Article Title: Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers Data: OVERVIEW AND SCOPE 1. S&P; Global Ratings is publishing an update to its "Methodology For Rating Public And Nonprofit Social Housing Providers," published Dec. 17, 2014. 2. These updated criteria (we use "criteria" and "methodology" interchangeably here) provide the framework for how we analyze key risks relevant to assessing creditworthiness of public and social housing providers (hereinafter referred to collectively as "housing providers") that we believe have typically all of the following characteristics: The housing provider has a public purpose mission; The housing provider is not commercially motivated, as may be demonstrated by a not-for-profit status; and Gains or profits may be generated but the housing provider generally retains such funds for the purposes of fulfilling its public purpose mission; however, it may distribute earnings to another entity with a direct and explicit public purpose mission. 3. Further considerations that reflect evolving credit stories may be taken into account when determining which criteria should apply; for example, the impact of a housing provider's transformation process toward an overall more profit-seeking business model. 4. These criteria do not apply to for-profit entities or associated groups of entities without a public service mission, even if they operate in affordable or social housing markets; such entities are evaluated using "Key Credit Factors For The Real Estate Industry," published Feb. 26, 2018. 5. This criteria article is related to our criteria article "Principles of Credit Ratings," published Feb. 16, 2011. The methodology applies to global scale, local currency, long-term issuer credit ratings (ICRs), and issue ratings on all housing providers globally. 6. The global scale, foreign currency, long-term ICR is the lower of the related sovereign's transfer and convertibility (T&C;) assessment and the local currency ICR on the housing provider. The foreign and local currency ratings incorporate, if relevant, the sovereign stress test as per "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013. Also see "Criteria For Determining Transfer And Convertibility Assessments," published May 18, 2009, for our T&C; assessment criteria. Most often, local and foreign currency ICRs on a housing provider are the same. Where applicable, we assign short-term ratings based on the long-term rating assigned under these criteria, as set out in "General Criteria: Methodology For Linking Long-Term And Short-Term Ratings," published April 7, 2017. Key Publication Information Effective date: These criteria are effective upon publication on June 1, 2021. This updated methodology follows our request for comment (RFC), "Methodology For Rating Public And Nonprofit Social Housing Providers," published Dec. 8, 2020. For the changes between the RFC and the final criteria, see "RFC Process Summary: Methodology For Rating Public And Nonprofit Social Housing Providers," June 1, 2021. These criteria supersede the criteria articles listed in the "Fully Superseded Criteria" section at the end of this article. METHODOLOGY Framework 7. The analytical framework is depicted in the chart. The criteria are guided by a framework that evaluates the enterprise risk and financial risk of a housing provider as the starting point for determining the anchor. The stand-alone credit profile (SACP) is established after applying overriding factors, caps, and holistic analysis, as applicable, from the anchor. Final ratings are reached after incorporating any external factors. Chart 1 Determining The Anchor 8. The criteria determine a housing provider's anchor using a framework that considers a provider's enterprise risk profile (ERP) and financial risk profile (FRP). Both the ERP and FRP assessments are determined based on a weighted average of three underlying key factor assessments. The ERP and FRP assessments and each underlying key factor assessment can range from 1.0 (the strongest) to 6.0 (the weakest). We apply integer values for all key factor assessments except for industry risk and market position, where a midpoint value can also be assigned due to the construct of these two factors (i.e., industry risk can be and market position is based on an unrounded average of two subfactors; therefore, a midpoint outcome is possible). For each assessment, the numerical assessment maps to an assessment level descriptor, as illustrated in table 1. Table 1 Assessment Levels Based On Numerical Assessments For The ERP, FRP, And Underlying Key Factors NUMERICAL ASSESSMENT RANGE* ASSESSMENT LEVEL DESCRIPTOR [1.0;1.50] Extremely strong -1 (1.50;2.50] Very strong - 2 (2.50;3.50] Strong - 3 (3.50;4.50] Adequate - 4 (4.50;5.50] Vulnerable - 5 (5.50;6.0] Highly vulnerable - 6 *The symbols "[" and “]” denote the inclusion of the first and last data point in the range, respectively, and the symbols “(“ and ")" denote the exclusion of the first and last data point in the range, respectively. 9. The ERP assessment is the weighted average of our assessments of the following three key factors: industry risk (weighted 20%), market position (40%), and management and governance (40%). 10. The FRP assessment is the equal-weighted average of our assessments of the following three key factors: financial performance, debt profile, and liquidity. 11. Most of the underlying key factor assessments that comprise the ERP and FRP assessments use the concept of an initial assessment that may be subject to adjustments, as described in the relevant section for each key factor assessment. Key factor initial numerical assessments, which are based on underlying metrics, falling at or near cutoff points could receive the stronger assessment if the trends of these metrics are improving, and the weaker assessment if the trends are weakening, reflecting our opinion of the expected future level. Adjustment factors result in the final assessment being stronger or weaker than that suggested by the initial assessment. We generally adjust the initial assessment by up to one assessment level for each individual adjustment that is applicable, and generally by up to two assessment levels if multiple cumulative adjustments are applicable. 12. The anchor results from the combination of the ERP and FRP assessments (table 2). When two outcomes are listed for a given combination of ERP and FRP assessments, we determine the anchor based on: Expected improvement or deterioration (not already captured in the underlying key factor assessments) that move either the ERP or FRP assessment and in turn likely strengthen or weaken the housing provider's creditworthiness over time; The relative position in the ERP/FRP range; Our view of the housing provider's credit standing relative to that of other housing providers; and Strengths or weaknesses that we consider have not been captured in any key factor assessment, because an assessment was already at the maximum of '1' or minimum of '6'. Table 2 Determining The Anchor For A Housing Provider FINANCIAL RISK PROFILE Enterprise Risk Profile Extremely strong Very strong Strong Adequate Vulnerable Highly vulnerable Extremely strong aaa/aa+ aa+/aa aa-/a+ a/a- bbb+/bbb bb+/bb Very strong aa+/aa aa/aa- aa-/a+ a/a- bbb/bbb- bb/bb- Strong aa-/a+ a+/a a/a- bbb+/bbb bbb-/bb+ bb-/b+ Adequate a+/a a/a- a-/bbb+ bbb/bbb- bb/bb- b+/b Vulnerable bbb+/bbb bbb/bbb- bbb-/bb+ bb+/bb bb-/b+ b/b- Highly vulnerable bb+ bb bb- b+ b b- Overriding Factors, Caps, And Holistic Analysis 13. Certain conditions result in the SACP moving a specified number of notches below the anchor. Other conditions place a specific cap on the SACP, such that it may be lower than the anchor. Examples of these factors are outlined in table 3. 14. When the application of several overriding factors or caps is warranted, we arrive at the SACP by taking into account the cumulative effect of overriding factors and the lowest cap indicated by those adjustments, as per table 3. Depending on the severity of the conditions, we can also assign an SACP below the cap. 15. A holistic analysis is considered after applicable overriding factors and caps to help capture a broader view of creditworthiness (see chart). When relevant, the holistic analysis can have a one-notch impact up or down, and is not limited by any issuer-specific caps or overrides. It can also result in no rating change at all. The analysis may be based on credit risk factors including our forward-looking view of operating and financial performance, if not already incorporated in the anchor. It may also reflect a comparable ratings analysis, or specific strengths or weaknesses that are not fully reflected through the application of the methodology. Table 3 Overriding Factors And Caps That Are Used To Arrive At The SACP From The Anchor FACTORS THAT CAP THE SACP IN THE 'B' CATEGORY A perceived lack of willingness to honor the obligation(s) in full and on a timely basis, for example, due to the prioritization of operational over financial obligations FACTORS THAT CAP THE SACP IN THE 'B' OR 'BB' CATEGORY Liquidity risk See “Capping the SACP due to liquidity risk” FACTORS THAT CAP THE SACP IN THE 'BB' CATEGORY A management and governance assessment of ‘6’ FACTORS THAT CAP THE SACP IN THE 'BBB' CATEGORY A management and governance assessment of ‘5’ FACTORS THAT WILL RESULT IN THE SACP BEING ONE TO THREE NOTCHES LOWER THAN THE ANCHOR A startup housing provider This gap will generally close over a four-year period as performance informs our view and assessment under these criteria A provider emerging from receivership or government control following financial distress This gap will generally close over a four-year period as performance informs our view and assessment under these criteria EVENT RISK THAT WILL RESULT IN THE SACP BEING ONE OR MORE NOTCHES LOWER THAN THE ANCHOR When rapidly rising or unexpected risks are likely to significantly weaken a housing provider’s creditworthiness (e.g., cases of imminent and significant external and domestic political developments, natural disasters, risks that large guarantees will be called on, risks from large pension-related costs, or when a housing provider breaches any type of covenant.) Determining The ICR 16. The final ICR may differ from the SACP, based on our analysis of external factors under additional criteria. 