

JCR-VIS Code of Conduct, 2015

JCR-VIS Credit Rating Company Limited

JCR-VIS Credit Rating Company Limited is committed to the protection of investors and continues its endeavor to remain an emblem of trust. The sustainability of our ratings stems from the independence and credibility of our processes, rigorous methodologies and well-rounded experience of our analytical team. Meanwhile, the work culture at JCR-VIS has been nurtured to promote ethical and professional conduct in line with governance best practices.

INTRODUCTION

In December 2004 the International Organization of Securities Commissions (IOSCO), released its "Code of Conduct Fundamentals for Credit Rating Agencies" ("IOSCO Code Fundamentals"). In the wake of the 2008 financial crisis, the IOSCO Chairman's Task Force on Credit Rating Agencies (the "CRA Task Force") – the predecessor of Committee 6 – undertook a study of the role of CRAs in the structured finance market. The study's findings were released in a report. The report included several recommendations to revise the IOSCO CRA Code, which were adopted concurrently with the publication of the report. Based on the recommendations, an updated IOSCO CRA Code was published in May 2008.

Locally, the Securities and Exchange Commission of Pakistan (SECP) through its directive, in February 2005, directed credit rating companies operating in Pakistan to follow its Code of Conduct. That Code of Conduct was immediately implemented at JCR-VIS Credit Rating Company Limited (JCR-VIS). In January 2014, the SECP revised the Code of Conduct applicable to CRAs. In order to further strengthen its rating operations, JCR-VIS has updated the "JCR-VIS Code of Conduct". This Code of Conduct is based on the IOSCO Code Fundamentals, however some provisions have been further augmented by merging SECP's Code of Conduct for Credit Rating Agencies and JCR-VIS' related policies into them. The revised JCR- VIS Code of Conduct is to be effective from February 1, 2015.

The JCR-VIS Code of Conduct covers all areas of 'JCR-VIS' rating operations. The ratings categories provided by JCR-VIS are as follows: long-term ratings (covering term finance certificates (bonds) and Islamic bonds), insurer financial strength ratings, long-term senior unsecured debt ratings which represents an obligor's overall debt-servicing capability, etc.; short-term ratings (covering debts such as commercial papers and short-term senior unsecured debt); fiduciary ratings, corporate/NPO governance ratings, developer gradings, management quality ratings; fund stability ratings, capital protected funds ratings, mutual funds performance rankings, reit ratings, . Unless otherwise stated, the JCR-VIS Code of Conduct applies to every rating. Even though the latter eight types are different from other ratings, but the same criteria for objectivity, independence, and transparency are equally required so that the JCR-VIS Code of Conduct also applies to these ratings/rankings as well.

JCR-VIS relies on the issuer, its auditors, legal advisors and other experts for the accuracy, completeness and timeliness of the information submitted in connection with the assessment and surveillance processes. JCR-VIS is not obligated to perform any due diligence or independent verification of any information submitted to, or obtained by, JCR-VIS in connection with the rating and surveillance processes.

JCR-VIS does not perform an audit and does not undertake to verify that the information submitted to, or obtained by, JCR-VIS is complete. Information used in the ratings is obtained from sources believed to be accurate and reliable; however, JCR-VIS does not 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. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.

1. QUALITY AND INTEGRITY OF THE RATING PROCESS

JCR-VIS endeavors to provide forward-looking opinions on the relative creditworthiness of the rated entities, issuers and debt instruments.

A. Quality of the Rating Process

1.1 JCR-VIS shall adopt, implement and enforce written procedures to ensure that the opinions it disseminates are based on a thorough analysis of all information known to JCR-VIS that is relevant to its analysis according to JCR-VIS' published rating methodologies.

1.2 JCR-VIS shall use rating methodologies that are rigorous, systematic, and, where possible, result in ratings that can be subjected to some form of objective validation based on historical experience.

1.3 In assessing an issuer's creditworthiness, analysts involved in the preparation or review of any rating action shall use methodologies established by JCR-VIS. Analysts shall apply a given methodology in a consistent manner, as determined by JCR-VIS.

1.4 Credit ratings shall be assigned by JCR-VIS, through its rating committees, and not by any individual analyst employed by JCR-VIS; ratings shall reflect all information known, and believed to be relevant, to JCR-VIS, consistent with its published methodology; and JCR-VIS shall use such people in the rating committees who, individually or collectively, have appropriate knowledge and experience in developing a rating opinion for the type of credit being applied.

