

# **S&P Global (China) Ratings--Surveillance Methodology**

## **English Summary:**

### **SCOPE AND OVERVIEW**

This methodology outlines S&P Global (China) Ratings' analytical approach to surveilling ratings over time.

At the time of initial analysis of a given issuer or issue, we typically apply the relevant methodology applicable for the given issuer, issue, or security type. During our surveillance of outstanding ratings, we may apply alternate techniques to monitor the outstanding ratings, or to identify ratings that require more detailed analysis.

### **METHODOLOGY**

#### **Corporates, Financials (and similar entities)**

Most corporate and financial entities report updated financial and performance information on a periodic basis, including associated market specific filings as may be required. Typically, updated reporting may include financial and non-financial updates. We also may monitor key economic variables that may be relevant for a given sector or the economy more broadly as an indicator of the overall economic environment and its implications for a given credit.

Our analysts also maintain regular contact with issuers to get updates on performance.

Updated information is typically considered during the ongoing surveillance process as information becomes available. Typically, we focus on the observed trends of both financial and non-financial performance and monitor these with our own projections and expectations of performance.

Based on our initial review, we will determine if there are meaningful divergences from our expectations and whether a more detailed review and analysis is required.

At any time our review of updated information suggests there may be some pressure on the outstanding rating or a forward looking expectation that a rating may warrant a change, we would typically conduct a more detailed analysis of the entity to better determine its credit profile.

#### **Governments and governmental entities**

Similar to the outline provided above for corporates and financials, we monitor governments on a periodic basis. We tend to monitor broader economic factors and their influence on the government sector in terms of tax receipts and government expenditures and the trends associated thereto.

## Securitizations (and similar obligations)

Our surveillance analysis typically considers the impact of changes in certain variables and performance over time relative to our expectations, and reflects our forward-looking view of the impact of changes in these variables and performance relative to the credit quality of the securities at a given rating level.

### Securitization Specific Considerations

During surveillance, we typically focus on variables that we consider are most likely to materially change credit quality, credit enhancement, and other relevant factors that drive the determination of ratings when analyzed in conjunction with observed and expected performance. Our credit and/or cashflow analysis will generally focus on material changes in these variables to assess the impact on ratings, if any.

We generally look for longer-term sustainable trends and expectations for performance and typically make rating changes where it is clearly warranted, so as to not create rating volatility.

### Credit quality of the securitized assets

As outlined above, our surveillance analysis generally focuses on variables that, in our view, account for the material credit shifts that drive ratings. Some examples of these credit variables may include delinquencies/arrears, observed portfolio losses, material shifts in collateral pool composition, asset seasoning, or changes in pool factor, amongst others.

Where we observe changes that may indicate a possible change in credit quality, we may conduct a more detailed review of a transaction, which could include a re-analysis of the transaction, based on certain updated data and the use of credit and/or cash flow models where deemed appropriate. We may also use other techniques where we deem them appropriate as an alternative approach.

## Project Finance

Our surveillance of project financings is tailored toward the life cycle phase of the underlying project financing.

Where the project financing is exposed to construction and development risks, or is within the construction phase, we typically monitor the progress of construction compared with initial projections and our expectations, including timing and budget considerations.

Where a project financing is in its operations phase, we typically monitor performance against our expectations of operating performance and benchmarks, including any transaction triggers.

## OTHER CONSIDERATIONS

This methodology is not intended to be an exhaustive list of all factors we may consider in our analysis. Where appropriate, we may apply additional and/or different, quantitative and/or qualitative, considerations in our analysis to reflect the circumstances of the analysis for a particular issuer, issue or security type. A rating committee may adjust the application of the methodology to reflect individual circumstances in our analysis.