



# Code of Business Conduct and Code of Ethics

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## INTRODUCTION

Capital Intelligence Ratings Ltd (“**CI**” or the “**Company**”) has a reputation for integrity, honesty and reliability. As an integral part of that reputation comes responsibility; the responsibility to provide credit opinions that are formed in accordance with the highest professional standards, that are fair and consistent with CI’s rating criteria and methodologies, and are not affected by conflicts of interest.

This *Code of Business Conduct and Code of Ethics* (the “**Code**”) summarises the key principles and rules adopted and implemented by CI to safeguard the integrity of the rating process, promote transparency in the Company’s credit rating activities, and eliminate or manage conflicts of interest.

All CI employees are expected to adhere to the Code, as well as associated policies and procedures, both in letter and in spirit.

Please read the Code carefully before reviewing the attached **Affirmation Statement**. If you have any questions as to the meaning of any part of this Code, or a situation arises that causes you to question whether your action is subject to the Code, please consult the Compliance Officer.

The Code is based on, and structured in accordance with, the International Organization of Securities Commissions’ Code of Conduct Fundamentals for Credit Rating Agencies published in May 2008 (the “**IOSCO CRA Code**”), as amended.

## 1. QUALITY AND INTEGRITY OF THE RATING PROCESS

### 1. A. Quality of the Rating Process

- 1.1 CI’s Credit Ratings shall be based on a thorough analysis of the quantitative and qualitative factors that may affect repayment capacity and shall be assigned in accordance with CI’s methodologies and established procedures. Ratings shall be assigned only when there is adequate information of sufficient quality to form a credible opinion of future creditworthiness. Such information may be provided by Rated Entities or obtained by CI from other sources it considers reliable. CI has no obligation to audit or perform any independent verification of financial information and may, in some cases, rely on unaudited financial data.
- 1.2 The rating methodologies used by CI shall be rigorous and systematic and, where possible, result in Credit Ratings that can be subjected to some form of objective validation based on historical experience, including back-testing.
- 1.3 In assessing the creditworthiness of a Rated Entity, Rating Analysts involved in the preparation or review of a rating action shall use criteria and methodologies established by CI. Rating Analysts shall apply a given criteria or methodology in a consistent manner, as determined by CI.
- 1.4 Credit Ratings shall be assigned by a vote of a rating committee and not by any individual Rating Analyst. Ratings shall reflect all relevant information known, and believed to be relevant, to the rating committee and shall be consistent with CI’s published methodologies. Rating committees shall be composed of Rating Analysts who, individually or collectively, have appropriate knowledge and experience in developing a rating opinion for the type of Issuer or issue being considered.

- 1.5 CI shall maintain internal records to support its credit opinions for a reasonable period of time, or in accordance with applicable law.
- 1.6 CI and its Rating Analysts shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of a Rated Entity. Such steps shall include, whenever possible, having a Rated Entity's senior management review credit rating reports and credit rating announcements for factual errors prior to publication.
- 1.7 Where the information provided by the rated entity either directly or through publicly available documents falls short of that required to adequately assess and monitor repayment capacity, CI shall consider suspending or withdrawing an issuer's ratings and the ratings of any obligations issued by it.
- 1.8 CI shall ensure that it has and devotes sufficient resources to carry out high-quality credit assessments of all Issuers and issues it rates. When deciding whether to rate or continue rating an Issuer or issue, CI shall assess whether it is able to devote sufficient personnel with sufficient skill sets to make a proper rating assessment, and whether its personnel will likely have access to sufficient information in order to make such an assessment. CI shall adopt reasonable measures so that the information it uses in assigning a Rating is of sufficient quality to support a credible Rating. If the Rating involves a type of financial product presenting limited historical data (such as an innovative financial vehicle), CI shall make clear, in a prominent place, the limitations of the rating.
  - 1.8.1 CI's Internal Review Unit shall be responsible for periodically reviewing its methodologies and key rating assumptions, as well as any significant changes or modifications thereto. The Internal Review Unit shall be independent of the business lines which are responsible for Credit Rating Activities and shall report to CI's Supervisory Committee.
  - 1.8.2 CI has established a review process to examine the feasibility of providing a Credit Rating for a type of Entity or instrument that is materially different from the Entities or instruments CI currently rates. CI's Internal Review Unit members shall participate in this review process as mandated in the Company's internal policies.
- 1.9 CI shall structure its rating teams to promote continuity and avoid bias in the rating process.

