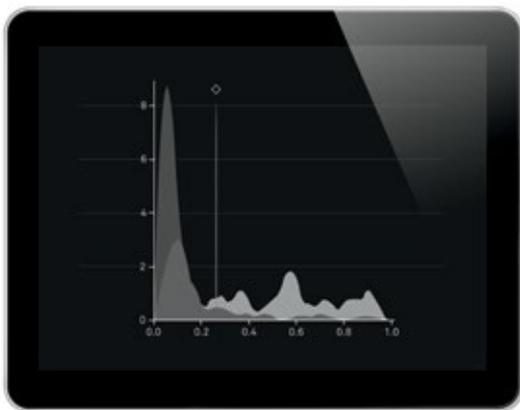




# Essential



**There's intelligence.  
Then there's essential  
intelligence.**





#### **Our Purpose**

**We provide intelligence that is essential for companies, governments and individuals to make decisions with conviction.**

#### **Values**

##### **Relevance**

**We provide relevant solutions to our clients and bring passion and a thirst for knowledge in serving them.**

##### **Excellence**

**We pursue excellence in everything we do. We value results, encourage teamwork and embrace change.**

##### **Integrity**

**We act with integrity and are honest, transparent and accountable for our actions.**

## What We Do

We know that our clients need to make decisions quickly and with confidence. Timely and relevant intelligence is essential. We mine through billions of data points to uncover what matters.

We gather this data from all over the world, searching for what others might have missed. All the while, our people and cutting edge systems work around the clock to process this information in real time. We empower clients with critical information and the analytics to draw conclusions.

Our capabilities reach every aspect of the financial services industry, and we're always thinking about new ways to create growth and achieve excellence. With our rich data, research, benchmark and analytic

capabilities, we're constantly uncovering insights to give our clients the best possible picture of the world's markets.

Our essential offerings all work to give companies, governments and individuals the complete picture of the markets, so they can make decisions with conviction.

The result? Sound strategic analysis for clients, and for the world's markets. Our data, analytics, benchmarks and intelligence enable the essential decisions that set the world in motion.

---

# 20,000

employees

---

# 31

countries with S&P Global presence

---

# \$5.66B

in revenue in 2016

---

# ~60%

of employees are Millennials

**Our essential offerings all work to give companies, governments and individuals the complete picture of the markets, so they can make decisions with conviction.**

## **Our Divisions**

### **S&P Global Ratings**

**Credit ratings, credit risk research & insights support growth & transparency in capital markets.**

### **S&P Global Market Intelligence**

**Data, analytics & sector intelligence to gain insights into markets.**

### **S&P Dow Jones Indices**

**Innovative indices investors need to identify, measure & capitalize on global investment opportunities.**

### **S&P Global Platts**

**The commodities & energy market insights needed to inform decisions.**

# Letter from the Chairman

## Dear Fellow Shareholder:

Welcome to our first Annual Report as S&P Global. A year ago you approved changing the Company's name to better reflect its core businesses in international capital and commodities markets and the rich heritage of Standard & Poor's. Since then, S&P Global has been the name that treasurers and traders, lenders and borrowers, and risk managers and portfolio managers have turned to for the insights they need to make important decisions. This is what S&P Global calls "essential intelligence."

In 2016, the independent data, benchmarks and analytics S&P Global offers were as essential as ever as investors, corporate professionals and market participants tried to manage through periods of global market turbulence.

As a result, S&P Global performed well last year. Management produced profitable growth. Employees across the Company displayed strong execution. And the Board and senior leadership team demonstrated a disciplined approach to allocating capital—the conviction to step away from an investment when it doesn't make economic sense and to step forward when it does. Together, these factors have sustained the Company's commitment to building shareholder value.

To underscore this commitment, in January 2017, the Board of Directors increased the regular quarterly cash dividend on the Company's common stock by almost 14% to \$0.41. The annualized rate of \$1.64 per share represents a compounded annual growth rate of 9.6% since 1974. In total last year, the Company returned \$1.5 billion to shareholders in the form of dividends and share repurchases.

Although share price is not the sole measure of our performance, it is worth acknowledging that over the past five years the total annualized return for our stock has been 19.05% as compared to 12.23% for the S&P 500.

The Board has been working closely with management to maintain the steady growth of S&P Global. We have been actively engaged with them to set and provide oversight of long-term strategy goals, including



putting a priority on environmental, social and governance (ESG) issues, and we align executive compensation with performance in order to hold teams accountable and reward excellence.

Driving profitable growth and building long-term shareholder value are top priorities for the Board, but they are not the only ones. Maintaining the highest standards of corporate governance is also a focal point. As such, the Company is continually searching for talented leaders with diverse backgrounds and perspectives to join our Board.

We appointed four new leaders to our Board since I wrote to you last year. Maria R. Morris, Monique F. Leroux, Stephanie C. Hill and Marco Alverà are accomplished executives with critical experience in finance, investing, technology and global business operations. Their appointments demonstrate the Company's pledge to invite people with diverse points of view, skills and experience into the boardroom to guide S&P Global.

S&P Global accomplished a lot in 2016 and I look forward to what lies ahead.

In times like these, when markets are demanding and evolving, our oversight responsibilities, including making sure that management is executing on long-term priorities such as investments in technology and people never wavers.

On behalf of your Board of Directors, I thank you for your interest in S&P Global.

Sincerely,

**Charles E. "Ed" Haldeman, Jr.**

Chairman of the Board

S&P Global has been the name that treasurers and traders, lenders and borrowers, and risk managers and portfolio managers have turned to for the insights they need to make important decisions. This is what S&P Global calls “essential intelligence.”

## Maximizing Shareholder Value

**\$1.5B**

returned to shareholders  
in 2016

**13.9%**

increase in dividend  
in 2017

**19.05%**

5-year total annualized  
share price return\*

\* As of 12/31/16



# Letter from the President and Chief Executive Officer

## Dear Fellow Shareholder:

I am delighted to report that 2016 was a standout year for our Company.

- We launched S&P Global in April. This milestone symbolizes everything we have done to reposition the business portfolio. The brand acknowledges our history of delivering essential business insights while offering a modern look. The name resonates with our clients and our employees are enthusiastic about our renewed common sense of purpose and values.
- We delivered strong financial performance in 2016 and achieved the three-year annual financial goals we defined in 2014.
- We made significant progress integrating SNL Financial and S&P Capital IQ.
- We completed the sale of J.D. Power for \$1.1 billion in September, and in connection with the closing, entered into a \$750 million Accelerated Share Repurchase agreement.
- We divested two pricing businesses where we did not have critical mass—Standard & Poor's Securities Evaluations, Inc. and Credit Market Analysis—and we also exited our Equity Research business.
- We invested for future growth by adding complementary capabilities, including three tuck-in acquisitions to build out Platts' analytical offerings.
- And we made several key appointments to our Operating Committee.

These accomplishments are significant in any year, but they were especially gratifying in 2016, a time marked by global political, economic and market

volatility. Unpredictability seemed to be the one constant as rising populism drove the Brexit vote and U.S. election results, questions persisted about rising interest rates in the U.S., and oil prices rebounded sharply after hitting their cyclical lows at the start the year.

Amidst all of this change, I am grateful for our 20,000 employees around the globe, who give our customers the confidence they need to use our data, analytics and benchmarks to make critical decisions.

### Essential to evolving markets

Uncertainty continues in 2017. The markets are now faced with a geopolitical dynamic that will test the way in which we all work together. The backlash against globalization is real and support for populism is significant. The need for leaders to think beyond the short term is acute and it is important for companies and governments to find middle ground on pro-growth public policies that bring long-term structural change and global competitiveness—such as tax reform, infrastructure investment, trade liberalization and regulatory reform.

In the U.S., we need to address taxes. This is a change that is long overdue to reflect the makeup of the 21st century U.S. economy and that will enable economic, job and export growth; capital inflows; and investments.

Beyond these shifting geopolitical sands, we are all faced with rapid technological innovation and an evolving regulatory environment. The world around us doesn't stop changing. Uncertainty can spark volatility and risk aversion—a recipe that can hurt business confidence, investment, lending and funding conditions, and ultimately growth.

Yet S&P Global is well positioned to benefit from many of the changes taking place around the world, making us excited about the future.

For **S&P Global Ratings**, there are a number of dynamics in the market influencing the business.

**Debt Issuance:** The health of the economy, first and foremost, is the driver most closely correlated to bond issuers coming to market. Economic growth propels business investment, and when companies need to raise capital the debt markets serve as a critical funding mechanism. S&P Global economists expect worldwide GDP growth of 3.5% this year, and overall, we expect global issuance to grow about 3% to \$6.7 trillion in 2017.

In the medium term, a large amount of corporate debt will be maturing. We estimate that nearly \$9.6 trillion in rated global corporate debt needs to be refinanced between 2017 through 2021. Much of this debt will need to be rated and S&P Global will be there to help issuers and investors evaluate credit risk.

It's still early to tell exactly what public policy changes will be coming from Washington, DC, and what sort of impact they will have on our ratings business. We are watching these issues closely. What we do know is that changes to tax policy, Dodd-Frank, the Affordable Care Act and infrastructure investment policy will have implications for economic growth and market dynamics.

**Growth of Passive Investing:** One of the biggest stories in investing is the shift from actively managed funds to index-based or passive investments. This trend benefits **S&P Dow Jones Indices** and is being

driven by investors' search for transparent, low-cost, diversified and efficient investable products. From 2004 to 2015 assets under management in passively managed U.S. equity and bond index funds and ETFs increased from \$812 billion to \$4.4 trillion.<sup>1</sup>

Index-based assets under management in the U.S., even with their rapid rise in popularity, only make up 28% of the total funds under management, suggesting there is plenty of room for growth.

**Evolving Regulations:** The changing and disparate regulatory environment confronting our customers around the globe related to capital and liquidity, market infrastructure, reporting and stress testing is yet another trend creating opportunities for us to serve a market need. While the regulatory agenda will increase the cost of compliance for some customers, it will also create demand for external data and analytics solutions.

That is why Risk Services, an offering of **S&P Global Market Intelligence**, is a growing area of attention. The market for credit risk services is estimated to be \$9 billion, excluding the market for ratings. To help our clients assess risk, the team launched two new products last year, Credit Analytics and Bank Scorecard, which are both performing well, albeit off of a small base. In addition, there is exciting work going on with our RatingsDirect® product. In 2016, we added structured and public finance content to round out the RatingsDirect® offering on the Capital IQ platform, and later this year, we will begin offering clients a more visual, interactive and dynamic way to explore RatingsDirect® data.

## Achieved Growth & Performance Goals 2014–2016

### Annual Goals

- Mid-to-high single-digit revenue growth
- Sustained margin expansion aided by productivity initiatives
- Mid-teens adjusted diluted EPS growth
- \$1.0 billion+ in annual free cash flow\* to provide significant financial flexibility

### Multi-Year Goals

- Maintain disciplined capital allocation approach:
  - Continue to pursue attractive acquisitions
  - Sustain dividend growth and share repurchases (trade basis)
- Complete portfolio rationalization with evaluation of strategic alternatives for McGraw Hill Construction
- Target at least \$100 million in productivity savings for 2014–2016

<sup>1</sup> Strategic Insight Simfund

\* Excluding legal and regulatory settlements, insurance recoveries and tax on gain from sale of J.D. Power.



Photo: S&P Global employees at the Company's worldwide headquarters in New York City

## What is essential to us in the future?

Creating S&P Global last year was much more than changing the Company's name. We have worked hand in hand with our Board of Directors to establish a long-term growth strategy and a culture built on a strong foundation of enduring values—integrity, excellence and relevance.

### Our Priorities

- **People & Corporate Responsibility:** We have been investing in our people. Last year, we established an executive development program that brings together leaders from different divisions and functions to address specific business issues. We have also created a fresh approach to maximize our business capabilities, volunteerism and financial support to nonprofits to strengthen the economies and communities where we live and work.
- **Technology, Data & Analytics:** We have been investing in technology, data operations and enhanced analytics. We see opportunities to better leverage these assets, including putting more attention on utilizing alternative data sources, to enhance the client experience.
- **Continuous Improvement:** We are committed to continuous improvement. To illustrate this point, our adjusted operating margin from continuing operations has increased by 1,040 basis points to 42.9% since 2012. A key contributor of this expansion was achieving slightly more than \$140 million in productivity savings since

2014. At the same time, we have not lost sight of our history of being able to adapt to changing market needs, which is why we will continue to make investments that maximize the essential intelligence we provide.

- **Responding to Market & Customer Needs:** We continue to align our businesses with powerful secular trends by investing in the areas where there are the greatest opportunities for long-term growth. Fortunately, growth opportunities to meet our customers' needs are spread across S&P Global, including credit ratings, equity and fixed income indices, commodities price assessments and analytics, and risk analytics.

As we look ahead, an ongoing commitment to growth and excellence in everything we do will be essential to our success as a world-class digital data and analytics Company.

Let me give you a few examples of initiatives underway that illustrate our dedication to growth and excellence.

### Growth

We invested in organic growth in 2016 with the development of a platform for debt issuers called Ratings 360™, and after an early 2017 pilot, we anticipate rolling it out later this year. This powerful platform offers integrated, full-spectrum analytical insights from **S&P Global Ratings**. It is a holistic, singular view of credit risk that has never before been presented in this way and provides a new level of transparency.

Last year, we acquired three businesses—Commodity Flow, PIRA Energy and RigData—to build a world-class energy and commodities supply and demand forecasting platform for customers of **S&P Global Platts**. Aided by alternative data sources such as satellite imagery of shipping routes, this business is leveraging a team of analysts and sophisticated models to provide customers with the information, trade flow analysis, insight and forecasts they need to make better-informed trading and business decisions.

We have demonstrated our commitment to serving the increasing needs of long-term investors interested in sustainable finance by expanding the breadth and depth of our ESG solutions. I am very proud that last year **S&P Dow Jones Indices** acquired Trucost—a business established to deliver the insights and transparency fundamental to transition to a low carbon, resource efficient economy—and **S&P Global Ratings** proposed two evaluation tools to assess risks to sustainability, which we expect to introduce more broadly this year.

## Excellence

There is perhaps no better example of our commitment to operational excellence and flawless execution than the integration of SNL and S&P Capital IQ. It remains a top strategic priority. Later this year, we will begin rolling out to the investment banking community a beta version of the combined SNL and Capital IQ solutions which brings together the best of both products into a single-user interface and experience. This new platform, available on desktop, mobile, and MS Office, will include in-depth industry news and streaming real-time market data. As a result of this combination, our clients will glean greater insight, make better and faster decisions, and operate with greater efficiency.

Quality is a key element of operational excellence. The **S&P Global Market Intelligence** team is passionate about delivering the highest possible



Supporting women entrepreneurs all around the globe is one of the pillars of S&P Global's corporate responsibility (CR) strategy. The Company's approach to CR is explained on page 15.

*Photo courtesy of the Aspen Institute*

degree of quality, timeliness and completeness in its data and earlier this year they extended the SNL reward program to S&P Capital IQ clients. Under this program, if a client reports a mistake in the data or news on public companies distributed through our desktop and enterprise products, we will send them a \$50 reward. This is a clear example of how a commitment to excellence can translate to client confidence and even higher quality data in the future.

At **S&P Global Ratings**, the work we are doing and investments we're making in technology to streamline and strengthen our processes is another area where we are demonstrating a sharp focus on operational, analytical and functional excellence.

We are committed to these types of initiatives across the enterprise in order to produce the essential intelligence that institutions, investors and individuals need to make informed decisions across global capital and commodities markets.

## Essential intelligence: the way forward

In summary, the strengths of our Company—the integrity and ingenuity of our people; the rich data sets, powerful analytics and independent benchmarks that bring clarity to clients and transparency to complex markets; and an enduring commitment to growth and excellence—have been the cornerstone of our success, and they will continue as our foundation in the years ahead.

Our vision is to build the business in a way that delivers long-term growth and value. We accomplish this through:

- The effective deployment of capital,
- Deeper penetration of existing markets and thoughtfully entering new ones,
- And leveraging innovative technology and data operations.

Our businesses—S&P Global Ratings, S&P Dow Jones Indices, S&P Global Market Intelligence, CRISIL and S&P Global Platts—are clear leaders in their markets, are powerful brands and are well positioned for long-term success.

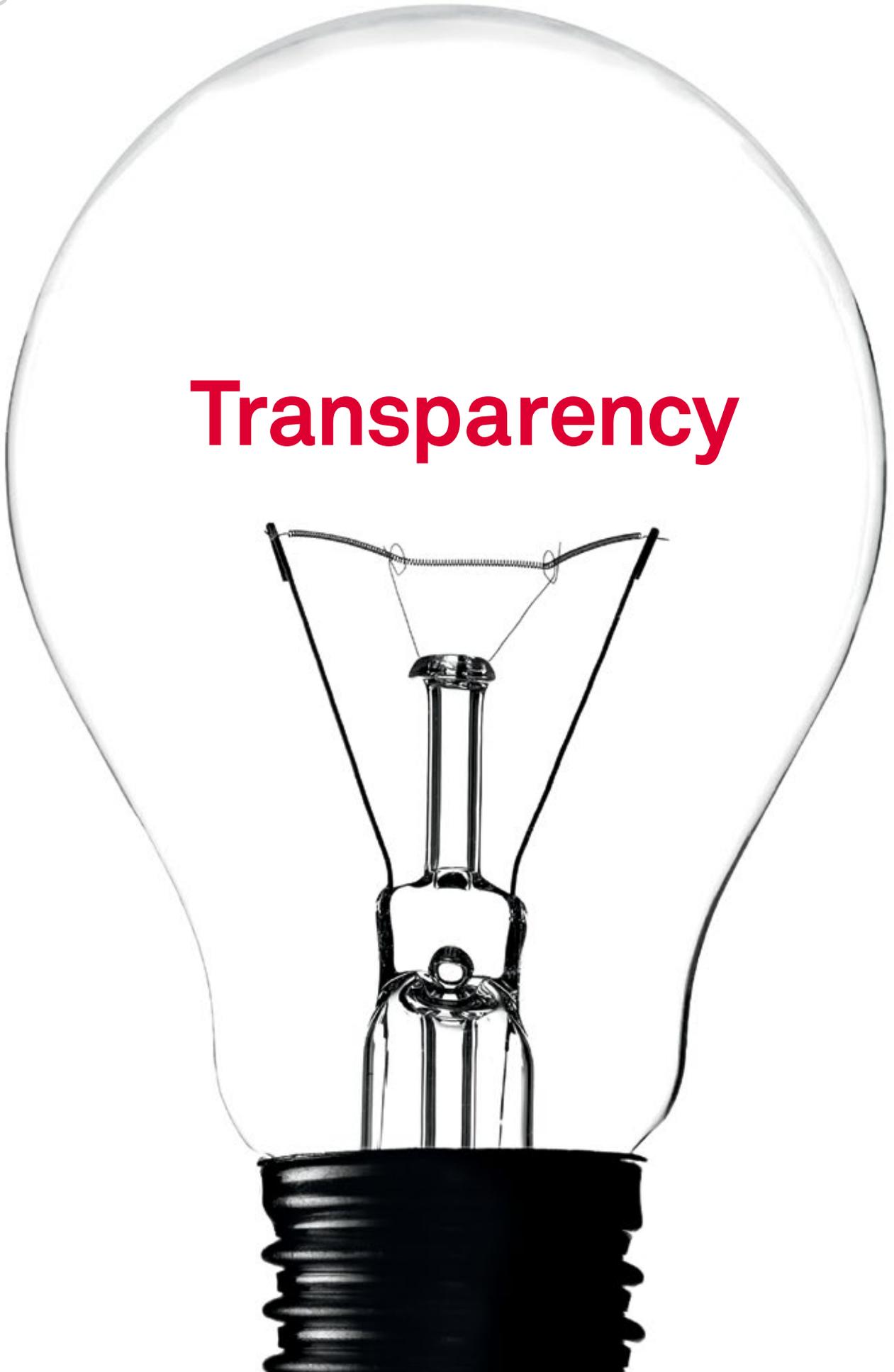
As a result, I look to the future with a great deal of optimism and pride. I thank our Board of Directors, shareholders, employees, customers and partners for their commitment to S&P Global.

Sincerely,

**Douglas L. Peterson**

President and Chief Executive Officer

# Transparency



We bring essential clarity and transparency to otherwise opaque capital markets with credit ratings, research, deep analytics and fundamental data.

## Essential to understanding risk

In complex, volatile and rapidly moving credit markets, corporations, banks and institutional investors turn to S&P Global Ratings, S&P Global Market Intelligence and CRISIL to evaluate and manage risk.

We bring essential clarity and transparency to otherwise opaque capital markets with credit ratings, research, deep analytics and fundamental data.

We have exciting developments underway in 2017 to strengthen the services our businesses offer to clients.

- Debt issuers are positioned to benefit from Ratings 360™, a powerful new S&P Global Ratings platform to be launched soon. Chief financial officers and corporate treasurers will be able to access an enhanced and integrated view of credit risk that until Ratings 360™ was only available through multiple platforms. Utilizing broad and deep data and analytics, Ratings 360™ will provide the rationale behind ratings, facilitate modeling, and offer users the ability to interact with S&P Global Ratings staff.
- Collaboration between S&P Global Market Intelligence and CRISIL, a global analytics company and India's leading rating agency, will enable S&P Global to offer credit assessment reports to the world's biggest commercial banks to support, enhance, and complement their processes for analyzing credit risk.

Global growth is also a priority. Testimony to the growing needs of investors and borrowers in Asia, Latin America and the Middle East, S&P Global Ratings has recently established a presence in Chile and Saudi Arabia, and acquired a minority equity stake in Thailand's TRIS Rating.

# Independence

## Essential to measuring markets

Independence has been a hallmark of our indices and the basis for our commodities information for more than 100 years. Today, S&P Dow Jones Indices and S&P Global Platts play essential and growing roles in the functioning of efficient markets throughout the world.

S&P Dow Jones Indices is home to two of the most iconic measures of the U.S. stock market:

- The Dow Jones Industrial Average is the world’s most-cited market measure and celebrated its 120th anniversary in 2016.
- The S&P 500 is the world’s most-followed stock market index with \$7.5 trillion in benchmarked assets and turns 60 years old in 2017.

We are not limited to measuring equity markets. S&P Dow Jones Indices calculates 1 million indices and our coverage spans asset classes, geographies and investment strategies. As investors search for yield, an increasing area of focus is on offering index-based solutions to fit a range of fixed-income strategies.

The trend away from actively managed funds to index-based investing is powering the growth of S&P Dow Jones Indices. Demonstrating this point, assets in exchange-traded funds or ETFs based on our indices surpassed \$1 trillion at the end of 2016, marking a new milestone for this business.

The essential role S&P Global Platts price assessments play for a range of commodities means they are often used to settle contracts. The markets that use them give them “benchmark” status.

Entering 2017, our Japan Korea Marker (Platts JKM™) is serving as the first benchmark for LNG pricing in Asia. In Japan, Platts JKM™ is supporting the process of energy market liberalization through price transparency. In the UAE, we are now providing weekly inventory data for the Fujairah Oil Industry Zone, advancing the emirate’s progression towards becoming one of the world’s leading energy hubs serving Asian markets.

Independence has been a hallmark of our indices and the basis for our commodities information for more than 100 years. Today, S&P Dow Jones Indices and S&P Global Platts play essential and growing roles in the functioning of efficient markets throughout the world.





We match our skills with the growing needs of society to deliver essential information and analytics that enable companies, investors and communities to pursue sustainable growth strategies.

**Sustainability**

## Essential to sustainable growth

We match our skills with the growing needs of society to deliver essential information and analytics that enable companies, investors and communities to pursue sustainable growth strategies.

To this end, we are expanding and building on our portfolio of environmental, social and governance (ESG) products that provide solutions.

For example, S&P Dow Jones Indices acquired Trucost plc in 2016. The complementary nature of these two businesses allows S&P Global to combine Trucost's industry-leading environmental impact data and risk metrics with S&P Dow Jones Indices' world-class benchmarking capabilities to develop ESG solutions.

Additionally, S&P Global Ratings proposed two new assessments in 2016: a new Green Evaluation tool that analyzes and estimates the environmental impact of projects or initiatives financed by bonds, and an ESG Assessment methodology for corporate bond issuers.

The Company is taking on leadership roles in other ways to support green finance:

- Dr. Richard Mattison, CEO of Trucost, was appointed in 2016 to the European Commission's High-Level Expert Group on sustainable finance, which is tasked with recommendations on how to integrate sustainability considerations into the EU's rules for the financial sector.
- S&P Global has committed to the principles of the Task Force on Climate-related Financial Disclosures. The Task Force was created by the Financial Stability Board with the aim of developing voluntary, consistent climate-related financial risk disclosures to be used by companies.
- S&P Global Ratings rated \$500 million in notes issued by Starbucks for sustainability projects relating to coffee sourcing. We also rated MidAmerican Energy's first "eligible green" bonds, to support the utility's wind projects including Wind XI, the largest single economic development project ever in Iowa.

## Essential to society

Corporate Responsibility is more than philanthropy. It's about finding the essential connections between our capabilities and the needs of society. It's how we create economic opportunities and thriving communities.

We direct our attention and support activities in three areas:

### 1. Promoting Sustainability

We're always working to reduce our own environmental impact, but, as our ESG products and services show, supporting sustainability is also an essential business imperative.

### 2. Elevating People

Millions of jobs in science, technology, engineering, and mathematics (STEM) are going unfilled. This creates global challenges for both the workforce and employers. One of the ways we are addressing the STEM jobs gap is by partnering with nonprofits such as For the Inspiration and Recognition of Science and Technology (FIRST) to inspire students from diverse backgrounds to be science and technology leaders. In 2016, our employees donated nearly 1,800 hours of their time to the FIRST Robotics program.

### 3. Supporting Women Entrepreneurs

When women are in business, economies grow. Around the world, however, women entrepreneurs face barriers to starting and expanding businesses. We leverage our capabilities and people to connect entrepreneurs to financial services, support nonprofit partners and provide mentoring. For example, in 2016, in partnership with MicroMentor we introduced a virtual mentoring platform to match our employees with women entrepreneurs globally. Additionally last year, in collaboration with the Aspen Institute's Network for Development Entrepreneurs, we issued three \$50,000 awards to nonprofits to create data and technology-based solutions to facilitate access to capital for women entrepreneurs in emerging markets.

More information on our commitment to sustainable corporate responsibility can be viewed at [spglobal.com](http://spglobal.com).

# Financial Highlights

Years ended December 31 (in millions, except per share data)	2016	2015	% Change
Revenue	\$5,661	\$5,313	7
Adjusted net income (attributable to the Company's common shareholders)*	1,420 <sup>(a)</sup>	1,288 <sup>(b)</sup>	10
Adjusted diluted earnings per common share from continuing operations*	\$ 5.35 <sup>(a)</sup>	\$ 4.69 <sup>(b)</sup>	14
Dividends per common share <sup>(c)</sup>	\$ 1.44	\$ 1.32	9
Total assets	\$8,669	\$8,183	6
Capital expenditures <sup>(d)</sup>	115	139	(17)
Total debt	3,564	3,611	(1)
Equity (including redeemable noncontrolling interest)	1,781	1,163	53

\*Refer to "Reconciliation of Non-GAAP Financial Information" on page 17 of this report for a discussion of the Company's non-GAAP financial measures.

- (a) Excludes the impact of the following items: a gain from our dispositions of \$1.1 billion, a benefit related to net legal settlement insurance recoveries of \$10 million, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million, restructuring charges of \$6 million, a disposition-related reserve release of \$3 million, acquisition-related costs of \$1 million, and amortization of intangibles from acquisitions of \$96 million.
- (b) Excludes the impact of the following items: costs related to identified operating efficiencies primarily related to restructuring of \$56 million, net legal settlement expenses of \$54 million, acquisition-related costs of \$37 million, an \$11 million gain on dispositions, and amortization of intangibles from acquisitions of \$67 million.
- (c) Dividends paid were \$0.36 per quarter in 2016 and \$0.33 per quarter in 2015.
- (d) Includes purchases of property and equipment and additions to technology projects.
- (e) Assumes \$100 invested on December 31, 2011 and total return includes reinvestment of dividends through December 31, 2016.
- (f) The peer group consists of the following companies: Thomson Reuters Corporation, Moody's Corporation, CME Group Inc., MSCI Inc., FactSet Research Systems Inc. and IHS Markit Ltd.

**Year-End Share Price**



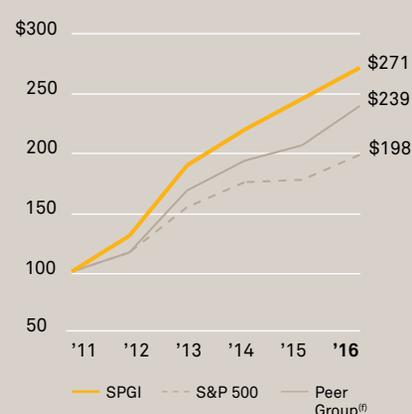
**Dividends Per Share**



**Revenue (in millions)**



**Shareholder Return Five-Year Cumulative Total Return<sup>(e)</sup> (12/31/11–12/31/16)**



# Reconciliation of Non-GAAP Financial Information

The following is provided to supplement certain non-GAAP financial measures discussed in the letter to shareholders and the financial highlights section of this report (pages 4–16) both as reported (on a GAAP basis) and as adjusted by excluding certain items (non-GAAP) as explained below. This information is provided in order to allow investors to make meaningful comparisons of the Company's operating performance between periods and to view the Company's business from the same perspective as Company management. These non-GAAP measures may be different than similar measures used by other companies.

## OPERATING RESULTS BY SEGMENT — REPORTED VS. PERFORMANCE

Years ended December 31, 2016 and 2015

(dollars in millions, except per share amounts) (unaudited)	2016				2015				% Change	
	Reported	Non-GAAP Adjustments	Deal-Related Amortization	Performance <sup>e</sup>	Reported	Non-GAAP Adjustments	Deal-Related Amortization	Performance	Reported	Performance
Ratings	\$1,262	\$ (4) <sup>a</sup>	\$ 5	\$1,263	\$1,078	\$ 68 <sup>a</sup>	\$ 5	\$1,151	17%	10%
Market and Commodities										
Intelligence	1,822	(1,027) <sup>b</sup>	85	881	585	70 <sup>b</sup>	57	712	N/M	24%
S&P Dow Jones Indices	412	—	6	417	392	—	5	397	5%	5%
Segment operating profit	3,496	(1,031)	96	2,561	2,055	138	67	2,260	70%	13%
Unallocated expense	(127)	(3) <sup>c</sup>	—	(130)	(138)	(2) <sup>c</sup>	—	(139)	(8)%	(7)%
Operating profit	3,369	(1,034)	96	2,431	1,917	136	67	2,121	76%	15%
Interest expense, net	181	(21) <sup>d</sup>	—	160	102	—	—	102	77%	56%
Income before taxes on income	3,188	(1,013)	96	2,271	1,815	136	67	2,019	76%	13%
Provision for taxes on income	960	(265)	34	729	547	48	23	619	76%	18%
Net income	2,228	(748)	62	1,542	1,268	88	44	1,400	76%	10%
Less: NCI net income	(122)	—	—	(122)	(112)	—	—	(112)	9%	9%
Net income attributable to SPGI	\$2,106	\$ (748)	\$ 62	\$1,420	\$1,156	\$ 88	\$ 44	\$1,288	82%	10%
Diluted EPS	\$ 7.94	\$ (2.82)	\$0.23	\$ 5.35	\$ 4.21	\$0.32	\$0.16	\$ 4.69	89%	14%

N/M — not meaningful

Note — Totals presented may not sum due to rounding.

(a) 2016 includes a benefit related to net legal settlement insurance recoveries of \$10 million and restructuring charges of \$6 million. 2015 includes net legal settlement expenses of \$54 million and restructuring charges of \$13 million.

(b) 2016 includes a gain on dispositions of \$1.1 billion, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million and acquisition-related costs of \$1 million. 2015 includes costs related to identified operating efficiencies primarily related to restructuring of \$33 million and acquisition-related costs of \$37 million.

(c) 2016 includes a disposition-related reserve release of \$3 million. 2015 includes a gain on dispositions of \$11 million and restructuring charges of \$10 million.

(d) 2016 includes a redemption fee of \$21 million related to the early payment of our senior notes.

(e) Adjusted operating margin for the Company was 42.9% in 2016.