1.5 JCR-VIS shall maintain internal records to support its credit opinions for a minimum period of five years; in case of instrument rating, the time period of five years shall be reckoned from the date of maturity of such instrument.

1.6 JCR-VIS and its 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 an issuer or obligation.

1.7 JCR-VIS shall ensure that it has and devotes sufficient resources to carry out high quality credit assessments of all obligations and issuers it rates. When deciding whether to rate or continue rating an obligation or issuer, JCR-VIS shall assess whether it is able to devote sufficient personnel with sufficient skill sets to make a proper rating assessment, and whether its personnel likely will have access to sufficient information needed in order make such an assessment. JCR-VIS shall adopt reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a rating. If the rating involves a type of financial product presenting limited historical data (such as an innovative financial vehicle), JCR-VIS shall make clear, in a prominent place, the limitations of the rating.

1.8 JCR-VIS shall establish Methodology, Criteria & Quality Review Group made up of one or more senior managers with appropriate experience to:

- review the feasibility of providing a credit rating for a type of structure that is materially different from the structures JCR-VIS currently rates;
- periodically review the methodologies and models and significant changes to the methodologies and models JCR-VIS uses; and
- assess whether existing methodologies and models for determining credit ratings of structured products are appropriate when the risk characteristics of the assets underlying a structured product change materially. In cases where the complexity or structure of a new type of structured product or the lack of robust data about the assets underlying the structured product raise serious questions as to whether JCR-VIS can determine a credible credit rating for the security, JCR-VIS shall refrain from issuing a credit rating.

1.9 JCR-VIS shall structure its rating teams to promote continuity and avoid bias in the rating process.

1.10 JCR-VIS shall maintain the following records in support of each credit rating and review thereof:

- Summary of discussions with the issuer, its management, auditors and creditors which have a bearing on the credit rating;
- Decisions of the rating committee
- where a quantitative model is a substantial component of the credit rating process, the rationale for any material difference between the credit rating implied by the model and the credit rating actually assigned

1.11 JCR-VIS shall establish a set of transparent policies, controls and procedures in order to ensure consistency of its rating operations as well as to maintain a fair and robust relationship with its external stakeholders.

B. Monitoring and Updating

1.12 JCR-VIS shall ensure that adequate personnel and financial resources are allocated to monitoring and updating its ratings. Except for ratings that clearly indicate that they do not entail ongoing surveillance, once a rating is published, JCR-VIS shall monitor on an on-going basis and update the rating by:

- regularly reviewing the issuer's creditworthiness, with at least one review per year;
- 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 termination of a rating), consistent with the applicable rating methodology; and,
- updating on a timely basis the rating, as appropriate, based on the results of such review.
- engaging with the issuer and debt securities trustee to remain updated on all information pertaining to the rating of the entity/instrument.

1.13 Where JCR-VIS makes its ratings available to the public, it shall publicly announce if it discontinues rating an issuer or obligation. Publications by JCR-VIS of the discontinued rating should 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

1.14 JCR-VIS and its employees shall comply with all applicable laws and regulations governing its activities in each jurisdiction in which it operates.

1.15 JCR-VIS and its employees shall deal fairly and honestly with issuers, investors, other market participants, and the public.

1.16 JCR-VIS's analysts shall be held to high standards of integrity, and JCR-VIS shall not employ individuals with demonstrably compromised integrity.

1.17 JCR-VIS and its employees shall not, either implicitly or explicitly, give any assurance or guarantee of a particular rating prior to a rating assessment. This does not preclude JCR-VIS from developing prospective assessments used in structured finance and similar transactions.

1.18 JCR-VIS shall prohibit its analysts from making proposals or recommendations regarding the design of structured finance products that JCR-VIS rates.

1.19 JCR-VIS shall appoint a Compliance Officer (CO), in accordance with its compliance policies and procedures (please see Appendix I - JCR-VIS Compliance Function).

1.20 Upon becoming aware that another employee or entity under common control with JCR-VIS is or has engaged in conduct that is illegal, unethical or contrary to JCR-VIS' code of conduct, JCR-VIS' employee shall report such information immediately to the CO or a senior officer of JCR-VIS, as appropriate, so proper action may be taken. JCR-VIS' employees are not necessarily expected to be experts in the law. Nonetheless, its employees are expected to report the activities that a reasonable person would question. Any JCR-VIS officer who receives such a report from a JCR-VIS' employee is obligated to take appropriate action, as determined by the laws and regulations of the jurisdiction and the rules and guidelines set forth by JCR-VIS. JCR-VIS management shall prohibit retaliation by other JCR-VIS staff or by JCR-VIS itself against any employees who, in good faith, make such reports.

