

Classification: Public

POLICY 7 (2024)

Changes in Rating Categories, Methodologies and Key Assumption

1. Purpose and Scope

- 1.1. To describe SIMAH Rating Agency (Tassnief)'s policy on the changes of rating categories, methodology and key assumptions. This is to ensure that any changes or modifications to the rating categories, methodologies and key assumptions are managed through an established process, using the best practice framework and in compliance with the Capital Market Authority (CMA)'s Credit Rating Agency Regulations and IOSCO's Code of Conduct Fundamentals for Credit Rating Agencies.
- 1.2. While the actual procedure and process of the changes are important, the ability to communicate those changes to all stakeholders including market participants and the regulators is equally important.
- 1.3. This Policy is prepared based on **Article 17 (b) and Article 21 (c) (4)** of the CMA's Credit Rating Agency Regulation that look at Rating Categories, Methodologies and Key Assumptions as well as the disclosure requirement for any changes in the Rating Categories, Methodologies and Key Assumptions.

2. Policy on Changes in Rating Categories, Methodologies and Key Assumptions

2.1. Objectives

- 2.1.1. To establish and enforce a standard process for planning, approving, implementing, and reporting changes on Rating Categories, Rating Methodologies and all Key Assumptions in deriving the final ratings.
- 2.1.2. To establish clearly defined best practice processes to ensure its compliance with the CMA, IOSCO and other legal or regulatory requirements.
- 2.1.3. To prevent or minimize risks to Tassnief because of the change being implemented.

2.2. Approvals and Rating Oversight Report

- 2.2.1. Development and changes in rating categories and rating methodologies will go through (3) three levels of approvals as follows;
 - Rating Oversight Function
 - Chief Executive Officer
 - Administrative and Supervisory Committee
- 2.2.2. Development and changes in key assumptions to derive the final ratings will be approved by
 - At least two thirds of the Internal Rating Committee members
 - Chief Executive Officer
 - Rating Oversight Function

2.2.3. The annual Rating Oversight report will include all changes in rating categories, rating methodologies and all key assumptions

2.3. Changing methodology or development of new methodology framework shall comply with principles below:

2.3.1. Rating methodology, models, and criteria may be developed by the Rating Oversight Function, independent from rating team. However, the development should involve the rating team for consultation for their expertise and market knowledge.

2.3.2. Once the models are developed, full documentation shall be produced and endorsed by relevant management function.

2.3.3. The approved developed models shall be reflected on the rating system; in the absence of a system, they should be hosted on excel and a reasonable amount of protection must be established to limit access and unforeseen changes. They should meet minimum governance rules restricting access to model rights thereby protecting weights and scoring mechanism. This shall ensure consistency of rating process and integrity of the original model.

2.3.4. Based on generated ratings, Rating Oversight Function shall periodically review and validate the model qualitatively and quantitatively to ensure accuracy and fitting of models. Changes to the Methodologies can be initiated by Tassnief's Rating Analytical Team or by the Rating Oversight Function, upon detecting the need for the change during their reviews.

2.3.5. Details will be explained in the procedure.

2.4. Announcement of the Changes

2.4.1. When rating categories, methodologies, models or key assumptions used in rating activities are changed and requisite approvals are received, Tassnief will:

2.4.1.1. Immediately, using the same means of communication as used for the distribution of the affected ratings, disclose the likely scope of ratings to be affected (This is to be read with Tassnief's Reporting, Publishing and Dissemination Policy);

2.4.1.2. Review the rating affected by the change (both initial ratings and subsequent ratings) as soon as possible and no later than (6) six months after the change, and place it during that period under observation; and

2.4.1.3. Re-rate all ratings that have been based on those methodologies, models or key rating assumptions if, following the review, the overall combined effect of the changes affects those ratings.

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