## COMPUTATION OF FREE CASH FLOW AND FREE CASH FLOW EXCLUDING CERTAIN ITEMS

Years ended December 31, 2016, 2015 and 2014

(dollars in millions) (unaudited)	2016	2015	2014
Cash provided by operating activities from continuing operations	\$1,464	\$ 195	\$1,209
Capital expenditures	(115)	(139)	(92)
Dividends and other payments paid to noncontrolling interests	(116)	(104)	(84)
<b>Free cash flow</b>	<b>\$1,233</b>	<b>\$ (48)</b>	<b>\$1,033</b>
Tax on gain from sale of J.D. Power	200	—	—
Payment of legal and regulatory settlements	150	1,624	35
Legal settlement insurance recoveries	(77)	(101)	—
Tax benefit from legal settlements	(24)	(250)	—
<b>Free cash flow excluding above items</b>	<b>\$1,482</b>	<b>\$1,225</b>	<b>\$1,068</b>

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**20** Management's Discussion and Analysis

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# **2016 Financial Performance**

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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The following Management's Discussion and Analysis ("MD&A") provides a narrative of the results of operations and financial condition of S&P Global Inc. (together with its consolidated subsidiaries, the "Company," "we," "us" or "our") for the years ended December 31, 2016 and 2015, respectively. The MD&A should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2016, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP").

The MD&A includes the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Reconciliation of Non-GAAP Financial Information
- Critical Accounting Estimates
- Recent Accounting Standards

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, any projections of future results of operations and cash flows are subject to substantial uncertainty. See Forward-Looking Statements on page 46 of this report.

## Overview

We are a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. The capital markets include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers; and the commodity markets include producers, traders and intermediaries within energy, metals, petrochemicals and agriculture.

On April 27, 2016, we changed our name to S&P Global Inc. from McGraw Hill Financial, Inc.

We have repositioned S&P Global as a more focused company in the capital and commodity markets by exiting non-core assets and investing for growth in markets that have size and scale. In 2016, we continued to create a portfolio focused on scalable, industry leading, interrelated businesses in the capital and commodity markets.

Our operations consist of three reportable segments: Ratings, Market and Commodities Intelligence and S&P Dow Jones Indices ("Indices").

- Ratings is an independent provider of credit ratings, research and analytics, offering investors and other market participants information, ratings and benchmarks.
- Market and Commodities Intelligence is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services and deliver their customers in the commodity and energy markets access to high-value information, data, analytic services and pricing and quality benchmarks. As of September 7, 2016, we completed the sale of J.D. Power and the results are included in Market and Commodities Intelligence results through that date.
- Indices is a global index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.

Effective beginning with the fourth quarter of 2016, we realigned certain of our reportable segments to be consistent with changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Beginning in the fourth quarter of 2016, S&P Global Market Intelligence and S&P Global Platts are included in a new reportable segment named Market and Commodities Intelligence. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

## MAJOR PORTFOLIO CHANGES

The following significant changes by segment were made to our portfolio during the three years ended December 31, 2016:

### 2016

#### Market and Commodities Intelligence

- In October of 2016, we completed the sale of Standard & Poor's Securities Evaluations, Inc. ("SPSE") and Credit Market Analysis ("CMA") for \$425 million in cash to Intercontinental Exchange, an operator of global exchanges, clearing houses and data services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$364 million (\$297 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of SPSE and CMA.
- In September of 2016, we completed the sale of J.D. Power for \$1.1 billion to XIO Group, a global alternative investments firm headquartered in London. In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power and initiated an active program to sell the business. The assets and liabilities of J.D. Power were classified as held for sale in our consolidated balance sheet as of December 31, 2015. During the year ended December 31, 2016, we recorded a pre-tax gain of \$728 million (\$516 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of J.D. Power. Following the sale, the assets and liabilities of J.D. Power are no longer reported in our consolidated balance sheet as of December 31, 2016.
- In September of 2016, we acquired PIRA Energy Group ("PIRA"), a global provider of energy research and forecasting products and services. The purchase enhances Market and Commodities Intelligence's energy analytical capabilities by expanding its oil offering and strengthening its position in the natural gas and power markets.
- In June of 2016, we acquired RigData, a provider of daily information on rig activity for the natural gas and oil markets across North America. The purchase enhances Market and Commodities Intelligence's energy analytical capabilities by strengthening its position in natural gas and enhancing its oil offering.

### 2015

#### Market and Commodities Intelligence

- In September of 2015, we acquired SNL Financial LC ("SNL") for \$2.2 billion. SNL is a global provider of news, data, and analytical tools to five sectors in the global economy: financial services, real estate, energy, media & communications, and metals & mining. SNL delivers information through its suite of web, mobile and direct data feed platforms that

helps clients, including investment and commercial banks, investors, corporations, and regulators make decisions, improve efficiency, and manage risk.

- In July of 2015, we acquired the entire issued share capital of Petromedia Ltd and its operating subsidiaries ("Petromedia"), an independent provider of data, intelligence, news and tools to the global fuels market that offers a suite of products providing clients with actionable data and intelligence that enable informed decisions, minimize risk and increase efficiency.

In 2015, we further reduced our real estate footprint by completing the consolidation of our corporate headquarters with our operations in New York City.

### 2014

#### Market and Commodities Intelligence

- In November of 2014, we completed the sale of McGraw Hill Construction to Symphony Technology Group for \$320 million in cash. We recorded an after-tax gain on the sale of \$160 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2014.
- In July of 2014, we acquired Eclipse Energy Group AS, which complements our North American natural gas capabilities, which we obtained from our Bentek Energy LLC acquisition in 2011.

In 2014, in addition to the divestiture of McGraw Hill Construction discussed above, we streamlined our infrastructure by reducing our real estate footprint through selling our data facility, initiating the consolidation of our corporate headquarters with our operations in New York City, as well as disposing of our corporate aircraft.

#### Increased Shareholder Return

During the three years ended December 31, 2016, we have returned approximately \$3.5 billion to our shareholders through a combination of share repurchases and our quarterly dividends: we completed share repurchases of approximately \$2.4 billion and distributed regular quarterly dividends totaling approximately \$1.1 billion. Also, on January 25, 2017, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.36 per share to \$0.41 per share.

## KEY RESULTS

<i>(in millions)</i>	Year ended December 31,			% Change <sup>1</sup>	
	2016	2015	2014	'16 vs '15	'15 vs '14
Revenue	<b>\$5,661</b>	\$5,313	\$5,051	7%	5%
Operating profit <sup>2</sup>	<b>\$3,369</b>	\$1,917	\$ 113	76%	N/M
% Operating margin	<b>60%</b>	36%	2%		
Diluted earnings (loss) per share from continuing operations	<b>\$ 7.94</b>	\$ 4.21	\$ (1.08)	89%	N/M
N/M — not meaningful					

1 % changes in the tables throughout the MD&A are calculated off of the actual number, not the rounded number presented.

2 2016 includes a \$1.1 billion gain from our dispositions, a benefit related to net legal settlement insurance recoveries of \$10 million, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million, restructuring charges of \$6 million, a \$3 million disposition-related reserve release and acquisition-related costs of \$1 million. 2015 includes costs related to identified operating efficiencies primarily related to restructuring of \$56 million, net legal settlement expenses of \$54 million, acquisition-related costs of \$37 million and a gain of \$11 million on the sale of our interest in a legacy McGraw Hill Construction investment. 2014 includes \$1.6 billion of legal and regulatory settlements, restructuring charges of \$86 million and \$4 million of professional fees largely related to corporate development activities. 2016, 2015 and 2014 also includes amortization of intangibles from acquisitions of \$96 million, \$67 million and \$48 million, respectively.

### 2016

Revenue increased 7% driven by increases at all of our reportable segments. Revenue growth at Market and Commodities Intelligence was favorably impacted by the acquisition of SNL in September of 2015 and annualized contract value growth primarily driven by the S&P Capital IQ Desktop, Global Risk Services and certain data feed products. Continued demand for S&P Global Platts' proprietary content also contributed to revenue growth. These increases were partially offset by the unfavorable impact from our dispositions in 2016. Revenue growth at Ratings was driven by an increase in U.S. bank loan ratings revenue, corporate bond ratings revenue and surveillance fees. Revenue growth at Indices was due to higher average levels of assets under management for exchange traded funds ("ETFs") and mutual funds, an increase in data revenue and higher volumes for exchange-traded derivatives. The unfavorable impact of foreign exchange reduced revenue by less than 1 percentage point.

Operating profit increased 76%. Excluding the favorable impact of the gain from our dispositions of 59 percentage points, higher net legal settlement insurance recoveries in 2016 of 3 percentage points, higher restructuring charges in 2015 of 3 percentage points and higher acquisition-related costs in 2015 of 2 percentage points, partially offset by the unfavorable impact of higher disposition-related costs of 3 percentage points, higher amortization of intangibles from acquisitions of 2 percentage points and a technology-related impairment charge of 1 percentage point, operating profit increased 15%. This increase was primarily driven by revenue growth as discussed above. Decreased costs at Ratings and our legacy Capital IQ business due to reduced headcount following our 2015 restructuring actions also contributed to operating profit growth.

### 2015

Revenue increased 5% driven by increases at Market and Commodities Intelligence and Indices, partially offset by a decrease at Ratings. Revenue growth at Market and Commodities Intelligence was favorably impacted by the acquisition of SNL in September of 2015 and the acquisition of National Automobile Dealers Association's Used Car Guide ("UCG") at J.D. Power in July of 2015. The revenue increase at Market and Commodities Intelligence was also driven by increases in average contract values in the S&P Capital IQ Desktop and Global Risk Services products, continued demand for S&P Global Platts' proprietary content and an increase in auto consulting engagements in the U.S. at J.D. Power. Revenue growth at Indices was due to higher average levels of assets under management for ETFs and mutual funds and higher volumes for exchange-traded derivatives. The revenue decrease at Ratings was driven by the unfavorable impact of foreign exchange rates. The unfavorable impact of foreign exchange rates reduced revenue by 2 percentage points which was offset by the favorable impact from acquisitions of 2 percentage points.

The increase in operating profit was primarily due to the impact of \$1.6 billion in legal and regulatory settlements in 2014 compared to net legal settlement expenses of \$54 million in 2015. In addition, 2015 includes costs related to identified operating efficiencies primarily related to restructuring of \$56 million in 2015 compared to \$86 million in 2014. 2015 also includes acquisition-related costs related to the acquisition of SNL of \$37 million and an \$11 million gain on the sale of our interest in a legacy McGraw Hill Construction investment. 2014 includes \$4 million of professional fees largely related to corporate development activities. Excluding these items, operating profit

increased 13%. This increase was driven by revenue growth at Market and Commodities Intelligence and Indices and cost containment efforts at Ratings during 2015.

## OUTLOOK

We are a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. Our purpose is to provide the intelligence that is essential for companies, governments and individuals to make decisions with conviction. We seek to deliver on this purpose within the framework of our core values of integrity, excellence and relevance.

With the successful completion of our Growth and Performance Plan, we are aligning our efforts against two key strategic priorities, growth and excellence. We strive to deliver on our strategic priorities in the following four categories by:

### Financial

- Delivering strong financial performance and long-term value to our shareholders.

### Growth

- Engaging with the world around us;
- Investing to meet customer needs in high growth areas; and
- Expanding in international markets.

### Excellence

- Embracing operational excellence in all that we do; and
- Accelerating digital transformation and stimulating innovation.

### Talent

- Enhancing leadership and accountability.

There can be no assurance that we will achieve success in implementing any one or more of these strategies as a variety of factors could unfavorably impact operating results, including prolonged difficulties in the global credit markets and a change in the regulatory environment affecting our businesses. See Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

Further projections and discussion on our 2017 outlook for our segments can be found within “— Results of Operations”.

# Results of Operations

## CONSOLIDATED REVIEW

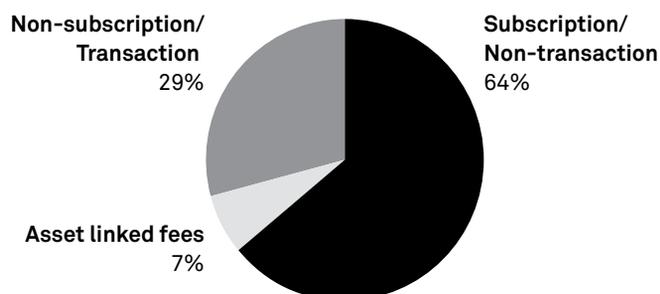
(in millions)	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
<b>Revenue</b>	<b>\$ 5,661</b>	\$5,313	\$5,051	7%	5%
<b>Expenses:</b>					
Operating-related expenses	<b>1,769</b>	1,700	1,651	4%	3%
Selling and general expenses	<b>1,443</b>	1,550	3,144	(7)%	(51)%
Depreciation and amortization	<b>181</b>	157	134	15%	17%
Total expenses	<b>3,393</b>	3,407	4,929	—%	(31)%
(Gain) loss on dispositions	<b>(1,101)</b>	(11)	9	N/M	N/M
<b>Operating profit</b>	<b>3,369</b>	1,917	113	76%	N/M
Interest expense, net	<b>181</b>	102	59	77%	73%
Provision for taxes on income	<b>960</b>	547	245	76%	N/M
<b>Income (loss) from continuing operations</b>	<b>2,228</b>	1,268	(191)	76%	N/M
<b>Discontinued operations, net</b>	<b>—</b>	—	178	N/M	N/M
Less: net income from continuing operations attributable to noncontrolling interests	<b>(122)</b>	(112)	(102)	9%	9%
<b>Net income (loss) attributable to S&amp;P Global Inc.</b>	<b>\$ 2,106</b>	\$1,156	\$ (115)	82%	N/M

N/M— not meaningful

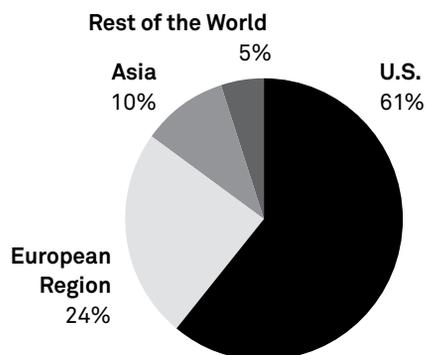
## REVENUE

<i>(in millions)</i>	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
Subscription / Non-transaction revenue	<b>\$3,623</b>	\$3,260	\$3,042	11%	7%
Asset linked fees	<b>\$ 381</b>	\$ 369	\$ 345	3%	7%
Non-subscription / Transaction revenue	<b>\$1,657</b>	\$1,684	\$1,664	(2)%	1%
% of total revenue:					
Subscription / Non-transaction revenue	<b>64%</b>	61%	60%		
Asset linked fees	<b>7%</b>	7%	7%		
Non-subscription / Transaction revenue	<b>29%</b>	32%	33%		
U.S. revenue	<b>\$3,461</b>	\$3,202	\$2,911	8%	10%
International revenue:					
European region	<b>1,330</b>	1,265	1,316	5%	(4)%
Asia	<b>575</b>	566	528	2%	7%
Rest of the world	<b>295</b>	280	296	6%	(5)%
Total international revenue	<b>\$2,200</b>	\$2,111	\$2,140	4%	(1)%
% of total revenue:					
U.S. revenue	<b>61%</b>	60%	58%		
International revenue	<b>39%</b>	40%	42%		

### 2016 Revenue by Type



### 2016 Revenue by Geographic Area



## 2016

Revenue increased 7% as compared to 2015. Subscription / non-transaction revenue increased primarily from the favorable impact of the acquisition of SNL in September of 2015, growth in average contract values for our legacy Capital IQ products driven by an expansion in new and existing accounts, continued demand for S&P Global Platts' proprietary content and an increase in surveillance fees at Ratings. Asset linked fees increased due to higher average levels of assets under management for ETFs and mutual funds. Non-subscription / transaction revenue decreased primarily due to the unfavorable impact of the sale of J.D. Power on September 7, 2016, partially offset by an increase in U.S. bank loan ratings revenue and corporate bond ratings revenue at Ratings and higher volumes for exchange traded derivatives at Indices. See "— Segment Review" below for further information.

The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point. This impact refers to constant currency comparisons estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year.

## 2015

Revenue increased 5% as compared to 2014. Subscription / non-transaction revenue increased primarily due to growth at Market and Commodities Intelligence due to an increase in the average contract values in the S&P Capital IQ Desktop and Global Risk Services products as well as continued demand for S&P Global Platts' proprietary content. Assets linked fees increased due to higher average levels of assets under management for ETFs and mutual funds. Non-subscription / transaction revenue increased primarily due to growth at Indices due to higher volumes for exchange-traded derivatives, partially offset by a decrease at Ratings which includes the unfavorable impact of foreign exchange rates. Subscription / non-transaction revenue growth was also favorably impacted by the acquisitions of SNL and UCG in September of 2015 and July of 2015, respectively. See "— Segment Review" below for further information.

The unfavorable impact of foreign exchange rates reduced revenue by 2 percentage points. This impact refers to constant currency comparisons estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year. The unfavorable impact of foreign exchange rates on revenue primarily related to Ratings and was driven by the weakening of the Euro to the U.S. dollar.

## TOTAL EXPENSES

The following tables provide an analysis by segment of our operating-related expenses and selling and general expenses for the years ended December 31, 2016 and 2015:

(in millions)	2016		2015		% Change	
	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses
Ratings <sup>1</sup>	\$ 776	\$ 463	\$ 737	\$ 571	5%	(19)%
Market and Commodities Intelligence <sup>2</sup>	946	786	925	769	2%	2%
Indices	145	75	126	70	14%	6%
Intersegment eliminations <sup>3</sup>	(98)	—	(88)	—	(10)%	N/M
Total segments	1,769	1,324	1,700	1,410	4%	(6)%
Corporate <sup>4</sup>	—	119	—	140	N/M	(15)%
	\$1,769	\$1,443	\$1,700	\$1,550	4%	(7)%

N/M — not meaningful

1 In 2016, selling and general expenses include a benefit related to net legal settlement insurance recoveries of \$10 million. In 2015, selling and general expenses include net legal settlement expenses of \$54 million. Additionally, 2016 and 2015 include restructuring charges of \$6 million and \$13 million, respectively.

2 In 2016, selling and general expenses include disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million and acquisition-related costs of \$1 million. In 2015, selling and general expenses include acquisition-related costs related to the acquisition of SNL of \$37 million and costs related to identified operating efficiencies primarily related to restructuring of \$33 million.

3 Intersegment eliminations relate to a royalty charged to Market and Commodities Intelligence for the rights to use and distribute content and data developed by Ratings.

4 In 2016, selling and general expenses include \$3 million from a disposition-related reserve release and 2015 includes costs related to identified operating efficiencies primarily related to restructuring of \$10 million.

## Operating-Related Expenses

Operating-related expenses increased \$69 million or 4% as compared to 2015. The increase at Market and Commodities Intelligence was primarily driven by the acquisition of SNL in September of 2015, partially offset by decreases from our dispositions in 2016. Increases at Ratings and Indices were due to higher compensation costs related to additional headcount and increased incentive costs.

## Selling and General Expenses

Selling and general expenses decreased 7%. Excluding the favorable impact of higher net legal settlement insurance recoveries in 2016 of 4 percentage points, higher restructuring charges in 2015 of 3 percentage points, higher acquisition-

related costs in 2015 of 2 percentage points, partially offset by the unfavorable impact of disposition-related costs of 3 percentage points and a technology-related impairment charge of 1 percentage point, selling and general expenses decreased 2%. Decreases at Ratings were driven by reduced professional fees following the completion of the Company's program for the 2015 implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and reduced legal fees following the resolution of a number of significant legal matters. This decrease was partially offset by an increase at Market and Commodities Intelligence driven by the acquisition of SNL in September of 2015, partially offset by decreases from our dispositions in 2016.

## Depreciation and Amortization

Depreciation and amortization increased \$24 million or 15% as compared to 2015 primarily due to higher intangible asset amortization in 2016 from the acquisition of SNL in September of 2015.

The following tables provide an analysis by segment of our operating-related expenses and selling and general expenses for the years ended December 31, 2015 and 2014:

(in millions)	2015		2014		% Change	
	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses
Ratings <sup>1</sup>	\$ 737	\$ 571	\$ 777	\$2,219	(5)%	(74)%
Market and Commodities Intelligence <sup>2</sup>	925	769	839	700	10%	10%
Indices <sup>3</sup>	126	70	120	77	6%	(9)%
Intersegment eliminations <sup>4</sup>	(88)	—	(86)	—	(3)%	N/M
Total segments	1,700	1,410	1,650	2,996	3%	(53)%
Corporate <sup>5</sup>	—	140	1	148	N/M	(6)%
	\$1,700	\$1,550	\$1,651	\$3,144	3%	(51)%

N/M — not meaningful

1 In 2015, selling and general expenses include net legal settlement expenses of \$54 million and restructuring charges of \$13 million, respectively. In 2014, selling and general expenses include \$1.6 billion for legal and regulatory settlements and restructuring charges of \$45 million.

2 In 2015, selling and general expenses include acquisition-related costs related to the acquisition of SNL of \$37 million and costs related to identified operating efficiencies primarily related to restructuring of \$33 million. In 2014, selling and general expenses include \$25 million of restructuring charges.

3 In 2014, selling and general expenses include the impact of professional fees largely related to corporate development activities of \$4 million.

4 Intersegment eliminations relate to a royalty charged to Market and Commodities Intelligence for the rights to use and distribute content and data developed by Ratings.

5 In 2015, selling and general expenses include costs related to identified operating efficiencies primarily related to restructuring of \$10 million and 2014 includes restructuring charges of \$16 million.

## Operating-Related Expenses

Operating-related expenses increased \$49 million or 3% as compared to 2014. Increases at Market and Commodities Intelligence were primarily driven by higher data processing costs, the acquisition of SNL in September of 2015 and higher incentive costs. These increases were partially offset by declines at Ratings driven by our compensation cost containment efforts resulting from 2014 restructuring actions.

## Selling and General Expenses

Selling and general expenses decreased 51%. Excluding the favorable net impact of legal settlement and regulatory settlement charges and insurance recoveries of 48 percentage points, higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 1 percentage point, partially offset by the unfavorable impact of acquisition-related costs related to the acquisition of SNL

of 1 percentage point, selling and general expenses decreased 3%. The decline was due to a decrease at Ratings driven by lower incentive and legal costs, partially offset by increased costs related to the 2015 implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and an increase at Market and Commodities Intelligence driven by the acquisition of SNL in September of 2015.

### Depreciation and Amortization

Depreciation and amortization increased \$23 million or 17% as compared to 2014, primarily due to higher intangible asset amortization in 2015 due to the acquisition of SNL in September of 2015 and the acquisition of UCG in July of 2015.

### (GAIN) LOSS ON DISPOSITIONS

During 2016, we completed the following transactions that resulted in a pre-tax gain of \$1.1 billion in (gain) loss on dispositions in the consolidated statement of income:

- In October of 2016, we completed the sale of Equity and Fund Research (“Equity Research”), a business within our Market and Commodities Intelligence segment to CFRA, a leading independent provider of forensic accounting research, analytics and advisory services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$9 million in (gain) loss on dispositions in the consolidated statement of income related to the sale of Equity Research.
- In October of 2016, we completed the sale of SPSE and CMA for \$425 million in cash to Intercontinental Exchange, an operator of global exchanges, clearing houses and data services. We recorded a pre-tax gain of \$364 million in (gain) loss on dispositions in the consolidated statement of income related to the sale of SPSE and CMA.
- In September of 2016, we completed the sale of J.D. Power for \$1.1 billion to XIO Group, a global alternative investments firm headquartered in London. We recorded a pre-tax gain of \$728 million in (gain) loss on dispositions in the consolidated statement of income related to the sale of J.D. Power.

During 2015, we completed the sale of our interest in a legacy McGraw Hill Construction investment that resulted in a pre-tax gain of \$11 million in (gain) loss on dispositions in the consolidated statement of income.

During 2014, we completed the following transactions that resulted in a pre-tax loss of \$9 million in (gain) loss on dispositions in the consolidated statement of income:

- On July 31, 2014, we completed the sale of the Company’s aircraft to Harold W. McGraw III, then Chairman of the Company’s Board of Directors and former President and CEO of the

Company (“Mr. McGraw”) for a purchase price of \$20 million, which was modestly higher than the independent appraisal obtained. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million in (gain) loss on dispositions in our consolidated statement of income as a result of the pending sale. See Note 14 — *Related Party Transactions* to our consolidated financial statements for further discussion.

- On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC (“QTS”) which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded in (gain) loss on dispositions in our consolidated statement of income, which is in addition to the non-cash impairment charge we recorded in the fourth quarter of 2013.

### OPERATING PROFIT

We consider operating profit to be an important measure for evaluating our operating performance and we evaluate operating profit for each of the reportable business segments in which we operate.

We internally manage our operations by reference to “segment operating profit” with economic resources allocated primarily based on segment operating profit. Segment operating profit is defined as operating profit before unallocated expense. Segment operating profit is one of the key metrics we use to evaluate operating performance. Segment operating profit is not, however, a measure of financial performance under U.S. GAAP, and may not be defined and calculated by other companies in the same manner.

Effective beginning with the fourth quarter of 2016, we realigned certain of our reportable segments to be consistent with changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Beginning in the fourth quarter of 2016, S&P Global Market Intelligence and S&P Global Platts are included in a new reportable segment named Market and Commodities Intelligence. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

The table below reconciles segment operating profit to total operating profit:

(in millions)	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
Ratings <sup>1</sup>	\$1,262	\$1,078	\$(583)	17%	N/M
Market and Commodities Intelligence <sup>2</sup>	1,822	585	518	N/M	13%
Indices <sup>3</sup>	412	392	347	5%	13%
Total segment operating profit	3,496	2,055	282	70%	N/M
Unallocated expense <sup>4</sup>	(127)	(138)	(169)	(8)%	(18)%
Total operating profit	\$3,369	\$1,917	\$ 113	76%	N/M

N/M — not meaningful

1 2016 includes a benefit related to net legal settlement insurance recoveries of \$10 million and restructuring charges of \$6 million. 2015 includes net legal settlement expenses of \$54 million and restructuring charges of \$13 million. 2014 includes \$1.6 billion of legal and regulatory settlements and restructuring charges of \$45 million. 2016, 2015 and 2014 also includes amortization of intangibles from acquisitions of \$5 million, \$5 million and \$6 million, respectively.

2 2016 includes a \$1.1 billion gain from our dispositions, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million and an acquisition-related cost of \$1 million. 2015 includes acquisition-related costs related to the acquisition of SNL of \$37 million and costs identified operating efficiencies primarily related to restructuring of \$33 million. 2014 includes \$25 million of restructuring charges. 2016, 2015 and 2014 includes amortization of intangibles from acquisitions of \$85 million, \$57 million and \$37 million, respectively.

3 2014 includes the impact of professional fees largely related to corporate development activities of \$4 million. 2016, 2015 and 2014 includes amortization of intangibles from acquisitions of \$6 million, \$5 million and \$5 million, respectively.

4 2016 includes \$3 million from a disposition-related reserve release. 2015 includes a gain of \$11 million related to the sale of our interest in a legacy McGraw Hill Construction investment and costs related to identified operating efficiencies primarily related to restructuring of \$10 million. 2014 includes restructuring charges of \$16 million.

## 2016

**SEGMENT OPERATING PROFIT** — Increased \$1.4 billion, or 70% as compared to 2015. Excluding the favorable impact of the gain from our dispositions of 55 percentage points, higher net legal settlement insurance recoveries in 2016 of 3 percentage points, higher acquisition-related costs in 2015 of 2 percentage points, higher restructuring charges in 2015 of 2 percentage points, partially offset by the unfavorable impact of a technology-related impairment charge of 1 percentage point, higher amortization of intangibles from acquisitions of 2 percentage points and higher disposition-related costs of 2 percentage points, segment operating profit increased 13%. Revenue growth at Market and Commodities Intelligence, Ratings and Indices were the primary drivers for the increase. Decreased costs at Ratings and our legacy Capital IQ business due to reduced headcount following our 2015 restructuring actions also contributed to segment operating profit growth. See “— Segment Review” below for further information.

*Unallocated Expense* — Decreased by \$11 million or 8% as compared to 2015. These expenses, included in selling and general expenses, mainly include costs for corporate center functions, select initiatives and unoccupied office space. Excluding the unfavorable impact of a gain on the sale of our interest in a legacy McGraw Hill Construction investment in 2015 of 8 percentage points, partially offset by the favorable impact of a disposition-related reserve release of 2 percentage points and higher restructuring charges in 2015 of 7 percentage points,

unallocated expense decreased 7% due to higher 2016 pension income as well as a reduction in professional service fees.

Foreign exchange rates had a favorable impact on operating profit of 2 percentage points. The foreign exchange rate impact refers to constant currency comparisons and the remeasurement of monetary assets and liabilities. Constant currency impacts are estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year. Remeasurement impacts are based on the variance between current-year and prior-year foreign exchange rate fluctuations on monetary assets and liabilities denominated in currencies other than the individual business' functional currency.

## 2015

**SEGMENT OPERATING PROFIT** — Increased \$1.8 billion, or 629% as compared to 2014. 2015 includes net legal settlement charges of \$54 million compared to legal and regulatory settlement charges of \$1.6 billion in 2014. Excluding the favorable impact of lower net legal and regulatory settlement charges of 621 percentage points, higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 9 percentage points and the impact of professional fees largely related to corporate development activities recorded in 2014 of 2 percentage points, partially offset by the unfavorable impact of acquisition-related costs related to the acquisition of SNL of 15 percentage points, segment operating profit increased 11%. Revenue growth at Market and Commodities

Intelligence and Indices, and cost containment efforts at Ratings during 2015 were the primary drivers for the increase. See “— Segment Review” below for further information.

**UNALLOCATED EXPENSE** — Decreased by \$31 million or 18% as compared to 2014. These expenses, included in selling and general expenses, mainly include costs for corporate center functions, select initiatives and unoccupied office space. Excluding the favorable impact of the sale of our interest in a legacy McGraw Hill Construction investment of 6 percentage points and higher costs recorded in 2014 related to identified operating efficiencies primarily related to restructuring of 4 percentage points, unallocated expense decreased by 9 percentage points as compared to 2014. This decrease was primarily driven by the impact of a \$9 million loss recorded in the second quarter of 2014 related to the sale of the Company’s aircraft and the sale of our data center.

Foreign currency exchange rates had a negligible impact on operating profit. The foreign exchange rate impact refers to constant currency comparisons and the remeasurement of monetary assets and liabilities. Constant currency impacts are estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year. Remeasurement impacts are based on the variance between current-year and prior-year foreign exchange rate fluctuations on monetary assets and liabilities denominated in currencies other than the individual business’ functional currency.

## **INTEREST EXPENSE, NET**

Net interest expense for 2016 increased \$79 million or 77% as compared to 2015, primarily as a result of the \$700 million of senior notes issued in the second quarter of 2015, the \$2.0 billion of senior notes issued in the third quarter of 2015 and the \$500 million of senior notes issued in the third quarter of 2016. Additionally, net interest expense in 2016 includes a redemption fee on the early payment of our 5.9% senior notes due in 2017. These increases were partially offset by the favorable impact of lower interest rates on the \$500 million of senior notes issued in the third quarter of 2016.

Net interest expense for 2015 increased 73% compared to 2014 as a result of the \$700 million of senior notes issued in the second quarter of 2015 and the \$2.0 billion of senior notes issued in the third quarter of 2015.

## **PROVISION FOR INCOME TAXES**

Our effective tax rate from continuing operations was 30.1% for 2016 and 2015, and 453.7% for 2014. The decrease in the 2015 effective tax rate was primarily due to the reduction in charges for legal settlements, improved profitability in several lower tax jurisdictions outside of the United States, and continuing resolution of prior year tax audits.

## **DISCONTINUED OPERATIONS, NET**

Income from discontinued operations was \$178 million in 2014, primarily as a result of the after-tax gain of \$160 million recorded on the sale of McGraw Hill Construction in 2014.

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## **Segment Review**

### **RATINGS**

Ratings is an independent provider of credit ratings, research and analytics to investors, issuers and other market participants. Credit ratings are one of several tools investors can use when making decisions about purchasing bonds and other fixed income investments. They are opinions about credit risk and our ratings express our opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time. Our credit ratings can also relate to the credit quality of an individual debt issue, such as a corporate or municipal bond, and the relative likelihood that the issue may default.

Ratings differentiates its revenue between transaction and non-transaction. Transaction revenue primarily includes fees associated with:

- ratings related to new issuance of corporate and government debt instruments, and structured finance debt instruments;
- bank loan ratings; and
- corporate credit estimates, which are intended, based on an abbreviated analysis, to provide an indication of our opinion regarding creditworthiness of a company which does not currently have a Ratings credit rating.

Non-transaction revenue primarily includes fees for surveillance of a credit rating, annual fees for customer relationship-based pricing programs, fees for entity credit

ratings and global research and analytics. Non-transaction revenue also includes an intersegment royalty charged to Market and Commodities Intelligence for the rights to use and

distribute content and data developed by Ratings. Royalty revenue for 2016, 2015 and 2014 was \$92 million, \$83 million and \$77 million, respectively.

