

S&P Global Ratings' Internal Control Structure

Overview

S&P Global Ratings manages and mitigates regulatory, compliance, and operational risk related to the determination and dissemination of Credit Ratings, Ancillary Services and Other Services through an internal control structure. Regulatory risk includes the failure to effectively respond to a change in laws and regulations that may impact the business of S&P Global Ratings. Compliance risk includes exposure to legal and financial risk for failure to follow laws and regulations and internal policies and procedures. Operational risk includes risk resulting from failed procedures and/or systems. In addition, S&P Global Ratings also manages other risks such as strategic and reputational risk, which may result or increase from regulatory, compliance or operational risk.

S&P Global Ratings has a balanced approach to risk management. Risk is mitigated to an acceptable level within established organizational risk appetites and tolerances while supporting the achievement of operational and strategic goals.

In addition, the internal control structure at S&P Global Ratings ensures that S&P Global Ratings complies with laws and regulations that govern credit rating agencies, including establishing, maintaining, enforcing and documenting an effective internal control structure that governs the implementation of and adherence to policies, procedures, and methodologies for determining Credit Ratings. The internal control structure is intended to provide S&P Global Ratings' 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.

The S&P Global Ratings internal control structure, which is aligned to the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published framework for internal control, consists of an internal control framework and control functions. The control functions are separate from the activities they are assigned to monitor, audit or control.

S&P Global Ratings operationalizes the internal control structure through three lines of defense. The first line of defense, composed of S&P Global Rating's primary business and operations functions, owns and manages risks including the effectiveness of the internal control structure. The second line of defense, primarily provided by S&P Global Ratings' risk and compliance functions, provides oversight and challenge to the first line of defense to ensure compliance with laws and regulations, internal policies or prescribed best practices and facilitates and monitors the implementation of effective risk management practices. S&P Global Ratings also leverages control functions of S&P Global Inc. ("SPGI"), including the information security and corporate risk functions. The third line of defense, which is composed of the internal audit function of SPGI, is independent of S&P Global Ratings and provides independent assurance on the effectiveness of governance, risk management, and internal control.

Management of S&P Global Ratings conducts periodic assessment of the effectiveness of the internal control structure and is accountable for addressing issues in the internal control structure that are

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identified as a result of these assessments. As part of the periodic assessment process, management develops and implements action plans describing how and when issues that constitute deficiencies in the internal control structure will be addressed and provides periodic updates on the progress of remediation efforts.

As required by certain laws and regulations, S&P Global Ratings submits an annual report to applicable regulators containing management's assessment of the effectiveness of the internal control structure governing the implementation of and adherence to policies, procedures, and methodologies for determining Credit Ratings.

Oversight of risk and internal control is provided through formalized governance mechanisms including S&P Global Ratings Board(s), the S&P Global Ratings Executive Risk Committee, the S&P Global Ratings Risk and Compliance Committee and the S&P Global Ratings Controls Working Group. The S&P Global Ratings Board(s) oversee the establishment, maintenance, and enforcement of policies, procedures and methodologies for determining Credit Ratings and managing and disclosing potential conflicts of interest and monitor the effectiveness of the internal control structure. The S&P Global Ratings Executive Risk Committee provides management oversight of the identification, measurement, monitoring, mitigation, and reporting of risks across S&P Global Ratings and promotes a strong culture of risk management, compliance and control. The S&P Global Ratings Risk and Compliance Committee reports and advises executive management on risk, compliance, regulatory and control-related matters across all regions in which S&P Global Ratings operates. The Controls Working Group provides oversight of the internal control structure including making the final determination of deficiencies in the internal control structure.

S&P Global Ratings, as a division of SPGI, escalates risk matters in accordance with the requirements of SPGI's risk management framework to allow for effective management and oversight of risk at the enterprise level. S&P Global Ratings' risk management processes are aligned with the requirements of SPGI's risk management framework.

