

# ***S&P CAPITAL IQ RESEARCH OBJECTIVITY POLICY***

**Issued by:**  
Compliance  
Department

**Applies to:**  
S&P Capital IQ  
Equity Research and  
Global Markets  
Intelligence Covered  
Employees

**Effective Date:**  
*August 26, 2013*

**Related Policies and  
Guidelines:**

This policy and procedures should be read in conjunction with The McGraw Hill Financial, Inc. Code of Business Ethics, Standard & Poor's Investment Advisory Services LLC Code of Ethics (U.S. Covered Employees) and Standard & Poor's Confidentiality, Conflicts and Firewall Policy.

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This document covers these Research Reports:

Stock Reports - STARS, Quantitative and Issuer paid Reports  
Trade Detector Reports  
Exchange-Traded Fund Reports  
Mutual Fund Reports  
Bond Reports

***Covered Employees of S&P Capital IQ Equity Research and Global Markets Intelligence are required to comply with this policy and guidelines. Failure to comply may result in disciplinary action up to and including termination of employment.***

## 1 INTRODUCTION

S&P Capital IQ (“SPCIQ”) is a global leader and provider of financial information, including the provision of independent equity research<sup>1</sup> to the global markets. In connection with its equity research operations, SPCIQ expects its employees to adhere to the highest ethical standards in performing their duties, including avoiding conflicts of interest or the appearance thereof. SPCIQ’s longstanding goal has been to conduct its operations in a manner that seeks to ensure its employees act in accordance with all relevant laws and regulations.

SPCIQ produces equity and fixed income research. SPCIQ’s Equity Research business unit produces these Research Reports: Stock Reports based on qualitative and quantitative methodologies, Issuer paid Stock Reports, Exchange-Traded Fund Reports, Mutual Fund Reports and a fixed income issue Bond Report. SPCIQ’s Global Markets Intelligence (“GMI”) business unit produces the equity Trade Detector Report.

The individual offices that comprise Equity Research’s global research operations as of December 31, 2012 include: in the United States, Standard & Poor’s Investment Advisory Services LLC (“SPIAS”); in the United Kingdom, McGraw-Hill Financial Research Europe Limited; in Singapore, McGraw-Hill Financial Singapore Pte. Limited; in Japan, McGraw-Hill Financial Japan KK; in Hong Kong, Standard & Poor’s Investment Advisory Services (HK) Limited; in Australia, Standard & Poor’s Information Services (Australia) Pty Ltd; and in Malaysia, Standard & Poor’s Malaysia Sdn Bhd. GMI is a part of Standard & Poor’s Investment Advisory Services LLC.

SPCIQ’s reputation and goodwill are of paramount importance, and in part reflect the strength of its franchise. This reputation and goodwill are sustained by opinions that are formed according to the highest professional standards, that are fair and accurate and that are not affected by conflicts of interest. To further this goal, the Firm has adopted this Research Objectivity Policy (the “Policy”), as applicable, in accordance with the standards and guidelines set forth in:

- a. CFA Institute Research Objectivity Standards (hereinafter referred to as the “CFA Institute ROS”);

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<sup>1</sup> Issuer paid research is not independent equity research.

- b. Chapter 12 of the UK Financial Conduct Authority's Conduct of Business Sourcebook (hereinafter referred to as "Chapter 12 of the FCA-COBS");
- c. Australian Securities & Investment Commission's Regulatory Guide 79 - Research Report Providers: Improving the quality of investment research and certain licensing and conduct obligations in Part 7.7 of the Corporations Act 2001;
- d. Hong Kong's Securities and Futures Ordinance (Cap. 571) – "fit and proper obligations" in Part V and certain provisions of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission;
- e. Certain provisions of Part III of the Malaysia's Capital Market Services Act 2007; and
- f. Singapore's Guidelines on Addressing Conflicts of Interest Arising from Issuing or Promulgating Research Analyses or Research Reports (Guideline No: FAA-G13) and certain provisions of the Guidelines on Fit and Proper Criteria (Guideline No: FSG-G01).

The terms of this Policy are applicable to all of the Firm's Covered Employees.

The Firm is committed to assuring that its activities are conducted properly. It is the policy of SPCIQ to comply with all relevant laws and regulations relating to the conduct of its business as a provider of independent equity and fixed income research. In this regard, and in addition to this Policy, McGraw Hill Financial, Inc. and SPCIQ have also implemented separate compliance policies and operating procedures designed to assist SPCIQ in identifying possible conflicts of interest, or the appearance thereof, that might raise questions about the impartiality of the Firm's research. In the event of a conflict between any law, regulation or policy, Covered Employees shall comply with the more strict law, regulation or policy.

Research Management, in consultation with Compliance, will review the Policy annually, including its implementation and compliance globally.

The procedures contained in this Policy are applicable to all of the Firm's affiliated companies that produce and distribute Research Reports.

This Policy will be applied on a global basis. A copy of this Policy is available upon request<sup>2</sup> and is also made available on our public website at:

<http://www.standardandpoors.com/regulatory-affairs/equity-research/en/us>

While the Firm obtains information from sources it believes to be reliable for its Research Reports, the Firm does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

The methodologies used in STARS, Quantitative, Trade Detector and Issuer paid Research Reports reflect different criteria, assumptions and analytical methods and may have differing recommendations. SPCIQ believes that the methodologies and data used to generate the different types of Research Reports are reasonable and appropriate. The different methodologies or data used in the analysis of a Subject Company may lead to different views or recommendations which may at times result in contradicting assessments of a Subject Company. STARS Research Reports contain Fair Value rankings which is the methodology used in the Quantitative Research Reports. It is the policy of Equity Research to have only one type of Research Report (STARS, Quantitative or Issuer paid) on a Subject Company at any time. SPCIQ reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

See the Appendices for supplemental information regarding Quantitative, Issuer paid, Trade Detector, ETF, Mutual Fund and Bond Research Reports.

**By making a copy of this Policy available to the public, SPCIQ does not assume any responsibility or liability to any third party arising out of or relating to this Policy. This Policy shall not form a part of any contract with any third party and no third party shall have any right (contractual or otherwise) to enforce any of this Policy's provisions, either directly or indirectly. The Firm in its sole discretion may revise or supplement this Policy at any time without prior written notice to reflect changes in market, legal and regulatory circumstances and changes to its controls, policies and procedures.**

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<sup>2</sup> Contact: Chief Compliance Officer, Standard & Poor's, at 212-438-2000.

## 2 S&P CAPITAL IQ RESEARCH OBJECTIVITY POLICY

### *Definitions*

- **“Compliance”** The department (i) responsible for implementing and enforcing the Firm’s policies and procedures; and (ii) ascertaining that the Firm and its employees are in compliance with applicable laws, rules and regulations.
- **“Covered Company”** a Covered Company is a company that is the subject of a Research Report.
- **“Covered Employee”** A Covered Employee is a Firm employee who is (i) an Equity Analyst; (ii) the Global Head; (iii) a Region Head; (iv) a Sector Head; (v) an Equity Strategist; (vi) a Market Technician; (vii) a Factual Writer; (viii) an Editor; (ix) a Quantitative Research Analyst; (x) a Supervisory Analyst; (xi) Director, ETF and Mutual Fund Research; (xii) Managing Director, Cross Asset Class Research; or (xiii) VP, Global Markets Intelligence. A Covered Employee also includes a Firm employee who (i) directly supports or is involved in the production of Research Reports (including any person who comes into contact with Equity Analysts' recommendations or discussions or Quantitative Model changes before they are made available in the public domain); or (ii) may benefit, personally or professionally, from influencing Research Reports or recommendations.
- **“Director, ETF and Mutual Fund Research”** The Director, ETF Research oversees the Exchange-Traded Fund (“ETF”) and mutual fund quantitative ranking methodologies and associated Research Reports.
- **“Editor”** An Editor creates original investment-oriented content. An Editor identifies news events and/or long-term themes with investment implications, interview sources, and write articles disseminated through SPCIQ platforms.
- **“Equity Analyst”** An Equity Analyst is an employee of the Firm who is primarily responsible for, contributes to, or is connected with, the preparation of the substance of a Research Report or the basis for a recommendation or ranking, including quantitative methodologies, whether or not any such person has the title of “Equity Analyst”. Equity Analysts prepare STARS qualitative and Trade Detector Research Reports. For ease of reference, Equity Analyst includes Director, ETF and

Mutual Fund Research, Editor, Equity Strategist, Market Technician, Factual Writer and Quantitative Research Analyst.