17. If the housing provider is considered a government-related entity (GRE), we will use the entity's SACP in applying the GRE criteria ("Rating Government-Related Entities: Methodology And Assumptions," published March 25, 2015) to determine the ICR. If the entity is part of a group (the term "group" generally refers to the group parent or ultimate parent, and all the entities are referred to as group members over which the group parent has direct or indirect control), we analyze the relationships with the group with reference to "General Criteria: Group Rating Methodology," published July 1, 2019, when applicable. 18. If the SACP is higher than the sovereign rating, we will apply "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, to determine the ICR. When pertinent, the rating on a housing provider will be based on the application of "Criteria For Assigning ‘CCC+, ‘CCC’, ‘CCC-‘, and ‘CC’," published Oct. 1, 2012. 19. If none of the aforementioned adjustments in this section apply, the ICR on a housing provider is equal to the SACP. Determining issue ratings 20. For housing providers based outside the U.S., where it's typical for the entities to issue secured or unsecured debt at the enterprise level as general obligations of the issuer, meaning all resources of the enterprise are available to repay the debt, we typically equalize the issue credit rating with the ICR, unless we determine that the issue presents contractual subordination risks. If we determine that contractual subordination risks are present (i.e., senior creditors are granted prioritized access to a pledged revenue stream after default), we typically notch down the rating on the subordinated issue from the ICR depending on our analysis of the subordination provisions, by one notch if the ICR is investment-grade, and up to two notches if the ICR is speculative-grade. 21. For housing providers based in the U.S., we will refer to the criteria, "U.S. Public Finance: Assigning Issue Credit Ratings Of Operating Entities," published May 20, 2015, in assigning the issue credit rating. 22. If a debt issue benefits from a guarantee that meets our guarantee criteria (as explained in "Guarantee Criteria," published Oct. 21, 2016), we generally rate an issue of a housing provider at the same level as the rating on the guarantor. ENTERPRISE RISK PROFILE 23. The ERP assessment captures the operating environment and incorporates broad industry factors as well as organization-specific factors. The ERP assessment is calculated as a weighted average of three factors: industry risk, market position, and management and governance, as depicted in the chart. 24. Industry risk (weighted at 20%) reflects our opinion of the risks of the public and nonprofit housing industry globally, relative to other industries. Market position and management and governance are given the highest weighting (both 40%), as they address how, in our view, key operating features of a particular entity (including its business attractiveness, the regulatory framework and systemic support, and management strategy and policies) add or mitigate global industry features of the sector. Industry Risk 25. The industry risk assessment reflects our view of the risk of the global social and public housing industry as a whole relative to that of other sectors, based on our industry risk criteria ("Methodology: Industry Risk," published Nov. 19, 2013). Generally, the industry risk assessment does not differentiate individual providers from each other; rather, it helps provide transparency about relative levels of risk across industries. Accordingly, all providers of the same type receive the same industry risk assessment. 26. We view industry risk for "traditional" housing providers as low (equating to an assessment of '2') based on "Methodology: Industry Risk". Economic cycles can sometimes affect housing providers more than other types of social services because real estate fluctuations can change asset values. Real estate markets can be overbuilt, leading to depressed occupancy rates, rentals, and property values. That said, residential rental markets typically pose less risk compared with other property classes (see "Key Credit Factors For The Real Estate Industry," published Feb. 26, 2018), and housing providers' focus on affordable housing typically lends further stability. Competitive risk is fairly low due to effective barriers to entry in many jurisdictions, minimal risk of substitution, and overall stable trends in growth and margins. 27. Having said that, we note that some housing providers have chosen to--or we expect they will-- diversify their business to include activities that we believe add risk to their earnings profile, their balance sheet, or both, such as commercial activities and development for sales (including activities involving joint ventures). Under such circumstances, when a housing provider has (or we expect it will have) a structural/fundamental shift in its profile and that shift, in our opinion, adds risk, we may derive a blended industry risk assessment using more than one industry risk assessment, if we determine that no single industry risk assessment adequately captures our view of overall industry risk for the given provider. We may combine the industry risk assessments derived from various industries as provided in our industry risk assessments commentary. We generally determine the industry risk assessment based on the relative share of adjusted operating revenues that originate from the riskier activities: If revenues from the riskier activities represent less than one-third of adjusted operating revenues plus, if any, sales revenues from joint ventures, we generally assign the industry risk assessment for housing providers; If revenues from the riskier activities represent more than two-thirds of adjusted operating revenues plus, if any, sales revenues from joint ventures, we generally assign the relevant industry risk assessment for that activity (for example, for sales activity, we assign the industry risk assessment for homebuilders); If revenues from the riskier activities represent between one-third and two-thirds of adjusted operating revenues plus, if any, sales revenues from joint ventures, we generally assign a midpoint between the two relevant industry risk assessments. 28. We generally assess the relative share of revenue from riskier activities over the same time period as we consider in our analysis of financial performance and the debt profile. We may use an alternative measure (such as adjusted EBITDA or total assets), rather than adjusted operating revenues, if we believe that better captures the housing provider's industry exposure. The concepts of adjusted operating revenues and adjusted EBITDA are defined in the Financial Performance section. Market Position 29. Our market position assessment is based on two subfactor assessments: regulatory framework and systemic support, and market dependencies. The final market position assessment is the equal-weighted average of these two subfactor assessments. Regulatory framework and systemic support 30. The regulatory framework and systemic support are of key importance when assessing housing providers' ERPs because they define the environment in which these entities operate in a particular country. In our view, they influence the positioning of housing providers in their respective markets and have a significant bearing on their financials. Also, we believe that the regulatory framework and systemic support complement the industry risk assessment, which emphasizes comparability of global industry risks without consideration of country-specific aspects. 31. Our analysis of the regulatory framework and systemic support reflects two main considerations: our view of the public policy mandate and regulatory mechanisms on the one hand, and of the systemic support or negative intervention and fiscal framework on the other hand. These two considerations are reflected through the assessment of four areas (table 4). 