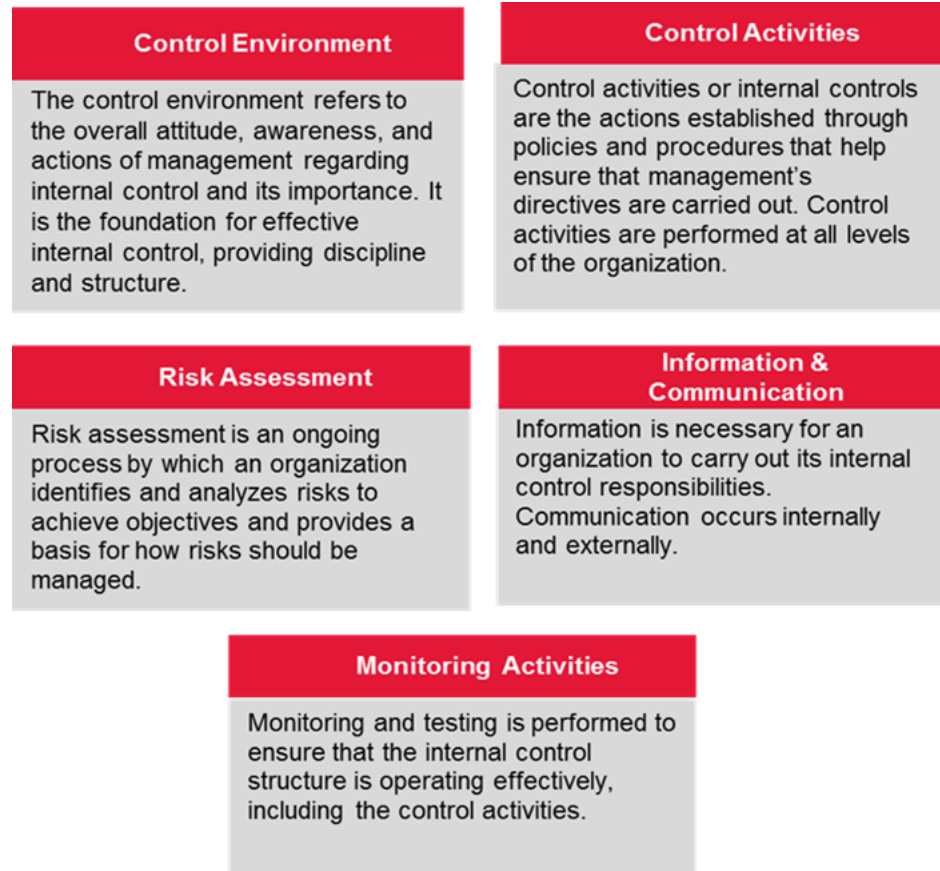
Description of the Internal Control Framework

S&P Global Ratings internal control framework consists of five interrelated components as defined below. This framework is used to manage risks that S&P Global Ratings faces, including Regulatory and Compliance Risk, Methodology and Analytical Process Risk, Third Party Risk, and Technology and Cybersecurity Risk. Every individual in the organization has a role in effecting internal control. Roles vary in responsibility and level of involvement, as defined in S&P Global Ratings Risk Management Policy.

The internal control framework is operationalized across the Division through common risk and internal control processes that are supported by specific risk and control assessments as necessary. Within the internal control framework, S&P Global Ratings has adopted specific principles aligned by component to ensure that adequate and effective internal control is in place to mitigate risk and that these controls

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are applied consistently throughout the division. Periodically an evaluation of whether these principles are present and functioning is performed.



The following key processes are in place within S&P Global Ratings in support of the internal control framework:

- Monitoring risk appetite statements and tolerances
- Top Risk Assessment
- Regional risk discussions and quarterly global risk review
- Annual Management Assessment related to determining credit ratings
- Specific risk and control assessments (e.g. Vendor and Affiliate, Data Quality, IT Applications, Cybersecurity)
- Risk-based control testing
- Quarterly issue review to determine if a deficiency in the internal control structure exists
- Quarterly risk and internal control reporting to the Global Risk & Compliance Committee, Global Executive Risk Committee and the S&P Global Ratings Boards
- Periodic regulatory reporting on risk and internal control
- Maintenance of a process, risk and control inventory.

