

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

ESG Risk Rating

13.6

Updated Sep 21, 2022

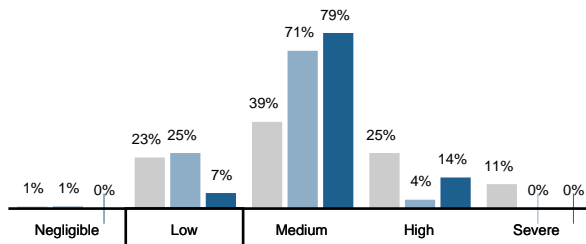
-1.0

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	964/14668	8th
Software & Services INDUSTRY	32/1000	4th
Internet Software and Services SUBINDUSTRY	1/229	1st

Peers Table

Peers (Market cap \$1.7 - \$1.7bn)

Peers (Market cap \$1.7 - \$1.7bn)	Exposure	Management	ESG Risk Rating
1. Udemy, Inc.	33.6 Low	63.6 Strong	13.6 Low
2. TechTarget, Inc.	34.6 Low	27.8 Average	25.5 Medium
3. RAKUS Co., Ltd.	35.0 Low	26.9 Average	26.2 Medium
4. Upstart Holdings, Inc.	37.6 Medium	28.5 Average	27.6 Medium
5. Trainline Plc	41.3 Medium	34.2 Average	28.2 Medium

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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

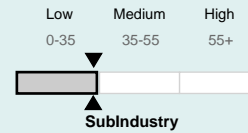
33.6

+3.6

Low

Momentum

Beta = 0.99



Udemy requires highly skilled software engineers, marketing staff and product managers for which there is fierce industry competition. If it is unable to effectively attract and retain a skilled workforce, Udemy may face high operational costs, business disruptions and other inefficiencies. Furthermore, Udemy receives, stores and processes large volumes of sensitive data from over 49 million learners and 64 thousand instructors, as of end of FY2021. This triggers exposure to data privacy and security breaches, which may result in regulatory actions, litigation, fines, public scrutiny or loss of trust. Udemy is exposed to potential ethical breaches derived from materials posted to its platforms, that may contain third-party owned content, as well as bribery and corruption, conflicts of interest, anti-competitive practices and tax and accounting irregularities.

The company's overall exposure is low and is similar to subindustry average. Human Capital, Data Privacy and Security and Business Ethics are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

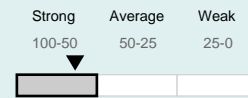
ESG Risk Management

63.6

+8.3

Strong

Momentum



Udemy has board oversight for ESG-related issues, however it does not disclose ESG data in accordance with GRI reporting standards. The company has governance structures in place for both data privacy and cybersecurity management and conducts regular privacy risk audits as well as security audits on its technologies and data handling practices. Udemy's audit committee oversees business ethics-related issues and annually reviews reports on compliance. Udemy mandates annual training on its anti-bribery and corruption policy. The company has several human capital initiatives for employee development and retention, including free access to all Udemy courses. In 2021, it also established a global diversity and inclusion council and recently achieved Fair Pay Workplace certification for gender pay equality. However, its employee turnover rate in 2021 was high, suggesting room for improvement.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score Category	ESG Risk Management Score Category	ESG Risk Rating Score Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	49.6 Average	4.5 Medium	33.2%
Human Capital	8.0 High	66.2 Strong	3.0 Low	21.7%
Data Privacy and Security	7.6 Medium	90.0 Strong	2.1 Low	15.6%
Business Ethics	6.0 Medium	68.8 Strong	2.1 Low	15.3%
Product Governance	3.0 Low	35.5 Average	1.9 Negligible	14.2%
Overall	33.6 Low	63.6 Strong	13.6 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

None (14)

