



# **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 Terms and definitions 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 and published on NCR's website. The Policy will be reviewed and updated, when necessary, but at least annually.

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 for new issuers is summarised as follows. Each step is described in further detail in the next section:

- (i) Commercial Employees sign an engagement letter with the prospective Issuer. The Chief Rating Officer is notified about the engagement. See Instruction for Client Onboarding.
- (ii) The Chief Rating Officer assigns the analytical work to a Primary and Secondary Analyst.
- (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 Rating-relevant assets or operations.
- (iv) The Analyst prepares the Credit Committee File including a Rating Recommendation. The Credit Committee File is circulated to the Credit Rating Committee at least 24 hours in advance of the Credit Rating Committee to ensure Rating Committee members have sufficient time to review the Rating

Recommendation. For an event-driven Credit Rating Committee, the Credit Rating File must be circulated at least two hours in advance of the Credit Rating Committee.

- (v) The Credit Rating Committee takes place to discuss the Rating Recommendation and determine the final Rating. The Credit Rating Committee consists of at least three Voting Analysts (or two in exceptional circumstances), of which one has sufficient seniority to act as the Rating Committee Chairperson of the Credit Rating Committee.
- (vi) As soon as practically possible after the Credit Rating Committee's decision, the Rating outcome is communicated to the Issuer. The Issuer also receives a Rating Action Report and, if applicable, a Full Rating Report, setting out the principal grounds on which the Credit Rating is based. 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 send 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 Action Reports on new Issuers (not for new Issues by 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 Issuer. This period may be extended under certain circumstances and a notification should be sent to the Compliance Function with a rationale for the extension. The Credit Rating is subject to surveillance during the consideration period.
- (viii) For rated entities with a public Credit Rating from NCR, the Issuer has at least 24 hours to respond to a Rating Action Report, of which 8 should be business hours (as determined by the time zone where the Issuer is located). The Issuer can remark on factual errors and/or inadvertent inclusion of confidential information, if applicable. However, NCR may publish the Rating Action Report sooner if the Issuer reverts to NCR before the expiry of the minimum 24 hours confirming that it has not identified any factual errors or existence of confidential information.
- (ix) The Issuer has the right to appeal a Credit Rating Action. A Credit Rating Committee can reconvene only if there are new facts which were not previously considered in the original Credit Committee File. The Chairperson decides if an Appeal is granted or not.
- (x) Completion of the Rating Action Report by the analytical team, and publication of the report. There are three possible outcomes:
  - a. The Rating Action Report will be published and made public on a date and time agreed on with the Issuer.
  - b. The Rating Action Report will not be published and made public if the Issuer has decided to keep the rating process confidential.

- c. For Local and regional government Ratings, the Rating Action Report will be published and made public on a Friday after the close of business hours of regulated markets and at least one hour before their opening.
- (xi) Ongoing surveillance of the Issuer's credit quality. The Primary Analyst conducts ongoing surveillance to monitor potential changes in the Issuer's credit standing that could warrant an event-driven Credit Rating Committee. NCR must review public Credit Ratings in a Credit Rating Committee at least every 365 days. For Sovereign and Local and Regional Government Ratings, reviews must take place in accordance with the sovereign calendar.

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

3.2.1 Initial contact with Issuers

Commercial Employees responsible for Commercial Activities finalizes an engagement letter with the new 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 Credit 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	Develop and present Rating Recommendation for a Rating Committee. Finalise and publish Credit Rating Reports.	All tasks relevant for mid-level Analysts. Chair Rating Committees. Approve Credit Rating Reports.

	Rating but has no formal vote.	<p>Communicating with the Issuer with respect to a Credit Rating Action.</p> <p>Maintain day-to-day relationship with the Issuer.</p> <p>Conduct ongoing surveillance of credit quality of the Issuer.</p> <p>Vote in a Credit Rating Committee.</p>	
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The role and responsibilities of the Primary Analyst:

- Proposing a Rating Recommendation;
- Presenting the Rating Recommendation to the Credit Rating Committee;
- Communicating with the Issuer with respect to a Credit Rating Action;
- Ongoing Analytical Interactions with the Issuer; and
- Conducting ongoing surveillance of the credit-standing 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 Function, 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 Credit Rating Process. Factors that will be considered include, but are not limited to:

- Competence;
- Previous experience in the sector or with peers to the Rated Entity;
- Workload;
- Language skills; and
- Complexity of the engagement.

In addition, a Secondary Analyst will be assigned that should 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.

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. Voting rights are granted separately and individually by the Chief Rating Officer.

