

Euler Hermes Rating GmbH

**Basic Principles for Assigning  
Credit Ratings and  
Other Services**

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# Introduction

Euler Hermes Rating GmbH (henceforth "EHRG" or "the Agency") is publishing this document so that companies, investors and other interested members of the business community are able to understand EHRG's credit rating approach and processes that it uses.

EHRG is registered as a credit rating agency in the European Union pursuant to Regulation (EC) No 1060/2009 (as amended) (the "CRA Regulation"). EHRG is therefore subject to supervision by the European Securities and Markets Authority (ESMA) and is recognised as an external credit assessment institution (ECAI) under Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms. The CRA Regulation contains provisions intended to prevent or mitigate actual and potential conflicts of interest and enhance the integrity, transparency, good governance and independence of credit rating activities.

Under the CRA Regulation, financial institutions, insurance companies and other market participants (i.e. institutional investors), may use credit ratings, which are issued or endorsed by EU registered credit rating agencies for regulatory purposes (i.e. for the specific purpose of complying with EU law or with EU law as implemented by national legislation of the EU member states). On the basis of its registration, EHRG can issue credit ratings that can be used for those regulatory purposes.

**CREDIT RATINGS ISSUED BY EHRG ARE EHRG'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND EHRG'S PUBLICATIONS MAY INCLUDE EHRG'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. EHRG DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND, IN THE CASE OF ISSUANCE-LEVEL CREDIT RATINGS, ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY.**

An EHRG credit rating is expressed by using an established and defined ranking system. Credit ratings are not recommendations to buy, sell or hold securities of any kind.

EHRG currently assigns the following types of credit ratings: issuer-level ratings on corporates, issuance-level ratings on corporates (e.g., bonds, promissory notes), issuance-level ratings on project finance transactions (e.g., real estate, wind farms, aviation finance) and issuance-level ratings on structured finance transactions. This paper does not describe the rating processes for the various rating types separately as the rating process with respect to these is generally uniform. The analytical approach used in determining the rating level is described in the appropriate published credit rating methodologies (see [www.ehrq.de/en/about-us/our-methods](http://www.ehrq.de/en/about-us/our-methods)).

In addition to regulated credit ratings, EHRG also offers other permissible services, including credit estimates and preliminary analyses. These are not regulated credit ratings and cannot be used for EU regulatory purposes. For more details on these services see Appendix 1, Definitions.

## Regulatory Distinction Between Ratings

### *Distinction between regulated and private credit ratings*

One of the requirements for a regulated credit rating is that it is disclosed on a non-selective basis and in a timely manner. EHRG’s regulated credit ratings are disclosed either on its website or distributed by subscription via EHRG’s Rating Portal.

The CRA Regulation defines private credit ratings as credit ratings “produced pursuant to an individual order and provided exclusively to the person who placed the order” that “are not intended for public disclosure or distribution by subscription” and are subject to a duty of confidentiality and limitations on distribution (as set out below). Private credit ratings may not be used for regulatory purposes in certain jurisdictions, including in the European Union. Customers are not authorised to publish private credit ratings or distribute them by subscription. Customers may only use private credit ratings for internal purposes and, with EHRG’s consent, share them with a limited number of third parties on a strictly confidential basis as long as the sharing is not tantamount to public disclosure or distribution by subscription.

| Type         | RATING*                       |                         |
|--------------|-------------------------------|-------------------------|
|              | PUBLIC                        | PRIVATE                 |
| Disclosed on | EHRG website<br>Rating Portal | Only to customer        |
| Regulation   | REGULATED                     | EXEMPT                  |
| Methodology  | Regulated methodology         | (Regulated) methodology |
| Monitoring   | Mandatory                     | Optional                |

\* For further distinctions, please see Appendix 3: Identifiers, Prefixes and Suffixes for Rating Categories

*Distinction between solicited  
and unsolicited credit  
ratings*

EHRG carries out credit rating processes in which representatives of the rated entity directly or indirectly send EHRG a request to assign a credit rating. In this case, the ratings are considered solicited as defined in the CRA Regulation (see Appendix 1: Definitions). Credit ratings can also be issued without being initiated by the rated entity. In this case, the ratings are considered unsolicited as defined in the CRA Regulation.