1.21 JCR-VIS shall frame and implement whistle-blower policy encouraging all employees to intimate the CO any unethical practice or misconduct relating to the credit rating, by another employee of the CRA that came to his knowledge.

1.22 JCR-VIS shall:

- maintain principle of integrity in seeking rating business;
- not accept a rating assignment where a client has prematurely terminated a rating contract with its existing CRA, unless such client obtains No Objection Certificate (NOC) from its existing CRA or ensure in writing that it shall continue credit rating with its existing CRA till the period as agreed in the rating agreement.
- observe a silent period of minimum two-years between the notification of the unsolicited rating and acceptance of the assignment for the solicited rating, where an unsolicited rating becomes a solicited rating.

2. INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. General

2.1 JCR-VIS shall not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on JCR-VIS, an issuer, an investor, or other market participant.

2.2 JCR-VIS and its analysts shall use care and professional judgment 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 JCR-VIS assigns to an issuer or security shall not be affected by the existence of or potential for a business relationship between JCR-VIS (or its affiliates) and the issuer (or its affiliates) or any other party, or the non-existence of such a relationship.

2.5 JCR-VIS shall separate, operationally and legally, its credit rating business and JCR-VIS' analysts from any other businesses of JCR-VIS, including consulting businesses, that may present a conflict of interest. JCR-VIS shall ensure that ancillary business operations which do not necessarily present conflicts of interest with JCR-VIS' rating business have in place procedures and mechanisms designed to minimize the likelihood that conflicts of interest will arise. JCR-VIS shall also define what it considers, and does not consider, to be an ancillary business and why.

B. Procedures and Policies

2.6 JCR-VIS shall adopt written internal procedures and mechanisms to (1) identify, and (2) eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses JCR-VIS makes or the judgment and analyses of the individuals JCR-VIS employs who have an influence on ratings decisions (please see Appendix II - JCR-VIS' Conflict of Interest Policy).

2.7 JCR-VIS disclosures of actual and potential conflicts of interest shall be complete, timely, clear, concise, specific and prominent

2.8 JCR-VIS shall disclose the general nature of its compensation arrangements with rated entities.

- Where JCR-VIS receives from a rated entity compensation unrelated to its ratings service, such as compensation for consulting services, JCR-VIS shall disclose the proportion such non-rating fees constitute against the fees JCR-VIS receives from the entity for ratings services.
- JCR-VIS shall disclose if it receives 10 percent or more of its annual revenue from a single issuer, originator, arranger, client or subscriber (including any affiliates of that issuer, originator, arranger, client or subscriber).

2.9 JCR-VIS and its employees shall not engage in any securities or derivatives trading presenting conflicts of interest with JCR-VIS' rating activities (Please see Appendix III - Reporting of Securities Transactions).

- 2.10 In instances where rated entities (e.g., governments) have, or are simultaneously pursuing, oversight functions related to JCR-VIS, JCR-VIS shall use different employees to conduct its rating actions than those employees involved in its oversight issues.
- 2.11 JCR-VIS shall not provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities.
- 2.12 JCR-VIS shall include a statement in each rating report that JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating done by them. In case there is any conflict of interest, JCR-VIS shall disclose in the respective rating report, nature of such conflict of interest and its impact on the rating grade assigned.
- 2.13 JCR-VIS shall not rate securities issued by it.
- 2.14 JCR-VIS shall not rate a client nor rate the securities issued by such client, which is an associated company or undertaking as defined in the Companies Ordinance, 1984.
- 2.15 JCR-VIS shall exercise due diligence and observe high standards of integrity, transparency and fairness in all its professional dealings.
- 2.16 JCR-VIS shall not get involved in unfair competitive practices nor shall solicit the clients of any other rating company on implicit or explicit assurance of higher rating or any other undue benefit.
- 2.17 JCR-VIS shall not make unsubstantiated claims, in order to solicit clients, about qualifications of its professional staff or its capability to render certain services or its achievements concerning services rendered to other clients.
- 2.18 JCR-VIS shall not make untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the SECP or to the general public or to the stock exchanges.
- 2.19 JCR-VIS shall not generally and in particular situations in relation to its ratings, (i) be party to creation of false market and; (ii) pass price sensitive information to brokers, members of the stock exchanges, other players in the capital market or to any other person or take any other action which is unethical or unfair to the investors.
- 2.20 JCR-VIS or any of its employees shall not provide, directly or indirectly, any investment advice or opinion about any security in the publicly accessible media, whether real time or non real time, unless a disclosure of its interest in the said security has been made, while rendering such advice.

