Article Title: General Criteria: Methodology For Companies With Noncontrolling Equity Interests Data: (EDITOR'S NOTE: —On June 5, 2023, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.) 1. This article presents S&P; Global Ratings' criteria for companies whose only significant assets are one or two noncontrolling equity interests in other financial and nonfinancial corporate entities. 2. This article relates to "Principles Of Credit Ratings," published Feb. 16, 2011, and "Corporate Methodology," published Nov. 19, 2013. I. SCOPE OF THE CRITERIA 3. These criteria apply to companies with noncontrolling equity interests (which we refer to as NCEIs) whose only significant assets consist of one or two material noncontrolling equity interests in other unrelated financial and nonfinancial corporate entities (referred to as the investee companies). By material noncontrolling interests, we mean cases in which the NCEI has an equity stake of at least 10%, but typically not more than 50%, in the investee company or companies. 4. The criteria do not cover the infrequent cases in which a holding company owns an equity stake of 50% or less in an investee company, but is still able to dictate the investee company's or companies' strategy, cash flow, and dividend policies. We would apply the criteria to a holding company that owns an equity stake of more than 50% in an investee company, but does not have control. An example of the latter would be a holding company that owns a majority of an investee company's common equity, but whose shares do not carry commensurate voting rights. II. SUMMARY OF THE CRITERIA 5. NCEI creditors are deeply subordinated to investee company creditors and rely on subordinated and discretionary dividend payments from the investee company that they do not control. (Note: Throughout the criteria, the term "dividend" refers to any type of cash dividend or distribution from the investee company or companies to the NCEI.) Therefore, the criteria tie the rating on the NCEI to the issuer credit rating (ICR) or stand-alone credit profile (SACP) on the investee company or companies. (An SACP is S&P; Global Ratings' opinion of an issuer's creditworthiness in the absence of extraordinary support or influence from a government or parent.) 6. Under the methodology, we first establish the NCEI's SACP, which we set below either the SACP or the ICR--whichever is lower--on the investee company. If there are two investee companies, the NCEI's SACP is generally at least three notches below the average of the lower of each investee's SACP or ICR, weighted by the size of the dividends we expect each investee company to pay to the NCEI. (For exceptions, where we do not apply this weighting, see paragraph 14.) For simplicity, the criteria refer for the most part to cases in which the NCEI owns a single investee company. 7. The main factors that determine the preliminary number of notches that the NCEI's SACP is below the SACP or ICR on the investee company are outlined in table 1, subject to certain caps. The main factors are: cash flow stability, corporate governance and financial policy considerations, financial ratios, and the ability to liquidate investments. In determining the final notch differential, we can adjust the preliminary number of notches up or down by one notch based on our holistic review of the NCEI's SACP, in which we evaluate the NCEI's credit characteristics in aggregate. 8. In most cases, we would not assign an SACP to the NCEI higher than 'bb+', given that NCEI creditors are deeply subordinated to creditors at the investee company and rely on discretionary dividend payments from the investee company that they do not control. However, in rare circumstances, as defined in paragraph 20, the NCEI SACP could be as high as 'bbb+'. A number of other caps to the SACP can also apply, depending on factors outlined in the "Caps to the SACP" section below. 9. We evaluate whether the NCEI could benefit from extraordinary support or negative influence from a group or government. If there is no impact on the SACP due to potential extraordinary support or negative influence, the ICR on the NCEI is the same as its SACP, unless there is a constraint from a relevant sovereign rating or transfer and convertibility (T&C;) assessment. For the ICR to be higher than the relevant sovereign rating or T&C; assessment, the entity has to meet the conditions in "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013. 10. This paragraph has been deleted. 11. This paragraph has been deleted. III. METHODOLOGY The SACP Framework 12. Under the methodology, we first assign an SACP to the NCEI, which is preliminarily set at least three notches below the SACP or ICR--whichever is lower--on the investee company. We can fine-tune the SACP by adjusting it up or down by one notch, based on a holistic review of the company's stand-alone credit characteristics in aggregate. 13. If the NCEI owns equity in two investee companies, in most cases we use the average of the lower of each investee company's SACP or ICR, weighted by the size of the dividends we expect each investee company to pay to the NCEI. We also use this weighting in assessing the main analytical factors we take into account for each investee company (see table 1). We generally determine expected dividends by assessing dividends over the most recent five years, plus our estimate of the current year's expected dividends, with an equal weighting on each year. We could use a different weighting if we believe that one or more years are unlikely to represent the investee company's future dividend payouts. 