鵬元國際 PENGYUAN

Request for Comments: Group Rating Criteria

Contents

Summary

These rating criteria describes Pengyuan International's approach to assess credit risks for entities that are part of corporates, financial institutions (including banks) and insurance companies. These criteria lay out steps in determining Issuer Credit Ratings (ICRs) for group entities and their holding companies. The steps include deriving an Overall Group Credit Profile (OGCP) for the overall credit risks of the group as a whole and Stand-Alone Credit Profiles (SACP) for group entities under study, as well as assessing the relation between a specific group entity and other group entities.

In addition, these criteria also outline the considerations we have on potential support (or adverse intervention) for a specific group entity from other group entities and/or external parties, for example, a government.

We apply the Group Rating Criteria to corporate, financial institutions and insurance companies which are part of a group because we think the ownership and control structure, business influence and support mechanism between group entities are crucial factors when assessing their credit profiles. Meanwhile, these criteria are not applicable to project finance entities and structured finance entities of a group.

Contacts

Name Vincent Ha, CFA
Title Senior Director
Direct +852 3615 8307
Email vincent.ha@pyrating.com

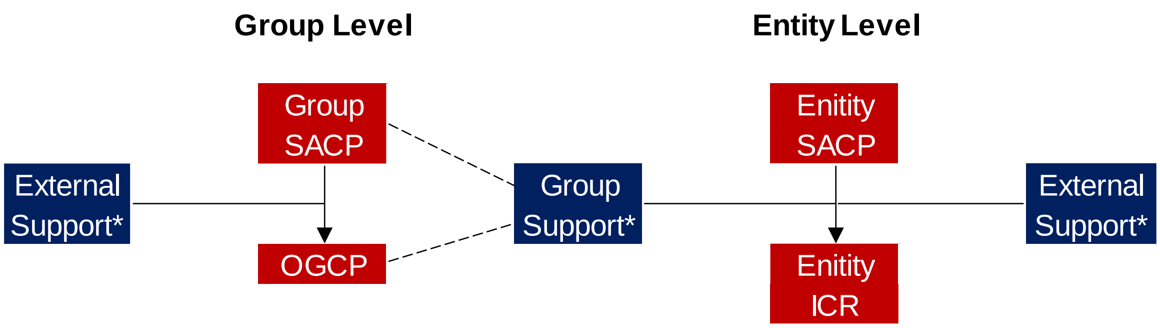
Name Ke Chen, PhD
Title Chief Analytics Officer
Direct +852 3615 8316
Email ke.chen@pyrating.com

Introduction of Criteria

These criteria lay out how Pengyuan International determines the ICRs of group entities, after considerations of potential support (or adverse intervention) to any specific group entity from within the group and/or from external sources, for example, a government. If brief, there are five steps to derive the ICRs of group entities:

1. Properly lay out the group structure, including identification of the group parent and other group entities;
2. For the group entities to be rated, assess their importance to the group and the potential impacts on ICRs;
3. Assess overall group credit risks to determine the group's SACP, and then apply adjustments for potential external support (or adverse intervention) to come up with the OGCP;
4. Determine the SACPs of the group entities to be rated; and
5. Assign ICRs to group entities to be rated, after applying adjustments for potential external support (or adverse intervention) to group entity SACPs. The adjustments are based on the highest level of support to the group entities from either the group, a government or other means of external support such as third-party guarantee. In case of potential adverse intervention, we also consider any impact protection, for example, a clear legal independence between a group entity and the group.

Exhibit 1: Overall Group Rating Framewok



* Can also be adverse intervention

Group Structure Layout

In these criteria, the 'group' means the group parent together with all of the entities that the parent has direct or indirect control, for example different layers of subsidiaries and jointly-controlled entities. It should be noted that a group parent does not have to be the ultimate holding company of the whole group structure, as long as it is the relevant top entity for the determination of the group's credit worthiness. In other words, there could be holding companies above the group parent but since they are not crucial for the group's credit profile, for example due to a lack of material assets or liabilities, there is no need for their inclusion in OGCP assessment.

