

# **POLICY ON ISSUANCE AND REVIEW OF CREDIT RATINGS**

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## 1 INTRODUCTION

This document sets out NCR's policy on the issuance, disclosure and monitoring of Credit Ratings (the "**Policy**").

NCR has adopted this Policy which sets forth standards for the Credit Rating Process at NCR to, *inter alia*, promote the objectivity and integrity of its Credit Ratings and the transparency of its operations. NCR shall only provide solicited Credit Ratings, not unsolicited.

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

This policy is approved by the Board of Directors.

## 2 APPLICABILITY

This Policy applies to the operations of NCR and its requirement applies to all Employees.

The contents of this 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 *policy on Organisation of Material Functions*.

## 3 PROCEDURES REGARDING THE ISSUANCE AND DISCLOSURE OF CREDIT RATINGS

### 3.1 High-level description of the Credit Rating process

The Credit Rating process at NCR may be summarised as follows. Each step is described in further detail in the next section:

- (i) Commercial Employees sign an engagement letter with the Issuer. The Chief Rating Officer is notified about the engagement.
- (ii) The Chief Rating Officer assigns the analytical work to a Primary and Secondary Analyst who gathers documentation from the Issuer and conduct initial analysis.
- (iii) The analytical team gather documentation from the Issuer and conducts an initial analysis. A meeting between the analytical team and the Issuer takes place, preferably at the Issuer's premises, and might include a site visit of appropriate assets.
- (iv) The analyst drafts a rating report including Rating Recommendation of the proposed rating. The report is circulated to the Credit Rating Committee at least 24 hours in advance of the Credit Rating Committee. For an event-driven Credit Rating Committee, the report must be circulated at least two hours in advance of the committee.

- (v) The Credit Rating Committee takes place to discuss the recommended rating and determine the final rating. The Credit Rating Committee consists of at least three Analysts (or two in exceptional circumstances) of which one has sufficient seniority to chair the Credit Rating Committee.
- (vi) The rating outcome is communicated to the Issuer and a draft report, setting out the principal grounds on which the Credit Rating is based, is distributed to the Issuer as soon as practically possible after the Credit Rating Committee's decision. The notification to the Issuer shall occur during the working hours of the Issuer and at least a full business day before publication. Should NCR transmit a notification to the Issuer outside of the Issuer's working hours, the notification is considered as received at the opening of the Issuer's working hours the following business day.
- (vii) For initial draft rating reports on new Issuers (not for new issues on existing Rated Entities) the Issuer has a consideration period of 30 days from the date of notification for the initial report was delivered to the rating object.
- (viii) For rated entities with a public ongoing rating assignment with NCR, the Issuer has at least 24 hours to respond to the report, of which 8 should be business hours. The Issuer can remark on factual errors and/or inadvertent inclusion of confidential information, if applicable. However, if the Issuer reverts to NCR before the expiry of the minimum 24 hours confirming that it has not identified any factual errors, NCR may publish the rating.
- (ix) The Issuer has the right to appeal the rating. A Credit Rating Committee can reconvene only if there are new facts which were not previously considered in the report.
- (x) Completion of the rating report by the analytical team, and publication of the report. The rating report will not be published and made public if the Issuer has decided to keep the rating process confidential.
- (xi) Ongoing surveillance of the Issuer's credit quality.

### **3.2 Description of the various steps in the Credit Rating process**

#### **3.2.1 Initial contact with Issuers**

Administrative Employees responsible for commercial activities sign an engagement letter with the relevant Issuer. Before signing the engagement letter, the Commercial Employees must assess that the Issuer will be able to deliver all relevant material to complete the rating process. This information is described in section 3.2.3 below.

#### **3.2.2 Allocation of analytical work**

A description of the roles and responsibilities of analytical employees is included in the table below.

