

CODE OF CONDUCT

November 2023

CARE RATINGS (AFRICA) PRIVATE LIMITED



A subsidiary of CARE Ratings Limited, India

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DEFINITIONS

The terms/abbreviations which are used in this Code shall have the following meanings/ descriptions:

CRAF	:	CARE Ratings (Africa) Private Limited, a private limited company incorporated under Sec 24 of the Companies Act, and a Credit Rating Agency licensed by the Financial Services Commission pursuant to Sec 14 of the Financial Services ACT 2007 and the Financial Services (Consolidated Licensing and Fees) Rules 2008.
Client	:	means any person whose securities are rated by a credit rating agency
CRA	:	Credit Rating Agency
IOSCO	:	International Organization of Securities Commissions
Issuer	:	means a person whose securities are proposed to be rated by a credit rating agency
Rating	:	means an opinion regarding securities, expressed in the form of standard symbols or in any other standardised manner, assigned by a credit rating agency and used by the issuer of such securities.
BOM	:	Bank of Mauritius
FSC	:	Financial Services Commission
Securities	:	Has the meaning assigned to it in PART I section 2 of The Securities Act 2005 and also includes instruments and loans / facilities provided by banks.

INTRODUCTION

A credit rating agency is expected to observe highest standards of integrity and fairness in all its dealings. CARE Ratings (Africa) Private Limited (CRAF) is committed to continuously reviewing and monitoring its policies and procedures in light of the contemporary developments.

CRAF has also aligned its code of conduct with 'Code of Conduct Fundamentals for credit rating agencies' (the 'IOSCO Code') issued by the International Organization of Securities Commissions (IOSCO), as amended upto March 2015.

However, since CRAF is in the initial stage of operation the sheer size of the company makes it difficult to have so many different employees in different capacities as stated in IOSCO guidelines. But CRAF remains committed to follow the IOSCO guidelines in letter and spirit as is done by its parent, Credit Analysis & Research Limited (CARE). Hence over the next few years with increase in operation & rating activity, CRAF will increase the no. of senior employees with credit rating background who will monitor the various functions.

This code is available to public on CRAF's website at www.careratingsafrica.com. However, by making this code available to the public, CRAF does not assume any responsibility or liability to any third party arising out of or relating to this code. This code shall not form a part of any contract with any third party and no third party shall have any right (contractual or otherwise) to enforce any of this code's provisions, either directly or indirectly. CRAF, in its sole discretion, may revise this code to reflect changes in market, legal and regulatory circumstances and changes to CRAF's control, policies and procedures.

CRAF expects all employees to comply with this code and the related policies and procedures. Any exceptions to this code or the related policies and procedures should be approved in writing by the Compliance Officer of CRAF who shall be responsible for interpretation of this code and the related policies and procedures. Failure to comply with this code and the related policies and procedures could be sufficient reason for disciplinary action.

1. QUALITY AND INTEGRITY OF THE CREDIT RATING PROCESS

A. QUALITY OF THE CREDIT RATING PROCESS

- 1.1 CRAF has established and shall continue to maintain, document, and enforce a credit rating methodology for each class of entity or obligation for which CRAF issues credit ratings. Each credit rating methodology shall be rigorous, capable of being applied consistently, and, where possible, result in credit ratings that can be subjected to some form of objective validation based on historical experience.

All rating methodologies are available on CRAF's website: www.careratingsafrica.com

