

# 2024 Annual Report

## DBRS Ratings GmbH Annual Transparency Report

### Morningstar DBRS

March 2025

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Leanne Holland  
 Deputy Chief Compliance Officer & European  
 Regional Compliance Officer –  
 Global Compliance  
 +44 20 7855 6603  
[leanne.holland@morningstar.com](mailto:leanne.holland@morningstar.com)

### Introduction

DBRS Ratings GmbH is a registered credit rating agency (CRA) with the European Securities and Markets Authority (ESMA) and is subject to regulations for CRAs in the European Union (EU), and is also registered with the U.S. Securities and Exchange Commission (SEC) as a Credit Rating Affiliate of DBRS, Inc.<sup>1</sup>, and with the Ontario Securities Commission (OSC) as a Designated Rating Organization Affiliate of DBRS Limited<sup>2</sup>. Together with its sister company operations in Canada, the UK, and the U.S., DBRS Ratings GmbH is known as Morningstar DBRS.

Morningstar DBRS (formerly, DBRS Morningstar<sup>3</sup>) is a leading provider of independent credit rating services and opinions for corporate and sovereign entities, financial institutions, and project and structured finance instruments globally. Rating more than 4000 issuers and 60000 securities, Morningstar DBRS is one of the top four credit rating agencies in the world and a market leader in Canada, the U.S., and Europe in multiple asset classes.

Morningstar DBRS empowers investor success by bringing more transparency and a much-needed diversity of opinion in the credit rating industry. Morningstar DBRS' approach and size allows it to be nimble enough to respond to customers' needs in their local markets, but large enough to provide the necessary expertise and resources they require. Market innovators choose to work with Morningstar DBRS because of its agility, tech-forward approach, and exceptional customer service.

Morningstar DBRS sets itself apart with its intuitive <https://dbrs.morningstar.com> website, including Morningstar DBRS' various microsites with curated content on topical credit themes; its participation in major financial data platforms and direct data feeds that make its credit ratings easily accessible; Morningstar DBRS' insightful events and webinars that explain its credit opinions to the market; and Morningstar DBRS' real-time social media updates, targeted email alerts, and topical newsletters that keep its stakeholders up-to-date.

DBRS Ratings GmbH makes this Annual Transparency Report (Report) for 2024 publicly available pursuant to Article 12 of the EU CRA Regulations. Unless otherwise stated, this Report relates specifically to DBRS Ratings GmbH and covers the fiscal year from 1 January 2024 to 31 December 2024.

Unless otherwise indicated, all capitalised terms used in this Report are defined in the Glossary that is included at the end of this Report.

1. In the U.S., DBRS, Inc. is registered with the SEC as a Nationally Recognized Statistical Rating Organization (NRSRO).  
 2. In Canada, DBRS Limited is a Designated Rating Organization (DRO).  
 3. On 1 January 2024, DBRS Morningstar was rebranded Morningstar DBRS, and the domain name changed from [www.dbdsmorningstar.com](http://www.dbdsmorningstar.com) to <https://dbrs.morningstar.com>.

# Section 1

## **Legal Structure and Ownership**

DBRS Ratings GmbH, including its branches in Spain and India, is established in the EU, registered under the EU CRA Regulations and incorporated in accordance with the applicable national law as follows:

- DBRS Ratings GmbH is registered in Frankfurt am Main, Germany, with its primary office in Frankfurt am Main.
- DBRS Ratings GmbH, Sucursal en España is a branch of DBRS Ratings GmbH. DBRS Ratings GmbH, Sucursal en España is registered and domiciled in Spain with its primary office in Madrid.
- DBRS Ratings GmbH, India Branch, is registered as a branch of DBRS Ratings GmbH under the EU CRA Regulations, and incorporated and domiciled in India, with its primary office in Mumbai.

DBRS Ratings GmbH is 100% owned by Ratings Acquisition Corp., a holding company incorporated in the Cayman Islands, which in turn is 100% owned by Morningstar Ratings Holdings Corp., a holding company registered and domiciled in the U.S. Morningstar Ratings Holdings Corp is 100% owned by Morningstar, Inc.

Morningstar, Inc. is a publicly owned company headquartered in Chicago, Illinois, U.S., and listed on the Nasdaq stock exchange. It provides an array of investment-research, financial data, and investment-management services.

## Section 2

### **A Description of the Internal Control Mechanisms Ensuring the Quality of Morningstar DBRS' Credit Rating Activities**

Morningstar DBRS has adopted an internal control framework that is designed to ensure that Morningstar DBRS globally delivers quality credit rating opinions that are timely, objective, and free from all political and commercial influences. The control framework is monitored and evaluated on a periodic basis.

At a high level, Morningstar DBRS' governance structure and various control functions and mechanisms comprise the internal control framework. At a more granular level, the framework includes jurisdictional elements to reflect and provide for the needs of each Morningstar DBRS entity.

Morningstar DBRS implemented its internal control framework as three lines of defence for the oversight and management of risk and internal control processes.

The first line of defence comprises Morningstar DBRS' business lines and other global control mechanisms, including Morningstar DBRS' Business Code of Conduct and Employee Code of Conduct (together, Codes of Conduct), policies and procedures, and Quality Assurance teams. The first line focuses on identifying the risks associated with Morningstar DBRS' credit rating activities and executes actions to manage those risks.

The second line comprises Morningstar DBRS' global control functions: the Methodology Review Function (MRF), Risk Management, Information Security, and Compliance. Generally speaking, the second line is responsible for monitoring the execution of the responsibilities of the first line in accordance with the applicable regulatory requirements and Morningstar DBRS policies and procedures, and providing reporting to the Independent Non-Executive Directors (INEDs) of the Administrative Body regarding the effectiveness of these policies and procedures.

The third line comprises independent assurance providers, including Internal Audit and external auditors.

Morningstar DBRS' governance structure and various components of the internal control framework are described in more detail below.

## 1. Governance Structure

In 2024, DBRS Ratings GmbH operated under a governance structure involving an administrative body (the Administrative Body), which comprised two INEDs as required under EU CRA Regulations, and the management body (the Management Body), which comprised one managing director. The Administrative Body oversees Senior Management's implementation of the control framework, as applicable.