<i>(in millions)</i>	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
Revenue	<b>\$2,535</b>	\$2,428	\$2,455	4%	(1)%
Non-transaction	<b>\$1,357</b>	\$1,321	\$1,326	3%	— %
Transaction	<b>\$1,178</b>	\$1,107	\$1,129	6%	(2)%
% of total revenue:					
Non-transaction	<b>54%</b>	54%	54%		
Transaction	<b>46%</b>	46%	46%		
U.S. revenue	<b>\$1,462</b>	\$1,390	\$1,305	5%	7%
International revenue	<b>\$1,073</b>	\$1,038	\$1,150	3%	(10)%
% of total revenue:					
U.S. revenue	<b>58%</b>	57%	53%		
International revenue	<b>42%</b>	43%	47%		
Operating profit (loss) <sup>1</sup>	<b>\$1,262</b>	\$1,078	\$ (583)	17%	N/M
% Operating margin	<b>50%</b>	44%	(24)%		

N/M — not meaningful

<sup>1</sup> 2016 includes a benefit related to net legal settlement insurance recoveries of \$10 million and restructuring charges of \$6 million. 2015 includes net legal settlement expenses of \$54 million and restructuring charges of \$13 million. 2014 includes \$1.6 billion of legal and regulatory settlements and restructuring charges of \$45 million. 2016, 2015 and 2014 also includes amortization of intangibles from acquisitions of \$5 million, \$5 million and \$6 million, respectively.

## 2016

Revenue increased 4%, which includes the unfavorable impact of foreign exchange rates that reduced revenue by 1 percentage point. Transaction revenue increased due to growth in U.S. bank loan ratings revenue and an increase in corporate bond ratings revenue largely driven by refinancing activity from the low interest rate environment, partially offset by a decrease in structured finance revenue. Revenue growth benefited from increased contract realization. Non-transaction revenue grew primarily due to an increase in surveillance fees, partially offset by a decline in Ratings Evaluation Service (“RES”) activity.

Operating profit increased 17%. Excluding the favorable impact of higher net legal settlement insurance recoveries in 2016 of 6 percentage points and lower restructuring charges in 2016 of 1 percentage point, operating profit increased 10%. The increase is due to both revenue growth and expense reduction. Reduced expenses were primarily driven by reduced professional fees following the completion of the Company’s program for the 2015 implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and reduced legal fees following the resolution of a number of significant legal matters. These decreases were partially offset by higher compensation costs related to increased incentive costs and additional headcount. Foreign exchange rates had a favorable impact on operating profit of 1 percentage point.

## 2015

Revenue decreased 1%, which includes the unfavorable impact of foreign exchange rates that reduced revenue by 4 percentage points. Excluding the unfavorable impact of foreign exchange rates, transaction revenue increased primarily due to an increase in U.S. Public Finance issuance, partially offset by a decline in structured finance revenue driven by reduced global market issuance. Excluding the unfavorable impact of foreign exchange rates, non-transaction revenue also increased due to growth in surveillance revenues and additional RES activity, partially offset by lower revenue associated with new client relationships.

Operating profit increased 285%. Excluding the favorable net impact of legal and regulatory settlement charges and insurance recoveries of 273 percentage points and net higher restructuring costs recorded in 2014 of 6 percentage points, operating profit increased 7%. Foreign currency exchange rates had an unfavorable impact of 1 percentage point on the operating profit growth of 7%. This increase was driven by decreased compensation costs primarily driven by lower incentive costs and cost containment resulting from 2014 restructuring actions and reduced legal fees following the resolution of a number of significant legal matters, partially offset by increased costs related to the 2015 implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the decrease in revenue discussed above.

## Market Issuance Volumes

We monitor market issuance volumes as an indicator of trends in transaction revenue streams within Ratings. Market issuance volumes noted within the discussion that follows are based on the domicile of the issuer. Issuance volumes can be reported in two ways: by “domicile”, which is based on where an issuer is located or where the assets associated with an issue are located, or based on “marketplace”, which is where the bonds are sold. The following tables depict changes in market issuance levels as compared to the prior year, based on a composite of Thomson Financial, Harrison Scott Publications, Dealogic and Rating’s internal estimates.

Corporate Bond Issuance	2016 Compared to 2015		
	U.S.	Europe	Global
High-Yield Issuance	(14)%	(21)%	(12)%
Investment Grade	(5)%	8%	11%
Total New Issue Dollars — Corporate Issuance	(6)%	4%	8%

- Decreases in high-yield issuance in the year-to-date period reflect weakness in the first half of the year due to market volatility and political and economic uncertainty in the European markets. High-yield issuance in the U.S. and Europe was up for the second half of the year as a result of more favorable market conditions primarily due to tightening credit spreads. Although the number of investment-grade issuances in the U.S. was up, issuance dollars declined due to fewer high par value issuance deals.

Structured Finance	2016 Compared to 2015		
	U.S.	Europe	Global
Asset-Backed Securities (“ABS”)	1%	14%	7%
Structured Credit	(4)%	36%	2%
Commercial Mortgage-Backed Securities (“CMBS”)	(29)%	(26)%	(30)%
Residential Mortgage-Backed Securities (“RMBS”)	(29)%	37%	9%
Covered Bonds	*	(25)%	(20)%
Total New Issue Dollars — Structured Finance	(10)%	(7)%	(5)%

\*Represents no activity in 2016 and 2015.

- ABS issuance was up in the U.S. and Europe driven by an increase in credit card transactions, consumer loans and small business loans.
- Issuance was down in the U.S. Structured Credit markets driven by lower availability of leveraged loans. Issuance was up in the European Structured Credit markets driven by new collateralized loan obligations (“CLO”) engagements.
- CMBS issuance in the U.S. and Europe was down reflecting lower market volume due to overall market conditions.

- RMBS volume in the U.S. was down driven by minimal activity in the private label securities market. The increase in European RMBS volume was driven by several large issuances in 2016.
- Covered bond (debt securities backed by mortgages or other high-quality assets that remain on the issuer’s balance sheet) issuance in Europe was down due to the impact of central bank lending policies.

## Industry Highlights and Outlook

Revenue increased in 2016 primarily due to an increase in U.S. bank loan ratings and corporate bond ratings revenue driven by refinancing activity from the low interest rate environment. These increases were partially offset by a decrease in structured finance revenue. High-yield corporate issuance volumes increased in the second half of the year as a result of more favorable market conditions primarily due to tightening credit spreads. Weakness in high-yield corporate issuance volumes in the first half of the year was due to market volatility and political and economic uncertainty largely in the European markets.

## Legal and Regulatory Environment

### General

Ratings and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries, and therefore existing and proposed laws and regulations can impact the Company’s operations and the markets in which it operates. Additional laws and regulations have been adopted but not yet implemented or have been proposed or are being considered. In addition, in certain countries, governments may provide financial or other support to locally-based rating agencies. For example, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. We have reviewed the new laws, regulations and rules which have been adopted and we have implemented, or are planning to implement, changes as required. We do not believe that such new laws, regulations or rules will have a material adverse effect on our financial condition or results of operations. Other laws, regulations and rules relating to credit rating agencies are being considered by local, national, foreign and multinational bodies and are likely to continue to be considered in the future, including provisions seeking to reduce regulatory and investor reliance on credit ratings, rotation of credit rating agencies and liability standards applicable to credit rating agencies. The impact on us of the adoption of any such laws, regulations or rules remains uncertain, but could increase the costs and legal risks relating

to Ratings' rating activities, or adversely affect our ability to compete, or result in changes in the demand for credit ratings.

In the normal course of business both in the U.S. and abroad, Ratings (or the legal entities comprising Ratings) are defendants in numerous legal proceedings and are often the subject of government and regulatory proceedings, investigations and inquiries. Many of these proceedings, investigations and inquiries relate to the ratings activity of Ratings and are or have been brought by purchasers of rated securities. In addition, various government and self-regulatory agencies frequently make inquiries and conduct investigations into Ratings' compliance with applicable laws and regulations. Any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions, which could adversely impact our consolidated financial condition, cash flows, business or competitive position.

## U.S.

The businesses conducted by our Ratings segment are, in certain cases, regulated under the Credit Rating Agency Reform Act of 2006 (the "Reform Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"), the Securities Exchange Act of 1934 (the "Exchange Act") and/or the laws of the states or other jurisdictions in which they conduct business. The financial services industry is subject to the potential for increased regulation in the U.S.

S&P Global Ratings is a credit rating agency that is registered with the SEC as a Nationally Recognized Statistical Rating Organization ("NRSRO"). The SEC first began informally designating NRSROs in 1975 for use of their credit ratings in the determination of capital charges for registered brokers and dealers under the SEC's Net Capital Rule. The Reform Act created a new SEC registration system for rating agencies that choose to register as NRSROs. Under the Reform Act, the SEC is given authority and oversight of NRSROs and can censure NRSROs, revoke their registration or limit or suspend their registration in certain cases. The rules implemented by the SEC pursuant to the Reform Act, the Dodd Frank Act and the Exchange Act address, among other things, prevention or misuse of material non-public information, conflicts of interest, documentation and assessment of internal controls, and improving transparency of ratings performance and methodologies. The public portions of the current version of S&P Global Ratings' Form NRSRO are available on S&P Global Ratings' website.

## European Union

In the European Union, the credit rating industry is registered and supervised through a pan-European regulatory framework which is a compilation of three sets of legislative actions. In 2009, the European Parliament passed a regulation ("CRA1") that established an oversight regime for the credit rating industry in the European Union, which became effective in 2010. CRA1 requires the registration, formal regulation and periodic inspection of credit rating agencies operating in the European Union. Ratings was granted registration in October of 2011. In January of 2011, the European Union established the European Securities and Markets Authority ("ESMA"), which, among other things, has direct supervisory responsibility for the registered credit rating industry throughout the European Union.

Additional rules augmenting the supervisory framework for credit rating agencies went into effect in 2013. Commonly referred to as CRA3, these rules, among other things:

- impose various additional procedural requirements with respect to ratings of sovereign issuers;
- require member states to adopt laws imposing liability on credit rating agencies for an intentional or grossly negligent failure to abide by the applicable regulations;
- impose mandatory rotation requirements on credit rating agencies hired by issuers of securities for ratings of re-securitizations, which may limit the number of years a credit rating agency can issue ratings for such securities of a particular issuer;
- impose restrictions on credit rating agencies or their shareholders if certain ownership thresholds are crossed; and
- impose additional procedural and substantive requirements on the pricing of services.

The financial services industry is subject to the potential for increased regulation in the European Union.

## Other Jurisdictions

Outside of the U.S. and the European Union, regulators and government officials have also been implementing formal oversight of credit rating agencies. Ratings is subject to regulations in most of the foreign jurisdictions in which it operates and continues to work closely with regulators globally to promote the global consistency of regulatory requirements. Regulators in additional countries may introduce new regulations in the future.

For a further discussion of competitive and other risks inherent in our Ratings business, see Item 1a, Risk Factors, in our Annual Report on Form 10-K. For a further discussion of the legal and regulatory environment in our Ratings business, see Note 13 — Commitments and Contingencies to the consolidated financial statements under Item 8, Consolidated Financial Statements and Supplementary Data, in our Annual Report on Form 10-K.

## MARKET AND COMMODITIES INTELLIGENCE

Market and Commodities Intelligence's portfolio of capabilities are designed to help the financial community track performance, generate better investment returns, identify new trading and investment ideas, perform risk analysis, develop mitigation strategies and provide high-value information to the commodity and energy markets that enable its customers to make better informed trading and business decisions.

Effective beginning with the fourth quarter of 2016, we realigned certain of our reportable segments to be consistent with changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Beginning in the fourth quarter of 2016, S&P Global Market Intelligence and S&P Global Platts are included in a new reportable segment named Market and Commodities Intelligence. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

In November of 2016, we entered into a put option agreement that gave the Company the right, but not the obligation, to put the entire share capital of Quant House SAS ("QuantHouse"), included in our Market and Commodities Intelligence segment, to QH Holdco, an independent third party. As a result, we classified the assets and liabilities of QuantHouse, net of our costs to sell, as held for sale in our consolidated balance sheet as of December 31, 2016 resulting in an aggregate loss of \$31 million. On January 4, 2017, we exercised the put option, thereby entering into a definitive agreement to sell QuantHouse to QH Holdco. On January 9, 2017, we completed the sale of QuantHouse to QH Holdco.

In October of 2016, we completed the sale of Equity Research, a business within our Market and Commodities Intelligence segment to CFRA, a leading independent provider of forensic accounting research, analytics and advisory services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$9 million (\$5 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of Equity Research.

In October of 2016, we completed the sale of SPSE and CMA for \$425 million in cash to Intercontinental Exchange, an operator of global exchanges, clearing houses and data services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$364 million (\$297 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of SPSE and CMA.

In September of 2016, we completed the sale of J.D. Power for \$1.1 billion to XIO Group, a global alternative investments firm headquartered in London. In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power and initiated an active program to sell the business. The assets and liabilities of J.D. Power were classified as held for sale in our consolidated balance sheet as of December 31, 2015. During the year ended December 31, 2016, we recorded a pre-tax gain of \$728 million (\$516 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of J.D. Power. Following the sale, the assets and liabilities of J.D. Power are no longer reported in our consolidated balance sheet as of December 31, 2016.

On November 3, 2014, we completed the sale of McGraw Hill Construction to Symphony Technology Group for \$320 million in cash. Accordingly, the results of operations for the year ended December 31, 2014 and all prior periods presented were reclassified to reflect the business as a discontinued operation. See Note 2 — *Acquisitions and Divestitures* for further discussion.

Market and Commodities Intelligence includes the following business lines:

- Financial Data & Analytics — a product suite that provides data, analytics and third-party research for global finance professionals, which includes the S&P Capital IQ Desktop, SNL, Leveraged Commentary & Data, Investment Advisory and integrated bulk data feeds that can be customized, which include CUSIP and Compustat;
- Risk Services — commercial arm that sells Ratings' credit ratings and related data, analytics and research, which includes subscription-based offerings, RatingsDirect® and RatingsXpress®; and
- S&P Global Platts — the leading independent provider of information and benchmark prices for the commodity and energy markets. S&P Global Platts provides essential price data, analytics, and industry insight that enable the commodity and energy markets to perform with greater transparency and efficiency. Additionally, S&P Global Platts generates revenue from licensing of our proprietary market price data and price assessments to commodity exchanges.

As of September 7, 2016, we completed the sale of J.D. Power and the results are included in Market and Commodities Intelligence results through that date.

(in millions)	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
Revenue	<b>\$2,585</b>	\$2,376	\$2,130	9%	12%
Subscription revenue	<b>\$2,231</b>	\$1,911	\$1,694	17%	13%
Non-subscription revenue	<b>\$ 354</b>	\$ 465	\$ 436	(24)%	7%
% of total revenue:					
Subscription revenue	<b>86%</b>	80%	80%		
Non-subscription revenue	<b>14%</b>	20%	20%		
U.S. revenue	<b>\$1,523</b>	\$1,368	\$1,210	11%	13%
International revenue	<b>\$1,062</b>	\$1,008	\$ 920	6%	10%
% of total revenue:					
U.S. revenue	<b>59%</b>	58%	57%		
International revenue	<b>41%</b>	42%	43%		
Operating profit <sup>1</sup>	<b>\$1,822</b>	\$ 585	\$ 518	212%	13%
% Operating margin	<b>70%</b>	25%	24%		

N/M — not meaningful

1 2016 includes a \$1.1 billion gain from our dispositions, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million and an acquisition-related cost of \$1 million. 2015 includes acquisition-related costs related to the acquisition of SNL of \$37 million and costs identified operating efficiencies primarily related to restructuring of \$33 million. 2014 includes \$25 million of restructuring charges. 2016, 2015 and 2014 includes amortization of intangibles from acquisitions of \$85 million, \$57 million and \$37 million, respectively.

## 2016

Revenue increased 9% and was favorably impacted by 1 percentage point of growth from the net impact of acquisitions and dispositions discussed below. Revenue growth was also driven by increases in annualized contract values in the S&P Capital IQ Desktop, RatingsXpress® and RatingsDirect® from new and existing customers. The number of users on the S&P Capital IQ Desktop and the number of customers at RatingsXpress® continued to grow in 2016. Increases in annualized contract value for certain of our data feed products also contributed to revenue growth. Additionally, strength in S&P Global Platts' proprietary content due to continued demand for S&P Global Platts' market data and price assessment products across all commodity sectors, led by petroleum, and continued licensing of our proprietary market price data and price assessments to various commodity exchanges contributed to revenue growth. The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point. Both domestic and international revenue increased, with international revenue representing 41% of Market and Commodities Intelligence's total revenue. Revenue was favorably impacted by the acquisitions of SNL, PIRA Energy Group ("PIRA"), RigData and Petromedia Ltd, partially offset by the unfavorable impact of the dispositions of J.D. Power, SPSE and CMA and Equity Research. See Note 2—*Acquisitions and Divestitures* for further discussion.

Operating profit increased 212%. Excluding the favorable impact from the gain on dispositions of 194 percentage points, the favorable impact of higher acquisition-related costs in 2015 of 6 percentage points and higher restructuring charges in 2015 of 6 percentage points, partially offset by the unfavorable impact of higher disposition-related costs of 9 percentage points, higher amortization of intangibles from acquisitions of 5 percentage points and a technology-related impairment charge of 4 percentage points, operating profit increased 24%. This increase is due to revenue growth and the favorable impact of foreign exchange rates of 5 percentage points, partially offset by higher compensation costs and increased technology costs primarily as a result of the acquisition of SNL in September of 2015.

## 2015

Revenue increased 12% and was favorably impacted by 5 percentage points of growth from the impact of acquisitions discussed below. Revenue growth was also driven by increases in annualized contract values in the S&P Capital IQ Desktop, RatingsXpress® and RatingsDirect® from new and existing customers. The number of users on the S&P Capital IQ Desktop and the number of customers at RatingsXpress® continued to grow in 2015. Additionally, strength in S&P Global Platts' proprietary content due to continued demand for S&P Global Platts' market data and price assessment products across all commodity sectors, led by petroleum product offerings, and continued licensing of our proprietary market price data and price assessments to various commodity exchanges contributed to revenue

growth. The unfavorable impact of foreign exchange rates reduced revenue by less than 1 percentage point. Revenue was favorably impacted by the acquisitions of SNL, National Automobile Dealers Association's Used Car Guide ("UCG"), Petromedia in July of 2015 and Eclipse Energy Group AS and its operating subsidiaries ("Eclipse"). See Note 2 — *Acquisitions and Divestitures* for further discussion.

Operating profit increased 13%. Excluding the unfavorable impact of acquisition-related costs related to the acquisition of SNL of 6 percentage points, higher amortization of intangibles from acquisitions of 3 percentage points and higher costs recorded in 2015 related to identified operating efficiencies primarily related to restructuring of 1 percentage point, operating profit increased 23%. This increase is due to revenue growth and the favorable impact of foreign exchange rates of 5 percentage points, partially offset by higher technology costs and increased compensation costs driven by additional headcount related to the acquisitions of SNL and UCG.

### **Industry Highlights and Outlook**

In 2016, Market and Commodities Intelligence benefited from organic revenue growth and continued revenue and costs synergies resulting from progress on the integration of SNL. In 2016, the segment completed the sale of J.D. Power, and SPSE and CMA, resulting in a portfolio focused on scalable, industry leading, interrelated businesses in the capital and commodity markets. Additionally, in 2016, the segment completed the acquisitions of PIRA and RigData to enhance Market and Commodities Intelligence's energy analytical capabilities.

In 2017, Market and Commodities Intelligence will seek to develop new products and deliver enhancements to existing content and analytical capabilities. The segment also expects to further expand its presence in selected markets and geographies to accelerate international growth. Market and Commodities Intelligence will continue to focus on integrating and leveraging recent acquisitions to expand its analytical offerings.

### **Legal and Regulatory Environment**

#### **Market Intelligence**

The financial services industry is subject to the potential for increased regulation in the U.S. and abroad. Market Intelligence operates investment advisory businesses that are regulated in the U.S. under the U.S. Investment Advisers Act of 1940 (the "Investment Advisers Act") and/or the laws of the states or other jurisdictions in which they conduct business.

Market Intelligence operates a business that is authorized and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA"). As such, this business is authorized to arrange and advise on investments, and is also entitled to exercise a passport right to provide specified cross border services into other European Economic Area ("EEA") States, and is to the conditions under the E.U. Markets in Financial Instruments Directive ("MiFID").

On October 4, 2016, S&P Global completed the sale of Standard & Poor's Securities Evaluations, Inc. (one of Market Intelligence's investment advisory businesses) to Intercontinental Exchange. On October 3, 2016 Market Intelligence completed the sale of substantially all of its Equity Research business by transferring the assets of the business to Accounting Research & Analytics, LLC ("CFRA"). On September 7, 2016 Market Intelligence entered into a stock purchase agreement with CFRA to sell and transfer its entire ownership in Standard & Poor's Malaysia Sdn. Bhd (S&P Malaysia) and its research business. Until the completion of this transaction, Market Intelligence will continue to operate the Equity Research business conducted by S&P Malaysia.

The markets for research and investment advisory services are very competitive. Market Intelligence competes domestically and internationally on the basis of a number of factors, including the quality of its research and advisory services, client service, reputation, price, geographic scope, range of products and services, and technological innovation. For a further discussion of competitive and other risks inherent in our Market Intelligence business, see Item 1a, Risk Factors, in our Annual Report on Form 10-K.

#### **S&P Global Platts**

S&P Global Platts' commodities price assessment and information business is subject to increasing regulatory scrutiny in the U.S. and abroad. As discussed below under the heading "Indices-Legal and Regulatory Environment", the financial benchmarks industry is subject to the new pending benchmark regulation in the European Union (the "E.U. Benchmark Regulation") as well as potential increased regulation in other jurisdictions. As a result of these measures, as well as measures that could be taken in other jurisdictions outside of Europe, S&P Global Platts will be required in due course to obtain registration or authorization in connection with its benchmark and price assessment activities in Europe and potentially elsewhere.

Also as discussed above under the heading "Indices-Legal and Regulatory Environment", the European Union has recently finalized a package of legislative measures known as MiFID II,

which may also impact S&P Global Platts' business. Although the MiFID II package is "framework" legislation, it is possible that the introduction of these laws and rules could affect S&P Global Platts' ability both to administer and license its price assessments.

In October of 2012, IOSCO issued its PRA Principles which set out principles, which are intended to enhance the reliability of oil price assessments referenced in derivative contracts subject to regulation by IOSCO members. S&P Global Platts has taken steps to align its operations with the PRA Principles and as recommended by IOSCO in its final report on the PRA Principles, has aligned to the PRA Principles for other commodities for which it publishes benchmarks.

The markets for commodities price assessments and information are very competitive. S&P Global Platts competes domestically and internationally on the basis of a number of factors, including the quality of its assessments and other information it provides to the commodities and related markets, client service, reputation, price, range of products and services (including geographic coverage) and technological innovation. Furthermore, sustained downward pressure on oil and other commodities prices and trading activity in those markets could have a material adverse impact on the rate of growth of S&P Global Platts' revenue. For a further discussion of competitive and other risks inherent in our Platts business, see Item 1a, Risk Factors, in our Annual Report on Form 10-K.

## INDICES

Indices is a global index provider that maintains a wide variety of indices to meet an array of investor needs. Indices' mission is to provide transparent benchmarks to help with decision making, collaborate with the financial community to create innovative products and provide investors with tools to monitor world markets.

Indices primarily derives revenue from asset linked fees based on the S&P and Dow Jones indices and to a lesser extent generates subscription revenue and transaction revenue. Specifically, Indices generates revenue from the following sources:

- Investment vehicles — asset linked fees such as ETFs and mutual funds, that are based on the S&P Dow Jones Indices' benchmarks and generate revenue through fees based on assets and underlying funds;
- Exchange traded derivatives — generate royalties based on trading volumes of derivatives contracts listed on various exchanges;
- Index-related licensing fees — fixed or variable annual and per-issue fees for over-the-counter derivatives and retail-structured products; and
- Data and customized index subscription fees — fees from supporting index fund management, portfolio analytics and research.

<i>(in millions)</i>	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
<i>Revenue</i>	<b>\$639</b>	\$597	\$552	7%	8%
Asset linked fees	<b>\$381</b>	\$369	\$345	3%	7%
Subscription revenue	<b>\$133</b>	\$116	\$108	14%	8%
Transaction revenue	<b>\$125</b>	\$112	\$ 99	11%	13%
% of total revenue:					
Asset linked fees	<b>60%</b>	62%	62%		
Subscription revenue	<b>21%</b>	19%	20%		
Transaction revenue	<b>19%</b>	19%	18%		
U.S. revenue	<b>\$525</b>	\$488	\$440	8%	11%
International revenue	<b>\$114</b>	\$109	\$112	5%	(2)%
% of total revenue:					
U.S. revenue	<b>82%</b>	82%	80%		
International revenue	<b>18%</b>	18%	20%		
Operating profit <sup>1</sup>	<b>\$412</b>	\$392	\$347	5%	13%
Less: net income attributable to noncontrolling interests	<b>\$109</b>	\$101	\$ 92	8%	10%
Net operating profit	<b>\$303</b>	\$291	\$255	4%	14%
% Operating margin	<b>64%</b>	66%	63%		
% Net operating margin	<b>47%</b>	49%	46%		

<sup>1</sup> 2014 includes \$4 million of professional fees largely related to corporate development activities. 2016, 2015 and 2014 includes amortization of intangibles from acquisitions of \$6 million, \$5 million and \$5 million, respectively.

## 2016

Revenue at Indices increased 7%, primarily driven by higher average levels of assets under management (“AUM”) for ETFs and mutual funds, an increase in data revenue and higher volumes for exchange-traded derivatives. Revenue growth was favorably impacted by less than one percentage point from the acquisition of Trucost plc (“Trucost”) in October of 2016. See Note 2 — *Acquisitions and Divestitures* for further discussion. Ending AUM for ETFs increased 25% to \$1.023 trillion and average AUM for ETFs increased 8% to \$869 billion compared to 2015. Higher average levels of AUM for ETFs contributed to revenue growth primarily driven by the flow of investment funds to the U.S. equity markets in the second half of the year. Foreign exchange rates had a favorable impact on revenue of less than 1 percentage point.

Operating profit grew 5%. Revenue growth was partially offset by higher compensation costs primarily driven by additional headcount related to the acquisition of Trucost plc, increased incentive costs and increased operating costs to support revenue growth and business initiatives at Indices. Foreign exchange rates had a favorable impact on operating profit of less than 1 percentage point.

## 2015

Revenue at Indices increased 8%, primarily driven by higher average levels of AUM for ETFs and mutual funds. Volumes for exchange-traded derivatives continued to increase for certain products which also contributed to revenue growth. Additionally, the year-over-year revenue increase was slightly unfavorably impacted by the refinement of our process for estimating revenue for certain products that favorably impacted 2014 which caused a one-time revenue increase in the prior-year period. Ending AUM for ETFs decreased 2% to \$815 billion in 2015 from \$832 billion in 2014, primarily due to the flow of investment funds to the developed international equity markets and the impact of lower equity prices. The unfavorable impact of foreign exchange rates reduced revenue by 1 percentage point.

Operating profit grew 13%. Excluding the favorable impact of professional fees largely related to corporate development activities recorded in 2014 of 1 percentage point, operating profit increased 12%. This increase was primarily due to revenue growth as expenses remained relatively flat as a result of cost containment measures.

## Industry Highlights and Outlook

Indices continues to be the leading index provider for the ETF market space. In 2016, higher average levels of AUM for ETFs contributed to revenue growth. Additionally, data revenue and higher volumes for exchange-traded derivatives contributed to the increase in revenue.

In October of 2016, the segment completed the acquisition of Trucost to build on its current portfolio of Environmental, Social and Governance solutions.

Indices will continue to seek to expand index offerings through asset class expansion, new geographies, and investment strategies by remaining focused on:

- organic growth initiatives focused on building out its index and service offering;
- acquisitions to expand into adjacent markets;
- strategic acquisitions/partnerships to accelerate strategic areas of growth; and
- expanding relationships with global exchanges to expand geographic reach and gain access to regional data sets.

## Legal and Regulatory Environment

The financial benchmarks industry is subject to the new pending benchmark regulation in the European Union (the “E.U. Benchmark Regulation”) as well as potential increased regulation in other jurisdictions.

The E.U. Benchmark Regulation was published June 30, 2016 and included provisions applicable to Indices and Platts, which will become effective January 1, 2018. The E.U. Benchmark Regulation requires Indices and Platts in due course to obtain registration or authorization in connection with their respective benchmark activities in Europe. This legislation will likely cause additional operating obligations but they are not expected to be material at this time, although the exact impact remains unclear.

In addition, the European Union has recently finalized a package of legislative measures known as MiFID II, which revise and update the existing E.U. Markets in Financial Instruments Directive framework. MiFID II applies in full in all E.U. Member States as of January 3, 2017. MiFID II includes provisions that, among other things: (i) impose new conditions and requirements on the licensing of benchmarks and provide for non-discriminatory access to exchanges and clearing houses; (ii) modify the categorization and treatment of certain classes of derivatives; (iii) expand the categories of trading venue that are subject to regulation; and (iv) provide for the mandatory trading of certain derivatives on exchanges (complementing the mandatory derivative clearing requirements in the E.U. Market Infrastructure Regulation of 2011). Although the MiFID II package is “framework” legislation (meaning that much of the detail of the rules will be set out in subordinate measures to be agreed upon in the period before 2017), it is possible that the introduction of these laws and rules could affect Indices’ ability both to administer and license its indices.

In July of 2013, the International Organization of Securities Commissions (“IOSCO”) issued Financial Benchmark Principles, intended to promote the reliability of benchmark determinations, and address governance, benchmark quality and accountability mechanisms, including with regard to the indices published by Indices. Even though the Financial Benchmark Principles are not binding law, Indices has taken steps to align its governance regime and operations with the Financial Benchmark Principles and engaged an independent auditor to perform a reasonable assurance review of such alignment.

The markets for index providers are very competitive. Indices competes domestically and internationally on the basis of a number of factors, including the quality of its benchmark indices, client service, reputation, price, range of products and services (including geographic coverage) and technological innovation. For a further discussion of competitive and other risks inherent in our Indices business, see Item 1a, Risk Factors, in our Annual Report on Form 10-K.

## Liquidity and Capital Resources

We continue to maintain a strong financial position. Our primary source of funds for operations is cash from our businesses and our core businesses have been strong cash generators. In 2017, cash on hand, cash flows from operations and availability under our existing credit facility are expected to be sufficient to meet any additional operating and recurring cash needs into the foreseeable future. We use our cash for a variety of needs, including but not limited to: ongoing investments in our businesses, strategic acquisitions, share repurchases, dividends, repayment of debt, capital expenditures and investment in our infrastructure.

### CASH FLOW OVERVIEW

Cash and cash equivalents were \$2.4 billion as of December 31, 2016, an increase of \$0.9 billion as compared to December 31, 2015, and consisted of approximately 30% of domestic cash and 70% of cash held abroad. Typically, cash held outside the U.S. is anticipated to be utilized to fund international operations or to be reinvested outside of the U.S., as a significant portion of our opportunities for growth in the coming years is expected to be abroad. In the event funds from international operations are needed to fund operations in the U.S., we would be required to accrue for and pay taxes in the U.S. to repatriate these funds.

<i>(in millions)</i>	Year ended December 31,		
	2016	2015	2014
Net cash provided by (used for):			
Operating activities from continuing operations	<b>\$ 1,464</b>	\$ 195	\$ 1,209
Investing activities from continuing operations	<b>1,205</b>	(2,525)	(65)
Financing activities from continuing operations	<b>(1,600)</b>	1,510	(462)

In 2016, free cash flow increased to \$1.2 billion compared to \$(48.0) million in 2015. The increase is primarily due to the increase in cash provided from operating activities as discussed below. Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and dividends and other payments paid to noncontrolling interests. Capital expenditures include purchases of property and equipment and additions to technology projects. See “Reconciliation of Non-GAAP Financial Information” below for a reconciliation of cash flow provided by operating activities, the most directly comparable U.S. GAAP financial measure, to free cash flow and free cash flow excluding certain items.

## Operating activities

Cash provided by operating activities increased \$1.3 billion to \$1.5 billion in 2016 compared to \$195 million in 2015. The increase is mainly due to the payment of legal and regulatory settlements in 2015 of \$1.6 billion, partially offset by higher income tax payments in 2016.

Cash provided by operating activities decreased \$1.0 billion to \$195 million in 2015 compared to \$1.2 billion in 2014. The decrease is mainly due to the payment of legal and regulatory settlements in 2015 of \$1.6 billion.

## Investing activities

Our cash outflows from investing activities are primarily for acquisitions and capital expenditures, while cash inflows are primarily proceeds from dispositions.

Cash provided by investing activities increased to \$1.2 billion for 2016 as compared to cash used for investing activities of \$2.5 billion in 2015. The increase is primarily due to proceeds from the sale of J.D. Power of \$1.1 billion in 2016 compared to cash used for the acquisition of SNL of \$2.2 billion in 2015.

Cash used for investing activities increased to \$2.5 billion for 2015 from \$65 million in 2014, primarily due to the acquisition of SNL in 2015.