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Description of Control Functions

The following organizational functions support S&P Global Ratings' internal control structure and are further described below:

- In-Business Control
- Compliance and Risk Department
- S&P Global Inc. Corporate Risk
- S&P Global Inc. Information Security
- S&P Global Inc. Internal Audit

In-Business Control

In-Business Control ("IBC") is a group within the first line of defense that assists the Analytical practices, Operations, Data, and Technology functions in performing risk and internal control activities to mitigate risk in S&P Global Ratings. IBC ensures that controls are embedded into processes and solutions to ensure quality and adherence to regulation and internal policies and confirms that controls are designed and operating effectively through monitoring and testing. IBC works with management to identify, assess, and monitor risk in their departments by considering key risk indicators and other information, such as incidents and issues that are self-identified or identified by independent reviews. IBC ensures that issues are escalated and management's responses to risk and control issues are appropriate and mitigating actions are completed on a timely basis.

IBC works closely with the Risk and Internal Control Function within the Compliance and Risk Department to provide risk reporting to senior management and the Boards; and to enhance risk processes and the internal control structure.

IBC reports to the Chief Operating Officer and is comprised of the following groups:

- Practice Area/Department aligned In-Business Control Officers – partner with other first line departments and colleagues to implement the internal control structure; assist in day-to-day risk and internal control activities including design and implementation of control activities; perform risk and control assessments and ensure remediation of control issues.
- IBC Operations - manage key risk-related processes that span across the Ratings organization including error forums, application access management and business continuity management.
- Vendor & Affiliate Management – assess and monitor third party risk including affiliates.
- IBC Reporting/Analytics & Risk/Control Standards – develop standard risk/control assessment and reporting capabilities to support the needs of IBC teams and first line stakeholders.

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Compliance and Risk Department

The Compliance and Risk Department is headed by the Global Chief Risk and Compliance Officer (the "GRCO"), who reports to the S&P Global Ratings President. The Compliance and Risk Department is responsible for monitoring and reporting on the compliance of S&P Global Ratings and its employees with its regulatory obligations. The Compliance and Risk Department is also responsible for ensuring that the internal control structure is operationalized across the division.

Risks and issues are identified through timely monitoring and assessment activities performed by several functions. The GRCO manages the Compliance function, the Risk and Internal Control function, and the Analytic Quality and Validation function. These second line functions support adherence to global and local regulatory requirements as well as to S&P Global Ratings' policies and procedures. The second line functions report periodically and ad hoc to various stakeholders including the Boards, the Ratings Global Executive Risk Committee, the Ratings Global Risk and Compliance Committee and the SPGI Enterprise Risk Management Committee.

Compliance Function Structure and Responsibilities

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.

To achieve its mission, the Compliance function is organized into the following functions:

- Covering Compliance
- Compliance Examination
- Global Control Room
- Global Regulatory Coordination
- Global Matrix Office

The primary responsibilities of each function are as follows:

Covering Compliance

Covering Compliance Officers promote adherence to policies and procedures by supporting the direction and implementation of policies and procedures, reviewing and monitoring adherence to policies and procedures, and administering discipline for policy violations. Covering Compliance Officers also support surveillance and monitoring activities carried out by other

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parts of Compliance, participate in Compliance examinations and investigations as requested, and collaborate with other S&P Global business functions on risk management, Credit Rating quality and internal controls.

Covering Compliance consists of three regional 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 Dublin and reports to the GRCO. The CCO EMEA manages a team of eleven Compliance Officers for EMEA. With reference to Israel, compliance matters are primarily handled by the Senior Covering Compliance Officer for S&P Maalot, who is based in Moscow. The Senior Covering Compliance Officer reports to the CCO EMEA. The EMEA Compliance Officers receive additional global Compliance support.