*Distinction of information  
base*

Unsolicited credit ratings can sometimes be issued solely on the basis of publicly available information. In other circumstances, EHRG may also rely on the participation of the rated entity. For solicited credit ratings, the rated entity generally provides its internal information as well. EHRG will only assign a credit rating if it believes the information base is of sufficient quality and from reliable sources.

# Rating Categories and Identifiers

## *Rating scale*

EHRG uses rating categories that express its view on the creditworthiness of the rated entity on a scale from AAA (strongest creditworthiness) to D (in default). Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-) where required in order to show their relative position within the rating category.

## *Rating notation for selective default*

Apart from a default of the rated entity as a whole, the entity may also be assigned a selective default (SD) rating if it selectively defaults on a specific financial obligation or class of obligations but continues to meet its other financial obligations or classes of obligations in a timely manner.

## *Rating suffix for ratings of structured finance instruments*

Ratings of “structured finance instruments” (as defined in Appendix 1: Definitions) are assigned special identifiers and given the suffix “SF” by EHRG.

## *Rating suffix for private credit ratings*

“Private credit ratings” (as defined in Appendix 1: Definitions) are given the suffix “PR”.

## *Rating suffix and colour code for unsolicited credit ratings*

According to regulatory requirements, “unsolicited credit ratings” (as defined in Appendix 1: Definitions) must be colour coded to indicate whether the rating was issued with the participation of the rated entity or a related third party and whether the credit rating agency has access to internal information. EHRG colour codes unsolicited, non-participating ratings using **orange** (see also Appendix 1: Definitions).

## *Identifier for preliminary credit ratings*

“Preliminary credit ratings” (as defined in Appendix 1: Definitions) are denoted by the prefix “pre”.

The rating category symbols used by EHRG are described in Appendix 2. An overview of the identifiers, prefixes and suffixes for rating categories can be found in Appendix 3.

# Rating Outlook and Status

## *Types of outlook*

In addition to the rating notations, EHRG also publishes a rating outlook that expresses EHRG's opinion on the potential direction of credit rating over the intermediate term (typically six months to two years). A rating outlook can fall into one of four categories: positive, negative, stable and direction uncertain.

## *"Watch" status*

If new information becomes available that could lead to an upgrade, downgrade or withdrawal of a credit rating and the rating is consequently subject to specific review, the rating may be placed on "watch" for the duration of the review. Events that can trigger this kind of change include trends in the market environment, legislative changes that affect general conditions or changes in structural characteristics. The probable direction of the rating change is expressed as either positive, negative or direction uncertain.

A credit rating can also be put on "watch" if information or documents that are due or have been requested during the monitoring process are not submitted in a timely manner but are expected to be provided in the near future. In this case, the status is generally direction "uncertain".

## *"Current" and "withdrawn" status*

Credit ratings can also be assigned a "current" or "withdrawn" status and are identified accordingly on the website or Rating Portal. Regulated credit ratings are generally "current", i.e., they reflect EHRG's current view. "Withdrawn" means that the rating is no longer outstanding and does not reflect EHRG's current view. Any time "withdrawn" is assigned as a status, the reason for the withdrawal is stated as well (see also the "Monitoring" section for possible withdrawal reasons).

# Rating Process

## Overview

The following table describes the usual steps of the EHRG credit rating process.

| Rating process |  |
|----------------|--|
| A              | Receipt of documentation and analysis  |
| B              | Site visit or conference call where applicable   |
| C              | Creation of draft rating report and proposed rating  |
| D              | Rating committee meeting and determination   |
| E              | Submission of credit rating and the rating rationale (draft) to the rated entity and, where applicable, the customer                       |
| F              | Rated entity points out any factual errors that may have been made and/or inadvertent inclusion of confidential information, if applicable |
| G              | Possible consideration of comments (another rating committee meeting where applicable)   |
| H              | Completion and submission of the credit rating report to the rated entity and the customer where applicable                                |
| I              | Publication/dissemination  |
| J              | Monitoring   |

The credit analysis is the same for both solicited and unsolicited credit ratings.

