

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

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## 1 INTRODUCTION

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

The purpose of this Policy is to set 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.

For defined terms used in this Policy, please see NCR's 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 Analytical Employees.

The contents of this Policy and any future updates 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, confer the procedures regarding the Compliance Function set out in the *Policy on Organisation of Material Functions*.

## 3 CREDIT RATING PROCESS

### 3.1 Quality and integrity of the Credit Rating Process

NCR shall ensure, at all times, the quality, integrity and thoroughness of its Credit Rating Process and review methods.

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 Transparency and disclosure of Credit Ratings

NCR shall ensure that Credit Ratings and Rating outlooks shall not present factors other than those related to the Credit Ratings. Furthermore, NCR shall ensure that the Credit Ratings and Rating outlooks are presented and processed in accordance with regulatory requirements, including disclosures of Credit Ratings, methodologies, models, key assumptions, and the quality of information used in NCR's Credit Rating Process.

### 3.3 Unsolicited Credit Ratings

NCR only provides solicited Credit Ratings, not unsolicited.

### 3.4 Issuance of new Credit Ratings

The Credit Rating Process at NCR for new Issuers, after a Commercial contract has been signed, shall include the following steps:

- (i) *Assignment of Analytical team.* The Chief Rating Officer assigns the analytical work to a Primary and Secondary Analyst.
- (ii) *Information gathering and management meeting.* The analytical team collects information from the Issuer and conducts an initial analysis. A meeting between the analytical team and the Issuer's management takes place, preferably at the Issuer's premises, and might include a site visit of Rating-relevant assets or operations.
- (iii) *Rating Recommendation.* The Primary Analyst prepares a 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.
- (iv) *Credit Rating Committee.* The Credit Rating Committee discusses the Rating Recommendation and comes to a Rating Decision.
- (v) *Issuer notification.* 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. A new Issuer has a consideration period of 30 days from the receipt of the Rating Action Report. This period may be extended under certain circumstances and a notification shall be sent to the Compliance Function with a rationale for the extension. The Credit Rating is subject to surveillance during the consideration period.
- (vi) *Right to Appeal.* The Issuer has the right to Appeal the Credit Rating, but only on the basis that it can provide material new information not already considered by the Credit Rating Committee.
- (vii) *Finalization of the Credit Rating.* There are three possible outcomes when a new Credit Rating has been assigned in a Credit Rating Committee:
  - a. The Rating Action Report is published on NCR's website on a date and time agreed on with the Issuer. The Credit Rating is now public. For Local and regional government Ratings, the Rating Action Report may only be published on a Friday after the close of business hours of regulated markets and at least one hour before their opening.
  - b. The Rating Action Report is not published if the Issuer has decided to keep the Credit Rating Process non-public. The Credit Rating is now confidential.
  - c. The Issuer decides to cancel the Credit Rating engagement and not make it public. The Credit Rating is cancelled.
- (viii) *Publication of a public Credit Rating.* For Issuers deciding to maintain a public Credit Rating from NCR, the Issuer has at least 24 hours to respond to a Rating Action Report, of which 8 shall be business hours (as determined by the time zone where the Issuer is located).

### 3.5 Ongoing surveillance of Credit Ratings

#### 3.5.1 Monitoring of Credit Ratings

NCR shall monitor its Credit Ratings on an ongoing basis and complete Formal Reviews in accordance with regulatory deadlines.

The purpose of all monitoring activities is to ensure that the Credit Rating reflects the last Rating Committee Decision. If the Primary Analyst believes that there may have been a

material change in the credit-standing of an Issuer or Credit Rating, a Credit Rating Committee shall be convened, and a new Rating Recommendation shall be discussed.

NCR must review public sovereign Credit Ratings, including local and regional governments (LRGs), at least, every six months in accordance with the Sovereign Calendar. All other public Credit Ratings shall be reviewed at least annually (once every 365 days).

Ongoing monitoring of a Credit Rating is conducted by the Analytical Function, typically by the Primary Analyst.

### 3.5.2 Periodic Rating Review

A Credit Rating review for regulatory purposes can be completed either through a Credit Rating Committee where all Credit Rating factors and key assumptions are reviewed and all relevant models are applied (annual review Committee), or through a Periodic Rating Review.

A Periodic Rating Review is not a Credit Rating Committee. Credit Rating Actions can only be determined by a Credit Rating Committee.

### 3.5.3 Macroeconomic council

The Analytical Function 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 the credit standing of Issuers.

### 3.5.4 Portfolio Reviews

NCR's Analytical Function shall conduct Portfolio Reviews at least once a year to ensure that all Credit Ratings are current, relevant compared with peers, and that emerging risks are analysed consistently within and across portfolios.

