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Approved by	Board of Directors
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Signing Authority <i>Designated by BOD</i>	 USMAN HAIDER Chief Executive Officer

THE PAKISTAN CREDIT RATING AGENCY LIMITED

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1 OBJECTIVE

1.1 PACRA a credit rating agency strives to observe the highest standards of integrity and fairness in all its dealings. The directors are expected to articulate the high standards of professionalism, integrity, ethical and law-abiding behavior in the organization. All Directors of the Company are expected to read and understand the Code of Conduct and follow these standards in performance of their duties and fulfill their fiduciary obligations.

2 APPLICABILITY

2.1 Member of Board of Directors

3 COMPLIANCE

3.1 All the Board members shall affirm compliance with the Code at the time of appointment as Director and on an annual basis in first Board meeting of subsequent financial year.

3.2 The Code is not intended to override any applicable laws and obligations.

4 APPOINTMENT

4.1 A proposed director, chairman or chief executive of the PACRA shall not assume the charge of office until its appointment has been approved by the Commission in writing. The application for seeking approval of the Commission shall be submitted by PACRA along with the requisite information required under the Fit and Proper Criteria along-with the undertakings specified therein. [Ref: CRC Regulations, 2016; Regulation 10(6)]

4.2 PACRA shall ensure that at least one third of its board of directors are independent directors that are appointed in terms of regulation 12(1)(b) of the CRC Regulations, 2016.

5 CONDUCT

5.1 Directors shall:

5.1.1 act honestly and with integrity in all their dealings for the company. Such conduct shall be fair, transparent and should be such that it is perceived so by third parties. They should not make any promise or commitments which the company does not intend to or would be unable to honor.

5.1.2 deposit their shares with Central Depository Company of Pakistan Ltd in an account marked as blocked for a period of three (3) years from the date of obtaining the license under CRC regulations. [Ref: CRC Regulations, 2016; 4(e)]

5.1.3 fulfill their obligations in a fair, efficient, transparent and ethical manner and render high standards of services in performing their functions and obligations; [Ref: CRC Regulations, 2016;11(A)(a)]

5.1.4 refrain from soliciting money, gifts or favors from anyone with whom the credit rating company conducts business; [Ref: CRC Regulations, 2016;11(A)(q)]

5.1.5 ensure that PACRA's analysts follow the defined rating criteria, methodologies and procedures carefully, uniformly and in a consistent manner; [Ref: CRC Regulations, 2016;11(C)(d)]

5.1.6 take reasonable measures to protect PACRA's property and records belonging to or in possession of the credit rating company from fraud, theft or misuse; [Ref: CRC Regulations, 2016;11(D)(d)]

5.2 Directors shall not:

5.2.1 use company information obtained by them for personal gain financial or otherwise or for the benefits of any other person or business.

5.2.2 enter into any agreement for sale or transfer of their shares in any manner other than as specified in CRC regulations. [Ref: CRC Regulations, 2016; Regulation 4(f)]

5.2.3 Interfere in the proceedings of the Rating Committee (RC) or influence their decisions. [Ref: CRC Regulations, 2016; Regulation 12(2)(b)]

5.2.4 willfully make false statements or conceal any material fact in any document, report or statement furnished to the Commission; [Ref: CRC Regulations, 2016; 10(7)(j)]

5.2.5 make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating [Ref: CRC Regulations, 2016; 10(7)(k)]

5.2.6 be a director of a corporate entity or a business firm or a substantial shareholder of any corporate entity or a business firm or in any other way interested in such an entity subject to rating by PACRA.

Provided that this restriction shall not apply to a director of a credit rating company nominated as a director of an entity by the Federal Government or a Provincial Government or an institution which is directly or indirectly owned or controlled by the Federal Government or a Provincial Government. [Ref: CRC Regulations, 2016; Regulation 10(2)]

5.2.7 assign his office to any other person and any such appointment shall be void *ab-initio*.

provided that the appointment by a director, with the approval of the board, of an alternate or substitute director to act for him during his absence from Pakistan of not less than ninety days, shall not be deemed to be an assignment of office.

Provided further that the alternate director so appointed shall *ipso facto* vacate office if and when the director appointing him returns to Pakistan. [Ref: Companies Act, 2017; Section 174]

5.2.8 achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company. [Ref: Companies Act, 2017; Section 204(5)]

6 PROCEEDINGS OF THE BOARD

6.1 The quorum for a meeting of board of PACRA shall not be less than one-third of number of directors or four, whichever is greater and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.