C. Analyst and Employee Independence

- 2.11 Reporting lines for JCR-VIS employees and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest. A JCR-VIS analyst will not be compensated or evaluated on the basis of the amount of revenue that JCR-VIS derives from issuers that the analyst rates or with which the analyst regularly interacts.
- 2.12 JCR-VIS shall conduct formal and periodic reviews of compensation policies and practices for JCR-VIS analysts and other employees who participate in or who might otherwise have an effect on the rating process to ensure that these policies and practices do not compromise the objectivity of the rating process.

2.13 JCR-VIS shall not have employees who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity requesting a rating. Although it is generally not possible to prevent issuers and their representatives from raising issues concerning fees with analysts, in such a case, analysts shall refer the issuer to the CEO or to a person authorized by him in this regard.

2.14 JCR-VIS shall ensure that its rating committees are able to perform their duties free of undue intervention or influence from its shareholders, its management and its Board of Directors.

2.15 JCR-VIS shall ensure that the criterion for constitution of the rating committees is capable to promote continuity and to discourage biasedness in the rating process. Considering the adequacy of its staffing strength, JCR-VIS shall use its best endeavor to subject its rating analysts to an appropriate rotation mechanism that provides for gradual change in rating teams.

2.16 Investment and trading by employees will be governed by JCR-VIS Policy for Investment & Trading in securities by employees.

2.17 JCR-VIS shall ensure that its employees have disclosed all the conflict of interest, including those of their family members, if any, to the CO. JCR-VIS shall also ensure that the analysts or any of his/her family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes.

2.19 Any JCR-VIS 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 any of its major shareholder or director or agent of such entity within his or her area of analytic responsibility), shall be required to disclose such relationship to the CO.

3. RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS

A. Transparency and Timeliness of Ratings Disclosure

3.1 JCR-VIS shall distribute in a timely manner its ratings decisions regarding the entities and securities it rates.

3.2 JCR-VIS shall publicly disclose its policies for distributing ratings, reports and updates.

3.3 Except for "private ratings" provided only to the issuer, JCR-VIS shall disclose to the public, on a non-selective basis and free of charge, any rating regarding publicly issued securities, or public issuers themselves, as well as any subsequent decisions to discontinue such a rating. These ratings shall be publicly disseminated to both the English and the Urdu press within two working days of the notification of such ratings and would be placed on the company's website: <http://www.jcrvis.com.pk>

3.4 JCR-VIS 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, if applicable) so that outside parties can understand how a rating was arrived at by JCR-VIS. This information will include (but not be limited to) the meaning of each rating category and the definition of default or recovery, and the time horizon JCR-VIS used when making a rating decision.

3.5 Because users of credit ratings rely on an existing awareness of JCR-VIS methodologies, practices, procedures and processes, JCR-VIS 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 should be made prior to their going into effect. Copies of rating methodologies and their subsequent modifications shall be filed with the SECP at least 15 days prior to their going into effect. These methodologies shall also incorporate the rating definitions and their symbols and shall be placed on the company's website. JCR-VIS shall carefully consider the various uses of credit ratings before modifying its methodologies, practices, procedures and processes.

3.6 When issuing or revising a rating, JCR-VIS shall explain in its press releases and reports the key elements underlying the rating opinion. JCR-VIS shall indicate with each of its ratings when the rating was last updated and each rating announcement shall also indicate the principal methodology or methodology version that was used in determining the rating and where a description of that methodology can be found. Where the rating is based on more than one methodology, or where a review of only the principal methodology might cause investors to overlook other important aspects of the rating, JCR-VIS shall explain this fact in the rating announcement, and indicate where a discussion of how the different methodologies and other important aspects factored into the rating decision can be found.

