

Article Title: General Criteria: Single-Sponsor Pension Plan Risk Assessments For Project Finance Funding Commitments Data: (EDITOR'S NOTE: —This article has been superseded by "General Project Finance Rating Methodology," published Dec. 14, 2022, except in jurisdictions that require local registration.) 1. This article presents S&P; Global Ratings' criteria for analyzing single-sponsor defined benefit (DB) pension plans using concepts from its Group Rating Methodology (GRM). A sponsor is an entity that establishes a pension plan for employees. This article relates to our criteria article "Principles Of Credit Ratings," published Feb. 16, 2011; "Group Rating Methodology", published July 1, 2019; "Project Finance Framework Methodology", published Sept. 16, 2014; "Project Finance Construction Methodology", published Nov. 15, 2013; and "Counterparty Risk Framework Methodology And Assumptions," published March 8, 2019. SCOPE OF THE CRITERIA 2. This criteria describes the conditions under which certain DB plans will be evaluated using concepts from S&P; Global Ratings' GRM. This methodology applies to single-sponsor DB pension plans of a corporate or financial services entity, including holding companies, and explains under which conditions we may classify a plan as either "core" or "highly strategic" to their sponsor, and therefrom derive a "risk assessment" for the purposes of evaluating the credit risk of the pension plan counterparty entering into a deferred construction funding commitment to project finance transactions. For a given pension plan we would require a legal opinion confirming that the plan can enter into such a commitment. Pension plans that are in run off (see glossary) due to the insolvency of the sponsor are out of scope of this criteria. 3. Defined Contribution (DC) pension plans are not in scope of the criteria. This is because the investment risk of a DC plan is borne by the plan members, who also have some control over the amount contributed to the plan and the asset allocation. Therefore, the plan sponsor is not expected to have the obligation or incentive to support the DC plan. SUMMARY OF THE CRITERIA 4. This article presents S&P; Global Ratings' criteria for classifying single-sponsor DB pension plans as "core" (see paragraph 16 below) or "highly strategic" (see paragraph 17 below) to its sponsor and for assessing the likelihood that the pension plan will fulfill all contractual commitments to provide construction financing to a project finance transaction. The criteria aim to enhance the transparency of the analytical methodology for DB pension plans specifically in connection with evaluating their potential funding commitments for project finance transactions. 5. The criteria relates to GRM. GRM specifies how a group's overall creditworthiness impacts our view of the credit quality of group members based on our assessment of the group status of an entity relative to other group members and the parent company. The group status evaluates, among other factors, the likelihood of financial support from a group to a group member, and vice versa, which affects that group member's overall creditworthiness. 6. A key GRM consideration is the potential for support (or negative intervention) from the controlling parent company or group, which we determine by assessing the status of an entity within the group and the resulting likelihood of group support. This criteria is linked to GRM criteria and specifies the conditions that need to be met to classify a DB pension plan as being "core" or "highly strategic" to its sponsor. A pension plan that is classified as "core" would generally be assigned a risk assessment at the Group Credit Profile (GCP) while a pension plan that is classified as "highly strategic" would generally be assigned a risk assessment one notch below the GCP. The GCP is S&P; Global Ratings' opinion of a group's or subgroup's creditworthiness as if it were a single legal entity. 7. The risk assessment is derived from the sponsor's GCP and uses a 'aaa' to 'd' scale and may carry the modifier plus (+) or minus (-). The lowercase letters for risk assessments indicate their status as a component of a rating rather than as a rating. The risk assessment may change over time if the sponsor's GCP changes or if the pension plan classification under this criteria changes. If the pension plan is not assessed as "core" or "highly strategic" we will not assign a risk assessment under this criteria. If a pension plan's risk assessment is no longer assessed as "core" or "highly strategic" the risk assessment would be withdrawn. 8. These criteria address a key area of "external support" when considering the risk assessment of a DB pension plan, in connection with rating a project finance transaction, as described in paragraphs 31 to 35 of "General Criteria: Principles Of Credit Ratings," published Feb. 16, 2011. Summary Of Associating A Pension Plan's Group Status With A Potential Risk Assessment GROUP STATUS BRIEF DEFINITION POTENTIAL RISK ASSESSMENT\* Core Integral to the group's current identity, future strategy and reputation. The rest of the group is likely to support the DB pension plan under any foreseeable circumstances. GCP\* Highly strategic Almost integral to the group's current identity, future strategy and

