

**STANDARD & POOR'S RATINGS SERVICES  
EU GROUP OF CREDIT RATING AGENCIES  
TRANSPARENCY REPORT 2015**

**EU Group of Credit Rating Agencies consisting of:**  
Standard & Poor's Credit Market Services Europe Limited  
Standard & Poor's Credit Market Services France SAS and  
Standard & Poor's Credit Market Services Italy SRL



**STANDARD & POOR'S  
RATINGS SERVICES**

McGRAW HILL FINANCIAL

## **Standard & Poor's Ratings Services EU Group of Credit Rating Agencies – Transparency Report**

This Transparency Report is made available pursuant to Article 12 and Part III of Annex I, Section E of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended, the “Regulation”). The Transparency Report provides information on the operations of Standard & Poor's Ratings Services<sup>1</sup> (“S&P Ratings Services”) in the European Union (the “EU”) for the financial year ending 31 December 2015. S&P Ratings Services operates as a “Group of Credit Rating Agencies” in the EU as defined by article 3(m) of the Regulation.

S&P Ratings Services refers to the global Credit Rating Agency (“CRA”) operating through a group of affiliated companies performing Credit Rating Activities (the “Affiliated Entities”), each of which is a direct or indirect wholly owned subsidiary of McGraw Hill Financial, Inc. (“MHFI”). The Affiliated Entities operate in accordance with policies, procedures and ratings criteria (“Criteria”) that generally are globally applicable. S&P Ratings Services shares an integrated operating structure. MHFI is a company incorporated in the State of New York, USA and publicly listed on the New York Stock Exchange.

A glossary of the capitalised terms used but not defined in this Transparency Report is provided in the Annex hereto.

The EU Group of Credit Rating Agencies consists of the following three legal entities (collectively, the “Entities”):

Standard & Poor's Credit Market Services Europe Limited<sup>2</sup> (“CMS Europe”);  
Standard & Poor's Credit Market Services France SAS (“CMS France”); and  
Standard & Poor's Credit Market Services Italy SRL (“CMS Italy”).

Each of the Entities was registered in accordance with the Regulation on 31 October 2011.

S&P Ratings Services operations in the EU were first established in:

- the United Kingdom in 1984;
- Sweden in 1988;
- France in 1990;
- Germany in 1992;
- Spain in 1992;
- Italy in 1999; and
- Poland in 2014.

This Transparency Report contains information with respect to all three Entities. Information specific to each of the three Entities is separately presented in this Transparency Report. This Transparency Report describes, to the extent relevant, certain functions established by S&P Ratings Services on a global level, but does not address S&P Ratings Services' global operations in any Affiliated Entities outside the EU through which S&P Ratings Services may conduct its Credit Rating Activities.

Information provided in this Transparency Report is current as at 31 December 2015.

Further information disclosed in accordance with the Regulation can be found at <http://www.standardandpoors.com/ratings/european-union-regulatory-disclosures/en/eu>.

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<sup>1</sup> At the Annual Meeting of Shareholders of MHFI on 27 April 2016, MHFI's shareholders will vote on a proposal to change the legal name of the company to “S&P Global Inc.” from “McGraw Hill Financial, Inc.” Subject to such shareholder approval, it is anticipated that the division name of Standard & Poor's Ratings Services will be rebranded as S&P Global Ratings.

<sup>2</sup> CMS Europe is a company incorporated in England & Wales and has branches in Germany, Spain, Sweden, Russia, the Republic of South Africa and Dubai (United Arab Emirates) and since mid-2015 Poland. It also has a liaison office in Turkey.

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<b>1. INFORMATION ON LEGAL STRUCTURE AND OWNERSHIP</b>
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<b>CMS Europe</b>
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CMS Europe was incorporated<sup>3</sup> under the laws of England & Wales on 31 December 2009 and houses the Credit Rating Activities conducted in the UK, and, through its branches in those countries, the Credit Rating Activities in Dubai (United Arab Emirates), Germany, the Republic of South Africa, Russia, Spain and Sweden, which were previously owned by other Affiliated Entities and now Poland. CMS Europe is one of several wholly-owned subsidiaries of McGraw Hill Financial European Holdings (Luxembourg) Sarl ("MHFEH"), which is in turn indirectly wholly-owned by MHFI.

The share capital of CMS Europe is £1,000, made up of 1,000 shares with a par value of £1 each, all held by MHFEH.

CMS Europe has no subsidiaries or holdings in any other entity in the UK or elsewhere.

Other than as set out above, no acquisitions, disposals or events changing the breakdown of voting rights have taken place since CMS Europe was incorporated. No natural person or legal entity is entitled to acquire, dispose of or exercise voting rights in CMS Europe in the circumstances set out in Article 10 of Directive 2004/109/EC.

<b>CMS France</b>
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CMS France was incorporated<sup>4</sup> under the laws of France on 5 May 2010 and houses the Credit Rating Activities previously conducted in France, through a demerger from The McGraw-Hill Companies SAS. CMS France is one of several wholly-owned subsidiaries of MHFEH, which is indirectly wholly-owned by MHFI.

The share capital of CMS France is €17,354,000, made up of 21,692,500 shares with a par value of €0.80 all held by MHFEH save for the 1,000 shares held by CMS France.

CMS France has no subsidiaries or holdings in any other entity in France or elsewhere.

Other than as set out above, no acquisitions, disposals or events changing the breakdown of voting rights have taken place since CMS France was incorporated. No natural person or legal entity is entitled to acquire, dispose of or exercise voting rights in CMS France in the circumstances set out in Article 10 of Directive 2004/109/EC.

<b>CMS Italy</b>
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CMS Italy was incorporated<sup>5</sup> under the laws of Italy on 12 May 2010 and houses the Credit Rating Activities previously conducted by The McGraw-Hill Companies Srl ("MHS").

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<sup>3</sup> Registered office: 20 Canada Square, Canary Wharf, London, United Kingdom, E14 5LH. Company number: 07114748

<sup>4</sup> Registered office: 40 rue de Courcelles, 75008 Paris, France. Numéro d'identification : 522 211 549 R.C.S. Paris

<sup>5</sup> Registered office: Vicolo San Giovanni sul Muro 1/3/5, Milan, Italy 20121. Numero Repertorio Economico Amministrativo (REA): MI- 1930813

MHS is the sole quota holder, holding one quota of €10,000 of CMS Italy since the latter's incorporation. MHS, incorporated under the laws of Italy, whose capital is €1,315,250, is wholly-owned by MHFEH, which is indirectly wholly-owned by MHFI.

CMS Italy has no subsidiaries or holdings in any other entity in Italy or elsewhere.

No acquisitions, disposals or events changing the breakdown of voting rights have taken place since CMS Italy was incorporated. No natural person or legal entity is entitled to acquire, dispose of or exercise voting rights in CMS Italy in the circumstances set out in Article 10 of Directive 2004/109/EC.

<b>2. A DESCRIPTION OF THE INTERNAL CONTROL MECHANISMS</b>
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### Enhancing the Internal Controls Structure

S&P Ratings Services' Internal Controls structure was strengthened in 2015. The current internal control framework, including those enhancements is described in detail below.

