

ANNUAL REPORT
OF
STANDARD & POOR'S Credit Market Services Europe Limited
SOUTH AFRICA BRANCH
FOR THE FINANCIAL YEAR ENDED 31/12/2017

(Published in accordance with Section of 15 of the Credit Rating Services Act 24 of 2012)

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SECTION A: EXECUTIVE SUMMARY

Certain capitalised terms used but not defined herein have the meanings ascribed thereto in Appendix 1 hereof. Unless indicated, information provided in this Transparency Report is current as at 31st December 2017.

S&P Global Ratings operates in South Africa through Standard & Poor's Credit Market Services Europe Limited¹ ("SPCMSE") and in particular through its South Africa branch ("SPCMSE South Africa"). S&P Global Ratings 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 S&P Global Inc. ("SPGI"). The Affiliated Entities operate in accordance with policies, procedures and ratings criteria ("Criteria") that generally are globally applicable. S&P Global Ratings shares an integrated operating structure. SPGI is a company incorporated in the State of New York, USA and publicly listed on the New York Stock Exchange. The business activities of SPC MSE South Africa include Credit Rating Services (as set out in Article 1(1) of the Act) concerning global and national scale Credit Ratings, as well as other services in accordance with Article 12(2) of the Act. A document containing descriptions of services provided by SPC MSE South Africa is available on the South Africa regulatory disclosures page.²

SPCMSE South Africa provides credit rating services to clients in South Africa and other sub-Saharan Africa countries, with South Africa being the key and most diversified market in the region. Concerning SPC MSE's credit ratings business activities, demand for new Issuer Credit Ratings was modest while cross-border debt issuance from sub-Saharan issuers increased due to favourable market conditions for emerging market issuers. Credit quality in the region, particularly in South Africa, measured by the number of downgrades versus the number of upgrades, continued to weaken in 2017 as low growth and political uncertainty combined to put pressure on Credit Ratings.

SPCMSE South Africa had twelve full time employees at year-end 2017, including eight analysts in the Financial Institutions, Sovereign and Corporate Ratings Practices. In addition to the on-the-job training and upskilling of its local employees, SPC MSE supports South Africa's labour market transformation by offering internship opportunities for university graduates and job shadowing for matric students.

SPCMSE South Africa's contribution to financial market education in South Africa included several seminars, regular meetings and roundtable discussions with South African and international institutional investors, analysts and intermediaries, as well as frequent media outreach.

The office premises of SPC MSE South Africa remain in Rosebank, Johannesburg.

SPCMSE's board of directors comprises six directors: 1) John Berisford; 2) Dominic Crawley; 3) James Penrose; 4) Jan Willem Plantagie; 5) Thierry Sciard and 6) Joseph Strubel.

¹ S&P Global Ratings operations in Europe, the Middle East and Africa (except for those in Israel) will, from May 2018, be restructured into S&P Global Ratings Europe Limited ("SPGRE"), a Dublin-based Irish company. The restructuring is expected to be completed by August 2018. Apart from performing Credit Rating Activities from Dublin, SPGRE will continue to operate from S&P Global Ratings' locations in London, Paris, Milan, Stockholm, Moscow, Frankfurt, Madrid, Dubai, Riyadh, Warsaw and Johannesburg, which will become branches of SPGRE. SPGRE is registered with ESMA under Regulation (EC) No. 1060/2009 on Credit Rating Agencies, as amended.

² http://www.standardandpoors.com/en_EU/web/guest/regulatory/disclosures#disclosure_sa

SECTION B: INFORMATION AS PER SECTION 13 AND 15 OF THE ACT

1. Detailed Information on Legal Structure and Ownership

SPCMSE was incorporated³ under the laws of England and Wales on 31 December 2009 and houses the Credit Rating Activities conducted in the United Kingdom, and, through its branches in those countries, in the Republic of South Africa, Dubai (United Arab Emirates), Germany, Poland, Russia, Spain, Sweden, and, since October 2017, in the Kingdom of Saudi Arabia. It also has a liaison office in Turkey. There are no analysts currently located in the Poland, Saudi Arabia and Turkey offices. SPCMSE is a wholly-owned subsidiary of S&P Global Ratings Europe Limited ("SPGRE"), which is in turn indirectly wholly-owned by SPGI.

The share capital of SPCMSE is £1,000, made up of 1,000 shares with a par value of £1, all held by SPGRE.

SPCMSE has no subsidiaries or holdings in any other entity in South Africa, the United Kingdom or elsewhere.

Other than as set out above, no acquisitions, disposals or events changing the breakdown of voting rights have taken place since SPCMSE was incorporated.

Based on public filings for the quarter ended 31 December 2017, the following entities were the only owners of 5% or more of SPGI equity:

Name of Shareholder	% shareholding	Country
The Vanguard Group, Inc.	7.97%	USA
BlackRock, Inc.	7.12%	USA
State Street Corporation	5.04%	USA

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

2. Description of Internal Control Mechanisms

Overview

S&P Global Ratings manages risks related to its Credit Ratings business through three lines of defence. The first line of defence is accountable for identifying and managing risks related to the ratings business and assessing the effectiveness of S&P Global Ratings' internal control structure. The first line of defence includes the analytical practice, the commercial group, and the data, operations and information technology teams.

S&P Global Ratings' second line of defence facilitates and monitors effective risk and compliance management and internal control practices working proactively with the first line of defence, including providing advice and effective challenge regarding compliance and risk management activities. The second line of defence includes, but is not limited to, the Compliance and Control and Legal functions.

The third line of defence reviews the effectiveness of the process and internal control environment and also assesses adherence to Criteria methodology. The third line of defence includes the [SPGI] Internal Audit and Ratings Risk Review functions, both of which are independent of S&P Global Ratings and its managers.

Applicable regulations require CRAs, such as S&P Global Ratings, to establish, maintain, enforce, and document an effective internal control structure governing the implementation of and adherence to policies, procedures, and methodologies for determining Credit Ratings. The internal control structure is intended to provide executive management and its applicable boards of directors ("Boards") with reasonable assurance that S&P Global Ratings' and its employees are in compliance with laws, regulatory requirements, and internal policies and procedures related to determining Credit Ratings.

S&P Global Ratings' management conducts periodic assessments of the effectiveness of its internal control structure which considers self-identified issues and issues identified through second and third line examinations and reviews. S&P Global Ratings maintains a process that holds management accountable for addressing deficiencies in the internal control structure that are surfaced as a result of these assessments. As part of this process, management is required to develop and implement action plans describing how and when deficiencies in the internal control structure will be addressed and provide periodic updates on the progress of remediation efforts.

