

Annual Report of Moody's Investors Service Singapore Pte Ltd

FINANCIAL YEAR ENDED 31/12/2018

(PUBLISHED IN ACCORDANCE WITH REQUIREMENTS OF THE MAS CODE OF CONDUCT
FOR CREDIT RATING AGENCIES)

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Section A: Executive Summary

Moody's Investors Service Singapore Pte Ltd ("MIS Singapore") holds a capital markets services licence issued by the Monetary Authority of Singapore ("MAS") to carry out the regulated activity of "providing credit rating services" in Singapore.

This report is prepared pursuant to the requirement contained in paragraph 10.4 of the MAS Code of Conduct for Credit Rating Agencies ("MAS CRA Code") and provides information on the operations of MIS Singapore for the year ended 31 December 2018.

Section B: Information as per MAS Code of Conduct on CRA

1. Information on Legal Structure and Ownership

MIS Singapore is a wholly-owned indirect subsidiary of Moody's Corporation ("MCO"), a Delaware (USA) incorporated company listed on the New York Stock Exchange ("NYSE"). MIS Singapore is a private limited company, incorporated in accordance with the laws of the Republic of Singapore. It operates as part of the global group of credit rating agencies comprising Moody's Investors Service ("MIS").

2. Financial Information about its Revenue

The revenue¹ of MIS Singapore is primarily derived from Credit Rating Services, as shown below for the financial year ended 31 December 2018.

Defined terms used in this section have the following meanings:

- » "Credit Rating Services": Credit Rating Services are those products and services offered with respect to Credit Ratings and, if applicable the related rating Outlook or rating Review. Credit Rating Services specifically exclude all Ancillary Services or Other Permissible Services.

A Credit Rating is an opinion from MIS regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.

- » "Non-Credit Rating Services": Ancillary and Other Permissible Services.
 - "Ancillary Services": Ancillary Services are those products and services which are not Credit Rating Services and which may include market forecasts, estimates of economic trends, pricing analysis or other general data analysis as well as related distribution services. Currently MIS Singapore does not offer any Ancillary Services.
 - "Other Permissible Services": Other Permissible Services are those products and services identified in MIS's Rating Symbols and Definitions, which are not Credit Rating Services or Ancillary Services.

REVENUE	SGD
Credit Rating Services	55,710,797
Non-Credit Rating Services	918,077
Total Revenue	56,628,874

¹ Total revenue is based on invoices issued, net of credit notes. In general, there is a high correlation between invoiced amounts and revenues in any particular year.

3. Description of Internal Control Mechanisms

MIS's approach to maintaining key internal control mechanisms to ensure the quality of its credit rating activities includes the items outlined below:

A) GOVERNANCE

MIS Singapore benefits from an effective governance structure that operates in accordance with the requirements under the laws, rules and regulations of the Republic of Singapore, in addition to the regional and functional management oversight of MIS.

MIS Singapore has a Board of Directors which consists of two members, namely Mr. Jacques Els, the Executive Director and Chief Executive Officer of MIS Singapore, and Mr. Min Ye, the Regional Head of MIS Asia Pacific. The Board of Directors manages and oversees the business and affairs of MIS Singapore, with the support from various Business Team Heads and the control functions, including Legal, Compliance, Finance and Internal Audit.

B) CREDIT STRATEGY AND STANDARDS GROUP

MIS's Credit Strategy & Standards Group ("CSS") promotes rating quality, consistency and transparency in MIS's credit analysis. CSS comprises several functions: including the Methodology Development Group ("MDG"), the Methodology Review Group ("MRG"), the Ratings and Process Oversight Group ("RPO"); the Analytics and Technology Solutions Group ("ATS"), and Strategy & Research Group ("S&R"). Each function reports to the MIS Global Chief Credit Officer.