Please refer to Sections 6 and 8 for additional information regarding the Administrative Body, the Management Body and the Senior Management of DBRS Ratings GmbH.

## 2. Internal Control Framework

### First Line of Defence

#### A. Morningstar DBRS Codes of Conduct

Morningstar DBRS operates subject to the Business Code of Conduct and the Employee Code of Conduct<sup>4</sup>.

The Business Code of Conduct is a summary of various policies, procedures, and controls that Morningstar DBRS has established to promote the objectivity and integrity of its credit ratings and the transparency of its operations, and it substantially follows the International Organization of Securities Commissions (IOSCO) Code structure. The IOSCO Code is an internationally recognised framework of practical measures designed to improve investor protection, fairness, efficiency, and transparency of the securities markets and to reduce systemic risk.

The Employee Code of Conduct sets out and provides guidance in respect of the standards of conduct to be followed by DBRS Ratings GmbH Covered Personnel and underpins DBRS Ratings GmbH's commitment to conducting its business in an ethical manner and with integrity.

The Covered Personnel of DBRS Ratings GmbH are expected to adhere to the Codes of Conduct. Additionally, on an annual basis, DBRS Ratings GmbH Covered Personnel are required to review the Codes of Conduct and confirm that they have read, understood, and commit to abide by them. DBRS Ratings GmbH Covered Personnel are also expected to read, familiarise themselves, and comply with all applicable policies and procedures.

The Business Code of Conduct can be found on the Morningstar DBRS website at <https://dbrs.morningstar.com> under Code of Conduct.

#### B. Management of Conflicts of Interest

Morningstar DBRS issues credit ratings that are based solely on an independent evaluation of the credit risk and merits of the rated entity, issuer, asset pool, security, or instrument. Morningstar DBRS recognises the importance of its credit rating analysts' objectivity and independence with respect to its credit rating activities. Morningstar DBRS acknowledges the potential and perceived conflicts arising from payments that it may receive for its credit ratings, subscriptions, or other

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4. Morningstar DBRS Covered Personnel are also subject to the Morningstar Code of Ethics.

products and services, and the associations and interactions that Morningstar DBRS or its Covered Personnel may have with certain market participants or parties acting on behalf of market participants and has adopted policies and procedures to identify, eliminate or manage, and disclose any such conflicts in order to ensure the independence and integrity of Morningstar DBRS' credit rating process. In particular:

- Morningstar DBRS' Business Development group is operationally and physically segregated from analytical credit rating groups, providing controls so that commercial factors do not influence the credit rating process.
- Analytical independence in Morningstar DBRS' credit rating process is further promoted through a variety of means, including the following:
  - Analytical Personnel are not evaluated or compensated on the basis of the amount of revenue Morningstar DBRS generates from issuers the analyst rates or interacts with.
  - Analytical Personnel are prohibited from initiating, arranging, negotiating, or participating in discussions regarding fees or payments for credit ratings with market participants.
  - Analytical Personnel are prohibited from participating in sales or marketing activity.
  - Analytical Personnel are prohibited from participating in determining or monitoring credit ratings, and from participating in developing or approving procedures or Methodologies, if they are influenced by sales or marketing considerations.
  - Analytical Personnel are prohibited from making proposals or recommendations regarding the structure, assets, liabilities or activities of any entity or instrument being rated, to achieve a desired credit rating.
- In addition, all Morningstar DBRS Covered Personnel (and, in some cases, their immediate family members) are subject to certain restrictions, disclosure, approval, and reporting requirements governing:
  - Ownership or trading of personal investments;
  - Receipt or provision of gifts or entertainment from/to market participants;
  - Business activities or control relationships that do not form part of the individual's responsibilities to Morningstar DBRS (outside business interests); and
  - Any personal or business relationship or employment (previous or prospective) that could be perceived as creating a conflict of interest.
- INEDs of Morningstar DBRS, Directors of Morningstar, Inc., and Shareholders of Morningstar, Inc. are subject to requirements, disclosures, and periodic monitoring as outlined in the Avoidance of Conflicts of Interest Relating to Certain Directors Global Procedure and Avoidance of Conflicts of Interest Relating to Morningstar and Morningstar Shareholders Global Procedure.

Morningstar DBRS controls access to the information generated internally or provided by external sources through a confidential information framework embedded in the Employee Code of Conduct and a selection of conflict-of-interest policies and procedures designed to prevent the misuse of confidential and material non-public information.

The members of the Morningstar DBRS Compliance team, Monitoring and Testing (M&T) team, and Conflicts of Interest (COI) team collectively monitor Covered Personnel conduct and adherence to relevant policies and procedures designed to manage and avoid conflicts of interest.

### C. Policies and Procedures

Morningstar DBRS has established and maintains policies and procedures that support the principles set out in the Codes of Conduct and implement Morningstar DBRS' obligations under applicable laws and regulations in each relevant jurisdiction in which Morningstar DBRS conducts its business. In particular, these policies and procedures govern Morningstar DBRS' operations, and the conduct of Morningstar DBRS Covered Personnel and are designed to ensure, among other things, the quality, independence, and integrity of the credit rating process; the transparency of Morningstar DBRS' credit ratings; and the avoidance of conflicts of interests.

Morningstar DBRS' policies and procedures in respect of the credit rating activities and compliance function are generally developed and reviewed by the Morningstar DBRS Policy Review Group, which is composed of members of Senior Management, Global Compliance, and representatives from the analytical groups across the regions, and supported by representatives from different functions across Morningstar DBRS, as appropriate.

More information on Morningstar DBRS' credit rating policies can be found on the Morningstar DBRS website at <https://dbrs.morningstar.com> under Understanding Ratings/About Ratings.

### D. Credit Rating Methodologies

Morningstar DBRS' Methodologies are initiated, developed, and updated by Methodology development teams<sup>5</sup> that are composed of experienced members of the relevant analytical groups. Morningstar DBRS' Methodologies, including those for new industries, asset classes, or products, are also reviewed by Morningstar DBRS' criteria committees that are composed of senior members of the relevant credit rating teams.