Compliance Examination

The Compliance Examination Group ("CEG") conducts reviews of S&P Global Ratings' adherence to compliance policies and operating procedures globally. The primary function of CEG is to conduct and report on compliance examinations and periodic monitoring reviews. In doing so, CEG evaluates the understanding and effectiveness of written compliance policies and procedures, compliance with regulatory requirements, and the adequacy and effectiveness of S&P Global Ratings' compliance controls. In addition, the Compliance Examination Group may undertake special process and operational reviews where required. CEG issues reports in relation to these examinations and tracks the status and completion of management action plans that address CEG's findings.

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 prevent misuse of material non-public information.

To help S&P Global Ratings prevent commercial conflicts from tainting the integrity of the analytical process, the Control Room provides chaperones for communications between Employees in Analytical and Commercial Roles. Chaperoning ensures 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 insider lists, responding to regulatory 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' digital communications surveillance program.

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Global Regulatory Coordination

The Global Regulatory Coordination team ensures coordination and consistency across regions and facilitates 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. The Global Regulatory Coordination team is also responsible for regulatory reporting. The team delivers reports to regulators and manages required regulatory disclosures on S&P Global Ratings' public website while ensuring that regulatory registration and reporting are accurate, complete and timely.

Global Matrix Office

The Global Matrix Office creates and maintains the 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 actions.

Risk and Internal Control Function Structure and Responsibilities

The Risk and Internal Control Function is a second line of defense function that provides advice, oversight, coordination and reporting in support of S&P Global Ratings' internal control structure. This function is responsible for the development and implementation of the risk management framework. It also ensures that risks are identified, assessed, managed and properly reported by the relevant departments/functions within S&P Global Ratings.

The Risk and Internal Control Function works closely with In-Business Control to ensure that each department has defined and documented appropriate internal controls in policies, procedures and standard work within their respective departments. The Risk and Internal Control Function ensures that each department appropriately identifies, assesses and monitors risk, including evaluation of the effectiveness of their internal controls through monitoring and testing. Activities to mitigate risk, including the remediation of internal control deficiencies, are monitored by the Risk and Internal Control Function to ensure appropriate actions are taken on a timely basis.

The Risk and Internal Control Function facilitates the annual management assessment and attestation to the President of S&P Global Ratings for controls related to determining Credit Ratings which includes the confirmation of sufficiency of resources to support the internal control structure. The effectiveness of the internal control structure is periodically evaluated and enhanced as needed, including risk policies and procedures, risk thresholds, control activities and reporting.

Analytic Quality and Validation Function Structure and Responsibilities

Analytic Quality and Validation (AQV) is a second line of defense function responsible for validation, periodic review and reporting with respect to Criteria and Covered Models as well as monitoring and reporting on the adherence to procedures and methodologies for determining credit ratings. This function operates independently from the Analytical practices and Commercial team.

To achieve this, AQV performs the following:

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- Independent ex-ante validation of proposed new or revised Criteria as well as conducting annual periodic Criteria reviews.
- Independent ex-ante validation of proposed new or revised Covered Models as well as conducting periodic Covered Model reviews.
- Independent and continuous monitoring activities, on a risk-based sample of Credit Rating files, which include an assessment of adherence to analytical policies and procedures for determining Credit Ratings as well as an assessment of adherence to Criteria for key aspects of the analysis. Further feedback may be provided to the Ratings organization regarding additional Analytical processes including, for example, transparency with respect to Credit Rating analysis, and published rationales for Credit Ratings.

AQV publishes reports detailing the outcome of its validation, review and monitoring activities to relevant stakeholders and further tracks the completion of management action plans that address any findings identified during AQV activity. In addition, AQV may refer Analytical matters to the Practice Areas for a new Rating Committee when AQV believes the Credit Rating and/or published rationale does not materially reflect the appropriate analysis. Further, AQV may also refer matters to the relevant Analytical Oversight and Consistency Council and Global Head of Methodologies where substantive analytical issues are identified as a result of either inconsistent or unclear Guidance Documents or Criteria. AQV tracks the effectiveness and completion of each management action plan and referral by the Analytical Practice.