MRG fulfills the requirements of the MAS CRA Code to establish an internal "review function" which reviews and approves both the adoption of new credit rating methodologies, credit rating models, credit rating scorecards and key rating assumptions and changes to existing credit rating methodologies, credit rating models, credit rating scorecards and key rating assumptions used in the credit rating process. Its responsibilities include: (1) approve new and revised credit rating methodologies, acting through the Methodology Review Committee ("MRC"); (2) review specifications of MIS credit rating models for consistency with published methodologies; (3) review the appropriateness of existing methodologies on an annual basis; and (4) review credit rating actions, on a sampled basis, to evaluate the application of published methodologies. MRG members may not participate in rating committees or vote in Portfolio Reviews.

MDG is responsible for methodology development and delivery across MIS. The Methodology Framework Groups within MDG, including one responsible for fundamental and the other for structured finance methodologies, provide analytical resources and leadership, manage a robust end-to-end process and have direct accountability for methodology development. The Document Process Group, also within MDG, manages the publication of methodology-related documents after they have been approved by MRC and the MIS Board, if applicable, and the related methodology translation pipeline.

Credit Officers within RPO enhance ratings quality and promote cross-sector consistency in the application of methodologies by contributing a broader view than that available to individual business lines and rating teams. In support of these objectives, RPO provides guidance on the credit implications of the global macro-economic environment and its Credit Officers provide advice to analysts on complex credit situations, participate and vote in rating committees, and lead credit portfolio reviews. The policy development and support staff within RPO are responsible for the development and maintenance of RPO's library of documents, including policies, procedures, guidance and best practices, and the implementation of key credit rating processes.

ATS is responsible for the quantitative models and analytical tools used in the rating process and across MIS, as well as MIS technology innovation activities, including advanced capabilities in machine learning and artificial intelligence.

S&R is responsible for proactively identifying and prioritizing emerging strategic credit issues, defining a cross line of business strategic viewpoint, and generating macro-financial and thematic research. S&R determines a coordinated macroeconomic outlook and set of macroeconomic forecasts to be incorporated in the rating process across industries and geographies. S&R gathers, analyzes, and synthesizes external and internal data sources to identify key credit issues and guide credit strategy, and S&R assesses

and develops new analytical approaches and tools to evaluate credit risk. S&R also includes the Default & Ratings Analytics team, which generates default, transition and loss severity research, and rating performance measurement statistics.

C) COMPLIANCE FUNCTION

The Compliance Department, part of the wider Legal and Compliance-Group, reports to MCO's Global General Counsel and is independent of the rating groups. It is responsible for assessing MIS's adherence to global and local laws and regulations as well as codes of conduct, policies, procedures and guidelines. The Compliance Department monitors the adequacy and effectiveness of the measures and procedures put in place to maintain compliance with applicable laws and regulations and provides reports to the Board of Directors of MIS Singapore on a regular basis.

D) INTERNAL AUDIT

MCO maintains a centralized and independent Internal Audit function, which is responsible for performing internal audits in relation to all MIS entities, including MIS Singapore. The Internal Audit function is responsible for bringing a systematic and disciplined approach to evaluating and improving the effectiveness of MCO's internal controls and governance processes. The Board of Directors of MCO has an Audit Committee to whom the Internal Audit function reports.

Internal Audit's coverage of the ratings process is assessed through a combination of three types of audits: (1) rating compliance audits; (2) general office reviews of MCO's international locations; and (3) corporate functions such as Compliance and CSS.

E) ENTERPRISE RISK MANAGEMENT

MCO has established an Enterprise Risk Management Function with a global remit, including MIS Singapore. Its remit includes identifying principal operational risks across MIS's business.

F) CODES OF CONDUCT

MIS Singapore operates under MCO's "Code of Business Conduct" and the "MIS Code of Professional Conduct" ("MIS Code") (collectively referred to as the Codes hereafter) which set out guiding principles to which each employee and corporate director is expected to adhere. Within the broad, overarching framework of these Codes, MIS Singapore has also included provisions adopted to fully implement the provisions of the MAS CRA Code.

G) POLICIES AND PROCEDURES

The principles established by the Codes described above are elaborated upon in MIS's policies and procedures. These documents implement MIS Singapore's obligations under applicable laws and regulations and govern the conduct of employees during the credit rating process. These documents establish a consistent approach throughout MIS and extend to, among other matters, the independence of the credit rating process, the avoidance of conflicts of interest and disclosure requirements. MIS has implemented a Securities Trading Policy to strengthen the prevention of conflicts of interest resulting from holding securities, including a trade monitoring program by Compliance to monitor ongoing adherence with the policy.

