

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

ESG Risk Rating

14.4

Last Full Update Oct 12, 2023

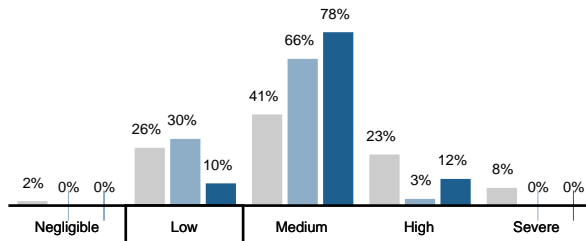
+0.8

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	1414/15719	10th
Software & Services INDUSTRY	44/1102	5th
Internet Software and Services SUBINDUSTRY	2/250	1st

Peers Table

Peers (Market cap \$1.2 - \$1.4bn)

Peers (Market cap \$1.2 - \$1.4bn)	Exposure	Management	ESG Risk Rating
1. Udemy, Inc.	34.9 Low	62.9 Strong	14.4 Low
2. PEXA Group Ltd.	36.9 Medium	50.0 Strong	19.7 Low
3. Domain Holdings Australia Ltd.	40.0 Medium	45.0 Average	23.3 Medium
4. Gogo, Inc.	39.9 Medium	32.8 Average	27.7 Medium
5. Baltic Classifieds Group Plc	38.6 Medium	29.9 Average	27.9 Medium

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

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

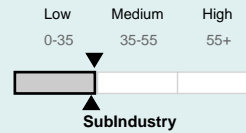
34.9

+1.3

Low

Momentum

Beta = 1.03



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, triggering 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, which 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. Data Privacy and Security, Business Ethics and Human Capital 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.

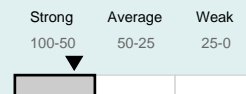
ESG Risk Management

62.9

-0.7

Strong

Momentum



Udemy has board oversight for ESG-related issues, but 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 employees receive annual training on data privacy management and cybersecurity issues. Additionally, software engineers are required to take software security training for engineers. Udemy's audit committee oversees business ethics-related issues and annually reviews reports on compliance, and the company also mandates annual training on its anti-bribery and corruption policy. The company has several human capital initiatives for employee development, including free access to all Udemy courses and a yearly stipend that can be used for professional development. However, its employee turnover rate in 2022 was approximately 22%, suggesting room for improvement.

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

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

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	51.2 Average	4.4 Medium	30.5%
Data Privacy and Security	8.0 High	70.0 Strong	3.5 Low	24.4%
Human Capital	8.4 High	65.0 Strong	3.2 Low	22.3%
Product Governance	3.2 Low	37.0 Average	2.0 Negligible	13.8%
Business Ethics	6.3 Medium	83.8 Strong	1.3 Negligible	8.9%
Overall	34.9 Low	62.9 Strong	14.4 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)

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

Events Overview

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

Category (Events)