### 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 Credit Rating 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. The specific information requirements are determined for each industry segment but typically includes:

- Annual reports for at least the last three years (if available);
- 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 Credit Rating Process, the process will be suspended, and no Rating can be assigned. In some cases, NCR can produce a Credit Rating even without the information requirements listed above. For example, 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 Credit 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, except if requested by Supervisory Authorities to perform their duties. In addition, the Rating Recommendation, the full composition of the Credit Rating Committee, or the individual votes in the Credit Rating Committee will not be disclosed to external parties .
- Following the Credit Rating Committee, a draft of the Rating Action Report will be shared with the Issuer to check for factual errors and inadvertent inclusion of confidential information. The Issuer can also Appeal the Credit Rating Action if it has new material information to present. The Chairperson will determine whether an Appeal should be granted and if the Rating Committee should be reconvened. However, the Credit Rating Action 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 refer to other CRA's Ratings in peer comparisons and for information purposes.

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

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.

Only a Credit Rating Committee can review and determine Credit Ratings. The Credit Rating Committee considers and discusses the information and Rating Recommendation by the Primary Analyst. The Credit Rating 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 Credit Rating Committee, to ensure that the other voters have the possibility to sufficiently challenge the Rating Recommendation in the Rating Committee.

Credit Rating 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 Rating Committee.

The Primary Analyst's role in the Rating 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 Function assigned the responsibility to lead Rating 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 Credit Rating 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 and methodologies are appropriately applied.

The Voting Analyst's role in the Committee is to engage in a discussion about and effectively challenge 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. Commercial Employees must not participate in a Credit Rating Committee in any capacity.

For time-critical, event-driven Credit Rating Committees where three voters are not available, a Rating Committee can also take place with only two Voting Analysts, provided that the following conditions are met:

- The situation is an exceptional circumstance where only two Voting Analysts are temporarily available due to unforeseen events such as illness or accident.

- An unforeseen material credit event has occurred which could imply that the outstanding Credit Rating would now be misleading to investors.
- The two Voting Analysts reach a unanimous decision.
- The Chief Rating Officer approves that the Rating Committee can take place with only two voters.
- The Rating 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 Credit Rating only if the amount and quality of information and data available to NCR enables it to assign a Credit 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 considered for withdrawal. Information quality and availability are key variables in the internal control framework to ensure a robust and efficient Credit Rating Process.

The Rating Decision 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 Voting Analysts are available).
- Committee Rating Decisions are reached by consensus, and neither individual Committee member votes nor individual views expressed are recorded. If the Chairperson determines that further analysis or information is required before the Rating Committee can move to a vote, the Rating Committee may be suspended to allow this material to be gathered and for the Rating Committee to reconvene, as soon as possible thereafter.
- 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 approves the final version of the Rating Action Report to be published. If the Chairperson of the Credit Rating Committee is not available for the final signoff, the Chairperson can delegate the final approval of the Rating Committee if the Rating Action Report and Committee conclusions have been reviewed and accepted in advance by the Chairperson.

#### 3.2.6 Internal appeal

If an Employee that have taken part in the Credit Rating Committee is of the opinion that material matters were not sufficiently considered in the Credit Rating Committee, or that the Rating Committee was not sufficiently informed or competent to come to an informed Rating Decision, 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 Credit Rating Committee. The Chairperson and Compliance Officer decide if there are sufficient grounds to reopen or reconvene the Rating Committee.

The decision and information related to the Internal Appeal shall be documented in the final Credit Committee File.

### 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, or approved receivers in case of Private Credit Ratings) of the Credit 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 Action. 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, if 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 Rating Action Report, then NCR may publish the Credit Rating Action without further delay.

For draft Rating Action 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 receipt of the Rating Action Report. This period can be extended upon notification of the Compliance Function with a valid rationale. The Credit Rating is subject to surveillance during the consideration period.

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 rationale of 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 Rating Committee will determine whether an appeal should be granted and whether to reconvene the Rating Committee. If granted, the Credit Rating Committee will reconvene to discuss the new information and how it affects the Credit Rating Decision. The Credit Rating Decision could change or remain unchanged in the Appeal Rating Committee. The Issuer cannot appeal a Credit 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 an Issuer Credit Rating, on a non-selective basis and in a

timely manner. In the event of a decision to withdraw an issuer Credit Rating, the information disclosed shall include the reasons for the decision.

