
MARC

MARC RATINGS BERHAD

POLICY ON CONFLICT OF INTEREST FOR ANALYSTS

Version 2.0

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DOCUMENT REVIEW HISTORY

Version	Effective Date	Author	Reason for Update
1.0	1 February 2020	MARC Ratings	New policy created Reviewed by CGRM
2.0	October 2024	MARC Ratings	1. Periodic review 2. Incorporation of Enforcement of Chinese Wall 3. Incorporation of Amendment to the revision of policy. Reviewed by CGLRM

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1 Introduction

The purpose of the Policy on Conflict of Interest (the Policy) is to define the management of potential conflicts of interest on the part of analysts. Purposeful compliance with this policy will avoid both actual bias and appearance of bias and ensure that Conflict of Interest (COI) disclosures are made in a manner that will allow users of MARC Ratings Berhad ("MARC Ratings") credit ratings to make an informed decision about the existence and the impact of conflicts of interest.

The policy is designed to promote compliance with the COI provisions in the Securities Commission's (SC) Guidelines on the Registration of Credit Rating Agencies (SC's Guidelines) and MARC's Code of Conduct.

2 Managing Conflicts of Interest

- 2.1. The Analyst team handling the rating assignment is independent of the business development team and is not involved in any form of negotiation for rating fee.
- 2.2. If any analyst has made any investment in its personal capacity or through its family members in any companies/entities, then he/she must disclose details of all his/her investments to the Compliance Officer; and based on the same, the Company shall ensure that such analyst are not involved in any of the credit rating assignments of that companies/entities, in which such employees is having his/her investments.
- 2.3. Any analyst who is involved in any credit rating activities shall not be involved in any non-rating activities.
- 2.4. Further, MARC Ratings does not permit soliciting of gifts or acceptance of gifts in return of favours/ preferential treatment of any kind. MARC Group has a "No Gift Policy" incorporated in the MARC Code of Conduct and Ethics which is published in the intranet and corporate website.
- 2.5. In the context of the rating process, a 'conflict of interest' exists where it appears that an analyst's performance of his/her duties and responsibilities as analyst may be improperly influenced by competing responsibilities or interests. Under this policy, any real or perceived potential competing interests or compromising influences – financial, personal, or other situations that might raise the question of bias have to be disclosed.
- 2.6. The consequences of acting with an undisclosed conflict of interest can be severe for both MARC Ratings and the individual. This can result in a breach of the SC's Guidelines and regulatory sanctions. At an individual level, this could result in disciplinary action.

3 Responsibilities of Analysts

Analysts are responsible for:

- (i) being aware of their obligation to avoid, where possible, conflicts of interest and manage those conflicts of interest that cannot be avoided;
- (ii) assessing potential conflicts of interest that could affect the rating process for both new and existing rating mandates; and
- (iii) formally disclosing all conflicts of interest and reportable interests they may have according to the procedures set out in this Policy and/or pursuant to MARC's Code of Conduct and Ethics. Reportable interests relating to parents, child or sibling of the are to be disclosed on a 'best of knowledge' basis. The qualifier however, shall not be extended to the spouses of the analysts.

4 Identifying Conflicts of Interest

4.1. Definitions

For the purpose of this Policy, an "Analyst" is defined as employees of MARC Ratings who is involved in the provision of credit rating services, save for sub-sovereign and sovereign credit rating. The definition of analyst excludes any employee performing an analytical role in MARC Ratings's non- credit rating business units and/or subsidiaries.

"Family member" has the meaning ascribed to it in the SC's Guidelines on the Registration of Credit Rating Agencies and includes (i) a spouse, (ii) parent, and (iii) child (including adopted or stepchild) or sibling of the individual or his/her spouse.

"Immediate family" is defined to include an individual's spouse, parents, children and siblings.

"Key employment" means an executive officer (e.g. president, chief executive officer, chief operating officer, chief financial officer), Treasurer or a role that regularly interfaces with credit rating agencies.