The following initiatives were implemented to enhance the existing internal controls structure:

- A new position, Head of Internal Controls has been created and an interim Head of Internal Controls has been named while a permanent Head is being recruited. The Head of Internal Controls is responsible for driving cultural change, coordinating the global assessment by executive management of the Internal Control structure governing the adherence to policies, procedures and methodologies for determining credit ratings, and advising and overseeing the business in evaluating proposed remediation plans and additional controls.
- New Quality Assurance and In-business Control positions were established
- Investments have been made in the development of tools, processes and more automated controls

The overall objectives are to improve the efficiency and effectiveness of our business processes and drive a culture of compliance, accountability and risk awareness.

### Global Risk Management

In March 2015, S&P Ratings Services initiated a reorganisation affecting its Internal Control structure to further enhance the integrity and independence of our ratings business. These changes affect the Global Risk Management ("GRM"), Criteria Development and Approval (formerly referred to as Criteria), Ratings Risk Review ("RRR") and Compliance functions and consequently impact our internal control framework. Organisationally, GRM, Criteria Development and Approval, RRR and Compliance are independent of the Practice Areas.

GRM now includes a new Criteria Validation Group and the new Criteria Advisory group. The Criteria Validation Group reports to the Global Head of Model and Criteria Validation along with the existing Model Validation Group. The new Criteria Advisory Group supports the analytical practices on Criteria application and interpretation. It is independent of the Criteria Development and Approval Group and the Criteria Validation Group.

The Criteria Development and Approval function, formerly a part of GRM, is now headed by the Chief Credit Officer, who reports directly to the President of S&P Rating Services. Individually, these functions and groups have the following specific responsibilities with respect to S&P Ratings Services' internal control structure:

- GRM, headed by a Chief Risk Officer ("CRO") has responsibility for Global Risk Management Operations, the Risk Program Office, Risk Control Assessment, the Model Validation Group, the Criteria Validation Group, Risk Analytics and Market Surveillance and the Criteria Advisory Group.
- The Model Validation Group is responsible for independently validating and conducting periodic reviews of models.
- The Criteria Validation Group is responsible for independently performing ex-ante validation to assess proposed new or revised Criteria and providing final sign-off on periodic Criteria reviews.

- The Criteria and Model Governance Committee is responsible for approving models and Criteria. The Committee is chaired by the CRO and has as voting members the Chief Credit Officer, the Global Head of Model and Criteria Validation and the Global Head of Criteria Advisory. It is designed to further enhance S&P Ratings Services' model and Criteria approval process. The Criteria Advisory Group supports the Practice Areas on Criteria application, interpretations, and deviations as well as rating to principles. To support its independence, the Criteria Advisory Group is separate from the Criteria Development and Approval Group and the Criteria Validation Group.

#### Criteria Development and Approval Group

S&P Ratings Services' Criteria provides the analytical framework for assessing creditworthiness and assigning Credit Ratings that differentiate credit risk. The Criteria Development and Approval Group is responsible for overseeing and approving the development of Criteria and Criteria changes across Practice Areas, asset classes, sectors and geographic regions for analytical rigour, relevance, consistency, timeliness and transparency. Dedicated Criteria Officers participate in the drafting of Criteria; provide Criteria training, a shared responsibility with the Practice Areas; and provide effective challenge and approve Criteria.

Criteria Officers report independently of the Practice Areas to the Chief Credit Officer and have oversight of all Criteria across different sectors, regions and asset classes. The Chief Credit Officer also provides periodic briefings to the analytical staff on major Criteria changes.

#### Compliance Structure, Approach and Reporting

The Compliance Department is headed by the S&P Ratings Services Global Chief Compliance Officer (the "Global CCO") who reports to the S&P Ratings President. The Global CCO is responsible for monitoring adherence to global and local regulatory requirements as well as to S&P Ratings Services' policies and procedures.

The Chief Compliance Officer for EMEA and India ("CCO EMEA") is based in London and reports to the Global CCO. The CCO EMEA manages a team of fifteen Compliance officers for EMEA. At least one Compliance officer is employed by each of the three Entities.

EMEA Compliance officers receive additional global Compliance support. Furthermore the Control Office, located within the Compliance department in EMEA, is responsible for managing insider lists in accordance with applicable regulation. As of 31 December, 2015, the Control Office consisted of four employees reporting to a UK-based Compliance officer.

#### Compliance Responsibilities

The primary regulatory responsibilities of the Compliance function are the following:

- Advise and assist employees of S&P Ratings Services with respect to meeting regulatory obligations;
- Develop and communicate policies and procedures to promote employees' compliance with regulatory obligations;
- Monitor adherence to policies and processes to assess compliance with regulatory obligations;
- Perform investigatory work, particularly with respect to policy breaches;

- Track activities of S&P Ratings Services employees by maintaining records and log files insofar as related to compliance matters; and
- Conduct training based on the annual compliance plan and on-going training on policies and regulatory matters (by local and global Compliance training staff).

A Compliance Examination Group (“CEG”) is established and operates globally. At least on an annual basis, the CEG assesses the compliance and reputational risk of the Practice Areas for the purpose of prioritising policy areas for examination. An annual risk-based compliance assessment is undertaken which lists key regulatory and business risk indicators, and the controls which mitigate risks. The primary function of the CEG is to conduct Compliance examination reviews in accordance with the annual compliance assessment.

### Ratings Risk Review Function

Effective March 2015, Ratings Risk Review’s (“RRR”) line of reporting was changed from GRM to the MHFI Chief Audit Executive, who reports directly to the MHFI Chief Financial Officer on an administrative basis and functionally to the MHFI Audit Committee of the Board of Directors. However, RRR colleagues remain subject to Ratings Services’ policies and procedures.

RRR Officers are assigned to specific sectors and/or regions. Among other activities, RRR conducts sector and targeted reviews as well as ongoing monitoring including evaluation of Credit Rating files from an analytical perspective, including i) assessment of adherence to analytical policies and procedures and methodologies for determining credit ratings, ii) assessment of adherence to Criteria methodology and the application of Criteria, iii) review of the assumptions made, appropriateness of the documentation of the credit rating analysis, and iv) review of the published rationales for credit ratings. RRR monitors the performance of Credit Ratings and the Credit Ratings process to ensure that emerging trends and credit attributes are appropriately considered.

RRR prepares reports that summarise any findings associated with the outcome of its reviews and monitoring activities, which are issued to applicable stakeholders. RRR requires the Practice Areas to develop and deliver applicable management action plans with responsible owners and completion dates to address each finding identified. For management action plans that result from RRR reviews, RRR formally tracks the effectiveness and timeliness of completion by the Practice Areas. Instances of potential inconsistencies in Criteria application or the Credit Rating process identified by RRR may also result in RRR escalating the applicable Credit Rating(s) to the relevant Lead Analytical Manager for a new Rating Committee when RRR believes the Credit Rating or the published rationale does not materially reflect the appropriate analysis.

RRR presents periodically to the Board of Directors of each Entity.

