



Ratings Definitions

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1 Preface

SAR's vision is to position itself as the premier and preferred credit rating agency for emerging markets.

The ratings provided by SAR are predicated on expectations for future performance. They are pertinent for investors and issuers in emerging and developing markets, including those in Africa.

The purpose of this document is to provide clarity regarding the rating scales and symbols used by SAR. SAR uses a points-based system for its rating scales, which is equivalent to prevalent letter-based systems, see below.

2 Rating Definitions

Issuer Credit Ratings

The Issuer Credit Ratings from SAR are opinions of an issuer's creditworthiness. Issuer Ratings include any external support, such as explicit support resulting from a guarantee of all senior unsecured financial obligations and contracts and/or implicit support for issuers subject to joint default analysis, that is anticipated to apply to all current and future issuance of senior unsecured financial obligations and contracts. Guarantees that solely apply to particular (but not all) senior unsecured financial obligations and contracts are not taken into account in issuer ratings.

Both long-term and short-term credit ratings are given by SAR. Financial commitments having maturities of more than a year are included in long-term credit ratings. Obligations considered short-term in the relevant market and often having an original maturity of no longer than 365 days are given short-term credit ratings.

Issue Credit Ratings

SAR's Issue Credit Ratings are opinions of a financial obligation or a class of obligations' relative creditworthiness that have been issued by an entity or sovereign.

Long-term and short-term financial obligation ratings are issued by SAR. Long-term ratings are given to issuers or obligations with an original duration of thirteen months or more, and they take into account both the likelihood that payments will not be made as agreed upon, as well as the anticipated loss of capital. Short-term ratings are given to liabilities with an original maturity of twelve months or less, and they take into account both the likelihood that payments will not be made as promised under the contract and the potential loss of capital.

Rating Outlooks

A rating outlook, which normally spans a period of 12 to 24 months, shows the likely direction of a rating. It depicts variable trends that have not reached the point where a rating action would be warranted, but that may be likely if these trends persist. It is possible to specify the Outlook as "Positive" (indicating that the rating symbol may be raised), "Negative," or "Uncertain" (the rating symbol may be lowered or unchanged). If there is no evidence to suggest that an outlook will change over the next 12 to 24 months, it may be deemed "Stable." An Outlook may not always signal a rating change.

Default ratings and ratings of 'CC' and lower do not include Outlooks because they are quite volatile and would not offer useful information.

Programme Ratings

Program ratings are given to entity-specific note issuance programmes, including medium-term note programmes, that are issued by rated entities. The ratings on the programme essentially reflect the hierarchy of the notes and the long-term issuer credit ratings of its issuing business. Program Ratings and senior unsecured creditor claims will be ranked together. As the issuers' creditworthiness varies over time, programme ratings may also fluctuate.

Public Ratings

Public Ratings are those that have been publicly released and are therefore thought to be in the public domain.

Private Ratings

Private Ratings, or ratings that are not made public, include debt that is not publicly traded, those used for internal benchmarking for regulatory purposes, or those used as input for another rating. In most cases, these ratings are given directly to the rated entity, its representatives, or a third party who made the rating request. These evaluations are not made public and are kept private and confidential to the party making the request.

The same rating process, including rating committees, analysis, and, in the event of monitored private ratings, surveillance as with public ratings, is applied to private ratings. Private Ratings are typically communicated directly to the rated entity, its agent, or the party who requested the rating. This party may then disclose the private rating to a select group of stakeholders on a need-to-know basis, as long as the disclosure is subject to the terms of the private rating agreement. Any party to whom the private rating is disclosed will be updated whenever there is a change in the rating.

Solicited Ratings

Solicited Ratings are those for which SAR expects or may receive payment. The issuer, obligor, underwriter, sponsor of the transaction/security, or any other third party may pay SAR for Solicited Ratings.

Unsolicited Ratings

Unsolicited Ratings are those for which SAR is not being paid and does not anticipate receiving payment from the rated entity or issuer of a security or a third party.

Ratings Under Deferral

In situations where the information provided—directly or through publicly accessible information—does not meet SAR's information sufficiency criterion, SAR may defer a credit rating; however, there may be a plausible chance that the information will be released soon. A credit rating deferral indicates that an entity has neglected to furnish key information

relevant to its credit profile, rather than that it is not meeting its debt obligations as they are due or that its financial situation has worsened.

Withdrawn Ratings

If, at any time during the Credit Rating process, SAR believes it has exhausted all means to receive pertinent information resulting in inadequate information to assign or maintain an informed Credit Rating, SAR will refrain from publishing a new Credit Rating or withdraw an outstanding Credit Rating. This would also apply when a rated issue has been fully repaid when the redemption date has passed, when a rated programme or SPV is retired, and when rating coverage is ceased. SAR may also withdraw credit ratings due to a lack of participation by the rated entity and/or other business reasons.

Default Ratings

The definition of default includes both payment default (on interest or principal payments) and distressed exchanges. It should be noted that in default events, SAR will publish the issuer credit rating as well as the rating of the affected issuance. These rating updates will account for details surrounding a default, including its magnitude, consideration for continued default likelihood and remedial actions. This implies that in certain default situations (such as late payment on interest), the issuer credit rating may remain unchanged or reduce slightly due to the affected rating metrics, however, a rating on the affected issuance will also be published with details surrounding the default.

3 Rating Scale

Sovereign Africa Ratings: Converting Scores into Ratings						
	SAR Tier Grade	Points Allocation		SAR Numeric Rating System (%)	Long Term	Short Term
Investment Grade ≥ 50%	1 - Exceptional (Prime): ≥ 80%	Tier 1: 800+	1	≥80	AAA	A1+
	2 - Very Good (High Grade): 70% - < 80%	Tier 2: 700-799	2	76,7 – 79,9	AA+	A1
			3	73,4 – 76,6	AA	
			4	70 – 73,3	AA-	
	3 - Above Average (Upper Medium Grade): 60% - < 70%	Tier 3: 600-699	5	66,7 – 69,9	A+	A2
			6	63,4 – 66,6	A	
			7	60 – 63,3	A-	
	4 – Average (Low Medium Grade): 50% - < 60%	Tier 4: 500-599	8	56,7 – 59,9	BBB+	A3
			9	53,4 – 56,6	BBB	
			10	50 – 53,3	BBB-	
Speculative Grade < 50%	5 - Below Average: (Non-Investment Grade) 40% - < 50%	Tier 5: 400-499	11	48,4 – 49,9	BB+	B1
			12	46,7 – 48,3	BB	
			13	45,1 – 46,6	BB-	
			14	43,4 – 45,0	B+	B2
			15	41,8 – 43,3	B	
			16	40 – 41,7	B-	
	6 – Poor (Substantial Risks): 30% - <40%	Tier 6: 300-399	17	36,7 – 39,9	CCC+	C
			18	33,4 – 36,6	CCC	
			19	30 – 33,3	CCC-	
	7 - Very Poor (Extremely Speculative): 20% - < 30%	Tier 7: 200-299	20	26,7 – 29,9	CC+	
21			23,4 – 26,6	CC		
22			20 – 23,3	CC-		
8 - Default: < 20%	Tier 8: 0-199	23	0 – 19,9	D	D	