

# **Corporate Scorecard**

## **Rating Services Guide**

**Equifax Australasia Credit Ratings Pty Limited [AFSL #341391]**  
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## 1 OVERVIEW

This document provides an overview of Equifax Australasia Credit Ratings Pty Limited (A.B.N. 33 007 527 611), trading as “Corporate Scorecard” (Corporate Scorecard) and its rating services. The document outlines the various rating methodologies available, the process in assigning credit ratings, the types of users of this service, and how credit ratings should be interpreted. The document also outlines how Corporate Scorecard is remunerated, the process for managing potential ‘conflicts of interest’, and describes the complaints handling procedures and how you can access them. Should you have any additional queries, please review the Corporate Scorecard website at [www.corporatescorecard.com.au](http://www.corporatescorecard.com.au) or contact your Client Relationship Manager on +612 9278 7925 for more information and support.

## 2 CORPORATE STRUCTURE

Equifax Australasia Credit Ratings Pty Limited (A.B.N. 33 007 527 611) is an Australian proprietary company and has an Australian Financial Services license (AFSL 341391) to provide credit ratings to wholesale clients. Corporate Scorecard also has proven credentials and regulatory approval to provide credit ratings in New Zealand from the Reserve Bank of New Zealand (RBNZ). Corporate Scorecard is a wholly owned subsidiary Equifax Pty Ltd. Corporate Scorecard does not act as a representative of any other financial services licensee and does not act on behalf of any third party in the provision of its services.

## 3 CONTACT DETAILS

Corporate Scorecard can be contacted below:

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## 4 CORPORATE SCORECARD

Corporate Scorecard is an Australian Credit Rating Agency that specialises in providing commercial, financial and risk advisory services to the finance, insurance, government and corporate sector. Since 1987, Corporate Scorecard’s risk analytics and assessments have been highly regarded for their integrity, consistency and uniformity, derived from a systematic and objective approach. Corporate Scorecard is widely acknowledged for the expertise and experience of its people and the strength and quality of its analytical systems. The company is able to understand Australasian businesses from a local perspective; it has developed a robust credit rating methodology and its rating models (for System Ratings as defined later in this document) utilise scientifically based and empirically derived risk algorithms to objectively evaluate the financial fundamentals databases, enabling it to provide invaluable evidence-based data to support our professional opinion. As a Credit Rating Agency, Corporate

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Scorecard provides the highest level of financial assurance, protection and peace of mind to support our clients in their critical business decisions.

Corporate Scorecard, together with Standard & Poor's, Moody's, Fitch, and others, is one of only a small select group of firms licensed to provide such a service to wholesale clients in Australia. The licensing regime provides regulatory oversight and industry surveillance to ensure strict compliance to a code of conduct relating to the quality and integrity of the ratings process, independence and avoidance of conflict of interest, and responsibilities to the public, clients and assessed entities. The regime also covers confidentiality, communication and disclosure, professional development, document management, and a range of additional governance related matters for Credit Rating Agencies.

Credit ratings are a critical measure used extensively in financial and capital markets to support key business decisions, and Corporate Scorecard's ratings are designed to support lending, debt and bonding decisions, insurance and warranty, portfolio management and recovery, funds management, tendering and procurement, counterparty assessments and other commercial contracts. Corporate Scorecard conducts assessments on corporates, financial institutions, and insurers, including publicly listed entities, private corporations and small-to-medium sized enterprises, across a range of industry sectors both domestically and internationally. As such, Corporate Scorecard is also able to provide detailed industry benchmark reviews and analysis across a wide range of sectors.

Corporate Scorecard is a committed advocate in promoting the fairness, efficiency and transparency of rating services. Corporate Scorecard provides client commissioned, subscriber, issuer and issue-based ratings for a range of organisations across finance, insurance, and corporate sectors. We comply with a strict Code of Conduct based on the International Organisation of Securities Commissions (IOSCO) 'Code of Conduct Fundamentals for Credit Rating Agencies' to ensure our professional independence and objectivity are of the highest order.