Refer to Note 2 — *Acquisitions and Divestitures* to our consolidated financial statements for further information.

## Financing activities

Our cash outflows from financing activities consist primarily of share repurchases, dividends and repayment of debt, while cash inflows are primarily inflows from long-term and short-term debt borrowings and proceeds from the exercise of stock options.

Cash used for financing activities was \$1.6 billion in 2016 compared to cash provided by financing activities of \$1.5 billion in 2015. The decrease is primarily attributable to higher proceeds received from the issuance of senior notes in 2015.

Cash provided by financing activities was \$1.5 billion in 2015 compared to cash used for financing activities of \$462 million in 2014, driven by proceeds from the issuance of senior notes in 2015, partially offset by an increase in cash used for the repurchase of treasury shares.

During 2016, we used cash to repurchase 10 million shares for \$1,123 million. In December of 2015, we repurchased 0.3 million shares for approximately \$26 million, which settled in January of 2016. Using a portion of the proceeds received from the sale

of J.D. Power, we entered into an accelerated share repurchase (“ASR”) agreement with a financial institution on September 7, 2016 to initiate share repurchases aggregating \$750 million. We repurchased a total of 6.1 million shares under the ASR agreement for an average purchase price of \$122.18 per share. See Note 9 — *Equity* for further discussion.

During 2015, we used cash to repurchase 9.8 million shares for \$974 million. An additional 0.3 million shares were repurchased in the fourth quarter of 2015 for approximately \$26 million, which settled in January of 2016.

During 2014, we used cash to repurchase 4.6 million shares for \$362 million. Included in the repurchase were 0.5 million shares of the Company’s common stock from the personal holdings of Harold W. McGraw III, then Chairman of the Company’s Board of Directors and former President and CEO of the Company (“Mr. McGraw”). The shares were purchased at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price pursuant to a private transaction with Mr. McGraw. We repurchased these shares with cash for \$41 million. This transaction was approved by the Nominating and Corporate Governance Committee of the Company’s Board of Directors after consultation with members of the Financial Policy Committee.

On December 4, 2013, the Board of Directors approved a share repurchase program authorizing the purchase of up to 50 million shares, which was approximately 18% of the total shares of our outstanding common stock at that time. Our current repurchase program has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions. As of December 31, 2016, 25.8 million shares remained available under our current repurchase program.

## Discontinued Operations

Cash flows from discontinued operations reflects the classification of McGraw Hill Construction as a discontinued operation. Cash used for operating activities from discontinued operations decreased to \$129 million in 2015 compared to cash provided by operating activities from discontinued operations of \$18 million in 2014 due to the tax payment on the gain on sale of McGraw Hill Construction in 2015. Cash provided by investing activities from discontinued operations of \$320 million in 2014 relates to proceeds received from the sale of McGraw Hill Construction.

## ADDITIONAL FINANCING

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our revolving \$1.2 billion five-year credit agreement (our “credit facility”) that we entered into on June 30, 2015. This credit facility will terminate on June 30, 2020. There were no commercial paper borrowings outstanding as of December 31, 2016. Commercial paper borrowings outstanding as of December 31, 2015 totaled \$143 million with an average interest rate and term of 0.95% and 17 days, respectively.

Depending on our indebtedness to cash flow ratio, we pay a commitment fee of 10 to 20 basis points for our credit facility, whether or not amounts have been borrowed. We currently pay a commitment fee of 15 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offered Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For certain borrowings under this credit facility, there is also a spread based on our indebtedness to cash flow ratio added to the applicable rate.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio,

as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

## DIVIDENDS

On January 25, 2017, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.36 per share to \$0.41 per share.

## CONTRACTUAL OBLIGATIONS

We typically have various contractual obligations, which are recorded as liabilities in our consolidated balance sheets, while other items, such as certain purchase commitments and other executory contracts, are not recognized, but are disclosed herein. For example, we are contractually committed to contracts for information-technology outsourcing, certain enterprise-wide information-technology software licensing and maintenance and make certain minimum lease payments for the use of property under operating lease agreements.

We believe that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under our credit facility will be adequate for us to execute our business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for 2017.

The following table summarizes our significant contractual obligations and commercial commitments as of December 31, 2016, over the next several years that relate to our continuing operations. Additional details regarding these obligations are provided in the notes to our consolidated financial statements, as referenced in the footnotes to the table:

<i>(in millions)</i>	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years	Total
Debt: <sup>1</sup>					
Principal payments	\$ —	\$398	\$ 696	\$2,470	\$3,564
Interest payments	165	269	232	766	1,432
Operating leases <sup>2</sup>	116	210	136	540	1,002
Purchase obligations and other <sup>3</sup>	107	84	31	79	301
<b>Total contractual cash obligations</b>	<b>\$388</b>	<b>\$961</b>	<b>\$1,095</b>	<b>\$3,855</b>	<b>\$6,299</b>

1 Our debt obligations are described in Note 5 — *Debt* to our consolidated financial statements.

2 Amounts shown include taxes and escalation payments, see Note 13 — *Commitments and Contingencies* to our consolidated financial statements for further discussion on our operating lease obligations.

3 Other consists primarily of commitments for unconditional purchase obligations in contracts for information-technology outsourcing and certain enterprise-wide information-technology software licensing and maintenance.

As of December 31, 2016, we had \$161 million of liabilities for unrecognized tax benefits. We have excluded the liabilities for unrecognized tax benefits from our contractual obligations table because reasonable estimates of the timing of cash settlements with the respective taxing authorities are not practicable.

As of December 31, 2016, we have recorded \$1,080 million for our redeemable noncontrolling interest in our S&P Dow Jones Indices LLC partnership discussed in Note 9 — *Equity* to our consolidated financial statements. Specifically, this amount relates to the put option under the terms of the operating agreement of S&P Dow Jones Indices LLC, whereby, after December 31, 2017, CME Group and CME Group Index Services LLC (“CGIS”) will have the right at any time to sell, and we are obligated to buy, at least 20% of their share in S&P Dow Jones Indices LLC. We have excluded this amount from our contractual obligations table because we are uncertain as to the timing and the ultimate amount of the potential payment we may be required to make.

We make contributions to our pension and postretirement plans in order to satisfy minimum funding requirements as well as additional contributions that we consider appropriate to improve the funded status of our plans. During 2016, we contributed \$8 million and \$6 million to our domestic and international retirement and postretirement plans, respectively. Expected employer contributions in 2017 are \$8 million for each of our domestic and international retirement and postretirement plans. In 2017, we may elect to make additional non-required contributions depending on investment performance and the pension plan status. See Note 7 — *Employee Benefits* to our consolidated financial statements for further discussion.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2016 and 2015, we did not have any relationships with unconsolidated entities, such as entities often referred to as specific purpose or variable interest entities where we are the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such we are not exposed to any financial liquidity, market or credit risk that could arise if we had engaged in such relationships.

## **Reconciliation of Non-GAAP Financial Information**

Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and dividends and other payments paid to noncontrolling interests. Capital expenditures include purchases of property and equipment and additions to technology projects. Our cash flow provided by operating activities is the most directly comparable U.S. GAAP financial measure to free cash flow. Additionally, we have considered certain items in evaluating free cash flow, which are included in the table below.

We believe the presentation of free cash flow and free cash flow excluding certain items allows our investors to evaluate the cash generated from our underlying operations in a manner similar to the method used by management. We use free cash flow to conduct and evaluate our business because we believe it typically presents a more conservative measure of cash flows since capital expenditures and dividends and other payments paid to noncontrolling interests are considered a necessary component of ongoing operations. Free cash flow is useful for management and investors because it allows management and investors to evaluate the cash available to us to service debt, make strategic acquisitions and investments, repurchase stock and fund ongoing operation and working capital needs.

The presentation of free cash flow and free cash flow excluding certain items are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. Free cash flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. The following table presents a reconciliation of our cash flow provided by operating activities to free cash flow excluding the impact of the items below:

<i>(in millions)</i>	Year ended December 31,			% Change	
	2016	2015	2014	'16 vs '15	'15 vs '14
Cash provided by operating activities	<b>\$1,464</b>	\$ 195	\$1,209	N/M	(84)%
Capital expenditures	<b>(115)</b>	(139)	(92)		
Dividends and other payments paid to noncontrolling interests	<b>(116)</b>	(104)	(84)		
Free cash flow	<b>\$1,233</b>	\$ (48)	\$1,033	N/M	N/M
Tax on gain from sale of J.D. Power	<b>200</b>	—	—		
Payment of legal and regulatory settlements	<b>150</b>	1,624	35		
Legal settlement insurance recoveries	<b>(77)</b>	(101)	—		
Tax benefit from legal settlements	<b>(24)</b>	(250)	—		
Free cash flow excluding above items	<b>\$1,482</b>	\$1,225	\$1,068	21%	15%

## Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Unless otherwise indicated, all discussion and analysis of our financial condition and results of operations relate to our continuing operations.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of long-lived assets, goodwill and other intangible assets, pension plans, incentive compensation and stock-based compensation, income taxes, contingencies and redeemable noncontrolling interests. We base our estimates on historical experience, current developments and on various other assumptions that we believe to be reasonable under these circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

Management considers an accounting estimate to be critical if it required assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates could have a material effect on our results of operations. Management has discussed the development and

selection of our critical accounting estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosure relating to them in this MD&A.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements:

### REVENUE RECOGNITION

Revenue is recognized as it is earned when services are rendered. We consider amounts to be earned once evidence of an arrangement has been obtained, services are performed, fees are fixed or determinable and collectability is reasonably assured. Revenue relating to products that provide for more than one deliverable is recognized based upon the relative fair value to the customer of each deliverable as each deliverable is provided. Revenue relating to agreements that provide for more than one service is recognized based upon the relative fair value to the customer of each service component as each component is earned. If the fair value to the customer for each service is not objectively determinable, we make our best estimate of the services' standalone selling price and recognize revenue as earned as the services are delivered. The allocation of consideration received from multiple element arrangements that involve initial assignment of ratings and the future surveillance of ratings is determined through an analysis that considers cash consideration that would be received for instances when the service components are sold separately. In such cases, we defer portions of rating fees that we estimate will be attributed

to future surveillance and recognize the deferred revenue ratably over the estimated surveillance periods. Advertising revenue is recognized when the page is run. Subscription income is recognized over the related subscription period.

For the years ended December 31, 2016, 2015 and 2014, no significant changes have been made to the underlying assumptions related to estimates of revenue or the methodologies applied. We are currently evaluating the impact that the adoption of the new accounting standard of recognition of revenue will have on our consolidated financial statements. See Note 1 — *Accounting Policies* to our consolidated financial statements for further information. At this point, we believe the new standard will have an impact on: 1) the accounting for certain long-term deferred revenue in our Ratings segment which may contain a financing component, 2) the timing of revenue recognized in our Market and Commodities Intelligence segment for long term contracts with price escalations, and 3) the accounting for fees for historical data in our Market and Commodities Intelligence segment currently recognized over the term of a subscription. We do not expect these changes to have a significant impact on our consolidated financial statements.

#### **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts reserve methodology is based on historical analysis, a review of outstanding balances and current conditions. In determining these reserves, we consider, amongst other factors, the financial condition and risk profile of our customers, areas of specific or concentrated risk as well as applicable industry trends or market indicators. The impact on operating profit for a one percentage point change in the allowance for doubtful accounts is approximately \$12 million.

For the years ended December 31, 2016, 2015 and 2014, there were no material changes in our assumptions regarding the determination of the allowance for doubtful accounts. Based on our current outlook these assumptions are not expected to significantly change in 2017.

#### **ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS (INCLUDING OTHER INTANGIBLE ASSETS)**

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to current forecasts of undiscounted future net cash flows expected to be generated

by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long-lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is determined based on market evidence, discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets.

For the year ended December 31, 2016, we recorded a non-cash impairment charge of \$24 million related to a technology project at our Market and Commodities segment in selling and general expenses in our consolidated statement of income.

On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million in (gain) loss on dispositions in our consolidated statement of income as a result of the pending sale. See Note 14 — *Related Party Transactions* to our consolidated financial statements for further information.

On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC ("QTS") which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded in (gain) loss on dispositions in our consolidated statement of income, which is in addition to the non-cash impairment charge of \$36 million we recorded in the fourth quarter of 2013 to adjust the value of the facilities and associated infrastructure classified as held for sale to their fair value.

#### **GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS**

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. As of December 31, 2016 and 2015, the carrying value of goodwill and other indefinite-lived intangible assets was \$3.7 billion and \$3.6 billion, respectively. Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually during the fourth quarter each year or

more frequently if events or changes in circumstances indicate that the asset might be impaired.

### **Goodwill**

As part of our annual impairment test of our four reporting units, we initially perform a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount. Reporting units are generally an operating segment or one level below an operating segment. Our qualitative assessment included, but was not limited to, consideration of macroeconomic conditions, industry and market conditions, cost factors, cash flows, changes in key Company personnel and our share price. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the fair value of any of our reporting units is less than its respective carrying amount we perform a two-step quantitative impairment test. For 2016, based on our qualitative assessments, we determined that it is more likely than not that our reporting units' fair value was greater than their respective carrying amounts.

If the fair value of the reporting unit is less than the carrying value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

### **Indefinite-Lived Intangible Assets**

We evaluate the recoverability of indefinite-lived intangible assets by first performing a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the indefinite-lived asset is impaired. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the indefinite-lived asset is impaired, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the indefinite-lived asset is impaired, a quantitative impairment test is performed.

If necessary, the impairment test is performed by comparing the estimated fair value of the intangible asset to its carrying value. If the indefinite-lived intangible asset carrying value exceeds its fair value, an impairment analysis is performed using the income approach. The fair value of loss is recognized in an amount equal to that excess. Significant judgments inherent in these analyses include estimating the amount and timing of future cash flows and the selection of appropriate discount rates, royalty rates and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for this indefinite-lived intangible asset and could result in an impairment charge, which could be material to our financial position and results of operations.

We performed our impairment assessment of goodwill and indefinite-lived intangible assets and concluded that no impairment existed for the years ended December 31, 2016, 2015, and 2014.

## **RETIREMENT PLANS AND POSTRETIREMENT HEALTHCARE AND OTHER BENEFITS**

Our employee pension and other postretirement benefit costs and obligations are dependent on assumptions concerning the outcome of future events and circumstances, including compensation increases, long-term return on pension plan assets, healthcare cost trends, discount rates and other factors. In determining such assumptions, we consult with outside actuaries and other advisors where deemed appropriate. In accordance with relevant accounting standards, if actual results differ from our assumptions, such differences are deferred and amortized over the estimated remaining lifetime of the plan participants. While we believe that the assumptions used in these calculations are reasonable, differences in actual experience or changes in assumptions could affect the expense and liabilities related to our pension and other postretirement benefits.

The following is a discussion of some significant assumptions that we make in determining costs and obligations for pension and other postretirement benefits:

- Discount rate assumptions are based on current yields on high-grade corporate long-term bonds.
- Healthcare cost trend assumptions are based on historical market data, the near-term outlook and an assessment of likely long-term trends.
- The expected return on assets assumption is calculated based on the plan's asset allocation strategy and projected market returns over the long-term.

Our discount rate and return on asset assumptions used to determine the net periodic pension and postretirement benefit cost on our U.S. retirement plans are as follows:

January 1	Retirement Plans			Postretirement Plans		
	2017	2016	2015	2017	2016	2015
Discount rate <sup>1</sup>	4.14%	4.47%	4.15%	3.69%	3.90%	3.60%
Return on assets	6.25%	6.25%	6.25%			
Weighted-average healthcare cost rate				7.00%	7.00%	7.00%

<sup>1</sup> At the end of 2015, we changed our approach used to measure service and interest costs on all of our retirement plans. See Note 7 — *Employee Benefits* to our consolidated financial statements for further information.

## STOCK-BASED COMPENSATION

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which typically is the vesting period. Stock-based compensation is classified as both operating-related expense and selling and general expense in our consolidated statements of income.

We use a lattice-based option-pricing model to estimate the fair value of options granted. The following assumptions were used in valuing the options granted:

	Year Ended December 31,	
	2015	2014
Risk-free average interest rate	0.2–1.9%	0.1–2.9%
Dividend yield	1.4%	1.4–1.8%
Volatility	21–39%	18–41%
Expected life (years)	6.3	6.21–6.25
Weighted-average grant-date fair value per option	\$27.57	\$23.41

Because lattice-based option-pricing models incorporate ranges of assumptions, those ranges are disclosed. These assumptions are based on multiple factors, including historical exercise patterns, post-vesting termination rates, expected future exercise patterns and the expected volatility of our stock price. The risk-free interest rate is the imputed forward rate based on the U.S. Treasury yield at the date of grant. We use the historical volatility of our stock price over the expected term of the options to estimate the expected volatility. The expected term of options granted is derived from the output of the lattice model and represents the period of time that options granted are expected to be outstanding.

During 2015, we stopped granting stock options as part of our employees' total stock-based incentive awards. There were no stock options granted in 2016 and a minimal amount of stock options granted in 2015.

## INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize liabilities for uncertain tax positions taken or expected to be taken in income tax returns. Accrued interest and penalties related to unrecognized tax benefits are recognized in interest expense and operating expense, respectively.

Judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and unrecognized tax benefits. In determining the need for a valuation allowance, the historical and projected financial performance of the operation that is recording a net deferred tax asset is considered along with any other pertinent information.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on our assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. It is possible that examinations will be settled prior to December 31, 2017. If any of these tax audit settlements do occur within that period we would make any necessary adjustments to the accrual for unrecognized tax benefits. Until formal resolutions are reached between us and the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable. On the basis of present information, it is our opinion that any assessments resulting from the current audits will not have a material effect on our consolidated financial statements.

We have determined that the undistributed earnings of our foreign subsidiaries are permanently reinvested within those foreign operations. Accordingly, we have not provided deferred income taxes on these indefinitely reinvested earnings. A future distribution by the foreign subsidiaries of these earnings could result in additional tax liability, which may be material to our future reported results, financial position and cash flows.

For the years ended December 31, 2016, 2015 and 2014, we made no material changes in our assumptions regarding the determination of the provision for income taxes. However, certain events could occur that would materially affect our estimates and assumptions regarding deferred taxes. Changes in current tax laws and applicable enacted tax rates could affect the valuation of deferred tax assets and liabilities, thereby impacting our income tax provision.

## CONTINGENCIES

We are subject to a number of lawsuits and claims that arise in the ordinary course of business. We recognize a liability for such contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can reasonably be estimated. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on an analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Because many of these matters are resolved over long periods of time, our estimate of liabilities may change due to new developments, changes in assumptions or changes in our strategy related to the matter. When we accrue for loss contingencies and the reasonable estimate of the loss is within a range, we record its best estimate within the range. We disclose an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may have been incurred.

## REDEEMABLE NONCONTROLLING INTEREST

The fair value component of the redeemable noncontrolling interest in Indices business is based on a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features.

## RECENT ACCOUNTING STANDARDS

See Note 1 — *Accounting Policies* to our consolidated financial statements for a detailed description of recent accounting standards. We do not expect these recent accounting standards to have a material impact on our results of operations, financial condition, or liquidity in future periods.

## Forward-Looking Statements

Our Annual Report on Form 10-K contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events, trends, contingencies or results, appear at various places in this report and use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “future,” “intend,” “plan,” “potential,” “predict,” “project,” “strategy,” “target” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, management may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in the Company’s business strategies and methods of generating revenue; the development and performance of the Company’s services and products; the expected impact of acquisitions and dispositions; the Company’s effective tax rates; and the Company’s cost structure, dividend policy, cash flows or liquidity.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- worldwide economic, political and regulatory conditions, including conditions that may result from legislative, regulatory and policy changes associated with the current U.S. administration or the United Kingdom’s likely exit from the European Union;

- the rapidly evolving regulatory environment, in the United States and abroad, affecting Ratings, Market and Commodities Intelligence and Indices, including new and amended regulations and the Company's compliance therewith;
- the Company's ability to maintain adequate physical, technical and administrative safeguards to protect the security of confidential information and data, and the potential for unauthorized access to our systems or a system or network disruption that results in improper disclosure of confidential information or data, regulatory penalties and remedial costs;
- our ability to make acquisitions and dispositions and successfully integrate the businesses we acquire;
- the outcome of litigation, government and regulatory proceedings, investigations and inquiries;
- the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances;
- the demand and market for credit ratings in and across the sectors and geographies where the Company operates;
- concerns in the marketplace affecting the Company's credibility or otherwise affecting market perceptions of the integrity or utility of independent credit ratings;
- the effect of competitive products and pricing, including the level of success of new product developments and global expansion;
- consolidation in the Company's end-customer markets;
- the impact of customer cost-cutting pressures, including in the financial services industry and commodities markets;
- a decline in the demand for credit risk management tools by financial institutions;
- the level of merger and acquisition activity in the United States and abroad;
- the volatility of the energy marketplace and the health of the commodities markets;
- our ability to attract, incentivize and retain key employees;
- the Company's ability to successfully recover should it experience a disaster or other business continuity problem from a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event;
- changes in applicable tax or accounting requirements, including potential tax reform under the current U.S. administration;
- the level of the Company's future cash flows and capital investments;
- the impact on the Company's revenue and net income caused by fluctuations in foreign currency exchange rates; and
- the Company's exposure to potential criminal sanctions or civil penalties if it fails to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which it operates, including sanctions laws relating to countries such as Iran, Russia, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, and local laws prohibiting corrupt payments to government officials, as well as import and export restrictions.

The factors noted above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, the Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made, except as required by applicable law. Further information about the Company's businesses, including information about factors that could materially affect its results of operations and financial condition, is contained in the Company's filings with the SEC, including Item 1a, *Risk Factors*, in our Annual Report on Form 10-K.

# Consolidated Statements of Income

	Year Ended December 31,		
<i>(in millions, except per share data)</i>	2016	2015	2014
<b>Revenue</b>	<b>\$ 5,661</b>	\$5,313	\$5,051
<b>Expenses:</b>			
Operating-related expenses	1,769	1,700	1,651
Selling and general expenses	1,443	1,550	3,144
Depreciation	85	90	86
Amortization of intangibles	96	67	48
Total expenses	3,393	3,407	4,929
(Gain) loss on dispositions	(1,101)	(11)	9
<b>Operating profit</b>	<b>3,369</b>	1,917	113
Interest expense, net	181	102	59
<b>Income from continuing operations before taxes on income</b>	<b>3,188</b>	1,815	54
Provision for taxes on income	960	547	245
<b>Income (loss) from continuing operations</b>	<b>2,228</b>	1,268	(191)
<b>Discontinued operations, net of tax:</b>			
Income from discontinued operations	—	—	18
Gain on sale of discontinued operations	—	—	160
Discontinued operations, net	—	—	178
<b>Net income (loss)</b>	<b>2,228</b>	1,268	(13)
Less: net income from continuing operations attributable to noncontrolling interests	(122)	(112)	(102)
<b>Net income (loss) attributable to S&amp;P Global Inc.</b>	<b>\$ 2,106</b>	\$1,156	\$ (115)
<b>Amounts attributable to S&amp;P Global Inc. common shareholders:</b>			
Income (loss) from continuing operations	\$ 2,106	\$1,156	\$ (293)
Income from discontinued operations	—	—	178
Net income (loss)	\$ 2,106	\$1,156	\$ (115)
<b>Earnings (loss) per share attributable to S&amp;P Global Inc. common shareholders:</b>			
Income (loss) from continuing operations:			
Basic	\$ 8.02	\$ 4.26	\$ (1.08)
Diluted	\$ 7.94	\$ 4.21	\$ (1.08)
Income from discontinued operations:			
Basic	\$ —	\$ —	\$ 0.66
Diluted	\$ —	\$ —	\$ 0.66
Net income (loss):			
Basic	\$ 8.02	\$ 4.26	\$ (0.42)
Diluted	\$ 7.94	\$ 4.21	\$ (0.42)
Weighted-average number of common shares outstanding:			
Basic	262.8	271.6	271.5
Diluted	265.2	274.6	271.5
Actual shares outstanding at year end	258.3	265.2	272.0
Dividend declared per common share	\$ 1.44	\$ 1.32	\$ 1.20

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Comprehensive Income

<i>(in millions)</i>	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	<b>\$2,228</b>	\$1,268	\$ (13)
Other comprehensive income (loss):			
Foreign currency translation adjustment	<b>(132)</b>	(111)	(108)
Income tax effect	<b>(7)</b>	1	2
	<b>(139)</b>	(110)	(106)
Pension and other postretirement benefit plans	<b>(27)</b>	34	(357)
Income tax effect	<b>(10)</b>	(9)	142
	<b>(37)</b>	25	(215)
Unrealized gain (loss) on forward exchange contracts	<b>4</b>	(1)	4
Income tax effect	<b>(1)</b>	—	(1)
	<b>3</b>	(1)	3
Comprehensive income (loss)	<b>2,055</b>	1,182	(331)
Less: comprehensive income attributable to nonredeemable noncontrolling interests	<b>(13)</b>	(11)	(10)
Less: comprehensive income attributable to redeemable noncontrolling interests	<b>(109)</b>	(101)	(92)
Comprehensive income (loss) attributable to S&P Global Inc.	<b>\$1,933</b>	\$1,070	\$(433)

See accompanying notes to the consolidated financial statements.

# Consolidated Balance Sheets

	December 31,	
<i>(in millions)</i>	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 2,392</b>	\$ 1,481
Short-term investments	<b>8</b>	6
Accounts receivable, net of allowance for doubtful accounts: 2016 — \$28; 2015 — \$37	<b>1,122</b>	991
Deferred income taxes	<b>—</b>	109
Prepaid and other current assets	<b>142</b>	206
Assets of a business held for sale	<b>7</b>	503
Total current assets	<b>3,671</b>	3,296
Property and equipment:		
Buildings and leasehold improvements	<b>356</b>	352
Equipment and furniture	<b>452</b>	503
Total property and equipment	<b>808</b>	855
Less: accumulated depreciation	<b>(537)</b>	(585)
Property and equipment, net	<b>271</b>	270
Goodwill	<b>2,949</b>	2,882
Other intangible assets, net	<b>1,506</b>	1,522
Other non-current assets	<b>272</b>	213
Total assets	<b>\$ 8,669</b>	\$ 8,183
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	<b>\$ 183</b>	\$ 206
Accrued compensation and contributions to retirement plans	<b>409</b>	383
Short-term debt	<b>—</b>	143
Income taxes currently payable	<b>95</b>	56
Unearned revenue	<b>1,509</b>	1,421
Accrued legal and regulatory settlements	<b>56</b>	121
Other current liabilities	<b>314</b>	372
Liabilities of a business held for sale	<b>45</b>	206
Total current liabilities	<b>2,611</b>	2,908
Long-term debt	<b>3,564</b>	3,468
Pension and other postretirement benefits	<b>274</b>	276
Other non-current liabilities	<b>439</b>	368
Total liabilities	<b>6,888</b>	7,020
Redeemable noncontrolling interest	<b>1,080</b>	920
Commitments and contingencies (Note 13)		
Equity:		
Common stock, \$1 par value: authorized — 600 million shares; issued — 412 million shares in 2016 and 2015	<b>412</b>	412
Additional paid-in capital	<b>502</b>	475
Retained income	<b>9,210</b>	7,636
Accumulated other comprehensive loss	<b>(773)</b>	(600)
Less: common stock in treasury — at cost: 2016 — 153 million shares; 2015 — 146 million shares	<b>(8,701)</b>	(7,729)
Total equity — controlling interests	<b>650</b>	194
Total equity — noncontrolling interests	<b>51</b>	49
Total equity	<b>701</b>	243
Total liabilities and equity	<b>\$ 8,669</b>	\$ 8,183

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

(in millions)	Year Ended December 31,		
	2016	2015	2014
<b>Operating Activities:</b>			
Net income (loss)	\$ 2,228	\$ 1,268	\$ (13)
Less: income from discontinued operations	—	—	178
Net income (loss) from continuing operations	2,228	1,268	(191)
Adjustments to reconcile income (loss) from continuing operations to cash provided by operating activities from continuing operations:			
Depreciation	85	90	86
Amortization of intangibles	96	67	48
Provision for losses on accounts receivable	9	8	11
Deferred income taxes	79	280	(245)
Stock-based compensation	76	78	100
(Gain) loss on dispositions	(1,101)	(11)	9
Accrued legal and regulatory settlements	54	119	1,587
Other	30	57	71
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable	(177)	(118)	(9)
Prepaid and other current assets	(2)	(4)	(7)
Accounts payable and accrued expenses	(26)	(92)	(130)
Unearned revenue	107	129	78
Accrued legal and regulatory settlements	(150)	(1,624)	(35)
Other current liabilities	(21)	(78)	(16)
Net change in prepaid / accrued income taxes	132	61	(93)
Net change in other assets and liabilities	45	(35)	(55)
Cash provided by operating activities from continuing operations	1,464	195	1,209
<b>Investing Activities:</b>			
Capital expenditures	(115)	(139)	(92)
Acquisitions, net of cash acquired	(177)	(2,396)	(71)
Proceeds from dispositions	1,498	14	83
Changes in short-term investments	(1)	(4)	15
Cash provided by (used for) investing activities from continuing operations	1,205	(2,525)	(65)
<b>Financing Activities:</b>			
(Payments on) / additions to short-term debt, net	(143)	143	—
Proceeds from issuance of senior notes, net	493	2,674	—
Payments on senior notes	(421)	—	—
Dividends paid to shareholders	(380)	(363)	(326)
Dividends and other payments paid to noncontrolling interests	(116)	(104)	(84)
Repurchase of treasury shares	(1,123)	(974)	(362)
Exercise of stock options	88	86	193
Contingent consideration payments	(39)	(5)	(11)
Purchase of additional CRISIL shares	—	(16)	—
Excess tax benefits from share-based payments	41	69	128
Cash (used for) provided by financing activities from continuing operations	(1,600)	1,510	(462)
Effect of exchange rate changes on cash from continuing operations	(158)	(67)	(65)
Cash provided by (used for) continuing operations	911	(887)	617
<b>Discontinued Operations:</b>			
Cash (used for) provided by operating activities	—	(129)	18
Cash provided by investing activities	—	—	320
Cash (used for) provided by discontinued operations	—	(129)	338
<b>Net change in cash and cash equivalents</b>	<b>911</b>	<b>(1,016)</b>	<b>955</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,481</b>	<b>2,497</b>	<b>1,542</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,392</b>	<b>\$ 1,481</b>	<b>\$ 2,497</b>
<b>Cash paid during the year for:</b>			
Interest (including discontinued operations)	\$ 150	\$ 65	\$ 50
Income taxes (including discontinued operations)	\$ 683	\$ 260	\$ 419

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Equity

<i>(in millions)</i>	Common Stock \$1 par	Additional Paid-in Capital	Retained Income	Accumulated Other Comprehensive Loss	Less: Treasury Stock	Total SPGI Equity	Noncontrolling Interests	Total Equity
<b>Balance as of December 31, 2013</b>	\$ 412	\$447	\$7,384	\$(196)	\$6,746	\$ 1,301	\$ 43	\$ 1,344
Comprehensive (loss) income <sup>1</sup>			(115)	(318)		(433)	10	(423)
Dividends			(324)			(324)	(8)	(332)
Share repurchases					352	(352)	6	(346)
Employee stock plans, net of tax benefit		46			(249)	295		295
Change in redemption value of redeemable noncontrolling interest			(1)			(1)		(1)
Other			2			2		2
<b>Balance as of December 31, 2014</b>	\$ 412	\$493	\$6,946	\$(514)	\$6,849	\$ 488	\$ 51	\$ 539
Comprehensive income <sup>1</sup>			1,156	(86)		1,070	11	1,081
Dividends			(359)			(359)	(9)	(368)
Share repurchases					1,000	(1,000)	(2)	(1,002)
Employee stock plans, net of tax benefit		(18)			(120)	102		102
Change in redemption value of redeemable noncontrolling interest			(107)			(107)		(107)
Other						—	(2)	(2)
<b>Balance as of December 31, 2015</b>	\$ 412	\$475	\$7,636	\$(600)	\$7,729	\$ 194	\$ 49	\$ 243
Comprehensive income <sup>1</sup>			2,106	(173)		1,933	13	1,946
Dividends			(380)			(380)	(10)	(390)
Share repurchases					1,097	(1,097)	—	(1,097)
Employee stock plans, net of tax benefit		27			(125)	152		152
Change in redemption value of redeemable noncontrolling interest			(153)			(153)		(153)
Other			1			1	(1)	—
<b>Balance as of December 31, 2016</b>	\$ 412	\$502	\$9,210	\$(773)	\$8,701	\$ 650	\$ 51	\$ 701

<sup>1</sup> Excludes \$109 million, \$101 million and \$92 million in 2016, 2015 and 2014, respectively, attributable to redeemable noncontrolling interest.

