



## Policy: Non-Participating in the Rating Process

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<b>Issued by</b>	: SAR Compliance Function
<b>Applicable to</b>	: All SAR Employees and relevant Employees who are participants in the SAR rating processes
<b>Scope</b>	: All Credit Rating Actions

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

<sup>1</sup> Date on which the approved document takes effect.



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## 1 Policy Statement

A rated entity's express refusal to participate in the credit rating process or the lack of communication between the rated entity and/or its agents and SAR on credit-related issues are typically the bases for determining non-participation. In-person meetings, video conferences, phone calls, emails, and other textual correspondence with the management of the Rated Entity about subjects that may help SAR's Credit Rating process are examples of this type of communication, but they are not the only ones.

The following interactions with the Rated Entity and/or its Agents are not regarded as part of the Credit Rating process: a) discussions about fees; b) discussions about payments and billings; c) discussions about general methodologies or the Credit Rating process; and d) reviews of press releases for factual errors and/or the identification of Issuer Confidential Information.

The level of participation for unsupported stand-alone rated subsidiaries is determined by the participation of each such rated subsidiary and/or its Agents.

In general, a Rated Entity will only be classified as non-participating if neither the Rated Entity and/or its Agents nor the guarantor/insurer is participating.

### 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"> <li>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.</li> <li>2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating.</li> <li>3. a change to a credit rating (i.e., upgrade or downgrade).</li> <li>4. placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., Credit Rating Confirmation).</li> </ol>

## Sovereign Africa Ratings

		<p>5. the assignment of, or modification of, an Outlook linked to a Rated Entity or several Credit Ratings.</p> <p>6. Credit Rating Affirmation.</p> <p>7. Credit Rating Withdrawal.</p>
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 generally 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 are in charge of managing personnel.
Outlook		An Outlook is an opinion regarding the likely path 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 No 24 of 2012.
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.

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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.
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## 2 Approval of Policy

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

*Pertia Divhani Ravuhali*

Board Meeting, 2 August 2022

Approved by the board

Date

Chairperson of the board

### 3 Annexures

#### 3.1 Procedure: Non-Participating in the Rating Process

If any of the following occur, the Lead Analyst must immediately inform his or her immediate manager (or the Chief Ratings Officer):

- a) the Rated Entity and/or its Agents make a clear and unambiguous statement that it is unwilling to participate in the rating process for a specific Credit Rating Action;
- b) in the absence of a clear statement from the Rated Entity and/or its Agents, a period of at most 12 months<sup>1</sup> of non-engagement by the Rated Entity and/or its Agents regarding the Credit Rating Action;

The following action needs to be taken if the Chief Ratings Officer decides to add or remove a non-participating classification from a Rated Entity after obtaining such information from the Lead Analyst:

- a) The Lead Analyst must send an email alert to the Information Technology Manager. The name of the Rated Entity, the time the decision to alter the Rated Entity's participation status was made, and proof of the Chief Ratings Officer's choice must all be included in the email communication.
- b) The Information Technology Manager is in charge of updating saratings.com to reflect changes to the Rated Entity status.

The commercial function may have learned from the Rated Entity and/or its Agents that it declines to participate in the Credit Rating process, in which case the commercial function may have provided information to the Information Technology Manager as to the Rated Entity's non-participating status in connection with an Unsolicited Credit Rating initiated by SAR.