

## **Independence and Conflict of Interests**

It is essential in order for Lianhe Global to function appropriately in the marketplace that Lianhe Global retains an appropriate degree of objectivity when determining credit ratings. A potential and perceived lack of independence and/or existence of conflict of interest present challenges to Lianhe Global's objectivity and role in the marketplace.

Lianhe Global requires its employees to be in a position of independence and has adopted internal procedures and mechanisms to identify, and eliminate, and/or manage and disclose as appropriate, any actual or potential conflicts of interest that may influence either: (i) the ratings Lianhe Global assigns; or (ii) the judgement and analyses of the licensed representatives who are involved in the preparation of ratings in order to ensure that credit rating services are undertaken in an objective manner.

Disclosure of any actual or potential conflicts of interest should be made in a timely manner.

## Prohibited Activities

Purpose: In order to maintain Lianhe Global's standing as an objective and independent authority in the credit ratings industry, employees and related personnel are prohibited from engaging in activity that might constitute or result in or create the appearance of any impropriety or conflict of interest.

No representative or employee of Lianhe Global should participate in or otherwise influence the determination of Lianhe Global's rating of any particular entity or obligation if the employee of Lianhe Global:

- Owns securities or derivatives of the rated entity, other than holdings in collective investment schemes;
- Owns securities or derivatives of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes.
- Has had a recent employment or other significant business relationship with the rated entity that may cause, or may be perceived as causing, a conflict of interest;
- Has immediate relation (i.e. a spouse, partner, parent, child, or sibling) who currently works for the rated entity; or
- Has, or had, any other relationship with the rated entity or any related party thereof that may cause or may be perceived as causing a conflict of interests.

## Roles and Responsibilities Policy

Lianhe Global's Role and Responsibilities Policy refers to:

- The responsibilities of the Responsible Officers and the Compliance Officer;
- The prohibitions on rating analysts and employees in commercial activities participating in each other's activities; and
- Confidentiality, Conflicts and Firewall policy

The Responsible Officers and the Compliance Officer are principally responsible for compliance by Lianhe Global and its employees with all the relevant legal and regulatory requirements. The Responsible Officers in Lianhe Global will not be involved in any commercial discussions including fee negotiations in their daily jobs. These will be handled by the business development managers with a clear and proper "Chinese Wall" to ensure that there is a segregation of information sharing between the two functions.

The Responsible Officers will be primarily responsible for the rating methodology and will be in charge of the rating analysts and are accountable for all the ratings issued by Lianhe Global. The Responsible Officers will coordinate and monitor all stages of the rating process of Lianhe Global to make sure the analysts adhere to the firm's rating methodologies, policies and procedures. The Responsible Officers will also oversee the rating analysts and ensure that all rating analysts are suitably qualified and competent to perform the rating assignments.

All Responsible Officers shall report to the Compliance Officer about all compliance issues. The Compliance Officer shall refrain himself/herself from performing any rating or business development activities and be solely dedicated to promoting the compliance culture and implementation throughout Lianhe Global.

The Compliance Officer is responsible for operating the Compliance Program for Lianhe Global. In the initial stages, the Compliance Officer will be actively involved in the development, implementation and improvement of the Compliance Program. The main focus of the role is on regulated business activities (i.e. credit ratings) and ensuring the internal procedures in place are fully compliant with relevant laws and regulations in Hong Kong and well understood and implemented by Responsible Officers and licensed representatives in Lianhe Global's day-to-day operations. The Compliance Officer is also responsible for providing or procuring training and guidance on compliance related policies and guidelines of Lianhe Global.

As a general principle, the Compliance Officer shall refrain from carrying on the regulated business activities (credit ratings) to ensure segregation between the performance of the Compliance Officer function and the performance of the activities that constitute the carrying on of regulated activities. Without such segregation, there would be inherent conflict arising out of a Compliance Officer on the regulated activities for which the corporation employing him/her is licensed and, at the same time, being responsible for supervising such activities for the purposes of regulatory compliance. Therefore, Lianhe Global's board of directors shall establish and maintain an appropriate and effective compliance function that is independent of all operational and business functions, and which reports directly to the board of directors.

## Business Relationship Management Policy

Introduction: Members of Lianhe Global's business development division are responsible for managing relationships with issuers and investors. In managing these relationships, Lianhe Global has set forth the following guidelines to clearly distinguish the role of the business development managers vs. that of the analysts.

- business development managers are responsible for developing Lianhe Global's fee schedule and for pricing each request for rating services.
- Lianhe Global must not enter into any contingent fee arrangement for providing credit rating services. Contingent fees are fees calculated on a predetermined basis related to the outcome of a transaction or the result of the services it performs.
- Representatives who are directly involved in the rating process may not initiate, or participate in, discussions regarding fees or payments with any entity they rate.
- Only business development managers may communicate with the issuers regarding fees, bills and other commercial terms of Lianhe Global's rating services.
- Once a rating mandate has been awarded, the business development manager will notify the analytical team so that they may start the rating assignment.
- Once the ratings assignment begins there will not be any communication between business development managers and analysts and vice versa, particularly regarding fees or fee structure, market share or billing.
- Any information regarding market share or other business activities must under no circumstances influence ratings, ratings criteria, or ratings models and must in addition be limited to members of the business development division and, where requested, the CEO or Compliance Officer or IT.
- Any inquiries that relate to new business that are received by Lianhe Global's Rating Head must be passed directly to the firm's Business Development Head.
- Lianhe Global must not provide consultancy or advisory services to a rated entity, or a related party of a rated entity, regarding the corporate or legal structure, assets, liabilities or activities of that rated entity or related party.
- Representatives and employees of Lianhe Global are prohibited from soliciting money, gifts or favors from anyone with whom Lianhe Global does business and are also prohibited from accepting gifts offered in the form of cash or any gifts exceeding a minimal monetary value threshold.