Morningstar DBRS believes that transparency is key to ensuring that credit ratings are understood and that investors are aware of the factors used to determine Morningstar DBRS credit ratings. To promote transparency and to comply with regulations, Morningstar DBRS publicly discloses the Methodologies and criteria used to determine credit ratings on the Morningstar DBRS website at <https://dbrs.morningstar.com> under Understanding Ratings.

### E. Credit Rating Process

Morningstar DBRS recognises that the rigour of credit rating analysis is a core component of promoting the quality, integrity, objectivity, and independence of credit ratings and has adopted a committee-based credit rating process that is primarily designed to achieve that objective.

Generally speaking, Morningstar DBRS credit rating analysts work within specific industries and product groups in the corporate finance, public finance, sovereigns, financial institutions, covered bonds, and structured finance business sectors. More specifically, Morningstar DBRS assigns credit ratings in the financial institutions, corporates, and sovereigns (collectively, corporate finance or fundamental credit ratings), covered bonds, and structured finance sectors.

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5. In addition to the Methodology development teams, Morningstar DBRS has adopted the Central Methodology Resources Hub (CMRH) Global Policy that contemplates the formation of the CMRH, consisting of Analytical Personnel, to support and facilitate the Methodology development and review processes as set forth in relevant Morningstar DBRS policies and procedures. As of 31 of December 2024, there are no employees that perform in the CMRH function.

Each entity or transaction rated by Morningstar DBRS is normally covered by a lead and a rating analyst, who work together on the credit rating(s) and attend meetings with the issuer or its agents. The analysts complete their analysis on the entity or the transaction in accordance with the applicable Morningstar DBRS Methodologies and procedures and present their analysis and credit rating recommendations to a rating committee which makes a determination on the credit rating. The rating committee process facilitates credit rating decisions that are a collective assessment of Morningstar DBRS opinion rather than the view of individual credit rating analysts; are based on sufficient information and data, incorporating both global and local considerations and applying approved Methodologies; and are independent and free of any actual and perceived conflicts of interest.

In accordance with applicable procedures, Morningstar DBRS rating committees have member composition requirements, which depend upon a number of factors, including, but not limited to, the nature of the issue or credit rating action under consideration, the corporate finance industry sector, or the type of structured finance transaction. Experienced and knowledgeable Analytical Personnel comprise the rating committees. Rating committees typically meet on an as-needed basis, as new credit rating coverage is initiated, as credit rating actions are requested, or as credit rating events occur, in accordance with Morningstar DBRS policies and procedures. Rating committee meetings are documented in formalised meeting minutes.

In addition, Credit Practices analysts within each of the credit rating groups promote the consistent application of Methodologies by the analytical teams, for example, through participation on rating committees. They also support the development and/or validation of new Morningstar DBRS Methodologies and, as appropriate, the updating of existing Morningstar DBRS Methodologies through participation on transaction screening assessments and criteria committees.

In order to promote accuracy and to comply with regulations, upon completion of the rating committee process, Morningstar DBRS first informs the issuer of the credit rating and provides a draft copy of the press release for public credit ratings. This process gives the issuer the opportunity to review the content of the information, to highlight any factual errors or inaccuracies, and to alert Morningstar DBRS regarding the inadvertent disclosure of nonpublic information. Morningstar DBRS refrains from disclosing confidential information in press releases, research publications, conferences, or elsewhere unless the necessary consents have been obtained.

In accordance with the applicable processes, public credit ratings are then published on the Morningstar DBRS website at <https://dbrs.morningstar.com>. To help market participants understand the nature of the relevant credit ratings better, Morningstar DBRS credit ratings are clearly marked to indicate from which jurisdiction each such credit rating is issued.

An issuer or any other entity that requests a credit rating may request an appeal of a credit rating action when material new information is provided. Credit rating appeals are considered by Morningstar DBRS on a case-by-case basis. Morningstar DBRS defers issuing the press release and any related report pending disposition of the appeal request and resolution of the appeal, as applicable.

## **F. Quality Assurance Teams**

Quality assurance personnel monitor business practices, provide training, and help the business to develop processes to adhere to the Morningstar DBRS Codes of Conduct, policies, and procedures.

## **G. Surveillance**

In accordance with the applicable Morningstar DBRS Methodologies, surveillance activities are generally conducted by a combination of surveillance and/or credit rating analysts depending on the structure of a particular credit rating group. Issuers and sponsors/servicers are expected to supply performance data and information over the life of the relevant credit rating. The maintenance of a credit rating is conditional upon the timely receipt of this ongoing data and information. In accordance with applicable regulations, Morningstar DBRS updates its outstanding credit ratings on an annual or semiannual basis depending on the type of the relevant credit rating. Credit rating actions taken as part of the surveillance of public credit ratings are also published on the Morningstar DBRS website at <https://dbrs.morningstar.com>.

## **H. Credit Ratings Performance**

To promote transparency and to enable the market to best judge the performance of its credit ratings, Morningstar DBRS publishes default and transition studies in accordance with the applicable regulatory requirements. These studies provide information on historical default rates of Morningstar DBRS credit rating categories and whether the default rates of these categories have changed over time. This information enables interested parties to understand the historical performance of each category and any changes to credit rating categories and enables such parties to draw comparisons between credit ratings issued by different CRAs.

## **Second Line of Defence**

### **I. Methodology Review Function**

The MRF's responsibilities include, but are not limited to, the review and validation of rating Methodologies used to determine and monitor credit ratings by applying the Morningstar DBRS Methodology development and review standard. The standard considers whether the Methodology demonstrates a reasonable basis and is rigorous, systematic, and continuous. Morningstar DBRS Methodologies are subject to validation. MRF reviews also intend to promote consistency across all Methodologies, as appropriate. This function is coordinated by a global head. The MRF team is structurally separate from the ratings teams which are responsible for determination, approval, monitoring, or discontinuation of credit ratings, or development of Methodologies used in determining Morningstar DBRS credit ratings. The head of the MRF administratively reports to the Head of Credit Operations and Standards, and is accountable to the INEDs with respect to review and validation of Morningstar DBRS Methodologies. The INEDs monitor the development of the Morningstar DBRS Methodologies and the efficiency of the MRF function. The MRF regularly interacts with and provides reporting to the INEDs.

