Fitch Ratings

United Arab Emirates Transparency Report

May 2022

UAE Transparency Report

This Transparency Report is published in accordance with Section 3, Chapter 5, Article 17 of The decision of SCA's Chairman No. (13 / PM) of 2021 regarding the rulebook for financial activities and adjustment mechanisms. It provides information on the operations of Fitch Ratings in the United Arab Emirates (UAE) for the fiscal year ending December 2021.

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1. Compliance with Credit Rating Agencies Regulations and Other Relevant Laws and Regulations

Fitch Ratings has adopted a set of bulletins, policies and procedures (collectively, the "Operational Procedures") in order to achieve the regulatory mandate based on the principles of objectivity, integrity, transparency and independence. These Operational Procedures, as codified in the Code of Conduct & Ethics, the Rating Process Manual, the Business Relationship Management Process Manual as well as numerous other bulletins, policies and procedures address, among other issues:

- The segregation of commercial and analytical activities, and the determination of credit ratings,
- Governance relating to criteria, methodologies, and models, and
- File maintenance and recordkeeping associated with the above-mentioned activities.

Fitch Ratings also has Operational Procedures in place for (i) the recruitment, retention, training and promotion of its employees, (ii) its information technology and security operations and (iii) inter-company activities with affiliates. The Operational Procedures are designed to ensure that Fitch Ratings complies with the various rules and regulations to which it is subject, including, but not limited to, the regulations in the UAE.

To support and supplement the Operational Procedures, Fitch Ratings adopted a second set of functions, policies and procedures (the "Internal Quality Control System"). The Internal Quality Control System covers all aspects of the Company's operations pertaining to the determination of credit ratings. Details as to the different components of the Internal Quality Control System are presented in section 1.2 of this report.

1.1. Legal Structure and Ownership

Legal Structure

Fitch Ratings operates in the UAE through its branch of Fitch Ratings Ltd, a company incorporated in accordance with applicable national law and registered under the UK Regulation.

Ownership

Fitch Ratings Ltd ("FRL") is 100% owned by Fitch Ratings, Inc., a US company ("FRI"). FRI is 100% owned by Fitch Group, Inc., a US holding company, which in turn is 100% owned by the Hearst Corporation of the US.

The Hearst Corporation is a privately held diversified media and information company with headquarters in the US. Its major interests in addition to owning 100% of Fitch Group, Inc., include ownership of magazines, newspapers, cable networks, television broadcasting, internet and marketing services businesses, TV production, newspaper features distribution, and real estate. It maintains significant holdings in automotive and medical/pharmaceutical business information companies. It retains its ownership interest in Fitch Group, Inc. through Hearst Ratings II, Inc., a single purpose subsidiary.

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

1. Introduction

This document describes the internal controls related to the issuance of Credit Ratings employed by Fitch Ratings, Inc. ("FRI") and Fitch Ratings Limited ("FRL"), including any of FRI's and FRL's subsidiaries that issue credit ratings under the trade name of Fitch Ratings (collectively, "Fitch Ratings").

2. Board Oversight

The Board of Directors of FRI (the "FRI Board") and FRL (the "FRL Board") (collectively, the "Boards"), provide oversight to all credit rating activity performed globally within Fitch Group, Inc. ("Fitch Group"). The Boards operate under defined oversight procedures in which they consider different substantive areas of oversight at each of their quarterly Board meetings. In addition, where necessary pursuant to applicable local law, the local boards of directors of other Fitch Ratings credit rating subsidiaries may perform additional oversight activities.

Among other matters, the Boards are responsible for the oversight and management of FRI or FRL, as the case may be, in accordance with their fiduciary responsibilities and standards established by the laws of the jurisdictions in which FRI and FRL are organized. The Boards have delegated responsibility for the day-today running of FRI and FRL to a senior management team with sufficient skill and experience to ensure the sound and prudent management of FRI and FRL.