In addition, we do not identify persons, family companies, foundations, funds and financial sponsors as group parents, nor do we consider investor companies which do not have control on investee companies as parents. We determine whether an entity has control on other entities under study by assessing whether that entity is responsible for other entities' strategy and has the cash flows of those entities under its disposals. For group parents, they do not have to own more than 50% of their group entities as long as they can exercise control on these group entities.

Entity Importance Assessment

A group entity's importance is demonstrated by the level of extraordinary support we think it is likely received from the group and its other group entities in case of credit stress. In the group rating analysis, we can also consider a bunch of entities' importance to the overall group, and subgroup entities' importance to a group entity. When assessing the importance of group entities to the group, there are five categories: Core, Highly Important, Moderately Important, Somewhat Important, and Unimportant. Further descriptions of each category are laid out as follows:

Core

Core entities are crucial and integral to their respective groups' identities, strategies and operations, and hence they usually share consistent features with the groups. These entities are likely to receive continual support from the groups are other group entities in all circumstances. Examples of common features of Core entities include:

- Their major business segments, customer base and target markets are in line with the groups';
- Their assets and/or profits account for the scalable portion of the groups' consolidated financials;
- Their successful operations are closely tied to the success of the groups for a long period of time;
- They have observable commitments (e.g. cross-default clauses in financing) and/or track records of support from the groups' in case of financial stress; and
- They are most likely not for sale.

Highly Important

Highly Important entities are almost integral to their respective groups' identities, strategies and operations. They are likely to receive support from the groups and other group entities in almost all circumstances. They only differ from Core entities with some possibility of limited support from the groups. For instance, a group may limit the support on a Highly Important group entity if the group needs to channel more resources to support its Core entity.

Moderately Important

When compared to Highly Important entities, Moderately Important entities are less integral to their respective groups' identities, strategies and operations. They are still likely to receive support from the groups and other group entities in most circumstances but the extent of support would be less than that received by Highly Important entities. Examples of common features of Moderately Important entities include:

- They are an important part of the groups' strategies and operation;
- Their successful operations enhance the profitability of the groups;
- They have observable commitments (e.g. cross-default clauses in financing) and/or track records of support from the groups'; and
- They are unlikely to be sold.

Somewhat Important

Somewhat Important entities are less likely to receive support from their respective groups and other group entities in most circumstances but some potential support is still probable. They are still meaningful, if not very important, to the groups' strategies and operation in the long-term.

Unimportant

Unimportant entities have nothing much to relate to their respective groups' identities, strategies and operations. In other words, they do not exhibit the features of other entities mentioned above. As such, they are unlikely to receive supports from the group and other group entities.

It should be noted that entity importance assessment may not be necessary when a group entity is protected from adverse intervention from its group.

Considerations for Financial Institutions, Insurers and Other Special Situations

Captive Insurance Companies

Captive insurance group companies, including reinsurers, are assessed as Core entities if all or almost all of their businesses are sourced within their respective groups. They are considered Highly Important to the groups if third-party businesses make up a modest portion of the captive insurance entities' overall businesses.

Captive Finance Subsidiaries

For captive finance group subsidiaries, such as the auto finance subsidiary under an automobile manufacturer, we assess their status within their respective groups with the following considerations about their contributions to the groups' sales:

- The percentage of group products' sales that are related to captive finance subsidiaries' services. For a group with diversified business lines, we may just consider the captive finance subsidiary's contribution to one major product line rather than the group's overall sales; and
- Whether there are alternatives available to promote sales of groups' products, including carrying out captive finance business directly within the groups, other than relying on the subject group captive finance subsidiaries. In addition, we also need to consider the cost for such alternatives when compared with those for the captive finance subsidiaries.

Financing Vehicles

The financing vehicles of corporate or financial institution groups can be considered as Core entities if:

- They are set up purely for arranging financing for their respective groups;
- They are integral to the groups' financing activities; and
- They are wholly owned by the groups.

Meanwhile, the financing vehicles of insurance groups are not considered as Core entities. They are usually rated as if they are holding companies.

