



Transparency Report 2023

March 2024

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1 INTRODUCTION

Nordic Credit Rating AS (NCR) is registered with the European Securities Markets Authority (ESMA) and is authorised to perform credit rating activities within the European Union (EU) and the European Economic Area (EEA). NCR assigns credit ratings to financial institutions, corporates, and local and regional governments in the Nordic region. NCR is independent of any government or financial, or corporate entity, and its primary focus is to assess credit quality and assign credit ratings.

NCR's ultimate mission is to contribute to steady economic growth in the Nordic region. Independent and objective credit ratings enhance efficiency and transparency in financial markets. This will enable more companies to access funding outside of the banking system and lower transaction costs for borrowers and investors. This will support economic growth by facilitating innovation and creating jobs, further support long-term objectives such as increasing competitiveness for the Nordic region and reducing climate change.

This report is prepared according to the transparency requirements defined in Credit Rating Agencies Regulation¹ (CRAR) under Article 12 and subsection III of Section E in Annex 1.

¹ [EU Regulation \(EC\) No. 1060/2009 of 16 Sep. 2009 on credit rating agencies](#)

2 LEGAL STRUCTURE AND OWNERSHIP

NCR was founded on 26 Aug. 2016 and registered with the Norwegian Business Register on 17 Oct. 2016.

Office	Address
Norway (Org nr: 917685991)	Ruseløkkveien 34, 0251 Oslo, Norway
Sweden (Org nr: 516413-5062)	Norrlandsgatan 10, 111 43 Stockholm, Sweden

NCR does not have any parent undertaking or subsidiaries. NCR has a Branch in Sweden. No owners, directly or indirectly, own more than 5% of NCR's capital or voting rights or have any holding that makes it possible to exercise significant influence over the management of NCR.

The list of shareholders is available at <https://nordiccreditrating.com/about/shareholders>

3 INTERNAL CONTROL MECHANISMS

The internal control system provides the foundation of NCR's operation by ensuring the quality and independence of the rating process while managing conflicts of interest. Internal control constitutes multiple organisational layers to meet internal standards set by NCR and the obligations defined in the CRA Regulation.

The Board of Directors

The Board of Directors ensures that NCR has effective and proper processes for risk management and internal control mechanisms. It sets objectives and strategies for NCR and the agency's risk appetite. The Directors, including the independent non-executive directors (INEDs), are not involved in NCR's daily operations or credit rating activities.

31st December 2023, the Board had the following composition:

NAME	POSITION
Audun Bø	Chairman
Ann-Christin Smestad	Director, INED
Monica Klingberg Insoll	Director
Peter Tuving	Director, INED
Tobias Lindhe	Director

The Independent Non-Executive Directors

The INEDs have the specific task of monitoring:

- The development of the credit rating policies and the methodologies used by NCR in its credit rating activities.
- The effectiveness of NCR's internal quality control system.
- The effectiveness of measures and procedures to ensure that any conflicts of interest are identified, eliminated or managed, and disclosed.
- Compliance and governance processes, including the independence and the efficiency of the Compliance Function and the Review Function.

The Compliance Function

The Compliance Function monitors compliance with applicable rules and regulations while assessing the effectiveness of the controls implemented by operational management and staff. Responsibility for overseeing compliance risk lies with the Compliance Function. It also advises and assists management and staff in complying with all applicable internal and external obligations.

The Compliance Function reports quarterly to the Board of Directors and the INEDs. In addition, the Compliance Function carries out periodic as well as ad-hoc controls and reviews relating to NCR's operations, policies, and procedures.

The Risk Management Function

The Risk Management Function monitors risks according to the risk appetite defined by the CEO and the Board of Directors. The Risk Management Function develops key risk indicators to measure and monitor the relevant risks.

The Risk Management Function reports quarterly to the Board of Directors and the INEDs.

The Review Function

The Review Function is responsible for reviewing NCR's rating activities and ensuring that they are based on methodologies, models and key rating assumptions, such as mathematical and correlation assumptions, which are rigorous, systematic and continuous, as well as appropriate for the respective rated entities.

The Review Function makes quarterly reports that are distributed to the Board of Directors, INEDs, the Chief Rating Officer, and the CEO. The Review Function must approve all material updates to existing or new criteria and methodologies. The Review Function acts as an independent second line control function and, as such, does not take part in the development of methodologies and may not vote in credit rating committees.

Internal Audit

The Internal Audit Function is outsourced to KPMG. Internal audit monitors the adequacy and effectiveness of NCR's systems and internal control mechanisms, as well as arrangements established to safeguard compliance with the regulatory framework, including the CRA Regulation.