- 1.2 Credit ratings shall reflect all information known and believed to be relevant to CRAF, consistent with the applicable credit rating methodology that is in effect. CRAF has accordingly established and shall continue to maintain, document, and enforce policies, procedures, and controls to ensure that the credit ratings and related reports it disseminates are based on a thorough analysis of all such information.
- 1.3 CRAF shall adopt reasonable measures designed to ensure that it has the appropriate knowledge and expertise, and that the information it uses in determining credit ratings is of sufficient quality and obtained from reliable sources to support a high quality credit rating.
- 1.4 CRAF shall avoid issuing credit ratings for entities or obligations for which it does not have appropriate information, knowledge, and expertise. For example, where the complexity of a security or the structure of a type of security, or the lack of robust data about the assets underlying the security raise serious questions as to whether CRAF can determine a high quality credit rating for the security, CRAF shall refrain from issuing a credit rating.
- 1.5 In assessing creditworthiness, analysts involved in the credit rating action shall use the credit rating methodology established by CRAF for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology shall be applied in a manner that is consistent across all entities or obligations for which that methodology is used.
- 1.6 CRAF has defined the meaning of each category in its rating scales and apply those categories consistently across all classes of rated entities and obligations to which a given rating scale applies.

CRAF ratings for debt instruments indicate the probability of default of the rated instruments. CRAF also carries out performance evaluation for various entities, some of which include construction entities, due diligence/customer evaluation exercise. These are not credit ratings and carry specific definitions. In addition, CRAF carries out claims paying ability ratings of insurance companies, corporate governance ratings, SME ratings, mutual fund credit quality ratings, Grading of Initial Public offers, CRAF, Micro Finance Institutions, Energy Service Companies etc., which have separate, specific definitions. These definitions are available on our website and in corporate brochure and other publications.

- 1.7 credit ratings shall be assigned by CRAF as an entity (not by an analyst or other employee of CRAF). All ratings assigned by CRAF are assigned by a Committee based approach.
- 1.8 CRAF shall assign analysts who, individually or collectively (particularly where credit rating committees are used), have appropriate knowledge and experience for assessing the creditworthiness of the type of entity or obligation being rated.
- 1.9 CRAF shall maintain internal records that are accurate and sufficiently detailed and comprehensive to reconstruct the credit rating process for a given credit rating action. The records shall be retained for as long as necessary to promote the integrity of CRAF's credit rating process, including to permit internal audit, compliance, and quality control functions to review past credit rating actions in order to carry out the responsibilities of those functions. Further, CRAF shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that its employees comply with CRAF's internal record maintenance, retention, and disposition requirements and with applicable laws and regulations governing the maintenance, retention, and disposition of CRA records. CRAF is compliant with guidelines of FSC as per which CRAF maintains specified internal records for a period of five years after the redemption of the security being rated by CRAF.
- 1.10 CRAF shall establish, maintain, document, and enforce policies, procedures, and controls designed to avoid issuing credit ratings, analyses, or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of a rated entity or obligation.
- 1.11 CRAF shall ensure that it has and devotes sufficient resources to carry out and maintain high quality credit ratings.

When deciding whether to issue a credit rating for an entity or obligation, CRAF shall assess whether it is able to devote a sufficient number of analysts with the skill sets to determine high quality credit ratings, and whether the analysts will have access to sufficient information in order to determine a high quality credit rating.

- 1.12 CRAF shall establish and maintain a review function made up of one or more senior managers with appropriate experience to review the feasibility of providing a credit rating for a type of entity or obligation that is materially different from the entities or obligations CRAF currently rates. CRAF is in the initial stage of operation. Over the next few years, with increase in such type of cases, CRAF will increase no. of senior employees with credit rating background who will monitor the same.
- 1.13 CRAF shall establish and maintain a review function made up of one or more senior managers responsible for conducting a rigorous, formal, and periodic review, on a regular basis pursuant to an established timeframe, of all aspects of CRAF's credit rating methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. For example, CRAF shall assess whether existing credit rating methodologies and models for determining credit ratings of structured finance products are appropriate when the risk characteristics of the assets underlying a structured finance product change materially. CRAF is in the initial stage of operation. Over the next few years, CRAF will increase no. of senior employees with credit rating background who will assess the existing credit rating methodologies and models.

Over the next few years with increase in operation & rating activity, CRAF will establish a 'Quality Control Team' led by a senior officer, who is independent of rating operations. Periodically, based upon the circumstances which warrant the same, this team carries out/ proposes review of rating methodologies, which are placed before the Rating Committee which comprises majority of independent professionals who are independent of the business lines.