H) MANAGEMENT OF CONFLICTS OF INTEREST

All business models for credit ratings agencies may have potential conflicts of interest embedded in them. While MIS endeavors to eliminate any potential conflicts of interest that may arise during the course of its business, those that cannot be eliminated are identified, managed and disclosed to maintain objectivity, independence and integrity in the credit rating process.

In particular, MIS has instigated the following:

- » The Codes establish both high-level principles addressing potential conflicts of interest and high-level standards on the handling of confidential information. Pursuant to MIS's policies, procedures and guidelines, employees are subject to restrictions with respect to receipt of gifts and entertainment, personal ownership and trading of securities, and other personal interests that could create a potential conflict with the independence of MIS's credit rating activities.
- » MIS Singapore is operationally and legally segregated from MCO's non-ratings businesses.
- » As an institution, MIS does not act as a principal or make markets in securities.
- » MIS Singapore's Commercial Group is operationally segregated from any analytical rating group and any involvement in credit rating activities. Analysts are prohibited from participating in fee discussions with issuers or their agents.

- » Credit ratings are determined by rating committees.
- » Analysts are not compensated or evaluated on the basis of the amount of revenue that MIS Singapore derives from issuers that the analyst rates or with which the analyst interacts.
- » MIS Singapore conducts a "look-back review" when an analyst leaves MIS Singapore and joins an issuer with which he or she had significant dealings as part of his or her duties as an analyst.

MIS Singapore expects each employee and corporate director to comply with these policies and procedures. The Compliance Department monitors employee conduct regarding potential conflicts of interest.

I) RATING COMMITTEE

Credit ratings are determined by rating committees pursuant to a majority vote of the rating committee's voting members and, not by individual analysts. The rating committee is a critical mechanism for promoting the quality, consistency and integrity of MIS's credit ratings. MIS has established policies, procedures and guidelines governing the preparation for, convening and conduct of rating committees. Among other things, those policies, procedures and guidelines cover the composition of rating committees, the type, quality and format of information that needs to be provided, voting procedures, how conflicts of interest are avoided and confidentiality is maintained.

J) METHODOLOGIES

MIS's credit rating methodologies are made publicly and freely available on www.moody.com. They are typically global in nature but may be tailored to take account of structural or regional variations. New credit rating methodologies or changes to existing credit rating methodologies are approved by MRC, acting through MRC. Credit rating methodologies are reviewed at least annually, with the objective of determining if the credit rating methodologies are continuous, systematic and rigorous and whether they address key credit risks as intended and whether changes should be implemented. MIS's credit rating methodologies represent the core of MIS's analytical approach in a given sector and are applied consistently in the credit rating process. New credit rating methodologies and changes to existing credit rating methodologies must also be approved by the MIS Board of Directors, as outlined in the Policy on MIS Board Approval of Credit Rating Procedures and Methodologies.

K) SURVEILLANCE

Except for credit ratings that clearly indicate that they do not entail ongoing surveillance, once a credit rating is published, MIS Singapore continuously monitors the credit rating and reviews it at least annually and semi-annually for sovereign and certain eligible sub-sovereign ratings until the credit rating is withdrawn. In most of the credit rating groups, surveillance of credit ratings is conducted by the same analytical unit that is responsible for assigning the initial credit rating.

L) CREDIT RATINGS PERFORMANCE

MIS's public credit ratings and methodologies are publicly and freely available on its website, www.moody.com enabling third parties to assess the performance of credit ratings. MIS also periodically analyses the performance of its credit ratings to assess their consistency and quality. MIS publishes information including, historical default and impairment rates, transition rates between credit rating categories, and other periodic performance metrics so that financial market professionals can understand the historical performance of securities assigned to different credit rating categories.