14. Under certain circumstances in which the NCEI owns equity in two investee companies, we would analyze the NCEI assuming dividend payments from only one of the two investee companies. We would do this when: The SACP on the NCEI would be higher if we only take into account dividends from the higher-rated of the two investee companies. In this case, we would base the NCEI's SACP only on the SACP or ICR on the higher-rated investee company and only include dividends from the higher-rated investee company when calculating the NCEI's financial ratios. The NCEI's interest coverage ratio would be below 1x if the lower-rated investee company halts its dividends. In this case, we would base the NCEI's SACP only on the SACP or ICR on the lower-rated investee company and only include dividends from the lower-rated investee company when calculating the NCEI's financial ratios. 15. Tables 1 and 2 determine the preliminary number of notches that the NCEI's SACP is below the SACP or ICR on the investee company. We first assess the NCEI and investee company by the characteristics outlined in table 1: cash flow stability, corporate governance and financial policy, financial ratios, and the ability to liquidate investments. We assess each factor as positive, neutral, or negative. We then sum the assessments, adding 1 for each positive and subtracting 1 for each negative. 16. Table 2 translates the resulting sum into a preliminary outcome for the NCEI's SACP. We can then adjust this outcome up or down by one notch based on our holistic review of the NCEI's stand-alone credit characteristics in aggregate. 17. However, the final SACP cannot exceed the caps specified in paragraph 20 (see "Caps to the SACP" below). We would also not assign an SACP below 'b-' unless our criteria for 'CCC+' to 'CC' ratings apply (see "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," published Oct. 1, 2012). Table 1 NCEI Stand-Alone Credit Profile: Analytical Factors FACTORS POSITIVE (+1) NEUTRAL (0) NEGATIVE (-1) Investee company cash flow stability (see paragraph 19) (i) Cash flows at the investee company are highly stable; OR (ii) Dividend coverage ratios (see glossary) at the investee company are highly robust and allow for a substantial drop in EBITDA before dividends are cut. In addition, we believe it is highly unlikely that financial covenants or cash flow lock-up tests at the investee company could result in no dividends being paid or dividends being reduced. The conditions of positive or negative are not met. (i) Cash flows at the investee company are volatile and dividend coverage ratios do not provide a sufficient cushion to shield dividends levels during times of moderate stress; OR (ii) Under conditions of moderate stress, financial covenants or cash flow lock-up tests at the investee company could result in no dividends being paid or dividends that are lower than in our base case forecast. Investee company corporate governance and financial policy (i) There are strong incentives for the investee company to maintain constant or growing dividends per share (e.g., due to public valuation implications, such as with publicly listed utilities) and the investee company has a proven track record of maintaining stable or growing dividends per share through stressful market and industry conditions. We envision almost no scenario in which the investee company would willingly reduce its dividend per share to pursue other initiatives; AND (ii) there is a sustainable binding agreement, such as a shareholders' agreement or corporate bylaw, stipulating that the NCEI's vote is required to change dividend policy. The conditions of positive or negative are not met. (i) There is no meaningful commitment or incentive for the investee company to maintain current dividend per share; OR (ii) There are foreseeable events that could cause the investee company to lower its dividend per share, e.g., withholding dividends to pursue growth capital spending; OR (iii) The NCEI has little influence on the investee company's board or management. NCEI financial ratios* The NCEI's interest coverage is more than 5x and debt leverage is less than 2x (see glossary for definitions of these terms). The NCEI's interest coverage is between 3x and 5x, or debt leverage is between 2x and 4x. The NCEI's interest coverage is less than 3x and debt leverage is more than 4x. NCEI ability to liquidate investments Not applicable. (i) The investee company is publicly traded and there is a relatively deep market for its shares; AND (ii) We consider that the NCEI could liquidate its shares and pay off its debt by a factor of 3x. The conditions of neutral are not met. *We determine the time periods for corporate NCEIs' ratio weightings using the approach in paragraphs 112-120 of our "Corporate

