



## Code of Professional Conduct

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## Preamble

Financial markets should be efficient and fair to all market participants. Credit rating agencies play an important role in these markets. ICRA Lanka Limited (“ICRA Lanka”) provides information and opinions in the form of credit ratings and related research about the creditworthiness of issuers of Security(ies) and their financial obligations. Our credit ratings are forward-looking opinions on the credit worthiness of an Issuer.

Given the vast amount of information available to investors today, ICRA Lanka helps investors and others sift through this information and analyze the credit risks they face when lending to a particular borrower, or when purchasing an issuer’s debt or debt-like securities.<sup>1</sup> ICRA Lanka makes credit ratings available to investors free of charge.

In order to enhance market understanding and confidence in ICRA Lanka’s credit ratings, ICRA Lanka has adopted this Code of Professional Conduct (“CoPC”). Through this CoPC, ICRA Lanka seeks to protect the quality and integrity of the rating process, so that investors and issuers are treated fairly, and to safeguard confidential information provided to us by issuers. To use ICRA Lanka ratings effectively, the market should be informed of both their attributes and limitations. It is our responsibility to be as transparent as practicable with respect to our:

- »» rating methodologies;
- »» rating policies; and
- »» overall track record.

This CoPC along with rating methodologies, rating policies and rating process are accessible on ICRA Lanka website ([www.icralanka.com](http://www.icralanka.com)).<sup>2</sup>

The CoPC is organized into five sections:<sup>3</sup>

- »» The Quality and Integrity of the Rating Process;
- »» Independence and Avoidance and/or Management of Conflicts of Interest;
- »» Responsibilities to the Investing Public and Issuers;
- »» Governance, Risk Management and Training; and
- »» Enforcement and Disclosure of the CoPC and Communications with Market Participants.

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1 ICRA Lanka assigns credit ratings to entities as well as different types of debts or financial obligations – including, for example, publicly and privately traded debt securities, and other securities that offer a fixed or variable rate of return. For simplicity’s sake, the term “debt and debt-like securities” is used herein to refer to debt securities, preferred shares, and other financial obligations of these sorts.”

2 Although, in the interest of transparency, we have posted this CoPC and other related policies on ICRA Lanka website, ICRA Lanka does not assume, as a result of such public disclosure, any responsibility or liability to any third party arising out of or relating to this CoPC or those policies. The CoPC is not part of any contract with any third party, and no third party shall have any right to enforce any of its provisions. ICRA Lanka also retains complete discretion to revise this CoPC at any time to reflect changes in ICRA Lanka ratings policies and procedures or to address changes in market, legal, or regulatory circumstances.

3 The CoPC has been structured in this manner to track the IOSCO Code as closely as possible.

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## I. Defined Terms

For the purposes of this document, the terms below, organized by category, are defined as follows:

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### Documents

1. The **Securities and Exchange Commission of Sri Lanka (SEC)** Standards for Credit rating agency are regulations applicable to Credit rating agencies operating in Sri Lanka. Every credit rating agency is required to abide by the requirements contained in the regulations.
  2. The **International Organization of Securities Commissions' Code of Conduct Fundamentals for Credit Rating Agencies ("IOSCO Code")** is a framework Code of Conduct published on December 23, 2004 and subsequently revised in May 2008 and March 2015, by the International Organization of Securities Commissions. It was developed through cooperative efforts of international securities regulatory authorities, rating agencies, issuers, investors and other market participants. ICRA Lanka has publicly endorsed the IOSCO Code.
  3. The **International Organization of Securities Commissions' Principles Regarding the Activities of Credit Rating Agencies ("IOSCO Principles")** is a set of broad principles developed by the international regulatory community and published on September 25, 2003. The IOSCO Principles is the document upon which the IOSCO Code is based. ICRA Lanka has publicly endorsed the IOSCO Principles.
  4. The **Association of Credit Rating Agencies in Asia's Code of Conduct Fundamentals for Domestic Credit Rating Agencies ("ACRAA Code")** is a code publishes in April 2011 and based on the articles of the IOSCO Code with a few modifications. It was developed through cooperative efforts of credit rating agencies in the region. ICRA Lanka has publicly endorsed the ACRAA Code.
  5. **ICRA Lanka's Code of Business Conduct ("CoBC")** is the code of business conduct adopted by ICRA Lanka Limited.
  6. **ICRA Lanka's Code of Professional Conduct ("CoPC")** is the code of conduct for ICRA Lanka's Rating Employees. The CoPC governs the conduct of all Rating Employees who support the ratings process.
  7. **Rating/Grading Scale** is a reference document that sets out definitions of the rating symbols and rating scales used by ICRA.
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### Employee Types

1. An **Analyst** is a Rating Employee who is involved in rating process or development of procedures/ methodologies used for providing Credit Rating or other permissible services carried out by ICRA Lanka. This excludes any employee assigned to ICRA Lanka who: (1) is not involved in the rating process or development of procedures/ methodologies or (2) supports the rating process solely through administrative tasks, such as entering information into internal systems.
  2. The **DCO** is the individual designated by ICRA Lanka as a Designated Compliance Officer.
  3. An **Employee** is any full-time or part-time employee of Group ICRA, wherever located.
  4. **Management** or **Managers** are those employees who have personnel management responsibilities.
  5. The term **Rating Employee** means any full-time or part-time employee of ICRA Lanka.
  6. **Rating Personnel** includes Analysts as well as any other Rating Employees who have an analytical or Credit Policy role involving the development, review or approval of processes, methodologies or models used in providing Rating Services.
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## Organizational Structure