S&P Global Ratings has policies and standard operating procedures ("SOPs") that have implemented the internal control structure depicted below.

S&P Global Ratings Internal Control Structure

Control Environment	Control Activities	Communication
<p>The control environment refers to the overall attitude, awareness, and actions of management regarding internal controls and their importance. It is the foundation for effective internal controls, providing discipline and structure.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Demonstrate a commitment to integrity and ethical values ✓ Demonstrate board's independence from management and oversight of the internal control structure ✓ Establish organizational structures, reporting lines, and appropriate authorities and responsibilities to support effective internal control ✓ Hold individuals accountable for their internal control responsibilities ✓ Devote sufficient resources to implement and operate the internal control structure as designed ✓ Monitor and update internal control structure to maintain its effectiveness 	<p>Control activities or internal controls are the actions established through policies and procedures that help ensure that management's directives are carried out. Control activities are performed at all levels of the organization.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Select and implement control activities that support achievement of control objectives ✓ Deploy control activities through policies and procedures 	<p>Information is necessary for an organization to carry out its internal control responsibilities.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Internally communicate information to support effective internal control ✓ Communicate with regulators on significant internal control matters
	Control Assessment	Monitoring and Testing
	<p>Control assessment is a process by which an organization determines its control objectives and evaluates the design and operating effectiveness of the controls.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Specify clear and comprehensive control objectives ✓ Regularly assess the design and operation of internal controls 	<p>Monitoring and testing are key inputs of the internal controls assessment and support the identification and correction of issues on a timely basis.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Perform ongoing evaluations to monitor the effectiveness of internal controls ✓ Perform periodic testing to confirm effectiveness of internal controls
		Remediation
		<p>The remediation process ensures deficiencies are assessed and addressed in a timely manner.</p> <p>Principles include:</p> <ul style="list-style-type: none"> ✓ Assess and address internal control deficiencies in a timely manner

S&P Global Ratings has appointed dedicated staff with compliance, risk and internal control expertise that work closely together to support the ongoing efforts to enhance and maintain the internal control structure. An Internal Control function within the second line provides oversight and guidance to the first line of defence. In the first line, an In-Business Control function in Global Ratings Services supports the analytical practice in the enhancement and maintenance of the internal control structure. An In-Business Control function in the S&P Global Ratings Operating Office (the "Operating Office") enhances and maintains the internal control structure across data, information technology, global operations, and vendor management functions.

S&P Global Ratings also maintains the following committees and working groups comprised of executive and other levels of management that provide oversight of the internal control structure:

- Controls Working Group – provides guidance to internal control efforts and serves as the decision-making body for the determination and closure of the relevant remediation efforts for deficiencies and material weaknesses identified in the internal control structure.
- Policy Governance Group – develops, approves, and maintains analytical and non-analytical policies relating to prudent, ethical business practices, and compliance and regulatory matters associated with S&P Global Ratings' activities globally, including the S&P Global Ratings Code of Conduct.
- Global Ratings Compliance Committee – advises and assists executive management on the status of compliance matters across all regions in which S&P Global Ratings operates.
- The Criteria and Model Governance Committee is responsible for approving models and Criteria. It is designed to further enhance S&P Global Ratings' model and Criteria approval process.
- The Criteria and Models Committee of the S&P Financial Services LLC's Board of Managers approves new and, where required, revised procedures and methodologies used to determine Credit Ratings, including qualitative and quantitative data and models.

S&P Global Ratings' Policies and 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.

Description of Control Functions

The following organisational functions support S&P Global Ratings' Internal Control Structure and are further described below:

- In-Business Control (Global Rating Services)
- In-Business Control (Operating Office)
- Compliance and Control Department
- Ratings Risk Review function
- S&P Global Inc. Internal Audit

In-Business Control (Global Ratings Services)

In-Business Control is a group within Global Ratings Services that works closely with In-Business Control (Operating Office), Compliance and other functions to support the assessment of risk and the implementation of internal controls in the Practice Areas including performing regular monitoring and testing of Analysts' compliance with policies and procedures. This function reports to the head of Global Ratings Services.

In-Business Control (Operating Office)

An In-Business Control function has also been established within the Operating Office. The team is responsible for implementing and maintaining the internal control structure across the functions within the Operating Office, which include data, information technology, global operations, and vendor management. The team works closely with In-Business Control (Global Ratings Services), Compliance and other functions to ensure the consistent implementation of the internal control structure and to address company-wide risk and internal control needs. This function reports to the Chief Operating Officer.

Compliance and Control Department

The Compliance and Control Department is headed by the Global Head of Compliance and Control (the "Global CCO") who reports to the S&P Global Ratings President. The Global CCO manages the Compliance Department, the internal control function, and the validation functions. These second line functions support the company's adherence to global and local regulatory requirements as well as to S&P Global Ratings' policies and procedures.

The Compliance Function's structure and approach are grounded in three pillars:

- Advisory: Day-to-day advice, formal and ad hoc training, live chaperone interactions, policy violation investigations and discipline, advising on policy and reporting metrics, conducted by Covering Compliance Officers.
- Regulatory: Maintaining and managing regulatory relationships and interactions, exam management and coordination, regulatory filings, regulatory remediation oversight, and regulatory reporting, conducted by the Covering Compliance teams, exam management team and regulatory coordination team.

- Monitoring: Periodic and dynamic compliance examinations, continuous and periodic monitoring, surveillance, controls, and metrics reporting, conducted by the Control Room/Surveillance and Compliance Exams/Monitoring teams.

Compliance Department structure and responsibilities

To achieve its mission, the Compliance and Control Department is organised into the following groups: Regional Compliance ((i) the Americas; (ii) Europe, Middle East and Africa (“EMEA”) and India; and (iii) Asia Pacific, all of which include Covering Compliance), Compliance Examination, Global Control Room, Global Regulatory Coordination, Global Matrix Office, Internal Control, and Criteria and Model Validation. The primary responsibilities of each group are as follows:

Regional Compliance

The regional Compliance groups consist of three teams: Americas, EMEA and India, and Asia Pacific. Each regional Compliance group is responsible for Covering Compliance functions, regulatory exam management, regulatory reporting oversight and routine policy violation examinations.

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 eleven Compliance Officers for EMEA. With reference to South Africa, compliance matters are handled primarily by the Senior Covering Compliance Officer based in Paris who reports to the Regional Covering Compliance Officer EMEA (based in London) who in turn reports to the CCO EMEA. EMEA Compliance Officers receive additional global Compliance support.