The Boards oversee, among other matters:

a. The process for the issuance of Credit Ratings;
b. The publishing of new and materially amended criteria and methodologies pertaining to determining Credit Ratings;
c. The implementation of new and materially amended policies pertaining to determining Credit Ratings;
d. The program designed to manage conflicts of interest;
e. The maintenance of internal controls related to determining Credit Ratings;
f. The compensation and promotion processes; and
g. The compliance and governance processes, including the efficiency of the Criteria Review and Approval Group "CRAG").

3. Policy Framework

All Fitch Ratings policies and procedures reflect Fitch Ratings' Code of Conduct & Ethics, which is based upon the global best practices outlined in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, and, with respect to any given jurisdiction in which Fitch Ratings conducts Credit Rating activities, are consistent with all laws, rules and regulations applicable to Fitch Ratings in such jurisdiction.

During the policy development or amendment stage, input is gathered from relevant constituents within Fitch Ratings including, where appropriate, the senior management of the Global Analytical Groups, the Credit Policy Group ("CPG"), the Legal Group, Ratings Operations (including Regulatory Affairs, Policies and Procedures), the Business and Relationship Management Group ("BRM"), the Compliance Department ("Compliance"), and any others as may be appropriate. Once a new or amended policy is finalized, it is subject to review and approval in accordance with Fitch Ratings' internal protocols. Material changes to certain Fitch Ratings' policies are subject to review and, in some cases require prior approval by the Boards.

4. Three Lines of Defense

Fitch Ratings' internal control structure is designed to ensure that Fitch Ratings employees comply with Fitch Ratings' policies and procedures relating to or associated with the issuance of Credit Ratings. This control structure consists of three lines of defense, and is ultimately overseen by the Boards:

a. First Line of Defense: The Global Analytical Groups, BRM and Ratings Operations (see below in 5);
b. Second Line of Defense: Credit Policy Group, the Criteria Review and Approval Group ("CRAG") and the Compliance Department (see below in 6); and
c. Third Line of Defense: Internal Audit (see below in 7) and external or outsourced third party audits, as needed.

Each of the three lines of defense is further supported by the Information Technology group ("IT") and the Information Security group ("IS") (see below in 8 and 9).

5. First Line of Defense

The overall responsibility to ensure that Fitch Ratings' 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.

5.1. Global Analytical Group

The senior managers of the Global Analytical Group are: (i) the Senior Global Group Heads; (ii) the Global Group Heads, each covering the analytical groups; and (iii) the Regional Group Heads covering certain geographical areas.

5.2. Business Relationship Management

Fitch Ratings maintains a separate BRM Group which carries out ratings-related commercial and marketing activities independently of the Global Analytical Groups. The segregation of commercial (BRM) activities from analytical activities helps ensure that analytical staff is not influenced by business considerations. All discussions with an issuer, originator, arranger, sponsor, servicer or any other party that interacts with Fitch Ratings on behalf of the issuer concerning rating fees, fee arrangements or billings are handled by BRM, finance and accounting staff, members of the Legal Department, or others, outside the Global Analytical Groups. BRM staff also follow policies and procedures designed to ensure compliance with anti-money laundering laws, international sanctions, and anti-bribery and corruption laws, as well as other aspects of credit rating agency regulation.

5.3. Ratings Operations

Ratings Operations is responsible for developing, implementing and monitoring procedures and controls with respect to the Credit Rating process in response to regulation, Fitch Ratings policy, and senior management guidance. Ratings Operations works with members of the Global Analytical Groups, BRM, Compliance, CPG, Human Resources, Legal and IT to identify risks and implement procedural, training and/or technical solutions in support of Fitch Ratings' control framework and analysts' compliance with the firm's policies and procedures. Ratings Operations also produces management reports and analysis to support the Global Analytical Groups' compliance with the various procedures outlined in the Ratings Process Manual.

6. Second Line of Defense

Fitch Ratings' core control functions of the Credit Policy Group (CPG), the Criteria Review and Approval Group (CRAG), Compliance and Technology Risk comprise the Second Line of Defense. These functions operate at a global, rather than local level, with staff based in Fitch Ratings' New York, Chicago, UK, Hong Kong, Singapore and certain EU and Middle Eastern offices, amongst others, providing support and oversight to all Fitch Ratings offices globally.