The Corporate Scorecard team is widely acknowledged for the expertise and experience of its people and the strength of its analytical systems. The team members comprise Ratings Analysts and Senior Rating Analysts with proven expertise in financial risk analysis and credit rating assessments, the majority of whom hold advanced accounting/finance degrees and/or are professionally qualified Chartered Accountants, Chartered Financial Analysts or Financial Risk Managers.

- They are trained specialists with deep experience in conducting financial assessments relating to the viability, sustainability, capacity and credit quality of Australian and International entities.
- They have the accounting knowledge, analytical rigour and investigative skills to identify key sensitivities and address the complexities inherent in credit rating assessments.
- They have the capability and competency to interpret statements beyond the mere presentation of statutory numbers, and critically dissect and analyse notes and off-balance sheet information.
- They are highly experienced in the critical assessment of information and possess the forensic skills to conduct root cause analysis and extract issues not apparent from the data provided.

- These investigative, forensic, analytical and communication skills support the delivery of authoritative reports, evidence-based facts and professional advice to enable informed decisions.

The Corporate Scorecard database contains more than 100,000 reported financial statements spanning more than thirty years. As such Corporate Scorecard is in a unique position, having developed a large and empirical data source on entities across various industry sectors with long data histories covering a range of economic conditions and one or more complete business cycles. Corporate Scorecard has therefore been able to use a variety of quantitative validation tools and comparisons using this information to adequately verify the stability, accuracy and consistency of its rating models and system<sup>1</sup>.

Corporate Scorecard uses its comprehensive benchmarking database to evaluate the financial position, performance and credit quality of a corporate, financial institution, or an insurer, relative to an industry and its peers. This enables the identification of key sensitivities, trends, cautionary alerts and exception reports based on identified anomalies and/or outliers across key credit indicators of a select group. In this way, the database enables detailed sector analysis, trend analytics and industry benchmarking, and has been used by the banking sector, together with the Australian Prudential Regulatory Authority (APRA) and the Institute of Banking and Finance (now the Financial Services Institute of Australasia - FINSIA). This has enabled Corporate Scorecard to conduct detailed statistical analysis and empirical research on the financial health and distress of entities and has been used to assist the development of credit risk models in the Australian banking and financial sector.

Corporate Scorecard is therefore well positioned to leverage financial databases and risk analytics to provide an early warning of financial distress of key counterparties to minimise organisational exposure. Greater levels of risk granularity will also facilitate improved risk-based pricing decisions. Corporate Scorecard's portfolio management platform facilitates a strategic governance mechanism to monitor the credit quality of portfolios, sectors, regions, and across tenure and time.

For over thirty years, Corporate Scorecard has provided the public and private sector with financial advisory services and highly credible, comprehensive and authoritative reports that can stand up to public and political scrutiny. The Corporate Scorecard team has the specialist expertise, investigative skills, diagnostic systems and benchmarking data to provide assessments of performance, value, capacity and risk against peer groups and industry trends. This provides invaluable evidence-based data to support our professional opinion and provides you with information you can rely on to identify the key sensitivities, financial risks and valuable opportunities for critical decision-making.

## 5 RATING SERVICES

Corporate Scorecard provides general advice through the provision of credit ratings and its professional opinion to wholesale clients. Credit ratings are provided for the purpose of

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<sup>1</sup> CSC's risk analytics have been developed using advanced analytics and non-linear modelling technologies, and have been reviewed and validated on Australian and International data with the assistance of Professor Edward Altman (Max L. Heine Professor of Finance, Stern School of Business, New York University, Director of the Credit and Debt Markets Program at the NYU Salomon Centre), an internationally recognised leader in the field of credit risk analysis and bankruptcy prediction.

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evaluating the credit risk of an entity or product, and are not recommendations to purchase, sell, or hold equity in any entity or product.