### MHFI Internal Audit

Independent of S&P Ratings Services’ management and GRM functions, the MHFI Internal Audit (“IA”) function incorporates S&P Ratings Services in their annual risk-based internal audit plan. IA has a team dedicated to regularly perform compliance, operational, information technology and financial audits on MHFI entities including S&P Ratings Services. IA prepares and executes its internal audit plan using a comprehensive risk assessment process to identify significant risks associated with S&P Ratings Services (including those that are regulatory in nature) and to conduct audits which are scoped to assess the effectiveness of the processes and internal control environment in relation to those risks. IA issues reports in relation to these audits and tracks the status and completion of management’s action plans to address IA’s findings. The MHFI Chief Audit Executive reports to the Audit Committee of the MHFI Board of Directors on a functional basis, and administratively to the MHFI Chief Financial Officer.

## Internal Controls Framework

### Policies and Standard Operating Procedures

S&P Ratings Services' Policies and Standard Operating Procedures ("SOPs") are designed to ensure that all applicable regulatory requirements are addressed either via global procedures or jurisdictional supplements where specific requirements apply in certain jurisdictions.

Each policy has a regulatory summary section which describes the high level regulatory requirements. The Policy Statement then goes on to explain how the regulatory requirements are addressed followed by an internal procedures section describing the process in more detail and referencing the relevant SOPs where applicable.

### Policy Governance Group

S&P Ratings Services has established the Policy Governance Group ("PGG"). PGG is responsible for leading the development, approval and maintenance of analytical and non-analytical policies relating to prudent, ethical business practices, and compliance and regulatory matters associated with S&P Ratings Services' activities globally and to oversee the communication of such policies. PGG voting membership consists of representatives from Analytics, Compliance, Criteria, Global Regulatory Affairs, Legal, and Risk Operations. Each representative has one vote and Compliance has a supermajority vote.

The Practice Areas are ultimately responsible for the quality of Credit Ratings and Credit Rating Activities and for adherence to policies and procedures. This responsibility is discharged through managerial supervision and oversight as well as a variety of operational controls.

New policies or amendments to existing policies must be approved before they are disseminated and become effective.

S&P Ratings Services policies and internal procedures undergo periodic review to accommodate any new regulatory requirement or interpretation, or relevant new business or technological development and are continually refined based on input from employees.

### 3. STATISTICS ON STAFF ALLOCATION

Table 1 – total number of Analysts

	Corporate / Infrastructure	Financial Services	Sovereign / IPF	Structured Finance	Other Divisional <sup>6</sup>	Total
CMS Europe	107	93	43	84	17	344
CMS France	27	19	9	3	0	58
CMS Italy	6	6	2	6	0	20
Total	140	118	54	93	17	422

Analysts in the Corporate/Infrastructure, Financial Services and Sovereign/International Public Finance (“IPF”) Practice Areas perform analysis of both new issuance and surveillance for rated Issuers and issuances. Within the Structured Finance Practice Area, Analysts are not exclusively involved either in analysis of new issuance or in surveillance analysis but may be involved in analysis of both new issuance and surveillance.

Table 2 - Compliance and Control Roles

	Compliance	Criteria Staff <sup>7</sup>	Ratings Risk Review <sup>8</sup>	Criteria and Model Validation	Total
CMS Europe	14	8	7	8	40
CMS France	1	6	3	1	11
CMS Italy	1	0	1	0	2
Total	16	14	11	9	53

There may not be Ratings Risk Review and/or Criteria Officers directly employed by each of the Entities, although all Entities are served by such Officers.

Table 3 – Analytical Management and General Management of S&P Ratings Services and the Entities

	Analytical Managers	General Managers <sup>9</sup>	Total
CMS Europe	28	1	29
CMS France	4	2	6
CMS Italy	1	0	1
Total	33	3	36

Please see section 6 below for a description of senior management.

<sup>6</sup> Other Divisional consists of Analysts in the graduate trainee programme.

<sup>7</sup> For the purpose of this Transparency Report, “Criteria staff” comprises Criteria Development, Criteria Owners and Criteria Advisors.

<sup>8</sup> In addition to Ratings Risk Review Officers this column includes three Ratings Risk Review staff members in London and one Ratings Risk Review staff member in France.

<sup>9</sup> General Managers are employees engaged in the management of S&P Ratings Services’ business and operational activities.

<b>4. RECORD-KEEPING POLICY</b>
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Each of the Entities applies policies and procedures in relation to documentation<sup>10</sup> covering all aspects of its business, in particular, all information created, received or in the possession or control of anyone working at or for any of the Entities. This includes internal and external communications; records of Credit Rating actions; research notes; and Issuer materials. The policies and procedures in relation to documentation establish a framework for classifying records and documents.

Records in relation to Credit Ratings held by the Entities subject to applicable retention periods include, but are not limited to:

- a. For each Rating Decision, the identity of the Analysts participating in the determination of the Credit Rating and of the identity of the persons who have approved the Credit Rating, information as to whether the Credit Rating was solicited or unsolicited, and the date on which the Credit Rating action was taken;
- b. An account record for each rated entity, related third party or other user that has paid for the issuance or maintenance of a Credit Rating. In accordance with applicable policies, Analysts do not have access to such account records;
- c. The records documenting the established procedures and methodologies used by the Entity to determine its Credit Ratings;
- d. The final version of internal records, including non-public information and work papers, used to form the basis of the Rating Decision taken;
- e. Records of the procedures and measures implemented to comply with the Regulation; and
- f. Copies of internal and external communications, including electronic communications, received and sent by the Entity and its employees that relate to Credit Rating Activities.

The Primary Analyst for a Credit Rating is responsible for the retention of the records associated with the Credit Rating action, although a Practice Area may delegate this responsibility to someone other than the Primary Analyst, as necessary and appropriate. All other personnel are responsible for the retention of any record that they generate or receive that is required to be retained pursuant to the Recordkeeping and Retention Policy.

Each Entity's personnel retains designated records for at least five years after the records are made or received in relation to Credit Rating Activities, Ancillary Services and Other Services.

The heads of each Practice Area, as well as the heads of certain departments and functions, are responsible for their respective group's compliance with the Recordkeeping and Retention Policy.

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<sup>10</sup> These policies are maintained by S&P Ratings Services. This section particularly addresses the documentation requirements applicable in the EU.

<b>5.</b>	<b>THE OUTCOME OF THE ANNUAL INTERNAL REVIEW OF THE INDEPENDENT COMPLIANCE FUNCTION</b>
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In 2015, IA performed a review of the independent compliance function in EMEA (“EMEA Compliance”). IA’s focus was to determine the effectiveness of Compliance, based on the applicable regulatory requirements. The scope of the audit included the following:

- An assessment of the independence of EMEA Compliance from the business/operations functions of S&P Ratings Services.
- The adequacy of the resources and expertise of EMEA Compliance.
- The appropriate authority and responsibility of EMEA Compliance and its access to all relevant information.
- The adequacy of reporting by EMEA Compliance to senior management and the Independent Directors of the Board; and
- The effectiveness of monitoring S&P Ratings Services’ compliance with applicable regulation.

While IA noted that EMEA Compliance was generally effective and in compliance with applicable regulatory requirements, IA did identify one area that required attention from EMEA Compliance management to further enhance the function and the control environment. EMEA Compliance management has adopted a corrective action plan to remediate the matter identified.