	Junior Analysts	Mid-Level Analysts	Senior Level Analysts
Preferred minimum education	Bachelor's degree in business, finance or science related field	Bachelor's degree in business, finance or science related field. Advanced degree preferred.	Bachelor's degree in business, finance or science related field. Advanced degree preferred.
Preferred minimum experience/skills	Typically two or more years of credit, analytical or related financial services experience preferred. For graduates, there is no additional minimum experience requirement.	Typically three to five years of credit, analytical or related financial services experience preferred.	Typically seven years of credit, analytical or related financial services experience are preferred.
Analytical roles possible	Support analyst. Secondary analyst.	Primary analyst. Secondary Analyst. Voting analyst.	Primary analyst. Secondary Analyst. Voting analyst. Chairperson.
Main analytical tasks	Perform analytical work under supervision from a mid-level or senior level analyst. May participate in a Credit Rating Committee and give opinions on a Rating but has no formal vote.	Develop and present Rating Recommendation for a Rating Committee. Finalise and publish Credit Rating Reports. Communicating with the Issuer with respect to a Credit Rating Action. Maintain day-to-day relationship with the Issuer. Conduct ongoing surveillance of credit quality of the Issuer. Vote in a Credit Rating Committee.	All tasks relevant for mid-level analysts. Chair Rating Committees. Approve Credit Rating Reports.

#### The role and responsibilities of the Primary Analyst:

- determining a Rating Recommendation;
- presenting the Rating Recommendation for the Credit Rating Committee;
- communicating with the Issuer with respect to a Credit Rating Action;
- analytical Interaction with the Issuer; and
- conducting ongoing surveillance of credit quality of the Issuer.

The process for selecting the rating analysts to work on the specific rating is as follows: When an engagement letter has been signed by the commercial department, the Chief Rating Officer will be notified about the engagement. The Chief Rating Officer will allocate the work to the best suited analyst to act as Primary Analyst for the ratings process. Factors that will be considered include, but are not limited to:

- previous experience in the sector or with peers to the Rated Entity;
- current workload;
- language skills; and
- complexity of the engagement.

In addition, a Secondary Analyst will be assigned which shall be able to perform any tasks normally performed by the primary analyst if the latter is absent or unable to perform any tasks. The Secondary Analyst will participate in analytical interaction with the Issuer such as management meetings and conference calls.

In any case, all Rating Decisions will be made in a Credit Rating Committee. Only Analytical Employees can vote in a Credit Rating Committee. To be eligible for voting, an Analytical Employee must be at least a mid-level analyst. However, voting rights must be granted separately.

### 3.2.3 Process relating to collection and assessment of documentation

The sequence describing the process for a new Credit Rating is set out in section 3.1 above.

The process for reviewing the documentation of Issuers or securities to be rated is as follows: All relevant documentation is reviewed by the Primary Analyst who will store the information internally where it is accessible for other eligible Analytical Employees involved in the ratings process. Information will be condensed and analysed according to a standardised internal template for the Credit Rating Committee. There is no specific benchmark for facilitating the review.

The assessment of the minimum information requirements to initiate and maintain a rating, including both public and non-public information is as follows: The specific information requirements are determined for each industry segment but generally includes:

- annual reports for at least the last three years;
- general company information, including description of management, ownership structure, and important historical milestones;
- company-specific factors that are drivers of credit risk, including view of industry environment, positioning within the industry, management's strategy and vision for the medium to long-term, risk tolerance, financial policies, liquidity management, and funding plans;

- management's budgets for the coming three to five years including main underlying assumptions; and
- financial documentation on outstanding debt instruments and instruments to be rated.

If the analysts assess that the Issuer cannot deliver sufficient information to complete the rating process, the process will be suspended and no rating will be assigned. In some cases, NCR can produce a Credit Rating even without the information requirements listed above. This can for example be the case if an Issuer has a limited historical track record. The Primary analyst and the Chief Rating Officer will determine whether the quantity and quality of information is sufficient to produce a Credit Rating in line with the internal control framework.

#### 3.2.4 Control mechanisms

The control mechanisms for the issuance of Credit Ratings, including the involvement of the Issuer/arranger/investor/servicer within this process, are:

- NCR relies on information it receives from sources believed to be credible. NCR conducts a reasonable investigation of data accuracy and obtains reasonable verification of that information from independent sources.
- NCR does not perform an audit on the information provided by the Issuers and does not verify the reliability and accuracy of the information and data. If the analysts consider the information to be of questionable quality this will be raised with the Issuer and could lead to the Credit Rating Process being suspended or the rating being withdrawn.
- During the Credit Rating Process, the Issuer and its advisors shall provide NCR with information needed to complete the analysis. Analysts will use their analytical judgement to assess the reliability and accuracy of the information received.
- The Credit Committee File is confidential and purely for internal use and will not be shared with outside parties. The recommended rating action will not be disclosed. Further, neither the composition of the Credit Rating Committee nor the given votes in the committee will not be disclosed.
- Following the Credit Rating Committee, a draft of the public report will be shared with the Issuer to check for factual errors and inadvertent inclusion of confidential information. The Issuer can also appeal the rating if it has new material information to present. The Chairperson will determine whether an appeal should be granted and if a committee should be reconvened. The rating outcome could remain unchanged after an appeal committee.