1. The **Commercial Function** is the function that is responsible for all sales and marketing activities within the rating agency, including non-analytic customer service and engagement, as well as product management and business strategy.
  2. The **Compliance Function** is the function that is responsible for assessing ICRA Lanka's and its Employees' compliance with the policies and procedures described in this Code.
  3. The **Credit Policy Function** is separate from the lines of business that are principally responsible for rating various classes of issuers and obligations. The Credit Policy Function is overseen by Head of Credit Policy, who is directly accountable to the Managing Director and Group CEO, Group ICRA. The Credit Policy Function is responsible for conducting research on the performance of Credit Ratings, reviewing methodologies and models, and overseeing various internal credit committees that formulate high level rating policies and practices for each of the rating groups. New credit rating methodologies or changes to existing credit rating methodologies are approved by the methodology committee.
  4. **Group ICRA** refers to ICRA Limited, ICRA Lanka Limited, ICRA Nepal Limited, ICRA Management Consulting Services Limited (IMaCS) & its subsidiary, and ICRA Online Limited (ICRON).
  5. **ICRA Lanka** refers to ICRA Lanka Limited.
  6. The **ICRA Lanka Board of Directors ("ICRA Board")** refers to the board of directors of ICRA Lanka Limited.
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## Services and Products

1. A **Credit Rating** means an opinion regarding the relative credit risks associated with the Security(ies), expressed in the form of standard symbols or in any other standardised manner, assigned by ICRA Lanka and used by the Issuer of such Security(ies), to comply with the requirements specified under regulations. (See Section II below.)
  2. A **Credit Rating Action** is any one of the items below:
    - i. the assignment of a Credit Rating to a Rated Entity or obligation, including subsequent Credit Ratings;
    - ii. a change in a Credit Rating (i.e., upgrade or downgrade);
    - iii. placing a Credit Rating on review or watch or changing the direction of an existing review or taking a Credit Rating off review;
    - iv. the assignment or change in an outlook associated with a Rated Entity or one or more Credit Ratings;
    - v. an affirmation of a Credit Rating; and
    - vi. a withdrawal of a Credit Rating.
  3. A **Credit Rating Announcement** is a written communication in the form of a press release that may be used to announce the publication of a Credit Rating Action related to Credit Ratings.
  4. **Credit Rating Services** are those products and services offered with respect to Credit Ratings and, if applicable the related rating outlook or rating review. Credit Rating Services specifically exclude all Ancillary Services or Other Permissible Services.
  5. **Rating Services** means any or all of the following: Credit Rating Services, Ancillary Services and/or Other Permissible Services.
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## Other

1. An **Agent** is any party working on behalf of a Rated Entity, or working on behalf of an agent of the Rated Entity.
2. **Fee Discussions** are any negotiations about fees for Rating Services and any discussions or correspondence (whether internal or external) relating to those negotiations.
3. **Issuer Confidential Information** is any information received by ICRA Lanka from an Issuer in connection with the rating process except where such disclosure is required under applicable law to the relevant authority. However, the term "Issuer Confidential Information" shall not include:
  - a. information that is publicly known;
  - b. information available to ICRA Lanka on a non-confidential basis prior to disclosure by the Issuer;
  - c. information that becomes available to ICRA Lanka on a non-confidential basis from a third party not reasonably known by ICRA Lanka to be bound by a confidentiality agreement with the Issuer or otherwise prohibited from making available such information;

- d. information developed independently by ICRA Lanka;
  - e. information that has been aggregated or transformed in such a way that it is no longer identified as relating to any individual Issuer; or
  - f. information that is approved for public disclosure in writing by the Issuer.
4. **Non-Public Information** is information that has not been publicly disseminated (for example, through public filing with a securities regulatory authority; issuance of a press release; disclosure of the information in a national or broadly disseminated news service; or the issuance of a proxy statement or prospectus).
  5. The terms **Own, Owning and Ownership** refer to all methods by which an Employee may possess an interest in a Security(ies), including direct ownership and beneficial ownership. For the purposes of this CoPC, Employees are deemed to be the beneficial owner of all Security(ies) held by their Relative, if a Relative is either dependent on an Employee or consults an Employee in taking decisions relating to trading in Security(ies).
  6. **Rated Entity(ies) or Issuer(s)** means any entity rated by ICRA Lanka or any entity that issues Security(ies) rated by ICRA Lanka or any entity that is seeking a Credit Rating from ICRA Lanka.
  7. **Relative** means anyone who is related to another, if— (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person shall be deemed to be the relative of another, if he or she is related to another in the following manners: spouse, father including step-father, father’s father and mother, mother including step-mother, mother’s mother and father, son including step-son, son’s wife, daughter including step-daughter, daughter’s husband, brother including step-brother, sister including step-sister.
  8. **Restricted/Grey List** is a list of Security(ies) by industry, geography or regulation, which an Employee and any Relative of that Employee may not Own or Trade.
  9. **Security(ies)** shall include the following (*does not cover schemes of mutual funds*) or as defined by SEC from time to time:
    - i. Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
    - ii. Derivative;
    - iii. Units or any other instrument issued by any collective investment scheme to the investors in such schemes;
    - iv. Any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;
    - v. Government securities;
    - vi. such other instruments as may be declared by the Government to be securities; and
    - vii. rights or interest in securities
  10. The term **Trade** (Including Trades, Traded and/or Trading) means and includes subscribing, buying, selling, dealing or agreeing to subscribe, buy, sell, deal in any Security(ies).