32. We first assess to what extent the framework under which housing providers are established in a particular country entrusts them with a public policy mandate that firmly anchors their role and essentiality as service providers. We also assess whether the relative strengths of the framework provide a protective, safe, and stable operating environment. Among other factors, regulatory stability and predictability affect the capacity of entities active in the sector to make strategic decisions, including viable and realistic multiyear investment plans. Governmental oversight over the sector as well as the quality of the accounting and public disclosure standards are also key in informing our view of how systemic or individual situations of stress could be detected and remedied if support exists. 33. In a second stage, we assess the effectiveness of the fiscal framework in providing financial stability, either through various forms of systemic ongoing and exceptional support provided by a government (or associated regulatory authority) or through an adequate revenue/expenditure match or sufficient flexibility and autonomy to redress a potential financial imbalance. Conversely, we also track precedents of systemic negative intervention in order to assess whether such circumstances could recur. We define negative intervention as an action or series of actions performed by a government (or associated regulatory authority) that may have a detrimental effect on the sector's creditworthiness if not adequately compensated. 34. All four components of table 4 are equally important. Our regulatory framework and systemic support assessment typically reflect the rounded average of those four components. We select between two assessments listed in each column depending on the extent to which a specific framework meets the described characteristics. In particular, a housing provider with stronger characteristics receives a better assessment (for example, '1'), while one whose characteristics might not be as strong receives a weaker assessment (for example, '2'). 35. We generally expect all housing providers within a single country to carry the same assessment, but we recognize that there may be situations where two providers (most often two different classes of providers, for example, housing providers and public housing authorities in the U.S.) within the same country may carry different assessments as a result of being exposed to a different regulatory framework and systemic support. Separately, we may assign more than one regulatory framework and systemic support assessment in a given country, recognizing that in some countries (for example, federal countries), regulatory frameworks may vary among subnational governments. 36. The regulatory framework and systemic support assessment incorporates our view of systemic ongoing and/or exceptional support for all entities operating under a given framework, and is part of the SACP analysis. Separately, should we expect a government to provide extraordinary support to a specific housing provider, we also apply our GRE criteria to derive an ICR on the provider. Table 4 Assessment Of Regulatory Framework And Systemic Support 1 OR 2 3 OR 4 5 OR 6 PUBLIC POLICY MANDATE AND REGULATORY FRAMEWORK The housing providers benefit from a very strong public policy mandate and are operating under a stable and well-established framework that makes them key providers in the sector. The housing providers benefit from public policy mandates and account for a significant proportion of the sector activities (compared with for-profit providers). Such policies are subject to regular changes that may introduce some degree of uncertainty in the framework. The housing providers operate under a loosely defined framework that changes frequently (or under short notice) thereby introducing a high degree of uncertainty to the providers. Housing providers account for low coverage of the sector. There is strong oversight of the sector with high standards of governance, reporting, and disclosure so that sector or individual risks are identified and remedied at an early stage. There is evidence of oversight of the sector and standards of governance, reporting, and disclosure are detailed; however, responsiveness and remediation to early signals of risk and stress are less effective. Oversight and standards of governance are limited; reporting and disclosure standards lack sufficient detail. The standard of reporting, timeliness, and/or oversight do not provide advance warning to allow for effective responsiveness or proper remediation plan(s). FORMS OF SUPPORT AND NEGATIVE INTERVENTION Either: Strong, stable, well-established, and effectively operating forms of systemic ongoing and/or exceptional support, which can be direct (to the sector) or indirect (via the tenants). Examples of this include: direct grants to the sector, guarantees, direct access to well-established form of liquidity/funding from central government, tax incentives/concessions/welfare benefits distributed to tenants. Or: Fiscal framework ensures a very solid match of revenue/expenditure with significant flexibility to redress potential misalignment so that debt is sustainable in the long term, and refinancing and pension-related risks are firmly contained. Either: Some forms of ongoing and/or exceptional systemic support are in place; however, we believe support may not be forthcoming in all circumstances as expected. Or: Fiscal framework provides some flexibility and incentive for achieving revenue/expenditure match and containing debt and pension liability accumulation/refinancing risks but in practice effectiveness is questionable as financial performances are primarily down to individual entities and vary greatly across the sector. Either: Forms of ongoing and/or exceptional systemic support are very limited, or systemic support exists but precedents prove that it lacks depth, reliability, predictability, and/or consistency. Or: Fiscal framework is loosely defined and does not provide housing providers with either financial flexibility or incentives/constraint to contain debt accumulation and/or refinancing pension-related risks. No precedent of adverse negative intervention from governments or their agencies and we do not expect any future negative intervention. Although there have been no past events of negative intervention, negative intervention from governments or their agencies might occur in the future. There have been repeated forms of negative intervention from governments or their agencies. Market dependencies 37. The market dependencies assessment encompasses issuer-specific features that complement industrywide and systemic regulatory risk factors in shaping an entity's position in the relevant market. It is intended to measure a housing provider's attractiveness, and therefore the stability and sustainability of its core rental activities, by way of two main indicators: the vacancy rate and the average rent levels offered by the housing provider (table 5). In each case, the initial comparisons are made with the local or national market, subject to the provider's position in the market and data availability. For vacancies, we typically consider economic vacancy rates, but may alternatively consider physical vacancy rates in particular, in jurisdictions where these data are more readily available. 38. When combined, both indicators form the initial assessment, which may be further adjusted if it does not fully reflect the housing provider's real position in the market. In particular, business attractiveness and stability may be further impaired or enhanced by the housing provider's competitive environment, and/or the size and location of the housing stock. In addition, we may choose to adjust further the initial assessment to ensure consistency with international peers. 39. If we assess that vacancies are "on par with the relevant market participants," table 5 shows two possible outcomes for each cell. In selecting the initial assessment, we consider the housing provider's relative demand strengths compared with those of other participants in the relevant market, based, in particular, on where the average rent to market rent ratio is positioned within the relevant band. 40. In our application of table 5, we typically consider vacancy rate data based on a three-year historical average, and the comparison of average rent to market rent as a point-in-time assessment based on the most recent available data or nearest estimate. We may adjust the data based on trends. 