3.7 Where feasible and appropriate, prior to issuing or revising a rating, JCR-VIS shall inform the issuer of the critical information and principal considerations upon which a rating will be based and afford the issuer an opportunity to clarify any likely factual mis-perceptions or other matters that JCR-VIS would wish to be made aware of in order to produce an accurate rating. JCR-VIS will duly evaluate the response to take appropriate rating action. JCR-VIS, however, reserves the right to take a rating action without prior notice to the rated entity.

3.8 In order to promote transparency and to enable the market to best judge the performance of the ratings, JCR-VIS, where possible, shall publish sufficient information about the historical default rates of JCR-VIS rating categories and whether the default rates of these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among ratings given by different CRAs. 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, JCR-VIS shall explain this. This information shall include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structured, and, where possible, standardized in such a way to assist investors in drawing performance comparisons between different CRAs.

3.9 For each rating, JCR-VIS shall disclose whether the issuer participated in the rating process. Each rating not initiated at the request of the issuer shall have a suffix, "p" added to the rating symbol to identify it as such. JCR-VIS shall also disclose its policies and procedures regarding unsolicited ratings.

3.10 For solicited ratings, JCR-VIS shall enter into a written agreement with each client and every such agreement shall *inter-alia* include the following provisions:

- a. rights and obligations of each party;
- b. nature of the rating/grading
- c. validity period of the agreement
- d. fee to be charged by JCR-VIS and payment schedule;
- e. a clause requiring the client to agree to cooperate with JCR-VIS in order to enable it to arrive at and maintain a true and accurate rating of the issuer/issuer's securities and shall in particular provide to JCR-VIS true, complete and timely information for the purpose;
- f. The client shall agree to a periodic review of ratings by JCR-VIS during the tenor of the rating and the periodicity of review shall not be less than once a year.
- g. If the client does not co-operate with JCR-VIS to enable it to comply with its obligations, JCR-VIS shall suspend/withdraw the rating and promptly notify the SECP and the public.

B. The Treatment of Confidential Information

JCR-VIS shall adopt procedures and mechanisms to protect the confidential nature of information shared with it by issuers under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.

3.11 Unless otherwise permitted by the confidentiality agreement and consistent with applicable laws or regulations, JCR-VIS and its employees shall not disclose confidential information in press releases, through research conferences, to future employers, or in conversations with investors, other issuers, other persons, or otherwise.

3.12 JCR-VIS shall use confidential information only for purposes related to its rating activities or otherwise in accordance with any confidentiality agreement with the issuer.

3.13 JCR-VIS employees shall take all reasonable measures to protect all property and records belonging to or in possession of JCR-VIS from fraud, theft or misuse.

3.14 JCR-VIS employees shall not engage in transactions in securities when they possess confidential information concerning the issuer of such security.

3.15 In preservation of confidential information, JCR-VIS employees shall familiarize themselves with the internal securities trading policies maintained by JCR-VIS, and periodically certify their compliance as required by such policies.

3.16 JCR-VIS employees shall not selectively disclose any non-public information about rating opinions or possible future rating actions of JCR-VIS, except to the issuer or its designated agents.

3.17 JCR-VIS employees shall not share confidential information entrusted to JCR-VIS with employees of any affiliated entities that are not JCR-VIS employees. JCR-VIS employees shall not share confidential information within JCR-VIS except for legitimate business reasons needed for ratings.

3.18 JCR-VIS employees shall not use or share confidential information for the purpose of trading securities, or for any other purpose except for legitimate rating reasons.

3.19 When any JCR-VIS' employee terminates his/her employment or work association with JCR-VIS, the requirement of confidentiality with respect to the information received during the period of work association shall continue as information held in trust.

3.20 All proceedings of the credit rating committee are kept confidential; they are not revealed to any external parties or agencies. JCR-VIS shall take steps to keep all records of the proceedings properly safeguarded, except where required to be disclosed by the provisions of laws or regulations.

3.21 When the rating committee decides on a rating, it is announced as a joint decision and the individual votes are kept confidential, even if recorded. This requirement of confidentiality also applies to rating committee members for their own votes.

3.22 In cases where JCR-VIS is a parent, subsidiary, joint venture partner or affiliate of any organization that might benefit from the non-public information available with JCR-VIS, JCR-VIS shall ensure strong firewalls to prevent disclosure or use of the said non-public information by these related parties or their personnel.