Statutory audit of Financial statement

NCR's financial statements are audited by an external Statutory auditor. The audited financial statements are submitted to ESMA.

4 ISSUANCE OF CREDIT RATINGS

NCR assigns forward-looking, independent credit ratings based on objective, independent analysis incorporating all relevant credit risks as defined in its methodologies and communicates this to the market in a transparent and comprehensible manner. The agency follows a transparent process in assigning new public ratings to local- and regional governments, corporate entities and financial institutions as outlined below:

- An engagement letter is signed with the issuer.
- The analytical process is initiated paired with a management meeting.
- A draft report is drawn up, and a rating committee determines the final rating.
- The draft report is communicated to the issuer.
- A final rating report is completed by the analytical team.
- The final rating report is published.
- Ongoing monitoring commences after the rating is published.

NCR's credit rating process follows a strict internal control framework to ensure quality and integrity. This is further defined on NCR's website².

² <https://nordiccreditrating.com/governance>

5 RATING METHODOLOGY

NCR assigns a rating after a thorough analysis of quantitative and qualitative factors and an in-depth dialogue with the rated entity to understand all relevant factors impacting default risk. NCR's methodologies aim to capture all relevant factors in the most transparent way possible. Rating methodologies are reviewed annually and continually evaluated for potential amendments to achieve high quality assessments of credit risk for any given asset class. NCR continually reviews its ratings and assessments with the aim of providing the best possible forward-looking analysis and has the right to adjust its methodology in response to market and regulatory developments.

NCR assigns outlooks to issuer ratings to indicate where they could move in the near term (typically 12–18 months). 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 raised or lowered, respectively, in the near term. NCR assigns long-term credit ratings on a scale comprising several categories ranging from 'AAA', reflecting the strongest credit quality, to 'D', reflecting the lowest. The rating is an ordinal ranking of credit quality, whereby we consider default risk to rise exponentially down the rating scale. Short-term ratings are assigned to instruments that are considered short-term in the market, usually corresponding to an original maturity of not more than one year. This includes commercial paper, which is a common source of funding for Nordic corporate entities. The short-term rating is assigned on a separate scale, which is correlated to the long-term rating, indicating short-term credit quality.

Separation of activities

NCR keeps its analytical activities fully separated from its commercial and administrative activities to avoid conflicts of interest and ensure the independence and quality of its ratings.

Code of Conduct

NCR has adopted a Code of Conduct³ to enhance market confidence in its credit ratings and to promote the objectivity and integrity of its business. The Code of Conduct emphasises NCR's commitment to conducting its business in an ethical manner in line with applicable rules and regulations. The code follows the Code of Conduct Fundamentals for credit rating Agencies issued by the International Organisation of Securities Commissions.

³ <https://nordiccreditrating.com/governance/policies>

Quality of the credit rating process

NCR adheres to the following general principles to fulfil requirements related to the quality of the credit rating process:

- NCR applies a strict credit rating methodology for each class of entity for which it issues credit ratings.
- NCR's credit ratings reflect all information known by and believed to be relevant to the agency, consistent with the applicable credit rating methodology.
- NCR takes reasonable measures to ensure it has the appropriate knowledge and expertise.
- The information NCR uses in determining credit ratings is of sufficient quality and obtained from reliable sources to support high-quality credit ratings.
- NCR determines its ratings through a rating committee structure. This structure ensures that rating decisions reflect a collective opinion rather than the view of individual analysts.
- NCR ensures that it has sufficient resources to assign and maintain high-quality credit ratings.

The integrity of the credit rating process

NCR adheres to the following general principles to fulfil requirements related to the integrity of the credit rating process:

- NCR and its employees undertake to deal fairly and honestly with rated entities, the agents of rated entities, and users of credit ratings.
- NCR's employees are held to the highest standards of integrity and ethical behaviour.
- NCR and its employees, either implicitly or explicitly, give no assurance or guarantee to an entity subject to a credit rating or Rating Action, originator, underwriter, arranger, or user of NCR's credit ratings about the outcome of a particular credit rating Process or Rating Action.
- NCR and its employees do not make promises or threats about potential credit ratings or credit rating actions to influence rated entities, the agents of rated entities, or users of NCR's credit ratings to obtain payment for credit ratings or ancillary services.
- NCR and its employees do not make proposals or recommendations about the activities of rated entities that could affect a credit rating on the respective rated entity.

Conflicts of interest

NCR adheres to the following general principles to fulfil requirements related to independence and avoidance of conflicts of interest when conducting its business:

- NCR does not delay or avoid taking a credit rating action based on the potential effect (economic, political, or otherwise) of such an action on NCR, NCR's shareholders, a Rated Entity, originator, underwriter, arranger, investor, or other market participants.