Covering Compliance

Covering Compliance Officers promote adherence to policies and procedures by supporting the direction and implementation of policies and procedures, and reviewing and monitoring adherence to policies and administer discipline for policy violations. Covering Compliance Officers also support surveillance and monitoring activities carried out by other parts of Compliance, as well as participate in Compliance examinations and investigations (as requested), and collaborate with other S&P Global business functions on risk management, Rating quality and internal controls.

Compliance Examination

The Compliance Examination Group conducts reviews of S&P Global Ratings’ adherence to compliance policies and operating procedures globally. The primary function of the Compliance Examination Group is to conduct and report on compliance examinations and periodic monitoring reviews to evaluate the understanding and effectiveness of written compliance policies and procedures, compliance with regulatory requirements, and the adequacy and effectiveness of Ratings compliance controls. In addition, the Compliance Examination Group may undertake special process and operational reviews where required.

Global Control Room

The Global Control Room administers a set of preventive and detective controls established to protect the integrity of the analytical process, manage conflicts of interest and to prevent misuse of non-public information.

To help S&P Global Ratings prevent commercial conflicts from tainting the integrity of the analytical process the team provides chaperones for communications between employees in analytical and commercial roles to ensure that such communications proceed in compliance with requirements set forth in applicable policies. In the area of protection of information the team is responsible for maintaining ratings insider lists, responding to regulatory and issuer requests for information on S&P Global Ratings insiders and monitoring access to work-in-progress documents. As part of its monitoring and surveillance function, the team administers S&P Global Ratings' electronic communications surveillance program. The EMEA Control Office is part of the Global Control Room and its staff report to a UK-based Compliance Officer.

Global Regulatory Coordination

The Global Regulatory Coordination team facilitates coordination and consistency across regions and remediation activities stemming from findings and recommendations from regulatory agencies. The team validates completion of regulatory remediation efforts and reports regulatory updates to senior management.

Global Matrix Office

The Global Matrix Office creates and maintains the Policy Chapters of the S&P Global Ratings Policy Manual, tracks and coordinates compliance training, oversees global compliance-related projects and presentations, and gathers data periodically on certain global compliance department activities, such as complaints, reviews and disciplinary letters.

Internal Control

The Internal Control function provides oversight and guidance on the implementation and maintenance of S&P Global Ratings' Internal Control Structure. The Internal Control function advises the organisation on enhancements to internal controls and coordinates management's periodic assessment of the effectiveness of internal controls. Oversight of the remediation of deficiencies and material weaknesses is also performed to confirm that issues are adequately addressed and on a timely basis. The Internal Control Function performs periodic reporting to Executive Management, various Governance Committees and Boards on risks and the effectiveness of internal control, as well as produces reporting on risks and the effectiveness of the internal control structure for regulators.

Criteria and Model Validation

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 Model Validation Group is responsible for independently performing ex-ante validation to assess proposed new or revised models and conducting periodic reviews of models.

Policy Governance Group

The Policy Governance Group (“PGG”) chaired by Compliance 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 Global Ratings’ activities globally and to oversee the communication of such policies. PGG voting membership consists of representatives from Compliance, Criteria, the Global Analytical Practice, Operating Office, as well as the head of the Internal Control Function, and the head of In-Business Control. Each representative has one vote and Compliance has a supermajority vote.

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

S&P Global Ratings’ 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.

Ratings Risk Review function

Ratings Risk Review (“RRR”) reports to the SPGI Chief Risk and Audit Executive, who reports directly to the SPGI Chief Executive Officer on an administrative basis and functionally to the SPGI Audit Committee of the Board of Directors. However, RRR staff remain subject to S&P Global Ratings’ 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 that includes evaluation of Credit Rating files from an analytical perspective, including (i) assessment of adherence to analytical policies and procedures for determining Credit Ratings, (ii) assessment of adherence to Criteria methodology, (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 Rating 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 Area to develop and deliver applicable Management Action Plans (“MAPs”) with responsible owners and completion dates to address each finding identified. For MAPs that result from RRR reviews, RRR formally tracks the effectiveness and timeliness of completion by the Practice Area. Instances of potential inconsistencies in Criteria application or the Rating process identified by RRR may also result in RRR escalating the applicable Rating(s) to the relevant Lead Analytical Manager for a new Rating Committee when RRR believes the rating or the published rationale does not materially reflect the appropriate analysis.

RRR reports to the SPGI Audit Committee on topics such as:

- Results of sector and targeted reviews and monitoring activities;
- Overall Assessments and trends by assessment point and Practice Area;
- Status of MAPs; and
- Status of reviews against the annual review plan.

RRR also presents periodically to the SPCMSE Board of Directors, the S&P Global Ratings Executive Committee and to global and regional management of the Practice Areas. These "Practice updates" are presentations that typically cover the same topics as are referenced above.

SPGI Internal Audit

Independent of S&P Global Ratings' management and the Compliance and Control functions, the SPGI Internal Audit ("IA") function incorporates S&P Global Ratings in their annual risk-based internal audit plan. IA has a team dedicated to regularly perform compliance, operational, information technology and financial audits on SPGI entities including S&P Global Ratings. IA prepares and executes its internal audit plan using a comprehensive risk assessment process to identify significant risks associated with S&P Global Ratings (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 MAPs to address IA's findings. The results of IA reviews are reported to key stakeholders including status of MAPs and progress against the annual approved IA Plan. The SPGI Chief Risk & Audit Executive reports to the Audit Committee of the SPGI Board of Directors on a functional basis, and administratively to the SPGI President & Chief Executive Officer. IA reports audit results including the status of audit tracking to the SPGI Audit Committee and the SPCMSE Board of Directors.

3. Outcome of the Annual Internal Review undertaken by Compliance Unit

The annual review of the Compliance unit covers the results and observations arising from a series of review activities for SPCMSE South Africa. The key activities covered in the reviews conducted in 2017 draw on conclusions from:

1. **Compliance Examinations** – The Compliance Examination Group conducted a separate compliance review of SPCMSE South Africa covering 2017. The purpose of this review was to assess compliance with documented policies and procedures, and to evaluate the adequacy and effectiveness of key compliance controls. The conclusions of the review included a number of minor recordkeeping and processing exceptions but did not raise any regulatory issues in 2017.
2. **Local compliance monitoring** – routine monitoring and surveillance covering key policy areas were undertaken for SPCMSE South Africa, the outcomes of which highlighted no material weaknesses during the course of 2017.
3. **E-mail surveillance** – routine surveillance to assist in the detection, investigation and subsequent enforcement related to a breach of policy or procedure. All e-mail surveillance is undertaken in accordance with local laws and regulations. The EMEA Covering Compliance department has not identified any breaches from email surveillance during 2017.

