

# INC RATING – Code of Conduct

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# **1. QUALITY AND INTEGRITY OF THE CREDIT RATING PROCESS**

## **A. Quality of the Credit Rating Process**

1.1 INC Rating establishes, maintains, documents, and enforces a credit rating methodology for each class of entity or obligation for which the Agency issues credit ratings. Each credit rating methodology is 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.

1.2 Credit ratings reflect all information known and believed to be relevant to the Agency, consistent with the applicable credit rating methodology that is in effect. Therefore, the INC Rating establishes, maintains, documents, and enforces 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 INC Rating adopts 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 INC Rating avoids 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 the Agency can determine a high quality credit rating for the security, the Agency refrains from issuing a credit rating.

1.5 In assessing creditworthiness, analysts involved in the credit rating action use the credit rating methodology established by the Agency for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology is applied in a manner that is consistent across all entities or obligations for which that methodology is used.

1.6 INC Rating defines 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.

1.7 Credit ratings are assigned by the Agency as an entity (not by an analyst or other employee of the Agency).

1.8 INC Rating assigns 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 INC Rating maintains internal records that are accurate and sufficiently detailed and comprehensive to reconstruct the credit rating process for a given credit rating action. The records are retained for as long as necessary to promote the integrity of the Agency'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, Agency establishes, maintains, documents, and enforces policies, procedures, and controls designed to ensure that its employees comply with the Agency's internal record maintenance, retention, and disposition requirements and with applicable laws and regulations governing the maintenance, retention, and disposition of Agency records.

1.10 INC Rating establishes, maintains, documents, and enforces 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 INC Rating ensures 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, Agency assesses 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 INC Rating establishes and maintains 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 the Agency currently rates.

1.13

INC Rating establishes and maintains 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 the Agency's credit rating methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. For example, Agency assesses whether existing credit rating methodologies and models for determining credit ratings are appropriate when the risk characteristics of the assets underlying a finance product change materially. Where feasible and appropriate for the size and scope of its credit rating business, this function is independent of the employees who are principally responsible for determining credit ratings.

1.14 INC Rating, in selecting the analyst or analysts who will participate in determining a credit rating, seeks to promote continuity but also to avoid bias in the credit rating process. For example, in seeking to balance the objectives of continuity and bias avoidance, Agency could assign a team of analysts to participate in determining the credit rating – some for whom the rated entity or obligation is within their area of primary analytical responsibility and some of whom have other areas of primary analytical responsibility.

1.15 INC Rating ensures 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, Agency monitors 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 If Agency uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, each team have the requisite level of expertise and resources to perform their respective functions in a timely manner.

1.17 INC Rating establishes, maintains, documents, and enforces 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.

## **B. Integrity of the Credit Rating Process**

1.18 INC Rating and its employees deals fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.

1.19 INC Rating's employees is held to the highest standards of integrity and ethical behavior, and Agency has policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.

1.20 INC Rating and its employees do 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 the Agency's credit ratings about the outcome of a particular credit rating action. This does not preclude the Agency 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 INC Rating and its employees do not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters, arrangers, or users of the Agency's credit ratings (e.g., subscribers) to pay for credit ratings or other services.

1.22 INC Rating and its employees do 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 and business combinations.

1.23 In each jurisdiction in which INC Rating operates, Agency establishes, maintains, documents, and enforces policies, procedures, and controls designed to ensure that the Agency and its employees comply with the Agency's code of conduct and applicable laws and regulations.

a. INC Rating establishes a compliance function responsible for monitoring and reviewing the compliance of the Agency and its employees with the provisions of the Agency's code of conduct and with applicable laws and regulations.

b. The compliance function also is responsible for reviewing the adequacy of the Agency's policies, procedures, and controls designed to ensure compliance with the Agency's code of conduct and applicable laws and regulations.

c. INC Rating assigns a senior level employee with the requisite skill set to serve as the Agency's compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation are independent of the Agency's credit rating operations.

