

# **POLICY ON CONFLICTS OF INTEREST**

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## 1 INTRODUCTION

This document (the "Policy") sets out NCR's policy on the handling of potential or actual conflicts of interest.

For defined terms used in this Policy, please see NCR Defined Terms Glossary available on NCR's website and intranet.

This policy is approved by the Board of Directors.

## 2 APPLICABILITY

Unless specifically indicated otherwise, this Policy applies to all Employees and any third-party Service Providers (each, a "Relevant Person") and the general operations of NCR.

The contents of the Policy and any future updates or changes are published and made available on NCR's intranet.

As to compliance with this Policy and reporting of material breaches to ESMA, please confer the procedures regarding the Compliance Function set out in the *policy on Organisation of material functions*.

## 3 GENERAL POLICY ON CONFLICTS OF INTEREST

### 3.1 Introduction

The purpose of this section is to identify existing, potential or perceived conflicts of interest and provide guidance on the measures and procedures that shall be undertaken in order to eliminate or manage identified, potential or perceived conflicts of interest. Any conflict of interest which cannot be eliminated shall be disclosed. Such disclosures shall specify the measure undertaken to manage the potential conflict of interest. The purpose of this document is to identify, eliminate or manage and disclose, clearly and prominently, any actual or potential conflicts of interest that may influence the analyses and judgments of its Analysts, Employees or any other natural person whose services are placed at the disposal or under the control of NCR and who are directly involved in Credit Rating Activities and persons approving Credit Ratings and rating outlooks. In addition, NCR acknowledges that both existing and potential conflicts of interest should be identified and mitigated. As further described below, NCR shall disclose any potential conflicts of interest that may not be eliminated, and the Compliance Function and the CEO shall conduct ongoing and periodic review of whether any potential conflicts of interest should be addressed.

### 3.2 General Principles

The following general principles shall govern NCR's Rating Activities and Ancillary Services:

- (i) NCR's determination of a Credit Rating is influenced only by factors relevant to assessing the creditworthiness of the Rated Entity.

- (ii) The Credit Rating NCR assigns to an entity is not affected by whether there is an existing or potential conflict of interest or business relationship between NCR and the Rated Entity or a Related Third Party.
- (iii) NCR shall not delay or refrain from taking a Credit Rating Action based on the potential effect of the action on NCR, a Rated Entity or Related Third Party.

### 3.3 Record keeping, communication of procedures and training

#### 3.3.1 Record keeping

The Compliance Function shall on an ongoing basis ensure that the conflicts of interest covered in this policy at all time are relevant for NCR.

#### 3.3.2 Communication

The Compliance Function shall on an ongoing basis advise the Senior Management and the organisation in general on how to identify, eliminate, or manage and disclose, potential and actual conflicts of interest and to raise the awareness of Employees in this respect, and monitor the compliance of such measures as laid down in the Procedures regarding the Compliance Function. Further, the Compliance Function shall ensure that Employees have been made aware of any updates to the inventory of conflicts of interest.

#### 3.3.3 Training

To make sure all Employees of NCR are aware of the policies and procedures of NCR, including this Policy, NCR requires all Employees to follow the program described in the section on Training and development of staff in *policy on Staffing and compensation*.

### 3.4 Prohibited conflicts of interest

NCR shall not issue a Credit Rating or a Rating Outlook in any of the following circumstances, and shall, in the case of an existing Credit Rating or Rating Outlook immediately (i) disclose where the Credit Rating or Rating Outlook is potentially affected and (ii) assess whether there are grounds for re-rating or withdrawing the existing Credit Rating or Rating Outlook:

- (i) if NCR, Analysts, any other natural person whose services are placed at the disposal or under the control of NCR and who are directly involved in the Credit Rating Activities and persons approving Credit Ratings and Rating Actions directly or indirectly owns Financial Instruments issued by the Rated Entity or the Related Third Party or has any other direct or indirect ownership interest in that entity or party, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life. These circumstances have been addressed by specific organisational measures in this Policy and should therefore not arise in NCR;
- (ii) if a shareholder or a Close Associate of NCR holding 10 % or more of either the capital or voting rights of NCR or being otherwise in a position to exercise significant influence on the business activities of NCR, holds 10 % or more of either the capital or the voting rights of the Rated Entity or of a Related Third Party, or of any other ownership interest in that Rated Entity or Related Third Party, excluding holdings in diversified collective investment schemes and managed funds such as

