



RATINGS

POLICY

RATING SURVEILLANCE

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RATING SURVEILLANCE POLICY

INTRODUCTION

RAM Ratings, as a registered credit rating agency under the Capital Market and Securities Act (2007), is committed to providing independent, credible and objective credit opinions at all times. Our policies are designed to be consistent with RAM Ratings Code of Conduct, which incorporates the best practices outlined in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, and in compliance with the Securities Commission's Guidelines on Credit Rating Agencies.

The credit ratings assigned by RAM Ratings are typically kept under surveillance on an on-going basis and are formally reviewed at least annually by the rating committee although the rating surveillance remains a continuous process. A calendar of scheduled review dates for rated debt issues is published annually as required under the Securities Commission's Guidelines on Credit Rating Agencies. RAM Ratings' rating surveillance policy is designed to be consistent with these principles.

This policy should be read along with:

1. RAM Ratings Code of Conduct (under *Quality and Integrity of the Credit Rating Process and Independence and the Avoidance of Conflicts of Interest*);
2. Analyst Rotation policy;
3. Rating Appeals policy;
4. Rating Dissemination and Publication policy;
5. Rating Withdrawals and Suspensions policy.

POLICY STATEMENT

Once published, a credit rating will be continuously monitored, except for those that we have clearly indicated no corresponding ongoing surveillance. We will track developments that might affect the credit risk of the entities and debt issues we rate. The objective of the surveillance is to keep the rating current by identifying issues that may affect our opinion about the creditworthiness of an entity or a particular debt issue. This paper describes generally how RAM Ratings monitors its ratings.

Team structure and responsibilities

RAM Ratings primarily structures its rating teams based on sector expertise to ensure high-quality credit assessments and is aimed at promoting continuity. The rating surveillance shall be conducted by a primary analyst who undertakes the core part of the analytical work, coordinates the rating process and acts as RAM Ratings' liaison person for that rating relationship. In conducting the surveillance, the primary analyst shall:

1. Monitor the entity and/or individual debt issue on an ongoing basis;
2. Gather information sufficient to perform the credit assessment;
3. Schedule a rating committee meeting to decide on the appropriate rating once all analysis has been completed; and
4. Inform the rated entity of RAM Ratings' rating decision and disseminate the rating action to the public for publicly rated debt issues or issuer ratings.

Continuous rating surveillance

We shall monitor all assigned ratings throughout the life of the debt issues. The surveillance process involves an active, ongoing dialogue between the rated entity and RAM Ratings. This is an integral part of RAM Ratings' analytical process to discuss elements that are key to the assigned ratings, consistent with our rating criteria and methodologies.

We may monitor their performance through company announcements, or surveillance reports provided by the trustee or facility agent, in the case of structured finance or project finance ratings. Where portfolio monitoring is appropriate, we shall provide updates on the underlying portfolio performance against covenanted triggers.

Apart from maintaining regular communication with the rated entity to follow developments and trends in their performance, RAM Ratings also maintains regular contact with key industry participants, associations and independent parties such as valuers and ministries, as well as attends relevant seminars or conferences to keep us abreast of current market issues.

The frequency and extent of surveillance, however, depend on specific risk considerations for the individual entity or debt issue. The primary analyst may initiate a review of the credit rating on becoming aware of information that might reasonably be expected to result in a rating action. The timing of the rating review may be in advance of the next scheduled review if prompted by regulatory or economic conditions, or if we believe there might be developments in its business and operating environment and financial position that could reasonably result in a rating action. As such, RAM Ratings may update the market of its rating actions more frequently during the surveillance process, as and when events and industry developments warrant.

Forward looking ratings and point-in-time information

As a regulated credit rating agency, RAM Ratings is required to conduct the review of each credit rating and publish a rating report for rated debt issues within a period not later than 15 months after the last annual rating review as specified in the Guidelines on Credit Rating Agencies issued by the Securities Commission Malaysia. Exceptions to this may apply, e.g., in protracted mergers and acquisitions, occurrence of sudden events or new information is received, which could delay the annual rating review. Any consequent rating update may be in the form of a Rating Watch or a market update to inform of the rating reassessment, pending further details to assess the materiality and impact on the credit being evaluated.

The primary analyst shall initiate the formal annual review by writing to the rated entity (or its agents) and request information that is pertinent to the analysis. The primary analyst shall rely on that information, as well as those obtained from interviews and discussions with the management, and other public information sources, to assess the entity's financial condition, operating performance, management strategies, among other things. Factors external to the rated entity, including industry- or country-level trends, will also be examined.

To facilitate a meaningful discussion, a meeting agenda is usually sent ahead of the scheduled meeting with the management. Depending on the nature of the entity being rated, site visits may also be requested. Following the initial request for information and management meeting, the primary analyst may conduct further discussion with the rated entity in order to obtain follow-up information and clarification.

The surveillance analysis reflects RAM Ratings' views of how future performance may evolve, considering new developments, if any, and responses in management strategies and funding plans to address changes and challenges in the business climate. The surveillance for project finance and structured finance ratings are generally based on projected quantitative metrics under stressed conditions and focuses on the performance of the underlying asset supporting the debt issues. Event risks are usually not considered in most instances, with the rating under surveillance reflecting only information made available up to that point of time.

The risk factors, in a given credit rating deliberation, may vary by sector or asset class and are assigned according to RAM Ratings' criteria and methodologies that are relevant or applicable to the rated entity or rated debt issue. RAM Ratings may occasionally apply bespoke rating criteria analysis for new esoteric asset classes or for a limited number of transactions where structures may still be evolving. In those instances, the basis of the rating methodology, together with the key rating drivers and credit rating sensitivities shall be disclosed in the rating rationale specific to the rated debt issue or rated issuer. RAM Ratings' rating methodologies are publicly available on RAM Ratings' website, www.ram.com.my.

Timeframe for completion of rating exercise

Upon completion of the analysis, the rating team shall make a recommendation to the rating committee. Once the rating committee has made its decision, the primary analyst shall communicate the rating to the rated entity. Generally, RAM Ratings' annual review process will take approximately four (4) to eight (8) weeks, from the time substantial information is received to the time that the credit rating is published. This may vary, however, depending on the time taken by the rated entity to respond to RAM Ratings' requests for information, to arrange for a meeting with the management and to review RAM Ratings' draft rating rationale for factual errors and confidential information.

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