The most recognized credit rating is that based on Bond Rating Equivalents (BRE) used over the past eighty years to determine the proximity of an entity's securities to default. A default is recorded as any known payment default on any financial obligation, with the exception of preference share dividends, bona fide commercial disputes, and/or where a missed payment is subsequently made within the grace period. A default is assumed to take place on the earliest of the date a payment was missed, or the date the entity filed for and/or was placed into administration or receivership. The accuracy of this method has been extensively tested and is accepted worldwide.

As the market will not always have visibility over an event of a technical default like a breach of covenant in financing facilities or the settlement of a missed payment within individually provided grace periods, Corporate Scorecard applies the date an entity filed for and/or was placed into administration or receivership to ensure the equality and consistency of default analysis and when assessing ratings performance.

Corporate Scorecard and other Credit Rating Agencies all attempt to measure the probability of an entity being able to honour its financial commitments as and when they fall due. Corporate Scorecard assigns its ratings in a similar way to other agencies. However, Corporate Scorecard, under its monitored rating products, also objectively quantifies and reports on a regular and frequent basis, any changes to an entity's credit profile.

Corporate Scorecard's rating methodology and risk models have been designed to assess the proximity of an entity to defaulting on its financial commitments and obligations. Proprietary risk analytics are used to evaluate the multivariate interrelationship of key risk indicators using scientifically based and empirically derived risk models (for system ratings). These models evaluate the financial performance, position and profile of an entity in the context of its industry, size and structure. They have been validated on Australian and International data with the assistance of Professor Edward Altman, an internationally recognized leader in the field of credit risk analysis and bankruptcy prediction.

Corporate Scorecard's rating methodology, risk analytics and rating systems are calibrated to provide credit ratings and default probabilities across a credit rating scale similar to Standard & Poor's, including nine credit grades and twenty-two credit notches from 'D' (in default) to 'AAA' (extremely strong).

## **6 RATING METHODOLOGY**

The rating assignment process is largely influenced by the financial profile, performance and position of an entity based on its legal structure, industry sector, and relative size. There are a large number of financial and key risk indicators that are reviewed, and the weighting and sensitivity of these depend on the financial profile and multivariate interrelationship they have with each other. For Corporate Scorecard's System Ratings (as defined later in this document), the analytics utilise these risk indicators to derive a definitive financial risk score, which is reviewed in light of sector positioning, trend analytics, credit stability and the entity's future outlook. For analyst assigned credit ratings, risk indicators are reviewed in light of sector

positioning, performance trend, credit stability and the entity's future outlook using Corporate Scorecard's credit rating methodologies.

Corporate Scorecard has defined and documented its ratings methodologies by industry sectors including:

- Corporate
- Financial Institutions
- Insurance

These rating methodologies and related policy documents are available on Corporate Scorecard's website [www.corporatescorecard.com.au](http://www.corporatescorecard.com.au).

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## 6.1 Rating Definitions

Corporate Scorecard's assigned ratings are defined as below:

**Credit Ratings** are an opinion on the entity's (corporate or financial institution) capacity to discharge all liabilities incurred in the ordinary course of the business on an ongoing basis and in a timely manner.

**Issue Ratings** are an opinion on the entity's (corporate or financial institution) capacity to discharge obligations associated with a specific financial commitment ('issue') on an ongoing basis and in a timely manner.

**Commitment Ratings** are an opinion on the entity's (corporate or financial institution) operational and financial capacity to undertake and deliver a specific contractual commitment, of a pre-determined value and over a predetermined time period.

**Insurer Credit Rating (ICR)**<sup>1</sup> is a forward-looking opinion about an insurer's capacity to discharge all liabilities incurred in the ordinary course of the business on an ongoing basis and in a timely manner.