- pension funds or life insurance, which do not put him in a position to exercise significant influence on the business activities of the scheme. According to the Articles of Association, no single shareholder shall own more than 5 % of the voting rights of NCR. The Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion;
- (iii) if the Credit Rating is issued with respect to the Rated Entity or a Related Third Party directly or indirectly linked to NCR by control. According to the Articles of Association, no single shareholder shall own more than 5 % of the voting rights of NCR. The Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion;
  - (iv) if the Rated Entity, a Related Third Party or a Close Associate of a Rated Entity or Related Third Party, holds 10 % or more of the voting rights of NCR. According to the Articles of Association, no single shareholder shall own more than 5 % of the voting rights of NCR. The Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion;
  - (v) if an Analyst, any other natural person whose services are placed at the disposal or under the control of NCR and who are directly involved in the Credit Rating Activities and persons approving Credit Ratings and Rating Actions is a member of the Board of Directors of a Rated Entity or a Related Third Party;
  - (vi) if a shareholder or Close Associate of NCR holding 10 % or more of either the capital or voting rights of NCR or being otherwise in a position to exercise significant influence on the business activities of NCR, is a member of the administrative or supervisory board of the Rated Entity or a Related Third Party. According to the Articles of Association, no single shareholder shall own more than 5 % of the voting rights of NCR. The Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion;
  - (vii) Analysts have any relationship with the Rated Entity or Related Third Parties which may cause a conflict of interest;
  - (viii) if NCR or any other person holding, directly or indirectly, at least 5 % of either the capital or voting rights of NCR or otherwise being in a position to exercise significant influence on the business activities of NCR has provided consultancy services or advisory services to the Rated Entity or Related Third Party regarding the corporate or legal structure, assets, liabilities or activities of that Rated Entity or Related Third Party. NCR shall not provide such services and NCR does not have shareholders holding 5 % or more of the shares in NCR. According to the Articles of Association, the Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion;
  - (ix) if an Analyst who participated in determining a Credit Rating, or a person who approved a Credit Rating, has had a relationship with the Rated Entity or a Related Third Party which may cause a conflict of interest;
  - (x) if an Employee directly involved in the Credit Rating Activities has participated in or initiated a discussion on fees or payments with a Rated Entity or a Related Third Party; or
  - (xi) if an Employee receives any money, gifts or services from a Rated Entity or a Related Third Party.

### 3.5 Management of permitted conflicts of interest (existing and potential)

#### 3.5.1 Issuer Pays Model

##### 3.5.1.1 Existing Conflict of Interest

NCR applies the "issuer pays" model, whereby it is paid by the Rated Entity or Related Third Parties rather than by clients that are provided access to the rating. Some may argue that NCR, as a legal entity, therefore is incentivised to provide ratings that are favourable to the Rated Entity in order to strengthen the business relationship and attract business opportunities

##### 3.5.1.2 Measures to eliminate or manage the conflict of interest

NCR has implemented the following measures in order to mitigate the conflicts of interest that are associated with the "issuer pays" model:

- (i) NCR's Credit Rating Committee has the final and ultimate authority on rating decisions. The Credit Rating Committee's members shall act independently of NCR's business concerns.
- (ii) NCR's rating processes are subject to review by the Compliance Function, which operates independently of the Rating Activities.
- (iii) Analysts shall not be involved in discussions concerning fees or in any other commercial aspects of NCR's business such as marketing a new or existing product or service. Analytical Employees are not compensated based on commercial aspects (such as revenue, fees, or market share) but rather on relevant factors such as analytical expertise, teamwork, and the quality and efficiency of the Employee's work as further set out in *policy on Staffing and compensation*.
- (iv) NCR discloses the identity of any Rated Entity that represents 5% or more of its annual revenue. NCR may only issue a rating or take a Credit Rating Action where the Rated Entity represents 10% or more of its annual revenue in the previous accounting year, if the Independent Board Members have decided that doing this is compatible with NCR's independence.
- (v) NCR physically separate its Credit Rating business and its analysts from any other business of NCR that may present a conflict of interest.
- (vi) Analysts shall not have access to information relating to fees or NCR's commercial dealings, c.f. below.
- (vii) NCR annually discloses fees charged for individual Credit Ratings and any Ancillary Services to ESMA.

The above-mentioned measures will not fully eliminate existing, potential or perceived conflicts of interest related to its business model. NCR prominently discloses the potential conflicts of interest associated with the "issuer pays" model on its website.

#### 3.5.2 Rated Entities may also be shareholders of NCR

##### 3.5.2.1 Potential Conflict of Interest

NCR may rate entities or groups of entities within the same segment that have a direct or indirect ownership interest in NCR. Such Rated Entities may seek to exert formal or informal influence through their ownership position in order to obtain a favourable rating or exert other undue influence on the rating process.

### 3.5.2.2 *Measures to eliminate or manage the potential conflict of interest*

NCR does not have any shareholders that hold a direct or indirect ownership position of more than 5%. According to the Articles of Association, the Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion. This risk of actual or perceived conflicts of interest will be a relevant issue to consider in that respect. In any event, NCR shall disclose in relation to any rating or Credit Rating Action whether a Rated Entity holds a direct or indirect ownership position in NCR.

The Board of Directors – including the Independent Board Members - shall ensure that no groups of shareholders exert undue influence over the management of NCR.

Furthermore, no single individual rating analyst shall perform or prepare a Rating Action. This is undertaken by the Credit Rating Committee in compliance with the procedure set out in *policy on Issuance and review of credit ratings*, and this will reduce the potential conflict of interest on this point.

### 3.5.3 Shareholders may have credit relationship with Rated Entities

#### 3.5.3.1 *Potential Conflict of Interest*

NCR may rate entities that have established credit relationship with NCR's shareholders (i.e. to Nordic banks or credit institutions). The shareholders may therefore be incentivised to influence NCR so that such entities receive favourable ratings.