## II. What Are Credit Ratings?

A Credit Rating means an opinion regarding the relative credit risks associated with the Security(ies), expressed in the form of standard symbols or in any other standardised manner, assigned by ICRA Lanka and used by the Issuer of such Security(ies), to comply with the requirements specified under regulations.

Credit Ratings are based on information obtained by ICRA Lanka from sources believed by ICRA Lanka to be accurate and reliable, including, but not limited to, Issuers and their Agents, as well as sources independent of the Issuer. ICRA Lanka relies on Issuers and their Agents to provide information that is true, accurate, timely, complete and not misleading.

ICRA Lanka adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources ICRA Lanka considers to be reliable, including, when appropriate, independent third-party sources. However, ICRA Lanka is not an auditor and cannot independently verify or validate information received in the rating process. Thus, in assigning a Credit Rating, ICRA Lanka is in no way providing a guarantee with regard to the accuracy, timeliness, or completeness of factual information reflected, or contained, in the Credit Rating or any related ICRA Lanka publication.

In the rating process, ICRA Lanka maintains independence in its relationships with Issuers, investors, and other interested entities. ICRA Lanka does not have a fiduciary relationship with the Issuer whose security is being rated (or any other party). Nor does ICRA Lanka act as an advisor to the Issuers it rates. ICRA Lanka may comment on the potential credit implications of proposed structural elements of a security, but ICRA Lanka does not participate in the actual structuring of any security under consideration for a Credit Rating.

As a matter of policy, and in keeping with its role as an independent and objective publisher of opinions, ICRA Lanka retains complete editorial control over the content of its Credit Ratings, credit opinions, commentary, and all related publications. ICRA Lanka reserves the right at any time to modify, downgrade, upgrade or withdraw a Credit Rating, or place a rating on review in accordance with ICRA Lanka policies and procedures. ICRA Lanka editorial control includes its right to decide whether, and when, to issue a Credit Rating or publish any information or commentary, except in those rare instances where the public disclosure of a Credit Rating has been contractually limited (see Provision 3.4 below) or limited by applicable laws and regulations.



## III. The Provisions

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### 1. Quality and Integrity of the Rating Process

As described in the IOSCO Principles, ICRA Lanka will endeavor to provide forward-looking opinions on the relative creditworthiness of Issuers of debt and debt instruments in order to help reduce the information asymmetry that exists between those Issuers and potential purchasers of their debt.

#### A. QUALITY OF THE RATING PROCESS

- 1.1 Since Credit Ratings are probabilistic opinions about future creditworthiness, the performance of an individual Credit Rating will not be judged on the basis of the individual outcome, but on whether the individual Credit Rating was assigned pursuant to ICRA Lanka's established processes. Where possible, the performance of Credit Ratings collectively will be evaluated on the basis of how they perform on a statistical basis ex post (e.g., default studies, accuracy ratios and stability measures).
- 1.2 ICRA Lanka will develop and maintain rigorous and systematic rating methodologies. Where possible, resulting Credit Ratings will be periodically subjected to objective validation based on historical experience. The methodology committee along with the Credit Policy Function will be responsible for monitoring the appropriateness and completeness of rating methodologies and procedures and for the initial approval of significant changes to ICRA Lanka's rating methodologies and procedures.
- 1.3 In assessing an Issuer's or obligation's creditworthiness, Analysts will use ICRA Lanka's published methodologies, where appropriate. Analysts will apply a given methodology in a consistent manner.
- 1.4 Credit Ratings will be determined by rating committees and not by any individual Analyst. Once a rating committee has determined the appropriate Credit Ratings to be assigned to a Rated Entity's Security(ies), ICRA Lanka will assign such Credit Ratings unless and until a subsequent rating committee determines otherwise.
  - a. Analysts will monitor Credit Ratings assigned to a Rated Entity's Securities periodically and present their monitoring report to a rating committee for its attention and review. It is the responsibility of the Analyst to monitor the Issuer's debt issuance and leverage and changes to program documents, and to present same to the rating committee for its attention and review.
  - b. In producing a Credit Rating, ICRA Lanka will consider all information known and believed to be relevant by the applicable Analyst and rating committee about an Issuer, including information received from a source other than the Issuer or underwriter that the applicable Analyst and rating committee find credible and potentially significant to a rating decision in a manner generally consistent with ICRA Lanka's published methodologies. ICRA Lanka will establish, maintain and enforce policies and controls to assure that the Credit Ratings it disseminates are based on a thorough analysis of all such information. In formulating Credit Ratings, ICRA Lanka will employ Analysts who, individually or collectively (for rating committees), have appropriate knowledge and experience in developing a rating opinion for the type of Issuer or credit being analyzed.
- 1.5 ICRA Lanka will comply with its record retention policies and applicable laws when maintaining records used to support its Credit Rating processes. ICRA Lanka will establish, maintain and enforce policies and controls so that its Employees comply with ICRA Lanka's record retention policies and with applicable laws governing retention and disposition of records. ICRA Lanka Employees will familiarize themselves with ICRA Lanka's record retention policies, and periodically certify their compliance with such policies.
- 1.6 ICRA Lanka and its Analysts will establish, maintain and enforce policies and controls to avoid issuing any Credit Ratings that contain misrepresentations or are otherwise misleading as to the general creditworthiness of an Issuer or obligation.
- 1.7 ICRA Lanka will invest resources sufficient to carry out high-quality credit assessments of Issuers or obligations. When deciding whether to rate or continue rating an obligation's or Issuer's Security(ies), ICRA Lanka will assess whether it is able to devote sufficient personnel with appropriate skills to make a proper rating assessment and