<b>6</b>	<b>A DESCRIPTION OF MANAGEMENT AND ANALYST ROTATION POLICY</b>
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### Description of Management

Information on the board of directors of each of the Entities is provided below in the governance statements in Section 8.

S&P Ratings Services has a global operating structure with staff reporting along functional lines. Accordingly, some staff performing Credit Rating Activities, Ancillary Services or Other Services may not have formal reporting lines within the Entities, and instead report on a global basis.

Effective 20 January 2016, Dominic Crawley (based in London) is head of Global Ratings Services, reporting to John Berisford, President of S&P Ratings Services (based in New York). Reporting to Dominic Crawley are the Global Practice Leaders for the Global Corporates, Global Infrastructure, Global Financial Services, Global Sovereign & International Public Finance and U.S. Public Finance Practice Areas. The Regional Practice Leaders for EMEA (Europe, Middle East & Africa) report to their respective Global Practice Leaders.

The Entities' office network consists of offices in France (Paris), Germany (Frankfurt), Italy (Milan), Spain (Madrid), Sweden (Stockholm), Poland (Warsaw), Russia (Moscow), South Africa (Johannesburg), Turkey (Istanbul), the United Arab Emirates (Dubai) and the United Kingdom (London). The EMEA Developing Markets regional heads are not involved in Credit Rating Activities and, in such capacity, report independently of the Practice Areas to Zeynep Holmes, Managing Director and Head of Developing Markets EMEA (based in London). Effective 20 January 2016, Ms. Holmes reports to Matthew Bosrock, Global Head of Market Development. Mr. Bosrock is based in Singapore and reports to John Berisford. Until his appointment as Global Practice Leaders for Global Corporates and Infrastructure, effective 20 January 2016, Yann Le Pallec (based in Paris) was Executive Managing Director and Head of S&P Ratings Services, EMEA.

The Global Risk Management functions are described in Section 2. The EMEA Criteria Development and Approval group is headed by the Chief Credit Officer EMEA<sup>11</sup> who reports to John Scowcroft, Chief Credit Officer, based in New York.

Agnès de Pétigny, Managing Director and Global Head Criteria Advisory Group, based in Paris, reports to Demetrios Lefakis, CRO, based in New York.

Robin Burnett, Managing Director and Global Head of Criteria Validation, based in London reports to Michael Walloga, Global Head of Model and Criteria Validation, based in New York, who, in turn, reports to the CRO.

Emmanuel Dubois-Pelerin, Managing Director and Regional Review Officer, based in Paris reports to Susan Barnes, Global Ratings Review Officer, based in New York.

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<sup>11</sup> Until his appointment as Managing Director, Global Head of Analytical Excellence, Research and Market Education, effective 14 March 2016, Lapo Guadagnuolo held the Chief Credit Officer EMEA position.

### Analyst Rotation Policy

The Entities apply the Analyst Rotation Policy which sets out the standards applicable to the Entities and elsewhere on the rotation of Analysts.

To meet the requirements set out in the Regulation and in order to implement required periodic rotation and cooling-off periods, the following approaches have been established:

- For all public Credit Ratings, Primary Analysts (a) must not be involved in Credit Rating Activities for an Issuer for a period exceeding four years and (b) must wait for at least two years before being involved again in any Credit Rating Activities for that Issuer.
- For Sovereign, International Public Finance (“IPF”) and unsolicited Credit Ratings, Employees in an Analytical Role who are involved in making Rating Decisions with respect to an Issuer (a) must not be involved in “Rating Activities”<sup>12</sup> for that Issuer for a period exceeding five years and (b) must wait for at least two years before being involved again in any Credit Rating Activities for that Issuer. For these purposes, being involved in making Rating Decisions requires voting in relevant Rating Committees and regularly attending routine management meetings.
- For Sovereign, IPF and unsolicited Credit Ratings, Rating Committee chairpersons – the individuals who approve the Rating Decision or determination of the Rating Committee with respect to an Issuer (a) must not be involved in Credit Rating Activities for that Issuer for a period exceeding seven years and (b) must wait for at least two years before being involved again in any Credit Rating Activities for that Issuer.

The rotation requirement extends to related third parties to the Issuer’s transactions with whom the Primary Analyst or Rating Committee chairperson has had an analytical interaction. Analysts are rotated on an individual basis so that the composition of the analytical teams and the composition of the Rating Committee changes gradually over time. This approach is designed to maintain consistency in Credit Rating Activities over time.

Each Practice Area is responsible for assigning Analysts to perform Credit Ratings Activities in a manner that adheres to the Analyst Rotation Policy, its related guidelines and the regulatory requirements set out in Article 7(4) and point 8 of Section C of Annex I of the Regulation.

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<sup>12</sup> Rating Activities has the meaning of “credit rating activities” as defined in Article 3(1)(o) of the Regulation.

**7. FINANCIAL INFORMATION**

**REVENUE RESULTS FOR 2015 (UNAUDITED) (local currency in thousands)**

	Credit Rating Activity	Non-Credit Rating Activity <sup>13</sup>	Total Revenue
CMS Europe (in GBP)	259,932	2,329	262,261
CMS France (in EUR)	85,277	459	85,736
CMS Italy (in EUR)	20,515	425	20,940

Corporates	Credit Rating Activity	Non-Credit Rating Activity	Total Revenue
CMS Europe (in GBP)	125,455	1,001	126,456
CMS France (in EUR)	55,086	145	55,231
CMS Italy (in EUR)	10,171	0	10,171

Financial Services	Credit Rating Activity	Non-Credit Rating Activity	Total Revenue
CMS Europe (in GBP)	75,671	213	75,884
CMS France (in EUR)	18,776	243	19,019
CMS Italy (in EUR)	6,947	0	6,947

Sovereign	Credit Rating Activity	Non-Credit Rating Activity	Total Revenue
CMS Europe (in GBP)	22,108	152	22,261
CMS France (in EUR)	5,032	51	5,083
CMS Italy (in EUR)	933	0	933

Structured Finance	Credit Rating Activity	Non-Credit Rating Activity	Total Revenue
CMS Europe (in GBP)	36,698	963	37,661
CMS France (in EUR)	6,383	20	6,403
CMS Italy (in EUR)	2,463	425	2,889

Geographical Allocation	EU	Rest of World	Total Revenue
CMS Europe (in GBP)	209,123	53,138	262,261
CMS France (in EUR)	80,815	4,921	85,736
CMS Italy (in EUR)	20,722	218	20,940

**8. GOVERNANCE STATEMENTS**

<sup>13</sup> Please see “Standard & Poor’s Ratings Services Product Descriptions” for a description of Ancillary Services and Other Services comprising “Non-Credit Rating Activity”. This document, together with any additional financial disclosures the Entities are required to make, is available from <http://www.standardandpoors.com/ratings/european-union-regulatory-disclosures/en/eu> (Category “Ancillary Services”).

*Reference to a corporate governance code*

### **CMS Europe**

CMS Europe is not subject to any corporate governance code in the UK as it is a private limited company and does not have any issued shares admitted to trading on a regulated market. CMS Europe was incorporated under, and is governed by, the UK Companies Act 2006 (the "UK Act") which imposes, amongst other things, statutory duties on its directors. CMS Europe is required to comply generally with the Regulation with regard to board composition and the board of directors and has adopted Terms of Reference which govern its board conduct, as do CMS Europe's articles of association.