The process for collation, analysis and assessment of the information used to determine a Credit Rating, including, where applicable, reliance on analysis by another CRA or other third parties, is as follows:

- Information will be gathered from the Issuer before, at, and after the meeting with the Issuer's management. The information requested will differ between sectors but will include all information needed for the Primary Analyst to produce a Rating Recommendation for a Credit Rating Committee.
- Information required will be public and non-public information from Issuers, other publicly available information from reliable sources, and relevant industry and macro-economic research produced by third parties. All information will be stored electronically.
- There will be no explicit reliance on analysis by other CRAs although Analytical Employees may from time to time refer to other CRA's ratings in peer comparisons.

### 3.2.5 The Credit Rating Committee – terms of reference

The Credit Rating Committee determines and reviews Credit Ratings. Once the information has been collected and the issuer analysed in accordance with NCR's criteria and methodologies, the Primary Analyst makes a rating recommendation and documents the analysis and rationale in the Credit Rating File. The Credit Rating Committee considers the information and rating recommendation and discusses the Primary Analyst's recommendation. The committee should normally consist of three to five Analytical Employees, each representing one vote. Voting members are chosen based on relevant experience, with the final composition determined by the Chairperson. The Primary and Secondary Analyst shall not form the majority of votes in a Committee, to ensure that the other voters have the possibility to sufficiently challenge the rating in the committee.

Committees include:

1. A Chairperson
2. The Primary Analyst who is responsible for the rating recommendation and the finalisation of the report.
3. A Voting Analyst assessed to have the experience and competence to vote in the committee.

The Primary Analyst's role in the committee is to present the rating recommendation and answer questions that the other committee members might have.

The Chairperson is a senior person within the analytical practice assigned the responsibility to lead committees. A Chairperson is a Senior Level Analyst as defined in section 3.2.2. The Chairperson must also demonstrate the highest standards of judgement and understanding of NCR's policies and procedures. Chair eligibility is determined by the Chief Rating Officer. The role of the Chairperson is to moderate the committee and to ensure that:



- It is conducted in accordance with NCR's policies and procedures.
- No committee participants have any actual or potential conflicts of interest.
- All committee members had sufficient time to review the material.
- That there are no Employees who recently left NCR and works for the Issuer.
- That NCR criteria is appropriately applied.

The Voting Analyst's role in the committee is to engage in a discussion about the Rating Recommendation and provide opinions based on experience and judgement.

Voting rights for an Analytical Employee will be determined by the Chief Rating Officer. Factors which will be considered include analytical experience, judgement, and demonstration of sound understanding of NCR's policies and procedures.

The Credit Rating Committee could also have observing members, such as non-voting analysts or Employees from the Compliance Function or Review Function.

For time-critical Credit Rating Committees where three voters are not available a committee can also take place with only two analytical employees (i.e. two voters), provided that the following conditions are met:

- The situation is an exceptional circumstance where only two analytical employees are temporarily available due to unforeseen events such as illness or accident.
- An unforeseen significant event has occurred which could imply that the outstanding credit rating would now be misleading to investors.
- The two voters reach a unanimous decision.
- The Chief Rating Officer approves that the committee can take place with only two voters.
- The committee is attended by the compliance officer as an additional control.

Credit Ratings can be assigned based on Public Information and/or Non-Public Information. NCR will assign or maintain a rating only if the amount and quality of information and data available to NCR enables it to assign a rating without compromising, in any way, the quality of the analysis supporting it. Whenever the Credit Rating Committee concludes that there is not sufficient information to assign or maintain a Credit Rating, no preliminary or initial Credit Rating shall be assigned for an existing Credit Rating shall be withdrawn. Information quality and availability are key variables in the internal control framework in order to ensure a robust and efficient rating processes.