Compliance training activities – a number of Compliance-led training initiatives were undertaken during 2017 primarily to address training on key policies and regulation. These sessions were conducted by an instructor or delivered via e-learning. They were either global or regional, depending on the subject of the training course.

In addition, EMEA Compliance hosts regular videoconferences with SPCMSE South Africa. The purpose of these meetings is to have interactive discussions on compliance themes with SPCMSE South Africa.

The outcome of the 2017 annual internal review undertaken by the Compliance unit concludes that there was a satisfactory level of compliance with applicable policies and regulation at SPCMSE South Africa.

The Outcome of the Annual Internal Review of EMEA Compliance

In 2017, IA performed a review of the independent compliance function in EMEA ("EMEA Compliance"). IA's focus was to evaluate the effectiveness of the control environment for the EMEA Compliance function based on the applicable regulatory requirements. The scope of the audit included the following:

- Independence of EMEA Compliance from the business and operations functions of S&P Global Ratings.
- Authority of the EMEA Compliance function, and its access to all relevant information
- Resources and expertise of the EMEA Compliance function
- Compliance monitoring activities
- Management reporting

IA considered that EMEA Compliance was generally effective and in compliance with applicable regulatory requirements.

4. Description of Recordkeeping Policy

SPCMSE South Africa applies policies and procedures in relation to documentation⁴ covering all aspects of its business, in particular, all information created, received or in the possession or control of anyone working at or for SPCMSE South Africa. 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 SPCMSE South Africa 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 SPCMSE South Africa 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 Act and the Rules; and
- f. Copies of internal and external communications, including electronic communications, received and sent by SPCMSE South Africa 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.

SPCMSE South Africa's staff retain 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.

⁴ These policies are maintained by S&P Global Ratings.

5. Revenue Sources

SPCMSE REVENUE RESULTS FOR 2017 (UNAUDITED)

Revenue Source	Rands (ZAR) in thousands
Credit Rating Services	6,489,801
Non-Credit Rating Services	50,267
Total Revenue	6,540,068

SECTION C: INFORMATION AS PER BOARD NOTICE 168 OF 2013

1. Details of Methodologies, Models and Key Assumptions Reviewed

The following methodologies used by SPCMSE South Africa were reviewed during the period of January 1 – December 31, 2017.

- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue - April 15, 2008
- Criteria - Corporates - General: Corporate Methodology - November 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments - November 19, 2013
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers - December 07, 2016
- Criteria - Corporates - Industrials: Key Credit Factors For The Building Materials Industry - December 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Metals And Mining Upstream Industry - December 20, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Retail And Restaurants Industry - November 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Telecommunications And Cable Industry - June 22, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Transportation Infrastructure Industry - November 19, 2013
- Criteria - Corporates - Recovery: Methodology For Applying Recovery Ratings To National Scale Issue Ratings - September 22, 2014
- Criteria - Corporates - Recovery: Methodology: Jurisdiction Ranking Assessments - January 20, 2016
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry - November 19, 2013
- Criteria - Financial Institutions - Banks: Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments – February 09, 2010
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions - December 06, 2010
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions - January 29, 2015
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks - March 23, 2004
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013

- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework - June 22, 2012
- Criteria - Financial Institutions - Finance Companies: Key Credit Factors For Financial Services Finance Companies - December 09, 2014
- Criteria - Financial Institutions - General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies - December 09, 2014
- Criteria - Financial Institutions - General: Key Credit Factors For Asset Managers - December 09, 2014
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers - February 10, 2010
- Criteria - Financial Institutions - General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria - Governments - Sovereigns: Monetary Authorities Rating Methodology - September 11, 2013
- Criteria - Insurance - General: Enterprise Risk Management - May 07, 2013
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition - September 15, 2008
- Criteria - Insurance - General: Insurers: Rating Methodology - May 07, 2013
- Criteria - Insurance - General: Methodology For The Classification And Treatment Of Insurance Companies' Operational Leverage - October 31, 2014
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions - October 22, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings - October 01, 2012
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Guarantee Criteria - October 21, 2016
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers - May 07, 2013
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments - May 18, 2009
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings - October 24, 2013
- General Criteria: National And Regional Scale Credit Ratings - September 22, 2014
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises - December 19, 2014
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015

- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions - November 19, 2013
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - August 14, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - July 27, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - June 01, 2016
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating - October 01, 2010
- General Criteria: Understanding Standard & Poor's Rating Definitions - June 03, 2009
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

The following models used by SPCMSE South Africa were reviewed during the period of January 1 – December 31, 2017.

- Risk-Adjusted Capital for Non-US Banks & Non-US NBFI & Non-US PSFAs
- FSC Criteria Scoring Template
- NBFI Ratings Summary Record
- Financial Institutions RSR
- Corporate Criteria Scoring Template
- ESP (Expected Scenario Projector) including Liquidity Template
- Arrow Basic
- Notching Analysis
- Insurance Framework RSR
- Insurance Liquidity - GAAP
- Sovereign Stress Test - Insurance
- Insurance GAAP Earnings Forecast
- Risk Based Capital for Insurers - GAAP/IFRS Global Version
- Recovery Template
- GRE Database Criteria Evaluation Engine
- Sovereign Macroeconomic
- Sovereign RSR

2. Details of Analyst Rotation

SPCMSE South Africa applies the Analyst Rotation Policy which sets out the standards applicable in South Africa and elsewhere on the rotation of Analysts.

To meet applicable regulatory requirements 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 Services⁵ 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 Services 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 Credit Rating Services 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 Services 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 all 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 Services 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 Services for that Issuer.
- The rotation requirement extends to related third parties to the Issuer’s transactions with whom the relevant Analyst has had an analytical interaction.

Analysts are rotated on an individual basis so that the composition of analytical teams and the Rating Committee changes over time. This approach is designed to maintain consistency in Credit Rating Services over time.

Each Practice Area is responsible for assigning Analysts to perform Credit Ratings Services in a manner that adheres to the Analyst Rotation Policy and applicable regulation.

⁵ As defined in the Act.