**Financial Strength Rating (FSR)**<sup>1</sup> is a forward-looking opinion about the financial strength of an insurer, with respect to its ability to pay all claims under its insurance policies. The FSR denotes the financial strength of an insurer only with respect to claims of its policy holders, and not to meet its non-policy obligations (eg. bank borrowings or bonds or subordinated debt etc.). The FSR and ICR differentiates the insurer's credit worthiness from the perspective of a policy holder and that of a non-policy holder.

## 6.2 Rating Outlooks

Corporate Scorecard's rating outlook is the expected trajectory of a credit rating and associated risks, over the next 12-18 months. A rating outlook is based on assessment of the entity's earnings outlook and expected volatility. Ratings more likely to improve are assigned 'Positive Outlooks'. Ratings more likely to witness a downgrade are assigned 'Negative Outlooks'. Where ratings are expected to remain unchanged, a 'Stable Outlook' is assigned.

## 6.3 Rating Watch

A rating 'Watch' is assigned to highlight uncertainty relating to a known event which may materially alter an entity's business and/or financial risk profile. The event may have taken place recently or may lie in the proximate future. In line with Corporate Scorecard's policy, a rating watch may be revoked once a rating review has been completed, after additional information pertaining to the event's impact to the credit profile is available. In some instances, the potential rating migration may have a clear direction. In such cases a 'Positive' or 'Negative' rating watch may be assigned to communicate Corporate Scorecard's view of the directional outcome. Where the direction of the outcome of the event is unclear, Corporate Scorecard may assign an 'Evolving' rating watch.

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<sup>1</sup> Applicable only for Insurers

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## 6.4 Ratings Qualifications

Corporate Scorecard's assigned ratings may carry qualifications which reflect the engagement's scope, precedent conditions or limitations of the assessment. Possible qualifications to a rating include:

**Indicative (^)** – A rating is marked 'Indicative' where only preliminary analysis has been undertaken. An official credit rating assignment would require a more detailed research and analysis.

**Conditional (#)** – A rating is marked 'Conditional' where there are one or more conditions precedent or assumptions, adherence to which is deemed a pre-requisite for the credit rating. The entity's rating without these assumptions/conditions is expected to be materially weaker or indeterminate.

**Provisional (\*)** – A Provisional Rating is used when the most recent available financial statements are deemed out-of-date and/or the overall quality of financial and non-financial disclosures is considered unreliable.

**System Rating (~)** – This is the rating derived from a quantitatively driven, scientifically based and empirically validated model, based on the information available at the time of the assessment of an entity by using a Risk Assessment Platform (RAP), which is an online tool and are not reviewed by an analyst or a ratings committee.

## 7 RATING PROCESS

Each rating engagement adheres to a strict set of protocols in accordance with internal policies and procedures, which are defined in our Ratings Process Manual.

An overview of the process is as follows:

- Initiation commences following the initial engagement. Dedicated analysts are assigned to the project and the team is assembled to obtain a detailed brief, clarifying the terms of the engagement, identifying relevant stakeholders, reviewing the context and background, together with the project specific protocols and governance procedures.
- Introduction involves an analyst(s) contacting the rated entity (where authorised) to obtain the necessary information in order to complete the assessment. The analyst also contacts the client as appropriate to provide an update and address any queries throughout the course of the engagement.
- Analysis is applied to identify whether accounting choices may introduce a bias regarding actual performance. This includes a review of accounting policies and estimates given the industry, the degree of flexibility available given accounting rules and conventions, the particular selection of policies, the depth and quality of notes and disclosures, the identification of potential concerns, and the restatement of accounting numbers to remove any bias and to normalise earnings.