### **J. Compliance**

The Compliance Program is overseen by the Global Chief Compliance Officer (GCCO) who is appointed by the Morningstar DBRS Boards and supported by the Deputy Chief Compliance Officer



(DCCO). The GCCO has a team of Regional Compliance Officers (RCO)s responsible for Morningstar DBRS' compliance with all applicable legal and regulatory requirements in each jurisdiction.

The European Compliance team, composed of the EMEA RCO<sup>6</sup> and her team, oversees ongoing adherence to regulatory requirements applicable to DBRS Ratings GmbH<sup>7</sup> and its operations, as well as the Morningstar DBRS Codes of Conduct, policies, and procedures. The Compliance team also provides advice and guidance to, and monitors the compliance of relevant Covered Personnel. The Compliance team is supported by the Morningstar Global Controls teams including a COI team; a M&T team; a Policies & Procedures and Compliance Training team, and a Financial Crimes team. The COI, M&T, and Financial Crimes teams collectively conduct compliance checks, testing, and monitoring, and build ongoing evaluations into the business processes and adjust them to changing conditions. In addition, the M&T is responsible for making recommendations regarding enhancements to existing, and the creation of new controls and reporting mechanisms. The COI and M&T teams monitor detective and preventative internal controls and support the review and advisory role of the RCOs for Morningstar DBRS in each jurisdiction.

The EMEA RCO attends the meetings of the Administrative Body and provides regular reports to the INEDs, detailing the compliance activities and initiatives over the prevailing period based upon a comprehensive annual compliance plan in respect of DBRS Ratings GmbH. This includes the work undertaken by the Compliance team, including any investigations and issues discovered and any changes being implemented to support compliance-related activities. The EMEA RCO will also discuss any material changes made to the internal control systems and mechanisms. The EMEA RCO also maintains access to and has frequent interaction with the President of the Morningstar DBRS credit ratings business and Head of Europe.

## **K. Risk Management**

Morningstar DBRS has a Risk Management Global Policy and Framework that provides a common platform for the governance and management of risk. Morningstar DBRS has established a Risk Management Council to oversee the operation of the global risk management program and maintain a systematic and disciplined approach to the identification, assessment, mitigation, monitoring, and reporting of risks.

The global risk management program is owned by the risk management function, whose responsibilities include the following:

- Establishing and maintaining risk management processes and tools for the identification, assessment, response, monitoring, and reporting of risks;
- Organizing and facilitating meetings with Senior Management and control functions to identify and assess key risks;
- Facilitating risk reporting, including the ongoing development of risk information to support residual risk assessments, risk trends, and the effectiveness of risk management activity;
- Facilitating the production and maintenance of risk mitigation action plans and monitoring of progress on management's plans;

6. The EMEA RCO is also the DCCO.

7. An EU RCO was recruited on the 20 January 2025 and has assumed the responsibility of delivering the compliance plan for DBRS Ratings GmbH.

- Reviewing risk management output and maintaining a group risk register;
- Managing and overseeing Information and Communication Technology (ICT) risk and keeping the Risk Management Council and Morningstar DBRS Boards informed on ICT-related risks;
- Reviewing and implementing actions to address risk deficiencies and enhancements;
- Organizing and chairing meetings of the Risk Management Council;
- Providing risk information and risk reporting to the Risk Management Council and the Morningstar DBRS Boards;
- Facilitating discussions with the Morningstar DBRS Boards on risk appetite to articulate the Board's attitude to risk; and
- Promoting a risk competence throughout Morningstar DBRS including facilitating development of technical risk expertise.

#### **L. Information Security**

The policies, standards, and controls designed to protect data in use, at rest, and in motion are defined and managed by the Morningstar, Inc. Information Security team, and overseen by the Chief Information Security Officer (CISO). The CISO is responsible for the oversight of implementation of consistent and uniform standards for data integrity and security for Morningstar DBRS. Morningstar DBRS stores data, including confidential financial information received from issuers, on several file servers across the organisation and within approved cloud storage providers. Access rights to this information are based on job function and are managed by a formal change management process.

Morningstar DBRS' core credit ratings information management system provides granular controls for managing access to data, which may be limited by both job function (e.g., ratings unit, asset class, etc.) and level of access (e.g., full access, limited edit rights, etc.). As with file servers and cloud storage, this access is managed by a formal change management process. Senior Management receives periodic reports to review individual user access permissions for Morningstar DBRS Covered Personnel in their lines of business, and may request changes as needed.

#### **Third Line of Defence**

#### **M. Internal Audit**

The Internal Audit Program for Morningstar DBRS is provided by the Morningstar Internal Audit Services function, which is overseen by the Chief Audit Executive, Morningstar. The Director of Internal Audit is accountable to the Morningstar DBRS Boards, the primary point of contact being the INEDs.

The Internal Audit function is responsible for maintaining and executing an effective audit program for Morningstar DBRS and performs its responsibilities independently of the business lines. Internal Audit independently reviews and provides objective assurance that Morningstar DBRS' activities, including outsourced important operational functions, are in compliance with Morningstar DBRS' policies and procedures as well as with applicable legal and regulatory requirements.

An overview of the conclusions of the Internal Audit review in respect of the Compliance Function in 2024 is included in Section 5.

## Section 3

### Statistics on the Allocation of Personnel

The figures presented below reflect the allocation of the relevant DBRS Ratings GmbH employees under the following categories:

- The total number of employees;
- The number of employees engaged in analytical functions;
- The number of employees engaged in new credit ratings and credit ratings reviews in Sovereign, Corporates, Financial Institutions, and Structured Finance groups (as applicable);
- The number of analytical supervisors in Sovereign, Corporates, Financial Institutions, and Structured Finance groups;
- The number of employees within the MRF; and,
- The number of analytical support employees (supporting DBRS Ratings GmbH and other Morningstar DBRS entities).