41. In some jurisdictions (e.g., Sweden), housing providers' average rent is typically very close to the average market rent, due to the effect of rental regulations. In such cases, in our application of table 5, we therefore assess the ratio of average rent to market rent as exceeding 90%, and apply the right-hand column. If a housing provider's vacancy rates are significantly lower than those of the relevant market participants, we assign an initial market dependencies assessment of '3'. In determining the final assessment, we may then apply any relevant adjustments, as explained below. Table 5 Assessment Of Market Dependencies AVERAGE RENT TO MARKET RENT (%)* < 60% [60%;90%] > 90% Vacancies are significantly lower than relevant market participants 1 2 3 Vacancies are on par with the relevant market participants 2 or 3 3 or 4 4 or 5 Vacancies are significantly higher than the relevant market participants 4 5 6 FACTORS THAT CAN POSITIVELY ADJUST THE INITIAL ASSESSMENT ABOVE FACTORS THAT CAN NEGATIVELY ADJUST THE INITIAL ASSESSMENT ABOVE Provider exposure to operating volatility is very low due to large volume of units; or large geographic footprint (generally, more than 50,000 units). Provider is exposed to operating volatility due to small volume of units (generally, fewer than 2,000 units) ; or small geographic footprint. Provider benefits from having few, if any, competitors and we believe that this will result in sustained lower vacancy rates, not already reflected in the initial assessment above, despite rent levels that are closer to market rents. The market has many competitors, which could affect the demand or vacancy rate for the provider's units. Relative to international peers, the initial assessment does not in our opinion fully capture favorable supply and demand dynamics for the housing provider, and vacancies are typically below 2%. Relative to international peers, the initial assessment does not in our opinion fully capture unfavorable supply and demand dynamics for the housing provider, and vacancies are typically in excess of 8%. *The symbols "[" and “]” denote the inclusion of the first and last data point in the range, respectively. 42. An example of applying a negative adjustment for geographic concentration could be when a housing provider has properties mainly located in one city, which exposes it to the socioeconomic profile of that city, including potential relocation or restructuring risks of large employers or industries. 43. An example of applying a negative adjustment based on comparison with international peers could be when the initial assessment is driven by the housing provider's strength relative to that of the relevant market participants, while the national market for social housing in that country is significantly weaker than elsewhere. We reach this conclusion if low social housing rents in the relevant jurisdiction were driven by low demand for social housing, rather than by supportive policy. Management And Governance 44. The management and governance assessment is a key component of our analysis of a housing provider's ERP. Our assessment takes into account the housing provider's overall strategy, financial policies, long-term planning, and the level of management expertise, in particular, in managing risks. Our assessment also measures the quality of oversight and direction of the housing provider's board, executive team, and functional managers. Our analysis of management and governance is qualitative. We assign an initial assessment ranging from '1' to '5', based on our assessments of the individual subfactors described in table 6. Our initial management and governance assessment typically reflects the rounded average of the four subfactor assessments. However, we may weigh subfactors differently if we view one or several subfactors as more significant. 45. Table 6 depicts the typical characteristics of each subfactor assessment for '1', '3', and '5'. For each specific subfactor, to receive an initial assessment at a given level, a housing provider should typically have all of the characteristics detailed for that level. The determination of '2' or '4' generally results from our assessment of the relative strength of the issuer within the range of what is listed under '1' and '3' or '3' and '5', respectively. Table 6 Assessment Of Management And Governance 1 3 5 Strategic planning process Evidence of strategic plans that contain specific operational goals with clear measure of achieving those goals in place.

Timely and detailed financial and activity reports and solid accounting standards. Evidence of strategic plans but some aspects lack depth or specific operational goals. Measure to achieve goals is in our opinion unclear. Accounting and disclosure transparency are generally aligned with national standards. Very limited evidence that strategic plans exist, or we believe plans lack sufficient detail. Financial reporting is basic or incomplete and could be communicated with material delays. Poor accounting standards. Consistency of strategy with operational capabilities and marketplace conditions Strategy is nearly always consistent with the organization’s capabilities taking into account marketplace conditions. Successful track record of marketplace leadership exists. Strategy is generally consistent with the organization’s capabilities, taking into account marketplace conditions. Strategy is inconsistent with the organization’s capabilities or marketplace conditions. Abrupt or frequent changes in strategy, unexpected acquisitions, divestitures, or restructurings in our opinion have occurred. Management expertise and experience Management has considerable expertise, experience, and a track record of success in all of its major operating segments. Management has sufficient expertise and experience in its major operating segments. Management’s track record of success in carrying out its plans is in our opinion comparable with that of peers. Management lacks experience and/or expertise to fully understand and control many of its operating segments. In our opinion, the provider often deviates significantly from its plans. Financial policies and risk management standards Management has successfully instituted comprehensive and above-standard policies that effectively identify, monitor, select, and mitigate key risks and has articulated risk tolerances to key stakeholders. Overall risk-averse policy. Management shows detailed, active, and risk-averse debt strategy and liquidity policies characterized by maintenance of reserves to meet cash flow needs. Limited use of derivatives. Robust management of covenant headroom. Management has a comprehensive set of standards and risk tolerances in place but may not have fully developed risk management capabilities. Management has financial policies that may not be in line with market conditions. Reserve policy exists but is less formal and not always in connection with the enterprise cash flow needs. Satisfactory management of covenant headroom. Management has no or few standards and risk tolerances in place or little risk management capabilities. Management has either no or a very poor and/or aggressive debt strategy; absence of effective reserves or liquidity policies. High refinancing needs not mitigated by liquidity sources; significant risk of covenants breach. Aggressive management of covenant headroom. 46. We may apply a negative adjustment to the initial management and governance assessment, for example if any of the following risks are present: We believe governing board members or other governance officials have little relevant experience or are subject to conflicts of interest, or board member turnover prohibits effective governance. Alternatively, board members provide little oversight and are not involved in making or reviewing important decisions; The housing provider has just begun (or will soon begin) a fundamental strategic shift in its mission or service offering that we believe increases the risks it faces; or The housing provider has a history of regulatory, tax, or legal infractions beyond an isolated episode or outside industry norms. For example, it has consistently failed to comply with standards of care in maintaining the properties/stock. Similarly, we may apply a negative adjustment if a housing provider has breached a material internal policy. 47. Regardless of the subfactor assessments, however, we assign a management and governance assessment of '6' when, in our opinion, we observe severe governance or management deficiencies, for example, management instability due to consistent turnover, absent effective succession planning, or material deficiencies in maintaining the properties, such that required licenses may be at risk. 48. If our final management and governance assessment is '5', we will cap the SACP in the 'bbb' category. If our final management and governance assessment is '6', we will cap the SACP in the 'bb' category. FINANCIAL RISK PROFILE 49. Three factors comprise the FRP assessment: financial performance, debt profile, and liquidity. We evaluate each of these from '1' (the strongest) to '6' (the weakest), and the final assessment results from an equal-weighted average of the three factors. We assess financial information over the following time periods: Our financial performance and debt profile assessments typically capture a five-year average of the relevant metrics, comprising two years of historical data, the current year budget (or estimate), and two years of forecasts, with each year equally weighted. We may base our analysis on audited or unaudited historical data (including any adjustment that we deem necessary), depending on information availability in certain jurisdictions. The current year estimate and the forecasts are based on S&P;