## **B. Monitoring and Updating**

- 1.10 CI shall ensure that adequate personnel and financial resources are allocated to monitoring and updating its Credit Ratings. Except for Credit Ratings that clearly indicate they do not entail ongoing surveillance, once a Rating is published CI shall monitor on an ongoing basis and update the Rating by:
  - a. regularly reviewing the Rated Entity's creditworthiness;
  - b. initiating a review of the status of the Rating upon becoming aware of any information that might reasonably be expected to result in a rating action (including the suspension or withdrawal of a rating), consistent with the applicable rating methodology; and
  - c. updating on a timely basis the Rating, as appropriate, based on the results of such a review.
  - d. reviewing the impact of a change in the credit rating methodologies, models, key rating assumptions on the relevant credit rating as soon as possible and no later than six months after the change, in the meantime placing those ratings under observation.

Subsequent monitoring shall incorporate all cumulative experience obtained. Changes in ratings criteria and assumptions shall be applied where appropriate to both initial ratings and subsequent ratings.
- 1.11 Except for private ratings provided only to the Issuer, any decision to suspend, withdraw or discontinue the ratings of an Issuer or issue shall be published on CI's website in a timely manner and shall include full reasons for the decision. Continuing publications by CI of the discontinued Rating shall indicate the date the Rating was last updated and the fact that the Rating is no longer being updated.

### **C. Integrity of the Rating Process**

- 1.12 CI and its Employees should 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 or material non-public information.
- 1.13 CI and its Employees shall deal fairly and honestly with Rated Entities, investors, other market participants, and the public.
- 1.14 CI's Rating Analysts shall be held to high standards of integrity, and CI shall not employ individuals where there is evidence that they have compromised integrity.
- 1.15 CI and its Employees shall not, either implicitly or explicitly, give any assurance or guarantee of a particular Credit Rating prior to a thorough analysis of the Rated Entity and the determination of its Rating by a rating committee.
- 1.16 CI and its Employees should not make promises or threats about potential credit rating actions to influence Rated Entities, related parties or subscribers.
- 1.17 CI and its Employees must not make proposals or recommendations, either formally or informally, regarding the design or structuring of any entity or issue rated by CI or on which CI is expected to issue a Credit Rating.
- 1.18 CI's Compliance Officer shall be responsible for CI's and CI's Employees' compliance with this Code, related policies, and applicable laws and regulations. The Compliance Officer shall not be directly involved in Credit Rating Activities and shall not perform any other role within the Company that may present a conflict with the compliance function. The compensation of the Compliance Officer shall not be linked to the business performance of CI.
- 1.19 It is the duty of all CI Employees to comply fully with the Code. Where an Employee becomes aware of any violations of the Code by another Employee or entity under common control with CI, the Employee is expected to report such violations immediately to the Compliance Officer so that appropriate action may be taken. CI's management shall prohibit retaliation by other CI staff or by CI itself against any Employees who, in good faith, report possible violations of this Code.

## **2. INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST**

### **A. General**

- 2.1 CI shall not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on CI, a Rated Entity, an investor, or other market participant.
- 2.2 CI and CI's Rating Analysts shall use care and professional judgement to maintain both the substance and appearance of independence and objectivity.
- 2.3 The determination of a Credit Rating shall be influenced only by factors relevant to the credit assessment.
- 2.4 The Credit Rating CI assigns to a Rated Entity shall not be affected by the existence of, or potential for, a business relationship between CI (or its affiliates) and the Rated Entity (or its affiliates) or any other party, or the non-existence of such a relationship.
- 2.5 CI shall not provide advisory or consultancy services to a Rated Entity or Related Third Party regarding corporate or legal structure, assets, liabilities or the activities of the Rated Entity or Related Third Party.
- 2.6 CI does not provide any Ancillary Services, as defined in the [Glossary of Terms](#) in the Annex to this Code. In the event of any ancillary business operations being undertaken in the future, CI shall take steps to minimise the likelihood of conflicts of interest arising with its credit rating business and shall disclose in the final credit rating reports any Ancillary Services provided for the Rated Entity or any Related Third Party.
- 2.7 CI will not issue a Credit Rating, or in the case of an existing Credit Rating will immediately disclose, if the Rated Entity or a Related Third Party is directly or indirectly linked to CI by control.
- 2.8 CI will not issue a Credit Rating, or in the case of an existing Credit Rating will immediately disclose, if CI or an Employee who is directly involved in the issuing or approving of the Credit Rating directly or indirectly own financial instruments of the Rated Entity or a Related Third Party or has any other direct or indirect ownership interest in that entity or party, other than holdings in diversified collective investment schemes.