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. Accounting Policies

**NATURE OF OPERATIONS** S&P Global Inc. (together with its consolidated subsidiaries, the “Company,” the “Registrant,” “we,” “us” or “our”) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. The capital markets include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers; and the commodity markets include producers, traders and intermediaries within energy, metals, petrochemicals and agriculture.

Our operations consist of three reportable segments: Ratings, Market and Commodities Intelligence and S&P Dow Jones Indices (“Indices”).

- Ratings is an independent provider of credit ratings, research and analytics, offering investors and other market participants information, ratings and benchmarks.
- Market and Commodities Intelligence is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services and deliver their customers in the commodity and energy markets access to high-value information, data, analytic services and pricing and quality benchmarks. As of September 7, 2016, we completed the sale of J.D. Power and the results are included in Market and Commodities Intelligence results through that date.
- Indices is a global index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.

See Note 12 — *Segment and Geographic Information* for further discussion on our operating segments, which are also our reportable segments.

### **Assets and Liabilities Held for Sale and Discontinued Operations**

**ASSETS AND LIABILITIES HELD FOR SALE** We classify a disposal group to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual

and customary for sales of such disposal group; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

An entity that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale.

The fair value of a disposal group less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale. Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group as held for sale in the current period in our consolidated balance sheets.

**DISCONTINUED OPERATIONS** Beginning on January 1, 2015, we adopted revised guidance for discontinued operations that raises the threshold for a disposal to qualify as a discontinued operation. In determining whether a disposal of a component of an entity or a group of components of an entity is required to be presented as a discontinued operation, we make a determination whether the disposal represents a strategic shift that had, or will have, a major effect on our operations and financial results. A component of an entity comprises operations and cash flows that can be clearly distinguished both operationally and for financial reporting purposes. If we conclude that the disposal represents a strategic shift, then the results of operations of the group of assets being disposed of (as well as

any gain or loss on the disposal transaction) are aggregated for separate presentation apart from our continuing operating results in the consolidated financial statements.

For the year ended December 31, 2014, we applied the previous guidance for discontinued operations in determining whether a group of assets disposed or to be disposed of should be presented as a discontinued operation. We determined whether the group of assets being disposed of comprised a component of the entity. We also determined whether the cash flows associated with the group of assets had been or would have been eliminated from our ongoing operations as a result of the disposal transaction and whether we would have had significant continuing involvement in the operations of the group of assets after the disposal transaction. If we concluded that the cash flows had been eliminated and we had no significant continuing involvement, then the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) were aggregated for separate presentation apart from our continuing operating results in the consolidated financial statements.

See Note 2 — *Acquisitions and Divestitures* for a summary of discontinued operations. Unless otherwise indicated, all disclosures and amounts in the notes to our consolidated financial statements relate to our continuing operations.

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of all subsidiaries and our share of earnings or losses of joint ventures and affiliated companies under the equity method of accounting. All significant intercompany accounts and transactions have been eliminated.

**USE OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS** Cash and cash equivalents include ordinary bank deposits and highly liquid investments with original maturities of three months or less that consist primarily of money market funds with unrestricted daily liquidity and fixed term time deposits. Such investments and bank deposits are stated at cost, which approximates market value, and were \$2.4 billion and \$1.5 billion as of December 31, 2016 and 2015, respectively. These investments are not subject to significant market risk.

**SHORT-TERM INVESTMENTS** Short-term investments are securities with original maturities greater than 90 days that are available for use in our operations in the next twelve months. The short-term investments, primarily consisting of certificates of deposit and mutual funds, are classified as held-to-maturity and therefore are carried at cost. Interest and dividends are recorded into income when earned.

**ACCOUNTS RECEIVABLE** Credit is extended to customers based upon an evaluation of the customer's financial condition. Accounts receivable, which include billings consistent with terms of contractual arrangements, are recorded at net realizable value.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** The allowance for doubtful accounts reserve methodology is based on historical analysis, a review of outstanding balances and current conditions. In determining these reserves, we consider, amongst other factors, the financial condition and risk profile of our customers, areas of specific or concentrated risk as well as applicable industry trends or market indicators.

**DEFERRED TECHNOLOGY COSTS** We capitalize certain software development and website implementation costs. Capitalized costs only include incremental, direct costs of materials and services incurred to develop the software after the preliminary project stage is completed, funding has been committed and it is probable that the project will be completed and used to perform the function intended. Incremental costs are expenditures that are out-of-pocket to us and are not part of an allocation or existing expense base. Software development and website implementation costs are expensed as incurred during the preliminary project stage. Capitalized costs are amortized from the year the software is ready for its intended use over its estimated useful life, three to seven years, using the straight-line method. Periodically, we evaluate the amortization methods, remaining lives and recoverability of such costs. Capitalized software development and website implementation costs are included in other non-current assets and are presented net of accumulated amortization. Gross deferred technology costs were \$145 million and \$128 million as of December 31, 2016 and 2015, respectively. Accumulated amortization of deferred technology costs was \$91 million and \$72 million as of December 31, 2016 and 2015, respectively.

**FAIR VALUE** Certain assets and liabilities are required to be recorded at fair value and classified within a fair value hierarchy based on inputs used when measuring fair value. We have an immaterial amount of forward exchange contracts that are adjusted to fair value on a recurring basis.

Other financial instruments, including cash and cash equivalents and short-term investments, are recorded at cost, which approximates fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our long-term debt borrowings were \$3.7 billion and \$3.6 billion as of December 31, 2016 and 2015, respectively, and was estimated based on quoted market prices.

#### **ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS (INCLUDING OTHER INTANGIBLE ASSETS)**

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to current forecasts of undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long-lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is determined based on market evidence, discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets.

For the year ended December 31, 2016, we recorded a non-cash impairment charge of \$24 million related to a technology project at our Market and Commodities Intelligence segment in selling and general expenses in our consolidated statement of income.

On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million in (gain) loss on dispositions in our consolidated statement of income as a result of the pending sale. See Note 14 — *Related Party Transactions* for further discussion.

On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC ("QTS") which owns, operates, and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale includes all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded in (gain) loss on dispositions in our consolidated statement of income, which is in addition to the non-cash impairment charge of \$36 million

we recorded in the fourth quarter of 2013 to adjust the value of the facilities and associated infrastructure classified as held for sale to their fair value.

#### **GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS**

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill and other intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually during the fourth quarter each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We have four reporting units with goodwill that are evaluated for impairment.

We initially perform a qualitative analysis evaluating whether any events and circumstances occurred or exist that provide evidence that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount. If, based on our evaluation we do not believe that it is more likely than not that the fair value of any of our reporting units is less than its carrying amount, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the fair value of any of our reporting units is less than their respective carrying amounts we perform a two-step quantitative impairment test.

When conducting the first step of our two step impairment test to evaluate the recoverability of goodwill at the reporting unit level, the estimated fair value of the reporting unit is compared to its carrying value including goodwill. Fair value of the reporting units are estimated using the income approach, which incorporates the use of a discounted free cash flow ("DCF") analyses and are corroborated using the market approach, which incorporates the use of revenue and earnings multiples based on market data. The DCF analyses are based on the current operating budgets and estimated long-term growth projections for each reporting unit. Future cash flows are discounted based on a market comparable weighted average cost of capital rate for each reporting unit, adjusted for market and other risks where appropriate. In addition, we analyze any difference between the sum of the fair values of the reporting units and our total market capitalization for reasonableness, taking into account certain factors including control premiums.

If the fair value of the reporting unit is less than the carrying value, a second step is performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. The fair value of the goodwill is determined based on the difference between the fair value of the reporting unit

and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

We evaluate the recoverability of indefinite-lived intangible assets by first performing a qualitative analysis evaluating whether any events and circumstances occurred that provide evidence that it is more likely than not that the indefinite-lived asset is impaired. If, based on our evaluation of the events and circumstances that occurred during the year we do not believe that it is more likely than not that the indefinite-lived asset is impaired, no quantitative impairment test is performed. Conversely, if the results of our qualitative assessment determine that it is more likely than not that the indefinite-lived asset is impaired, a quantitative impairment test is performed. If necessary, the impairment test is performed by comparing the estimated fair value of the intangible asset to its carrying value. If the indefinite-lived intangible asset carrying value exceeds its fair value, an impairment analysis is performed using the income approach. The fair value of loss is recognized in an amount equal to that excess.

Significant judgments inherent in these analyses include estimating the amount and timing of future cash flows and the selection of appropriate discount rates, royalty rates and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and indefinite-lived intangible asset and could result in an impairment charge, which could be material to our financial position and results of operations.

We performed our impairment assessment of goodwill and indefinite-lived intangible assets and concluded that no impairment existed for the years ended December 31, 2016, 2015 and 2014.

**FOREIGN CURRENCY TRANSLATION** We have operations in many foreign countries. For most international operations, the local currency is the functional currency. For international operations that are determined to be extensions of the parent company, the United States ("U.S.") dollar is the functional currency. For local currency operations, assets and liabilities are translated into U.S. dollars using end of period exchange rates, and revenue and expenses are translated into U.S. dollars using weighted-average exchange rates. Foreign currency translation adjustments are accumulated in a separate component of equity.

**REVENUE RECOGNITION** Revenue is recognized as it is earned when services are rendered. We consider amounts to be earned once evidence of an arrangement has been obtained, services are performed, fees are fixed or determinable and collectability is reasonably assured. Revenue relating to products that provide for more than one deliverable is recognized based upon the relative fair value to the customer of each deliverable as each deliverable is provided. Revenue relating to agreements that provide for more than one service is recognized based upon the relative fair value to the customer of each service component as each component is earned. If the fair value to the customer for each service is not objectively determinable, management makes its best estimate of the services' stand-alone selling price and records revenue as it is earned over the service period. For arrangements that include multiple services, fair value of the service components are determined using an analysis that considers cash consideration that would be received for instances when the service components are sold separately. Advertising revenue is recognized when the page is run. Subscription income is recognized over the related subscription period.

**DEPRECIATION** The costs of property and equipment are depreciated using the straight-line method based upon the following estimated useful lives: buildings and improvements from 15 to 40 years and equipment and furniture from 2 to 10 years. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

**ADVERTISING EXPENSE** The cost of advertising is expensed as incurred. We incurred \$35 million, \$33 million and \$35 million in advertising costs for the years ended December 31, 2016, 2015 and 2014, respectively.

**STOCK-BASED COMPENSATION** Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which typically is the vesting period. Stock-based compensation is classified as both operating-related expense and selling and general expense in the consolidated statements of income.

**INCOME TAXES** Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize liabilities for uncertain tax

positions taken or expected to be taken in income tax returns. Accrued interest and penalties related to unrecognized tax benefits are recognized in interest expense and operating expense, respectively.

Judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and unrecognized tax benefits. In determining the need for a valuation allowance, the historical and projected financial performance of the operation that is recording a net deferred tax asset is considered along with any other pertinent information.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on our assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. It is possible that examinations will be settled prior to December 31, 2017. If any of these tax audit settlements do occur within that period we would make any necessary adjustments to the accrual for unrecognized tax benefits. Until formal resolutions are reached between us and the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable. On the basis of present information, our opinion is that any assessments resulting from the current audits will not have a material effect on our consolidated financial statements.

**REDEEMABLE NONCONTROLLING INTEREST** The agreement with the minority partners of our S&P Dow Jones Indices LLC joint venture established in June of 2012 contains redemption features whereby interests held by our minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. Since redemption of the noncontrolling interest is outside of our control, this interest is presented on our consolidated balance sheets under the caption "Redeemable noncontrolling interest." If the interest were to be redeemed, we would be required to purchase all of such interest at fair value on the date of redemption. We adjust the redeemable noncontrolling interest each reporting period to its estimated redemption value, but never less than its initial fair value, using a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and

the redemption features. Any adjustments to the redemption value will impact retained income. See Note 9 — *Equity* for further detail.

**CONTINGENCIES** We accrue for loss contingencies when both (a) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and (b) the amount of loss can reasonably be estimated. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on an analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Because many of these matters are resolved over long periods of time, our estimate of liabilities may change due to new developments, changes in assumptions or changes in our strategy related to the matter. When we accrue for loss contingencies and the reasonable estimate of the loss is within a range, we record its best estimate within the range. We disclose an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may be incurred.

**RECENT ACCOUNTING STANDARDS** In August of 2016, the Financial Accounting Standards Board ("FASB") issued guidance providing amendments to eight specific statement of cash flows classification issues. The guidance is effective for reporting periods beginning after December 15, 2017; however, early adoption is permitted. We do not expect this guidance to have a significant impact on our consolidated financial statements.

In March of 2016, the FASB issued guidance to modify several aspects of accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, as well as classification in the statement of cash flows. This guidance will require recognizing excess tax benefits and deficiencies as income tax expense or benefit in the statement of income, instead of in equity as under the current guidance. We reported excess tax benefits from share-based payments of \$41 million, \$69 million and \$128 million for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, these amounts will be classified as an operating activity in the statement of cash flows, instead of as a financing activity. Cash paid for shares withheld on the employees' behalf will be classified as a financing activity, instead of as an operating activity. Cash paid for employee taxes was \$55 million, \$92 million and \$95 million for the years ended December 31, 2016, 2015 and 2014, respectively. The 2016, 2015 and 2014 amounts of excess tax benefits from share-based payments and cash paid for employee

taxes are not necessarily indicative of future amounts that may arise from the implementation of the new accounting guidance. The guidance is effective for reporting periods beginning after December 15, 2016 is required to be adopted as follows: 1) prospectively for the recognition of excess tax benefits and deficiencies in the tax provision, 2) retrospectively or prospectively for the classification of excess tax benefits and deficiencies in the statement of cash flows, and 3) retrospectively for the classification of cash paid for shares withheld to satisfy employee taxes in the statement of cash flows.

In February of 2016, the FASB issued guidance that amends accounting for leases. Under the new guidance, a lessee will recognize assets and liabilities but will recognize expenses similar to current lease accounting. The guidance is effective for reporting periods beginning after December 15, 2018; however, early adoption is permitted. The new guidance must be adopted using a modified retrospective approach to each prior reporting period presented with various optional practical expedients. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In January of 2016, the FASB issued guidance to enhance the reporting model for financial instruments, which includes amendments to address certain aspects of recognition, measurement, presentation and disclosure. The guidance is effective for reporting periods beginning after December 15, 2017. We do not expect this guidance to have a significant impact on our consolidated financial statements.

In November of 2015, the FASB issued guidance to simplify the presentation of deferred income taxes. The guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. We early adopted this guidance in the fourth quarter of 2016, prospectively, and accordingly prior year amounts have not been reclassified.

In September of 2015, the FASB issued guidance intended to simplify the accounting for measurement-period adjustments made to provisional amounts recognized in a business combination. The guidance eliminates the requirement to retrospectively account for those adjustments. The guidance was effective on January 1, 2016, and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

In February of 2015, the FASB issued guidance that requires management to evaluate whether they should consolidate

certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This guidance is effective for reporting periods beginning after December 15, 2015; however, early adoption is permitted. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In January of 2015, the FASB issued guidance that eliminates the concept of reporting extraordinary items, but retains current presentation and disclosure requirements for an event or transaction that is of an unusual nature or of a type that indicates infrequency of occurrence. Transactions that meet both criteria would now also follow such presentation and disclosure requirements. This guidance is effective for reporting periods beginning after December 15, 2015; however, early adoption is permitted. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In August of 2014, the FASB issued guidance that requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance is effective for reporting periods ending after December 15, 2016; however, early adoption is permitted. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In May of 2014, the FASB and the International Accounting Standards Board ("IASB") issued jointly a converged standard on the recognition of revenue from contracts with customers which is intended to improve the financial reporting of revenue and comparability of the top line in financial statements globally. The core principle of the new standard is for the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. In August of 2015, the FASB issued guidance deferring the effective date of the new revenue standard by one year. Subsequently, the FASB issued implementation guidance related to the new revenue standard, including the following: In March of 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations; in April of 2016, the FASB clarified guidance on performance obligations and the licensing implementation guidance; in May of 2016, the FASB issued a

practical expedient in response to identified implementation issues. The new guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently evaluating the application of a transition method and the impact that adoption of these updates will have on our consolidated financial statements. At this point, we believe the new standard will have an impact on: 1) the accounting for certain long-term deferred revenue in our Ratings segment which may contain a financing component, 2) the timing of revenue recognized in our Market and Commodities Intelligence segment for long term contracts with price escalations, and 3) the accounting for fees for historical data in our Market and Commodities Intelligence segment currently recognized over the term of a subscription. We do not expect these changes to have a significant impact on our consolidated financial statements.

## RECLASSIFICATION

Certain prior year amounts have been reclassified for comparability purposes.

## 2. Acquisitions and Divestitures

### ACQUISITIONS

#### 2016

For the year ended December 31, 2016, we paid cash for acquisitions, net of cash acquired, totaling \$177 million. None of our acquisitions were material either individually or in the aggregate, including the pro forma impact on earnings. All acquisitions were funded with cash flows from operations. Acquisitions completed during the year ended December 31, 2016 by segment included:

#### Market and Commodities Intelligence

- In December of 2016, Market and Commodities Intelligence acquired a 2.54% equity investment in Kensho Technologies, Inc. ("Kensho"), a financial technology startup in market data analytics. We accounted for the acquisition of Kensho on a cost basis. Our investment in Kensho is not material to our consolidated financial statements.
- In September of 2016, Market and Commodities Intelligence acquired PIRA Energy Group ("PIRA"), a global provider of energy research and forecasting products and services. The purchase enhances Market and Commodities Intelligence's

energy analytical capabilities by expanding its oil offering and strengthening its position in the natural gas and power markets. We accounted for the acquisition of PIRA using the purchase method of accounting. The acquisition of PIRA is not material to our consolidated financial statements.

- In June of 2016, Market and Commodities Intelligence acquired RigData, a provider of daily information on rig activity for the natural gas and oil markets across North America. The purchase enhances Market and Commodities Intelligence's energy analytical capabilities by strengthening its position in natural gas and enhancing its oil offering. We accounted for the acquisition of RigData using the purchase method of accounting. The acquisition of RigData is not material to our consolidated financial statements.
- In March of 2016, Market and Commodities Intelligence acquired Commodity Flow, a specialist technology and business intelligence service for the global waterborne commodity and energy markets. The purchase helps extend Market and Commodities Intelligence's trade flow analytical capabilities and complements its existing shipping services. We accounted for the acquisition of Commodity Flow using the purchase method of accounting. The acquisition of Commodity Flow is not material to our consolidated financial statements.

Following our acquisition of PIRA, we made a contingent purchase price payment in 2016 for \$34 million that has been reflected in the consolidated statement of cash flows as a financing activity.

Following our acquisition of National Automobile Dealers Association's Used Car Guide ("UCG") at J.D. Power in July of 2015, we made a contingent purchase price payment in 2016 for \$5 million that has been reflected in the consolidated statement of cash flows as a financing activity.

#### Indices

- In October of 2016, Indices acquired Trucost plc, a leader in carbon and environmental data and risk analysis through its subsidiary S&P Global Indices UK Limited. The purchase will build on Indices' current portfolio of Environmental, Social and Governance solutions. The acquisition of Trucost plc is not material to our consolidated financial statements.

#### Ratings

- In June of 2016, Ratings acquired a 49% equity investment in Thailand's TRIS Rating Company Limited from its parent company, TRIS Corporation Limited. The transaction extends an existing association between Ratings and TRIS Rating and deepens their commitment to capital markets in Thailand.

We accounted for the acquisition of TRIS Rating Company using the equity method of accounting. The equity investment in TRIS Rating is not material to our consolidated financial statements.

For acquisitions during 2016 that were accounted for using the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. The goodwill recognized on our acquisitions is largely attributable to anticipated operational synergies and growth opportunities as a result of the acquisition. The intangible assets, excluding goodwill and indefinite-lived intangibles, will be amortized over their anticipated useful lives between 3 and 10 years which will be determined when we finalize our purchase price allocations. The goodwill for PIRA and RigData is expected to be deductible for tax purposes.

## 2015

For the year ended December 31, 2015, we paid cash for acquisitions, net of cash acquired, totaling \$2.4 billion. We used the net proceeds of our \$2.0 billion of senior notes issued in August of 2015 and cash on hand to finance the acquisition of SNL. All other acquisitions were funded with cash flows from operations. Acquisitions completed during the year ended December 31, 2015 by segment included:

### Market and Commodities Intelligence

- In September of 2015, we acquired SNL Financial LC ("SNL") for \$2.2 billion. SNL is a global provider of news, data, and analytical tools to five sectors in the global economy: financial services, real estate, energy, media & communications, and metals & mining. SNL delivers information through its suite of web, mobile and direct data feed platforms that helps clients, including investment and commercial banks, investors, corporations, and regulators make decisions, improve efficiency, and manage risk. See below for further detail related to this transaction.
- In July of 2015, we acquired the entire issued share capital of Petromedia Ltd and its operating subsidiaries ("Petromedia"), an independent provider of data, intelligence, news and tools to the global fuels market that offers a suite of products that provides clients with actionable data and intelligence that enable informed decisions, minimize risk and increase efficiency. We accounted for the acquisition of Petromedia using the purchase method of accounting. The acquisition of Petromedia is not material to our consolidated financial statements.

Following our acquisition of UCG at J.D. Power in July of 2015, we made a contingent purchase price payment in 2015 for \$5 million that has been reflected in the consolidated statement of cash flows as a financing activity.

For acquisitions during 2015 that were accounted for using the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. Intangible assets recorded for all transactions are amortized using the straight-line method for periods not exceeding 18 years.

### Acquisition of SNL

**ACQUISITION-RELATED EXPENSES** During the year ended December 31, 2015, the Company incurred approximately \$37 million of acquisition-related costs related to the acquisition of SNL. These expenses are included in selling and general expenses in our consolidated statements of income.

**ALLOCATION OF PURCHASE PRICE** Our acquisition of SNL was accounted for using the purchase method. Under the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. The goodwill recognized is largely attributable to anticipated operational synergies and growth opportunities as a result of the acquisition. The intangible assets, excluding goodwill and indefinite-lived intangibles, will be amortized over their anticipated useful lives between 10 and 18 years. The goodwill is expected to be deductible for tax purposes.

The following table presents the final allocation of purchase price to the assets and liabilities of SNL as a result of the acquisition.

(in millions)

Current assets	\$ 29
Property, plant and equipment	19
Goodwill	1,574
Other intangible assets, net:	
Databases and software	421
Customer relationships	162
Tradenames	185
Other intangibles	4
Other intangible assets, net	772
Other non-current assets	1
Total assets acquired	2,395
Current liabilities	(43)
Unearned revenue	(117)
Other non-current liabilities	(1)
Total liabilities acquired	(161)
Net assets acquired	\$2,234

**SUPPLEMENTAL PRO FORMA INFORMATION** Supplemental information on an unaudited pro forma basis is presented below for the years ended December 31, 2015 and 2014 as if the acquisition of SNL occurred on January 1, 2014. The pro forma financial information is presented for comparative purposes only, based on estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had this acquisition been completed at the beginning of 2015. The unaudited pro forma information includes intangible asset charges and incremental borrowing costs as a result of the acquisition, net of related tax, estimated using the Company's effective tax rate for continuing operations for the periods presented.

<i>(in millions)</i>	Year Ended December 31,	
	2015	2014
Pro forma revenue	\$5,477	\$5,275
Pro forma net income (loss) from continuing operations	\$1,258	\$ (251)

## 2014

For the year ended December 31, 2014, we paid cash for acquisitions, net of cash acquired, totaling \$82 million. None of our acquisitions were material either individually or in the aggregate, including the pro forma impact on earnings. All acquisitions were funded with cash flows from operations. Acquisitions completed during the year ended December 31, 2014 by segment included:

### Ratings

- In October of 2014, we acquired BRC Investor Services S.A. ("BRC"), a Colombia-based ratings firm providing risk classifications of banks, financial services providers, insurance companies, corporate bonds and structured issues that will expand our presence in the Latin American credit markets. We accounted for the acquisition of BRC using the purchase method of accounting. The acquisition is not material to our consolidated financial statements.
- Following CRISIL's acquisition of Coalition Development Ltd. ("Coalition") that occurred in July of 2012, we made a contingent purchase price payment in 2014 for \$11 million that has been reflected in the consolidated statement of cash flows as a financing activity.

### Market and Commodities Intelligence

- In July of 2014, we acquired Eclipse Energy Group AS and its operating subsidiaries ("Eclipse"), which provides a

comprehensive suite of data and analytics products on the European natural gas and liquefied natural gas markets as well as a range of advisory services leveraging Eclipse's knowledge base, data capabilities, and modeling suite of products. This transaction complements our North American natural gas capabilities, which we obtained from our Bentek Energy LLC acquisition in 2011. We accounted for the acquisition of Eclipse using the purchase method of accounting. The acquisition of Eclipse is not material to our consolidated financial statements.

### Indices

- In March of 2014, we acquired the intellectual property of a family of Broad Market Indices ("BMI") from Citigroup Global Markets Inc. The BMI provides a broad measure of the global equities markets which includes approximately 11,000 companies in more than 52 countries covering both developed and emerging markets. We accounted for the acquisition of the intellectual property on a cost basis and it was not material to our consolidated financial statements.

For acquisitions during 2014 that were accounted for using the purchase method, the excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill and other intangibles. Intangible assets recorded for all transactions are amortized using the straight-line method for periods not exceeding 7 years. None of the goodwill acquired from our acquisitions during 2014 will be deductible for tax purposes.

### Non-cash investing activities

Liabilities assumed in conjunction with the acquisition of businesses are as follows:

<i>(in millions)</i>	Year ended December 31,		
	2016	2015	2014
Fair value of assets acquired	<b>\$253</b>	\$2,576	\$67
Cash paid (net of cash acquired)	<b>211</b>	2,401	52
Liabilities assumed	<b>\$ 42</b>	\$ 175	\$15

### DIVESTITURES — CONTINUING OPERATIONS

In November of 2016, we entered into a put option agreement that gave the Company the right, but not the obligation, to put the entire share capital of Quant House SAS ("QuantHouse"), included in our Market and Commodities Intelligence segment, to QH Holdco, an independent third party. As a result, we classified the assets and liabilities of QuantHouse, net of our costs to sell, as held for sale in our consolidated balance sheet as of December 31, 2016 resulting in an aggregate loss of \$31 million. On January 4, 2017, we exercised the put option,

thereby entering into a definitive agreement to sell QuantHouse to QH Holdco. On January 9, 2017, we completed the sale of QuantHouse to QH Holdco.

## 2016

During the year ended December 31, 2016, we completed the following dispositions that resulted in a net pre-tax gain of \$1.1 billion, which was included in (gain) loss on dispositions in the consolidated statement of income:

- In October of 2016, we completed the sale of Equity and Fund Research (“Equity Research”), a business within our Market and Commodities Intelligence segment to CFRA, a leading independent provider of forensic accounting research, analytics and advisory services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$9 million (\$5 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of Equity Research.
- In October of 2016, we completed the sale of Standard & Poor’s Securities Evaluations, Inc. (“SPSE”) and Credit Market Analysis (“CMA”), two businesses within our Market and Commodities Intelligence segment, for \$425 million in cash to Intercontinental Exchange, an operator of global exchanges, clearing houses and data services. During the year ended December 31, 2016, we recorded a pre-tax gain of \$364 million (\$297 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of SPSE and CMA.
- In September of 2016, we completed the sale of J.D. Power, included within our Market and Commodities Intelligence segment, for \$1.1 billion to XIO Group, a global alternative investments firm headquartered in London. During the year ended December 31, 2016, we recorded a pre-tax gain of \$728 million (\$516 million after-tax) in (gain) loss on dispositions in the consolidated statement of income related to the sale of J.D. Power. Following the sale, the assets and liabilities of J.D. Power are no longer reported in our consolidated balance sheet as of December 31, 2016.

## 2015

During the year ended December 31, 2015, we recorded a pre-tax gain of \$11 million in (gain) loss on dispositions in the consolidated statement of income related to the sale of our interest in a legacy McGraw Hill Construction investment.

In the fourth quarter of 2015, we began exploring strategic alternatives for J.D. Power, included within our Market and

Commodities Intelligence segment, and initiated an active program to sell the business. The assets and liabilities of J.D. Power were classified as held for sale in our consolidated balance sheet as of December 31, 2015.

## 2014

During the year ended December 31, 2014, we completed the following dispositions that resulted in a net pre-tax loss of \$9 million, which was included in (gain) loss on dispositions in the consolidated statement of income:

- On July 31, 2014, we completed the sale of the Company’s aircraft to Harold W. McGraw III, then Chairman of the Company’s Board of Directors and former President and CEO of the Company for a purchase price of \$20 million. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million in (gain) loss on dispositions in our consolidated statement of income as a result of the pending sale. See Note 14 — *Related Party Transactions* for further information.
- On June 30, 2014, we completed the sale of our data center to Quality Technology Services, LLC which owns, operates and manages data centers. Net proceeds from the sale of \$58 million were received in July of 2014. The sale included all of the facilities and equipment on the south campus of our East Windsor, New Jersey location, inclusive of the rights and obligations associated with an adjoining solar power field. The sale resulted in an expense of \$3 million recorded in (gain) loss on dispositions in our consolidated statement of income, which is in addition to the non-cash impairment charge we recorded in the fourth quarter of 2013.

The components of assets and liabilities held for sale in the consolidated balance sheet consist of the following:

<i>(in millions)</i>	<b>December 31, 2016<sup>1</sup></b>	December 31, 2015 <sup>2</sup>
Accounts receivable, net	<b>\$ 4</b>	\$ 58
Goodwill	<b>—</b>	75
Other intangible assets, net	<b>—</b>	335
Other assets	<b>3</b>	35
Assets of a business held for sale	<b>\$ 7</b>	\$503
Accounts payable and accrued expenses	<b>\$ 3</b>	\$ 42
Unearned revenue	<b>7</b>	64
Other liabilities	<b>35</b>	100
Liabilities of a business held for sale	<b>\$45</b>	\$206

1 Assets and liabilities held for sale as of December 31, 2016 relate to QuantHouse.

2 Assets and liabilities held for sale as of December 31, 2015 relate to J.D. Power.

The operating profit of our businesses that were disposed of or held for sale for the years ending December 31, 2016, 2015, and 2014 is as follows:

<i>(in millions)</i>	Year ended December 31,		
	2016	2015	2014
Operating profit <sup>1</sup>	<b>\$62</b>	\$85	\$71

<sup>1</sup> The year ended December 31, 2016 excludes a pre-tax gain of \$1.1 billion on our dispositions.

## DISCONTINUED OPERATIONS

On November 3, 2014, we completed the sale of McGraw Hill Construction, which has historically been part of the Market and Commodities Intelligence segment, to Symphony Technology Group for \$320 million in cash. We recorded an after-tax gain on the sale of \$160 million, which is included in discontinued operations, net in the consolidated statement of income for the year ended December 31, 2014. We used the after-tax proceeds from the sale to make selective acquisitions, investments, share repurchases and for general corporate purposes.

The key components of income from discontinued operations for the year ended December 31, 2014 consist of the following:

<i>(in millions)</i>	Year ended December 31, 2014
Revenue	\$139
Expenses	110
Operating income	29
Provision for taxes on income	11
<b>Income from discontinued operations, net of tax</b>	<b>18</b>
Pre-tax gain on sale from discontinued operations	289
Provision for taxes on gain on sale	129
<b>Gain on sale of discontinued operations, net of tax</b>	<b>160</b>
<b>Income from discontinued operations attributable to S&amp;P Global Inc. common shareholders</b>	<b>\$178</b>

Results from discontinued operations for the year ended December 31, 2014 included the after-tax gain on sale of McGraw Hill Construction of \$160 million.

## 3. Goodwill and Other Intangible Assets

### GOODWILL

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired.

The change in the carrying amount of goodwill by segment is shown below:

<i>(in millions)</i>	Ratings	Market and Commodities Intelligence	Indices	Total
Balance as of December 31, 2014	\$122	\$ 889	\$376	\$1,387
Acquisitions	—	1,602	—	1,602
Reclassifications <sup>1</sup>	—	(75)	—	(75)
Other (primarily Fx)	(8)	(24)	—	(32)
Balance as of December 31, 2015	114	2,392	376	2,882
Acquisitions	—	106	7	113
Dispositions	—	(35)	—	(35)
Other (primarily Fx)	(5)	(6)	—	(11)
<b>Balance as of December 31, 2016</b>	<b>\$109</b>	<b>\$2,457</b>	<b>\$383</b>	<b>\$2,949</b>

<sup>1</sup> Relates to J.D. Power, which is classified as assets held for sale in our consolidated balance sheet as of December 31, 2015.

Goodwill additions and dispositions in the table above relate to transactions discussed in Note 2 — *Acquisitions and Divestitures*.