On 31 December 2024, DBRS Ratings GmbH employed a total of 328 employees of whom 101 were engaged in analytical functions in respect of DBRS Ratings GmbH credit ratings in the EU. Other employees include MRF, analytical support for DBRS Ratings GmbH and other Morningstar DBRS entities, and as well as non-analytical personnel.

Fundamentals Credit Ratings	Number of Employees
New credit ratings and credit rating reviews (surveillance)	
Of which Sovereign	8
Of which Financial Institutions	11
Of which Corporates	16
Of which analytical supervisors	8
<b>Total</b>	<b>43</b>
<b>Structured Finance Credit Ratings*</b>	<b>Number of Employees</b>
New credit ratings	39
Credit rating reviews (surveillance)	12
Analytical supervisors (new credit ratings)	5
Analytical supervisors (surveillance)	2
<b>Total</b>	<b>58</b>

\*Covered Bonds employees are included with Structured Finance employees.

Methodology Review Function (MRF)	Number of Employees
MRF staff	6
<b>Total</b>	<b>6</b>

Analytical support	Number of Employees
Analytical support (global)	108
<b>Total</b>	<b>108</b>

DBRS Ratings GmbH does not maintain separate surveillance teams with respect to its fundamental credit ratings in the EU. Thus, the analytical employees in these areas work on both assigning new credit ratings and monitoring existing ones.

## Section 4

### **Morningstar DBRS' Record Retention Policy**

Morningstar DBRS creates and maintains various types of information and documentation in order to effectively conduct its business. Morningstar DBRS' records are maintained in such a manner as to protect the integrity, confidentiality, and security of the records while ensuring that they are accessible as needed.

Morningstar DBRS has established the Record Retention Global Policy, which is the framework for the retention, storage, and destruction of such information and documentation in line with applicable record keeping requirements of the regulatory authorities in jurisdictions in which each Morningstar DBRS entity operates. The policy is supported and operationalised by internal Morningstar DBRS procedures, including those on data protection. DBRS Ratings GmbH adheres to the relevant policy and procedures.

These policies and procedures generally focus on the following issues:

1. The types of records that are subject to this framework;
2. The retention period relating to the records;
3. The requirements regarding storage, including off-site and third-party custodial arrangements, retrieval, and destruction of relevant records; and
4. The required approvals for transfer of records to off-site storage.

Records that are subject to this framework include any information that may be recorded by Morningstar DBRS Covered Personnel in a variety of forms or media, including, but not limited to, files, correspondence, memoranda, books, papers, notes, reports, agreements, charts, tables, diagrams, forms, and materials.

## Section 5

### **Outcome of the Annual Internal Review of the Compliance Function**

To complement the reporting of the Compliance team to the Administrative Body, Morningstar's Internal Audit function conducts an annual internal audit review of the Compliance function. This review assesses the effectiveness of the compliance function in supporting Covered Personnel compliance with regulatory requirements, and the scope includes the following:

- Independence of the Compliance function;
- Oversight of the development, governance, and implementation of policies and procedures;
- Provision of advice and guidance in relation to conduct and regulatory compliance;
- Identification and management of potential, perceived, and actual conflicts of interest;
- Interaction and resolution effectiveness between the Global Controls team (the Conflicts of Interest, Monitoring and Testing, and Policies & Procedures and Training teams) and European Compliance;
- Provision of training and communication on key compliance issues including changes in regulation and policies and procedures;
- Provision of assurance through ongoing monitoring and testing activities;
- Delivery of the Annual Compliance Plan approved by the Administrative Body; and
- Reporting to the Administrative Body on key compliance matters.

The 2025 annual internal audit review covering 2024 confirms that the Compliance function operates independently within Morningstar DBRS and concludes that the Compliance function is satisfactory in supporting Covered Personnel compliance with regulatory requirements.

## Section 6

### **Description of DBRS Ratings GmbH Management and the Rating Analyst Rotation Policy Composition of the Administrative Body of DBRS Ratings GmbH During 2024<sup>8</sup>**

The DBRS Ratings GmbH Administrative Body consisted of:

- Joseph M. Donovan, INED
- Katherine Frey, INED

The DBRS Ratings GmbH Management Body consisted of:

- Detlef Scholz, Geschäftsführer<sup>9</sup> (Managing Director)

During 2024, the Administrative Body fulfilled the regulatory obligations of a board of directors under EU CRA Regulations. The Administrative Body operates under a board mandate for DBRS Ratings GmbH, which clearly outlines its regulatory obligations and its role in advising and instructing management on strategic aspects; reviewing Morningstar DBRS' risk tolerance; and monitoring adherence to regulatory requirements.

The INEDs were appointed based on their expertise in financial services. Mr. Donovan and Ms. Frey have in-depth knowledge and experience at senior levels of the markets in structured finance instruments as required under the EU CRA Regulations. The members of the Administrative Body provide DBRS Ratings GmbH with extensive experience in credit ratings, financial services, and corporate governance. The Administrative Body meets regularly throughout the year and maintains regular communication channels with Senior Management and key control functions, including the Compliance team, the MRF, Risk Management, Information Security, and Internal Audit.

Joseph M. Donovan is an INED at DBRS Ratings GmbH and its CRA affiliates (collectively, Morningstar DBRS). Mr. Donovan is experienced in the field of securitisation with broad exposure to all aspects of the capital markets, consumer and commercial finance, and a wide array of industries, both in the U.S. and globally. Mr. Donovan most recently worked for Credit Suisse Securities (USA) LLC in roles including Chairman ABS & Debt Financing and Managing Director, Co-Head of Asset Financing. Prior to that, Mr. Donovan held similar roles at Prudential Securities and Smith Barney, and spent a large part of his early career at CS First Boston/the First Boston Corporation. Mr. Donovan held CPA and Series 7, 24, and 63 licenses and was the recipient of the 2007 Lifetime Achievement Award presented by Total Securitization, a publication of Institutional Investor, Inc. Mr. Donovan has a BBA in Accountancy from Notre Dame and an MBA from the Wharton School, University of Pennsylvania.