- 2.9 CI will not issue a Credit Rating, or in the case of an existing Credit Rating will immediately disclose, if an Employee who is directly involved in the issuing or approving of the Credit Rating is a member of the administrative or supervisory board of the Rated Entity or a Related Third Party.
- 2.10 CI will not issue a Credit Rating, or in the case of an existing Credit Rating will immediately disclose, if a Rating Analyst who participated in determining the rating, or a person who approved the rating, has had a relationship with the Rated Entity or a Related Third Party which may cause a conflict of interest.

## **B. Procedures and Policies**

- 2.11 CI shall adopt written internal procedures and mechanisms to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and the analyses CI makes, or the judgement and analyses of the individuals CI employs who have an influence on ratings decisions. Details of conflict avoidance and management measures are provided throughout this Code. A list of actual and [potential conflicts of interest](#) is available on CI's website.
- 2.12 CI's disclosures of actual and potential conflicts of interest shall be complete, timely, clear, concise, specific and prominent.
- 2.13 CI shall disclose the general nature of its compensation arrangements with Rated Entities and shall make every effort to ensure that the payment of fees by Rated Entities does not conflict with the objectivity and integrity of CI's Credit Ratings and rating actions.
- 2.14 CI shall disclose to the public the names of the Rated Entities or Related Third Parties from which it receives more than 5% of its annual revenue.
- 2.15 CI and its Employees shall not engage in any securities or derivatives trading presenting conflicts of interest with CI's Credit Rating Activities.
- 2.16 In instances where Rated Entities (e.g. governments) have, or are simultaneously pursuing, oversight functions related to CI, CI shall, to the extent possible, use different Employees to conduct its rating actions than those Employees involved in its oversight issues.

## **C. Analyst and Employee Independence**

- 2.17 Reporting lines for CI Employees and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest.
  - a. The compensation and performance evaluation of Rating Analysts shall not be contingent on the amount of revenue that CI derives from Rated Entities or Related Third Parties.
  - b. CI shall conduct periodic reviews of compensation policies and practices for Rating Analysts and any other Employees who could potentially have an effect on the rating process to ensure that these policies and practices do not compromise the objectivity of CI's rating process.
- 2.18 CI Employees who are directly involved in Credit Rating Activities shall not initiate or participate in negotiations regarding fees or payments with any Rated Entity, Related Third Party or any person directly or indirectly linked to the Rated Entity by control.
- 2.19 No CI Employee shall participate in or otherwise influence the determination of a Credit Rating of any particular Rated Entity if that Employee or an Associated Person:
  - a. Owns financial instruments of the Rated Entity, other than holdings in diversified collective investment schemes (including managed funds such as pension funds or life insurance);
  - b. Owns financial instruments of any entity related to a Rated Entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes; or
  - c. Has had a recent employment, business or other relationship with the Rated Entity that may cause or may be generally perceived as causing a conflict of interest.

- 2.20 CI Employees and Associated Persons shall not buy or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by any Rated Entity within their area of primary analytical responsibility, other than holdings in diversified collective investment schemes.
- 2.21 CI Employees shall not solicit or accept money, gifts or favours from anyone with whom CI does business.
- 2.22 A Rating Analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a Rated Entity or agent of such entity within his or her area of analytical responsibility), must disclose such a relationship to the Compliance Officer and Managing Director.
- 2.23 Where a Rating Analyst terminates his or her employment and joins a Rated Entity, which he or she has been involved in rating, or a financial firm, with which he or she has had dealings as part of his or her duties at CI, CI shall review the relevant work of the Rating Analyst over two years preceding his or her departure.