### **CMS France**

CMS France is not subject to any corporate governance code in France as it is a société par actions simplifiée and does not have any issued shares admitted to trading on a regulated market. CMS France is required to comply generally with the Regulation with regard to board composition and the board of directors and has adopted Terms of Reference which govern its board conduct, as do CMS France's articles of association.

### **CMS Italy**

CMS Italy is not subject to any governance code in Italy as it is a società a responsabilità limitata and does not have any shares admitted to trading on a regulated market. CMS Italy was incorporated under, and is governed by, the Italian Civil Code, which imposes obligations relating to società a responsabilità limitata and the organisation, management, accounting and control of società a responsabilità limitata. CMS Italy is required to comply generally with the Regulation with regard to its board composition and the board of directors and has adopted Terms of Reference which govern its board conduct, as do CMS Italy's by-laws.

*Information about the corporate governance practices applied beyond the requirements under national law.*

### **CMS Europe**

The broad objective and duties of the board of directors of CMS Europe is to ensure through sound administration and process (among other measures) the proper, lawful, ethical, professional and sustainable management of CMS Europe and all its activities (including those of its branches in Dubai (United Arab Emirates), Germany, the Republic of South Africa, Russia, Spain, Sweden and now Poland and its liaison office in Turkey) consistent with the requirements of the UK Act and (to the extent they do not conflict with applicable laws and regulations), the McGraw Hill Financial Code of Business Ethics and applicable McGraw Hill Financial corporate policies, and S&P Ratings Services policies as amended from time to time.

The composition of the board of directors as presented below is determined in accordance with the Terms of Reference of CMS Europe which provide that the board of directors should usually comprise (a) two senior global executives of Standard & Poor's in New York with extensive knowledge of Standard & Poor's Credit Rating Activities, who will not be employees of CMS Europe; (b) a senior executive of CMS Europe; (c) a senior executive from one of the Entities with experience in structured finance markets, who may be an employee of CMS Europe; and (d) (in accordance with the requirements of the

Regulation) two independent directors with expertise in the financial markets, one of whom will have senior level expertise in structured finance markets.

The chairperson is appointed by the board of directors from time to time.

It is anticipated that the board of directors will meet at least once per calendar quarter. Directors may attend each meeting of the board of directors by telephone or in person. At least one meeting of the board of directors per year should be held with all six directors in attendance.

The board of directors (in conjunction with senior management of CMS Europe) is tasked by Annex I Section A of the Regulation to ensure that CMS Europe and its activities are managed so that:

- a. Credit Rating Activities are independent, including from all political and economic influences or constraints;
- b. conflicts of interest are properly identified, managed and disclosed; and
- c. the remaining requirements of the Regulation are complied with.

Further, the board of directors must ensure that CMS Europe implements and maintains decision-making procedures and organisation structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities.

In addition to the overall responsibility of the board of directors, the independent directors have the specific task (under the Regulation) of monitoring:

- a. the development of the Credit Rating policy and of the methodologies used by CMS Europe in its Credit Ratings Activities;
- b. the effectiveness of the internal quality control system in relation to Credit Rating Activities;
- c. the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed; and
- d. the compliance and governance processes.

A company secretary of CMS Europe (regardless whether such role is required by law) co-ordinates the meetings of the board of directors. The company secretary is responsible for developing and maintaining the information flows and communication and meeting processes that enable the board of directors to fulfil its role and assists the independent directors in the discharge of their obligations.

## **CMS France**

The broad objective and duties of the board of directors of CMS France is to ensure through sound administration and process (among other measures) the proper, lawful, ethical, professional and sustainable management of CMS France and all its activities consistent with the requirements of the French Commercial Code and (to the extent they do not conflict with applicable laws and regulations), the McGraw Hill Financial Code of Business Ethics and applicable McGraw Hill Financial corporate policies, and S&P Ratings Services policies as amended from time to time.

The board of directors (in conjunction with senior management of CMS France) is tasked by Annex I Section A of the Regulation to ensure that CMS France and its activities are managed so that:

- a. Credit Rating Activities are independent, including from all political and economic influences or constraints;
- b. conflicts of interest are properly identified, managed and disclosed; and
- c. the remaining requirements of the Regulation are complied with.

Further, the board of directors must ensure that CMS France implements and maintains decision-making procedures and organisation structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities.

The composition of the board of directors as presented below is determined in accordance with the Terms of Reference of CMS France which provide that the board of directors should usually comprise (a) two senior global executives of Standard & Poor's in New York with extensive knowledge of Standard & Poor's Credit Rating Activities; (b) a senior executive of CMS France; (c) a senior executive from one of the Entities with experience in structured finance markets, who may be an employee of CMS France; and (d) (in accordance with the requirements of the Regulation) two independent directors with expertise in the financial markets, one of whom will have senior level expertise in structured finance markets.

The chairperson is appointed by the board of directors.

It is anticipated that the board of directors will meet at least once per calendar quarter. Directors may attend each meeting of the board of directors by telephone or in person. At least one meeting of the board of directors per year should be held with all six directors in attendance.

In addition to the overall responsibility of the board of directors, the independent directors have the specific task (under the Regulation) of monitoring:

- a. the development of the Credit Rating policies and methodologies used by CMS France in its Credit Rating Activities;
- b. the effectiveness of the internal quality control system in relation to Credit Rating Activities;
- c. the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed; and
- d. the compliance and governance processes.

A company secretary of CMS France (regardless whether such role is required by law) co-ordinates the meetings of the board of directors. The company secretary is responsible for developing and maintaining the information flows and communication and meeting processes that enable the board of directors to fulfil its role and assists the independent directors in the discharge of their obligations.

## **CMS Italy**

The broad objective and duties of the board of directors of CMS Italy is to ensure through sound administration and process (among other measures) the proper, lawful, ethical, professional and sustainable management of CMS Italy and all its activities consistent with the requirements of the Italian Civil Code and (to the extent they do not conflict with applicable laws and regulations), the McGraw Hill Financial Code of Business Ethics and applicable McGraw Hill Financial corporate policies, and S&P Ratings Services policies as amended from time to time.

The board of directors (in conjunction with senior management of CMS Italy) is tasked by Annex I Section A of the Regulation to ensure that CMS Italy and its activities are managed so that:

- a. Credit Rating Activities are independent, including from all political and economic influences or constraints;
- b. conflicts of interest are properly identified, managed and disclosed; and
- c. the remaining requirements of the Regulation are complied with.

Further, the board of directors must ensure that CMS Italy implements and maintains decision-making procedures and organisation structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities.

The composition of the board of directors as presented below is determined in accordance with the Terms of Reference of CMS Italy which provide that the board of directors should usually comprise (a) a senior global executive of Standard & Poor's in New York with extensive knowledge of Standard & Poor's Credit Rating Activities, who will not be an employee of CMS Italy; (b) a senior executive of CMS Italy; (c) a senior executive from one of the Entities who may be an employee of CMS Italy; and (d) a director with senior level expertise in structured finance markets who may be an employee of one of the Entities.