Katherine Frey is an INED at Morningstar DBRS. Ms. Frey spent the 23 years at Moody's Investors Service (MIS). As a Managing Director, she led MIS' Europe, the Middle East, and Africa (EMEA) structured finance and covered bonds rating business from 2009 through 2019, and then

8. Charles D. Brown assumed his duties as the third INED of the Administrative Body of DBRS Ratings GmbH on 1 January 2025.

9. Marta Zurita Bermejo assumed her duties as an additional Geschäftsführerin for DBRS Ratings GmbH on 18 February 2025.

established and managed a global data and analytics team for two years. Ms. Frey began her career as an associate in applied microeconomic consulting at NERA. She then spent nearly a decade focused on the municipal finance, derivatives, and leveraged loan markets, working as an investment banker at JP Morgan and a portfolio analyst at Reuters. Ms. Frey served as a board member on the National Advisory Board of Career Ready in London for five years, concluding her term in 2020. Ms. Frey has a bachelor's degree in economics and environmental studies from the University of Washington and a master's degree in public and private management from Yale University.

Biographies of the members of the Administrative Body can also be found on the Morningstar DBRS website at <https://dbrs.morningstar.com> under Global Regulatory Affairs EU Disclosures.

### **Management Body of DBRS Ratings GmbH**

Detlef Scholz, as President of Morningstar DBRS Credit Ratings and Head of Europe, is responsible for ensuring that strategies and capabilities are in place so that DBRS Ratings GmbH operates consistently, efficiently, and effectively globally and across the EMEA region. To do so, he oversees local leaders of each of the business lines and functions who are accountable to him with respect to DBRS Ratings GmbH activities. Additionally, Mr. Scholz and the local leaders at Morningstar DBRS in Europe meet regularly to discuss the management of the business and issues affecting it, and consider the strategy of, and issues affecting, Morningstar DBRS globally. Mr. Scholz acts as the main conduit between Senior Management and the Administrative Body.

### **Analyst Rotation Global Policy**

The Morningstar DBRS Analyst Rotation Global Policy has been established to implement a rotation mechanism. The Policy applies to all Analytical Personnel directly employed by, or assigned to work on DBRS Ratings GmbH public credit ratings, and all Analytical Personnel assigned to work on DBRS Ratings Limited, DBRS Limited, or DBRS, Inc. public credit ratings endorsed for use in the EU.

### **Rotation Mechanism**

The rotation mechanism provides for a gradual change in lead analysts, rating analysts, and persons approving credit ratings and comprises specified time periods, which vary depending upon the role being performed by the relevant Analytical Personnel (ranging from four to 10 years).

### **Application of Rotation Mechanism**

The relevant Analytical Personnel with the role of lead analyst, rating analyst, and person approving credit ratings may only be continuously involved with the same rated entity or related third parties for the rotation periods indicated below.

For credit ratings issued by DBRS Ratings GmbH, a rotation period from four to a maximum of seven years applies, and for credit ratings endorsed by DBRS Ratings GmbH, a rotation period from seven to 10 years applies.

The Analytical Personnel subject to this Policy may not thereafter be involved in the credit rating activities related to such rated entity or related third parties for a two-year period, which is referred to as the cooling off period.



## Section 7

### **DBRS Ratings GmbH Revenue from Credit Rating Activities**

DBRS Ratings GmbH derives its revenues only from credit rating services.

The revenue figures set out below reflect the total turnover of DBRS Ratings GmbH from credit rating services, including the allocation of fees to credit ratings of different asset classes. Information on total turnover below also includes a geographical allocation of that turnover to revenues generated in the EU and revenues worldwide.

### **Credit Rating Services**

DBRS Ratings GmbH provides independent credit ratings services for corporate finance (including corporates, financial institutions, covered bonds, and sovereign credit ratings) and structured finance products and instruments, which include issuing and monitoring public and private credit ratings; conducting credit-related assessments; conducting evaluations of originators, servicers, and other relevant parties; preparing rating-related research such as press releases, presale reports, rating reports, and surveillance reports; publishing rating Methodologies and other similar reports; and selling subscriptions to credit ratings and certain research products, data, and/or information.

### **Ancillary Services**

DBRS Ratings GmbH considers ancillary services to be services that are not part of the credit rating services. DBRS Ratings GmbH does not currently provide ancillary services.

### **Consulting or Advisory Services**

DBRS Ratings GmbH does not provide consulting or advisory services. DBRS Ratings GmbH considers consulting or advisory services to be services that generally involve providing advice and/or making proposals or recommendations to an issuer, arranger, underwriter, or other third parties and would include providing advice in respect of the design of securitisation transactions or corporate structures to achieve a particular credit rating.

DBRS Ratings GmbH's revenue is based on the 12 months ended on 31 December 2024 (EUR thousands).

<b>Total Net Revenue</b>		<b>25,095</b>	<b>100%</b>
Revenue from Credit Rating Services, excluding Data Products		24,490	97.59%
<b>European Union Revenue</b>		<b>23,454</b>	<b>93.46%</b>
Fundamental Credit Ratings <sup>10</sup> , and Covered Bonds	9,398	--	--
Structured Finance Credit Ratings	14,056	--	--
<b>Worldwide Revenue</b>		<b>1,036</b>	<b>4.13%</b>
Fundamental Credit Ratings, and Covered Bonds	118	--	--
Structured Finance Credit Ratings	918	--	--
<b>Revenue from Data Products</b>		<b>605</b>	<b>2.41%</b>
European Union Revenue		592	2.36%
Worldwide Revenue		13	0.05%
<b>Total Revenue from Credit Rating Services*</b>		<b>25,095</b>	<b>100%</b>

\* Total revenue does not include revenue from legal/travel reimbursements/revenue from related third parties.

10. Fundamental Credit Ratings — Corporate Finance (including Asset Finance), Financial Institutions, and Sovereigns (collectively).

## Section 8

### Corporate Governance Statement

This is a statement concerning corporate governance within the meaning of Article 46a (1) of Council Directive 78/660/EEC of 25 July 1978, now being Article 20 (1) of Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013.