Global Ratings' analysts' own assumptions and expectations of the forward-looking financial standing of the housing provider, based on evolving economic and institutional conditions, management's policy statements, and other considerations. Under atypical circumstances, we may consider weighting differently the various years composing the five-year average to take account of the entity's specific conditions, such as transformation events (for example, an organizational restructuring, merger, or acquisition). Our liquidity assessment generally considers a forward-looking 12-month time horizon. Financial Performance 50. The financial performance assessment measures the profitability of a housing provider, which drives its ability to provide housing services, maintain its housing stock, and ultimately service its debt obligations. We use adjusted EBITDA as a percentage of adjusted operating revenues to derive the initial assessment of the housing provider's financial performance, which can be further adjusted by various qualitative considerations (table 7). 51. Adjusted EBITDA typically includes: All affordable and market rental activities turnover Income from sales of units developed for sale Income from other rental-related activities (such as care services) All operating expense, including maintenance and repairs of the asset base Certain nonstructural repairs that are reported as capital expenditure Costs associated with development for sale activities 52. Adjusted EBITDA typically does not include: Amortized grants and other noncash items Gains/losses on disposal of fixed asset sales/divestments (associated with the existing asset base) that a housing provider likely conducts as part of its asset management strategy Surpluses from joint ventures and associates One-off nonrecurring items (such as costs related to a merger) that we believe unduly distort our financial performance assessment Certain repairs that are more structural or extend the life of the property--for example, retrofitting and redevelopment 53. Adjusted operating revenue used in the initial assessment of table 7 typically does not include amortized grants or material noncash items or revenue from sales of fixed assets. Table 7 Assessment Of Financial Performance ADJUSTED EBITDA AS A PERCENTAGE OF ADJUSTED OPERATING REVENUE* RATIO >= 50% [40%; 50%) [30%; 40%) [20%; 30%) [10%; 20%) < 10% Assessment 1 2 3 4 5 6 FACTORS THAT CAN POSITIVELY ADJUST THE INITIAL ASSESSMENT ABOVE FACTORS THAT CAN NEGATIVELY ADJUST THE INITIAL ASSESSMENT ABOVE In jurisdictions where it is legally possible, the ability and willingness exist to raise revenues or decrease costs, beyond what is contemplated in the forecast, resulting in the possibility of increasing adjusted EBITDA such that the initial assessment may be improved by at least one level Underfunding, which may lead to additional expenditure in the future (for example, pensions or payables) Poor or deteriorating asset quality that we expect will lead to deteriorating financial performance, beyond what is contemplated in the forecast *The symbol "[" denotes the inclusion of the first data point in the range, and the symbol ")" denotes the exclusion of the last data point in the range. 54. The criteria include a negative adjustment for underfunding. We apply this adjustment, for example, when we determine that pensions are underfunded, which leads to additional expenditure in the future. In particular, we may consider when applying this negative adjustment those situations where actual funding has been structurally below actuarially determined contributions to such an extent that the initial assessment may have been different; or the housing provider may have to catch up with pension-related spending in the future to bring funding levels back to balance, and/or amortize accumulated deficits, so that the initial assessment may be different in the future. We could also apply this adjustment where payables are accumulating in such proportion that we consider that the initial assessment would be different if costs were accounted for as coming due. 55. A negative adjustment for poor or deteriorating asset quality is typically applied if we assess that the asset quality could lead to lower revenue generation and/or higher expenses in the future. Debt profile 56. The debt profile factor measures the housing provider's ability to cover financing costs and to repay debt from the most stable revenue flows. The initial assessment (table 8) is formed by debt-to-non-sales adjusted EBITDA and non-sales adjusted EBITDA interest coverage. Non-sales adjusted EBITDA is used as a proxy of leverage calculated by deducting surpluses from riskier activities from adjusted EBITDA. We use non-sales adjusted EBITDA to measure leverage and interest coverage from the underlying social and public housing business segment. 57. Whereas the assessment of financial performance is based on a housing provider's adjusted EBITDA, our debt profile assessment is based on non-sales adjusted EBITDA. This is because, in our view, a housing provider's profitability is best measured based on all revenues. Conversely, our debt profile assessment does not account for those activities that are cyclical and sensitive to market prices, and only measures a housing provider's debt repayment capacity against its most stable revenues, which provides a more relevant picture of structural debt sustainability, in our view. Table 8 Assessment Of Debt Profile NON-SALES ADJUSTED EBITDA/INTEREST (X)* DEBT/NON-SALES ADJUSTED EBITDA RATIO* >= 2.5 [1.75;2.5) [1.25; 1.75) [1.0;1.25) [0.75;1.0) <0.75 < 10 1 2 3 4 5 6 [10;15) 2 2 3 4 5 6 [15;20) 3 3 4 5 6 6 >= 20 3 4 5 5 6 6 If non-sales adjusted EBITDA is persistently negative, the assessment will be '6' before further adjustments below. FACTORS THAT CAN POSITIVELY ADJUST THE INITIAL ASSESSMENT ABOVE FACTORS THAT CAN NEGATIVELY ADJUST THE INITIAL ASSESSMENT ABOVE The presence of a sinking fund (that we expect will be used to repay debt when it matures). The magnitude of the adjustment generally takes the assessment to the level corresponding to an adjusted debt level. Expected significant additional borrowing requirements beyond the forecast period. The magnitude of the adjustment generally takes the assessment to the level corresponding to an adjusted debt level. Aggressive debt structure. The housing provider is approaching thresholds defined in debt-related covenants. *The symbol "[" denotes the inclusion of the first data point in the range, and the symbol ")" denotes the exclusion of the last data point in the range. 58. The criteria allow for a negative adjustment to the initial debt profile assessment if we expect that a housing provider will face significant additional borrowing requirements in the future. We apply such an adjustment if we expect the increased indebtedness will be sufficiently material to weaken/lower our initial assessment. Examples of situations where we may apply such an adjustment for expected significant additional borrowing requirements include housing providers with: High future funding needs; Loss-making sales activity, which may lead to additional borrowing requirements; Risk of significantly increased indebtedness resulting from contingent liabilities associated with joint ventures, or similar off-balance-sheet activities. 59. Contingent liabilities represent exposures that have yet to become an actual obligation, but could do so upon the occurrence of other events. Globally, the most common contingent obligations include the following: Subsidiaries and joint ventures: An enterprise may incur a contingent risk from providers in which it owns stakes. This risk is sometimes formalized by an explicit guarantee to provide support, but it can also be an implicit risk derived from the enterprise's less-binding commitment to provide support. The risk from such relationships depends on the supported entity's credit quality and the relative size of its debt compared with the size of the enterprise's budget. Litigation: Enterprises increasingly face a variety of litigation, linked, for example, to environmental considerations. When these risks are not covered in the housing provider's budget through a provision or budget allocation, they represent a contingent liability. It is very difficult to assess these potential liabilities. As a result, the assessment typically evolves through discussions with the enterprise's senior management and progression of the court proceedings. 60. The criteria also include a negative adjustment where we assess that a housing provider's debt structure is aggressive. Examples of situations where we may apply a negative adjustment for aggressive debt structure include a housing provider with large portions of debt exposed to unhedged foreign exchange and/or interest rate risk. Typically, we apply a negative adjustment of one assessment level if more than 40% of a housing provider's debt is exposed to such risks. We generally consider that debt is exposed to interest rate risk if it is variable, or fixed only for one year or less. We generally do not apply this adjustment in cases where a housing provider has a significant portion of bullet maturity debt. Rather, we apply a negative adjustment to the liquidity assessment to reflect the resulting refinancing risk. Liquidity 61. Our liquidity analysis is intended to provide a forward-looking, comprehensive assessment of a housing provider's liquidity position. It is made up of two components, internal and external liquidity, and is based on a two-step approach. The first step, which addresses internal liquidity, is quantitative and provides a measurement of a housing provider's available cash and expected cash inflows (sources) that will be available to cover all expected cash outflows (uses) over the coming 12 months. The second step is qualitative, and further informs the initial assessment by adjusting for various credit features, when warranted, as well as for our expectation of the housing provider's access to external funding (tables 9 and 10). Internal liquidity 62. Sources of liquidity include: Forecast cash generated from continuing operations, if positive; Cash reserves and liquid assets (adjusted to capture market value risk, where relevant); Forecast working capital inflows, if positive; Proceeds from fixed asset sales (when confidently predictable); The undrawn, available portion of committed bank facilities or bank lines that can be drawn; Expected ongoing cash injections from a government or group member, as appropriate; and Other cash inflows (such as dividends from joint ventures). 