3. Details of Staff Allocated to Ratings

Table 1 – Total number of Analysts

	Corporate/ Infrastructure	Financial Services	Sovereign/ IPF	Structured Finance	Other Divisional ⁶	Total
SPCMSE South Africa	2	5	1	0	0	8
SPCMSE total	108	95	49	73	42	367

Table 2 – Analytical management and general management of SPCMSE and S&P South Africa

	Analytical Managers	General Management ⁷	Total
SPCMSE South Africa	0	0	0
SPCMSE total	26	1	27

S&P Global Ratings is committed to the highest standards of analytical excellence. Consistent with this core value, regulatory requirements, and S&P Global Ratings' goal of issuing high-quality Credit Ratings, S&P Global Ratings has established standards of training, experience and competence for all employees who participate in determining Credit Ratings.

The standards of training and competence, which apply to employees who participate in the determination of Credit Ratings and certain other employees, consists of required training and periodic testing elements.

As to standards of experience, S&P Global Ratings has established work experience standards associated with certain roles, including those that entail participating in the determination of Credit Ratings.

In establishing these standards of training, experience and competence applicable to an employee, S&P Global Ratings has considered an employee's role and responsibilities.

⁶ Other Divisional consists of Analysts in the graduate trainee programme.

⁷ General Managers are employees engaged in the management of S&P Global Ratings' business and operational activities.

The qualifications for credit analysts are generally as follows and as to professional experience may vary by region:

	Junior Credit Analysts	Mid- Level Credit Analysts	Senior Level Credit Analysts
Preferred Minimum Education	BA or BS in business related field.	BA or BS in business related field. Advanced degree preferred.	BA or BS in business related field. Advanced degree preferred.
Preferred Minimum Experience / Skills	Typically 2 years or more of credit, analytical or related financial services experience preferred. For entry-level positions, in light of the nature and supervision of these positions, there is no additional minimum experience requirement.	Typically 3-5 years of credit, analytical or related financial services experience preferred.	Typically 7 or more years of credit, analytical or related financial services experience preferred.

Additional qualifications for credit analyst supervisors are generally as follows:

	Mid-Level Credit Analyst Supervisors	Senior-Level Credit Analyst Supervisors
Preferred Minimum Education	BA or BS in business related field. Advanced degree preferred.	BA or BS in business related field. Advanced degree preferred.
Preferred Minimum Experience / Skills	Typically 7 or more years of credit, analytical or related financial services experience	Typically 10 or more years of credit, analytical or related financial services experience, including prior experience in an Analytical Manager or equivalent role.

All Analysts fulfilled the Fit and Proper requirements as set out in FSB Board Notice 166 of 2013.

4. Information On Credit Ratings By Category

Credit Ratings⁸ issued by SPCMSE South Africa

	Affirmation	Downgrade	New	Upgrade	Withdrawal	Total
Credit Rating actions at Issuer level	254	109	17	43	11	434
Credit Rating actions at instrument level	106	127	36	31	0	300
Grand Total:	360	236	53	74	11	734

Number of Issuers rated by SPCMSE South Africa by sector:

Corporate Ratings	1
Financial Institutions Ratings	22
Insurance Ratings	12
Sovereigns And International Public Finance	9
Total	44

Please see the document entitled “*S&P Global Ratings Definitions*” for a description of the types of Credit Ratings provided by S&P Global Ratings. This document can be found at

http://www.standardandpoors.com/en_EU/web/guest/article/-/view/sourceId/504352.

5. List of Ancillary Services

No ancillary services or other permissible services have been provided to entities rated by SPCMSE South Africa. A document containing descriptions of services provided by SPCMSE South Africa is available on the South Africa regulatory disclosures page at http://www.standardandpoors.com/en_EU/web/guest/regulatory/disclosures.

⁸ This table contains the number of Credit Ratings at Issuer level and the number of Credit Ratings at issue or transaction level issued during the year 2017. The numbers may include multiple Credit Ratings and Credit Rating actions on a single entity.

6. List of Members of the Board of Directors and Senior Management

Full Name and Surname	Qualifications and Experience	Committee Membership	Date Appointed
John Berisford	President of S&P Global Ratings BS, Political Science, West Liberty College, West Virginia, USA MS, Labor and Industrial Relations, West Virginia University, USA	Executive Director – SPCMSE Board	1 st January 2016
Jan Willem Plantagie	Managing Director and Head of EMEA Ratings, S&P Global Ratings Business Administration, Financial Sector at the Vrije Universiteit Amsterdam	Executive Director – SPCMSE Board	1 st June 2016
James Penrose	Head of S&P Global Ratings Legal and Regulatory Affairs, EMEA MA in Law – Cambridge University, UK LLM – Columbia Law School, USA	Executive Director – SPCMSE Board	1 st December 2016
Dominic Crawley	B.Sc. Economics, Cardiff University Advanced management programme, Wharton Business School, University of Pennsylvania, USA	Non-Executive Director – SPCMSE Board	1 st July 2015
Thierry Sciard	Non-Executive Director at VTB Capital plc, VTB Holdco, Mizuho International plc, AXA UK plc, AXA PPP Healthcare Limited and AXA Insurance UK plc, AXA PPP Healthcare Limited and AXA Insurance UK plc. Formerly senior executive at Calyon, Lehman Brothers Inc., StormHarbour Partners and Fortis Investments and Non-Executive Director at BlackTree Investment Partners and Liquidnet Europe Limited. MBA, Ecole Supérieure de Commerce de Paris	Non-Executive Independent Director – SPCMSE Board	1 st July 2015
Joseph Strubel	Senior Advisor and Non-Executive Director - SphereInvest Group Limited, SphereInvest Global UCITS SICAV P.L.C. and Ontario Graphite Ltd. Formerly Senior Adviser at Millennium	Non-Executive Independent Director – SPCMSE Board	31 st December 2014

	Group Holdings Limited. MBA, the William E. Simon Graduate School of Business, Finance and Applied Economics, NY, USA		
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Other senior management

Konrad Reuss	Managing Director, SPCMSE South Africa Master of Economics – Bayerische Julius Maximilians University, Germany
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7. Details of Policies and Initiatives in Adopting the King Code

SPCMSE subscribes to the principles and practices of effective corporate governance as contemplated in the King Code (and with the corporate governance standards contained in applicable UK and EU legislation and regulation). Because SPCMSE is privately held, it is not subject to the UK Corporate Governance Code which applies only to UK public companies.

As a wholly owned indirect subsidiary of SPGI, SPCMSE follows the SPGI Code of Business Ethics as well as SPGI's other publicly disclosed policies covering many of the topics referenced in the King Code and which bind employees of all its subsidiaries worldwide.

SPGI is strongly committed to the highest standards of corporate governance. SPGI has standing Audit, Compensation and Leadership Development, and Nominating and Corporate Governance Committees. The Chairman of each Committee reports to the Board as appropriate. Each Committee has a Charter that is reviewed by the Nominating and Corporate Governance Committee on a regular basis. In addition to these three standing Committees, the Board has an Executive Committee and a Financial Policy Committee.