Strong Supplier-Purchaser Relationship

In some occasions, a strong and long-standing supplier-purchaser relationship could lead the supplier to support its purchaser if the latter is financially distressed, even if the supplier does not have stake in its purchaser. In this case, these criteria can be applied and we can treat the supplier and its purchaser as a group, with group support from the supplier. If we expect the supplier to support its purchaser in credit stress situations, we can consider the purchaser as Somewhat Important to the supplier if the following characteristics are fulfilled:

- The purchaser accounts for a scalable portion of the supplier's sales volume, sales revenue, cash flow, and/or other accounting metrics;
- The purchaser agreement is long-term;
- There are some evidences of support to the purchaser, such as loans to purchaser, equity investment and other business supports; and
- The purchaser's status can affect the supplier's reputation.

Entities with their Business Linked up Despite a Lack of Control

For entities with their businesses being linked up even without control from any of the entities, they can still be considered as a group and assessed under these criteria, provided that three or above of the following conditions are met:

- The entities carry out their operations under the same name affiliation;
- They have the same corporate history;
- They have cross stake holding;
- They share the same group of board members and/or management team;
- They have common external business relationships with suppliers, customers, etc.;
- They have common corporate supports; and
- They have coherent financing activities.

When assessing the entity importance, the relationship amongst these group entities can be considered as Moderately Important, Somewhat Important or Not Important. When determining a group's OGCP, the reference point would be the group entities' SACP.

Group Credit Profile Assessment

A group's SACP and OGCP represents Pengyuan International's assessment of the target group's credit profile when we analyze the group as a single entity. While the group's SACP only measures the group credit profile on a stand-alone basis, the OGCP also takes into considerations any external support (or adverse intervention).

The group's SACP and OGCP are not formal ratings by themselves, but rather just indications of the group's credit profile. They are some of the components needed for the determination of group entities' ICRs, with indicative grades ranging from 'aaa' as the highest grade to 'd' as the lowest, mirroring the rating scale of ICR.

When analyzing a group to determine its SACP and OGCP, we adopt the relevant sector rating criteria. We analyze the group as a single entity with considerations of all group entities that have influence on the group's overall credit profile. We may deconsolidate the entities that have impact protection from the group's credit risks. Furthermore, when analyzing a group with multiple sector exposure, we prefer using the rating criteria for the sector that best represents and influences the group's core credit profile. For assessing the level of representation and influence, we consider factors such as the proportion of invested capital, earnings and cash flows. If in case the group business is well diversified, we can also separate the group into a few subgroups of different sectors, determine subgroup's SACP with relevant sector rating criteria, and then combine these SACPs to form the overall group SACP, inclusive of any adjustments needed.

The following are some specific considerations for a few different corporate structures and for external supports:

Jointly-controlled Entities under the Group

When a group entity is jointly controlled by two or more companies, also known as joint venture (JV) partners, the impact to the entity due to financial stress on one parent is unlikely to be as much as if there is only one parent company. Besides, the group entity can possibly receive supports from one or more parents regardless of the stake owned by those parents. When assessing the level of importance of the group entity to its parents, we in general would cap the level at Moderately Important considering the multiple ownership.

When deriving a parent's SACP, we also consider the resources its jointly-controlled entity would take and incorporate those into the parent's financial analysis. If there is legal arrangement, for example a shareholder agreement, that disallow the parent from directing the jointly-controlled entity's operations and cash flows, we would only treat the jointly-controlled entity as equity investment and incorporate only the jointly-controlled entity's dividends, if any, in the SACP assessment.

When assessing the group entity's ICR, we only apply the support adjustments from the parent with the strongest support, i.e. not aggregating the supports from different jointly-controlled entity's partners. The level of support can be gauged by whether a parent makes crucial decisions on the jointly-controlled entity and whether the entity is crucial to a parent's operation and strategies.

Entities Protected from Groups' Adverse Intervention

When a group has a group entity that is legally protected from the group's adverse intervention, and when we think that the group's SACP may not fairly reflect the fact that the group has restrictions on accessing the protected entity's cash flows, we would either re-derive the group SACP as if the protected entity is an equity investment (i.e. no consolidation of cash flows) or simply adjust the group SACP by one to two notches.