Methodology," published Nov. 19, 2013. Table 2 NCEI Stand-Alone Credit Profile: Preliminary Notching Differential SUM OF THE ASSESSMENTS FROM TABLE 1 NOTCHES BELOW THE LOWER OF THE INVESTEE COMPANY'S SACP OR ICR 1 or higher -3 0 or -1 -4 -2 or -3 -5 -4 -6 18. The link between our view of the NCEI's creditworthiness and that of the investee company means that any change in the lower of the investee company's SACP or ICR would typically result in the same change in the NCEI's SACP, unless any SACP caps (see "Caps to the SACP" below) or the criteria for 'CCC+' to 'CC' ratings apply. Similarly, the NCEI's outlook will often mirror the outlook on the investee company or, in the case of two investee companies, the larger investee company. Cash flow stability 19. The following provides additional guidance on our cash flow stability assessment: We would view investee company cash flows as highly stable if we do not expect them to vary by more than 10% even under an 'A' stress scenario, which would correlate to a decline of up to 6% in U.S. GDP and unemployment reaching up to 15%. Examples of investee companies with highly stable cash flows could be regulated utilities operating in favorable regulatory jurisdictions or companies with highly contracted cash flows from strong counterparties. We consider dividend coverage ratios to be highly robust if they are well in excess of industry and peer norms. For example, many joint ventures and master limited partnerships with predominantly fee-based revenues have dividend coverage ratios of slightly above 1x; therefore we would consider joint venture and master limited partnership dividend coverage ratios of 1.5x or higher to be highly robust. If the conditions for a negative cash flow stability assessment are met, but there are two investee companies whose underlying cash flows are not highly correlated (meaning that they are in different industries or different countries, and are subject to different business cycles), and either investee company's dividends alone would be sufficient to service the NCEI's debt, then we would assess cash flow stability as neutral. Caps to the SACP 20. Under the methodology, we apply the following caps to the NCEI's SACP: In most cases, we would not assign an SACP to the NCEI higher than 'bb+', reflecting our view that NCEI creditors are deeply subordinated to investee company creditors and rely on discretionary dividend payments from the investee company that the NCEI does not control. However, we could assign an SACP to the NCEI of up to 'bbb+' if all of the conditions outlined below are met, indicating that the NCEI has greater influence in setting the investee company's financial and dividend policies. The conditions are: (i) that we assess investee company cash flow stability and corporate governance and financial policy as positive in table 1 and none of the other factors as negative; (ii) that the NCEI controls a minimum of 40% of the investee company's common equity; (iii) that the investee company has a Corporate Industry and Country Risk Assessment of '1' or '2'; and (iv) that there is a shareholders' agreement that requires shared decision-making at the investee company on key strategic issues, including dividend policy. If the investee company cash flow stability assessment is negative, we cap the NCEI's SACP at 'b+', given the elevated risk that investee company dividends could be reduced or stopped. If our forecast interest coverage for the NCEI is below 3x, we cap the SACP at 'b+'. If it is below 1.5x, we cap the SACP at 'b-'. These caps apply because the interest coverage that would trigger either cap allows limited headroom for a reduction in dividends paid to the NCEI. The 'b-' cap may not apply if the low interest coverage is due to a one-off event, such as the investee company not paying dividends because it is in the midst of a construction program. We would not apply the cap if (i) we determine that such an event is highly unlikely to repeat itself, (ii) we forecast no financial covenant breaches, and (iii) we consider that the NCEI has sufficient liquidity to bridge the period until we forecast interest coverage to reach 1.5x. We assess NCEIs' liquidity using "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers," published Dec. 16, 2014. An "adequate" or better liquidity assessment doesn't affect the NCEI SACP. If we assess the NCEI's liquidity as "less than adequate," we cap its SACP at 'bb+', and if liquidity is "weak," we cap its SACP at 'b-'. In addition to the provisions outlined in the above criteria article, we would also assess the NCEI's liquidity as "weak", and cap its SACP at 'b-' if it does not have cash or availability under its revolving credit facilities to meet its next regularly scheduled debt service payment. The NCEI's SACP cannot exceed the rating that we would assign to the most junior hybrid capital instrument that has been issued by the investee company, given that NCEI creditors are subordinated to investee company hybrid creditors. If the NCEI owns equity in two investee companies, this condition only applies when dividends from the investee company with hybrid capital are required for the NCEI's interest coverage to be more than 3x. If we forecast that more than half of the NCEI's dividends will come from a prudentially regulated entity (e.g., regulated deposit-taking institutions), in most cases we cap the NCEI's SACP at 'b+'. However, we cap the SACP at 'bb' if all of the following conditions are met: (i) we assess investee company corporate governance and financial policy as positive in table 1 and none of the other factors as negative; (ii) the NCEI controls a minimum of 40% of the investee company's common equity; and (iii) there is a binding contractual agreement, such as a shareholders' agreement, that provides for shared decision-making on significant strategic matters. Furthermore, the NCEI's SACP cannot exceed the rating that we assign or would assign to the most junior hybrid capital instrument issued by the prudentially regulated entity. These caps reflect that there is generally a risk that a financial institution's regulator could stop the prudentially regulated entity's dividend payments in a