The rating approval process is as follows:

- The Credit Rating will be determined in a Credit Rating Committee consisting of at least three voting analysts (or two in exceptional and time-critical circumstances when only two analytical employees are available).
- Committee decisions are reached by consensus, and neither individual committee member votes nor individual views expressed are recorded. In the event that the Chairperson determines that further analysis or information is required before the committee can move to a vote, the committee will be suspended to allow this material to be gathered.
- The Credit Rating Committee decision and main discussion points are noted in the committee conclusions, which are drafted by the Primary Analyst and approved by the Chairperson.

The Chairperson will approve the final version of the Credit Rating Report to be published. In the event that the Chairperson of the rating committee is not available for the final signoff, the Chairperson can delegate the final approval of the committee as long as the material has been reviewed and accepted in advance by the Chairperson.

#### 3.2.6 Internal appeal

If employees that have taken part in the rating committee are of the opinion that material matters were not sufficiently covered in the committee, or due to other reasons the committee was not sufficiently informed to make an informed vote and conclusion, it is possible for the employee to make an internal appeal.

The internal appeal is directed in writing to the Chairperson and Compliance Officer as soon as possible following the committee. The Chairperson and Compliance Officer decide if there are sufficient grounds to reopen the committee.

The decision and information related to the internal appeal shall be documented in the final committee material.

#### 3.2.7 Involvement of the Issuer in the publication of ratings

For any Credit Rating Action, including outlook changes and Watch Placements, NCR shall inform the Rated Entity or its agent of the Credit Rating Action as soon as practically possible after the Credit Rating Committee's decision. The notification to the Rated Entity or its agent shall occur during the working hours of the Rated Entity and at least a full working day before publication (or dissemination to subscribers) of the respective Rating Action.

For existing public ratings the Rated Entity shall be notified during the working hours of the Rated Entity of the principal grounds on which the rating is based at least 24 hours before publication of the Credit Rating. Should NCR send a notification to the Rated Entity outside of the Rated Entities' working hours, the notification is considered as becoming valid at the opening of the Rated Entities' working hours. A minimum of 24 hours should be provided to a Rated Entity to notify any factual errors with the Credit Rating. However, in

the event that the Rated Entity reverts to NCR before the expiry of the minimum 24 hours, confirming in writing that it has not identified any factual errors in the Credit Rating, then NCR may publish the Credit Rating without further delay.

For initial draft rating reports on new Issuers (not for new issues on existing Rated Entities) the Issuer has a consideration period of 30 days from the date of notification for the initial report was delivered to the rating object.

An Issuer has the right to appeal a credit rating decision when receiving the rating outcome. The appeal must be in written form and contain a clear report on the grounds for the appeal. The Issuer should present new information which the analytical team has not considered in the Credit Rating Committee. The Chairperson of the committee will determine whether an appeal should be granted and whether a committee will be reconvened. If granted, a committee will reconvene to discuss the new information. The committee decision could change or remain unchanged in the appeal committee. The Issuer cannot appeal a rating decision a second time.

#### 3.2.8 Procedures for Disclosure and Presentation of Credit Ratings

NCR shall disclose any new Credit Rating or change in existing Credit Rating or outlook, as well as any decision to withdraw a Credit Rating, on a non-selective basis and in a timely manner. In the event of a decision to withdraw a Credit Rating, the information disclosed shall include the reasons for the decision.

The key elements underlying the Credit Rating are published in the Credit Rating Report. This follows a template common to the asset class of a specific issuer. The template reflects the relevant criteria and should reflect the most important underlying factors supporting the Credit Rating. The template will be updated on a regular basis to improve clarity and readability of the reports. The most current template will be stored in a repository and should always be used for new Credit Rating Reports. The key elements could vary slightly between issuers as not all criteria factors might be relevant for all issuers. The draft key elements will be discussed in the Credit Rating Committee. Following the committee, the Primary Analyst will finalise the key elements in the report. These will be reviewed by the Committee Chairperson who will verify that the report reflects the committee discussions.

Until disclosure to the public of Credit Ratings, Rating Outlooks and information relating thereto, shall be deemed to be Inside Information, and treated as such.