The chairperson is appointed by the board of directors.

It is anticipated that the board of directors will meet at least once per calendar quarter. Directors may attend each meeting of the board of directors by telephone or in person. At least one meeting of the board of directors per year should be held with all four directors in attendance.

A company secretary of CMS Italy (regardless whether such role is required by law) co-ordinates the meetings of the board of directors. The company secretary is responsible for developing and maintaining the information flows and communication and meeting processes that enable the board of directors to fulfil its role.

*To the extent that a company departs from, or does not apply, an applicable corporate governance code, an explanation of its reasons for doing so.*

### **CMS Europe**

CMS Europe is not subject to a corporate governance code in the UK. The voluntary codes in the UK are designed for listed companies with a wide range of shareholders to provide them with comfort in the governance structures of such a company. Since CMS Europe has a single shareholder, such a requirement is unnecessary.

### **CMS France**

CMS France is not subject to a corporate governance code in France. The voluntary codes in France are designed for listed companies with a wide range of shareholders to provide them with comfort in the governance structures of such a company. Since CMS France has a single shareholder, such a requirement is unnecessary.

### **CMS Italy**

CMS Italy is not subject to a corporate governance code in Italy. The voluntary codes in Italy are designed for listed companies with a wide range of shareholders to provide them with comfort in the governance structures of such a company. Since CMS Italy has a single quota holder, such a requirement is unnecessary.

*A description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.*

### **CMS Europe**

As an indirect subsidiary of MHFI, CMS Europe complies with the provisions of the U.S. Sarbanes-Oxley Act of 2002, Section 404 ("Section 404") with regard to internal controls over financial reporting. Risk assessments and control metrics are in place at CMS Europe and are completed and reviewed on a quarterly basis. The effectiveness of controls is tested annually.

### **CMS France**

As an indirect subsidiary of MHFI, CMS France complies with the provisions of Section 404 with regard to internal controls over financial reporting. Risk assessments and control metrics are in place at CMS France and are completed and reviewed on a quarterly basis. The effectiveness of controls is tested annually.

### **CMS Italy**

As an indirect subsidiary of MHFI, CMS Italy complies with the provisions of Section 404 with regard to internal controls over financial reporting. Risk assessments and control metrics are in place at CMS Italy and are completed and reviewed on a quarterly basis. The effectiveness of controls is tested annually.

*Information on significant direct and indirect shareholdings.*

**CMS Europe**

CMS Europe is a wholly-owned subsidiary of MHFEH, a Luxembourg-incorporated company which is a wholly-owned subsidiary of McGraw-Hill Global Holdings (Luxembourg) Sarl ("MHGH"), which is also a Luxembourg-incorporated company. MHGH is a wholly-owned subsidiary of McGraw-Hill International Holdings LLC ("MHIH"), a company incorporated under the laws of Delaware (United States) which is a wholly-owned subsidiary of MHFI.

**CMS France**

CMS France is a wholly-owned subsidiary of MHFEH, which is a wholly-owned subsidiary of MHGH. MHGH is a wholly-owned subsidiary of MHIH, which is a wholly-owned subsidiary of MHFI.

**CMS Italy**

CMS Italy is a wholly-owned subsidiary of MHS, an Italian-incorporated company. MHS is a wholly-owned subsidiary of MHFEH, which is a wholly-owned subsidiary of MHGH. MHGH is a wholly-owned subsidiary of MHIH, which is a wholly-owned subsidiary of MHFI.

*Information on the holders of any securities with special control rights and a description of those rights.*

**CMS Europe**

MHFEH holds (and MHFI indirectly holds) all of the issued and outstanding ordinary shares in the capital of CMS Europe. There are no other securities in issue. No special control rights attach to any of the ordinary shares in issue.

**CMS France**

MHFEH holds (and MHFI indirectly holds) all of the ordinary shares in the capital of CMS France. There are no other securities in issue. No special control rights attach to any of the ordinary shares in issue.

**CMS Italy**

MHS holds (and MHFI indirectly holds) the only quota of capital in CMS Italy. There are no other securities in issue. No special control rights attach to the quota in issue.

*Information on any restrictions on voting rights.*

**CMS Europe**

The ordinary shares of CMS Europe carry the right to receive notice of and to attend, speak and vote at general meetings of CMS Europe. There are no restrictions on voting rights.

**CMS France**

The ordinary shares of CMS France carry the right to receive notice of and to attend, speak and vote at general meetings of CMS France. There are no restrictions on voting rights.

**CMS Italy**

The quota carries the right to receive notice of and to attend, speak and vote at general quota holders meetings of CMS Italy. There are no restrictions on voting rights.

*Information on the rules governing the appointment and replacement of board members and the amendment of the articles of association.*

**CMS Europe**

Unless otherwise determined by ordinary resolution (majority of over 50 per cent), the number of directors (other than alternate directors) is not subject to a maximum (other than that provided by the Terms of Reference of CMS Europe) and the minimum number is one – subject to any higher requirements of the Regulation. Any person who is willing to act as a director, and is permitted by law to do so, may be appointed as a director: (i) by ordinary resolution (majority of over 50 per cent); (ii) by a decision of the directors; or (iii) by notice of appointment given to CMS Europe in writing by the holder or holders of more than 50 per cent of the issued shares in the capital of CMS Europe.

A director may be removed from office: (i) by ordinary resolution (majority of over 50 per cent); (ii) by notice signed by all the other directors of CMS Europe; or (iii) by notice of removal given to CMS Europe in writing by the holder or holders of more than 50 per cent of the issued shares in the capital of CMS Europe.

CMS Europe is subject to (i) the UK Act (ii) its articles of association (iii) its Terms of Reference and (iv) the requirements of the Regulation regarding independent directors. The articles of association of CMS Europe may be amended by a special resolution (majority of not less than 75 per cent) of CMS Europe in accordance with section 21 of the UK Act. The Terms of Reference of CMS Europe may be amended by the board of directors.

**CMS France**

Unless otherwise determined by a shareholder resolution (majority of over 50 per cent of the votes cast), the number of directors of CMS France shall be at least three and no more than ten. Any person willing to act as a director, and is permitted by law to do so, may be appointed as a director by a shareholder resolution (majority of over 50 per cent of the votes cast).

A director may be removed from office by a shareholder resolution (majority of over 50 per cent of the votes cast).

CMS France is subject to (i) its articles of association, (ii) its Terms of Reference, and (iii) the requirements of the Regulation with regard to independent directors. The articles of association of CMS France may be amended by a shareholder resolution (majority of over 50 per cent of the votes cast) of CMS France. The Terms of Reference of CMS France may be amended by the board of directors.

### **CMS Italy**

The by-laws of CMS Italy provide for management by a board of directors composed of between one managing director and no fewer than two and no more than six members for a term of office not longer than five years to be elected by the quota holders. The vote of the majority of the quota holders, provided at least one half of the capital is represented, is required to remove or replace board members.

The present term of office of the current board will expire at the date of approval of the financial statement for the year ending 31 December 2016.