A Portfolio Review is a discussion forum for analysts but is not a Credit Rating Committee. However, it can be decided in a Portfolio Review that a specific, or group of, Credit Rating shall be referred to a Credit 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 Analytical Employee with Chairperson rights who is leading the Portfolio Review.

## 3.6 The Credit Rating Committee

A Credit Rating Action is decided by a Rating Decision in a Credit Rating Committee.

The Primary Analyst or a Chairperson can convene a Credit Rating Committee to assign new Credit Ratings or consider a potential Credit Rating Action for an existing Issuer in the light of a transaction, an event, changing macroeconomic or industry trends, changing methodology, or other changing circumstances.

There are two types of Credit Rating Committees:

- Annual review Committee, where all Credit Rating factors and key assumptions are reviewed in depth, and all relevant Rating Models are applied.
- Event-driven Committee, where only specific Credit Rating Factors or key assumptions are reviewed. An event-driven Committee is also required to make material changes to material Rating drivers, for example Rating triggers in Rating Outlooks.

### 3.6.1 Credit Rating Committee Composition

A Credit Rating Committee includes:

1. A Chairperson.
2. The Primary Analyst who is responsible for the Rating Recommendation, preparing the Credit Committee File, and the finalisation of the Rating Action Report.
3. One or more Voting Analysts assessed to have the experience and competence to vote in the Rating Committee.

The Credit Rating Committee typically consists of three or more Voting Analysts (including the Chairperson), each individual representing one vote. Voting members are chosen based on relevant experience, with the final composition determined by the Chairperson.

The Primary and Secondary Analysts 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.

The Credit Rating Committee could also have observing members, such as non-voting Analysts or Employees from the Compliance Function. Commercial Employees must not participate in a Credit Rating Committee in any capacity.

### 3.6.2 Two-voter exceptional circumstances

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 an accident.
- An unforeseen material credit event has occurred and, therefore, the Credit Rating needs to be reviewed immediately.
- The Chief Rating Officer approves that the Rating Committee can take place with only two voters.
- The two Voting Analysts reach a unanimous decision.
- The Rating Committee is attended by the Compliance Officer as an additional control.

### 3.6.3 The Credit Rating Committee Process

The Credit Rating Committee considers and discusses the Rating Recommendation made by the Primary Analyst that is presented in the Credit Committee File.

A Rating Decision is determined by majority vote. If a majority vote cannot be reached, additional Voting Analysts shall be added to the Credit Rating Committee in order to break the tie. Neither individual Voting Analysts' 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, at a later stage. This event shall be recorded in the committee conclusions.

### 3.6.4 Voting and Chairperson rights

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.

The Chairperson is a senior Analyst within the Analytical Function assigned the responsibility to lead Rating Committees. The Chairperson must also demonstrate the highest standards of judgement and understanding of NCR's policies and procedures. Chairperson eligibility is determined by the Chief Rating Officer.

### 3.6.5 Credit Rating Committee roles and responsibilities

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 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 Voting Analyst's role in the Rating Committee is to engage in a discussion about and effectively challenge the Rating Recommendation, provide opinions based on experience and judgement, and to cast an informed vote.

### 3.6.6 Committee conclusions

The Rating Decision and main discussion points are summarized in the Committee conclusions, which are drafted by an Analytical Employee and approved by the Chairperson.

### 3.6.7 External and internal Appeals

A Rating Decision made by a Credit Rating Committee can be Appealed. There are two different types of Appeals:

- External Appeal by an Issuer.

- Internal Appeal by an Analytical Employee.

A Rating Committee will only be reconvened if new information has appeared in the timeframe between the conclusion of the Rating Committee and before the publication of the Rating.

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

#### 3.6.7.1 Appeal by an Issuer

An Issuer has the right to Appeal a Credit Rating Decision when receiving the Credit Rating Action outcome.

The Appeal must be in written form and contain a clear rationale of the grounds for the Appeal. The Issuer shall 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 shall 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. Best practice is for the Credit Rating Committee to comprise the same Voters as the original Rating Committee, but the Rating Committee composition may change depending on Voting Analyst availability.

The Rating Decision could change or remain unchanged in the Appeal Rating Committee. The Issuer cannot appeal a Rating Decision a second time.

#### 3.6.7.2 Internal Appeals

If an Analytical Employee that has taken part in the Credit Rating Committee is of the opinion that material analytical factors 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 Analytical 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.

## 4 ANALYTICAL ROLES AND ALLOCATION OF ANALYTICAL WORK

### 4.1 Primary and Secondary Analyst designations and roles

The Chief Rating Officer allocates analytical 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.

The role and responsibilities of the Primary Analyst include:

- 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.

A Secondary Analyst is also assigned that 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 generally participate in Analytical Interactions with the Issuer, such as management meetings and conference calls.