### *Definition of project team*

EHRG assembles the project team at the start of each credit rating process. If the rating has been solicited, the customer must also name a contact person who will be available during the rating process.

### *Analysis of documents, site visit where applicable*

Once the requested documents have been received, they are analysed by the project team. Additional information is requested as needed. The project team may also draw up a list of questions for individual aspects of the analysis that can be given to the rated entity and/or customer to prepare for a site visit or conference call.

### *Preparation of draft rating report, rating committee*

Once the available information has been analysed, the project team prepares the draft report and proposes a rating level. The rating proposal is then presented to the rating committee for determination on the basis of the draft report and any additional explanations offered by the lead analyst and/or the other analysts. Additional information may be requested by the rating committee. The rating committee is the sole forum for assigning credit ratings and outlooks.



***Submission of draft rating report; deadline for comment prior to publication***

The draft rating report is then submitted to the rated entity and/or its agent. The rated entity or its agent must be notified at least 24 hours in advance (within the rated entity's business hours) of the possible publication/dissemination of the rating and its rationale. During this period, the rated entity has an opportunity to point out any factual inaccuracies and/or inadvertent inclusion of confidential information to EHRG. If the rated entity's input results in changes to the credit rating, a modified report will be submitted to the rating committee for determination. A statement explaining whether the credit rating was amended due to the rated entity's input is included in the rating report. The final rating report is submitted to the customer and the credit rating is published/disseminated along with the rating rationale.

***Publication***

The regulated credit rating can be disclosed to the public at large or disseminated to subscribers. In the former case, the rating and its rationale are published on the EHRG website and usually in a press release. In the latter case, the credit rating is disseminated on the Rating Portal that is only accessible to registered subscribers for a fee.

Once a credit rating is published/disseminated on the website/portal, it is subject to monitoring.

## Monitoring

***Obligation to provide information during the monitoring period***

The purpose is to ensure that credit ratings are constantly monitored in order to identify any material changes that might impact the credit rating/outlook and ensure the continued validity of the published rating level. The customer is obligated to disclose any developments that might impact the credit rating/outlook during the monitoring period.

***Definition of information and deadlines***

Where required, EHRG will individually determine the information to be provided on a regular basis and the deadlines for providing this information at the start of the monitoring period.

***Rating actions during the monitoring period***

A credit rating can be upgraded, downgraded, have its outlook status changed, put on the watch list or withdrawn during the monitoring period. All such decisions are made by the rating committee.

If a credit rating or a rating outlook is changed during the monitoring process, the action will also be communicated to the rated entity or, where applicable, customer for comment at least one full business day in advance during business hours. After expiry of the notification period, the rating and/or outlook action will be disclosed as described above.

***Reasons for rating withdrawals***

EHRG has the discretionary right and/or duty to withdraw credit ratings, including in circumstances where it determines it is no longer able to maintain the rating. Reasons why EHRG might withdraw a credit rating may include, but are not limited to:

- if the information is incorrect or insufficient to effectively assess the creditworthiness of the rated entity during monitoring or as part of a rating review; in this case, the CRA Regulation requires the credit rating agency to withdraw the rating;
- default of the rated entity;
- substantial structural changes that cause the rated entity to differ substantially from the rated entity before the changes (for example, due to merger, acquisition, discontinuation of significant divisions, structural or contractual changes);
- (early) repayment of the underlying financing;

In this case, the rated entity and/or its agent will be notified at least one full business day in advance.

**Public disclosure of withdrawn ratings**

Withdrawn ratings are denoted by a "withdrawn" identifier and remain published on EHRG's website and/or Rating Portal for a 12-month period after the withdrawal, and are deleted after this period.

Where the solicitation with respect to a given rating has been withdrawn, the rating can be converted into an unsolicited rating if EHRG believes that the rating has a sufficient information base and might be of interest to market participants.

**"Watch" status**

A status change to "watch" is communicated to the rated entity and/or its agent and published on the EHRG website or disseminated on the Rating Portal. If published on the EHRG website, EHRG will generally also publish a press release to this effect. Adding "watch" to a credit rating does not necessarily mean that the rating level will change. In addition, credit ratings can be upgraded, downgraded or withdrawn without first being put on "watch".