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

4.1 The JCR-VIS Code of Conduct fully implements the provisions of the IOSCO Principles regarding the Activities of Credit Rating Agencies, the IOSCO Code of Conduct: Fundamentals for Credit Rating Agencies and the SECP Code of Conduct. However, in clause 2.13 even though JCR-VIS restricts its employees who are directly involved in the rating process from initiating or participating in discussions regarding fees or payments with any entity requesting a rating; it acknowledges that generally it is not possible to prevent issuers and their representatives from raising issues concerning fees with analysts, in such a case, analysts have been asked to refer the issuer to the CEO or to a person authorized by him in this regard who shall normally be the Director Finance or Director, Communication & Business Development. The CO and his team has been entrusted the responsibility for fully implementing this code, ensuring its compliance and disclosing in a timely manner any changes to JCR-VIS' code of conduct.

4.2 The Compliance function is also charged with communicating with market participants and the public about any questions, concerns or complaints that JCR-VIS may receive. The Compliance function shall help to ensure that JCR-VIS' officers and management are informed of those issues that they would want to be made aware of when setting the organization's policies. Their email address is: compliance@jcrvis.com.pk

Appendix I - JCR-VIS' Compliance Function

'Compliance' is a function that, on an on-going basis, identifies, assesses, advises on, monitors and reports on a credit rating agency's compliance with regulatory requirements, including whether there are appropriate supervisory procedures in place. Other than *monitoring* for compliance with regulatory requirements, a compliance function should also engage in the *identification* and *prevention* of violation of these regulatory requirements. A compliance function of a credit rating agency shall have mechanisms in place to protect the credit rating agency from any liability arising due to abuses committed by its employees and clients.

A. Establishing a Compliance Function

(i) The compliance function at JCR-VIS shall perform the following:

- (1) Identify, measure, and monitor the key regulatory requirements of JCR-VIS and assist in the management of these requirements and compliance risks;
- (2) Establish, communicate, monitor and enforce effective compliance policies and procedures to address compliance requirements and risks;
- (3) Provide assistance, guidance and/or training to business units and staff in relation to compliance;
- (4) Report any non-compliance with any provision of the Rules or the Code to the Board of Directors and to the Commission.

(ii) The mandate of the compliance function shall be communicated to appropriate individuals within the company; and shall have formal documented status.

(iii) JCR-VIS shall encourage staff to consult with compliance personnel regarding compliance with regulatory requirements. For this purpose, staff shall be made aware of how to consult with the compliance function.

B. Role and Responsibilities of the CO

The Compliance Officer (CO), who shall be a senior executive of the company possessing relevant qualification and experience, would be responsible for the overall compliance function. The CO would be performing this function in addition to his/her normal duties.

The role and responsibilities of the CO shall be as under:

(i) The CO shall directly oversee the scope, structure and activities of the compliance function and ensure that the compliance function is carrying out its mandate.

(ii) The CO shall monitor JCR-VIS' compliance with the Credit Rating Companies Rules of SECP;

(iii) The CO shall monitor JCR-VIS' compliance with all the provisions of the SECP's Code of Conduct for CRAs;

(iv) The CO shall be responsible for developing and submitting a report to SECP on a yearly basis containing clause-wise compliance status of the Code of Conduct as required by SECP's directive dated January 13, 2014

(v) The CO shall report any non-compliance with any provision of the Rules or the Code to the Board of Directors and to the Commission;

(vi) The CO shall be responsible for redressal of creditors', investors' and other stakeholders grievances and complaints;

(vii) The CO shall report to the Board and SECP immediately if the CRA ceases to maintain any of the requirements of the Rules or the Code; and

(viii) The CO shall encourage the business units to consult with the compliance function with respect to their operations when appropriate.

C. Independence and Ability to Act

To achieve independence, the budget for the compliance function and compensation for compliance personnel shall not be directly dependent on the financial performance or revenues generated by a specific business line, product or transaction; however, the compensation for compliance personnel may be dependent on the performance or revenues of the firm as a whole. Compliance personnel shall have the ability on their own initiative to communicate with any employee and to obtain access to records or other information necessary to carry out their responsibilities, including the ability to conduct investigations of possible breaches of regulatory requirements or the internal compliance policies and procedures.

D. Regulators' Supervision

JCR-VIS shall file a yearly report with the SECP containing clause-wise compliance status of the Code of Conduct as required by SECP's directive dated January 13, 2014.