### Compliance with Corporate Governance Code of Conduct, Council Directive 78/660/EEC Article 46a (1) (a), now being Article 20 (1) (a) of Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013.

DBRS Ratings GmbH is a private limited liability company (Gesellschaft mit beschränkter Haftung) comprising a Management Body (Geschäftsführung) and an Administrative Body (Beirat). It is required to adhere to all provisions of the German Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG) and was incorporated with the commercial register (Handelsregister) of the local court (Amtsgericht) of Frankfurt am Main on 28 November 2017 under registration number HRB 110259. It is governed by its Articles of Association (Gesellschaftsvertrag)<sup>11</sup>, the Rules of Procedure of the Administrative Body (Beiratsordnung)<sup>12</sup>, the Rules of Procedure and Business Allocation Plan for the Management Body (Geschäftsordnung für die Geschäftsführung (einschließlich Geschäftsverteilungsplan))<sup>13</sup> and by the EU CRA Regulations in relation to the composition of its Administrative Body.

DBRS Ratings GmbH, acting through the Management Body and the Administrative Body, fulfils the respective regulatory obligations under the EU CRA Regulations. The Managing Director(s) manage(s) the operations of DBRS Ratings GmbH and represent(s) it in and out of court, whereby the Administrative Body is responsible for advising and instructing the Managing Director(s) on strategic aspects, and provide oversight and support in the discharge of the Managing Directors' responsibilities.

DBRS Ratings GmbH applies the Codes of Conduct except as set forth in the following paragraph.

### Council Directive 78/660/EEC Article 46a (1) (b), now being Article 20 (1) (b) of Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013.

As stated earlier in this Report, Morningstar DBRS has also voluntarily adopted a Business Code of Conduct, which reflects its adherence to the IOSCO Code, with the exception of two sections. In the case of section 2.9, Morningstar DBRS supports a Structured Finance Issuer disclosure regime; however, Morningstar DBRS does not disclose in its credit rating announcements the extent to which the Issuer complies with its disclosure obligations as Morningstar DBRS believes that it is the obligation of the Issuer to provide this information. Morningstar DBRS believes that this modified

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11. As amended with effect of 18 February 2025.

12. As amended on 18 February 2025.

13. Established by shareholder's resolution on 18 February 2025.

provision achieves the objectives contained in the IOSCO Code and the principles that underlie it. In the case of section 3.11, Morningstar DBRS does not publicly disclose private credit rating actions.

**Internal Control and Risk Management Systems in Relation to the Financial Reporting Process  
Council Directive 78/660/EEC Article 46a (1) (c), now being Article 20 (1) (c) of Directive  
2013/34/EU of the European Parliament and the Council of 26 June 2013**

*Financial Risk Management*

The finance function provides a centralised financial reporting and financial risk management service to Morningstar DBRS as a group. The finance function's remit includes management of the financial risks that arise in relation to underlying business needs. With respect to DBRS Ratings GmbH, the Managing Director(s) have the overall responsibility for the establishment and oversight of the financial reporting and risk management framework, whereby the Administrative Body is responsible to oversee and monitor the effectiveness of the internal controls framework developed by the Managing Director(s) as well as to review and monitor the adequacy and effectiveness of the process for the identification, assessment, mitigation, monitoring, and management of key risks faced by the company.

*Currency Risk*

Morningstar DBRS operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the U.S. dollar, GBP, EUR, and the Canadian dollar. Since each Morningstar DBRS entity's transactions are primarily in local currencies, its exposure to exchange rate movements in commercial operations is naturally limited. Morningstar DBRS is subject to foreign currency exchange risks caused by exchange rate movements in connection with the translation of its global income and liabilities for inclusion in its consolidated financial statements. Translation risk related to Morningstar DBRS (on a consolidated basis) is not actively hedged.

*Credit Risk*

Morningstar DBRS (on a consolidated basis) has no significant concentrations of credit risk.

*Liquidity Risk*

Morningstar DBRS manages its liquidity risk on a consolidated basis within the Morningstar group of companies with cash provided from operating activities as the primary source of liquidity. Based on current and projected operating performance and liquidity position, it is anticipated that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, and interest payments for the next 12 months and the foreseeable future.

**Council Directive 78/660/EEC Article 46a (1) (d) and (e), now being Article 20 (1) (d) and (e) of  
Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013**

Information required by Article 10(1), points (c), (d), (f), (h), and (i) of Council Directive 2004/25/EC of 21 April 2004.

For the period covering 1 January 2024 until 31 December 2024:

1. There are no significant direct or indirect shareholdings within the meaning of Article 85 of Council Directive 2001/34/EC.

2. There are no holders of securities with special control rights.
3. There are no restrictions on the voting rights.
4. Appointment of directors: Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director:
  - Managing Directors (Geschäftsführer): The Managing Directors may be appointed through ordinary resolution, by the shareholders' meeting.
  - Administrative Body: The members of the Administrative Body may be appointed through ordinary resolution, by the shareholders' meeting.

#### *Appointment and Removal of Managing Directors and Members of the Administrative Body*

The shareholders' meeting may appoint or remove the Managing Directors through ordinary resolution, provided, in the event the company only has one Managing Director, it appoints a new Managing Director to replace the departing Managing Director, as the law requires DBRS Ratings GmbH to at least have one Managing Director.

The shareholders' meeting may appoint or remove a member of the Administrative Body.

#### *Amendment of Articles of Association*

The shareholders' meeting may decide on an amendment of DBRS Ratings GmbH's Articles of Association with a majority of 75 percent of the votes cast.

#### *Powers of the Managing Directors*

The Managing Director(s) manage(s) DBRS Ratings GmbH and represent it in and out of court. The power to issue or buy back shares of DBRS Ratings GmbH is governed by the German Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG) and DBRS Ratings GmbH's Articles of Association.

#### *Operation of the Shareholder Meeting and Its Key Powers and a Description of Shareholders' Rights and How They Can Be Exercised*

DBRS Ratings GmbH considers that information in respect of the operation of its shareholder meeting and its key powers and a description of shareholders' rights and how they can be exercised is fully provided for in national law and that no further disclosure is required.