The key elements underlying a Credit Rating Action are published in the Rating Action Report. A Rating Action Report 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 Decision. The templates are updated on a regular basis to improve clarity and readability of the reports. The most current template is stored in a repository and should always be used for new Rating Action Reports. The key elements may vary between Issuers, as not all criteria factors might be relevant for all Issuers. The recommended key elements will be discussed in the Credit Rating Committee. Following the Rating Committee, the Primary Analyst will finalise the key elements in the Rating Action Report. These will be reviewed by the Committee Chairperson who will verify that the report reflects the Committee discussions and decisions.

Until disclosure to the public of a Credit Rating Action, 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; i.e. the Chairperson;
- (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) for sovereign Ratings, including local and regional governments, a summary of the Credit Rating Committee conclusions are required to be published as part of the Credit Rating Action report
- (vii) 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;
- (viii) in the case of a Rating outlook, the time horizon is provided during which a change in the Credit Rating is expected;
- (ix) 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;
- (x) 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;
- (xi) 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;
- (xii) 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;
- (xiii) 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;
- (xiv) 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;

- (xv) 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
- (xvi) 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 a Rating Decision if it can present new facts which were not previously considered by the Credit Rating Committee. The Chairperson decides whether or not to reconvene the Credit Rating Committee. A Rating Committee will only be reconvened if new information has appeared in the timeframe between the conclusion of the Rating Committee and the publication of the Rating Action Report. All new information discussed will be noted in the Rating Committee minutes and stored internally.

#### 3.2.10 Completion and publication of the rating report

The process and person responsible for publication of the Rating Action Report is as follows:

- Following the finalisation of the Credit Rating Committee the Primary Analyst completes the Rating Action Report.
- The Rating Action Report is reviewed by the Chairperson who will verify that the analysis reflects what was decided in the Rating Committee.
- The Analyst sends the Rating Action 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 Rating Action 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 Rating Action Report.
- The Issuer confirms in writing that NCR can release the Rating Action Report.
- The Analyst sends the Rating Action Report to the Chairperson for review and approval to release.
- The Chairperson authorises the publication of the Rating Action Report.
- The Rating Action Report is published on NCR's website.

- If the Issuer has decided to keep the Credit Rating Process confidential, the Rating Action Report will not be published and the Credit Rating remains confidential.

#### 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 Secondary 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-standing.

The purpose of all monitoring activities is to ensure that the current Credit Rating analysis reflects the last Credit Rating Committee decision. If the Primary Analyst believes that there has been a deviation in the credit-standing of an Issuer, an event-driven Credit Rating Committee should be convened and a new Rating Recommendation should be presented and discussed.

NCR shall monitor all its outstanding Credit Ratings on an ongoing basis and review them at least once within 365 days of the last Credit Committee review, or according to the published calendar within 6 months for local and regional government Ratings. 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 Credit 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 Issuer. 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 and Rating Decision shall be documented in the Credit Rating File and stored in a repository.

#### 4.1.3 Review of Credit Ratings

A review of a 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. Voting in a Credit Rating Committee is limited to Analytical Employees with voting rights.

Each Credit Rating Committee consists of at least three Voting 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 Recommendation in the Rating Committee. The majority vote determines the Credit Rating. Compliance and Review Function Employees may also participate in the Rating Committee (non-voting) as observers.

#### 4.1.4 Withdrawal of Credit Ratings based on lack of information

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 the *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 Ratings are determined by the Credit Rating Committee. Before the start of the Rating 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 Rating Committee conclusions.

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

With respect to external involvement in the Credit Rating Process, the Issuer, or Related Third Parties, must never be able to influence or exert undue influence on NCR, its Analysts, or the Credit Rating Process.

All Credit Ratings, or other applicable services, related to the Issuer will always be based on the official material provided by the Issuer, or Related Third Parties. To manage this process, management meetings typically include two Analysts from NCR in order to verify information relevant to the Credit Rating Process.

Analytical Interactions between the Issuer and the Rating Analyst is best received in writing when the specific information is perceived to be material for the Credit Rating Process. Any information received from the Issuer, including written notes from Analytical Interactions with the Issuer, used in the Credit Rating Process must always be stored in the Credit Rating File for that Issuer for internal control purposes and business continuity. In terms of Analytical Interactions 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 Credit Rating Process is also safeguarded through the Credit Rating Committee process, as no single Analyst can decide upon or publish a Credit Rating Action without a Rating Committee's control and approval. Prior to publishing the Rating Action 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 Rating Decision, it 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 Related Third Parties on the Credit 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 Rating Action Report 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 on an ongoing basis and at least annually, or twice a year for local and regional government Ratings as specified in section 4.1 of this Policy, 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 partly 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 in general and individual Issuers specifically.