- 1.14 CRAF, in selecting the analyst or analysts who will participate in determining a credit rating, shall seek to promote continuity but also to avoid bias in the credit rating process.
- 1.15 CRAF shall ensure that sufficient employees and financial resources are allocated to monitoring and updating all its credit ratings. Except for a credit rating that clearly indicates it does not entail ongoing surveillance, once a credit rating is published, CRAF shall monitor the credit rating on an ongoing basis by:
- a. reviewing the creditworthiness of the rated entity or obligation regularly;
 - b. initiating a review of the status of the credit rating upon becoming aware of any information that might reasonably be expected to result in a credit rating action (including withdrawal of a credit rating), consistent with the applicable credit rating methodology;
 - c. reviewing the impact of and applying a change in the credit rating methodologies, models or key rating assumptions on the relevant credit ratings within a reasonable period of time;
 - d. updating on a timely basis the credit rating, as appropriate, based on the results of such review; and
 - e. incorporating all cumulative experience obtained.
- 1.16 CRAF shall strive to ensure that if it uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, each team shall have the requisite level of expertise and resources to perform their respective functions in a timely manner.
- 1.17 CRAF shall establish, maintain, document, and enforce policies and procedures that clearly set forth guidelines for disseminating credit ratings that are the result or subject of credit rating actions and the related reports, and for when a credit rating will be withdrawn.

CRAF's credit ratings are normally kept under surveillance during the life of the instrument with a detailed annual review involving interaction and discussion with the management of the rated entity. Rating review can also be triggered by any major development in the company or in the industry, which may have a significant bearing on the creditworthiness of the issuer. Private ratings which are carried out on a one time basis may not be placed on surveillance.

Ratings are normally withdrawn only when the rated instrument is fully repaid or extinguished or when the user of the rating expresses his no-objection for withdrawal of the same. In extreme cases of issuer non co-operation, CRAF suspends ratings with due notice to the issuer and the reason for suspension is disclosed publicly.

B. INTEGRITY OF THE CREDIT RATING PROCESS

- 1.18 CRAF and its employees shall deal fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.
- 1.19 CRAF's employees shall be held to the highest standards of integrity and ethical behavior, and CRAF shall continue to have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 1.20 CRAF and its employees shall not, either implicitly or explicitly, give any assurance or guarantee to an entity subject to a rating action, obligor, originator, underwriter, arranger, or user of CRAF's credit ratings about the outcome of a particular credit rating action. This does not preclude CRAF from developing preliminary indications in a manner that is consistent with Provisions 1.22 and 2.6(d) of the IOSCO CRA Code.
- 1.21 CRAF and its employees shall not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters, arrangers, or users of CRAF's credit ratings (e.g., subscribers) to pay for credit ratings or other services.
- 1.22 CRAF and its employees shall not make proposals or recommendations regarding the activities of rated entities or obligors that could impact a credit rating of the rated entity or obligation, including but not limited to proposals or recommendations about corporate or legal structure, assets and liabilities, business operations, investment plans, lines of financing, business combinations, and the design of structured finance products.
- 1.23 In each jurisdiction in which CRAF operates, CRAF shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that CRAF and its employees comply with CRAF's code of conduct and applicable laws and regulations.
- a. CRAF has established a compliance function responsible for monitoring and reviewing the compliance of CRAF and its employees with the provisions of CRAF's code of conduct and with applicable laws and regulations.
 - b. The compliance function also shall be responsible for reviewing the adequacy of CRAF's policies, procedures, and controls designed to ensure compliance with CRAF's code of conduct and applicable laws and regulations.
 - c. CRAF will assign a senior level employee with the requisite skill set to serve as CRAF's compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation are independent of CRAF's credit rating operations. CRAF is in the initial stage of operation. Over the next few years, it will appoint a senior level employee with the requisite skill set to serve as CRAF's compliance officer in charge of the compliance function. Till then MLRO will supervise the same.