#### 3.5.3.2 *Measures to eliminate or manage the potential conflict of interest*

NCR does not have any shareholders that hold a direct or indirect ownership position of more than 5%. According to the Articles of Association, the Board of Directors may veto subsequent acquisitions of shares above this threshold at its discretion.

The Board of Directors – including the Independent Board Members - shall ensure that no groups of shareholders may exert undue influence over the management of NCR.

Furthermore, no single individual rating analyst can perform or prepare a Rating Action. This is undertaken by the Credit Rating Committee in compliance with the procedure set out in *policy on Issuance and review of credit ratings*, and this reduces the potential conflict of interest on this point.

### 3.5.4 Outsourcing arrangements

#### 3.5.4.1 *Existing Conflict of Interest*

NCR outsources certain activities to external parties, that are not directly subject to NCR's internal safeguards that ensure independence towards the Rated Entities.

#### 3.5.4.2 *Measures to eliminate or manage the existing conflict of interest*

Pursuant to *policy on Organisation of material functions*, any outsourcing agreement that NCR enters into shall include provisions that ensure that the Service Provider is and remains sufficiently independent of NCR's clients and its shareholders. The Board of Directors – including the Independent Board Members - shall conduct annual reviews to

ensure that NCR's Service Providers does not have relationships to NCR's clients or shareholders that may impair their judgement.

#### 3.5.5 No gradual rotation mechanism

##### *3.5.5.1 Potential Conflict of Interest*

NCR has not implemented a gradual rotation mechanism with regard to Analysts, and consequently such personnel may become biased towards Rated Entities which they analyse for a longer period.

##### *3.5.5.2 Measures to eliminate or manage the conflict of interest*

No single individual rating analyst can decide a Rating Action. This is undertaken by the Credit Rating Committee in compliance with the procedure set out in *policy on Issuance and review of credit ratings*, and this will reduce the potential conflict of interest on this point.

#### 3.5.6 Employee bias

##### *3.5.6.1 Existing Conflict of Interest*

Analysts are likely to feel loyal to NCR and its business interest, and therefore can be biased towards providing favourable ratings in order to promote NCR's business interests.

##### *3.5.6.2 Measures to eliminate or manage the existing conflict of interest*

Analysts shall not be compensated or evaluated on the basis of the revenue received from entities the Rating Activities. Furthermore, no single individual rating analyst will decide a Rating Action. This will be undertaken by the Credit Rating Committee in compliance with the procedure set out in *policy on Issuance and review of credit ratings*, and this will reduce the existing conflict of interest on this point.

#### 3.5.7 Methodologies

##### *3.5.7.1 Potential conflict of interest*

Rigorous, systematic and continuous methodologies are of high importance for the operations of NCR. The business lines responsible for Credit Rating Activities may be influenced by the Rated Entities and Related Third Parties and have incentives to adopt, promote and use methodologies not necessarily rigorous, systematic and continuous.

##### *3.5.7.2 Measures to eliminate or manage the conflict of interest*

NCR has decided that the Criteria Committee is responsible for the methodologies. The Criteria Committee and the process of rating methodology development and approval is subject to strict procedures set out in *policy on Methodologies* and the Review Function's independence is especially addressed in *policy on Organisation of Material Functions*.

#### 3.5.8 Compliance and risk management function performed by same person

##### *3.5.8.1 Potential conflict of interest*

The Risk Management Function and Compliance Function are performed by the same person. There is a potential for a conflict of interest between the Risk Management Function and the Compliance Function.



### *3.5.8.2 Measures to eliminate or manage the conflict of interest*

Risk reports and risk indicators are selected and monitored in collaboration with the board to ensure objective measurements that should reduce subjectivity by Risk Management Function. The Board of Directors and INEDs are aware of the potential conflict of interest and monitors this in their assessment of effectiveness of internal controls.

### 3.5.9 Information security function performed by Operations and Technology officer

#### *3.5.9.1 Potential conflict of interest*

The Information Security Function is responsible for monitoring NCR's compliance with information security policies and procedures. The non-independence of the Function could potentially contribute to lack of detection of compliance breaches and contribute to insufficient reporting.

#### *3.5.9.2 Measures to eliminate or manage the conflict of interest*

Reporting and monitoring of Information Security function is done to the board and Compliance Officer in second line. It is implemented objective risk indicators that seek to introduce objective measures for monitoring of information security. The Board of Directors and INEDs are aware of the potential conflict of interest and monitors this in their assessment of effectiveness for the Information Security Function.

## 3.6 Potential conflict of interest with Related Third Parties

Potential conflicts of interest with Related Third Parties are addressed under section 4.4 item (ii) to (viii). Such potential conflicts of interest are prohibited, and no further measures to eliminate or manage such conflicts have been adopted.

## 3.7 Disclosure of existing and potential conflicts of interest

NCR discloses any existing and potential conflict of interest on its intranet and website. NCR shall disclose whether a Rating Action has been prepared on the basis of Outsourced activities.

# 4 CONFLICT OF INTEREST WITH RESPECT TO ANCILLARY SERVICES

## 4.1 Introduction

The purpose of this section is to identify existing and potential or perceived conflicts of interest with respect to Ancillary Services and provide guidance on the measures and procedures that shall be undertaken in order to eliminate or manage such existing, potential or perceived conflicts of interest. Any conflict of interest which cannot be eliminated shall be disclosed. Such disclosures shall specify the measure undertaken to manage the potential conflict of interest.