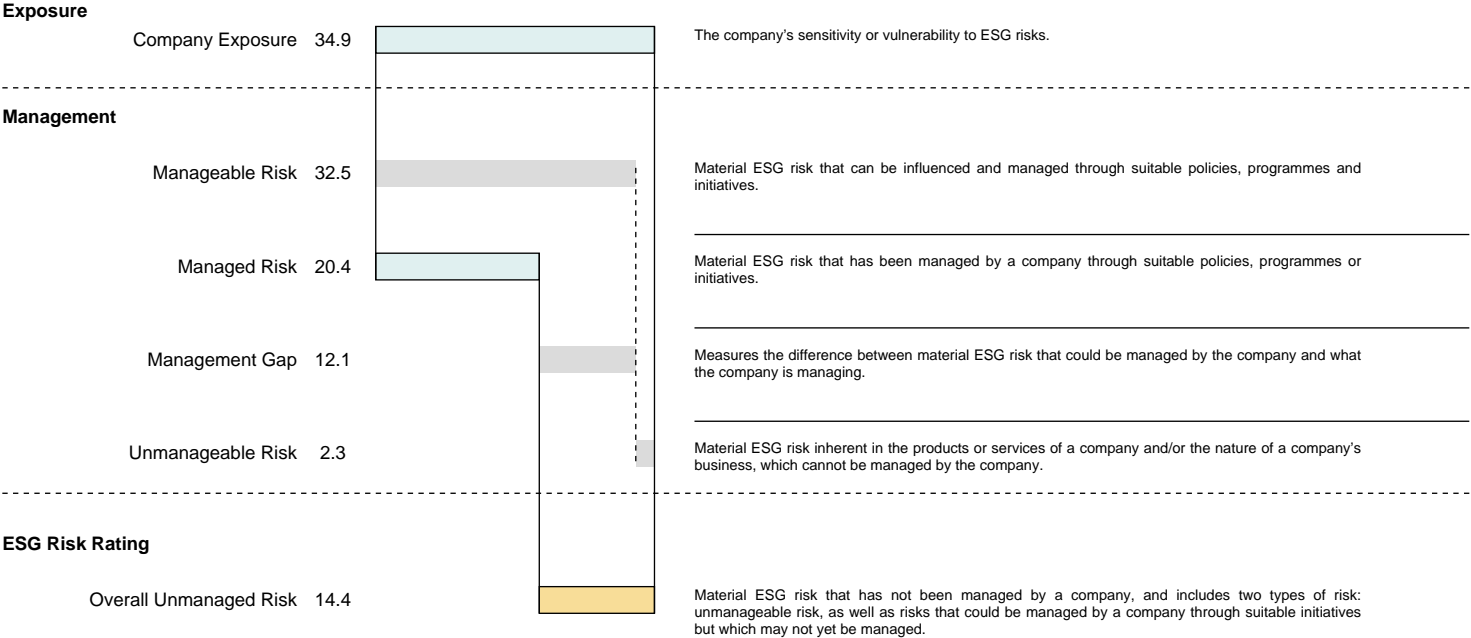
None (15)

- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Data Privacy and Security
- Employees - Human Rights
- Intellectual Property
- Labour Relations
- Lobbying and Public Policy
- Marketing Practices
- Media Ethics
- Quality and Safety
- Sanctions
- Society - Human Rights
- Weapons

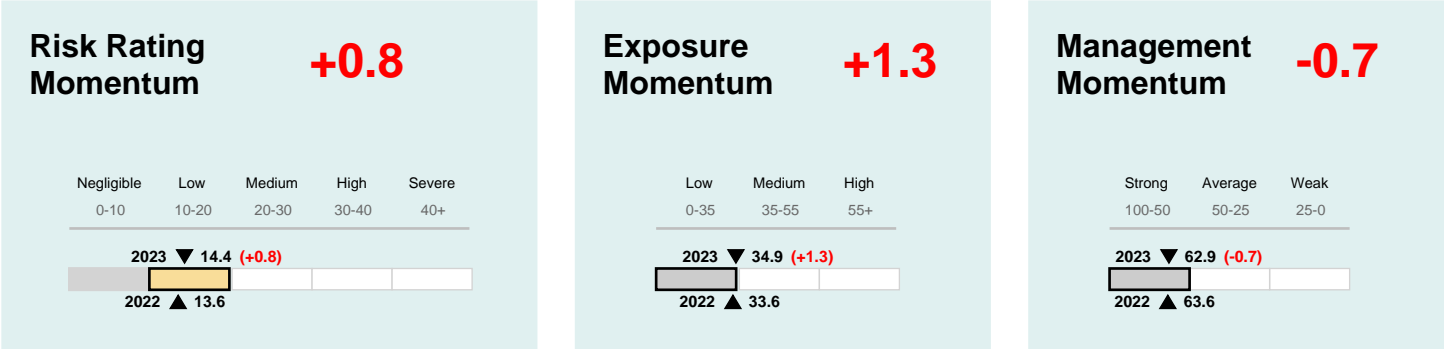
Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

Risk Decomposition



Momentum Details



Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

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**).

Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

DISCLAIMER

Copyright ©2023 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, intended for internal, non-commercial use and may not be copied, distributed or used in any other way, including via citation, unless otherwise explicitly agreed in writing. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) do not constitute investment advice, nor represent an expert opinion or negative assurance letter; (3) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) are not an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; (5) are not a substitute for professional advice; (6) past performance is no guarantee of future results; (7) have not been submitted to, nor received approval from, any relevant regulatory bodies.

These are based on information made available by third parties, subject to continuous change and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. The information and data are provided "as is" and reflects Sustainalytics' opinion at the date of its elaboration and publication.

Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law.

Any reference to content providers' names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information visit [Governance Documents](#) or contact compliance@sustainalytics.com.