### 3. RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS

#### A. Transparency and Timeliness of Ratings Disclosure

- 3.1 CI shall make available its credit rating actions regarding the entities and securities it rates.
- 3.2 CI shall publish on its website its policies for distributing ratings, reports and updates (see ***Policy on Distributing Credit Ratings, Reports and Updates*** at [www.ciratings.com](http://www.ciratings.com)).
- 3.3 CI shall ensure that each credit rating announcement contains at least the following information: the names and job titles of the Primary Rating Analyst and chairman of the rating committee; the date at which the Rating was first released for distribution and when it was last updated; the principal methodology or methodology version that was used in determining the Rating and where a description of that methodology can be found; the main source(s) of information used to prepare the Credit Rating; and whether the Rating has been disclosed to the Rated Entity and amended following that disclosure before being issued. 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, CI shall explain this fact in the credit rating announcement and indicate how the different methodologies or these other aspects are taken into account in the Credit Rating.
- 3.4 Except for private ratings provided only to the issuer, CI shall disclose all Credit Ratings, as well as any decision to discontinue a Credit Rating, on a non-selective basis and in a timely manner. Credit Ratings and credit rating announcements shall be freely available to registered users of CI's website. Full rating reports and commentaries shall be made available to paying subscribers only.
- 3.5 CI shall publish sufficient information about its procedures, methodologies and assumptions (including financial statement adjustments that deviate materially from those contained in the issuer's published financial statements and a description of the rating committee process) so that outside parties can understand how a Rating was arrived at by CI. This information will include (but not be limited to) the meaning of each rating category, the definition of default, and the time horizon of the Rating.
  - a. CI shall assist investors in developing a greater understanding of what a Credit Rating is, and the limits to which Credit Ratings can be put to use vis-à-vis a particular type of financial product that CI rates. CI shall indicate in each credit rating announcement whether the quality of information available on the Rated Entity is considered to be satisfactory and to what extent CI has verified information provided to it by the Rated Entity or its Related Third Party. If a Credit Rating involves a type of entity or financial instrument for which historical data is limited, CI shall state the limitations of the Credit Rating. In addition, each credit rating announcement shall contain a direct web link to information on the attributes and limitations of CI's Credit Ratings.
- 3.6 When issuing or revising a Rating, CI shall explain in its credit rating announcements and reports the key elements underlying the rating opinion.
- 3.7 CI shall notify the Rated Entity during working hours of the Rated Entity and at least a full working day before publication of the Credit Rating and of the principal grounds on which the Rating is based, in order to give the Entity the opportunity to correct any factual errors.
- 3.8 In order to promote transparency and to enable the market to best judge the performance of the Ratings, CI, where possible, shall publish sufficient information about the historical default rates of CI rating categories and whether the default rates of these categories have changed over time. If the nature of the Rating or other circumstances make a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the Rating, CI shall explain this. Where feasible, this information shall include historical

information about the performance of its rating opinions, organised and structured, and, where possible, standardised in such a way to assist investors in drawing performance comparisons between different credit rating agencies.

- 3.9 Unsolicited Credit Ratings – where the Rated Entity does not pay a rating fee and has not formally requested the Rating – shall be identified as such by CI in credit rating announcements and rating reports. When a Rating is unsolicited, CI shall also disclose whether or not the Rated Entity participated in the rating process and whether CI had access to the internal accounts, management and other relevant internal documents of the Rated Entity. CI's policy regarding unsolicited Credit Ratings shall be made available on the Company's website (see [Policy on Unsolicited Ratings](#) at [www.ciratings.com](http://www.ciratings.com)).
- 3.10 CI shall fully and publicly disclose any material modification to its methodologies and significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications shall be made prior to their coming into effect. CI shall carefully consider the various uses of Credit Ratings before modifying its methodologies, practices, procedures and processes.

#### **B. The Treatment of Confidential Information**

- 3.11 CI shall adopt procedures and mechanisms to protect the confidential nature of information shared with it by Rated Entities under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially. Unless otherwise permitted by the confidentiality agreement and consistent with applicable laws or regulations, CI and its Employees should not disclose confidential information in credit rating announcements, through research conferences, to future employers, or in conversations with investors, other Issuers, other persons, or otherwise.
- 3.12 CI shall use confidential information only for purposes related to its Credit Rating Activities or otherwise in accordance with any confidentiality agreements with the Rated Entity.
- 3.13 Employees shall not share confidential information entrusted to CI with employees of any affiliated entities. Employees may disclose non-public information only to other Employees within CI on an "as needed" basis and the information may be used only for internal analytical purposes.
- 3.14 In preservation of confidential information, CI Employees should familiarise themselves with the internal securities trading policies of the Company, and periodically certify their compliance as required by such policies.
- 3.15 CI Employees should not use or share confidential information for the purpose of trading securities, or for any other purpose other than the conduct of CI's business.
- 3.16 CI Employees shall be prohibited from engaging in transactions in securities when they possess confidential information concerning the Issuer of such security.
- 3.17 Employees must not disclose any non-public information about Credit Ratings or possible future credit rating actions of CI, except to the Rated Entity or its Related Third Party.
- 3.18 CI Employees shall take all reasonable measures to protect all property and records belonging to or in the possession of CI from fraud, theft or misuse.

