



# **POLICY 1 (1/2017)**

## **General Credit Ratings Policy**



## 1. Purpose and Scope

- 1.1. To describe SIMAH Rating Agency (TASSNIEF)'s General Credit Ratings Policy and Procedures
- 1.2. This Policy is prepared based on Part 3 of the Capital Market Authority (CMA)'s Credit Rating Agency Regulation that requires an authorized credit agency to establish and implement a rigorous and formal policy and procedures in the general conduct of business requirements (Article 15), Conflict of Interest (Article 16), Assignment of Credit Ratings (Article 18), Monitoring and updating of Credit Ratings (Article 19), Discontinued Credit Ratings (Article 20) and Disclosure requirements (Article 21)

## 2. Policy on General Credit Ratings

Credit rating is by nature subjective as it involves a look into the future. The assignment of the Credit Rating involves many factors unique to particular instruments, entities, industries and countries. Adopting the multidisciplinary approach to risk analysis, TASSNIEF'S objective is to understand all relevant risk factors to each and every rating analysis, based on the opinions of its credit professionals on those factors in light of a variety scenarios, with the guidance of some analytical principles in the reasoning process.

This policy describes the general approach that TASSNIEF adopts for solicited ratings only. Unsolicited rating is described in a separate policy paper.

### 4.1. Rating Request

- 4.1.1. The credit rating process generally begins with an entity requesting TASSNIEF to undertake the assessments on the former's creditworthiness. The assignments of the credit rating is when there is adequate and updated information available to enable a rating committee to form an opinion of the entity's future creditworthiness.
- 4.1.2. These information are to be provided by the rated entity or obtained from other sources it considers reliable. TASSNIEF does not audit or perform any independent verification of financial information and may, in some cases, rely on un-audited financial data i.e. the Management Accounts.
- 4.1.3. The rated entity will generally sign an agreement with TASSNIEF in which the entity agrees to provide the latter with annual audited and interim statements, as well as any other relevant information requested and to inform TASSNIEF of any material changes in its financial position.
- 4.1.4. The rating contract and fee discussions are dealt with by TASSNIEF'S Rating Sales Specialist Department, in the absence of the Rating staff strictly.

#### 4.2. Team Structure and responsibilities

4.2.1. TASNIEF will assign a Primary Rating Analyst to undertake the core part of the analytical work, coordinate the rating process and be the contact person from TASNIEF for that rating relationship.

4.2.2. For each Rating case, TASNIEF will assign a team of at least 2 members comprising a Primary Rating Analyst and a Secondary Rating Analyst. The latter will serve as the backup to the Primary Rating Analyst and assumes the role of the Primary Rating Analyst in his/her absence. This is aimed at promoting continuity.

#### 4.3. Guidelines to consider when selecting a team or in allocating cases include:

4.3.1. **Complexity of cases:** A complex case is typically allocated to a more experienced analyst. However, to provide a learning opportunity to newer analysts, they will also be assigned some complicated cases, backed up by the more experienced analysts.

4.3.2. **Sector specialization or knowledge base:** A Rating Analyst's portfolio generally reflects his industry specialization. However, he will also be given the opportunity to rate other cases to broaden exposures and reduce key person risk.

4.3.3. **Seniority of Rating Analysts:** Senior Rating Analysts will typically have fewer cases in their portfolio so that they are able to give more focus and time to their mentoring responsibilities. Newer Rating Analysts will be assigned more review cases whilst the more experienced ones should take on more initial rating exercises. The seniors will also assume more back-up roles.

4.3.4. **Timing:** As best as possible, each analyst (of similar level of experience) will be allocated equal number of cases that are also well spread out over the calendar year to avoid bunching. This is to ensure timely completion of cases. Case allocation is, however, a dynamic process; it can be reviewed depending on the rating analyst availability and aptitude in order to expedite completion of a new case or to ensure timeliness in completing review cases.

### 3. Procedures

#### 5.1. In conducting the exercise for new ratings, the Primary Rating Analyst is:

5.1.1. To coordinate the rating process

5.1.2. The contact person from the Rating department for that rating relationship

- 5.1.3. To make periodic contact with the entity to discuss ongoing performance and developments
- 5.1.4. To undertake all administrative functions pertaining to the case

## 5.2. The Back-up Rating Analyst is:

- 5.2.1. The second Rating Analyst assigned to the rating task and serves as the back-up to the Primary Rating Analyst.
- 5.2.2. To undertake the roles of Primary Analyst in the absence of the latter.
- 5.2.3. His understanding of the rated entity must equal to the Primary Analyst.

## 5.3. Meeting with the Client

- 5.3.1. The Rating Sales Specialist will initiate the first meeting with client together with the Rating Analytical Team to understand the nature of assignment required. Negotiation on the rating fee structure is to be conducted strictly in the absence of the Rating Analysts.
- 5.3.2. The first meeting is normally attended by the Client's authorized persons that the company thinks fit.
- 5.3.3. Outcomes of the first meeting:

## 5.4. Focus during the rating exercise

- 5.4.1. The Primary Rating Analyst will initiate this formal rating, having received the mandate and requests for all information pertinent to the analysis. The Rating Analyst will 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.
- 5.4.2. Following the initial request for information and management meeting, the Primary Rating Analyst may conduct further discussion with the rated entity in order to obtain follow-up information and clarification. The Primary Rating Analyst will send out a meeting agenda to the rated entity ahead of the meeting. This is so that the rated entity is aware of the subjects that we would like to focus on at the



management meeting to facilitate a meaningful discussion. Depending upon the nature of the entity being rated, site visits may also be requested.

#### **5.5. Rating deliberations**

Having reviewed all the information and documents received, the analyst will set a time to meet with key management of the rated entity. This is an integral part of the rating process that provides the rating team an avenue to better understand certain trends in the entity's operating performance, besides getting insights into its prospects and plans for the future.

#### **5.6. Rating Report**

Information to be disclosed are defined as per Annex 2 of the CMA's CRA Rating Regulations

### **4. Rating Disclosure**

- 11.1. TASSNIEF will not unduly delay disseminating its credit opinions and actions. Under extreme circumstances where the rated entity and/or its agent fail to respond to its repeated requests for information and/or unwilling to establish contact or communication with respect to queries or clarifications to material issues, TASSNIEF may suspend or withdraw the rating.
- 11.2. TASSNIEF will publicly disclose its rating actions, generally through a press release and/or rating rationale, via its website and the media

### **5. Commitment to Continuous Surveillance**

- 12.1. TASSNIEF shall continuously monitor the rating, once the Rating has been assigned. The team assigned to monitor and update a given rating will initiate a review of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action, consistent with the relevant rating criteria and methodologies.
- 12.2. TASSNIEF has put in place certain internal procedures to ensure timely and credible credit ratings. Apart from maintaining regular communication with the rated entities to keep abreast with developments and trends in their performance, TASSNIEF also maintains regular contact with key industry participants, associations and independent parties such as authorities, as well as attends relevant seminars or conferences to keep the Rating team up-to-date.



- 12.3. There are also regular meetings with the analysts to discuss any economic-, industry- and corporate-related news. The analysts will also track and evaluate the quarterly results of public-listed entities in their portfolio that are announced to TADAWUL

## 6. Review

- 13.1. This Policy will be annually reviewed by the Rating Department and changes are to be proposed by the CEO for the ASC to recommend for BOD's approval

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