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## Standard & Poor's Publishes Requests For Comment On Proposed Corporate Criteria

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NEW YORK (Standard & Poor's) June 26, 2013--Standard & Poor's Ratings Services said today that it published Request for Comment articles on its proposed criteria for corporate ratings. The proposed criteria represent a comprehensive enhancement to our existing methodology for rating non-financial corporate issuers on a global basis. The proposed criteria for which we are seeking comments include:

- "Request For Comment: Corporate Criteria,"
- "Request For Comment: Methodology: Industry Risk For Corporate And Public Finance Enterprises," and
- "Request for Comment: Corporate Criteria: Ratios And Adjustments."

Two related portions of the proposed corporate criteria, group ratings methodology and country risk for non-sovereign ratings, will be the subject of subsequent Request for Comments (RfCs) in the next few weeks. Under the group ratings methodology proposal, we expect to bring non-financial corporate issuers within the scope of the criteria we published on May 7, 2013, titled "Group Rating Methodology," through the inclusion of corporate-specific methodologies.

We also published requests for comment on Key Credit Factors on the following industries:

- Real estate, and
- Regulated utilities.

Key Credit Factors discuss methodology and assumptions for a particular industry and are necessary supplements to the proposed corporate ratings criteria. We also expect to solicit feedback on proposed Key Credit Factors for a few other industries, which we will publish in a few weeks. Over the course of the next 12 months, we expect to update the Key Credit Factors for all sectors, to align those with the proposed corporate ratings criteria.

Corporate ratings have been robust indicators of future credit quality over time and their default and transition performance has been, and continues to be, very good. The proposed criteria support forward-looking analysis and build on the existing foundations of our ratings analysis, while providing greater clarity into our ratings methodology. Therefore, we expect any ratings changes arising from the proposed criteria--if adopted--to be modest.

Standard & Poor's is hosting a live Webcast with Q&A on July 9, 2013, at 11:00 a.m. Eastern Time, and a live teleconference with Q&A on July 10, 2013, at 9:30 a.m. Hong Kong/Singapore Time, 10:30 a.m. Tokyo Time, 11:30 a.m. Sydney Time. Both events will discuss the RfCs (see details below).

#### SCOPE OF THE PROPOSAL

The proposed methodology applies to non-financial corporate issuer credit ratings globally. Please see "Criteria Guidelines For Recovery Ratings On Global Industrial Issuers' Speculative-Grade Debt," published Aug. 10, 2009, and "2008 Corporate Criteria: Rating Each Issue," published April 15, 2008, for further information on our methodology for determining issue ratings. This

methodology does not apply to the following sectors, based on the unique characteristics of these sectors, which require either a different framework of analysis or substantial modifications to one or more factors of analysis: project finance entities, project developers, transportation equipment leasing, auto rentals, commodities trading, investment holding companies, corporate securitizations, non-profit and cooperative organizations, general partnerships of master limited partnerships, and other entities whose cash flows are primarily derived from partially-owned equity holdings.

#### DETAILS

The proposed criteria for corporate ratings constitute specific methodologies and assumptions under Standard & Poor's "Principles Of Credit Ratings," published on Feb. 16, 2011.

The proposed criteria specify the factors and subfactors of the analysis, with greater clarity and detail on how they are evaluated to determine rating outcomes. The proposed criteria combine our assessments of industry risk, country risk, and competitive position to determine the issuer's business risk profile. Cash flow/leverage analysis determines a company's financial risk profile assessment. The analysis then combines the corporate issuer's business risk profile assessment and its financial risk profile assessment to determine its anchor. We then analyze five modifiers--that could adjust the anchor--to arrive at the stand-alone credit profile (SACP). Those five modifiers are:

- Diversification/portfolio effect,
- Capital structure,
- Liquidity,
- Financial policy, and
- Management and governance.

Comparable rating analysis is the last analytical factor under the proposed criteria to determine the SACP on a company.

Finally, the SACP will be analyzed in the context of whether group or government support is applicable prior to determining the issuer credit rating.

#### IMPACT ON OUTSTANDING RATINGS

Ratings changes are expected to be modest if the redesigned criteria are implemented as proposed. We rate about 4,500 issuers in global corporate ratings. About 10% of the global corporate ratings could be changed under the proposed criteria. We expect the vast majority of ratings changes to be largely within one notch of existing ratings. We also expect that ratings changes will generally be evenly balanced between upgrades and downgrades.

#### RESPONSE DEADLINE

We encourage interested market participants to submit their written comments on the proposed criteria by Sept. 16, 2013, to <http://www.standardandpoors.com/criteriaRFC/en/us>. We will review and take such comments into consideration before publishing our definitive criteria

once the comment period is over. Generally, Standard & Poor's Ratings Services (Ratings Services) may, in cases when the commenter has not requested confidentiality, publish comments in their entirety, except when the full text, in Ratings Services' view, would be unsuitable for reasons of tone or substance.

More information on the proposed criteria can be found on [www.standardandpoors.com/corpcriteria](http://www.standardandpoors.com/corpcriteria). On the site you can:

- Access an interactive version of the proposed corporate criteria framework,
- Find each of the RfCs and CreditMatters TV videos that explain the proposed criteria, and
- Register to attend one of our global market outreach events.

#### AUDIO WEBCAST/TELECONFERENCE DETAILS

Please join us for an interactive, live Webcast with Q&A on July 9, 2013, at 11:00 a.m. Eastern Time. Click here to register for the Webcast:

<http://event.on24.com/eventRegistration/EventLobbyServlet?target=registration.jsp&eventid=649392&key=70BCFAE9A4327B08169FE2942DFADE9C&sourcepage=register>

Please join us for an interactive, live teleconference with Q&A on July 10, 2013, at 9:30 a.m. Hong Kong/Singapore Time, 10:30 a.m. Tokyo Time, 11:30 a.m. Sydney Time. Click here for teleconference details:

[http://ratings-events.standardandpoors.com/content/US\\_CO\\_Event\\_TconRfCCorpCriteria7913](http://ratings-events.standardandpoors.com/content/US_CO_Event_TconRfCCorpCriteria7913)

These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

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