6.1. The Credit Policy Group

CPG is independent of the Global Analytical Groups and includes the Chief Credit Officer, Group Credit Officers, Regional Credit Officers, Evaluating Committee Robustness and Fitch Wire staff. The Chief Credit Officer reports to the Chief Risk Officer of Fitch Group ("CRO"). The Chief Credit Officer and Regional Credit Officers leverage participation in various committees and discussions to ensure new or developing issues are shared and addressed across Analytical Groups. CPG therefore serves as an oversight function with respect to Fitch Ratings' analytical work. In fulfilling these responsibilities, CPG conducts the following activities, among others:

- Aggregates risks across ratings by focusing on risk identification and coordination across sectors and regions;
- Conducts reviews for assessing ratings performance and ratings comparability;
- Links rating trends with current fundamentals, macro-economic developments and analytically defined expectations by industry or sector;
- Monitors Analytical Groups to ensure consideration of new developments with an appropriate sense of urgency and rigor and reports on and makes recommendations in certain cases;
- Develops and publishes areas of topical research that can be used to frame priorities or identify the next potential credit market development;
- Reviews analytical exceptions, incidents and complaints; and
- Carries out reviews of Committee Papers against Criteria as part of the Evaluating Committee Robustness program.

6.2. Criteria Review and Approval Group

CRAG is independent of the Global Analytical Groups and includes the Chief Criteria Officer, Head of Model Validation, Manager of Ratings Performance Analytics and Criteria Officers. The Chief Criteria Officer reports to the Chief Risk Officer ("CRO") of Fitch Group. CRAG serves as an oversight function with respect to Fitch Ratings' ratings criteria and related models.

In fulfilling these responsibilities, CRAG conducts the following activities, among others:

- Oversees the rating criteria (and related models and key assumptions) review and approval process (Analytical Groups are responsible for proposing suitable criteria that support ratings and supported by back testing);
- Conducts regular transition and default studies to monitor the performance of Fitch Ratings 'ratings over time and across analytical sectors and geographical regions;
- Manages a database of criteria and models to measure compliance with the requirements to review such criteria and models;

- Reviews criteria back-testing and conducts model validation; and
- Maintains a log of analytical errors.

In addition to its oversight activities, CPG and CRAG contribute to the development of a training program, the Fitch Credit Academy, to provide a formal structure to develop and assess the knowledge and skills analysts need to be effective in evaluating credit. The program consists of two levels. In the first level of the program, analysts are introduced to fundamental credit concepts, whereas in the second level analysts complete ten specialized curricula that are designed to develop the relevant knowledge and skills appropriate for each Global Analytical Group, sector and region, as applicable.

6.3. The Compliance Department

Compliance is responsible for advising on, supporting and overseeing compliance with the various laws, rules and regulations governing the issuance of Credit Ratings ("CRA Regulation") promulgated in the jurisdictions in which Fitch Ratings operates, along with those requirements set forth in Fitch Ratings' Code of Conduct & Ethics and related policies regarding complaints, conflicts of interest and confidentiality (collectively, "Conduct Policies"). Compliance supports Fitch Ratings' compliance with CRA Regulation and the Conduct Policies on an on-going basis through the functions described below, as well as by analyzing information obtained via Fitch Ratings' Ethics Hotline and internal incident reporting systems.