63. Uses of liquidity include: Forecast cash needed for continuing operations; Forecast working capital outflows, if negative; Expected capital expenditure; All interest and principal payable on short- and long-term debt obligations coming due; and Other cash outflows (such as investments in joint ventures). Access to external funding 64. Market funding--bank loans, bonds, and commercial paper--can be an important source of enterprise financing, particularly in countries with liquid and mature banking or capital markets. In some countries, housing providers rely largely on a well-developed capital market for their funding; in others, they rely mostly on bank loans. Furthermore, the legislative frameworks that housing providers operate under can affect their access to liquidity, either positively (for example, through special access to central government liquidity) or negatively (for example, through limitations on the use of debt instruments for liquidity purposes.) 65. Consequently, both country-specific and individual characteristics of a housing provider affect its access to external liquidity (and, accordingly, refinancing risk). Our analysis considers a housing provider's access to external liquidity sources on a forward-looking basis, and considers in particular: The legal framework defining the housing provider's access to liquidity; The general strength and diversity of domestic banks, focusing particularly on active lenders to the municipal/public sector; The development of the domestic bond market in general and for social enterprises in particular; and An individual housing provider's track record of market access and/or links to a diversified pool of banks, as well as any developments that we assess could modify the strength of its access to these funding sources in the future. Table 9 Assessment Of Liquidity SOURCES OF LIQUIDITY OVER THE NEXT 12 MONTHS DIVIDED BY USES OF LIQUIDITY OVER THE NEXT 12 MONTHS* RATIO > 2.50 (1.75;2.50] (1.25;1.75] (1.00;1.25] (0.75;1.00] <=0.75 Initial assessment 1 2 3 4 5 6 FACTORS THAT CAN POSITIVELY ADJUST THE INITIAL ASSESSMENT ABOVE FACTORS THAT CAN NEGATIVELY ADJUST THE INITIAL ASSESSMENT ABOVE Exceptional access to external funding: We will revise upward the initial assessment by two levels Uncertain access to external funding: We will revise downward the initial assessment by two levels Strong access to external funding: We will revise upward the initial assessment by one level Limited access to external funding: We will revise downward the initial assessment by one level High refinancing needs Aggressive use of financial investments The housing provider is approaching covenant thresholds, and we assess that this presents a risk to access to external liquidity sources Expected volatility in the liquidity ratio *The symbol "(" denotes the exclusion of the first data point in the range, and the symbol "]" denotes the inclusion of the last data point in the range. 66. We generally apply a negative adjustment for high refinancing needs if a housing provider has significant bullet debt maturities coming due in two to three years. We generally will not apply this adjustment for maturities coming due within 12 months, as these are already captured in the initial assessment through the 12-month liquidity ratio. 67. We generally apply a negative adjustment in situations where we expect the liquidity ratio will exhibit volatility. An example of applying a negative adjustment due to expected liquidity volatility could be a housing provider that engages in more volatile operations, such as development for sale activities. We may also apply this adjustment if there are changes in a housing provider's investment plans that result in a temporarily overstated liquidity ratio and initial liquidity. Table 10 Access To External Liquidity: Descriptors And Definitions ASSESSMENT OF ACCESS TO EXTERNAL LIQUIDITY DEFINITION EXCEPTIONAL We expect that the housing provider will maintain both: Unquestioned access to deep and liquid capital markets or to a strong and diversified pool of banks at all times; and Unrestricted and unconditional access to well-established and effective operating sources of liquidity from a local or regional government for which we assess access to external liquidity as “exceptional” under our local governments criteria*, or a central government, or a central government-owned bank or agency. STRONG We expect that the housing provider will maintain either: Sufficient access, including in periods of market dislocation, to well-established and effectively operating sources of liquidity from a local or regional government, for which we assess access to external liquidity as at least “strong” under our local governments criteria*, or a central government, or a central government-owned bank or agency; or Sufficient access to a deep and liquid capital market or to a strong and diversified pool of banks, including in periods of severe market dislocation. SATISFACTORY We expect that the housing provider will maintain either: Sufficient access to sources of liquidity in normal circumstances from a local or regional government (for which we assess access to external liquidity as at least “satisfactory” under our local governments criteria*), or a central government, or a central government-owned bank or agency; or Sufficient access to the capital markets, or a strong and diversified pool of banks, in normal circumstances (that is, except for periods of severe market dislocation). For housing providers that have no recent record of access to external funding, or have no debt (or close to 0), access to external liquidity is satisfactory if they operate in stable and deep capital markets, or have access to a strong and diversified pool of banks. LIMITED Either of the following conditions apply: There are possible or intermittent legal restrictions on the use of debt instruments for liquidity management; or The housing provider’s access to both capital market and bank financing is limited. We assess access to bank financing as limited even if the housing provider has generally good access to the banking system, if the pool of banks it has access to is not strong or diversified. We assess access to capital market financing as limited if there is limited development of the domestic capital market for housing providers. UNCERTAIN Either of the following conditions apply: There are legal restrictions banning the use of debt instruments for liquidity management; or There is an undeveloped domestic capital markets for housing providers, and there is an extremely limited number of banks that lend to this sector. *See Related Criteria And Research. Capping the SACP due to liquidity risks 68. We apply a cap to the SACP if we determine that liquidity is an overarching credit risk. We generally reach this conclusion in cases where the liquidity ratio is below 1.0x after removing uncommitted capital expenditures from liquidity uses. 69. However, we do not apply a rating cap, regardless of the liquidity ratio, if we assess that a housing provider has strong or exceptional access (as defined in table 10) to a government-backed liquidity source. We also do not apply a rating cap if we assess that the liquidity ratio has dropped temporarily, and that the housing provider has a credible plan to cover any deficit identified in the calculation of the liquidity ratio. Specifically, we will not apply a cap to the SACP due to liquidity risk: If the housing provider benefits from access to well-established and effectively operating public sources of liquidity, as defined in the strong assessment and above, and we expect this access will continue regardless of the entity's low liquidity ratio; or For housing providers with an anchor of at least 'bbb-', if we assess that the drop in the liquidity ratio (after removing uncommitted capital expenditures) below 1.0x is temporary, and that the housing provider has a credible short-term plan to secure additional committed funding needed to fully cover the liquidity shortfall at least three months before the funding is needed. 