

Annual Public Disclosure Report of Lianhe Ratings Global Limited

The Annual Public Disclosure Report is published in accordance with paragraphs 68 and 71 of the Code of Conduct for Persons Providing Credit Rating Services (“HK CRA Code”), as published by the Securities and Futures Commission pursuant to section 169 of the Securities and Futures Ordinance (Chapter 571). It provides information on the Rating Operations of Lianhe Ratings Global Limited for the fiscal year ended 31 December 2023.

1. Code of Conduct and Ethics

Lianhe Ratings Global Limited (“the Company”) supports the high-level principles outlined by International Organization of Securities Commissions (“IOSCO”) in its Statement of Principles Regarding the Activities of Credit Rating Agencies, together with the more expansive IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (“IOSCO Code”).

The Company’s policies and procedures reflects the global best practices outlined in the IOSCO Code, and, with respect to any given jurisdiction in which the Company conducts credit rating activities, are consistent with all laws, rules and regulations applicable to the Company in such jurisdiction, including the Securities and Future’s Commission Code of Conduct for Persons Providing Credit Rating Services.

2. Internal Control Mechanisms Ensuring the Quality of Credit Rating Activities

Introduction

This section describes the Company’s internal controls related to the issuance of credit ratings.

Board Oversight

The Board of Directors (“the Board”) of the Company governs and oversees activities on behalf of the Company.

Among other matters, the Board is responsible for the oversight and management of the Company in accordance with their fiduciary responsibilities and standards established by Hong Kong law, including approval of all components of the internal control framework, as well as overseeing that its components are subject to monitoring and regular update by management.

The Board has delegated responsibility for the day-to-day running of the Company to a senior management team with sufficient skill and experience to ensure sound and prudent management. The senior management team is responsible for the development and performance of controls and for assessing the adequacy and effectiveness of the control environment, establishing, implementing and updating the internal policies and procedures supporting the internal control framework.

Policy Framework

All the policies and procedures reflect the Company's Code of Conduct and Ethics and all applicable laws, rules and regulations applicable to it. During the policy development or amendment stage, input is gathered from relevant constituents within the Company including, where appropriate, the senior management of the Analytical Team, the Business Development Team ("BD"), the Compliance Team ("Compliance"), and any others as may be appropriate.

Three Lines of Defense

The Company's internal control structure is designed to ensure that the Company employees comply with the Company's policies and procedures relating to or associated with the issuance of credit ratings. This control structure follows the model of the three lines of defense, and is ultimately overseen by the Board:

- First Line of Defense: Analytical Team and BD Team;
- Second Line of Defense: Compliance; and
- Third Line of Defense: Internal Audit, as needed.

First Line of Defense

The overall responsibility to ensure that the Company's policies and procedures relating to or associated with the issuance of credit ratings are followed rests with the senior managers and all members of the first line of defense.

a. Analytical Team

The senior managers of the Analytical Team are its Responsible Officers.

b. Business Development Team

The Company maintains a separate function (BD) which carries out ratings-related commercial and marketing activities independently of the Analytical Team. This structure helps ensure that analytical staff are not influenced by business considerations. All discussions with an issuer, originator, arranger, sponsor, servicer or any other party that interacts with the Company on behalf of the issuer concerning rating fees, fee arrangements or billings are handled either by BD, or others who are employed by the Company to handle billing or fee collection matters, outside Analytical Team.

Second line of Defense

The Company's Compliance comprises the second line of defense.

Compliance

Compliance is responsible for advising on, supporting and overseeing compliance with the various laws, rules and regulations governing the issuance of credit ratings ("CRA Regulations") promulgated in the jurisdictions in which the Company operates, along with those requirements set forth in the Company's Code of Conduct & Ethics and related policies regarding complaints, conflicts of interest and confidentiality (collectively, "Conduct Policies"). The Manager in Charge of Compliance reports jointly into the Chief Executive Officer ("CEO") and the Board. Compliance supports, monitors and reports on the Company's compliance with the applicable CRA regulations and Conduct Policies on an on-going basis through core

functions, including but not limited to:

- Maintaining the Company's license;
- Making periodic (e.g. monthly, annual, etc.) and ad hoc reporting and filings;
- Monitoring the Company's completion of agreed management actions;
- Communication with regulators, if appropriate;
- Oversight of the processes regarding the handling and resolution of conduct complaints, if any;
- Personal conflicts monitoring: to minimize actual and apparent conflicts that may arise from employees' personal investment activity;
- Administering annual compliance recertification of securities holdings and compliance questions for staffs;
- Administering the exceptions and recusals that may be required as a result of a potential conflict;
- Providing compliance training for new hires and existing staffs.

Third Line of Defense

Internal Audit is the third line of defense and assists senior management and the Board in protecting the assets and reputation of the Company. In particular, Audit scope includes Internal Audit ("IA"). IA provides independent and objective assurance as to the adequacy and effectiveness of the Company's internal controls framework, controls and governance processes.

3. Record Keeping Policy

The Company has file maintenance and recordkeeping policies and practices that are designed collectively, to ensure that it maintains adequate records in accordance with all applicable laws and regulations. The Company's policies and procedures requires the maintenance of records for a period of at least seven years that cover:

- Documents including internal records and working papers used or created in support of determining and assigning any type of credit rating, assessment, opinion, score or other credit product;
- Electronic or written communications received or sent by the Company and its employees concerning fee negotiations;
- The solicitation status of each credit rating;
- The established procedures and methodologies used by the Company to determine credit ratings;
- The procedures and measures implemented by the Company to comply with any applicable regulations; and
- External and internal communications, including emails received and sent by the Company and its employees that relates to initiating determining, maintaining, monitoring, changing or withdrawing a credit rating.

4. Management and Rating Analyst Rotation Policy

Management

The individual board members of the Company as of 31 December 2023 are:

1. WANG Shao Bo

2. AI Ren Zhi
3. WAN Hua Wei
4. GAO Jun Jie
5. HUANG Chia Chi
6. LI Wei Feng

Each of the analytical staff employed within the Company reports to the Analytical Team Head who in turn reports into the Company's CEO.

Rating Analyst Rotation Policy

Due to the Company's staffing resources and number of representatives, the Company does not adopt an Analyst Rotation Program. The Company would consider adopting such a Program if the number of Analysts exceeds 50.