S&P Global Ratings is committed to the highest standards of analytical excellence. To achieve these standards, it has established (i) a governance hierarchy and committee framework to implement policies, procedures and methodologies for determining credit ratings and an independent governance and control structure aimed at adhering to its policies, procedures, and methodologies. S&P Global Ratings evaluates the effectiveness of its internal control structure and makes changes to its organisational structure and processes when appropriate.

S&P Global Ratings has established the S&P Global Ratings Code of Conduct ("the S&P Global Ratings Code") to reflect the high-level principles that govern the conduct of its Credit Rating Activities. The S&P Global Ratings Code also reflects the high-level principles underlying regulatory requirements in the jurisdictions where S&P Global Ratings conducts Credit Rating activities. S&P Global Ratings implements the principles set out in the S&P Code through policies and procedures as well as through its operational and control infrastructures.

Taken together, these corporate governance arrangements are consistent with the King Code.

8. Status Report on the Investor Education Initiatives

SPCMSE South Africa routinely reaches out to market participant to discuss Criteria, Credit Ratings, Credit Rating actions, and other market-relevant information and events. The outreach occurs through conferences, seminars, roundtables and face-to-face meetings. Analysts and the Office Head are also frequently contacted by investors, intermediaries and other parties directly to discuss particular Criteria or matters related to Credit Ratings. In addition, senior representatives of SPCMSE South Africa routinely speak to the media on Credit Ratings-related matters so as to promote a good understanding of Credit Rating issues in the media and to facilitate a broader public understanding of Credit Ratings-related matters.

The outreach included S&P Global Ratings cross-practice seminars in March 2017 held in Johannesburg and Cape Town, respectively, with presentations from the Chief Economist for EMEA and senior representatives from the sovereign, corporate, and bank ratings Practice Areas. In October 2017, an insurance Credit Ratings seminar was held focusing on insurance industry regulation and developments in the South African insurance sector. The seminar was an event accredited by the Insurance Institute of South Africa (IISA). Over 500 attendees were registered at the three events.

S&P Global Ratings staff also provided regular briefings to professional bodies, associations, government departments, investors and others on bank resolution, national scale methodology, project finance and general credit trends.

Senior representatives from SPCMSE South Africa also presented on matters relating to Credit Ratings at external conferences and held regular individual meetings with international and South African asset managers in Cape Town and Johannesburg as well as the Association of Savings and Investment Managers in South Africa (ASISA). In 2017, S&P Global Ratings was one of the lead sponsors of GFCMedia Group's Bonds, Loans and Sukuk conference with senior staff from S&P Global Ratings participating in a series of panel discussions. S&P Global Ratings also provides extensive information and educational content through a website (<https://www.spratings.com>), which offers the public an easy way to keep up with S&P Global Ratings' thought leadership on credit topics such as global aging, sovereign ratings, and global credit conditions. This free public website contains original videos and audio podcasts, selected articles and analyses, news and research summaries, and S&P Global Ratings live event listings, together with links to a Credit Rating lookup and Criteria. It can be accessed from the web, mobile devices, and tablets. Information required to be disclosed in accordance with applicable regulation including public Credit Ratings and related information is available on http://www.standardandpoors.com/en_EU/web/guest/regulatory/disclosures#disclosure_sa.

9. Historical Default Rates of the Past 10 Years per Category

Please see Appendix 2.

10. Adherence to the Prescribed Code Of Conduct

S&P Global Ratings requires all of its employees to comply with the S&P Global Ratings Code. Each year all S&P Global Ratings employees are required to read the S&P Global Ratings Code and affirm their compliance with it by signing an affirmation statement. All employees are given the opportunity at the time of affirmation to make S&P Global Ratings aware of any known conflicts of interest to which they or other employees may be subject. Failure to comply with the S&P Global Ratings Code may result in disciplinary action, up to and including termination of employment.

The S&P Global Ratings Code aligns with principles established by the International Organization of Securities Commissions (“IOSCO”) in its Code of Conduct Fundamentals for Credit Rating Agencies, published in December 2004 and amended in May 2008 and March 2015, and IOSCO’s “Statement of Principles Regarding the Activities of Credit Rating Agencies”, published in September 2003.

A copy of the S&P Global Ratings Code is available on the South Africa regulatory disclosures page at

http://www.standardandpoors.com/en_EU/web/guest/regulatory/disclosures#disclosure_sa.

In December 2017, S&P Global Ratings adopted a revised definition of Criteria and the new concept of Guidance Documents. The S&P Global Ratings Code of Conduct was subsequently amended to include a reference to Guidance Documents.

SECTION D: APPENDICES

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Appendix 1: Glossary of Terms Used

“Act”: The Credit Rating Services Act, 2012 (Act No. 24 of 2012)

“Analyst”: an employee who is directly involved in S&P Global Ratings Activities, but not part of the Criteria organisation 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 or in a Criteria Function. 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 Global Ratings' established and defined symbology. A Rating Outlook is not a Credit Rating but is subject to the same S&P Global Ratings policies and procedures applicable to a Credit Rating.

“Credit Rating Activities”: an activity engaged in by S&P 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

Any other activity engaged in by S&P Global Ratings, such as data analysis that does not lead to, or directly support the issuance or surveillance of, a Credit Rating is either an Ancillary or Other Service.

For the purposes of this definition, (i) legal counselling by the Legal Department is not a Credit Rating Activity and (ii) Sales or Marketing Activities are not Credit Rating Activities.

“Criteria”: Criteria are the published analytic framework for determining Credit Ratings. Criteria include fundamental factors, analytical principles, methodologies, and /or key assumptions that we use in the ratings process to produce our Credit Ratings. Criteria, like our Credit Ratings, are forward-looking in nature. Criteria are intended to help users of our Credit Ratings understand how S&P Global Ratings Analysts generally approach the analysis of Issuers or issues in a given sector. Criteria include those material methodological elements identified by S&P Global Ratings as being relevant to credit analysis. However, S&P Global Ratings recognises that there are many unique factors / facts and circumstances that may potentially apply to the analysis of a given issuer or issue. Accordingly, S&P Global Ratings Criteria is not designed to provide an exhaustive list of all factors applied in our rating analyses. Analysts exercise analytic judgement in the application of Criteria through the Rating Committee process to arrive at Credit Rating determinations.