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- Interviews are conducted to extract pertinent information and to clarify perceived discrepancies or anomalies. The analyst may request a meeting with an officer(s) of the rated entity and/or material counterparties to capture commentary across a range of critical areas, while verifying material assumptions (where necessary) and confirming any identified exceptions and/or issues outside of industry norms.
  - Profiling is used to categorise the rated entity into a homogeneous group of similar comparable entities, and Corporate Scorecard's risk analytics use industry (i.e. manufacturing, retail, services, mining, etc.), structure (listed public, unlisted public, proprietary, trading trusts, etc.) and size (turnover, net assets) to assist in the determination of an appropriate comparable profile.
  - Scoring applies a multivariate assessment of key risk indicators (i.e. profitability, cashflow, liquidity, gearing, etc.) to assess the level of risk depending on the specific profile and corresponding risk benchmarks. This score is reviewed in the context of economic, industry, management, market, and other factors (i.e. trading history, adverse information, country rating, etc.) to derive an overall risk assessment.
  - Classifying the rated entity into a particular risk profile is based on the underlying risk assessment. The scores range from 0 (default) to 100 (very low risk), being statistically correlated to the twenty-two credit notches to derive an indicative credit rating. The scores and ratings are much more elastic and sensitive to financial changes within the sub-prime and lower credit quality classifications.
  - Assigning an official credit rating is conducted by a Ratings Committee after reviewing all the relevant information. The Committee is constituted in accordance with Corporate Scorecard's Ratings Process Manual, to provide an independent review and evaluation of the underlying analysis and outcome.
  - Default probabilities are attributed to ratings based on time horizon. These are statistically calibrated using the well-established static pool approach. This requires a large quantum of data, with a large number of defaults. As such, given the small sample size and benign credit environment in Australia, Corporate Scorecard applies an international set derived from the U.S.
  - Reporting uses evidence-based findings and an assigned rating to highlight the relative risk of a specific entity for a given context. To assist users of these reports in understanding why a particular rating has been assigned, detailed commentary is provided together with the percentile positioning of an entity across a range of industry benchmarks.
  - Consultation provides the financial expertise and technical input as necessary to support our clients in their critical decision-making processes. This may, subject to the scope of our engagement, involve committee presentations, meetings and continued consultation, particularly where we have been requested to include the entity within our ongoing monitoring regime to update the rating following subsequent events and additional information.
  - Distribution protocols and Corporate Scorecard's official ratings release mechanism ensure appropriate control and governance over the release of credit ratings and rating reports. Subject to the scope of Corporate Scorecard's engagement, publication of the

rating and reports will be provided through our website, with ongoing entity surveillance to update the ratings of those under ongoing monitoring.

- Validation ensures the process is audited and the model is statistically verified to reproduce accurate and consistent results across a range of hold-out samples and walk-forward tests. Corporate Scorecard has used various sources for this purpose, including datasets from Australian and U.S. Banks. In addition, the credit quality distribution curve remains similar across Australian and International markets.

## 8 RATINGS DEFINITIONS

Credit ratings provide an agency's opinion as to the capacity, viability and willingness of an entity to meet its financial and contractual commitments. As such credit ratings are assigned in accordance with the entity, commitment or product's proximity to default. Corporate Scorecard's credit ratings adhere to internationally recognised grades and are similar to other agency classifications, providing ratings across twenty-two credit notches from 'D' (in default) to 'AAA' (extremely strong).

Moody's	Fitch	S&P	Equifax	Classification	Capacity	Risk Level
Aaa	AAA	AAA	AAA	High Grade	Extremely Strong	Negligible
Aa1	AA+	AA+	AA+		Very Strong	
Aa2	AA	AA	AA			
Aa3	AA-	AA-	AA-			
A1	A+	A+	A+	Investment Grade	Strong	Very Low
A2	A	A	A			
A3	A-	A-	A-		Sound	
Baa1	BBB+	BBB+	BBB+			
Baa2	BBB	BBB	BBB			
Baa3	BBB-	BBB-	BBB-		Low	
Ba1	BB+	BB+	BB+	Near Prime	Average	Low to Moderate
Ba2	BB	BB	BB			
Ba3	BB-	BB-	BB-			
B1	B+	B+	B+	Sub Prime	Speculative	Moderate
B2	B	B	B			
B3	B-	B-	B-		Vulnerable	
Caa1	CCC	CCC+	CCC+	Credit Watch	Highly Vulnerable	Very High
Caa2		CCC	CCC			
Caa3		CCC-	CCC-			
Ca		CC	CC	Distressed	Severe Distress	Extremely High
	C	C	Imminent			
C	D	D	D		In Default	

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Corporate Scorecard assigns ratings based on the credit worthiness of an entity or a specific financial commitment, and provides probabilistic assessments of default over the short, medium and long-term.