1.24 Upon becoming aware that another employee or an affiliate of INC Rating is or has engaged in conduct that is illegal, unethical, or contrary to the Agency's code of conduct, the Agency employee reports such information immediately to the compliance officer or another officer of the Agency, as appropriate, so proper action may be taken. The Agency's employees are not necessarily expected to be experts in the law. Nonetheless, INC Rating employees are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, INC Rating is obligated to 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 the Agency. Agency prohibits retaliation

by the Agency 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 INC Rating does not delay or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on the Agency, a rated entity, obligor, originator, underwriter, arranger, investor, or other market participant.

2.2 INC Rating and its employees use care and professional judgment to maintain both the substance and appearance of the Agency's and its employees' independence and objectivity.

2.3 INC Rating's determination of a credit rating is influenced only by factors relevant to assessing the creditworthiness of the rated entity or obligation.

2.4 The credit rating a INC Rating assigns to an entity or obligation is not affected by whether there is an existing or potential business relationship between the Agency (or its affiliates) and the rated entity, obligor, originator, underwriter, or arranger (or any of their affiliates), or any other party.

2.5 INC Rating operationally, legally, and, if practicable, physically separates its credit rating business and its analysts from any other businesses of the Agency that may present a conflict of interest. For other businesses that do not necessarily present a

conflict of interest, the Agency establishes, maintains, documents, and enforces policies, procedures, and controls designed to minimize the likelihood that conflicts of interest will arise. INC Rating discloses why it believes those other businesses do not present a conflict of interest with its credit rating business.

## **B. INC RATING Policies, Procedures, Controls and Disclosures**

2.6 INC Rating establishes, maintains, documents, and enforces 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 the Agency or the judgment and analyses of the Agency's employees. Among other things, the policies, procedures, and controls addresses (as applicable to the Agency's business model) how the following conflicts can potentially influence the Agency'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 the Agency;
- c. being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to the Agency's credit ratings;
- d. 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; and
- e. 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 the Agency.

2.7 INC Rating discloses 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 is disclosed in the same form and through the same means as the relevant credit rating action.

2.8 INC Rating discloses the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.

a. When INC Rating receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services<sup>1</sup>, Agency discloses 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. INC Rating discloses 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 INC Rating discloses in its credit rating announcement whether the issuer has informed the Agency that it is publicly disclosing all relevant information about the obligation being rated or if the information remains non-public.

2.10 INC Rating does not hold or transact in trading instruments presenting a conflict of interest with the Agency's credit rating activities.

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<sup>1</sup> This compensation may come from the ancillary services, which are defined in the same way as in the CRA Regulation.

2.11 In instances where rated entities or obligors (e.g., sovereign nations or states) have, or are simultaneously pursuing, oversight functions related to the Agency, the employees responsible for interacting with the officials of the rated entity or the obligor (e.g., government regulators) regarding supervisory matters are separated 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.

### **C. INC RATING Employee Independence**

2.12 Reporting lines for INC Rating employees and their compensation arrangements are structured to eliminate or effectively manage actual and potential conflicts of interest.

a. INC Rating employee who participates in or who might otherwise have an effect on a credit rating action with respect to an entity or obligation is not compensated or evaluated on the basis of the amount of revenue that the Agency derives from that entity or obligor.

b. INC Rating conducts formal and periodic reviews of its compensation policies, procedures, and practices for Agency 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 the Agency's credit rating process.

2.13 INC Rating's employees 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<sup>2</sup>.

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<sup>2</sup> If this provision is defined in other CRA's official regulations – the applicable is the more stringent one.

2.14 INC Rating employee does not participate in or otherwise influence Agency'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)<sup>3</sup>:

- 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 the Agency;
- 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 the Agency;
- 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.

2.15 INC Rating analyst does 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

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<sup>3</sup> If this provision is defined in other CRA's official regulations – the applicable is the more stringent one.

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 INC Rating employee is prohibited from soliciting money, gifts, or favors from anyone with whom the Agency does business and is prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts<sup>4</sup>.

2.17 INC Rating 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 is required under the Agency’s policies, procedures, and controls to disclose the relationship to the compliance officer or another officer of the Agency, as appropriate.

