

\*

**General Description of the Credit Rating Process**  
**as of July 25, 2017**

**Initiation of a Credit Rating**

S&P Global Ratings' credit rating process typically begins with a credit rating request from the Issuer (See *Quality of the Rating Process – Assignment of Credit Ratings Policy*) (such policy also defines circumstances when Unsolicited Credit Ratings may be issued. Also see *S&P Global Ratings Transparency – Secure Website Policy SEC Rule 17g-5 Policy*).

**Information Sources and Considerations**

S&P Global Ratings provides a Credit Rating only when, in its opinion, there is information of satisfactory quality to form a credible opinion on creditworthiness, consistent with its *Quality of the Rating Process – Sufficient Information (Quality of Information) Policy*, and only after applicable quantitative, qualitative, and legal analyses are performed. Throughout the ratings and surveillance process, the analytical team reviews information from both public and nonpublic sources.

For corporate, government, and financial services company (collectively referred to as “C&G”) Credit Ratings, the analysis generally includes historical and projected financial information, industry and/or economic data, peer comparisons, and details on planned financings. In addition, the analysis is based on qualitative factors, such as the institutional or governance framework, the financial strategy of the rated entity and, generally, the experience and credibility of management. For structured finance Credit Ratings, the analysis generally covers the credit quality of the securitized assets, a review of the applicable legal and regulatory regime to determine whether the securitized assets have been appropriately isolated from bankruptcy and insolvency risk of transaction participants, the payment structure and cash flow mechanics, operational and administrative risks of key participants, counterparty exposure, and the historical performance data relating to the underlying assets (and/or assets with similar characteristics), if applicable. Our qualitative considerations for new issue transactions would generally include the strengths and weaknesses of originators of assets and other key transaction participants, which may impact the amount of credit enhancement required for a particular rating and/or limit the maximum potential rating. Quantitative models are commonly employed in our analysis coupled with a qualitative assessment of the risk and mitigating factors.

In connection with its assignment or surveillance of a rating, S&P Global Ratings typically receives data and other information from issuers and their agents and advisors,

---

\* This process description does not apply to Japan SME ratings or Unsolicited Credit Ratings.

as well as from other sources. In addition, numerous commercial vendors sell or provide data to S&P Global Ratings that may be used in various aspects of the ratings process, including publicly available data aggregated by third parties. Purchased data includes economic and business news, information on new financings, information on defaults and bankruptcies, performance data for structured finance transactions, securities prices, and information obtained from regulatory filings.

As noted above, S&P Global Ratings provides a Credit Rating only when, in its opinion, there is information of satisfactory quality to form a credible opinion on creditworthiness. In particular, S&P Global Ratings will not issue or maintain a Credit Rating if it believes the information available and necessary to maintain the rating is not reliable. Although, it may in certain cases obtain additional information concerning the data provided by various parties, S&P Global Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. If S&P Global Ratings' Criteria permit the use of public ratings from other CRAs, S&P Global Ratings may use such ratings as part of its evaluation of funds, pools of assets or in connection with structured finance transactions. (See *Quality of the Rating Process – Sufficient Information (Quality of Information) Policy*).

### **Interaction with Management**

For C&G Credit Ratings, S&P Global Ratings primarily employs fundamental credit analysis, occasionally supplemented by quantitative models in accordance with our Criteria. A meeting with management is commonly undertaken as part of the credit rating process. Members of S&P Global Ratings' analytical team typically meet with management to review key factors that may have an impact on the Credit Rating, including operating and financial plans and management policies. These meetings help Analysts develop their assessment of management and corporate strategy, which are qualitative factors that are generally incorporated in our Credit Rating Actions (See *Quality of the Rating Process Policy*).

### **The Rating Committee**

S&P Global Ratings' Credit Ratings are determined by the vote of a Rating Committee, not by any individual Analyst. Under certain circumstances, S&P Global Ratings issues Credit Ratings that are derived either in whole or in part from other Credit Ratings. In this regard, and under certain circumstances, an Employee may apply an existing Issue or Issuer Credit Rating on an entity (previously determined by a Rating Committee) to another Issuer and/or Issue as a Linked Rating Action.

The Rating Committee process is central to analytical quality. (See *Quality of the Ratings Process – Rating Committee Policy*). Individuals who collectively have the knowledge and experience in developing and monitoring a Credit Rating for a specific type of Rated Entity comprise the Rating Committee. At the Rating Committee meeting, pertinent information and a Rating Recommendation are presented and discussed. Then the Rating Committee votes on the Rating Recommendation and reaches a Rating Decision. The Rating Committee Chairperson ensures that the Rating Committee (a) is properly constituted, (b) appropriately applies S&P Global Ratings' Criteria, (c) reviews all relevant information and disclosures, (c) complies with the *S&P Global Ratings*

*Code of Conduct* and related policies, guidelines and procedures, and (e) reaches a Ratings Decision absent extraordinary circumstances. (See *Quality of the Ratings Process – Rating Committee Policy*).