The supervisory body for CMS Italy established in response to Italian Legislative Decree No. 231, currently composed of three members, is appointed by the board of directors by majority vote for three year terms of office<sup>14</sup> and members may be re-elected a maximum of five times. The board may remove members of the supervisory body.

The present term of office of the supervisory body was extended to July 2018. The by-laws of CMS Italy may be amended by the vote of the majority of the quota holders of CMS Italy provided at least one half of the capital is represented.

*Information on the powers of the board members and in particular the power to issue or buy-back shares.*

### **CMS Europe**

Subject to the UK Act and to the articles of association of CMS Europe, the directors are responsible for the management of CMS Europe's business, for which purpose they may exercise all the powers of CMS Europe. The members of CMS Europe may by special resolution (majority of not less than 75 per cent) direct the directors to take, or refrain from taking, a specified action.

Subject to the UK Act and the articles of association of CMS Europe, but without prejudice to the rights attached to any existing share, CMS Europe may issue a further class or classes of shares, including redeemable shares, with such rights or restrictions as may be determined by ordinary resolution (majority of over 50 per cent). In relation to redeemable shares, the directors may determine the terms, conditions and manner of redemption.

As there is no restriction provided in its articles of association, CMS Europe (as a private limited company) may buy-back shares by special resolution (majority of not less than 75 per cent) of CMS Europe, subject also to compliance with the requirements of the UK Act.

### **CMS France**

The articles of association of CMS France set out the requirements of the Regulation with regard to the powers of the board members and specifically those of the independent directors.

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<sup>14</sup> The term of office of the supervisory body was extended from two to three years by the CMSI board on 27 March 2013.

Subject to the French Commercial Code, CMS France (as a société par actions simplifiée) may issue further shares or buy back shares by resolution of the shareholders (majority of over 50 per cent of the votes cast).

### **CMS Italy**

The board of directors is vested with full powers to manage the business of CMS Italy with the sole exception of the powers reserved for the quota holders, which are:

- a. approval of financial statements and distribution of profits;
- b. election of the board of directors and determination of the term of office, provided that such term shall not be longer than five years;
- c. election, if necessary, of the chairman and the board of statutory auditors or the auditor;
- d. amendments to the by-laws;
- e. decisions on performance of operations which may substantially change all corporate purpose of CMS Italy or the rights of the quota holders;
- f. decisions regarding the winding-up in advance of CMS Italy and the revocation of the same, as well as the appointment, removal and replacement of liquidators;
- g. removal of the directors; and
- h. subject to its by-laws and the Italian Civil Code, CMS Italy may issue further quotas by resolution of the quota holders (majority of over 50 per cent of the capital). CMS Italy (as a società a responsabilità limitata) may not buy-back quotas. In circumstances where there are two or more quota holders, a quota holder may give up its holding of quotas. However, CMS Italy currently has a single quota holder.

*Unless the information is already fully provided for in national laws or regulations, the operation of the shareholder meeting and its key powers, and a description of shareholders' rights and how they can be exercised.*

### **CMS Europe**

Information on the operation of the shareholder meeting and its key powers, shareholders' rights and how they can be exercised is sufficiently provided for a private company under English law and, therefore, no additional disclosure is made in relation to this.

### **CMS France**

Information on the operation of the shareholder meeting and its key powers, shareholders' rights and how they can be exercised is sufficiently provided for a société par actions simplifiée form of company under French law and, therefore, no additional disclosure is made in relation to this.

### **CMS Italy**

Information on the operation of the quota holder meeting and its key powers, quota holders' rights and how they can be exercised is sufficiently provided for a società a responsabilità limitata under Italian law and, therefore, no additional disclosure is made in relation to this.

*Information on the composition and operation of the administrative, management and supervisory bodies and their committees.*

## **CMS Europe**

The administrative and management function of CMS Europe is carried out by the board of directors.

As of 1 January 2016, the board of directors comprises six directors:

(1) John Berisford<sup>15</sup>; (2) Dominic Crawley; (3) Yann Le Pallec; (4) James Penrose; (5) Thierry Sciard and (6) Joseph Strubel; and the company secretaries are Antony Montague and Catherine Shelley.

Under the Terms of Reference of CMS Europe the board meets not less than four times per year. No alternate directors have been appointed to date and such appointments are not anticipated. There are currently no sub-committees of the board. A brief résumé for each director is set out below:

**John Berisford – executive board member.** President of Standard & Poor's Ratings Services.

**Dominic Crawley – executive board member.** Head of Global Ratings Services, Standard & Poor's Ratings Services, effective 20 January 2016.

**Yann Le Pallec – executive board member.** Global Practice Leader for Global Corporates. Until 20 January 2016, Mr. Le Pallec was Executive Managing Director, Standard & Poor's Ratings Services EMEA.

**James Penrose – executive board member.** Senior European Ratings Counsel, S&P Ratings Services. Experienced in structured finance activities.

**Thierry Sciard – independent board member.** Non-Executive Director at BlackTree Investment Partners and Mizuho International. Formerly Global Head for Capital Markets Division of Calyon and Head of Investment Management for Europe at Lehman Brothers Inc. Formerly senior executive at StormHarbour Partners and Fortis Investments.

**Joseph Strubel – non-executive independent board member.** Senior Advisor and Non-Executive Director at SphereInvest Group Limited. Formerly Senior Advisor at Millennium Group Holdings Limited. Experienced in structured finance activities.

## **CMS France**

The administrative and management function of CMS France is carried out by the board of directors. The managing director position in CMS France is that of président which is currently held by Yann Le Pallec.

The board of directors comprises six directors:

(1) Demetrios Lefakis; (2) Yann Le Pallec; (3) James Penrose; (4) Thierry Sciard; (5) Carol Sirou and (6) Joseph Strubel.

Under the Terms of Reference of CMS France the board meets not less than four times per year. No alternate directors have been appointed to date and such appointments are not anticipated. There are currently no sub-committees of the board. A brief résumé for each director is set out below:

**Demetrios Lefakis – executive board member.** Chief Risk Officer, S&P Ratings Services.

**Yann Le Pallec – executive board member.** Global Practice Leader for Global Corporates. Until 20 January 2016, Mr. Le Pallec was Executive Managing Director, Standard & Poor's Ratings Services EMEA.

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<sup>15</sup> The appointment of Mr. Berisford to the SPCMSE board was effective 1 January 2016.

**James Penrose – executive board member.** Senior European Ratings Counsel, S&P Ratings Services. Experienced in structured finance activities.

**Thierry Sciard – independent board member.** Non-Executive Director at BlackTree Investment Partners and Mizuho International. Formerly Global Head for Capital Markets Division of Calyon and Head of Investment Management for Europe at Lehman Brothers Inc. Formerly senior executive at StormHarbour Partners and Fortis Investments.

**Carol Sirou – executive board member.** Managing Director and Chief Risk Officer for S&P Capital IQ and SNL, S&P Dow Jones Indices and Platts, MHFI. Until 21 January 2016, Ms Sirou was head of S&P Ratings Services Risk Program Management Office.

**Joseph Strubel – non-executive independent board member.** Senior Adviser and Non-Executive Director at SphereInvest Group Limited. Formerly Senior Adviser at Millennium Group Holdings Limited. Experienced in structured finance activities.