whether its personnel likely will have access to sufficient information needed in order to make such an assessment. In its Credit Rating Announcements for Credit Ratings, ICRA Lanka will present historical data in accordance with regulatory requirements and will note any limitation clear in a prominent place (not clear). ICRA Lanka adopts all necessary measures so that the information it uses in assigning a Rating is of sufficient quality and from sources ICRA Lanka considers to be reliable including, when appropriate, independent third-party sources. In cases involving new types of financial products, ICRA Lanka will refrain from providing a Credit Rating unless it believes that it has sufficient information and the appropriate analytical skills to do so. ICRA Lanka will require the methodology committee along with the Credit Policy Function to:

- a. review the feasibility of providing a Credit Rating for a type of structure that is materially different from the structures ICRA Lanka has rated;
- b. at periodic intervals or as required under local regulations, review the methodologies and models and significant changes to the methodologies and models ICRA Lanka uses; and
- c. assess whether existing methodologies and models for determining Credit Ratings of structured products are appropriate when ICRA Lanka determines that the risk characteristics of the assets underlying a structured product have materially changed.

1.8 ICRA Lanka will organize its rating committees to promote continuity and avoid bias in the rating process.

## B. MONITORING AND UPDATING

1.9 ICRA Lanka will allocate adequate personnel and financial resources to monitoring and updating its Credit Ratings on a timely basis. Once a Credit Rating is published, and unless it is withdrawn, ICRA Lanka will:

- a. at periodic intervals, if required, or as required under local regulations, review the creditworthiness of the Issuer or other relevant entity or obligation;
- b. initiate 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 withdrawing a Credit Rating consistent with the applicable methodologies; and
- c. update on a timely basis the Credit Rating, as appropriate, based on the results of any such review referred to in a. or b. above. In addition, upon adoption of a new or revised rating methodology, ICRA Lanka will review the impact of the new or revised methodology to outstanding Credit Ratings and take any necessary Credit Rating Action, within a reasonable period of time.
- d. Where practicable, ICRA Lanka will leverage available information and expertise in the monitoring process. ICRA Lanka will apply changes in relevant key rating assumptions both to current and newly assigned Credit Ratings.

1.10 Where ICRA Lanka uses separate analytical teams for assigning initial Credit Ratings and for monitoring such Credit Ratings, each team will have the requisite level of experience and resources to perform its respective functions in a timely manner. ICRA Lanka will also evaluate internal processes and market trends in order to maintain operational flexibility to allocate resources needed to monitor existing Credit Ratings and conduct reviews on a timely basis.

1.11 ICRA Lanka will establish, maintain and enforce policies and controls relating to the publication of Credit Rating Announcements that announce Credit Rating Actions, including the withdrawal of a public Credit Rating on an obligation's or Issuer's Security(ies).

## C. INTEGRITY OF THE RATING PROCESS

1.12 ICRA Lanka Employees will comply with all applicable laws and regulations governing their activities in their jurisdictions in which they operate.

1.13 ICRA Lanka and its Employees will deal fairly and honestly with Issuers, Rated Entities, investors, other market participants, and the public.

1.14 ICRA Lanka will hold its Employees to high standards of integrity. ICRA Lanka will not knowingly employ any

individuals with demonstrably compromised integrity.

- 1.15 ICRA Lanka and its Employees will not, either implicitly or explicitly, give any assurance or guarantee of a particular Credit Rating prior to a rating committee. This does not preclude ICRA Lanka from developing preliminary feedback in connection with its ratings analysis. In addition, ICRA Lanka and its Employees will not make a promise or threat about potential Credit Rating Actions to influence Rated Entities, investors, or other market participants to pay for Credit Ratings or other services.
- 1.16 ICRA Lanka will not:
  - a. provide rating advisory services;
  - b. act as a broker or dealer engaged in the business of underwriting Security(ies) or money market instruments; or
  - c. have a financial or controlling interest in an entity rated by ICRA Lanka.
- 1.17 ICRA Lanka Employees are prohibited from making proposals or recommendations to an obligor or Issuer, underwriter or sponsor of an obligation about the corporate or legal structure, assets, liabilities or activities of an obligor or Issuer. Consistent with this prohibition, in assessing credit risk, ICRA Lanka Employees may properly hold a series of discussions with an Issuer, Rated Entity, or its Agents in order to:
  - a. understand and incorporate into their analysis the particular facts and features and any modification thereof, as proposed by the Issuer, Rated Entity, or its Agents; and
  - b. explain to the Issuer, Rated Entity or its Agents the Credit Rating implications of ICRA Lanka's methodologies as applied to the obligation's or Issuer's Security(ies).
- 1.18 ICRA Lanka Employees are prohibited from rendering directly or indirectly any investment advice about any Security.
- 1.19 While Employees are not expected to be experts in the law, they are expected (and in some cases required by applicable laws and regulations) to report activities of which they are aware that a reasonable person would question as a potential violation of applicable laws and regulations or this Code. All ICRA Lanka Employees are obligated to report these issues promptly to the Compliance Function. ICRA Lanka Employees may also report such matters on a confidential basis by calling ICRA's Integrity Hotline. The Compliance Function will take appropriate action, as determined by the applicable laws and regulations of the jurisdiction and the policies and procedures established by ICRA Lanka.
- 1.20 Management prohibits retaliation by any Employee or by ICRA Lanka itself against any Employee who, in good faith, reports a possible violation of the law, regulation or this Code.