Appendix II - JCR-VIS' Conflicts of Interest Policy

JCR-VIS employees shall exhibit honest and ethical conduct at all times. To avoid the likelihood of insider trading and to prevent conflicts of interest or even the appearance of a conflict of interest or impropriety during the rating process, all employees are subject to the following restrictions:

A. Investment and trading in securities one covers

JCR-VIS employees are subject to specific limitations on securities ownership and prohibition against relationships that may give rise to a potential conflict of interest in the conduct of their credit ratings work. A credit rating committee member does not take undue material advantage of any confidential information received through his or her participation in the credit rating process. Persons involved in the ratings process should also be made vigilant to prevent abuse of prior knowledge of ratings changes.

In case of any possible conflict of interest situation, the employees shall disclose such conflict of interest to the Compliance Officer and shall not participate in any manner in formulating or arriving at a rating. Nevertheless, the person with a conflict of interest may be asked to be a resource person to give information or opinions useful for the consideration of others, but such person shall not participate in the voting process.

A conflict of interest situation would arise if any employee or any member of his/her family* holds equity/investment (not including Bonds/collective investment schemes) in a company being rated.

Employees are required to report all securities ownership in client companies and other potential conflict of interest once they are assigned to a particular client and on annual basis going forward, on a given Performa. This reporting is subject to checking/audit at random. In addition, employees are, in the normal course of business, not to alter their interest/ownership in a company within TWO weeks of such company's Credit Rating Meetings and/or within 24 hours of publication of such results in the media, whichever is earlier.

B. Relationship with Rated Entities, Government Agencies and Self-Regulatory Bodies.

Without bringing to the knowledge of the Compliance Officer and obtaining prior written approval from the Company, no Employee may:

1. Serve on any board of directors or similar supervisory board of, or be a controlling stakeholder in, any rated entity or any entity affiliated with any rated entity (such as a subsidiary, parent or sister company to any rated entity);
2. Serve on any board of directors or similar supervisory board of, or be a controlling stakeholder in, any public or listed company whether or not JCR-VIS rates such company (or any subsidiary or affiliate of any such public or listed company);
3. Hold any elected or appointed government office;
4. Serve in any capacity on any government or public agency, authority, commission or regulatory body;
5. Serve in any capacity on any self-regulatory body that has any function in the oversight of the capital markets, such as any stock exchange or securities dealers association; and/or
6. Serve as an officer, or be on the board, of any trade or professional organization or association.

The employees also must promptly notify the CO in the event that any member of their family* serves in any of the capacities described in items (1) through (6) above.

C. Competitors.

Although employees are not restricted from owning the security of a competitor of any rated entity they cover, such ownership may be restricted if it is contrary to another restriction in this policy, such as the restriction against owning a security they may reasonably expect to rate in the future. In case of any questions about the prudence of purchasing such a security, they may ask the CO for prior guidance.

D. Impediment on Participating in Rating Actions.

An employee shall not participate in any rating action involving a rated entity or any security of the rated entity if:

1. They or their family* members own any security of such rated entity;
2. They or any members of their family* members serve on any board of directors or similar supervisory board of, or are controlling stakeholders in, any rated entity or any entity affiliated with any rated entity (such as a subsidiary, parent or sister company to any rated entity); or
3. A family*, personal or financial interest (e.g. members of their immediate families* are employees of the rated entities) which might unduly influence them in any way.

E. Speculative Trading.

Employees shall not engage in short sales (or taking short positions such as buying or selling put options) or speculative trading of securities of any kind. Employees are expected to devote their workday to serving the interests of our clients and our company. Excessive trading in the form of closely bunched purchase and sale transactions or other forms of trading commonly referred to as "day trading" is also not allowed.

F. Gifts.

Neither an employee nor any member of his/her family should accept nor extend any gifts of any form in connection with any ratings related or other work they do at JCR-VIS, except to the extent explicitly permitted herein. Employees may accept a customary personal business gift worth \$100 or less from any rated entity. However if any business entertainment is extravagant, expensive or highly sought after, such business entertainment should be declined even if they were to attend them with representatives of the rated entity, investment bank or supplier. All gifts and business entertainment invitations extended by JCR-VIS or any of its employees or representatives to any person with whom JCR-VIS conducts business should be wholly consistent with the requirements for gifts and business entertainment that JCR-VIS permits its employee to accept. In no event, however, should any gift influence their rating of the transaction or decision to purchase goods or services from a supplier.