## Appendix 1: Definitions

EHRG operates as a registered credit rating agency on the basis of the CRA Regulation, other regulations, directives and other EU legislation that has been transposed into national legislation where applicable. For that reason, our definitions generally correspond to the definitions used in these instruments.

### Credit rating

Credit ratings issued by EHRG are EHRG's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. EHRG defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and, in the case of issuance-level credit ratings, any estimated financial loss in the event of default. Credit ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit ratings are not statements of current or historical fact. Credit ratings are neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. Credit ratings do not constitute or provide investment or financial advice, and do not provide recommendations to purchase, sell, or hold particular securities. Credit ratings do not comment on the suitability of an investment for any particular investor. EHRG issues its credit ratings and publishes its publications with the expectation and understanding that each investor will, with due care, conduct its own independent analyses, credit assessments and other verifications and evaluations of each security that is under consideration for purchase, holding, or sale.

### Credit Estimate

A Credit Estimate is an unpublished, point-in-time (unmonitored), opinion of the approximate credit quality of an issuer. A Credit Estimate is not equivalent to and does not represent a formal credit rating and is not assigned by a rating committee. Credit Estimates are typically assigned using a more limited analysis than that involved in a credit rating. Had EHRG conducted an analysis commensurate with a full credit rating, the result may have been significantly different. Credit Estimates are provided on a strictly confidential basis.

Assessments issued as Credit Estimates are denoted in lowercase letters with corresponding suffixes (CE for credit estimates), e.g. bbb<sub>CE</sub> (see Appendix 2).

### Credit Snapshot

A Credit Snapshot is an unpublished, point-in-time (unmonitored), indicative opinion of the approximate credit quality of an issuer. A Credit Snapshot is not equivalent to and does not represent a formal credit rating and is not assigned by a rating committee. Credit Snapshots are high-level indicative assessments that are typically assigned using a more limited analysis than that involved in a credit rating or credit estimate. Had EHRG conducted an analysis commensurate with a full credit rating or with a credit estimate, the result may have been significantly different. Credit Snapshots are provided on a strictly confidential basis.

Assessments issued as Credit Snapshots are denoted in lowercase letters with a corresponding suffix (CSN for credit snapshots), e.g. bbb<sub>CSN</sub> (see Appendix 2).

## Credit Score

A Credit Score is a scorecard-generated, unpublished, point-in-time (unmonitored), estimated opinion of the approximate credit quality of an issuer. A Credit Score is not equivalent to and does not represent a formal credit rating or credit estimate and is not assigned by a rating committee. Had EHRG conducted an analysis commensurate with a full credit rating or credit estimate, the result may have been significantly different. Credit Scores are provided on a strictly confidential basis.

Assessments issued as Credit Scores are denoted in lowercase letters with corresponding suffixes (CS for credit scores), e.g. bbb<sub>CS</sub> (see Appendix 2).

## Default and selective default

A default of a rated entity generally occurs in one of the following cases:

- 1) a bankruptcy filing or legal receivership that will likely cause a miss or delay in future contractually obligated debt service payments; or
- 2) a missed or delayed disbursement of contractually obligated debt service payments, excluding missed payments cured within a contractually allowed grace period; or
- 3) a distressed exchange whereby an issuer offers creditors new or restructured debt instruments that amount to a diminished value relative to the debt obligation's original promise; or
- 4) the rated entity is subject to material regulatory monitoring that will likely cause a miss or delay in future contractually obligated debt service payments.

A rated entity is in selective default if it fails to meet some or all of its payment obligations on a certain financial obligation or a certain class of obligations but continues to meet (some of) its payment obligations on other financial obligations or classes of obligations in a timely manner.

The default definition does not include (1) so-called technical defaults if any payment obligations that may arise can be met or (2) payments owed on obligations that are missed due to technical or administrative errors as long as there is no doubt about the general ability and willingness to pay the obligations. EHRG decides whether a default has occurred on a case-by-case basis depending on the concrete terms of the contracts and other fundamental conditions.

## Monitoring

A credit rating is monitored after it is assigned. During the monitoring period, a credit rating can be confirmed, changed, put on the watch list or withdrawn.