Compliance is headed by the Global Chief Compliance Officer (the "CCO"), who reports jointly into the Chief Risk Officer of Fitch Group, and the Independent Directors of the Board of FRI (the "Independent Directors"). In addition to its New York and London-based staff, Compliance is staffed by local Compliance Officers based in Fitch Ratings' Chicago office, as well as in its offices in Brazil, Chile, Colombia, Germany, Hong Kong, Japan, Mexico, Russia, Singapore, Spain, UAE. The CCO periodically reports to the Independent Directors and the CRO on the goals, strategy and status of the Compliance Department, the compliance program, and certain other Compliance processes and controls including those undertaken by the Department's four core functions, which are as follows:

6.3.1. Regulatory Compliance: Regulatory Compliance is responsible for maintaining (either directly or in conjunction with local country management) Fitch Ratings' license or registration in all jurisdictions where Fitch Ratings is licensed or registered as a credit rating agency. This includes making periodic (e.g. monthly, annual, etc.) reporting and filings and any additional "as needed" reporting, along with making any necessary public or regulatory disclosures of issues or events. In addition, this team manages all regulatory exams and other regulatory requests for documents and information. Further, the team helps coordinate Fitch Ratings' responses to all exam findings and recommendations, and tracks and monitors Fitch Ratings' completion of agreed management actions. The team regularly liaises with regulators on a global basis through in-person visits or conference calls. Moreover, Regulatory Compliance is responsible for oversight of the processes regarding the handling and resolution of Conduct Complaints, as defined in Fitch Ratings' Complaints Handling policy. Finally, Regulatory Compliance conducts outreach to Fitch Ratings' offices in Latin America, Asia, Europe, and the Middle East through either on-site visits or teleconferences. Regulatory Compliance is overseen by Regional Heads of Regulatory Compliance for EMEA, APAC, Latin America and North America. The Regulatory Compliance team heads in each jurisdiction are responsible for implementing new procedures or disclosures as required by changing regulations. Regulatory Compliance team heads in each region are responsible for disseminating information of regulatory change to members of their own teams and to Regulatory Compliance Officers in other regions as well.

6.3.2. Personal Conflicts Monitoring: The Personal Conflicts Monitoring team ("PCM") administers Fitch Ratings' Global Securities Trading and Conflicts of Interest Policy ("Bulletin 13"). Bulletin 13 establishes policies designed to minimize actual and potential conflicts that may arise from employees' personal trading activity, outside interests and external relationships, and gifts, business events and entertainment. PCM utilizes a third-party trade surveillance platform to monitor Fitch Ratings employees' trading activity. PCM also administers the initial securities holdings certification and compliance questionnaire for new hires, as well as an annual compliance recertification of securities holdings and compliance questions for existing staff. Further, PCM is responsible for administering the exceptions and recusals that arise as a result of a potential conflict related to Bulletin 13.

6.3.3. **Compliance Testing & Monitoring**: The Compliance Testing & Monitoring team ("CTM") conducts testing throughout Fitch Ratings to assess compliance with Fitch Ratings' policies and procedures, and the effectiveness of internal controls implemented with respect to its Credit Rating and related activities. CTM develops annually a risk-based compliance test plan, which is derived from, among other factors, outcomes of compliance risk assessments, previous CTM findings and risks identified through regulatory findings or other issues, incidents or trends. CTM conducts its testing throughout the year and presents its reports, including corrective action plans for issues identified, to senior management. CTM also monitors the aging of previously identified issues, and escalates overdue issues as appropriate. Further, CTM is responsible for performing surveillance of Analytical Group and BRM employees' email communications. In particular, CTM flags email that could represent breaches or violations of Fitch Ratings' policies or procedures for review and follow-up, and where appropriate triggers disciplinary or remedial action.

6.3.4. Compliance Communications and Data Systems and Metrics: Compliance officers sitting outside of the above three functional teams provide support to those teams with respect to managing Fitch Ratings' policy, procedure, and Compliance training framework globally, delivering regulatory disclosures, and creating reports and metrics for monitoring the effectiveness of Compliance controls.