If a group has a bank subsidiary whose ICR is above the OGCP, for example due to 'Strong'-or-above Systematic Importance and/or Additional Loss-Absorbing Capacity (ALAC), as illustrated in the Global Bank Rating Criteria, we need to consider the potential cash flows restrictions from the bank subsidiary to its group when deriving the group's SACP.

Entities under a Financial Sponsor

When entities are owned by a financial sponsor, i.e. an investment firm such as a private equity fund and a hedge fund, their ICRs in general do not have support adjustment from the financial sponsor. On the other hand, the financial sponsor's credit profile also should not constraint the investee entities' ICRs. That being said, the financial sponsor may still affect the investee entities' ICRs by other means. For instance, the capital contribution from the sponsor would affect the investee entities' financial profile, thus their SACPs.

In addition, there could still be a parent-subsidiary relationship when there is/are intermediate holding companies that is/are set up to control, fund and carry out other actions for the investee entities, and rely on investee entities' cash flow to fulfill financial obligations. In this case, the group SACP would be the holding company group's SACP, i.e. excluding the ultimate financial sponsor's financials.

Government Support

The consideration of potential extraordinary government support can be applied to OGCPs or straightly to entity ICRs if the support to entities is deemed direct. When utilising the government support analytical framework in the Government-Related Entities Rating Criteria, we first consider group SACPs and then apply government support adjustments to arrive at OGCPs. We then assess whether the government support would flow through to some or all of group entities. For a group entity, there are the following considerations when assessing how the government support should be factored in for deriving its ICR:

- If the group entity is likely to receive direct government support rather than just via its group, the credit uplift due to such direct support should be applied on top of the entity SACP for deriving the entity ICR;
- If the group entity is likely to receive government support via its group, the group's OGCP should be the sole reference for such indirect support and group support; and
- If the group entity is unlikely to receive government support, the lower of group's SACP or OGCP should be the sole reference for just the group support.

The following table summarises how the entity ICR are determined based on direct/indirect/no government support:

Exhibit 2: Entity ICR determination depending on the Extent of Government Support

	Extent of Government Support to the Group Entity		
SACP Comparison	**Direct**	**Indirect via the Parent Group**	**No Support**
Entity SACP lower than group SACP	ICR equals the higher of entity SACP + uplift due to direct support, or entity SACP + uplift due to group support, capped at OGCP level unless the entity is protected from group's adverse intervention	ICR equals entity SACP + uplift due to group support referencing OGCP	ICR equals entity SACP + uplift due to group support referencing the lower of group SACP or OGCP
Entity SACP higher than or equal to group SACP	ICR equals entity SACP + uplift due to direct support, capped at OGCP level unless the entity is protected from group's adverse intervention	If entity SACP is lower than OGCP, ICR equals entity SCAP + uplift due to group support referencing OGCP If entity SACP is higher than or equal to OGCP, ICR equals OGCP in general, or equals entity SACP if the entity is protected from group's adverse intervention	ICR equals entity SACP, capped at OGCP level unless the entity is protected from group's adverse intervention

Additional Loss-Absorbing Capacity

The consideration of potential ALAC support can be applied to OGCPs or to entity ICRs, according to the Global Bank Rating Criteria. For a group entity that does not have direct ALAC, there are the following considerations when assessing how the ALAC should be factored in for deriving its ICR:

- If the group entity is likely to benefit from ALAC support via its group, we would reference the OGCP for determining the uplift (or downshift) due to group support (or adverse intervention); and
- If the group entity is unlikely to benefit from ALAC support, we would reference the lower of group's SACP or OGCP for determining the uplift (or downshift) due to group support (or adverse intervention).