NCR acknowledges that offering Ancillary Services and Credit Ratings to the same entity may amount to certain conflicts of interest and NCR has consequently decided not to offer any Ancillary Services to Rated Entities.

#### 4.2 Scope

According to the CRAR, Ancillary Services comprise market forecasts, estimates of economic trends, pricing analysis and other general data analysis as well as related distribution services. NCR has defined Ancillary Services as any product or service provided by NCR on a commercial basis that is not a Credit Rating or a Credit Rating Activity. NCR is required to ensure that the provision of Ancillary Services does not present conflicts of interest with its Credit Rating Activities, and to disclose in the final ratings reports any Ancillary Services provided for the Rated Entity or any Related Third Party.

Ancillary Services are related to Credit Rating Activities but may be provided independently of the Credit Rating Activities. Such Ancillary Services may be performed subject to the provisions on conflict of interest in the CRAR and this Policy.

#### 4.3 Restrictions on Ancillary Services

##### 4.3.1 NCR is prohibited from advising on matters relevant to ratings

NCR shall not in the course of its provision of Ancillary Services provide implicit or explicit advice on how to obtain a favourable rating. Consequently, NCR shall never provide its customers with advice that may influence a Credit Rating Action, and shall take particular care not to comment or opine on corporate, commercial or financial matters in a manner that explicitly or implicitly recommend actions or strategies to improve a potential rating.

##### 4.3.2 NCR may only issue ratings that have been subject to the mandatory rating process

CRAR defines Credit Rating as an opinion regarding the creditworthiness of an entity issued using an established and defined ranking system of rating categories. The CRO must ensure that NCR does not unintentionally provide opinions in the course of providing Ancillary Services that meet the definition of a Credit Rating, as such unintentional Credit Ratings are unlikely to conform with the mandatory requirements prescribed by the CRAR.

4.4 Services provided by NCR

Type of Service	Service Name	Description
Credit Rating Activity	Long-term rating	The assessment of an Issuer's overall capacity to meet debt obligations.
Credit Rating Activity	Short-term rating	The assessment of an Issuer's ability to meet short-term debt obligations.
Ancillary Service	Credit Assessment	<p>A credit assessment is an indicator of NCR's view of credit quality. It reflects NCR's general view of credit risk but does not take all factors into account which are analysed for a Credit Rating. A Credit Assessment is a point-in-time analysis and is not monitored. Further, it does not include any interaction with management. For these reasons, a Credit Assessment is not a substitute for a Credit Rating. It is confidential and expressed on NCR's rating scale using lower-case letters (e.g. 'bbb+'). A credit assessment can be requested by an unrated issuer or a third party and can be updated at request (e.g. annually).</p> <p>This is not considered a Credit Rating Activity subject to CRAR, as it is not intended for public disclosure, cf. CRAR article 2 (1).</p>
Ancillary Service	Private Credit Analysis	<p>A Private Credit Analysis is a Credit Assessment accompanied by a written report on the rationale for the Credit Assessment. The Private Credit Assessment is a point-in-time analysis but can be updated at request. It is generally confidential but can be shared with limited third parties.</p> <p>This is not considered a Credit Rating Activity subject to CRAR, as it is not intended for public disclosure, cf. CRAR article 2 (1).</p>
Ancillary Service	Credit Training	<p>Analysts may from time to time lead educational seminars for market participants to teach credit analysis based on NCR methodology and case studies on real credit events.</p> <p>This is not considered a Credit Rating Activity, as it does not involve an assessment of creditworthiness of an Issuer or a Financial Instrument, cf. CRAR article 3 (1) litra a).</p>
Ancillary Service	Access to website	NCR rating reports will be accessible for free on its website but market participants will have the opportunity to access additional research reports for a fee. These reports may in the future be

		published behind a pay-wall on the company's website.
		This is not considered a Credit Rating Activity as defined in CRAR, as it relates to distribution of ratings, cf. Point 4 of Section B of Annex I of CRAR.
Ancillary Service	License agreement	Financial market participants can sign a license agreement to receive Credit Ratings produced by NCR through a proprietary FTP solution.
		This is not considered a Credit Rating Activity as defined in CRAR, as it relates to distribution of ratings, cf. Point 4 of Section B of Annex I of CRAR.

The Compliance Function has the responsibility to update the list above, and to assess any potential conflict of interest that may arise.

#### 4.5 Communication of procedures on conflicts of interest related to Ancillary Services

The Compliance Function shall on an ongoing basis advise the organisation on how to identify, eliminate, or manage and disclose, potential and actual conflicts of interest and to raise the awareness of Employees in this respect, and monitor the compliance of such measures as laid down in the procedures of the Compliance Function in *policy on Organisation of material functions*. Further, the Compliance Function shall ensure that Employees have been made aware of any updates to the inventory of conflicts of interest.