All staff members of CRAF are governed by staff rules which also includes ethical conduct. Staff members, directors and rating committee members are required to comply with an elaborate code

of conduct. As per company's policy, compliance of the code of conduct has to be certified annually by all staff members, directors and rating committee members.

- 1.24 Upon becoming aware that another employee or an affiliate of CRAF is or has engaged in conduct that is illegal, unethical, or contrary to CRAF's code of conduct, CRAF employee shall report such information immediately to the compliance officer or another officer of CRAF, as appropriate, so proper action may be taken. CRAF's employees are not necessarily expected to be experts in the law. Nonetheless, CRAF's employees are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, CRAF shall take appropriate action, as determined by the laws and regulations of the jurisdiction and the policies, procedures, and controls established, maintained, documented, and enforced by CRAF. CRAF shall prohibit retaliation by CRAF or an employee against any employees who, in good faith, make such reports.

2. CRA INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. GENERAL

- 2.1 CRAF shall not delay or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on CRAF, a rated entity, obligor, originator, underwriter, arranger, investor, or other market participant.
- 2.2 CRAF and its employees shall use care and professional judgment to maintain both the substance and appearance of CRAF's and its employees' independence and objectivity.
- 2.3 CRAF's determination of a credit rating shall be influenced only by factors relevant to assessing the creditworthiness of the rated entity or obligation.
- 2.4 The credit rating CRAF assigns to an entity or obligation shall not be affected by whether there is an existing or potential business relationship between CRAF (or its affiliates) and the rated entity, obligor, originator, underwriter, or arranger (or any of their affiliates), or any other party.
- 2.5 CRAF shall operationally, legally, and, if practicable, physically separate its credit rating business and its analysts from any other businesses of CRAF that may present a conflict of interest. CRAF is in the initial stage of operation. Over the next few years, it will set up distinct teams for its analytical and business development functions.

For other businesses that do not necessarily present a conflict of interest, CRAF shall establish, maintain, document, and enforce policies, procedures, and controls designed to minimize the likelihood that conflicts of interest will arise. Apart from credit rating, CRAF is also involved in a few grading products. Grading business includes products which are different from credit rating products and have different grading/rating scales. These are essentially driven by the market's need and involve relative assessment within a particular industry. The grading products do not contain any aspect which may be advisory in nature and as such, they do not present any conflict of interest with the rating products.

CRAF shall continue to disclose why it believes those other businesses do not present a conflict of interest with its credit rating business.

B. CRA POLICIES, PROCEDURES, CONTROLS AND DISCLOSURES

- 2.6 CRAF has established, policies, procedures, and controls to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the credit rating methodologies, credit rating actions, or analyses of CRAF or the judgment and analyses of CRAF's employees. CRAF shall maintain, document, and enforce the said policies, procedures and controls. Among other things, the policies, procedures, and controls shall address how the following conflicts can potentially influence CRAF's credit rating methodologies or credit rating actions:
- a. being paid to issue a credit rating by the rated entity or by the obligor, originator, underwriter, or arranger of the rated obligation;
 - b. being paid by subscribers with a financial interest that could be affected by a credit rating action of CRAF;
 - c. being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to CRAF's credit ratings;
 - d. having a direct or indirect ownership interest in a rated entity or obligor, or having a rated entity or obligor have a direct or indirect ownership interest in CRAF.

In case CRAF's rating committee/board and the board of the rated entity have any common member, such members do not participate in the rating process of the concerned entity. This is also disclosed in all the rating reports as well as publicity materials concerning the said rating.

CRAF is not involved in providing a preliminary indication or similar indication of credit quality to an entity, obligor, originator, underwriter, or arranger prior to being hired to determine the final credit rating for the entity, obligor, originator, underwriter, or arranger.