The credit rating assigned to an entity, commitment and/or instrument, and the related probabilities of default do not indicate an absolute potential of failure. It merely indicates that the credit is exhibiting all the characteristics of those which have defaulted at this level in the past.

Every entity or commitment has some probability of default over a period, even those assigned with the strongest of ratings. An Investment Grade classification is attributed to credits that exhibit a lower probability of default, while a Sub-Prime classification has a greater expectancy of default.

## 9 RATING PHILOSOPHY

For a Credit Rating to be effective it must:

- provide adequate warning of failure,
- be objective
- be uniform
- be reproducible
- be understandable
- be international
- be predictive, and
- the Rating Agency must stand behind its rating!

For a Credit Rating to be of value to its user, it must address several objectives, perhaps most notably the likelihood of default. This is a relative measure based on a credit's proximity to default and indicates the degree to which the credit is considered to be financially robust or vulnerable.

It should be noted that non-payment and/or insolvency is the only financial state which can be clearly defined whereas a definition of the level of financial strength is less precise. As a Credit Rating is defined as a position in a risk class or grade, the class or grade must be defined and all the credits in that grade must be capable of being rated in an identical manner.

For instance, if both national and international credits are being considered, both must be evaluated relative to the same assessment scale. This is why a credit rating agency such as Corporate Scorecard has so much to offer. Corporate Scorecard has a rich and diverse experience in rating credits from many different countries with differing Accounting Standards across different industry sectors, sizes and legal structures.

As a credit rating agency relies on the integrity of the information used for the purposes of the assessment, the quality of the financial statements and related information is an important factor. Ideally these would be audited or at least prepared in accordance with the relevant Accounting Standards. However, Corporate Scorecard also uses trend analytics to identify anomalies from one period to the next, and from one credit to others within its sector. Over the last twenty-five years Corporate Scorecard has developed an extremely large database of

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information with tens of thousands of financial years of complete accounts pertaining to both public and private entities.

## 10 RATING PLATFORMS (for System Ratings)

Corporate Scorecard can also provide clients with a Ratings Assessment Platform to support their own team(s) with an automated risk scoring engine to derive quantitatively driven credit ratings.

The Risk Assessment Platform (RAP Interactive) is a leading-edge viability assessment platform founded on the quality and integrity of Corporate Scorecard's risk rating technology. The system provides a series of advanced decision analytics to automate and fast-track the assessment process quickly, easily and reliably. It is delivered through a centralised web-based system that provides immediate and secure access, with the capacity to leverage public databases, trade and adverse information to provide an early warning of financial distress.

The system has been designed to integrate financial and non-financial analysis and requires only minimal data to calculate risk scores and sensitivities. The platform can be fully integrated with existing systems to streamline the work-flow process and provide an efficient delivery of highly credible and reliable ratings. The company's rating algorithms utilise scientifically based and empirically derived risk models to objectively evaluate the financial fundamentals. These analytics leverage large databases to provide invaluable evidence-based data, information and high integrity financial risk analysis.