- **“Equity Research”** Equity Research is a business unit of SPCIQ that produces equity, exchange-traded fund and mutual fund research and fixed income issue research.
- **“Equity Strategist”** An Equity Strategist develops and communicates investment outlook and equity and sector strategies.
- **“Factual Writer”** A Factual Writer’s primary responsibility is the preparation of Issuer paid Research Reports. (Some Equity Analysts who write STARS Research Reports may also write Issuer paid research.)
- **“Fair Value”** Fair Value is a Quantitative Model that ranks stocks in the Fair Value universe in five groups, ranging from Group 5 listing the most undervalued stocks to Group 1 listing the most overvalued stocks.
- **“Firm”** The Firm is comprised of Equity Research and Global Markets Intelligence (“GMI”) business units of SPCIQ and their Covered Employees. The individual offices that comprise Equity Research’s global research operations as of December 31, 2012 include: in the United States, Standard & Poor’s Investment Advisory Services LLC (“SPIAS”); in the United Kingdom, McGraw-Hill Financial Research Europe Limited; in Singapore, McGraw-Hill Financial Singapore Pte. Limited; in Japan, McGraw-Hill Financial Japan KK; in Hong Kong, Standard & Poor’s Investment Advisory Services (HK) Limited; in Australia, Standard & Poor’s Information Services (Australia) Pty Ltd; and in Malaysia, Standard & Poor’s Malaysia Sdn Bhd. GMI is a part of Standard & Poor’s Investment Advisory Services LLC.
- **“Global Head of Research”** Global Head of Research or Global Head oversees Equity Research operations globally and reports to the Managing Directory, Cross Asset Class Research.
- **“Global Markets Intelligence”** Global Markets Intelligence is a business unit of SPCIQ that produces the equity Trade Detector Report.
- **“Immediate Family”** Immediate Family includes (a) a Covered Employee’s spouse, domestic partner, or equivalent, regardless of residence; (b) a Covered Employee’s relative (e.g., child or stepchild, grandchild, parent, stepparent, grandparent, sibling, mother- or father-in-

law, sister- or brother-in-law, and son- or daughter-in-law, including adoptive or guardian relationships) that has shared the same household as the Covered Employee; (c) Any legal person, trust, or partnership whose managerial responsibilities are discharged by, directly or indirectly controlled by, established for the benefit of, or whose economic interests are substantially equivalent to a Covered Employee or a person listed at (a) – (c) above; or (d) a person for whom a Covered Employee or a person listed at (a) – (c) above has investment discretion or trading authorization, even if that person is not related to or living with the Covered Employee. For purposes of this definition, the terms “dependent”, “domestic partner”, and “adoptive or guardian relationship” are defined by the national law where the Covered Employee works.

- **“Investment Banking”** Investment banking activities include, corporate finance activities, such as acting as an underwriter in an offering for a Subject Company, acting as a financial adviser in a merger, acquisition or restructuring, providing venture capital, lines of credit or other similar products, making a market in a security, or serving as a placement agent for Issuers.
- **“Issuer”** Company or corporation obtaining funding from public capital markets.
- **“Managing Director, Cross Asset Class Research”** is the senior executive heading cross asset class research including Equity Research.
- **“Market Technician”** A Market Technician identifies price patterns of individual securities, as well as industry, sector, and market indices.
- **“Material, Non-Public Information”** shall mean all non-public information that a reasonable investor would likely consider important in making an investment decision or non-public information that is reasonably likely to affect the market price of a security when it is publicly disclosed. Information is non-public if it has not been disseminated to the public in a manner reasonably designed to provide broad distribution, such as a required or voluntary filing with a government agency or regulatory body, a publication of general circulation, or a press release issued by an issuer or client. Material Non-Public Information can be positive or negative and may involve events with contingencies. Examples of Material Non-Public Information might include: (1) changes to a view or opinion about a security or company

including changes in rankings, earnings estimates and/or target prices or any other Material Non-Public Information that has not been previously published in research and disseminated to clients; (2) a material reiteration of a view or opinion; (3) coverage information (initiations, suspensions or terminations); (4) dissemination of certain financial estimates or other information that has not been previously disseminated by a Subject Company to the public; and (5) any other potentially market-moving comment regarding the stocks an Equity Analyst covers.

- **“Public Appearance”** A Public Appearance includes participation in a seminar; forum (including an interactive electronic forum); radio, television, internet, or other media interview; message boards, social media posts (e.g., Facebook, Twitter, etc.), blogs, web casts; or other public speaking activity in which an Equity Analyst makes a buy/hold/sell recommendation, provides rankings or offers an opinion or comments with respect to one or more identifiable stocks or investments, on a Covered Company, exchange-traded fund (“ETF”) or mutual fund. (ETFs and mutual funds are collectively referred to as “fund” or “funds”.)
- **“Quantitative Model”** A Quantitative Model generates a ranking and/or target price only using mathematical and/or statistical methods. The results of a Quantitative Model are not subject to a qualitative overlay.
- **“Quantitative Research Analyst”** A Quantitative Research Analyst develops Quantitative Models that generate rankings and/or target prices which are included in Research Reports.
- **“Quantitative Research Report”** A Quantitative Research Report is a Research Report that expresses an opinion on the investment potential of a stock based on a Quantitative Model.
- **“Region Head”** A Region Head is the representative of the Firm who is in charge of Equity Research operations in a particular country or geographic region.
- **“Research Management”** Research Management for Equity Research is comprised of the Global Head of Research, Region Heads and Sector Heads. Research Management for Equity Research also includes the Managing Director, Cross Asset Class Research. Research Management for Equity Research is responsible for supervising Equity Analysts. Research Management for Global Markets Intelligence (“GMI”) is



comprised of the Vice President, GMI responsible for the Trade Detector Equity Analysts.

- **“Research Report”** A Research Report is a written or electronic communication that the Firm sells or distributes to clients or the general public, which presents information about an Issuer and may express an opinion or make a recommendation about the investment potential of the Issuer’s equity securities (which may include a target price), fixed income securities, real estate investment trust schemes, or derivatives of such securities. Pre-deal or pre-IPO reports, and paid for valuation reports are also considered Research Reports. Research Reports can be based on a qualitative ranking methodology such as STARS or a quantitative ranking model such as Fair Value. Research Reports include reports on equities, ETFs, mutual funds and fixed income issues.
- **“Sector Head”** A Sector Head is a senior Equity Analyst in Equity Research who has supervision and oversight of certain or particular industries and who also supervises the work of other Equity Analysts coverage of Covered Companies.
- **“STARS”** Acronym for S**T**ock A**P**preciation R**A**nding S**Y**stem, the qualitative equity ranking system used by Equity Research for fundamental analysis. See Section 8 for further detail.
- **“Subject Company or Issuer”** A Subject Company or Issuer means a corporate issuer whose securities are the subject of a Research Report or recommendation.
- **“Supervisory Analyst”** A Supervisory Analyst is a designated person responsible for reviewing and approving Research Reports, prior to publication, to assess and maintain the quality and integrity of Research Reports.
- **“VP, Global Markets Intelligence”** is the executive responsible for the Trade Detector Research Reports.