G. Divesting of Securities Holdings/Recusal from Participation.

As provided in Paragraph D above, employees may not participate in any rating action until any disallowed securities owned by them or their family* is sold. If they are not allowed to participate in any rating action under the terms of Paragraph D above and they are asked to participate in any such rating action, they must reclude themselves from such rating action. In order to avoid being inadvertently asked to participate in discussions about a rated entity for which they are impeded in any rating action under the terms of Paragraph D, they must give prior notice of any such impediment to the CO, in any case where there is a reasonable possibility that they might be asked to discuss that rated entity.

H. Disclosure of Other Potential Conflicts to Department Head and CO.

With respect to every rating action in which an employee participates, they must disclose to the CO any other potential conflict of interest not otherwise covered in this Policy. For example, they must disclose to the CO any interest in, or personal or business relationship with, the rated entity, its principals or its investment banker, or any other matter, which could conceivably bias or interfere with their objective judgment. The department head, in consultation with the CO, will determine whether any such interest,

relationship or other matter could reasonably be expected to affect their ability to objectively participate in such a rating action. They must use special care to avoid even the appearance of conflict.

I. No Conflict of Interest Declaration Form.

At the time of formation of the rating team or the rating committee for any client the attached form would be filled up by all employees. In case anyone shows a conflict of interest that person would be replaced by another analyst/rating committee member.

**For the purpose of this policy the term “family-member” includes dependents.*

NO CONFLICT OF INTEREST DECLARATION FORM

(Applicable to all rating committee members)

Name of Client _____ Type of Rating _____

Please tick Yes/No for each and provide a brief description if your answer is Yes

A. Owns securities issued by the rated entity or any related entity which may cause or may be perceived to cause conflict of interest, other than holdings in mutual funds

Member's Name	YES	NO	Description

B. Have in the preceding one year period had employment or other significant business relationships with the rated entity that may cause or may be perceived as causing a conflict of interest

Member's Name	YES	NO	Description

C. Have up to 3rd degree lineal relationship employed as board member, the CEO or any key person by the rated entity; or

Member's Name	YES	NO	Description

D. Have any other relationship with the rated entity or any related entity (i.e. monetary transaction or shareholding) thereof that may cause or may be perceived as causing a conflict of interest

Member's Name	YES	NO	Description

Employee's Name & Designation: _____

Signatures: _____

Dated: _____

Appendix III - Reporting of Securities Transactions

A. Filing of an Initial Securities Holdings Form.

At the start of employment with JCR-VIS, the rating staff and all other permanent staff must file a Report of Securities holding in Client Companies with the CO listing all securities that they and their families own in the client companies. They must also disclose on the SHF any potential conflicts of interest that may exist and any conflict that may arise from family connections or employment. If they and their families do not own any securities, or if they do not have any existing or potential conflict of interest, they should state that on the SHF.

B. Semi-annual Updates by Employees

If there are any changes in their and their families' securities holdings in client companies during a calendar half, they must furnish to Compliance a semi-annual update to the SHF, detailing the changes since the last filing with Compliance. If they do not own or have no changes in their and their families' security holdings during any calendar quarter, they are not required to file a semi-annual update with the CO.

C. Annual Reporting for Employees.

All permanent employees must also furnish to Compliance within thirty (30) days of the end of each calendar year a restatement of all their and their families' securities holdings in client companies as of the end of the preceding calendar year, or a certification that they do not own any reportable securities.

D. Yearly Certification of Compliance by All Employees.

Within thirty (30) days of the end of each calendar year, all employees must furnish a certificate to the CO certifying that they are currently, and have been at all times throughout the prior year, in compliance with this policy or otherwise reporting in detail the circumstances of any noncompliance. A form of such certificate will be made available to them by the end of each calendar year.

E. Confidentiality of Filings.

The CO will keep all of the filed reports confidential unless any report indicates securities positions that may be in violation of this policy, at which time the CO will inform the CEO about their securities holdings.

F. Questions

Questions as to the meaning of any part of this Policy or the applicability of this Policy to a specific situation should be directed to the CO.

Reporting of Securities in Client Companies

Reporting Date: _____

Name of Reporting Employee: _____

Designation: _____

I or my family* members have securities in a client company YES NO

Please fill-in the following if your answer to any of the above points is YES:

Name of the Company	Date of Last Transaction	Transaction within 2 weeks of meeting (if any)	Remarks

**For the purpose of this reporting the term "family-member" includes dependents*

Disclosure of any other factor that may create conflict of interest:

Signature of Reporting Employee