reputation. The rest of the group is likely to support the DB pension plan under almost all foreseeable circumstances. One notch below GCP\* \*The risk assessment is subject to the provisions of our criteria for rating government related entities ("Rating Government-Related Entities: Methodology And Assumptions," published March 25, 2015) and ratings above the sovereign ("Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013). 9. This paragraph has been deleted. METHODOLOGY 10. These criteria describe the methodology we use to assign a risk assessment to a DB pension plan based on group support. This criteria is used to determine if a plan is "core" or "highly strategic" to its sponsor in order to assign a risk assessment, which measures the likelihood that the pension plan will fulfill all contractual commitments to provide construction financing to a project finance transaction. The risk assessment determined by applying this methodology is used for purposes of evaluating financial counterparty risk under Project Finance Construction Methodology and Counterparty Risk Methodology, which in turn may cap the project's preliminary construction phase SACP. 11. The risk assessment is derived from the sponsor's GCP and uses a 'aaa' to 'd' scale and may carry the modifier plus (+) or minus (-). The lowercase letters for risk assessments indicate their status as a component of a rating rather than as a rating. The risk assessment may change over time if the sponsor's GCP changes or if the pension plan classification under this criteria changes. If the pension plan is not assessed as "core" or "highly strategic" we will not assign a risk assessment under this criteria. If a pension plans risk assessment is no longer assessed as "core" or "highly strategic" the risk assessment would be withdrawn. 12. The likelihood of financial support from a group to a DB pension plan affects that pension plans risk assessment. 13. These criteria enable the pension plan risk assessment to reflect our view that a DB pension plan may receive such support in the future, which will impact the likelihood that the DB pension plan will fulfill its contractual commitment to provide financing to a project. The potential for extraordinary support is factored into the risk assessment, even when the need for such support appears remote. 14. The criteria assess the group status (that is, the strategic importance to the group) of the pension plan and the potential for support (or negative intervention) from the parent of the group or a sub-group that is the plan sponsor. 15. Subject to the applicable conditions specified in this criteria, the potential risk assessment for: a. A "core" group DB pension plan is equal to the GCP. b. A "highly strategic" DB pension plan is one notch lower than the GCP. 16. We classify a plan as "core" if the DB pension plan is in our view integral to the group's current identity, future strategy and reputation and the rest of the group is likely to support the pension plan under any foreseeable circumstances and it meets all of the following characteristics: The pension plan is a single sponsor DB scheme (see glossary), has not been and is not expected to be wound-up, and is highly unlikely to be bought out (see glossary). We believe that there is a very low risk that the pension plan sponsor will terminate the plan while the plan sponsor is solvent or that a regulator will initiate involuntary termination while the plan sponsor is solvent. There is no indication or evidence that leads us to believe that the pension plan would fail to meet its contractual commitments. A significant number – 20% or more - of the pension plan members are current employees and we consider the pension plan to be closely linked to the group's reputation, name, brand, and risk management. The pension plan benefits in our view from a strong, long-term commitment of support from senior group management in good times and under stressful conditions, or incentives exist to induce such support. We consider the pension plan to be well-managed and funded. If the plan has a deficit, the deficit in terms of the value of plan assets compared to plan liabilities as measured by S&P; Global Ratings is expected to remain less than 30% of scheme liabilities and the sponsor and pension plan trustees have agreed a plan to eliminate the actuarial deficit, which we consider to be credible and achievable. 17. We classify a plan as "highly strategic" (that is, nearly "core") when it meets all of the characteristics listed below: The first three characteristics listed in paragraph 16; one of the remaining characteristics in paragraph 16; and The pension plan is almost integral to the group's current identity, future strategy and reputation. The rest of the group is likely to support the pension plan under almost all foreseeable circumstances. If the plan has a deficit, and the conditions in bullet 5 of paragraph 16 are not met, the deficit as measured by S&P; Global Ratings is expected to remain less than 50% of scheme liabilities. 18. If the plan is not assessed as "core" or "highly strategic" we will not assign a risk assessment under this criteria. GLOSSARY Pension Plan Sponsor: An entity that establishes a pension plan for employees. Pension Plan Buy-out: A pension

buyout occurs when an insurer takes over responsibility from the pension plan sponsor for meeting the pension promise made by that plan. **Defined Benefit Scheme:** A defined benefit pension scheme is a type of pension plan in which a sponsor agrees to provide a pre-determined benefit on the employee's retirement. **Run-off:** A pension plan is in run-off when the fund has been wound up following the insolvency of the sponsor. **Single sponsor:** For the purposes of these criteria, single-sponsor refers to the parent or ultimate parent, and all the entities over which a parent or ultimate parent has direct or indirect control. "Control" refers to the ability to dictate a group member's strategy and cash flow. **Single-sponsor defined benefit (DB) pension plan:** A single-sponsor DB pension plan is a plan with a single sponsor, as opposed to a multiple-employer pension plan, the latter where the sponsors are typically in the same industry but not controlled by a single parent or single ultimate parent.

**REVISIONS AND UPDATES** This article was originally published on Dec. 16, 2014. These criteria became effective on Dec. 16, 2014. Changes introduced after original publication: Following our periodic review completed on Dec. 16, 2015, we updated criteria references. Following our periodic review completed on Dec. 12, 2016, we deleted paragraph 9, which was related to the initial publication of the article and no longer relevant. Following our periodic review completed on Dec. 6, 2017, we added the "Revisions And Updates" section. On Jan. 22, 2019, we republished this criteria article to make nonmaterial changes. We updated the contact information. On Sept. 11, 2019, we republished this criteria article to make nonmaterial changes. We updated the contact information. On Sept. 13, 2021, we republished this criteria article to make nonmaterial changes to the references to related criteria articles.

**RELATED CRITERIA** Group Rating Methodology, July 1, 2019 Counterparty Risk Framework Methodology And Assumptions, March 8, 2019 Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015 Project Finance Framework Methodology, Sept. 16, 2014 Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013 Project Finance Construction Methodology, Nov. 15, 2013 Project Finance Construction and Operations Counterparty Methodology, Dec. 20, 2011 Principles Of Credit Ratings, Feb. 16, 2011 Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010