#### *Statement of Policy*

The Firm provides independent equity and fixed income research coverage on a global basis and is committed to maintaining the high ethical standards necessary to maintain and further SPCIQ’s worldwide reputation for integrity and

objectivity. This Policy seeks to ensure that all Covered Employees adhere to the highest professional standards.

#### *Research Personnel*

The Firm operates independently of all other businesses of SPCIQ and Standard & Poor's Financial Services LLC. All of the Firm's Covered Employees are also subject to the McGraw Hill Financial, Inc. Code of Business Ethics, and other relevant policies and guidelines, including, but not limited to the [Standard & Poor's Confidentiality, Conflicts and Firewall Policy](#).

#### *Supervision of Equity Analysts and Reporting Lines*

All Equity Analysts report to and are supervised by the applicable Research Management, and are not directly supervised or controlled by personnel from Standard & Poor's or other areas of SPCIQ (i.e., non-research personnel or other internal SPCIQ business units) whose interests or functions may conflict with those of the Equity Analysts. In addition, the appraisal of Equity Analysts for purposes of evaluation, career advancement, compensation and promotion is structured so that non-Research personnel do not exert inappropriate influence over Equity Analysts (see Section 4 (C), Identification of Conflicts – Equity Analyst Compensation). The Firm is required to use reasonable efforts to detect and prevent violations of relevant laws, regulations and policies by any Covered Employee under its supervision.

#### *Evaluation and Compensation*

All Equity Analysts are evaluated at least annually. In addition to research quality, evaluations also take into account an Equity Analyst's compliance with Firm policies and procedures, including this Policy, as well as attendance at Firm training sessions. Equity Analyst compensation is discussed in more detail at Section 4 (C) "Identification of Conflicts—Equity Analyst Compensation".

### **3 STARS RESEARCH PROCESS<sup>3</sup>**

#### (A) Introduction

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<sup>3</sup> In this section, Equity Analysts refer to analysts who rank companies in accordance with STARS. See Appendices for supplemental information regarding Quantitative, Issuer paid, Trade Detector, ETF, Mutual Fund and Bond Research Reports.

Equity Research uses a fundamental based methodology coupled with analytical collaboration. Our methodology is based on disciplined fundamental analysis conducted by trained, experienced Equity Analysts with an overlay of top-down economic and sector analysis. Set forth below is a summary of some of the factors Equity Research reviews when evaluating a Covered Company.

Equity Analysts perform fundamental research that includes the close examination of relevant economic, political, and regulatory trends, as well as relevant industry and company-specific issues that may influence a company's ability to generate revenue and profits. From a company-specific standpoint, Equity Analysts are trained and expected to perform fundamental security analysis on the equity securities of the companies that they cover. This process includes the examination of data and statistics that are relevant to the company and security being examined, as well as an understanding and interpretation of numerous intangible elements, such as the quality and depth of management, corporate governance practices, new product potential, and the competitive landscape.

Equity Research uses a "bottom-up" approach in analyzing a company for inclusion in its STARS ranking (a detailed discussion of Equity Research's STARS ranking system is discussed in Section 8 at "Qualitative STARS Equity Ranking System"). Our bottom-up approach consists principally of three fundamental valuation techniques:

- Intrinsic Value Analysis – Assessing a security's appropriate value based principally on discounted "free" cash flow ("DCF") analysis. Estimates of future cash flows are discounted back to current dollars or local currency equivalent, incorporating such variables as risk assessment and a company's capital structure.
- Relative Valuation – Assessing a security's relative value by comparing appropriate financial ratios across peer groups.
- Sum-of-the-Parts – Assessing an appropriate value of a stock by estimating the private market values for a company's identifiable, separate units.

An Equity Analyst may consult a Certified Market Technician who is trained to identify whether price patterns of individual securities are favorable or unfavorable. The Market Technician can also apply this work to individual industries, sectors, and a broad list of market indices. The Market Technician

provides the Equity Analyst with an objective analytical opinion based on past price patterns to help predict future price action.

(C) STARS Equity Research Methodology

1. Benchmark

The S&P 500 Index is the benchmark used for STARS coverage in North America. The S&P Europe 350 is the benchmark used for Europe STARS and the S&P Asia 50 is the benchmark used for Asia STARS.

2. Target Price

Equity Research uses a twelve-month (12) target price to convey to investors the price level at which a stock is projected to reach, in the next twelve (12) months, in the opinion of the Equity Analyst, on the basis of a fundamental analysis of relevant facts and reasonable macro- and micro-forecasts. A twelve-month (12) target price takes into consideration the prospective risk (e.g. beta) of each stock as well as the analysts qualitative risk assessment. For example, a higher-beta stock will often have a higher percentage gain target price than a lower-beta stock. Twelve-month (12) target prices are reviewed on an ongoing basis by our Equity Analysts and Sector Heads to seek to ensure that they are re-evaluated following significant movements in the stock's market price and/or significant corporate events that may change the company's fundamental outlook.

3. Financial Statement Analysis

Financial statement analysis is central to Equity Research in evaluating a Covered Company's financial condition, and is incorporated into models developed for each covered company. Equity Analysts are trained to identify key trends in financial ratios that may convey consistent financial health, and also future prospects.

4. Balance Sheet Condition

Balance sheet condition is also a key element in our Equity Analysts' qualitative assessment of a Covered Company. SPCIQ believes securities analysis is not complete without careful consideration of a company's balance sheet. Our Equity Analysts are trained to analyze a company's assets, liabilities and shareholder equity to seek to determine if it has the sufficient resources to generate income and cash flow, and has sufficient liquidity to ensure continuity as a going concern.

## 5. Cash Flow Assessment

Our Equity Analysts' assessment of cash flow statements is an integral element to their holistic evaluation of a company's financial strength.

Equity Research believes that an understanding of how a company generates cash flows is one of the most important determinants of a company's financial health and its ability to grow. In analyzing a company's statement of cash flows, Equity Analysts seek to identify trends that will enable them to understand how a company is generating cash flow, how it is investing it, and how it is funding the enterprise. Additionally, our Equity Analysts seek to forecast the level of annual "free" cash flows (defined generally as net income plus depreciation/amortization expenses minus capital expenditures, dividends, and sale of plant, property and equipment) that the company can generate. Equity Analysts also use this derived calculation to determine an intrinsic value of a security by then discounting the future levels of free cash flow into perpetuity back at a rate that is reflective of the company's determined weighted average cost of capital.

## 6. Historical Analysis of Key Financial Ratios

A substantial history of income statement, balance sheet and cash flow data (up to 10 years, if available) is incorporated into our Equity Analysts' assessment of a company. Qualitative analysis, commentary and projections on key financial ratios are often included in STARS Research Reports produced by Equity Research.

## 7. Corporate Governance Review

Equity Analysts review proxy statements (if available), and other corporate filings in an effort to gauge a company's corporate governance practices, and to convey their assessment of such in their analysis of risk.

## 8. Qualitative Commentary on Management Quality

Management quality is a key element of an Equity Analyst's overview. Our Equity Analysts are trained to review and incorporate in their analysis qualitative assessments of a company's management skills, depth and reported record of compliance with applicable regulations. In making overall assessments of management quality, Equity Analysts are also responsible for evaluating the level of financial statement transparency, the consistency of earnings growth, and a company's overall record of corporate governance. SPCIQ currently provides

investors and analysts with tools to make such assessments qualitatively in the body of the STARS Research Report.

