it would be to satisfy legal or regulatory obligations and Moody's legal basis would be compliance with the relevant laws or regulations.*
  - (e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Your participation in the Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you cannot participate in the Plan. This would not affect your salary as an employee or your career; you would merely forfeit the opportunities associated with the Plan.*
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- (f) ***Data Subject Rights.*** You have a number of rights under data privacy laws in your country. Depending on where you are based, your rights may include the right to (a) to request access or copies of personal data Moody's processes, (b) rectification of incorrect data, (c) deletion of data, (d) restrictions on processing, (e) portability of data, (f) to lodge complaints with competent authorities in your country, and/or (g) a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights please contact HR Connect at [HRConnect@moody.com](mailto:HRConnect@moody.com).

**By clicking "Accept Your Grant" on the Fidelity award acceptance page, you also provide your consent to the data processing practices described in this section to the extent that such consent is required by applicable law.**

#### Electronic Delivery and Acceptance

Moody's may, in its sole discretion, decide to deliver by electronic means any documents related to current or future participation in the Plan. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Moody's or any third party designated by Moody's.

#### Governing Law, Venue, Documents and Severability

Your Performance Shares grant is made in the state of Delaware and is governed by, and subject to, the laws of the state of Delaware, applicable to contracts made and to be performed in the state of Delaware without reference to its conflicts of laws principles, and the requirements of the New York Stock Exchange as well as the terms and conditions set forth herein.

Any and all disputes relating to, concerning or arising from this letter, or relating to, concerning or arising from the relationship between the parties evidenced by your Performance Shares or this letter, shall be brought and heard exclusively in the United States District Court for the District of Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts, hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

You acknowledge that you are proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to enable you to understand the terms and conditions of this letter and understand the provisions of the Plan. If you have received this letter or any other document related to the Plan translated into a language other than English, and if the translated version is different than the English version, the English version will control.

The terms and conditions provided herein are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

#### Compliance with Law

Notwithstanding any other provision of the Plan or this letter, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares, Moody's shall not be required to deliver any shares issuable upon settlement of your Performance Shares prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Moody's shall, in its absolute discretion, deem necessary or advisable. You understand that Moody's is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, you agree that Moody's shall have unilateral authority to amend the Plan and the terms of your Performance Shares without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

#### Insider Trading Restriction/Market Abuse Laws

Depending on your country, Fidelity's country or the country in which shares are listed, you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States, your country and Fidelity's (or any other stock plan service provider's) country, which may affect your ability to accept, acquire, sell or attempt to sell or otherwise dispose of shares, rights to shares (e.g., Performance Shares) or rights linked to the value of shares (e.g., dividend equivalents) during such times as you are considered to have "inside information" regarding Moody's (as defined by or determined under the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis), and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Moody's insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

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Foreign Asset/Account Reporting

Please be aware that your country of residence may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of shares) in a brokerage or bank account outside your country of residence. Your country may require that you report such accounts, assets or transactions to the applicable authorities in that country.

You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

Appendix

Notwithstanding any provisions in this letter, your Performance Shares grant shall be subject to any special terms and conditions set forth for your country in any Appendix to this letter for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent Moody's determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this letter.

Imposition of Other Requirements

Moody's reserves the right to impose other requirements on your participation in the Plan, on your Performance Shares and on any shares acquired pursuant to your Performance Shares, to the extent Moody's determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Waiver

You acknowledge that waiver by Moody's of breach of any provision of this letter shall not operate or be construed as a waiver of any other provision of this letter, or of any subsequent breach by you or any other participant in the Plan.

\* \* \*

If you have any questions regarding this one-time grant, please contact your Human Resources representative.

Sincerely,

[MOODY'S CORPORATION]

**SECOND AMENDMENT TO THE  
AMENDED AND RESTATED 2001 MOODY'S CORPORATION  
KEY EMPLOYEES' STOCK INCENTIVE PLAN**  
(as amended, December 18, 2017 and April 15, 2019)

**WHEREAS**, Moody's Corporation, a Delaware corporation (the "**Company**") maintains the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan, as amended December 18, 2017 and on April 15, 2019 (as amended, the "**Plan**"); and

**WHEREAS**, the Company has determined the Plan should be amended to modify the eligibility for retirement vesting under the Plan for certain grantees.