“Guidance Document”: A Guidance Document is designed to provide guidance to the Analysts and Rating Committees on various matters by (i) articulating how specific aspects of the Criteria may be applied, (ii) describing variables or considerations related to Criteria that may change over time, (iii) providing additional information on non-fundamental factors that Analysts may consider in the application of Criteria, and/or (iv) providing additional guidance on the exercise of analytical judgment established in the Criteria. Guidance Documents are not considered Criteria, as they do not establish an analytic framework for determining Credit Ratings.

“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 Global Ratings 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 Rules.

“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.

“Rule”: A numbered “Rule” refers to the Credit rating agency Rules, prescribed under section 24(1) of the Act, published in Board Notice 228 of 2013.

Appendix 2: Historical Default Rates of the Past 10 Years per Category

S&P Global Ratings one-year default rates for each of the last 10 years by Credit Rating category and for Investment Grade (“IG”) and Non-Investment Grade (“NIG”) by segment.

Non-Financial Institutions 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.00	0.10	0.62	4.28	30.49	0.06	3.89
2009	0.00	0.00	0.17	0.10	0.80	11.15	52.76	0.12	10.64
2010	0.00	0.00	0.00	0.00	0.00	0.87	22.40	0.00	2.86
2011	0.00	0.00	0.00	0.00	0.00	1.46	16.95	0.00	1.82
2012	0.00	0.00	0.00	0.00	0.25	1.69	29.92	0.00	2.81
2013	0.00	0.00	0.00	0.00	0.12	1.71	27.27	0.00	2.60
2014	0.00	0.00	0.00	0.00	0.00	0.82	20.14	0.00	1.59
2015	0.00	0.00	0.00	0.00	0.21	2.38	27.14	0.00	2.85
2016	0.00	0.00	0.00	0.00	0.61	3.77	33.15	0.00	4.51
2017	0.00	0.00	0.00	0.00	0.10	0.95	27.27	0.00	2.68
Average	0.00	0.00	0.02	0.02	0.27	2.91	28.75	0.02	3.63

Financial Institutions 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.44	1.06	1.89	2.21	2.02	15.38	1.11	2.82
2009	0.00	0.00	0.24	2.39	0.76	10.89	26.67	0.87	6.45
2010	0.00	0.00	0.00	0.00	3.57	0.93	22.73	0.00	4.09
2011	0.00	0.00	0.00	0.34	0.00	2.34	9.09	0.12	1.41
2012	0.00	0.00	0.00	0.00	0.65	0.73	12.50	0.00	1.30
2013	0.00	0.00	0.00	0.00	0.00	1.30	6.67	0.00	0.85
2014	0.00	0.00	0.00	0.00	0.00	0.57	6.06	0.00	0.72
2015	0.00	0.00	0.00	0.00	0.00	2.59	25.00	0.00	2.58
2016	0.00	0.00	0.00	0.00	0.00	4.06	35.00	0.00	3.26
2017	0.00	0.00	0.00	0.00	0.00	1.04	17.39	0.00	1.32
Average	0.00	0.04	0.13	0.46	0.72	2.65	17.65	0.21	2.48

Insurance 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.58	0.29	0.56	0.00	3.45	0.00	0.41	1.28
2009	0.00	0.00	0.27	0.00	0.00	3.57	25.00	0.13	3.49
2010	0.00	0.00	0.00	0.00	0.00	0.00	28.57	0.00	2.56
2011	0.00	0.00	0.00	0.00	0.00	8.00	16.67	0.00	3.75
2012	0.00	0.00	0.00	0.00	0.00	0.00	16.67	0.00	1.28
2013	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015	0.00	0.00	0.00	0.00	0.00	2.56	0.00	0.00	1.09
2016	0.00	0.00	0.00	0.59	0.00	0.00	0.00	0.13	0.00
2017	0.00	0.00	0.00	0.00	0.00	1.85	0.00	0.00	0.98
Average	0.00	0.06	0.06	0.12	0.00	1.94	8.69	0.07	1.44

Sovereigns 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.00	0.00	0.00	7.14	0.00	0.00	3.92
2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010	0.00	0.00	0.00	0.00	0.00	0.00	33.33	0.00	1.89
2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012	0.00	0.00	0.00	0.00	0.00	6.06	100.00	0.00	5.36
2013	0.00	0.00	0.00	0.00	0.00	3.33	100.00	0.00	5.17
2014	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	1.75
2015	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	1.79
2016	0.00	0.00	0.00	0.00	0.00	5.41	0.00	0.00	3.33
2017	0.00	0.00	0.00	0.00	0.00	5.41	100.00	0.00	8.06
Average	0.00	0.00	0.00	0.00	0.00	2.74	48.33	0.00	3.13

International Public Finance 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00	0.87
2009	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.96
2010	0.00	0.00	0.00	0.00	1.37	0.00	14.29	0.00	1.85
2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012	0.00	0.00	0.00	0.00	6.35	0.00	0.00	0.00	4.76
2013	0.00	0.00	0.00	0.00	1.79	4.76	0.00	0.00	2.56
2014	0.00	0.00	0.00	0.00	0.00	5.56	0.00	0.00	1.32
2015	0.00	0.00	0.00	0.00	0.00	0.00	9.09	0.00	1.28
2016	0.00	0.00	0.00	0.00	1.61	0.00	0.00	0.00	1.20
2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Average	0.00	0.00	0.00	0.00	1.23	1.03	12.34	0.00	1.48

Structured Finance 1 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.33	0.66	1.04	2.00	4.78	11.77	55.37	0.70	15.97
2009	0.22	1.37	2.88	5.71	9.14	16.03	55.25	1.53	34.58
2010	0.14	0.50	0.71	1.84	2.59	5.25	23.31	0.53	17.50
2011	0.10	0.12	0.07	0.43	1.02	5.46	28.61	0.14	21.41
2012	0.04	0.13	0.05	0.32	0.66	1.46	31.38	0.10	23.06
2013	0.00	0.05	0.07	0.22	0.64	1.32	20.83	0.07	14.53
2014	0.00	0.04	0.00	0.02	0.17	1.33	13.88	0.01	9.23
2015	0.00	0.11	0.08	0.08	0.48	1.43	13.51	0.06	8.75
2016	0.00	0.27	0.07	0.19	0.22	1.26	10.90	0.12	6.91
2017	0.01	0.08	0.23	0.36	1.11	1.38	7.41	0.15	4.94
Average	0.08	0.33	0.52	1.12	2.08	4.67	26.05	0.34	15.69

S&P Global Ratings three year cumulative default rates for each of the last 10 years by Credit Rating category and for Investment Grade (“IG”) and Non-Investment Grade (“NIG”) by segment.