- 2.7 CRAF shall disclose actual and potential conflicts of interest (including, but not limited to, those conflicts of interest identified in Principle 2.6 above) in a complete, timely, clear, concise, specific, and prominent manner. When the actual or potential conflict of interest is unique or specific to a credit rating action with respect to a particular rated entity, obligor, originator, lead underwriter, arranger, or obligation, such conflict of interest shall be disclosed in the same form and through the same means as the relevant credit rating action.
- 2.8 CRAF discloses the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers and shall continue to disclose the same in the following circumstances:
- a. When CRAF receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services, CRAF shall disclose such unrelated compensation as a percentage of total annual compensation received from such rated entity, obligor, lead underwriter, or arranger in the relevant credit rating report or elsewhere, as appropriate.
 - b. CRAF shall disclose in the relevant credit rating report or elsewhere, as appropriate, if it receives 10 percent or more of its annual revenue from a single client (e.g., a rated entity, obligor, originator, lead underwriter, arranger, or subscriber, or any of their affiliates).

- 2.9 CRAF agrees with IOSCO's guiding principle that it should be transparent in providing as much information to the public as feasible regarding the issues and issuers that it rates. With respect to Structured Finance Products, however, CRAF does not involve itself in ensuring that the issuer of the structured finance product discloses relevant information about obligations being rated or if the information remains non-public, as it is not feasible to do the same.
- 2.10 CRAF shall not hold or transact in trading instruments presenting a conflict of interest with CRAF's credit rating activities.
- 2.11 CRAF shall ensure that if it comes across instances where rated entities or obligors (e.g., sovereign nations or states) have, or are simultaneously pursuing, oversight functions related to CRAF, the employees responsible for interacting with the officials of the rated entity or the obligor (e.g., government regulators) regarding supervisory matters shall be separate from the employees that participate in taking credit rating actions or developing or modifying credit rating methodologies that apply to such rated entity or obligor. CRAF is in the initial stage of operation. Over the next few years, it will set up distinct teams for its analytical, supervisory and business development functions.

C. CRA EMPLOYEE INDEPENDENCE

- 2.12 Reporting lines for CRA employees and their compensation arrangements are structured to eliminate or effectively manage actual and potential conflicts of interest.
- a. CRAF employee who participates in or who might otherwise have an effect on a credit rating action with respect to an entity or obligation are not compensated or evaluated on the basis of the amount of revenue that CRAF derives from that entity or obligor.
 - b. CRAF shall conduct formal and periodic reviews of its compensation policies, procedures, and practices for CRA employees who participate in or who might otherwise have an effect on a credit rating action to ensure that these policies, procedures, and practices have not compromised and do not compromise the objectivity of CRAF's credit rating process.
- 2.13 CRAF's analysts who participate in or who might otherwise have an effect on a credit rating action do not initiate or participate in discussions with rated entities, obligors, arrangers, or subscribers regarding fees or payments charged to such rated entity, obligor, arranger, or subscriber. CRAF is in the initial stage of operation. Over the next few years, it will set up distinct teams for its analytical and business development functions.
- 2.14 CRAF's employees shall not participate in or otherwise influence CRAF's credit rating action with respect to an entity or obligation if the employee, an immediate family member of the employee (e.g., spouse, domestic partner, or dependent), or an entity managed by the employee (e.g., a trust):
- a. Holds or transacts in a trading instrument issued by the rated entity or obligor;
 - b. Holds or transacts in a trading instrument (other than a diversified collective investment scheme) that itself owns an interest in the rated entity or obligor, or is a derivative based on a trading instrument issued by the rated entity or obligor;
 - c. Holds or transacts in a trading instrument issued by an affiliate of the rated entity or obligor, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or CRAF;
 - d. Holds or transacts in a trading instrument issued by a lead underwriter or arranger of the rated obligation, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or CRAF;
 - e. Is currently employed by, or had a recent employment or other significant business relationship with the rated entity or obligor or a lead underwriter or arranger of the rated obligation that may cause or may be perceived as causing a conflict of interest;
 - f. Is a director of the rated entity or obligor, or lead underwriter or arranger of the rated obligation; or
 - g. Has, or had, another relationship with or interest in the rated entity, obligor, or the lead underwriter or arranger of the rated obligation (or any of their affiliates) that may cause or may be perceived as causing a conflict of interest.