Provided that if at any time, there are not enough directors to form a quorum to fill a casual vacancy, all the remaining directors shall be deemed to constitute a quorum for this limited purpose. [Ref: Companies Act, 2017; Section 176(1)]

6.2 The board of PACRA shall meet at least once in each quarter of a year. [Ref: Companies Act, 2017; Section 176(3)]

6.3 The board of PACRA shall have at least one-third of its directors as independent directors; [Ref: CRC Regulations, 2016; Regulation 12(1)(a)]

6.4 At least one independent director shall be present in the meeting of board of directors of PACRA to constitute the quorum [Ref: CRC Regulations, 2016; Regulation 12(1)(c)]

6.5 The chairman of the board of PACRA shall be from amongst the independent

directors [Ref: CRC Regulations, 2016; Regulation 12(1)(d)]

6.6 No director of PACRA shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void [Ref: Companies Act, 2017; Section 207(1)]

6.7 If majority of the directors are interested in, any contract or arrangement entered into, or to be entered into, by or on behalf of PACRA, the matter shall be laid before the general meeting for approval [Ref: Companies Act, 2017; Section 207(2)]

7 CONFLICT OF INTEREST

7.1 Directors on PACRA's board shall not be involved in the rating process and shall provide an undertaking to this effect at the time of appointment as directors on the board. Provided that CEO being deemed director shall not be part of the rating committee. [Ref: CRC Regulations, 2016; Regulation 12(2)(a)]

7.2 The directors shall not hold similar position in any other credit rating company engaged in a similar business in Pakistan [Ref: CRC Regulations, 2016; Annexure C(d)(i)]

7.3 The directors shall not be a director, substantial shareholder or senior management officer in a company subject to rating by PACRA. [Ref: CRC Regulations, 2016; Annexure C(d)(ii)]

Provided that this condition shall not apply to:

(a) nominees of the Federal or Provincial Governments on the board of any credit rating company;

7.4 Directors prior to every meeting of board of directors, shall give an undertaking that they have no conflict of interest with any of the rating mandate being carried out by the company. [Ref: CRC Regulations, 2016; Regulation 10(2)]

8 CONFIDENTIALITY

8.1 Directors Shall:

8.1.1 not disclose inadvertently or deliberately to any one Information relating to any client /employee or activities of the Company as this is strictly confidential, unless the Director has been specifically authorized in writing to release this information.

8.1.2 not communicate the information, acquired by them for use for rating purposes, to any other person except where required under law to do so. [Ref: CRC Regulations, 2016:10(5)]

8.1.3 not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer. [Ref: CRC Regulations, 2016;10(7)(d)]

8.1.4 ensure strong firewalls to prevent disclosure or use of the said non-public information by the related parties or their personnel in cases where a credit rating company is a parent, subsidiary, joint venture partner or affiliate of any organization that might benefit from the non-public information available with the credit rating company; [Ref: CRC Regulations, 2016;11(A)(m)]

8.1.5 except as required under these regulations and without obtaining prior written approval of its customers, not share with or disclose to media or any other party including its other customers, any confidential information about its customers, which has come to its knowledge in the course of the rating process; [Ref: CRC Regulations,

2016;11(A)(o)]

9 RESPONSIBILITIES

9.1 Directors shall ensure that a formal code of conduct is in place that promotes ethical culture in the company and prevents conflict of interest in their capacity as member of the Board. The Board shall take appropriate steps to disseminate code of conduct throughout the company along with supporting policies and procedures; [CCG 2019, Regulation 10(3)(ii)]

9.2 The Board is responsible for the governance of risk and for determining the company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the company and shareholders. [CCG 2019, Regulation 10(2)]

9.3 directors shall make a disclosure regarding their actual or potential conflict of interest to the compliance officer or the PACRA. [Ref: CRC Regulations, 2016; Regulation 11(B)(f)]

9.4 Directors shall disclose to PACRA on quarterly basis, their directorships and substantial shareholdings in other Companies. [Ref: SECP Quarterly Report]

9.5 Every director of PACRA who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the company shall disclose the nature of his concern or interest at a meeting of the board [Ref: Companies Act, 2017; Section 205(1)]

10 CODE ADMINISTRATION

10.1 Interpretation: Competent Authority is responsible for interpreting and applying the Code to specific situations when questions arise.

10.2 Review: Compliance Officer would review this code (on annual basis) for its appropriateness and sufficiency. However, any change regarding applicable legislation shall be immediately updated. M/s Grant Thornton Anjum Rahman, Chartered Accountants (GTAR), would review the actual applicability of this code on semi-annual basis.

10.3 Approval: This Code is approved by the Board of Directors and the CEO is authorized to sign it.

10.4 Investigations of Suspected Violations: All reported violations shall be promptly investigated and treated confidentially to the extent reasonably possible.

10.5 Disciplinary Protocol: Compliance with the Codes and PACRA Policies shall be monitored on periodic basis:

- *Those who come within the bounds of this Code shall cooperate fully to provide truthful, accurate information*

10.6 Dissemination: This code shall be shared with Board Members.