## Outlook

An outlook indicates the potential direction of credit rating over the intermediate term (typically six months to two years). An outlook can fall into one of four categories: positive, negative, stable and direction uncertain.

## Preliminary analysis

The preliminary analysis is an assessment of the creditworthiness of a fund that is exclusively derived from a pre-established statistical model providing different scenarios. Assessments issued as part of preliminary analyses are denoted in lowercase letters with the corresponding suffix "PRA" (= Portfolio Risk Assessment), e.g. bbb<sub>PRA</sub> (see Appendix 2).

## Preliminary credit rating

Preliminary credit ratings are assigned if the assignment of a definitive rating is subject to the fulfilment of certain contingencies that are highly likely to be completed. Once all the documents verifying fulfilment of the contingencies have been received, a definitive credit rating will be assigned. EHRG reserves the right not to assign a definitive rating, should the contingencies not be verified. If a definitive rating is assigned, its result may differ from the result of the preliminary rating.

## Private credit rating

Private credit ratings are provided exclusively to the entity requesting the credit rating. Private credit ratings are not intended for public disclosure or distribution by subscription. Private credit ratings may not be used for regulatory purposes. EHRG's private credit ratings may either be monitored or point-in-time (unmonitored).

## Rated entity

According to the CRA Regulation, the rated entity can be a company, debt or financial obligation, debt security, preferred share or other financial instrument, or the issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, regardless of the solicitation status or information base.

## Rating category or rating level

A rating category is a symbol that indicates the relative risk for a rating and expresses the different risk profiles of the rated entity types.

EHRG denotes rating categories using uppercase letters (at least one letter, up to three letters) that can be modified by appended plus "+" or minus "-" signs. The risk profiles for each rating category are described in Appendix 2. The identifiers, prefixes and suffixes are described in Appendix 3.

## Rating Portal

The EHRG's Rating Portal is a portal in which investors can access public ratings solely on a subscription basis.

## Rating status

A rating status indicates whether a rating is current and still valid. A rating status is only shown for credit ratings that are published on the website or Rating Portal. A rating status can be "current", "withdrawn" or "watch". "Withdrawn" indicates that the credit rating's validity has been suspended for certain reasons. "Watch" means that the credit rating is currently being reviewed and may change.

## Rating withdrawals

A registered credit rating agency may only assign or maintain credit ratings that are based on sufficient and reliable information. Failing this, the credit rating must be withdrawn. If a previously published rating is withdrawn, it is denoted as "withdrawn", including the reason for the withdrawal.

## Regulated credit ratings

Regulated credit ratings are credit ratings that are: (a) assigned and disseminated by a credit rating agency registered in accordance with the CRA Regulation; and (b) not private credit ratings.

## Regulated methodology

Regulated methodologies are made available to the public, including their effective date, on EHRG's website following a so-called request for comments. EHRG also references the applicable version of the relevant methodology in its rating reports. EHRG provides prompt notification of any credit rating changes that may result from the introduction of new or updated methodologies.

## Solicited or unsolicited credit ratings

Solicited credit ratings are ratings carried out under a contract between the rating agency and the rated entity or a related third party. Related third parties are originators, arrangers, sponsors, servicers or any other parties that interact with a credit rating agency on behalf of a rated entity, including any person directly or indirectly linked to that rated entity by control.

Unsolicited credit ratings are ratings carried out without a direct or indirect contract between the credit rating agency and the rated entity or a related third party. Ratings are also considered unsolicited if EHRG has a contract with a third party that is not acting on behalf of the rated entity. The solicitation status does not change through the participation of the rated entity in the credit rating process, e.g., by the submission of internal documents and/or interviews of representatives of the rated entity.

## Structured finance instrument

A structured finance instrument as defined in the CRA Regulation is "a finance instrument or other assets created through a securitisation transaction or scheme referred to in Article 4(36) of Directive 2006/48/EC". In these transactions or structures, the credit risk associated with an exposure or pool of exposures is tranching. For rating of structured finance instruments, the suffix "SF" (e.g., BBB<sub>SF</sub>) is added to the notation (see Appendix 2).

