

# Counterparty Risk Methodology

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This paper sets out the framework MENA United Trading F.Z.C uses to assess counterparty credit risk in physical commodities. It describes inputs, weights, score construction, governance and the limits of internal scoring. Internal scores are proprietary assessments and do not constitute external credit ratings.

## 01 · PURPOSE & SCOPE

### Purpose & scope

This methodology applies to all commercial counterparties — buyers, sellers, intermediaries and trade-finance partners — across MENA United's trading activities in crude, refined products, helium and industrial gases.

It governs onboarding, ongoing monitoring, limit-setting and exception handling. It does not govern market-risk or operational-risk processes, which are addressed under separate policies.

## 02 · COMPOSITE SCORE

### Composite score

Each counterparty receives a composite score from 0 to 100 calculated as the weighted sum of five normalised sub-scores:

$$\text{Score} = 0.30 \cdot \text{FS} + 0.20 \cdot \text{PB} + 0.20 \cdot \text{CR} + 0.15 \cdot \text{EC} + 0.15 \cdot \text{ES}$$

Where FS = Financial Strength, PB = Payment Behaviour, CR = Country Risk, EC = Exposure & Concentration, ES = ESG / Sector Risk. Each input is normalised to a 0–100 scale before weighting.

## 03 · SUB-SCORES

### Sub-scores

**FINANCIAL STRENGTH (30%).** Leverage, liquidity, interest cover and earnings quality drawn from audited statements and management accounts. Two prior years required at minimum.

**PAYMENT BEHAVIOUR (20%).** Days-past-due distribution, dispute frequency and trade-reference history covering the prior 24 months.

**COUNTRY RISK (20%).** Sovereign rating, transfer-and-convertibility risk and political-risk overlay sourced from public macroeconomic indicators.

**EXPOSURE & CONCENTRATION (15%).** Single-name and sector concentration measured against approved limits, weighted by tenor and collateralisation.

**ESG / SECTOR RISK (15%).** Sanctions, AML, sector-cycle position and ESG signals — applied as a qualitative overlay rather than a hard cut.

## 04 · BANDS & TREATMENT

### Bands & treatment

Composite scores map to internal bands as follows: A 80–100 (low PD, open terms within mandate); B 65–79 (low–medium PD, open terms with monitoring, six-monthly review); C 50–64 (medium PD, secured terms preferred — LC, SBLC or pre-payment, quarterly review); D below 50 (high PD,

cash-against-documents or pre-payment only, committee approval required).

## 05 · DATA SOURCES

### Data sources

Audited financial statements; management accounts and auditor opinions; bank, producer and logistics references; public sovereign ratings and macroeconomic indicators; sanctions and PEP lists (OFAC, EU, UK HMT, UN, national consolidated lists); open corporate registries; internal exposure ledger.

MENA United does not redistribute proprietary rating-agency data and does not scrape sources whose terms forbid it.

## 06 · GOVERNANCE

### Governance

Methodology is owned by the Risk Committee. Material changes — including weight revisions, new sub-scores or band threshold changes — require Committee approval and a new model version (v1, v1.1, v2.0, ...).

Each model version is backtested annually. Override rates and drift indicators are reviewed at least once per year.

All inputs, computed scores, overrides and approvals are written to an immutable audit log retained for the regulatory minimum.

## 07 · REVIEW CADENCE

### Review cadence

Counterparties are re-scored on a fixed cadence by band: A annually, B semi-annually, C quarterly, D monthly. Re-scoring is also triggered by any material event including sanctions updates, external-rating actions, missed payments, restructuring or change of control.

## 08 · LIMITATIONS & DISCLOSURES

### Limitations & disclosures

Internal scores are proprietary assessments produced for MENA United's own credit decisioning. They do not constitute credit ratings issued by a registered credit rating agency, including S&P Global Ratings, Moody's Investors Service or Fitch Ratings, and must not be relied upon as such.

This methodology is published in summary form. Proprietary thresholds, calibration tables and override rules are not disclosed publicly.

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