- NCR and its employees exercise care and professional judgment in maintaining both the substance and appearance of their independence and objectivity.
- NCR's determination of a credit rating is influenced only by factors relevant to assessing the creditworthiness of the respective Rated Entity.
- Any credit rating assigned by NCR to an entity is not affected by any existing or potential business relationship between NCR and the Rated Entity, NCR's shareholders, originators, underwriters, arrangers (or any of their affiliates), or any other party.
- NCR operationally and physically separates its credit rating business and its analysts from any other of its businesses that could create a conflict of interest.

6 PERSONNEL

As of 31 Dec. 2023, NCR had 13.2 full time employees. The analytical and Review staff were allocated as follows:

FUNCTION	FTES
Chief Rating Officer	1
Rating analysts	7
Staff involved in methodology and model development	3
Methodology and model review/appraisal	0.2

NCR currently have all analysts assigned to corporate ratings, as we had no structured finance or sovereign ratings published in 2023.

7 RECORD-KEEPING POLICY

NCR has record-keeping policies and procedures to manage all relevant information and records resulting from its services as a credit rating agency. In the course of NCR's operations, information is generated internally through analytical activities and obtained externally from third parties and issuers. In compliance with the CRA Regulation, NCR keeps relevant records and audit trails at its premises or relevant service providers for at least five years. These are made available upon request to ESMA. Personal data is always handled and stored in compliance with general data protection regulations and applicable guidelines.

Each employee (user) has a unique personal account in NCR's information processing systems, and these accounts have role-based access based on least privileged principle. Any information that relates to credit rating activities is kept separate from other information assets and is available only to authorised personnel. NCR's objectives in terms of its record-keeping and information security process are:

- Confidentiality – information is a valuable asset, and no information is made available to unauthorised persons or third parties.
- Integrity – information is always up to date, complete, and correct, and the greatest attention is always provided to data and information quality.
- Availability – information is always available to authorised persons and authorized third parties.

8 ANNUAL COMPLIANCE REVIEW

The annual work-plan for the Compliance Function is approved formally by the Board of Directors. The Independent Non-Executive Directors of NCR have the task of monitoring the independence, efficiency, and adequacy of the Compliance function and other Internal Control Functions. The INEDs have quarterly and ad-hoc interaction with the Compliance function. Based on this interaction and the reporting provided by the Compliance Function, the INEDs have during 2023 not identified any concerns to the independence, efficiency or adequacy of the Compliance function. The INEDs have also validated that the Compliance Function was able to complete the Work plan as approved by the Board.

9 MANAGEMENT AND ANALYST ROTATION POLICY

Management

The CEO of NCR is Gustav Liedgren, who has responsibility for managing the day-to-day administrative activities in the agency. The CEO is not involved in analytical activities.

The Management team includes the Chief Rating Officer, Chief Commercial Officer, and the Chief Technology Officer. All analytical employees report to the Chief Rating Officer.

Analyst Rotation

The CRA regulation establishes, with respect to any EU rating agency with 50 or more staff, a maximum permissible time for covering a rated entity. NCR maintains an exemption from applying these requirements due to its current staffing below 50 employees. To avoid conflicts of interest arising from this exemption, NCR has taken mitigating actions as defined in our Conflicts of Interest Policy.

10 FINANCIAL DISCLOSURE

The table below provides the revenue (in million Norwegian kroner (MNOK)) derived within EU and EEA during the fiscal year ended 31 Dec. 2023.

REVENUE TYPE	MNOK
Credit Rating Services	18.6
Ancillary Services	1.4
Total revenues	20

In 2023, NCR did not provide any ancillary services to credit rating clients.

11 CORPORATE GOVERNANCE

The following governance statement falls within the meaning of Article 46a (1) of Council Directive 78/660/EEC of 25 Jul. 1978.

Corporate governance code (Article 46a section a-b)

The Corporate governance code is described under "Code of conduct" available at NCR's website⁴.

Internal control (Article 46a section c)

NCR's internal control and risk management system relating to financial reporting is defined in section 3 (Internal control mechanisms) in this report.

Information about major holdings (Article 46a section d)

This section is not applicable to NCR.

Shareholders (Article 46a section e)

NCR is a legal entity under Norwegian law. Shareholder rights are governed by NCR's Articles of Association.

The Board (Article 46a section f)

The composition and operation of the Board of Directors are defined under section 3, Internal Control Mechanisms.

⁴ <https://nordiccreditrating.com/governance>

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