#### 4.6 General measures against existing, potential or perceived conflicts of interest

##### 4.6.1 Divergence of rating resources

###### 4.6.1.1 Potential Conflict of Interest

Provision of Ancillary Services may redirect NCR's resources from the Rating Activities to an extent that reduces the quality of NCR' ratings

###### 4.6.1.2 Measures to eliminate or manage the conflict of interest

NCR has established several functions and measures, including the Review Function, the Compliance Function and the Independent Board Members, that are specifically tasked with safeguarding the quality of NCR's Credit Ratings.

##### 4.6.2 Business concerns may affect Credit Ratings

###### 4.6.2.1 Potential Conflict of Interest

Income related to Ancillary Services can become a significant source of income for NCR. If such income is derived from Rated Entities, there is a risk that NCR takes account of the income generated by Ancillary Services when rating such entities.

###### 4.6.2.2 Measures to eliminate or manage the conflict of interest

NCR acknowledges that offering Ancillary Services and Credit Ratings may amount to certain conflicts of interest and NCR has consequently decided not to offer any Ancillary Services to Rated Entities.

Employees involved in Credit Rating Activities or Ancillary Services shall not participate in Commercial Activities, including discussions on fees, and such Employees shall be functionally separated from any dealings with Commercial Activities, as per Section 6 of this Policy. In addition, NCR has established several functions and measures, including the Review Function, the Compliance Function and the Independent Board Members, that are specifically tasked with the safeguarding the quality of NCR's Credit Ratings.

#### 4.6.3 Users may seek to influence analysts

##### *4.6.3.1 Potential Conflict of Interest*

Customers that are provided access to analysts may have an interest in the outcome of NCR's Credit Ratings, and therefore seek to influence the analyst through its discussions and interactions with the analysts.

##### *4.6.3.2 Measures to eliminate or manage the conflict of interest*

NCR's Credit Rating Committee has the final and ultimate authority on rating decisions. The Rating Committee's members shall act independent of NCR's business concerns. Further, NCR's Credit Rating processes are subject to ongoing review by the Compliance Function, which operates independently of the Credit Rating Activities.

#### 4.7 Compliance

The CEO is responsible for the implementation of this Policy in NCR's operations.

The Compliance Function shall perform regular controls to monitor compliance with the requirements and procedures set out in this Policy.

Employees are required to report any violation of the requirements and procedures set out in this Policy to the Compliance Function.

The Compliance Function shall prepare a written report of any breaches of the procedures and requirements of this Policy. Such reports shall include proposed measures to prevent future breaches and shall be included in the Compliance Functions quarterly report to the Board of Directors.

#### 4.8 Disclosure of potential conflicts of interest that may not be eliminated

NCR shall disclose any potential source of conflict that cannot be eliminated in a complete, timely, precise and prominent manner.

NCR shall disclose whether a Rating Action has been prepared on the basis of outsourced activities.

#### 4.9 Review of inventory of existing and potential conflicts of interest

The Compliance Function and the CEO shall on an ongoing basis assess whether there are any existing and/or potential conflicts of interest not included in the inventory in this Policy, including, for the avoidance of doubt, frequent assessments of whether there are any existing or potential conflicts of interest between the Credit Rating Activities and the

Ancillary Services which have not been mitigated and/or disclosed in accordance with this Policy.

Such an assessment shall be conducted at least annually by the Compliance Officer and the Compliance Officer shall, in his or her sole discretion, decide whether or not the inventory of existing and potential conflicts of interest should be updated. If required, the Compliance Officer shall consult and request input from the CEO and/or any other Employee of NCR when describing the conflicts of interest and the measures to eliminate or manage that conflict of interest. Any such amendments to the inventory shall be made public through the intranet and website of NCR.

## **5 PERSONAL CONFLICTS OF INTEREST**

### **5.1 Employee bias**

#### 5.1.1 Potential conflict of interest

Employees involved in the Credit Rating Process are likely to feel loyal to NCR and its business interests, and therefore be biased towards providing favourable ratings in order to promote NCR's business interests.

#### 5.1.2 Measures to eliminate or manage the conflict of interest

Employees directly involved in the Credit Rating Process shall not be compensated or evaluated on the basis of the revenue received from the Credit Rating Activities.

### **5.2 Personal interest in rating outcomes**

#### 5.2.1 Potential conflict of interest

Employees involved in the Credit Rating Process or Ancillary Services may have a personal interest in the Credit Rating outcome of a Rated Entity.

#### 5.2.2 Measures to eliminate or manage the conflict of interest

An Employee shall not be involved in the Credit Rating Process or Ancillary Services related to a Rated Entity if:

- (i) The Employee, or a Close Associate of the Employee, is on the Board of Directors of the Rated Entity;
- (ii) A Close Associate of the Employee, holds or transacts securities of that rated Entity;
- (iii) The Employee or a Close Associate has formerly been employed by the Rated Entity;
- (iv) The Employee, or a Close Associate of the Employee, has received any gift or benefit that is deemed as an unacceptable inducement pursuant to policy on Conflicts of interest on gifts and benefits;
- (v) NCR's Employees shall notify the Compliance Function of any other personal relationship to a Rated Entity or its agents that may give rise to a potential or perceived conflict of interest;
- (vi) NCR's Code of Conduct prohibit Employees from holding or transaction in any securities; or

- (vii) NCR's Code of Conduct sets out restrictions on gifts or benefits that NCR's Employees may receive from existing or potential business clients or other business relationships.