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## 2. Independence and Avoidance and/or Management of Conflicts of Interest

### A. GENERAL

- 2.1 ICRA Lanka will not forbear or refrain from taking a Credit Rating Action, or from initiating or concluding a review of a Credit Rating, based on the potential effect (economic, political, or otherwise) of the action on ICRA Lanka, an Issuer, Rated Entity, investor or other market participant.
- 2.2 ICRA Lanka and its Employees will use care and professional judgment to maintain both the substance and appearance of independence and objectivity.
- 2.3 The determination of a Credit Rating will be influenced only by factors relevant to the credit assessment.
- 2.4 The Credit Rating ICRA Lanka assigns to an obligation's or Issuer's Security(ies) will not be affected by the existence of, or potential for, a business relationship between ICRA Lanka (or Group ICRA) and the Issuer (or its affiliates), or any other party, or the non-existence of any such relationship.
- 2.5 ICRA Lanka will separate, operationally and legally, and if practicable, physically, its Credit Rating Services and Analysts from any other business that may present a conflict of interest. If ICRA Lanka intends to offer new Other Permissible Services or Ancillary Services, ICRA Lanka will first consult with the Compliance Function. ICRA Lanka will establish, maintain and enforce policies and controls designed to minimize the likelihood of conflicts of

interest with ICRA Lanka's Credit Rating Services.

## B. PROCEDURES AND POLICIES

- 2.6 ICRA Lanka will establish, maintain and enforce policies and controls to identify and eliminate, or manage and disclose, as appropriate, actual or potential conflicts of interest that may influence the determination of Credit Ratings, or the approval of new or revised Credit Rating. ICRA Lanka has established policies to address and manage the following:
  - a. ICRA Lanka is paid by Issuers to determine Credit Ratings with respect to security(ies), obligations or money market instruments they issue or underwrite.
- 2.7 ICRA Lanka's disclosures of known actual and potential conflicts of interest will be complete, timely, clear, concise, specific, and prominently notified in accordance with the applicable regulations.
- 2.8 ICRA Lanka will disclose the general nature of its compensation arrangements with Rated Entities.
  - a. ICRA Lanka does not provide consulting services. ICRA Lanka does not receive from Rated Entities compensation unrelated to its Rating Services. If ICRA Lanka were to receive from a Rated Entity compensation unrelated to its Rating Services, ICRA Lanka would disclose the proportion such fees constitute against the fees ICRA Lanka receives from the Rated Entity for Rating Services.
  - b. ICRA Lanka will disclose if it receives 10 percent or more of its annual net billings from a single Issuer, originator, arranger or subscriber (including any affiliates of the Issuer, originator, arranger, or subscriber).
- 2.9 ICRA Lanka will not engage in any Security(ies) (including derivatives) trading that presents actual or potential conflicts of interest with ICRA Lanka's rating-related activities.
- 2.10 In instances where Rated Entities or Issuers have, or are simultaneously pursuing, oversight functions related to ICRA Lanka, the Rating Personnel who participate in the determination of Credit Ratings or approval of rating methodologies that apply to such Rated Entities or Issuers will be separate from the Employees responsible for interacting with the officials of those Rated Entities or the Issuers regarding supervisory matters.

## C. ANALYST AND EMPLOYEE INDEPENDENCE

- 2.11 Reporting lines for Employees and their compensation arrangements will be organized to eliminate or effectively manage actual and potential conflicts of interest.
  - a. Analysts will not be compensated or evaluated on the basis of the amount of revenue that ICRA Lanka derives from Rated Entities:
    - i. that the Analyst rates; or
    - ii. with which the Analyst regularly interacts; or
    - iii. over which the Analyst has approval or oversight responsibility.
  - b. ICRA Lanka will conduct formal and periodic reviews of compensation policies and practices for its Employees who participate in, or who might otherwise have an effect on, the Credit Rating process to determine that these policies and practices do not compromise the objectivity of the Credit Rating process or Employees.
- 2.12 ICRA Lanka has implemented a separation of its rating and commercial activities. Rating Personnel will not participate in Fee Discussions, or sales and marketing activities, or be influenced by sales and marketing considerations.