## Watch / watch list

"Watch" is a rating status assigned to a credit rating if the credit rating is currently under review. In addition to the indicator "watch", the likely direction of the rating change is specified as well: positive (i.e., upgrade), negative (i.e., downgrade) or direction uncertain. This status replaces the outlook for the duration of the review. Ratings with an active "watch" status are put on a watch list. The watch list contains all the ratings that are assigned a "watch" status.

## Appendix 2: Rating Categories for Ratings and Other Services

### (a) Rating Categories

| Category                            | Explanation   |
|-------------------------------------|---|
| <b>AAA</b>                          | In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.   |
| <b>AA</b>                           | In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk.  |
| <b>A</b>                            | In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk.   |
| <b>BBB</b>                          | In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk.  |
| <b>BB</b>                           | In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.   |
| <b>B</b>                            | In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk.   |
| <b>CCC</b>                          | In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk.  |
| <b>CC</b>                           | In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely.  |
| <b>C</b>                            | In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent.  |
| <b>D / SD</b>                       | D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations. |
| <b>PLUS (+)</b><br><b>MINUS (-)</b> | Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.                        |

## (b) Credit Estimate Categories

| Category                                | Explanation   |
|---|---|
| <b>aaa<sub>CE</sub></b>                 | In the opinion of EHRG, <b>aaa<sub>CE</sub></b> assessed entities demonstrate an excellent credit quality and the lowest default risk.  |
| <b>aa<sub>CE</sub></b>                  | In the opinion of EHRG, <b>aa<sub>CE</sub></b> assessed entities demonstrate a very high credit quality with a very low default risk.   |
| <b>a<sub>CE</sub></b>                   | In the opinion of EHRG, <b>a<sub>CE</sub></b> assessed entities demonstrate a high credit quality with a low default risk.  |
| <b>bbb<sub>CE</sub></b>                 | In the opinion of EHRG, <b>bbb<sub>CE</sub></b> assessed entities demonstrate a medium credit quality with a moderate default risk.   |
| <b>bb<sub>CE</sub></b>                  | In the opinion of EHRG, <b>bb<sub>CE</sub></b> assessed entities demonstrate a medium-low credit quality with a slightly increased default risk.  |
| <b>b<sub>CE</sub></b>                   | In the opinion of EHRG, <b>b<sub>CE</sub></b> assessed entities demonstrate a low credit quality with an increased default risk.  |
| <b>ccc<sub>CE</sub></b>                 | In the opinion of EHRG, <b>ccc<sub>CE</sub></b> assessed entities demonstrate a very low credit quality with a high default risk.   |
| <b>cc<sub>CE</sub></b>                  | In the opinion of EHRG, <b>cc<sub>CE</sub></b> assessed entities demonstrate a very low credit quality, an event of default is very likely.   |
| <b>c<sub>CE</sub></b>                   | In the opinion of EHRG, <b>c<sub>CE</sub></b> assessed entities demonstrate a very low credit quality, an event of default is imminent.   |
| <b>d<sub>CE</sub> / sd<sub>CE</sub></b> | <b>d<sub>CE</sub></b> assessed entities have defaulted, as defined by the rating agency. The assessed entity is assigned an <b>sd<sub>CE</sub></b> estimate (Selective Default) if it has only defaulted on certain debt obligations. |
| <b>PLUS (+)</b><br><b>MINUS (-)</b>     | Categories from <b>aa<sub>CE</sub></b> to <b>ccc<sub>CE</sub></b> are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the category.  |