Non-Financial Institutions 3 Year Cumulative Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.15	0.29	1.46	5.86	33.70	0.22	5.31
2009	0.00	0.00	0.00	0.58	5.88	14.75	45.35	0.33	12.37
2010	0.00	0.00	0.00	0.41	4.70	19.82	58.54	0.24	15.47
2011	0.00	0.00	0.17	0.10	1.46	16.19	65.03	0.12	14.58
2012	0.00	0.00	0.00	0.00	0.74	6.23	32.81	0.00	7.02
2013	0.00	0.00	0.00	0.00	0.80	7.14	34.75	0.00	6.39
2014	0.00	0.00	0.00	0.00	0.99	6.13	43.31	0.00	6.39
2015	0.00	0.00	0.00	0.00	0.86	6.64	42.42	0.00	6.66
2016	0.00	0.00	0.00	0.26	2.20	8.56	33.33	0.17	7.72
2017	0.00	0.00	0.00	0.08	2.46	10.12	41.43	0.05	9.06
Average	0.00	0.00	0.03	0.17	2.16	10.14	43.07	0.11	9.10

Financial Institutions 3 Year Cumulative Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.64	0.86	1.95	4.69	1.14	0.00	1.14	3.08
2009	0.00	0.49	1.66	5.69	7.38	7.61	11.11	2.49	7.76
2010	0.00	0.44	1.59	5.68	5.88	13.13	30.77	2.44	10.08
2011	0.00	0.00	0.24	3.75	3.03	13.86	33.33	1.30	9.27
2012	0.00	0.00	0.00	0.33	4.29	1.87	27.27	0.12	5.20
2013	0.00	0.00	0.00	0.34	2.08	5.47	27.27	0.12	4.59
2014	0.00	0.00	0.00	0.00	1.29	2.92	18.75	0.00	2.92
2015	0.00	0.00	0.00	0.00	1.09	3.90	40.00	0.00	3.98
2016	0.00	0.00	0.00	0.28	0.00	8.57	21.21	0.12	5.30
2017	0.00	0.00	0.00	0.00	0.48	10.88	29.17	0.00	6.81
Average	0.00	0.16	0.44	1.80	3.02	6.94	23.89	0.77	5.90

Insurance 3 Year Cumulative Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.71	0.33	0.64	2.56	8.70	0.00	0.47	4.69
2009	2.78	0.64	0.30	0.59	2.22	6.90	0.00	0.58	4.00
2010	2.63	1.74	0.29	0.56	2.22	6.90	0.00	0.82	3.85
2011	0.00	0.00	0.53	1.08	0.00	7.14	37.50	0.54	5.81
2012	0.00	0.00	0.00	0.56	0.00	9.09	42.86	0.14	6.41
2013	0.00	0.00	0.00	0.57	0.00	8.00	16.67	0.14	3.75
2014	0.00	0.00	0.00	0.00	0.00	0.00	16.67	0.00	1.28
2015	0.00	0.00	0.00	0.00	0.00	3.23	0.00	0.00	1.11
2016	0.00	0.00	0.00	0.55	0.00	2.86	0.00	0.14	1.28
2017	0.00	0.00	0.00	0.55	0.00	5.13	0.00	0.13	2.17
Average	0.54	0.31	0.15	0.51	0.70	5.80	11.37	0.30	3.44

Sovereigns 3 Year Cumulative Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.00	0.00	0.00	0.00	66.67	0.00	4.44
2009	0.00	0.00	0.00	0.00	0.00	4.00	0.00	0.00	4.17
2010	0.00	0.00	0.00	0.00	0.00	10.71	0.00	0.00	5.88
2011	0.00	0.00	0.00	0.00	0.00	3.57	0.00	0.00	1.92
2012	0.00	0.00	0.00	5.56	0.00	7.41	33.33	1.43	5.66
2013	0.00	0.00	4.76	0.00	4.35	9.38	0.00	1.41	7.27
2014	0.00	0.00	0.00	4.17	0.00	12.12	0.00	1.39	8.93
2015	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00	8.62
2016	0.00	0.00	0.00	0.00	0.00	9.38	0.00	0.00	7.02
2017	0.00	0.00	0.00	0.00	0.00	11.76	100.00	0.00	10.71
Average	0.00	0.00	0.48	0.97	0.44	7.83	20.00	0.42	6.46

International Public Finance 3 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.00	0.00	0.00	0.00	1.41	0.00	0.00	0.00	1.01
2009	0.00	0.00	0.00	0.00	1.25	4.00	0.00	0.00	1.90
2010	0.00	0.00	0.00	0.00	2.27	7.41	0.00	0.00	3.48
2011	0.00	0.00	0.00	0.00	1.32	3.70	0.00	0.00	2.88
2012	0.00	0.00	0.00	0.00	9.59	3.57	14.29	0.00	8.33
2013	0.00	0.00	0.00	0.00	9.23	0.00	0.00	0.00	6.25
2014	0.00	0.00	0.00	0.00	9.52	5.00	0.00	0.00	8.33
2015	0.00	0.00	0.00	0.00	1.79	14.29	0.00	0.00	5.13
2016	0.00	0.00	0.00	2.00	0.00	11.11	0.00	0.43	2.63
2017	0.00	0.00	0.00	2.17	0.00	0.00	9.09	0.43	1.28
Average	0.00	0.00	0.00	0.42	3.64	4.91	2.34	0.09	4.12

Structured Finance 3 Year Default Rates (%)

Year	AAA	AA	A	BBB	BB	B	CCC/C	IG	NIG
2008	0.03	0.13	0.95	4.80	7.58	7.34	34.06	0.85	8.89
2009	1.25	11.30	19.15	27.45	31.12	40.37	41.96	9.15	34.60
2010	5.73	20.79	25.56	31.40	43.63	62.30	77.20	14.07	55.76
2011	4.17	10.10	15.10	23.63	39.54	61.00	82.95	9.32	67.30
2012	0.65	1.74	2.85	7.58	13.37	27.31	66.49	2.17	52.74
2013	0.29	0.67	0.83	2.60	6.60	18.32	65.35	0.78	50.37
2014	0.17	0.35	0.71	1.19	3.43	7.43	53.37	0.45	40.25
2015	0.13	0.23	0.38	0.72	2.01	5.27	40.66	0.33	28.92
2016	0.00	0.37	0.31	0.55	1.14	4.86	32.62	0.29	22.12
2017	0.03	0.52	0.55	0.85	1.39	4.70	27.35	0.45	18.13
Average	1.25	4.62	6.64	10.08	14.98	23.89	52.20	3.79	37.91