Employees in the ICRA Lanka Commercial Function will not participate in the determination or monitoring of Credit Ratings or in the development or approval of models or methodologies used in providing Rating Services.
- 2.13 As described in more detail in various policies, Employees will not approve, participate in or otherwise influence the determination of the Credit Rating of any particular Issuer, Rated Entity or obligation if the Employee:
  - a. owns Security(ies) issued, guaranteed or otherwise supported by the Rated Entity, its affiliates or any of the identified third parties;
  - b. has a Relative who owns Security(ies) issued, guaranteed or otherwise supported by the Rated Entity, its affiliates or any of the identified third parties;

- c. has had a recent employment or other significant business relationship with the Rated Entity, its affiliates or any of the identified third parties, that either constitutes a conflict of interest or creates the impression of a conflict of interest that ICRA Lanka deems to be unacceptable;
  - d. has a Relative who works for the Rated Entity, its affiliates or any of the identified third parties, in circumstances where this employment relationship either constitutes a conflict of interest or creates the impression of a conflict of interest that ICRA Lanka deems to be unacceptable;
  - e. has, or had, any other relationship with the Rated Entity, its affiliates or any of the identified third parties, or any related entity thereof that either constitutes a conflict of interest or creates the impression of a conflict of interest that ICRA Lanka deems to be unacceptable;
  - f. has, or had initiated, or participated in Fee Discussions with the Rated Entity, its affiliates or any of the identified third parties, (excluding accidental receipt of fee information with participation from the ICRA Lanka Employee and clearance in accordance with the Procedure for Fee Discussion); or
  - g. has received gifts or entertainment or cash from the Rated Entity, its affiliates or any of the identified third parties, that either constitutes a conflict of interest or creates the impression of a conflict of interest that ICRA Lanka deems unacceptable in accordance with the ICRA Lanka CoBC.
- 2.14 In accordance with the section 32 of the SEC Act (Prohibition on Insider Trading), Employees who are involved in the rating process and their Relatives are prohibited from Trading any Security (including a derivative of any Security) issued, guaranteed, or otherwise supported by any Issuer or entity within such Employee's Restricted/ Grey List(s).
- 2.15 In accordance with the CoBC, ICRA Lanka maintains prohibitions on soliciting or accepting money, gifts, favors, services or entertainment from any Rated Entity or any sponsor of any Rated Entity or its Agents. All Rating Personnel are required to obey these prohibitions. All ICRA Lanka Employees must comply with the gift provisions in the CoBC.
- 2.16 Any Analyst or Manager who becomes involved in any personal relationship that may create an actual or potential 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 analytic responsibility), will be required, to disclose such relationship to his or her Function Head or a member of the Compliance Function. Based on the assessment of this information, ICRA Lanka will take appropriate steps to mitigate an actual or potential conflict.
- 2.17 Where an Analyst or any other ICRA Lanka Employee who participates in determining or monitoring Credit Ratings leaves the employment of ICRA Lanka and becomes an employee of a Rated Entity, underwriter, or sponsor of obligations the Analyst or other Employee was involved in rating or of a financial firm with which he or she had dealings as part of his or her duties at ICRA Lanka, ICRA Lanka will conduct a look-back review of such Analyst's or Employee's work in accordance with applicable laws and regulations.

### 3. Responsibilities to the Investing Public and Issuers

#### A. TRANSPARENCY AND TIMELINESS OF RATINGS DISCLOSURE

- 3.1 ICRA Lanka will disclose as soon as practicable its public Credit Rating Actions regarding the Issuer's Security(ies) it rates.
- 3.2 ICRA Lanka will make its public Credit Ratings and public Credit Rating Announcements available to the public through its website or otherwise on a non-selective basis without cost, and provide transparency on how the relevant entity or obligation is rated. Such public Credit Ratings and public Credit Rating Announcements will be posted on ICRA Lanka's website(s).
- 3.3 ICRA Lanka will encourage structured finance Issuers and originators of structured finance products to publicly disclose all relevant information regarding these products.
- 3.4 ICRA Lanka will publicly disclose through its website, its policies for distributing, suspending/ withdrawing Credit Ratings and will keep such policies current.