CRAF's code of conduct for its employees includes trading policy, which, amongst other things, prohibits employees from transacting in securities when they possess confidential information concerning the issuer. Though Employees and Wholetime Directors are allowed to continue holding securities, they require prior approval to dispose of such securities subject to grey/restricted period. Employees and Wholetime Directors are not allowed to buy any fresh security, but are allowed to invest in units of mutual fund units, Government securities, etc. CRAF's Rating Committee Members and their dependents are not permitted to transact in the securities rated by CRAF. Further, the Rating Committee Members are not permitted to participate in the discussion for assigning rating to the entities in which he/she or their dependents holds any investment.

- 2.15 CRAF's analyst shall not hold or transact in a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility. This would not preclude an analyst from holding or trading a diversified collective investment scheme that owns a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility.
- 2.16 CRAF employee shall be prohibited from soliciting money, gifts, or favors from anyone with whom CRAF does business and shall be prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value as prescribed under the Gift Policy of the Company.
- 2.17 CRAF employee who becomes involved in a personal relationship (including, for example, a personal relationship with an employee of a rated entity, obligor, or originator, or the lead underwriter or arranger of a rated obligation) that creates an actual or potential conflict of interest shall be required under CRAF's policies, procedures, and controls to disclose the relationship to the compliance officer or another officer of CRAF, as appropriate.
- 2.18 CRAF has established policies, procedures, and controls for reviewing without unnecessary delay the past work of an analyst who leaves the employment of CRAF and joins an entity that the employee participated in rating, an obligor whose obligation the employee participated in rating, an originator, underwriter, or arranger with which the employee had significant dealings as part of his or her duties at CRAF, or any of their affiliates. CRAF shall continue to maintain, document, and enforce this policy.

3. RESPONSIBILITIES TO THE INVESTING PUBLIC, RATED ENTITIES, OBLIGORS, ORIGINATORS, UNDERWRITERS, AND ARRANGERS

A. TRANSPARENCY AND TIMELINESS OF CREDIT RATINGS DISCLOSURE

- 3.1 CRAF shall assist investors and other users of credit ratings in developing a greater understanding of credit ratings by disclosing in plain language, among other things, the nature and limitations of credit ratings and the risks of unduly relying on them to make investment or other financial decisions.

CRAF has classified instruments rated by it on the basis of complexity. This classification is available at www.careratingsafrica.com. Investors/market intermediaries/regulators or others are encouraged to write to CRAF for any clarifications.

Further, all disclosures of ratings including rating letters, carry the following disclaimer:

"CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades."

- 3.2 CRAF shall disclose sufficient information about its credit rating process and its credit rating methodologies, so that investors and other users of credit ratings can understand how a credit rating was determined by CRAF.
- 3.3 CRAF shall disclose a material modification to a credit rating methodology prior to the modification taking effect unless doing so would negatively impact the integrity of a credit rating by unduly delaying the taking of a credit rating action. In either case, CRAF shall disclose the material modification in a non-selective manner.

