

Quality Assurance and Operational Systems

Prudential Ratings places great importance on the quality of the analytical process that is followed to arrive at a credit rating decision.

We acknowledge that our biggest assets are the human and intellectual capital that drives this analytical process. Equally important to maintain are proper procedures as well information handling, processing and storage capabilities that support analytical rigor, fair treatment of rated entities, and timely communication of rating outcomes to all relevant stakeholders.

The following policies, procedures and governance structures/committees' policies form an integral part of the quality control process within Prudential Ratings

A. Internal/Operational Committees

- ❖ Credit Ratings Committees
- ❖ Models Review Committee
- ❖ Credit Ratings Transitions Review Committee

B. Board Level, governance committees

- ❖ Audit and Risk Committee
- ❖ Remuneration Committee
- ❖ Business development Committee

C. Policies

- ❖ Internal records maintenance policy
- ❖ Policy on the handling and usage of material non-public information
- ❖ Code of ethics
- ❖ Code of professional conduct

A. Internal/Operational Committees

❖Credit Ratings Committees

All credit ratings are accorded by a credit rating committee, and not any individual analyst. The rating committee is comprised of analysts who collectively have sufficient knowledge and experience to assign and review a rating on the rated entity. A ratings committee is led by a sufficiently qualified and experienced chairperson who ensures that the committee is properly constituted, adheres to appropriate Prudential Ratings' ratings criteria, reviews all relevant material applicable to the rating and comply with the Prudential Ratings' code of conduct, policies and guidelines. Decisions on credit ratings are reached by way of vote

Prudential Ratings maintains clear guidelines on who can qualify to sit in a credit ratings committee as a voting member (see Policy on Credit Ratings Committees). Below are some of the key considerations for a properly constituted rating committee:

- Any rating committee shall have a quorum of 5 voting members
- At least one of the voting members shall be an analyst with a specialisation in a different sector other than the sector in which the rated entity operates (called an independent analyst). For instance, in a committee assigning a rating to a banking institution, at least one the voting members shall be from either the insurance ratings sector or corporate and public ratings

❖ **Credit Ratings Committees(continued)**

- The decisions of the committee shall be made after careful consideration of all factors affecting the creditworthiness of the entity. It is the duty of the chairperson to ensure that all committee members have applied their minds and that all information pertinent to the decision-making has been reviewed
- All information to be considered in a rating committee, together with rating recommendation, shall be shared by the primary/lead analyst with the rest of rating committee, a minimum of two working days before the committee sits, to allow all members sufficient time to consider and review the analysis.
- The deliberations of the committee shall be properly recorded (minutes), in a format easily understood, and detailing how the rating decision was made. These minutes shall be signed by the chairperson of the committee, the primary analyst, and the independent analyst.
- The records of the committee, together with all information considered in the meeting, shall be stored in a format compliant with Prudential Ratings' internal records maintenance policy, and shall be easily retrievable for any RBZ on-site supervision purposes.

❖ **Models Review Committee**

This committee is responsible for reviewing all the models in use for the credit rating and other analytical purposes.

The committee must meet at least annually. The committee reviews the impact of any changes in accounting and reporting standards, regulatory standards/requirements, international best practice, and other market conditions that may warrant modification(s) of the analytical models.

❖ **Credit Ratings Transitions Review Committee**

This committee is responsible for reviewing all the credit ratings conducted during the preceding one-year period. The committee checks the transitions of credit ratings, to determine whether these are consistent with broad market conditions or if they warrant a review of Prudential Ratings' methodologies.

B. Board Level, governance committees

❖ Audit and Risk Committee

- The committee is chaired by an independent non-executive director, who reports to the BoD, at least quarterly.
- The committee is responsible for all internal audit, risk, compliance and related issues to maintain the quality

❖ Remuneration Committee

- The committee is chaired by an independent non-executive director, who reports to the BoD, at least quarterly.
- Is responsible for developing a remuneration structure the balances rewards with the need to enhance the culture of independence and objectivity for all the analytical staff

❖ **Business Development Committee**

- The committee is chaired by an independent non-executive director, who reports to the BoD, at least quarterly.
- Is responsible for developing a business development strategy for Prudential Ratings that ensures that the company only conducts business with reputable entities, to avoid any reputational and legal risk associated with engaging undesirable counterparties.

C. Policies

For full details of the policies, procedures and codes, please refer to the policy documents shared with the regulator and accessible on our website.

❖ **Internal records maintenance policy**

- The policy addresses the format and duration of storage of records within Prudential Ratings, in compliance with any regulations and international best practice

❖ **Policy on the handling and usage of material non-public information**

- In addition to publicly available information, Prudential Ratings frequently uses material non-public information in reaching credit decisions.
- This policy governs how such information is obtained, how it is used, and how it is recorded and stored, noting that the regulator may still request to have sight of such non-public information if it was used to reach a credit rating decision.

❖ **Code of ethics and code of professional conduct**

- These govern how employees of Prudential Ratings are expected to conduct themselves in dealing with all stakeholders.
- The codes are grounded in the need to meet Prudential Ratings' duty of diligence in the conduct of its business, independence and objectivity, and a fair treatment of all stakeholders to the credit ratings process.