4. Description of Record-Keeping Policy

Record-keeping processes in MIS Singapore is governed by the Policy and Procedures for Record Retention for Rating Services. These documents, along with the Appendix of Rating Services Record Retention Schedules, provide the fundamental principles of MIS's record retention policy, including:

- » The type of documents subject to the policy;
- » Categories of document types for purposes of retention obligations;
- » Retention periods for records relating to the credit rating services, in accordance with applicable laws and regulations in the jurisdictions in which MIS operates;
- » Instructions on the repositories used for record retention, and
- » Specifying the parties responsible for retention and deletion of records related to the credit rating services.

Records that are required to be retained include certain documents obtained or created during the credit rating process, whether provided by external sources or created by MIS Singapore. In addition, those documents and other credit-relevant documents are generally retained in a consolidated file for each issuer or transaction. Access rights to the document management databases are restricted to maintain the confidentiality of the information stored.

Rating applications and other contractual documents with issuers, along with exchanges with issuers related to commercial and fee information are handled by the Commercial Group, which is segregated from the analytical teams. For credit rating services covered by the policy, records that relate to contracts, commercial or fee information are electronically filed in a separate retention system from the records filed as part of the analytical process.

5. Description of Management and Analyst Rotation Policy

MIS's management structure is established on a global, regional and national basis across jurisdictions. MIS's organization structure and decision making procedures clearly specify reporting lines and allocate functions and responsibilities.

MIS's management group is complemented by three regional managers for each of EMEA, Latin America and Asia Pacific. Mr. Min Ye is the Regional Head of Asia Pacific and is based in Hong Kong. He is also one of the directors for MIS Singapore.

MIS Singapore is managed on a day-to-day basis by Mr. Jacques Els, the country manager for Singapore and the Head of the South and Southeast Asia Relationship Management Team, who reports in this capacity to the Regional Management of MIS in Asia Pacific. He is also the Chief Executive Officer and one of the directors for MIS Singapore.

MIS's credit rating groups, which are principally responsible for credit rating issuers and obligations, are organized globally, and in MIS Singapore, along with five lines of business: (1) corporate finance; (2) sovereign; (3) public, project and infrastructure finance; (4) structured finance; and (5) financial institutions. Each of these five rating groups has global and regional reporting lines. This global approach to credit ratings contributes to credit rating quality and integrity by facilitating consistency in analytical approach, and as appropriate, across jurisdictions.

MIS's Policy for Analyst Rotation is adopted on a jurisdictional basis and in line with regulatory requirements in the relevant local jurisdiction. For practical responses and as permitted by the MAS CRA Code and MIS Policy, rotation requirements were not applied to MIS Singapore office for the year ended December 2018.² It should be noted that MIS Singapore credit ratings are determined collectively by a majority vote of the credit rating committee's members, and not by any individual analyst. These credit rating committees are a critical mechanism in promoting the quality, consistency and integrity of our credit rating process. Credit rating committees are individually constituted for each issuer or obligations. In addition to a chair and the lead analyst, credit rating committee members may include one or more analysts from the same credit rating group (from the same region and/or other regions), analysts from another credit rating group which may also bring useful perspectives on the analysis, senior-level analysts (including credit officers from RPO), analysts who are specialists and/or support analysts. Various aspects of the credit rating committee process are designed to ensure a robust discussion takes place where members are encouraged to express dissenting or controversial views and to discuss differences openly. Discussion in a credit rating committee continues as long as necessary so that the relevant points, including differences of opinion, are thoroughly discussed, assumptions are tested and a fully reasoned opinion is articulated and supported by a majority vote of the credit rating committee.

² Effective 1 January 2019, MIS has implemented an analyst rotation approach for credits with Lead Analysts based in a number of MIS' offices, including Singapore. For these credits, an individual may serve in the role of Person Approving Credit Rating, Lead Analyst or Rating Analyst for a maximum period of 9, 7 and 8 consecutive years respectively from the later of 1 January 2019 or the assignment date, with respect to a rated entity. Once an individual reaches the maximum period associated with their role, there is a requirement for the individual to refrain from specific credit rating activities associated with that rated entity for a period of 2 years.

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