NCR shall ensure that Credit Ratings and Rating Outlooks shall not present factors other than those related to the Credit Ratings and ensure that the Credit Ratings and Rating Outlooks are presented and processed in accordance with the following requirements:

- (i) any Credit Rating and Rating Outlook states clearly and prominently the name and job title of the lead rating analyst in a given Credit Rating activity and the name and

- position of the person primarily responsible for approving the Credit Rating or Rating Outlook;
- (ii) all substantially material sources, including the Rated Entity or, where appropriate, a Related Third Party, which were used to prepare the Credit Rating or Rating Outlook are indicated together with an indication as to whether the Credit Rating has been disclosed to that Rated Entity or Related Third Party and amended following that disclosure before being issued;
  - (iii) the principal methodology and version of methodology that was used in determining the rating is clearly indicated, with a reference to its comprehensive description; where the Credit Rating is based on more than one methodology, or where reference only to the principal methodology might cause investors to overlook other important aspects of the Credit Rating, including any significant adjustments and deviations, NCR shall explain this fact in the Credit Rating and indicate how the different methodologies or these other aspects are taken into account in the Credit Rating;
  - (iv) the meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario Credit Ratings as well as best-case scenario Credit Ratings are explained;
  - (v) the date at which the Credit Rating was first released for distribution and when it was last updated including any Rating Outlooks is indicated clearly and prominently;
  - (vi) information is given as to whether the Credit Rating concerns a newly issued financial instrument and whether NCR is rating the financial instrument for the first time;
  - (vii) in the case of a Rating Outlook, the time horizon is provided during which a change in the Credit Rating is expected;
  - (viii) when publishing Credit Ratings or Rating Outlooks, NCR shall include a reference to the historical default rates published by ESMA in a central repository in accordance with Article 11(2) of (EC) No 1060/2009, together with an explanatory statement of the meaning of those default rates;
  - (ix) NCR shall accompany the disclosure of rating methodologies, models and key rating assumptions with guidance which explains assumptions, parameters, limits and uncertainties surrounding the models and rating methodologies used in Credit Ratings, including simulations of stress scenarios undertaken by NCR when establishing the Credit Ratings, Credit Rating information on cash-flow analysis it has performed or is relying upon and, where applicable, an indication of any expected change in the Credit Rating. Such guidance shall be clear and easily comprehensible;
  - (x) NCR shall inform the Rated Entity during working hours of the Rated Entity and at least a full working day (equal to 24 hours) before the publication of the Credit Rating Report or the Rating Outlook. That information shall include the principal

- grounds on which the Credit Rating or Rating Outlook is based in order to give the Rated Entity an opportunity to draw the attention of NCR to any factual errors;
- (xi) NCR shall state clearly and prominently when disclosing Credit Ratings or Rating Outlooks any attributes and limitations of the Credit Rating or Rating Outlook. In particular, NCR shall prominently state when disclosing any Credit Rating or Rating Outlook whether it considers satisfactory the quality of information available on the Rated Entity and to what extent it has verified information provided to it by the Rated Entity or a Related Third Party. If a Credit Rating or a Rating Outlook involves a type of entity or financial instrument for which historical data is limited, NCR shall make clear, in a prominent place, such limitations;
  - (xii) in a case where the lack of reliable data or the complexity of the structure of a new type of financial instrument or the quality of information available is not satisfactory or raises serious questions as to whether NCR can provide a credible Credit Rating, NCR shall refrain from issuing a Credit Rating or withdraw an existing rating;
  - (xiii) when announcing a Credit Rating or a Rating Outlook, NCR shall explain in its press releases or reports the key elements underlying the Credit Rating or Rating Outlook;
  - (xiv) where the information laid down above (except point (x)) would be disproportionate in relation to the length of the report distributed, it shall suffice to make clear and prominent reference in the report itself to the place where such disclosures can be directly and easily accessed, including a direct web link to the disclosure on an appropriate website of NCR; and
  - (xv) NCR shall disclose on its website, and notify ESMA on an ongoing basis, information about all entities or debt instruments submitted to it for their initial review or for preliminary rating. Such disclosure shall be made whether or not Issuers contract with NCR for a final rating.

NCR shall not use the name of ESMA, EFTA Surveillance Authority or any competent authority in such a way that would indicate or suggest endorsement or approval by ESMA, EFTA Surveillance Authority or any competent authority of the Credit Ratings or any Credit Rating activities of NCR.