- 3.4 CRAF does not carry out unsolicited ratings at present. If CRAF decides to carry out unsolicited ratings, it shall disclose its policies and procedures that address the issuance of unsolicited credit ratings.
- 3.5 CRAF has disclosed its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.
- 3.6 CRAF has and shall continue to disclose clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 3.7 CRAF has and shall continue to differentiate credit ratings of structured finance products from credit ratings of other types of entities or obligations, through a different credit rating identifier. CRAF has and shall continue to disclose how this differentiation functions.
- 3.8 CRAF shall be transparent with investors, rated entities, obligors, originators, underwriters, and arrangers about how the relevant entity or obligation is rated.
- 3.9 Where feasible and appropriate, CRAF shall inform the rated entity, or the obligor or arranger of the rated obligation about the critical information and principal considerations upon which a credit rating will be based prior to disseminating a credit rating that is the result or subject of the credit rating action and afford such rated entity, obligor, or arranger an adequate opportunity to clarify any factual errors, factual omissions, or factual misperceptions that would have a material effect on the credit rating. CRAF shall duly evaluate any response from such rated entity, obligor, or arranger. Where in particular circumstances CRAF has not informed such rated entity, obligor, or arranger prior to disseminating a credit rating action, CRAF shall inform such rated entity, obligor, or arranger as soon as practical thereafter and, generally, shall explain why CRAF did not inform such rated entity, obligor, or arranger prior to disseminating the credit rating action.
- 3.10 When CRAF publicly discloses or distributes to its subscribers a credit rating that is the result or subject of the credit rating action, it shall do so as soon as practicable after taking such action.
- 3.11 When CRAF publicly discloses or distributes to its subscribers a credit rating that is the result or subject of a credit rating action, it shall do so on a non-selective basis.
- 3.12 CRAF shall disclose with a credit rating that is the result or subject of a credit rating action whether the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation participated in the credit rating process. Each credit rating not initiated at the request of the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation shall be identified as such. In case a rating is based on public information and not information provided by the issuer, such ratings are suffixed with the symbol "(pi)", where 'pi' stands for 'public information'.
- 3.13 CRAF shall clearly indicate the attributes and limitations of each credit rating, and the extent to which CRAF verifies information provided to it by the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation. For example, if the credit rating involves a type of entity or obligation for which there is limited historical data, CRAF shall disclose this fact and how it may limit the credit rating.

- 3.14 CRAF shall indicate in the announcement of a credit rating that is the result or the subject of a credit rating action when the credit rating was last updated or reviewed. The credit rating announcement shall also indicate the principal credit rating methodology or methodology version that was used in determining the credit rating and where a description of that credit rating methodology can be found. Where the credit rating is based on more than one credit rating methodology, or where a review of only the principal credit rating methodology might cause investors and other users of credit ratings to overlook important aspects of the credit rating, CRAF shall explain this fact in the credit rating announcement, and indicate where to find a discussion of how the different credit rating methodologies and other important aspects factored into the credit rating decision.
- 3.15 When rating a structured finance product, CRAF shall publicly disclose or distribute to its subscribers sufficient information about its loss and cash-flow analysis with the credit rating, so that investors in the product, other users of credit ratings, and/or subscribers can understand the basis for CRAF's credit rating. CRAF shall also publicly disclose or distribute information about the degree to which it analyzes how sensitive a credit rating of a structured finance product is to changes in the assumptions underlying the applicable credit rating methodology.
- 3.16 When issuing or revising a credit rating, CRAF shall explain in its announcement and/or report, wherever applicable, the key assumptions and data underlying the credit rating, including financial statement adjustments that deviate materially from those contained in the published financial statements of the relevant rated entity or obligor.
- 3.17 If CRAF discontinues monitoring a credit rating for a rated entity or obligation it shall either withdraw the credit rating or disclose such discontinuation to the public or to its subscribers as soon as practicable. A publication by CRAF of a credit rating that is no longer being monitored shall indicate the date the credit rating was last updated or reviewed, the reason the credit rating is no longer monitored, and the fact that the credit rating is no longer being updated.
- 3.18 To promote transparency and to enable investors and other users of credit ratings to compare the performance of different CRAs, CRAF shall disclose sufficient information about the historical transition and default rates of its credit rating categories with respect to the classes of entities and obligations it rates. This information shall include verifiable, quantifiable historical information, organized over a period of time, and, where possible, standardized in such a way to assist investors and other users of credit ratings in comparing different CRAs. If the nature of the rated entity or obligation or other circumstances make such historical transition or default rates inappropriate, statistically invalid, or otherwise likely to mislead investors or other users of credit ratings, CRAF shall disclose why this is the case.

