

# **MOODY'S CORPORATION**

## **CORPORATE GOVERNANCE PRINCIPLES**

The Board of Directors of Moody's Corporation has adopted the corporate governance principles set forth below as a framework for the governance of the Company. The Governance and Compensation Committee reviews the Principles annually and recommends changes to the Board of Directors as appropriate.

### **1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS**

#### ***Role of the Board***

The Board of Directors, which is elected by the Company's stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders and subject to the complete independence of the Company's credit ratings, assessments and research. The Board selects the Chief Executive Officer and approves the senior management team, which is responsible for conducting the Company's business, and monitors the performance of senior management.

#### ***Size, Composition and Membership Criteria***

All members of the Board, except the Chief Executive Officer, are independent directors. An "independent" director is a director who meets the New York Stock Exchange's definition of being "independent," as determined by the Board. The Board has adopted the standards set forth in Attachment A to these Principles to assist it in assessing the independence of directors. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Governance and Compensation Committee.

The Governance and Compensation Committee considers and makes recommendations to the Board regarding the size, structure, composition and functioning of the Board. The Board presently has nine members. It is the Company's policy that the number of directors not exceed a number that can function efficiently as a body. The Board is divided into three classes, approximately equal in number, with staggered terms of three years each so that the term of one class expires at each annual meeting of stockholders. Thus, directors typically stand for reelection every three years.

The Governance and Compensation Committee is responsible for overseeing processes for the selection and nomination of director candidates, and for developing, recommending to the Board for approval, and periodically reviewing Board membership criteria. These criteria include business experience and skills, independence, judgment, integrity, the ability to commit sufficient time and attention to Board activities, and the absence of

potential conflicts with the Company's interests. The Committee considers these criteria in the context of the perceived needs of the Board as whole and seeks to achieve a diversity of occupational and personal backgrounds on the Board. The Committee also considers candidates submitted by stockholders in compliance with the procedures described in the Company's proxy statement.

The Governance and Compensation Committee reviews the qualifications of director candidates in light of applicable Board membership criteria and recommends candidates to the Board for election by the stockholders at the annual meeting. In addition, prior to the recommendation of director candidates to the Board, the chairman of the Governance and Compensation Committee annually evaluates the performance of each incumbent director.

### ***Board Leadership***

The Board believes that it is in the best interests of the Company for the Board to make a determination regarding whether or not to separate the roles of Chairman and CEO based upon the circumstances. The Board believes that presently it is in the best interests of the Company for a single person to serve as both the Chairman and CEO.

In addition, the independent directors have appointed an independent director to serve as the lead independent director. The lead independent director's responsibilities include: (1) presiding at meetings of the Board at which the Chairman and CEO is not present, including executive sessions of the independent directors; (2) setting the agenda for executive sessions; (3) consulting with the Chairman and CEO regarding agendas, scheduling and information needs for Board and committee meetings; and (4) serving as the principal liaison on Board-wide issues between the independent directors and the Chairman and CEO. The lead independent director also has the authority to call executive sessions of the independent directors.

### ***Change in Principal Occupation***

When a director's principal occupation or business association changes substantially during the director's tenure on the Board, the director must tender his or her resignation for consideration by the Governance and Compensation Committee. The Committee will recommend to the Board whether to accept or reject the resignation.

### ***Service on Other Boards***

Ordinarily, directors should not serve on the boards of more than four other public companies in addition to the Company's Board. Directors should advise the Chairman of the Board and the chairman of the Governance and Compensation Committee in advance of accepting an invitation to serve on another public company board.

## **2. FUNCTIONING OF THE BOARD**

### ***Agendas***

The Chairman and CEO, in consultation with the lead independent director, establishes the agenda for each Board meeting, with the understanding that certain items pertinent to the advisory and monitoring functions of the Board are brought to the Board periodically by the Chairman and CEO for review and/or decision. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chairman of that committee. Directors are encouraged to suggest the inclusion of items on the agenda. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

### ***Distribution and Review of Board Materials***

Board materials related to agenda items are provided to directors sufficiently in advance of Board meetings to allow directors to review and prepare for discussion of the items at the meeting. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at the Board meeting.

### ***Director Access to Management, Employees and Advisors***

At the invitation of the Board, members of senior management recommended by the Chairman and CEO may attend Board meetings or portions of meetings for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations. Directors also have full and free access to other members of management and to employees of the Company.

The Board has the authority to engage outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its functions.

### ***Executive Sessions of Independent Directors***

The independent directors routinely meet in executive session at regularly scheduled Board meetings. The lead independent director presides at these sessions and has the authority to call additional executive sessions as appropriate.

### ***Director Compensation***

The Governance and Compensation Committee annually reviews the compensation of directors and recommends any changes for approval by the Board, which has the authority to set director compensation. Non-management directors receive a combination of cash and equity compensation for service on the Board.

### ***Stock Ownership Guidelines***

The Board has established stock ownership guidelines for directors and executives of the Company. The ownership guidelines are five times base salary for the Chief Executive Officer of Moody's Corporation (MCO) and three times base salary for MCO officers who are direct reports of the CEO; three times base salary for the Chief Operating Officer of Moody's Investors Service (MIS) and MIS executive vice presidents; three times base salary for the President of Moody's Analytics; and five times the annual cash retainer for non-management directors. Restricted shares and shares owned by immediate family members or through qualified Company savings and retirement plans may be used to satisfy the ownership guidelines. Directors and executives have five years (from the July 2004 adoption of the guidelines or the date on which they become directors or executives) to comply with these guidelines.