### 3.2.9 Reconvene of the Credit Rating Committee

The Issuer has the right to appeal the rating decision if it can present new facts which were not previously taken into account in the report. The Chairperson can then decide to reconvene the Credit Rating Committee. A committee will only be reconvened if new information has appeared in the time-frame between the conclusion of the committee and the publication of the rating. All new information discussed will be noted in the committee minutes and stored internally.

### 3.2.10 Completion and publication of the rating report

The process and person responsible for publication of the credit rating report is as follows:

- Following the finalisation of the Credit Rating Committee the Primary Analyst completes the report.
- The report is reviewed by the Chairperson who will verify that the analysis reflects what was discussed in the committee.
- The analyst sends the report to an editor which will review the report for consistency and correct erroneous language.
- The editor sends the report back to the analyst who verifies that the editing process has not resulted in any changes to the analytical context.
- The analyst sends the report to the Issuer for verification that there are no factual errors or that NCR is inadvertently disclosing confidential information. The Issuer has 24 hours (of which 8 needs to be within business hours) to review the report.
- The Issuer confirms in writing that NCR can release the report.
- The analyst sends the report to the Chairperson who reviews the final version of the report.
- The Chairperson authorises the publication of the report.
- The report is published on NCR's website.
- If the issuer has decided to keep the rating process confidential, the rating will not be published and made public.

### 3.2.11 Ongoing surveillance

The Primary Analyst is responsible for monitoring the Credit Rating. If the Primary Analyst is absent the monitoring will be conducted by the backup analyst, as assigned by the Chief Rating Officer.

## 4 PROCEDURES REGARDING THE MONITORING OF CREDIT RATINGS

### 4.1 Monitoring of ratings

#### 4.1.1 The monitoring process

Monitoring of the Credit Rating is primarily conducted by the Primary Analyst and includes the following activities:

- Review of annual and interim reports;
- Review of press releases and general news flow relating to the Issuer;
- Ongoing dialogue with Issuer contact person;
- Monitoring of macro and industry environment; and
- Review of other information relevant to the Issuer's credit risk.

The purpose of all monitoring activities is to ensure that the rating level reflects the last committee decision. If the Primary Analyst determines that there has been a change in credit quality of an Issuer, a Credit Rating Committee should be convened and the rating level should be discussed.

NCR shall monitor all its outstanding Credit Ratings on an ongoing basis and review them at least once within 12 months. Outstanding Credit Ratings are monitored applying the same methodologies as applicable to new ratings.

#### 4.1.2 The process for collation, analysis and assessment

The process for collation, analysis and assessment of the information used to monitor a rating, including, where applicable, reliance on analysis by another CRA or other third parties is as follows:

The Primary Analyst is responsible for collating relevant information for monitoring credit quality of an outstanding rating. Information sources include, but are not limited to:

- Public information issued by the Issuer;
- Non-public information received from the Issuer; and
- Other information gathered from public sources, including news articles, industry research, macroeconomic data, and regulatory updates.

NCR expects to receive information on a timely basis from all Issuers. Interim reports are expected to be received within 90 days from period end and annual reports are expected to be received within 180 days from period end.

All information used to support a Rating Recommendation shall be documented and archived.

#### 4.1.3 Review of Credit Ratings

A review of Credit Rating is done in a Credit Rating Committee. The Primary Analyst or a Chairperson can convene a Credit Rating Committee to consider a potential Credit Rating Action in the light of a transaction, an event, changing macroeconomic or industry trends, or changing methodology, or other changing circumstances. Participation in a Credit Rating Committee is limited to Analysts. Each Credit Rating Committee consists of at least three Analysts (or two in exceptional circumstances), of which a senior Analyst acts as the Chairperson. The Primary and Secondary Analyst shall not form the majority of votes in a Committee, to ensure that other voters have the possibility to challenge the rating in the committee. The majority vote determines the Credit Rating. Compliance and Review Function may also participate in the committee (non-voting).

#### 4.1.4 Suspension of Credit Ratings

If NCR assess that the quantity or quality of information is insufficient to maintain the Credit Rating, a Credit Rating Committee can be convened to withdraw the Credit Rating. If the Analyst assess that there is insufficient information before assigning an initial Credit Rating, no initial Credit Rating shall be assigned.