Finalising Entity Issuer Credit Rating

A group entity's ICR basically incorporates the entity's SACP and the potential support (or adverse intervention) from the group and/or externally. Besides, since financial stress in overall groups can impact their group entities, group entities' ICRs are usually capped by group OGCP. In general, we determine the ICR as follows:

- For Core group entities, their ICRs should be identical to OGCPs;
- For Highly Important entities, their ICRs should be one notch below OGCPs, except when the entity SACP is equal to or higher than the OGCP. In such a case, the ICR should be identical to the OGCP;

- For determining Moderately Important entities' ICRs, we apply a bottom-up approach and add three to five notches to the entity SACPs, with a cap of one notch below OGCPs except when the entity SACP is equal to or higher than the OGCP. In such a case, the ICR should be identical to the OGCP;
- For determining Somewhat Important entities' ICRs, we apply a bottom-up approach and add one to two notches to the entity SACPs, with a cap of one notch below OGCPs except when the entity SACP is equal to or higher than the OGCP. In such a case, the ICR should be identical to the OGCP; and
- Unimportant entities' ICRs should be in general equivalent to their entity SACPs except when the entity SACP is equal to or higher than the OGCP. In such a case, the ICR should be capped to the OGCP.

It should be noted that the OGCP cap is not applicable when a group entity is protected from adverse intervention of the group. In addition, group SACPs are also considered for deriving entity ICRs when external supports exist as mentioned in the previous section.

It should also be noted that the determination of entity SACP may not be necessary when a group entity is Core or Highly Important to the group, as the OGCP would be the reference point for entity ICR in general.

All in all, if a group entity has its ICR above its SACP, this implies that we think the entity will receive group supports and/or external supports to enhance its credit profile in a credit-stress scenario. On the contrary, if a group entity has its ICR below its SACP, this implies that we think the entity's credit strength will be weakened when the group and/or the external supporters are in a credit-stress scenario, in which the entity's financial resources will be drawn to the group and/or the external supporters.

Considerations for Financial Institutions, Insurers, and Other Financial/Structural Arrangements

Branches

A branch of a financial institution is typically under the same legal entity as the financial institution, albeit in a different location. Although in theory a branch should share the same credit rating with the financial institution, the actual rating could be affected by the sovereign rating of the country where the branch is based in.

Credit Guarantee

If a group entity's financing obligations are fully guaranteed by a guarantor even in case of entity default, its ICR would be the higher of the group entity's indicative ICR as if it has no credit guarantee, or the ICR of the guarantor. It should be noted that if in case the group entity defaulted, the terms of the credit guarantees determine whether the guarantor would also be considered as defaulted.

Entities Protected from Groups' Adverse Intervention

In normal situations, financial stress in a group can impact group entities in the following ways:

- The group can utilise assets and cash flows in any of its entities to support other entities, thus potentially causing more entities to be under stress;
- The stress in the group can lead to overall group reputation risk and entities' difficulty in doing business;
- Group entities may lose operational and financial support from the group and other group entities; and
- Bankruptcies of one or more group entities may lead to bankruptcies of other entities in the group.

Nevertheless, there could be group entities which are protected from credit risks of their groups and other group entities, mostly through legal means. In such cases, these protected entities' ICRs are not capped by their group OGCPs.

For protected group entities whose SACP plus direct external support adjustments are at least one notch above the group OGCPs, they are classified as Level I Protected Entities and their ICRs should be one notch above group OGCPs if the entities exhibit all of the following characteristics:

- They are separate entities, with operations, financials and funding mostly independent from their groups and other group entities;
- The credit health of these group entities is crucial to their groups; and
- As such, we do not expect any default in the group's other entities to straightly cause the default of the protected entities.

For protected group entities whose SACP plus direct external support adjustments are at least two notches above the group OGCPs and exhibit Level I Protected Entities' characteristics, they are classified as Level II Protected Entities and their ICRs should be two notches above group OGCPs if the entities exhibit one or more of the following additional characteristics related to independent parties' participation that restraints groups' control:

- There are meaningful number of minority shareholders' that have active stake holding;
- The independent board directors are entitled and able to effectively influence entities' decisions; or
- Legal restrictions exist to prevent the groups and other group entities from drawing excessive financial resources from protected group entities and negatively impact the protected group entities' independent credit profile.