7. Internal Audit (Third Line of Defense)

Internal Audit ("IA") assists senior management and the Boards in protecting the assets and reputation of Fitch Ratings. In particular, IA provides independent and objective assurance as to the adequacy and effectiveness of Fitch Ratings' risk framework, controls and governance processes. The Head of IA reports to the Independent Directors and the CRO. At least annually, the Head of IA submits to the Independent Directors and the CRO an internal audit plan for review and approval. The internal audit plan consists of a work schedule for the following fiscal year. It is developed based on a prioritization of the audit universe using a risk-based methodology, including input from the Independent Directors, the CRO and other members of Fitch Ratings' senior management. The Head of IA reviews and adjusts the plan, as necessary, in response to changes in Fitch Ratings' business, risks, operations, programs, systems and controls. Any significant deviation from the approved internal audit plan is communicated to the Independent Directors and the CRO through periodic reporting or direct communication, as applicable. After the conclusion of an internal audit engagement, the Head of IA (or his or her designee) issues and distributes a written report. The audit report includes management's response and corrective action with regard to the specific findings and recommendations. Management's response includes a timetable for anticipated completion of corrective actions. IA is also responsible for appropriate follow-up, and all findings remain in an "open issues file" until cleared. The Head of IA periodically reports to the Independent Directors and the CRO on the purpose, authority and responsibility of IA as well as progress and performance regarding the audit plan.

IA also oversees the testing of internal controls supporting the ratings process. The testing is done semi-annually and supporting the assessment of the effectiveness of internal controls under the US SEC Dodd Frank control act.

8. Global IT Structure and Systems

Fitch Group's IT function manages the technology infrastructure for Fitch Ratings globally. IT is headed by Fitch Group's Chief Technology Officer. In addition to typical IT tasks and responsibilities, IT also:

- Maintains and monitors infrastructure including desktops, networks and data centres required for ongoing operations;
- Plays a material role in developing business continuity plans, including those related to the issuance and publication of credit ratings;
- Manages and tests disaster recovery plans; and
- Together with Ratings Operations, develops custom applications required to support core ratings activities such as workflow systems, analysis and surveillance systems, and publishing and document management systems, and maintains those applications and systems.

9. Global Information Security Structure and Systems

Fitch Group's Information Security function manages the information security infrastructure for Fitch Ratings globally. The IS function is headed by Fitch Group's Chief Information Security Officer ("CISO"), who reports to Fitch Group's Chief Risk Officer.

IS:

- Creates, manages, and leads the implementation of Fitch Group's information security program;
- Identifies and addresses the risks associated with Fitch Ratings' technology processes used in the issuance of credit ratings, along with IT and senior members of the business, legal and Compliance teams;
- Plays a material role in developing business continuity plans, including those related to the issuance and publication of credit ratings;
- Implements and manages foundational security controls designed to prevent and detect information security threats, and designs and tracks objective metrics tied to those controls;
- Manages access control for all systems, ratings data and applications in compliance with confidentiality and conflict of interest policies.

2. Information on Allocation of Staff

The table below details the total number of analytical staff employed by Fitch Ratings globally who worked on new credit ratings and credit rating reviews (participated in related rating committee meetings) for rated entities based in the UAE.

Analytical Staff – New Credit Ratings and Credit Rating Reviews, 2021

Primary Analysts	36

The total number of analytical staff employed by Fitch Ratings globally responsible for methodology and model management appraisal as of 31 December 2021 is detailed in the table below. [1]

Methodology Review and Validation	8
Model Review and Validation	11
Methodology Development	169
Model Development	26

[1] The number of staff includes the personnel with dedicated functions for the validation, review and approval of methodology as well as to the review and validation of models, and model development. This number does not include personnel in the analytical team who also have other responsibilities (typically including ratings work and research) who provide support to methodology development, model testing, training and other model operation related matters on ad hoc basis.

The senior management of Fitch Ratings globally is represented by the following 7 individuals:

- Ian Linnell – President
- Karen Skinner – Chief Operating Officer;
- Richard Hunter – Chief Credit Officer;
- Kevin Duignan – Global Analytical Head;
- Mark Oline – Head of Business & Relationship Management;
- Bart Oosterveld – Chief Criteria Officer;
- Bruce Legorburu – Global Chief Compliance Officer.