## Confidential and Sensitive Information, and Firewall Policy

Introduction: Lianhe Global will adopt policies and procedures and design its systems to protect the confidential nature of information shared with it and to ensure the security of its data. The intent of this policy is (i) to safeguard clients' confidential information from being used inappropriately and (ii) to protect the confidentiality of the information given to Lianhe Global analysts in connection with the rating process.

- Lianhe Global shall maintain in confidence all non-public information communicated to it by any issuer or its agents under terms of confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.
- Any employee of Lianhe Global who comes into possession of material non-public information, regardless of source, whether or not information pertaining to an entity rated by Lianhe Global, is prohibited from discussing or acting upon it except where required in the exercise of the employee duties.
- The Rating Head determines the responsibilities and file access of each person within the analytical group(s). Each analyst who receives confidential information must follow all precautionary measures and procedures to safeguard confidential information.
- Upon receipt of material non-public information material should be kept confidential.
- Prevent unrestricted copying of confidential documents.
- At all times, limit access to your computer by signing/logging off before leaving desk.
- Keep desks and conference rooms clear
- Restrict access by visitors to areas where they will hear material, non-public information.

## **Policy Against Structuring Transactions**

Purpose: As part of its efforts to be independent and objective in determining credit ratings, Lianhe Global has established this policy to prevent employees from structuring transactions and making any recommendation.

Lianhe Global prohibits its analysts from making proposals or recommendations regarding the design of structured finance products that the firm rates. However, in assessing the credit risk of a structured finance transaction analysts may hold a series of discussions with the issuer or its agents in order to understand and incorporate into their analysis the particular facts and features of the structured finance transaction and any modifications proposed by the issuer or its agents and to explain to the issuer and its agents the credit rating implications of the firm's criteria and methodologies as applied to the issuer's proposed facts and features.

## **Look Back- Review Policy**

Purpose: This look back review policy has been established regarding departing employees who participated in determining a credit rating, and who were subsequently employed – within one year – by an entity subject to that credit rating – or by the issuer, underwriter, or sponsor of a product subject to that credit rating to determine whether any conflicts of interest influenced the credit rating.

Lianhe Global's Compliance Officer will conduct a review for every such departing employee that had input to the rating process while at Lianhe Global to ensure that the rating decisions for the former employee were not biased towards that person's next employer. The review will cover the three years leading up to the former employee's departure date. If the Compliance Officer finds evidence of a conflict of interest regarding the rating actions of the former employee, this information will be communicated to the CEO detailing the actions. The CEO will determine the severity of the actions and any further steps necessary to resolve the conflict of interest.

## **Compensation Setting Structure Policy**

Lianhe Global's analysts' compensation shall not be based on the amount of revenue derived from issuers rated by the analysts. Methods for determining analyst compensation in a manner designed to manage or eliminate conflicts of interest such as factors such as analytical competence and analytical thinking.

Lianhe Global shall conduct formal and periodic reviews of compensation policies and practices for its representatives and employees who participate in or who might otherwise have an effect on the rating process to ensure that these policies and practices do not compromise the objectivity of Lianhe Global's rating process.



## Gifts and Entertainment Policies

Purpose: Lianhe Global is committed to competing solely on the merit of our products and services. We should avoid any actions that create a perception that favorable treatment of external entities by Lianhe Global was sought, received or given in exchange for personal business courtesies. Business courtesies include gifts, gratuities, meals, refreshments, entertainment or other benefits from persons or companies with whom Lianhe Global does or may do business.

Anti-Bribery: No employee or board member acting on behalf of Lianhe Global may pay or accept bribes of any type anywhere in order to obtain business for Lianhe Global.

Gifts, Gratuities and Business Courtesies:

Lianhe Global will neither give nor accept business courtesies that constitute, or could reasonably be perceived as constituting, unfair business inducements that would violate law, regulation or policies of Lianhe Global or customers, or would cause embarrassment or reflect negatively on Lianhe Global's reputation.

Employees may accept the following from a business associate:

- Any normal business entertainment, such as a meal, which is not so frequent, costly or lavish as to influence the proper discharge of the employee's duties or to raise any questions of impropriety;
- Advertising or promotional matter (up to a value of HK\$250 contributed in the normal course of business);
- Gifts given on a festive occasion in accordance with customary practice and up to HK\$250 or equivalent in value; and
- In addition, an employee may accept gifts from family or friends unconnected with the employee's duties and responsibilities.

With the exception of Chinese New Year Lai See of up to HK\$250 given on that festive occasion, employees must refuse any gift of cash, a gift certificate or a gift that is substantially the same as cash from a business associate.

Employees should not accept a gift if the nature of the benefit makes him/her feel obliged to show favor to the giver of the gift in any business dealings.