B. THE TREATMENT OF CONFIDENTIAL INFORMATION

- 3.19 CRAF shall establish, maintain, document, and enforce policies, procedures, and controls to protect confidential and/or material non-public information, including confidential information received from a rated entity, obligor, or originator, or the underwriter or arranger of a rated obligation, and non-public information about a credit rating action (e.g., information about a credit rating action before the credit rating is publicly disclosed or disseminated to subscribers).
- a. The said policies, procedures, and controls shall prohibit CRAF and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to CRAF's credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in connection with CRAF's credit rating activities, unless disclosure is required by applicable law or regulation.
 - b. The policies, procedures, and controls shall require CRAF and its employees to take reasonable steps to protect confidential and/or material non-public information from fraud, theft, misuse, or inadvertent disclosure.
 - c. With respect to confidential information received from a rated entity, obligor, originator, underwriter, or arranger, the policies, procedures, and controls shall prohibit CRAF and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that CRAF will keep the information confidential, unless disclosure is required by applicable law or regulation.
 - d. With respect to a pending credit rating action, the policies, procedures, and controls shall prohibit CRAF and its employees from selectively disclosing information about the pending credit rating action, except to the rated entity, obligor, arranger, or their designated agents, or as required by applicable law or regulation.
- 3.20 CRAF shall establish, maintain, document, and enforce policies, procedures, and controls designed to prevent violations of applicable laws and regulations governing the treatment and use of confidential and/or material non-public information.
- 3.21 CRAF shall establish, maintain, document, and enforce policies, procedures, and controls that prohibit employees that possess confidential and/or material non-public information concerning a trading instrument from engaging in a transaction in the trading instrument or using the information to advise or otherwise advantage another person in transacting in the trading instrument.

4. GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING

- 4.1 CRAF's Board shall have ultimate responsibility for ensuring that CRAF establishes, maintains, documents, and enforces a code of conduct that gives full effect to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
- 4.2 CRAF is in the initial stage of operation. Over the next few years, with increase in rating activity CRAF will establish a Risk Management Committee headed by an Independent Director and consisting of senior employees with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk. The function is and shall continue to be independent of the internal audit function and make periodic reports to the Board and senior management to assist them in assessing the adequacy of the policies, procedures, and controls that establishes, maintains, documents, and enforces to manage risk, including the policies, procedures, and controls specified in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
- 4.3 CRAF has established and shall continue to maintain, document, and enforce policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals. The subject matter covered by the training shall be relevant to the employee's responsibilities and shall cover, as applicable, CRAF's code of conduct, CRAF's credit rating methodologies, the laws governing CRAF's credit rating activities, CRAF's policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and CRAF's policies and procedures for handling confidential and/or material non-public information.

5. DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS

- 5.1 CRAF's disclosures, including those specified in the provisions of the IOSCO CRA Code, shall be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 5.2 CRAF shall disclose with its code of conduct a description of how the provisions of its code of conduct fully implement the provisions of the IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (collectively, the "IOSCO provisions"). If CRAF's code of conduct deviates from an IOSCO provision, CRAF shall identify the relevant IOSCO provision, explain the reason for the deviation, and explain how the deviation nonetheless achieves the objectives contained in the IOSCO provisions. CRAF shall describe how it implements and enforces its code of conduct. CRAF also shall disclose as soon as practicable any changes to its code of conduct or changes to how it is being implemented or enforced.
- 5.3 CRAF has established and shall continue to maintain a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function shall establish, maintain, document, and enforce policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls shall specify the circumstances under which a complaint must be reported to senior management and/or the Board.
- 5.4 CRAF has publicly and prominently disclosed and shall continue to disseminate free of charge on its primary website:
 - a. CRAF's code of conduct (which encompasses Iosco Code of Conduct Fundamentals for CRAs);
 - b. a description of CRAF's credit rating methodologies;
 - c. information about CRAF's historic performance data; and
 - d. any other disclosures specified in the provisions of the IOSCO CRA Code as applicable.