### ***Succession Planning***

The Board plans for succession to the position of Chairman and CEO as well as certain other senior management positions. The Board periodically reviews the Company's succession plans regarding the selection of individuals to fill these positions.

### ***Formal Evaluation of Chairman and CEO and Other Executive Officers***

The Governance and Compensation Committee is responsible for setting annual and long-term performance goals for the Chairman and CEO and for evaluating his performance against those goals. Both the goals and the evaluation are then submitted for consideration by the independent directors meeting in executive session. The results of the evaluation are shared with the Chairman and CEO and used by the Governance and Compensation Committee in considering his compensation, which is approved by the independent directors meeting in executive session.

The Governance and Compensation Committee also is responsible for reviewing and approving annual and long-term performance goals for other executive officers of the Company. The Committee reviews with the Chairman and CEO the performance of these executive officers against the goals and based upon that review, and considering recommendations from the Chairman and CEO, sets the executive officers' compensation.

### ***Annual Meeting of Stockholders***

Directors are encouraged to attend the annual meeting of stockholders.

### ***Director Orientation and Continuing Education***

The Company has an orientation process for Board members that includes extensive materials and meetings with key management designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board

encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

### ***Annual Performance Evaluation***

The Board conducts an annual self-evaluation to assess its performance.

## **3. STRUCTURE AND FUNCTIONING OF COMMITTEES**

### ***Number, Structure and Independence of Committees***

It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be necessary and appropriate for the Company. Currently the Board's standing committees are the Audit Committee, the Governance and Compensation Committee and the International Business Development Committee. The Audit Committee and the Governance and Compensation Committee are made up solely of independent directors. In addition, directors who serve on the Audit Committee must be "independent" within the meaning of the New York Stock Exchange independence criteria for audit committee members, as reflected on Attachment A.

The Board may also establish and maintain other committees of the Board from time to time as it deems necessary and appropriate.

### ***Assignment and Rotation of Committee Members***

The Governance and Compensation Committee considers and makes recommendations to the Board regarding committee size, structure, composition and functioning. Committee members are recommended to the Board by the Governance and Compensation Committee and appointed by the full Board. Committee chairmen are elected by the Board. It is the policy of the Board that consideration be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy.

### ***Responsibilities***

All Committees report regularly to the full Board with respect to their activities. Each of the Audit Committee and the Governance and Compensation Committee operates under a written charter that sets forth the purposes, goals and responsibilities of the committee as well as qualifications for committee membership. Each of the Audit Committee and the Governance and Compensation Committee assesses the adequacy of its charter annually and recommends changes to the Board as appropriate. Each of the Audit Committee and the Governance and Compensation Committee has the authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

### ***Meetings and Agendas***

The chairman of each committee determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings where necessary to allow the members to review and prepare for discussion of the items at the meeting.

### ***Annual Performance Evaluation***

In accordance with their respective charters, the Audit Committee and the Governance and Compensation Committee each conduct an annual self-evaluation to assess their performance.

## **4. COMMUNICATIONS WITH DIRECTORS**

Stockholders and other stakeholders may communicate with the Board, or with a specific director or directors, by writing to them c/o the Corporate Secretary, Moody's Corporation, 7 World Trade Center at 250 Greenwich Street New York, NY 10007.

## Attachment A

An "independent" director is a director whom the Board of Directors has determined has no material relationship with Moody's Corporation or any of its consolidated subsidiaries (collectively, the "Company"), either directly, or as a partner, stockholder or officer of an organization that has a relationship with the Company. For purposes of this definition, the Board has determined that a director is not independent if:

1. the director is, or in the past three years has been, an employee of the Company, or an immediate family member of the director is, or in the past three years has been, an executive officer of the Company;
2. (a) the director, or an immediate family member of the director, is a current partner of the Company's outside auditor; (b) the director is a current employee of the Company's outside auditor; (c) a member of the director's immediate family is a current employee of the Company's outside auditor and personally works on the Company's audit; or (d) the director or an immediate family member of the director was in the past three years a partner or employee of the Company's outside auditor and personally worked on the Company's audit within that time;
3. the director, or a member of the director's immediate family, is or in the past three years has been, an executive officer of another company where any of the Company's present executive officers serves or served on the compensation committee at the same time;
4. the director, or a member of the director's immediate family, has received, during any 12-month period in the past three years, any direct compensation from the Company in excess of \$120,000, other than compensation for Board service, compensation received by the director's immediate family member for service as an employee (other than an executive officer) of the Company, and pension or other forms of deferred compensation for prior service with the Company;
5. the director is a current executive officer or employee, or a member of the director's immediate family is a current executive officer, of another company that makes payments to or receives payments from the Company, or during any of the last three fiscal years, has made payments to or received payments from the Company, for property or services in an amount that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues; or
6. the director, or the director's spouse, is an executive officer of a non-profit organization to which the Company or the Company foundation makes, or in the past three years has made, contributions that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the non-profit organization's consolidated gross revenues (Amounts that the

Company contributes under matching gifts programs are not included in the contributions calculated for purposes of this standard.).

An "immediate family" member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.

In addition, a director is not considered independent for purposes of serving on the Audit Committee, and may not serve on the Audit Committee, if the director: (a) accepts, directly or indirectly, from Moody's Corporation or any of its subsidiaries, any consulting, advisory, or other compensatory fee, other than Board and committee fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Moody's Corporation; or (b) is an "affiliated person" of Moody's Corporation or any of its subsidiaries; each as determined in accordance with Securities and Exchange Commission regulations.