**NOW, THEREFORE**, Section 2(bb) of the Plan is hereby amended effective as of January 1, 2020 to read as follows:

Retirement: Termination of employment with the Company or an Affiliate (i) for Participants who are (A) hired or rehired on or after January 1, 2020 or (B) employed by the Company as of January 1, 2020 and are younger than age 45 on such date, after such Participant has both attained age 55 and had ten or more consecutive years of service with the Company through and ending with the date of such Participant's voluntary termination of employment, or (ii) for all other Participants, after such Participant has both attained age 55 and had five or more consecutive years of service with the Company through and ending with the date of such Participant's voluntary termination of employment; or, with the prior written consent of the Committee that such termination be treated as a Retirement hereunder, termination of employment under other circumstances.

## EXHIBIT 21

### SUBSIDIARIES OF MOODY'S CORPORATION

The following is a list of active, majority-owned subsidiaries of Moody's Corporation as of December 31, 2019.

#### ***U.S. Entities***

Bureau van Dijk Electronic Publishing Inc.	New York
DVBS, Inc.	Delaware
Four Twenty Seven, Inc.	Delaware
GGYAXIS, Inc.	Delaware
Lewtan Technologies, Inc.	Massachusetts
MIS Asset Holdings, Inc.	Delaware
MIS Quality Management Corp.	Delaware
Moody's Advisors Inc.	Delaware
Moody's Analytics, Inc.	Delaware
Moody's Analytics Knowledge Services Solutions (US) Inc.	Delaware
Moody's Analytics Solutions, LLC	Delaware
Moody's Assurance Company, Inc.	New York
Moody's Assureco, Inc.	Delaware
Moody's Capital Markets Research, Inc.	Delaware
Moody's Group Holdings, Inc.	Delaware
Moody's Holdings LLC	Delaware
Moody's International LLC	Delaware
Moody's Investors Service, Inc.	Delaware
Moody's Overseas Holdings, Inc.	Delaware
Moody's Risk Assessments Holdings LLC	Delaware
Moody's Risk Assessments, Inc.	Delaware
Moody's Shared Services, Inc.	Delaware
Omega Performance Corporation	California
Reis, Inc.	Delaware
Reis Services LLC	Maryland
Risk First Inc.	Delaware
The Moody's Foundation	New York
Vigeo Eiris USA, LLC	Delaware

#### ***Non-US Entities***

Administracion de Calificadoras, S.A. de C.V.	Mexico
Bureau van Dijk Editions Electroniques S.A.S.	France
Bureau van Dijk Editions Electroniques Sàrl	Switzerland
Bureau van Dijk Editions Electroniques SRL	Belgium
Bureau van Dijk Edizioni Elettroniche S.p.a	Italy
Bureau van Dijk Electronic Publishing AB	Sweden
Bureau van Dijk Electronic Publishing ApS	Denmark
Bureau van Dijk Electronic Publishing B.V.	Netherlands
Bureau van Dijk Electronic Publishing Beijing Co., Ltd.	China

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Bureau van Dijk Electronic Publishing GmbH	Germany
Bureau van Dijk Electronic Publishing GmbH	Austria
Bureau van Dijk Electronic Publishing Hong Kong Limited	Hong Kong
Bureau van Dijk Electronic Publishing K.K.	Japan
Bureau van Dijk Electronic Publishing LLC	Korea
Bureau van Dijk Electronic Publishing Ltd.	UK
Bureau van Dijk Electronic Publishing Pte. Ltd.	Singapore
Bureau van Dijk Electronic Publishing Pty. Ltd.	Australia
Bureau van Dijk Electronic Publishing S.A. de C.V.	Mexico
Bureau van Dijk Electronic Publishing Unipessoal Lda.	Portugal
Bureau van Dijk Electroniq Publishing S.A. (Pty) Ltd	South Africa
Bureau van Dijk EP DMCC	UAE
Bureau van Dijk Publicaçao Eletronica Ltda.	Brazil
Bureau van Dijk Publicaciones Electronicas S.A.	Spain
Equilibrium (Chile) Holding SpA	Chile
Ethical Investment Research Services (EIRIS) Limited	UK
Fermat International SA	Belgium
Four Twenty Seven France SAS	France
Gilliland Gold Young Consulting Inc.	Canada
ICRA Lanka Limited	Sri Lanka
ICRA Limited	India
ICRA Nepal Limited	Nepal
ICRA Online Limited	India
KIS Pricing, Inc.	Korea
Korea Investors Service, Inc.	Korea
Midroog Ltd.	Israel
MIS Support Center Private Limited	India
MIS Support Services CR Sociedad de Responsabilidad Ltda.	Costa Rica
Moody's (China) Limited	China
Moody's (Japan) K.K.	Japan
Moody's (UK) Limited	UK
Moody's America Latina Ltda.	Brazil
Moody's Analytics (DIFC) Limited	UAE
Moody's Analytics (India) Private Limited	India
Moody's Analytics (Malaysia) Sdn.Bhd.	Malaysia
Moody's Analytics (Thailand), Co. Ltd.	Thailand
Moody's Analytics Australia Pty. Ltd.	Australia
Moody's Analytics Canada Inc.	Canada
Moody's Analytics Czech Republic s.r.o.	Czech Republic
Moody's Analytics Deutschland GmbH	Germany
Moody's Analytics do Brazil Solucoes para Gerenciamento de Risco de Credito Ltda	Brazil