stress scenario. Holistic analysis 21. Subject to the caps described above, we can fine-tune the SACP by adjusting it up or down by one notch, based on a holistic review of the company's stand-alone credit characteristics in aggregate. For example, if two or more of the factors in table 1 are neutral, but are close to a positive assessment, or if the investee company shares are highly liquid, we could adjust the SACP upward by one notch. Conversely, if two or more of the factors in table 1 are neutral, but close to a negative assessment, we could adjust the SACP down by one notch. Determining The ICR 22. We evaluate whether the NCEI could benefit from extraordinary support or negative influence from a group or government. We make any such adjustments to the NCEI's SACP using our "Group Rating Methodology," published July 1, 2019, and "Rating Government-Related Entities: Methodology And Assumptions," published March 25, 2015. If there is no impact on the SACP from group or government influence, the ICR is the same as the SACP, unless there is a constraint from a relevant sovereign rating or T&C; assessment. 23. For the ICR to be higher than the relevant sovereign rating or T&C; assessment, the entity has to meet the conditions in "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013. NCEI-Issued Debt 24. We assign recovery ratings to debt instruments issued by NCEIs operating in applicable jurisdictions. See "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016. In jurisdictions where we do not assign recovery ratings, we rate NCEI debt by applying "Reflecting Subordination Risk In Corporate Issue Ratings," published March 28, 2018. These criteria also apply to preferred stock instruments issued by NCEIs. To the extent NCEIs issue hybrid capital, we apply "Hybrid Capital: Methodology And Assumptions," published July 1, 2019. APPENDIX Frequently Asked Question How do we apply the criteria when the stake in the investee is held through an intermediate holding company? In those cases, we look at the nature of the intermediate holding company. We would apply the criteria as if the parent held the stake in the investee directly if the intermediate holding company complies with all of the following characteristics: It has no operations. It has no debt and is not expected to take on any debt or is prohibited to do so. It does not have the ability to prevent the flow of dividends received from the investee to pass through to the parent. It adds no risks to the structure. We would compute the percentage of ownership by accumulating the stake of the parent in the intermediate holding company and the stake of the intermediate holding company in the investee. If the intermediate holding company does not exhibit all the characteristics above, then we will deem such intermediate holding company to be the NCEI and we will apply the criteria at that level. Glossary EBITDA: NCEI EBITDA equals dividends received minus the NCEI's operating and administrative expenses. Debt leverage: The NCEI's debt divided by the NCEI's EBITDA. Interest coverage: The NCEI's EBITDA divided by interest expense. Dividend coverage: For corporate NCEIs, funds from operations less maintenance capital expenditures and interest expense, divided by dividends paid. Liquidity sources: These can include any of the defined sources in "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers." Principal liquidity sources for corporate NCEIs are typically cash, revolving credit facilities, and funds from operations (generally consisting of dividends received minus any operating and administrative expenses, interest expense, and minus current tax expense). Working capital inflows are typically negligible and asset sales are generally rare. Liquidity uses: These uses can include any of the defined uses in "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers." Principal liquidity uses for corporate NCEIs are likely to be debt maturities and any shortfall of operating and administrative expenses after the receipt of dividends. Because NCEIs own equity rather than operating assets, capital spending and post-retirement employee benefit top-up needs are typically rare and negligible. NCEIs also rarely, if ever, make contracted acquisitions. REVISIONS AND UPDATES This article was originally published on Jan. 5, 2016, and became effective on that date. Publication followed our "Request for Comment: Methodology: Companies With Noncontrolling Equity Interests," published on June 11, 2015. For a summary of the changes after the Request for Comment, see "Standard & Poor's Summarizes Request For Comment Process For Companies With Noncontrolling Equity Interests Methodology," published Jan. 5, 2016. Changes introduced after original publication: Following our periodic review completed on Dec. 23, 2016, we updated contact information and criteria references and deleted paragraphs 10 and 11, which were related to the initial publication of our criteria and no longer relevant. Following our periodic review completed on Dec. 5, 2017, we updated criteria references and added a "Frequently Asked Question" section. On Jan. 17, 2020, we republished this criteria article to make nonmaterial changes to update criteria references. On Feb. 1, 2021, we republished this criteria article to make nonmaterial changes to update criteria references and the contact list. On June 5, 2023, we republished this criteria article to make nonmaterial changes to update criteria references. 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