#### **4. DISCLOSURE OF THE CODE OF CONDUCT AND COMMUNICATION WITH MARKET PARTICIPANTS**

- 4.1 The Managing Director is responsible for the approval and maintenance of all policies and procedures related to the Code of Business Conduct and Code of Ethics. The Compliance Officer is responsible for overseeing the implementation and enforcement of policies and procedures related to the Code.
- 4.2 The Company's Supervisory Committee shall evaluate, report and disclose, on an annual basis, the Company's adherence to the IOSCO Code. The principal findings of the report and the Company's explanation for any deviations from the IOSCO provisions shall be published on the Company's website.
- 4.3 Any questions, concerns or complaints about CI that market participants or the public may have should be made in writing to the Managing Director.
- 4.4 CI shall make easily accessible on its website: (1) The Code of Business Conduct and Code of Ethics; (2) a description of the methodologies it uses; and (3) information about the historical default rates and transitions between each of CI's rating categories, where the sufficient data exists.

- 4.5 CI's disclosures, required by all applicable laws, regulations and provisions of this Code, should be complete, fair, accurate, timely and understandable to investors and other users of credit ratings.

## Glossary of Terms

**'Ancillary Services'** mean services that are not part of Credit Rating Activities and which could potentially be provided by CI. They comprise market forecasts, estimates of economic trends, pricing analysis and other general data analysis, as well as related distribution services.

**'Associated Persons'** include: (a) spouses and partners; (b) dependent children; (c) relatives sharing the same household as an Employee; and (d) any legal person, trust or partnership, whose managerial responsibilities are discharged by an Employee or by a person referred to (a), (b), (c) of this point, or which is directly or indirectly controlled by an Employee or an Associated Person, or that is set up for the benefit of an Employee or an Associated Person, or whose economic interests are substantially equivalent to those of an Employee or an Associated Person.

**'Credit Rating'** (or **'Rating'**) means an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, or other financial instrument, or of an Issuer of such a debt or financial obligation, debt security, or other financial instrument, issued by CI using CI's established rating symbols and rating definitions. For the purpose of the Code, the term shall be interpreted broadly to include financial strength ratings and support ratings, as well as all types of issuer and issue ratings, national ratings and rating outlooks.

**'Credit Rating Activities'** means data and information analysis and the evaluation, approval, issuing and review of Credit Ratings.

**'Employee'** means any individual who works for Capital Intelligence Ratings Ltd in any capacity and includes full-time staff and part-time staff and staff located overseas, including the Company's Hong Kong office. For the purpose of this Code of Business Conduct and Code of Ethics, Employee also includes any other natural person whose services are placed at CI's disposal or under its control and who are directly involved in credit rating activities.

**'Financial Instrument'** means any transferable security, money market instrument, derivative contract or derivative instrument, including options, futures, swaps, and forward rate agreements (see [Policy on Conflicts of Interest, Securities Ownership and the Treatment of Confidential Information](#), available on the CI internal network, for a full definition).

**'Rating Analyst'** (or **'Analyst'**) means an employee of CI who performs analytical functions that are necessary for the issuing of a Credit Rating and includes those persons responsible for approving Credit Ratings.

**'Rated Entity'** means a legal person whose creditworthiness is explicitly or implicitly rated in the Credit Rating, whether or not it has solicited that Credit Rating and whether or not it has provided information for that Credit Rating. The term covers entities that have been assigned Ratings by CI and entities which CI is in the process of rating. The term 'Rated Entity' and **'Issuer'** are used interchangeably in this Code.

**'Related Third Party'** means the originator, arranger, sponsor, servicer or any other party that interacts with CI on behalf of a Rated Entity, including any person directly or indirectly linked to that Rated Entity by control.