9. Criteria for STARS Coverage Selection and Termination

The Global Head of Research approves general guidelines for STARS coverage and termination.

The principal criteria for STARS coverage selection include companies that comprise leading market indices, market capitalization, trading activity and general investor interest. General guidelines for initiating coverage are:

- a. Greater than USD 200 million market capitalization;
- b. Greater than 100,000 shares traded per day; and
- c. Greater than USD 5 share price

In certain circumstances, coverage may also be initiated as a result of a contractual relationship with an Issuer or unaffiliated financial intermediary for whom Equity Research agrees to provide Research Reports for use by the Issuer or the unaffiliated financial intermediary and for distribution to the unaffiliated financial intermediary's clients. Equity Research reserves the right in its discretion to decline coverage of a particular company.

Since Equity Research employs a team approach to analyzing sectors, Equity Research normally continues to maintain coverage on a company if an Equity Analyst leaves the Firm. In those instances, coverage is generally reassigned to other Equity Analysts on staff, or covered by the Sector Head, for continuity until a new Equity Analyst is assigned. Coverage may also be suspended or terminated if analytic resources are not available. General guidelines for termination are:

- a. Less than USD 200 million market capitalization;
- b. Less than 100,000 shares traded per day; or
- c. Less than USD 5 share price

For more information on the suspension or termination of research coverage of a particular company, see “Timeliness of Research Reports and Recommendations at Section 5.

10. Reasonable and Adequate Basis

Equity Analysts undergo training and exercise independence in their analysis. Equity Analysts' work is monitored regularly by Sector Heads and Supervisory Analysts. Supervisory Analysts are responsible for reviewing and approving STARS Research Reports prior to publication, and are responsible for maintaining consistency with Equity Research's analytical methodology, editorial style and language standards. All analysis is required to be substantiated by relevant data or statistics, and investment rationales must contain logical integrity, realistic assumptions and an assessment of risks. All recommendations must have a reasonable and adequate basis and must be based on the data, statistics, securities' market prices, and projections provided in the analysis.

All Equity Analysts' research and recommendations must have a reasonable basis, and in support of this, all Equity Analysts have access to industry data, statistics and other supporting statistics upon which to base their analysis and recommendations.

#### 11. Performance Information

When presenting the historical performance of its STARS recommendations, Equity Research uses reasonable efforts to seek to ensure that any performance information is presented in a fair, accurate and complete manner.

## **4 IDENTIFICATION OF CONFLICTS**

The Firm has adopted internal policies and procedures that are designed to assist us in identifying and managing possible conflicts of interest, or the appearance thereof, that might raise questions about the impartiality of our research, including the use of firewalls and other information barriers where appropriate. Set forth below is a summary of some of the policies and guidelines that the Firm has implemented to manage possible conflicts of interest or the appearance thereof:

### Policies and Guidelines

#### (A) Investment Banking Activities

Our policy is that neither the Firm nor any affiliate is permitted to engage in Investment Banking activities (such as sales pitches and road shows, etc.), as defined in the CFA Institute ROS, or business activities designed to solicit Investment Banking activities.

## (B) Public Appearances

Equity Analysts are encouraged to participate in Public Appearances. The Firm has had a long-standing relationship with the media, and this relationship is built on a commitment to deliver a high quality of information to the public.

An Equity Analyst has access to SPCIQ's databases and intellectual property, and may have access to management representatives of a Subject Company and other types of proprietary information that results from the Equity Analyst's employment with the Firm. This information, including the Equity Analyst's views on a Covered Company or fund, is the property of SPCIQ, and is to be used only in the furtherance of the Firm's business.

Participation in a seminar, meeting, forum (including an interactive forum), Internet chat room, message board or posting to a blog, or any posting to a social media website (e.g., Facebook, Twitter, etc.), is considered to be a Public Appearance if the subject matter of the discussion involves the Equity Analyst's views, opinions or work product derived from his/her employment at the Firm. An Equity Analyst's participation in any of the above activities is considered to be a Public Appearance, even if the Equity Analyst fails to identify him/herself as a SPCIQ Equity Analyst and regardless of where the Equity Analyst participates from (i.e., participation from the Firm's premises through the firm's equipment (including computers, PDA's, telephones, etc.) or from a remote location, including a personal computer or telephone located in the Equity Analyst's home.

For purposes of the ROP, the term "Public Appearance" may be construed more broadly than it would be for purposes of SEC's Regulation AC, other SRO rules or other regulatory provisions. Research Management is also subject to the above procedures and restrictions when they participate in a Public Appearance.

The Firm has adopted the following policies and guidelines to assist its Equity Analysts when they participate in Public Appearances:

- Whether asked or not, Equity Analysts are required to disclose that they are SPCIQ Equity Analysts (or Equity Strategists or Market Technicians or other applicable title) during the course of any Public Appearance, wherever conducted and wherever broadcast.
- Equity Analysts who are employees of Equity Research are required to obtain approval from a designated Supervisory Analyst prior to agreeing to participate in Public Appearances;



- Equity Analysts who rank companies in accordance with STARS are required to obtain approval from a Region Head prior to participating on panel discussions and in other events.
- See Section 7, Disclosure of Conflicts of Interest, for disclosures during Public Appearances.

#### (C) Equity Analyst Compensation

Equity Analysts are not directly or indirectly supervised or controlled by personnel from other areas of the Firm whose interests or functions may conflict with those of the Equity Analysts. The evaluation and appraisal of Equity Analysts for purposes of career advancement is structured so that non-Firm personnel do not exert inappropriate influence over the Firm's Equity Analysts.

Each Equity Analyst's performance is determined on the basis of a number of factors which may include, among other things, (i) the overall quality of the published research; (ii) the Equity Analyst's production; (iii) accuracy and performance of stock recommendations; (iv) managerial effectiveness; and (v) adherence to internal compliance policies and procedures. Equity Analysts' compensation is not linked to any one particular factor, including the profitability of any one single department or business unit within SPCIQ.

Equity Analysts are prohibited from accepting any financial incentives (e.g., referral fees, finders' fees, or commissions) in exchange for referring a client to any area of SPCIQ, an affiliate or to an unaffiliated firm.

#### (D) Relationships With Subject Companies and Other Third Parties

The Firm has adopted internal compliance policies and operating procedures that govern its Equity Analysts' communications and interactions with Subject Companies and other third parties.

1. Review of Draft STARS Research Reports by Subject Companies and Third Parties for Factual Verification

Equity Research, as an independent equity research provider, maintains full analytical and editorial control over the contents of its Research Reports. In furtherance of this policy, draft Research Reports should not be forwarded to anyone outside of Equity Research, including the Subject Company or any third party, for pre-publication review. The one exception to this policy permits

sections of draft Research Reports to be forwarded to the Subject Company, but only for pre-publication factual review. Certain sections of draft Research Reports, such as sections containing the proposed recommendation, ranking, valuation range, financial models, earnings estimate or target price must never be submitted to a Subject Company for pre-publication review.

Requests to submit sections of a draft Research Report to a Subject Company or any other third party for pre-publication factual review may be made only on a case-by-case basis, and must be approved by the Global Head or Region Head.

If such a request is granted, then a complete copy of the draft Research Report must be sent to a Supervisory Analyst who will forward certain portions of the report to the Subject Company or third party for pre-publication factual review. The draft Research Report that is forwarded to the Subject Company and any other third party must not include the Equity Analyst's proposed recommendation, ranking, target price or earnings estimate, and in the case of a pre-deal report, the valuation range and financial models.

All comments received from the Subject Company or any other third party must be forwarded to the Supervisory Analyst, who will then forward all factual comments to the Equity Analyst. The Supervisory Analyst will forward all non-factual comments to the appropriate Region Head who will determine which changes or corrections should be accepted.