This infrastructure serves to support an ongoing risk monitoring regime, and can help finance, insurance, investment, credit, procurement or risk analysts by providing the following benefits:

- A greater volume of assessments can be conducted with streamlined input schedules and advanced decision analytics
- A more efficient assessment process is facilitated through the automatic integration of statutory data and public record
- A higher level of consistency is achieved with analysts following an objective and auditable assessment process
- A higher level of reliability is obtained with input schedules providing cautionary alerts to highlight anomalies
- A greater level of quantification of the relative improvement or deterioration of a credit based on underlying risk parameters
- A more comprehensive assessment is achieved by analysing financial and nonfinancial data simultaneously
- A more informed decision is supported with the knowledge of entity specific risk factors relative to industry benchmarks
- A greater amount of analyst time can be focused on valuable analysis supported by automated risk diagnostics
- A greater level of analyst engagement is obtained through a user-friendly interface requiring minimal and automated data entry
- A more appropriate assessment is conducted using a series of custom built and scalable forms to meet your specific needs
- A greater level of accessibility is enabled through a centralised web application that is available anywhere and anytime

- A greater level of comparability is facilitated through sector comparators, industry benchmarks, and/or custom portfolios
- A greater level of control is achieved through a security encrypted online portal to a single, consolidated data repository
- A greater level of governance is facilitated through the supervisor dashboard, portfolio manager monitoring and reporting capability
- A greater level of independence is provided with an impartial, high quality and objective review of risk exposures
- A greater level of transparency of 'credit watch' and 'distressed' credits is enabled to facilitate the strategic allocation of resources
- A greater level of reliability is achieved with risk monitoring, mitigation and management of entity specific risk factors
- A greater level of synthesis and understanding is facilitated through a single, easily understood risk measure
- A more dependable outcome is achieved with a forward-looking and early warning of financial distress
- A more useful outcome is facilitated through relative credit ranking to support appropriate risk based pricing and mitigation
- A greater level of confidence using the ratings algorithms of an independent Australian Credit Ratings Agency

## 11 GENERAL ADVICE WARNING

Each credit rating (and corresponding rating report) is issued without any regard for the personal objectives, financial situation or needs of any particular party. The credit ratings and observations are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Before acting on any of Corporate Scorecard's ratings or opinions, users must take into account the appropriateness of the ratings or opinion having regard to their own objectives, financial situation and needs. Corporate Scorecard does not recommend any particular financial product or investment.

All information on which Corporate Scorecard bases its ratings and opinions is obtained by Corporate Scorecard from sources believed to be accurate and reliable. Corporate Scorecard assigns a credit rating on an entity based on the understanding that it has no contingent liabilities to any other entity other than as disclosed in the course of the review. The scope of Corporate Scorecard's engagement and provision of credit rating reports does not include auditing the financial statements and related information, and unless stated otherwise, does not include monitoring the financial performance of the rated entity into the future. These services are subject to the terms of Corporate Scorecard's engagement.

While every effort is made to accurately assess the level of financial risk, the credit rating does not take into account operational risk management issues, which may result in sudden financial duress. It is therefore advised that where an entity has a moderate to high level of financial risk, an independent assessment should be made of those aspects that may contribute to operational risk.

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The professional opinion detailed in Corporate Scorecard's credit rating reports is based on the information available at the time of the assessment. For those engagements that do not include ongoing monitoring, Corporate Scorecard strongly recommends a revised assessment be conducted within twelve months of the preceding assessment.

For credit ratings that have been commissioned on a private basis (i.e. 'private ratings'), each rating and report is provided as commercial-in-confidence, being for the exclusive, internal and restricted use of the client. The information is not to be disclosed to any other person or entity without written consent from Corporate Scorecard. Public ratings are available for release through Corporate Scorecard's official online ratings release mechanism. Each report should be taken as a whole and cannot be abridged or excerpted for any reason.

## 12 SERVICE ACCESS

For enquiries, Corporate Scorecard's qualified Client Relationship Managers are always available to discuss the ratings methodology, various report types, schedule of fees and the process for accessing these services.