2.18 INC Rating establishes, maintains, documents, and enforces policies, procedures, and controls for reviewing without unnecessary delay the past work of an analyst who leaves the employ of the Agency 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 the Agency, or any of their affiliates.

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

**A. Transparency and Timeliness of Credit Ratings Disclosure**

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<sup>4</sup> If this provision is defined in other CRA’s official regulations – the applicable is the more stringent one.

3.1 INC Rating assists 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. INC Rating that is subject to Agency registration and oversight program administered by a regional or national authority does not state or imply that the authority endorses its credit ratings or use its registration status to advertise the quality of its credit ratings.

3.2 INC Rating discloses 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 the Agency.

3.3 INC Rating discloses 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, the Agency discloses the material modification in a non-selective manner.

3.4 INC Rating discloses its policies and procedures that address the issuance of unsolicited credit ratings.

3.5 INC Rating discloses its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.

3.6 INC Rating discloses clear definitions of the meaning of each category in its rating scales, including the definition of default.

3.7 INC Rating is transparent with investors, rated entities, obligors, originators, underwriters, and arrangers about how the relevant entity or obligation is rated.

3.8 Where feasible and appropriate, INC Rating informs 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. INC Rating duly evaluates any responses from such rated entity, obligor, or arranger. Where in particular circumstances Agency has not informed such rated entity, obligor, or arranger prior to disseminating a credit rating action, INC Rating informs such rated entity, obligor, or arranger as soon as practical thereafter and, generally, explains why Agency did not inform such rated entity, obligor, or arranger prior to disseminating the credit rating action.

3.9 When INC Rating publicly discloses or distributes to its subscribers (depending on the Agency's business model) a credit rating that is the result or subject of the credit rating action, it does so as soon as practicable after taking such action.

3.10 When INC Rating publicly discloses or distributes to its subscribers (depending on the Agency's business model) a credit rating that is the result or subject of a credit rating action, it does so on a non-selective basis.

3.11 INC Rating discloses 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 is identified as such.

3.12 INC Rating clearly indicates the attributes and limitations of each credit rating, and the extent to which the Agency 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, the Agency discloses this fact and how it may limit the credit rating.

3.13 INC Rating indicates 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 also indicates 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, the Agency explains 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.

3.14 When issuing or revising a credit rating, INC Rating explains in its announcement and/or report 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.

3.15 If INC Rating discontinues monitoring a credit rating for a rated entity or obligation it either withdraws the credit rating or discloses such discontinuation to the public or to its subscribers (depending on the Agency's business model) as soon as practicable. A publication by the Agency of a credit rating that is no longer being monitored indicates 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.

3.16 To promote transparency and to enable investors and other users of credit ratings to compare the performance of different Agencies, INC Rating discloses 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 includes 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 Agencies. 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, INC Rating discloses why this is the case.

## **B. General and periodic disclosures**

3.17 INC Rating publicly discloses the fact of being registered as a credit rating agency along with following information:

- information on existing and potential conflicts of interests;
- information on ancillary services;
- information about the agency's policies regarding publishing credit ratings;
- general compensation arrangements;
- description of methods and methodologies as well as key rating assumptions with all relevant changes;
- all relevant changes that concern its systems, resources and procedures; and its code of conduct.

Person responsible for publishing the abovementioned information is: President of the Management Board.

3.18 INC Rating periodically reveals following information:

- a) every six months:

- data about historical default rates within rating categories, dividing issuers into main geographic areas, as well as default rates of categories that have been changed;
- b) annually:
  - information on remuneration received from clients with a division into rating services and ancillary services;
  - pricing policy with the structure of prices as well as criteria used in prices determination with a regard to different classes of assets;
  - list of those clients of the Agency whose contribution to the growth rate in the generation of revenue of the Agency in the previous financial year exceeded the growth rate in the total revenues of the Agency in that year by a factor of more than 1,5 times. Any such client shall be included on the list only where, in that year, it accounted for more than 0,25 % of the worldwide total revenues of the Agency at global level; and
  - list of credit ratings issued during the year, indicating the proportion of unsolicited credit ratings among them.