## 5 RATING RELEASE AND PUBLISHING

A Credit Rating Action is announced using a Rating Action Report. Rating Action Reports for public Credit Ratings are published on NCR's website.

The Chairperson approves the Credit Rating Action and the final version of the Rating Action Report to be published (if the Credit Rating is public) or shared with the Issuer (if the Credit Rating is Confidential). If the Chairperson of the 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.

### 5.1 Issuer notification

For any Credit Rating Action, including outlook changes and watch placements, NCR shall inform the Issuer or its Related Third Party of the Credit Rating Action as soon as practically possible after the Credit Rating Committee's decision.

For public Credit Ratings, the Issuer shall be notified during the working hours of the Issuer of the principal grounds on which the Rating is based, typically through a Rating Action Report, at least 24 hours before publication of the Credit Rating Action. The sharing of the Rating Action Report with the Issuer shall be done in a way that guarantees the report's integrity and confidentiality, as a Rating Decision is considered inside information until released on NCR's website.

The Issuer can remark on factual errors and/or inadvertent inclusion of confidential information, if applicable. NCR shall not accept changes to its Credit Rating rationale unless factually incorrect.

The notification, of the Credit Rating Action through a Rating Action Report, to the Issuer or its Related Third Party shall occur during the working hours of the Issuer and at least a full

working day before publication (or dissemination to subscribers or approved receivers in case of Private Credit Ratings). 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.

Should NCR send a notification to the Issuer outside of the Issuer's working hours, the notification is considered as becoming valid at the opening of the Issuer's working hours.

## **5.2 Completion and publication of the Rating Action Report**

The Chairperson must check the Rating Action Report before release and, if approved, authorise the publication of the Rating Action Report.

Rating Action Reports are published on NCR's website and sent to ESMA's RADAR database.

If the Issuer has decided to keep the Credit Rating Process confidential, the Rating will not be made public in any form or way. However, if a Confidential Credit Rating is considered to have entered the public domain, NCR shall publish the Credit Rating on its website to ensure full public awareness.

## **5.3 Full Rating Report**

NCR typically publishes a Full Rating Report once per calendar year per Issuer. The Full Rating Report explains the key Credit Rating drivers, components, and assumptions in greater detail.

The Analytical Function decides on the most opportune timing for publication, based on market interest and availability of up-to-date Issuer information.

Publishing of a Full Rating Report is not a regulatory requirement.

# **6 INFORMATION QUALITY AND DOCUMENTATION**

NCR will only assign or maintain a Credit Rating if the amount and quality of information and data available to NCR enables it to assign and monitor a Credit Rating without compromising, in any way, the quality of the analysis supporting it. Information quality and availability are key variables in the internal control framework to ensure a robust and efficient Credit Rating Process.

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, and an existing Credit Rating shall be considered for withdrawal by a Credit Rating Committee.

## **6.1 Minimum information requirements**

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 specific information requirements for new Issuers are determined for each industry segment.

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. A decision to proceed with less-than-standard information or quality must be documented in the Credit Rating File.

For monitoring purposes, NCR expects to receive information on a timely basis from all Issuers.

## 6.2 Information quality

The control mechanisms for information quality in the Credit Rating Process, including the involvement of the Issuer/arranger/investor/servicer within this process, are:

- 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.
- 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.

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.

### 6.2.1 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.

## 7 PROCEDURES FOR DISCLOSURE AND PRESENTATION OF CREDIT RATINGS

NCR shall disclose any new Credit Rating, change in existing Credit Rating or outlook, watch placement, 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 a Credit Rating, the information disclosed shall include the reasons for the decision.

The key elements underlying the Credit Rating are published in the Rating Action Report. The key elements could vary slightly between Issuers as not all Criteria factors might be relevant for all Issuers.

Until disclosure to the public of a Credit Rating Action, and information relating thereto, it is classified as inside information and treated as such.

### 7.1 Disclosure of a Rating Decision

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

## 8 DOCUMENT INFORMATION, VERSION HISTORY AND DISTRIBUTION

### 8.1 Document information

DOCUMENT STATUS	
Version	6.0
Author	Compliance
Status	Effective 2024-12-16
Classification	Issuance and review of credit ratings
Adopted by:	Board of Directors
Adopted on:	2024-12-04
Next review date:	Jun. 2025

## 8.2 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	2024-10-16	Incorporate ESMA requirement to include summary of minutes of the rating committee in the Credit Rating Report. Editorial changes.
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.
6.0	Compliance	Review	BOD	2024-12-04	Rewrite to simplify policy and add Periodic Rating Review as a way to complete a Formal Review.

## 8.3 Distribution and access

ROLE	NAME	E-MAIL
1.0	All Employees	