## **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 Credit 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.

### **5.3 Rating nomenclatures used for sovereign entities including counties, municipalities and state-owned special purpose vehicles**

NCR shall use the term "local and regional governments" for Ratings on counties, municipalities and its related special purpose vehicles.

## **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 Credit Rating Committee.
- Withdrawal: A Credit Rating is withdrawn.

- Outlook new or outlook change: The assignment or revision of an outlook. An outlook can be stable, positive, negative, or developing. Short-term and Issue Ratings do not have outlooks.

## 6.2 Definition of statuses

Outlook: indicates the future possible alternative direction of the Issuer Rating:

- A 'stable' outlook indicates that the rating is unlikely to move within the near-term.
- A 'positive' or a 'negative' outlook indicates that there are Rating factors that point to that a Rating could be upgraded or downgraded, respectively, over the near-term.
- A 'developing' outlook is assigned in rare occasions where a Credit 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 Credit 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 or other clearly identifiable event material to the Credit Rating outcome. After successful debt placement, the Rating will be finalised following a review of the final documentation. If the debt placement or contingent event does not take place, the Credit Rating will be withdrawn. A preliminary Credit 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 Function will conduct portfolio reviews at least twice a year in order to ensure that Ratings remain correct 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"). All rated entities will be included at least twice 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 Rating Committee. However, it can be decided in

a portfolio review that a Credit Rating should be referred to a Rating Committee. Such Rating Committee would normally take place within the coming four weeks following the portfolio review. The decision to refer a Credit Rating to a Rating 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, reviews will be conducted on Credit Committee Files and Rating Action Reports with the purpose of ensuring consistency and improving clarity of both the internal and external analysis. The results of the review will be presented to the Independent Board Members, the Compliance Function, 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 Credit Rating Decisions reflects the applicable criteria and methodologies.
- 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 the Rating Committee conclusions are complete.

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

The Review Function also conducts default and transition studies to validate the Rating methodologies. These will be more qualitative in nature as NCR's rated portfolio needs to be of a certain size for quantitative analysis to become relevant. Please refer to *Policy on Rating Methodologies* for a description of 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 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*.

**9 DOCUMENT INFORMATION, VERSION HISTORY AND DISTRIBUTION**

**9.1 Document information**

<b>DOCUMENT STATUS</b>	
Version	5.9
Author	Compliance
Status	Effective 2024-10-30
Classification	Issuance and review of credit ratings
Adopted by:	Board of Directors
Adopted on:	2024-10-30
Next review date:	Jun. 2025

## 9.2 Version history

#	AUTHOR	ROLE	APPROVED	DATE	COMMENT
1.0	Thommessen	Author	BOD	2018-02-06	Initial application document
2.0	CCO	Author	CEO	2019-06-17	Non-material change made to section 3.2.6 – delivery of the draft report as soon as possible.
3.0	CEO, Compliance	Author	CEO	2019-08-26	Non-material change made to section 3.1 & 3.2.9 on confidential ratings, and 3.2.6 on the 30-days consideration period
4.0	CEO, Compliance	Author	CEO	2019-10-30	Non-material change made to section 3.1 (iv) on event driven committee, and 3.2.5 on Chairperson.
5.0	Compliance, CEO	Author	BOD	2020-03-24	Material change to include that a committee can take place with only two voters. Section 3.2.5 amended.
5.1	Compliance	Review	BOD	2020-06-16	Policy review 2020
5.2	Compliance	Review		2020-09-02	Minor editorial clarifications on process for new/existing ratings
5.3	Compliance	Review	BOD	2021-06-02	Avoidance of majority by primary and secondary and editorial changes.
5.4	Compliance	Update	BOD	2021-10-13	Gives junior analysts possibility to act as a secondary analyst without voting rights.
5.5	Compliance	Update	BOD	2022-05-31	Added internal appeal process and delegating of signoff for chair.
5.6	Compliance	Review	BOD	2023-04-20	Editorial changes
5.7	Compliance	Review	BOD	2023-11-03	Added LRG to Section 3.1, new rating nomenclature (Section 5.3) and 6-month review schedule as part of LRG-methodology amendments.
5.8	Compliance	Review	BOD	2024-06-17	Editorial changes, including clarification on review dates.
5.9	Compliance	Review	BOD	2024-10-30	Clarified need to include summary of Committee conclusions for LRG RAR. Editorial changes.

**9.3 Distribution and access**

<b>ROLE</b>	<b>NAME</b>	<b>E-MAIL</b>
1.0	All Employees	