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- 3.5 For each Credit Rating Action, ICRA Lanka will disclose in the Credit Rating Announcement certain information, including but not limited to:
- a. a reference to the date of the last associated Credit Rating Announcement, if any (sometimes via referral to an alternative source);
  - b. a summary of the key elements of the rationale underlying the Credit Rating;
  - c. a summary of the key rating assumptions/factors and sensitivity analysis of the relevant key rating assumptions/factors;
  - d. a reference to the methodology(ies) used to determine the Credit Rating. In the Credit Rating Announcement, ICRA Lanka will indicate where methodologies and other important aspects factored into Credit Ratings can be found. The Credit Rating Announcement may refer to published documents on ICRA Lanka's website(s) where applicable. All documents referenced or otherwise, as required under regulations will be available in a user-friendly manner to enable easy and ready access for investors/Issuers.
- 3.6 ICRA Lanka will publicly disclose sufficient information about its rating committee process, procedures, methodologies and any assumptions about the published financial statements that deviate materially from information contained in the Issuer's published financial statements so that investors and other users of Credit Ratings can understand how a Credit Rating was determined. The rating symbols and rating scales used by ICRA Lanka are publicly disclosed in its Rating/Grading Scale document available on ICRA Lanka's website(s).
- a. ICRA Lanka will publish sufficient information about its loss expectations and cash flow analysis relating to a structured finance Credit Rating so that a financial market professional can understand the basis for the Credit Rating. Where practical, ICRA Lanka will disclose the degree to which it analyzes how sensitive a structured finance Credit Rating is to changes in ICRA Lanka's underlying Credit Rating assumptions.
  - b. ICRA Lanka will insert "(SO)" into all of its new and existing Credit Ratings of structured finance instruments. The insertion of "(SO)" will appear following the Credit Rating in all of ICRA Lanka's Credit Rating Announcements and research reports (e.g., "[SL]AAA(SO)") when referring to a specific Credit Rating.
  - c. ICRA Lanka will clearly indicate the attributes and limitations of Credit Ratings, the risk of unduly relying on them to make investment or other financial decisions and generally the extent to which ICRA Lanka verifies the information provided to it by the Issuer or originator of a rated security. This information should assist investors and other users of Credit Ratings in developing a greater understanding of what a Credit Rating is. ICRA Lanka is subject to regulations in Sri Lanka and such regulations do not state or imply that the regulatory authorities endorse ICRA Lanka Credit Ratings nor may ICRA Lanka use its registration status to advertise the quality of its Credit Ratings.
- 3.7 Where feasible and appropriate, prior to issuing or revising a Credit Rating, ICRA Lanka will inform the Rated Entity of the critical information and principal considerations upon which the Credit Rating is based and afford the Rated Entity an opportunity to submit additional factual information not previously available to ICRA Lanka or to clarify any likely factual misperceptions or other matters it considers relevant in order to produce a well-informed Credit Rating. ICRA Lanka will duly evaluate the Rated Entity's response. Where in particular circumstances ICRA Lanka has not informed the Rated Entity prior to issuing or revising a Credit Rating, ICRA Lanka will inform the Rated Entity as soon as practicable thereafter and, generally, will explain the reason for the delay.
- 3.8 ICRA Lanka will allow the Issuer a brief period of time, which may vary depending on the circumstances, to notify ICRA Lanka of the Issuer's desire to appeal the Credit Rating decision, in accordance with ICRA's Appeal Policy. If a Rated Entity disagrees with the Credit Rating assigned by ICRA Lanka, it can appeal for a review of such Credit Rating. As part of the appeal for review, the Rated Entity shall submit additional information, data or clarifications on the aforesaid Credit Rating to ICRA Lanka within the timelines as mutually agreed, for ICRA Lanka to be able to review the Credit Rating assigned earlier. Such information should be material and relevant to the appeal for review. Review committee would review the information submitted and decide whether to retain the Credit Rating or change it, depending on the facts of the case.
- 3.9 In order to promote transparency and to enable the market to best judge the aggregate performance of Credit Ratings on debt instruments, where possible, ICRA Lanka will in accordance with the regulatory requirements



publish sufficient information about its historical default rates by rating category, the transitions between rating categories, and periodic performance metrics so that financial market professionals can understand the historical performance of Security(ies) assigned to different rating categories. Where feasible, this information will 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 financial professionals in drawing performance comparisons between credit rating agencies. Upon request, ICRA Lanka will provide Credit Ratings data to regulatory authorities to allow those authorities to conduct their own evaluation of Credit Ratings performance.

- 3.10 ICRA Lanka will publicly disclose via posting on ICRA Lanka's website(s) any material modifications to its rating methodologies, policies and processes.
- 3.11 As a publisher of credit research related to its Credit Ratings, ICRA Lanka will seek to provide clear, accurate, transparent, and high quality research about Rated Entities and Issuers. Research sales will be separated from the research and rating process in ways that help protect the latter activities from improper conflicts of interest. As provided elsewhere in this section, Issuer Confidential Information and Non-Public Information about ICRA Lanka's future Credit Rating Actions may not be disclosed to research subscribers or others.

## B. TREATMENT OF ISSUER CONFIDENTIAL INFORMATION AND NON-PUBLIC INFORMATION

3.12 ICRA Lanka will:

3.13.1 Establish, maintain and enforce policies and controls to:

- a. Preserve the confidentiality of Issuer Confidential Information;
- b. Prevent disclosure of Non-Public Information related to Credit Ratings, including pending Credit Rating Actions; and
- c. Prevent violations of applicable laws and regulations governing the treatment and use of Issuer Confidential Information and/or material Non-Public Information.

3.13.2 Refrain from publicly disclosing Issuer Confidential Information in Credit Rating Announcements, or through research, conferences, or conversations with investors, other issuers, or any other persons unless ICRA Lanka has received permission from the Issuer, its affiliates or its Agents.

3.13.3 Notwithstanding the foregoing, ICRA Lanka shall not be restricted from:

- a. publishing any Credit Rating or other opinion regarding a particular Security or transaction which incorporates Issuer Confidential Information as long as: (i) the Issuer Confidential Information is not specifically disclosed and (ii) the disclosure is made publicly so that the opinion is available to investors generally;
- b. using third party contractors or Agents bound by appropriate confidentiality obligations to assist in any aspect of the ratings process or related business activities;
- c. disclosing information as required by any applicable law, rule, or regulation, or at the request of any governmental agency or authority; or
- d. disclosing information to third parties with an independent legal right to receive it

3.14 ICRA Lanka and its Employees will use Issuer Confidential Information only for purposes related to its Credit Rating Services and will maintain and enforce policies and controls to this effect.