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Data Privacy and Security

Intellectual Property

Labour Relations

Lobbying and Public Policy

Marketing Practices

Media Ethics

Quality and Safety

Sanctions

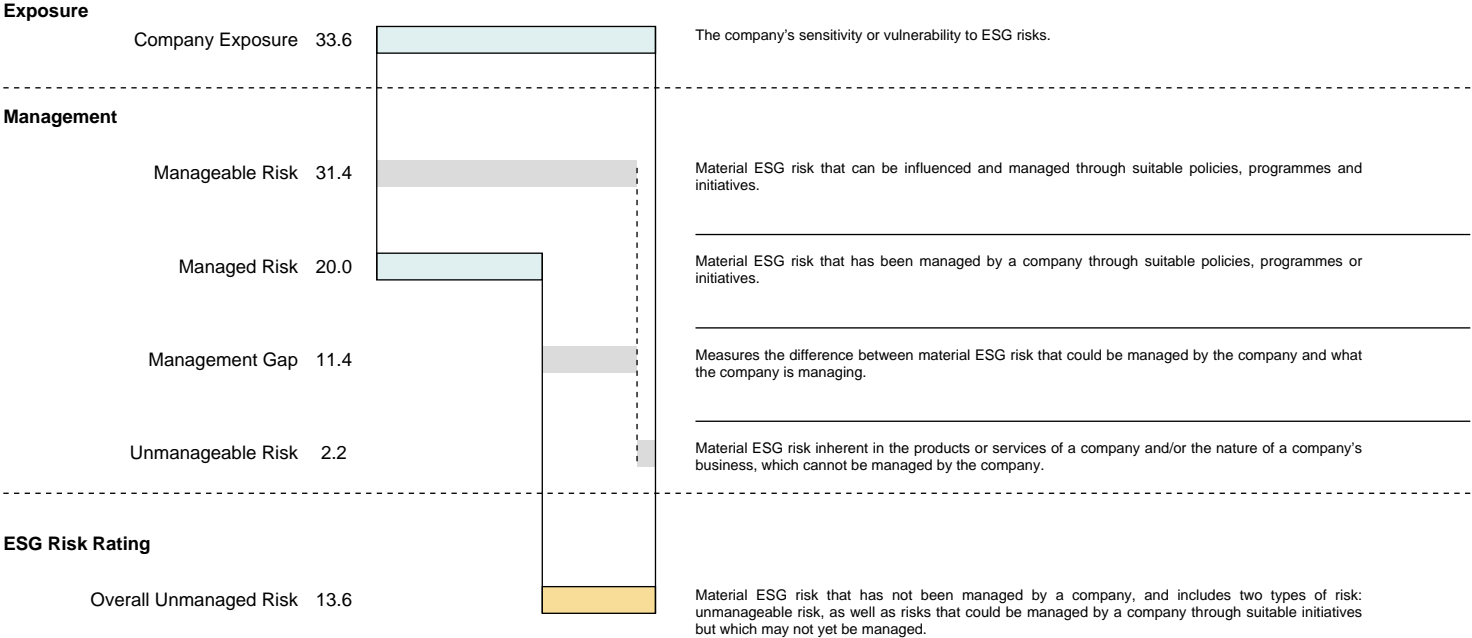
Society - Human Rights

Weapons

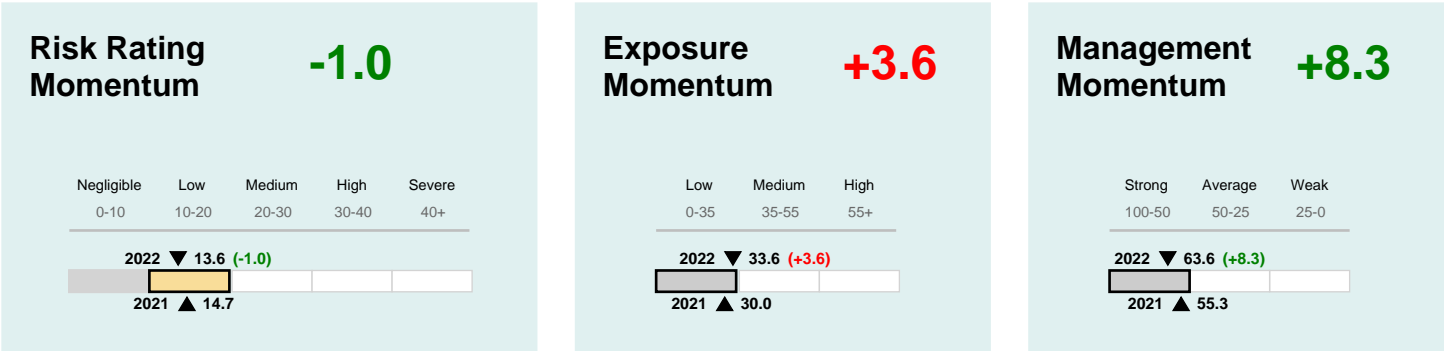
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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