Any post-review changes proposed by the Equity Analyst to the ranking or target price or the report as a consequence of the Subject Company or other third party review, must be justified in writing by the Equity Analyst and approved by the Region Head and the Supervisory Analyst prior to issuing the report. Equity Research will not publish a Research Report until such time as such determination is made.

## 2. Equity Analysts' Activities

### (A) Communications With the Public

Equity Analysts are generally permitted to communicate with the public and give their views on individual companies that they cover or funds, sectors or other relevant markets news, provided they do not disclose the timing or content of forthcoming Research Reports, unpublished research or provide other Material Non-Public Information in the course of their conversations, subject to the provisions as described in Section 4 (B) "Public Appearances". Policies are in place to seek to ensure that our Equity Analysts do not state or intimate to anyone

that any change in opinion or ranking or market moving comment may be embodied in a forthcoming publication or other release (including selective disclosure by an Equity Analyst to a client). In addition, an Equity Analyst shall not appear to be providing personalized investment advice.

The following restrictions are designed to reinforce our Equity Analysts' independence.

(B) Communications With Subject Companies – STARS Equity Analysts

Equity Analysts rely primarily on publicly available company financial reports and other documents as the basis for their analysis and recommendations. However, to undertake quality research and develop a reasonable and adequate basis for recommendations, Equity Analysts need the ability to communicate with the Subject Company's management, participate in conference calls and other investor relation activities.

Any relationship with a subject company must be appropriate. Equity Analysts are prohibited from promising a Subject Company, either directly or indirectly, a favorable Research Report on the Subject Company. Equity Analysts are prohibited from directly or indirectly threatening to change a report, recommendation or target price, or promising a Subject Company or other Issuer a favorable report or a specific target price. Conversely, Equity Analysts are required to notify a member of Research Management if they believe a Subject Company or third party is attempting to influence or pressure them to alter an unfavorable view on a company or to write a favorable report.

(C) Prohibition on Selective Disclosure

Equity Analysts are prohibited from commenting on non-public news, market moving or otherwise, and/or price sensitive information selectively to clients or the public. SPCIQ's general policy is to disseminate any material information about a Subject Company to clients at the same time, and in a fair and equitable manner. Equity Analysts need to be careful when responding to questions from clients, especially if the Equity Analyst knows that new research is pending on a Subject Company. Equity Analysts are permitted to speak to clients after new, material information has been published in written research and fairly disseminated to clients.

However, Equity Analysts are permitted to provide “color” around their research. Color includes commentary about underlying assumptions used in valuation models. During calls/meetings, the Equity Analyst may discuss in greater depth various topics including trends, investment rationales, economic views and earnings expectations or results. However, Equity Analysts should not convey information that is material or likely to be viewed as material to the recommendation, earnings estimate target price or ranking unless it is already published in the Research Report or research note.

(D) Prohibition on Soliciting Investment Banking Business

No Equity Analyst may participate in any solicitation of Investment Banking services, including participating in sales pitches or otherwise participating in “road shows” or other activities that could reasonably be considered a solicitation of Investment Banking business. Similarly, Equity Analysts are not permitted to act in any way that reasonably appears to be representing a Subject Company or representing a financial intermediary advising the Subject Company in a corporate or Investment Banking transaction. Equity Analysts are not permitted to be involved in promotional or marketing activities of a Subject Company that would reasonably be construed as representing the Subject Company or the financial intermediary advising the Subject Company.

The prohibition covers marketing and/or sales activities relating to pre-deal marketing activities, secondary offerings and listed companies.

(E) Accepting Gifts and Incentives from Subject Companies

Except as otherwise permitted, Covered Employees may not solicit, accept, or receive, directly or indirectly, any gifts and may only accept certain types of entertainment from any Subject Company or those acting on behalf of a Subject Company. To this end, Covered Employees subject to the SPIAS Code of Ethics and related policies and procedures must comply with the SPIAS Gifts and Entertainment Policy and Guidelines. All other Covered Employees should refer to their local Compliance Officers with any questions regarding any local Gifts and Entertainment requirements.

(F) Equity Analyst Personal Investments, Trading and Sharing of Information

1. Personal Investments and Trading

SPCIQ neither encourages nor discourages its Equity Analysts from investing in stocks, bonds or other investments. However, if they choose to do so, they must

abide by certain policies and procedures that place restrictions on not only their personal securities trading, but also on Immediate Family members' personal securities trading. Personal securities trading restrictions are detailed in the Standard & Poor's Securities Disclosure Policy. Restrictions include but are not necessarily limited to:

- Equity Analysts and their Immediate Family generally must pre-clear trades.
- Equity Analysts and their Immediate Family are prohibited from owning securities or related derivatives of the Subject Company. For Equity Analysts who prepare STARS Research Reports and their Immediate Family, the restrictions extend to the Equity Analyst's covered sub-industry or mutual funds and exchange-traded funds in associated sectors.
- Equity Analysts and their Immediate Family are prohibited from purchasing or receiving an Issuer's securities prior to its initial public offering (e.g. so called pre-IPO shares) if the Issuer is principally engaged in the same type of business as companies (or in the same sub-industry classification) that the Equity Analyst usually covers.

## 2. Prohibition on Trading on Material, Non-Public Information

Consistent with other policies, guidelines, and codes of ethics, Covered Employees are prohibited from trading or recommending trades in the securities of companies or related derivatives (including entering into contracts for derivatives) while they are in possession of Material, Non-Public Information relating to those securities or to transmit that information to others who trade or cause someone to trade in those securities. If a Covered Employee comes into possession of Material, Non-Public Information, the Covered Employee must immediately bring this matter to the attention of Research Management. Research Management must bring the matter to the immediate attention of the Global Head of Research. The Global Head of Research is responsible for informing internal legal counsel and/or Compliance before taking any further action. Except as permitted by Compliance, the Equity Analyst is prohibited from participating in any purchase or sale decision regarding the relevant securities, recommending the relevant securities, issuing research regarding the relevant company or securities, and further disclosing the Material, Non-Public

Information. In this regard, any pre-deal research that is issued by the Firm or Equity Analyst concerned should be clearly identified and labeled as a marketing communication and non-independent research.

## **5 TIMELINESS OF STARS RESEARCH REPORTS AND RECOMMENDATIONS**

The timing of the publication of a STARS Research Report is determined primarily by the Equity Analyst on the basis of events affecting the Issuer and development of the Equity Analyst's opinion. In this regard, SPCIQ is committed to producing research that is current by updating company reports on a timely and regular basis (with an emphasis on prompt responsiveness following earnings reports), with additional updates upon an announcement of significant news or events by, or that might impact, the Subject Company. At a minimum, a Research Report or an update thereto, should be issued at least quarterly.

Equity Analysts are not permitted to communicate the timing of the dissemination of upcoming research to clients or the Firm's decision to initiate or terminate coverage of a particular company. As noted above, in certain circumstances, coverage may also be initiated as a result of a contractual relationship with an Issuer or unaffiliated financial intermediary. In such a situation, Research Management may advise the contracting party if Equity Research will pick up coverage.

### *Suspended and Terminated Coverage of STARS Research Reports*

If coverage is suspended and it is impracticable to produce a recommendation, then the Research Report must disclose the rationale for the decision to suspend coverage.

Upon terminating coverage of a company, Equity Research issues a "final" Research Report which includes a notice that coverage has been terminated and provides a final recommendation. If it is impracticable to produce a final recommendation, the final Research Report must disclose the rationale for the decision to terminate coverage.