"Related entity" is deemed to be related to another entity if the entity is the immediate holding/parent or immediate subsidiary of the other.

"Security" means any tradable securities of companies that includes but not limited to shares, bonds, warrants, options and other similar instruments. This definition does not cover holdings in diversified collective investment schemes (e.g. ASB, ASN), equity investment abroad, broad market related instruments (e.g. ETF, bond funds, market index-related instruments) and REITs.

4.2. Conflicts of Interest

An analyst should not participate in the rating process where he or any of his family members has interest in the rated entity or any other related entity. The following list provides some examples of the type of situations that may give rise to conflicts of interest. Situations whether listed below or not (the list is not exhaustive) that have the appearance of, potential for, or involve actual conflicts of interest should be disclosed.

- a) personal or family ownership of securities in the rated entity or its related entity other than ownership interests held through diversified collective investment schemes (e.g. ASB, ASN), equity investment abroad, broad market related instruments (e.g. ETF, bond funds, market index-related instruments) and REITs;
- b) family member's business ties with the rated entity or its related entity;
- c) a family member's key employment or membership on the board of directors of the rated or any other related entity;
- d) analyst's recent employment (within the last six months) with the rated entity or any other related entity;
- e) analyst or his family member's business relationship with the rated entity that appears to be other than "arm's length";
- f) analyst's acceptance of any gift and/or other forms of benefit exceeding RM100 in value from the rated entity that could reasonably appear to influence his/her independence of judgement.

5 Declaring Conflicts of Interest

5.1 Responsibility of CGLRM

For effective risk management, MARC Group has established the risk organisational structure vide its Risk Management Policy and Framework. Conflict of interest on the part of Analyst can be mitigated or prevented when it is addressed in a rigorous and transparent manner. MARC Ratings, being the subsidiary of MARC Group who assumes its own risk is the first line of defence in the risk management and mitigation processes. This shall also provide the check and balance of any potential conflict before it is escalated to the next level.

5.2 Requirement for Declaration by Analysts

- 5.2.1 complete a conflict of interest form, declaring any potential conflict of interest prior to undertaking a new issue rating assignment or a review of an existing rating;
- 5.2.2 bring to the attention of the CEO and CGLRM in writing immediately of any actual, potential or apparent conflicts of interest that may impact his ability to undertake the rating and monitoring process; and to ensure that conflict is removed;
- 5.2.3 provide the quarterly 'Declaration of Conflict of Interest by Rating Analyst Who is Involved in the Rating Process' to CGLRM within 7 working days after end of each quarter and to update CGLRM if there is any change;

6 Divestment

6.1 New Hire /Transfer or Reassignment of Staff

In the event of an analyst and/or his family members holding any securities which may cause conflict of interest, the securities must be divested within seven (7) days of commencing employment or transfer or reassignment.

6.2 Other Conflicted Analyst

For paragraph 5.2.2., should the conflict involves securities holding, CGLRM will revert in writing on the appropriate action, which may include instruction to dispose the securities within seven (7) trading days.

7. Enforcement of Chinese Wall

- 7.1 **Separate Legal Entity** MARC Ratings functions as an independent legal entity that exclusively handles the rating business and participates solely in activities authorized by CRA for Credit Rating Agencies.
- 7.2 **Distinct Separation between MARC Ratings and Affiliated Group Companies** MARC Ratings has a dedicated area for its business operations with logical, and physical firewalls that segregate its business operations from all other companies of MARC Ratings.

8. Enforcement and Disciplinary Action

Failure to disclose conflicts of interest in an appropriate and timely manner or failure to comply with procedures to resolve conflicts of interest as recommended by CGLRM Department may result in disciplinary action or sanctions.

9. Review and Amendments

- 9.1 MARC Ratings reserves the right to amend, update, vary, revise or replace this Policy or any part of it from time to time to ensure full compliance.
- 9.2 The Policy will be reviewed and updated at least once every 3 years or as and when necessary.