For regular users, password-encrypted access to Corporate Scorecard's secure online web portal can be provided on request. This portal also enables access to alternative report types, report samples and price schedules, and related ratings information based on the access level and permission rights. The Corporate Scorecard website is [www.corporatescorecard.com.au](http://www.corporatescorecard.com.au). Client Relationship Managers may be contacted on +612 9278 7925 for more information and support.

## 13 REMUNERATION

Corporate Scorecard receives a fixed fee for the provision of a credit rating and report according to the standard pricing schedule. Corporate Scorecard does not receive any commission or other benefits. The analysts' remuneration is not related to the performance of any financial product or investment scheme, the rating assigned to any entity, or the fees paid to Corporate Scorecard by any entity.

## 14 INDEPENDENCE

Corporate Scorecard has no affiliation or association with any financial product or entity or related party of any financial product or entity for which it has published a rating or opinion.

In addition, engagements for Corporate Scorecard's client commissioned as well as issuer and issue-based ratings, adhere to strict governance protocols to ensure the quality and integrity of the rating assessment process.

Each rating assignment is conducted within the terms and scope of our engagement, and these are outlined within each report. As such, each rating report clearly defines the respective assessment date, initiation (i.e. solicited), type (i.e. counterparty/issuer-based/issue-based), scope (i.e. specific entity/commitment/instrument), surveillance (i.e. ongoing monitoring), distribution restrictions (if any), sources of information, entity participation, fee arrangement, and rating qualifications (if necessary). Each rating engagement is conducted as a separate

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commercial transaction, and Corporate Scorecard's opinion prepared in accordance with the particular context and circumstances of the engagement. As such, Corporate Scorecard maintains a clear and transparent model for remuneration of services.

When Corporate Scorecard is engaged to conduct, update and/or to provide ongoing monitoring for a credit rated entity/commitment/instrument, an assessment of the potential conflict of interest is undertaken. This is co-ordinated by either the Head of Solutions Delivery or an appropriate delegate. In the event there is a potential conflict, the issues are disclosed and discussed with the respective parties. If the potential conflict cannot be satisfactorily mitigated or managed, the client and/or engagement is declined.

Corporate Scorecard is often commissioned on a credit rating engagement relating to a publicly listed organisation. In these situations, particularly where analysts are privy to potentially price sensitive information that has not been released to the market, Corporate Scorecard complies with a series of additional governance requirements and safeguards to afford the entity with relief from public disclosure that would otherwise be imposed. As a credit ratings agency, Corporate Scorecard's analysts are prohibited from trading in those entities that are rated, and the company maintains a cease trading register that is reviewed to monitor compliance.

Corporate Scorecard has implemented a strict 'Conflict of Interest' policy. All staff have been trained in this policy, which defines conflicts of interest and how such conflicts of interest are identified, reported, controlled and managed. All staff are involved in continuing professional development, and these workshops also include reviews of relevant company procedures and policies including the Service Delivery procedure and Conflict of Interest policy.

All staff are instructed to be continuously alert to actual, perceived or potential conflicts of interest. If an analyst considers that a conflict of interest does or may be perceived to exist, they are required to immediately disclose the matter to their superior. The matter will be handled in accordance with Corporate Scorecard's Conflicts of Interest Policy.

As part of internal compliance review procedures, company policies and procedures are reviewed independently by the compliance team periodically. As part of this process, staff are interviewed and assessed for compliance to procedures and policies, including the maintenance of rating analyst independence. A copy of the 'Conflict of Interest' policy can be requested using the details in '3. Contact Details' section.

## **15 DISPUTE RESOLUTION**

Corporate Scorecard is committed to ensuring its clients' expectations are always met or exceeded and is a strong advocate for integrating continuous improvement in the processes underpinning its business.

If clients are not satisfied with the service, they are encouraged to contact their Client Relationship Manager. Corporate Scorecard is committed to resolve any issue or concern as soon as possible. If the matter is not satisfactorily resolved, please send your concerns in writing using the contact details set out in the 'Overview' section above.