For protected group entities whose SACP plus direct external support adjustments are at least three notches above the group OGCPs and exhibit Level II Protected Entities' characteristics, they are classified as Level III Protected Entities and their ICRs should be three notches above group OGCPs if the entities exhibit one or more of the following additional characteristics related to significant structural protection:

- Relevant government bodies have track records to and/or are expected to intervene and uphold the protected group entities' independent credit profile when necessary, including but not limited to, legally change the entities ownership structure;
- There are BOTH meaningful number of active minority shareholders and governance settings to protect group entities from negatively intervened by their respective groups and other group entities; or
- Independent trustee or similar governance measures exist to, and we expect that they will, uphold third party rights;

Ultimately, a group entity's ICR could be fully unrestricted by its group's OGCP if it exhibits one of the following extra conditions besides having Level III Protected Entities' characteristics:

- We think that the group cannot control or massively influence the protected group entity and affect the latter's credit profile, for example via strategy change and dividend payments, with constraints from governance settings, significant creditor protection; or
- We see ample supportive evidences that significant financial distress at group does not have, and is unlikely to have much impact on the credit profile of the protected entity.

For **Captive Finance Subsidiaries**, we could still consider them as operationally protected from their groups if these captive finance entities can be operationally independent from their groups and other group entities, even these captive finance entities by default have business tie with their groups.

Bank Subsidiaries

Bank subsidiaries' ICRs are not capped by their group OGCPs if these subsidiaries' SACP plus direct external support adjustments are above the group OGCPs because 1) these subsidiaries are considered as Extremely Strong, Very Strong, or Strong in Systematic Importance according to Global Bank Rating Criteria, or 2) there are ALAC supports. On the other hand, we may apply a one notch downward adjustment before coming up with final ICRs when we think that negative intervention by groups can affect the subsidiaries' credit profile.

Holding Companies

Holding companies usually receive dividends and other types of monetary distribution by operating entities within their groups for meeting their financial obligations such as loan repayment. For holding companies of corporate groups and non-regulated non-bank financial institutions (NBFI), their ICRs in general are identical to group OGCPs. For intermediately holding companies within corporate groups and non-regulated NBFIs, their ICRs in general are identical to the holding companies' core operating entities.

For regulated financial institution groups (including banking groups) and insurance groups, their holding companies' ICRs are in general lower than group OGCPs to account for the difference in credit profile due to the fact that government support available to operating entities may not be extended to their holding companies in distress situation given regulatory constraints. For holding companies of regulated financial institution groups, their ICRs' difference vs. OGCP is as follows:

- ICRs are one notch lower than OGCP if OGCP is 'bbb-' or above; or
- ICRs are two or more notches lower than OGCP if OGCP is 'bb+' or below.

For holding companies of regulated insurance groups, their ICRs' difference vs. OGCP is as follows:

- ICRs are two notches lower than OGCP if there are limited regulatory cash flow restrictions, for example on dividends, from operating entities to holding companies; or

- ICRs are three notches lower than OGCP if there are high regulatory cash flow restrictions from operating entities to holding companies.

The following conditions could lead to less notching differences, or no difference, between ICRs and OGCPs than the aforementioned standards for holding companies of regulated financial institution and insurance groups:

- The holding companies have high business diversity with multiple operating entities so that cash flow stress at individual entities under the holding companies is unlikely to significantly impact the holding companies' financial profile;
- The holding companies have sufficient cash flow originated from other unregulated business activities, including their own direct business and/or subsidiaries;
- There are almost no regulatory cash flow restrictions from operating entities to holding companies; or
- The impact of cash flow restrictions from operating entities to holding companies is well mitigated by strong cash and/or liquid investment position at holding companies.

The following conditions could lead to larger notching differences between ICRs and OGCPs than the aforementioned standards for holding companies of regulated financial institution and insurance groups:

- The holding companies have significant credit risk, for example large amount of maturing debts, that are not fully addressed in our standard assessment;
- The risk of cash flow restrictions from operating entities to holding companies is rising; or
- The financial groups' OGCP are higher than their SACPs due to government support, while we do not expect such support to be extended to the holding companies of these groups. In this case, the notching difference benchmark between the group and their holding companies should be the group SACPs instead of OGCPs.

For intermediate holding companies in financial institution groups (including banking groups) and insurance groups, we apply the holding company notching adjustment mechanism to determine ICRs of the intermediately holding companies, referencing the rating assigned to the intermediately holding companies' core entities. The notching difference would be less (up to no difference) if we expect the groups' support to core entities to be made by investing into the intermediately holding companies. On the other hand, the notching difference would be more if there are cash flow risks at the core entities relating to support from groups.