#### 4.1.5 Changes to methodologies and consequences for Credit Ratings

All development of methodology, model, and key rating assumptions must be approved in a Criteria Committee consisting of the Chief Rating Officer and at least two additional analytical Employees. The process is described in detail in *policy on Rating Methodologies*.

Where rating methodologies, models or key rating assumptions used in Credit Rating Activities are changed, NCR shall follow the procedure set out in section 5 of *policy on Rating Methodologies* on the procedure regarding changes in existing methodologies, models or key rating assumptions.

#### 4.1.6 The processes and controls with respect to Credit Rating reviews

Credit Rating is determined by the Credit Rating Committee. Before the start of the committee, the Committee Chairperson will ensure that no analyst has any actual or potential conflicts of interest with the Issuer, that there are no Employees who recently left NCR and works for the Issuer, and that all analysts have had the time to read the Credit Rating Recommendation and supporting material. The responses to these questions will be noted in the committee's conclusions.

#### 4.1.7 Involvement of the Issuer and/or arranger

With respect to external involvement in the rating process, the issuer, or relevant third parties (such as arrangers or advisors), will never in any case be able to influence or exert unduly influence on NCR, its analysts, or the relevant rating.

All ratings, or other applicable services, related to the issuer will always be based on the official material provided by the issuer, or relevant third parties. To manage this process, management meetings will always include two analysts from NCR in order to verify information relevant to the rating process.

Continuous communication between the issuer and the rating analyst will always be required in writing when the specific information is perceived to be material for the rating process. Any information received from the issuer used in the rating process must always be stored in the internal repository for that issuer for internal control purposes and business continuity. In terms of interaction with the issuer, the Primary Analyst will always conduct a reasonable investigation of data accuracy and compare data quality with peers in the sector.

The rating process is also safeguarded through the committee process, as no single analyst can decide upon or publish a rating without the committee's control and approval. Prior to publishing the Credit Rating Report, the Issuer will always get the chance to review the report for factual errors or inadvertent inclusion of confidential information. NCR acknowledge that while the Issuer might not agree with the analytical conclusions, these will not be changed following comments from the Issuer unless the Issuer can present new facts which were not discussed by the Credit Rating Committee. In such case an appeal committee could take place.



The objective of the control is to ensure that NCR avoid all potential undue involvement from the issuer and its advisors on the rating process.

#### **4.2 Disclosure of the decision to review or change a rating**

All Rating Actions, outlook changes, and Watch placements will be communicated through a Credit Rating Rationale published on NCR's public website.

#### **4.3 Monitoring of the impact of changes in macroeconomic or financial market conditions on Credit Ratings**

NCR shall monitor Credit Ratings and review its Credit Ratings and methodologies on an ongoing basis and at least annually, in particular where material changes occur that could have an impact on a Credit Rating. NCR shall establish internal arrangements to monitor the impact of changes in macroeconomic or financial market conditions on Credit Ratings.

NCR analysts shall continuously evaluate the macroeconomic environment to assess if there are any changes impacting the credit conditions. This is done through the Macroeconomic Council which meets on a quarterly basis to discuss trends in the local and global financial markets and how that can impact credit quality.

### **5 RATING NOMENCLATURES**

#### **5.1 Rating nomenclatures used for financial institution including credit institutions and investment firms**

NCR shall use the term "financial institutions" for ratings on banks and other financial institutions that share the same characteristics as a bank or insurance undertakings.

#### **5.2 Rating nomenclatures used for corporate ratings for corporate Issuers that is not considered a financial institution or an insurance undertaking**

NCR shall use the term "corporates" for ratings on non-financial corporate entities including industrial firms, real estate companies, utilities, and investment holding companies.

### **6 RATING ACTIONS**

#### **6.1 Definition of Rating Actions**

An initial Credit Rating, change to an existing Credit Rating, affirmation of an existing Credit Rating, withdrawal or suspension of an existing Credit Rating, or Watch Action, in each case as and when such action is released.