70. Where the mitigating factors listed above are not present and therefore we assess that liquidity is an overarching credit risk, we will cap the SACP in the 'bb' or 'b' category. In determining which cap to apply, we consider: The housing provider's access to external funding; and The materiality and immediacy of the liquidity deficit as informed by our assessment of the level of the liquidity ratio excluding uncommitted uses. 71. Specifically, we generally apply the higher 'bb' category cap, if all of the following conditions are met: We assess the housing provider's access to external funding as, at least, satisfactory; The liquidity ratio excluding uncommitted uses is greater than 0.75x when calculated over a 12-month period; and The liquidity ratio excluding uncommitted uses is greater than 1.0x when calculated over a six-month period. 72. Otherwise, if any of these conditions are not met, we typically cap the SACP in the 'b' category. APPENDIX A: ADDITIONAL APPLICATION DETAILS AND EXAMPLES 73. This appendix provides additional, more specific details related to various elements of the criteria. ENTERPRISE RISK PROFILE Management and Governance Assessment 74. The application of the criteria for the four subfactors included in the initial management and governance assessment is described below: Strategic planning, such as the clarity and specificity of strategic plans on a multi-year basis. A housing provider receives a stronger assessment for its strategic planning process if it formalizes a strategic plan that has specific financial and operational goals for all major service areas and contains specific measures for achieving those goals that we perceive as consistent with the housing provider's capabilities and human capital in place. A management team that has a stronger assessment typically will have a transparent methodology for producing estimates, forecasts, and stress tests, and it will have verifiable material assumptions underlying the plan. A stronger assessment also requires the participation of senior executives and governance officials in the planning process. Conversely, a housing provider receives a weaker assessment if its process ignores major service areas or lacks specific financial and operational goals for many areas. In addition, a housing provider receives a weaker assessment if its plan lacks specific measures for achieving the goals for major areas or if senior executives do not participate in the planning process. Housing providers receiving an assessment of '3' include those with formal plans with specific financial and operational goals for most areas and specific measures for achieving those goals. However, the plans lack the detail associated with the stronger assessment. Consistency of strategy with operational capabilities and marketplace conditions. A housing provider receives a stronger assessment if its strategy is consistent with its capabilities and that is cognizant of marketplace conditions. Also, the housing provider will have a record of market leadership and effective innovation (i.e., being among the first in its sector to respond to changes in market conditions successfully). A housing provider generally receives a weaker assessment for strategic consistency if it has implausible or overly optimistic strategies and projections that reflect weak internal planning capabilities or an insufficient grasp of challenges or opportunities. Typically, we also assess negatively a housing provider that exhibits abrupt or frequent changes in business strategy or unexpected acquisitions, divestitures, or restructurings. However, although almost all mergers involve risk, well-executed acquisitions can make strategic sense and benefit housing providers. A housing provider with strategies consistent with its capabilities and that is cognizant of marketplace conditions typically receives an assessment of '3'. However, such a housing provider most likely fails to display market leadership or notable innovation. Management expertise and experience. A housing provider receives a stronger assessment for management expertise and experience if it has demonstrated expertise in operating all major lines of business with an ability to grasp and successfully react to changing market conditions, as reflected in the housing provider's track record and in comparison with peers. Such a housing provider enjoys a track record of success in continuously and dependably executing its plans, excluding any events that, in our opinion, are unforeseeable. Alternatively, a housing provider receives a weaker assessment if management lacks the expertise and experience to fully understand and control its business. Such a housing provider has a track record of often deviating significantly from plans. A failure to acknowledge risks or demonstrate an understanding of significant factors that could affect cash flows also results in a weaker assessment. A housing provider that demonstrates either unexceptional expertise in operating its lines of business or an incomplete understanding of the significant risks in specific areas receives an assessment of '3'. Such a housing provider usually has a track record of success in carrying out its plans, excluding any events that, in our opinion, are unforeseeable. Financial policies and risk management standards. This subfactor addresses the housing provider's debt and liquidity policies along with the comprehensiveness of its risk management standards and tolerances. We typically assess the degree of aggressiveness or conservatism of those standards and risk tolerances, including appetite for debt and cash and reserves policies. In particular, a housing provider that has both prudent financial policies and high risk management standards receives a stronger assessment. Such a housing provider has successfully instituted comprehensive policies that effectively identify, monitor, select, and mitigate key risks and has articulated tolerances to key stakeholders. Housing providers that have no or few defined financial policies and no standards and risk tolerances receive weaker assessments. The assessment is '3' if a housing provider has basic financial policies, standards, and risk tolerances, but these may be less comprehensive than those of its peers across some of its operating segments. Such a housing provider may not have fully developed risk management capabilities. 75. The criteria allow for adjustments to the initial management and governance assessment. We may apply a negative adjustment if we assess that a housing provider fails to comply with standards of care in maintaining its properties. We reach this conclusion if the housing provider shows a history of deferred maintenance or has consistently failed to comply with standards of care in maintaining the properties/stock without a specific one-time reason. This could reflect a deliberate position of the housing provider's management to relax the industry maintenance standards in order to compensate for a weaker revenue stream, for instance. The absence of compliance with regulatory maintenance requirements set at a regional or national level could also weaken our opinion of the housing provider's management. 76. Overall, we also see this as negative in terms of management because underspending on the housing asset base could lead to deterioration in the housing provider's market position as well as its financial performance on a structural basis. FINANCIAL RISK PROFILE Liquidity Assessment Access to external funding 77. The criteria consider two separate types of external liquidity sources: Public sources, such as central, local, or regional governments; Market or commercial sources, such as capital markets issuances and bank financing. 78. Notwithstanding that some aspects of external liquidity require an understanding of systemwide supply trends, external access to funding is assessed at an entity-specific level. This means that the assessment is reviewed on an ongoing basis, and that credit conditions--whether evolving or stable--are expected to be a discriminating factor across entities, possibly even within the same country. 79. We assess access to external liquidity as exceptional if stringent conditions are met regarding forward-looking access to both types of external liquidity. Housing providers with an exceptional assessment have a track record of unquestioned access to markets/banks funding, as well as unrestricted/unconditional access to public sources of funding, including in periods of market dislocation, so that all funding requirements were met, including debt refinancing. We expect this to be a structural credit strength; therefore, our forward-looking view determines that both conditions continue to be met in the future. We expect that we will only reach this conclusion rarely, and only for housing providers in highly rated sovereigns (typically found in sovereigns rated 'AA' or higher). 80. We may assess access to external liquidity as strong or satisfactory based on sufficient access to either public sector sources or market or commercial sources of financing. We generally consider access to be sufficient if those external sources can cover all funding and refinancing requirements over a forward-looking 12-month period. For a satisfactory assessment, we expect that the housing provider can maintain sufficient access in normal circumstances. For a strong assessment, we expect that the housing provider can also maintain sufficient access in periods of market dislocation. We expect to only assess external access as strong for housing providers operating in sovereigns rated at least 'BBB-'. 