Person responsible for publishing the abovementioned information is: President of the Management Board.

3.19 INC Rating makes available annually the following information:

- detailed information on legal structure and ownership of the Agency;
- description of the internal control mechanisms ensuring quality of its credit rating activities;
- statistics on the allocation of its staff to new credit ratings, credit rating reviews, methodology or model appraisal and senior management, and on the allocation of staff to rating activities with regard to the different asset classes (corporate — structured finance — sovereign);
- a description of its record-keeping policy;
- the outcome of the annual internal review of its independent compliance function;

- a description of its management and rating analyst rotation policy;
- financial information on the revenue of the Agency, including total turnover, divided into fees from credit rating and ancillary services with a comprehensive description of each, including the revenues generated from ancillary services provided to clients of credit rating services and the allocation of fees to credit ratings of different asset classes. Information on total turnover shall also include a geographical allocation of that turnover to revenues generated in the Union and revenues worldwide.

Person responsible for publishing the abovementioned information is: President of the Management Board

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

3.20 INC Rating establishes, maintains, documents, and enforces 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 under writer 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 policies, procedures, and controls prohibit Agency and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to the Agency's credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in connection with the Agency's credit rating activities, unless disclosure is required by applicable law or regulation.

b. The policies, procedures, and controls require the Agency 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 prohibit Agency and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that the Agency 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 prohibit Agency 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.

3.21 INC Rating establishes, maintains, documents, and enforces 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.

3.22 INC Rating establishes, maintains, documents, and enforces 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.

3.23 Rating analysts, employees of the INC Rating as well as any other natural person whose services are placed at the disposal or under the control of the Agency and who is directly involved in credit rating activities, and persons closely associated with them within the meaning of Article 1(2) of Directive 2004/72/EC (1), do not buy or sell 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, including managed funds such as pension funds or life insurance.

## **4. GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING**

4.1 INC Rating's board (or similar body) has ultimate responsibility for ensuring that the Agency 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 INC Rating establishes a risk management function made up of one or more senior managers or 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 independent of the internal audit function (if practicable given the Agency's size) and make periodic reports to the board (or similar body) and senior management to assist them in assessing the adequacy of the policies, procedures, and controls the Agency 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 INC Rating establishes, maintains, documents, and enforces policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals. The subject matter covered by the training should be relevant to the employee's responsibilities and should cover, as applicable, the Agency's code of conduct, the Agency's credit rating methodologies, the laws governing the Agency's credit rating activities, the Agency's policies, procedures, and controls for

managing conflicts of interest and governing the holding and transacting in trading instruments, and the Agency's policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls include measures designed to verify that employees undergo required training.

## **5. DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS**

5.1 INC Rating's disclosures, including those specified in the provisions of the IOSCO CRA Code, are complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.

5.2 INC Rating discloses 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 the Agency's code of conduct deviates from an IOSCO provision, the Agency identifies the relevant IOSCO provision, explain the reason for the deviation, and explain how the deviation nonetheless achieves the objectives contained in the IOSCO provisions. INC Rating describes how it implements and enforces its code of conduct. INC Rating also discloses as soon as practicable any changes to its code of conduct or changes to how it is being implemented or enforced.

5.3 INC Rating establishes and maintains a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function establishes, maintains, documents, and enforces policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls

specify the circumstances under which a complaint must be reported to senior management and/or the board (or similar body).

5.4 INC Rating publicly and prominently discloses free of charge on its primary website:

- a. the Agency's code of conduct;
- b. a description of the Agency's credit rating methodologies;
- c. information about the Agency's historic performance data; and
- d. any other disclosures specified in the provisions of the IOSCO CRA Code as applicable given the Agency's business model.

**If there is a situation in the INC Rating Code of Conduct when a particular provision is defined differently in the IOSCO Code of Conduct and other CRA's Regulations – the applicable Regulation is this more stringent one.**