



Policy: Credit Rating Refusal

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Issued by	: SAR Compliance Function
Applicable to	: All SAR Employees and relevant Employees supporting the SAR rating process
Scope	: All Credit Rating Actions and all Other Rating Actions

Approved documents are held by the Compliance Officer of Sovereign Africa Ratings (Proprietary) Limited.

¹ Date on which the approved document takes effect.



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1 Policy Statement

In accordance with this policy, SAR is required to decline to offer a credit rating in certain situations, however, generally, SAR may not decline to issue credit ratings.

Particularly:

- a) SAR may not, for an anti-competitive purpose, refuse to issue a credit rating, withdraw or threaten to withdraw a credit rating for a structured finance product on the basis that all or a portion of the underlying assets are not also rated by SAR.
- b) SAR may not, for an anti-competitive purpose, withdraw or threaten to withdraw a credit rating for a structured finance product on the basis that underlying assets are not also rated by SAR.
- c) SAR must decline to offer a credit rating when the quality of the material available for assigning a credit rating is inadequate or raises serious doubts about SAR's ability to do so.
- d) If SAR's ability to provide a credible credit rating is seriously questioned by the intricate nature of new types of financial instruments, SAR must decline to issue a credit rating.

It is crucial to follow this policy in order to fulfil legal and regulatory obligations as well as SAR's business needs. Discipline up to and including termination may result from violating this policy.

1.1 Prohibition on Refusal To Rate

SAR may not: Refuse to rate transactions based on underlying assets, securities, or structured finance instruments only because all or a portion of those assets or those instruments were previously rated by another credit rating agency.

NOTE: SAR is not required to use other agencies' ratings in accordance with this restriction on refusal to rate. The analyst and rating committee will still have to decide how to determine the credit rating in the most effective way.

Employees of SAR are forbidden from revoking a rating only because SAR no longer rates a specific number of underlying assets or securities, and they are also forbidden from threatening to revoke a rating.

This restriction does not apply to other reasons for withdrawal or downgrade.

1.2 Prohibition on Rating With Insufficient Information

When there is a shortage of trustworthy data, the quality of the information is subpar, or there are significant doubts about SAR's ability to produce a genuine credit rating, SAR staff must decline to issue a rating.

NOTE: It is up to the Rating Committee (RC) to decide whether there is sufficient material available. The standard complaints procedure is applicable to the RC's decision.

According to the Policy for Withdrawal of Credit Ratings, SAR is also not permitted to maintain an existing credit rating and must withdraw one when there is a severe lack of reliable data or when the quality of the information is no longer sufficient or satisfactory to continue upholding a reliable rating.

1.3 Prohibition on Rating when Prohibited by Laws, Rules, or Regulations

When it is forbidden by applicable laws, rules, or regulations to issue a credit rating, employees must decline to do so.

If any earlier policies, procedures, or other written instructions conflict with this policy, they are superseded by the current policy.

Defined Terms and Abbreviations

Agent	Anyone representing a Rated Entity or a Rated Entity agent, whether an individual or a group.
CRA	Credit Rating Agency
Credit Rating	A Credit Rating is an opinion made by a CRA based on a predetermined ranking system of rating categories regarding the creditworthiness of an entity, debt or financial obligation, debt security, preferred share, or other financial instrument, or of the issuer of such a debt or financial obligation, debt security, preferred share, or other financial instrument.
Credit Rating Action	Any of the following is a credit rating action: <ol style="list-style-type: none"> 1. the process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating. 3. a change to a credit rating (i.e., upgrade or downgrade). 4. placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., Credit Rating Confirmation). 5. the assignment of, or modification of, an Outlook linked to a Rated Entity or several Credit Ratings. 6. Credit Rating Affirmation. 7. Credit Rating Withdrawal.

Sovereign Africa Ratings

Credit Rating Personnel		Credit Rating Personnel are SAR Analysts, Managers of SAR Analysts, and any other SAR Employees involved in developing or approving methods or methodologies utilised in providing Credit Rating Services, Ancillary Services, or Other Permissible Services. Any SAR employee assigned to a rating team who: (1) is not active in the rating process or (2) supports the rating process only through administrative responsibilities, such as entering data into internal systems, is not included in the definition of credit rating personnel.
Employee(s)		An Employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
Issuer		An issuer is any entity that issues debt, a credit commitment, debt-like obligations, or securities. Examples of such entities include special-purpose vehicles, companies, governments, and local governments.
Lead Analyst (Lead Analyst)	Rating (Lead Analyst)	Lead Rating Analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer, as well as, when appropriate, for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)		Managers are employees who oversee managing personnel.
Outlook		An Outlook is an opinion regarding the likely path of an issuer's rating could take over the medium term.
Prohibited Recommendation		It is prohibited for SAR analysts or persons who approve ratings to make proposals or recommendations or give advice, either formally or informally, regarding the design of structured finance instruments on which SAR is expected to issue a credit rating.
Rated Entity		A Rated Entity is any entity rated by a Credit Rating Agency (CRA)
Review		A review is an indication that a rating may be changing in the not-too-distant future.
SAR		Sovereign Africa Rating (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Ratings Services Act of 2012 of the Republic of South Africa.
Security		Security refers to any type of financial instrument, including stocks, bonds, debentures, notes, options, equity securities, convertible securities, warrants, derivative securities (Derivative), and warrants.
Subsequent Rating Process		Ratings after that Process is the process of determining the Credit Ratings to be assigned (together with the related outlook or review status, if applicable) solely based on the Credit Ratings of a programme, series category/class of debt, or principal Rated Entity that already exist.

2 Approval of Policy

This Policy was approved by the board, and it will be reviewed annually.

Portia Divhani Kavuhali

Board Meeting, 2 August 2022

Approved by the board

Date

Chairperson of the board