## **6 COMPLIANCE AND ENFORCEMENT**

The Firm maintains a number of policies and procedures designed to assist in identifying possible conflicts of interest or the appearance thereof that might affect or raise questions about the impartiality of its research. The Firm provides training to Equity Analysts and other Covered Employees with whom Equity

Analysts interact. Research Management and Compliance provide guidance to Covered Employees as issues arise. Covered Employees are responsible for raising identified conflicts or potential conflicts with Research Management and Compliance to seek to ensure that all conflict questions are referred to and considered, at the appropriate level within the Firm. Consistent with Standard & Poor's Global Records Management Policy and Guideline, Equity Analysts are expected to retain records of all relevant materials that were used to support a recommendation for the relevant required time periods.

Failure of Covered Employees to adhere to the requirements of our policies may result in disciplinary action, up to and including termination of employment.

#### *Review of STARS Research Reports*

Prior to publication, all written STARS Research Reports are reviewed and approved by a Supervisory Analyst. The purpose of these reviews is to confirm compliance with the Firm's editorial guidelines, disclosure requirements and any regulatory requirements. The Firm's Supervisory Analysts are primarily responsible for seeking to ensure that the appropriate disclosures are included in the Research Reports, facts are differentiated from opinions and estimates, and target prices and recommendations are based on reasonable assumptions.

## **7 DISCLOSURE OF CONFLICTS OF INTEREST**

### **A. Public Appearances**

Whether asked or not, Equity Analysts are required to disclose personal and Firm material conflicts of interest to the host or interviewer and, whenever possible, to the audience during a Public Appearance. Such disclosures include but are not necessarily limited to:

- If the Equity Analyst or Immediate Family has a financial interest (e.g., stock ownership) in the securities of the Subject Company or fund;
- If Firm management, the Equity Analyst or Immediate Family is an officer, director or advisory board member of the Subject Company or fund; and

- If SPCIQ and/or one of its affiliates has performed services for and received compensation from the Subject Company during the past 12 months.

## **B. Written Research Reports**

Written Research Reports adhere to the following disclosures standards (if applicable):

- If the Equity Analyst or an Immediate Family member has a financial interest (e.g., stock ownership) in the securities of the Subject Company;
- If a member of the Firm, the Equity Analyst or an Immediate Family member is an officer, director or advisory board member of the Subject Company or fund;
- If the Equity Analyst received compensation from the Subject Company during the 12 months prior to the publication of the Research Report;
- If the Subject Company was a client of SPCIQ (or its affiliates) and if SPCIQ (or its affiliates) received compensation during the past 12 months;
- If the Firm or an affiliate beneficially own 1% or more of any class of common equity securities of the Subject Company.
- If the Equity Analyst knows or has reason to know of any other actual, material conflict of interest at the time of the publication of the Research Report;
- The percentage of all Subject Companies that are recommended in Research Reports as "buy," "hold," or "sell", current as to the most recent calendar quarter end.
- For STARS Research Reports, a chart that depicts the price of the Subject Company's stock over time and indicates points at which Equity Research assigned or changed a ranking or target price. This provision applies only to securities that have been assigned a ranking for at least one (1) year, and need not extend more than three (3) years prior to the date of the Research Report. This information must be current as of the end of the most recent calendar quarter; and



- Disclosure of the valuation method used to determine target prices and provide a description of the risks that may impede achieving those target prices.

In the case of Issuer or third party paid research, Equity Research adheres to the following additional disclosure standards:

- Disclosure of the maximum fee that may be paid by the Issuer or a third party.

Also, the primary Equity Analyst who is responsible for a STARS or Trade Detector Research Report is required to include the following statements in each written Research Report:

- A statement attesting that all of the views expressed in the Research Report accurately reflect the Equity Analyst's personal views about any and all of the subject securities and Issuers; and
- A statement attesting that no part of the Equity Analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the Equity Analyst in the Research Report.

This Policy is designed to conform to EU disclosure standards, if applicable, for reports prepared or distributed in an EU member State. Such disclosures are:

- The identity of the person responsible for the production of the Research Report, in particular, the name and job title of the individual who prepared the Research Report and the name of the legal person responsible for its production (must be disclosed clearly and prominently).
- An indication of all substantially material sources used in the formulation of a recommendation, as appropriate, including the relevant issuer.
- If the Research Report has been disclosed to the Issuer and amended following disclosure to the Issuer.
- A summary of any basis of valuation or methodology used to evaluate a financial instrument or an issuer of a financial instrument, or to set a price target for a financial instrument.
- An explanation of the meaning of any recommendation or ranking made in a Research Report, which may include, if applicable, the horizon of the investment to which the recommendation relates, and any appropriate risk warning.

- Reference to: (i) the planned frequency of any updates to the Research Report; (ii) major changes in the coverage policy previously announced; (iii) the date on which the Research Report was first released as well as the relevant date and time for any security price mentioned; and (iii) the change and date of the previous Research Report if the substance of a recommendation within a Research Report differs from a previous Research Report concerning an investment or issuer during the previous 12 months.
- All relationships and circumstances that may reasonably be expected to impair the objectivity of a Research Report, in particular where SPCIQ and its affiliates have a significant financial interest in any one or more of the financial instruments which are the subject of the Research Report, or a significant conflict of interest with respect to an Issuer to which the Research Report relates.
- Major shareholdings that exist between SPCIQ or any affiliated company on the one hand and the Issuer on the other (to be disclosed clearly and prominently). These major shareholdings include the following: (i) when shareholdings exceeding 5% of the total issued share capital in the issuer are held by SPCIQ or any affiliated company; or (ii) when shareholdings exceeding 5% of the total issued share capital of SPCIQ or any affiliated company are held by the Issuer.
- If a legal or natural person working for the Firm who is involved in the preparation of a research recommendation, receives or purchases shares of the relevant Issuer prior to a public offering of those shares, the price at which the shares were acquired and the date of the acquisition.
- Any other significant financial interests held by SPCIQ or any related legal person in respect of an Issuer.
- A statement if SPCIQ or any related legal person is party to any other agreement with the issuer relating to the provision of investment banking services, provided that the agreement has been in place over the previous 12 months or has given rise during the same period to the payment or promise of compensation.
- A statement if SPCIQ or any related legal person is a party to an agreement with the issuer relating to the production of the Research Report.
- The proportion of all recommendations in Research Reports that SPCIQ has individually made which are "buy", "hold" or "sell" (to be made quarterly). In addition, SPCIQ must also disclose the proportion of issuers corresponding to the categories of "buy", "hold" or "sell" to which it has supplied investment-banking services over the previous 12 months.

In addition, the Firm must take reasonable care to ensure that research recommendations are fairly presented and facts are distinguished from interpretations, estimates, opinions and other types of non-factual information. Any doubt as to reliability of sources must be indicated, and all projections, forecasts and price targets must be clearly labeled as such and the material assumptions made in producing or using them indicated. .

This Policy is designed to conform to Australian disclosure standards, if applicable, for reports prepared or distributed to Australian based clients. Such disclosures are:

- The date of the research and identity of the person responsible for the Research Report, in particular, the name and job title of the individual who prepared the Research Report and the name of the Supervisory Analyst responsible for reviewing and approving the report.
- An indication of all substantially material sources used in the formulation of a recommendation, as appropriate, including the relevant issuer as well as the reasons for the recommendation.
- If the Research Report has been disclosed to the issuer and amended following disclosure to the issuer.
- A summary of any basis of valuation or methodology used to evaluate a financial product or an Issuer of a financial product, or to set a price target for a financial product.
- An explanation of the meaning of any recommendation made in a Research Report.
- Reference to: (i) the planned frequency of any updates to the Research Report; (ii) major changes in the coverage policy previously announced; (ii) the date on which the Research Report was first released as well as the relevant date and time for any security price mentioned; and (iii) the change and date of the previous Research Report if the substance of a recommendation within a Research Report differs from a previous Research Report concerning an investment or issuer during the previous 12 months.
- All relationships and circumstances that may reasonably be expected to impair the objectivity of a Research Report, in particular where SPCIQ and its affiliates have a significant financial interest in any one or more of the financial instruments which are the subject of the Research Report, or a significant conflict of interest with respect to an issuer to which the Research Report relates.
- Any other significant financial interests held by SPCIQ or any related legal person in respect of an Issuer.