The following rating actions can be executed:

- Preliminary Rating (defined below)
- New Rating: The assignment of a new Credit Rating
- Conversion: Change in status from private to public Credit Rating
- Upgrade: The upgrade of a Credit Rating
- Downgrade: The downgrade of a Credit Rating
- Default: The assignment of default status to a Credit Rating of either 'D' or 'SD'

- Watch Placement: The placement of a Credit Rating on Watch for a possible upgrade, possible downgrade or for a developing outcome.
- Confirmation: if a Credit Rating is removed from "Watch Placement" or observation status without an upgrade or a downgrade.
- Affirmation: If a Credit Rating is affirmed following a rating committee. A Credit Rating Committee's decision not to change the rating and not to affirm it does not constitute a Rating Action.
- Withdrawal: A Credit Rating is withdrawn.
- Outlook new or outlook change: The assignment or change of an outlook. An outlook can be stable, positive, negative, or developing.

## 6.2 Definition of statuses

Outlook: indicate future possible direction of the rating

- A stable outlook indicates that the rating is unlikely to move within the near-term.
- A positive or a negative outlook indicates that a rating could be upgraded or downgraded, respectively, in the near-term.
- developing outlook is assigned in rare occasions where the rating could be upgraded or downgraded in the near-term depending on the outcome of one or several events.

Watch Placement: indication of a rating change in the immediate future but more analysis is needed before a decision can be made. The removal from Watch Placement will result in a rating being upgraded, downgraded, or remain unchanged.

- Watch Positive: The rating could be upgraded
- Watch Negative: The rating could be downgraded
- Watch Developing: The rating could be upgraded or downgraded

Rating changes can also occur without the rating first being put on Watch or having the outlook modified from stable.

Preliminary Rating (P): Assigned to new Issuers and are contingent a successful debt placement. After successful debt placement the rating will be finalised following a review of the final documentation. If the debt placement does not take place, the rating will be withdrawn. A preliminary rating will be followed by the suffix "P".

Under Criteria Review (UCR): All Credit Ratings which might be affected by a published change in Criteria will be assigned an UCR identifier until reviewed under the new Criteria.

## 7 PROCEDURES TO ENSURE THAT A METHODOLOGY IS APPLIED AND IMPLEMENTED CONSISTENTLY ACROSS CLASSES OF CREDIT RATING, OFFICES AND REGIONS

NCR's analytical practise will conduct portfolio reviews at least once a year in order to ensure that ratings are relevant compared with peers and that emerging risks are analysed consistently across portfolios. These portfolio reviews will include all ratings in a specific

broad or narrow segment (e.g. "non-financial corporates" or "Norwegian shipping operators") and all rated entities will be included at least once per year in a portfolio review. The portfolio review will be done in a specific template whereby ratings, outlooks, sub scores, and financial ratios will be compared and discussed. A portfolio review is a discussion forum for analysts but is not a committee. However, it can be decided in a portfolio review that a rating should be discussed in a committee. Such committee would normally take place within the coming four weeks following the portfolio review. The decision to refer a Credit Rating to a committee can be made by the Chief Rating Officer or another senior analyst (with Chairperson status) who is leading the portfolio review.

NCR's Review Function is responsible for reviewing and challenging methodologies at least on an annual basis. In addition, the review will be conducted on Credit Committee Files and Credit Rating Reports with the purpose of ensuring consistency and improving clarity of rating reports. The results of a review will be presented to the Independent Board Members and the Chief Rating Officer.

The Credit Committee File checks will be conducted on a quarterly basis by the Review Function in order to ensure:

- That the analysis reflects the applicable criteria.
- That the Credit Committee File is complete and contains all relevant parts.
- That the analysts apply analytical judgement and use an analytical, opinionated, yet objective tone.
- That the analysis captures current market events and emerging risks.
- That committee conclusions are complete.

The Review Function performs the check in a designated template which will use a scoring system of "Needs improvement", "Satisfactory", and "Good". The results will be delivered to the independent board of directors and the Chief Rating Officer who will determine what actions to take.

The Review Function also conduct default and transition studies in order to validate the rating methodology. These will be more qualitative in nature as NCR's rated portfolio needs to be of a certain size. Please refer to *policy on Rating Methodologies* for a description this process.

## **8 AUDIT OF THE CREDIT RATING PROCESS**

The CEO or a CEO delegate may decide, if deemed required or appropriate, to engage an independent third party to regularly audit the Credit Rating process at NCR, always subject to NCR's procedures on outsourcing as further described in *policy on Organisation of Material functions* and *instruction for Outsourcing*.

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