Related Criteria and Research

- General Principles of Credit Rating, 15 March 2018
- General Corporate Rating Criteria, 15 March 2018
- Government-Related Entities Rating Criteria, 31 August 2018
- Industry Credit Guidelines – Chinese Homebuilders and Property Developers, 31 August 2018
- Investment Holding Companies Rating Criteria, 2 July 2019
- Industry Credit Guidelines for Global Automobile Manufacturers, 12 August 2021
- Global Insurance Rating Criteria, 7 May 2018
- Global Non-bank Financial Institutions Rating Criteria, 15 June 2018
- Global Bank Rating Criteria, 16 August 2019

DISCLAIMER

Pengyuan Credit Rating (Hong Kong) Company Ltd ("Pengyuan International", "Pengyuan", "the Company", "we", "us", "our") publishes credit ratings and reports based on the established methodologies and in compliance with the rating process. For more information on policies, procedures, and methodologies, please refer to the Company's website www.pyrating.com. The Company reserves the right to amend, change, remove, publish any information on its website without prior notice and at its sole discretion.

All credit ratings and reports are subject to disclaimers and limitations. CREDIT RATINGS ARE NOT FINANCIAL OR INVESTMENT ADVICE AND MUST NOT BE CONSIDERED AS A RECOMMENDATION TO BUY, SELL OR HOLD ANY SECURITIES AND DO NOT ADDRESS/REFLECT MARKET VALUE OF ANY SECURITIES. USERS OF CREDIT RATINGS ARE EXPECTED TO BE TRAINED FOR INDEPENDENT ASSESSMENT OF INVESTMENT AND BUSINESS DECISIONS.

CREDIT RATINGS ADDRESS ONLY CREDIT RISK. THE COMPANY DEFINES THE CREDIT RISK AS THE RISK THAT THE RATED ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS MUST NOT BE CONSIDERED AS FACTS OF A SPECIFIC DEFAULT PROBABILITY OR AS A PREDICTIVE MEASURE OF A DEFAULT PROBABILITY. Credit ratings constitute the Company's forward-looking opinion of the credit rating committee and include predictions about future events which by definition cannot be validated as facts.

For the purpose of the rating process, the Company obtains sufficient quality factual information from sources which are believed by the Company to be reliable and accurate. The Company does not perform an audit and undertakes no duty of due diligence or third-party verification of any information it uses during the rating process. The issuer and its advisors are ultimately responsible for the accuracy of the information provided for the rating process.

Users of the Company's credit ratings shall refer to the rating symbols and definitions published on the Company's website. Credit ratings with the same rating symbol may not fully reflect all small differences in the degrees of risk, because credit ratings are relative measures of the credit risk.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF ANY INFORMATION GIVEN OR MADE BY THE COMPANY IN ANY FORM OR MANNER. In no event shall the Company, its directors, shareholders, employees, representatives be liable to any party for any damages, expenses, fees, or losses in connection with any use of the information published by the Company.

The Company reserves the right to take any rating action for any reasons the Company deems sufficient at any time and in its sole discretion. The publication and maintenance of credit ratings are subject to availability of sufficient information.

The Company may receive compensation for its credit ratings, normally from issuers, underwriters or obligors. The information about the Company's fee schedule can be provided upon the request.

The Company reserves the right to disseminate its credit ratings and reports through its website, the Company's social media pages and authorised third parties. **No content published by the Company may be modified, reproduced, transferred, distributed or reverse engineered** in any form by any means without the prior written consent of the Company.

The Company's credit ratings and reports are not intended for distribution to, or use by, any person in a jurisdiction where such usage would infringe the law. If in doubt, please consult the relevant regulatory body or professional advisor and ensure compliance with applicable laws and regulations.

In the event of any dispute arising out of or in relation to our credit ratings and reports, the Company shall have absolute discretion in all matters relating to resolving the dispute, including but not limited to the interpretation of disclaimers and policies.