### **CMS Italy**

The administrative and management function of CMS Italy is carried out by its board of directors. To address potential issues arising out of Italian Legislative Decree No. 231, CMS Italy has also established a “supervisory body” (“Organismo di Vigilanza”) that reports to the board of directors. In addition, CMS Italy has established a “Collegio Sindacale”, a separate board of statutory auditors. The Collegio Sindacale is comprised of three independent chartered accountants and attends all meetings of the board of directors of CMS Italy and all meetings of its quota holders.

The board of directors is currently comprised of four (4) members:

(1) Demetrios Lefakis; (2) Yann Le Pallec; (3) James Penrose (Chairman); and (4) Maria Pierdicchi. Under the Italian Terms of Reference the board of directors meets not less than four times per year.

No alternate directors have been appointed to date and such appointments are not anticipated. There are currently no sub-committees of the board.

CMS Italy has applied under article 6(3) of the Regulation to be exempted from the requirement to appoint independent board members.

A brief résumé for each director is set out below:

**Demetrios Lefakis – executive board member.** Chief Risk Officer, S&P Ratings Services.

**James Penrose – executive board member and Chairman.** Managing Director and Senior European Ratings Counsel, S&P Ratings Services. Experienced in structured finance transactions.

**Yann Le Pallec – executive board member.** Global Practice Leader for Global Corporates. Until 20 January 2016, Mr. Le Pallec was Executive Managing Director, Standard & Poor's Ratings Services EMEA.

**Maria Pierdicchi – Non-executive board member.** Former Managing Director and Head of Standard & Poor's Ratings Services for Southern Europe and currently non-executive board director of Luxxotica Spa; Nuova Banca delle Marche S.p.A ; Nuova Banca dell'Etruria e del Lazio S.p.A; Nuova Cassa di risparmio di Chieti S.p.A ; and, Nuova Cassa di risparmio di Ferrara S.p.A.

Yann Le Pallec, as Managing Director of the board of directors (“Presidente”)<sup>16</sup> has all powers (except those reserved to the quota holders) of the board of directors to manage CMS Italy and, as such, has been granted detailed operating powers to be the “Employer” regarding accident prevention and hygiene and security matters, and powers under the Italian Privacy Law.

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<sup>16</sup> Mr Le Pallec has been Managing Director from 27 March 2015.

Demetrios Lefakis and James Penrose have not been granted operating powers.

The supervisory body established under Italian Legislative Decree No. 231 is comprised of: (1) Giacomo De Laurentis; (2) Mario Di Giulio; and (3) Lapo Guadagnuolo.

A brief résumé for each member of the supervisory body is set out below:

**Giacomo De Laurentis – independent member of the supervisory body.** Professor at Bocconi University in Milan, specialises in finance and the study of credit ratings with several publications in the areas of his specialisation.

**Mario Di Giulio – chairman and independent member of the supervisory body.** Attorney, partner in an Italian law firm, specialises in financial and banking matters.

**Lapo Guadagnuolo – member of the supervisory body** – Managing Director, Global Head of Analytical Excellence, Research and Market Education, effective 14 March 2016. Previously Mr Guadagnuolo was Chief Credit Officer, EMEA, S&P Ratings Services.

The supervisory body oversees the compliance with the “Model of Organisation, Management and Control”, as amended, adopted by CMS Italy as required under Italian Legislative Decree No. 231. The supervisory body meets at least once every four months and reports to the board of directors.

CMS Italy’s compliance with its general legal obligations, its by-laws and principles of proper management, in particular, the adequacy of CMS Italy’s organisational, administrative and accounting structure as well as the activities of CMS Italy, is further monitored by the Collegio Sindacale.

Eugenio Bottino, an employee of MHS, as attorney-in-fact (Procuratore), has been granted the power to represent CMS Italy in respect of the tax authorities and to exercise joint banking powers with certain individuals, including Yann Le Pallec, as Managing Director.

Annex – Glossary of terms used

“Analyst”: an employee who is directly involved in Credit Rating Activities, but not part of the Criteria or Ratings Risk Review organisations or the Compliance or Legal Departments.

“Analytical Manager”: an employee who oversees the day-to-day work of Analysts or other Analytical Managers, but who is not acting in a General Management Role.

“Analytical Role”: the role of an Employee when acting as an Analyst. Examples include: Analysts and Analytical Managers.

“Ancillary Service”: a product or service that S&P Ratings Services provides or sells that is not a Credit Rating or Credit Rating Activity and is either a market forecast, an estimate of economic trends, a pricing analysis, other general data analysis, or distribution services related to a Credit Rating, a market forecast, an estimate of economic trends, a pricing analysis or general data analysis.

“Credit Rating”: a forward looking opinion regarding, the creditworthiness of an entity a debt or financial obligation, debt security, preferred share or other financial instrument (including a money market instrument), or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using S&P Ratings Services established and defined symbology. A Rating Outlook is not a Credit Rating but is subject to the same S&P Ratings Services policies and procedures applicable to a Credit Rating.

“**Credit Rating Activities**”: an activity engaged in by Ratings Services that leads to or directly supports the issuance or surveillance of a Credit Rating including:

- the evaluation, approval, issuance, or review of Credit Ratings;
- analysis of data and information related to Credit Ratings;
- a Credit Rating Action or Rating Decision; and
- the development or approval of Criteria, including the development or approval of qualitative and quantitative models.

Examples include:

- Participating and/or voting in Rating Committees;
- Attending management meetings that are for the purpose of gathering information and for determining the basis of a rating recommendation;
- Communicating with Rated Entities and Related Third Parties to determine a Credit Rating Action;
- Managing Analysts, as applicable, in their analytical work;
- Developing Criteria (including attending criteria committees);
- Conducting surveillance of a Credit Rating;
- Developing analytical models to support Criteria in which the results are used by a Rating Committee as part of determining a Credit Rating.

In addition Credit Rating Activities also include:

- Advanced Analytics;
- Mappings;
- Rating Agency Confirmation (RAC);
- Rating Evaluations Service (RES);
- Recovery Ratings

“Criteria”: published guidance that governs the analytic basis for determining Credit Ratings. Criteria include all fundamental factors, analytical principles, methodologies and assumptions that we use in the ratings process to produce our Credit Ratings. Criteria may encompass quantitative or qualitative elements, or both.

“Issuer”: an entity that issues debt or equity securities, as well as a bank or insurance companies, and their employees and agents acting on its behalf. An Issuer includes the Rated Entity and its Related Third Parties.

“Other Service”: a product or service that S&P Ratings Services provides or sells that is neither an Ancillary Service nor part of its Credit Rating Activities.

“Practice Area”: a group within a Business Unit that is responsible for a particular type of credit sector or geographic area.

“Primary Analyst”: the Analyst who has been assigned primary responsibility for (a) determining a Rating Recommendation (b) presenting that Rating Recommendation to a Rating Committee and (c) Communicating with an Issuer with respect to a specific Credit Rating Action. A Primary Analyst means the “lead rating analyst” pursuant to the Regulation.

“Rating Committee”: the committee that determines a Credit Rating.

“Rating Decision”: a Credit Rating that is determined by a Rating Committee prior to its Release.