## OTHER INTANGIBLE ASSETS

Other intangible assets include both indefinite-lived assets not subject to amortization and definite-lived assets subject to amortization. We have indefinite-lived assets with a carrying value of \$714 million as of December 31, 2016 and 2015 that consist of the following:

- \$380 million and \$90 million for Dow Jones Indices intellectual property and the Dow Jones tradename, respectively, that we recorded as part of the transaction to form S&P Dow Jones Indices LLC in 2012.
- \$185 million within our Market and Commodities Intelligence segment for the SNL tradename.
- \$59 million within our Indices segment for the Goldman Sachs Commodity Index intellectual property and the Broad Market Indices intellectual property.

The following table summarizes our definite-lived intangible assets:

<i>(in millions)</i>	Databases and software	Content	Customer relationships	Tradenames	Other intangibles	Total
<b>Cost</b>						
Balance as of December 31, 2014	\$113	\$139	\$228	\$46	\$111	\$637
Acquisitions	421	—	—	—	177	598
Reclassifications <sup>1</sup>	(19)	—	(62)	(2)	(8)	(91)
Other (primarily Fx)	(5)	—	2	3	(11)	(11)
Balance as of December 31, 2015	510	139	168	47	269	1,133
Acquisitions	—	—	—	—	98	98
Dispositions	—	—	—	(2)	(8)	(10)
Impairment <sup>2</sup>	(2)	—	—	—	(22)	(24)
Reclassifications	—	—	165	1	(166)	—
Other (primarily Fx)	(2)	—	(3)	(1)	(8)	(14)
Balance as of December 31, 2016	<b>\$506</b>	<b>\$139</b>	<b>\$330</b>	<b>\$45</b>	<b>\$163</b>	<b>\$1,183</b>
<b>Accumulated amortization</b>						
Balance as of December 31, 2014	\$88	\$59	\$80	\$35	\$64	\$326
Current year amortization	20	14	9	2	22	67
Reclassifications <sup>1</sup>	(18)	—	(30)	(2)	(14)	(64)
Other (primarily Fx)	(2)	—	1	1	(5)	(5)
Balance as of December 31, 2015	88	73	60	36	67	324
Current year amortization	47	14	21	2	12	96
Dispositions	—	—	—	(1)	(6)	(7)
Impairment <sup>2</sup>	(2)	—	—	—	(10)	(12)
Reclassifications	2	—	5	—	(7)	—
Other (primarily Fx)	(3)	—	(2)	(1)	(4)	(10)
Balance as of December 31, 2016	<b>\$132</b>	<b>\$87</b>	<b>\$84</b>	<b>\$36</b>	<b>\$52</b>	<b>\$391</b>
<b>Net definite-lived intangibles:</b>						
December 31, 2015	\$422	\$66	\$108	\$11	\$202	\$809
<b>December 31, 2016</b>	<b>\$374</b>	<b>\$52</b>	<b>\$246</b>	<b>\$9</b>	<b>\$111</b>	<b>\$792</b>

<sup>1</sup> Relates to J.D. Power, which is classified as assets held for sale in our consolidated balance sheet as of December 31, 2015.

<sup>2</sup> Relates to a technology-related impairment charge at Market and Commodities Intelligence and recorded in selling and general expenses in our consolidated statement of income.

Definite-lived intangible assets are being amortized on a straight-line basis over periods of up to 20 years. The weighted-average life of the intangible assets as of December 31, 2016 is approximately 12 years.

Amortization expense for the years ended December 31, 2016, 2015 and 2014 was \$96 million, \$67 million, and \$48 million, respectively. Expected amortization expense for intangible assets over the next five years for the years ended December 31, assuming no further acquisitions or dispositions, is as follows:

<i>(in millions)</i>	2017	2018	2019	2020	2021
Amortization expense	\$88	\$84	\$79	\$73	\$62

## 4. Taxes on Income

Income before taxes on income resulted from domestic and foreign operations is as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Domestic operations	\$2,585	\$1,266	\$(423)
Foreign operations	603	549	477
Total continuing income before taxes	\$3,188	\$1,815	\$ 54

The provision for taxes on income consists of the following:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Federal:			
Current	\$ 641	\$ 90	\$ 285
Deferred	79	276	(213)
Total federal	720	366	72
Foreign:			
Current	133	111	135
Deferred	(4)	(1)	1
Total foreign	129	110	136
State and local:			
Current	99	34	62
Deferred	12	37	(25)
Total state and local	111	71	37
Total provision for taxes for continuing operations	960	547	245
Provision for discontinued operations	—	—	140
Total provision for taxes	\$ 960	\$ 547	\$ 385

A reconciliation of the U.S. federal statutory income tax rate to our effective income tax rate for financial reporting purposes is as follows:

	Year Ended December 31,		
	2016	2015	2014
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
Legal and regulatory settlements	—	—	524.1
State and local income taxes	2.7	2.6	64.2
Divestitures	(4.3)	—	—
Foreign operations	(2.0)	(3.2)	(79.6)
S&P Dow Jones Indices LLC joint venture	(1.2)	(2.0)	(60.2)
Tax credits and incentives	(1.6)	(2.9)	(91.5)
Other, net	1.5	0.6	61.7
Effective income tax rate for continuing operations	30.1%	30.1%	453.7%

The principal temporary differences between the accounting for income and expenses for financial reporting and income tax purposes are as follows:

(in millions)	December 31,	
	2016	2015
Deferred tax assets:		
Legal and regulatory settlements	\$ 23	\$ 45
Employee compensation	78	91
Accrued expenses	87	72
Postretirement benefits	105	126
Unearned revenue	33	39
Allowance for doubtful accounts	11	12
Loss carryforwards	112	114
Other	3	18
Total deferred tax assets	452	517
Deferred tax liabilities:		
Goodwill and intangible assets	(320)	(299)
Fixed assets	(3)	(9)
Other	—	—
Total deferred tax liabilities	(323)	(308)
Net deferred income tax asset (liability) before valuation allowance	129	209
Valuation allowance	(116)	(98)
Net deferred income tax asset (liability)	\$ 13	\$ 111
Reported as:		
Current deferred tax assets	\$ —	\$ 109
Current deferred tax liabilities	—	(8)
Non-current deferred tax assets	61	33
Non-current deferred tax liabilities	(48)	(23)
Net deferred income tax asset (liability)	\$ 13	\$ 111

In November of 2015, the FASB issued guidance to simplify the presentation of deferred income taxes. The guidance requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. We early adopted this guidance in the fourth quarter of 2016, prospectively, and accordingly prior year amounts have not been reclassified.

We record valuation allowances against deferred income tax assets when we determine that it is more likely than not based upon all the available evidence that such deferred income tax assets will not be realized. The valuation allowance is primarily related to operating losses.

We have not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings that are indefinitely reinvested in foreign operations amounted to \$1.7 billion at December 31, 2016. Quantification of the

deferred tax liability, if any, associated with indefinitely reinvested earnings is not practicable.

We made net income tax payments for continuing and discontinued operations totaling \$683 million in 2016, \$260 million in 2015, and \$419 million in 2014. As of December 31, 2016, we had net operating loss carryforwards of \$446 million, of which a major portion has an unlimited carryover period under current law.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(in millions)</i>	Year ended December 31,		
	2016	2015	2014
Balance at beginning of year	\$120	\$118	\$82
Additions based on tax positions related to the current year	35	22	30
Additions for tax positions of prior years	14	12	33
Reduction for tax positions of prior years	(3)	(14)	(11)
Reduction for settlements	(5)	(18)	(16)
Balance at end of year	\$161	\$120	\$118

The total amount of federal, state and local, and foreign unrecognized tax benefits as of December 31, 2016, 2015 and 2014 was \$161 million, \$120 million and \$118 million, respectively, exclusive of interest and penalties. The increase of \$46 million in 2016 (excluding settlements) is the amount of unrecognized tax benefits that unfavorably impacted tax expense. The unfavorable impact to the tax provision was partially offset by the resolution of tax audits in multiple jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in interest expense and operating-related expense, respectively. In addition to the unrecognized tax benefits, as of December 31, 2016 and 2015, we had \$44 million and \$31 million, respectively, of accrued interest and penalties associated with uncertain tax positions.

During 2016, we completed the federal income tax audit for 2014. The U.S. federal income tax audits for 2016 and 2015 are in process. During 2016, we completed various state and foreign tax audits and, with few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2008. The impact to tax expense in 2016, 2015 and 2014 was not material.

We file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions, and we are routinely under audit by many different tax authorities. We believe that our accrual for tax liabilities is adequate for all open audit years based on an assessment of many factors including past

experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. It is possible that tax examinations will be settled prior to December 31, 2017. If any of these tax audit settlements do occur within that period, we would make any necessary adjustments to the accrual for unrecognized tax benefits. Until formal resolutions are reached between us and the tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable.

## 5. Debt

A summary of short-term and long-term debt outstanding is as follows:

<i>(in millions)</i>	December 31,	
	2016	2015
5.9% Senior Notes, due 2017 <sup>1</sup>	\$ —	\$ 399
2.5% Senior Notes, due 2018 <sup>2</sup>	398	398
3.3% Senior Notes, due 2020 <sup>3</sup>	696	695
4.0% Senior Notes, due 2025 <sup>4</sup>	691	690
4.4% Senior Notes, due 2026 <sup>5</sup>	891	890
2.95% Senior Notes, due 2027 <sup>6</sup>	492	—
6.55% Senior Notes, due 2037 <sup>7</sup>	396	396
Commercial paper	—	143
Total debt	3,564	3,611
Less: short-term debt including current maturities	—	143
Long-term debt	\$3,564	\$3,468

1 We made a \$400 million early repayment of our 5.9% senior notes on October 20, 2016.

2 Interest payments are due semiannually on February 15 and August 15, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$2 million.

3 Interest payments are due semiannually on February 14 and August 14, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$4 million.

4 Interest payments are due semiannually on June 15 and December 15, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$9 million.

5 Interest payments are due semiannually on February 15 and August 15, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$9 million.

6 Interest payments are due semiannually on January 22 and July 22, beginning on January 22, 2017, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$8 million.

7 Interest payments are due semiannually on May 15 and November 15, and as of December 31, 2016, the unamortized debt discount and issuance costs total \$4 million.

Annual long-term debt maturities are scheduled as follows based on book values as of December 31, 2016: no amounts due in 2017, \$398 million due in 2018, no amounts due in 2019, \$696 million due in 2020, no amounts due in 2021, and \$2.5 billion due thereafter.

On September 22, 2016, we issued \$500 million of 2.95% senior notes due in 2027. The notes are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor's Financial Services LLC. We used the net proceeds to fund the \$400 million early repayment of our 5.9% senior notes due in 2017 on October 20, 2016, and intend to use the balance for general corporate purposes.

On August 18, 2015, we issued \$2.0 billion of senior notes consisting of \$400 million of 2.5% senior notes due in 2018, \$700 million of 3.3% senior notes due in 2020 and \$900 million of 4.4% senior notes due in 2026. The notes are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor's Financial Services LLC. We used the net proceeds to finance the acquisition of SNL.

On May 26, 2015, we issued \$700 million of 4.0% senior notes due in 2025 and used a portion of the net proceeds for the repayment of short-term debt, including commercial paper. The 4.0% senior notes will mature on June 15, 2025 and are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor's Financial Services LLC.

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our revolving \$1.2 billion five-year credit agreement (our "credit facility") that we entered into on June 30, 2015. This credit facility will terminate on June 30, 2020. There were no commercial paper borrowings outstanding as of December 31, 2016. Commercial paper borrowings as of December 31, 2015 totaled \$143 million with an average interest rate and term of 0.95% and 17 days, respectively.

Depending on our indebtedness to cash flow ratio, we pay a commitment fee of 10 to 20 basis points for our credit facility, whether or not amounts have been borrowed. We currently pay a commitment fee of 15 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offered Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For certain borrowings under this credit facility, there is also a spread based on our indebtedness to cash flow ratio added to the applicable rate.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio, as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

## 6. Derivative Instruments

### CASH FLOW HEDGES

Our exposure to market risk includes changes in foreign exchange rates. We have operations in foreign countries where the functional currency is primarily the local currency. For international operations that are determined to be extensions of the parent company, the U.S. dollar is the functional currency. We typically have naturally hedged positions in most countries from a local currency perspective with offsetting assets and liabilities. As of December 31, 2016 and December 31, 2015, we have entered into foreign exchange forward contracts to hedge the effect of adverse fluctuations in foreign currency exchange rates. We do not enter into any derivative financial instruments for speculative purposes.

During the three months ended March 31, 2016, we entered into a series of foreign exchange forward contracts to hedge a portion of our Indian Rupee exposure through the fourth quarter of 2016. These contracts were intended to offset the impact of movement of exchange rates on future operating costs and matured at the end of each quarter during 2016. The changes in the fair value of these contracts are initially reported in accumulated other comprehensive loss in our consolidated balance sheet and are subsequently reclassified into selling and general expenses in the same period that the hedge contract matures. As of December 31, 2016, we estimate that \$2 million of the net gains related to derivatives designated as cash flow hedges recorded in other comprehensive income (loss) is expected to be reclassified into earnings within the next twelve months. There was no hedge ineffectiveness for the year ended December 31, 2016.

As of December 31, 2016 and December 31, 2015, the aggregate notional value of our outstanding foreign currency forward contracts was \$65 million and \$58 million, respectively.

The following table provides information on the location and fair value amounts of our cash flow hedges as of December 31, 2016 and December 31, 2015:

<i>(in millions)</i>		December 31,	
<b>Balance Sheet Location</b>		2016	2015
Prepaid and other current assets <sup>1</sup>	Foreign exchange forward contracts	\$3	\$1

<sup>1</sup> We use the income approach to measure the fair value of our forward currency forward contracts. The income approach uses pricing models that rely on observable inputs such as forward rates, and therefore are classified as Level 2.

The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the years ended December 31:

	Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (effective portion)			Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)		
<i>(in millions)</i>	2016	2015	2014		2016	2015	2014
Cash flow hedges — designated as hedging instruments				Selling and general expenses			
Foreign exchange forward contracts	<b>\$3</b>	\$—	\$2		<b>\$4</b>	\$—	\$—

The activity related to the change in unrealized gains (losses) in accumulated other comprehensive loss was as follows for the years ended December 31:

	Year ended December 31,		
<i>(in millions)</i>	2016	2015	2014
Net unrealized gains (losses) on cash flow hedges, net of taxes, beginning of year	<b>\$(1)</b>	\$ (1)	\$ (3)
Change in fair value, net of tax	<b>7</b>	—	2
Reclassification into earnings, net of tax	<b>(4)</b>	—	—
Net unrealized gains (losses) on cash flow hedges, net of taxes, end of year	<b>\$ 2</b>	\$ (1)	\$ (1)

## 7. Employee Benefits

We maintain a number of active defined contribution retirement plans for our employees. The majority of our defined benefit plans are frozen. As a result, no new employees will be permitted to enter these plans and no additional benefits for current participants in the frozen plans will be accrued.

We also have supplemental benefit plans that provide senior management with supplemental retirement, disability and death benefits. Certain supplemental retirement benefits are based on final monthly earnings. In addition, we sponsor voluntary 401(k) plans under which we may match employee contributions up to certain levels of compensation as well as profit-sharing plans under which we contribute a percentage of eligible employees' compensation to the employees' accounts.

We also provide certain medical, dental and life insurance benefits for active and retired employees and eligible dependents. The medical and dental plans and supplemental life insurance plan are contributory, while the basic life insurance plan is non-contributory. We currently do not prefund any of these plans.

We recognize the funded status of our retirement and post-retirement plans in the consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive income, net of taxes. The amounts in accumulated other comprehensive income represent net unrecognized actuarial losses and unrecognized prior service costs. These amounts will be subsequently recognized as net periodic pension cost pursuant to our accounting policy for amortizing such amounts.

## BENEFIT OBLIGATION

A summary of the benefit obligation and the fair value of plan assets, as well as the funded status for the retirement and postretirement plans as of December 31, is as follows (benefits paid in the table below include only those amounts contributed directly to or paid directly from plan assets):

	Retirement Plans		Postretirement Plans	
<i>(in millions)</i>	2016	2015	2016	2015
Net benefit obligation at beginning of year	<b>\$2,199</b>	\$2,462	<b>\$ 80</b>	\$ 96
Service cost	<b>3</b>	6	—	—
Interest cost	<b>78</b>	96	<b>2</b>	3
Plan participants' contributions	—	—	<b>4</b>	4
Actuarial loss (gain)	<b>196</b>	(189)	<b>(6)</b>	(12)
Gross benefits paid	<b>(121)</b>	(150)	<b>(10)</b>	(12)
Foreign currency effect	<b>(75)</b>	(26)	—	—
Other adjustments	<b>(20)</b>	—	<b>(13)</b>	1
Net benefit obligation at end of year	<b>2,260</b>	2,199	<b>57</b>	80
Fair value of plan assets at beginning of year	<b>2,023</b>	2,236	—	—
Actual return on plan assets	<b>259</b>	(57)	—	—
Employer contributions	<b>8</b>	15	<b>6</b>	8
Plan participants' contributions	—	—	<b>4</b>	4
Gross benefits paid	<b>(121)</b>	(150)	<b>(10)</b>	(12)
Foreign currency effect	<b>(74)</b>	(21)	—	—
Other adjustments	<b>(22)</b>	—	—	—
Fair value of plan assets at end of year	<b>2,073</b>	2,023	—	—
Funded status	<b>\$ (187)</b>	\$ (176)	<b>\$(57)</b>	\$(80)
<b>Amounts recognized in consolidated balance sheets:</b>				
Non-current assets	<b>\$ 46</b>	\$ 36	<b>\$ —</b>	\$ —
Current liabilities	<b>(8)</b>	(8)	<b>(8)</b>	(8)
Non-current liabilities	<b>(225)</b>	(204)	<b>(49)</b>	(72)
	<b>\$ (187)</b>	\$ (176)	<b>\$(57)</b>	\$(80)
<b>Accumulated benefit obligation</b>	<b>\$2,251</b>	\$2,190		
<b>Plans with accumulated benefit obligation in excess of the fair value of plan assets:</b>				
Projected benefit obligation	<b>\$ 674</b>	\$1,810		
Accumulated benefit obligation	<b>\$ 665</b>	\$1,801		
Fair value of plan assets	<b>\$ 441</b>	\$1,598		
<b>Amounts recognized in accumulated other comprehensive loss, net of tax:</b>				
Net actuarial loss (gain)	<b>\$ 483</b>	\$ 433	<b>\$(35)</b>	\$(24)
Prior service credit	<b>1</b>	1	<b>(13)</b>	(5)
Total recognized	<b>\$ 484</b>	\$ 434	<b>\$(48)</b>	\$(29)

The actuarial loss included in accumulated other comprehensive loss for our retirement plans and expected to be recognized in net periodic pension cost during the year ending December 31, 2017 is \$18 million. There is no prior service credit included in accumulated other comprehensive loss for our retirement plans expected to be recognized in net periodic benefit cost during the year ending December 31, 2017.

There is an immaterial amount of actuarial loss and prior service credit included in accumulated other comprehensive loss for our postretirement plans expected to be recognized in net periodic benefit cost during the year ending December 31, 2017.

## NET PERIODIC BENEFIT COST

For purposes of determining annual pension cost, prior service costs are being amortized straight-line over the average expected remaining lifetime of plan participants expected to receive benefits.

A summary of net periodic benefit cost for our retirement and postretirement plans for the years ended December 31, is as follows:

<i>(in millions)</i>	Retirement Plans			Postretirement Plans		
	2016	2015	2014	2016	2015	2014
Service cost	\$ 3	\$ 6	\$ 5	\$—	\$—	\$ 1
Interest cost	78	96	99	2	3	4
Expected return on assets	(122)	(127)	(138)	—	—	—
Amortization of:						
Actuarial loss (gain)	16	20	11	(1)	—	(1)
Prior service (credit) cost	—	—	—	—	(1)	—
Curtailment <sup>1</sup>	—	—	—	—	—	(1)
Net periodic benefit cost	\$ (25)	\$ (5)	\$ (23)	\$ 1	\$ 2	\$ 3

<sup>1</sup> The curtailment gain for our postretirement plans in 2014 is a result of plan changes effective October 31, 2014 eliminating retiree medical and life insurance benefits for active employees not retiring by July 1, 2016.

Our U.K. retirement plan accounted for a benefit of \$10 million in 2016, \$10 million in 2015, and \$8 million in 2014 of the net periodic benefit cost attributable to the funded plans.

Other changes in plan assets and benefit obligations recognized in other comprehensive income, net of tax for the years ended December 31, are as follows:

<i>(in millions)</i>	Retirement Plans			Postretirement Plans		
	2016	2015	2014	2016	2015	2014
Net actuarial loss (gain)	\$ 60	\$ (6)	\$232	\$ (12)	\$ (17)	\$ 3
Recognized actuarial (gain) loss	(10)	(13)	(7)	1	—	1
Prior service cost (credit)	—	—	—	(8)	1	(5)
Total recognized	\$ 50	\$ (19)	\$225	\$ (19)	\$ (16)	\$ (1)

The total cost for our retirement plans was \$69 million for 2016, \$91 million for 2015 and \$81 million for 2014. Included in the total retirement plans cost are defined contribution plans cost of \$65 million for 2016, \$67 million for 2015 and \$74 million for 2014.

## ASSUMPTIONS

	Retirement Plans			Postretirement Plans		
	2016	2015	2014	2016	2015	2014
Benefit obligation:						
Discount rate <sup>2</sup>	<b>4.14%</b>	4.47%	4.15%	<b>3.69%</b>	3.90%	3.60%
Net periodic cost:						
Weighted-average healthcare cost rate <sup>1</sup>				<b>7.0%</b>	7.0%	7.0%
Discount rate — U.S. plan <sup>2</sup>	<b>4.47%</b>	4.15%	5.0%	<b>3.94%</b>	3.60%	4.125%
Discount rate — U.K. plan <sup>2</sup>	<b>3.84%</b>	3.8%	4.5%			
Return on assets <sup>3</sup>	<b>6.25%</b>	6.25%	7.125%			

1 The assumed weighted-average healthcare cost trend rate will decrease ratably from 7% in 2016 to 5% in 2024 and remain at that level thereafter. Assumed healthcare cost trends have an effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend creates the following effects:

(in millions)	1% point increase	1% point decrease
Effect on postretirement obligation	\$1	\$(1)

2 Effective January 1, 2016, we changed our discount rate assumption on our U.S. retirement plans to 4.47% from 4.15% in 2015 and changed our discount rate assumption on our U.K. plan to 3.84% from 3.8% in 2015. At the end of 2015, we changed our approach used to measure service and interest costs on all of our retirement plans. For 2015 and prior periods presented, we measured service and interest costs utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. For 2016, we elected to measure service and interest costs by applying the specific spot rates along that yield curve to the plans' liability cash flows. We believe this new approach provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rates on the yield curve. This change does not affect the measurement of our benefit obligation. We have accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and, accordingly, have accounted for it on a prospective basis. Pension and postretirement medical costs decreased by approximately \$14 million in 2016 as a result of this change.

3 The expected return on assets assumption is calculated based on the plan's asset allocation strategy and projected market returns over the long-term. Effective January 1, 2017, our return on assets assumption for the U.S. plan and U.K. plan remained unchanged at 6.25%.

## CASH FLOWS

In December of 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act established a prescription drug benefit under Medicare, known as "Medicare Part D", and a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our benefits provided to certain participants are at least actuarially equivalent to Medicare Part D, and, accordingly, we are entitled to a subsidy.

Expected employer contributions in 2017 are \$8 million for each of our retirement and postretirement plans. In 2017, we may elect to make additional non-required contributions depending on investment performance and the pension plan status. Information about the expected cash flows for our retirement and postretirement plans and the impact of the Medicare subsidy is as follows:

(in millions)	Postretirement Plans <sup>2</sup>				
	Retirement Plans <sup>1</sup>	Gross payments	Retiree contributions	Medicare subsidy <sup>3</sup>	Net payments
2017	\$ 88	\$12	\$ (4)	\$—	\$ 8
2018	90	11	(4)	—	7
2019	93	10	(3)	—	7
2020	96	9	(3)	—	6
2021	98	8	(3)	—	5
2022–2026	527	30	(12)	—	18

1 Reflects the total benefits expected to be paid from the plans or from our assets including both our share of the benefit cost and the participants' share of the cost.

2 Reflects the total benefits expected to be paid from our assets.

3 Expected Medicare subsidy amounts, for the years presented, are less than \$1 million.

## FAIR VALUE OF PLAN ASSETS

In accordance with authoritative guidance for fair value measurements certain assets and liabilities are required to be recorded at fair value. Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy has been established which requires us to maximize the

use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of our defined benefit plans assets as of December 31, 2016 and 2015, by asset class is as follows:

<i>(in millions)</i>	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and short-term investments	\$ 38	\$ 38	\$ —	\$—
Equities:				
U.S. indexes <sup>1</sup>	69	69	—	—
U.S. growth and value	103	103	—	—
U.K.	3	3	—	—
International, excluding U.K.	38	38	—	—
Fixed income:				
Long duration strategy <sup>2</sup>	970	—	970	—
Intermediate duration securities	32	—	32	—
Agency mortgage backed securities	5	—	5	—
Asset backed securities	19	—	19	—
Non-agency mortgage backed securities <sup>3</sup>	20	—	20	—
International	16	—	16	—
Real Estate				
U.K. <sup>4</sup>	11	—	—	11
Other	—	—	—	—
<b>Total</b>	<b>\$1,324</b>	<b>\$251</b>	<b>\$1,062</b>	<b>\$11</b>
Collective investment funds	749			
<b>Total</b>	<b>\$2,073</b>			

<i>(in millions)</i>	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash, short-term investments, and other	\$ 1	\$ 1	\$ —	\$—
Equities:				
U.S. indexes <sup>1</sup>	63	63	—	—
U.S. growth and value	92	92	—	—
U.K.	6	6	—	—
International, excluding U.K.	35	35	—	—
Fixed income:				
Long duration strategy <sup>2</sup>	969	—	969	—
Intermediate duration securities	31	—	31	—
Agency mortgage backed securities	6	—	6	—
Asset backed securities	17	—	17	—
Non-agency mortgage backed securities <sup>3</sup>	23	—	23	—
International	17	—	17	—
Other	—	—	—	—
<b>Total</b>	<b>\$1,260</b>	<b>\$197</b>	<b>\$1,063</b>	<b>\$—</b>
Collective investment funds	763			
<b>Total</b>	<b>\$2,023</b>			

1 Includes securities that are tracked in the S&P Smallcap 600 index.

2 Includes securities that are mainly investment grade obligations of issuers in the U.S.

3 Includes U.S. mortgage-backed securities that are not backed by the U.S. government.

4 Includes a fund which holds real estate properties in the U.K.

For securities that are quoted in active markets, the trustee/custodian determines fair value by applying securities' prices obtained from its pricing vendors. For commingled funds that are not actively traded, the trustee applies pricing information provided by investment management firms to the unit quantities of such funds. Investment management firms employ their own pricing vendors to value the securities underlying each commingled fund. Underlying securities that are not actively traded derive their prices from investment managers, which in turn, employ vendors that use pricing models (e.g., discounted cash flow, comparables). The domestic defined benefit plans have no investment in our stock, except through the S&P 500 commingled trust index fund.

The trustee obtains estimated prices from vendors for securities that are not easily quotable and they are categorized accordingly as Level 3. The following table details further information on our plan assets where we have used significant unobservable inputs (Level 3):

<i>(in millions)</i>	Level 3
Balance as of December 31, 2015	\$—
Purchases	11
Balance as of December 31, 2016	<b>\$11</b>

## PENSION TRUSTS' ASSET ALLOCATIONS

There are two pension trusts, one in the U.S. and one in the U.K.

- The U.S. pension trust had assets of \$1.6 billion as of December 31, 2016 and 2015, and the target allocations in 2016 include 68% debt securities and short-term investments, 27% domestic equities and 5% international equities.
- The U.K. pension trust had assets of \$441 million and \$425 million as of December 31, 2016 and 2015, respectively, and the target allocations in 2016 include 40% fixed income, 30% diversified growth funds, 20% equities and 10% real estate.

The pension assets are invested with the goal of producing a combination of capital growth, income and a liability hedge. The mix of assets is established after consideration of the long-term performance and risk characteristics of asset classes. Investments are selected based on their potential to enhance returns, preserve capital and reduce overall volatility. Holdings are diversified within each asset class. The portfolios employ a mix of index and actively managed equity strategies by market capitalization, style, geographic regions and economic sectors. The fixed income strategies include U.S. long duration securities, opportunistic fixed income securities and U.K. debt instruments. The short-term portfolio, whose primary goal is capital

preservation for liquidity purposes, is composed of government and government-agency securities, uninvested cash, receivables and payables. The portfolios do not employ any financial leverage.

## U.S. DEFINED CONTRIBUTION PLANS

Assets of the defined contribution plans in the U.S. consist primarily of investment options which include actively managed equity, indexed equity, actively managed equity/bond funds, target date funds, S&P Global Inc. common stock, stable value and money market strategies. There is also a self-directed mutual fund investment option. The plans purchased 216,035 shares and sold 437,283 shares of S&P Global Inc. common stock in 2016 and purchased 223,656 shares and sold 247,984 shares of S&P Global Inc. common stock in 2015. The plans held approximately 1.6 million shares of S&P Global Inc. common stock as of December 31, 2016 and 1.8 million shares as of December 31, 2015, with market values of \$171 million and \$179 million, respectively. The plans received dividends on S&P Global Inc. common stock of \$2 million during both the years ended December 31, 2016 and December 31, 2015.

## 8. Stock-Based Compensation

We issue stock-based incentive awards to our eligible employees and Directors under the 2002 Employee Stock Incentive Plan and a Director Deferred Stock Ownership Plan.

- **2002 EMPLOYEE STOCK INCENTIVE PLAN (THE "2002 PLAN")** — The 2002 Plan permits the granting of nonqualified stock options, stock appreciation rights, performance stock, restricted stock and other stock-based awards.
- **DIRECTOR DEFERRED STOCK OWNERSHIP PLAN** — Under this plan, common stock reserved may be credited to deferred stock accounts for eligible Directors. In general, the plan requires that 50% of eligible Directors' annual compensation plus dividend equivalents be credited to deferred stock accounts. Each Director may also elect to defer all or a portion of the remaining compensation and have an equivalent number of shares credited to the deferred stock account. Recipients under this plan are not required to provide consideration to us other than rendering service. Shares will be delivered as of the date a recipient ceases to be a member of the Board of Directors or within five years thereafter, if so elected. The plan will remain in effect until terminated by the Board of Directors or until no shares of stock remain available under the plan.

The number of common shares reserved for issuance are as follows:

(in millions)	December 31,	
	2016	2015
Shares available for granting under the 2002 Plan	33.5	32.8
Options outstanding	3.8	5.8
Total shares reserved for issuance <sup>1</sup>	37.3	38.6

<sup>1</sup> Shares reserved for issuance under the Director Deferred Stock Ownership Plan are not included in the total, but are approximately 0.1 million.

We issue treasury shares upon exercise of stock options and the issuance of restricted stock and unit awards. To offset the dilutive effect of the exercise of employee stock options, we periodically repurchase shares. See Note 9 — *Equity* for further discussion.

Stock-based compensation expense and the corresponding tax benefit are as follows:

(in millions)	Year Ended December 31,		
	2016	2015	2014
Stock option expense	\$ 7	\$14	\$ 21
Restricted stock and unit awards expense	69	64	79
Total stock-based compensation expense	\$76	\$78	\$100
Tax benefit	\$29	\$29	\$ 38

Stock-based compensation of \$2 million is recorded in discontinued operations for the year ended December 31, 2014, as a result of the sale of McGraw Hill Construction described further in Note 2 — *Acquisitions and Divestitures*.

## STOCK OPTIONS

Stock options may not be granted at a price less than the fair market value of our common stock on the date of grant. Stock options granted vest over a three year service period in equal annual installments and have a maximum term of 10 years. Stock option compensation costs are recognized from the date of grant, utilizing a three-year graded vesting method. Under this method, one-third of the costs are ratably recognized over the first twelve months, one-third of the costs are ratably recognized over a twenty-four month period starting from the date of grant with the remaining costs ratably recognized over a thirty-six month period starting from the date of grant.

We use a lattice-based option-pricing model to estimate the fair value of options granted. The following assumptions were used in valuing the options granted:

	Year Ended December 31,	
	2015	2014
Risk-free average interest rate	0.2–1.9%	0.1–2.9%
Dividend yield	1.4%	1.4–1.8%
Volatility	21–39%	18–41%
Expected life (years)	6.3	6.21–6.25
Weighted-average grant-date fair value per option	\$27.57	\$23.41

Because lattice-based option-pricing models incorporate ranges of assumptions, those ranges are disclosed. These assumptions are based on multiple factors, including historical exercise patterns, post-vesting termination rates, expected future exercise patterns and the expected volatility of our stock price. The risk-free interest rate is the imputed forward rate based on the U.S. Treasury yield at the date of grant. We use the historical volatility of our stock price over the expected term of the options to estimate the expected volatility. The expected term of options granted is derived from the output of the lattice model and represents the period of time that options granted are expected to be outstanding.