81. Our expectation of a housing provider's future access to public sector liquidity sources is informed by the housing provider's track record in accessing such liquidity sources, as well as (in addition to a government itself) the existence of a legally defined or well-established and operating public source of funding, such as a government agency, fund, or close financial arm. 82. Our expectation of a housing provider's future access to bank financing considers the number and depth of the housing provider's banking relationships, and how they may become a more discriminating factor across housing providers under evolving economic and financial conditions. For an issuer to qualify for strong access, we expect that under market dislocation a large number of banks continue to be willing to cover all of its funding requirements, in contrast with other issuers for which we expect that the range of financing options will materially narrow under the same economic conditions. 83. Our expectation of a housing provider's future access to debt capital markets is informed in particular by the following factors: We generally assign a strong assessment for a regular benchmark issuer, with a track record of sufficient access to capital markets; We generally assign a satisfactory assessment for an issuer that has a track record of market access in normal times, but an uncertain or untested track record of access in periods of market dislocation. We also assign a satisfactory, rather than strong, assessment for a housing provider that issues bonds infrequently, or whose issuances are of limited size. 84. Our forward-looking analysis of a housing provider's access to capital market and bank financing also considers factors that could affect a housing provider's perception in the market. For example, we may conclude that a housing provider's future market access could deteriorate, and therefore will likely not assess market access as strong, in the following cases: A housing provider begins to manage liquidity more aggressively, as evidenced by a change in internal policy or a drop in its liquidity ratio below the longstanding historical level; We expect a change in a housing provider's policy role, or a shift away from its public purpose mission. 85. For the purpose of our assessment of a housing provider's external liquidity sources, we consider public sector funding agencies, which are not central government agencies, as equivalent to commercial banks, and therefore as commercial sources. Appendix B: GLOSSARY 86. Cash reserves include cash reserves that are either unrestricted, or that are earmarked for expenses coming due over the next 12 months (including debt payments) that are included among the liquidity uses. 87. Debt includes direct debt and other material fixed contractual obligations under leases or take-or-pay type relationships that, although not technically considered debt, are obligations nevertheless and are often associated with capital financing. Other contractual obligations such as pensions and benefits, are not included. 88. Economic vacancy typically includes three categories: vacancies that occur during the initial lease-up of a newly constructed property; vacancies that result from turnover time between tenants; and vacancies that result from refurbishment work on the property. We will not include as vacancies units that are offline for refurbishment, if the housing provider continues to receive government rental subsidies for the vacant units throughout the refurbishment program. 89. Development for sale activities include development of properties not currently on the housing provider's balance sheet that are developed for the specific purposes of selling in the private market. For example, in some countries where housing providers develop properties for sale, the first tranche of a partial sale, as well as outright sales are considered current asset sales. Revenues from development for sale activities are included in adjusted EBITDA. 90. Liquid assets include unrestricted assets that are available to cover debt service over the next 12 months. These assets should be able to be quickly liquidated without requiring deep discounts to their carrying value. Typically, housing providers hold short-term government bonds for this purpose. We may apply haircuts to the value of these assets, where we identify a market value risk. For example, if a housing provider holds listed equity securities as liquid assets, we typically apply a 50% discount to the value of these securities in our calculation of available liquidity sources. 91. Proceeds from fixed asset sales represent capital revenue (for example, from sales of land or of existing properties). 92. Riskier activities In the context of these criteria we consider that activities that present most of the following features are riskier than the social housing rental business because they reduce the housing provider's ability to withstand external risks: Activities that are cyclical and sensitive to market prices Offering of products that are subject to mortgage availability Development for sale activities If only part of the offered product is subject to the above characteristics (for example, sale of the first tranche of a property), we only account for that part as a riskier activity. Typically, fixed asset sales are not considered riskier activities. For instance, certain types of fixed asset sales such as additional shares of a property (after the sale of the first tranche), or sale of properties to existing tenants are typically not accounted as a riskier activity, as they tend to be less subject to housing market cyclicality. Some business lines within fixed asset sales can be considered riskier activities if they meet most of the conditions above. For instance, in some countries, land sales can be considered riskier activities if they are exposed to high market price volatility. CHANGES FROM PREVIOUS CRITERIA 93. These criteria generally maintain the fundamental concepts of the previous framework. Our main adjustments are as follows: We clarified the scope of the criteria, to better outline the circumstances under which housing providers would be analyzed under these or other criteria. We captured more explicitly within our criteria situations where housing providers have diversified into riskier activities, such as property development for sale. In particular, this is considered in our industry risk analysis within the ERP, and in the debt profile analysis within the FRP. We better captured systemic factors through the introduction of the regulatory framework and systemic support assessment (which replaces the use of a cap based on the country risk assessment under previous criteria), and the possibility to modulate the industry risk assessment. We more precisely reflected credit factors through recalibration of the ERP and FRP assessments, as well as of the underlying key factor assessments and their weightings. Specifically, the market position now combines our assessment of market dependencies and regulatory framework and systemic support, equally weighted. Our assessment of management and governance is now a separate factor and includes aspects relating to financial policies that were previously analyzed in the FRP. Within the FRP, the three remaining factors are now equally weighted. We enhanced flexibility in the analysis through the addition of split ratings to the matrix that determines the anchor (table 2), the introduction of a holistic adjustment of one notch, and the expanded impact of qualitative adjustments when applied to initial assessments. We allowed more differentiation in the analysis by making thresholds of the debt profile and liquidity initial assessment more granular. IMPACT ON OUTSTANDING RATINGS 94. S&P; Global Ratings maintains 86 public ratings globally on entities rated under these criteria. Given the targeted nature of the changes described in paragraph 93, we expect limited impact on outstanding ratings. Assuming that the housing providers maintain their current credit characteristics, our testing suggests that 10% to 15% of our public ratings could see a potential impact of one notch, with a broadly even share of upgrades and downgrades. These numbers do not include the potential impact on confidential ratings on housing providers, or related structured transactions. Separately, we expect two entities will no longer be rated under these criteria based on the updated scope language in paragraph 2. We will evaluate these ratings under the applicable criteria and determine the rating impact, if any. RELATED PUBLICATIONS Fully superseded criteria Methodology For Rating Public And Nonprofit Social Housing Providers, Dec. 17, 2014 Related criteria General Criteria: Group Rating Methodology, July 1, 2019 Key Credit Factors For The Real Estate Industry, Feb. 26, 2018 General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017 Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015 General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015 Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013 Methodology: Industry Risk, Nov. 19, 2013 Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012 Principles of Credit Ratings, Feb. 16, 2011 General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010 General Criteria: Guarantee Criteria, Oct. 21, 2016