#### **Council Directive 78/660/EEC Article 46a (1) (f), now being Article 20 (1) (f) of Directive 2013/34/EU of the European Parliament and the Council of 26 June 2013**

##### *The Composition and Operation of the Administrative and Management Bodies and Their Committees*

#### **Composition of DBRS Ratings GmbH Administrative Body**

The DBRS Ratings GmbH Administrative Body is responsible for fulfilling the accountabilities of the advisory body in respect of EU CRA Regulations.

In addition to the collective responsibilities on all of the members of the Administrative Body, the INEDs' responsibilities include the following:

- To clearly articulate their opinions and challenge the views of other members of the Administrative Body and the company's management.

- Ensure that ESMA's requests for information are timely carried out and supervisory measures taken by ESMA are properly implemented and remedial action is timely taken
- To monitor the following:
  - Development of the credit rating policies and methodologies used by DBRS Ratings GmbH in its credit rating activities.
  - Effectiveness of the internal quality control system of DBRS Ratings GmbH in relation to credit rating activities.
  - Effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated, or managed and disclosed.
  - Compliance and governance processes, including the efficiency of the MRF.

In addition to their ongoing monitoring of the activities described above, the INEDs shall also periodically provide their written opinions and observations of the company's performance with respect to those activities, which may include their assessment of such performance, and any enhancements suggested or required.

#### **Composition of the Administrative Body**

The membership and composition of the Administrative Body must include at least two, but no less than one-third, INEDs who are not involved in Morningstar DBRS' credit rating activities.

The majority of the members of the Administrative Body, including all INEDs, shall have sufficient expertise in financial services. Two members of the Administrative Body must have in-depth knowledge and experience at a senior level of the markets in Structured Finance instruments, and one of these members must be an INED.

#### **Meetings of the Administrative Body**

The Administrative Body of DBRS Ratings GmbH meets at least four times per calendar year. Additional meetings may be held as and when required and for specific agenda items, upon formal invitation.

#### **Senior Management**

The Senior Management of DBRS Ratings GmbH ensures:

- That Covered Personnel behave in accordance with Morningstar DBRS Codes of Conduct and understand the failure to adhere to the Employee Code may result in disciplinary action, which may include termination of employment;
- That credit rating activities are independent from all political and economic influences or constraints;
- That conflicts of interest are properly identified, managed, and disclosed; and
- That DBRS Ratings GmbH complies with the requirements of the EU CRA Regulations and the maintenance and review of adequate policies and procedures that governs Morningstar DBRS activities.

## Glossary

**Administrative Body** – This body fulfils the regulatory obligations of a board of directors under EU CRA Regulations.

**Analytical Personnel** – Covered Personnel who participate in the determination, approval, monitoring, or discontinuation of credit ratings, or who participate in the development, review, approval, or discontinuation/withdrawal of Methodologies used in determining credit ratings.

**Business Development Personnel** – Morningstar DBRS Covered Personnel who conducts or is responsible for (1) Fee Discussions, or (2) Sales or Marketing Activity. All Business Development Personnel are Non-Analytical Personnel.

**Codes of Conduct** – Morningstar DBRS Business Code of Conduct and the Morningstar DBRS Employee Code of Conduct, collectively.

**COI** – Conflicts of Interest.

**Compliance Team** – Part of the Global Compliance group supporting Morningstar DBRS entities in Europe.

**Fundamental Credit Ratings or Fundamental Ratings** – Corporate Finance (including Asset Finance) Financial Institutions and Sovereign groups, collectively.

**Credit Personnel** – All full-time or part-time Morningstar DBRS employees, interns, co-ops, contractors and consultants (this includes Analytical Personnel and Non-Analytical Personnel, which includes Business Development Personnel).

**Covered Personnel** – (1) Morningstar DBRS Credit Personnel; and (2) all Morningstar employees who are not Morningstar DBRS Credit Personnel (as defined above) but are designated as Morningstar DBRS Covered Personnel by Compliance because they perform work on behalf of Morningstar DBRS.

**CRA** – Credit rating agency.

**DRO** – Designated rating organisation.

**EMEA** – Europe, the Middle East, and Africa.

**ESMA** – The European Securities and Markets Authority.

**EU CRA Regulation** – Regulation (EC) No 1060/2009 of the European Parliament, and of the Council of 16 September 2009 on Credit Rating Agencies, as amended by Regulation (EU) No 513/2011, Directive 2011/61/EU, Regulation (EU) No 462/2013, Directive 2014/51/EU, Regulation (EU) 2017/2402, Regulation (EU) 2022/2554 and Regulation (EU) 2023/2869.

**Fundamental Credit Ratings or Fundamental Ratings** – Corporate Finance (including Asset Finance) Financial Institutions and Sovereign groups, collectively.

**GIC** – Global Internal Controls team.

**INED** – Independent Non-Executive Director.

**MRF** – Methodology Review Function of Morningstar DBRS.

**Methodologies** – Collectively, the methodologies, criteria, models, and key credit rating assumptions.

**Morningstar** – Morningstar, Inc.

**Morningstar DBRS** – DBRS Limited, DBRS, Inc., DBRS Ratings Limited, and DBRS Ratings GmbH, collectively.

**Morningstar DBRS Boards** – Administrative Body of DBRS Ratings GmbH, board of DBRS Ratings Limited, board of DBRS, Inc., and board of DBRS Limited.

**M&T** – Monitoring and Testing.

**NRSRO** – Nationally Recognised Statistical Rating Organisation.

**Policy Review Group** – Morningstar DBRS policy governance mechanism for ratings and compliance documents.

**President, Credit Ratings** – Head of Morningstar DBRS credit rating business.

**RCO** – Regional Compliance Officer of one or more Morningstar DBRS entities.

**Senior Management** – The President, Credit Ratings, and his/her direct reports.

**Structured Finance Credit Ratings or Structured Finance Ratings** – Structured finance and covered bonds groups, collectively.



**About Morningstar DBRS**

Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why Morningstar DBRS is the next generation of credit ratings.

Learn more at [dbrs.morningstar.com](https://dbrs.morningstar.com).



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