- A statement if SPCIQ or any related legal person is party to any other agreement with the issuer relating to the provision of investment banking services.
- A statement if SPCIQ or any related legal person is a party to an agreement with the Issuer relating to the production of the Research Report.
- The proportion of all recommendations in Research Reports that SPCIQ has individually made which are "buy", "hold" or "sell" (to be made quarterly).
- A link to the SPCIQ Confidentiality, Conflicts and Firewall policy.
- A chart in the Research Report depicting historical research or how users can access a log of the historical research relevant to the Issuer.
- A statement that “Past performance is not indicative of future results” (must be disclosed clearly and prominently).

This Policy is designed to conform to Singapore disclosure standards, if applicable, for reports prepared by SPCIQ or distributed in Singapore. Such disclosures include:

- Whether it or its connected persons have a financial interest or make a market in the securities or other investment products of an Issuer covered within the Research Report, and how this can create a conflict of interest that may affect the financial SPCIQ’s or Equity Analyst’s ability to offer independent and unbiased analyses and recommendations;
- A statement when SPCIQ’s Covered Employees or connected persons serve on the board or in trustee positions of an Issuer covered within the Research Report, and if this can create a conflict of interest that may affect SPCIQ’s ability to offer independent and unbiased analyses and recommendations;
- Any corporate finance advisory relationship between SPCIQ or its connected persons, and Issuers of the securities or other investment products being covered in any Research Report over the past 12 months, or any other relationship that may create a potential conflict of interest; and
- Any compensation or benefit received by SPCIQ and its Equity Analysts in connection with the production of a Research Report. The disclosure should include the identity of the party who provided the compensation or benefit, and the nature of such compensation or benefit, including the form in which such compensation or benefit is made.

## **8 QUALITATIVE STARS EQUITY RANKING SYSTEM**

Equity Research's fundamental analysis, which covers equity securities globally, is expressed in its qualitative STARS ranking system (STock Appreciation Ranking System). There are five categories to this ranking system:

5-STARS: Strong Buy – Total return is expected to outperform the total return of the appropriate benchmark by a wide margin over the next 12 months, with the shares rising in price on an absolute basis.

4-STARS: Buy – Total return is expected to outperform the total return of the appropriate benchmark over the next 12 months, with the shares rising in price on an absolute basis.

3-STARS: Hold – Total return is expected to closely approximate that of the total return of the appropriate benchmark over the next 12 months, with the shares generally rising in price on an absolute basis.

2-STARS: Sell – Total return is expected to under perform the total return of the appropriate benchmark over the next 12 months, and the share price is not anticipated to show a gain.

1-STARS: Strong Sell – Total return is expected to under perform the total return of the appropriate benchmark over the next 12 months by a wide margin, with the shares falling in price on an absolute basis.

**APPENDIX A**  
**Quantitative Research Reports**  
**Supplemental Information**

Quantitative Research Reports investment opinions are based on the Fair Value Quantitative Model (the “model”) which is a relative ranking methodology. There are two types of reports: (a) a Quantitative Stock Report contains a Fair Value ranking but no explicit Buy-Hold-Sell recommendation; and (b) a Global Quantitative Stock Report contains a Fair Value ranking and an explicit Buy-Hold-Sell recommendation based on the Fair Value ranking. The Quantitative Stock Report covers North American companies whereas the Global Quantitative Stock Report covers European and Asian companies.

Where insufficient data is available to provide a Fair Value ranking, the Quantitative Stock Report is still made available. However, the Global Quantitative Stock Report is not made available without a Fair Value ranking.

***Research Process and Ranking System***

The model is monitored by a Quantitative Research Analyst. The model relies on available data to generate a Fair Value ranking and a price at which the stock should theoretically trade.

Using a proprietary algorithm based on historical fundamentals, growth expectations and relative valuations, the model projects a value at which the stock should theoretically trade (“Fair Value” or “FV”). An expected return is calculated for each stock by comparing the calculated Fair Value with the market price at the end of the prior week. This expected return is then sorted and distributed into 5 bins (quintiles).

The FV rankings imply the following relative to the FV universe: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

The Global Quantitative Report has an explicit Buy-Hold-Sell recommendation based on the FV ranking: FV rank of 5 corresponds to STRONG BUY; FV rank of 4 corresponds to BUY; FV rank of 3 corresponds to HOLD; FV rank of 2 corresponds to SELL; and FV rank of 1 corresponds to STRONG SELL.

***Timeliness of Research***

Reports are updated weekly.

### ***Criteria for Coverage and Termination***

Quantitative Stock Reports are generally issued on U.S. companies. Global Quantitative Stock Reports are generally issued on European and Asian companies.

### ***Compliance & Enforcement***

Quantitative Research Reports are subject to the review by the Quantitative Analyst responsible for the underlying Quantitative Model.

### ***Disclosure of Conflicts***

Quantitative Research Reports contain the following disclosure: All of the views expressed in these reports reflect Standard & Poor's Investment Advisory Services LLC's research models regarding any and all of the subject securities or issuers.

## **APPENDIX B**

### **Issuer Paid Research Reports Supplemental Information**

Issuer paid Research Reports are prepared by SPCIQ as part of an investor relations program that includes licensed redistribution of the report by the Issuer and/or inclusion in SPCIQ publications and electronic distribution platforms. Contracting parties pay a fee for the report to SPCIQ or an affiliate. Currently, there are two programs: (a) U.S. Issuer paid reports and (b) Issuer paid reports through a third party sponsored program. Issuer paid research does not have a Buy-Hold-Sell recommendation.

#### ***Research Process***

##### U.S. Issuer Paid Reports

In the U.S., Issuer paid Research Reports follow a structured format as outlined in an editorial style manual, which governs the preparation of the reports. Most text is automatically generated from publicly available information (e.g., documents filed with the U.S. Securities and Exchange Commission), SPCIQ, Issuer and other external sources. Factual Writers may have the ability in exercising discretion in selecting topics for discussion in the Key Operating Information, Business Summary and Recent Developments sections.

##### Third Party Sponsored Program

SPCIQ also prepares Issuer paid research at the request of an unaffiliated third party. A third party, such as a securities exchange, contracts with the Firm to provide Issuer paid research for its members. Generally, the third party will determine coverage, since coverage will be limited to companies or issuers that are listed on a designated securities exchange sponsored by the third party. The Research Reports are prepared by Equity Analysts who also prepare STARS reports. The research process is similar to the STARS research process in reviewing results and company events, projecting earnings and citing investment risks.

#### ***Timeliness of Research***

Issuer paid Research Reports are generally updated quarterly.

#### ***Criteria for Coverage and Termination***



### U.S. Issuer Paid Reports

To qualify coverage, Issuers must meet the following criteria:

- a. Listing on a major U.S. exchange; or
- b. Listing on the OTCQB, meets SPCIQ's Corporation Records guidelines, subscribes to a Corporation Records listing and has a minimum market capitalization of \$7 million. (Exception may be granted for the minimum market capitalization.)

Coverage may terminate if an Issuer no longer subscribes to the program or no longer trades on a major U.S. exchange or the OTCQB.

### Third Party Sponsored Program

There are no restrictions on participating Issuers. Coverage terminates if the Issuer stops participation in the program.