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Moody's Analytics Global Education (Canada), Inc.	Canada
Moody's Analytics Holdings (UK) Limited	UK
Moody's Analytics Hong Kong Ltd.	Hong Kong
Moody's Analytics International Licensing GmbH	Switzerland
Moody's Analytics Ireland Limited	Ireland
Moody's Analytics Japan K.K.	Japan
Moody's Analytics Knowledge Services (Jersey) Limited	Jersey
Moody's Analytics Knowledge Services (Singapore) Pte. Ltd.	Singapore
Moody's Analytics Knowledge Services Holdings (Mauritius) Limited	Mauritius
Moody's Analytics Knowledge Services Research (Mauritius) Limited	Mauritius
Moody's Analytics Korea Co., Ltd	Korea
Moody's Analytics SAS	France
Moody's Analytics Singapore Pte Ltd.	Singapore
Moody's Analytics Technical Services (Hong Kong) Ltd.	Hong Kong
Moody's Analytics Technical Services (UK) Limited	UK
Moody's Analytics UK Limited	UK
Moody's Asia-Pacific Group (Singapore) Pte. Ltd.	Singapore
Moody's Asia Pacific Limited	Hong Kong
Moody's Canada Inc.	Canada
Moody's Canada LP	Canada
Moody's China (B.V.I.) Limited	British Virgin Islands
Moody's Company Holdings (BVI) I Limited	British Virgin Islands
Moody's Company Hong Kong Limited	Hong Kong
Moody's Credit Ratings (China) Limited	China
Moody's de Mexico, S.A. de C.V., I.C.V	Mexico
Moody's Deutschland GmbH	Germany
Moody's Eastern Europe LLC	Russia
Moody's EMEA Financing (Cyprus) Limited	Cyprus
Moody's EMEA Holdings Limited	UK
Moody's Equilibrium I (BVI) Holding Corporation	British Virgin Islands
Moody's Equilibrium II (BVI) Holding Corporation	British Virgin Islands
Moody's Finance (BVI) Limited	British Virgin Islands
Moody's Financing (BVI) Limited	British Virgin Islands
Moody's Financing (Cyprus) Limited	Cyprus
Moody's France SAS	France
Moody's Group (BVI) Limited	British Virgin Islands
Moody's Group (Holdings) Unlimited	UK
Moody's Group Australia Pty Ltd	Australia
Moody's Group Cyprus Limited	Cyprus
Moody's Group Deutschland GmbH	Germany
Moody's Group Finance Limited	UK
Moody's Group France SAS	France