## 6 SEPARATION OF ACTIVITIES

### 6.1 Introduction

NCR is committed to identifying, eliminating, managing and/or disclosing existing and potential conflicts of interest. This section sets out NCR's policy on the separation of Credit Rating Activities from commercial activities, including discussions related to fees received from Rated Entities and Related Third Parties, in order to ensure the quality, objectivity and integrity of its Credit Ratings. The purpose of this section is to ensure that persons involved in the Credit Rating Process do not initiate or participate in negotiations regarding fees or payments with any Rated Entity or Related Third Party or any person directly or indirectly linked to the Rated Entity by control.

### 6.2 Procedures

#### 6.2.1 General Principles

Analysts are not permitted to initiate or participate in any negotiations or communications regarding Commercial Activities with any Rated Entity, Related Third Party or any persons directly or indirectly linked to the Rated Entity by control, including, for the avoidance of doubt, any negotiations regarding fees or payments.

Analysts may, however, participate in marketing efforts directed at the public, groups of customers, or individual customers as so far as they do not engage in activities that is prohibited according to the previous paragraph.

Relevant Person who have initiated or participated in negotiations regarding Commercial Activities are prohibited from being directly or indirectly involved in Credit Rating Activities related to the Rated Entity in question.

#### 6.2.2 Separation of Activities

Commercial Activities will be handled by Commercial Employees.

Analysts shall be segregated from the Commercial Employees in the following manners:

- (i) Physical segregation in NCR's offices.

Analysts and Commercial Employees shall be physically segregated in NCR's offices by way of having separate office spaces, separated by closed doors or other forms of efficient means of separation.

- (ii) Information- and IT-segregation.

Information and data relating to Commercial Activities shall be kept in virtually separated electronic compartments that are not accessible to Analysts. This includes both physically

and digitally stored information. Commercial Employees shall not have any access to information relating to Credit Rating Activities, see also section below on the handling of Confidential Information.

The Compliance Function shall be able to monitor all activity on servers to ensure that the Policy is complied with.

(iii) Information flow segregation

Any direct communication in any form with issuers, intermediaries or others relating to Commercial Activities shall be handled by Commercial Employees.

Analysts may not participate or be involved in any Commercial Activity. To this end, information relating to a Commercial Activity may not be shared or discussed with Analysts.

Commercial Employees may not participate, be involved in or observe any activity relating to the development of rating methodologies or the determination of Credit Ratings or Rating Outlooks. To this end, Analysts are not permitted to share or discuss any information relating to Rating Activities with Commercial Employees or other Analysts without a specific need for the information.

(iv) E-mail surveillance

All e-mail interaction between Analytical and Commercial Employees concerning a Rating Client or a potential Rating Client shall have the Compliance Function on copy (Compliance@nordiccreditrating.com). This does not include research reports and other market information produced by third parties.

All e-mail correspondence by NCR employees is stored and can be accessed upon request if needed as long as it is in line with local law and regulations.

(v) Reporting by Analytical Employees

All Analytical Employees report to the Chief Rating Officer. The Chief Rating Officer is the only Analytical Employee who reports to the CEO. The communication between the CEO and the Chief Rating Officer is limited to organisational and administrative matters only. For communication relating to Rated Entities the Compliance Function should chaperone or be copied in on any e-mails.

### 6.3 Practical guide on separation

All Employees (including Analysts and Administrative Employees) must comply with all practical measures taken to ensure effective separation between Commercial Activities and Rating Activities, including but not limited to the following:

- (i) Employees shall respect any IT or other access restrictions (e.g. physical workspaces) when these are introduced. These are in place to ensure the independence of the Rating Activities.
- (ii) Employees shall not exchange any information relating to Commercial Activities, unless such information is shared between Administrative Employees. As a practical matter, all Administrative Employees shall mark documents that may contain information relating to Commercial Activities as such ("May contain



information on Commercial Activities"). This will alert the recipient to the sensitive nature of the information and warn them that s/he should not disclose the information to Analysts.

- (iii) All Employees must ensure that they file documents in the correct (and if appropriate, in a confidential) folder on the IT system.
- (iv) All Employees must check any e-mail distribution lists carefully to make sure they do not include colleagues that is prohibited from receiving the information in the e-mail (i.e. Administrative Employees must always check that they do not send e-mails to Analysts unintentionally).
- (v) All e-mails concerning Rated Entities potential rating clients sent from Administrative Employees to Analysts, and from Analysts to Administrative Employees, shall be sent in copy to the Compliance function.
- (vi) All restrictions above on sharing of information relating to Commercial Activities also apply to other communication tools including mobile texting, instant messaging, social media or any other means.

#### 6.4 Violation of the Policy

Violations of this policy shall be reported immediately to the Compliance Function.

Any Analyst who, intentionally or inadvertently, has participated in the negotiation of fees or any other Commercial Matter is prohibited from participating in the determination of the Credit Rating that the discussions was in relation to. This includes observation, attendance or participation in meetings, rating committees. In addition, such Employees shall be prohibited from participating in Rating Activities related to said entity for six months.