S&P Global Inc. Corporate Risk

The Corporate Risk Function is responsible for defining and operationalizing an enterprise-wide, integrated risk management framework of policies, procedures, systems and tools to support identification, assessment, management and reporting of the Company's top enterprise risks on a consistent and sustainable basis. The Enterprise Risk Management (ERM) Program is an integral component of the organization's Corporate Risk Management function and some of the key components of the Program include:

- a risk governance structure, including the Enterprise Risk Management Committee (ERMC), ensuring independent oversight by S&P Global management and the Board of Directors
- a common risk taxonomy for S&P Global driving consistency and transparency across the organization
- articulation of the organization's Risk Appetite via its Enterprise Risk Appetite Statement as well as supporting Domain Risk Appetite Statements and associated tolerances for Top Enterprise Risks
- regular identification and assessment of current and emerging risks that the organization faces which are aggregated in the organization's Top Risk Profile.

In addition to the ERM program, the Corporate Risk Management function includes Risk Centers-of-Excellence (CoEs) including Vendor Risk Management, Business Continuity Management and Technology Risk Management.

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The Corporate Risk Function is led by the Global Risk Officer who reports to the SPGI Chief Risk Officer. The Corporate Risk Management Function provides regular updates to the SPGI Audit Committee of the Board and the SPGI Enterprise Risk Management Committee.

S&P Global Ratings operationalizes the Corporate Risk ERM Program through its internal control structure. S&P Global Ratings participates in corporate risk activities as appropriate. S&P Global Ratings also utilizes services provided by the Corporate Risk Function, such as vendor risk assessment.

S&P Global Inc. Information Security

SPGI's Information Security function is responsible for the protection of SPGI's information and assets from threats to confidentiality, availability, and integrity by implementing, maintaining and enforcing SPGI's information security objectives, and best practices.

Furthermore, SPGI Information Security has the primary responsibility for the development, planning, coordination and communication of the SPGI Information Security Program (the "Program") as well as its enforcement. Information security awareness for employees is included in the program to enhance the security culture in the company. The SPGI Information Security and S&P Global divisions and corporate functions have joint responsibility for the deployment and maintenance of the Program, as applicable.

The S&P Global Chief Information Security Officer (CISO) reports to the SPGI Chief Risk Officer. The CISO provides periodic updates and advice on information security to the SPGI Audit Committee, SPGI Enterprise Risk Committee, Ratings Boards and Ratings Global Risk Committee.

S&P Global Inc. Internal Audit

The SPGI Internal Audit ("IA") function is independent of S&P Global Ratings' management and compliance and other control functions and incorporates S&P Global Ratings in its annual risk-based internal audit plan.

IA regularly performs compliance, regulatory, operational, information technology and financial audits on SPGI entities and segments including S&P Global Ratings. It also carries out reviews of analytical quality across S&P Global Ratings through its Analytical Assurance team. In order to prepare its annual internal audit plan, IA carries out a comprehensive risk assessment process to identify significant risks associated with S&P Global Ratings (including those that are regulatory in nature). The audits are then scoped to assess the effectiveness of the processes and the internal control environment relevant to those risks. Internal Audit provides an independent and objective assessment of the Ratings analytical processes and associated compliance oversight.

IA issues reports in relation to these audits and tracks the status and completion of management action plans that address IA's findings. The completion of all management actions plans is validated by IA

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before they are closed. The results of IA reviews are reported to key stakeholders including status of management action plans and the progress against the annual approved internal audit plan.

IA also carries out quarterly continuous monitoring on SPGI entities, including S&P Global Ratings. This activity includes stakeholder interviews and reviews of management information and business performance. The outcomes from the continuous monitoring activity are considered quarterly by the IA leadership team and informs changes to the risk assessment process and the internal audit plan.

The S&P Global Chief Auditor reports to the Audit Committee of the SPGI Board of Directors on a functional basis, and administratively to the SPGI Chief Risk Officer. IA reports audit results including the status of audit tracking to the SPGI Audit Committee, the SPGI Enterprise Risk Committee, the Ratings Boards and the Ratings Risk and Compliance Committee.