During 2015, we stopped granting stock options as part of our employees' total stock-based incentive awards. There were no stock options granted in 2016 and a minimal amount of stock options granted in 2015.

Stock option activity is as follows:

<i>(in millions, except per award amounts)</i>	Shares	Weighted average exercise price	Weighted-average remaining years of contractual term	Aggregate intrinsic value
Options outstanding as of December 31, 2015	5.8	\$45.61		
Exercised	(1.9)	\$95.87		
Canceled, forfeited and expired	(0.1)	\$69.93		
Options outstanding as of December 31, 2016	<b>3.8</b>	<b>\$43.36</b>	<b>3.6</b>	<b>\$246</b>
Options exercisable as of December 31, 2016	<b>3.7</b>	<b>\$41.87</b>	<b>3.5</b>	<b>\$242</b>

<i>(in millions, except per award amounts)</i>	Shares	Weighted-average grant-date fair value
Nonvested options outstanding as of December 31, 2015	0.8	\$19.82
Vested	(0.5)	\$19.35
Forfeited	(0.1)	\$21.84
Nonvested options outstanding as of December 31, 2016	<b>0.2</b>	<b>\$23.42</b>
Total unrecognized compensation expense related to nonvested options <sup>1</sup>	<b>\$ —</b>	
Weighted-average years to be recognized over	<b>0.3</b>	

<sup>1</sup> There is less than \$1 million of unrecognized compensation expense related to nonvested options.

The total fair value of our stock options that vested during the years ended December 31, 2016, 2015 and 2014 was \$7 million, \$11 million and \$6 million, respectively.

Information regarding our stock option exercises is as follows:

<i>(in millions)</i>	Year Ended December 31,		
	2016	2015	2014
Net cash proceeds from the exercise of stock options	<b>\$88</b>	\$86	\$193
Total intrinsic value of stock option exercises	<b>\$95</b>	\$94	\$168
Income tax benefit realized from stock option exercises	<b>\$41</b>	\$49	\$73

Restricted stock and unit activity for performance and non-performance awards is as follows:

<i>(in millions, except per award amounts)</i>	Shares	Weighted-average grant-date fair value
Nonvested shares as of December 31, 2015	1.2	\$92.39
Granted	0.9	\$93.01
Vested	(0.9)	\$106.81
Forfeited	(0.2)	\$95.41
Nonvested shares as of December 31, 2016	<b>1.0</b>	<b>\$106.31</b>
Total unrecognized compensation expense related to nonvested awards	<b>\$55</b>	
Weighted-average years to be recognized over	<b>1.7</b>	

## RESTRICTED STOCK AND UNIT AWARDS

Restricted stock and unit awards (performance and non-performance) have been granted under the 2002 Plan. Performance unit awards will vest only if we achieve certain financial goals over the performance period. Restricted stock non-performance awards have various vesting periods (generally three years), with vesting beginning on the first anniversary of the awards. Recipients of restricted stock and unit awards are not required to provide consideration to us other than rendering service.

The stock-based compensation expense for restricted stock and unit awards is determined based on the market price of our stock at the grant date of the award applied to the total number of awards that are anticipated to fully vest. For performance unit awards, adjustments are made to expense dependent upon financial goals achieved.

	Year Ended December 31,		
	2016	2015	2014
Weighted-average grant-date fair value per award	<b>\$93.01</b>	\$77.06	\$77.74
Total fair value of restricted stock and unit awards vested	<b>\$99</b>	\$155	\$88
Tax benefit relating to restricted stock activity	<b>\$26</b>	\$24	\$30

For the years ended December 31, 2016, 2015 and 2014, \$41 million, \$69 million and \$128 million, respectively, of excess tax benefits from stock options exercises and restricted stock and unit award vestings are reported in our cash flows used for financing activities.

## 9. Equity

### CAPITAL STOCK

Two million shares of preferred stock, par value \$1 per share, are authorized; none have been issued.

On January 25, 2017, the Board of Directors approved an increase in the dividends for 2017 to a quarterly rate of \$0.41 per common share.

	Year Ended December 31,		
	2016	2015	2014
Quarterly dividend rate	<b>\$0.36</b>	\$0.33	\$0.30
Annualized dividend rate	<b>\$1.44</b>	\$1.32	\$1.20
Dividends paid (in millions)	<b>\$ 380</b>	\$ 363	\$ 326

### STOCK REPURCHASES

On December 4, 2013, the Board of Directors approved a share repurchase program authorizing the purchase of 50 million shares, which was approximately 18% of the total shares of our outstanding common stock at that time.

Share repurchases were as follows:

	Year Ended December 31,		
(in millions, except average price)	2016	2015	2014
Total number of shares purchased <sup>1</sup>	<b>9.7</b>	10.1	4.4
Average price paid per share <sup>2,3</sup>	<b>\$ 113.36</b>	\$99.00	\$79.06
Total cash utilized <sup>2</sup>	<b>\$ 1,097</b>	\$1,000	\$ 352

1 2016 includes shares received as part of our accelerated share repurchase agreement as described in more detail below.

2 In December of 2015, 0.3 million shares were repurchased for approximately \$26 million, which settled in January of 2016. Excluding these 0.3 million shares, the average price paid per share was \$98.98. In December of 2013, 0.1 million shares were repurchased for approximately \$10 million, which settled in January of 2014. Cash used for financing activities only reflects those shares which settled during the year ended December 31, 2016, 2015 and 2014 resulting in \$1,123 million, \$974 million and \$362 million of cash used to repurchase shares, respectively.

3 On June 25, 2014, we repurchased 0.5 million shares of the Company's common stock from the personal holdings of Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company, at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price. We repurchased these shares with cash for \$41 million at an average price of \$82.66 per share. See Note 14—*Related Party Transactions* for further information.

Our purchased shares may be used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. As of December 31, 2016, 25.8 million shares remained available under our current share repurchase program. Our current share repurchase program has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions.

### ACCELERATED SHARE REPURCHASE PROGRAM

Using a portion of the proceeds received from the sale of J.D. Power, we entered into an accelerated share repurchase ("ASR") agreement with a financial institution on September 7, 2016 to initiate share repurchases aggregating \$750 million. The ASR agreement was structured as a capped ASR agreement in which we paid \$750 million and received an initial delivery of approximately 4.4 million shares and an additional amount of 0.9 million shares during the month of September 2016, representing the minimum number of shares of our common stock to be repurchased based on a calculation using a specified capped price per share. We completed the ASR agreement on December 7, 2016 and received an additional 0.9 million shares, which settled on December 12, 2016. We repurchased a total of 6.1 million shares under the ASR agreement for an average purchase price of \$122.18 per share. The total number of shares repurchased under the ASR agreement was based on the volume weighted-average share price, minus a discount, of our common stock over the term of the ASR agreement. The repurchased shares are held in Treasury. The ASR agreement was executed under the current share repurchase program, approved on December 4, 2013.

The ASR agreement was accounted for as two transactions: a stock purchase transaction and a forward stock purchase contract. The shares delivered under the ASR agreement resulted in a reduction of our outstanding shares used to determine our weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share. The forward stock purchase contract was classified as an equity instrument.

### REDEEMABLE NONCONTROLLING INTERESTS

The agreement with the minority partners of our S&P Dow Jones Indices LLC partnership contains redemption features whereby interests held by minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. Specifically, under the terms of the operating agreement of Indices LLC, after December 31, 2017, CME Group and CME Group Index Services LLC ("CGIS") will have the right at any time to sell, and we are obligated to buy, at least 20% of their share in S&P Dow Jones Indices LLC. In addition, in the event there is a change of control of the Company, for the 15 days following a change in control, CME Group and CGIS will have the right to put their interest to us at the then fair value of CME Group's and CGIS' minority interest.

If interests were to be redeemed under this agreement, we would generally be required to purchase the interest at fair value on the date of redemption. This interest is presented on the consolidated balance sheets outside of equity under the caption "Redeemable noncontrolling interest" with an initial value based on fair value for the portion attributable to the net assets we acquired, and based on our historical cost for the portion attributable to our S&P Index business. We adjust the redeemable noncontrolling interest each reporting period to its estimated redemption value, but never less than its initial fair value, considering a combination of an income and market valuation approach. Our income and market valuation approaches may incorporate Level 3 fair value measures for instances when observable inputs are not available, including

assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features. Any adjustments to the redemption value will impact retained income.

Noncontrolling interests that do not contain such redemption features are presented in equity.

Changes to redeemable noncontrolling interest during the year ended December 31, 2016 were as follows:

(in millions)

Balance as of December 31, 2015	\$ 920
Net income attributable to noncontrolling interest	109
Distributions to noncontrolling interest	(102)
Redemption value adjustment	153
<b>Balance as of December 31, 2016</b>	<b>\$1,080</b>

## ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the components of accumulated other comprehensive loss for the year ended December 31, 2016:

(in millions)

	Foreign Currency Translation Adjustment	Pension and Postretirement Benefit Plans	Unrealized Gain (Loss) on Forward Exchange Contracts	Accumulated Other Comprehensive Loss
Balance as of December 31, 2015	\$(193)	\$(406)	\$(1)	\$(600)
Other comprehensive income before reclassifications	(139)	(47)	7	(179)
Reclassifications from accumulated other comprehensive loss to net earnings	—	10 <sup>1</sup>	(4) <sup>2</sup>	6
Net other comprehensive income	(139)	(37)	3	(173)
<b>Balance as of December 31, 2016</b>	<b>\$(332)</b>	<b>\$(443)</b>	<b>\$ 2</b>	<b>\$(773)</b>

<sup>1</sup> See Note 7—*Employee Benefits* for additional details of items reclassified from accumulated other comprehensive loss to net earnings.

<sup>2</sup> See Note 6—*Derivative Instruments* for additional details of items reclassified from accumulated other comprehensive loss to net earnings.

The net actuarial loss and prior service cost related to pension and other postretirement benefit plans included in other comprehensive income is net of a tax provision of \$5 million for the year ended December 31, 2016.

## 10. Earnings (Loss) per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to the common shareholders of the Company by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share, except the number of shares is increased to include additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Potential common shares consist primarily of stock options, restricted stock and restricted stock units calculated using the treasury stock method.

The calculation for basic and diluted earnings (loss) per share is as follows:

(in millions, except per share data)	Year Ended December 31,		
	2016	2015	2014
<b>Amount attributable to S&amp;P Global Inc. common shareholders:</b>			
Income (loss) from continuing operations	\$2,106	\$1,156	\$ (293)
Income from discontinued operations	—	—	178
Net income (loss) attributable to the Company	\$2,106	\$1,156	\$ (115)
Basic weighted-average number of common shares outstanding	262.8	271.6	271.5
Effect of stock options and other dilutive securities	2.4	3.0	—
Diluted weighted-average number of common shares outstanding	265.2	274.6	271.5
<b>Income (loss) from continuing operations:</b>			
Basic	\$ 8.02	\$ 4.26	\$ (1.08)
Diluted	\$ 7.94	\$ 4.21	\$ (1.08)
<b>Income from discontinued operations:</b>			
Basic	\$ —	\$ —	\$ 0.66
Diluted	\$ —	\$ —	\$ 0.66
<b>Net income (loss):</b>			
Basic	\$ 8.02	\$ 4.26	\$ (0.42)
Diluted	\$ 7.94	\$ 4.21	\$ (0.42)

Each period we have certain stock options and restricted performance shares that are excluded from the computation of diluted earnings (loss) per share. The effect of the potential exercise of stock options is excluded when the average market price of our common stock is lower than the exercise price of the related option during the period or when a loss from continuing operations exists because the effect would have been antidilutive. Additionally, restricted performance shares are excluded because the necessary vesting conditions had not been met or when a loss from continuing operations exists. As of December 31, 2016 and 2015, there were no stock options excluded as compared to 2.9 million stock options excluded for the year ended December 31, 2014. Additionally, restricted performance shares outstanding of 0.7 million, 0.9 million and 3.2 million as of December 31, 2016, 2015 and 2014, respectively, were excluded.

## 11. Restructuring

During 2016 and 2015, we continued to evaluate our cost structure and further identified cost savings associated with streamlining our management structure and our decision to exit non-strategic businesses. Our 2016 and 2015 restructuring plans consisted of a company-wide workforce reduction of approximately 230 positions and 550 positions, respectively, and are further detailed below. The charges for each restructuring plan are classified as selling and general expenses within the consolidated statements of income and the reserves are included in other current liabilities in the consolidated balance sheets.

In certain circumstances, reserves are no longer needed because of efficiencies in carrying out the plans or because employees previously identified for separation resigned from the Company and did not receive severance or were reassigned due to circumstances not foreseen when the original plans were initiated. In these cases, we reverse reserves through the consolidated statements of income during the period when it is determined they are no longer needed. There was approximately \$7 million of reserves from the 2015 restructuring plan that we have reversed in 2016, which offset the initial charge of \$63 million recorded for the 2015 restructuring plan. Also, there was approximately \$7 million of reserves from the 2014 restructuring plan that we have reversed in 2015, which offset the initial charge of \$86 million recorded for the 2014 restructuring plan.

The initial restructuring charge recorded and the ending reserve balance as of December 31, 2016 by segment is as follows:

(in millions)	2016 Restructuring Plan		2015 Restructuring Plan	
	Initial Charge Recorded	Ending Reserve Balance	Initial Charge Recorded	Ending Reserve Balance
Ratings	\$14	\$10	\$18	\$ 2
Market and Commodities				
Intelligence	10	8	34	4
Indices	1	1	—	—
Corporate	5	4	11	4
Total	\$30	\$23	\$63	\$10

For the year ended December 31, 2016, we have reduced the reserve for the 2016 restructuring plan by \$7 million and for the years ended December 31, 2016 and 2015, we have reduced the reserve for the 2015 restructuring plan by \$40 million and \$13 million, respectively. The reductions primarily related to cash payments for employee severance costs.

## 12. Segment and Geographic Information

As discussed in Note 1 — *Accounting Policies*, we have three reportable segments: Ratings, Market and Commodities Intelligence and Indices.

Our Chief Executive Officer is our chief operating decision-maker and evaluates performance of our segments and allocates resources based primarily on operating profit. Segment operating profit does not include unallocated expense or interest expense, as these are costs that do not affect the operating results of our segments. We use the same accounting policies for our segments as those described in Note 1 — *Accounting Policies*.

Effective beginning with the fourth quarter of 2016, we realigned certain of our reportable segments to be consistent with changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Beginning in the fourth quarter of 2016, S&P Global Market Intelligence and S&P Global Platts are included in a new reportable segment named Market and Commodities Intelligence. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

Segment information for the years ended December 31 is as follows:

(in millions)	Revenue			Operating Profit (Loss)		
	2016	2015	2014	2016	2015	2014
Ratings <sup>1</sup>	<b>\$2,535</b>	\$2,428	\$2,455	<b>\$1,262</b>	\$1,078	\$(583)
Market and Commodities Intelligence <sup>2</sup>	<b>2,585</b>	2,376	2,130	<b>1,822</b>	585	518
Indices <sup>3</sup>	<b>639</b>	597	552	<b>412</b>	392	347
Intersegment elimination <sup>4</sup>	<b>(98)</b>	(88)	(86)	<b>—</b>	—	—
Total operating segments	<b>5,661</b>	5,313	5,051	<b>3,496</b>	2,055	282
Unallocated expense <sup>5</sup>	<b>—</b>	—	—	<b>(127)</b>	(138)	(169)
Total	<b>\$5,661</b>	\$5,313	\$5,051	<b>\$3,369</b>	\$1,917	\$113

1 Operating profit for the year ended December 31, 2016 primarily includes a benefit related to net legal settlement insurance recoveries of \$10 million and restructuring charges of \$6 million. Operating profit for the year ended December 31, 2015 includes net legal settlement expenses of \$54 million and restructuring charges of \$13 million. Operating profit for the year ended December 31, 2014 includes legal and regulatory settlements of \$1.6 billion and restructuring charges of \$45 million. Additionally, operating profit includes amortization of intangibles from acquisitions of \$5 million for the years ended December 31, 2016 and 2015 and \$6 million for the year ended December 31, 2014.

2 Operating profit for the year ended December 31, 2016 includes a \$1.1 billion gain from our dispositions, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million and an acquisition-related cost of \$1 million. Operating profit for the year ended December 31, 2015 includes acquisition-related costs related to the acquisition of SNL of \$37 million and costs identified operating efficiencies primarily related to restructuring of \$33 million. Operating profit for the year ended December 31, 2014 includes restructuring charges of \$25 million. Additionally, operating profit includes amortization of intangibles from acquisitions of \$85 million, \$57 million and \$37 million for the years ended December 31, 2016, 2015, and 2014, respectively.

3 Operating profit for the year ended December 31, 2014 includes the impact of professional fees largely related to corporate development activities of \$4 million. Additionally, operating profit includes amortization of intangibles from acquisitions of \$6 million for the year ended December 31, 2016 and \$5 million for the years ended December 31, 2015 and 2014.

4 Revenue for Ratings and expenses for Market and Commodities Intelligence include an intersegment royalty charged to Market and Commodities Intelligence for the rights to use and distribute content and data developed by Ratings.

5 The year ended December 31, 2016 includes \$3 million from a disposition-related reserve release. The year ended December 31, 2015 includes a gain of \$11 million related to the sale of our interest in a legacy McGraw Hill Construction investment and costs related to identified operating efficiencies primarily related to restructuring of \$10 million. The year ended December 31, 2014 includes restructuring charges of \$16 million.

(in millions)	Depreciation & Amortization			Capital Expenditures		
	2016	2015	2014	2016	2015	2014
Ratings	<b>\$34</b>	\$43	\$43	<b>\$42</b>	\$48	\$33
Market and Commodities Intelligence	<b>131</b>	99	74	<b>57</b>	78	49
Indices	<b>8</b>	8	7	<b>3</b>	4	2
Total operating segments	<b>173</b>	150	124	<b>102</b>	130	84
Corporate	<b>8</b>	7	10	<b>13</b>	9	8
Total	<b>\$181</b>	\$157	\$134	<b>\$115</b>	\$139	\$92

Segment information as of December 31 is as follows:

<i>(in millions)</i>	Total Assets	
	2016	2015
Ratings	\$ 612	\$ 620
Market and Commodities Intelligence	4,104	4,011
Indices	1,247	1,181
Total operating segments	5,963	5,812
Corporate <sup>1</sup>	2,699	1,868
Assets of a business held for sale <sup>2</sup>	7	503
Total	\$8,669	\$8,183

1 Corporate assets consist principally of cash and cash equivalents, assets for pension benefits, deferred income taxes and leasehold improvements related to subleased areas.

2 Includes QuantHouse and J.D. Power as of December 31, 2016 and 2015, respectively.

We have operations with foreign revenue and long-lived assets in approximately 95 countries. We do not have operations in any foreign country that represent more than 8% of our consolidated revenue. Transfers between geographic areas are recorded at agreed upon prices and intercompany revenue and profit are eliminated. No single customer accounted for more than 10% of our consolidated revenue.

The following provides revenue and long-lived assets by geographic region:

<i>(in millions)</i>	Revenue			Long-lived Assets	
	Year ended December 31,			December 31,	
	2016	2015	2014	2016	2015
U.S.	\$3,461	\$3,202	\$2,911	\$4,335	\$4,198
European region	1,330	1,265	1,316	341	419
Asia	575	566	528	58	63
Rest of the world	295	280	296	46	50
Total	\$5,661	\$5,313	\$5,051	\$4,780	\$4,730

	Revenue			Long-lived Assets	
	Year ended December 31,			December 31,	
	2016	2015	2014	2016	2015
U.S.	61%	60%	58%	91%	89%
European region	24	24	26	7	9
Asia	10	11	10	1	1
Rest of the world	5	5	6	1	1
Total	100%	100%	100%	100%	100%

See Note 2 — *Acquisitions and Divestitures* and Note 11 — *Restructuring*, for actions that impacted the segment operating results.

## 13. Commitments and Contingencies

### RENTAL EXPENSE AND LEASE OBLIGATIONS

We are committed under lease arrangements covering property, computer systems and office equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of their economic lives or their lease term. Certain lease arrangements contain escalation clauses covering increased costs for various defined real estate taxes and operating services and the associated fees are recognized on a straight-line basis over the minimum lease period.

Rental expense for property and equipment under all operating lease agreements is as follows:

<i>(in millions)</i>	Year ended December 31,		
	2016	2015	2014
Gross rental expense	\$179	\$182	\$199
Less: sublease revenue	(16)	(14)	(16)
Less: Rock-McGraw rent credit	—	(4)	(23)
Net rental expense	\$163	\$164	\$160

In December of 2003, we sold our 45% equity investment in Rock-McGraw, Inc., which owned our then headquarters building in New York City, and remained an anchor tenant by concurrently leasing back space from the buyer through 2020. Proceeds from the disposition were \$382 million and the sale resulted in a pre-tax gain, net of transaction costs, of \$131 million (\$58 million after-tax) upon disposition. As a result of the amount of building space we retained through our leaseback, a pre-tax gain of \$212 million (\$126 million after-tax) was deferred upon the disposition in 2003. In December of 2013, we entered into an arrangement with the buyer to shorten the lease to December of 2015 in exchange for approximately \$60 million which was recorded as a reduction to the unrecognized deferred gain from the sale. The remaining gain was amortized over the remaining lease term as a reduction in rent expense. The amount of gain recognized for the years ended December 31, 2015 and 2014 was \$4 million and \$21 million, respectively. The lease terminated in December of 2015.

Cash amounts for future minimum rental commitments under existing non-cancelable leases with a remaining term of more than one year, along with minimum sublease rental income to be received under non-cancelable subleases are shown in the following table.

<i>(in millions)</i>	Rent commitment	Sublease income	Net rent
2017	\$ 116	\$(17)	\$ 99
2018	110	(17)	93
2019	100	(17)	83
2020	73	(3)	70
2021	63	—	63
2022 and beyond	540	—	540
Total	\$1,002	\$(54)	\$948

### LEGAL & REGULATORY MATTERS

In the normal course of business both in the United States and abroad, the Company and its subsidiaries are defendants in a number of legal proceedings and are often the subject of government and regulatory proceedings, investigations and inquiries. Many of these proceedings, investigations and inquiries relate to the ratings activity of S&P Global Ratings brought by issuers and alleged purchasers of rated securities. In addition, various government and self-regulatory agencies frequently make inquiries and conduct investigations into our compliance with applicable laws and regulations, including those related to ratings activities and antitrust matters. Any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions, which could adversely impact our consolidated financial condition, cash flows, business or competitive position.

The Company believes that it has meritorious defenses to the pending claims and potential claims in the matters described below and is diligently pursuing these defenses, and in some cases working to reach an acceptable negotiated resolution. However, in view of the uncertainty inherent in litigation and government and regulatory enforcement matters, we cannot predict the eventual outcome of these matters or the timing of their resolution, or in most cases reasonably estimate what the eventual judgments, damages, fines, penalties or impact of activity restrictions may be. As a result, we cannot provide assurance that the outcome of the matters described below will not have a material adverse effect on our consolidated financial condition, cash flows, business or competitive position. As litigation or the process to resolve pending matters progresses, as the case may be, we will continue to review the latest information available and assess our ability to predict

the outcome of such matters and the effects, if any, on our consolidated financial condition, cash flows, business and competitive position, which may require that we record liabilities in the consolidated financial statements in future periods.

With respect to the matters identified below, we have recognized a liability when both (a) information available indicates that it is probable that a liability has been incurred as of the date of these financial statements and (b) the amount of loss can reasonably be estimated.

## **S&P GLOBAL RATINGS**

### **Financial Crisis Litigation**

The Company and its subsidiaries continue to defend civil cases brought by private and public plaintiffs arising out of ratings activities prior to and during the global financial crisis of 2008-2009. Included in these civil cases are seven lawsuits in Australia against the Company and Standard & Poor's International, LLC relating to alleged investment losses in collateralized debt obligations ("CDOs") rated by S&P Global Ratings. Discovery in certain of these cases, including the Australia matters, is ongoing. We can provide no assurance that we will not be obligated to pay significant amounts in order to resolve these matters on terms deemed acceptable.

### **U.S. Securities and Exchange Commission**

As a nationally recognized statistical rating organization registered with the SEC under Section 15E of the Securities Exchange Act of 1934, S&P Global Ratings is in ongoing communication with the staff of the SEC regarding compliance with its extensive obligations under the federal securities laws. Although S&P Global Ratings seeks to promptly address any compliance issues that it detects or that the staff of the SEC raises, there can be no assurance that the SEC will not seek remedies against S&P Global Ratings for one or more compliance deficiencies.

### **Trani Prosecutorial Proceeding**

The prosecutor in the Italian city of Trani has obtained criminal indictments against several current and former S&P Global Ratings managers and ratings analysts for alleged market manipulation, and against Standard & Poor's Credit Market Services Europe under Italy's vicarious liability statute, for having allegedly failed to properly supervise the ratings analysts and prevent them from committing market manipulation. The prosecutor's theories are based on various actions by S&P Global Ratings taken with respect to Italian sovereign debt between May of 2011 and January of 2012. Trial commenced in February of 2015 and closing arguments are scheduled for

January and February of 2017. Apart from criminal penalties that might be imposed following a conviction, such conviction could also lead to civil damages claims and other sanctions against Standard & Poor's Credit Market Services Europe or the Company. Such claims and sanctions cannot be quantified at this stage.

### **Shareholder Derivative Actions**

In August of 2015, two purported shareholders commenced a putative derivative action on behalf of the Company in New York State Supreme Court titled *Retirement Plan for General Employees of the City of North Miami Beach and Robin Stein v. Harold McGraw III, et al.* The complaint asserts claims for, inter alia, breach of fiduciary duty, waste of corporate assets, and mismanagement against the board of directors, certain former directors of the Company, and three former S&P Global Ratings employees. Plaintiffs seek recovery from the defendants based primarily on allegations that S&P Global Ratings' credit ratings practices for certain residential mortgage-backed securities and collateralized debt obligations misrepresented the credit risks of those securities, allegedly resulting in losses to the Company. The Company and the individual defendants filed motions to dismiss the complaint in October of 2015. Plaintiffs filed an opposition in December of 2015, and the Company and the individual defendants filed their reply briefs in January of 2016.

In January of 2016, a different purported shareholder commenced a separate putative derivative action on behalf of the Company in New York State Supreme Court titled *L.A. Grika v. Harold McGraw III, et al.* The allegations in the complaint are substantially similar to those in the North Miami Beach matter described above. The complaint asserts claims for, inter alia, breach of fiduciary duty, aiding and abetting breaches of fiduciary duty, unjust enrichment, contribution and indemnification against Harold McGraw III, Douglas L. Peterson, and nine former S&P Global Ratings employees. The case was transferred to the judge presiding over the North Miami Beach action. The Company and the individual defendants filed motions to dismiss the Grika complaint in May of 2016. Plaintiffs filed an opposition in June of 2016, and the Company and the individual defendants filed their reply briefs in July of 2016.

The court notified the parties in August of 2016 that it will be issuing written decisions on the outstanding motions to dismiss without oral argument. In December 2016, the court issued two orders granting the motions to dismiss in both the North Miami Beach and the Grika matters. In January 2017, the plaintiffs in the North Miami Beach and Grika matters filed notices of appeal of the court's dismissal of those actions.

## 14. Related Party Transactions

On July 31, 2014, we completed the sale of the Company's aircraft to Harold W. McGraw III, then Chairman of the Company's Board of Directors and former President and CEO of the Company ("Mr. McGraw") for a purchase price of \$20 million, which was modestly higher than the independent appraisal obtained. This transaction was approved by the Nominating and Corporate Governance Committee of the Company's Board of Directors after consultation with members of the Financial Policy Committee. During the second quarter of 2014, we recorded a non-cash impairment charge of \$6 million in (gain) loss on dispositions in our consolidated statement of income as a result of the pending sale.

On June 25, 2014, we repurchased 0.5 million shares of the Company's common stock from the personal holdings of Mr. McGraw. The shares were purchased at a discount of 0.35% from the June 24, 2014 New York Stock Exchange closing price pursuant to a private transaction with Mr. McGraw.

We repurchased these shares with cash for \$41 million at an average price of \$82.66 per share. This transaction was approved by the Nominating and Corporate Governance Committee of the Company's Board of Directors after consultation with members of the Financial Policy Committee.

In June of 2012, we entered into a license agreement (the "License Agreement") with the holder of S&P Dow Jones Indices LLC noncontrolling interest, CME Group, which replaced the 2005 license agreement between Indices and CME Group. Under the terms of the License Agreement, S&P Dow Jones Indices LLC receives a share of the profits from the trading and clearing of CME Group's equity index products. During the years ended December 31, 2016, 2015 and 2014, S&P Dow Jones Indices LLC earned \$76 million, \$63 million and \$52 million of revenue under the terms of the License Agreement, respectively. The entire amount of this revenue is included in our consolidated statement of income and the portion related to the 27% noncontrolling interest is removed in net income attributable to noncontrolling interests.

## 15. Quarterly Financial Information (Unaudited)

(in millions, except per share data)

	First quarter	Second quarter	Third quarter	Fourth quarter	Total year
<b>2016<sup>1</sup></b>					
Revenue	\$1,341	\$1,482	\$1,439	\$1,399	\$5,661
Operating profit	\$ 512	\$ 651	\$1,348	\$ 857	\$3,369
Net income	\$ 323	\$ 412	\$ 923	\$ 569	\$2,228
Net income attributable to S&P Global common shareholders	\$ 294	\$ 383	\$ 892	\$ 537	\$2,106
<b>Earnings per share attributable to S&amp;P Global Inc. common shareholders:</b>					
Net income:					
Basic	\$ 1.11	\$ 1.45	\$ 3.39	\$ 2.07	\$ 8.02
Diluted	\$ 1.10	\$ 1.44	\$ 3.36	\$ 2.05	\$ 7.94
<b>2015</b>					
Revenue	\$1,273	\$1,342	\$1,324	\$1,374	\$5,313
Operating profit	\$ 501	\$ 582	\$ 410	\$ 424	\$1,917
Net income	\$ 329	\$ 381	\$ 281	\$ 276	\$1,268
Net income attributable to S&P Global common shareholders	\$ 303	\$ 353	\$ 252	\$ 248	\$1,156
<b>Earnings per share attributable to S&amp;P Global Inc. common shareholders:</b>					
Net income:					
Basic	\$ 1.11	\$ 1.29	\$ 0.93	\$ 0.92	\$ 4.26
Diluted	\$ 1.10	\$ 1.28	\$ 0.92	\$ 0.91	\$ 4.21

Note — Totals presented may not sum due to rounding.

<sup>1</sup> The third quarter of 2016 and the fourth of 2016 include a pre-tax gain on our dispositions of \$722 million (\$521 million after-tax) and \$379 million (\$297 million after-tax), respectively. See Note 2 — *Acquisitions and Divestitures* for further information.

## 16. Condensed Consolidating Financial Statements

On September 22, 2016, we issued \$500 million of 2.95% senior notes due in 2027. On May 26, 2015, we issued \$700 million of 4.0% senior notes due in 2025. On August 18, 2015, we issued \$2.0 billion of senior notes, consisting of \$400 million of 2.5% senior notes due in 2018, \$700 million of 3.3% senior notes due in 2020 and \$900 million of 4.4% senior notes due in 2026. See Note 5 — *Debt* for additional information.