Upon a violation, the Compliance Function shall assess the situation and decide a proper course of action. Any action which violates or might reasonably be expected to violate this section 7 is prohibited and can result in disciplinary action.

## 7 DETERMINATION OF FEES CHARGED TO RATED ENTITIES AND RELATED THIRD PARTIES

### 7.1 Introduction

NCR is committed to identifying, eliminating, managing and/or disclosing existing and potential conflicts of interest. This section sets out NCR's policy on the determination of fees charged by NCR to Rated Entities and Related Third Parties. The purpose of this section is to ensure that any credit rating provided by NCR is objective and independent. To this end, all fees shall be non-discriminatory and based on actual costs. The full description of NCR's pricing model including fees is defined in the *policy on Pricing*.

### 7.2 Determination of fees

NCR shall determine its fees in the following manner:

NCR's fee structure will be non-discriminatory and cost based. Fees shall be determined through a "cost-plus" structure whereby NCR estimates the costs associated with producing a Credit Rating and adding a profit margin. For more information please refer to NCR's *policy on Pricing*.

## **8 HANDLING OF CONFIDENTIAL INFORMATION**

### **8.1 Introduction**

This section sets out NCR's policy on the handling of confidential information, including information obtained from, or shared with, all Rated Entities, Related Third Parties and other relevant individuals. The purpose of this section is to ensure the integrity of all information handled by NCR and its personnel, emphasize NCR's dedication to conducting its business in an ethical manner and ensure compliance with applicable rules and regulations.

### **8.2 Measures to protect Confidential Information**

All Employees shall take all necessary measures to protect property and records of NCR from fraud, theft or misuse. Such measures include, but are not limited to, the following:

- (i) keep all physical records and documents containing Confidential Information locked down when not in use by the relevant persons;
- (ii) treat all electronically stored Confidential Information in accordance with applicable procedures on IT-security; and
- (iii) avoid any conversations and situations where Confidential Information may be shared unintentionally.

### **8.3 Prohibition to disclose Confidential Information to persons outside NCR**

Employees must not disclose any Confidential Information to persons outside NCR, except to the Rated Entity or its Related Third Parties.

### **8.4 Prohibition to disclose Confidential Information to other persons inside NCR**

Confidential Information received by Analysts in the course of their Credit Rating Activities, may only be shared with other Analysts to form a rating opinion. Such information must not be shared with any other Employees.

### **8.5 Prohibition to use Confidential Information**

Employees must not use or share Confidential Information for the purpose of trading Financial Instruments for any other purpose than to conduct Credit Rating Activities.

### **8.6 Data Protection and Information Systems**

All data in NCR's possession is stored either in physically secure office buildings or on secure IT-platforms. Access to office buildings and IT-platforms is restricted to authorized Employees only.

NCR has put in place effective IT-systems to prevent any impairment of privacy rights of Employees or clients. In this regard, NCR operates in accordance with applicable Norwegian laws and regulations, in particular legislation regarding personal information.

Employees are required to exercise due care when handling NCR's IT-equipment and data, and shall protect it from fraud, theft or other misuse by third parties.

#### **8.7 Treatment of inside information**

Credit Ratings, Rating Outlooks and information relating thereto, shall be deemed inside information as defined in, and in accordance with, Regulation 596/2014 (Market Abuse Regulation) until such information is publicly disclosed. The Market Abuse Regulation shall apply mutatis mutandis to NCR as regards their duty of confidentiality and their obligation to maintain a list of persons who have access to their Credit Ratings, Rating Outlooks or related information before disclosure. The Compliance Function shall keep lists of persons who have access to inside information in compliance with applicable legislation.

In particular, Employees shall refrain from any activities which constitutes a breach of the Market Abuse Regulation or any other legislation regarding market abuse.

### **9 EMPLOYEE'S PERSONAL ACCOUNT DEALINGS**

#### **9.1 Introduction**

NCR is committed to identifying, eliminating, managing and/or disclosing existing and potential conflicts of interest. This section sets out NCR's policy on employees' trading in own account in Financial Instruments. The purpose of this section is to safeguard the integrity and credibility of NCR and its Employees and ensure that any credit rating provided by NCR is objective and independent.

#### **9.2 Procedures**

##### **9.2.1 General Principles**

All Employees in NCR shall exercise due care when engaging in private investment transactions and are not permitted to trade or own Financial Instruments or other securities if the trade or ownership interest may potentially impair, or appear to impair, the credibility, integrity or objectivity of the Employee or NCR or constitutes an actual or potential conflict of interest.

Employees are required to observe all applicable laws and regulations, in particular market abuse regulations, when engaging in private investment transactions. This Policy shall not be interpreted as restricting or confining any applicable law or regulation in relation to ownership and trading of Financial Instruments.

### 9.2.2 Absolute Prohibition Against Trading While in Possession of Inside Information

NCR Employees and Close Associates in possession of inside information are prohibited from trading in a security while in possession of inside information (as defined in applicable laws) in relation to the issuer or the security itself.

Credit ratings, Rating Outlooks and information relating thereto, shall be deemed inside information.