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Moody's Group Holdings (BVI) Limited	British Virgin Islands
Moody's Group Japan G.K.	Japan
Moody's Group NL B.V.	Netherlands
Moody's Group UK Limited	UK
Moody's Holdings (B.V.I.) Limited	British Virgin Islands
Moody's Holdings Limited	UK
Moody's Holdings NL B.V.	Netherlands
Moody's Indonesia (B.V.I.) Limited	British Virgin Islands
Moody's Information Consulting (Shenzhen) Co. Ltd.	China
Moody's International (UK) Limited	UK
Moody's International Holdings (Cyprus) Limited	Cyprus
Moody's Investment Company India Private Limited	India
Moody's Investors Service (Beijing), Ltd.	China
Moody's Investors Service (BVI) Limited	British Virgin Islands
Moody's Investors Service (Korea) Inc.	Korea
Moody's Investors Service (Nordics) AB	Sweden
Moody's Investors Service Cyprus Limited	Cyprus
Moody's Investors Service EMEA Limited	UK
Moody's Investors Service Espana S.A.	Spain
Moody's Investors Service Hong Kong Limited	Hong Kong
Moody's Investors Service India Private Limited	India
Moody's Investors Service Limited	UK
Moody's Investors Service Middle East Limited	UAE
Moody's Investors Service Pty Limited	Australia
Moody's Investors Service Singapore Pte. Ltd.	Singapore
Moody's Investors Service South Africa (Pty) Limited	South Africa
Moody's Israel Holdings Inc.	British Virgin Islands
Moody's Italia S.r.l.	Italy
Moody's Latin America Agente de Calificacion de Riesgo S.A.	Argentina
Moody's Latin America Holding Corp.	British Virgin Islands
Moody's Lithuania, UAB	Lithuania
Moody's Local PA Calificadora de Riesgo S.A.	Panama
Moody's Local PE Clasificadora de Riesgo S.A	Peru
Moody's Mauritius Holdings Limited	Mauritius
Moody's Risk Assessments Limited	UK
Moody's SF Japan K.K.	Japan
Moody's Shared Services India Private Limited	India
Moody's Shared Services UK Limited	UK
Moody's Singapore Pte Ltd	Singapore
Moody's South Africa (B.V.I.) Ltd.	British Virgin Islands
Nile 1 Limited (f/k/a Pension First Limited)	UK
Nile 2 Limited (f/k/a Pensions First Capital Limited)	UK

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Nile 3 Limited (f/k/a Pensions First Capital Partners Limited)	UK
Nile 4 Limited (f/k/a PFG (IP) Limited)	UK
Nile 5 Limited (f/k/a Risk First Securities Limited)	UK
Omega Performance Corp./S.C.C. Á Rendement Omega	Canada
Omega Performance Corporation Pty. Limited	Australia
Omega Performance NZ Limited	New Zealand
Omega Performance Pte. Ltd.	Singapore
Pragati Development Consulting Services Limited	India
PT ICRA Indonesia	Indonesia
Risk First (Holdings) Limited	UK
Risk First (IP) Limited	UK
Risk First Enterprise Limited	UK
Risk First Group Limited	UK
Risk First Limited	UK
Risk First Management Services Limited	UK
Skyval Holdings LLP	UK
Skyval Limited	UK
Vigeo	France
Vigeo Belgium NV	Belgium
Vigeo Eiris Canada Inc.	Canada
Vigeo Eiris Chile SpA	Chile
Vigeo Eiris Hong Kong Limited	Hong Kong
Vigeo Group	Morocco
Vigeo Italia S.r.l	Italy
Yellow Maple Holding B.V.	Netherlands
Yellow Maple I B.V.	Netherlands
Yellow Maple II B.V.	Netherlands
Zephus Ltd.	UK

EXHIBIT 23.1

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors of Moody's Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-216211, No. 333-170727, No. 333-170753, No. 333-145127, No. 333-126564, No. 333-103496, No. 333-47848, No. 333-81121, No. 333-68555, No. 333-64653, No. 333-60737, No. 333-57915, No. 333-57267, No. 333-192333, No. 333-192334, No. 333-228577, No. 333-223724) on Forms S-3, S-4 and S-8 of Moody's Corporation (the Company) of our report dated February 21, 2020, with respect to the consolidated balance sheets of Moody's Corporation as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of Moody's Corporation.

Our report on the consolidated financial statements refers to changes in the methods of accounting for leases in 2019 due to the adoption of Accounting Standard Codification (ASC) Topic 842, *Leases* and revenue recognition in 2018 due to the adoption of Accounting Standard Update (ASU) 2014-09 and all related amendments, which established ASC Topic 606, *Revenue - Revenue from Contracts with Customers*.

**/s/ KPMG LLP**

New York, New York

February 21, 2020

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Raymond W. McDaniel, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RAYMOND W. MCDANIEL, JR.

**Raymond W. McDaniel, Jr.**  
*President and Chief Executive Officer*

February 21, 2020

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Kaye, certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK KAYE

**Mark Kaye**

*Senior Vice President and Chief Financial Officer*

February 21, 2020

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2019 as filed with the SEC on the date hereof (the "Report"), I, Raymond W. McDaniel, Jr., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RAYMOND W. MCDANIEL, JR.

**Raymond W. McDaniel, Jr.**  
*President and Chief Executive Officer*

February 21, 2020

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2019 as filed with the SEC on the date hereof (the "Report"), I, Mark Kaye, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK KAYE

**Mark Kaye**

*Senior Vice President and Chief Financial Officer*

February 21, 2020