3. Record Keeping Policy

Fitch has in place global file maintenance and record-keeping policies and practices that are designed, collectively, to ensure that it maintains adequate records in accordance with all applicable laws and regulations including, but not limited to, the regulations in the UAE. The main policies that are applicable to Fitch Ratings' rating-related records – the File Maintenance and Recordkeeping Policy for Analytical Groups and Core Operations, the File Maintenance for Analytical Groups, and the file maintenance and recordkeeping requirements in the BRM Process Manual.

Additional details regarding the exact content of the information that must be included in certain documents referenced in the File Maintenance for Analytical Groups – such as rating committee minutes – are contained in internal manuals that provide detailed procedural guidance on the rating process. Other non-analytical groups, such as the Accounts Group, maintain separate internal recordkeeping policies.

Collectively, these policies and procedures require that, among other things, Fitch maintains records for a period of at least five years[2] that cover:

(a) 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 Fitch credit product;
(b) electronic or written communications received or sent by Fitch and its employees concerning fee negotiations;
(c) records of the solicited and unsolicited status of each credit rating;
(d) records documenting the established procedures and methodologies used by Fitch to determine credit ratings;
(e) records of the procedures and measures implemented by Fitch to comply with any applicable regulation; and
(f) external and internal communications, including emails received and sent by Fitch and its employees that relates to initiating determining, maintaining, monitoring, changing or withdrawing a credit rating.

4. Outcome of the Annual Internal Review of the Compliance Function

Internal Audit conducted two audits of the Global Compliance Group in 2021. The audits reviewed the Annual Compliance Certification process and also the Compliance Testing & Monitoring team's testing process.

Both audits identified control issues that are being remediated through responsive management actions.

[2] The record keeping policy is undergoing a major revision which would reflect the UAE requirement for maintaining records for a period of at least 10 years.

5. Information on Revenue

Fitch Ratings Ltd's business activities are based on the provision of independent analysis and rating operations regarding a variety of risks in the financial markets. Fitch Ratings Ltd does not provide any ancillary services. Thus, all revenue received by Fitch Ratings Ltd, including by its branch in the UAE is derived from rating activities.

The table below provides, for the branch of Fitch Ratings Ltd in the UAE, the total revenue during 12-month fiscal period ended 31 December 2021.

Total Revenue – 12-month period ending 31 December 2021	
UAE Branch of Fitch Ratings Ltd (AED, 000)	41,787

6. Governance Statement

The Boards operate according to the Board Oversight Procedures to ensure that each respective board has oversight of all Fitch Ratings policies and procedures related to the (i) creation, maintenance and enforcement of policies and procedures for determining credit ratings, (ii) creation, maintenance and enforcement of policies and procedures for addressing, managing and disclosing conflicts of interest, (iii) effectiveness of the internal control system with respect to policies and procedures for determining credit ratings and (iv) compensation and promotion policies and practices of Fitch Ratings.

The Board Oversight Procedures cover all Fitch Ratings' globally applicable policies and procedures, and therefore the board-level reviews set forth within the relevant procedures are conducted on behalf of all of Fitch Ratings, i.e. all the Fitch companies engaged in its ratings business, including the branch of Fitch Ratings Ltd in the UAE.

The boards meet on a quarterly basis and, among other items, receive regular reporting from senior staff members. All reports are global in nature, therefore related individuals will report on topics and issues which might arise in the UK and they would also report on items arising in the UAE, if necessary.

The UAE Branch of Fitch Ratings Ltd had 18 full-time employees as of 31 December 2021, including:

- The Category Manager (Registered Person application in progress), Hans Joachim Leitner – Managing Director of Middle East and Sub-Saharan Africa, reporting to Anjali Sharma, Managing Director BRM Corporates and Structured Credit who is based in London, UK.
- The Compliance Officer (Registered Person), Ali Ismail, Compliance Director – Middle East, reporting to the Senior Compliance Director, who is based in Frankfurt, Germany.
- The Operations Manager, Mandy Parker, reporting to Head of Regional Operations, Rebecca Holter who is based in Frankfurt, Germany.
- BRM consists of 5 employees
- Analysts consist of 10 employees