### ***Compliance & Enforcement***

#### U.S. Issuer Paid Reports

U.S. Issuer paid Research Reports may be reviewed post-publication by the manager of the Factual Writers.

#### Third Party Sponsored Program

Issuer paid Research Reports are subject to Supervisory Analyst review as described in this document.

### ***Disclosure of Conflicts***

Issuer paid Research Reports are sent to the Issuer only for fact checking. However, the contents of the reports are solely determined by Equity Research.

The maximum fee that may be paid by the Issuer or third party is disclosed in the Research Report.

U.S. Issuer Paid reports contain the following disclosure: All of the views expressed in this research report reflect Standard & Poor's Investment Advisory Services LLC's research models regarding the issuer and securities mentioned in this report.

## APPENDIX C

### Trade Detector Research Reports Supplemental Information

Trade Detector Research Reports are prepared by GMI and are series of reports and monthly stock selection lists that are based on two different quantitative methodologies. One methodology is based on the Consensus Price Target model, while the other is based on the Equity One model which utilizes four separate quantitative strategies.

#### *Research Process and Ranking System*

**Equity One Model:** The investment objective of the Trade Detector Equity One Model is capital appreciation with a secondary objective of income. The Equity One Model is an equity long strategy that utilizes four separate quantitative strategies with selection criteria based on fundamental factors including proprietary S&P Capital IQ research and Standard & Poor's credit ratings. The four separate strategies are: S&P Competitive Advantage, S&P Dividend and Income Growth, S&P Total Yield, and S&P Intrinsic Value. Each strategy selects 30 stocks from the S&P 500 index. The selections from each strategy are combined, and duplicate stocks are eliminated. The total number of selected investments may vary from month to month. Equity One Model rebalances at the beginning of each month based on the prior month's data, and a new list of stocks is established. This list of stocks is compiled in a monthly stock selection list that is generated at the beginning of each month.

**Consensus Price Target Model:** The investment objective of the Trade Detector Consensus Price Target is capital appreciation. The Consensus Price Target Model is an equity long strategy that selects stocks from the S&P 500 index. At the beginning of each month, the model compares Capital IQ's 12-month forward looking consensus target price to the company's prior month's closing stock price. The stocks are ranked from the highest to lowest differential between the consensus target prices and the closing stock prices and divided into five groups of 100 stocks or quintiles. The list may include stocks where the consensus target prices are less than the prior month's closing stock prices.

The rankings are compiled in a monthly stock selection list that is generated at the beginning of each month. At inception, the selection list comprised the top

100 stocks known as the first quintile. After rebalancing each month, new stocks are added to the selection list if they are within the first quintile. A stock remains on the selection list if it is in the first or second quintile. A stock is deleted from the list if it falls to the third, fourth or fifth quintile.

The Equity One and Consensus Price Target Models rank stocks as Bullish or Exit. Stocks which comprise current selection lists are considered Bullish. Stocks on the prior month's selection lists that drop out of the current month's selection list are considered as Exit.

### ***Timeliness of Research***

The stock selection lists for both strategies are published monthly. Research Reports are generally published daily.

### ***Criteria for Coverage and Termination***

Companies may be the subject of a Trade Detector Research Report based on various factors which include but are not limited to (i) the company is on a list of recommended stocks; (ii) earnings reports; (iii) changes in dividends; (iv) share buybacks; or (v) share price movement compared to the target price or consensus estimate. GMI does not necessarily provide continuous coverage of a company.

### ***Compliance & Enforcement***

Trade Detector Research Reports are reviewed by the Vice President, GMI supervising the Trade Detector Equity Analysts.

### ***Disclosure of Conflicts***

Trade Detector Equity Analysts are prohibited from owning individual stocks.

Trade Detector Reports contain the following disclosure: All of the views expressed in Trade Detectors Reports reflect GMI's research models and equity analysts' opinions regarding any and all of the subject securities or issuers.

## APPENDIX D

### ETF and Mutual Fund Research Reports Supplemental Information

ETF and mutual fund (collectively, “fund” or “funds”) Research Reports are provided on US registered funds. Rankings are based on a Quantitative Model. The reports have an Overall ranking on the fund and rankings on component and input factors. Equity Research publishes reports on equity, fixed income, blended and other types of funds.

#### *Research Process*

Overall rankings are based on three components: Performance Analytics, Risk Considerations and Cost Factors. In turn, component rankings are based on input factors. Rankings for components and inputs are based on available data on underlying securities and the fund itself. Available data may include Standard & Poor’s and/or S&P Capital IQ proprietary research.

ETF Overall rankings are expressed as Overweight, Marketweight, or Underweight indicators, following a normalized distribution curve:

**Overweight** rankings are assigned to funds whose weighted-average score is in approximately the top quartile of its asset category’s universe, applying a normalized distribution curve.

**Marketweight** rankings are assigned to funds whose weighted-average score is in about the second or third quartiles of its asset category’s universe, applying a normalized distribution curve.

**Underweight** rankings are assigned to funds whose weighted-average score is in approximately the bottom quartile of its asset category’s universe, applying a normalized distribution curve.

Mutual fund Overall rankings range from 5 Stars (highest) to 1 Stars (lowest) and follow a normalized distribution curve:

**5 Stars** ranking is assigned to funds whose weighted-average score is in approximately the top 10% of its asset category's universe, applying a normalized distribution curve.

**4 Stars** ranking is assigned to funds whose weighted-average score is in the next 20% of its asset category's universe, applying a normalized distribution curve.

**3 Stars** ranking is assigned to funds whose weighted-average score is in the middle 40% of its asset category's universe, applying a normalized distribution curve.

**2 Stars** ranking is assigned to funds whose weighted-average score is in the next 20% of its asset category's universe, applying a normalized distribution curve.

**1 Stars** ranking is assigned to funds whose weighted-average score is in the bottom 10% of its asset category's universe, applying a normalized distribution curve.

### ***Timeliness of Research***

ETF reports are updated daily and mutual fund reports are updated weekly.

### ***Criteria for Coverage and Termination***

The fund reports rely on the market information available on the fund or underlying securities to generate a Research Report with an Overall ranking and component rankings. Research Reports can be generated if there is no Overall ranking or if rankings are available for only some of the components and rankings. While SPCIQ provides reports on specialty and money market funds, commodity and currency ETFs and Exchange-traded notes (ETNs), it does not provide rankings in the reports.

### ***Compliance & Enforcement***

Fund Research Reports are subject to review by the Director, ETF and Mutual Fund Research.

***Disclosure of Conflicts***

Fund Research Reports contain the following disclosure: All of the views expressed in these reports reflect Standard & Poor's Investment Advisory Services LLC's research models regarding any and all of the subject securities or issuers.

**APPENDIX E**  
**Bond Research Reports**  
**Supplemental Information**

Bond Reports provide fixed income issue research on corporate bond issues. The report draws from proprietary fixed income and equity research from Standard & Poor's and SPCIQ.

***Research Process***

The Bond Report contains evaluated pricing from Standard & Poor's Securities Evaluations, Inc. Various metrics are compared to the corporate bond universe and/or peers including yield, volatility, credit risk and market activity. The report also contains STARS rankings and the sub-industry outlook.

***Timeliness of Research***

Bond Reports are updated daily.

***Criteria for Coverage and Termination***

To generate a Bond Report, the fixed income issue must meet certain criteria including:

1. Have evaluated pricing from Standard & Poor's Securities Evaluations, Inc.;
2. Have a credit rating from Standard & Poor's Rating Services; and
3. Must not be matured.

***Compliance & Enforcement***

Bond Reports are subject to the review of the Managing Director, Cross Asset Class Research.