The senior notes described above are fully and unconditionally guaranteed by Standard & Poor's Financial Services LLC, a 100% owned subsidiary of the Company. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of S&P Global Inc., Standard & Poor's Financial Services LLC, and the Non-Guarantor Subsidiaries of S&P Global Inc. and Standard & Poor's Financial Services LLC, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

(in millions)	Statement of Income Year Ended December 31, 2016				
	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Revenue</b>	<b>\$ 667</b>	<b>\$1,513</b>	<b>\$3,607</b>	<b>\$ (126)</b>	<b>\$ 5,661</b>
<b>Expenses:</b>					
Operating-related expenses	109	451	1,335	(126)	1,769
Selling and general expenses	113	243	1,087	—	1,443
Depreciation	38	9	38	—	85
Amortization of intangibles	—	—	96	—	96
Total expenses	260	703	2,556	(126)	3,393
Gain on dispositions	(1,072)	—	(29)	—	(1,101)
<b>Operating profit</b>	<b>1,479</b>	<b>810</b>	<b>1,080</b>	<b>—</b>	<b>3,369</b>
Interest expense (income), net	191	—	(10)	—	181
Non-operating intercompany transactions	356	(83)	(941)	668	—
<b>Income before taxes on income</b>	<b>932</b>	<b>893</b>	<b>2,031</b>	<b>(668)</b>	<b>3,188</b>
Provision for taxes on income	275	420	265	—	960
Equity in net income of subsidiaries	2,412	294	—	(2,706)	—
<b>Net income</b>	<b>3,069</b>	<b>767</b>	<b>1,766</b>	<b>(3,374)</b>	<b>2,228</b>
Less: net income attributable to noncontrolling interests	—	—	—	(122)	(122)
<b>Net income attributable to S&amp;P Global Inc.</b>	<b>\$ 3,069</b>	<b>\$ 767</b>	<b>\$1,766</b>	<b>\$(3,496)</b>	<b>\$ 2,106</b>
<b>Comprehensive income</b>	<b>\$ 3,099</b>	<b>\$ 767</b>	<b>\$1,563</b>	<b>\$(3,374)</b>	<b>\$ 2,055</b>

Statement of Income  
Year Ended December 31, 2015

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Revenue</b>	\$ 624	\$2,141	\$2,663	\$ (115)	\$5,313
<b>Expenses:</b>					
Operating-related expenses	119	737	959	(115)	1,700
Selling and general expenses	202	254	1,094	—	1,550
Depreciation	40	18	32	—	90
Amortization of intangibles	—	—	67	—	67
Total expenses	361	1,009	2,152	(115)	3,407
Gain on dispositions	—	—	(11)	—	(11)
<b>Operating profit</b>	263	1,132	522	—	1,917
Interest expense (income), net	112	—	(10)	—	102
Non-operating intercompany transactions	282	222	(504)	—	—
<b>(Loss) income before taxes on income</b>	(131)	910	1,036	—	1,815
(Benefit) provision for taxes on income	(107)	358	296	—	547
Equity in net income of subsidiaries	1,473	272	—	(1,745)	—
<b>Net income</b>	1,449	824	740	(1,745)	1,268
Less: net income from continuing operations attributable to noncontrolling interests	—	—	—	(112)	(112)
<b>Net income attributable to S&amp;P Global Inc.</b>	\$1,449	\$ 824	\$ 740	\$(1,857)	\$1,156
<b>Comprehensive income</b>	\$1,446	\$ 822	\$ 655	\$(1,741)	\$1,182

Statement of Income  
Year Ended December 31, 2014

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Revenue</b>	\$ 598	\$ 2,043	\$ 2,525	\$(115)	\$ 5,051
<b>Expenses:</b>					
Operating-related expenses	117	764	885	(115)	1,651
Selling and general expenses	257	1,975	912	—	3,144
Depreciation	41	17	28	—	86
Amortization of intangibles	4	—	44	—	48
Total expenses	419	2,756	1,869	(115)	4,929
Loss on dispositions	3	—	6	—	9
<b>Operating profit (loss)</b>	176	(713)	650	—	113
Interest expense (income), net	66	—	(7)	—	59
Non-operating intercompany transactions	193	38	(231)	—	—
<b>(Loss) income from continuing operations before taxes on income</b>	(83)	(751)	888	—	54
(Benefit) provision for taxes on income	(22)	16	251	—	245
Equity in net (loss) income of subsidiaries	(443)	248	—	195	—
<b>(Loss) income from continuing operations</b>	(504)	(519)	637	195	(191)
<b>Discontinued operations, net of tax:</b>					
Income from discontinued operations	18	—	—	—	18
Gain on sale of discontinued operations	160	—	—	—	160
Discontinued operations, net	178	—	—	—	178
<b>Net (loss) income</b>	\$(326)	\$ (519)	\$ 637	\$ 195	\$ (13)
Less: net income from continuing operations attributable to noncontrolling interests	—	—	—	(102)	(102)
<b>Net (loss) income attributable to S&amp;P Global Inc.</b>	\$(326)	\$ (519)	\$ 637	\$ 93	\$ (115)
<b>Comprehensive income</b>	\$(495)	\$ (544)	\$ 513	\$ 195	\$ (331)

Balance Sheet  
December 31, 2016

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 711	\$ —	\$ 1,681	\$ —	\$ 2,392
Accounts receivable, net of allowance for doubtful accounts	138	131	853	—	1,122
Intercompany receivable	(165)	837	870	(1,542)	—
Prepaid and other current assets	77	2	72	(1)	150
Assets of a business held for sale	—	—	7	—	7
Total current assets	761	970	3,483	(1,543)	3,671
Property and equipment, net of accumulated depreciation	159	1	111	—	271
Goodwill	261	—	2,679	9	2,949
Other intangible assets, net	—	—	1,506	—	1,506
Investments in subsidiaries	5,464	680	7,826	(13,970)	—
Intercompany loans receivable	17	—	1,354	(1,371)	—
Other non-current assets	134	24	114	—	272
Total assets	\$ 6,796	\$ 1,675	\$ 17,073	\$ (16,875)	\$ 8,669
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 73	\$ 22	\$ 88	\$ —	\$ 183
Intercompany payable	1,324	40	177	(1,541)	—
Accrued compensation and contributions to retirement plans	129	69	211	—	409
Income taxes currently payable	43	—	52	—	95
Unearned revenue	273	191	1,045	—	1,509
Accrued legal and regulatory settlements	2	3	51	—	56
Other current liabilities	163	(54)	205	—	314
Liabilities of a business held for sale	—	—	45	—	45
Total current liabilities	2,007	271	1,874	(1,541)	2,611
Long-term debt	3,564	—	—	—	3,564
Intercompany loans payable	11	—	1,360	(1,371)	—
Pension and other postretirement benefits	196	—	78	—	274
Other non-current liabilities	52	74	314	(1)	439
Total liabilities	5,830	345	3,626	(2,913)	6,888
Redeemable noncontrolling interest	—	—	—	1,080	1,080
Equity:					
Common stock	412	—	2,460	(2,460)	412
Additional paid-in capital	(174)	1,154	10,485	(10,963)	502
Retained income	9,721	176	1,034	(1,721)	9,210
Accumulated other comprehensive loss	(292)	—	(525)	44	(773)
Less: common stock in treasury	(8,701)	—	(7)	7	(8,701)
Total equity — controlling interests	966	1,330	13,447	(15,093)	650
Total equity — noncontrolling interests	—	—	—	51	51
Total equity	966	1,330	13,447	(15,042)	701
Total liabilities and equity	\$ 6,796	\$ 1,675	\$ 17,073	\$ (16,875)	\$ 8,669

Balance Sheet  
December 31, 2015

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 167	\$ —	\$ 1,314	\$ —	\$ 1,481
Accounts receivable, net of allowance for doubtful accounts	116	319	556	—	991
Intercompany receivable	208	1,872	1,273	(3,353)	—
Deferred income taxes	75	10	24	—	109
Prepaid and other current assets	120	13	80	(1)	212
Assets of a business held for sale	4	—	499	—	503
<b>Total current assets</b>	<b>690</b>	<b>2,214</b>	<b>3,746</b>	<b>(3,354)</b>	<b>3,296</b>
Property and equipment, net of accumulated depreciation	141	3	126	—	270
Goodwill	17	40	2,816	9	2,882
Other intangible assets, net	—	—	1,522	—	1,522
Investments in subsidiaries	4,651	659	7,316	(12,626)	—
Intercompany loans receivable	16	368	1,733	(2,117)	—
Other non-current assets	67	19	127	—	213
<b>Total assets</b>	<b>\$ 5,582</b>	<b>\$3,303</b>	<b>\$17,386</b>	<b>\$(18,088)</b>	<b>\$ 8,183</b>
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 71	\$ 54	\$ 81	\$ —	\$ 206
Intercompany payable	2,144	675	535	(3,354)	—
Accrued compensation and contributions to retirement plans	127	89	167	—	383
Short-term debt	143	—	—	—	143
Income taxes currently payable	1	—	55	—	56
Unearned revenue	254	586	582	(1)	1,421
Accrued legal and regulatory settlements	—	115	6	—	121
Other current liabilities	190	(50)	232	—	372
Liabilities of a business held for sale	80	—	126	—	206
<b>Total current liabilities</b>	<b>3,010</b>	<b>1,469</b>	<b>1,784</b>	<b>(3,355)</b>	<b>2,908</b>
Long-term debt	3,468	—	—	—	3,468
Intercompany loans payable	21	—	2,096	(2,117)	—
Pension and other postretirement benefits	230	—	46	—	276
Other non-current liabilities	(25)	98	295	—	368
<b>Total liabilities</b>	<b>6,704</b>	<b>1,567</b>	<b>4,221</b>	<b>(5,472)</b>	<b>7,020</b>
Redeemable noncontrolling interest	—	—	—	920	920
Equity:					
Common stock	412	—	2,337	(2,337)	412
Additional paid-in capital	(184)	1,179	10,174	(10,694)	475
Retained income	6,701	557	987	(609)	7,636
Accumulated other comprehensive loss	(322)	—	(322)	44	(600)
Less: common stock in treasury	(7,729)	—	(12)	12	(7,729)
<b>Total equity — controlling interests</b>	<b>(1,122)</b>	<b>1,736</b>	<b>13,164</b>	<b>(13,584)</b>	<b>194</b>
<b>Total equity — noncontrolling interests</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>48</b>	<b>49</b>
<b>Total equity</b>	<b>(1,122)</b>	<b>1,736</b>	<b>13,165</b>	<b>(13,536)</b>	<b>243</b>
<b>Total liabilities and equity</b>	<b>\$ 5,582</b>	<b>\$3,303</b>	<b>\$17,386</b>	<b>\$(18,088)</b>	<b>\$ 8,183</b>

Statement of Cash Flows  
Year Ended December 31, 2016

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Operating Activities:</b>					
Net income	<b>\$ 3,069</b>	<b>\$ 767</b>	<b>\$ 1,766</b>	<b>\$(3,374)</b>	<b>\$ 2,228</b>
Adjustments to reconcile net income to cash provided by operating activities from continuing operations:					
Depreciation	<b>38</b>	<b>9</b>	<b>38</b>	—	<b>85</b>
Amortization of intangibles	—	—	<b>96</b>	—	<b>96</b>
Provision for losses on accounts receivable	<b>1</b>	—	<b>8</b>	—	<b>9</b>
Deferred income taxes	<b>16</b>	<b>(9)</b>	<b>72</b>	—	<b>79</b>
Stock-based compensation	<b>22</b>	<b>17</b>	<b>37</b>	—	<b>76</b>
Gain on dispositions	<b>(1,072)</b>	—	<b>(29)</b>	—	<b>(1,101)</b>
Accrued legal and regulatory settlements	<b>3</b>	<b>1</b>	<b>50</b>	—	<b>54</b>
Other	<b>48</b>	<b>5</b>	<b>(23)</b>	—	<b>30</b>
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	<b>(24)</b>	<b>187</b>	<b>(340)</b>	—	<b>(177)</b>
Prepaid and current assets	<b>(9)</b>	<b>10</b>	<b>(3)</b>	—	<b>(2)</b>
Accounts payable and accrued expenses	<b>(53)</b>	<b>(39)</b>	<b>66</b>	—	<b>(26)</b>
Unearned revenue	<b>19</b>	<b>(395)</b>	<b>483</b>	—	<b>107</b>
Accrued legal and regulatory settlement	—	<b>(108)</b>	<b>(42)</b>	—	<b>(150)</b>
Other current liabilities	<b>(29)</b>	<b>(27)</b>	<b>35</b>	—	<b>(21)</b>
Net change in prepaid/accrued income taxes	<b>99</b>	—	<b>33</b>	—	<b>132</b>
Net change in other assets and liabilities	<b>(9)</b>	<b>38</b>	<b>16</b>	—	<b>45</b>
Cash provided by operating activities from continuing operations	<b>2,119</b>	<b>456</b>	<b>2,263</b>	<b>(3,374)</b>	<b>1,464</b>
<b>Investing Activities:</b>					
Capital expenditures	<b>(68)</b>	<b>(15)</b>	<b>(32)</b>	—	<b>(115)</b>
Acquisitions, net of cash acquired	<b>(144)</b>	—	<b>(33)</b>	—	<b>(177)</b>
Proceeds from dispositions	<b>1,422</b>	—	<b>76</b>	—	<b>1,498</b>
Changes in short-term investments	—	—	<b>(1)</b>	—	<b>(1)</b>
Cash provided by (used for) investing activities from continuing operations	<b>1,210</b>	<b>(15)</b>	<b>10</b>	—	<b>1,205</b>
<b>Financing Activities:</b>					
Payments on short-term debt, net	<b>(143)</b>	—	—	—	<b>(143)</b>
Proceeds from issuance of senior notes, net	<b>493</b>	—	—	—	<b>493</b>
Payments on senior notes	<b>(421)</b>	—	—	—	<b>(421)</b>
Dividends paid to shareholders	<b>(380)</b>	—	—	—	<b>(380)</b>
Dividends and other payments paid to noncontrolling interests	—	—	<b>(116)</b>	—	<b>(116)</b>
Contingent consideration payments	<b>(5)</b>	—	<b>(34)</b>	—	<b>(39)</b>
Repurchase of treasury shares	<b>(1,123)</b>	—	—	—	<b>(1,123)</b>
Exercise of stock options	<b>86</b>	—	<b>2</b>	—	<b>88</b>
Excess tax benefits from share-based payments	<b>41</b>	—	—	—	<b>41</b>
Intercompany financing activities	<b>(1,333)</b>	<b>(441)</b>	<b>(1,600)</b>	<b>3,374</b>	—
Cash used for financing activities from continuing operations	<b>(2,785)</b>	<b>(441)</b>	<b>(1,748)</b>	<b>3,374</b>	<b>(1,600)</b>
Effect of exchange rate changes on cash from continuing operations	—	—	<b>(158)</b>	—	<b>(158)</b>
Net change in cash and cash equivalents	<b>544</b>	—	<b>367</b>	—	<b>911</b>
Cash and cash equivalents at beginning of year	<b>167</b>	—	<b>1,314</b>	—	<b>1,481</b>
Cash and cash equivalents at end of year	<b>\$ 711</b>	<b>\$ —</b>	<b>\$ 1,681</b>	<b>\$ —</b>	<b>\$ 2,392</b>

Statement of Cash Flows  
Year Ended December 31, 2015

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Operating Activities:</b>					
Net income	\$ 1,449	\$ 824	\$ 740	\$(1,745)	\$ 1,268
Adjustments to reconcile income from continuing operations to cash provided by (used for) operating activities from continuing operations:					
Depreciation	40	18	32	—	90
Amortization of intangibles	—	—	67	—	67
Provision for losses on accounts receivable	1	1	6	—	8
Deferred income taxes	33	290	(43)	—	280
Stock-based compensation	23	24	31	—	78
Gain on dispositions	—	—	(11)	—	(11)
Accrued legal and regulatory settlements	—	110	9	—	119
Other	23	16	18	—	57
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	3	(27)	(94)	—	(118)
Prepaid and current assets	(13)	14	(5)	—	(4)
Accounts payable and accrued expenses	(75)	(34)	17	—	(92)
Unearned revenue	(5)	66	68	—	129
Accrued legal and regulatory settlement	—	(1,624)	—	—	(1,624)
Other current liabilities	(32)	(35)	(11)	—	(78)
Net change in prepaid/accrued income taxes	(54)	—	115	—	61
Net change in other assets and liabilities	78	8	(121)	—	(35)
Cash provided by (used for) operating activities from continuing operations	1,471	(349)	818	(1,745)	195
<b>Investing Activities:</b>					
Capital expenditures	(67)	(10)	(62)	—	(139)
Acquisitions, net of cash acquired	(2,243)	—	(153)	—	(2,396)
Proceeds from dispositions	—	—	14	—	14
Changes in short-term investments	—	—	(4)	—	(4)
Cash used for investing activities from continuing operations	(2,310)	(10)	(205)	—	(2,525)
<b>Financing Activities:</b>					
Additions to short-term debt, net	143	—	—	—	143
Proceeds from issuance of senior notes, net	2,674	—	—	—	2,674
Dividends paid to shareholders	(363)	—	—	—	(363)
Dividends and other payments paid to noncontrolling interests	—	—	(104)	—	(104)
Contingent consideration payments	(5)	—	—	—	(5)
Repurchase of treasury shares	(974)	—	—	—	(974)
Exercise of stock options	80	—	6	—	86
Purchase of additional CRISIL shares	—	—	(16)	—	(16)
Excess tax benefits from share-based payments	69	—	—	—	69
Intercompany financing activities	(2,020)	359	(84)	1,745	—
Cash (used for) provided by financing activities from continuing operations	(396)	359	(198)	1,745	1,510
Effect of exchange rate changes on cash from continuing operations	—	—	(67)	—	(67)
Cash (used for) provided by continuing operations	(1,235)	—	348	—	(887)
<b>Discontinued Operations:</b>					
Cash used for operating activities	—	—	(129)	—	(129)
Cash used for discontinued operations	—	—	(129)	—	(129)
Net change in cash and cash equivalents	(1,235)	—	219	—	(1,016)
Cash and cash equivalents at beginning of year	1,402	—	1,095	—	2,497
Cash and cash equivalents at end of year	\$ 167	\$ —	\$ 1,314	\$ —	\$ 1,481

Statement of Cash Flows  
Year Ended December 31, 2014

<i>(in millions)</i>	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
<b>Operating Activities:</b>					
Net (loss) income	\$ (326)	\$ (519)	\$ 637	\$ 195	\$ (13)
Less: discontinued operations, net	178	—	—	—	178
(Loss) income from continuing operations	(504)	(519)	637	195	(191)
Adjustments to reconcile (loss) income from continuing operations to cash (used for) provided by operating activities from continuing operations:					
Depreciation	41	17	28	—	86
Amortization of intangibles	4	—	44	—	48
Provision for losses on accounts receivable	—	5	6	—	11
Deferred income taxes	42	(272)	(15)	—	(245)
Stock-based compensation	31	34	35	—	100
Loss on dispositions	3	—	6	—	9
Accrued legal and regulatory settlements	—	1,587	—	—	1,587
Other	18	39	14	—	71
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	(11)	47	(45)	—	(9)
Prepaid and current assets	(42)	(17)	52	—	(7)
Accounts payable and accrued expenses	(83)	(47)	—	—	(130)
Unearned revenue	8	26	44	—	78
Accrued legal and regulatory settlement	—	(35)	—	—	(35)
Other current liabilities	(51)	45	(10)	—	(16)
Net change in prepaid/accrued income taxes	13	3	(109)	—	(93)
Net change in other assets and liabilities	(131)	5	71	—	(55)
Cash (used for) provided by operating activities from continuing operations	(662)	918	758	195	1,209
<b>Investing Activities:</b>					
Capital expenditures	(26)	(14)	(52)	—	(92)
Acquisitions, net of cash acquired	—	—	(71)	—	(71)
Proceeds from dispositions	63	—	20	—	83
Changes in short-term investments	—	—	15	—	15
Cash provided by (used for) investing activities from continuing operations	37	(14)	(88)	—	(65)
<b>Financing Activities:</b>					
Dividends paid to shareholders	(326)	—	—	—	(326)
Dividends and other payments paid to noncontrolling interests	—	—	(84)	—	(84)
Contingent consideration payments	—	—	(11)	—	(11)
Repurchase of treasury shares	(362)	—	—	—	(362)
Exercise of stock options	184	—	9	—	193
Excess tax benefits from share-based payments	128	—	—	—	128
Intercompany financing activities	1,377	(904)	(278)	(195)	—
Cash provided by (used for) financing activities from continuing operations	1,001	(904)	(364)	(195)	(462)
Effect of exchange rate changes on cash from continuing operations	3	—	(68)	—	(65)
Cash provided by continuing operations	379	—	238	—	617
<b>Discontinued Operations:</b>					
Cash provided by operating activities	18	—	—	—	18
Cash provided by investing activities	320	—	—	—	320
Cash provided by discontinued operations	338	—	—	—	338
Net change in cash and cash equivalents	717	—	238	—	955
Cash and cash equivalents at beginning of year	685	—	857	—	1,542
Cash and cash equivalents at end of year	\$ 1,402	\$ —	\$ 1,095	\$ —	\$ 2,497

# Five Year Financial Review

<i>(in millions, except per share data)</i>	<b>2016</b>	2015	2014	2013	2012
Income statement data:					
Revenue	<b>\$5,661</b>	\$5,313	\$5,051	\$4,702	\$ 4,270
Operating profit	<b>3,369</b>	1,917	113	1,358	1,170
Income from continuing operations before taxes on income	<b>3,188<sup>1</sup></b>	1,815 <sup>2</sup>	54 <sup>3</sup>	1,299 <sup>4</sup>	1,089 <sup>5</sup>
Provision for taxes on income	<b>960</b>	547	245	425	388
Net income (loss) from continuing operations attributable to S&P Global Inc.	<b>2,106</b>	1,156	(293)	783	651
Earnings (loss) per share from continuing operations attributable to the S&P Global Inc. common shareholders:					
Basic	<b>8.02</b>	4.26	(1.08)	2.85	2.33
Diluted	<b>7.94</b>	4.21	(1.08)	2.80	2.29
Dividends per share	<b>1.44</b>	1.32	1.20	1.12	1.02
Special dividend declared per common share	—	—	—	—	2.50
Operating statistics:					
Return on average equity <sup>6</sup>	<b>472.0%</b>	324.3%	(1.4)%	134.2%	40.5%
Income from continuing operations before taxes on income as a percent of revenue from continuing operations	<b>56.3%</b>	34.2%	1.1%	27.6%	25.5%
Net income (loss) from continuing operations as a percent of revenue from continuing operations	<b>39.4%</b>	23.9%	(3.8)%	18.6%	16.4%
Balance sheet data: <sup>7</sup>					
Working capital	<b>\$1,060</b>	\$ 388	\$ 42	\$ 612	\$(1,018)
Total assets	<b>8,669</b>	8,183	6,773	6,060	5,081
Total debt	<b>3,564</b>	3,611	795	794	1,251
Redeemable noncontrolling interest	<b>1,080</b>	920	810	810	810
Equity	<b>701</b>	243	539	1,344	840
Number of employees <sup>7</sup>	<b>20,000</b>	20,400	17,000	16,400	15,900

1 Includes the impact of the following items: a \$1.1 billion gain from our dispositions, a benefit related to net legal settlement insurance recoveries of \$10 million, disposition-related costs of \$48 million, a technology-related impairment charge of \$24 million, restructuring charges of \$6 million, a \$3 million disposition-related reserve release, acquisition-related costs of \$1 million and amortization of intangibles from acquisitions of \$96 million.

2 Includes the impact of the following items: costs related to identified operating efficiencies primarily related to restructuring of \$56 million, net legal settlement expenses of \$54 million, acquisition-related costs of \$37 million, an \$11 million gain on dispositions, and amortization of intangibles from acquisitions of \$67 million.

3 Includes the impact of the following items: \$1.6 billion of legal and regulatory settlements, restructuring charges of \$86 million, \$4 million of professional fees largely related to corporate development activities, and amortization of intangibles from acquisitions of \$48 million.

4 Includes the impact of the following items: \$77 million of legal settlements, \$64 million charge for costs necessary to enable the separation of McGraw-Hill Education ("MHE") and reduce our cost structure, a \$36 million non-cash impairment charge related to the sale of our data center, a \$28 million restructuring charge in the fourth quarter primarily related to severance, \$13 million related to terminating various leases as we reduce our real estate portfolio and a \$24 million net gain from our dispositions, and amortization of intangibles from acquisitions of \$51 million.

5 Includes the impact of the following items: \$135 million charge for costs necessary to enable the separation of MHE and reduce our cost structure, a \$65 million restructuring charge, transaction costs of \$15 million for our S&P Dow Jones Indices LLC joint venture, an \$8 million charge related to a reduction in our lease commitments, partially offset by a vacation accrual reversal of \$52 million, and amortization of intangibles from acquisitions of \$48 million.

6 Includes the impact of the \$1.1 billion gain on dispositions in 2016, the gain on sale of McGraw Hill Construction in 2014 and the gain on sale of McGraw-Hill Education in 2013.

7 Excludes discontinued operations.

# Report of Management

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To the Shareholders of S&P Global Inc.

## MANAGEMENT'S ANNUAL REPORT ON ITS RESPONSIBILITY FOR THE COMPANY'S FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements in this report were prepared by the management of S&P Global Inc., which is responsible for their integrity and objectivity.

These statements, prepared in conformity with accounting principles generally accepted in the United States and including amounts based on management's best estimates and judgments, present fairly S&P Global Inc.'s financial condition and the results of the Company's operations. Other financial information given in this report is consistent with these statements.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined under the U.S. Securities Exchange Act of 1934. It further assures the quality of the financial records in several ways: a program of internal audits, the careful selection and training of management personnel, maintaining an organizational structure that provides an appropriate division of financial responsibilities, and communicating financial and other relevant policies throughout the Company.

S&P Global Inc.'s Board of Directors, through its Audit Committee, composed entirely of outside directors, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. The Audit Committee meets periodically with management, the Company's internal auditors and the independent registered public accounting firm to ensure that each group is carrying out its respective responsibilities. In addition, the independent registered public accounting firm has full and free access to the Audit Committee and meet with it with no representatives from management present.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

As stated above, the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's management has evaluated the system of internal control using the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework ("COSO 2013 framework"). Management has selected the COSO 2013 framework for its evaluation as it is a control framework recognized by the Securities and Exchange Commission and the Public Company Accounting Oversight Board that is free from bias, permits reasonably consistent qualitative and quantitative measurement of the Company's internal controls, is sufficiently complete so that relevant controls are not omitted and is relevant to an evaluation of internal controls over financial reporting.

Based on management's evaluation under this framework, we have concluded that the Company's internal controls over financial reporting were effective as of December 31, 2016. There are no material weaknesses in the Company's internal control over financial reporting that have been identified by management.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the consolidated financial statements of the Company for the year ended December 31, 2016, and has issued their reports on the financial statements and the effectiveness of internal controls over financial reporting.

## OTHER MATTERS

There have been no changes in the Company's internal controls over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



Douglas L. Peterson  
President and Chief Executive Officer



Ewout L. Steenbergen  
Executive Vice President and Chief Financial Officer

# Report of Independent Registered Public Accounting Firm

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## **THE BOARD OF DIRECTORS AND SHAREHOLDERS OF S&P GLOBAL INC.**

We have audited the accompanying consolidated balance sheets of S&P Global Inc. (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of S&P Global Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), S&P Global Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 9, 2017 expressed an unqualified opinion thereon.

/s/ *ERNST & YOUNG LLP*

New York, New York

February 9, 2017

# Report of Independent Registered Public Accounting Firm

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## **THE BOARD OF DIRECTORS AND SHAREHOLDERS OF S&P GLOBAL INC.**

We have audited S&P Global Inc.'s (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). S&P Global Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures

that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, S&P Global Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of S&P Global Inc. as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows and equity for each of the three years in the period ended December 31, 2016 of S&P Global Inc. and our report dated February 9, 2017 expressed an unqualified opinion thereon.

*/s/ ERNST & YOUNG LLP*

New York, New York  
February 9, 2017

# Shareholder Information

## Annual Meeting

The 2017 annual meeting will be held at 11 a.m. EDT on Wednesday, April 26th at 55 Water Street, New York, New York, 10041.

The annual meeting will also be Webcast at:  
<http://investor.spglobal.com>

## Stock Exchange Listing

Shares of the Company's common stock are traded primarily on the New York Stock Exchange. On April 28, 2016, S&P Global's common stock began trading under its new symbol "SPGI." The previous symbol was "MHFI."

## Investor Relations Web Site

Go to <http://investor.spglobal.com> to find:

- Dividend and stock split history
- Stock quotes and charts
- Investor Fact Book
- Corporate governance documents
- Financial reports, including the annual report, proxy statement and SEC filings
- Financial news releases
- Management presentations
- Investor e-mail alerts
- RSS news feeds

## Investor Kit

The Company's investor kit includes the most recent Annual Report, Proxy Statement, Form 10-Qs, Form 10-K, and earnings release. These documents can be downloaded from the SEC Filings & Reports section of the Company's Investor Relations Website at <http://investor.spglobal.com>.

Requests for printed copies, free of charge, can be e-mailed to [investor.relations@spglobal.com](mailto:investor.relations@spglobal.com) or mailed to Investor Relations, S&P Global Inc., 55 Water Street, New York, NY 10041. Interested parties can also call Investor Relations toll-free at 866-436-8502 (domestic callers) or 212-438-2192 (international callers).

## Transfer Agent and Registrar for Common Stock

Computershare is the transfer agent for S&P Global Inc. Computershare maintains the records for the Company's registered shareholders and can assist with a variety of shareholder related services.

## Shareholder correspondence should be mailed to:

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170

## Overnight correspondence should be mailed to:

Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845

**Investor Center™ website to view and manage shareholder account online:** [www.computershare.com/investor](http://www.computershare.com/investor)

## For shareholder assistance:

In the U.S. and Canada: 888-201-5538  
Outside the U.S. and Canada: 201-680-6578  
TDD for the hearing impaired: 800-231-5469  
TDD outside the U.S. and Canada: 201-680-6610

## E-mail address:

[web.queries@computershare.com](mailto:web.queries@computershare.com)

## Shareholder online inquiries:

<https://www-us.computershare.com/investor/Contact>

## Direct Stock Purchase and Dividend Reinvestment Plan

This program offers a convenient, low-cost way to invest in S&P Global's common stock. Participants can purchase and sell shares directly through the program, make optional cash investments weekly, reinvest dividends, and send certificates to the transfer agent for safekeeping.

Interested investors can view the prospectus and enroll online at [www.computershare.com/investor](http://www.computershare.com/investor). To receive the materials by mail, contact Computershare as noted above.

## News Media Inquiries

Go to [www.spglobal.com/press](http://www.spglobal.com/press) to view the latest Company news and information or to submit an e-mail inquiry. You may also call Corporate Affairs at 212-438-1247.

## Certifications and S&P Global Inc. Form 10-K

We have filed the required certifications under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1, 31.2 and 32 to our Form 10-K for the year ended December 31, 2016.

The financial information included in this report was excerpted from the Company's Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on February 9, 2017. Shareholders may access a complete copy of the 10-K from the SEC Filings & Reports section of the Company's Investor Relations Website at <http://investor.spglobal.com>.

## Board of Directors

### Charles E. "Ed" Haldeman, Jr. <sup>(A,E,N)</sup>

Non-Executive Chairman of the Board  
S&P Global & KCG Holdings, Inc.

### Marco Alverà

Chief Executive Officer  
Snam S.p.A.

### Sir Winfried Bischoff <sup>(C,F)</sup>

Chairman  
Financial Reporting Council &  
JP Morgan Securities plc

### William D. Green <sup>(C,E,N)</sup>

Former CEO & Chairman  
Accenture

### Stephanie C. Hill <sup>(F)</sup>

Vice President & General Manager  
Cyber, Ships & Advanced Technologies (CSAT)  
for Rotary and Mission Systems  
Lockheed Martin

### Rebecca Jacoby <sup>(F)</sup>

Senior Vice President, Operations  
Cisco Systems, Inc.

### Monique F. Leroux <sup>(A)</sup>

President  
International Cooperative Alliance  
Chair of the Board  
Investissement Québec

### Maria R. Morris <sup>(A)</sup>

Executive Vice President,  
Global Employee Benefits  
Interim Head of the U.S. Business  
MetLife, Inc.

### Hilda Ochoa-Brillembourg <sup>(A,F)</sup>

Founder and Chairman  
Strategic Investment Group

### Douglas L. Peterson <sup>(E)</sup>

President and Chief Executive Officer  
S&P Global

### Sir Michael Rake <sup>(A,E,F)</sup>

Chairman  
BT Group plc & Worldpay Group plc

### Edward B. Rust, Jr. <sup>(C,E,N)</sup>

Chairman Emeritus  
State Farm Mutual Automobile  
Insurance Company

### Kurt L. Schmoke <sup>(C,N)</sup>

President  
University of Baltimore

### Richard E. Thornburgh <sup>(A,E,F)</sup>

Non-Executive Director and Chairman  
Credit Suisse Holdings (USA), Inc.  
Vice Chairman  
Credit Suisse Group A.G.

## Operating Committee



### Douglas L. Peterson

President and Chief  
Executive Officer



### John Berisford

President,  
S&P Global Ratings



### Mike Chinn

President,  
S&P Global Market  
and Commodities  
Intelligence



### Martina L. Cheung

Head of Global  
Risk Services



### Martin Fraenkel

President,  
S&P Global Platts



### Courtney Geduldig

Executive Vice  
President, Public Affairs



### France M. Gingras

Executive Vice  
President,  
Human Resources



### Steve Kemps

Executive  
Vice President,  
General Counsel



### Nancy Luquette

Senior Vice President,  
Chief Risk &  
Audit Executive



### Alex J. Matturri

Chief Executive Officer,  
S&P Dow Jones Indices



### Krishna Nathan

Chief Information  
Officer



### Paul Sheard

Executive Vice  
President and  
Chief Economist



### Ewout L. Steenbergen

Executive Vice  
President, Chief  
Financial Officer



### Ashu Suyash

Managing Director and  
Chief Executive Officer, CRISIL

(A) Audit Committee

(C) Compensation & Leadership  
Development Committee

(E) Executive Committee

(F) Financial Policy Committee

(N) Nominating & Corporate Governance Committee

55 Water Street  
New York, NY 10041  
[spglobal.com](http://spglobal.com)

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**S&P Global**