### **Informing Issuers and Appeals**

As a general matter, once the Rating Committee has reached a Rating Decision the Issuer is notified of the Rating Decision and the key elements underlying it. After notifying the Issuer, S&P Global Ratings publishes the Credit Rating and generally disseminates it to the media, except in the case of Private and Confidential Credit Ratings. S&P Global Ratings will, when so required by applicable regulations or may, as a courtesy to prevent factual errors or prevent the inadvertent release of Confidential Information, provide an advance copy of its Credit Rating Rationale to the Issuer (See *Quality of the Rating Process - Ratings Release Policy, Issuer Notification (including Issuer Appeals) and Protection of Information - Avoiding Selective Disclosure Policy*).

S&P Global Ratings may accept a request from an Issuer to appeal a Rating Decision, provided that meaningful new information is presented. (See *Quality of the Rating Process*). When this occurs, a Rating Committee will convene to review the additional information and vote. The Rating Committee may stand by the original Rating Decision or reach a new Rating Decision.

### **Credit Rating Reviews**

Consistent with its goal of forward-looking, timely, and credible Credit Ratings, S&P Global Ratings maintains surveillance on an ongoing basis and performs a review vetted by a committee at least annually of its outstanding Credit Ratings (which excludes point in time Credit Ratings). The frequency, timing and extent of surveillance are dynamic and reflect, among other things: (a) the frequency and public availability of financial and regulatory reporting; (b) the frequency and availability of transaction-specific performance information; (c) the availability of new information, derived from a variety of sources that is relevant to creditworthiness; (d) the occurrence of material changes that could impact a Credit Rating; (e) the impact of changes in macro-economic or financial market conditions; and (f) specific risk considerations and expectations relevant to a rated issue or issuer or to a group or class of rated issues or issuers. (See *Surveillance and Withdrawal Policy and Sufficient Information (Quality of Information) Policy*).

For C&G Credit Ratings, it is routine to schedule periodic meetings with management as part of the ongoing surveillance process. These meetings enable Analysts to be apprised of changes in the Rated Entity's plans and to discuss new developments, performance relative to prior expectations, and other areas pertinent to our analysis. For structured finance Credit Ratings, as part of the surveillance process, Analysts monitor performance data and other pertinent information that includes, for example, changes in asset performance, changes in the transaction's credit support, and changes in the ratings of support providers.

In general, for C&G Credit Ratings the same principles are applied in determining initial Credit Ratings and in performing surveillance of Credit Ratings. However, structured finance surveillance processes and models may differ from those applied to initial Credit

Ratings. While new Issue processes focus on evaluating potential defaults and losses for a given asset pool over the term of the security, the surveillance process considers the actual performance exhibited and evaluates potential losses as compared to existing credit support. In addition, process differences between new issues and surveillance may be attributed to the availability of pertinent information used in the analysis.

Credit Rating Criteria provide the framework from which analytical judgment is applied to the unique fact set of each rating engagement. Existing Criteria remain in effect until they are replaced by new Criteria or explicitly withdrawn. Changes made to Criteria and models for determining initial Credit Ratings are generally applied to existing Credit Ratings within a reasonable period of time, in accordance with applicable regulatory requirements, taking into consideration such factors as the number of ratings impacted, the complexity of the procedures and methodologies used to determine the Credit Ratings, and the types of securities being rated. Additionally, changes made to models and Criteria for performing ratings surveillance are incorporated into the models and Criteria for determining initial ratings. For structured finance Credit Ratings, certain changes made to models and Criteria for determining initial Credit Ratings may not apply to existing Credit Ratings when changes to the initial Credit Ratings assumptions are not considered significant to the surveillance analysis where the surveillance process focuses on the actual underlying asset performance. (*See Model Governance and Criteria Governance Policy*).

Typically, Credit Ratings are subject to a review at least every 12 months. For structured finance Credit Ratings, surveillance typically consists of monitoring and interpreting delinquency and loss performance, measuring current levels of credit enhancement, assessing the impact of amendments and of Credit Rating Actions related to credit support providers, and applying quantitative and qualitative analytical procedures. As a result of the surveillance process, it sometimes becomes apparent that changing conditions require reconsideration of an outstanding Credit Rating, which may lead to convening a Rating Committee to consider CreditWatch placement or another Credit Rating Action. (*See Surveillance and Withdrawal Policy*).

Once a Credit Rating is public, S&P Global Ratings publicly discloses any subsequent Credit Rating Actions, generally with a short explanation. Depending on our view of market interest in the Credit Rating, we may publish reports at the conclusion of Credit Rating reviews in which a Credit Rating is affirmed.

Credit Ratings are discontinued most commonly when the rated obligations are fully repaid. S&P Global Ratings may also withdraw a Credit Rating at any time in its sole discretion. Such action may be taken, among other reasons, (a) at the request of an Issuer, (b) as a result of the merger or consolidation of an Issuer, (c) because of a lack of information of satisfactory quality about the Rated Entity, (d) because of non-payment of S&P Global Ratings fees (except in the case of Unsolicited Credit Ratings), or (e) because of a lack of sufficient market interest in the Credit Rating or for other business reasons. S&P Global Ratings may change a Credit Rating, and publish such change, prior to withdrawing it, if we believe that the public Credit Rating is or may be misleading based on current information. S&P Global Ratings may also suspend a

Credit Rating at any time in its sole discretion. (*See Surveillance and Withdrawal Policy*).