## (c) Credit Snapshot Categories

| Category                                  | Explanation   |
|---|---|
| <b>Aa<sub>CSN</sub><br/>or higher</b>     | aa <sub>CSN</sub> or higher assessed entities demonstrate a very high credit quality with a very low default risk.  |
| <b>a<sub>CSN</sub></b>                    | a <sub>CSN</sub> assessed entities demonstrate a high credit quality with a low default risk.   |
| <b>bb<sub>CSN</sub></b>                   | bb <sub>CSN</sub> assessed entities demonstrate a medium credit quality with a moderate default risk.   |
| <b>bb<sub>CSN</sub></b>                   | bb <sub>CSN</sub> assessed entities demonstrate a medium-low credit quality with a slightly increased default risk.   |
| <b>b<sub>CSN</sub></b>                    | b <sub>CSN</sub> assessed entities demonstrate a low credit quality with an increased default risk.   |
| <b>ccc<sub>CSN</sub><br/>or lower</b>     | ccc <sub>CSN</sub> or lower assessed entities demonstrate a very low credit quality with a high default risk.   |
| <b>d<sub>CSN</sub> / sd<sub>CSN</sub></b> | d <sub>CSN</sub> assessed entities have defaulted, as defined by the rating agency. The assessed entity is assigned an sd <sub>TSN</sub> snapshot (Selective Default) if it has only defaulted on certain debt obligations. |
|   |   |
| <b>PLUS (+)<br/>MINUS (-)</b>             | Categories from a <sub>CSN</sub> to b <sub>CSN</sub> are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the category.   |

## (d) Credit Score Categories

| Category                                | Explanation  |
|---|--|
| <b>aa<sub>CS</sub><br/>or higher</b>    | aa <sub>CS</sub> or higher assessed entities demonstrate a very high credit quality with a very low default risk.  |
| <b>a<sub>CS</sub></b>                   | a <sub>CS</sub> assessed entities demonstrate a high credit quality with a low default risk.   |
| <b>bbb<sub>CS</sub></b>                 | bbb <sub>CS</sub> assessed entities demonstrate a medium credit quality with a moderate default risk.  |
| <b>bb<sub>CS</sub></b>                  | bb <sub>CS</sub> assessed entities demonstrate a medium-low credit quality with a slightly increased default risk.   |
| <b>b<sub>CS</sub></b>                   | b <sub>CS</sub> assessed entities demonstrate a low credit quality with an increased default risk.   |
| <b>ccc<sub>CS</sub><br/>or lower</b>    | ccc <sub>CS</sub> or lower assessed entities demonstrate a very low credit quality with a high default risk.   |
| <b>d<sub>CS</sub> / sd<sub>CS</sub></b> | d <sub>CS</sub> assessed entities have defaulted, as defined by the rating agency. The assessed entity is assigned an sd <sub>CS</sub> score (Selective Default) if it has only defaulted on certain debt obligations. |
|   |  |
| <b>PLUS (+)<br/>MINUS (-)</b>           | Categories from a <sub>CS</sub> to b <sub>CS</sub> are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the category.  |

## Appendix 3: Identifiers, Prefixes and Suffixes for Rating Categories

|   | RATING LEVELS*  |   |   |                                 |   |   |
|---|---|---|---|---------------------------------|---|---|
| Application   | Issuer ratings, issuance ratings, project ratings, structured finance ratings |   |   |                                 |   |   |
| Type  | PUBLIC  |   |   | PRIVATE                         |   |   |
| Regulation  | REGULATED   |   |   | EXEMPT                          |   |   |
| Solicitation status   | SOLICITED   | UNSOLICITED   |   | SOLICITED                       | UNSOLICITED   |   |
| Information basis, participation of rated entity or related third party | Internal and public information   | With participation: Access to internal documents or to management | No participation: Only public information | Internal and public information | With participation: Access to internal documents or to management | No participation: Only public information |
| Rating notation (example)   | <b>BBB</b>  | <b>BBB</b><br>unsolicited   | <b>BBB</b><br>unsolicited                 | <b>BBB<sub>PR</sub></b>         | <b>BBB<sub>PR</sub></b><br>unsolicited                            | <b>BBB<sub>PR</sub></b><br>unsolicited    |

\* Various prefixes and suffixes might be added to the notations (see table below).

| Prefix/Suffix            | Definitions  |
|--------------------------|--|
| <b>pre</b> BBB           | preliminary rating                                       |
| <b>BBB<sub>PR</sub></b>  | private rating   |
| <b>BBB<sub>SF</sub></b>  | structured finance rating                                |
| <b>bbb<sub>CE</sub></b>  | credit estimate  |
| <b>bbb<sub>CSN</sub></b> | credit snapshot  |
| <b>bbb<sub>CS</sub></b>  | credit score   |
| <b>bbb<sub>PRA</sub></b> | preliminary analyses ("PRA" = Portfolio Risk Assessment) |

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