Udemy, Inc.

Internet Software and Services United States of America NAS:UDMY

ESG Risk Rating

13.3

Last Full Update Oct 12, 2023

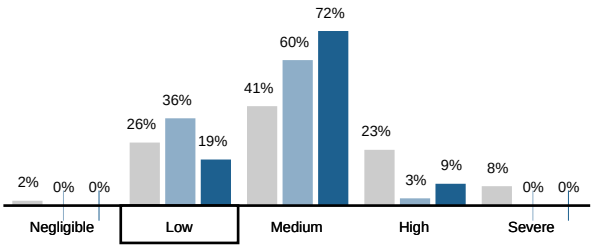
-1.1

Momentum

Low Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1st = lowest risk)	PERCENTILE (1st = Top Score)
Global Universe	**1085**/15100	**8th**
Software & Services INDUSTRY	**31**/962	**4th**
Internet Software and Services SUBINDUSTRY	**3**/219	**2nd**

Peers Table

Peers (Market cap $1.1 - $1.2bn)	Exposure	Management	ESG Risk Rating
1. Udemy, Inc.	35.3 Medium	67.0 Strong	**13.3 Low**
2. Domain Holdings Australia Ltd.	36.2 Medium	54.6 Strong	**17.8 Low**
3. Just Dial Ltd.	35.0 Low	35.8 Average	**23.3 Medium**
4. Fastly, Inc.	41.8 Medium	45.2 Average	**24.2 Medium**
5. Shutterstock, Inc.	36.1 Medium	31.9 Average	**25.4 Medium**

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ESG Risk Analysis

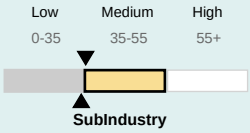
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

35.3 **+0.4**

Medium Momentum

Beta = 1.04



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.

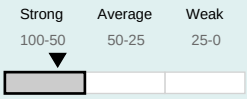
The company's overall exposure is medium and is similar to subindustry average. Human Capital, Business Ethics and Data Privacy and Cybersecurity are notable material ESG issues.

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

67.0 **+4.1**

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.

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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
Data Privacy and Cybersecurity	8.4 High	66.5 Strong	**3.9 Low**	29.7%
Human Capital	8.4 High	65.0 Strong	**3.2 Low**	24.2%
Corporate Governance	7.0 Medium	68.4 Strong	**2.2 Low**	16.7%
Product Governance	3.2 Low	37.0 Average	**2.0 Negligible**	15.0%
Business Ethics	6.3 Medium	83.8 Strong	**1.3 Negligible**	9.7%
Stakeholder Governance	2.0 Low	68.5 Strong	**0.6 Negligible**	4.8%
Overall	**35.3 Medium**	**67.0 Strong**	**13.3 Low**	**100.0%**

Events Overview

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

Category (Events)

Severe (0)

High (0)

Significant (0)

Moderate (0)

Low (2)

Corporate Governance

Data Privacy and Security

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Events Overview

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

Category (Events)

None (14)

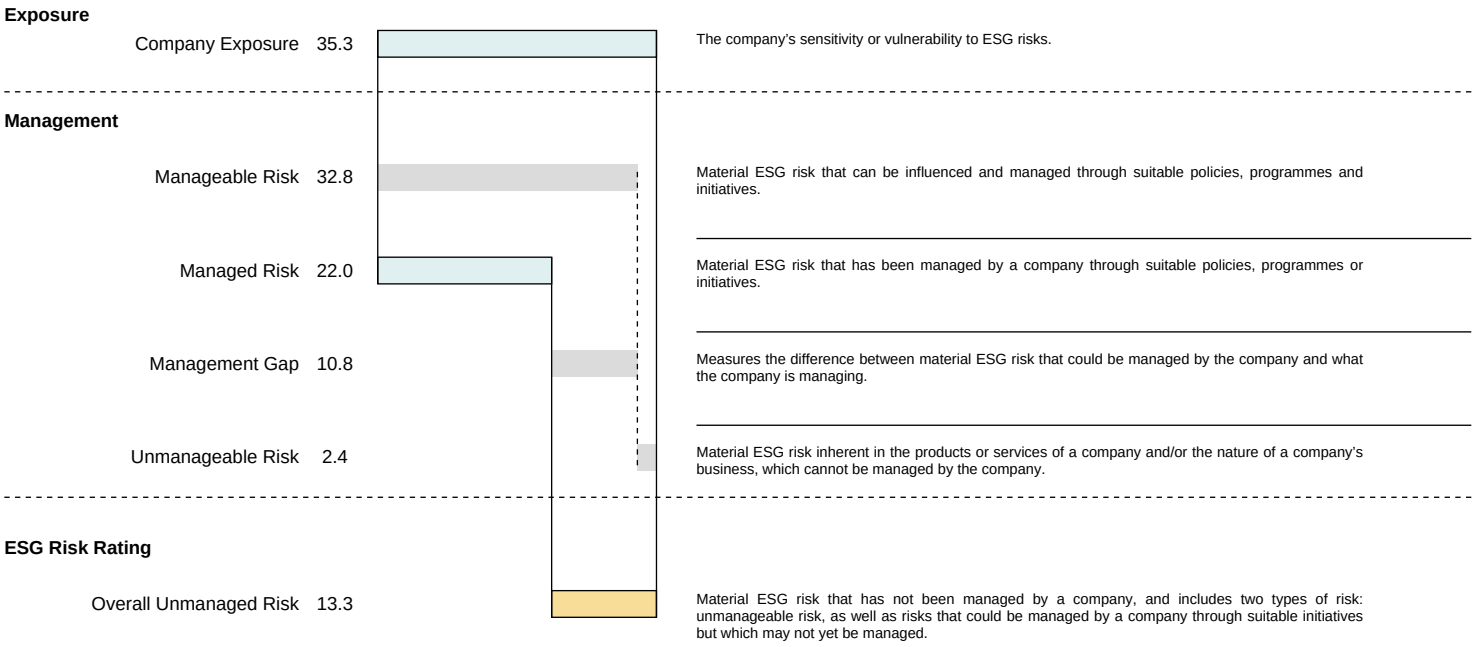
- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Employees - Human Rights
- Intellectual Property
- Labour Relations
- Lobbying and Public Policy
- Marketing Practices
- Media Ethics
- Quality and Safety
- Sanctions
- Society - Human Rights
- Weapons

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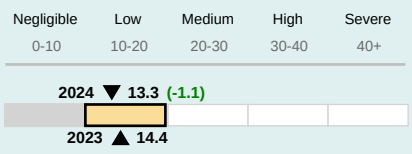
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Risk Decomposition

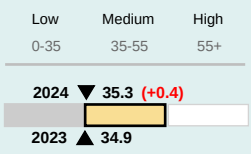


Momentum Details

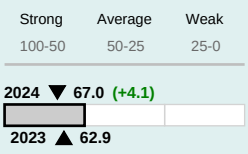
Risk Rating Momentum -1.1



Exposure Momentum +0.4



Management Momentum +4.1



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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.

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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