3.15 ICRA Lanka will maintain and enforce policies and controls that require its Employees to take all reasonable measures to protect all property and records belonging to or in possession of ICRA Lanka from fraud, theft, and misuse.

3.16 In accordance with the CoBC and Guidelines for dealing with Conflict of Interest for investment/trading in securities, Employees and their Relative will be prohibited from engaging in transactions in Security(ies) when the Employee possesses Non-Public Information related to the Issuer of such Securities, or information relating to pending Credit Rating Actions affecting either the Security(ies) or the Issuer of such Security(ies).

3.17 Employees will familiarize themselves with the Guidelines for dealing with Conflict of Interest for investment/trading in securities, and periodically certify their compliance as required by such guidelines.

- 3.18 Employees will not disclose Non-Public Information regarding pending Credit Ratings, except to the relevant Issuer or its Agents, or as required by applicable law or regulation.
- 3.19 ICRA Lanka Employees will not share Issuer Confidential Information or Non-Public Information within ICRA Lanka except as necessary in connection with its business. ICRA Lanka Employees will not share Issuer Confidential Information with employees of any affiliated entities except to the extent where such information is required in order to carry out those duties, are bound by appropriate confidentiality obligations and have a prior written approval from the DCO.
- 3.20 Employees will not use or share Issuer Confidential Information for any purpose except as otherwise provided in this CoPC.
- 3.21 Non-Public Information relating to a Credit Rating, including ICRA Lanka’s internal deliberations and the identities of persons who participated in a rating committee, will be kept strictly confidential and will not be disclosed to persons outside of ICRA Lanka except on a “need- to-know” basis and where such persons are bound by appropriate confidentiality provisions or upon the proper request of any governmental agency or authority.

#### C. REFERRING TIPS TO LAW ENFORCEMENT OR REGULATORY AUTHORITIES

- 3.22 ICRA Lanka shall ensure that any change in registration status/any penal action taken by SEC or any material change in financials of ICRA Lanka which may adversely affect the interests of clients/investors is promptly informed to the clients and any business remaining outstanding with ICRA Lanka is transferred to another registered person in accordance with any instructions of the affected clients/investors.

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## 4. Governance, and Training

- 4.1 Management is responsible for the implementation and the enforcement of the CoPC. The ICRA Lanka Board oversees these responsibilities.
  - 4.2 ICRA Lanka will adopt and maintain an appropriate continuing education program for Analysts and will establish, maintain and enforce appropriate policies and controls to verify that Analysts undergo required training. Within this continuing education program, Analysts will receive training on content updates as they emerge. ICRA will designate one or more appropriate Employees to implement and oversee the continuing education program. The Compliance Function will be responsible for periodic training in connection with the CoBC and the CoPC, as well as other relevant Compliance policies, including those relating to securities trading and protection of confidential information and/or Non-Public Information. The Compliance Function also will establish controls to verify completion of such training.
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## 5. Enforcement and Disclosure of the CoPC and Communication with Market Participants

- 5.1 The provisions of this CoPC are based on the SEC regulations and also derived primarily from the IOSCO Principles, the IOSCO Code and ACRAA Code. However, ICRA Lanka has made certain modifications to more closely align this CoPC with ICRA Lanka's business model and practices, as well as the laws adopted by regulators in Sri Lanka and India. Such modifications will be specifically identified and explained in a report that ICRA Lanka will publish annually outlining compliance with the CoPC and explaining any material deviations that may exist between the CoPC and the IOSCO Code.
- 5.2 With respect to the subjective standards that are incorporated in this CoPC, ICRA Lanka will use its good faith efforts in implementing such standards.
- 5.3 ICRA Lanka will publish in a prominent position on its public website(s) links to (1) the CoPC; (2) a general description of the methodologies/ criteria ICRA Lanka uses in assigning Credit Ratings; (3) information about ICRA Lanka's historic Credit Rating(s) performance; and (4) any other such disclosures required under this Code or by SEC or by any other authority as applicable.
- 5.4 The Compliance Function will be responsible for assessing adherence to the various procedural provisions of this CoPC. The reporting line of the Compliance Function will be independent of ICRA Lanka's Credit Rating activities. The DCOs are responsible for implementation and enforcement of these requirements within the Compliance Function. An Employee who becomes aware of a breach of this CoPC will be required to report such breach to the Compliance Function.
  - a. Compensation of the DCOs will not be linked to ICRA Lanka's financial performance and will be arranged so as to promote and not impair the independence of the DCOs and the Compliance Function.
  - b. On an annual basis, the Compliance Function will review ICRA Lanka's compliance during the prior calendar year with ICRA Lanka's policies and procedures that relate to ratings-related activities, including any material changes to the CoPC, the CoBC and conflict of interest policies, and prepare an annual compliance report. Where required by law such annual compliance report also will address ICRA Lanka's compliance with relevant securities laws.
- 5.5 The ICRA Lanka Board of Directors oversees ICRA Lanka's policies and procedures that relate to ratings-related activities and conflicts of interest, its internal control systems for such policies and procedures, and its compensation and promotion policies and practices.
- 5.6 ICRA Lanka will establish, maintain and enforce policies and controls for receiving, reviewing, retaining, and handling complaints, including those that are provided on a confidential basis. The Compliance Function will conduct a review of all relevant complaints in accordance with its policies and procedures and will make a determination whether any further escalation is necessary.



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