

Annual Report of Moody's Investors Service Singapore Pte Ltd for financial year ended 31/12/2015

(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 2015.

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 2015.

Defined terms used in this section have the following meanings:

- » "Non-Credit Rating Services": Ancillary and Other Permissible Services.
 - "Ancillary Services": Those products and services that may be offered by MIS Singapore, that are not credit rating services, and that 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": Products and services that MIS Singapore may offer that are neither Credit Rating Services nor Ancillary Services and that are identified by MIS in MIS's Rating Symbols and Definitions document that is publicly available on www.moodys.com.

REVENUE	SGD
Credit Rating Services	33,918,129
Non-Credit Rating Services	566,163
Total Revenue	34,484,292

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 CEO 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, Credit Policy and the control functions, including Legal, Compliance, Finance and Internal Audit.

B) CREDIT POLICY GROUP²

MIS's Credit Policy Group is a key part of the control and analytical support framework within MIS. The Credit Policy Group is independent of and separate from the ratings teams that are principally responsible for producing credit ratings. The group is overseen by MIS's Global Chief Credit Officer ("MIS Global CCO"), who is directly accountable to MCO's Chief Executive Officer and also reports quarterly to MCO's Board of Directors. Its role is to promote quality, consistency and transparency in MIS's credit analysis globally.

Credit Policy is split into two distinct functions with different roles: the Methodology Review Function (or MRF); and the Credit Review Function (or CRF).

The MRF fulfills the requirements of the MAS CRA Code to establish an internal "review function" which reviews and approves both the adoption of new methodologies, models, and key rating assumptions and changes to existing methodologies, models and key rating assumptions used in the credit rating process. The staff of the MRF includes the MIS Global CCO, the Managing Director for Credit Policy Research, and the Chief Credit Officers ("CCO(s)") for each of Corporate Finance & Infrastructure, Financial Institutions, Public Sector, and Structured Finance rating groups. The MRF also includes the staff of Credit Policy's Model Verification, Default Study Research Team, IT Support, and Policy Development teams. Its responsibilities include: 1) approval of new credit rating methodologies; 2) approval and oversight of changes to, and the retirement of, existing credit rating methodologies, models, and key rating assumptions; and 3) the annual review of the appropriateness and completeness of existing credit rating methodologies.

The MRF's deliberations and decisions are undertaken at the meetings of Credit Policy Standing Committees: one for each of MIS's ratings groups and one further senior standing committee. These standing committees consist of MIS individuals from the MRF, the CRF, and MIS's various rating groups. Only MRF members, however, vote on issues relating to credit rating methodologies. MRF members who approve credit rating methodologies may attend, but have no vote in, rating committees or Portfolio Reviews. The MIS Global CCO, as a member of the MRF, reports to the Boards of Directors and/or the supervisory bodies of each MIS Subsidiary on a regular basis.

The CRF consists of the Regional Chief Credit Officers ("CCO(s)") as well as the Group Credit Officers ("GCO(s)") and other Credit Policy members globally. Its role is to promote cross-sector consistency in the application of credit rating methodologies and quality of MIS's credit ratings. CRF members may vote in rating committees and lead Portfolio Reviews. CRF members may attend Credit Policy Standing Committees but may not vote to approve new or revised credit rating methodologies.

² As of 1 February 2016, MIS's Credit Policy Group was reconstituted as Credit Strategy and Standards. This revised structure will be reported in the Singapore Annual Report for 2016.

C) MIS COMPLIANCE FUNCTION

The MIS Compliance Department is part of the wider Legal, Compliance, and Government and Public Affairs Group which 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 MIS Compliance Department monitors the adequacy and effectiveness of the measures and procedures put in place to maintain compliance with the Regulation and provides reports to the Boards of Directors of MIS Singapore on a regular basis.

D) INTERNAL AUDIT

MCO maintains a centralised and independent Internal Audit Group, which is responsible for performing internal audits in relation to all MIS entities, including MIS Singapore. The MCO Internal Audit Group 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, a NYSE-listed company, has established an Audit Committee (the "MCO Audit Committee") to which the Internal Audit Group reports.

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 endeavours 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 MIS 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 methodologies are made publicly and freely available on www.moodys.com. They are 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 MRF. They are subject to ongoing refinement and are reviewed at least annually. 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.

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 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.moodys.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 for the transitions 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 law regulation 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, Americas and Asia Pacific. Mr. Min Ye is the Regional Head of MIS 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 reports in this capacity to the Regional Head of MIS Asia Pacific. He is also the Chief Executive Officer and one of the directors for MIS Singapore.

MIS's credit rating groups are also organized with regional and global reporting lines that operate across five rating groups: 1) corporate finance, 2) sovereign, 3) public, project and infrastructure finance, 4) structured finance and 5) financial institutions. A global manager for each rating group reports to the President and Chief Operating Officer of MIS³ and is supported by a corresponding business manager in each of MIS's three main regions of operation (EMEA, Americas and Asia Pacific). Another series of managers, responsible for overseeing individual rating groups that may be geographically dispersed, generally report to the relevant regional rating group manager. This cross border reporting structure results in an escalation and resolution of any rating group issue on an international or regional basis, irrespective of the country in which the issue may have arisen. Similarly, to the extent possible, decisions made relating to a particular rating group are implemented by the relevant management across jurisdictions or regions.

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 are not currently applied to MIS Singapore office. 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 bring an useful perspective to bear on the analysis, senior-level

³ As of 1 February 2016, MIS reorganised its rating activities around four critical capabilities, the Credit Strategy and Standards ("CSS"), Ratings and Research ("R & R"), Ratings and Research Support ("RSS"); and Operations, Data and Control ("ODC"). Within R & R, the global managers (referred above) now report to a Managing Director who in turn reports to the President and Chief Operating Officer of MIS. This revised structure will be reported in the Singapore Annual Report for 2016.

analysts (including credit officers from the Credit Policy Group who do not vote), 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 that is supported by a majority vote of the credit rating committee.