The prohibition remains in effect until 30 business days after the inside information is made public. No dispensations shall be made from this prohibition.

### 9.2.3 General Prohibition Against Trading or Owning Financial Instruments

Subject to the below carve-outs and individual exemptions from the CEO and the Compliance Function, Employees are prohibiting from trading, owning or engaging in any transaction in any Financial Instrument which is traded on a trading venue or has submitted a request or is in the process of submitting a request for trading on a trading venue. Analysts are also prohibited from owning, trading or engaging in transactions with any other Financial Instrument which has been rated, is being rated, is related by control to an issuer or security which has been or is being rated or is guaranteed or otherwise supported by any Rated Entity.

Trading in and ownership of the following Financial Instruments is nevertheless permitted:

- mutual funds which have a sufficiently broad diversification of risk; and
- managed funds such as pension funds and life insurance.

Employees are obligated semi-annually to certify their compliance with regards to personal investments any holding and/or transactions in exempted Financial Instruments the past six months to the Compliance Officer.

### 9.2.4 Close Associates' Trading or Ownership of Financial Instruments

Trading in or ownership of Financial Instruments by Close Associates of NCR Employees may potentially impair, or appear to impair, the credibility, integrity and objectivity of the Employee and NCR.

Close Associates of the Employee are consequently prohibited from trading or owning any Financial Instrument or security to the same extent the Employee is prohibited pursuant to this Policy.

Close Associates can be exempted if the Employee does not participate or have insight in the investment decisions of the Close Associate.

#### 9.2.5 Prohibition to carry on other business activities

Analysts may not conduct any business activities other than their activities in NCR. Further, Analysts may not be member of Board of Directors or assume other management positions in any other entities (rated or otherwise). The Analysts may however participate in non-commercial activities (i.e. charity, local schools and sport clubs).

#### 9.2.6 Exemptions

An NCR Employee may apply for exemption, on behalf of him- or herself or any Close Associates, to trade, own or engage in transactions with Financial Instruments which is otherwise prohibited. Employees may never sell exempted instruments with a gain within one year.

Employees may also apply for exemptions to participate other business activities or board engagements.

The Compliance Function shall maintain records of all exemptions granted.

#### 9.2.7 Prohibition against participating in the rating of certain entities

No Analyst or other Employee which is directly involved in the Credit Rating Activities may participate in or otherwise influence the determination of a Credit Rating or Rating Outlook of any particular Rated Entity if that person:

- owns Financial Instruments of the Rated Entity, other than holdings in diversified collective investment schemes;
- owns Financial Instruments of any entity related to a Rated Entity, the ownership of which is may cause or may be generally perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes; or
- has had a recent employment, business or other relationship with the Rated Entity that may cause or may be generally perceived as causing a conflict of interest.

To control and identify, for each Credit Rating outstanding, the Employees involved in the rating process at any level or function, NCR has detailed procedures for (i) record keeping and (ii) all steps in the Credit Rating process from contact between the Commercial Employees and the Rated Entity to the issuance and later monitoring of the Credit Rating. For a description of NCR's policy on issuance and review of Credit Ratings, including how the Analysts are chosen, please confer *policy on Issuance and review of Credit Ratings*. As to NCR's record keeping, please confer *policy on Organisation of Material Functions*.

## 10 MONEY, GIFTS AND FAVOURS

### 10.1 Introduction

NCR is committed to identifying, eliminating, managing and/or disclosing existing and potential conflicts of interest. This section sets out NCR's policy on the acceptance of money, gifts and favours. The purpose of this section is to ensure the integrity and objectivity of Credit Ratings as well as compliance with NCR's commitment to ethical business conduct.

### 10.2 General principles

NCR Employees and Close Associates are prohibited from requesting, soliciting or accepting any gift, favour, service money or other financial gratification from Rated Entities, Related Third Parties or any other in which NCR has business with. This includes accepting monetary gratification or gifts from Rated Entities or Related Third Parties in the context of business lunch/dinners, accommodation or transportation.

Receipt of incidental gifts of minor value as well as modest meals and refreshments in conjunction with meetings shall nevertheless be allowed.

## 11 TERMINATION OF ANALYSTS' EMPLOYMENT

Where an Analyst terminates his or her employment and joins a Rated Entity, which he or she has been involved in rating, or a financial firm, with which he or she has had dealings as part of his or her duties at NCR, NCR shall review the relevant work of the Analyst over two years preceding his or her departure. Analysts and Persons Closely Associated with an Analyst are further prohibited from taking up key positions with a Rated Entity or Related Third Parties within six months of the issuing of a Credit Rating or Rating Outlook.

The procedures for termination of employment in NCR is described in *policy on Staffing and compensation*.

## 12 COMPLIANCE WITH POLICY

The CEO is responsible for the implementation of this Policy in NCR's operations.

The Compliance Function shall perform regular controls to monitor compliance with the requirements and procedures set out in this Policy.

Employees are required to report any violation of the requirements and procedures set out in this Policy to the Compliance Function.

The Compliance Function shall prepare a written report of any breaches of the procedures and requirements of this Policy. Such reports shall include proposed measures to prevent future breaches, and shall be included in the Compliance Functions quarterly report to the Board of Directors

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